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Atomic Safety & Licensing
Board Panel
U.S. Nuclear Regulatory Comm.
Washington, D.C. 20555

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Dear Chief Judge Bechhoefer:

Enclosed in accordance with the Licensing Board's request is the transcript of the radio interview with Mr. Selby. The pertinent passage appears at the bottom of page 10 and the top of page 11. While I have not discussed the matter with Mr. Selby, it is apparent he was referring the time needed to "complete both plants". Thus these comments do not appear to be relevant to the question of the new fuel load date for Midland.

Sincerely,
Philip P. Steptoe
Philip P. Steptoe

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Doyle: I'm Irene Doyle in East Lansing, you are listening to the phone-in hour of Morning Edition on WKAR, AM-870, Public Radio at Michigan State University. With us in the studio to answer your questions today about nuclear power is John Selby, Chairman of the Board, President and Chief Executive Officer of Consumers Power Company. Welcome to the program, Mr Selby.

Selby: Thank you. It's good to be here.

Doyle: Nice to have you with us. We appreciate your coming in and taking your time to answer our callers' questions. Our phone number is 355-WKAR. As usual, we invite your questions and comments. Today our subject is nuclear power. And Mr Selby, you are also an engineer, yourself. Owning several patents. You are President of the Michigan Society of Professional Engineers. You serve as the Director of the US Committee for Energy Awareness, The Institute of Nuclear Power Operations, Atomic Industrial Forum; which names a few of your involvements and you are very qualified to answer our questions on nuclear power. We want to talk in general about nuclear power and about its future in this country. And, of course, specific questions about Consumers Power's operation also. So, we might as well, just to get to calls - to start out with. But I'm sure we will get to some of these general questions which we want to discuss. 355-WKAR is our phone number. John Selby, Chairman of the Board of Consumers Power Company, here to answer our questions. Go ahead, you are on the air.

Caller 1: Yes. I'd like to ask a question about another form of power source and I can't think of the name of it right now, but it's - it's the actual construction of the power source is very long - elongated thing and it's - and - it really bugs me - I can't think of the form of power - hold on - I think - it's a fire-power plant. That's what it's called. And it's - it's still under research - but I think Mr Selby would be familiar with that kind of technology.

Doyle: Do you know what he's talking about?

Caller 1: Could he comment on it?

Selby: Well, I don't know exactly what you mean by a fire-powered plant. Basically, we can generate power by creating high temperatures through burning of fossil fuels and there are several ways of doing that. The gas turbine - maybe you are thinking of that mechanism.

Caller 1: That maybe it.

Selby: Then there is also the - the steam cycle - which we generate steam and run it through a normal steam turbine. All of these systems are workable. They are under development in some cases, in terms of the gas turbine, for significantly higher temperatures which will result in much greater efficiency. If that's what you have in mind, that's one - there's another one which has been proposed that is much farther out and that is a form of direct discharge through very high temperature gas generation.

Caller 1: I think that's what it is - hot gases.

Selby: OK. Hot gases and direct discharge generating a direct current.

Caller 1: Uh-huh.

Selby: It's been under development in the laboratory for 30 years or so and the problem is basically material problems. We don't know how to build in this world yet the kinds of materials that would stand the very high temperatures and corrosive atmospheres of that process. However, if it could be developed, it does have potential for a significant improvement of efficiency.

Caller 1: Uh-huh. As I understand it, it sort of looks like a huge rocket laid horizontally and they have built super high temperatures going on inside.

Selby: That's true.

Caller 1: It's an experimental thing -

Selby: Still experimental.

Caller 1: In Butte Montana.

Selby: Uh-huh.

Caller 1: OK.

Doyle: Thanks very much for your call.

Caller 1: Bye.

Doyle: Bye, bye. 355-WKAR is our phone number. We are talking about nuclear power. What I'd like to ask you as we start - also, Mr Selby, is the Three Mile Island accident, cost overruns, problems with the Midland Plant, a few incidents like this have made people weary about nuclear power - not just in Michigan - but around the county - and I'd like you to comment generally on what you think the future of nuclear power as a major energy source in

the US is. Not only from a technical point of view but let's say just the sentiment of the country - the people and how they feel about it.

