

Commonwealth Edison Company

72 WEST ADAMS STREET * CHICAGO, ILLINOIS 60690

October 4, 1965

In the Matter of the Application of:

COMMONWEALTH EDISON COMPANY

Docket No. 50-237

[Handwritten signature]
File Copy

U. S. Atomic Energy Commission
Washington, D. C. 20545

Attention: Mr. R. L. Doan, Director
Division of Reactor Licensing

Gentlemen:

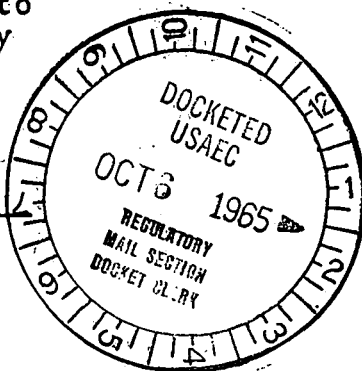
In response to your letter of September 21, 1965 requesting certain data respecting Commonwealth Edison Company's financial qualifications and proof of service of its application for Unit 2 upon Grundy County officials, there is enclosed (1) as an amendment to the application, a Memorandum re Financial Qualifications of Commonwealth Edison Company and (2) a Certificate of Service of the application and all amendments thereto on Neeleon Ness, Chairman of the Board of Supervisors, Grundy County, Illinois.

Very truly yours,

Murray Joslin
Murray Joslin
Vice-President

Subscribed and sworn to
before me this 4th day
of October, 1965.

P. J. Johnston
Notary Public

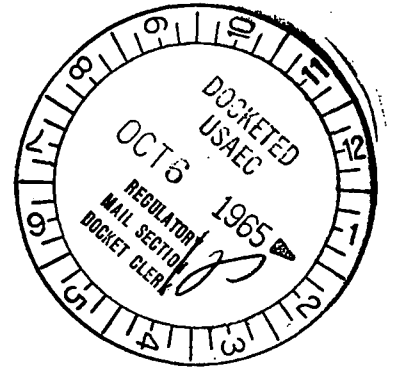


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UNITED STATES
ATOMIC ENERGY COMMISSION



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CERTIFICATE OF SERVICE

I, John H. Hughes, Staff Assistant, Treasurer's Office, Commonwealth Edison Company, hereby certify that the following documents, comprising the application, as amended, of Commonwealth Edison Company filed in AEC Docket No. 50-237, were served upon Neeleon Ness, Chairman of the Board of Supervisors, Grundy County, by delivering a copy thereof at his office in the Grundy County Court House, Morris, Illinois, on October 1, 1965.

1. Application Letter, including General Information, dated April 15, 1965.
2. Plant Design and Analysis Report - Volume I
3. Plant Design and Analysis Report Drawings - Volume II
4. Plant Design and Analysis Report Plant Site and Environs - Volume III
5. Amendment No. 1 to the Report dated July 9, 1965
6. Amendment No. 2 to the Report dated August 17, 1965
7. Amendment No. 3 to the Report dated August 19, 1965
8. Amendment No. 4 to the Report dated September 16, 1965

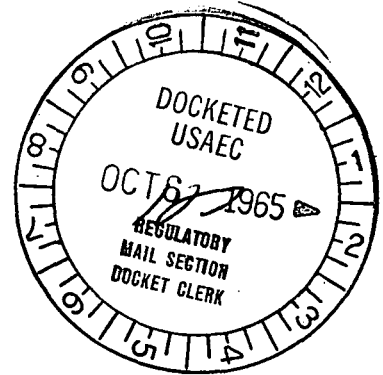
I further certify that the amendment to the application, dated October 4, 1965, was served upon Mr. Neeleon Ness, Chairman of the Board of Supervisors, Grundy County, by depositing in the mail, postage prepaid, one copy thereof on October 4, 1965.

John H. Hughes

Subscribed and sworn to
before me this 4th day
of October, 1965.

