

DUKE POWER COMPANY

POWER BUILDING

422 SOUTH CHURCH STREET, CHARLOTTE, N. C. 28242

WILLIAM O. PARKER, JR.
VICE PRESIDENT
STEAM PRODUCTION

May 24, 1982

TELEPHONE: AREA 704
373-4083

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Attention: Ms. E. G. Adensam, Chief
Licensing Branch No. 4

Re: Catawba Nuclear Station Units 1 and 2
Docket Nos. 50-413, -414
Regulatory Guide 9.3

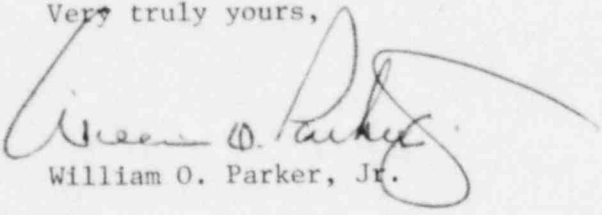
Dear Mr. Denton:

On March 31, 1981, Duke Power Company submitted data in response to Regulatory Guide 9.3 as required for determination as to whether any significant changes have occurred subsequent to the previous antitrust review at the construction permit stage.

By Mr. Argil Toalston's letter of February 25, 1982, clarification of our previous response was requested. Mr. Ronald Shearin of our Legal Department has discussed the status of our supplementary response with Mr. William Lamb of your staff.

Attachments A and B provide additional information in response to Questions 1.d., 1.f., 1.h., and 2. Attachments C and D are the data responses for the North Carolina Electric Membership Corporation and the Saluda River Electric Cooperative, Inc.

Very truly yours,



William O. Parker, Jr.

RWO/php
Attachments

cc: Mr. Robert Guild, Esq.
Attorney-at-Law
314 Pall Mall
Columbia, South Carolina 29201

Palmetto Alliance
2135½ Devine Street
Columbia, South Carolina 29205

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Supplementary Responses to Questions
Asked in Regulatory Guide 9.3

Question: 1.d. Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

Answer: The South Carolina Supreme Court issued its decision in February, 1982, upholding the constitutionality of the legislation authorizing the Piedmont Municipal Power Agency (PMPA) to purchase a 25% interest in Unit No. 2 of the Catawba Nuclear Station. Favorable negotiations are continuing on this matter.

Question: 1.f. List of all (1) new wholesale customers, (2) transfers from one rate schedule to another, including copies of schedules not previously furnished, (3) changes in licensee's service area, and (4) licensee's acquisitions or mergers.

Answer: (3) Changes in licensee's service area. Duke's service area has not changed except to the extent of the areas served by the new delivery to Wake EMC and delivery to the PeeDee Electric Membership Corporation. The tie-in to Pee Dee EMC (in Union County, North Carolina)

was effective on June 2, 1981. This tie-in implemented a 1974 request from the PeeDee EMC which had requested service for the load transferred from Carolina Power and Light Company. It had become clear that there could be a shorter line to the Duke system with less expense and with an absence of any indemnification problems as to CP&L. It had been originally planned that the needed substation would be installed in 1978; although the substation was not installed until a much later date. The Company did not extend the service area beyond what was discussed in the 1974 request.

- (4) Licensee's applications or mergers. As noted, mill village systems are not deemed to have been electric utilities or systems as defined for purposes of this questionnaire. If such systems are included within the definition, it should be noted that the Company acquired Cannon Mills distribution facilities, Kannapolis, North Carolina, on March 20, 1979. These facilities are now served on the retail rate.

Question:

- 1.h. Summary of requests or indications of interest by other electric power wholesale or retail distributors

and licensee's response for any type of electric service or cooperative venture or study.

Answer:

The circumstances surrounding the recommendation by the North Carolina Utilities Commission that Duke Power Company supply power to the New River Light and Power Company of Boone, North Carolina are as follows: In 1973, New River Light and Power Company, served at wholesale by Blue Ridge Electric Membership Corporation, and serving the City of Boone, North Carolina, explored with Duke the possibility of Duke's building a transmission line from North Wilkesboro, North Carolina to Boone in order to give New River a delivery at Boone to permit the transfer to that delivery point of all power then being supplied New River by Blue Ridge EMC. Duke declined to build the transmission line which would have been some 24 miles long, because the cost of the line was out of all proportion to the additional revenue to be received, and the project was not economically feasible. However, Duke did indicate to New River that should New River be interested in taking power at a point which would be economically feasible, then Duke would be happy to serve. The Utilities Commission had made its recommendation in the matter in connection with review of whether to disallow an item of expense in a

filing by New River Light and Power Company. All parties eventually recognized that a tie-in with the Duke system would not be economically feasible.