Selby: Well, that's kind of a broad question, I'll give it a try.

Doyle: Right.

Selby: Basically, I think we are talking about generating electricity. We can talk about power - there are many forms of power. But in terms of generating electricity, as I look at the future, say for the rest of this century, we basically have two forms of generation that make sense from the economic standpoint and from the assurance of supply. One, is basically the use of coal and the second, is the use of uranium for the nuclear power plant. Now, the reasons that utilities make these judgments and select these two forms is that it is our belief that over this period of time that these will be the processes and will result in the lowest cost of electricity. As a utility selling electricity, I have much less trouble with my customers if the bills are lower than if they are higher. And so they are very much - being sure that we provide power at the lowest, reasonable cost at the required level of assurance of supply. The nuclear option from the plants that are completed, that are in the construction process, will represent probably about 20% of the total electricity generated in this country. Say by the end of this decade - by 1990.

Doyle: Uh-huh. How much of it is now generated by nuclear?

Selby: Oh, I think last year it was about 12%. So we will be having more. But if this significant portion - when you think that the total requirement in this country is something in the order of 600,000 megawatthours and that's a lot of electricity. But that's what it takes to provide for industry, commercial uses and residential uses of electricity in the United States. Assuming the reasonable growth and I think there will continue to be a growth - but I think we are going to see substitution of electricity for other forms of power as we have at the present time. But even though the total energy requirement of United States maybe relatively flat over the next few years - let's say 10 years - I think electricity will grow. So that - nuclear is an option. Now - what has happened is that because of the public sentiment, the concern, the problem, the cost advantage that we thought nuclear had 10 and 15 years ago, has been eroded. Ten, fifteen years ago, we could design and build a plant and secure it. Today, it takes 10 to 15 years, depending upon the level of opposition of a particular plant.

Doyle: It's been 11 already with Midland?

Selby: That's right. And when you consider the fact that time is money and that cost goes into the cost of the plant. Then the economic advantage that we thought that nuclear had has become to erode and right now, I would say that - in the difference between cost of generating the kilowatthour between coal and uranium in Michigan, based on our experience, it's pretty much a standoff. But both of

them are so much less expensive in use of oil or natural gas - that really they are not competitors in this situation at all. Even if the price of oil were to drop by \$5 a barrel. It still would not be competitive by quite a long range.

Doyle: Even if the cost overruns, etc, with nuclear - there's still a cost advantage with nuclear?

Selby: Yes. There's still a cost advantage. It comes about because of the fact that the fuel cost for a kilowatt hour generated with uranium at the present time is about 8/10 of a cent - where as the fuel cost for generating a kilowatt hour with coal - including the transportation of shipping the cost of coal to Michigan, is about 2.2 cents - 8/10 of a cent to 2.2 cents and with oil, it's 6 cents. So that fuel advantage is there and can absorb a lot of the cost of the fixed investment, which is greater for the nuclear plant.

Doyle: 355-WKAR is our phone number. If you have questions for John Selby, Chairman of the Board of Consumers Power Company. We are talking about nuclear power. Go ahead, you are on the air.

Caller 2: Yes. I have two questions. My first question is, why are utilities continuing to build expensive nuclear power plants when coal-fired plants are cheaper to build?

Selby: Well, I answered that slightly in my last response. Yes, the nuclear plant's capital cost is higher than a coal-fired plant as we would design it today. Those differences, however, are - we think narrowing because of the additional expense that is required for stack-gas treatment - you know sulphur dioxide and those kind

of things on coal-fired plants - that the difference in capital costs will not be as significant as maybe it has been in the past. However, even so, the cost of fuel, the generated kilowatthour of electricity of the nuclear plant is only about 1/3 - 8/10 of a cent - compared to 2.2 cents with coal. And that fuel cost difference allows us to absorb additional fixed costs based on the higher capital investment of nuclear plants. So at the present time, nuclear plants that were started a few years ago are still expected to be less expensive than replacement coal-fired power.

Doyle: Does that answer your question?

Caller 2: Yes, it does.

Doyle: Thanks for your call?

Caller 2: Thank you.

