

UNITED STATES OF AMERICANUCLEAR REGULATORY COMMISSION(DOCKET NO. 50.-309)MAINE YANKEE ATOMIC POWER COMPANY(MAINE YANKEE ATOMIC POWER STATION)REQUEST FOR ACTION UNDER 10 CFR 2.206

Notice is hereby given that by its Request for Issuance of an Order to Show Cause dated October 20, 1982 (Request), Safe Power for Maine (SPM), Emil P. Garrett, John B. Green and John Jerabek requested that certain actions be taken by the Nuclear Regulatory Commission with respect to the Maine Yankee Atomic Power Station in light of certain alleged financial difficulties on the part of its licensee, the Maine Yankee Atomic Power Company.

The relief requested includes revocation, suspension or modification of the Maine Yankee operating license, and such other relief as may be proper. The Request is being treated pursuant to 10 CFR 2.206 of the Commission's regulations, and accordingly action will be taken on the Request within a reasonable time. Copies of the Request are available for inspection in the Commission's Public Document Room, 1717 H Street, N. W., Washington, D.C. 20555, and in the local public document room for the Maine Yankee Atomic Power Station located at Wiscasset Public Library Association, High Street, Wiscasset, Maine.

Dated at Bethesda, Maryland, this 30th day of November, 1982

FOR THE NUCLEAR REGULATORY COMMISSION



Harold R. Denton, Director
Office of Nuclear Reactor Regulation

FROM: Peter L. Murray Murray, Plumb & Murray	ACTION CONTROL	DATES	CONTROL NO.
	COMPL DEADLINE	11/19/82	12430
TO: Director, IE	INTERIM REPLY	11/26/82	DATE OF DOCUMENT 10/20/82
	FINAL REPLY		PREPARE FOR SIGNATURE OF:
	FILE LOCATION		<input type="checkbox"/> CHAIRMAN <input type="checkbox"/> EXECUTIVE DIRECTOR OTHER DeYoung

DESCRIPTION <input checked="" type="checkbox"/> LETTER <input type="checkbox"/> MEMO <input type="checkbox"/> REPORT <input type="checkbox"/> OTHER	SPECIAL INSTRUCTIONS OR REMARKS																																	
2.202 & 2.206 SF - Safe Power for Maine request to suspend or revoke the license of Maine Yankee	<i>DeYoung</i>																																	
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OF COUNSEL

October 20, 1982

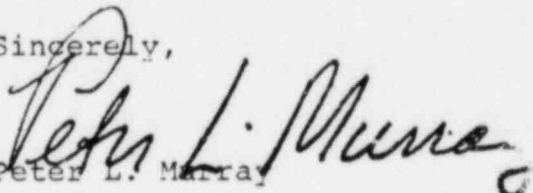
Office of the Director
Office of Inspection and Enforcement
United States Nuclear Regulatory Commission
Washington, D.C. 20055

RE: Maine Yankee Atomic Power Company - Docket #50-309

Dear Sir:

Enclosed for filing please find Request for Issuance of Order to Show Cause by Safe Power for Maine, Emil G. Garrett, John B. Green, and John Jerabek.

Sincerely,


Peter L. Murray

PLM:clf

Enclosure

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In Re:) Docket No. 50-309
)
MAINE YANKEE ATOMIC)
POWER COMPANY) REQUEST FOR ISSUANCE OF
) ORDER TO SHOW CAUSE
)

TO: The Director of Office of Inspection and Enforcement
United States Nuclear Regulatory Commission
Washington, D.C. 20055

Safe Power for Maine, Emil G. Garrett, John B. Green and John Jerabek, hereby request, pursuant to §2.206 of the Rules of Practice and Procedure of the Nuclear Regulatory Commission, that the Director of the Office of Inspection and Enforcement initiate pursuant to §2.02 of said Rules a proceeding to modify, suspend or revoke the license of Maine Yankee Atomic Power Company for the operation of nuclear powered steam generating station of Wiscasset, Maine, or for such other action as may be proper by issuing to said licensee an Order to Show Cause for the reasons as more specifically set forth below:

1. Safe Power for Maine is a non-profit membership corporation comprised of residents of the State of Maine. Safe Power has a primary publicly announced concern for the protection of residents of the State of Maine from exposure to dangers associated with the use of nuclear power. In implementation of its purposes over the past eight years, Safe Power has been continuously involved with the problems of nuclear power in the State of Maine,

has been publicly identified with concerns of public safety and nuclear power in Maine, has appeared as intervenor in proceedings before the Public Utilities Commission and Nuclear Regulatory Commission, has conducted meetings, programs, and other activities in representation of this interest. Safe Power has vigorously represented substantial public interest and concern over the safety of nuclear power as it presently exists in the State of Maine and as proposed in that state.

