

OCT 19 1978

Docket No: 50-414

Mr. L. C. Dail, Vice President
Design Engineering Department
Duke Power Company
P. O. Box 33189
Charlotte, North Carolina 28242

Dear Mr. Dail:

SUBJECT: AMENDMENT TO CONSTRUCTION PERMIT FOR CATAWBA NUCLEAR STATION,
UNIT 2

Your letter of May 15, 1978, supplemented by your letter of September 11, 1978, transmitted an application for an amendment to the Catawba-2 Construction Permit to add the North Carolina Municipal Power Agency Number 1 (NCMPA-1) as a co-owner of this facility. In accordance with ALAB-459, we have construed that application to include NCMPA-1 as a co-applicant as well as a co-owner.

We have reviewed your application and have concluded that NCMPA-1 is financially qualified to participate in the ownership of Catawba-2, and that inclusion of NCMPA-1 as a co-owner and co-applicant does not involve a significant hazards consideration, does not constitute an unreasonable risk to the health and safety of the public, and is not inimical to the common defense and security. The bases for these conclusions are set forth in the enclosed Safety Evaluation.

We have also concluded that there will be no environmental impact attributable to the proposed action that was not considered in our Final Environmental Statement and the applicable ASLB and ALAB decisions, and that therefore no environmental impact statement need be prepared for the proposed action. The bases for these conclusions are set forth in the enclosed environmental impact appraisal. Also enclosed is the applicable negative declaration.

OFFICE >						
SURNAME >						
DATE >						

Mr. L. C. Dail

-2-

Enclosed are Amendment No. 1 to CPPR-117 for Catawba-2 which reflects the changes discussed above, and a copy of a related notice which has been forwarded to the Office of the Federal Register for publication.

Sincerely,

Roger S. Boyd, Director
Division of Project Management
Office of Nuclear Reactor Regulation

Enclosures:

1. Safety Evaluation
2. Negative Declaration
3. Environmental Impact Appraisal
4. Amendment 1 to CPPR-117
5. Federal Register Notice

*See previous yellow

OFFICE →	DPM:LWR #4	DPM:LWR #4	DPM:LWR/AD	DPM:DEP DIR	DPM:DIR	
SURNAME →	HSilver:tlb*	SVarga*	DVassallo	DRoss	RBoyd	
DATE →	10/19/78	10/ /78	10/ /78	10/ /78	10/ /78	

Mr. L. C. Dail

-2-

Enclosed are Amendment No. 1 to CPPR-117 for Catawba-2 which reflects the changes discussed above, and a copy of a related notice which has been forwarded to the office of the Federal Register for publication.

Sincerely,

Original signed by
D. F. Ross

Roger S. Boyd, Director
Division of Project Management
Office of Nuclear Reactor Regulation

Enclosures:

1. Safety Evaluation
2. Negative Declaration
3. Amendment 1 to CPPR-117
4. Federal Register Notice

[Handwritten signature]

OFFICE	DPM:LWR #4	DPM:LWR #4	DPM:LWR/AD	DPM:NR
SURNAME	HSilver: <i>[initials]</i>	Svarga	DVassallo	RBoyd <i>[signature]</i>
DATE	10/14/78	10/15/78	10/18/78	10/19/78

DISTRIBUTION:

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Local PDR

LWR-4 Reading

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RBoyd

DBVassallo

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HSilver

MService

FJWilliams

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WMiller

IDinitz

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VAMoore

RHVollmer

MLErnst

DCrutchfield

RPDenise

RJMattson, SS

JKnight

DFRoss

RLTedesco

DSkovholt

Lana A. Cobb

EP Project Manager

EP Licensing Assistant

bcc:

J. R. Buchanan, NSIC

T. B. Abernathy, TIC

A. Rosenthal, ASLAB

J. Yore, ASLBP

ACRS (16)

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RB



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

DUKE POWER COMPANY

AND

NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1

DOCKET NO. 50-414

CATAWBA NUCLEAR STATION, UNIT 2

AMENDMENT TO CONSTRUCTION PERMIT

Amendment No. 1
Construction Permit No. CPPR-117

1. The Nuclear Regulatory Commission (the Commission) having found that:
 - A. The application for amendment to Construction Permit No. CPPR-117 transmitted by Duke Power Company letter dated May 15, 1978 for the purpose of adding North Carolina Municipal Power Agency Number 1 as co-owner of Catawba Nuclear Station Unit 2 (the facility) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The North Carolina Municipal Power Agency Number 1 is qualified to finance their ownership interest in the facility;
 - C. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - D. Issuance of this amendment will result in no environmental impacts not previously considered.
2. Accordingly, Construction Permit No. CPPR-117 is amended to reflect a change in the ownership of the facility, as follows:
 - A. Paragraph 1.B. is amended by deleting the parenthetical phrase "(the Applicant)" and substituting "(which retains exclusive responsibility for the design, construction, and operation of the facility), for itself and the North Carolina Municipal Power Agency No. 1 (the applicants),..."
 - B. Paragraphs 1.D., 1.F., and 3.D. are amended by deleting "Applicant" wherever it appears and substituting "Duke Power Company."

C. Paragraphs 1.G., 2., 3.C., 3.E., and 4. are amended by deleting "Applicant" wherever it appears and substituting "Applicants" and by revising associated verb and possessive forms accordingly.

