

U. S. NUCLEAR REGULATORY COMMISSION
DOCKET NO. 50-353
PHILADELPHIA ELECTRIC COMPANY
LIMERICK GENERATING STATION, UNIT 2
ISSUANCE OF DIRECTOR'S DECISION UNDER 10 CFR 2.206

Notice is hereby given that the Director, Office of Nuclear Reactor Regulation, has denied the Petition filed under 10 CFR 2.206 by Marvin I. Lewis and Citizen Action in the Northeast regarding Unit 2 of the Limerick Generating Station (the facility).

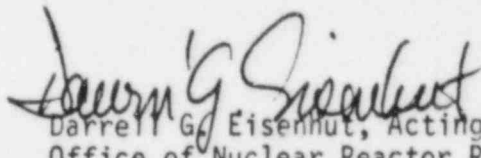
The petitioners requested that the NRC suspend the construction permit and institute proceedings to revoke Construction Permit No. CPPR-107, heretofore issued to the Philadelphia Electric Company (PECo) to authorize construction of the Limerick Unit 2 facility. Issues raised by the Petition included the economic viability and cost-benefit ratio associated with further construction and operation of the facility. The Director has concluded that the Petition did not provide a sufficient showing to warrant institution of proceedings.

The reasons for the above conclusions are fully described in a "Director's Decision Under 10 CFR 2.206", dated March 21, 1986, (DD-86-05) which is available for public inspection in the Commission's Public Document Room located at 1717 H Street N.W., Washington, D.C. 20555, and at the Pottstown Public Library, 500 High Street, Pottstown, Pennsylvania 19464.

A copy of the Decision will be filed with the Secretary for the Commission's review in accordance with 10 CFR 2.206(c).

Dated at Bethesda, Maryland, this 24th day of March 1986.

FOR THE NUCLEAR REGULATORY COMMISSION



Darrell G. Eisenhut, Acting Director
Office of Nuclear Reactor Regulation

A copy of the Decision will be filed with the Secretary for the Commission's review in accordance with 10 CFR 2.206(c).

Dated at Bethesda, Maryland, this 24th day of March 1986.

FOR THE NUCLEAR REGULATORY COMMISSION

Original signed by:

Darrell G. Eisenhut, Acting Director
Office of Nuclear Reactor Regulation

*Previously concurred:
DD/NRR
*DEisenhut
03/20/86

D. N. R.
Eisenhut
03/24/86

PD#4
*RMartin:dh
01/14/86

PD#3
*EHylton
02/26/86

PD#4
*WRButler
02/26/86

SAB
*DCleary
01/15/86

OELD
*KCyr
03/04/86

DD:DIR
*RHouston
03/07/86

D:DIR
*RBenero
03/17/86

M. I. LEWIS
6504 BRADFORD TERR.
PHILA., PA. 19149

Design to
NO 110 Handle
as 2.206 coord
with ELD
DO
B.T.

A/H

Director of Nuclear Reactor Regulation
United States Nuclear Regulatory Commission
Sir:

Please accept this letter as my PETITION or REQUEST FOR ACTION UNDER 2.206.

Action requested: The Action that is being requested herein is the retraction of the Construction Permit for Limerick II Generating Station. The Initial Action will be starting hearings to determine whether to lift or retract said construction permit.

Basis for the request: The basis for this request directly involves the new information in the RECOMMENDED DECISION OF Allison K. Turner before the Pennsylvania Public Utility Commission in the Limerick Unit No. 2 Nuclear Generating Station Investigation I- 840381 dated July 12, 1985, and received by this petitioner on July 24, 1985. The new information in the Recommended Decision directly demonstrates the economic non-viability of the Limerick No. 2, Nuclear Generating Station. The conclusions of the ALJ also agree with the information of the non-viability economically of the LGS 2.

The construction permit for all major projects regulated by the Federal Government require that a cost benefit analysis show that the project will result in a net benefit. These are part of the environmental regulations incorporated into the NRC regulations. (10CFR 51.1(a)) These regulations require that the NEPA rule that the Environmental Impact Statement show a positive cost /benefit ratio in order for the Construction permit be issued.