2. Emil G. Garrett is a resident of Stockton Springs, Maine. Mr. Garrett individually and as an officer of Safe Power for Maine has expressed and represented public concerns over the safety of nuclear power in Maine over the past eight years. John P. Green is a resident of Portland, Maine. Over the past eight years, Mr. Green has expressed and represented public concern over the safety of nuclear power in the State of Maine. John Jerabek is a resident of North Sullivan, Maine. Over the past eight years, Mr. Jerabek has expressed and represented public concerns over the safety of nuclear power in Maine. All three individual requestors are customers and ratepayers of Maine electric utilities which in turn are stockholders and customers of Maine Yankee Atomic Power Company, the subject matter of this request. Under the terms of agreements between Maine Yankee Atomic Power Company and its stockholder utilities, such utilities are required to contribute capital to Maine Yankee Atomic Power Company when necessary to meet that company's capital needs.

3. Maine Yankee Atomic Power Company is a licensee of the Nuclear Regulatory Commission and operates a nuclear powered electricity generating station at Wiscasset, Maine.

4. Recent developments in connection with a proceeding initiated by Maine Yankee before the Maine Public Utilities Commission for permission to undertake a special "fuel financing" have given rise to concerns about the financial capability of Maine Yankee to continue to operate its reactor in a safe and sound manner and to provide for the permanent disposal of spent fuel now stored at Maine Yankee and to be generated during the remainder of its licensing period.

5. During the course of the proceeding the following facts were adduced through the sworn testimony of witnesses in behalf of Maine Yankee:

A. Funds obtained through the pledge of the company's stock of nuclear fuel have been used for purposes other than the purchase, remanufacturing, and handling of the nuclear fuel.

B. Although Maine Yankee has collected substantial monies from its customers based on a proposed reserve for spent fuel disposal, the monies collected have not been set aside but have been used for other purposes of the company so that there is no reserve fund presently in existence.

C. By May 11, 1982, Maine Yankee had reached its unsecured borrowing limit and was forced to ask Central Maine Power Company, one of its prime sponsors, to pay its monthly bill early so that Maine Yankee could meet its daily cash requirement.

D. By May 11, 1982, Maine Yankee had exhausted all of its established sources of capital with the exception of infusion of additional common equity contributions by its sponsors.

6. In an internal Maine Yankee memorandum dated August 12, 1982, a senior financial officer of Maine Yankee advised the Financial Vice-President of Central Maine Power Company of Maine Yankee's financing problems including a proposed rate increase to fund "increase in spent fuel disposal costs" and a "portion of all of CWIP in rate base without an AFC offset" and the need for "sponsor guarantees" to continue the fuel financing.

7. These disclosures concerning the poor financial condition of Maine Yankee raise legitimate concerns of the Nuclear Regulatory Commission on two grounds:

A. Maine Yankee's ability to continue to meet its day-to-day capital requirements to continue to function safely and adequately during its licensed term.

B. Maine Yankee's ability to fund and to provide for the cost of disposing of radioactive wastes and spent fuel presently on site at its location in Wiscasset.

8. The Nuclear Regulatory Commission ought to investigate Maine Yankee's financial condition to determine what economic conditions, management decisions, or other factors have led to this state of affairs.

9. Of particular concern is the unfunded obligation to provide for the spent fuel. At the present time there are approximately 577 spent fuel assemblies in storage at Maine Yankee amounting to approximately 370 tons of radioactive material. At the Maine Yankee's estimate of \$130 per kilogram to provide for the disposal of this material, there is now a capital requirement of some \$43 million to dispose of radioactive material accumulated to date.

10. Over its licensed term, Maine Yankee can be expected to generate 1,250 metric tons of highly radioactive spent fuel. Under the present financial condition of Maine Yankee, there is serious question as to whether there will be monies available to dispose of this radioactive material despite the collections by Maine Yankee through its customer utilities from the public.

11. The relief that would be requested in connection with such investigation would be the following:

A. That Maine Yankee be ordered by the Commission to discontinue operations until it has demonstrated that it has adequate financial backing and adequate financial support (provided if necessary by capital infusions from its sponsors) to raise capital required to continue operations, to make any changes or capital investments required or ordered by the NRC, and to provide for the funding of its shutdown and disposal of spent fuel at the end of its licensed term.

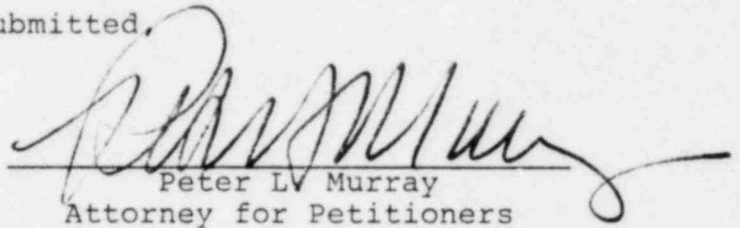
B. That the Commission order that monies collected by Maine Yankee from its sponsors-customers for disposal of spent fuel or decommissioning be segregated and placed in an interest-bearing trust fund to accumulate until needed for the aforementioned purposes.

