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Peter B. Bloch, Chairman
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dr. Jerry R. Kline
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Mr. Glenn O. Bright
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Cleveland Electric Illuminating
Co (Perry Nuclear Power Plant,
Units 1 and 2) Docket Nos.
50-440/441 OL

Gentlemen:

I have enclosed for your information a news article relevant to the motion to readmit the financial qualifications issue, currently before the Board.

Sincerely,

Susan L. Hiatt

Susan L. Hiatt
OCRE Representative
8275 Munson Rd.
Mentor, OH 44060
(216) 255-3158

cc: Service List

DS03

CEI seeks $1 billion 'cushion' for Perry

By James Lawless

In a deteriorating financial market, Cleveland Electric Illuminating Co. is seeking a financial safety net of $750 million to $1 billion to complete the $6 billion Perry nuclear power plant.

CEI efforts to provide a financial cushion against the so-called nuclear paranoia on Wall Street were confirmed yesterday by Edgar H. Maugans, CEI vice president, who said he had discussed the issue with three bankers in the last 24 hours.

Maugans said CEI was concerned about the threat that other utilities, with nuclear construction projects gone awry, might go bankrupt.

"The possibility of bankruptcy could cause a shutdown of financial markets," Maugans said. "Should such a shutdown occur, we are talking to banks about a backup line of credit."

Maugans said the safety net would be an option. "If the banks want too much money, we may not do it," he said. "It's a management call."

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FROM FIRST PAGE

CEI's increasingly blurry financial picture parallels a drawn-out construction schedule and skyrocketing costs at the Perry plant.

The problems for CEI and its four utility partners appear to have started when Robert M. Ginn, CEI chairman, went to New York and gave an optimistic speech in late 1982 to security analysts about construction progress of the Perry plant.

Ginn's projections turned sour within months when CEI announced Perry's costs would rise from $4 billion to $5.2 billion, and completion of Unit 1 would extend from spring of 1984 to spring of 1985.

A number of utilities face the prospect of bankruptcy, including Public Service of New Hampshire, Public Service of Indiana, Consumers Power Co. of Jackson, Mich., and Long Island Lighting Co., of New York.

All of these have nuclear plants that have caused them major financial problems. For example, Consumers has said it will run out of money to operate by July 15 unless it gets relief from Michigan's utility commission.

CEI has conceded the possibility of canceling Unit 2 and again has delayed the completion date of Unit 1, now the end of 1985. Costs of the total project are now expected to be over $6 billion.

CEI is building Perry with Toledo Edison Co., Ohio Edison Co., Pennsylvania Power Co., a subsidiary of Ohio Edison, and Duquesne Power & Light Co.

"When they (CEI) came in here and lied to us in late 1982, that soured me on the whole project," said a New York analyst who asked not to be identified. "Frankly they can't be trusted, and I have other things to do."

Particularly damaging was an analysis by Argus Research Corp. that said the cancellation of Unit 2 could sink the Perry project. The argument is that cancellation would cause Ohio Edison to be particularly damaged by having to write off a $320 million investment in Unit 2.

The report argued that such a write-off would prevent Edison from meeting its obligations in finishing Unit 1. "(That) would leave the other participants (utilities) holding the bag for all the remaining cost of that unit," the report said.

"That is the general perception on the street," said another New York analyst, who also requested anonymity. "Whether Unit 2 is canceled or not, you have four companies building two other plants with a way to go. We feel they are already kind of extended. They can't make any mistakes."

A third analyst agreed that the Argus

perception of the Perry project is commonly held among analysts. "The cancellation of Unit 2 won't cause any dividend cuts but will cause funding problems for Ohio Edison and Toledo Edison Co.," he said. "That could well lead to another delay because the partners cannot raise cash."

This analyst was particularly critical of a decision by the Public Utilities Commission of Ohio. In late May, PUCO rejected a $40 million agreement to settle Ohio Edison's proposed $130 million rate hike.

"That was a very stupid decision because the very-likely higher cost of capital will wipe out any savings to the consumer," he said. PUCO threw out the agreement because it included $26 million in construction interest costs for Perry.

"Those utilities need a lot of money, and there isn't much confidence in them right now," the third analyst said. He said this decision would compound the utilities problems.

He said the anxiety could be resolved if CEI were able to establish the credit line of $750 million to $1 billion. "That would make us feel a lot more secure," he said. "As it is, we now recommend against buying CEI."

Of the analysts contacted, only Douglas A. Fox, with McDonald & Co. in Cleveland, is recommending CEI, Ohio and Toledo Edison.