

UNITED STATES OF AMERICA
ATOMIC ENERGY COMMISSION

In the Matter of)
DUKE POWER COMPANY) Docket Nos. 50-269A, 50-270A
(Oconee Units 1, 2 & 3) 50-287A, 50-369A
McGuire Units 1 & 2)) 50-370A

APPLICANT'S ANSWERS TO INTERROGATORIES
OF THE JOINT DISCOVERERS

On September 17, 1973, the Joint Discoverers served "Interrogatories and Document Request of Joint Discoverers and Motion to Compel Response" on Applicant. In a separate filing, Applicant objects to several of those interrogatories and requests and seeks protective orders pertaining to others. Applicant also is today making available for examination the documents pertinent to the requests to which Applicant does not object. The following are Applicant's answers ^{1/} to those interrogatories to which it does not object.

1. What is a "foreign system" as that term is used and understood by Applicant (e.g., Applicant's document no. 85028)? List all such "foreign systems".

The term "foreign system" has been a loosely

1/ In answering these interrogatories, Applicant makes no reference to any conditional proposals made in the context of settlement negotiations in this proceeding since those discussions are confidential and inadmissible as evidence. See Wigmore, Evidence (McNaughton, ed. 1961) §1061; Factor v. C.I.R., 281 F.2d 100, 125 (9th Cir. 1960).

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defined term used by some of Applicant's employees to denote utility systems, i.e. electric and telephone systems, owned by others, with specific meaning based on an employee's intent at a particular time and place. The term does not include self-generating industrial establishments serving only the needs of their own plants. The use of the term in Document No. 85028 was essentially to denote certain small textile mill village electric systems and small investor-owned electric distribution systems. Portions of Document No. 85028, however, are applicable to any electric system owned by others.

The following list includes foreign electric systems within or adjacent to the area served by Duke in the period since 1960. A broad definition of "foreign system" has been used.

South Carolina Electric & Gas Co.
Carolina Power & Light Co.
Virginia Electric & Power Co.
Crescent E.M.C.
Aiken Electric Co-op
Mid-Carolina Electric Co-op
Donaldson A.F.B.
Nantahala Power & Light Company
Greenwood Electric Power Commission
City of Greenwood
City of Ninety-Six
Clemson College
New River Power & Light Co.
Mountain Electric Co-op
City of Durham Water Department
Equinox Mill
Wellington Mill
Orr Mill

Seneca Light, Water & Sewage Department
Abbeville Light & Power Department
Courteney Mill
Westminister Water & Light Department
Belton Light & Power Co.
Blue Ridge Electric Co-op
Little River Electric Co-op
Haywood E.M.C.
Piedmont E.M.C.
Randolph E.M.C.
Union E.M.C.
Pee Dee E.M.C.
Cornelius E.M.C.
York E.M.C.
Pineville Municipal System
Monroe Municipal System
Fairfield Electric Co-op
Rock Hill Municipal System
Manetta Mills
Springs Cotton Mills
Butner Hospital
University of North Carolina, Chapel Hill
Wake E.M.C.
Davie E.M.C.
Surry-Yadkin E.M.C.
Blue Ridge E.M.C.
Pisgah Mountain Electric Co.
High Shoals Mills
Long Shoals Mills
Southside Mills
Laboratory Mills
Eagle Yarn Mills
National Yarn Mills
Chronicle Mill
Crescent Spinning Co.
Stowe Thread Co.
Majestic Mill
South Fork Manufacturing Co.
Stowe Spinning Co.
Park Yarn Mill
Carlton Mill
Town of Cherryville
Howell Mill
Stowe Mills
Town of Maiden
Town of Lincolnton
Acme #1 Mill
Acme #2 Mill

Perfection
Linford Mill
Town of Dallas
City of Gastonia
Victory Mill
Pickney Mill
Spencer Mountain Mill
Peerless Spinning Corp.
Groves Thread, Inc.
Town of Kings Mountain
Rutherford E.M.C.
Cornelius E.M.C.
Pomona Terra Cotta Company
City of Greer, Commission of Public Works
Easley Water & Light Department
Mountain View Homes
Aerial Mill
Cateechee Mill
Laurens Co-op
Town of Newton
Town of Maiden
Town of Granite Falls
Town of Morganton
Town of Drexel
Henry River Mill Village
Hayes Cotton Mill Village
Burke-McDowell E.M.C.
City of High Point
City of Lexington
Davidson E.M.C.
Lynches River Electric Co-op
Springs Mill Village, Lancanster
Springs Mill Village, Kershaw
Springs Mill Village, Fort Mill
Kershaw Oil Mill Co. (later Kershaw Power & Light Co.)
Heath Springs Light & Power Company
The Electric Company
Town of Huntersville
Town of Cornelius
Town of Davidson
Washington Mills Co., Mayodan
Town of Forest City
Stonecutter Mill Village
Alexander Mill Village
Ora & Dover Mill
Lawndale Mill
City of Shelby
Town of Bostic

Cross Cotton Mill Village
Cannon Mill #8 Village
Cannon Mill #11 Village
Cannon Mill Villages #2, 5, 6, 9, 10
Brown Kannapolis System
Statesville Municipal System
Landis Municipal System
Concord Municipal System
Albemarle Municipal System
Tuscorora Mill Village
Roselle Lighting Company
Lockhart Power Company
Town of Clinton
Town of Newberry
Town of Prosperity
Town of Gaffney
City of Laurens
City of Union
Clinton Mill Village
Lydia Mill Village
Alma Mill Village
Musgrove Mill Village
Clifton Mill Village
Broad River Co-op
Newberry Co-op
Housing Authority of Winston-Salem
City of Winston-Salem
Winston-Salem Air Force Station
Tanglewood Park
City of Lexington
Children's Home
Forest Hills' Farms

2. Has Applicant conceived a plan or program for acquiring "foreign systems" in its service area? If so, when was this plan conceived, what are its details, and has it been implemented?

The Applicant has not adopted a plan or program to acquire all of the various electric systems owned by others within or near Duke's service area. Some years ago, programs to acquire some foreign systems were recommended by a Duke employee but were not adopted by Duke senior officials.

Duke undertook a systematic effort to purchase the electric systems of a number of textile mill villages. The owners of several such village systems had approached Duke and requested that Duke acquire the systems. Typically, these sales were contemporaneous with the sale of the mill-owned houses. Beginning in the late 1950's, Duke for a time actively approached the owners of the remaining mill village systems regarding the possible sale of those systems to Duke and has, in fact, acquired several.

Duke Power Company participated, along with Carolina Power & Light Company and South Carolina Electric and Gas Company, in an offer to purchase all of the rural electric cooperatives in South Carolina. In the spring of 1962, the South Carolina rural electric cooperatives re-

quested that the South Carolina Tax Study Commission make a study to determine what taxes rural electric cooperatives should pay. At that time they were totally exempt from all Federal, state and local taxes, including ad valorem taxes. The cooperatives had for sometime been seeking legislative sanction to pay only token taxes.

In connection with an appearance by Duke, CP&L, and SCE&G at a hearing before the Tax Study Commission on August 20, 1963, considering whether the sales and facilities of electric cooperatives should bear the same taxes as the sales and facilities of the companies, the three companies, in order to demonstrate the feasibility of such taxation of cooperatives made simultaneous offers to purchase all of the electric cooperatives in South Carolina. If the purchases were made, sales and operations of the cooperatives would have been fully taxed, all of the employees of the cooperatives would have been employed and the electric rates of the cooperative customers would not have been increased. As part of this effort, Duke made a separate offer to each of the cooperatives in its area to purchase the cooperative's system. Duke received no indication of interest from any of the cooperatives, and the matter ended there. While Duke would have purchased any cooperative indicating a willingness

to sell, it did not expect to receive any such acceptance, and Duke's sole reason for making the offer was to show to the Tax Study Commission that the cooperatives were capable of bearing their fair share of taxes.

