



Wisconsin Electric POWER COMPANY

231 WEST MICHIGAN, MILWAUKEE, WISCONSIN 53201

May 17, 1980

Mr. Harold Denton, Director
Office of Nuclear Reactor Regulation
U. S. NUCLEAR REGULATORY COMMISSION
Washington, D. C. 20555

Dear Mr. Denton:

DOCKET STN 50-502
HAVEN NUCLEAR PLANT

On May 21, 1979, the NRC Commissioners approved a Staff reorganization plan which projected a delay of twelve months in processing the Haven Nuclear Plant application before the NRC. Joint Applicants in the above docket informed the Public Service Commission of Wisconsin (PSCW) of the projected delay, whereupon the PSCW ordered a proceeding to take testimony and evidence with respect to the financial accounting and rate-making treatment of the investment in the Haven Project as the result of the NRC action in suspending licensing activities. On February 14, 1980, the PSCW issued its order in the accounting proceeding regarding the Haven Project. A copy of that Order is attached hereto.

The Boards of Directors of the Joint Applicants each carefully reviewed the status of the Haven Project, taking into consideration the financial climate, the circumstances of the Project (including all federal, state, and local regulatory aspects), and the PSCW Order. They concluded that it was appropriate to withdraw the Application before the PSCW for the Haven Project, and so informed the PSCW by letter dated February 29, 1980. A copy of that letter is attached hereto.

Pursuant to the PSCW Order of February 14, 1980 and the election made by Joint Applicants, as set forth in their letter of February 29, 1980, Joint Applicants hereby withdraw their Application before the NRC to construct and operate the

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Mr. Harold R. Denton

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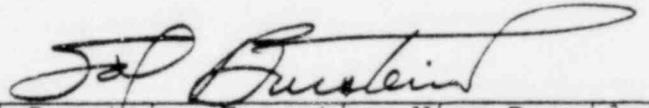
May 17, 1980

Haven Nuclear Plant. While we continue to believe that in the future Wisconsin and the nation must rely on a combination of nuclear and coal-fired power plants to meet their energy requirements, the financial and regulatory uncertainties at the present time require Joint Applicants to wait for a more favorable climate before committing to another nuclear power plant.

Very truly yours,

Wisconsin Electric Power Company,
Wisconsin Power & Light Company,
Wisconsin Public Service Corporation,
Joint Applicants

By



Sol Burstein, Executive Vice President
Wisconsin Electric Power Company

Attachments

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Joint Application of Wisconsin Electric)
Power Company, Wisconsin Power and Light)
Company and Wisconsin Public Service)
Corporation for Authority to Construct,)
Install and Place in Operation a Nuclear) 05-CE-3
Power Plant and Associated Substation)
Facilities in the Town of Mosel, Sheboygan)
County, Together With the Necessary Trans-)
mission Facilities to Tie the Plant With)
the Transmission Systems of the Applicants.)

FINDINGS OF FACT AND ORDER

Wisconsin Electric Power Company, Wisconsin Power and Light Company and Wisconsin Public Service Corporation, filed a joint application with the Commission on August 31, 1978 for authority under ss. 196.49 and 196.491 of the Wis. Stats., and Chapters PSC 111 and PSC 112, Wis. Adm. Code, to construct and place in operation a 900 MW nuclear electric generating unit, to be identified as the Haven Nuclear Plant, and associated substation facilities in the town of Mosel, Sheboygan County, together with the necessary transmission facilities to tie the plant with the transmission systems of the applicants.

To date, the Commission has not accepted such application for filing under the provisions of Chapter 196.491, Wis. Stats.

By letter of June 9, 1979, applicants filed a letter with the Commission stating that all licensing review activities by the Nuclear Regulatory Commission (NRC) with respect to the Haven Project would be suspended until January, 1980 with the result that the utilities involved concluded that the on-line introduction of the Haven plant would be delayed from 1987 until 1989, and that during the holding period Haven expenditures would be reduced to a minimum consistent with continuing the active status

of the project.

On June 14, 1979, Wisconsin's Environmental Decade, Inc., filed a motion with the Commission which included among other things, motions to dismiss the application in this docket without prejudice, or directing applicants to cease the practice of expensing the cost of money associated with the construction work in progress account for the proposed facility and declaring that in the event the facility is not eventually completed that the capitalized amounts will not be assignable as an above-line expense to the rate payer.

