JUN 28 877

NOTE TO: Richard Hoefling, OELD

FROM: Sidney E. Feld, Regional Environmental Economist, Technology Assessment Section, RT, DSE

SUBJECT: MIDLAND FINDING — TREATMENT OF DOW PURCHASES IN THE EVENT OF A DELAY OR CANCELLATION OF MIDLAND

The intervenor argue's that in the delay cases and the cancellation case the energy sales and peak demand on the CP system should be reduced because a significant portion of Dow's purchases are dependent on the operation of the Midland Plant. These reductions are set forth in intervenor exhibits 31A and 31B of Dr. Timm's testimony. For example, under a nine month delay peak demand is reduced by 110 MWe in 1981; under the fifteen month delay, 122 and 61 MWe in 1981 and 1982 respectively; and under the cancel case, 122, 261, and 277 MWe in 1981, 1982, and 1983 respectively. These reductions would consequently result in improved system reliability and a lower cost of replacement power than that reported by the applicant.

The applicant, in testimony by Mr. Lapinski, has taken serious objection to these reductions arguing that 1) for purposes of planning its needed capacity, licensees cannot prudently indulge in this assumption since under the current arrangement, Licensee furnishes Dow with auxiliary power on the order of 80 to 100 MW and would continue to do so in the future, and 2) Dow's energy requirements remain the same independent of the Midland operation date and consequently the validity of the Dow-Licensee system must be predicated on the total Dow energy requirements.

However, even if one assumes reductions in demand are justified, the Board finds that the intervenor has significantly overstated their magnitude. First, the intervenor relied on estimates of Dow's purchases that were higher than those embodied in the applicant's own energy forecast and consequently the reductions taken overstate that portion of Dow's demand tied to Midland. And second, the intervenor used average load and average efficiency values to derive their peak load estimates. These parameters produce higher reductions than would occur had values characteristic of the Dow load being used.

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Ignoring these computational problems, the Board finds that even totally accepting the intervenor's position, the resulting improvement on system reliability and corresponding reduction in replacement power costs would not be sufficient to alter our fundamental conclusion on these basic issues. The reductions under consideration, depending on the delay or cancel scenarios used, are approximately 10 to 20% of Midland's total capacity available for electrical generation. Since need has been demonstrated for over 1300 MWe, the Board finds that reductions of this magnitude are simply not large enough to offset this need. Furthermore, since replacement power costs are a function of the cost of providing the electricity that would be forthcoming from Midland had it been in operation, the effect of these reductions would be to lower these costs by a maximum of approximately 10 to 20% for any given year. Consequently, the bulk of the replacement power cost would remain in tact.

Sidney E. Feld
Regional Environmental Economist
Technology Assessment Section
Cost-Benefit Analysis Branch
Division of Site Safety and
Environmental Analysis

cc: B. J. Youngblood
D. A. Bush

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