3. The Applicants are subject to the following additional condition regarding financial qualifications:

Within 30 days after execution, the Applicants shall furnish the following:

- A. Copies of the executed Ownership and Participation Agreement.
- B. Copies of the executed contracts between the North Carolina Municipal Power Agency Number 1 and its participating municipalities.
- C. Evidence showing that the Local Government Commission of North Carolina has approved the issuance and sale of bonds of the North Carolina Municipal Power Agency Number 1.

4. This amendment is effective as of the date of its issuance.

FOR THE NUCLEAR REGULATORY COMMISSION



Roger S. Boyd, Director
Division of Project Management
Office of Nuclear Reactor Regulation

Date of Issuance:
October 19, 1978

OCT 19 1978

SAFETY EVALUATION

Supporting Amendment No. 1 to CPPR-117

Introduction

On August 7, 1975, Construction Permit CPPR-117 was issued to the Duke Power Company (Duke) for the Catawba Nuclear Station Unit 2 (Catawba-2). By its letter of May 15, 1978, Duke transmitted an "Application for Amendment of Construction Permit No. CPPR-117 Adding Co-owners" by Duke and the North Carolina Municipal Power Agency No. 1 (NCMPA-1) requesting amendment of CPPR-117 to include NCMPA-1 as a co-owner of Catawba-2. Information regarding NCMPA-1 and terms of the ownership agreement are described below.

The application states that Duke will retain exclusive responsibility for the design, construction, and operation of Catawba-2, and will be solely responsible for communications with the NRC related to Catawba-2. The application further states that NCMPA-1 is not owned, controlled, or dominated by an alien, a foreign corporation, or foreign government. In the application, NCMPA agrees that it will not permit any individual to have access to Restricted Data until the NRC has determined that such access will not endanger the common defense and security.

In accordance with ALAB-459 (Marble Hill), February 16, 1978, which held that co-owners will also be deemed to be co-applicants, this application for amendment is construed to include NCMPA-1 as a co-applicant as well as a co-owner.

Analysis

We have reviewed the application for Amendment No. 1 to CPPR-117 and conclude that since Duke will retain full and complete responsibility for the design, construction, and operation of Catawba-2, addition of a co-owner would not involve a significant hazards consideration inasmuch as it does not involve an increase in the probability of an accident, an increase in the consequences of an accident, or a decrease in safety margins. We therefore conclude that the activities authorized by this amendment would not constitute an unreasonable risk to the health and safety of the public.

Since the application for amendment states that NCMPA-1 is not owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government, we conclude from our review that the activities authorized by this amendment would not be inimical to the common defense and security.

We have evaluated the financial qualifications of NCMPA-1 to participate with Duke as co-owners of Catawba-2 as presented below.

General

The NRC regulations relating to the determination of an applicant's financial qualifications appear in Section 50.33(f) and Appendix C to 10 CFR Part 50. These regulations state that there must be reasonable assurance that an applicant can obtain the necessary funds to cover the estimated construction costs of a proposed nuclear power plant and its related fuel cycle costs. This standard of reasonable assurance, however, must be viewed in light of the extended period of time from the start of construction to the date of commercial operation. The date for commercial operation of the proposed Catawba facility is estimated to be July 1983. Consequently, we must make certain basic assumptions in our financial analysis about future conditions. Our analysis of financial qualifications assumes that there will be rational regulatory policies with respect to the setting of rates and that viable capital markets will exist. The former assumption implies that rates will be set by the appropriate regulatory agencies to at least cover the cost of service, including the cost of capital. The latter assumption implies that capital will be available at some price. Given these fundamental assumptions, our evaluation is then focused on the reasonableness of the applicant's financial planning.

Duke has submitted financial information in support of its application. The following analysis summarizes our review of the information, and gives the qualifications of the applicant to finance its share of the costs of the design and construction of the proposed Catawba facility.

Construction Cost Estimates

The most recent cost estimates for the Catawba facility are provided in Duke's letter of September 11, 1978. The cost estimates are summarized as follows:

(Millions of dollars)

Total nuclear production plant costs	\$1,346.4
Transmission, distribution, and general plant costs	31.0
Nuclear Fuel inventory for the first core	<u>180.7</u>
Total	\$1,558.1

We have compared the cost of the proposed nuclear production plant estimated above with the cost projected by the costing model (CONCEPT) developed by the Department of Energy. This analytical model projected the cost of the

Catawba facility to be \$1,818.0 million, compared with Duke's estimate of \$1,558.1 million. The CONCEPT estimates are based on industry-wide costs and take into account items of overhead and other costs that are generally found in the construction of a facility. Duke designs and constructs all of its own facilities, thereby eliminating many of the items of overhead incurred by other utilities. This accounts for Duke's costs being significantly lower than the CONCEPT estimates. Since the CONCEPT model is used here primarily as a rough check of the cost estimate made by an applicant and is not intended to be a substitute for detailed engineering cost estimates, we conclude that it is reasonable to use Duke's estimate in our financial analysis.

Source of Construction Funds

The ownership, costs, and electrical output of Catawba Nuclear Station Unit 2 will be shared according to the following percentages:

Duke Power Company	25%
North Carolina Municipal Power Agency-1	75%

The percent allocation is based on the proposed purchase agreement, which will be executed at the time that the amendment to the construction permit is approved by NRC. Additionally, under the terms of this agreement, NCMPA-1 will own 37.5% of the support facilities in the Catawba Nuclear Station. Duke will continue to have exclusive responsibility for the design, construction, operation, maintenance, and disposal of the entire facility and will act as agent for the other owners in these matters.