In 1962, an Assistant Vice President of Duke, Channing B. Brown, undertook a survey of Duke's long-term relationship with each of its principal wholesale customers as a final assignment with the company prior to retirement. Mr. Brown, in his prior capacity as head of the Industrial Power Department, had been Duke's recognized specialist on relations with municipal customers. Although much of Mr. Brown's discussions with the municipalities related to such matters as future load projections and needs for new facilities or services, Mr. Brown was authorized by D. W. Jones, Vice President, Retail Operations, to raise the question of the possible sale of the municipalities' electric system to Duke with the wholesale customers. Although Mr. Brown briefly followed up on the few indications of interest in this field he received, no acquisitions or serious negotiations concerning acquisition ever grew out of Mr. Brown's conversations. It should be noted that Mr. Brown was simultaneously involved in negotiations entirely unrelated to his municipal visits regarding the possible acquisition of three non-municipal systems, the Heath

Springs Power & Light Co., Pisgah Mountain Electric Company and the Clemson College electric and water services. The Clemson and Pisgah Mountain systems were actually acquired.

Duke also has considered the purchase of a limited number of other systems on an individual basis and has, in fact, acquired several. None of these acquisitions were pursuant to any general plan or program.

3. State Applicant's purpose(s) in contracting to wheel Southeastern Power Administration (SEPA) power. What effects were anticipated by Applicant in so contracting? What were the actual effects of this wheeling?

The use of Duke's facilities to transmit SEPA power was consistent with the express congressional policy against the construction of duplicative and otherwise unneeded transmission facilities to market SEPA's electricity. Duke regarded such construction as contrary to the public interest. Duke also required a 230 kv interconnection with Georgia Power Company for its own needs. The agreement with SEPA permitted the dual use of the new transmission facilities.

The principal anticipated effect of the wheeling agreement was the partial displacement of Duke by SEPA as a supplier to certain wholesale customers. In terms of 1962 loads, this displacement was estimated at 12.7% of Duke's sales to those customers. That displacement has taken place

but has declined proportionately as the load of those wholesale customers has grown. A second anticipated effect was that SEPA would not find it necessary or desirable, under prevailing administrative and Congressional policies, to seek an appropriation for duplicative facilities. That effect has also taken place.

4. State Applicant's purpose(s) in firming SEPA power. What effects were anticipated by Applicant in "firming" SEPA power? What were/are the actual effects?

Applicant firmed and wheeled SEPA power as an integral part of a single agreement. Hydroelectric power is not firm dependable power because of its reliance upon rainfall. In order for SEPA to be able to contract to deliver firm amounts of power to its preferred customers, it had to have a source of power to supplement its hydro power in times of low rainfall. SEPA and Applicant negotiated such an arrangement at the same time and along with the wheeling agreement. In those negotiations, both parties also recognized that the furnishing of firming power would be more efficient than the construction of two 75 mw thermal units contemplated as a possible alternative.

The anticipated and actual effects were the same as stated in answer to interrogatory number 3.

5. State Applicant's purpose(s) in forming or participating in the formation of the CARVA Pool. What effects were anticipated by Applicant from the formation of CARVA? What were/are the actual effects?

Applicant's purpose in participating in the CARVA Pool was to realize further economy of operation as by reduction of each member company's reserve generating margin and by enabling the construction of larger units than would otherwise have been possible. The anticipated benefits were not realized because the unprecedented load growth combined with very low reserves required the companies to purchase internal combustion turbines and to install some relatively small generating units on a crash basis. In addition, it became evident that Applicant could install the largest technically feasible generating units without reliance on pooling.

6. State Applicant's purpose(s) in terminating the CARVA Pool. What effects were anticipated by Applicant to result from such termination? What were the actual effects?

Applicant's purpose in terminating the CARVA Pool was to free itself from certain provisions of the pool contract which it considered unsatisfactory in actual operation. Specifically, Applicant was dissatisfied with the requirement for unanimous approval of future generating units which were to be pool participating units and with the equalized reserve principle as it applied to Applicant. There was disagreement among the pool members over the appropriate levels of reserve generating capacity for the pool. The pool agreement contained no definite basis for determining what were pool transmission facilities, with the result that each increment of new pool transmission facilities resulted in a separate bargaining session. The price formula for sales from pool participation units had become outmoded, and was recognized to be inadequate for pricing sales from nuclear units. There was disagreement among the pool members as to the economies resulting from the construction of larger units by some companies, both as to quantifying those economies and as to allocation of such economies among the member companies. Applicant was further dissatisfied with having to enter

separate agreements to purchase capacity from relatively small fossil-fired generating units installed on a crash basis. Termination of the pool was facilitated by the formation of the Southeastern Electric Reliability Council and the VACAR sub-regional group within that Council as this organization provided a vehicle for the continuation of some aspects of the joint planning and coordination which had formerly been conducted under the CARVA Pool Agreement.

7. State Applicant's purpose(s) for entering into reliability arrangements with other electric utilities and under the Southeastern Reliability Council (SERC). What effects were/are the actual effects?

Applicant had for many years recognized the importance of coordinating the planning and operation of its bulk power supply system with the planning and operation of other systems of the interconnected bulk power grid in providing a high degree of service reliability. Applicant also believed reliability coordination was desirable independently of the economic aspects of pooling.

In the late 1960's, Duke's senior officials saw a need to expand the geographic area and electric load with which Duke was coordinated for reliability purposes. Duke believed that formation of the various reliability agreements would achieve the broader-based reliability arrangements it

thought were required to assure adequate service. At the same time, Duke anticipated that these arrangements would separate questions as to the need for economy based arrangements from considerations as to reliability of service.

Reliability coordination is being effected.

8. Does Applicant earn a fair rate of return from wheeling SEPA power? What is the rate of return?

Applicant had a determination of the rate of return realized from wheeling SEPA power made for it by its rate consultant but does not consider that determination to have been in sufficient detail to enable Applicant to endorse the rate of return determination therein made.^{2/} Applicant did determine that for the calendar year 1962, which was the last full year for which data was available when the SEPA wheeling contract was negotiated, its total system transmission operation and maintenance expenses plus return and depreciation were 1.199 mills per kilowatt hour. On this basis, Applicant considers the return earned from wheeling SEPA power to have been adequate during the initial years of the contract.

2/ These studies have been produced pursuant to the Joint Document Request of September 5, 1972.

9. Does Applicant earn a fair rate of return from its sales of firming power to SEPA? What is this rate of return?

Applicant does not sell firming power to SEPA but does sell deficiency energy directly to SEPA's preference customers when SEPA generation is reduced because of streamflow less than a 34 year average. Duke bills SEPA's customers for such deficiency energy at the SEPA rate and bills SEPA separately for any specifically identifiable generation, sales, or gross receipts taxes levied on it by the states of North and South Carolina arising from such sales. During periods when streamflow is above the 34 year average, excess generation by SEPA is made available to the Applicant at a rate 0.6 mills per kwh less than the SEPA rate for energy sales to preference customers. Thus, over a reasonable period of time Applicant's sales of deficiency energy are balanced by purchase of excess energy. The 0.6 mill per kwh on the total kwh sales of deficiency energy which accrues to the Applicant is considered by the Applicant to partially offset the additional billing and dispatching costs encountered by reason of such transactions and to partially offset the loss of wheeling revenue which Applicant would have otherwise received.

The rate of return determination referred to in response to Interrogatory 8 also considered the firming aspect of the transaction. As with the wheeling calculation, Applicant is unable to endorse the determination regarding firming made by the rate consultants.

10. Has Applicant refused to sell additional firming power to SEPA? If so, why?

No.

11. Has Applicant refused to wheel electric power for entities other than SEPA? If so, all such refusals to wheel and state Applicant's reasons for so refusing.

No.

12. State Applicant's policy regarding the following types of coordination with small systems: (a) reserve sharing; (b) coordinated development [in responding, indicate whether sales of capacity and energy would be made at average system cost or at the participation unit price]; (c) wheeling.

