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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

DOCKETED
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In the Matter of)
UNION ELECTRIC COMPANY)
(Callaway Plant, Unit 1))

OFFICE OF SECRETARY
DOCKETING & SERVICE
BRANCH
Docket No. STN 50-483-OL

JOINT INTERVENORS' MOTION FOR LEAVE
TO FILE SUPPLEMENTAL CONTENTION

Come now Joint Intervenors, Coalition for the Environment, St. Louis Region; Missourians For Safe Energy; and Crawdad Alliance, and request leave to file their Supplemental Contention, copy of which is attached hereto and hereby made a part hereof. As grounds for this motion Joint Intervenors state:

1. From March 24, 1982 until the present time, Joint Intervenors have been precluded from filing this Supplemental Contention by virtue of the Nuclear Regulatory Commission's rule purporting to exempt public utilities from the requirement that they demonstrate their financial qualifications to operate and decommission their plants as a condition of receiving an operating license. 47 Fed. Reg. 13750, March 31, 1982. That rule was recently held invalid by the United States Court of Appeals for the District of Columbia Circuit in **New England Coalition on Nuclear Pollution v. Nuclear Regulatory Commission**, No. 82-1581 (Feb. 7, 1984). The court's decision effectively reinstates the original rule respecting financial qualifications.

2. During the period when Joint Intervenors were precluded

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by the rule of March 24, 1982 from litigating the issue of financial qualifications, numerous circumstances have occurred, raising serious doubts as to the financial qualifications of the applicant. It now appears that the issue of the financial qualifications of the applicant is a critical issue in this proceeding. The Joint Intervenors can assist in presenting the relevant evidence, and due process of law requires that the Joint Intervenors be heard on this critical issue.

Among the circumstances which have occurred in that period, which materially and dramatically change the situation which existed on March 24, 1982, are the following:

A. On August 18, 1982 the applicant announced an increase in the estimated cost of construction of the plant, from \$2.1 billion to \$2.85 billion, more than 33%, and a delay of approximately a year in completion of the plant. These new developments changed the financial condition of the company from unhealthy to precarious.

B. In response to that announcement, Moody's lowered its ratings on the company's first mortgage bonds to Baa-2 from Baa-1, and lowered its ratings on the company's unsecured pollution control revenue bonds to Baa-3 from Baa-2. Standard & Poor lowered its ratings on UE's first mortgage bonds and pollution control bonds to BBB-, the lowest rating before speculative bonds, and lowered its ratings on the company's preferred stock to BB+ from BBB-. Moody's said the cost increase will require the utility to raise nearly all its capital in the stock and credit markets through 1984. See **Wall Street Journal**, p. 36,

col. 1, August 19, 1982.

C. In the year 1983 investor confidence in utilities with heavy participation in nuclear construction (including the applicant) eroded rapidly. The stock price of such utilities plunged 27% relative to the price of stock of utilities with no nuclear construction. **Studness, The Market's Stratification of Electric Utility Stocks, Public Utilities Fortnightly**, January 19, 1984, p. 43. As of January 1, 1984, the price of Union Electric's stock was 22% below the book value per share. **E.F. Hutton Equity Research Review of Electric Utilities**, February, 1984. It thus was clear that investors generally were treating Union Electric stock as the stock of a company in the least favorable group of electric utilities, those with heavy participation in nuclear construction.

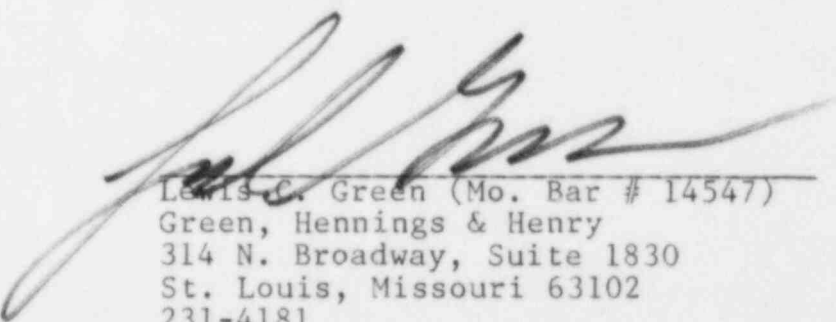
D. A survey of 75 utilities by Salomon Brothers, printed in the December 5, 1983 issue of **Forbes**, rated Union Electric as one of only five with an earnings quality grade as low as D.

E. Since that time, investor confidence in that least favorable group of utilities has eroded more swiftly. The cancellation of Zimmer and Marble Hill, the default on Nine Mile Point, the delays at Shoreham and Limerick-2, the denial of an operating license at Byron, and the belt-tightening at Long Island Lighting and reduction of dividends at Consumers Power have rated headlines in the financial press. **Standard & Poor's Outlook** of March 28, 1984 lists Union Electric as one of those utilities in the third tier, "with nuclear exposure and prob-

lems." In mid-April, 1984, the price of UE's stock was more than 25% below book value. **St. Louis Business Journal**, April 16-22, 1984, p. 19. Because Union Electric is dependent upon the sale of stock and bonds to meet its cash flow requirements for 1984, and probably at least one or two, or more, years thereafter, this erosion of investor confidence will inevitably have a substantial impact on the financial ability of the company to operate the plant safely.

F. In brief, since March 24, 1982, Union Electric has changed from a weak, struggling company to a shaky, speculative investment, with very serious cash flow problems.

WHEREFORE, Joint Intervenors request that they be permitted to file the attached Supplemental Contention at this time, and that the Contention be set for evidentiary hearing in St. Louis, Missouri, and that the operating license be denied.



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April 18, 1984

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing were served on April 18, 1984 by deposit in the United States mail first class, postage prepaid, addressed to the persons listed below.

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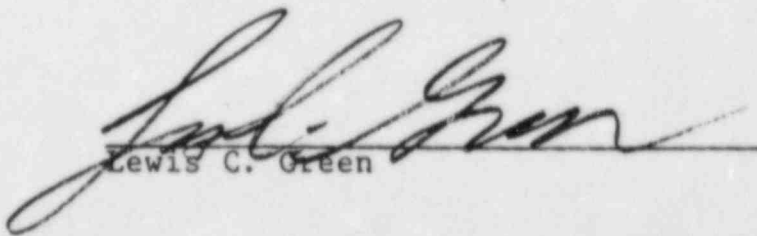
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