DOCKET NUMBER
PROD. & UTIL. FAC. 50-458 A

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Public Law Utilities Group

One American Place, Suite 1601 Baton Rouge, Louisiana 70825 (504) 383-9970

Stephen M. Irving, Director

DOCKETED
USNRC
APR 22 1980
Office of the Secretary
Docketing & Service
Branch

April 18, 1980

Mr. L.S. Rubenstein, Acting Chief
Light Water Reactor Branch No. 4
Division of Project Management
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

RE: Comments on Antitrust Review - Riverbend Station No. 1, Docket No. 50-458 - Proposed Purchase by Cajun Electric Power Cooperative, Inc.

Dear Mr. Rubenstein:

This letter is being submitted as a comment on behalf of the Louisiana Consumer's League, Inc. relative to the above matter. Before proceeding with our comments I wish to point out to the Commission that the published notices of this action were inadequate in that all of those published locally ommitted the statement as to the date by which comments were due. I have attached copies of the advertisements in which you will note that the last paragraph of the official notice was ommitted. This has caused a delay in the transmittal of our comments.

Our organization has met with representatives of Cajun Electric Power Cooperative, Inc. and the cooperatives which own and participate in Cajun. All indications to us have been that Cajun is not becomming involved in the River Bend plant because it needs or even wants the project. The interest of Cajun is in concessions from Gulf States Utilities relative to transmission lines which the cooperatives feel are vital to their continued existence. It appears to us, based on statements by cooperative representatives that GSU may have used its control of transmission facilities necessary for Cajun to deliver power to its members to coerce the cooperative into buying a portion of the River Bend facility.

In addition to the statements made by cooperative representatives we offer as additional evidence in support of our position the fact that Cajun's reserves will be quite adequate without the River Bend purchase and an associated agreement in which GSU agrees to purchase a portion of Cajun's 1983 coal unit. When all of these agreements are considered Cajun's reserves will fall to only 7% in 1984 - dangerously low. This information is taken from data filed with the REA which has not been filed with the NRC (copy attached).

Public Law Utilities Group

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Stephen M. Irving, Director

Finally, we note that GSU has not formally (or perhaps even informally) provided the NRC with either notice of and/or the details of its agreements with Cajun to buy an interest in Cajun's 1983 coal fired unit and the transmission line agreement (see discussion in attached prospectus). Since these agreements were all part of the River Bend package they should be considered in the antitrust review process.

Based upon the above comments, we ask that the Commission request the additional information and hold the necessary hearings to fully investigate the above matters to determine if there are antitrust implications in the method used to obtain the agreement of Cajun to purchase an interest in River Bend.

Sincerely,

Stephen M. Irving
Director

SMI/ro

Enclosures: Multiple

CC: Darl Hood, Div. of Project Management, NRC
Lisa Singer, Esq., NRC
A. Toalston, NRC
Docketing and Service Section, NRC
Attorney General - U.S. Dept. of Justice - Antitrust Division

UNITED STATES NUCLEAR REGULATORY COMMISSION

GULF STATES UTILITIES COMPANY RIVER BEND STATION, UNIT 1

DOCKET NO. 50-458

NOTICE OF RECEIPT OF ADDITIONAL ANTITRUST INFORMATION: TIME FOR SUBMISSION OF VIEWS ON ANTITRUST MATTERS

Gulf States Utilities Company, pursuant to Section 103 of the Atomic Energy Act of 1954, as amended, filed on October 26, 1979, information requested by the Attorney General for antitrust review as required by 10 CFR Part 50, Appendix L. This information adds Cajun Electric Power cooperative, Inc. and Sam Rayburn G&T, Inc. as co-owners of the River Station, Unit 1.

The information was filed by Gulf States Utilities Company in connection with their application for construction permits and operating licenses for the River Bend Station, Units 1 and 2. The site for this plant is located in West Feliciana Parish, Louisiana.