P. J. Johnston
Notary Public

UNITED STATES
ATOMIC ENERGY COMMISSION



In the Matter of the Application of:

COMMONWEALTH EDISON COMPANY

Docket No. 50-237

MEMORANDUM RE FINANCIAL QUALIFICATIONS OF
COMMONWEALTH EDISON COMPANY

General
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The total direct costs to be incurred by Commonwealth Edison Company for Dresden Unit 2 including related transmission line and other facilities are estimated and have been budgeted at \$81,750,000. More than 90% of this total estimate is a cost fixed by contract between Commonwealth and General Electric.

The contract between Commonwealth and General Electric obligates General Electric to design, engineer and construct Unit 2 for an ultimate generating capability up to approximately 793 MW net electrical (gross - about 831 MW electrical and 2,600 MW thermal), at a price not to exceed \$75,300,000. The contract is basically for a "turn-key" plant, i.e., General Electric is responsible for constructing a complete, safe, operable and licensable power plant, with the exception of certain specified and existing items to be used in common by Units 1 and 2. Such items are identified in Section I-7 of the Plant Design and Analysis Report.

The contract price is not subject to escalation for changes in price levels or construction costs. However, there are provisions for a reduction in price if the plant does not achieve its intended ultimate capability within a specified period of time. The contract price includes the costs of site preparation and of supervision for preoperational testing, fuel loading and plant startup.

The contract does not itemize the cost of any specific items of plant (excluding fuel) and consequently this information is not currently available. However, after construction is completed, an allocation of costs will be made to classifications of plant structures and equipment established by the Uniform Systems of Accounts for Electric Utilities prescribed by Federal Power Commission and Illinois Commerce Commission.

Unit 2 is to be constructed by General Electric at the Dresden Nuclear Power Station adjacent to the existing nuclear power unit, Dresden Unit 1. The station site of approximately 953 acres, and the corridors for electric transmission lines emanating from the site, have been owned by Commonwealth for a number of years and are large enough to accommodate all requirements for Unit 2. Accordingly, it is not necessary to acquire any additional land, easements or other land rights for Unit 2.

In addition to the contract price described above, other direct costs to be incurred for the Unit 2 project by Commonwealth, as now estimated and budgeted by it, are as follows:

345 KV transmission terminal* for Unit 2		\$1,420,000
Payroll costs* for Commonwealth personnel in -		
Construction liaison and engineering work on the Unit 2 addition	\$395,000	
Preoperational testing of Unit 2 systems (incremental expense)	50,000	
Training for Unit 2 (incremental expense)	<u>50,000</u>	495,000
Construction power and 34.5 KV electric supply facilities for general and auxiliary purposes*		160,000
Administration building addition and other structural work*		125,000
Allowance for contingencies		<u>1,300,000</u>
Total "other direct costs" of the Unit 2 addition		\$3,500,000
345 KV transmission lines* to connect Unit 2 into the Commonwealth bulk power system		<u>\$2,950,000</u>
Total "other direct costs" of the Unit 2 project with related transmission facilities		<u><u>\$6,450,000</u></u>

*Each of these costs is based on engineering estimates for work and facilities customarily included in Commonwealth's engineering and planning for electric generating unit additions.

The estimated incremental cost of personnel training of \$50,000, of course, reflects the fact that Commonwealth now has an operating organization, including managers, engineers, technical staff, supervisors and operators, qualified to operate and maintain Unit 1, a General Electric BWR basically similar to Unit 2. Further training on Unit 2 will be achieved through the planned preoperational test program which will be conducted by Dresden plant personnel under General Electric supervision and for the incremental cost of which Commonwealth has separately budgeted another \$50,000. These modest incremental costs provide a measure of the return which will be forthcoming on the approximately 157 man-years of personnel training at an estimated cost of \$1,100,000 completed prior to operation of Unit 1 and more than 500 man-years of training and experience gained in actual operation of Unit 1.

