



UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON, D.C. 20545

November 10, 1970

Charles G. Long, Chief
PWR Project Branch No. 2, DRL
THRU: Walker E. Campbell, *Walker E. Campbell* Asst. Controller for Accounting

DUKE POWER COMPANY, CONEE NUCLEAR STATION, UNIT NO. 1 -
DOC# NO. 269

Enclosed is my financial testimony on the subject matter.
The testimony has been prepared for inclusion in the main
body of the staff's Safety Evaluation with a financial
analysis of the Company attached as an appendix to the
Safety Evaluation.

A copy of the testimony is being sent to Thomas F.
Engelhardt, OGC.

Charles A. Lovejoy

Charles A. Lovejoy
Staff Accountant
Accounting Procedures Branch
Office of the Controller

cc: Thomas F. Engelhardt, OGC

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FINANCIAL QUALIFICATIONS

The Commission's regulations which relate to the financial data and information required to establish financial qualifications for an applicant for operating licenses are 10 CFR 50.33(f) and 10 CFR 50 Appendix C. Duke Power Company's application as amended by Amendment No. 22 thereto, and the accompanying certified annual financial statements provided the financial information required by the Commission's regulations.

These submittals contain the estimated annual operating costs for the first five years of operation plus the estimated cost of permanently shutting down Oconee Unit No. 1 and maintaining it in a safe condition, if and when it may become necessary. The estimated operating costs are \$10,025,44. per year for the five-year period. Such costs include costs of operation, maintenance, fuel, ad valorem taxes and insurance. The applicant's estimate of the cost of permanently shutting down the facility and maintaining it in a safe condition is \$500,000, based on the reactor (with fuel removed) and associated nuclear systems remaining in place, isolated by fencing and monitored periodically by guards. The funds for these estimated costs will be obtained from the electrical operating revenues derived from system-wide operation of Duke Power Company (Amendment No. 22).

We have examined the certified financial statements of Duke Power Company to determine whether the Company is financially qualified to meet these estimated costs. The information contained in the

1969 Annual Report indicates that electric operating revenues for 1969 totaled \$342.2 million; operating expenses (including taxes) was \$266.1 million; the interest on the long-term debt was earned 2.7 times; and the net income for the year was \$54.4 million, of which \$39.4 million was distributed as dividends to the stockholders and \$14.2 million (net) was retained for use in the business. As of December 31, 1969, the Company's assets totaled \$1,399 million, most of which was invested in electric plant (\$1,284.1 million) and earnings reinvested in the business totaled \$66.9 million. Financial ratios computed from the 1969 financial statements indicate a sound financial condition; e.g., long-term debt to total capitalization - .55, and to net utility plant - .52; net plant to capitalization - 1.07; the operating ratio - .78; and the rates of return on common - 12.3%, on stockholders' investment - 10.1% and on total investment - 5.6%. The record of the Company's operations over the past five years reflects that operating revenues increased from \$234.4 million in 1965 to \$342.2 million in 1969 or 46%; net income increased from \$40.8 million to \$54.4 million or 33%; and net investment in utility plant from \$711.2 million to \$1,284.1 million or 81%. Moody's Investors Service rates the Company's first mortgage bonds as Aa (high grade) and its debentures as A (higher medium grade). The Company's Dun and Bradstreet Credit Rating is AaA1.

Evaluation of the financial data submitted by the applicant, summarized above, results in the staff's conclusion that there is reasonable

assurance that the applicant possesses or can obtain the necessary funds to meet the requirements of 10 CFR 50.33(f) with respect to operation of Oconee Unit No. 1. A copy of the staff's financial analysis is attached as Appendix F.

DUKE POWER COMPANY
DOCKET NO. 50-269
FINANCIAL ANALYSIS

(Dollars in millions)
 Calendar Year Ended Dec. 31

	1969	1968	1965
Long-term debt	\$ 663.7	\$ 515.0	\$ 368.8
Utility plant (net)	1,284.1	1,048.6	711.2
Ratio - debt to fixed plant	.52	.49	.52
Utility plant (net)	1,284.1	1,048.6	711.2
Capitalization	1,204.9	989.2	718.8
Ratio - net plant to capitalization	1.07	1.06	.99
Stockholders' equity	541.2	474.2	348.7
Total assets	1,399.0	1,153.1	789.9
Proprietary ratio	.39	.41	.44
Earnings for common stock	47.4	44.2	39.3
Common equity	386.2	369.2	315.0
Rate of return on common equity	12.3%	11.9%	12.5%
Net income	54.4	49.1	40.8
Stockholders' equity	541.2	474.2	350.0
Rate of return on total equity	10.1%	10.4%	11.7%
Net income before interest	78.5	65.8	52.9
Liabilities and capital	1,399.0	1,153.1	789.9
Rate of return on total investment	5.6%	5.7%	6.7%
Net income before interest	78.5	65.8	52.9
Interest on long-term debt	29.0	21.9	13.8
No. of times fixed charges earned	2.7	3.0	3.8
Net income	54.4	49.1	40.8
Total revenues	344.6	315.0	236.3
Net income ratio (percentage)	15.8%	15.6%	17.3%
Operating expenses (including taxes)	266.1	249.2	185.8
Operating revenues	342.2	312.2	234.4
Operating ratio	.78	.80	.79
Retained earnings	66.9	52.8	

	1969		1968	
	Amount	% of Total	Amount	% of Total
Capitalization:				
Long-term debt	\$ 663.7	55.1%	\$ 515.0	52.1%
Preferred stock	155.0	12.9	105.0	10.6
Common stock	386.2	32.0	369.2	37.3
Total	<u>\$1,204.9</u>	<u>100.0%</u>	<u>\$ 989.2</u>	<u>100.0%</u>

Moody's Bond Rating: First Mortgage Debentures Aa
A

Dun and Bradstreet Credit Rating AaA1