C. That the Commission determine what amount should be collected per kilogram by Maine Yankee from its sponsor-customers or otherwise to provide for the disposal of the spent fuel and to insure adequate funds available at the conclusion of Maine Yankee's licensed term for decommissioning and safe fuel disposal.

12. Safe Power for Maine and the individual requestors stand ready to appear to assist the Commission in any show cause proceeding initiated pursuant to this request.

DATED: October 20, 1982.

Respectfully submitted,


Peter L. Murray
Attorney for Petitioners

MURRAY, PLUMB & MURRAY
30 Exchange Street
Portland, ME 04101
Tel. No. 207-773-5651

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BOARD OF TRUSTEES

John N. Cole
Marshall Dodge
John Donovan
Buckminster Fuller
Emil G. Garrett
Frank Graham, Jr.
Euclid M. Hanbury, M.D.
Cali Hollander
Lorin Hollander
John R. Newell
George L. Pauk, M.D.
Mrs. Waldo Peirce
Joseph A. Smith, M.D.
Douglas Trumbull
Stanley Tupper
Neil Welliver

Contact: Pat Garrett - 567-3300

FOR RELEASE 10:30 am, October 21, 1982

Safe Power for Maine announced today that it has petitioned the United States Nuclear Regulatory Commission (NRC) to initiate a proceeding to modify, suspend, or revoke the license of the Maine Yankee Atomic Power Company (MYAPC) to operate a nuclear power plant. The petition, filed through Safe Power's lawyer Peter L. Murray, was initiated because of concern about the financial status of the Company.

According to Safe Power spokesman Pat Garrett of Stockton Springs, "The petition expresses grave concern about the Company's capability to operate the Maine Yankee plant in a safe manner and to provide for permanent disposal of the highly radioactive spent fuel."

For the past two years, Safe Power for Maine has been an intervenor before the Maine Public Utilities Commission (PUC) in a case involving a request by MYAPC for expanded fuel financing funds. Garrett said that information obtained during this intervention was the basis for the petition to the NRC.

According to Garrett, two specific factors prompted the petition:

1) a sworn affidavit to the PUC by the treasurer of Maine Yankee Atomic Power Company on May 11, 1982, containing the following statements:

Maine Yankee has now exhausted all of its established sources of capital, with the exception of an infusion of additional common equity contributions from its sponsors.

The Company has reached its unsecured borrowing limit and on May 3, 1982 was forced to ask Central Maine Power Company to pay its monthly bill early so that Maine Yankee could meet its daily cash requirement.

2) an internal Maine Yankee memorandum dated August 12, 1982, discussing Maine Yankee's financing problems including a proposed rate increase to fund an "increase in spent fuel disposal costs" and a "portion or all of CWIP in rate base without an AFC offset", and the need for "sponsor guarantees" to continue the fuel financing.

Maine Yankee Atomic Power Company as a regulated entity is allowed by statute and regulatory process a guaranteed reasonable rate of return. According to Garrett, until the above affidavit was filed in May, there was no evidence before the PUC to indicate their present serious financial troubles or to acknowledge that rate relief was being sought with the appropriate federal agency. Maine Yankee, however, did admit to diverting specific fuel funds to other purposes, Garrett said.

Garrett noted that Maine Yankee has not suffered any peculiar or extreme abnormal operational problems in the last few years, such as major accidents or other serious unforeseen occurrences; it has had to cope only with problems that are being experienced by the whole industry.

Safe Power spokesman John Green of Portland said, "The fact that this financial deterioration should occur when guaranteed remedies are available demands prompt explaining. Maine Yankee's parent and largest stockholder, Central Maine Power Company, has already been classified as one of the five bottom utilities in the United States. We feel Maine Yankee has sadly demonstrated its lack of competence in fulfilling its responsibilities to both the public and its stockholders."

Safe Power for Maine expressed particular concern about MYAPC's financial ability to permanently dispose of the highly radioactive spent fuel. Since 1977, Maine Yankee has been charging Maine consumers for permanent disposal of spent fuel. However, money collected (believed by Safe Power to be in excess of \$30 million) has not been set aside for that purpose, but has been used to satisfy other requirements. In addition, Green noted that, in an August 24, 1982, report to the PUC, MYAPC included spent fuel disposal costs in a prediction of a need for new capital, despite the fact that Maine Yankee has been charging consumers for these costs.

During its licensed period, Maine Yankee could generate 1,250 metric tons of spent fuel. At the price that Maine Yankee is currently charging Maine consumers, \$162 million in 1980 dollars will be collected during the licensed period. Safe Power for Maine believes that the money collected should be placed in an interest-bearing trust fund to be used for the intended purpose and not used to satisfy other requirements, Green said. He added that there is no assurance that the \$162 million will be adequate: other utilities charge their consumers a much higher rate for disposal of spent fuel. "The cost of disposing of the highly radioactive spent fuel at Maine Yankee may reach the billion dollar mark," Green said.

