

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

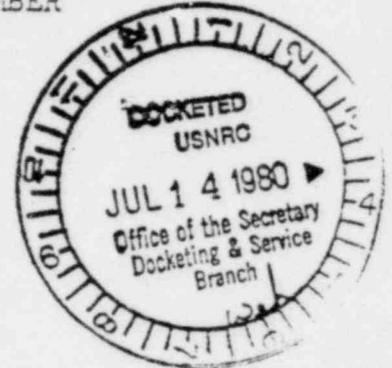
In the Matter of

Houston Lighting & Power Company  
(Allen's Creek Nuclear Generating  
Station, Unit 1)

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DOCKET NUMBER

50-466



FOURTH SET OF INTERROGATORIES FROM FINANCIAL  
QUALIFICATIONS INTERVENORS TO HOUSTON LIGHTING  
AND POWER

Preface

Pursuant to Section 2.740b of the Commission's Rules  
of Practice, the Financial Qualifications Intervenors pro-  
pound the following Interrogatories to HOUSTON LIGHTING &  
POWER COMPANY (hereinafter "Applicant"). Each interrogatory  
should be answered separately and fully in writing under oath  
or affirmation by the person or persons making them no later  
than fourteen (14) days after service of these Interrogatories.

Interrogatory FQ-4.1

Please define the following terms as clearly, precisely,  
and unambiguously as possible. Define them as they are, have  
been, and will be used by officers of, employees of, or wit-

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FQ-4.1 . . . nesses on behalf of, Houston Lighting and Power or Houston Industries, in applications, briefs, exhibits, other documents, or in hearings, before either the Texas Public Utility Commission or the Nuclear Regulatory Commission. If the meaning of any term varies according to time, place, or individual usage, please so specify.

- (a) Allowance for Funds Used During Construction
- (b) Construction Work In Progress (CWIP)
- (c) rate base
- (d) rate of return on rate base
- (e) common equity
- (f) rate of return on common equity
- (g) allowed return on common equity
- (h) percentage of CWIP allowed in the rate base
- (i) magnitude of CWIP expenditures allowed in the rate base
- (j) financial integrity
- (k) ability to attract capital on reasonable terms
- (l) internally generated funds
- (m) externally generated funds

- FQ-4.1 (n) interest coverage  
(o) balanced capital structure  
(p) net income  
(q) equity security  
(r) financial standards  
(s) investment tax credits

Interrogatory FQ-4.2

Interrogatories FQ-4.2 through FQ-4.6 refer to Applicant's answers to Doggett's First Set of Interrogatories (June 5, 1980). Subsequent to consolidation of the financial qualifications conventions, these interrogatories became the Third Set of Interrogatories From Financial Qualifications Intervenors (FQ-3), and have been re-numbered FQ-3.1 through FQ-3.21.

(a) How, if at all, has the problem of "rapidly increasing construction costs," referred to in reply to FQ-3.6 as partly responsible for deferral of ACNGS, been ameliorated since 1976?

(b) What change has there been in the "estimates of the growth of electric peak load requirements" since 1976? Provide the following specific information: 1970 projection of peak for 1971, 1972, . . . 1999, 2000; 1971 projection of peak for 1972-2001; 1972 projection for thirty future years; etc., through 1980 projection. Also provide the actual peak for each year 1971 through 1980.

Interrogatory FQ-4.3

(a) What are the "program improvements learned from the experience on STNP (which) will be added to the ACNGS quality assurance program"? (reply to FQ-3.13) Please be as specific as possible.

FQ-4.3 (b) Does Applicant acknowledge the fact that there have been substantial construction deficiencies at STNP?

Interrogatory FQ-4.4

(a) Has Applicant or its representative (contractor) yet taken any disciplinary action against construction personnel for harrassment or threatening of quality control inspectors? (FQ-3.15) If so, please give details.

(b) What specific steps have been taken at STNP to insure that "all personnel shall be encouraged and told how to report any incidents of this type (harrassment of QC inspectors)... without fear of disciplinary action." as outlined in reply to Interrogatory FQ-3.15? Will these same steps be taken at ACNGS?