As a result of the letter of June 8, 1979 the Commission informally requested the staff to prepare a memorandum for Commission consideration as to possible alternatives with respect to accounting and rate making treatment of the precertification expenditures incurred by the three applicants on the Haven Project.

As a result thereof, the Commission on August 2, 1979 issued a notice under the above docket to take testimony and evidence with respect to the financial accounting and rate making treatment of the investment in the Haven Project as the result of the Nuclear Regulatory Commission Action in suspending licensing activities.

Hearings with respect thereto were held in Madison on August 27, 1979, October 22 and 23, 1979 and at Sheboygan, Wisconsin, on December 20, 1979. The record in the docket was closed at the end of the hearings on December 20, 1979.

Appearances at such hearings are set forth on appendix 1 attached hereto.

The Commission order herein provides for alternative accounting and ratemaking treatment of Haven Precertification Expenses dependent on applicant's actions with respect to the application in this proceeding.

The Commission has heretofore in proceedings involving an application for construction of the Koshkonong and Tyrone Plants formally and informally given consideration to the financial, accounting and rate making treatment of necessary reasonable and prudent precertification expenses incurred in connection with applications for certificates of authority to construct major generating and transmission facilities.

The subject of precertification expenses was at issue in Commission orders of October 18, 1974 and March 2, 1979 in docket CA-5491, Koshkonong Project, and is currently the subject of investigation by the Commission in docket CA-5447, Tyrone Project.

Findings of Fact

THE COMMISSION FINDS:

Capitalized expenditures, exclusive of land, for the Haven Project to June 30, 1979 as reflected by the record may be summarized as follows:

Expenditures for Engineering, Design, Licensing and Regulatory Review of Haven Unit 1.	\$ 21,859,749
Expenditures for Future Nuclear Fuel Enrichment Services and Other Nuclear Fuel Activities.	\$ 6,540,600
Expenditures for Site Selection Evaluation and Regulatory Approval Applicable to the Haven Site.	<u>\$ 8,502,166</u>
Total Capitalized Expenditures to June 30, 1979.	\$ 36,902,515

Of this total, expenditures of \$19,749,091 under the first category above were recorded in March, 1979 under provisions of the Commission's order of March 2, 1979 in docket CA-5491. All of the charges for nuclear fuel enrichment also resulted from the March 2, 1979 order. Such amounts resulted from staff

analysis included in a document entitled "Wisconsin Utilities Project, Summary of Expenditures Made for the Koshkonong Project" introduced by the Accounts and Finance Division of the Commission in the record in docket CA-5491. In the March 2, 1979 order in docket CA-5491, the Commission found that the above expenditures made for the original proposed Koshkonong Unit 1 were prudently made in the course of pursuing regulatory approval and such expenditures were of value and properly included in the cost of the proposed Haven Unit 1.

With respect to the third item summarized above in the amount of \$8,502,166, the amount of \$2,577,569 therein was for costs incurred through September, 1977 as expenditures for site selection, evaluation and regulatory approval applicable to the Haven site. In the early 1970's an in-depth analysis was made by Wisconsin Electric Power Company of a number of sites for locations of possible nuclear generating facilities in Wisconsin. Subsequent thereto, the expenses for the Koshkonong site and half of the total expenses for the Rudolph and Haven sites were capitalized on the books of Wisconsin Electric Power Company with the cost involved in the remaining three sites and half of the Rudolph-Haven sites amortized over a short period of years as operating expenses in revenue requirement. The charge of \$2,577,569 represents the amount capitalized at that time as being half of the accumulated cost of the Rudolph-Haven sites, and, as such, represents a prudent investment applicable to Haven.

The remainder of expenditures in the amount of \$8,035,255 for engineering, design, licensing and regulatory review and for site selection, evaluation and regulatory approval applicable to the Haven site represent expenditures incurred during the months from November, 1977 through June, 1979 as analyzed in the exhibit

in this proceeding entitled "Summary of Expenditures Made for the Haven Project".

The notice of hearing in this proceeding was with respect to all expenditures to June 30, 1979 associated with the Haven project.

