

UNITED STATES OF AMERICA  
ATOMIC ENERGY COMMISSION

In the Matter of  
THE TOLEDO EDISON COMPANY  
and  
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY  
Davis-Besse Nuclear Power Station

)  
)  
)  
)  
)  
)  
)

Docket No. 50-346

FINANCIAL QUALIFICATIONS  
OF  
THE TOLEDO EDISON COMPANY

TESTIMONY OF  
DONALD G. NICHOLSON

November 6, 1970

8003060854

T

FINANCIAL QUALIFICATIONS  
OF  
THE TOLEDO EDISON COMPANY

1. QUALIFICATIONS OF WITNESS

My Name is Donald G. Nicholson. I am Secretary and Treasurer of The Toledo Edison Company.

Upon graduation from Bowling Green State University (Bowling Green, Ohio) with a Bachelor of Science in Business Administration degree in June, 1950, I joined Toledo Edison and have remained employed by the Company since that time. I received an M.B.A. degree from the University of Toledo in 1962.

In 1958, I was elected to the position of Assistant Secretary; in 1962, elected to the position of Assistant Secretary and Assistant Treasurer, and in 1965, elected to the position of Secretary and Treasurer. In 1968, I was assigned additional duties as Secretary and Treasurer and was designated the chief financial officer.

I am a member of The Financial Analysts Society of Toledo, Inc. and the American Society of Corporate Secretaries, Inc. Within the utility industry, I am serving on the Investor Relations Committee of the Edison Electric Institute.

2. DESCRIPTION OF THE TOLEDO EDISON COMPANY

The Toledo Edison Company was incorporated under the laws of the State

of Ohio on July 1, 1901. The Company is a public utility engaged primarily in the generation, transmission, distribution and sale of electric energy in Toledo and Northwestern Ohio, covering an area of approximately 2,500 square miles, with an estimated population of about 718,000. The Company also provides a relatively small amount of natural gas and steam heating service.

The Company serves about 225,000 electric customers. Retail power is supplied within the corporation limits of 47 municipalities in the service area including the City of Toledo and wholesale power is supplied to 15 municipally-owned systems. Toledo has a total system capability of more than 1.2 million kilowatts.

In 1969, the Company's operating revenues were \$88,075,000 of which 97% was derived from the sale of electricity. Total electric operating revenues in 1969 were derived 32% from residential sales, 17% from commercial sales, 36% from industrial sales, 5% from other utilities for resale, and 10% from all others.

Energy sales in the Company's service area have increased at an average rate of 9.3% annually over the five-year period from 1965 to 1969.

The Toledo Edison Company's financial position is reflected in the 1968 and 1969 Annual Reports filed with Amendment No. 10 to the Application for Licenses, dated August 27, 1970.

3. DESCRIPTION OF THE CENTRAL AREA POWER COORDINATION GROUP (CAPCO)

In September 1967, The Toledo Edison Company, The Cleveland Electric Illuminating Company, Duquesne Light Company, Ohio Edison Company and its subsidiary, Pennsylvania Power Company (the CAPCO group) entered into a Memorandum of Understanding to create a power pool in the interests of reliability and economy, with future additional generating requirements of the members to be provided by sharing in the largest units feasible for pool purposes, mutual support of power requirements and provision of bulk power transmission required for such purposes. Definitive agreements are in the process of preparation.

The initial phase of the arrangement includes the construction of four generating units, the last of which is the Davis-Besse Nuclear Power Station. Two other units, scheduled for completion in 1971 and 1972, are coal-fired units, each having an expected net capability of 650,000 kilowatts, located on the systems of Ohio Edison and Cleveland respectively. In addition, a nuclear unit is scheduled for completion in 1973 having an expected initial net capability of 847,000 kilowatts and an ultimate net capability of 882,000 kilowatts, to be located on the system of Duquesne. Each of the units will be owned by two or more of the CAPCO companies as tenants-in-common.

In 1969 the CAPCO companies provided for the construction of two coal-fired generating units of the 800,000 kilowatt class, to be located on

the system of Pennsylvania Power, and scheduled for operation in 1975 and 1976. No allocation of interests in these units has yet been made, but it is expected that such allocation among the CAPCO companies will be made generally on the basis of their respective forecast electric load requirements for periods following the respective dates of commercial operation of the units.

The initial phase of the CAPCO arrangement also provides for the construction of approximately 155 miles of 345 KV transmission lines through 1974. It is contemplated that additional transmission facilities will be installed as needed to accomplish pool operations.

4. RELATIONSHIP BETWEEN THE TOLEDO EDISON COMPANY AND  
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

The Toledo Edison Company and The Cleveland Electric Illuminating Company will share ownership as tenants-in-common of the utilization facility, to be known as the Davis-Besse Nuclear Power Station, and its site. The Toledo Edison Company's share of ownership will be 52.5% and The Cleveland Electric Illuminating Company will own 47.5%. The Toledo Edison Company has complete responsibility for the design and installation of the Davis-Besse Station and for the prosecution of all related licensing activities and proceedings before the Atomic Energy Commission. The Toledo Edison Company will also have complete responsibility for the operation and maintenance of the Davis-Besse Station. The Toledo Edison Company and The Cleveland Electric

Illuminating Company are not acting as the agents or representatives of any other persons in filing the Application for Licenses.

5. CONSTRUCTION EXPENDITURES

The Toledo Edison Company construction expenditures for 1969 amounted to \$18,549,000. Current estimates for construction expenditures through the year 1975 are as follows:

	<u>Construction Forecast</u>	<u>Portion of Construction Forecast Attributable to Davis-Besse Project*</u>
1970	\$35,000,000	\$10,844,000
1971	53,000,000	30,748,000
1972	69,000,000	50,499,000
1973	81,000,000	55,744,000
1974	49,000,000	15,949,000
1975	43,000,000	1,208,000

\*The Toledo Edison Company's 52.5% share of the Nuclear Power Station and the initial nuclear fuel core, plus the cost of associated wholly-owned transmission facilities, is estimated at \$166,371,000, of which \$1,379,000 was expended prior to 1970.

The total estimated cost of the Davis-Besse project, including associated transmission line facilities to be wholly-owned by The Toledo Edison Company, is \$305,742,000, as indicated in Amendment No. 10 to the Application for Licenses, dated August 27, 1970.

6. FINANCING

The Toledo Edison Company has engaged in a continuing construction program

for the expansion of its facilities, financed by short term loans, long term debt securities, equity financing through the issuance of preferred and common stock, and internal sources.

During the period from 1950 to 1969 inclusive, \$299,560,000 was spent on the construction program. These funds were provided by the sale of debt securities in the amount of \$86,500,000, issuance of additional capital stock in the amount of \$31,885,600, and the remainder from internal sources.

Mortgage Bond issues in recent years have been rated double A by both Moody's Investors Service and by Standard and Poor's Corporation.

It is expected that the Company's total construction requirements for the period 1970-1975 will be provided from internal sources, from the sale of debt securities and from the issue of capital stock in such a manner as to maintain a sound and conservative capital structure.

7. CONCLUSION

The Toledo Edison Company is financially qualified to undertake its share of the design and construction of the Davis-Besse Nuclear Power Station.