In the case of the LGS I and II, the Staff determined the Cost/ Benefit ratio to be positive. This determination was based on information that has since been shown to be inaccurate, wrong and improper. The former, inaccurate information is that the LGS II would be needed and economical. The new information upon which this Petition is based is that the LGS 2 is unneded and uneconomical. (PA PUC I-840381 LGS 2 Investigation)

In light of the fact that LGS 2 is ineffective in meeting any need of the PECO service area in an economical or necessary fashion, the positive cost/benefit analysis upon which the EIS for Limerick 2 is predicated is wrong. The cost /benefit ratio is actually negative. Presently, the conclusion of the EIS for LGS 2 is wrong and the Construction Permit was illegally and improperly issued.

In light of the above facts and basis, I respectfully petition that the Limerick 2 Construction Permit be immediately suspended while any hearings are in progress upon the substance of the Petition herein.

Very truly yours,

Marvin I. Lewis, R.P.E.
Energy Chairman for
Citizen Action in the NorthEast.

Marvin Lewis 7/28/85

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PUC judge: Limerick Unit 2 should be scrapped

By Andrew Cassel
Inquirer Staff Writer

Philadelphia Electric Co. should be forced to scrap its second nuclear power plant at Limerick because its completion is "not in the public interest," a Public Utility Commission administrative law judge determined yesterday.

In a 421-page decision, the judge, Allison K. Turner, said the PUC should prevent the electric company from borrowing money to finish the second unit of its controversial twin-reactor plant. Turner said the PUC

also should refuse in advance to include any additional building costs in customer rates.

PE has already spent nearly \$850 million on the 1,055-megawatt plant on the Schuylkill in western Montgomery County near Pottstown.

Eventually, she said, the commission should allow PE to recover its "prudently incurred" costs from consumers, including money it spends to dismantle the plant. But she said PE should earn no profit on its Limerick 2 investment, a move that company officials said could jeopardize the

dividend on its common stock.

The ruling, which caps a year-long PUC investigation into Limerick 2, drew praise from consumer and industrial groups, and caused PE's stock to slip nearly \$1 a share in trading on the New York Stock Exchange. Top PE officials maintained that they still were dedicated to completing both Limerick plants, but added that the company had "options" if forced to cancel Unit 2.

Turner said the 30 percent rate increases that PE had been planning to ask for in order to pay for Limer-

ick 2 "will have an adverse impact across all customer classes and throughout PE's territory." Moreover, she said, "the large capital requirements necessary to complete Limerick 2 will have a strong adverse effect on PE's financial health, and, eventually, on its ability to provide adequate service at just and reasonable rates."

PE has said Limerick 2 would cost \$3.2 billion if construction resumed this year and was completed by the target date of 1990. But Turner said the company's estimate "does not

take account of many factors which may cause a delay in schedule or an increase in costs." More likely, she said, the plant would cost between \$3.9 billion and \$4.07 billion.

"PE and Bechtel [the engineering firm that designed the plant] have not been able to accurately forecast the cost of the Limerick project, or of Limerick 2, throughout its history," she wrote.

Lawyers for groups favoring cancellation of Limerick 2 had argued in hearings from January to April that PE's cost estimates for the plant were

too low. Limerick opponents also said that PE's projections of future electricity demand failed to consider the effect of conservation, alternative power generation and the utility's own increasing rates.

Turner agreed. "What I had to decide was, whose projections are most reasonable?" she said in an interview yesterday. "PE has a persistent track record of overprojecting."

Turner did not recommend that the PUC simply order the plant canceled, saying the commission lacked
(See LIMERICK on 4-A)

Scrap Limerick 2, law judge urges

LIMERICK, from 1-A
such authority under the law. "If they have to come to you for financing, you can say no to that," she said in an interview.

But the commission would be granted such authority under legislation pending before the state Senate. The measure, which was passed by the state House just before the Legislature recessed for the summer, was introduced specifically to deal with Limerick 2.