(a) Duke has committed itself to entering into arrangements comparable to those approved by the Supreme Court in Gainesville Utilities Department v. Florida Power Corporation, 402 U.S. 515 (1971).

(b) Applicant is a member of SERC and the VACAR Reliability Group. These organizations provide a mechanism for coordinated development among all member systems. Contracts providing for purchase and sale of capacity and energy among VACAR member systems include pricing of energy at either system average or incremental cost.

Limited term capacity is priced to include incre-

mental cost. Short term capacity is priced at a negotiated rate mutually agreeable to all member systems. There are no participation units or plans for such. Except in the context of VACAR and SERC, Applicant has not received a request from a small system for coordinated development and has not therefore formulated a policy outside of the framework of those arrangements.

(c) Applicant presently provides wheeling services for SEPA and CP&L, neither of which is considered by Applicant to be a small system. In both cases, the agreement to permit the use of Applicant's facilities for those purposes was an ad hoc determination made in light of the specific circumstances of the particular transaction. Duke has not been requested to wheel for any other systems and consequently has never had an occasion to formulate a more general policy, including specifically a policy for small systems.

13. Has Applicant ever urged or suggested to South Carolina Electric & Gas Company that it refrain from engaging in coordination or power pooling of various kinds with Santee-Cooper (South Carolina Public Service Authority)? If so, what were Applicant's reasons for making such suggestions? Has Applicant ever suggested conditioning such power pooling based on a territorial allocation?

Applicant has never urged or suggested to South Carolina Electric & Gas Company that it refrain from engaging in coordination or power pooling with Santee-Cooper.

Applicant has never proposed conditioning such power pooling on a territorial allocation.

14. Has Applicant ever constructed transmission lines in order to pre-empt territory? If so, list all instances of such construction, indicating with regard to each instance the other electric utility(ies) pre-empted.

Applicant has not constructed transmission lines to pre-empt territory.

The only instance known to Duke in which the contention might be made is in the case of the construction of the Brevard to Rosman line. Duke considers that this line was not constructed to pre-empt territory.

15. What percentage of the hydroelectric generation in Applicant's service area is owned by Applicant?

Applicant owns about 68% of the hydroelectric generating capacity in and adjacent to the areas in which it has facilities.

16. List all land and water rights owned by Applicant that are considered by Applicant as potentially useful to itself or to any other electric utility or potential electric utility for hydroelectric generation.

Applicant owns land and related rights in two areas potentially useful for hydroelectric generation.

Applicant owns extensive properties in the vicinity of its Keowee-Toxaway Project in Oconee and Pickens Counties, South Carolina, and Transylvania County, North Carolina. Applicant believes that, from time to time, future expansions of pumped-storage developments adjacent to this project will be feasible, but not additional hydroelectric generation of the conventional type.

Applicant owns properties along the Green River in North Carolina where pumped-storage projects and/or hydroelectric developments may prove to be feasible.

Applicant does not own lands or water rights at other locations that Applicant considers potentially useful to itself or others for hydroelectric generation.

Applicant owns lands along the Savannah River that would be part of the Trotters Shoals reservoir if built, but Applicant does not believe that hydroelectric development is feasible considering total resource allocations in a benefit-cost analysis.

Applicant has objected to the more detailed description of its property interests apparently sought by this question.

17. What actions has Applicant taken with the purpose, anticipated effect, or that have had the effect, of preventing others from constructing, operating, or obtaining hydroelectric generation?

Applicant has not taken any actions with the purpose or anticipated effect of preventing others from constructing, operating or obtaining hydroelectric generation other than conventional political and litigation activities irrelevant to this proceeding. Obviously, the erection of each of Applicant's hydroelectric facilities or acquisition of sites suitable for hydroelectric development may have had the unintended effect of precluding the use of those sites. The Blue Ridge E.M.C. has indicated that it found that it was uneconomic to operate a small water wheel rated at 200 kw it had formerly turned on at periods of high stream flow because of the adverse effect

on its charges under Duke's wholesale rate structure.

Applicant has no knowledge of any other unintended adverse effects of any of its actions on the hydroelectric activities of others.

18. What discussions, arrangements, or understandings has Applicant had with other electric utilities concerning the sale of electric power by them to Applicant's wholesale customers or the sale of power by Applicant to their wholesale customers.

In 1966, Duke developed joint proposals with Nantahala Power & Light Company which were submitted to Haywood E.M.C. and the Town of Highlands regarding their future electric service.

Applicant has had no other arrangements or understandings with other electric utilities concerning the sale of electric power by them to Applicant's wholesale customers or the sale of power by Applicant to their wholesale customers.

Applicant has had the following discussions with other utilities regarding such sales:

(1) Duke notified Carolina Power & Light Company in 1963 that it had responded favorably to inquiries from the Pee Dee E.M.C. regarding possible service to Pee Dee. No further discussions occurred.

(2) Duke notified Carolina Power & Light Company in 1964 that it was entering into discussions with Wake E.M.C. regarding service to an area affected by the proposed Neuse River project. No further discussions occurred.

(3) Duke had technical discussions, with the Greenwood County Electric Power Commission, after the referendum approving the sale of the Commission's facilities to Duke, regarding service to the Commission's wholesale customers.

(4) Duke notified Carolina Light & Power Company in 1968 that it had agreed with the Piedmont E.M.C. to displace a former CP&L delivery point and provide service to Piedmont.

(5) Duke had a discussion with Carolina Light & Power Company later in 1968 in which CP&L objected to Duke's expressed willingness to provide further service to Piedmont E.M.C. displacing CP&L and Duke refused to modify its position. No further discussions were held.

(6) Duke notified the Lockhart Power Company in 1969 after it had concluded discussions with the city of Union, S.C., regarding possible service. No further discussions occurred.

(7) Duke notified South Carolina Electric and

Gas Company in 1971 that it had offered to displace a SCE&G delivery to Broad River Electric Cooperative. No further discussions occurred.

(8) Duke notified Blue Ridge E.M.C. in 1971 that it had had discussions with New River Light & Power Company regarding the possibility of service.

19. State whether or not Applicant has conducted studies of any plans or proposals of any other electric utilities to construct generation and/or transmission. If Applicant has conducted any such studies, list all of them and indicate for what purpose each was conducted, in what manner each was subsequently used, and which, if any of the other electric utilities whose plans or proposals were studies subsequently proceeded with the planned or proposed construction of generation and transmission.

(1) From time to time Duke has conducted general studies of the economic and engineering feasibility of undeveloped sites in all river basins in or contiguous to Duke's service area. Many of these sites were also studied by the Army Engineers, the FPC, or related agencies such as the Southeast River Basin Study Commission. Each was conducted to determine feasibility of development either by Duke or by others. Some were done for Duke's own use and some upon request of the FPC as a contribution to the

National Power Survey. To Duke's knowledge, none have proceeded to construction.

(2) A study was made of possible South Carolina cooperative and municipal construction of generation and transmission system to firm Hartwell power. The purpose was to determine, in Applicant's judgment, whether construction and operation of such a system would be economic, compared to continued supply to Applicant. The only use of the study was for internal information. No such system was constructed.

(3) Applicant was approached by the legislative delegation of Greenwood County, S.C., to evaluate the economic advisability of the Greenwood County Electric Power Commission's installing combustion turbines rather than purchasing capacity from Duke. Applicant did not undertake special engineering studies for this purpose. However, on the basis of available data, the delegation was advised that purchased capacity would be more economical. In fact the turbines were not installed.

(4) Applicant reviewed the preliminary R.W. Beck study of the proposed EPIC system, dated August 2, 1968, as it related to the Applicant's service area. The purpose of the review was to determine whether assumed costs for EPIC facilities were consistent with Applicant's own experience.

No additional use was made of the review and no study was undertaken.

