

PUBLIC SERVICE COMPANY OF OKLAHOMA

A CENTRAL AND SOUTH WEST COMPANY

P.O. BOX 201 / TULSA, OKLAHOMA 74102 / (918) 599-2000

Martin E. Fate, Jr.
President



February 16, 1982



Mr. Harold R. Denton
Director, Office of Nuclear Reactor
Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Dear Mr. Denton:

Re. In the matter of Black Fox Station Units 1
and 2; Docket Nos. STN50-556 and STN50-557

Public Service Company of Oklahoma, Associated Electric Cooperative, Inc., and Western Farmers Electric Cooperative, co-applicants for Construction Permits in the subject docket, are announcing today the cancellation of the Black Fox Station. This letter follows a verbal notification to your office today by our Washington counsel.

I feel it is incumbent upon this company, as project manager, to explain at some length the reason for our actions. In essence, the action taken is necessitated by a continuing climate of political and regulatory uncertainty at the federal level. The project has regrettably become economically unattractive due to the sharp increase in project costs brought about by the almost three-year licensing moratorium imposed by the U. S. Nuclear Regulatory Commission.

The Black Fox owners have always believed themselves to be caught in a unique time warp, i.e., that of having instituted work under a Limited Work Authorization and having the safety hearing record complete prior to the events at Three Mile Island. No other pending construction permit applicant was in that situation.

PSO, as project manager, has been more than responsive to the events at Three Mile Island. Our actions have been anticipatory of new requirements and have found us pro-acting as a demonstration of our commitment to do that which was required to place the Black Fox licensing back on track. You know we led the industry in these responses, and were instrumental in forming and leading a Near-Term Construction Permit working group to interact with your staff in establishing the licensing basis for the pending applications.

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CENTRAL AND SOUTH WEST SYSTEM

Central Power and Light
Corpus Christi, Texas

Public Service Company of Oklahoma
Tulsa, Oklahoma

Southwestern Electric Power
Shreveport, Louisiana

West Texas Utilities
Abilene, Texas

Boo! sifo Add: H. Denton

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation

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During this effort, you met personally with executives and representatives of this company many times to assure us your good will and ultimate licensability of our project.

Notwithstanding our efforts, we cannot help but feel we were ignored through 1979, toyed with during 1980, and disappointed in 1981. Despite your assurances to the contrary, we have found no real commitment to progress or licensing stability following the events at Three Mile Island or the several investigations.

To be absolutely frank, Public Service Company, as project manager, and all three companies, as owners, have no confidence in the process; or that it will allow completion of the units as planned on any reasonably foreseeable schedule or operation of the units on a reliable basis throughout their expected lifetime.

I must here repeat the thrust of the argument set forth in our response to the proposed licensing rules published on October 2, 1980, and March 23, 1981. That is, if there were a safety problem associated with the changes therein mandated for plants under construction, your Agency would have immediately revoked their Construction Permits, and some of those units are identical to Black Fox in vintage and design. This having not been done, the Agency, by halting progress at Black Fox, has exhibited a bias born of political perception, not of technical necessity.

Indeed, the ultimate irony is that only today do the post-TMI rules for the pending Construction Permit applications become effective, with the "lessons learned" being substantially the same as were identified by your office in the fall of 1979.

The effects of inflation on project costs during this period have been staggering; moreover, the promise of future backfitting requirements can only mean that the cost of the project will continue to escalate at some unknown and uncontrollable rate. The extensive delays in setting the requirements for granting nuclear Construction Permits have narrowed the nuclear economic advantage over coal-fired alternatives to the vanishing point. When you combine this with the financing difficulties associated with the absolute magnitude of the investment as now estimated, and the political, regulatory, and economic uncertainty that attend nuclear power; termination of the project becomes a necessity born of prudent management. The corporate risks of doing otherwise are simply untenable to all of the companies involved in this venture.

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation

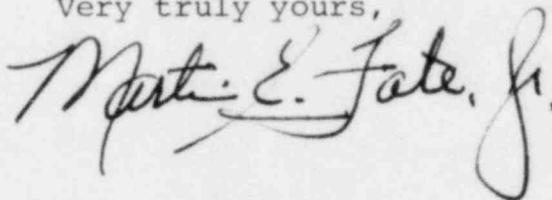
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We intend to preserve the site for construction of future power generation projects, hence most of the activity pursued on the site itself under the Limited Work Authorization will be convertible to alternatively fired generating facilities. The timing for these facilities is uncertain, but will undoubtedly have to commence within the foreseeable future to replace the capacity which was being relied upon from the Black Fox facility.

I have, at this date, directed counsel for the co-applicants to seek withdrawal of the application from the Atomic Safety and Licensing Board, as provided in 10CFR, Section 2.107. Your staff should continue to direct any questions to Dr. John C. Zink, our Manager of Licensing.

Black Fox Station has always been a good management decision; the need for nuclear-fueled generation is indisputable; it is regrettable that outside, uncontrollable circumstances did not allow its pursuit in a reasoned manner by individuals at companies committed to achieving excellence in every aspect of the project.

Very truly yours,



MEF:VLC:lh

cc: BFS Service List
Office of the Commissioners, USNRC
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Peter A. Bradford
John F. Ahearne
Thomas M. Roberts