Interrogatory FQ-4.5

(a) In reply to FQ-3.17 through FQ-3.20 Applicant stated in each case that it "does not make plans based on such remote speculation." What possibility raised by Interrogatory does Applicant consider "remote", that Applicant or its contractor would "engage in substandard construction practices," or that it would "ever experience a shortage of funds."

(b) What level of probability does Applicant consider "remote"?

Interrogatory FQ-4.6

Applicants reply to FQ-3.21 implies that the estimate of construction costs included in SER Supplement No. 2 (March 1979) was two years out of date even though the "estimate is reviewed at least annually and may<sup>be</sup>/reviewed more often...".

- FQ-4.6 (a) Is this impression correct?
- (b) When was the last estimate made before March '79?
- (c) What was this estimate?
- (d) Was this estimate provided to the NRC Staff? When?

Interrogatory FQ-4.7

Applicant's answers to Interrogatories FQ-1.4 and FQ-1.5 indicate that Applicant has given little or no thought to the costs associated with unexpected premature shutdown of the facility (a la Three Mile Island) or even to the inevitable costs of waste storage and disposal.

(a) Does Applicant acknowledge any responsibility for meeting these costs associated with protecting the public health and safety?

(b) If so, what does Applicant consider that responsibility to be?

(c) Does Applicant consider \$300 million in property insurance adequate to protect its financial integrity against a loss-of-plant accident?

Interrogatory FQ-4.8

Several witnesses for HL&P in PUC Docket 2676 (HL&P rate increase) testified that a large part of the construction cost overruns at STNP/<sup>was</sup>attributable to changes in "the regulations". Vice-president Oprea in particular complained that since 1973,

There had been a quadrupling effect of regulatory guidelines that affect what you do and you have to do some retrofitting or retro-engineering in regard to meeting guidelines.  
(Tran. 225)

Later he explained what he meant by "quadrupling effect":

That means that we go for maybe eighty or so regulations up to well over four hundred some odd regulations that we have to comply with. . . . (PUC 2676, Tran. 292)

FC-4.8 (a) What specific "regulations" is Mr. Oprea referring to?

(b) Please identify any regulations which have led to cost increases at STNP. Please include a list of the specific changes in construction which were mandated by each particular change in, or addition to, regulations, and the cost of those changes in construction.

(c) What is the total cost to Applicant of changes in regulations affecting STNP?

Interrogatory FC-4.9

In PUC 2676 HL&P officer Hollis Dean was asked what would be the effect of "whittling down" the allowed level of CWIP from the requested 100% to 90%, 80%, etc. He replied, "You can go through it all the way down to zero and I'll say that we're dead if you got down there." (Tran. 498) What did Mr. Dean mean by the phrase "we're dead"?

Interrogatory FC-4.10

In PUC 2676 HL&P officer Dean agreed with the statement that "unless the overall package of compensation meets various guidelines of financial integrity, the Company will be unable to raise additional capital." (Tran. 542) What are the "various guidelines" referred to in this statement, and what values of these guidelines are considered to be necessary? Be specific and inclusive in replying.

Interrogatory FC-4.11

In PUC 2676, investment banker Eugene Meyer, testifying on behalf of HL&P, made the following statements:

I would rank HL&P in the top five in this country in the utility industry so far as inflexibility as to future financing requirements, and this stems primarily from the enormous

FQ-4.11 . . . absolute amount of dollars that this Company needs to raise as it goes into the next one, two, and three years. Thus, I place it easily in the top five in the least amount of flexibility. It's hard to imagine a month going by over the next two years where this Company will not either be selling some form of security or completing the preparation for the next months sale of them." (Tran. 585)

The Double A rating should give the Company as wide a market into which to sell its debt securities as is necessary to finance the program. I do not believe that is so of an A rating, given the absolute size of HL&P's program. (Tran. 586)

I'll warn you that I think there is a first class chance this company will not raise all the capital it needs with either an A-rating through the markets that I see in the next two or three years ahead, especially given the size of its construction budget. I think that is one first-class gamble, to gamble that this company can get the job done with an A-rating. (Tran. 620)

(a) Does Applicant agree with these statements of its witness, Mr. Meyer?

