

June 19, 1982

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Re: Houston Lighting & Power Co.
Allens Creek Nuclear Generating Station, Unit 1
Docket No. 50-466

To the Members of the Honorable Board:

The Attached two page article from the Houston Chronicle of June 17, 1982, is provided for your information, as it appears relevant to this proceeding. It appears relevant to the ultimate fate of the ACNGS, and appears to represent a slight change in Applicant's position on the plant as represented in December 1981.

Respectfully,

John F. Doherty

John F. Doherty
Intervenor pro se

jfd
c.c. All parties

Houston Chronicle 6-17-82

HL&P request would up rates 14 percent for homeowners

BY MIKE SNYDER
and CARLOS BYARS
Chronicle Staff

Houston Lighting & Power Co. has asked for a \$336 million rate hike in the Houston area. Company spokesmen say they need the money for a "massive construction program" and overall increased costs.

The rate increase request, filed Wednesday with 52 cities and the state Public Utilities Commission, is the fifth in the past five years. If adopted, it could go

into effect in October.

HL&P's increase request would raise a typical homeowner's summer electric bill 14 percent, from \$160.14 to \$182.36 a month for 2,000 kilowatt hours.

HL&P executives say much of the increase they are seeking is to recover money already sunk into the proposed Allens Creek nuclear power plant, a project the company wants to abandon.

They say they want to cancel the project if they can get back the money that already has been spent on Allens Creek.

As much as \$110 million of the increase could be linked to the company's desire to cancel the Allens Creek project, company officials said. They said the company's investors should not have to bear the costs of canceling the project.

Houston Mayor Kathy Whitmire said the city's Public Service Department, through its newly established rates and research division, will "carefully analyze" the rate increase request.

As an advocate of the ratepayer, the city has a "duty to put pressure on the utilities to exercise good management" so that consumers need not bear the cost of poor business decisions, the mayor said.

The PUC sets utility rates in unincorporated areas. In HL&P's area, 52 cities, including Houston, set electric rates in their borders. However, if HL&P thinks the rate set by a city is too low, it can appeal the decision to the PUC.

Last year, the company asked for a \$248 million increase but the PUC approved only \$188.5 million.

A representative of the PUC said state law requires utilities to be granted rates high enough to guarantee a "fair and reasonable return on investment."

But, the spokeswoman, Ronna Martin, said the law does not indicate what is a fair and reasonable return, and each case is considered on its own merits.

She said she knows of no case in which the PUC did not allow a utility to make a profit.

HL&P is asking the PUC to allow the

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Especially for men — great
ideas for outdoor grilling.
Today in Food.

Weather

Houston and vicinity: Partly cloudy
through Friday. High today mid-90s,
low tonight mid-70s. Variable winds

near 10 mph today. More data Section
1, Page 17

Weatherline 529-4444

HL&P request would up homeowner rates 14 pct.

(From Page 1)

company a 17.5 percent rate of return on its investment.

Last year, Houston departed from its usual practice and chose not to intervene in the HL&P's rate request before the PUC for unincorporated areas and small cities that do not regulate electricity rates. This decision was made by then-Mayor Jim McConn.

City Council then approved a \$134.9 million increase.

The results of the tactic are not yet known, as the PUC has yet to act on the eight company's appeal of the city's decision, which was lower than the PUC finding in the rural rate case.

HL&P, however, is allowed to charge consumers at the higher rate approved by the PUC. If the PUC lowers HL&P's increase, the company will have to refund the difference to consumers.

Mrs. Whitmore said she intends this year to resume the practice of intervening in the rural rates, which over the years has produced a decision that ultimately applied throughout the HL&P service area. HL&P has a policy against a dual rate system within its service area.

It has also been the city's practice to retain the consulting firm of Touche-Ross & Co. to study HL&P rate increase filings and make recommendations to City Council along with officials of the Public Service Department. The mayor said it has not been decided whether the city will retain Touche-Ross this year.

HL&P, in a prepared statement released Wednesday, said the population of the area served by the company has increased by 3.6 percent annually for the past decade and the demand for electricity continues to grow. The company said it plans to spend \$3.14 billion on construction before 1984.

The company said that if the higher rates are approved, the average homeowner in Houston still will have lower electric bills than homeowners in five large cities — New York, San Diego, Philadelphia, Detroit and Chicago.

Officials of the utility said in testimony filed with the PUC that if HL&P customers don't pick up the tab for the Allens Creek project, the company will have no choice but to go ahead with the nuclear plant while canceling two proposed waste-burning generating stations.

Those plants to be built in East Texas would cost consumers less in the long run than Allens Creek, they said.

Steve Letbetter, HL&P's vice president and controller, said the company would lose as much as \$30 million if it shuts down construction of the proposed Allens Creek project without a special rate increase.

Legal obligations resulting from that would block the sale of bonds or preferred stock for at least a year, Letbetter said. That would shut down all construction activity, he said.

Letbetter said HL&P should be allowed a return on its Allens Creek investment because the decision to build the plant was prudent and investment in the company should not be penalized.

He asked the PUC to approve a rate schedule in which the \$302 million would be repaid by customers over a 10-year period with 12 percent of the repayment

being made in the first four years.

He said it is not financially possible for HL&P to keep Allens Creek in the company's construction program.

That program amounts to \$7.718 billion by 1987, including Allens Creek. It would decrease to \$6.719 billion if Allens Creek is canceled.

Letbetter said the company also estimates that if Allens Creek is continued, it will cost the customers twice as much in the long run as canceling the plant.

As of March 1, HL&P had spent \$388 million on the Allens Creek project. The expenses included:

- Ebasco Services Inc., the designer and general contractor, \$148 million
- Nuclear steam supply system (the reactor and associated equipment), \$70 million
- Material and equipment, \$45 million
- HL&P costs, \$29 million
- Nuclear fuel, \$60 million
- Carrying charges, \$36 million

Letbetter's testimony said the company hopes to recover \$26 million from nuclear fuel intended for the plant and may recover additional money from the sale of other equipment.

Ken Hunkley, HL&P group vice president, Wednesday told Houston City Council the HL&P is re-evaluating the Allens Creek project for several reasons — including the fact that this has been the longest construction licensing proceeding in the history of the Nuclear Regulatory Commission.

The long delays, he said, have led to doubts about the feasibility of the project from a financial standpoint.

"When we started, we could borrow capital for 30 years at 7 or 8 percent. Now, we can only go 10 years at about 15.5 percent," Hunkley said.

In addition, he said, "if we can't sell components of the plant, we will have to build it" — a prospect that would end up costing the consumer even more than if the project were abandoned.

If the nuclear project is canceled and consumers pick up the company's losses, Hunkley said HL&P will accelerate by a year lignite generating plant projects under way or on the drawing board.

"We are acutely aware of the concern our customers have about increased electricity costs," and this concern is a constant factor in the company's business decisions, Hunkley said.

He said the increase is vital to underwrite HL&P's billion-dollar-a-year expansion program and ensure it can continue to meet the needs of its rapidly growing service area.

HL&P, Hunkley said, also is "deeply concerned about the impact rising fuel costs have on electricity bills," and "this reason is turning from natural gas to more abundant, less expensive fuels: coal, lignite and nuclear power."

Councilman John Goodner asked Hunkley about reports that Brown & Root Inc., which has been dismissed as engineer and general contractor for the South Texas Nuclear Project near Bay City, already had been paid almost the full amount it would have received for building the plant.

HL&P last month filed papers in a lawsuit with Brown & Root in which HL&P said it has already paid Brown & Root \$12 million that was to be Brown & Root's full profit for building the plant.