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FACIL: 50-275 Diablo Canyon Nuclear Power Plant, Unit 1, Pacific Ga      05000275  
50-323 Diablo Canyon Nuclear Power Plant, Unit 2, Pacific Ga      05000323

AUTH. NAME      AUTHOR AFFILIATION  
RUEGER, G.M.      Pacific Gas & Electric Co.  
RECIP. NAME      RECIPIENT AFFILIATION  
MURLEY, T.E.      Office of Nuclear Reactor Regulation, Director (Post 870411)

SUBJECT: Forwards marked-up, executed conditional settlement agreement between util & Northern California Power Agency re interconnection agreement.

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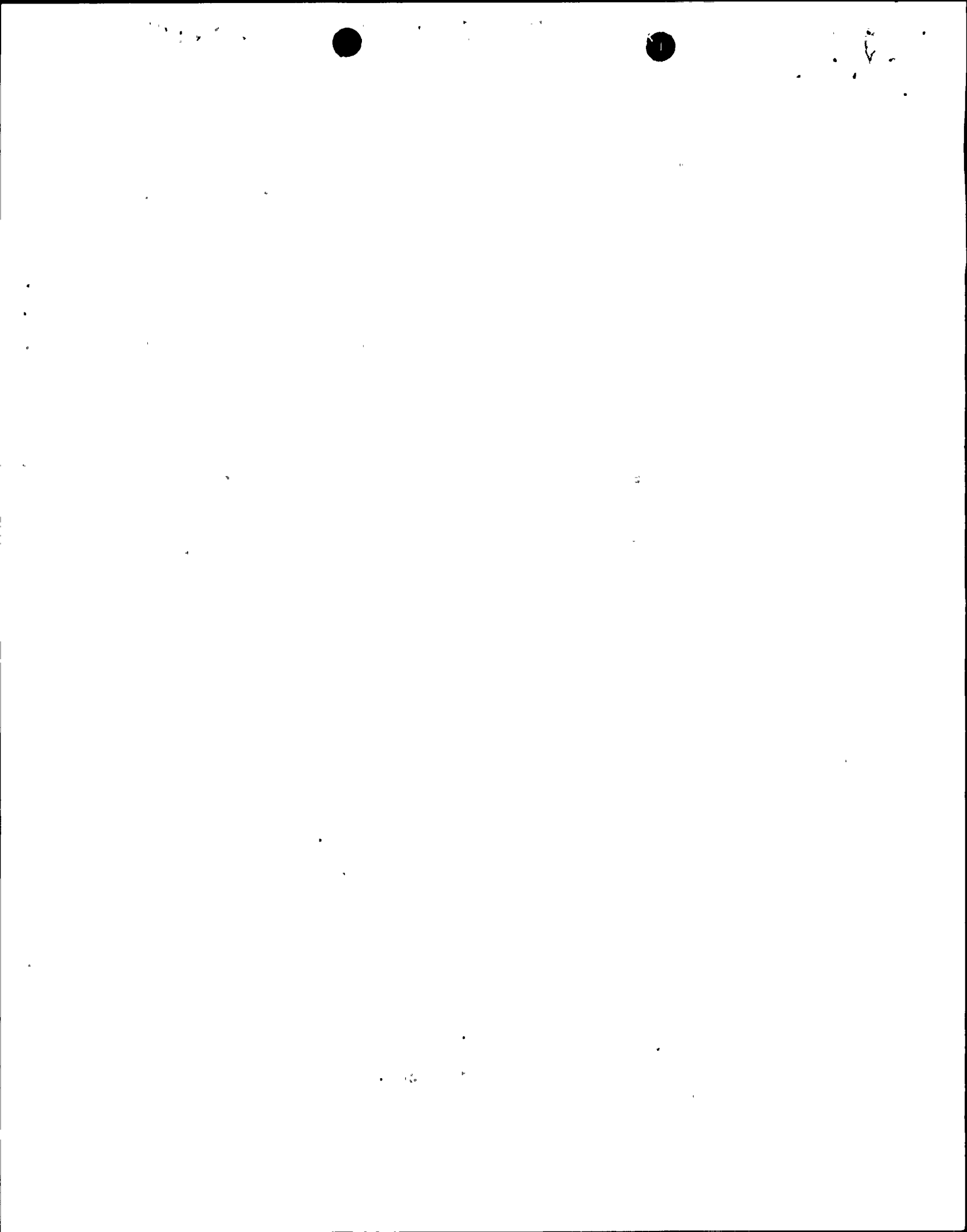
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Pacific Gas and Electric Company