(5) Applicant reviewed the study made by Laramore, Douglass and Popham, a consulting engineering firm, which was claimed to establish the need for and the economic feasibility of the Yankee-Dixie System. Applicant's review had the objective of determining whether cost estimates assumed in the study were realistic and in conformity with Applicant's own experience. The review was made available to an EEI committee established to keep the industry informed on Yankee-Dixie developments. No subsequent study was conducted by Applicant. A related study was prepared by Ebasco for the CARVA Pool.

(6) A study was made to determine whether, in Applicant's opinion, construction of a steam electric generating plant at Conway, S.C., was economically justified when compared to cost to SCPSA of purchasing additional power at Applicant's filed rates. The study provided information to Applicant for use in discussions then underway among SCPSA, SCE&G, CP&L, and Applicant regarding future power requirements of SCPSA. A subsequent study, based on SCE&G rates then in effect on sales to SCPSA, provided justification for a proposal made to SCPSA for supply of SCPSA growth requirements. The Conway plant was constructed.

(7) A study was made to determine whether a small federally-financed steam plant to serve REA loads in western North Carolina would be, in Applicant's opinion, economically justifiable. The study was used only for Applicant's own internal information. The plant was not built.

(8) A joint study was made with Blue Ridge E.M.C. regarding the cooperative's transmission needs for a period of years as well as the cooperative's anticipated load growth and delivery locations. Much of the transmission recommended has been built.

(9) A brief study was made of a proposal by SCPSA to build additional steam generation at Monck's Corner, S.C. The purpose of the study, and its only use, was to compare the economics of the proposed project with Applicant's rates. SA proceeded with this addition.

20. Did Applicant participate in an offer to purchase or otherwise take over the operation of any of the following: (1) Santee-Cooper? (2) the Central Electric Power Cooperative, Incorporated? (3) all of the rural electric cooperatives in South Carolina? If so, state the details of all such offers and Applicant's reasons or motives for making them.

(1) and (2). Duke Power Company participated, along with Carolina Power & Light Company and So. 'n Carolina Electric and Gas Company, in an offer on July 22, 1964, to enter into a long-term contract with Santee-Cooper to operate Santee-Cooper's electric system and to purchase the system at the end of the contract period. This, in effect, encompassed operation of the Central Electric Power Cooperative transmission system because the Central system was leased and operated by Santee-Cooper. The three companies contemplated forming a separate corporation to operate the Santee-Cooper system. No contract was ever drafted. The letter making the offer stated that the companies would have:

- (a) guaranteed Santee-Cooper sufficient funds to meet all its obligations;
- (b) paid full taxes upon the properties and operations of Santee-Cooper;

- (c) operated Santee-Cooper's hydroelectric facilities so as to eliminate for the most part the serious problem of the silting of Charleston harbor;
- (d) kept Santee-Cooper's electric rates in effect, subject to the jurisdiction and regulation of the South Carolina Public Service Commission;
- (e) fully integrated and coordinated the operation of the Santee-Cooper system with the systems of the companies;
- (f) financed and constructed all future additions to the Santee-Cooper system, making it unnecessary for Santee-Cooper to incur further indebtedness; and
- (g) retained all Santee-Cooper employees at the same or higher salaries and fringe benefits.

The proposed contract was to extend to the maturity date of the outstanding Santee-Cooper bonds having the longest period to maturity. At the conclusion of the contract the companies would purchase Santee-Cooper's properties at a price to be agreed upon, or if agreement could not be reached, to be fixed by the South Carolina Public Service Commission.

Duke Power's reasons for participating in the offer were that the company felt that it could, along with the other two companies, (a) produce a reasonable return for the participating utilities, (b) provide almost 10 times the amount of revenue paid by Santee-Cooper to state and

local governments, (c) more efficiently supply the electric needs of areas served by Santee-Cooper which in time would produce lower electric rates for the area, and (d) substantially alleviate the silting of Charleston harbor which was a major economic problem for South Carolina.

(3) Duke Power Company participated, along with Carolina Power & Light Company and South Carolina Electric and Gas Company, in an offer to purchase all of the rural electric cooperatives in South Carolina. In the spring of 1962, the South Carolina rural electric cooperatives requested that the South Carolina Tax Study Commission make a study to determine what taxes rural electric cooperatives should pay. At that time they were totally exempt from all Federal, state and local taxes, including ad valorem taxes. The cooperatives had for some time been seeking legislative sanction to pay only token taxes. In connection with an appearance by Duke, CP&L and SCE&G at a hearing before the Tax Study Commission on August 20, 1963, considering whether the sales and facilities of electric cooperatives should bear the same taxes as the sales and facilities of the companies, the three companies, in order to demonstrate the feasibility of such taxation of cooperatives, made simultaneous offers to purchase all of the electric cooperatives in South Carolina. If the purchases were made, sales and operations

of the cooperatives would have been fully taxed, all of the employees of the cooperatives would have been employed and the electric rates of the cooperative customers would not have been increased. As part of this effort, Duke made a separate offer to each of the cooperatives in its area to purchase the cooperative's system. Duke received no indication of interest from any of the cooperatives, and the matter ended there. While Duke would have purchased any cooperative indicating a willingness to sell, it did not expect to receive any such acceptance, and Duke's sole reason for making the offer was to show to the Tax Study Commission that the cooperatives were capable of bearing their fair share of taxes.

21. Has Applicant ever urged that Trotters Shoals Dam be built at a level of 475 feet rather than 480 feet? If so, describe in detail all actions taken by Applicant to influence the decision that Trotters Shoals Dam be built at the 475-foot level and state each of Applicant's reasons for preferring that Trotters Shoals Dam be constructed at the 475-foot level rather than the 480-foot level.

Applicant has urged that Trotters Shoals Dam be planned for an elevation of 475 instead of 480 feet. Applicant's position was based on its desire to make its proposed Middleton Shoals Steam Plant compatible with Trotters Shoals.

Based on studies conducted in the years through 1959, Applicant planned the development of a 2,000 mw steam plant on its property at Middleton Shoals on the Savannah River. Because of the sporadic discharges expected from Hartwell which was then under construction, Applicant determined that a dam across the Savannah would be required to store water for continuous use by the steam plant. Adequate storage could be provided with a dam having a crest elevation of 466. The dam would also serve as a barrier to separate cooling water intake from warmed discharge.

The Middleton Shoals Steam Plant was planned with a dam having a crest elevation of 466. Applicant was then advised that the Army Engineers were in the process of

studying this stretch of the river. In November 1959, the Army Engineers issued a public notice of their proposed development of Carters Island to elevation 480 and of Goat Island downstream. Inundation of Applicant's dam at 466 by Carters Island reservoir at 480 would cause a commingling of cooling water intake and discharge at Applicant's steam plant with the consequent loss of temperature control and adverse effect on plant generation efficiency and ability to operate. After other exchanges of correspondence, Applicant's representatives met again with the District Engineer in Savannah on February 5, 1960, to further explore ways by which the two projects could be made compatible. At this meeting, the Army Engineer representatives first divulged to Applicant that Carters Island development to elevation 475 was nearly as attractive as development to 480 and that development to 480 would actually infringe upon Hartwell's tailwater. Applicant's representatives were asked if their steam plant would be more compatible with Carters Island if that project were built to 475, to which they responded affirmatively. During the following six months, Applicant and the Army Engineers exchanged correspondence and telephone calls with respect to this elevation. On August 23, 1960, Applicant's representative had another meeting with the District Engineer in Savannah

at which the Army, for the first time, divulged not only that development at Carters Island at 480 would permit the installation of pumped-storage at Hartwell, but also that development of Carters Island to 475 would be feasible. The introduction of the concept of pumped-storage at Hartwell had an adverse impact upon Applicant's plans for the steam plant, because when in the pumping mode, the flow would be upstream over Applicant's dam thus again causing a commingling of warmed discharge water with the intake. Applicant made studies of several alternate facilities in a search for ways to achieve compatibility of the steam plant with Carters Island at 480, and in addition had studies made by a consulting engineering firm. At a number of additional meetings and exchanges of communications with the Army Engineers, Applicant agreed to incur the additional expense at its steam plant to raise its dam from elevation 466 to 475 to be compatible with Carters Island at that level, but found that additional millions of dollars would be required to make Applicant's dam compatible with Hartwell pump-back. In fact, compatibility was not assured based on analytical studies, and an extensive hydraulic modeling study would be required to determine whether or not compatibility could in fact be achieved at 480. These studies have never been made. Additional meetings followed with the Army Engineers at the District

Division and Chief's levels with respect to the matter of elevation.

