Rt. 1 Box 183
Durham NC 27705
4 October 1980

50-413

Chief
Utility Finance Branch
NRR
USNRC
Washington Dc 20555

Dear Branch Chief,

As a person served with electricity through one of the North Carolina EMCs involved in the Duke Power Catawba 1 nuclear station sale, I am writing to oppose this sale because it will strengthen Duke's monopolistic position with respect to the EMCs involved, at least for the next 14 years, and quite possibly much longer.

This is so because Duke Power Co. owns three existing baseload power plants capable of meeting the entire baseload needs in Duke's service area (EMCs and cities included) of under 4000 MW, PLUS an additional 2660 MW. At Duke's currently projected growth rate of around 4% per year in peak load, with base at around 40% of peak as it has been on the Duke system recently, it will be the early 1990s before these existing baseload plants are fully required to meet base loads in the Duke service area. And if the real, weather-corrected growth rates of Duke Power load since 1973 are used (under 3% growth in sales per year, a bit over 3% for summer peaks, less than 3% per year for winter peaks), we find the existing base capacity won't be in full use until later. And if energy conservation continues to improve, as it did when Duke recently "found" 1400 MW of load management to be available by the late '80s, over and above its previous load management goal of over 1700 MW, the situation for baseload power needs will be even lower, even longer until the existing plants are fully utilized.

The difficulty with buying into the Catawba nuclear station is

that the rapidly escalating capital costs of Catawba give little hope that its busbar electricity costs will ever be as low as those of Duke's existing Oconee, Belews Creek and Marshall plants. Meanwhile, Duke is trying to complete its McGuire nuclear station, 2360 MW total power, which will certainly cost less to complete than Catawba, given the plants' similar design and the fact that Catawba has cooling towers. Thus, beyond the existing plants, Duke plans over 2300 MW of baseload nuclear power in the near future, all of which will be cheaper than Catawba's output. That 2300 MW of power will supply at least another 10 years' growth in electric power use (base load) on the Duke system and its wholesale customers' systems.

This will bring us into the first of second decade of the 21st century before there would be any need in this area for the power Catawba might produce -- almost time for Catawba to be de-commissioned on its current schedule. Post- Three Mile Island safety refits on both McGuire and Catawba will further boost their power production costs (via higher capital costs), making Catawba electricity the most expensive power available in the Duke service area.

Allowing Duke to sell this expensive power source to customers who obviously won't need their share of its capacity until about the year 2000, while Duke retains all the cheaper baseload power sources, will greatly strengthen Duke's monopolistic advantages in the wholesale power market. Duke will have surplus cheaper power to sell from now until at least the year 2000, if not 2010 or beyond, while the co-ops are stuck with the most expensive baseload source around, not to mention higher transmission costs since most of the co-op customers are farther from Catawba than from one of the existing Duke base stations (Oconee, Belews Creek and Marshall). And should load growth on the EMCs fall below 5% per year, a distinct possibility in view of their minimal industrial load and low saturation for electric heating, Duke's advantage would grow even greater in the 1990s as the coops are stuck with large

surpluses of expensive baseload power. (All time estimates and growth figures in this paragraph supplied by REA and NCEMC: 5% growth on NCEMC Duke customers would mean they'd require about their 610 MW share of Catawba output adjusted for 5.5% transmission loss, in the year 1998. Given the uncertainties of load forecasting for much shorter times, such as Duke's 1973 projected peaks around 15000 MW for summer 1980, when the actual was 10,350 MW, you can see how the lower-growth situation can readily materialize.)

One further reservation: If the EMCs in fact buy a share in Catawba 1, are they in effect writing Duke a blank check to pay for the post-TMI refits for that nuclear unit? There is no way to estimate these costs at present, but given the howls from the nuclear industry seeking to avoid such refits, they are sure to be high. If the Catawba 1 contract contains the same sort of language the Catawba 2 sale did, that the costs must be paid "regardless of the completion or operational status of the plant", that language is a bailout by the EMCs for Duke Power in the event of any refits, or other difficulties with Catawba 1. The EMCs, with small assets, are not capable of bailing out Duke Power without outrageous hardship to the EMCs' owner-customers. Sticking customers outside the Duke system with the Catawba cost overruns would, obviously, even further strengthen Duke's position as a cheaper source of electricity for new homes, business and industry. The EMCs are already at a disadvantage since Duke generally offers industry lower rates than the EMCs can offer industry given Duke's wholesale prices to the EMCs.

It has been alleged, further, that Catawba purchase would save the EMCs in the long run because of the higher costs of future Duke construction beyond Catawba, such as Cherokee and Perkins and 3 undesignated nuclear units. The undesignated units were effectively cancelled by the Duke directors' decision to build no more nuclear plants. Perkins is delayed indefinitely, and all construction at Cherokee has been stopped also. Carl Horn, Jr., Duke's chairman of the board, was

quoted recently as saying Duke would prefer to complete only those plants now under construction (McGuire and Catawba) and build no more. Thus, the argument that future Duke nuclear construction would raise Duke's average costs and make Catawba economical some time in the 1990s is pure speculation, because Duke is not actually constructing any of the plants they had planned beyond Catawba.

The obvious alternatives for the EMCs are to either do nothing, and take advantage of Duke average baseload power costs which will be lower than Catawba's power costs for at least the next 15 years, if not the whole lifetime of the Catawba plant as seems likely; or to pursue a program of constructing smaller power plants fueled by peat, wood, refuse, hydro or other sources. This latter program would entail no enormous capital commitments such as Catawba or any nuclear station does. If load growth changed, the small plants under construction could be more readily delayed or cancelled. Once the Co-ops buy Catawba, they'd be stuck with the whole share they bought. No sell-back agreement with Duke could avoid the eventual result that the higher costs of Catawba (including TMI refits?) would be passed on to the EMC customers.

Thus the effect of the EMCs buying Catawba would be to reduce competition in baseload power sales, reduce competition to Duke Power from alternative energy sources the EMCs might develop (e.g. under FERC's small-producer and co-generator guidelines under section 210 of the Public Utility Regulatory Policies Act), and raise costs to the EMC customer-owners. This is not in the public interest, nor in the EMCs' interests, and I hope the Justice Department and the NRC will act to stop this sale.

Wells Eddleman
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