The original antitrust portion of the application was docketed on September 24, 1973, and Notice of Receipt of Application for Construction Permits and Operating Licenses and Availability of Applicant's Environmental Report; Time for Submission of Views on Antitrust Matters, was published in the FEDERAL REGISTER on October 23, 1973 (38 F.R. 29245). The Notice of Hearing was published in the FEDERAL REGISTER on October 23, 1973 (38 F.R. 29243).

Copies of the above stated documents are available for public inspection at the Commission's Public Document Room, 1717 H Street, N. W., Washington, D. C. 20555, and at the Audubon Library, West Feliciana Branch, Ferdinand Street, St. Francisville, Louisiana 70775.

Information in connection with the antitrust review of this application can be obtained by writing to the U.S. Nuclear Regulatory Commission, Washington, D. C.20555, Attention: Antitrust and Indemnity Group, Office of Nuclear Reactor Regulation.

Last paragraph omitted

POOR ORIGINAL

5,000.00		
5,000.00		
,739.22		
	$ 26,461.06	
obligated		
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ISH POLICE JURY
TRICT #13 OF WEST FELICIANA PARISH
ET
CEMBER 31, 1980

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rem tax	(91,250.00)
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	(50,727.00)

SH POLICE JURY
RICT #13 OF WEST FELICIANA PARISH
SH FLOW
EMBER 31, 1980

Projected Cash Flow
Based on
Adopted Budget

pany licensed to do business in Louisiana, each in an amount equal to 100% of the contract amount.

No bid may be withdrawn for a period of Thirty (30) days after receipt of bids.

The Owner reserves the right to reject any and all bids and to waive any informalities incidental thereto.

STATE OF LOUISIANA
DIVISION OF ADMINISTRATION
Charles E. Roemer, II, Commissioner
FACILITY PLANNING AND CONTROL DEPARTMENT
J. Ben Meyer, Jr., Director
No. 6007; 1-10; 3tc

UNITED STATES NUCLEAR REGULATORY COMMISSION
GULF STATE UTILITIES COMPANY
RIVER BEND STATION, UNIT 1
DOCKET NO. 50-458

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Information in connection with the antitrust review of this application can be obtained by writing to the U.S. Nuclear Regulatory Commission, Washington, D.C. 20555, Attention: Antitrust and Indemnity Group, Office of Nuclear Reactor Regulation

$00.00 for each set with a 50% refund upon return of the documents within ten (10) days after bid date.

Contractors, material suppliers, sub-contractors, etc., understand that the above mentioned amounts, which are to be retained, cover the cost of the reproduction of the documents and this cost exists whether or not a contract is let. The retainage is not conditional upon award of the contract after receipt of bids.

No bid may be withdrawn after the scheduled or extended closing time for receipt of bids for at least thirty (30) days.

Each proposal must be accompanied by a certified check or Bid Bond in the amount of five (5%) percent of the base bid, made payable, without condition, to the Owners as a guarantee that the bidder, if awarded the Contract within thirty (30) days after receipt of bids, will promptly execute said contract. The bid security of the three (3) lowest bidders will be retained until the Contract is awarded or other disposition is made thereof. The bid security of all other bidders will be returned shortly after the receipt of bids.

The Owners reserve the right to reject any or all bids and to waive informalities.

THE WEST FELICIANA PARISH POLICE JURY
CLARENCE E. BUSH, President
No. 6004; 1-10; 3tc

NOTICE TO BIDDERS

Sealed bids will be opened and publicly read by the Purchasing Section of the Division of Administration, Garden Level West, One American Place, Baton Rouge, Louisiana, P.O. Box 44095, at 10 A.M. for the following:

A-Plumbing Equip., Jan. 14
C-Dry Cleaning Fluid, Jan. 14
C-Orvus Hytemp Granules, Jan. 14
C-Polydethanalamide-Cyclomide, Jan. 14
J-Packing House Prdts., Jan. 15
J-Poultry & Eggs, Jan. 15
J-Seafood, Jan. 16
L-Hardware, Jan. 17
L-Variable Speed Pulley, Jan. 17

Bid Proposal Forms, Information and Specifications may be obtained from the Purchasing Section listed above. No bids will be received after the date and hour specified. The right is reserved to reject any and all bids and to waive any informalities.