Beyond all the foregoing direct costs, aggregating \$81,750,000 as estimated and budgeted on a project basis by Commonwealth, for the Unit 2 plant and its related transmission facilities, Commonwealth's total capitalized investment therein will, of course, include the indirect costs properly attributable to these plant and facilities projects. Such indirect costs - comprising those for engineering and supervision, employe pensions and benefits, payroll taxes, injuries and damages, administrative and legal, interest during construction and Illinois taxes applicable to construction - are estimated, budgeted and accounted for on an overall annual basis for Commonwealth's entire construction

program. While Commonwealth neither has nor will have a separately estimated and budgeted amount for its indirect costs on the Unit 2 plant and related transmission facilities, Commonwealth's experience on recent large additions to its electric generating capacity shows that total indirect costs, allocable to the Unit 2 plant and related transmission facilities, should come within a range of 12% to 16% of their aggregate direct costs as now budgeted.

Commonwealth's inventory cost of the 724 first core fuel assemblies planned for the Unit 2 reactor is estimated, as of the scheduled date for placing the unit in commercial operating service, to total \$13,219,300. This inventory cost (a) includes procurement, transportation, the Commission's use charges on special nuclear material (UO_2 enriched) leased from the Commission and all other fabrication charges by General Electric ending with delivery at Dresden and totaling \$12,709,100 pursuant to a separate non-escalable fixed price contract between Commonwealth and General Electric, and also includes provisions for the State of Illinois sales and use tax and for the Commission's use charges for an estimated average four-month period between delivery at Dresden and the Unit 2 scheduled service date, but (b) excludes the \$18,175,700 aggregate value (at the Commission's current base price) of the leased enriched UO_2 material to be initially contained in such fuel assemblies. On an annual basis, the Commission's use charges on this leased special nuclear material content of the Unit 2 reactor's first core, as loaded, are estimated to total \$863,300.

Commonwealth carries on a continuous construction program, the nature and extent of which are based upon current and estimated future electrical loads on its system. This program is subject to continuous review and modification as necessary for adaptation to changing business conditions, revisions in Federal income tax laws, and variations in prices and delivery schedules. The construction program for the electric utility system of Commonwealth (including the principal one of its subsidiaries whose accounts are regularly included in Commonwealth's consolidated financial statements) for the five-year period, as now scheduled, calls for property additions expenditures totaling approximately \$720,000,000.

As pointed out in Commonwealth's 1964 Annual Report to Stockholders included with the General Information attached to its Dresden Unit 2 application dated April 15, 1965, the \$720,000,000 program contemplates property addition expenditures of approximately \$140,000,000 in 1965, \$135,000,000 in 1966, \$155,000,000 in 1967, \$135,000,000 in 1968 and \$155,000,000 in 1969. These expenditures include \$370,000,000 for generating facilities (of which Dresden Unit 2 is a part), \$338,000,000 for transmission (covering that related to Unit 2) and distribution facilities, and \$12,000,000 for general plant.

Commonwealth now plans to finance the construction program through most of 1967 mainly from cash on hand at the end of 1964 and from funds provided internally, as well as through such month-to-month bank borrowings or other interim arrangements as may from time to time be appropriate, during the period. Because of the earlier and larger requirements for the new nuclear unit and because of the accelerated corporate income tax payment schedule, Commonwealth now expects to do some bond or debenture financing in the latter part of 1967 and again in 1968 or 1969. In the meantime, Commonwealth plans no new-money financing by issuance of its securities except through sales of its common shares under its Employee Stock Purchase Plan.