77 Beale Street  
San Francisco, CA 94106  
415/973-4684

Gregory M. Rueger  
Senior Vice President and  
General Manager  
Nuclear Power Generation

November 22, 1991

PG&E Letter No. DCL-91-285



Dr. Thomas E. Murley, Director  
Office of Nuclear Reactor Regulation  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Re: In the Matter of Pacific Gas and Electric Company  
Diablo Canyon Nuclear Power Plant, Units 1 and 2  
Docket Nos. 50-275A and 50-323A

Subject: Executed Conditional Settlement Agreement Between Pacific Gas  
and Electric Company and Northern California Power Agency

Dear Dr. Murley:

Enclosed is a copy of the executed conditional settlement agreement  
between Pacific Gas and Electric Company and the Northern California  
Power Agency required to be submitted in the above-captioned matter.

Sincerely,

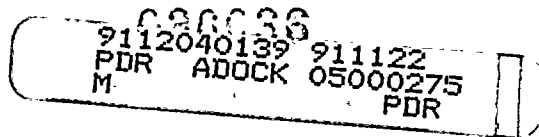
A handwritten signature in cursive script, appearing to read 'Greg Rueger'. The signature is written in dark ink and is positioned above the typed name.

Gregory M. Rueger

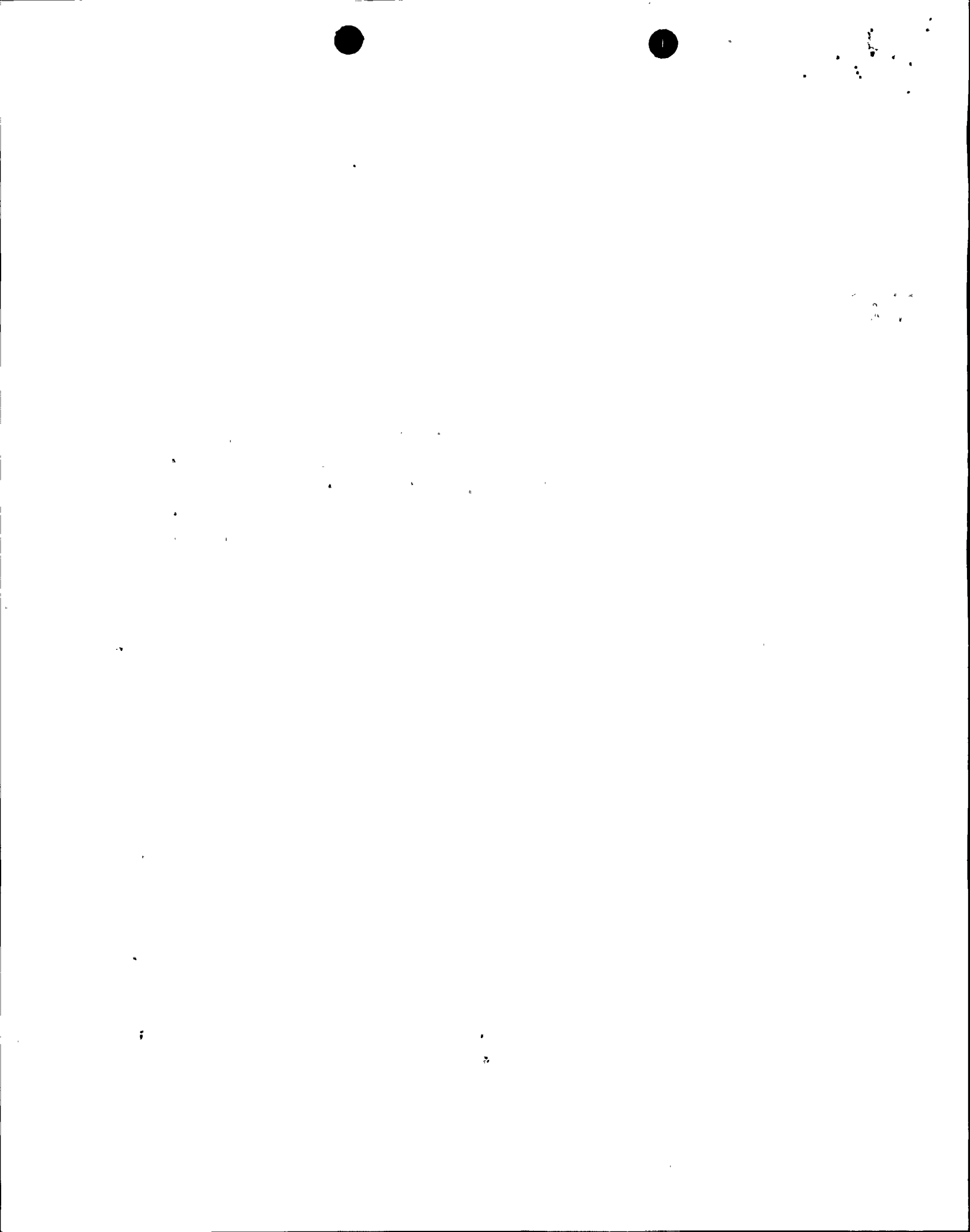
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N.C.P.A.  
NOV 15 1991