From an analysis thereof in the record, the commission finds that the amount of \$120,924, of the above total, consisting of expenditures for public relations, office personnel and miscellaneous expenses, national studies, and other miscellaneous items were imprudently made with respect to being charged to the Haven project and accordingly, should be written-off to account 426, Miscellaneous Income Deductions. The remainder of \$7,914,331 is found to have been prudently incurred in association with the Haven project.

With respect to the holding period resulting from suspension of activities by the Nuclear Regulatory Commission, investment in the Haven Project could be (1) held in abeyance during the period that the NRC review is delayed; (2) carried on a deferred basis during the NRC delay with institution of procedures to write off over a reasonable period of time the incurred cost of various activities associated with precertification expenditures to operating expenses with additional expenditures expensed as incurred or (3) dismiss the application for the Haven Project and arrange for disposing of the recorded expenditures in the amount of \$36,781,591.

Under developments of the 1970's, the time interval between an indicated need for a particular generating or transmission facility and the date when certificates of authority are issued and construction can begin has extensively lengthened. Additionally, there have been vast increases in the nature and quantity of activities necessary for proper consideration of

construction certificates of authority, and the amount of expenditures has increased significantly during this lengthened period. The time involved and amounts incurred have added significantly to the problems concerned with recognition and recovery of capital costs in carrying such expenditures and the increased accounting, financial and rate making problems associated with carrying or disposing of such investments in the case of holding periods, such as the current NRC delay, or abandoned projects, which was the subject of the Koshkonong problem and will be the subject of the Tyrone situation.

A solution to these problems has over a period of years, since 1973, been the subject of numerous Commission discussions. To alleviate or at least diminish such problems, it has been proposed that the Commission take a more active role in determining just exactly what has to be done during the precertification process and that expenditures which the Commission deems necessary be charged to operating expenses and recovered in rates for services as incurred. Accordingly, the purpose of hearings in this proceeding, in addition to determining future accounting, financial and rate making treatment of the accumulated Haven expenditures, is also to determine a just and reasonable practice of handling necessary precertification expenditures for future projects.

The Commission has reviewed the testimony and evidence presented in this hearing by two witnesses on behalf of applicants, by six intervenor witnesses in Madison and 18 intervenor witnesses in Sheboygan, and on behalf of the Commission staff.

With respect to the investment in precertification expenditures for the Haven Project in the amount of \$36,902,515 to June 30, 1979 the Commission has previously found that the

expenditures in the amount of \$19,749,091 and \$6,540,600 were prudently made in the course of pursuing regulatory approval of Koshkonong Unit 1 and that such expenditures are of value and are properly included in the cost of the presently proposed Haven Unit 1. Of the remaining amount, \$120,924 will be written off to account 426, Miscellaneous Income Deductions and \$7,914,331 is found to have been prudently expended.

At the present time the amount of \$30,240,991 is carried in account 107, Construction Work in Progress, the amount of \$3,270,300 is carried in account 119.1, Nuclear Fuel in Process of Refinement, Conversion, Enrichment and Fabrication with the amount of \$3,270,300 carried in account 186, Misc. Deferred Debits.

The commission considers it unlikely that the amount of \$6,540,600 for fuel enrichment has future value and accordingly, arrangements should be made for writing off of this amount. If such investment results in future value, arrangements will be made for recovery and credits in future cost of public utility service.

The Commission finds that such expenditures in amount of \$36,781,591 should be transferred to Account 186, Other Deferred Debits, and amortized in equal monthly amounts over a three year period to Account 558, Precertification Expenses starting with completion of the next rate case by each applicant.

The findings and order herein are with respect to total capitalized expenditures recorded by applicants. Each applicant shall handle his proportionate share of each expenditure in the manner as provided herein.

Action will be taken at an early date with respect to expenditures charged to the Haven project since June 30, 1979.

In connection with future precertification expenses, the Commission considers it reasonable and just to give consideration to providing controls for expenditures with just

and reasonable amounts thereof recorded to operating expenses as incurred. Undoubtedly, based on present knowledge, it is apparent that in future years planning, studies and other activities involved in the precertification process for generating and transmission plant facilities will entail longer periods of time, expanded activities and expenditures of increasingly larger amounts of money. This will enlarge the problems associated with handling of capital costs on funds involved in the precertification process and expand the problems associated with accounting, financial and rate making treatment of such expenditures in case the project does not proceed to completion. It is increasingly likely that because of failure to complete the certification process or for other reasons, projects may be abandoned without completion.

