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RELATED CORRESPONDENCE

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In the Matter of
Carolina Power & Light Company and North
Carolina Eastern Municipal Power Agency
(Shearon Harris Nuclear Power Plant)
Docket No. 50-400 OL

Administrative Judges Kelley, Bright and Carpenter:

Enclosed is a copy of Carolina Power & Light Company's Form 8-K which is today being filed with the Securities and Exchange Commission, following a meeting of the Company's Board of Directors on December 18, 1985. Based upon the Company's recent review of the schedule to complete construction of the Harris Plant, paragraph 4 of Form 8-K indicates that the unit is now expected to be placed in-service in late 1986.

The current target for fuel load is June 1986. Accordingly, expeditious resolution of all remaining issues before the Board is still essential to permit licensing of the plant by June.

Respectfully submitted,

Dale E. Hollar

Dale E. Hollar
Associate General Counsel

DEH:ew
Enclosure

cc: Service List Attached
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FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) Month of November, 1985

CAROLINA POWER & LIGHT COMPANY

(Exact name of registrant as specified in its charter)

North Carolina	1-3382	56-0165465
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

411 Fayetteville Street, Raleigh, North Carolina 27602
(Address of principal executive offices)

Registrant's telephone number, including area code (919) 836-6111

Item 5. Other Events

- (Reference is made to the Company's 1984 10-K, Construction Program, page 4, paragraph 1.) The Company's estimates of capital requirements, including anticipated construction expenditures, for the three years 1986 through 1988 are set forth below. These estimated capital requirements are based on the Company's 1986 construction budget which was approved at the December 18, 1985 meeting of the Company's Board of Directors. These estimated capital requirements are subject to continuing review and adjustment.

	Estimated Capital Requirements (In Millions)			
	1986	1987	1988	Total
Construction expenditures	\$738	\$482	\$488	\$1,708
Nuclear fuel expenditures	73	72	75	220
Less AFUDC (a)	(153)	(44)	(53)	(250)
Net expenditures (b)	658	510	510	1,678
Harris Units Nos. 2, 3, and 4 cancellation costs (c)	30	0	0	30
Long-term debt and preferred stock maturities (d)	5(e)	132	45	182
Total	<u>\$693</u>	<u>\$642</u>	<u>\$555</u>	<u>\$1,890</u>

- As prescribed in regulatory systems of accounts, an allowance for borrowed and other funds used to finance electric utility plant construction less applicable income taxes (AFUDC) is charged to the cost of plant (see Note 1(d) to Financial Statements set forth in Item 8 of the Company's 1984 10-K).
- Reflects reductions of approximately \$65 million, \$34 million and \$41 million for 1986, 1987, and 1988, respectively, in net capital requirements resulting from Power Agency's projected payment of its proportionate share of capital expenditures related to Joint Facilities.
- Reflects the Company's share of costs and charges expected to be incurred in connection with the cancellation of Harris Unit Nos. 2, 3, and 4.
- Excludes nuclear fuel continuous funding arrangements.
- In addition to the requirements shown above, the Company presently expects to redeem early \$60 million of Guaranteed Notes, 16-1/2% Series, due February 15, 1989.

The above table reflects (i) a late 1986 projected in-service date for Harris Unit No. 1, (ii) a 1991 projected in-service date for Mayo Unit No. 2, and (iii) cost estimate revisions completed in December 1985 prepared as a part of the annual construction budgeting process.

- (Reference is made to the Company's 1984 10-K, Construction Program, page 5, paragraph 3.) Approximately \$627 million is included in the estimated 1986-1988

construction expenditures for the Company's share of the estimated costs to complete construction of Harris Unit No. 1 and Mayo Unit No. 2. These estimated costs reflect (i) the projected in-service dates, (ii) estimated increases in the costs of labor, material and equipment, and (iii) estimated AFUDC adjusted for the inclusion in rate base of all currently allowed Construction Work in Progress (CWIP) and some projected future eligible CWIP for Harris Unit No. 1 associated with the wholesale jurisdiction. While the Company has assumed the inclusion of such CWIP in rate base in determining the level of its capital requirements, the Company is unable to predict what level of CWIP, if any, in rate base will be allowed by regulatory authorities in the future.

3. (Reference is made to the Company's 1984 10-K, Construction Program, page 5, paragraph 4. Reference is also made to the Company's 8-K dated September 24, 1985, Item 5, paragraph 1.) The Company's current construction schedule for new generating units is as follows:

Unit	Design Target Capacity	Type	Projected In-Service Date	Estimated Cost (Millions) ^(a)	
				(Including Power Agency ^(b))	(Excluding Power Agency ^(c))
Harris No. 1	900 MW	Nuclear	1986	\$ 3,271	\$ 2,683
Mayo No. 2	720 MW	Coal	1991	\$ 694	\$ 582

(a) Includes AFUDC adjusted with respect to Harris Unit No. 1 for the inclusion of all currently allowed CWIP and some projected future eligible CWIP in rate base associated with the wholesale jurisdiction. Does not include costs of land.

(b) Does not include reductions as a result of the sale of a 16.17% undivided ownership interest in these facilities to Power Agency.

(c) Company's portion excluding Power Agency's ownership interest.

