

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING APPEAL BOARD

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In the Matter of

DUKE POWER COMPANY, et al.

(Catawba Nuclear Station,
Units 1 and 2)

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Docket Nos. 50-413
50-414

AFFIDAVIT OF W. R. STIMART

My name is W. R. Stimart. I am Vice President, Regulatory Affairs, for Duke Power Company ("Duke"). I am a graduate of the University of Illinois, holding a degree of Bachelor of Science in Accounting. I am a Certified Public Accountant, with membership in the American Institute of CPA's and the North Carolina Association of CPA's. I am also a member of the Southern Carolinas Chapter of the Financial Executives Institute (FEI) as well as a member of the FEI Committee on Corporate Reporting. I am a past Chairman of the Accounting Principles Committee of the Edison Electric Institute.

Upon graduation from college in 1953, I joined Arthur Andersen & Co., an international firm of Certified Public Accountants. During the following eleven years, I worked almost exclusively on public utilities in the areas of audit, accounting, finance and regulatory matters. From 1964 to the spring of 1971, I was associated with Ayrshire Collieries Corporation in varying positions, the last of which was Controller. I joined Duke Power in May 1971 as Assistant Treasurer, was elected Treasurer in April 1972, Controller in October 1976, and Vice President, Regulatory Affairs in October 1979.

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My position entails overall responsibility for regulatory accounting. For rate purposes, this includes determination of revenue requirements, accounting adjustments and other matters as they may relate to regulatory affairs. Further, I am primarily responsible for the determination of revenue requirements associated with the Catawba Nuclear Station ("Catawba"). I am also familiar with and can attest to the substantial costs that a delay in the commercial operation of Catawba Unit 1 would impose upon the consumers of power generated from the Catawba unit.

The purpose of this affidavit is to explain how a delay in commercial operation translates directly into increased project costs and what those costs would be for each day, week or month of additional delay, and to respond to certain assertions made in the affidavit of Wells Eddleman, filed in support of Palmetto Alliance and CESG's request for a stay before the Appeal Board.

Duke presently owns 25% of the Catawba Station. The North Carolina Municipal Power Agency Number 1 ("NCMPA"), a joint agency composed of all but four of Duke's municipal customers in North Carolina, owns 37.5% of the Catawba Station and Duke's North Carolina and South Carolina cooperative customers own the remaining 37.5%. The ownership entities representing the cooperative customers are the North Carolina Electric Membership Corporation and the Saluda River Electric Cooperative, Inc. respectively. Duke expects to sell the remaining 25% of Catawba Unit 2 to the Piedmont Municipal Power Agency, a joint agency composed of ten municipal customers in South Carolina, in December, 1984.

Under the terms of the Agreements between Duke and its co-owners, Duke will buy from the co-owners all but a small percentage of the capacity

and energy of Catawba during the early years of its operation. These buy back provisions are activated by the Commercial Operation date of Catawba and any delay in such date will have a substantial adverse impact on such co-owners.

The cost of financing construction is one of the costs of a project. Under the Uniform System of Accounts adopted by the Federal Energy Regulatory Commission ("FERC"), the North Carolina Utilities Commission, the South Carolina Public Service Commission and the Rural Electrification Administration, this cost is referred to as "AFUDC" (allowance for funds used during construction) and is included as a cost of construction. (See Uniform System of Accounts Electric Plant Instructions, Section 3(17).) AFUDC is computed pursuant to a formula reflecting both short and long term capital costs, and, in essence represents the cost of the funds invested in the project during the construction period and until it is placed in commercial operation. During the construction period AFUDC is accrued and added to the original cost of the project. AFUDC is normally then recoverable through depreciation of the project cost after it goes into commercial operation and hence into rate base.

For each day of delay in commercial operation of Catawba, the cost of the plant would increase by an estimated additional \$545,000 per day (\$16,350,000 per month) in allowance for funds. The additional revenue required from the ratepayer necessary to recover such amount, as well as the carrying costs on the unamortized additional capitalized costs (which would be in excess of a million dollars for each day of delay), would amount to millions of dollars. This delay cost can be multiplied by the number of days or weeks of delay to

approximate the increased project costs which would be borne by electric customers.

The nuclear fuel cost associated with the commercial operation of Catawba Unit 1 (about 7.20 mills/kwh) is expected to be much lower than the fuel costs of other generation (about 18.80 mills/kwh) which it would displace. When Unit 1 goes into commercial operation, with its rated 1145 MWe net, Duke estimates it will produce 16,488 MWH per day assuming a 60% capacity factor. For each day commercial operation of Catawba Unit 1 is delayed, Duke will be unable to displace generation by other, more expensive fuel and will be unable to avoid additional fuel expense. At a fuel cost of 18.80 mills/kwh, the 16,488 MWH would cost the customers an additional \$190,000 per day.

The foregoing demonstrates that Catawba Unit 1 is needed at the earliest possible opportunity for the following reasons:

- (i) Increase in capital costs. Each day of delay in commercial operations would result in an increase of \$545,000 per day in allowance for funds, which would result in an increase in excess of a million dollars of carrying costs for each day of delay.
- (ii) Increase in cost of labor and supplies. Each day of delay in commercial operation would increase the cost of labor and supplies by approximately \$160,000 per day.
- (iii) Increase in fuel cost. Each day of delay in commercial operation would increase fuel expense by approximately \$190,000 per day.

In summary, then, for each day of delay in commercial operation of Catawba Unit 1, the customers in the Duke service area would see an increase in cost in excess of a million dollars for each day of delay.

Mr. Eddleman takes the position that Duke will be unable to save money for its customers by operating Catawba instead of its other plants. His reasoning is that energy from Catawba will cost more than energy from Duke's other plants. Moreover, he states that Duke's co-owners are receiving their entitlements to Catawba energy from the McGuire Nuclear Station, thereby implying that, in the event Catawba is not allowed to operate, they will not be injured. (Eddleman Affidavit, ¶ 3, pp. 5-6.)

Mr. Eddleman's assertions with respect to lack of savings to our customers are incorrect. My affidavit has already discussed the savings on fuel and fixed costs to be realized by our customers from operation of Catawba, and the costs to them if Catawba does not operate. However, some additional comments with respect to Mr. Eddleman's affidavit are in order.

First, Mr. Eddleman's assertion that Catawba produces power at a higher cost and, therefore, Duke should choose to use its other plants to meet its customer's demand ignores reality. Mr. Eddleman's position is not unlike saying that a trucking company should not buy new trucks to meet increased shipping demand because 1984 trucks cost more than the 1975 to 1982 trucks currently in service. Duke is required to meet its service obligations and endeavors to do so at the lowest total cost. Duke cannot turn back time or inflation. As Mr. Reinke's affidavit shows, Catawba is needed to meet system demand and preserve system reliability.


Second, Mr. Eddleman's assertions with respect to the fact the co-owners would not be injured by Catawba not operating ignores a central fact. As I

pointed out above, if Commercial Operation is delayed, the co-owners will incur comparable increases in construction and carrying costs with regard to their investments in the Catawba station. Therefore, contrary to Mr. Eddleman's affidavit, if Catawba Unit 1 does not operate, Duke's customers and co-owners will suffer substantial economic penalties.

I swear that the foregoing is true and accurate to the best of my knowledge this day of 20 of December 1984.


W. R. Stimart

Sworn to and subscribed before me this 20 day of December 1984.


Notary Public

My Commission Expires 7-12-88