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UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

August 26, 1980

Dockets Nos. 50-289 & 320

FACILITY: Three Mile Island, Units Nos. 1 & 2 (TMI-1/2)
LICENSEE: Metropolitan Edison Company (Met Ed)
SUBJECT: TMI-1 RESTART - GPU'S FINANCIAL QUALIFICATIONS

At GPU's request, a meeting was held on August 14, 1980 at NRC for the purpose of GPU presenting its financing plan over the next 10 years. Although the overall GPU financial projections for the next 10 years were presented, the primary thrust of the presentation related to financing the restart of TMI-1 and the cleanup and restoration of TMI-2. Attendees were as follows:

NRC: H. Silver, D. Muller, R. Wood, J. Saltzman, D. Brinkman, J. Roberts
D. Swanson, M. Karlowicz, J. Petersen

GPU: J. Graham, T. Howson, G. Trowbridge, G. Seri

ARC, Inc. (for TMIA): W. Belmont

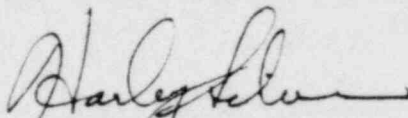
The basis for GPU's presentation was a document entitled "GPU System-Financial Forecast Reflecting Revised Estimate of TMI-2 Clean-Up and Recovery - August 14, 1980," a copy of which is enclosed. Mr. Graham, GPU Treasurer, was assisted by Mr. Howson in making this presentation. Mr. Graham enumerated the fundamental underlying assumptions to GPU's base case financial forecast. These included the following: (1) the level of ratemaking will not exceed treatment granted the GPU subsidiaries since the accident; (2) recovery of energy costs will be kept current; (3) TMI-2 cleanup costs will not be allowed in revenues by the rate commissions; (4) the earned rate of return is based on historical returns; and (5) financing of the cost of the TMI-2 cleanup is the flexible item in the forecast. GPU assumes that its priority responsibility is in providing service to its customers. This includes restart of TMI-1 and required construction of new facilities during the TMI-2 cleanup and restoration period. The Pennsylvania Public Utility Commission (PaPUC) and GPU are considering the possibility of GPU purchasing capacity of other utilities' generating facilities in lieu of building its own facilities of like capacity.

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GPU's financial forecast was cast in three alternative scenarios. The differences between each alternative scenario or case are caused by differences in the assumptions underlying each case. In the first or base case, it was assumed that rate relief would be minimal (i.e., no more generous than it has been since the accident). Under the base case, GPU projects a \$455 million shortfall in funds needed to cleanup and restore TMI-2. Under these circumstances it assumes that such funds will be derived from some other source such as additional charges to customer, government, or industry assistance or litigation recoveries.

In addition to the base case forecasts, GPU presented two alternative scenarios. Under the first alternative, rate commissions would allow a portion of TMI-2 cleanup costs to be treated as an expense and, therefore, the shortfall would be recovered directly through revenues from customers. The second alternative assumes that allowed rates would generate adequate revenues to allow GPU to finance the shortfall projected for the base case.

Mr. Graham and Mr. Howson presented the detailed assumptions and projections related to each of these cases and clarified a number of points in response to NRC and TMIA questions. Additionally, Messrs. Graham and Howson distributed copies of a GPU news release dated August 8, 1980 addressing the revised cost estimate and scheduling of the TMI-2 cleanup. To reconcile differing TMI-2 cleanup cost estimates that were reported by the media, a detailed cost sheet was provided to indicate the source of the cost data. This was based upon a revised TMI-2 cleanup cost estimate by Bechtel, which is expected to be filed soon with the NRC.



Harley Silver, Project Manager
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Enclosures:

1. Financial Forecase
2. GPU News Release
3. Cost Sheet

cc: w/enclosure
See next page

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* Copies also sent to those people on service (cc) list for subject plant(s).

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