Doyle: Bye, bye. 355-WKAR is our phone number if you have questions on nuclear power. Go ahead, you are on the air.

Caller 3: I'd like to address the idea that - nuclear - the energy into our country is very much a necessity and Consumers Power, I believe, is somewhat of a business and I don't think that the power distributed to our country should be a business and myself, and a lot of people think that this should be controlled by the government because it is a - something very necessity to us and that's just kind of a statement. I'd like to ask a couple of questions. No 1, nuclear power - like you mentioned at the Three Mile Island incident - I don't think that an accident like nuclear - I mean, like happened at Three Mile Island - is so much a possibility - although, it's likely - as is the constant running everyday with

what people term a slight amount of nuclear radiation load levels - or whatever - it starts into our environment constantly - so if that went on for the next 50 years - whether there wouldn't be any accident - but we have possibly the same kind of catastrophe. Now there are a group people that were Nobel Peace Prize winners - people that really know what they are talking about. People that have invented - not invented - but did a lot of research into nuclear power - as they have all - not all - but a lot of them have come up and said, "Hey, this is crazy what we're doing." If nuclear power is - not nuclear power - if energy is principally a business - then maybe cost effective. Somethings just are not cost effective merely because they are cheaper.

Doyle: What's your question, sir?

Caller 3: Well, I'm addressing the idea that - he was saying that it's much cheaper to go the nuclear way - when I don't think that maybe - cheaper is necessarily better. There are not other avenues open for Consumers Power - or for any of these energy companies to extract energy out of the _____ earth and channel it to us than nuclear power?

Selby: Well, certainly, there are other ways than nuclear power. But my experience in dealing with customers is that - while there maybe a few who don't want low-cost energy - let me assure you, based on the complaints that we get - the vast majority do. And really what we are comparing is the cost of alternative ways of generating the electricity and sending it to you. There are other ways. We could burn oil, we could burn natural gas, we could

build solar plants. They are all much more expensive in order to deliver the power than the use of uranium and coal at the present time. We believe it will that way for years. And I don't think that even if we're not a business, that we can ignore the cost factor. The - in my opinion - the standard of living in this county, the availability of jobs and medical facilities and so forth, is dependent upon your ability to compete in the world market. And if we have excessively high-cost electricity or energy, because we have subsidized or not used the lowest cost forms available, then our products are not going to compete on the world market and I think the lifestyle of the United States becomes something entirely different in the long term than we have had. I, for one, believe that what we have had and the opportunities that our people - young people that have had are an advantage in the United States and I would not like to see that disappear.

Caller 3: So you don't that - that the people _____ say that if we continue to do nuclear power in the scale that is proposed, that we would perhaps destroy the air?

Selby: No, I do not. I am convinced, based on the way nuclear plants are operated, designed and the care that we take on them, that the increment of radiation that will result in the earth as a result of nuclear plant operation will be undetectable. Remember, the earth is radioactive. We get radiation from the sun everyday. We get it from the rocks in the uranium that is in natural soil. So that the increment is undetectable and there are any scientists

also Nobel Peace Prize winners who would agree with my statement, but I agree with you, there are some who take the other view.

Doyle: Does that answer your question?

Caller 3: I really hope you are right.

Doyle: Thank you for your call.

Caller 3: Bye.

Doyle: Bye, bye. 355-WKAR is our phone number. We are taking questions on nuclear power. Go ahead, you are on the air?

Caller 4: I thought I understood you to say that the Midland Plant has been under construction for 11 years.

Doyle: Uh-huh.

Caller 4: And I have two questions. The first is, what remains to be done in order to get the operating and the second question is, from a practical standpoint, how long will that take to accomplish it?

Selby: Well - the work remaining to be done is the completion of installation of certain pipes in some systems that are not yet completed. Some instrumentation, some electrical control cabinetry. The principal job, however, remaining will be the checkout and the testing and integration of the whole Plant into an operating entity. That, of course, we are going to have to load the fuel and put in the control rod drives of the reactor and check those out. The Plant from a construction standpoint is about 85% complete. When you take into account the remaining construction work, plus the checkout and the testing, the startup, that sort of thing - we're talking - by the time complete both Plants - a couple of years. Another important factor is the

training of the operating crew. That's well along. And we are just completing a training facility up at Midland which will include replicas, computer controls, control panels for the whole Plant - probably one of the most advanced training centers in the United States and we'll have our operators working on those by summer of this year. So those are the jobs remaining and, as I say, it's a year and a half - to two-year kind of a program.