The Commission considers that expanded controls should be placed on public utilities with respect to the nature, purposes, cost and administration of activities during the precertification process, with reasonable and prudent expenditures required in connection with such process to be recovered in rates for service or otherwise recorded in the income statements of public utilities as expended.

Accordingly, the Commission will by revisions to the Uniform System of Accounts for electric utilities provide for accounting treatment of just and reasonable levels of precertification expenses in the income statement and by accounting instructions related to monthly reports of Wisconsin utilities provide for detailed information on a monthly basis as to budgeted, contracted and expended amounts for studies, programs and activities related to the precertification process.

Intervenors in this proceeding have made motions and presented testimony that the commission dismiss the application with respect to the Haven plant. The commission, at this point,

has not accepted the application, nor have hearings been held with respect to the merits of the project. Question arises on behalf of the applicants as to whether the application can be dismissed without hearing on the merits of the project. Uncertainty exists at this time as to the need for the project or its construction under present conditions involving nuclear power plants. The commission knows of no particular value at the present time in either dismissing or retaining the application (holding it in abeyance). If the application were dismissed at this time it is possible that additional expenditures would be required for refileing if the project appeared more viable and would likely result in cancellation payments.

The commission finds that maintenance or dismissal of the application under various circumstances might be of value with respect to the position of the companies involved in their acceptance by the financial community. Applicants are in the best position to evaluate such results.

The commission finds it reasonable and just that the expenditures to June 30, 1979 of \$36,781,591 be amortized to account 558 Precertification Expense over a three year period starting with completion of the next rate case by each applicant.

Under present circumstances a question arises as to whether the unamortized amount should be included in the capital base for return purposes. Applicants will be given the opportunity to determine which procedure would result in the highest degree of acceptance to the financial community, thus having the overall highest benefit to the customer.

If applicants consider that continuance of the application for the project will provide financial benefits by acceptance in the financial community, the investment in Haven will be amortized over a 3-year period starting with completion of the next rate proceeding to account 558, Precertification Expenses, without the unamor-

tized balance being included in the capital base for return requirements.

If they do not choose to withdraw the application and abandon the project, they will retain something of value, that is, a pending application at no cost. Clearly the stockholders would receive the benefit associated at no cost, but by not allowing a return on the unamortized amounts, the commission is requiring that the stockholders contribute to some of the costs associated with retaining a pending application with possible future value.

On the other hand, if applicants determine that withdrawal of the application and abandonment of the Haven project will provide more favorable consideration within the financial community, the investment in Haven will be amortized over a three year period starting with completion of the next rate proceeding to account 558, Percertification Expenses, with the unamortized balance thereof included in the capital base for return requirement.

Action by applicants within 30 days following issuance of this order will determine the amortization treatment of Haven expenditures in the amount of \$36,781,591 found to be prudent and reasonable and just for amortization purposes. Intervenors in this proceeding have made motions and presented testimony that the commission dismiss the application with respect to the Haven plant. The commission at this point, has not accepted the application, nor have hearings been held with respect to the merits of the project. In view of the action taken herein intervenors' motions for dismissal of the application will be denied.

Accounting orders are classified as a Category 3 Action under s. PSC 2.90(3), Wis. Adm. Code. This action consequently requires neither an environmental impact statement under s. 1.11, Wis. Stats., nor an environmental screening under the Revised Guidelines for the Implementation of the Wisconsin Environmental

Policy Act issued by Executive Order No. 26, February 1976.

Motions made by intervenors with respect to incorporation of the record in docket 05-UA-1 were dismissed by the examiner. The commission has considered this matter and finds that the record with respect to the matters in this proceeding are complete and that accordingly, it is unnecessary to incorporate herein the record as made in docket 05-UA-1 and therefore the commission will sustain the ruling in this proceeding.

Requests were made in this proceeding for an extension of time to file briefs. It is within the commissions prerogative to determine the necessity of and timing for filing of briefs in a proceeding. The commission upon consideration finds that the filing of briefs in this proceeding would not be of additional value in the resolution thereof and accordingly, such requests will be denied.