In January 1962, at the eighth meeting with the Army Engineers on the subject, the Army advised that they were planning to recommend Trotters Shoals instead of Carters Island, and Trotters Shoals would have a full power pool at 475. Their report of February 1962 stated that the construction of Trotters Shoals at 475 had a higher benefit-cost ratio than at 480. Thus, the Government's selection of 475 as the most economic elevation coupled with Applicant's commitment to build to this level at its expense established compatibility between the two projects.

Duke's activities regarding the height issue terminated at that time.

22. To Applicant's knowledge, if Trotters Shoals Dam were built at the 480-foot level, would pumped storage be feasible at the Hartwell Dam, Clark Hill Dam, and/or Trotters Shoals Dam?

To the best of Applicant's knowledge, if Trotters Shoals were built to elevation 480, it would not make pumped-storage feasible at Hartwell Dam. Applicant believes that the elevation of Trotters Shoals is irrelevant to the feasibility of pumped-storage at Clark Hill Dam. Applicant has made no study of the influence of reservoir elevation upon the feasibility of pumped-storage at Trotters Shoals Dam and has no basis to form an opinion on this matter.

23. List actions taken by Applicant with the purpose, anticipated effect, or actual effect of evaluating and/or frustrating activities of: (1) Yankee-Dixie; (2) EPIC; (3) Tobacco Belt cities proposed power pool; (4) any other person, entity or group considering, planning or proposing generation and/or transmission facilities. (Identify each such group or proposal.)

(1) Yankee-Dixie

Applicant's System Planning and Engineering Departments reviewed the study made by Laramore, Douglass and Popham, a consulting engineering firm, which was claimed to establish the need for and the economic feasibility of the Yankee-Dixie system. Applicant's review had the objective of determining whether cost estimates assumed in the study were realistic and in conformity with Applicant's own experience. The review was made available to an EEI committee established to keep the industry informed on Yankee-Dixie developments.

Subsequently in 1968, Applicant, acting as an agent for the CARVA Pool employed Ebasco Services, Inc., a consulting engineering firm, to study the proposed Yankee-Dixie system as it related to the area served by CARVA companies. The study was intended to provide an estimate of the energy cost from a publicly financed, tax-free

generation and transmission system constructed to reliably serve all municipal and cooperative loads in the CARVA area. The purpose was to allow a comparison of estimated costs with actual cost under the CARVA companies existing wholesale rates.

Applicant has taken no actions to frustrate Yankee-Dixie.

(2) EPIC

Applicant reviewed the R.W. Beck study of the proposed EPIC system as it related to the Applicant's service area. The review had the objective of determining whether assumed costs for facilities were consistent with Applicant's own experience.

Applicant had Ebasco Services, Inc. make an evaluation of the Preliminary Engineering Report which was distributed by EPIC.

Applicant has issued a public statement opposing EPIC on public policy grounds.

Applicant has also taken certain conventional political actions regarding the EPIC proposal which are irrelevant to this proceeding.

Applicant intervened in the application for a preliminary permit filed by the City of Statesville and others before the Federal Power Commission (FPC Project

No. 2700) to study a proposed pumped storage hydroelectric project on the Green River in North Carolina. EPIC later was substituted as the applicant. Applicant has also defended a suit brought against it by EPIC in the North Carolina courts. These litigation activities are equally irrelevant to this proceeding.

(3) Tobacco Belt cities

Applicant is not familiar with any "Tobacco Belt cities" proposal and has taken no action either to evaluate or frustrate any such proposal.

(4) (a) Applicant, together with Carolina Light & Power Company and South Carolina Electric and Gas Company, offered a supply to South Carolina Public Service Authority of power and energy under a long-term contract as an alternative to the construction by South Carolina Public Service Authority of a steam electric generating plant at Conway, South Carolina. The plant was to consist of two small, relatively inefficient, 75 mw units and was to be financed with 2% REA funds. Applicant considered the offer good business for all concerned in that Applicant expected to earn a profit on such sales and at the same time, lower SCPSA's costs in the long run. Applicant's offer was not accepted.

(b) Applicant made an engineering estimate of the cost of a small federally financed steam plant to serve

rural electrification cooperative loads in Western North Carolina. The purpose of Applicant's study was to determine whether it considered such a plant economically feasible when compared to Applicant's service to coops at applicant's wholesale rates. The study indicated the plant would not be feasible. Applicant took no action to frustrate this proposal.

(c) Applicant made an engineering estimate of the economic feasibility of a federally financed steam plant to supply, in conjunction with the federal Hartwell hydroelectric plant, the preference customer loads in South Carolina. The purpose of Applicant's study was to determine whether it considered such a plant would be economically feasible when compared to alternative supply by Applicant at Applicant's wholesale rates. An agreement was reached for Duke to firm the Hartwell power.

(d) From time to time Duke has conducted general studies of the economic and engineering feasibility of undeveloped sites in all river basins in or contiguous to Duke's service area. Many of these sites were also studied by the Army Engineers, the FPC, or related agencies such as the Southeast River Basin Study Commission. Each was conducted to determine feasibility of development either by Duke or by others. Some were done for Duke's own use and

some upon request of the FPC as a contribution to the National Power Survey. To Duke's knowledge, none have proceeded to construction.

(e) A joint study was made with Blue Ridge E.M.C. regarding the cooperative's transmission needs for a period of years as well as the cooperative's anticipated load growth and delivery locations. Much of the transmission recommended has been built.

(f) A brief study was made of a proposal by SCPSA to build additional steam generation at Monck's Corners, S.C. The purpose of the study, and its only use, was to compare economics with Applicant's rates. SCPSA proceeded with this addition. Duke took no action to frustrate this project.

(5) Applicant was approached by the legislative delegation of Greenwood County, S.C., to evaluate the economic advisability of the Greenwood County Electric Power Commission installing combustion turbines rather than purchasing capacity from Duke. Duke advised that purchased capacity would be more economical and, in fact, the turbines were not installed.

Applicant has not undertaken to list actions taken with the purpose, anticipated effect, or actual effect of evaluating and/or frustrating activities of end use cus-

tomers which planned, considered or proposed generation and/or transmission facilities since Applicant does not understand that the question seeks information regarding industrial self-generation.

24. Has Applicant intended to price its retail industrial power at average or fully distributed cost, less than average cost, or above its average cost? If Applicant's intended pricing has been based on other than average or fully distributed cost, state the reason(s) for doing so. If Applicant's policy in this regard has changed from time to time, state when and why.

Applicant made a fully distributed cost of service study for the first time for the Year 1970. Prior to this time, it did not know the fully distributed rate of return for the industrial classification and thus was unable to make a comparison with the system average rate of return. The Company has in the past followed the philosophy of its founder, Mr. James B. Duke, when he began to build hydro-electric plants on the Catawba-Wateree River. Mr. Duke attempted to price power to industry as low as possible in order to attract industry to the Piedmont Carolinas, with the conviction that industrial development would bring with it commercial and residential development and hence, bring prosperity to this area. This philosophy, Applicant

believes, proved sound. The industrial rate was, therefore, the lowest of Applicant's retail rates and the second lowest of all its rates.

Thus, prior to 1970, Applicant's rate design practices were independent of considerations of average or fully distributed costs, although Applicant had reason to believe that its industrial power rates produced a lower rate of return than other classes of service.