The January, 1979 request from the Town of Winnsboro, South Carolina for a tie-in to their wholesale distribution facility was apparently motivated by the fact that at that time, our rates were lower than those of South Carolina Electric and Gas Company.

To permit this requested tie-in would have placed an undue financial burden on Duke which would have been inimical to the interest of both Duke investors and Duke customers. To meet its existing obligations, Duke was already committed to a program of expansion involving primarily baseload nuclear plants which (1) require a regulatory lead time of more than ten years, (2) have been embroiled in regulatory delays, and (3) were constantly faced with increased capital costs which makes the Company's financial program difficult and burdensome. For these reasons, Duke believed that it would add to the burden of meeting load growth in its present public service obligation to take on any new requirements such as those proposed by Winnsboro. Subsequent to the February, 1979

meeting with representatives of the Town of Winnsboro, the above concerns of the Company were communicated by letter of March 8, 1979. (Attachment B) It is assumed that the Town of Winnsboro agreed with the licensee's rationale for not being willing to serve the town under the circumstances as outlined to them.

The Town of Camden, South Carolina also requested that service by the licensee be provided. Their request led to a January 27, 1982 meeting between Duke Power Company representatives and both the Camden Mayor and City Manager. The Camden officials indicated that they were looking for lower rates. The licensee informed the town that it was unwilling to provide service due to possible shortages of power in the 1990's when it is estimated that the Company will have inadequate reserves and possibly even negative reserves. The licensee has heard nothing further from the town subsequent to the January 27, 1982 meeting.

Question:

2. Licensees whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

Answer:

The licensee entered into a new contract with SEPA which provides for the wheeling of 118.5 MW instead of 61,500 KW per month at a negotiated cost in line with the SEPA/licensee contract. This arrangement was approved by FERC effective December 10, 1981.

The working agreement with PMPA also provides for the wheeling of power through our lines.

DUKE POWER COMPANY

P. O. BOX 2178

GENERAL OFFICES

TELEPHONE: AREA 704
373-4011

422 SOUTH CHURCH STREET

CHARLOTTE, N. C. 28242

March 8, 1979

Mr. Philip D. Burnes
Town Manager
Town of Winnsboro
Winnsboro, S. C. 29180

Dear Mr. Burnes:

We have your letter of February 26, 1979 wherein you have requested that we confirm those statements of yours concerning recent discussions between representatives of the Town of Winnsboro and Duke Power Company with regard to electric power requirements.

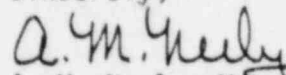
Our records indicate that you correctly set forth those attending the meeting of January 5 except for Mr. Lampke. Donald B. Lampke did not attend.

On February 7, 1979, James Foreman of Duke Power Company also attended the meeting in your office. There was no telephone discussion on February 8 between Mr. Burnes and Neely but there was a telephone conversation between Neely and Mr. Cohn. We agree with your paragraphs (1) and (2). With regard to paragraph (3) Duke's position is as follows:

Duke does not feel that it is in the best interest of its investors or its existing customers to expand its present public service obligation. To meet its existing obligation, Duke is already committed to a program of expansion, primarily involving base load nuclear plants, which (1) involves lead times of ten years or more; (2) is already embroiled in regulatory delays; and (3) is constantly faced with increasing capital costs which make the Company's financial program difficult and burdensome. For instance, Duke's present program requires new investment of about \$2.8 billion before the end of 1981 and Duke now faces a situation in which its stock is selling below book value and its bonds carry an interest requirement of 9.5 to 10%. In these circumstances, Duke feels that it should not add to the burden of meeting load growth in its present public service obligation by taking on new requirements such as those that Winnsboro would involve.

In addition, Duke is not convinced that long-term rate trends and the impact of serving new load upon existing customers are such that accepting new obligations outside of the Company's public service responsibility would be in the interest of the new customer, Duke's existing customers or in the public interest.

