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August 16, 1984

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FILE OF RECORDS
DOCKETING & SER.
BRANCH

Honorable Lawrence Brenner, Chairman
Atomic Safety & Licensing Board
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

RE: PHILADELPHIA ELECTRIC COMPANY
(Limerick Generating Station,
Units 1 and 2 - --Docket Nos.
50-352 and 50-353 (1)

Dear Chairman Brenner:

Upon review of the responses filed by the NRC Staff ("NRC"), I have noted several errors in the City's record citations which should be corrected for the convenience of the Commission. The statement of Staff witness Acharya that "(t)he judgment of the Staff is that the probability of severe accidents that could result in large consequences could be higher by about a factor of 30" appears at Tr. 11,286-287 and not at the page originally cited on page 13 of the City's submission.

In addition, the Staff has correctly noted that the City erroneously stated that the Staff's uncertainty range of a factor of 40 too low contained a 5% chance of being exceeded. The Company's estimated value for its separate study was 5%.

For the convenience of the Commission, I am also attaching to this letter the recently issued Order To Show Cause of the Pennsylvania Public Utility Commission - Limerick Unit No. 2 Nuclear Generating Station Investigation, I-840381, August 7, 1984 (entered) which is referred to at page 5 of the City of Philadelphia's submission.

Respectfully,

Martha W. Bush

MARTHA W. BUSH,
Deputy City Solicitor

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cc: Judge Richard F. Cole
Judge Peter A. Morris
All Parties of Record

DS03

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held July 6, 1984

Commissioners Present:

Linda C. Taliaferro, Chairman, dissenting
Michael Johnson
James H. Cawley, dissenting
Frank Fischl
Bill Shane

Limerick Unit No. 2 Nuclear Generating
Station Investigation

Docket No.
I-840381

ORDER TO SHOW CAUSE

BY THE COMMISSION:

By order entered October 10, 1980 this Commission instituted an investigation at Docket No. I-80100341 into certain issues concerning Philadelphia Electric Company's (PECO) construction of the Limerick Nuclear Generating Units 1 and 2 in order to gather information in an orderly and expeditious manner prior to PECO seeking to include Limerick in its rate base as used and useful property. At the conclusion of said investigation we found that the simultaneous construction of Units 1 and 2 was not financially feasible if PECO was to insure the continued maintenance of safe and reliable service to the public. PECO was then given the option of either suspending or cancelling the construction of Unit 2. In the event PECO refused to suspend or cancel the construction of Unit 2, we declared that we would not approve any new securities issuances, in whole or in part, for the construction of Unit 2. The Commission's decision was upheld by the Pennsylvania Supreme Court. Pennsylvania Public Utility Commission v. Philadelphia Electric Company, 501 Pa. 153, 460 A.2d 734 (1983).

Subsequent to the Court's decision, PECO elected to suspend construction at Unit 2 in accordance with the Commission's orders. On February 22, 1984 we accepted PECO's response to our order requiring suspension or cancellation as being in compliance with the Commission's Orders of August 27, 1982, June 10, 1983 and December 23, 1983.

In the Order entered February 22, 1984 we also recognized that PECO's decision to suspend construction meant that the company intended to resume construction of Unit 2 upon completion of Unit 1. We also recognized that PECO, at some future date, might seek Commission approval of securities financing for construction of Unit 2. Pursuant to Section 1903(a), we would then have to consider whether the proposed financing is "necessary or proper for the present and probable future capital needs" of the company. We therefore directed PECO to file certain information concerning Unit 2 no less than 120 days prior to the filing of any securities certificate for the financing of Unit 2.

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OFFICE OF THE
DOCKETING & SERVICE
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Since the company's anticipated in service date for Limerick Unit 1 is April, 1985, it is reasonable to assume that PECO will resume construction of Unit 2 upon completion of Unit 1. However, we believe that serious questions exist regarding the need for the additional generating capacity represented by Unit 2, the cost effectiveness of Unit 2 as compared to other alternatives, and the effect upon PECO's financial health and its ability to provide safe and adequate service at reasonable rates. In addition, we are concerned about the potential effect of the cost burden of Unit 2 upon PECO's existing customer base. Recent actions by some of PECO's industrial customers to generate their own power or to switch to alternate suppliers may come to typify these classes of customers. The loss of revenues from such customers could, of course, exacerbate PECO's financial situation and impact its ability to serve other PECO customers.

For the aforementioned reasons and to enable us to exercise informed judgment when security certificates to finance Unit 2 are presented to us for registration, we believe that certain issues must be examined prior to any commitment by PECO to the resumption of construction on Unit 2. In order to gather information in an orderly and expeditious manner prior to having to render any decision on the resumption of construction of Unit 2, it is necessary to institute an investigation into such matters and to order PECO to show cause why the completion of Limerick Nuclear Generating Station, Unit 2, would be in the public interest. The following issues should be examined in this proceeding:

1. Is construction of Unit 2 necessary for PECO to maintain adequate reserve margins?
2. Are there less costly alternatives - such as cogeneration, additional conservation measures, or purchasing power from neighboring utilities or the P.J.M. interchange - for PECO to obtain power or decrease consumption?
3. How will the capital requirements necessary to complete Unit 2 affect PECO's financial health and its ability to provide adequate service?
4. Should the Commission reject any securities filings, or impose any other appropriate remedy, to guarantee the cancellation of Unit 2?
5. If Unit 2 is cancelled, what, if any, percentage of the sunk costs should PECO be permitted to recover from its ratepayers?

6. If construction of Unit 2 is found to be in the public interest, should the Commission adopt an "Incentive/Penalty Plan" as an inducement to cost efficient and timely construction?

In recognition of the complexity of these issues and the need to proceed with such an examination prior to the completion of Unit 1 and the resumption of construction of Unit 2, we cannot delay instituting this investigation until the time frame established in our February 22, 1984 order at Docket No. I-80100341. An examination of the issues listed herein must be commenced at this time. THEREFORE,

IT IS ORDERED:

1. That the Philadelphia Electric Company is directed to show cause why the completion of Limerick Nuclear Generating Station, Unit 2, is in the public interest.
2. That pursuant to the Order to Show Cause a formal investigation is hereby instituted and that this investigation shall include, but not necessarily be limited to, an examination of the following issues:
 - Is construction of Unit 2 necessary for PECO to maintain adequate reserve margins?
 - Are there less costly alternatives - such as cogeneration, additional conservation measures, or purchasing power from neighboring utilities or the P.J.M. interchange - for PECO to obtain power or decrease consumption?
 - How will the capital requirements necessary to complete Unit 2 affect PECO's financial health and its ability to provide adequate service?
 - Should the Commission reject any securities filings, or impose any other appropriate remedy, to guarantee the cancellation of Unit 2?
 - If Unit 2 is cancelled, what, if any, percentage of the sunk costs should PECO be permitted to recover from its ratepayers?
 - If construction of Unit 2 is found to be in the public interest, should the Commission adopt an "Incentive/Penalty Plan" as an inducement to cost efficient and timely construction?

3. That this investigation be referred to the Office of Administrative Law Judges for hearing and Initial Decision.

4. That a copy of this Order be served upon all parties to the Commission's Investigation at Docket No. I-80100341.

BY THE COMMISSION,



Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: July 6, 1984

ORDER ENTERED: August 7, 1984

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