Caller 4: Thank you.

Doyle: Does that answer your question?

Caller 4: Yes.

Doyle: OK. Thank you. 355-WKAR is our phone number. I'd just like to follow up quickly on that - the last schedule I heard was that the Midland Plant would go on line in December of '83 with one unit and July of '84 with the other - is that revised now?

Selby: We have not revised it. That is the official schedule that exists - we are reviewing the whole situation based on where we are today - the things we know how to - we have yet to do and we will come up with a revised schedule in the middle of April.

Doyle: OK. Go ahead, you are on the air?

Caller 5: Yes. I'm calling back. I'd just like to - I heard some more comments - but - I think that - or I'm in favor of having Consumers Power run privately as a business because I believe that the capitalist market will always force the most efficient use of materials and resources. But I'd also like to - once again - get back to that one fire-powered plant that I was talking about - it's got a long name - it's called Open-Cycle Magneto -

Selby: Magneto Hydrodynamics?

Caller 5: Right. And - one person has predicted that by the year 2000, about 60% of this country's electricity will come from coal. And he said that MHD - as it's known - is the most efficient way possible to use coal to produce electricity. And he predicts the first commercial MHD plant should be operational by 1990 and - anyways - I would just hope that - maybe we could further that technology if it seems to be safe or if those kind of predictions are correct.

Selby: Well, first, let me say I agree with your comments on the capitalist system. I think it does do the best job of any political system that I'm aware of, of forcing the efficient use of labor and materials. And - you know - we've talked about shortages of oil today or did - we don't have one right at the moment - but it is a finite resource and we are using it up at a rate faster than we are finding - but that's not true of just oil. It's true of many of the strategic materials that are the basis for this economy. So we must find the way to use them efficiently. On MHD, I know of no safety hazard with the system and I agree with the statement that it is theoretically the most efficient way of using coal. As I said earlier, we do have the materials problem and I hope with you that we are able to solve them.

Caller 5: Yeah. Well, thanks again.

Doyle: Thanks for your call.

Caller 5: Bye.

Doyle: Very quickly. we'll take one more call. This has to be a quick question, because we'll have to break for the news. Go ahead, you are on the air.

Caller 6: Yeah. For years I've been wondering why I don't - turbines more than like they use to - because I know of no cheaper fuel and -

Selby: You are right. Consumers has about 200 megawatts of capacity from the rivers of Michigan hydropower. It's the lowest cost ahead. The problem is that Michigan needs more mountains and large rivers. We have tapped about all the economically available sources within the state that we know of. And - it's just a very small percentage of the total needs.

Caller 6: I have one more short question.

Doyle: For years, I've (inaudible) nuclear energy, all right, our government is in the liquor business - (inaudible) - what have you done about that - almost nothing.

Caller 6: We are going to have to break away sir. Thanks very much for your comment. Bye, bye. 355-WKAR is our phone number. We'll be taking more phone calls five minutes from now at 11:35 with John Selby, Chairman of the Board of Consumers Power Company. We go now to NPR for five minutes of national and international news.

Doyle: I'm Irene Doyle in East Lansing. You're listening to the phone-in hours of Morning Edition on WKAR AM-870, Public Radio at Michigan State University. Our phone number is 355-WKAR and we're taking questions on nuclear power. With us in the studio to answer your questions, John Selby, Chairman of the Board, President and Chief

Executive Office of Consumers Power Company. We might as well get to the phones, Mr Selby. Go ahead, you're on the air.

Caller 7: In the first half hours, Mr Selby was comparing the fuel cost of nuclear power plants with the fuel cost of coal-fired plants and it seems to me that, in all fairness, it should be pointed out that one of the reasons why the fuel cost for nuclear power plants are relatively lower is because the taxpayers are picking up a lot of the bills for the production of the uranium fuel. And then farther on down the line, the taxpayers are picking up the cost for a lot of the disposal cost of the radioactive waste from the nuclear power plants so that, comparing fuel cost all by itself doesn't tell the picture, you know. If you look at the cost to the taxpayer on top of the cost to the electric ratepayer, doesn't nuclear power become not quite such an economically good idea.