CHARLES E. ROEMER, II
Commissioner of Administration
PAUL A. HAYES, JR.
Assistant to the Commissioner
HUGH M. CARLETON, C.P.P.O., C.P.M.
State Director of Purchasing
No. 6005; 1-10; 1tc

Gas Turbine Power Generation with Fluidized Bed Coal Combustion

The Curtiss-Wright Corporation has reported that it has accomplished a key technical first in the use of coal for electric power. One-thousand hours of electrical generation have been achieved with power supplied by a gas turbine engine fired by direct coal combustion in a pressurized fluidized bed (PFB). This achievement demonstrated that coal can be burned efficiently and economically in an environmentally acceptable manner.

The U. S. Department of Energy is a sponsor of the program at Curtiss-Wright, which is developing a combined cycle power plant whereby the usual oil or natural gas-fired combustor of a utility gas turbine is replaced by a pressurized fluidized bed in which crushed high sulfur coal is burned in a mixture of dolomite or limestone. Combustion temperature is maintained at 1,650 degrees Fahrenheit where a high reactivity between the sulfur and dolomite or limestone results in calcium sulfate formation rather than sulfur dioxide. Unlike the wet sludge formed by flue gas sulfur dioxide scrubbers, the waste material from the fluid bed is in a dry, granular, easy-to-handle form. The low combustion temperature also leads to very low formation of oxides of nitrogen (NO_x).

The test plant has demonstrated the efficient and clean combustion of several types of bituminous coal having sulfur contents greater than 3 per cent. Consistent combustion efficiency of over 99 per cent was achieved without a carbon burn-up cell, according to Curtiss-Wright. Performance showed low sulfur dioxide (0.3 pounds per million Btu with a 95 per cent removal rate at a calcium-sulfur ratio of 1.5) and low nitrogen oxide (0.2 pounds per million Btu) emission to the environment. These emission levels are lower than the present interim new source performance standards (NSPS) for bituminous coal issued by the U. S. Environmental Protection Agency. The NSPS for sulfur dioxide is 1.2 pounds maximum per million Btu with a 90 per cent removal rate and 0.6 pounds nitrogen oxide per million Btu.

The 1,000 hours of turbine operation were achieved on a test plant which was brought on line two years ago. The fluidized bed combustor, of one megawatt thermal output, incorporates full-scale commercial plant internal heat exchanger tubes characteristic of Curtiss-Wright's air-cooled fluidized bed concept. In this arrangement, only one-third of turbine engine compressor flow is used for coal combustion and the remainder is heated in an in-bed tube heat exchanger which takes full advantage of the characteristically high heat transfer provided by the turbulent movement of bed granules. The one-third flow which has been used for combustion is cleaned by a series of hot gas cleaning stages and then combined with the cleaned flow from the heat exchanger. The total flow then passes through the engine's turbine stator and rotor system. The dilution effect on combustion gas particulates of the clean air from the in-bed heat exchanger is a key difference between Curtiss-Wright's air-cooled bed and the steam-cooled beds being considered by others. Turbine inlet particulate grain loadings were controlled to low levels during the test, with resulting negligible effect on the stator and rotor. It is important to note that the rotor blading, rather than the stator, is the critical engine component, due to the centrifugal force field. The severity of the 1,000-hour test operating conditions was magnified by the use of a small turbine with a rotational speed effect significantly higher than will be the case in larger, commercial-scale machines.

Over 2,500 hours of coal-fired operation have been accumulated on the test plant to date. Initially, work was focused on bed and heat exchanger operating parameters and hot gas clean-up development, which was followed by turbine engine durability testing. Supplementing the test plant results are a variety of other tests of in-bed tubes and tube materials. Aggregate testing time exceeded 10,000 hours.