Motions were made in this proceeding for oral arguments with respect to the matters at issue. The commission may or may not provide for oral arguments in a particular proceeding and upon consideration of the record herein, has determined that no purpose would be served by oral arguments herein and accordingly the order herein will deny such motions.

Ultimate Findings of Fact

THE COMMISSION FINDS:

1. That motions by intervenors for dismissal of the application by Wisconsin Electric Power Company, Wisconsin Power and Light Company, and Wisconsin Public Service Corporation for authority to construct a nuclear power plant and associated substation facilities in the town of Mosel, Sheboygan County, should be denied.
2. The expenditures of \$36,781,591 capitalized to June 30, 1979 in connection with the Haven proceeding were prudently made in the course of pursuing regulatory authority and accordingly,

each applicant should transfer to or carry to account 186, Other Defers Debits its share thereof, and amortize such amounts over 3-year period starting with completion of their next rate case to account 558, Precertification Expenses.

3. That expenditures of \$120,924 capitalized to June 30, 1979 in connection with the Haven project were imprudently made in the course of pursuing recent approval and accordingly, such expenditures should be written off by charging to account 426, Miscellaneous Income Deduction.

4. That each applicant herein shall give consideration to and inform the commission within 30 days hereof as to the benefits with respect to continuing the application or withdrawing the application and abandoning the project. If the application continues in effect, the order will provide that the benefits thereof will offset the exclusion of the unamortized balance of such expenditures in capital base for return purposes in rate proceedings. If the application is withdrawn and the Haven project abandoned, the unamortized balance of such expenditures will be included in the capital base for return purposes in rate proceedings.

5. That the Commission considers it reasonable and just that a program be established through accounting instructions related to the monthly reports filed by Wisconsin public utilities as to detailed information concerning budgeted, contracted and expended activities related to the precertification process for electric generating plants and transmission facilities.

6. That the Commission finds it reasonable and just that actions be taken under the docket prescribing Uniform System of Accounts to provide for accounts under which just and reasonable levels of precertification expenses can be charged to operating expenses as incurred.

7. That after due consideration, the commission sus-

tains the ruling of the examiner denying the incorporation of the docket 05-UA-1 record into this proceeding.

8. That after due consideration, the commission denies the request for an extension of time to file briefs.

9. That after due consideration, the commission denies intervenor's motion for oral arguments in this proceeding.

10. That after due consideration, the commission determines that environmental screening worksheet and environmental impact statement are not required in this proceeding.

Conclusion of Law

THE COMMISSION CONCLUDES:

That it has jurisdiction by virtue of ss. 196.02, 196.03, 196.05, 196.06, 196.10, 196.49 and 196.491, Wis. Stats., to enter the following order and that such notice should be issued.

Order

THE COMMISSION THEREFORE ORDERS:

1. That motions by intervenors for dismissal of the application of Wisconsin Electric Power Company, Wisconsin Power and Light Company, and Wisconsin Public Service Corporation for authority to construct and place in operation a nuclear power plant together with necessary transmission facilities in the Town of Mosel, Sheboygan County, are denied.

2. That expenditures made in aggregate by Wisconsin Electric Power Company, Wisconsin Power and Light Company and Wisconsin Public Service Corporation in the amount of \$36,781,591 to June 30, 1979 were prudently made in the course of pursuing regulatory approval.

3. That Wisconsin Electric Power Company, Wisconsin Power and Light Company and Wisconsin Public Service Corporation shall, transfer to or carry their proportionate share of such expenses to Account 186, Miscellaneous Deferred Debits. Such amount carried

in Miscellaneous Deferred Debits shall be amortized over a three year period starting with completion of the next rate proceeding equal monthly amounts to Account 558, Precertification Expenditures.

4. That expenditures made in aggregate by Wisconsin Electric Power Company, Wisconsin Power and Light Company, and Wisconsin Public Service Corporation in the amount of \$120,924 were imprudent or incorrectly capitalized and accordingly should be written-off to account 426, Miscellaneous Income Deductions.