4. (Reference is made to the Company's 1984 10-K, Construction Program, page 5, paragraph 5. Reference is also made to the Company's 8-K dated September 24, 1985, Item 5, paragraph 1.) As a part of its annual budgeting process, the Company has recently completed a review of the schedule and estimated cost to complete construction of the Harris Plant. As a result of that review, the unit is now expected to be placed in-service in late 1986. Based upon current cost estimates, the gross budgeted cost of the Company's and Power Agency's combined interests in the Harris Plant is \$3.636 billion. After adjusting for the effect of Construction Work in Progress (CWIP) in rate base, the projected cost of the combined interests is \$3.271 billion. The projected cost to the Company, after adjusting for CWIP in rate base and after subtracting Power Agency's 16.17% ownership interest, is \$2.683 billion. These cost estimates assume that the Plant will be placed in commercial service in late 1986 and reflect estimated increases in the cost of labor, material, equipment and estimated AFUDC adjusted for the inclusion of

CWIP in rate base. Should factors involving governmental, regulatory, design, procurement, construction, testing, start-up and other uncertainties inherent in such major projects adversely affect construction, it may be necessary to further revise the projected in-service date and/or increase the estimated cost of Harris Unit No. 1.

5. (Reference is made to the Company's 1984 10-K, Construction Program, page 6, paragraph 7.) At November 30, 1985 the Company's investment for its 83.83% share of units under construction, including AFUDC adjusted for inclusion of CWIP in rate base and including land costs of \$29,706,000 for Harris Unit No. 1, was (in thousands):

Harris Unit No. 1	\$ 2,275,444
Mayo Unit No. 2	16,517
Total	<u>\$2,291,961</u>

6. (Reference is made to the Company's 1984 10-K, Financing Program, page 7, paragraph 1.) Based on the Company's estimate of capital requirements for 1986-1988, the Company presently estimates that external funds of approximately \$425 million, \$200 million and \$20 million in 1986, 1987 and 1988, respectively, will be needed from sales of long-term securities, including sales of common stock under its automatic dividend reinvestment plan, employee stock plans and customer stock ownership plan, and from short-term borrowings. The above estimates have been reduced by \$140 million for the 1986-1988 period from what would otherwise be required, reflecting Power Agency's contribution for ongoing construction and nuclear fuel. The remainder of the Company's capital requirements through 1988 are expected to come from internally generated funds. The Company may from time to time sell additional securities beyond what is needed to meet capital requirements to allow the early refunding of existing long-term debt or the reduction of short-term debt. The amounts and timing of the sales of securities will depend upon market conditions and the specific needs of the Company.
7. (Reference is made generally to the Company's 1984 10-K, Retail Rate Matters. Reference is also made to the Company's 8-K dated June 17, 1985, Item 5, paragraph 3, to the Company's 8-K dated July 17, 1985, Item 5, paragraph 1, to the Company's 10-Q for the quarter ended June 30, 1985, Item 5, paragraph 1, to the Company's 8-K dated September 24, 1985, Item 5, paragraph 4 and to the Company's 8-K dated October 23, 1985, Item 5, paragraph 4.) On November 18, 1985, the Attorney General of North Carolina and the Public Staff filed Notices of Appeal in Docket No. E-2, Sub 503. The Company cannot predict the outcome of this matter.
8. (Reference is made generally to the Company's 1984 10-K, Retail Rate Matters. Reference is also made to the Company's 8-K dated October 23, 1985, Item 5, paragraph 3.) The North Carolina Utilities Commission (NCUC) has issued its Order in Docket No. E-2, Sub 511 denying the Public Staff's Petition that an audit of construction costs at the Harris Plant be undertaken by an independent firm selected by the NCUC at a cost to be borne by the Company. In its Order, the NCUC asked the Public Staff to undertake an investigation using its available resources. The Company cannot predict the outcome of this matter.
9. (Reference is made to the Company's 1984 10-K, Nuclear Matters, page 22, paragraph 14. Reference is also made to the Company's 10-Q for the quarter ended

March 31, 1985, Item 5, paragraph 3, to the Company's 10-Q for the quarter ended June 30, 1985, Item 5, paragraph 4, to the Company's 8-K dated June 17, 1985, Item 5, paragraph 7, to the Company's 8-K dated July 17, 1985, Item 5, paragraph 5 and to the Company's 8-K dated September 24, 1985, Item 5, paragraph 5.) On December 11, 1985, the Atomic Safety and Licensing Board (ASLB) ruled in favor of the Company on the remaining safety issues heard by the ASLB in the fall of 1984 and on the two emergency planning contentions heard in June 1985. Hearings on the drug use contention were held in September, October and November 1985. Proposed findings will have been filed by all parties by January 2, 1986. Hearings on one emergency planning issue (nighttime notification of the public) were held in November 1985. The schedule requires all proposed findings to be filed by December 30, 1985. After the completion of these hearings, the members of the ASLB sent a letter to the NRC Commissioners suggesting that the nighttime notification issue may present a generic safety issue for other nuclear plants. The Company, the NRC Staff, and the Federal Emergency Management Agency have sent responsive letters to the Commissioners explaining why they do not believe that a generic safety issue exists. The Attorney General of North Carolina has filed a petition to intervene on the nighttime notification issue; the ASLB has granted the unopposed petition. On November 5, 1985, the ASLB admitted two new contentions arising from the emergency planning exercise held last May. These new contentions are currently in discovery. The ASLB has also asked the parties to address a motion to reconsider one emergency planning contention in light of the decision in NRC v. GUARD, 753 F. 2d 1144 (D. C. Cir. 1983), and the NRC's subsequent Interim Guidance related to that case. The ASLB has indicated that it expects to decide all remaining issues in this proceeding by the end of February 1986. The Company cannot predict the outcome of these matters.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAROLINA POWER & LIGHT COMPANY
Registrant

By: /s/ Edward G. Lilly, Jr.
Edward G. Lilly, Jr.
Executive Vice President

Date: December 18, 1985