The next phase of this ongoing DOE development program is to

UNITED STATES NUCLEAR REGULATORY COMMISSION

GULF STATES UTILITIES COMPANY RIVER BEND STATION, UNIT 1

DOCKET NO. 50-458

NOTICE OF RECEIPT OF ADDITIONAL ANTITRUST INFORMATION: TIME FOR SUBMISSION OF VIEWS ON ANTITRUST MATTERS

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RECEIVED
MAR 31 1980
BY PLUG

USDA-REA-EIS(ADM) 80-4-D

Rural Electrification Administration (REA) financing of an undivided ownership interest of River Bend Nuclear Power Station Unit 1, near St. Francisville, Louisiana, for:

Cajun Electric Power Cooperative, Inc.
Sam Rayburn G&T, Inc.
Draft Supplemental Environmental Impact Statement
River Bend Nuclear Power Station Unit 1

Joseph S. Zoller
Assistant Administrator-Electric
USDA-REA
Washington, D. C. 20250
Tel: 202 447-6237

The Draft Supplemental Environmental Impact Statement (DSEIS) has been prepared by the REA to examine alternatives to participation in the project and examine environmental impacts associated with REA's proposed financing assistance.

Comments required by: MAY 12 1980

Table 4.1.B.

CAJUN ELECTRIC POWER COOPERATIVE, INC.

WITHOUT PARTICIPATION IN RIVER BEND NUCLEAR UNIT NO. 1

("No Action" Alternative)

Year	CEPCO Load (MW)	Purchased Capacity (MW)	Net Responsibility	Generation Additions	Total Capacity (1)	Surplus Capacity (2)	System Reserve
1983	1430	145 (9)	1493	540 (3)	1830	337	39.4
1984	1560	100 (10)	1687		1830	143	24.5
1985	1701	65 (11)	1891	275 (4)	2105	214	27.6
1986	1856	115 (12)	2019	275 (5)	2380	361	34.4
1987	2025	115	2214		2350 (6)	136	21.7
1988	2209	115	2425	540 (7)	2890	465	36.0
1989	2410	105	2657		2890	233	24.7
1990	2529	115	2908	540 (8)	3430	522	34.8
1991	2868	115	3183		3430	247	23.6

Compare with 8 18

NOTES:

1. CEPCO installed capacity prior to 1983 will be as follows:

   Big Cajun No. 1, Unit No. 1 - 115 MW (gas/oil)
   Big Cajun No. 1, Unit No. 2 - 115 MW (gas/oil)
   Big Cajun No. 2, Unit No. 1 - 540 MW (western coal)
   Big Cajun No. 2, Unit No. 2 - 540 MW (western coal)

2. Indicates a surplus over the 15 percent reserve requirement.

3. 540 MW addition represents 100 percent ownership in Big Cajun No. 2, Unit No. 3 (western coal).

4. 275 MW addition represents 51 percent ownership in Big Cajun No. 3, Unit No. 1 (Louisiana lignite). Gulf States Utilities Company (GSU) and Louisiana Power & Light (LP&L) have expressed serious interest in participation in CEPCO's lignite units. Discussions leading toward a decision of participation in these units are planned in the near future.

5. 275 MW addition represents 51 percent ownership in Big Cajun No. 4, Unit No. 1 (Louisiana lignite).

6. Reflects a planned 30 MW decrease in available capacity from Big Cajun No. 1 due to conversion from natural gas to fuel oil.

7. 540 MW addition represents 100 percent ownership in Big Cajun No. 3, Unit No. 2 (Louisiana lignite).

8. 540 MW addition represents 100 percent ownership in Big Cajun No. 4, Unit No. 2 (Louisiana lignite). Participation arrangements have not been considered for this unit at this time.

Table 4.1.B
cont'd

9. 45 MW firm purchase has been arranged from Tex-La/SWEPCO in 1983. 100 MW nonfirm purchase available from CLECO in 1983.

10. 50 MW firm purchase from Tex-La/SWEPCO and 50 MW hydro peaking capacity have been allocated from SPA.