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Enclosures: Petition to the Nuclear Regulatory Commission

May 11, 1982, affidavit of Richard Crabtree, MYAPC treasurer

August 12, 1982, Maine Yankee memorandum to T. C. Webb

August 24, 1982, Maine Yankee report to the PUC

MAINE YANKEE ATOMIC POWER COMPANY) AFFIDAVIT OF
Re: Application for Supplemental) RICHARD A. CRABTREE
Order for Approval of Securities)

I, Richard A. Crabtree, of R.F.D. #2, Box 482, Augusta, Maine being first duly sworn, upon oath depose and say as follows:

1. I am Treasurer of Maine Yankee Atomic Power Co. and in my capacity as such I have personal knowledge of the matters stated herein.

2. On March 13, 1980, Maine Yankee Atomic Power Company filed an application with the Maine Public Utilities Commission for Supplemental Order approving Issue of Securities and for Authority to Pledge, Assign or Encumber Property and Rights.

3. The purpose of the application was to increase Maine Yankee's authority to borrow funds from MYA Fuel Company by an additional \$15,000,000.

4. Maine Yankee sought this authority in order to fund its projected cash requirements and to do so with the least expensive available source of funds.

5. As of the date of this affidavit the Maine Public Utilities Commission has not issued an order in response to the Company's application.

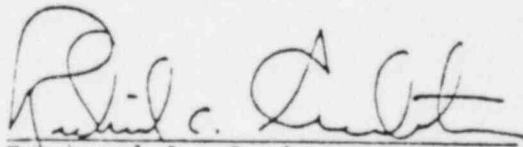
6. Maine Yankee has now exhausted all of its established sources of capital, with the exception of an infusion of additional common equity contributions from its Sponsors.

7. The Company has reached its unsecured borrowing limit and on May 3, 1982 was forced to ask Central Maine Power Company to pay its monthly bill early so that Maine Yankee could meet its daily cash requirement.

8. In addition to all but depleting its financial flexibility Maine Yankee calculates that during the more than two years since it filed the referenced application it has incurred costs in excess of \$593,000 which could have been avoided had the Company been allowed to utilize the financing mechanism which was the subject of that application.

9. It is imperative that Maine Yankee be allowed to implement the additional \$15,000,000 fuel financing agreement if we are to remain financially viable and avoid unnecessarily high interest costs.

DATED: May 11, 1982

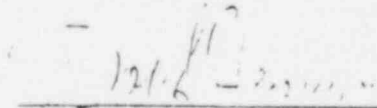

Richard A. Crabtree

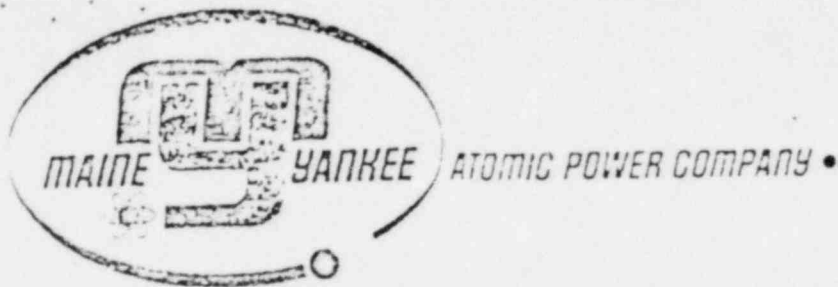
STATE OF MAINE
KENNEBEC, ss.

May 11, 1982

Personally appeared the above-named Richard A. Crabtree, known to me, who made oath to the truth of the foregoing statements to him subscribed, except those statements alleged to be on information and belief as to which said Richard A. Crabtree swears he believes them to be true.

Before me,


Notary Public



EDISON DRIVE
AUGUSTA, MAINE 04335
(207) 623-3521

August 24, 1982

State of Maine
Public Utilities Commission
242 State Street
State House Station 18
Augusta, Maine 04333

Re: Maine Yankee Atomic Power Company, Application
for Supplemental Order for Approval of Securities
Docket No. U.3147

In its order dated May 27, 1982 in the above referenced docket the Commission ordered that within 90 days of the date of the order Maine Yankee file an original and ten copies of a report of its efforts and plans to secure permanent financing, including addition-capital contributions from its Sponsors, for the plant additions being financed by the fuel financing arrangement. In compliance with that requirement, Maine Yankee makes the following report.

Maine Yankee's alternatives with regard to financial structure are guided by certain terms of its First Mortgage Indenture, Preferred Stock Provisions, FERC Initial Rate Schedule and the Capital Funds Agreement. Among other things pertinent parts of these documents provide that:

1. The Company may issue additional First Mortgage Bonds of principal amount not exceeding 65% of the net amount of property additions.
2. So long as any Series A Bonds are outstanding, each series of bonds issued pursuant to the First Mortgage Indenture must have the same stated maturity date as the Series A Bonds and must have the benefit of a sinking fund commencing not earlier than the year 1974 and payable in equal semiannual or annual installments.
3. The Company cannot declare or pay any dividend on any class of its stock and cannot directly or indirectly make any payment on account of the purchase, redemption, acquisition or other retirement of any shares of its stock, unless, after giving effect to such declaration or payment, the Company's 'Equity' shall be at least 35% of 'Plant Construction Financing', and the Company's 'Common Equity' shall be at least 30% of 'Plant Construction Financing'.