5. That within 30 days hereof each applicant shall advise the commission of its decision as to continuance of the application filed on August 31, 1978 or withdrawal thereof and abandonment of the Haven Nuclear project. In case that such applications are maintained, the value thereof to applicant will be off-set by exclusion of the unamortized balance of such expenditures in capital base for return purposes. In case such applications are withdrawn and the project abandoned, the unamortized balance of such expenditures will be included in capital base for return purposes.

6. That jurisdiction be retained for subsequent action by the Commission as may be required with respect to treatment of expenses in connection with such project recorded on and after July 1, 1979, and for any other subsequent action as may be appropriate in carrying out this order.

7. That the ruling of the examiner denying incorporation of the docket 05-UA-1 record in this proceeding is sustained.

8. That the motion for an extension of time to file briefs in this proceeding is denied.

9. That the motion for oral arguments in this proceeding is denied.

10. That the motions for an environmental screening worksheet and environmental impact statement are denied.

Commissioner Cicchetti's concurring opinion is attached.

Dated at Madison, Wisconsin,

FEB 14 1939

By the Commission.

Lewis T. Mittness

Lewis T. Mittness
Executive Secretary

CONCURRING OPINION OF
COMMISSIONER CHARLES J. CICHETTI

DOCKETS NO. 05-UA-1
05-CE-3
2-U-7623

1. This opinion will outline my reasons for supporting the outcomes in three cases which, in my mind, are somewhat interrelated: The so-called CWIP case, the Haven Proceeding, and an order dealing with the Uniform System of Accounts for electric utilities.

2. Pre-certification expenses are a growing problem for regulators, consumers and utilities alike. The PSCW must become more involved with reviewing and approving such pre-certification expenditures. Since these expenditures may apply to a project which is ultimately not certified and constructed, I also believe such expenditures should be expensed rather than accumulated in rate-base. To place these expenditures in the rate base results in pressure on utility and regulatory decision-makers to approve projects because expenditures have been incurred but have not yet been collected from ratepayers. If pre-certification expenditures are expensed, utility cash flow will improve thus improving the financial health of the utility, to the benefit of ratepayers. The increased regulatory scrutiny will also improve the environmental, cost minimization and other aspects of progressive regulation. The CWIP and Haven orders and their accompanying accounting order will accomplish this important pre-certification reform.

3. In the past the balance between CWIP and AFUDC methods of handling construction costs was fixed by precedent. With the actions taken in these orders we will now review these matters on a case-by-case basis. The principal objective will doubtless be to reduce the cost of financing for both current and future users of electricity. The additional rate case review will make regulators, utilities and consumers aware of the all-too-obvious interdependence between facility expansion, revenue requirements and rate design. Fostering this awareness is a philosophy that I have long supported. The steps taken in this set

of cases may do more to put this philosophy into regulatory practice than any other cases in recent Wisconsin history.

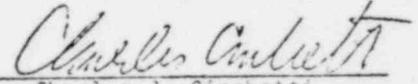
4. The final matter in these cases is the disposition of Haven I. Nobody who has followed my voting record should doubt my willingness to vote against a specific power plant. This record is not strong enough, nor the due process completed, for me to vote to cancel Haven I. However, I believe, when the pre-certification expenditures already made by the utilities have been written off, as we have in like cases, that either we as regulators, after another proceeding, or the utilities on their own, should cancel the plant. The reasons are three: a greatly reduced new utility demand forecast; rising costs and federal regulatory uncertainty; and escalating financing costs, especially for nuclear ventures.

The more than \$36 million incurred and not previously written-off for Haven was, in my opinion, a prudent and necessary expenditure and was largely necessary in order to comply with federal certification procedures. If the utilities withdraw the Haven application, they must still retire the outstanding indebtedness and pay financial carrying charges.

The action taken in these orders will accelerate the retirement of the financial obligation for Haven and its associated financial carrying charges. These obligations are the proper responsibility of the utilities' ratepayers. However, if the utilities prefer to use the actions taken in these orders and return their application for Haven in even a dormant fashion, they will retain a potentially valuable asset. I do not believe the full cost of the write-off should be borne by ratepayers if the utilities retain an asset with an associated value, that is, an application before the NRC and PSCW. Accordingly under such circumstances, I support the action taken in which stockholders absorb some of the financial carrying cost of the write-off, rather than collecting it from the ratepayers. This is a stockholders' payment, or contribution, for retaining an application of potential (although to me dubious) value.

