UNITED STATES OF AMERICA

ATOMIC ENERGY COMMISSION

(Pursd)

In the Matter of	)	Docket No. 50-247
	)	
CONSOLIDATED EDISON COMPANY	)	On Application for License
OF NEW YORK, INC.	)	
	)	

TESTIMONY OF CHARLES A. LOVEJOY
OFFICE OF THE CONTROLLER, AEC

My name is Charles A. Lovejoy. I live at 9205 Wadsworth Drive, Bethesda, Maryland.

I am a graduate of Benjamin Franklin University with a MCS Degree in Accounting.

From 1933 to 1941 I filled a variety of accounting and auditing positions with the U. S. Government. I was Controller of the United Services Life Insurance Company for two years before entering the military service in 1943. After discharge from the Army, I served for seven years in various staff and supervisory positions in the audit and accounting divisions of the Reconstruction Finance Corporation where my duties included financial analyses and review of the operations of borrowing institutions.

Since 1953, I have been a staff accountant in the Office of the Controller of the Atomic Energy Commission. My duties include the preparation of financial analyses of firms applying for special nuclear material, facility licenses, and construction permits. I have appeared as the financial witness for the AEC staff in hearings on the applications for Class 104 licenses held over the past several years, including Consolidated Edison Company's application for the Indian Point Station Unit No. 1.

I have reviewed the financial information presented in the application and amendments thereto of the Consolidated Edison Company for a permit to construct a nuclear reactor with a net electrical capacity of approximately 873 megawatts (2,758 mwt) to be known as Unit No. 2 and located at the applicant't Indian Point Station, Westchester County, New York. Based on this information, including the 1965 and previous annual reports of the Company, it is my opinion that the Consolidated Edison Company is financially qualified to construct the proposed facility, to assume responsibility for payment of Commission charges for the quantities of special nuclear materials requested, and to undertake and carry out the proposed use of such materials for a reasonable period of time.

My opinion is based upon the following facts and considerations:

1. Based upon Consolidated Edison's assumptions and schedule of fuel requirements (computed on an annual basis) contained in Amendment No. 3, the Division of Nuclear Materials Management has advised me that the maximum quantity of special nuclear material which the Company may have in its possession at any one time during the life of the requested license could be approximately 4150 kilograms of U-235. Based upon the Commission's base prices currently in effect, and the maximum dollar value of this material is approximately $34.3 million. The Division of Reactor Development and Technology has reviewed the fuel requirements for the proposed reactor as estimated by the applicant and states that the assumptions and fuel requirements calculated using these assumptions and data appear

to be reasonable. In addition to this material, Consolidated Edison has in its possession special nuclear material having a dollar value of approximately $18 million for operation of Indian Point Unit 1 under Commission Docket 50-3.

2. The applicant estimates that it total costs to design, engineer and construct Indian Point Unit 2 will be $108,008,000. The Division of Construction has reviewed the details of the estimated cost of construction, as contained in the application, and has advised me that the estimate is reasonable. In addition to the costs stated above, Consolidated Edison estimates that the first core fuel assemblies planned for Unit 2 will cost $10,800,000, exclusive of the value of the AEC-owned enriched uranium contained therin.

Accordingly, the estimated total costs to Consolidated Edison for the design and construction of the reactor facility and for fabrication of the first core fuel assemblies will be $118,808,000 made up as follows:

Site preparation and land	$ 1,908,000
Plant	96,000,000
Related costs including overhead, interest and taxes during construction, training, engineering and provisions for escalation and contingencies	10,100,000
Total direct and indirect costs to construct	$108,008,000
Fabrication of first core	10,800,000
Total	$118,808,000

3. Consolidated Edison plans to finance the construction of its Indian Point No. 2 facility in the ordinary course of business. That is, the necessary funds will be provided from cash on hand, revenues, short-term bank loans or other interim arrangements as may be appropriate and sales of securities when, as, and if required. The Company is soundly financed and has plentiful resources at its command. As of December 31, 1965, cash and net receivables totaled $109.4 million. Its current Dun and Bradstreet credit rating is the highest (AaA1) and Moody's Investors Service (August 1965) rates the Company's mortgage bonds as Aa (High) or, for two issues, as Aaa (Gilt Edge).

