



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

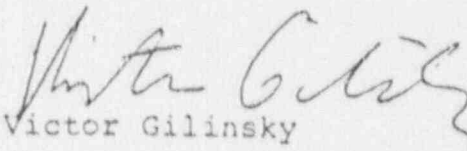
OFFICE OF THE
COMMISSIONER

July 14, 1980

MEMORANDUM FOR EDWARD HANRAHAN, DIRECTOR OPE

SUBJECT: COSTS OF TMI

The attached Washington Star article of July 9, 1980, indicates that VEPCO claims TMI has indirectly cost its customers \$300 million. I would appreciate an OPE analysis of that figure.


Victor Gilinsky

cc: Chairman Ahearne
Commissioner Hendrie
Commissioner Bradford

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Costing Veeco's Patrons \$300 Million

By a Washington Staff Writer

Virginia Electric and Power Co. customers are now paying an additional \$300 million in costs stemming indirectly from the nuclear accident at Three Mile Island, Veeco Chairman T. J. Moore, Jr. claimed yesterday.

Though the Three Mile Island plant is owned by Metropolitan Edison Co., not Veeco, the federal government reacted to the accident there by cracking down on all nuclear generating plants, Moore said.

Federal caution contributed to keeping Veeco's three existing nuclear plants shut down during much of last year, he said, as the government forced them to meet stiffer safety standards.

Moore said that for each month one of Veeco's nuclear units does not operate, customers must pay an extra \$15 million, most of which underwrites substitute electricity generated by oil- and coal-burning plants.

A fourth plant — the recently completed North Anna No. 2, which is 80 miles southwest of Washington — has yet to be licensed to operate by the Nuclear Regulatory Commission.

North Anna No. 2, scheduled to go on line by the end of the summer, is being modified to meet new federal

Continued From A-1

safety standards enacted after the Three Mile Island accident. The \$300 million cost of plant shutdowns and other Three Mile Island-related expenditures averaged \$100 for each of Veeco's 1.3 million customers. Moore said the final cost could be much higher when the NRC imposes future safety changes. Traditionally, electricity replacement costs are passed to the customers through increased fuel adjustment allowances or increased rates. The cost for new safety equipment similarly is passed on to customers at higher rates.

In the past year, Veeco has received rate increases totaling \$64.5 million, \$28 million of which is currently in effect and the rest to be effective later. An additional \$72 million rate increase is pending with the Virginia State Corporation Commission.

In one example of higher costs, Moore said, the dials and switches on North Anna No. 2's operating consoles are being painted in several different colors because federal inspectors determined that banks of single-color dials at Three Mile Island contributed to technicians' confusion over which functions had gone awry.

Also, the Nuclear Regulatory Commission last year ordered five nuclear plants — including Veeco's two reactors at its Surry plant near Williamsburg — to be shut down "while faulty estimates of the plants' resistance to earthquakes were corrected."

That order came at a time when one of the Surry plant's reactors had been shut down for unrelated work. The pump house at Veeco's North Anna No. 2 plant also was shut down last year at a rate Veeco feared to exceed federal limits, forcing the plant to shut down.

Moore, one of the country's most fervent nuclear power advocates, appears to have lost his ardor for it.

"I think that nuclear power was oversold a little bit," Moore said. He said it was oversold to utility executives like himself by "industry which manufacture reactors, and that he in turn, along with other executives, oversold it to the public."

It is not as cheap as had been expected, he said, nor is it accident-proof, although "I think we cringed along thinking it was impossible to have a nuclear accident."

In 1973 nuclear power accounted for 23 percent of Veeco's total sales. In 1977, that percentage had risen to 27.4 percent.