Sincerely,



A. M. Neely, Manager
Resale Power Department
sn

cc: Southeastern Consulting Engineers

ATTACHMENT C

NORTH CAROLINA ELECTRIC MEMBERSHIP CORPORATION

RESPONSE TO UNITED STATES NUCLEAR REGULATORY COMMISSION

REGULATORY GUIDE 9.3

WITH REGARD TO THE OPERATING LICENSE APPLICATION

FOR THE

CATAWBA NUCLEAR STATION

YORK COUNTY, SOUTH CAROLINA

APRIL 1982

INFORMATION FOR ANTITRUST REVIEW

OF

OPERATING LICENSE APPLICATION

Question 1A: Anticipated excess or shortage in generating capacity resources not expected at the construction permit stage. Reasons for the excess or shortage along with data on how the excess will be allocated, distributed, or otherwise utilized or how the shortage will be obtained.

Answer: In June of 1980, North Carolina Electric Membership Corporation (NCEMC) joined in the filing of an application for an amendment to the construction permit granted to Duke Power Company (Duke) for the Catawba Nuclear Station by the United States Nuclear Regulatory Commission (NRC). This amendment was required to allow for the sale of 56.25% (645 MW) ownership interest in Catawba Unit 1 (1145 MW) and 28.125% of the Support Facilities to NCEMC by Duke. In connection with this application for amendment to the construction permit, NCEMC submitted a document entitled "Information Requested by the Attorney General for Antitrust Review". At that time, NCEMC's projected 1983 peak load was 676.6 MW at delivery in the Duke service area. The load growth was projected at 5.0% to obtain an annual peak demand of 1,339.7 MW at delivery in the Duke service area in 1997. At the present time, actual peak loads are not expected to vary from these figures to any significant degree. The closing of the sale to NCEMC took place on February 6, 1981. The terms and conditions of the sale to NCEMC are

contained in the Purchase, Construction and Ownership Agreement, Interconnection Agreement, and Operating and Fuel Agreement which established the terms and conditions of its participation in Duke's Catawba Nuclear Station Unit 1. The Interconnection Agreement provides for the sell-back of capacity and associated energy from NCEMC's share of Catawba Unit 1 to Duke over the first ten (10) years of commercial operation on a declining schedule. The amount of capacity retained by NCEMC is limited to 40% of its coincident summer peak demand during the initial ten years of commercial operation. In the 11th year of commercial operation (1995) NCEMC will retain its full 645 MW share. Through the McGuire reliability exchange arrangement with Duke, NCEMC will share the output of both Duke's McGuire Nuclear Station and the Catawba Nuclear Station, although it will own only a portion of Catawba Unit 1 and Support Facilities. NCEMC will have the option of triggering the reliability exchange on the previously scheduled commercial operation dates of each Catawba Unit (Nov. 1, 1983 and May 1, 1985) thereby ensuring that it will receive exchange entitlements irrespective of when Catawba actually commences operation. The remaining partial requirements in the Duke service area will be supplied by supplemental purchases from Duke at average system cost. NCEMC's load outside the Duke service area will be serviced by Carolina Power and Light Company, Virginia Electric Power Company and Nantahala Power and Light Company. The sell-back provision of the Catawba Interconnection Agreement plus the fact that power requirements over and above the

retained capacity will be supplied by wholesale power purchases insures that there will be neither an excess nor a shortage in generating capacity resources irrespective of NCEMC's actual load growth.

Question 1B: New power pools or coordinating groups or changes in structure, activities, policies, practices, or membership of power pools or coordinating groups in which the licensee was, is, or will be a participant.

Answer: NCEMC has never been, and is not a member of any power pool or coordination group.

Question 1C: Changes in transmission with respect to (1) the nuclear plant, (2) interconnections, or (3) connections to wholesale customers.

Answer: NCEMC does not own any portion of the transmission system associated with Catawba Unit 1. Power and energy output from the Catawba Unit plus supplemental purchases will be wheeled to NCEMC's delivery points via Duke's transmission system. Therefore, any changes in transmission with respect to the nuclear plant are not applicable to NCEMC.

There have been no changes with respect to interconnections with other utilities.

At the present time, all of NCEMC's distribution cooperatives are wholesale power customers of Duke, Carolina Power and Light Company, Virginia Electric Power Company, and Nantahala Power and Light Company and also receive a small allotment of

hydropower from the Southeastern Power Administration (SEPA). NCEMC's load in the Duke service area utilizes transmission wheeling services of Duke. NCEMC will not become a wholesale power supplier until either the commercial operation of Catawba Unit 1 or the triggering of the McGuire reliability exchange. NCEMC, however, is triggering a 48 year agreement as a wholesale supplier and is presently billing for general and administrative costs while not supplying wholesale power. At the time of either commercial operation of Catawba Unit 1 or the triggering of the McGuire Reliability Exchange, NCEMC's members in the Duke service area will continue to use Duke's wheeling services. Therefore, NCEMC does not and will not have transmission connections to wholesale power customers.