For the purposes of paragraph 3 above, the following terms are defined as follows in the Indenture:

(1) 'Equity' shall mean the sum of the aggregate par value (plus premiums thereon) of Preferred Stock issued to provide funds to finance the Unit Investment or Property Additions, and 'Common Equity'.

(2) 'Common Equity' shall mean the sum of (i) the aggregate par value of Common Stock issued to provide funds to finance the Unit Investment or Property Additions, (ii) capital contributions from the Utility Companies to provide funds to finance the Unit Investment or Property Additions, (iii) other capital paid-in to provide funds to finance the Unit Investment or Property Additions, (iv) plus any earned surplus or less any deficit, attributable to the Unit.

(3) 'Plan Construction Financing' shall mean the sum then outstanding of (i) the aggregate par value of Common Stock and Preferred Stock then issued, (ii) the aggregate principal amount of money borrowed, and (iii) other capital paid-in by or other contributions received from the Utility Companies -- in each case to provide funds to finance the Unit Investment or Property Additions.

4. Without a vote of a majority of the outstanding Cumulative Preferred Stock, voting as a single class, the Company cannot:

Issue or reissue any shares of its Cumulative Preferred Stock, other than the 170,000 shares initially authorized, or any stock ranking on a parity as to dividends or assets with the Cumulative Preferred Stock, or any securities convertible into the Cumulative Preferred Stock or such parity stock, except for refunding the Cumulative Preferred Stock or any prior or parity stock and the par value of the securities to be issued is not in excess of the par value of the securities to be refunded, unless (i) immediately after such issue the Common Stock Equity shall at least equal the amount payable on all shares of the Cumulative Preferred Stock and such prior or parity stock upon involuntary liquidation of the Company, provided, however, that if for this purpose it shall have been necessary to take into consideration any earned surplus of the Company such surplus shall not be available for distribution on or purchase or redemption of Common Stock if Common Stock Equity would thereby be less than the amount payable on all shares of the Cumulative Preferred Stock and such prior or parity stock upon involuntary liquidation of

Maine Yankee Atomic Power Company

Capitalization at June 30, 1982

Preferred Stock	\$ 10,795,500
Common Equity	67,424,111
Short-Term Bank Debt	17,650,000
Long-Term Debt	93,773,297
MYA Fuel Notes	33,375,000
	<u>\$223,017,908</u>

"Plant Construction Financing" at June 30, 1982

Preferred Stock	\$ 10,795,500
Common Equity	67,424,111
Long-Term Debt	93,773,297
	<u>\$171,992,908</u>

Note: Short-term debt excluded on the basis that deferred taxes are supporting the balance of net unit investment and that short-term debt is used to finance nuclear fuel.

Required Indenture Capitalization Ratio calculated at June 30, 1982

Preferred Stock	\$ 10,795,500	6.28%
Common Equity	67,424,111	39.20
Long-Term Debt	93,773,297	54.52
	<u>\$171,992,908</u>	<u>100.00%</u>

Required FERC Capitalization Ratio calculation at June 30, 1982

Preferred Stock	\$ 10,795,500	4.84%
Common Equity	67,424,111	30.23
Short-Term Bank Debt	17,650,000	7.91
Long-Term Debt	93,773,297	42.05
MYA Fuel Notes	33,375,000	14.97
	<u>\$223,017,908</u>	<u>100.00%</u>

Calculation of Unsecured Debt Limitation at June 30, 1982

Long-Term Debt	\$ 93,773,297
MYA Fuel Notes	33,375,000
Preferred Stock	10,795,500
Common Equity	67,424,111
	<u>205,367,908</u>
	X .10
	<u>\$ 20,536,791</u>

Maine Yankee Atomic Power Company

FINANCIAL PERSPECTIVE

1982 - 1986

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Cash Resources</u>					
Fuel Expense (excluding Disposals Costs and Indirects)	\$21,706	\$31,520	\$29,821	\$30,581	\$35,051
Recovery of Ultimate Spent Fuel Disposal	9,490	10,889	9,691	9,516	10,401
Depreciation	11,228	11,876	12,968	13,835	14,755
Income Taxes Billed	4,899	2,843	1,723	4,336	477
Earnings Available for Common	6,400	6,700	6,700	6,700	6,700
	<u>53,723</u>	<u>63,828</u>	<u>60,903</u>	<u>64,968</u>	<u>67,384</u>
<u>Cash Requirements</u>					
Nuclear Fuel Purchases	31,150	34,360	35,721	11,864	35,220
Capitalized Additions and Modifications	24,085	25,000	[15,000]	15,000	15,000
Income Taxes Paid	1,322	8,648	2,674	1,035	2,490
Common Stock Dividends	6,400	6,700	6,700	6,700	6,700
AFUDC and AFN	5,834	7,500	7,000	8,000	8,200
Staking Funds	2,500	4,775	4,775	4,775	4,775
	<u>71,291</u>	<u>86,983</u>	<u>71,870</u>	<u>47,374</u>	<u>72,385</u>
Net Resources (Requirements)	<u>\$(17,568)</u>	<u>\$(23,155)</u>	<u>\$(10,967)</u>	<u>\$17,594</u>	<u>\$(5,001)</u>