11. An additional 15 MW allocation of hydro peaking power will be available from SPA. Lose Tex-La/SWEPCO 50 MW.

12. An additional 50 MW allocation of hydro peaking power (total of 115 MW) will be available from SPA.

Table 4.1.C

CAJUN ELECTRIC POWER COOPERATIVE, INC.
POWER SUPPLY PLAN FOR PERIOD 1983 THROUGH 1990
WITH RIVER BEND NUCLEAR UNIT NO. 1 PARTICIPATION

Year	CEPCO Load (MW)	Purchased Capacity (MW)	Net Responsibility (MW) (1)	Generation Additions (MW) (2)	Total Capacity (MW)	Surplus Capacity (MW) (3)	System Reserve (%) (4)
1983	1430	145 (11)	1493	275 (5)	1565	72	20.2
1984	1560	100 (12)	1687		1565	(122)	7.0
1985	1701	65 (13)	1891	380 (6)	1945	54	18.2
1986	1856	115 (14)	2019	275 (7) 94 (8)	2314	295	30.9
1987	2025	115	2214	94 (8)	2378	164	23.1
1988	2209	115	2425	275 (9)	2663	228	25.3
1989	2410	115	2657	94 (8)	2747	90	18.8
1990	2629	115	2908	540 (10)	3287	379	29.9
1991	2868	115	3183		3287	104	18.5

NOTES:

1. Capacity requirement equals (load minus firm purchases) times 1.15 less nonfirm purchases.

2. CEPCO installed capacity prior to 1983 will be as follows:

   Big Cajun No. 1, Unit No. 1 - 115 MW (gas/oil)
   Big Cajun No. 1, Unit No. 2 - 115 MW (gas/oil)
   Big Cajun No. 2, Unit No. 1 - 540 MW (western coal)
   Big Cajun No. 2, Unit No. 2 - 540 MW (western coal)

3. Surplus equals total capacity minus net responsibility.

4. Surplus plus pool reserve as a percent of net responsibility.

5. 275 MW addition represents 51 percent ownership in Big Cajun No. 2, Unit No. 3 (western coal). Gulf States Utilities and Sam Rayburn Dam Authority have submitted a Letter of Intent to purchase 265 MW (49 percent) of this unit.

Table 4.1.C
cont'd

6. 380 MW represents 70 percent ownership in Big Cajun No. 3, Unit No. 1 (Louisiana lignite). Other utilities have expressed serious interest in participation in CEPCO's lignite units. Discussion leading toward a decision of participation in these units are planned in the near future.

7. 275 MW addition represents 51 percent ownership in Big Cajun No. 4, Unit No. 1 (Louisiana lignite). Similar participation arrangements as described for Big Cajun No. 3, Unit No. 1 are planned.

8. The three increments of 94 MW each represent participation in the 940 MW River Bend No. 1 unit under construction by GSU. Based on information available. this unit will be commercial by the 1985 peak. The increments shown represent the portion of this unit's capacity required in 1986, 1987, and 1989 to meet CEPCO's load requirements with GSU buying back the capacity of the balance of the 30 percent owned by CEPCO during 1985, 1986, 1987, and 1988.

9. 275 MW addition represents 51 percent ownership in Big Cajun No. 3, Unit No. 2 (Louisiana lignite). Similar participation arrangements as described for Big Cajun No. 3, Unit No. 1 are planned.

10. 540 MW addition represents 100 percent ownership in Big Cajun No. 4, Unit No. 2 (Louisiana lignite). Participation arrangements have not been considered for this unit at this time.

11. 45 MW firm purchase has been arranged from Tex-La/SWEPCO in 1983. 100 MW nonfirm purchase available from CLECO in 1983.

12. 50 MW firm purchase from Tex-La/SWEPCO and 50 MW of hydro peaking capacity have been allocated from SPA.

13. An additional 15 MW allocation of hydro peaking power will be available from SPA.

14. An additional 50 MW allocation of hydro peaking power (total of 115 MW) will be available from SPA.

PROSPECTUS

Gulf States Utilities Company

500,000 Shares

$11.48 Dividend Preferred Stock—$100 Par Value

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus is to be used by the Company in connection with its public invitation for bids for the purchase of the above-mentioned Preferred Stock. The Company will receive bids for the Preferred Stock up to 11:00 A.M., New York Time, on January 17, 1980, at the office of Irving Trust Company, A Level, One Wall Street, New York, N. Y. Officers and counsel for the Company, independent public accountants and counsel for the prospective Purchasers will be available at the office of Irving Trust Company—A Level, One Wall Street, New York, N. Y., on January 9, 1980, at 11:00 A.M., New York Time, to meet with prospective bidders to review the Registration Statement and public invitation for bids. Copies of the bidding papers may be obtained at the office of Beekman & Bogue, 14 Wall Street, New York, N. Y. 10005, counsel for the prospective Purchasers. If the Company shall accept any such bid, this Prospectus will be amended so as to include certain information not now included.