When the electric utility ceased to be a declining cost industry in about 1968, it became necessary for the Applicant to seek a series of rate increases which necessitated the 1970 cost of service study referred to above. The study showed that the return on the retail industrial classification was less than the company's overall return. The return on the wholesale classification was even lower, and was less than the Company's embedded cost of capital. The Applicant's present policy, beginning from this 1970 date, is to price its retail industrial power at average or fully distributed cost and it has moved in this direction with each application for a retail rate increase.

25. Has Applicant intended to price its wholesale power at average or fully distributed cost, less than average cost, or above its average cost. If Applicant's intended pricing has been based on other than average or fully distributed cost, state the reason(s) for doing so. If Applicant's policy in this regard has changed from time to time, state when and why.

Prior to 1970, Applicant's wholesale rate was determined independent of consideration of average or fully distributed cost. It is impossible today to ascertain the original intent when the decision to establish a wholesale rate structure similar to the industrial rate was made. None of the present senior officials of the company or their immediate predecessors who are available to review this matter participated in that policy determination. The decisions to maintain that relationship between the two rates and to adopt, as of January 1, 1965, the same basic schedule for the wholesale and industrial rates but with a modification to produce a somewhat lower cost per kilowatt hour for wholesale customers reflected two principal considerations. First, Duke knew that wholesale and industrial customers had similar capacity and energy requirements. On the basis of that information and their knowledge, they

assumed that the two categories were likely to have comparable costs of service. Second, it was expected that a change in the relationship between the wholesale and industrial rates would be unacceptable to the affected governmental entities.

When the electric utility industry ceased to be a declining cost industry in about 1968, it became necessary for the Applicant to seek a series of rate increases which necessitated the 1970 cost of service study referred to in the response to Interrogatory 24. The study showed that the return on the wholesale classification was less than the overall return and was less than the Company's embedded cost of capital. The applicant's present policy, beginning from this 1970 date, is to price its wholesale power at average or fully distributed cost and it has moved in this direction with each application for a wholesale rate increase.

26. Does Applicant distinguish "coordination" entered into for the purpose of enhancing bulk power reliability from "power pooling" entered into for the purpose of lowering the cost of bulk power supply? If so, what has been Applicant's policy with respect to (a) coordination with small privately owned systems, municipal or other publicly owned systems, or cooperative systems, and (b) power pooling with small privately owned systems, municipal or other publicly owned system, or cooperative systems?

Applicant considers that coordination for the purpose of enhancing bulk power reliability is a prerequisite for but different from power pooling for the purpose of lowering the cost of bulk power supply.

(a) Applicant coordinates with other bulk supply systems through its membership in SERC and VACAR. (See Interrogatory 12).

(b) Applicant has been opposed to power pooling with any other electric entities, large or small, since the termination of the CARVA pool.

27. Has Applicant taken any actions with respect to promoting coordination with small privately owned systems, municipal or other publicly owned systems, or cooperative systems with the purpose, anticipated effect or actual effect of avoiding power pooling with such systems? If so, explain in detail.

Applicant has taken no action to promote coordination with the purpose, effect, or anticipated effect of avoiding power pooling.

28. Did Applicant participate in the selection of Ebasco as Greenwood County Electric Power System's engineering consultant to prepare a study evaluating the proposed sale of the Greenwood County system to Applicant? If so, what was the nature and extent of Applicant's participation? List each and every contact between Applicant and Ebasco concerning such an Ebasco study or concerning business transactions between Applicant and Ebasco (both prior and subsequent to Applicant's acquisition of the Greenwood County system).

In July 1965, in response to a request from the Greenwood County legislative delegation for recommendations, the Applicant submitted a list of consulting engineering firms which Applicant felt were well qualified. Ebasco was one of the firms on that list.

On September 30, 1965, having been selected by the County delegation to evaluate the Duke purchase order, Ebasco was furnished certain information on Applicant's rates in response to a request for such by Ebasco.

On December 6, 1965, Applicant submitted to Ebasco a list of questions designed to clarify apparent differences in conclusions between the Ebasco evaluation and an evaluation made by the Southern Engineering Company.

Applicant has engaged Ebasco Services, Inc., to provide consulting and other professional services in many of its activities. A listing of each and every contact between Applicant and Ebasco cannot be provided since a great many such contacts were verbal and not recorded in any files. Even a partial listing could only be provided in a thorough, costly, and time-consuming search of voluminous files in many locations. Applicant contends a request for such a search would be unreasonable and offers in support and as an alternative, the following tabulation showing Ebasco invoices with date, amount, and employee of Applicant who approved the invoice.

<u>Date of Invoice</u>	<u>Amount</u>	
1-2-60	342.45	C. B. Miller
2-2	31.78	"
2-1	500.00	"
2-1	456.22	"
3-1	500.00	"
4-1	500.00	"
5-2	500.00	"
6-1	500.00	"
7-1	345.55	"
8-1	1,413.70	"
9-1	323.53	"
10-1	260.56	"
11-1	239.65	"
12-1	169.62	"
1-3-61	159.55	"
3-1	500.00	"
5-1	500.00	P. D. Huff
6-1	500.00	P. D. Huff
7-1	500.00	"
8-1	500.00	"
9-1	500.00	"
11-1	500.00	"
1-2-62	500.00	"
1-2	500.00	"
3-1	500.00	"
4-2	500.00	"
5-1	500.00	"
6-1	500.00	"
7-2	500.00	"
8-1	500.00	"
9-1	500.00	"
10-1	500.00	"
11-1	500.00	"
12-1	500.00	"
1-2-63	500.00	"
3-1	4,132.95	"
4-1	500.00	"
4-1	3,197.65	G. G. Mattison
5-1	3,610.98	"
5-1	500.00	P. D. Huff
6-1	1,225.32	G. G. Mattison
6-1	500.00	P. D. Huff
7-1	534.41	G. G. Mattison
8-1	2,317.48	"
8-1	500.00	E. D. Powell
9-3	500.00	P. D. Huff
10-1	500.00	"
11-1	54.00	G. C. Mattison
11-1	500.00	P. D. Huff

<u>Date of Invoice</u>	<u>Amount</u>	
1-2-64	828.00	G. C. Mattison
3-1-66	3,850.91	"
2-1	100.00	"
4-4	6,023.77	"
3-1	100.00	"
4-1	100.00	P. D. Huff
5-2	100.00	"
6-7-66	120.75	"
6-1	100.00	"
7-1	100.00	"
8-1	100.00	"
9-1	100.00	"
10-1	100.00	"
11-1	100.00	"
12-1	100.00	"
1-2-67	100.00	P. D. Huff
2-1	100.00	"
3-1	100.00	"
4-1	100.00	"
5-1	100.00	"
6-1	100.00	"
7-1	100.00	"
8-1	100.00	"
9-1	100.00	"
11-1	100.00	"
12-1	100.00	"
12-1	36.47	"
2-1-68	100.00	"
3-1	100.00	"
4-1	100.00	"
5-1	100.00	"
4-1	799.50	"
6-1	100.00	"
6-3	4,019.61	G. G. Mattison
7-1	100.00	P. D. Huff
8-1	100.00	"
7-1	4,735.73	G. G. Mattison
	100.00	P. D. Huff
9-3	44.97	"
9-3		"
10-1	100.00	"
10-1	25.50	G. G. Mattison
11-1	100.00	P. D. Huff
12-2	100.00	"
12-2	1,006.16	G. G. Mattison
1-2-69	100.00	P. D. Huff
1-2	1,324.00	G. G. Mattison
2-1	2,444.96	"
2-1	100.00	P. D. Huff
2-1	150.00	"
3-1	668.50	G. G. Mattison
3-1	150.00	P. D. Huff
4-1	20.20	G. G. Mattison
4-1	882.90	Carl Horn, Jr.
6-9		P. D. Huff
5-1	150.00	