SETTLEMENT AGREEMENT  
BETWEEN  
NORTHERN CALIFORNIA POWER AGENCY  
AND  
PACIFIC GAS & ELECTRIC COMPANY  
RESPECTING  
NUCLEAR REGULATORY COMMISSION DOCKETS NOS. 50-275A AND 50-323A,  
PACIFIC GAS & ELECTRIC COMPANY  
(DIABLO CANYON NUCLEAR POWER PLANT, UNITS 1 AND 2)

PARTIES

This conditional Settlement Agreement is made as of this 20 th day of November, 1991, by and between the PACIFIC GAS AND ELECTRIC COMPANY ("PG&E") and the NORTHERN CALIFORNIA POWER AGENCY :("NCPA"). PG&E and NCPA are hereinafter referred to individually as "Party" and collectively as "Parties."

RECITALS

1. WHEREAS PG&E, a corporation organized under California law, is engaged, among other things, in the business of generating, transmitting, and distributing electric power and energy in northern and central California and elsewhere;
2. WHEREAS NCPA is a public agency engaged in the generation, sale, purchase and exchange of electric power and energy and was created by a joint powers agreement dated July 19, 1968, as amended, by the member cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara and Ukiah, and the Plumas-Sierra Rural Electric Cooperative, and which also presently includes the Truckee-Donner Public Utility District and the Turlock Irrigation District;
3. WHEREAS, on April 30, 1976, the Pacific Gas and Electric Company set forth a Statement of Commitments which it agreed to accept as conditions to any construction permits or licenses

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issued for its proposed Stanislaus Nuclear Project (hereinafter referred to as the Stanislaus Commitments);

4. WHEREAS, on December 6, 1978, the Stanislaus Commitments were incorporated in the construction permits for PG&E's Diablo Canyon Nuclear Power Plant, Units 1 and 2, and they have been incorporated in all ensuing low power and full power licenses for the Diablo Canyon units;