CONCURRING OPINION
CHARLES J. CICHETTI
05-UA-1 05-CE-3 2-U-7623

My clear regulatory and policy choice is to cancel Haven I and write off the prudent pre-certification expenditures and their attendant financial carrying cost. I fully believe the utilities will pursue this course. We have not "blackmailed" the utilities as some suggest. Instead, the choice offered keeps the utilities from pretending the financial moratorium on new nuclear ventures does not exist. If current management wants to maintain the pretense it should cost them something, perhaps \$9 million in foregone carrying costs, and should, in my opinion, lead to stockholder-inspired managerial shake-ups.



Charles J. Cicchetti
Commissioner



Wisconsin Electric POWER COMPANY
231 W. MICHIGAN, P.O. BOX 2046, MILWAUKEE, WI 53201

February 29, 1980

Chairman Stanley York
Commissioner Edward M. Parsons, Jr.
Public Service Commission of Wisconsin
Hill Farms State Office Building
Madison, Wisconsin 53702

Gentlemen:

Haven Nuclear Plant Project
Docket 05-CE-3

Wisconsin Electric Power Company, Wisconsin Power & Light Company and Wisconsin Public Service Corporation, the Joint Applicants in this proceeding, have received and have given careful consideration to the Commission's Findings of Fact and Order dated February 14, 1980 ("Order") in this docket. That Order directs the above-the-line amortization over three years of \$36,781,591 of the Joint Applicants' pre-certification expenditures on the Haven Nuclear Plant Project through June 30, 1979 (recognizing that such expenditures "were prudently made in the course of pursuing regulatory approval" of the Project), but conditions the inclusion of the unamortized balance of such expenditures in capital base for return purposes upon the Joint Applicants' withdrawal of the application in this docket and abandonment of the Project.

In the Order, the Commission recognizes that in the event of withdrawal and abandonment, it is just and reasonable that a return be permitted on the unamortized balance because of the fact that those amounts were prudently expended and the carrying charges are necessarily incurred so long as a balance remains on the Joint Applicants' books. The Joint Applicants further understand that the Commission's rationale in not permitting a return on the unamortized balance of these prudently incurred expenditures in the event the Project is not abandoned is the Commission's position that a continuing Project would have a value to the Joint Applicants' stockholders which should be reflected in an investment on their part, at least to the extent of their sustaining the carrying charges on the unamortized balance of such expenditures. The Joint Applicants assume from this that if the Project were continued, the carrying charges in question would be recognized as part of the ultimate cost of the Project and would be recoverable in rates at such time as the Project were to be placed in service or should be later abandoned. The Joint Applicants,

February 29, 1980

therefore, view the alternative options described by the Commission as differing only in timing of the recognition of the carrying charges involved (which are clearly legitimate costs of service in any event) and does not present a financial "incentive" for abandonment of the Project or a "penalty" for continuing it.

The Order indicates that the Joint Applicants are to be given the opportunity to determine which of the two options would result in the highest degree of acceptance in the financial community and would provide the overall highest benefit to the Joint Applicants' customers.

The Boards of Directors of the Joint Applicants have each carefully reviewed the status of the application and have carefully considered the financial climate, the circumstances of the Project (including all federal, state and local regulatory aspects), and the Commission's Order. While they continue to believe that in the future Wisconsin and the nation must rely on a combination of nuclear and coal-fired power plants to meet their electric energy requirements, they have concluded, based on this review and consideration, that it is appropriate at this time that they withdraw the application to this Commission for the Haven Project, and that they take other necessary steps to abandon the Project. An essential ingredient in this determination, it must be noted, is the Commission's Order which clearly communicates to the Joint Applicants' investors in particular and the financial community in general, in precise terms, just what the consequences of withdrawal and abandonment will be. This certainty of treatment is very important and is an essential underpinning of the Joint Applicants' decision.

Very truly yours,

Wisconsin Electric Power Company,
Wisconsin Power & Light Company,
Wisconsin Public Service Corporation,
Joint Applicants

By C. S. McNeer
C. S. McNeer, President
Wisconsin Electric Power Company