Financial Analysis

NCMPA-1 is a corporate entity and an instrumentality of the State of North Carolina, incorporated under North Carolina statutes on January 19, 1976. It was created to plan, develop, construct, and operate generation and transmission facilities and has been granted the necessary powers to carry out such purposes. Figure 1 and Table 1 set forth the service area and the member municipalities that make up the Agency.

NCMPA-1 has entered into a Purchase and Ownership Participation Agreement, which transfers a 75% ownership interest in the Catawba Nuclear Facility Unit 2 to the Agency. Under the terms of this agreement, a 37.5% ownership interest in the support facilities for the entire Catawba Nuclear Generating Station will also be transferred to NCMPA-1. At closing, NCMPA-1 will pay Duke for its ownership share of the total costs of materials and construction completed to date. In addition, Duke will be reimbursed for fees as profit for its design, licensing, and construction expense. After closing and until the commercial operation of Catawba Nuclear Station, Unit 2, NCMPA-1, on a monthly basis, will pay to Duke an amount equal to 75% of additional costs incurred for Catawba Nuclear Station, Unit 2, plus 37.5% of the support facilities for the entire station.

NCMPA-1 intends to issue and sell its electric revenue bonds in amounts sufficient to finance its ownership interest in the Catawba Nuclear Station Unit 2. Initial startup expense is being provided by member participants, subject to reimbursement out of the proceeds of the bond issue. Table 2 sets forth the timing of the bond issue and schedule of payments to be made. NCMPA-1 will issue a total of \$848 million of its revenue bonds to finance its participation in this project.

The State of North Carolina by law has agreed that it will not limit or alter the rights of any participant of the power agency to establish rates to fulfill the terms of any agreement for the Catawba Project so long as any bonds of the power agency are outstanding and unpaid. The power sales contracts between NCMPA-1 and its participants provide that rates charged by NCMPA-1 shall be designed (and adjusted when necessary) to cover all costs of operation, including amounts required to pay debt service and provide for the eventual retirement of its bonds. Revenues of NCMPA-1 under the power sales contract will be pledged as security for the bonds. The contracts further provide that each participant must take or pay for its entitlement share of power from the Catawba Nuclear Station Unit 2.

Bonds of NCMPA-1 for financing the project will be approved and sold by the Local Government Commission of the State of North Carolina. The Commission supervises and approves all aspects of the fiscal control and debt issuance process for local governments, including the issuance and sale of bonds.

Conclusion

Based on our analysis, we have concluded that the financing plan of NCMPA-1 provides reasonable assurance that funds can be obtained to finance its share of the Catawba Nuclear Station Unit 2. We have determined that the North Carolina Municipal Power Agency-1 is financially qualified to participate in the design and construction of the Catawba Nuclear Station Unit 2 in the ratio of their percentage of participation as set forth above. This conclusion is based on the determination that NCMPA-1 has reasonable assurance of obtaining the required capital funds through its revenue bonding method of financing. Because of the lengthy future period involved, our conclusion necessarily assumes that viable capital markets will exist. This implies that capital will be available at some price. Furthermore, NCMPA-1 and its participants have the authority delegated to them by the State of North Carolina to charge rates required to fulfill the terms of agreements supporting the Catawba Project.

We will require as a condition of the amendment, submittal as soon as possible of: (1) copies of the executed Purchase and Ownership Agreement for Catawba Unit 2, (2) copies of the executed Power Sales Agreements between the participants and the North Carolina Power Agency-1, (3) evidence that the Local Government Commission has approved the issuance and sale of bonds supporting the Ownership and Purchase Agreement.

SAFETY CONCLUSIONS

For reasons stated in the above analysis, we conclude that activities authorized by this amendment (1) do not involve a significant hazards consideration; (2) would not constitute an unreasonable risk to the health and safety of the public; and (3) are not inimical to the common defense and security.

Based on our evaluation of financial information provided in the application for the amendment as summarized in the above analysis, we conclude that there is reasonable assurance that NCMPA-1 is financially qualified to participate in the ownership of Catawba-2.



Harley Silver, Project Manager
Light Water Reactors Branch No. 4
Division of Project Management