Question 1D: Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

Answer: Since the closing of the sale on February 6, 1981 for the participation of NCEMC in Duke's Catawba Unit 1 there have been no changes in the ownership or contractual allocation of the output of Catawba Unit 1.

Question 1E: Changes in design, provisions, or conditions of rate schedules and reasons for such changes. Rate increases or decreases are not necessary.

Answer: As stated in the answer to Question 1C, NCEMC is not at this time a wholesale power supplier and will only become one upon

the commercial operation of Catawba Unit 1 or the triggering of the McGuire reliability exchange. Therefore, there has been no change in the design, provision, or conditions of rate schedules. When NCEMC does become a wholesale power supplier members will be billed according to the rate formula included in each Wholesale Power Contract between that member and NCEMC.

Question 1F: List of all (1) new wholesale customers, (2) transfers from one rate schedule to another, including copies of schedules not previously furnished, (3) changes in licensee's service area, and (4) licensee's acquisitions or mergers.

Answer: As stated in the answer to Question 1C, NCEMC is not at this time a wholesale power supplier. Therefore, NCEMC does not have at this time any new wholesale customers nor transfers from one rate schedule to another. When NCEMC becomes a wholesale power supplier, the existing members will become wholesale customers.

There have been no changes in NCEMC's service area nor have there been any acquisitions or mergers.

Question 1G: List of those generating capacity additions committed for operation after the nuclear facility, including ownership rights or power output allocations.

Answer: There are no generation capacity additions committed for operation after the nuclear facility which includes ownership rights or power output allocations with respect to NCEMC.

Question 1H: Summary of requests or indications of interest by other electric power wholesale or retail distributors, and licensee's response, for any type of electric service or cooperative venture or study.

Answer: There has been no request or indication of interest by any electric power wholesale or retail distributor for any type of electric service or cooperative venture or study.

Question 2: Licensees whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

Answer: There were no such conditions pertaining to antitrust aspects included in the amendment to the construction permit with respect to NCEMC.

ATTACHMENT D

SALUDA RIVER ELECTRIC COOPERATIVE, INC.

RESPONSE TO UNITED STATES NUCLEAR REGULATORY COMMISSION

REGULATORY GUIDE 9.3

WITH REGARD TO THE OPERATING LICENSE APPLICATION

FOR THE

CATAWBA NUCLEAR STATION

YORK COUNTY, SOUTH CAROLINA

MARCH 1982

SOUTHERN ENGINEERING

INFORMATION FOR ANTITRUST REVIEW
OF
OPERATING LICENSE APPLICATION

Question 1A: Anticipated excess or shortage in generating capacity resources not expected at the construction permit stage. Reasons for the excess or shortage along with data on how the excess will be allocated, distributed, or otherwise utilized or how the shortage will be obtained.

Answer: In June of 1980, Saluda River Electric Cooperative, Inc. (Saluda River) filed an application for an amendment to the construction permit granted to Duke Power Company (Duke) for the Catawba Nuclear Station by the United States Nuclear Regulatory Commission (NRC). This amendment was required to allow for the sale of 18.75% (215 MW) ownership interest in Catawba Unit 1 (1145 MW) and 9.375% of the Support Facilities to Saluda River by Duke. In connection with this application for amendment to the construction permit, Saluda River submitted a document entitled "Information Requested by the Attorney General for Antitrust Review". At that time, Saluda River's projected 1983 peak load was 244.2 MW at delivery in the Duke service area. The load growth was projected at 5.0% to obtain an annual peak demand of 483.5 MW at delivery in the Duke service area in 1997. At the present time, actual peak loads are not expected to vary from these figures to any significant degree. The sale of 18.75% ownership interest in