Turner's recommendation will not be acted on by the full PUC until at least September, and could be appealed even if upheld. But her exhaustive examination of the issues was still seen as a crucial step toward final resolution of the complex Limerick case, which has aroused strong words from both sides for years.

The decision came just a year after the PUC ordered PE to justify completion of Limerick 2, in the commission's second formal investigation into the company's nuclear-plant building plans. The first investigation, begun in 1980, prompted PE to halt construction of the second plant in May 1982, with the plant about 30 percent complete.

At the time, the company had sunk about \$550 million into the project. Since then, the cost of plant maintenance and interest on PE's loans has raised the total to about \$843 million, and that figure is increasing by about \$9 million a month.

The commission launched its second investigation in July 1984 with an order that cited the potential for "vast human suffering" in the Philadelphia region if electric rates were to rise to cover the plants' total cost. PE expects to ask this year for about a rate increase of 30 percent to cover the cost of Limerick's first unit, now complete and awaiting an operating



James L. Everett
PE chairman

license from the federal Nuclear Regulatory Commission.

In an interview yesterday, PE chairman James L. Everett said the company's top managers "haven't changed our mind one bit" about completing Limerick 2. "We need it," he said.

Everett argued that without Limerick, regional demand for electricity would be greater than PE's capacity by the mid-1990s, and that planned rate increases will not push up the region's electricity costs faster than the overall rate of inflation.

He said some regions of the country are already pinched for power during hot summer days, and that Philadelphia will eventually be in the same position unless more power plants are built.

But Turner said that instead of Limerick 2, PE should meet the re-

gion's power needs by building new coal-fired plants, extending the life of its existing plants and encouraging the growth of conservation and cogeneration — power generated by nonutility companies in the course of their own operations.

PE has maintained that all those projects would cost ratepayers more in the long run, but the company's opponents — who include some of Philadelphia's largest industrial and commercial concerns as well as consumer and anti-nuclear groups — say the utility has consistently ignored or miscalculated the cost of alternatives to Limerick.

Everett said yesterday that if the PUC forced cancellation of Limerick 2, PE would seek to replace it with a coal-fired plant in Chester County. But the company's ability to build that plant hinges on whether PE is allowed to recover its "sunk costs" from Limerick 2.

"So much depends upon how we are treated economically," Everett said. If PE is forced to absorb most or all of its Limerick 2 expenses, "we won't be able to build a damn thing," he said.

PE maintains that it should be allowed to recover not only its costs but to earn a profit on its investment. But Turner's recommendation yesterday would rule that out. If her position is upheld, it would reduce PE's earnings by about 50 cents per share, making it uncertain that the company could continue to pay its current annual dividend to common stockholders, PE chief financial officer Joseph Paquette Jr. said yesterday.

The company's ability to maintain its dividend through its Limerick troubles was clearly on the mind of Wall Street investors yesterday, who lowered the price of PE stock after Turner's ruling was announced to \$15.50, down from its Monday close of \$16.375.


The decision "is not something that's going to bankrupt the company, but it can certainly raise concern about the dividend," said Tony Osbon, an analyst with Regulatory Research Associates.

"We've been maintaining for some time that the dividend might be in danger," said analyst Neal Kurzner of the investment firm of Salomon Bros. "It is by no means a foregone conclusion, but the arrows are pointing in that direction."

But other analysts said the Turner decision was no surprise, and some even suggested that it contained as much good news as bad for the troubled electric company.

"This is the first time that anyone on the staff has publicly stated that they be allowed to recover their investment in Unit 2," said Fulton Holmes of the Thomson McKinnon brokerage house.

COVER:
LIGHT AND DANZA
'WHO'S THE BOSS?'

THIS SUNDAY, 
JULY 21, IN

The Inquirer

The 17-year history of Unit 2 has been a stormy one

Here is a capsule history of PE's Limerick 2 project:

October 1967 — PE orders two 1,855-megawatt reactors to be built on the Schuylkill near Limerick in Montgomery County.