<u>Date of Invoice</u>	<u>Amount</u>	
6-2	965.04	Carl Horn, Jr.
7-1	150.00	P. D. Huff
7-31	5,417.32	Carl Horn, Jr.
9-2	861.57	"
9-2	300.00	P. D. Huff
8-1	150.00	"
9-3	154.38	Carl Horn, Jr.
10-1	150.00	P. D. Huff
10-1-69	150.00	"
10-1	1,246.00	G. G. Mattison
11-1	150.00	P. D. Huff
11-1	150.00	"
12-1	150.00	"
1-2-70	150.00	P. D. Huff
2-2	150.00	"
2-2	150.00	"
4-15	150.00	"
4-15	150.00	"
5-21	150.00	"
5-21	150.00	"
7-14	150.00	"
7-14	150.00	"
8-10	150.00	"
8-10	150.00	"
9-10	150.00	"
9-29	83.92	"
10-9	150.00	"
11-6	150.00	"
12-7	150.00	"
12-16	150.00	"
1-12-71	150.00	"
1-12	150.00	"
2-10	150.00	"
2-16	150.00	"
3-8	150.00	"
4-8	150.00	"
4-8	150.00	"
5-10	150.00	"
5-10	150.00	"
6-10	150.00	"
6-10	150.00	"
7-7	150.00	"
7-7	150.00	"
8-11	150.00	"
8-11	150.00	"
9-7	150.00	"
9-7	150.00	"
10-12	150.00	"
10-12	150.00	"
11-9	150.00	"
11-9	150.00	"

<u>Date of Invoice</u>	<u>Amount</u>	
12-7	150.00	P. D. Huff
12-7	150.00	"
1-17-72	150.00	"
2-9	150.00	"
3-6	150.00	"
4-6	150.00	"
5-8	150.00	"
6-8	150.00	"
7-5	150.00	"
8-7	150.00	"
9-8	150.00	"
10-5	150.00	"
11-6	150.00	"

29. In what capacity did Applicant employ Henry L. Cranford in 1960? What specifically were Mr. Cranford's responsibilities, and what authority, including authority to speak for Applicant, bind Applicant, or announce company policy, was delegated to him. State any changes in Mr. Cranford's employment capacity, responsibilities and authority that may have occurred during the period 1960 to date, specifying the effective date of any such changes.

(A) Mr. Cranford assumed duties of Supervisor of Rural Extensions on January 1, 1960. He reported to P. D. Huff, Assistant Manager and then Manager of Distribution Engineering and Operations.

His duties were:

1. Review and evaluate, under Legal Department and management guidance, distribution projects that involved extension of the Duke system near other suppliers.
2. Review and approve under standards set by management other revenue type distribution work orders.
3. Supervise preparation of Federal Power Commission reports, tax reports, safety reports as related to Distribution.
4. Supervise data compilation of purchase or sale of distribution plant as he was so assigned on a project by project basis and participate in the negotiation of smaller purchases or sites of smaller distribution facilities.
5. Routine liaison with State and Federal Highways Departments.

6. Supervise Distribution Manual (construction standards) program.
7. Routine liaison with State and Federal Highways Departments, telephone companies, rural electrification cooperatives, and N. C. Utilities Coordinating Committee.
8. Supervise certain Distribution Engineering files.
9. Study branch service areas and initiate transfers of operating areas from one branch to another.
10. Liaison with other departments covering whether Distribution or Transmission would serve large customers.
11. Check work orders covering Highway Department work.

Mr. Cranford served in a staff capacity and had only very limited authority to speak for Applicant and except for extremely routine matters falling within well established policy had no authority to bind Applicant except in accordance with instructions provided by management in each instance. He did not announce company policy although he may occasionally have transmitted it.

(B) Mr. Cranford became Supervisor of Distribution Operations on March 2, 1964. He reported to Mr. Huff and to Mr. Dwight B. Moore who succeeded Mr. Huff as Manager of Distribution Engineering and Operations.

His duties continued as before with the following additions:

1. Develop guides to improve appearance of distribution facilities.
2. Coordinate the foremen's training program.
3. Coordinate stores activities as related to operations.
4. Monitor Duke's housekeeping practices as related to operations.
5. Monitor outage reports.
6. Develop engineering and operating manual sheets.
7. Monitor Distribution's safety program.
8. Supervise development and supply of tools.
9. Monitor Duke's distribution line clearance program.
10. Monitor Duke's line crew practices.
11. Monitor the portable transformer program.
12. Monitor Duke's beautification program.
13. Prepare trade magazine articles.
14. Evaluate the need for a tool repair center.
15. Coordinate the use of line and tree contractors.

Mr. Cranford's authority remained unchanged.

(C) Mr. Cranford became Assistant Manager, Distribution Operations, on February 1, 1966, and continued to report to Mr. Moore. His responsibilities and authorities continued as stated in Section B with the additional

responsibility of negotiating service areas with other electric suppliers in North Carolina, pursuant to the North Carolina territorial assignment law of 1965. On December 1, 1966, he was relieved of operations responsibilities as defined in Section B.

He was responsible for the day-to-day conduct of N. C. territorial assignment law negotiations. He had authority to reach tentative service area boundary agreements, subject to approval by Duke management.

(D) Mr. Cranford became Manager, Distribution Special Projects on September 1, 1969, reporting to Mr. Moore.

His duties included:

1. Day-to-day administration of service area boundaries as assigned by the North Carolina Utilities Commission.
2. Review of distribution line extensions near facilities of other suppliers. (See Section A-1 of this response.)
3. Detailed preparation leading toward service area negotiations in South Carolina, pursuant to the South Carolina territorial assignment law of 1969.
4. As delegated by higher management, on a project-by-project basis, data compilation for distribution plant purchases and sales; and occasional limited participation in actual negotiations.
5. Retail liaison with electric cooperatives.

Mr. Cranford served in a staff capacity and had only very limited authority to speak for Applicant and ex-

cept for extremely routine matters falling within well established policy had no authority to bind Applicant except in accordance with instructions provided by management in each instance. He did not announce company policy although he may occasionally have transmitted it.

(E) Mr. Cranford became Assistant to the District Manager, Charlotte District, J.D. Sloane, on April 1, 1970, as a training assignment.

Mr. Cranford was Assistant to the District Manager who is responsible in the Charlotte area for the rendering of service, collection of revenues, and customer relations. He was assigned a variety of special projects and was in charge of the operation when the District Manager was away.

He served in a staff capacity to the District Manager and in a line capacity when the District Manager was away. The District Manager, within the scope of the District Operations, has authority to speak for the Applicant, bind Applicant, or announce company policy.

(F) On November 1, 1971, Mr. Cranford became Assistant to the Vice President of District Operations (now Division Operations), C.W. Lewis.

In a General Office staff capacity, the scope of duties covers customer relations; the efficient operation of branch offices, training of branch office employees,

employee relations; and all policies, practices and procedures covering the collections of monies and encompassing customer relations.

Regarding duties specifically assigned to him, Mr. Cranford has some authority to speak for Applicant, bind Applicant, or announce company policy.

30. Furnish a list of all parcels of land, interests in land, or water rights purchased since January 1, 1960, by Duke Power Company or by any subsidiary thereof. The list should include the name of the purchasing entity, the name of the seller, the size of the parcel of land, the nature of the interest or water right(s) purchased, sufficient description of the property to permit its identification on a map, and the name(s) of any waterway(s) located on or adjacent to such property.

Applicant objects to this Interrogatory.

31. Furnish a list of all joint ventures undertaken by Duke Power Company or any subsidiary thereof with any builder or real estate developer (including but not limited to the Ervin Company) since January 1, 1960. The list should identify the parties to such agreement and state briefly the nature of the undertaking, together with the date entered into and the present status of the undertaking.

Four Seasons Properties - An agreement was made on March 31, 1970 between Crescent Land & Timber Corp., a wholly owned subsidiary of Applicant, and Columbia Properties, Inc. forming a joint venture under the name of Four Seasons Properties to carry on the business of acquiring, owning, building upon, altering, repairing, renting, leasing and otherwise dealing with real and personal property wherever located within Mecklenberg County, N. C.