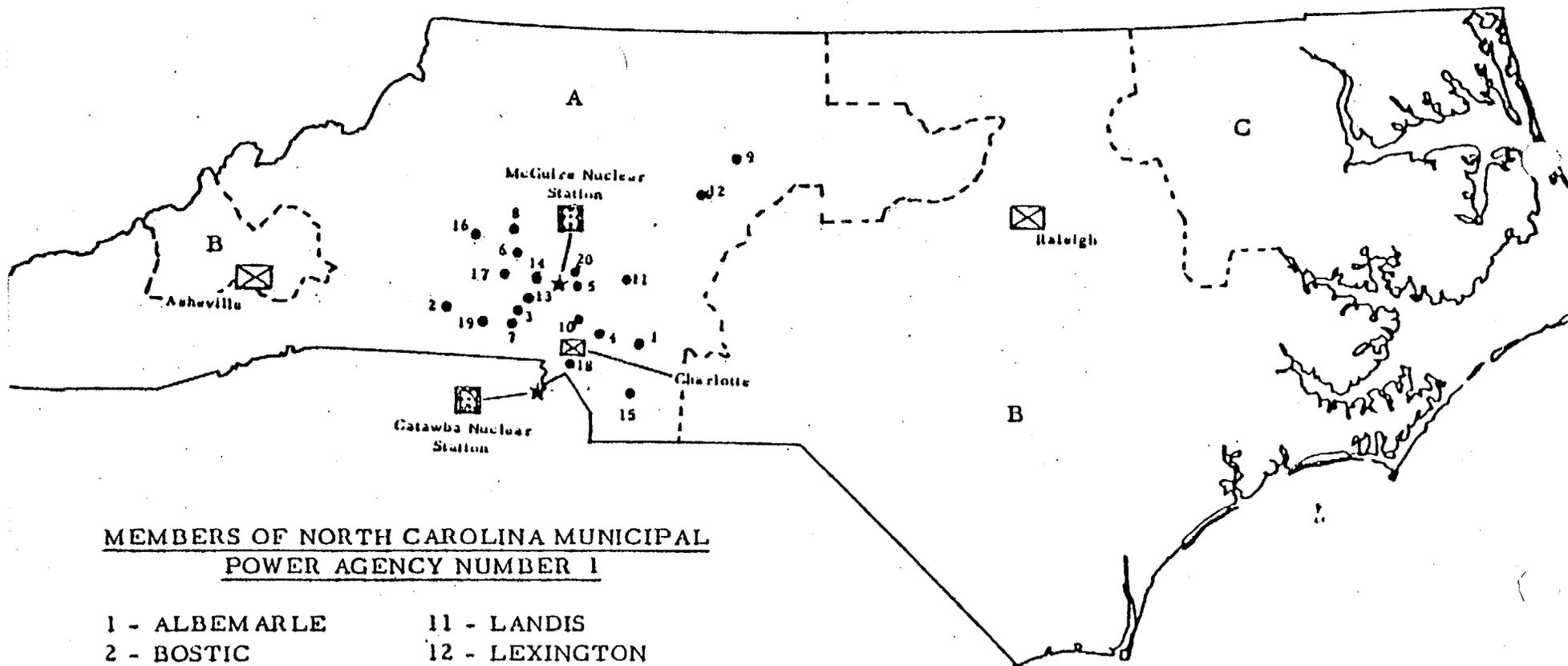


Steven A. Varga, Chief
Light Water Reactors Branch No. 4
Division of Project Management

Attachments (3)

OCT 19 1978

FIGURE 1
MEMBERS OF NORTH CAROLINA MUNICIPAL
POWER AGENCY NUMBER 1



MEMBERS OF NORTH CAROLINA MUNICIPAL
POWER AGENCY NUMBER 1

- | | |
|-------------------|------------------|
| 1 - ALBEMARLE | 11 - LANDIS |
| 2 - BOSTIC | 12 - LEXINGTON |
| 3 - CHERRYVILLE | 13 - LINCOLNTON |
| 4 - CONCORD | 14 - MAIDEN |
| 5 - CORNELIUS | 15 - MONROE |
| 6 - DREXEL | 16 - MORGANTON |
| 7 - GASTONIA | 17 - NEWTON |
| 8 - GRANITE FALLS | 18 - PINEVILLE |
| 9 - HIGH POINT | 19 - SHELBY |
| 10 - HUNTERSVILLE | 20 - STATESVILLE |

PRIVATE POWER COMPANY SERVICE AREAS (---)

- A - DUKE POWER COMPANY
B - CAROLINA POWER & LIGHT COMPANY
C - VIRGINIA ELECTRIC & POWER COMPANY

TABLE 1

EXHIBIT A

PARTICIPANTS AND PARTICIPANTS' SHARES

	<u>Participant's Preliminary Share</u>
City of Albemarle	7.7000%
Town of Bostic	.0880
City of Cherryville	1.5987
City of Concord	8.7413
Town of Cornelius	.3667
Town of Drexel	.5133
City of Gastonia	17.3360
Town of Granite Falls	.9240
City of High Point	19.1987
Town of Huntersville	.6307
Town of Landis	1.1440
City of Lexington	13.0973
City of Lincolnton	1.6280
Town of Maiden	1.3053
City of Monroe	10.1640
City of Morganton	6.8200
City of Newton	2.1413
Town of Pineville	.5427
City of Shelby	6.0720
City of Statesville	<u>9.9880</u>
Total	110.0000