Selby: Well, I don't know where you get your information but when we buy nuclear fuel, we buy the yellow cake, the uranium oxide, from private miners and, believe me, we pay the total cost. When we get it converted, when we get it enriched, when we get it fabricated, we pay all of those people for their cost of doing that work so that, when uranium goes into the reactor, there is no extra charge to the taxpayer. Now, with regard to disposal, in terms of high-level waste, the government has taken on the job of building the disposal facility but it will be paid for by a cost-per-kilowatthour of electricity generated from the uranium fuel. So, again, the customer of the electricity will be paying that cost and no extra cost on the part of the taxpayer. I

suspect you may be referring to the fact that much of the original development of nuclear plant and fuel work and so forth was done at government expense as part of the Manhattan District Project and part of the Navy program. And that is true; the utilities and commercial operators have not repaid that. My opinion on that is for use of that technology to the benefit of the nation makes great good sense. After all, the taxpayer pays the bill of the Navy and the Manhattan District; they own that technology and they ought to get a return on it, which they do through the use of the lower-cost nuclear fuel.

Doyle: Does that answer your question, ma'am?

Caller 7: Yeah. Could I ask another question?

Doyle: Quickly, please.

Caller 7. I realize that Consumers Power doesn't own, isn't involved in the Clinch River breeder reactor in Tennessee but could you comment in general on the economics of breeder reactors? I have read and heard from many people who are, in general, in favor of nuclear power who say, "Nevertheless, that Clinch River breeder reactor in Tennessee is a terrible waste of everybody's money and it exists only as a boondoggle because Tennessee has Senator Baker for a senator.

Selby: Well, I know that that has been said and I am somewhat familiar with that project because I happen to be on a committee that reviews it every year as to what they're doing and how they're doing it. Claims have been made that it is an outmoded, outdated design and should be scrapped. That's really not true. Clinch

River represents, in my opinion, state of the art and advancement of state of the art of breeder reactors. And it's part of the development of that kind of cycle that I think needs to be done before I would like to see the country commit itself to a breeder reactor generation system. So I support it. Not because I think Clinch is going to be a low-cost producer of power in and of itself - it will not be. It will have its normal first-time cost and development cost that would not make it competitive in terms of cost of the kilowatthour out of Clinch River compared to the alternatives of coal of the present nuclear reactor systems. Now, the advantage of the breeder is that it uses approximately 50% to 60% of the natural uranium that we find in the crust of this earth through the mining process, whereas the light-water reactor, which is the basis for the present nuclear power generated in this country, can only use 2% to 2-1/2%. So you have a 25 to 30 times advantage and, for example, there's enough spent - well, not spent - fuel, uranium, stored in the storage lots in Tennessee as a result of the enrichment process for the bomb work going on in this country to provide us with electric power for 100 years at our present rate of usage. So it's a fuel benefit in the sense that it pretty much would make us independent of the availability of oil or coal or anything else over the long term.

Doyle: Does that answer your question?

Caller 7: Yes, thank you.

Doyle: Thanks for your call. 355-WKAR is our phone number if you have questions for John Selby of Consumers Power Company. Go ahead, you're on the air.

Caller 8: OK. Does Consumers Power endow universities and colleges with funding for research and constructive uses of nuclear waste?

Selby: Consumers Power does - I don't know that I'd call it endowments, but we do do contract work with various schools and universities to do research projects - at the University of Michigan, Michigan State, Purdue - mostly directly toward Michigan schools - various research projects and some of them are involved in nuclear issues. We are also a participant in the Electric Power Research Institute which is a utility-sponsored activity that does research work in and of itself and with contract with universities countrywide, some of it involved in nuclear activities, and we participate with that.

Caller 8: OK. And are you seeing anything that sounds like nuclear waste does have some possible prospective uses or are we left in the position of wondering and being careful - I think that's what happens, is that it leads to a lot of the expensive research and to the construction of new nuclear power bases in all areas. Are you seeing results from those researches, particularly in regard to the nuclear wastes?