- a) Net property additions of approximately \$44.5 million since the date of initial commercial operation which have not been permanently financed but rather carried with accumulated deferred tax and ultimate fuel disposal dollars.
- b) The company's net nuclear fuel investment is currently about \$125 million. The associated permanent fuel financing is \$35 million with the balance supported with short-term bank debt, accumulated fuel disposal dollars and deferred taxes.
- c) Accumulated deferred income taxes and unamortized investment tax credits presently amount to approximately \$79 million. Since Maine Yankee is a single asset corporation with a limited financial life, deferred taxes and credits will turn around and will have to be funded.
- d) The accumulated permanent fuel disposal dollars presently amount to about \$42.1 million, with the after-tax amount equaling about \$21 million. At some point this \$21 million will have to be funded to pay for actual disposal services. In order to assure the availability of these funds the company may consider the establishment of a fuel disposal trust.
- e) Although it is difficult to predict with any certainty the exact level, it is clear that the company can expect substantial capital expenditures at least for the next several years.

We have attached as an exhibit a Financial Perspective 1982-1986 which depicts the company's anticipated net capital requirements for the period assuming current ratemaking practices and dividend policy. Although this Financial Perspective makes many assumptions regarding capital expenditures, income taxes and plant generation, it remains clear that the company will require infusions of capital during the next five years.

Financial Activities

Decommissioning Trust

The company has now received an order from FERC permitting the collection of \$1,826,100 annually for decommissioning expense. All amounts collected for decommissioning and any associated taxes will be escrowed or placed in trust and maintained separate from general corporate cash reserves.

Rate Case Activity

The company anticipates that it will file a \$25-30 million rate increase request with FERC during December of this year. In that request we expect to ask for an increase in the return on common equity to 18.5 - 19.0%, an increase in spent fuel disposal costs, possible changes in depreciation rates and a portion or all of CWIP in rate base without an AFC offset.

Financings

The company has received an order from the Maine Public Utilities Commission authorizing an increase in the fuel financing from \$35 to \$50 million. At about the same time we also received notification from Manufacturers Hanover Trust Company that they would no longer be able to continue in that arrangement without sponsor guarantees of the debt. After some negotiation, it has been agreed that the bank will provide \$50 million of financing without sponsor guarantees for a period of 18 months. At the end of that period Maine Yankee will have to either provide the sponsor guarantees or pay down the outstanding debt and terminate the arrangement. Given the experience of the other Yankee companies, it is likely that Maine Yankee will be seeking sponsor guarantees. However that alternative will only be exercised as a matter of last resort.

The company continues to work with various investment bankers seeking a source of long-term debt capital without sponsor guarantees. In the interim the company is reviewing the leasing alternatives for future capital additions.

R. A. Crabtree
Treasurer

Enc.

Common Stock Equity shall at least equal the amount payable on all shares of the Cumulative Preferred Stock and such prior or parity stock upon involuntary liquidation of the Company, provided, however, that if for this purpose it shall have been necessary to take into consideration any earned surplus of the Company such surplus shall not be available for distribution on or purchase or redemption of Common Stock if Common Stock Equity would thereby be less than the amount payable on all shares of the Cumulative Preferred Stock and such prior or parity stock upon involuntary liquidation of the Company; and (ii) the gross income of the Company (after all taxes including taxes based on income) during a period of twelve consecutive months in the preceding fifteen month period is at least $1\frac{1}{2}$ times all fixed charges for the period (including interest and amortization of debt premium, discount and expense on all interest bearing indebtedness), and the annual dividend requirements on the Cumulative Preferred Stock and such prior or parity stock to be outstanding immediately after the proposed issue (§ 10(b));

(b) merge or consolidate with or into any other corporation or dispose of all or substantially all its assets, or issue or assume securities in connection therewith, unless such shall have been ordered or approved by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 or a successor regulatory authority (§ 9(b)); or

(c) issue or assume any unsecured indebtedness (except to refund unsecured indebtedness or to redeem all outstanding shares of the Cumulative Preferred Stock), (i) if the total amount thereof immediately after such issue would exceed 20% of total secured indebtedness, capital stock, premiums, and surplus, or (ii) if the total amount of Short-Term Unsecured Indebtedness would exceed 10% of such total amount. The term Short-Term Unsecured Indebtedness means unsecured indebtedness of an original maturity of less than 10 years. Unsecured indebtedness of a maturity in excess of 10 years shall not be considered Short-Term Unsecured Indebtedness until due within three years (§ 9(a))."