TABLE 2

**NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1
ASSUMED PROJECT FINANCING AND DISBURSEMENT OF BOND PROCEEDS**

Line No.	Bond Issue	Assumed Date of Issue (a)	Cash Flow Funded from Proceeds (1) (b)	Initial Issue Closing Requirements(2) (c)	Bond Discount, Financing Expenses(3) (d)	Bond Interest Funded from Proceeds(4) (e)	Reinvestment Earnings(5) (f)	Net Interest During Construction(6) (g)	Debt Service Reserve Requirements(7) (h)	Renewal and Replacement Account(8) (i)	Working Capital(9) (j)	Estimated Principal Amount of Bonds (k)
SUMMARY OF DISBURSEMENT OF BOND PROCEEDS BY ISSUE												
1	1	July 1, 1978	46,031	230,253	9,750	22,750	8,885	13,865	25,101	0	0	325,000
2	2	January 1, 1979	120,965	0	4,500	21,875	8,925	12,950	11,585	0	0	150,000
3	3	April 1, 1980	90,137	0	4,500	52,063	8,285	43,778	11,585	0	0	150,000
4	4	April 1, 1981	78,241	0	4,110	53,340	9,272	44,068	10,581	0	0	137,000
5	5	April 1, 1982	0	0	2,580	59,360	4,182	55,178	6,642	6,600	15,000	86,000
6		Totals	335,374	230,253	25,440	209,388	39,549	169,839	65,494	6,600	15,000	848,000
QUARTERLY SUMMARY OF DISBURSEMENT OF BOND PROCEEDS												
7		July - September	11,126	230,253	9,750	5,688	1,166	4,522	25,101	0	0	280,752
8		October - December	32,847	0	0	5,688	861	4,827	0	0	0	37,674
9		Subtotal 1978	43,973	230,253	9,750	11,376	2,027	9,349	25,101	0	0	318,426
10		January - March	20,328	0	4,500	8,313	2,452	5,861	11,585	0	0	42,274
11		April - June	18,486	0	0	8,313	2,204	6,109	0	0	0	24,595
12		July - September	38,403	0	0	8,313	1,575	6,738	0	0	0	45,141
13		October - December	16,602	0	0	8,313	1,195	7,118	0	0	0	23,720
14		Subtotal 1979	93,819	0	4,500	33,252	7,426	25,826	11,585	0	0	135,730
15		January - March	18,581	0	0	8,313	711	7,602	0	0	0	26,183
16		April - June	18,582	0	4,500	10,938	2,585	8,353	11,585	0	0	43,020
17		July - September	18,582	0	0	10,938	2,068	8,870	0	0	0	27,452
18		October - December	18,583	0	0	10,938	1,826	9,112	0	0	0	27,695
19		Subtotal 1980	74,328	0	4,500	41,127	7,190	33,937	11,585	0	0	124,350
20		January - March	18,617	0	0	10,938	1,260	9,678	0	0	0	28,945
21		April - June	16,338	0	4,110	13,335	2,974	10,361	10,581	0	0	41,390
22		July - September	16,338	0	0	13,335	2,421	10,914	0	0	0	27,252
23		October - December	16,339	0	0	13,335	2,218	11,117	0	0	0	27,456
24		Subtotal 1981	67,632	0	4,110	50,943	8,873	42,070	10,581	0	0	124,393
25		January - March	11,211	0	0	13,335	1,657	11,678	0	0	0	22,889
26		April - June	7,305	0	2,580	14,835	2,550	12,285	6,642	6,600	15,000	50,412
27		July - September	9,862	0	0	7,420	2,049	5,371	0	0	0	15,233
28		October - December	8,369	0	0	7,420	1,946	5,474	0	0	0	13,843
29		Subtotal 1982	36,747	0	2,580	43,010	8,202	34,808	6,642	6,600	15,000	102,377
30		January - March	3,658	0	0	7,420	1,669	5,751	0	0	0	9,409
31		April - June	9,349	0	0	7,420	1,599	5,821	0	0	0	15,170
32		July - September	5,868	0	0	7,420	1,293	6,127	0	0	0	11,995
33		October - December	0	0	0	7,420	1,270	6,150	0	0	0	6,150
34		Subtotal 1983	18,875	0	0	29,680	5,831	23,849	0	0	0	42,724
35		Grand Total	335,374	230,253	25,440	209,388	39,549	169,839	65,494	6,600	15,000	848,000

(Footnotes on following page)

UNITED STATES NUCLEAR REGULATORY COMMISSION

NEGATIVE DECLARATION

REGARDING PROPOSED AMENDMENT TO THE CONSTRUCTION PERMIT

FOR CATAWBA NUCLEAR STATION, UNIT 2

DOCKET NO. 50-414

The U. S. Nuclear Regulatory Commission (the Commission) is considering the issuance of an amendment to Construction Permit No. CPPR-117 issued to Duke Power Company for the Catawba Nuclear Station, Unit 2, located in York County, South Carolina.

The amendment would authorize the addition of North Carolina Municipal Power Agency Number 1 as co-owner of the station with Duke Power Company.

The Commission's Division of Site Safety and Environmental Analysis has prepared an environmental impact appraisal for the proposed amendment and has concluded that an environmental impact statement for this particular action is not warranted because there will be no environmental impact attributable to the proposed action.

The environmental impact appraisal is available for public inspection at the Commission's Public Document Room, 1717 H Street, N. W., Washington, D. C., and at the York County Library, 325 South Oakland Avenue, Rock Hill, South Carolina. A copy may be obtained upon request addressed to the U. S. Nuclear Regulatory Commission, Washington, D. C. 20555, Attention: Director, Division of Site Safety and Environmental Analysis.

Dated at Bethesda, Maryland, this 19th day of October, 1978.

FOR THE NUCLEAR REGULATORY COMMISSION

Jan A. Norris

Jan
Jan A. Norris, Acting Chief
Environmental Projects Branch 2
Division of Site Safety and
Environmental Analysis



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

ENVIRONMENTAL IMPACT APPRAISAL

BY THE DIVISION OF SITE SAFETY AND ENVIRONMENTAL ANALYSIS

SUPPORTING AMENDMENT NO. TO CPPR-117

RELATING TO CHANGE IN OWNERSHIP INTEREST IN

CATAWBA NUCLEAR STATION, UNIT 2

DOCKET NO. 50-414

1. Description of Proposed Action

The action proposed is the issuance of an amendment to the construction permit for Catawba Nuclear Station Unit 2 (CPPR-117), which was issued on August 7, 1975. The amendment would provide for the addition of North Carolina Municipal Power Agency Number 1 (NCMPA-1) as co-owner with Duke Power Company (DPC). NCMPA-1 would have a 75% ownership interest in Unit 2 and 37.5% in the Support Facilities shared by Units 1 and 2, which are described as the administration building, nuclear service water pond, waste treatment facilities, switching station, cooling water discharge system, shops and laboratories, roads, parking, railroads, other improvements for common use, and land including a controlled exclusion area having a radius of 2500 feet around the station. DPC, presently the sole owner, would retain 25% of Unit 2 and 62.5% of the Support Facilities. DPC would also retain exclusive responsibility for the design, construction and operation of Unit 2.