(b) Would Applicant be able to sell A-rated bonds in sufficient quantities to cover construction costs of ACNGS?

(c) Would Applicant be able to sell sufficient A-rated bonds even if no CWIP were allowed in the rate base?

(d) Please provide basis for answers to parts (b) and (c) of this Interrogatory.

Interrogatory FQ-4.12

Dr. Steven Sherwin, testifying on behalf of HL&P in PUC 2676, spoke of the accident at Three Mile Island as follows:

If a company loses one of its generators, as happened to General Public Utilities, and then doesn't have sufficient spare capacity to meet its customer requirements, it is forced into purchasing power on a large scale basis. And, as you may recall, the Pennsylvania Commission was not immediately willing to grant that company reimbursement for the increased purchase power cost.

We computed, our office, that it would have taken 118 days only, without reimbursement of the increased purchase power cost, before the entire equity of all General Public Utility subsidiary would have been wiped out. (Tran. 829)

FQ-4.12 (a) Does Applicant consider that the Texas PUC would automatically provide "reimbursement of the increased purchase power cost" as well as the cleanup costs in the event of such a financially devastating accident at ACNGS?

(b) If so, what is the basis for such a belief? If not, does Applicant have any plan for avoiding bankruptcy in the event of such an accident?

Interrogatory FQ-4.13

In PUC 2676, HL&P Comptroller R.S. Letbetter testified that "if you continue your construction program without recognizing CWIP, it will affect the continuing operations of the Company. In other words, it will not be able to fund its payroll, meet its normal operation expenses, or anything." (Tran. 946) What precisely did Mr. Letbetter mean by the phrase "without recognizing CWIP"?

Interrogatory FQ-4.14

Schedule C-4 of the pre-filing package submitted by Applicant in PUC 2676 is a list of "Projects in Construction Works In Progress in Excess of \$100,000 as of March 31, 1979." Expenditures to "Install Unit 1 - Allen's Creek" are given as \$130,689,000, which was over ten percent of the total estimated cost of construction!

(a) Is this figure correct?

(b) What is the most current figure on expenditures to install Unit 1? When was this figure last updated?

(c) Please give as complete a breakdown as possible of the components of the CWIP expenditures to date on ACNGS.

(d) How does Applicant expect to recover these costs if it is denied a construction permit in this proceeding before the NRC?

Interrogatory FO-4.15

In answer to previous interrogatories, Applicant stated that Mr. Hollis Dean would testify as to Applicant's financial qualifications, but that he had not yet prepared his testimony or identified the documents upon which he will rely.

(a) Will Mr. Dean be prepared to explicate, repudiate or defend the testimony of other witnesses on behalf of HL&P in past, current, and future rate proceedings before the FUC?

(b) Will Mr. Dean provide Intervenors with copies of documents upon which his testimony is based as they become available to him?

Interrogatory FO-4.16

It is my understanding that Houston Lighting and Power is a wholly owned subsidiary of a company called Houston Industries (HI).

(a) Is this understanding correct? If not, what is the exact relationship of HL&P to HI?

(b) Is HI subject to regulation by the NRC? How?

(c) Is HI subject to regulation by the FUC? How?

(d) Could HL&P survive the financial failure of HI?

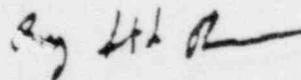
(e) Is it possible for financial difficulties within HI as a whole to affect financial integrity of HL&P?

(f) Are construction bonds sold by HL&P, HI, or both?

(g) Which company would be liable for damages caused by routine operation or by an accident at one of HL&P's licensed nuclear facilities?

(h) What role does HI play in monitoring and directing HL&P's nuclear plant construction?

FOR THE INTERVENORS



Bryan StL. Baker

July 8, 1980

cc: All Parties