V. "Any change in the capital structure of Maine Yankee affecting capital costs and resulting in a rate of return on Common Stock Equity in excess of 10% or a common stock equity ratio in excess of 40% will constitute a change in filed rate schedule requiring timely filing."

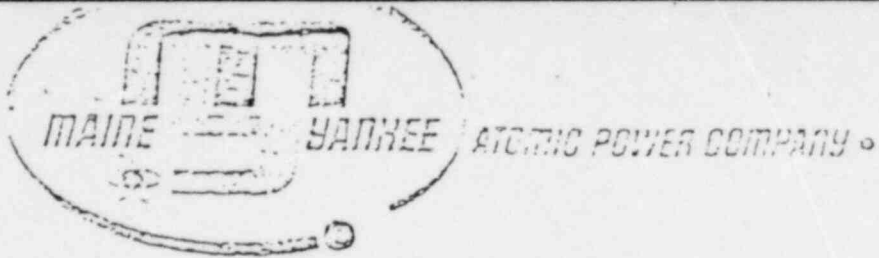
At June 30, 1982 the company's status with regard to these restrictions was as follows:

- I.a) The company had bondable property of approximately \$44.5 million which could support the issuance of about \$28.9 million of additional First Mortgage Bonds. Any bonds which the company issues under the First Mortgage Indenture must have a maturity of May 1, 2002 and must have a sinking fund payable in equal semi-annual or annual installments (see Section 5.01 of Indenture).
- II.b) The company's capital structure ratios under the "Plant Construction Financing" formula were: Preferred Stock - 6.28%; Common Equity - 39.20%; Long Term Debt - 54.52%. Under this test the company is currently in a position to pay preferred and common stock dividends and could issue \$28.9 million of additional First Mortgage Bonds without an additional equity infusion and still meet the conditions of this test.
- III.c) The company's Common Stock Equity ratio under this "Preferred Dividend" test was 32.8%. Under this test the Company could issue First Mortgage Bonds well in excess of its present bondable property limit and not incur a dividend restriction.
- IV.d) With regard to sub-part (a) of this restriction, the company cannot presently issue additional Cumulative Preferred Stock without a majority vote of the existing Preferred stockholders. Additionally because Maine Yankee is highly leveraged and a cost of service company, we would not anticipate that the company would be in a position to issue Preferred Stock at any time in the foreseeable future.

With regard to sub-part (c) of this restriction the company is presently restricted to unsecured debt with a maturity of 10 years or less of approximately \$21 million. This provision effectively limits the company's ability to issue any amount of Debentures with a maturity of ten years or less since such an issuance would severely restrict our financial flexibility with regard to short-term bank debt.
- V.e) The company's Common Equity component of capitalization for purposes of this calculation was 30.23%.

Future Financing Requirement

The company's need for additional permanent financing derives from:



M. J. [unclear]

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August 12, 1982

T. C. WEBB

The financial affairs of Maine Yankee Atomic Power Company have become sufficiently complex to warrant a report concerning the current status of the company's finances. Following is a discussion of our present financial situation and the steps contemplated by the company to meet the financial challenges which lie ahead.

Financial Structure and Restrictions

At the time when Maine Yankee's financial structure was conceived and implemented, it was not contemplated that the company would require substantial capital expenditures after the plant's completion date nor that the cost of nuclear fuel would escalate to its present level. It was therefore prudent at that time to devise a relatively tight financial structure in exchange for a more highly leveraged, lower cost, capitalization. Maine Yankee's First Mortgage Indenture, Preferred Stock Provisions and FERC Initial Rate Schedule provide the basis for the company's financial structure. These documents provide that:

- I. "The Company may issue additional First Mortgage Bonds in principal amount not exceeding 65% of the net amount of property additions."
- II. "(a) The Company will not declare or pay any dividend on any class of its stock, except out of earned surplus of the Company determined in accordance with the Uniform System of Accounts prescribed by the Federal Power Commission for Class A and Class B. Utilities and Licensees as from time to time in effect and the accounting described therein.

(b) The Company will not declare or pay any dividend on any class of its stock and will not directly or indirectly make any payment on account of the purchase, redemption, acquisition or other retirement of any shares of its stock, unless, after giving effect to such declaration or payment, the Company's 'Equity' shall be at least 33% of 'Plant Construction Financing', and the Company's 'Equity' shall be at least 50% of 'Plant Construction Financing'."

For the purposes of this Section 6.18:

(1) 'Equity' shall mean the sum of the aggregate par value (plus premiums thereon) of Preferred Stock issued to provide funds to finance the Unit Investment or Property Additions, and 'Common Equity'.

(2) 'Common Equity' shall mean the sum of (i) the aggregate par value of Common Stock issued to provide funds to finance the Unit Investment or Property Additions, (ii) capital contributions from the Utility Companies to provide funds to finance the Unit Investment or Property Additions, (iii) other capital paid-in to provide funds to finance the Unit Investment or Property Additions, (iv) plus any earned surplus or less any deficit, attributable to the Unit.