2. Environmental Impact of the Proposed Action

NCMPA-1 is a public body and instrumentality of the State of North Carolina and was created in 1976 to plan, develop, construct, and operate generation and transmission facilities. Under contracts with 20 municipal entities in North Carolina, NCMPA-1 is to be their sole and exclusive bulk power supplier in excess of any allotment of federal power from Southeastern Power Administration (SPA). These municipalities are presently customers of DPC and receive their electricity from the Duke system, including their allotments from SPA. They will continue to receive their electricity from the Duke system under the change of ownership interest in Catawba, Unit 2. There will be no transmission lines or substations constructed because of this change in ownership.*

* Letter to NRC from Duke Power Company dated September 25, 1978.

3. Conclusion

On the basis of the foregoing information, the NRC staff finds that the proposed action would result in no environmental impacts that were not considered in the Commission's Final Environmental Statement issued in December 1973 and the Atomic Safety and Licensing Board decisions (Partial Initial Decision on Environmental Issues dated April 9, 1974, Supplemental Partial Initial Decision on Site Suitability dated May 14, 1974, and Initial Decision dated June 30, 1975) or the Atomic Safety and Licensing Appeal Board's Partial Decision dated October 29, 1976.

The Nuclear Regulatory Commission therefore concludes that no environmental impact statement for the proposed action need be prepared, and that a negative declaration to this effect is appropriate.

Date:

OCT 19 1978

DUKE POWER COMPANY

AND

NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1

DOCKET NO. 50-414

CATAWBA NUCLEAR STATION, UNIT 2

AMENDMENT TO CONSTRUCTION PERMIT

Amendment No. 1
Construction Permit No. CPPR-117

1. The Nuclear Regulatory Commission (the Commission) having found that:
 - A. The application for amendment to Construction Permit No. CPPR-117 transmitted by Duke Power Company letter dated May 15, 1978 for the purpose of adding North Carolina Municipal Power Agency Number 1 as co-owner of Catawba Nuclear Station Unit 2 (the facility) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The North Carolina Municipal Power Agency Number 1 is qualified to finance their ownership interest in the facility;
 - C. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - D. Issuance of this amendment will result in no environmental impacts not previously considered.
2. Accordingly, Construction Permit No. CPPR-117 is amended to reflect a change in the ownership of the facility, as follows:
 - A. Paragraph 1.B. is amended by deleting the parenthetical phrase "(the Applicant)" and substituting "(which retains exclusive responsibility for the design, construction, and operation of the facility), for itself and the North Carolina Municipal Power Agency No. 1 (the applicants),..."
 - B. Paragraphs 1.D., 1.F., and 3.D. are amended by deleting "Applicant" wherever it appears and substituting "Duke Power Company."

OFFICE >						
SURNAME >						
DATE >						

C. Paragraphs 1.G., 2., 3.C., 3.E., and 4. are amended by deleting "Applicant" wherever it appears and substituting "Applicants" and by revising associated verb and possessive forms accordingly.

3. The Applicants are subject to the following additional condition regarding financial qualifications:

Within 30 days after execution, the Applicants shall furnish the following:

- A. Copies of the executed Ownership and Participation Agreement.
- B. Copies of the executed contracts between the North Carolina Municipal Power Agency Number 1 and its participating municipalities.
- C. Evidence showing that the Local Government Commission of North Carolina has approved the issuance and sale of bonds of the North Carolina Municipal Power Agency Number 1.

4. This amendment is effective as of the date of its issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Original signed by
D. P. Ross

Roger S. Boyd, Director
Division of Project Management
Office of Nuclear Reactor Regulation

Date of Issuance:
October 19, 1978

10-15-78 *[Signature]*

[Signature]

OFFICE →	DPM:LWR #4	DPM:LWR #4	OELD	DPM:LWR/AD	DPM:DIR
SURNAME →	HSilver:tlb	Sarga	Tourtellote	DVassallo	RBoyd
DATE →	10/14/78	10/19/78	10/18/78	10/18/78	10/19/78

UNITED STATES NUCLEAR REGULATORY COMMISSION

DOCKET NO. 50-414

DUKE POWER COMPANY

NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1

NOTICE OF ISSUANCE OF AMENDMENT TO CONSTRUCTION PERMIT

Notice is hereby given that the U. S. Nuclear Regulatory Commission (the Commission) has issued Amendment No. 1 to Construction Permit No. CPPR-117, issued to the Duke Power Company. The amendment reflects a change in the ownership of the Catawba Nuclear Station, Unit 2 (the facility) located in York County, South Carolina. The amendment is effective as of its date of issuance.

The amendment adds the North Carolina Municipal Power Agency Number 1 as a co-owner of and co-applicant for the facility. The Duke Power Company will retain sole responsibility for the design, construction, and operation of the facility.

The application for the amendment complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations. The Commission has made appropriate findings as required by the Act and the Commission's rules and regulations in 10 CFR Chapter I, which are set forth in the amendment.

Prior public notice of this amendment was not required since this amendment does not involve a significant hazards consideration.

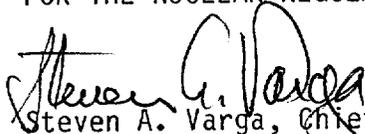
For further details with respect to this action, see (1) the application for amendment dated May 15, 1978, and supplementary information dated September 11, 1978, (2) Amendment No. 1 to Construction Permit CPPR-117, (3) the Commission's related Safety Evaluation, and (4) the Environmental Impact Appraisal and Negative Declaration supporting Amendment No. 1 to that construction permit.