The venture acquired 116 units from the Charles C. Ervin Company under construction located on 13 acres at Farm Pond Lane, near Albemarle Road, Charlotte, N. C. known as Four Seasons Apartments.

Crescent sold 90% of its partnership interest on December 31, 1970, to the Charles C. Ervin Company and the remaining 10% on January 1, 1972, to the same company.

Providence Square Properties - An agreement was

made on March 31, 1970, between Crescent Land & Timber Corp. and Columbia Properties, Inc., forming a joint venture under the name of Providence Square Properties to carry on the business of acquiring, owning, building upon, altering, repairing, renting, leasing and otherwise dealing with real and personal property wherever located within Mecklenberg County, N.C.

The venture acquired 173 units from the Ervin Company which were existing phases 1 and 2 of Providence Square Apartments and proceeded to undertake the construction of Phase 3, all located in Providence Township, Mecklenberg County, N.C.

Crescent sold 90% of its partnership interest on December 31, 1970, to the Charles C. Ervin Company and the remaining 10% on January 1, 1972, to the same company.

Tega Cay Company - An agreement was made on June 29, 1970 between Crescent Land & Timber Corp. and the Ervin Company forming a joint venture partnership under the name of Tega Cay Company to carry on the business of acquiring, planning, developing, improving, building upon, owning, selling, leasing, repairing, altering and otherwise dealing with real and personal property wherever located within York County, S. C.

The venture acquired 1,540 acres located in York

County, S. C. from Crescent Land & Timber Corp. for the purpose of a planned unit land development project. In 1972 this concept was changed to a housing sub-division development. Crescent retired from the partnership as of the close of business on December 31, 1971, retaining certain guaranteed payments on remaining lot sales, equal interest in commercial properties and income of any commercial operations.

The Carowinds Corp. - On February 18, 1971 Crescent Land & Timber Corp. entered into an agreement with The Carowinds Corporation whereby Crescent agreed to acquire an interest in and participate in the financing of Carowinds, which had been organized for the purpose of acquiring and developing land. In addition, Carowinds was organized to own, operate, lease and sublease an amusement park for the entertainment of the general public.

At the present time Crescent owns 49.01% of the Carowinds Common Stock. E. Pat Hall is the President and developer of The Carowinds Corp., holding a like percentage of shares of Common Stock.

This joint venture is currently active.

Lake Keowee Development Corporation - An agreement was signed on March 24, 1972, between Crescent Land & Timber Corp. and Realtec Incorporated, a Florida Corporation.

Realtec was selected to develop an initial 1515

acres on Lake Keowee in northeastern South Carolina into a quality resort-residential community. The property was conveyed to Realtec's development corporation - Lake Keowee Dev. Corp. in which Crescent received all capital stock conditionally assigned to assure and secure full, faithful and timely performance of the obligation to it. Lake Keowee is a Duke Power hydroelectric project.

Crescent receives as compensation for conveyance a percentage of proceeds from the sale of single-family lots and later multi-family units. This arrangement is currently active.

Outdoor Resources, Inc. - An agreement was signed on May 11, 1973, between Crescent Land & Timber Corp. and Outdoor Resources, Inc., a subsidiary of Realtec Incorporated, to develop in an orderly manner certain portions of Crescent's Lake Keowee property in a subdivision dedicated to recreational vehicle usage and related amenities.

Crescent conveyed 209.6 acres to Outdoor Resources to be compensated by the proceeds from the sale of recreational - vehicle lots. Realtec Inc. delivered to Crescent a guarantee of all Outdoor Resources undertakings, obligations and commitments.

Due to the increased cost of money this project

has been temporarily abandoned and the acreage deeded back to Crescent.

32. Furnish a brief description of any inducements offered to builders or real estate developers to secure their agreement to service of subdivisions, shopping centers, or other projects by Duke Power Company, during the period January 1, 1960 to date. As well as describing such inducements, the response should indicate in which part(s) of Duke's service area they were offered or made available.

During the 1960's the Applicant initiated various plans designed to promote the use of electric heat. These programs were in direct competition with similar programs initiated by oil and natural gas suppliers and were introduced specifically to maintain a competitive position with respect to these fossil fuels. All programs were in effect throughout the entire Duke service area and were available to all persons similarly situated without distinction.

Listed below are the major plans in effect from 1960 to date.

1. Gold Medallion Open House Advertising -
(Discontinued June 1960) - 60-inch newspaper advertising, pamphlet and one radio spot to help builder sell his house.

2. Housepower Panel Plan - To provide a service riser and housepower panel owned by Duke Power Company, up to 400 amp., for new or existing customers on all-electric

schedule RA.

3. Gold Medallion Home Allowances - (Discontinued February 6, 1964) - Wiring allowances paid to builders of new homes: \$75 resistance heat; \$100 heat pump with \$25 additional for all over 10 homes per year constructed.

4. Gold Medallion Apartment Allowance - (Discontinued February 6, 1964) - Wiring allowance paid to owner of building: \$50 per dwelling unit for resistance heat or \$75 per electric and cooled unit.

5. Gold Medallion Home Advertising - (Discontinued February 6, 1964) - To reimburse builders for certain advertising up to one 30-inch newspaper ad per home.

6. Gold Medallion Apartment Advertising - (Discontinued February 6, 1964) - To reimburse owners for certain advertising up to one 10-inch newspaper ad per dwelling unit.

7. Development Entrance Signs (Discontinued February 6, 1964) - To reimburse developers for part of their cost of furnishing and erecting entrance signs to Gold Medallion communities.

After February 6, 1964 - Duke had an advertising program which featured Gold and Bronze Medallion Homes and apartments, including those in subdivisions. This marketing advertising was gradually reduced beginning June 1971

and finally eliminated in October 1972.

33. Describe any participation or assistance undertaken by Duke Power Company or any subsidiary thereof in each of the following political campaigns: (a) The municipal election (mayor, city council, etc.) in Statesville, North Carolina in 1971; (b) The municipal election (mayor, city council, etc.) in High Point, North Carolina in 1971.

Applicant objects to this interrogatory.

34. List the names, addresses, and amounts paid as retainer for all local counsel employed by Duke Power Company or any subsidiary in the Counties of Guilford and Iredell, North Carolina, during the years 1969, 1970, 1971 and 1972.

Applicant objects to this interrogatory.

35. List the names, addresses and amounts paid as retainer for all local counsel employed by Duke Power Company or any subsidiary for the entire State of North Carolina, during the years 1969, 1970, 1971 and 1972.

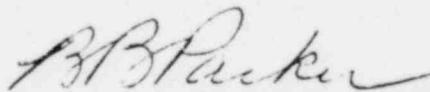
Applicant objects to this interrogatory.

STATE OF NORTH CAROLINA)
COUNTY OF MECKLENBURG)

VERIFICATION

B. B. PARKER, being duly sworn, deposes
and says:

That he is Executive Vice President and
General Manager of Duke Power Company, and knows the
contents of the foregoing answers to interrogatories; that
the same are true of his own knowledge, except as to the
matters therein stated on information and belief, and as
to these he believes them to be true.



Executive Vice President and General Manager

SWORN to and subscribed before me this
20th day of November, 1973)
Carolyne R. Duncan)
Notary Public)
My Commission Expires: May 10, 1977)
(Notarial Seal))

UNITED STATES OF AMERICA
ATOMIC ENERGY COMMISSION

In the Matter of)
DUKE POWER COMPANY) Docket Nos. 50-269A, 50-270A
(Occnee Units 1, 2 & 3) 50-287A, 50-369A
McGuire Units 1 & 2) 50-370A

CERTIFICATE OF SERVICE

I hereby certify that copies of APPLICANT'S ANSWER TO INTERROGATORIES OF THE JOINT DISCOVERERS, dated November 20, 1973, in the above-captioned matter have been served on the following by deposit in the United States mail, first class or air mail, this 21st day of November, 1973:

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