The date of this Prospectus is January , 1980 borrowings which are expected to be refinanced from time to time through the issuance of additional bonds and common and preferred stocks of the Company. The amount of each class of securities sold and the timing of the sales thereof will depend on a number of factors including market conditions, earnings and capitalization ratios; and the issuance of additional preferred stock and bonds and such intermediate term borrowings will be subject to satisfaction of the interest and preferred stock dividend coverage requirements described below. The Company contemplates the sale of up to $100 million of First Mortgage Bonds early in 1980 and has received FERC authorization to sell the same, but such sale is subject to the factors described above. Due to the Company's need to raise capital from outside sources for its construction program through the issuance, among other securities, of substantial amounts of additional common stock, further dilution of earnings per share will be experienced at least for the near-term even if operating results should improve, particularly if current market conditions requiring such sales to be made at prices below book value persist.

The Company's Mortgage and debenture indentures place certain limitations upon the issuance of additional funded debt. On the basis of the unaudited financial statements of the Company for the twelve months ended November 30, 1979, (adjusted to give effect to the issuances on December 4, 1979 of $75,000,000 of First Mortgage Bonds, 12.30% Series A due 2009 and of the New Preferred Stock and the application of the proceeds therefrom to reduce short-term debt) the amount of funded indebtedness permitted to be issued under the more restrictive debenture indenture test (assuming an interest rate of 12.30% for such additional funded indebtedness) would be approximately $161,000,000. At present, only $160,000,000 of additional bonds can be issued under the Mortgage limit on the aggregate amount of bonds which may be issued thereunder. As of December 7, 1979, the Company was advised by the Trustee under its Mortgage Indenture that the necessary consents had been obtained from the holders of outstanding bonds to two mortgage amendments, one of which would increase the limit on the amount of additional bonds which may be issued to $100 billion. The Company expects that such amendments of its Mortgage Indenture will be effected in the near future.

The Company's Restated Articles of Incorporation place certain limitations upon the issuance of additional preferred shares without appropriate approval by holders of each class of preferred stock outstanding. On the basis of the unaudited financial statements of the Company for the twelve months ended November 30, 1979 (adjusted to give effect to the issuance of additional Bonds referred to in the preceding paragraph and the issuance of the New Preferred Stock at an assumed dividend rate of 10½% and application of the proceeds therefrom to reduce short-term debt) the amount of preferred stock permitted to be issued under the most restrictive provision (at an assumed dividend rate of 10½%) would be approximately $47,000,000 in addition to the New Preferred Stock.

If it should be determined that the interest charges incurred by certain trusts should be treated as interest on indebtedness of the Company for purposes of calculating the limitations in the preceding two paragraphs, such limitations would be $133,000,000 and $24,000,000 respectively.

RECENT DEVELOPMENTS

On August 28, 1979, Cajun Electric Power Cooperative, Inc. ("Cajun") and the Company executed a joint ownership agreement pursuant to which Cajun will become owner of an undivided thirty percent interest in the Company's River Bend Unit 1, a 940 megawatt nuclear unit presently scheduled to be in service in 1984. Such agreement and funding of Cajun's contributions to such project are subject to approvals by regulatory authorities having jurisdiction, including but not limited to the Nuclear Regulatory Commission and the Rural Electrification Administration. After approval, the agreement provides for Cajun to pay all construction costs until it has achieved thirty percent parity of capitalized investment in the unit, and thereafter for costs to be paid by the co-owners in proportion to their interests. An agreement was also executed obligating the Company to purchase from Cajun after commercial operation of the unit 100% of Cajun's share of the unit's capacity during the first year, 66⅔% the second year, and 33⅓% the third year. These agreements were executed as part of the overall arrangements between the Company and Cajun providing for new interconnection and transmission agreements, for Cajun to assume load control responsibility for its system and for transfer by the Company to Cajun of responsibility for the load of Southwest Louisiana Electric Membership Cooperative from which the