All of these items and other related material are available for public inspection at the Commission's Public Document Room, 1717 H street, N. W., Washington, D. C., and at the local Public Document Room located at the York County Library, 325 South Oakland Avenue, Rock Hill, South Carolina 29730.

A copy of item (2) may be obtained upon request addressed to the U. S. Nuclear Regulatory Commission, Washington, D. C. 20555, Attention: Director, Division of Project Management.

Dated at Bethesda, Maryland, this 19th day of October 1978.

FOR THE NUCLEAR REGULATORY COMMISSION



Steven A. Varga, Chief
Light Water Reactors Branch No. 4
Division of Project Management

UNITED STATES NUCLEAR REGULATORY COMMISSION

DOCKET NO. 50-414

DUKE POWER COMPANY

NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1

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Negative Declaration supporting Amendment No. 1 to that construction permit.					
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Dated at Bethesda, Maryland, this ^{19th} day of October 1978.

FOR THE NUCLEAR REGULATORY COMMISSION

Original signed by
Steven A. Varga
Steven A. Varga, Chief
Light Water Reactors Branch No. 4
Division of Project Management

*See previous yellow

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SURNAME >	HSilver:tlb*	SVarga*				
DATE >	10/ /78	10/ /78				

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A copy of items (2) and (3) may be obtained upon request addressed to the U. S. Nuclear Regulatory Commission, Washington, D. C. 20555, Attention: Director, Division of Project Management.

Dated at Bethesda, Maryland, this day of October 1978.

FOR THE NUCLEAR REGULATORY COMMISSION

Original signed by
Steven A. Varga

Steven A. Varga, Chief
Light Water Reactors Branch No. 4
Division of Project Management

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SAFETY EVALUATION

Supporting Amendment No. 1 to CPPR-117

Introduction

On August 7, 1975, Construction Permit CPPR-117 was issued to the Duke Power Company (Duke) for the Catawba Nuclear Station Unit 2 (Catawba-2). By its letter of May 15, 1978, Duke transmitted an "Application for Amendment of Construction Permit No. CPPR-117 Adding Co-owners" by Duke and the North Carolina Municipal Power Agency No. 1 (NCMPA-1) requesting amendment of CPPR-117 to include NCMPA-1 as a co-owner of Catawba-2. Information regarding NCMPA-1 and terms of the ownership agreement are described below.

The application states that Duke will retain exclusive responsibility for the design, construction, and operation of Catawba-2, and will be solely responsible for communications with the NRC related to Catawba-2. The application further states that NCMPA-1 is not owned, controlled, or dominated by an alien, a foreign corporation, or foreign government. In the application, NCMPA agrees that it will not permit any individual to have access to Restricted Data until the NRC has determined that such access will not endanger the common defense and security.

In accordance with ALAB-459 (Marble Hill), February 16, 1978, which held that co-owners will also be deemed to be co-applicants, this application for amendment is construed to include NCMPA-1 as a co-applicant as well as a co-owner.

Analysis

We have reviewed the application for Amendment No. 1 to CPPR-117 and conclude that since Duke will retain full and complete responsibility for the design, construction, and operation of Catawba-2, addition of a co-owner would not involve a significant hazards consideration inasmuch as it does not involve an increase in the probability of an accident, an increase in the consequences of an accident, or a decrease in safety margins. We therefore conclude that the activities authorized by this amendment would not constitute an unreasonable risk to the health and safety of the public.

Since the application for amendment states that NCMPA-1 is not owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government, we conclude from our review that the activities authorized by this amendment would not be inimical to the common defense and security.

We have evaluated the financial qualifications of NCMPA-1 to participate with Duke as co-owners of Catawba-2 as presented below.

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General

The NRC regulations relating to the determination of an applicant's financial qualifications appear in Section 50.33(f) and Appendix C to 10 CFR Part 50. These regulations state that there must be reasonable assurance that an applicant can obtain the necessary funds to cover the estimated construction costs of a proposed nuclear power plant and its related fuel cycle costs. This standard of reasonable assurance, however, must be viewed in light of the extended period of time from the start of construction to the date of commercial operation. The date for commercial operation of the proposed Catawba facility is estimated to be July 1983. Consequently, we must make certain basic assumptions in our financial analysis about future conditions. Our analysis of financial qualifications assumes that there will be rational regulatory policies with respect to the setting of rates and that viable capital markets will exist. The former assumption implies that rates will be set by the appropriate regulatory agencies to at least cover the cost of service, including the cost of capital. The latter assumption implies that capital will be available at some price. Given these fundamental assumptions, our evaluation is then focused on the reasonableness of the applicant's financial planning.

Duke has submitted financial information in support of its application. The following analysis summarizes our review of the information, and gives the qualifications of the applicant to finance its share of the costs of the design and construction of the proposed Catawba facility.