Selby: I think that's a good questions and I'm glad you've asked it because this issues of nuclear wastes, as you say, has been one foremost in the minds of many of the people and has been of great concern to them. It's my opinion that we have not had a technical

problem with regard to how to safely handle nuclear wastes for a number of years. There has been a lot of research done both in this country, in Sweden, in Germany, in France and in England, all trying to deal with the problem of safely handling nuclear wastes. I'm talking about the high-level wastes from the fission reaction in the fuel and it's my judgment from that research that it can be safely handled. The problem has been an institutional one in which, back in 1954 when President Eisenhower proposed the Atoms for Peace Program, the Federal Government of the United States took on the role of providing for long-term storage of wastes. They have done nothing about it until just last year when, under the leadership of Congressman Udall and Congressman Dingle, a bill was passed to provide for a program to establish the first site for the disposal of wastes on a long-range basis. And that schedule is such and now I believe we have the program that will allow us to convince the public that it can be safely handled. It's just getting under way and it's going to be ten years before we see, you know, real progress in the sense of having a facility but we do now have a program which will make it happen.

Caller 8: I'm not sure, though, that you're hearing my question. I understand that you're trying to assuage our fear in regard to nuclear waste disposal. I'm concerned, however, with the use of nuclear waste in constructive areas. If it's possible, as it is, to do damage to us, I'm wondering what can be done with that power to harness it for the payers of electrical power, for our electrical use.

Selby: Well, to harness that waste directly to general additional power, the best thing that you can do is reprocess the fuel and take the unused uranium that is still in the spent fuel and the plutonium that's been generated, put it back into a reactor, burn it up and generate kilowatthours of electricity. With regard to the fission products that are not in and of themselves fissionable, they are sources of radiation. At the present time, we use many sources of radiation that are developed by exposing materials in a reactor such as cobalt, particularly for industrial use in X ray of equipment, medical uses and so forth. That material could be used and probably will be used as time goes on but we'll have to do a certain amount of processing with it and I'm not sure at this point in time that I can assure anybody that all of the wastes that will be developed could be used constructively. But I believe a great deal of it can and must more will be than we know how to do today.

Caller 8: OK. One last question, you said you do contribute to the Electrical Power Research Institute; now, is that part of any given university or is that a private organization in conjunction with Consumers Power itself?

Selby: It is a private organization funded by the utilities of United States. It has an annual budget of about \$300 million a year and it does much of its work through universities, contracts with universities to do particular studies.

Caller 8: OK. Good luck with that effort.

Selby: Thank you.

Doyle: Thanks for your call. Go ahead, you're on the air.

Caller 9: Hello. First of all, just real quickly in relation to some earlier comments - of course, we're all in favor of the capitalist system and everything but also remember that Consumers Power and utilities like it really don't know anything about the capitalist system - they're controlled monopolies - and they probably couldn't exist as they're presently managed if they really had to compete in an open environment. But be that as it may, the question that I want to raise is I understand that Consumers Power's nuclear Plant in Midland is having some enormous construction problems, one of the largest of them being the fact that, right from the ground up, the Plant was not constructed properly so that it is actually sinking heaving at various rates into the ground and cracking and so on and so forth. Now, your average homeowner - say if you had a house built for you, would not certainly tolerate this kind of a problem, if you found out before you moved into your house that it was beginning to sink and heave and crack and crumble. How is that we can expect the people of Michigan to accept this kind of a standard on the part of the people we're supposed to trust and who are spending billions and billions of dollars of our money?

Selby: First, let me comment on your initial statement. I assume you don't expect me to agree with your opinion that utilities are poorly manage - and I don't. With regard to the statement on Midland sinking into the ground, heaving and cracking, that's a

bit of an exaggeration. Yes, on the diesel generator building, we did have some problems with its settling at a faster rate than we had expected it to. But, just like the homeowner, you know, if you've built a house and you own, you may not like it but you're going to fix it.

Caller 9: But should you take possession of it if you know that's it's defective?

Selby: Well, we've already taken possession of it.