Company receives less than FERC approved rates for comparable service. As a further part of these arrangements the Company presently expects to participate in several generating units to be built by Cajun, including a 540 megawatt coal-fired unit planned for completion in 1983 and three 540 megawatt lignite units scheduled for service later in the 1980's.

On October 11, 1979, Sam Rayburn G & T, Inc., the rural electric cooperative affiliate of SRDE, joined in the River Bend Unit 1 joint ownership agreement described above. Pursuant to such agreement, Sam Rayburn G & T, Inc. will become owner of a seven percent interest in the unit subject to all necessary regulatory approvals. The Company and SRDE have executed a letter of intent providing for agreements to be reached covering interconnection and transmission arrangements, wholesale service, disposition of hydroelectric power generated by the Sam Rayburn Dam hydro project, purchase by the Company of decreasing amounts of River Bend Unit 1 capacity from SRDE, and opportunities for SRDE to participate in future units of the Company.

The Company's system peak load for 1979 occurred in August and was 5,224.9 megawatts, at which time the Company had generating reserve capacity of approximately 18%. This represents an increase in peak load of approximately 1.7% over 1978. Although kilowatt hour sales for the twelve months ended November 30, 1979 were approximately 3% greater than those for the twelve months ended November 30, 1978, the increase in such sales was less than anticipated. Indications are that mild weather in the summer and fall of 1979 was a significant factor, and that energy conservation by consumers probably was an element, in holding the increase in peak load below the 6.6% previously estimated by the Company and in the less than anticipated increase in kilowatt hour sales. Due to deferral of certain construction work during various portions of the past few years and the current needs for generation and reserves, it is not anticipated that the lower than estimated increase in peak load will affect the Company's current construction projects.

Sabine Unit 5 has been placed in commercial operation fueled by natural gas supplied by Exxon Company, USA. The Department of Energy ("DOE") issued a determination on August 23, 1979, that such unit will qualify as an "existing" facility under its rules. This makes the unit eligible to use fuel oil as fuel but an exemption from DOE is required in order for the Company to be able to use natural gas. An application for such an exemption has been filed by the Company and under present rules permitting use of natural gas pending a ruling on the application, the Company has commenced operation of the unit with natural gas. However, it cannot be assured that it will be allowed to continue to operate the unit with natural gas. Applications have also been filed for temporary public interest exemptions to burn natural gas in other units beyond the amounts permitted under the Power Plant and Industrial Fuel Use Act and pending action thereon the Company has endeavored to reduce the use of fuel oil and burn additional natural gas when available.

As a result of the accident at the Three Mile Island nuclear plant, the Nuclear Regulatory Commission ("NRC") has announced a moratorium on the issuance of construction permits and the licensing of nuclear power plants until it completes reviews of NRC staff proposals concerning operation of existing nuclear power plants, recommendations of the President's special commission to investigate the Three Mile Island accident, and a special study of the NRC and its procedures, and promulgates new rules for emergency planning for nuclear accidents. President Carter stated in December 1979 that the moratorium would not last more than six months thereafter. The Company has construction permits for its River Bend Units 1 and 2. River Bend Unit 1, which is presently under construction, is scheduled for completion in 1984. While no impact is currently foreseen on the Company's present construction schedule, it is not possible to determine the effect of the moratorium, or of any changes in the NRC or its policies which may result from the review or from Congressional or executive action, upon the construction and licensing of such units, the approval of participations in such units or the effect upon the Company's financial position or results of its operations.

Financial Results

Earnings for the twelve months ended November 30, 1979 were adversely affected by the lower than expected kilowatt hour sales referred to above as well as increased maintenance expenditures, which are expected to continue, and increased interest costs. In November 1979 the Company changed its composite