Construction Cost Estimates

The most recent cost estimates for the Catawba facility are provided in Duke's letter of September 11, 1978. The cost estimates are summarized as follows:

(Millions of dollars)

Total nuclear production plant costs	\$1,346.4
Transmission, distribution, and general plant costs	31.0
Nuclear Fuel inventory for the first core	<u>180.7</u>
Total	\$1,558.1

We have compared the cost of the proposed nuclear production plant estimated above with the cost projected by the costing model (CONCEPT) developed by the Department of Energy. This analytical model projected the cost of the

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Catawba facility to be \$1,818.0 million, compared with Duke's estimate of \$1,558.1 million. The CONCEPT estimates are based on industry-wide costs and take into account items of overhead and other costs that are generally found in the construction of a facility. Duke designs and constructs all of its own facilities, thereby eliminating many of the items of overhead incurred by other utilities. This accounts for Duke's costs being significantly lower than the CONCEPT estimates. Since the CONCEPT model is used here primarily as a rough check of the cost estimate made by an applicant and is not intended to be a substitute for detailed engineering cost estimates, we conclude that it is reasonable to use Duke's estimate in our financial analysis.

Source of Construction Funds

The ownership, costs, and electrical output of Catawba Nuclear Station Unit 2 will be shared according to the following percentages:

Duke Power Company	25%
North Carolina Municipal Power Agency-1	75%

The percent allocation is based on the proposed purchase agreement, which will be executed at the time that the amendment to the construction permit is approved by NRC. Additionally, under the terms of this agreement, NCMPPA-1 will own 37.5% of the support facilities in the Catawba Nuclear Station. Duke will continue to have exclusive responsibility for the design, construction, operation, maintenance, and disposal of the entire facility and will act as agent for the other owners in these matters.

Financial Analysis

NCMPA-1 is a corporate entity and an instrumentality of the State of North Carolina, incorporated under North Carolina statutes on January 19, 1976. It was created to plan, develop, construct, and operate generation and transmission facilities and has been granted the necessary powers to carry out such purposes. Figure 1 and Table 1 set forth the service area and the member municipalities that make up the Agency.

NCMPA-1 has entered into a Purchase and Ownership Participation Agreement, which transfers a 75% ownership interest in the Catawba Nuclear Facility Unit 2 to the Agency. Under the terms of this agreement, a 37.5% ownership interest in the support facilities for the entire Catawba Nuclear Generating Station will also be transferred to NCMPA-1. At closing, NCMPA-1 will pay Duke for its ownership share of the total costs of materials and construction completed to date. In addition, Duke will be reimbursed for fees as profit for its design, licensing, and construction expense. After closing and until the commercial operation of Catawba Nuclear Station, Unit 2, NCMPA-1, on a

DATE →	NCMPA-1, on a monthly basis, will pay to Duke an amount equal to 75% of additional costs incurred for Catawba Nuclear Station, Unit 2, plus 37.5% of the support facilities for the entire station.				

NCMPA-1 intends to issue and sell its electric revenue bonds in amounts sufficient to finance its ownership interest in the Catawba Nuclear Station Unit 2. Initial startup expense is being provided by member participants, subject to reimbursement out of the proceeds of the bond issue. Table 2 sets forth the timing of the bond issue and schedule of payments to be made. NCMPA-1 will issue a total of \$848 million of its revenue bonds to finance its participation in this project.

The State of North Carolina by law has agreed that it will not limit or alter the rights of any participant of the power agency to establish rates to fulfill the terms of any agreement for the Catawba Project so long as any bonds of the power agency are outstanding and unpaid. The power sales contracts between NCMPA-1 and its participants provide that rates charged by NCMPA-1 shall be designed (and adjusted when necessary) to cover all costs of operation, including amounts required to pay debt service and provide for the eventual retirement of its bonds. Revenues of NCMPA-1 under the power sales contract will be pledged as security for the bonds. The contracts further provide that each participant must take or pay for its entitlement share of power from the Catawba Nuclear Station Unit 2.

Bonds of NCMPA-1 for financing the project will be approved and sold by the Local Government Commission of the State of North Carolina. The Commission supervises and approves all aspects of the fiscal control and debt issuance process for local governments, including the issuance and sale of bonds.

Conclusion

Based on our analysis, we have concluded that the financing plan of NCMPA-1 provides reasonable assurance that funds can be obtained to finance its share of the Catawba Nuclear Station Unit 2. We have determined that the North Carolina Municipal Power Agency-1 is financially qualified to participate in the design and construction of the Catawba Nuclear Station Unit 2 in the ratio of their percentage of participation as set forth above. This conclusion is based on the determination that NCMPA-1 has reasonable assurance of obtaining the required capital funds through its revenue bonding method of financing. Because of the lengthy future period involved, our conclusion necessarily assumes that viable capital markets will exist. This implies that capital will be available at some price. Furthermore, NCMPA-1 and its participants have the authority delegated to them by the State of North Carolina to charge rates required to fulfill the terms of agreements supporting the Catawba Project.

We will require as a condition of the amendment, submittal as soon as possible of: (1) copies of the executed Purchase and Ownership Agreement for Catawba Unit 2, (2) copies of the executed Power Sales Agreements between the participants and the North Carolina Power Agency-1, (3) evidence that the Local

Government Commission has approved the issuance and sale of bonds supporting the Ownership and Purchase Agreement.					
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SAFETY CONCLUSIONS

For reasons stated in the above analysis, we conclude that activities authorized by this amendment (1) do not involve a significant hazards consideration; (2) would not constitute an unreasonable risk to the health and safety of the public; and (3) are not inimical to the common defense and security.

Based on our evaluation of financial information provided in the application for the amendment as summarized in the above analysis, we conclude that there is reasonable assurance that NCMPA-1 is financially qualified to participate in the ownership of Catawba-2.

Harley Silver, Project Manager
Light Water Reactors Branch No. 4
Division of Project Management

Original signed by
Steven A. Varga

Steven A. Varga, Chief
Light Water Reactors Branch No. 4
Division of Project Management

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