4. The Company has an excellent level of earnings. Operating revenues have steadily increased over the past five years from $699.1 million in 1961 to $840.2 million in 1965 or 20%. The net earnings, after taxes, have increased from $76.4 million to $111.8 million or 46% over the same period. The volume of electricity sales to customers is also steadily rising, increasing from 20.2 billion kwh in 1961 to 25.3 billion kwh in 1965 or 25%: The volume of gas sales increased from 46.0 Billion cubit feet in 1961 to 51.9 billion cubit feet in 1965 or 27% and the volum of steam sales from 21.7 billion pounds in 1961 to over 26.6 billion pounds in 1965 or 23%. Consolidated Edison is thus operating from the excellent position of an increasing volume and an increasing net profit. If present demand containues or increases, it is reasonable to assume that the above level of earnings will contiune.

5. Consolidated Edison's net investment in its utility plant has increased from $2,246 million in 1960 to $3,170 million in 1965 (41%), providing ample evidence that the Company's physical plant is being continually expanded and modernized. In view of the magnitude of Consolidated Edison's resources, the strength of its financial position, and the high regard held for its bond issues, the financing of needed expansion over the next several years to meet increased customer demands should not place undue financial strain on the Company.

6. The pertinent financial ratios computed from the financial data contained in the 1956 Annual Report are satisfactory and indicate a strong financial position. A copy of my financial analysis, reflecting these ratios and other pertinent data is attached as Appendix A. In brief, the ratio of the long-term debt of $1,711.0 million to net utility plant of $3,169.5 million is .54; the ratio of stockholders' equity of $1,517.1 million to the total assets of $3,387.0 million is .45; the ratio (operating) of operating expenses, including income taxes, of $668.6 million to operating revenues of $840.2 million is .796; the rate of earnings on the total investment in the Company is 5.0% and on the stockholders' investment is 7.4%; the number of times the interest on the bonded debt was earned is 2.7 and the Company's retained earnings at December 31, 1965, totaled $321.7 million.

7. The applicant states that it will purchase the appropriate and available nuclear property insurance to protect itself financially against the loss or damage to AEC-owned special nuclear material in its possession or under its control for which it will be financially responsible to the Commission.

APPENDIX A

CONSOLIDATED EDISON COMPANY OF NEW YORK
DOCKET NO. 50-247
FINANCIAL ANALYSIS

	(dollars in millions) Calendar Year Ended Dec. 31		
	1965	1964	1963
Long-Term Debt	$ 1,711.0	$ 1,611.0	$ 1,486.0
Utility Plant (net)	3,169.5	3,022.4	2,768.9
Ratio - Debt to Fixed Plant	.540	.533	.537
Stockholders' Equity	1,517.1	1,419.3	1,337.8
Total Assets	3,387.0	3,242.1	2,985.8
Proprietary Ratio	.448	.438	.448
Net Income	111.8	101.0	94.0
Stockholders' Equity	1,517.1	1,419.3	1,337.8
Rate of Earnings on Stockholders' Investment	7.4%	7.1%	7.0%
Net Income Before Interest	168.4	151.0	144.9
Liabilities and Capital	3,387.0	3,242.1	2,985.8
Rate of Earnings on Total Investment	5.0%	4.7%	4.9%
Net Income Before Interest	168.4	151.0	144.9
Interest on Long-Term Debt	62.7	57.9	54.3
No. of Times Fixed Charges Earned	2.7	2.6	2.7
Operating Expenses (including taxes)	668.6	635.8	603.6
Operating Revenues	840.2	789.3	749.0
Operating Ratio	.796	.806	.806
Retained Earnings	321.7	298.9	277.2
Earnings Per Share of Common	$2.42	$2.21	$2.09

Capitalization at 12/31/65:	Amount	% of Total
Long-Term Debt	$ 1,711.0	53.0%
Preferred Stock	445.0	13.8%
Common Stock	1,072.1	33.2%
Total	$ 3,228.1	100.0%

Moody's Bond Ratings (August 1965):
First Mortgage Bonds — **Aa (2 issues are rated Aaa)**

Dun and Bradstreet Credit Rating — **AaA1**