Caller 9: No we haven't; it's not in our rate base yet.

Selby: Well, it may not be in the rate base but, as far as Consumers Power Company's concerned, we own it.

Caller 9: Why don't you keep it, then?

Selby: Well, I assume that you will want the electricity out of it.

Caller 9: I don't think it's necessary.

Selby: Well, that's, of course, where we disagree. We believe that it will be necessary that Midland generate power and go into the grid and, if you're willing to say that you'd be perfectly happy to do without electricity at certain times of the day, then maybe we don't need it. We're arguing about a projection of future requirements.

Caller 9: And Consumers has been wrong in the past on all their projections.

Selby: Well, not all their projections but I will admit that we have made some mistakes or have been wrong in some instances. But, as I recall, we still sell pencils with erasers on them.

Caller 9: Well, not a several billion dollars a crack.

Selby: That's true.

Caller 9: One further question - I'll try to be quick about it. If this Plant does go on the line, and I understand that when it does electrical rates will jump - I've heard estimates anywhere from 10% to 50% and, of course, we don't really know since you haven't revised your cost estimates yet - what do you suppose this will do to Michigan's competitive position in regard to attracting industries as we try to get out of our recession?

Selby: I think that Midland, in the long run, is going to be a great asset for the State of Michigan for two reasons: One of them, it will assure us of a stable and adequate power supply for the economy of this state at least for the next ten years. And that is something that people who are thinking about coming into an area and establishing a manufacturing process are much interested in. The second thing is that we will have relatively stable prices. The fuel costs of coal and uranium are going to be much less and much more stable than the costs of oil, natural gas and the alternative things that we could do. And, while the effect of Midland the day it goes into rate base will be an increase, by about three or four years, in my judgment - and, again, this is an opinion - in my judgment, the cost of electricity in Michigan will be less than it would have been had we not built the Plant. And I think that will be an advantage. People don't build a manufacturing plant for a couple of years; they build it for 20 to 30 years of service and they are very concerned about the stability and cost of electricity long range.

Caller 9: I guess I just can't let that go by. I happen to live in Midland and, you know, here in Midland, Dow Chemical Company has had a real sweetheart deal with Consumers Power on this Midland Plant - they've been in it together - and originally, of course, it was all hearts and flowers but there's been quite a bit of a falling out of late. In fact, I believe it was the president of Dow USA at one point said under oath he didn't have much confidence in Consumers Power's ability to deliver a plant and, in fact, he felt the whole relationship of Consumers to Dow was one which amounted to expulsion. Now, these manufacturers, these big shots, they all talk to each other so, you know, how can we really expect that the word is not going to get around that Consumers is an unreliable Company, in incompetent utility and simply not to be relied upon or trusted?

Selby: Well, all I can do is ask that you check your own electric bill and what you're paying in rates there in Midland compared to what your associates in Detroit and other places are paying, and whether or not you've had a pretty good supply of power relatively constantly and look at it on the basis of performance rather than what somebody in the press has written about a statement made by the president of Dow USA. Incidentally, after he was supposed to have made that statement -

Caller 9: No, I was there when he said it. He didn't "supposed to make it," he said it.

Selby: All right. Well, he signed the contract to continue the program with Consumers Power after that statement was supposedly made.

Caller 9: Yeah, with very strict limitations.

Doyle: Sir, we will have to get to more calls. Thank you very much for you call.

Caller 9: OK.

Doyle: Bye bye. 355-WKAR is our phone number. We'll try to squeeze in a few more calls for John Selby of Consumers Power Company. Go ahead, you're on the air.

Caller 10: Is that me?

Doyle: Yes, that's you. Go ahead and ask your question.