(3) 'Plant Construction Financing' shall mean the sum then outstanding of (i) the aggregate par value of Common Stock and Preferred Stock then issued, (ii) the aggregate principal amount of money borrowed, and (iii) other capital paid-in by or other contributions received from the Utility Companies -- in each case to provide funds to finance the Unit Investment or Property Addition.

III. "So long as any shares of the Cumulative Preferred Stock are outstanding, the payment of dividends on the Common Stock (other than dividends in Common Stock) and the making of distributions thereon is limited to 50% of Net Income Available for Dividends on Common Stock for the preceding twelve months if the Common Stock Equity (after such action is less than 20% of Total Capitalization, and to 75% of such Net Income if such Common Stock Equity is 20% or more but less than 25% of Total Capitalization."

IV. "Without a vote of a majority of the outstanding Cumulative Preferred Stock, voting as a single class, the Company shall not:

(a) issue or reissue any shares of the Cumulative Preferred Stock, other than the 170,000 shares initially authorized, or any stock ranking on a parity as to dividends or assets with the Cumulative Preferred Stock, or any securities convertible into the Cumulative Preferred Stock or such parity stock, except for refunding the Cumulative Preferred Stock or any prior or parity stock and the par value of the securities to be issued is not in excess of the par value of the securities to be refunded, unless (i) immediately after such issue the

the Company; and (ii) the gross income of the Company (after all taxes including taxes based on income) during a period of twelve consecutive months in the preceding fifteen month period is at least $1\frac{1}{2}$ times all fixed charges for the period (including interest and amortization of debt premium, discount and expense on all interest bearing indebtedness), and the annual dividend requirements on the Cumulative Preferred Stock and such prior or parity stock to be outstanding immediately after the proposed issue (§ 10(b)); or

issue or assume any unsecured indebtedness (except to refund unsecured indebtedness or to redeem all outstanding shares of the Cumulative Preferred Stock), (i) if the total amount thereof immediately after such issue would exceed 20% of total secured indebtedness, capital stock, premiums, and surplus, or (ii) if the total amount of Short-Term Unsecured Indebtedness would exceed 10% of such total amount. The term Short-Term Unsecured Indebtedness means unsecured indebtedness of an original maturity of less than 10 years. Unsecured indebtedness of a maturity in excess of 10 years shall not be considered Short-Term Unsecured Indebtedness until due within three years (§ 9(a)).

5. Any change in the capital structure of Maine Yankee affecting capital costs and resulting in a rate of return on Common Stock Equity in excess of 10% or a common stock equity ratio in excess of 40% will constitute a change in filed rate schedule requiring a timely filing with The Federal Energy Regulatory Commission.
6. The Capital Funds Agreement between Maine Yankee and its Sponsors provides that subject to obtaining the necessary regulatory approvals, the Sponsors are obligated to contribute any capital necessary to finance the unit or nuclear fuel.

Although the above covenants appear to create a fairly restricted financing environment, Maine Yankee is confident that it will be able to finance its future capital requirements. The real question is how the Company will best be able to secure capital while limiting further encumbrance of the financial credit worthiness of its stockholders. Due to difficulty in accurately assessing future NRC actions it is extremely difficult to estimate Maine Yankee's future capital requirements. Present predictions indicate that Maine Yankee may require \$40-50 million of new capital during the 1982-1986 period and that it will have further requirements beyond that point to fund deferred taxes and fuel disposal.

It is Maine Yankee's objective to meet those requirements in the external debt capital markets without having to provide Sponsor guarantees of the

principal and interest. As indicated by the attached article concerning Connecticut Yankee's efforts in this regard, Maine Yankee is experiencing great difficulty in meeting its objective. It is very likely that Maine Yankee will have to provide Sponsor guarantees in order to obtain debt capital.


With the \$15 million increase in the fuel financing granted by this Commission, Maine Yankee has sufficient capital availability to meet its requirements through 1982. However, the Company will require additional capital in 1983 and under the terms of the revised fuel agreement must within 18 months of its effective date either provide Sponsor guarantees of the full \$50 million or terminate the agreement and refund the outstanding debt.

The Company's present strategy is to:

1. During the first half of 1983 attempt to issue up to \$30 million of First Mortgage Bonds without Sponsor guarantees but be in a position to provide those guarantees if necessary.
2. Provide Sponsor guarantees of the existing fuel financing and expand that arrangement by a minimum of \$25 million before the expiration date of the existing arrangement in eighteen months.
3. If the Company cannot sell First Mortgage Bonds it will investigate all other forms of secured debt or unsecured debt having a maturity greater than ten years.
4. If the Company cannot secure funds from the external capital markets it will place a demand on the Sponsors for additional capital contributions.

The Company is presently discussing this strategy with its commercial and investment bankers and will update the Commission as to its progress as the financing plans develop.

Sincerely,


R. A. Crabtree
Treasurer