Catawba Unit 1 to Saluda River was closed on Feb. 6, 1981. The terms and conditions of this sale are contained in the Purchase, Construction and Ownership Agreement, Interconnection Agreement, and Operating and Fuel Agreement. The Interconnection Agreement provides for the sell-back of capacity and associated energy from Saluda River's share of Catawba Unit 1 to Duke over the first ten (10) years of commercial operation on a declining schedule. The amount of capacity retained by Saluda River is limited to 40% of its coincident summer peak demand during the initial ten years of commercial operation. In the 11th year of commercial operation (1995) Saluda River will retain its full 215 MW share which is expected to be approximately 44% of the annual system peak demand at delivery in the Duke service area and a declining percentage thereafter. Through the McGuire reliability exchange arrangement with Duke, Saluda River will share the output of both Duke's McGuire Station and the Catawba Station, although they will own only a portion of Catawba Unit 1 and Support Facilities. Saluda River will have the option of triggering the reliability exchange on the previously scheduled commercial operation dates of each Catawba Unit (Nov. 1, 1983 and May 1, 1985) thereby ensuring that they will receive exchange entitlements irrespective of when Catawba actually commences operation. The remaining partial requirements in the Duke service area will be supplied by supplemental purchases from Duke at average system cost. Saluda River's load outside the Duke service area would be serviced by South Carolina Electric and Gas Company. The sell-back provision of the Catawba Interconnection Agreement plus the fact that power requirements over and above the retained

capacity will be supplied by wholesale power purchases insures that there will be neither an excess nor a shortage in generating capacity resources irrespective of Saluda River's actual load growth.

Question 1B: New power pools or coordinating groups or changes in structure, activities, policies, practices, or membership of power pools or coordinating groups in which the licensee was, is, or will be a participant.

Answer: Saluda River has never been, and is not a member of any power pool or coordination group.

Question 1C: Changes in transmission with respect to (1) the nuclear plant, (2) interconnections, or (3) connections to wholesale customers.

Answer: Saluda River does not own any portion of the transmission system associated with the Catawba Nuclear Unit #1. Power and energy output from the Catawba Unit plus supplemental purchases will be wheeled to Saluda River's delivery points via Duke's transmission system. Therefore, any changes in transmission with respect to the nuclear plant are not applicable to Saluda River.

There have been no changes with respect to interconnections with other utilities.

At the present time, all of Saluda River's distribution cooperatives are wholesale power customers of Duke Power Company and South Carolina Electric and Gas Company and also receive a small

allotment of hydropower from the Southeastern Power Administration (SEPA). Saluda River's load in Duke service area utilizes transmission wheeling services of Duke. Saluda River will not become a wholesale power supplier until either the commercial operation of the Catawba Nuclear Unit #1 or the triggering of the McGuire reliability exchange. At that time Saluda River's members in the Duke service area will continue to use Duke's wheeling services. Therefore, Saluda River does not and will not have transmission connections to wholesale power customers.

Question 1D: Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

Answer: Since the closing of the agreement on February 6, 1981 for the participation of Saluda River in Duke's Catawba Unit 1 there have been no changes in the ownership or contractual allocation of the output of Catawba Unit 1.

Question 1E: Changes in design, provisions, or conditions of rate schedules and reasons for such changes. Rate increases or decreases are not necessary.

Answer: As stated in the answer to Question 1C, Saluda River is not at this time a wholesale power supplier and will only become one upon the commercial operation of Catawba Unit 1 or the triggering of the McGuire reliability exchange. Therefore, there has been no change in the design, provision, or conditions of rate schedules. When Saluda River does become a wholesale power supplier members will be billed according to the rate

formula included in each Wholesale Power Contract between that member and Saluda River.

Question 1F: List of all (1) new wholesale customers, (2) transfers from one rate schedule to another, including copies of schedules not previously furnished, (3) changes in licensee's service area, and (4) licensee's acquisitions or mergers.

Answer: As stated in the answer to question 1C, Saluda River is not at this time a wholesale power supplier. Therefore, Saluda River does not have at this time any new wholesale customers or transfers from one rate schedule to another. When Saluda River becomes a wholesale power supplier, the existing members will become wholesale customers.

There have been no changes in the licensee's service area nor have there been any acquisitions or mergers.

Question 1G: List of those generating capacity additions committed for operation after the nuclear facility, including ownership rights or power output allocations.

Answer: There are no generation capacity additions committed for operation after the nuclear facility which includes ownership rights or power output allocations with respect to Saluda River.

Question 1H: Summary of requests or indications of interest by other electric power wholesale or retail distributors, and licensee's response, for any type of electric service or cooperative venture or study.

Answer: There has been no request or indication of interest by any

electric power wholesale or retail distributor for any type of electric service or cooperative venture or study.

Question 2: Licenses whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

Answer: There were no such conditions pertaining to antitrust aspects included in the amendment to the construction permit with respect to Saluda River.