June 1974 — U.S. Nuclear Regulatory Commission issues construction permit, allowing work to begin. The company predicts the plants will be completed by 1980 at a cost of \$1.7 billion.

October 1975 — PE postpones completion dates of Unit 2 to 1982 because the company says it is unable to obtain adequate financing.

Spring 1976 — Completion dates are again postponed, with Unit 2 scheduled to go into operation in 1985. Later, date is moved back to 1987.

October 1980 — Prodded by state Consumer Advocate Walter Cohen, who believes there are cheaper ways for PE to provide additional electric-generating capacity, the PUC begins investigating the plant's costs and benefits.

March 1982 — A PUC administrative law judge supports "timely completion" of both Limerick plants.

May 1982 — The PUC allows building of Unit 1 to proceed but orders PE to either suspend or cancel construction on Unit 2. Unit 2 construction is suspended.

September 1982 through May 1983 — PE and the PUC go to court over whether the commission has the authority to order work stopped on Unit 2. The state Supreme Court eventually supports the PUC, which orders PE either to suspend or can-

cel Unit 2 unless it can finance the plant internally.

January 1984 — PE says it will suspend all work on Limerick 2 until Limerick 1 begins commercial operation. PE predicts that will occur in April 1985, and that Unit 2 will go into operation in 1990. At this point, the company has spent more than \$700 million on the plant.

June 1984 — State House of Representatives names a committee to investigate the need for Limerick 2.

July 1984 — The PUC, citing the potential for "vast human suffering" because of projected rate increases for each new PE reactor, orders a second investigation of its own, demanding that PE prove that Limerick 2 is needed.

November 1984 — The House com-

mittee, concluding that "strong evidence exists that the construction of Limerick 2 should not be completed," recommends legislation that would give the PUC specific authority to order permanent cancellation.

Dec. 4, 1984 — PE says Limerick 2 remains the most economical alternative for meeting its future power needs, and presents five volumes of testimony to back up its case. Company estimates that it will need \$393.6 billion from 1985 through 2020 to build and operate the plant.

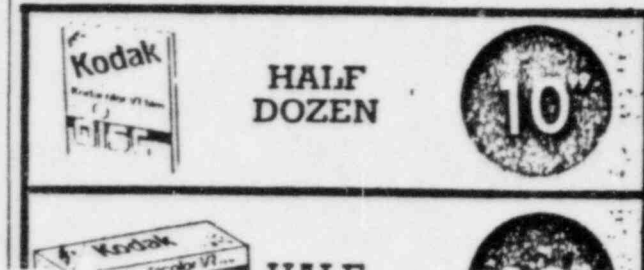
February 1985 — The state consumer advocate, the City of Philadelphia and groups representing residential, commercial and industrial customers urge the PUC to order Limerick 2 scrapped. Opponents say PE has overstated the need and understated the cost of completing the

project.

April 1985 — PUC Administrative Law Judge Allison K. Turner receives final briefs from PE and its opponents. Separately, PUC Chairwoman Linda Taliaferro suggests that PE abandon Limerick 2 and purchase excess power from neighboring Pennsylvania Power & Light.

June 28, 1985 — The House passes the Limerick 2 bill, but the Senate recesses for the summer without taking action.

July 16, 1985 — Turner says Limerick 2 completion is "not in the public interest," and recommends that the PUC deny PE the right to borrow more money to build the plant.



PLEASE UPDATE ON 5520 SYSTEM

DL # 864

SUBJECT: Certification Request for Action Under
2.206 - [unclear]

ACTION: Comments
See Thompson/Miraglia
Supply Info To:

Set Up Meeting
Prepare Reply: For Acknowledgement
[Signature] Signature

Prepare Action Plan
(Other) Coordinate action under 2.206
with ELO

ASSIGNED TO: Novak Lyons
 Crutchfield Black
 Laines Stark

DATE ASSIGNED: 8/8/85
COMPLETION BY THE
ASSIGNED: _____

RESPONSE DUE DATE: 8/15/85
2.206 90 days
after letter

ASSIGNED BY: J. Miraglia

