

NOV 14 1980

SAFETY EVALUATION
SUPPORTING AMENDMENT NO. 2 TO
CONSTRUCTION PERMIT NO. CPPR-144
ST. LUCIE PLANT, UNIT NO. 2

INTRODUCTION

On May 2, 1977, Construction Permit No. CPPR-144 was issued to the Florida Power and Light Company for the St. Lucie Plant, Unit No. 2. Amendment No. 1 to this permit was issued on September 18, 1980 to include a condition required by a Decision of the Atomic Safety and Licensing Appeal Board. Florida Power and Light Company (FP&L) has been the sole owner of, and holder of Construction Permit No. CPPR-144. The St. Lucie Plant, Unit No. 2 is under construction on Hutchinson Island in St. Lucie County, Florida.

By letter, dated June 13, 1980, FP&L and the Orlando Utilities Commission (OUC) of the City of Orlando, Florida, filed an application requesting NRC approval to transfer an undivided 6.08951 percent ownership share in the facility to OUC.

On September 29, 1980, the staff requested additional financial information regarding the proposed transfer of this ownership which was promptly provided by the applicant. The following analysis presents an evaluation of OUC'S financial qualifications to be a co-owner of the facility.

The NRC regulations relating to the determination of an applicant's financial qualifications are 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 cost of a proposed nuclear power plant and its related fuel cycle costs. This standard

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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. Consequently, we must make certain basic assumptions in our financial analysis about future conditions. Our analysis of the applicant's financial qualifications assumes that there will be rational policies with respect to the setting of rates and that viable capital markets will exist. The former assumption implies that rates will be set 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 plans.

Financial Analysis

OUC was created by the Florida Legislature in 1923 to provide electric and water service to the Orlando area. Electric power for the OUC system is provided from three generating plants: OUC's Indian River and Lake Highland plants and from OUC's 1.6 percent ownership interest in Florida Power Corporation's (FPC) Crystal River Unit No. 3. OUC's electric system is comprised of generation, transmission, and distribution components.

OUC plans to finance its 6.08951 percent ownership share in St. Lucie Unit No. 2 through the issue of its revenue bonds. Chapter 9861 of the Laws of Florida gives OUC the authority to issue revenue bonds for the purpose of constructing its utility plant. OUC currently has \$225.3 million in its revenue bonds outstanding.

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Such bonds have most recently been rated "AA" (high quality) by both of the leading securities rating firms, Standard and Poor's Corporation and Moody's Investors Service, Inc. OUC's total cost for its proposed ownership share is estimated to be \$70.9 million, of which \$44.1 million is to be paid at the closing of the sale. The remainder is to be paid in installments as construction progresses under the terms of the Participation Agreement between FP&L and OUC. The NRC staff requires that the applicants submit copies of the executed Participation Agreement subsequent to the issuance of a Construction Permit Amendment authorizing the proposed ownership transfer.

In June 1980, the Orlando City Council authorized OUC to issue an additional \$110 million in revenue bonds to finance OUC's participation in the subject facility and other capital improvement projects. The security for repayment of principal and interest on such bonds is a pledge of the revenues from OUC's utility system. In this regard, OUC has final authority to set its own rates to pay for the services it provides including full debt service on the revenue bonds. Chapter 9861, Laws of Florida 1923, as amended, gives OUC this independent rate-setting authority, as well as the authority to issue revenue bonds. In addition, OUC's rate covenant under the Bond Resolution requires that OUC will establish, maintain and raise, where necessary, rates for service such that net revenues (after the payment of all operating expenses) shall provide at least 125 percent of total annual debt service (principal and interest) requirements. Applying the applicant's projected operating data through 1984 to its debt service requirements under the Bond Resolution, OUC could conceivably issue \$282 million in revenue bonds in that time frame. This amount is in addition to the \$110 million already approved for St. Lucie Unit No. 2 and other projects.

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Conclusion

Based on the above analysis, we have concluded that the Orlando Utilities Commission of the City of Orlando, Florida, is financially qualified to participate in the design, construction and ownership of St. Lucie Unit No. 2 to the extent of its proposed ownership of 6.08951 percent. This conclusion is based on our finding that OUC has demonstrated reasonable assurance that it can obtain the necessary funds to finance such an ownership interest. The applicant has satisfied this reasonable assurance standard in accordance with NRC's financial qualifications regulations cited above.

FP&L and OUC are required to submit copies of the executed St. Lucie Unit No. 2 Participation Agreement subsequent to the issuance of the Construction Permit Amendment.

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