Caller 10: Yes. I would certainly like to correct the terrible abuse of public trust that we've been listening to on the part of Mr Selby. For one thing it's not just the Diesel Generator Building that has problems, there are five safety-related buildings that have been sinking and cracking at abnormal rates, and (Morgan Time?) who is the contractor that's been hired for this, called this the largest construction problem - contract in history. It will cost billions of dollars to ever work through this. Also, he says that we are going to lack for power if Midland doesn't go on line. Consumers Power Company now has 55% excess capacity. We - this an enormously inflationary burden on industry and ratepayers alike. You've had a company - Good Year Tires say they are going to leave Jackson, Michigan because the rates around the State of Michigan where there isn't nuclear power are 20% less than they are in Michigan. Just think what this means when Midland goes on line. I'd like Mr Selby to tell us what Consumers Power Company is paying for the electricity that they are purchasing from Dow

Corning's wood-fired plant that they have just started. I'd like him to tell us what they are - the ratepayers are now paying for kilowatthours from Consumers Power's own power pool and then I'd like to have him tell us if, it is not indeed true that his own spokesman said the other day that our rates will be increased by 25% once Midland goes on line. Those are my questions.

Selby: Well, with regard to what we are paying Dow Corning, I can't give you the exact figure - but -

Caller 10: I have the news story right in front of me - it's three cents for kilowatthours.

Selby: All right, three cents.

Caller 10: Less than three cents.

Selby: OK. The average on our system - that depends on the mix - but would probably be about that same number. Now -

Caller 10: Over four cents.

Selby: All right. With regard to the future and you are talking about reserve capacity - yes reserve capacities are high today. Although they are not 55%. There has been that - that probably will be close to what it could be when Midland comes on line if there is not some improvement in the Michigan economy. However, I don't think that we should be designing a power supply system for this state based on the fact that we are going to be on a continuous depression or it would be a self-fulfilling prophecy. The fact is that Michigan does have great advantage in many areas for industrial and for additional jobs. And I think we need to support

that for the kind of power system that is needed to have that kind of ability.

Caller 10: Sir. The Wall Street Journal carried a major story on the front page that says that in states where utilities are - are into using nuclear power, that the rates are much higher than in other states. And so all of your talk about the fact that nuclear power is the cheapest source of energy is not worn but anywhere in the country - you have ratepayers' wars in the northwest because of the cost of the huge nuclear complex in the State of Washington. And you are going to have something similar if you price out - try to get the Midland Power Plant and - the Midland Power Plant as the rate base.

Doyle: You are going to have to wrap up quickly now.

Caller 10: You are going to drive - you are going to drive industry out of the state. You are already doing it with your high rates.

Doyle: OK. Please respond Mr Selby and we'll have to wrap up this call.

Selby: I disagree.

Caller 10: Well, you can disagree but these are facts. I mean -

Selby: They are opinions.

Caller 10: No. Goodyear Tire & Rubber Company has announced that they are going to leave Jackson. And you know that. And you also know that you have - that the 55% excess capacity is a very inflationary figure that will drive industry out of the state - it will not encourage industry at all.

Doyle: Mam, we are going to have to move on. Thank you very much for your call.

Caller 10: All right.

Doyle: We'll just try to take one call quickly and then we will have to end. This will have to be a quick question. Go ahead, you are on the air. This will have to be a quick question. Go ahead, you are on the air.

Caller 11: OK. I've heard that liability is limited to companies with nuclear power plants and, if that's true, who pays anything in excess of that - because my home policy doesn't cover nuclear disaster.

Selby: Well, the way you are covered in a case of a nuclear disaster is through the Price-Anderson Act which provides that \$560 million dollars will be available for payment of any - you know - specific single accident. And the only thing that you have to do in order to collect is to prove that you've been damaged. You don't have to prove responsibility and that's different from any other insurance policy. That's the advantage to the public of Price-Anderson. That is the limited coverage on that act and - if the damage was greater than that - then there is no specific - you know - no specific process but generally, what happens in those cases, is that the Federal government declares it a disaster and they step in with additional money.

Doyle: We'll have to go. Thanks for your call.

Caller 11: Thank you. One quick question. The Nuclear Regulatory Commission has fined Consumers Power Company \$120,000 for quality control problems. I know you have until March 10 to pay or appeal that fine, what will you know?

Selby: Well, the Nuclear Regulatory Commission performed 165 man-days of detailed inspection and they found some things.

Doyle: Sir. We have to go quickly, can you give me a yes or no - will you pay or appeal?

Selby: Our present plan is that we will probably pay.

Doyle: OK. Thank you very much. John Selby, Chairman of the Board of Consumers Power Company.