Commonwealth anticipates no difficulty in carrying out the expected bond or debenture financings above mentioned. Its capitalization (in millions of dollars) at the end of each of the following years was:

	1964		1963		1962		1961		1960	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
First Mortgage Bonds	\$ 590	35.3	\$ 590	36.0	\$ 590	36.8	\$ 590	37.2	\$ 590	38.0
Sinking Fund Debentures	236	14.1	244	14.9	252	15.7	255	16.0	218	14.1
Total Long-term Debt	\$ 826	49.4	\$ 834	50.9	\$ 842	52.5	\$ 845	53.2	\$ 808	52.1
Preferred Stock (Non-convertible)	-	-	-	-	-	-	25	1.6	65	4.2
Common Stock Equity (1)	847	50.6	805	49.1	762	47.5	719	45.2	678	43.7
Total Capitalization	<u>\$1,673</u>	<u>100.0</u>	<u>\$1,639</u>	<u>100.0</u>	<u>\$1,604</u>	<u>100.0</u>	<u>\$1,589</u>	<u>100.0</u>	<u>\$1,551</u>	<u>100.0</u>

(1) Includes retained earnings and premium on common stock.

The following Commonwealth ratios for the same year-ends, or the same years, are significant indicators of its top-quality credit:

	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1960</u>
At Each Year-End -					
Percent mortgage debt of depreciated plant(1)	32.7	33.6	34.0	35.2	37.1
Percent long-term debt of depreciated plant(1)	45.8	47.4	48.6	50.3	50.8
For Each Year -					
Percent of operating revenues(2):					
Operating expenses and taxes except income taxes ("operating ratio")	63.8	62.9	62.9	62.6	64.1
Operating expenses and taxes	78.4	77.7	78.1	78.6	79.1
Depreciation	12.6	12.7	11.9	11.2	11.0
Maintenance	5.6	5.3	5.6	5.6	5.3
Net income on common stock	17.8	17.2	16.8	16.2	15.9
Interest on long-term debt - times earned:					
Before income tax	7.43	7.07	6.75	6.87	6.48
After income tax	4.45	4.20	3.94	3.89	3.76

(1) Excludes acquisition adjustments.

(2) Rate reductions were made in 1960, 1962, 1963 and 1964, the most significant being a \$13,000,000 reduction in June 1964, which reduced 1964 revenues by approximately \$7,500,000.

Of Commonwealth's \$590,000,000 aggregate principal amount of first mortgage bonds now outstanding, a total of \$465,000,000 were sold through public offerings in eight of the 17 years during the period 1944 through 1960. Each of these eight bond issues, from the \$155,000,000 largest to the \$30,000,000 smallest, when initially offered and ever since then, has been rated Aaa by Moody's Investors Service and given similar top ratings by Standard & Poor's Corporation and Fitch Investors Service.

Separate issues, aggregating \$308,000,000 principal amount, of Commonwealth's sinking fund debentures were sold through public offerings in seven of the 13 years during the period 1949 through 1961. Each of these seven debenture issues, from the \$50,000,000 largest ones to the \$20,000,000 smallest, when initially offered and ever since then, has been rated Aa by Moody's Investors Service and given similar next-to-top ratings by Standard & Poor's Corporation and Fitch Investors Service. Over the years, reacquisitions, cancellations and redemptions from the seven issues of debentures for sinking fund purposes have reduced their outstanding total principal amount to \$232,728,000 at September 30, 1965.

None of the seven separate indentures, under which these debentures were issued and are outstanding, provides for, and none of such debentures are entitled to, any lien against any physical property or license or franchise owned by Commonwealth.

Section 50.81 of the Commission's regulations, 10 CFR 50.81, provides that consent to the creation of a mortgage lien on a licensed utilization facility is not required provided that certain specified requirements are met. The terms of Commonwealth's mortgage indenture, securing its mortgage bonds, will automatically create a lien on Unit 2 which meets all of the specified requirements set forth in Section 50.81. Accordingly, no consent to such lien is required, though it may be noted that the Third Supplemental Intermediate Decision, issued in AEC Docket 50-10, October 11, 1960, prior to the promulgation of Section 50.81, granted consent to such lien on Unit 1. Pertinent excerpts of the Commonwealth mortgage indenture were received in evidence in AEC Docket No. 50-10, September 26, 1960, as a part of Item 6 of AEC Staff Exhibit No. 1 and are incorporated herein by reference. There have been no changes in such mortgage indenture since that date.

October 4, 1965