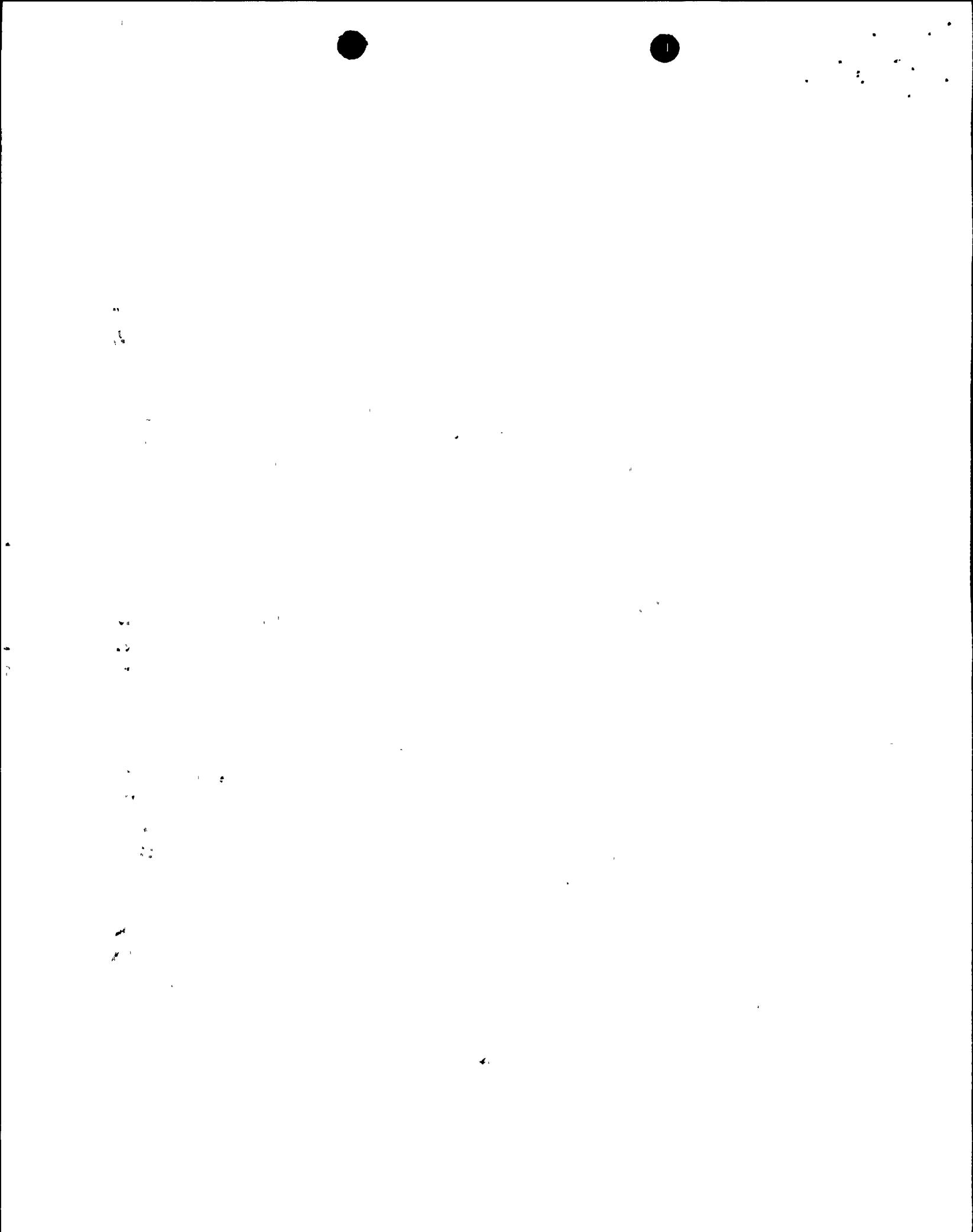
5. WHEREAS, on December 4, 1981, the Northern California Power Agency petitioned the Nuclear Regulatory Commission to suspend, modify or revoke PG&E's Diablo Canyon licenses and permits on account of its alleged violations of the Stanislaus Commitments;

6. WHEREAS, in May 1982, PG&E denied NCPA's request to provide transmission service in connection with the effort of NCPA to purchase certain energy for six of its members, the cities of Alameda, Healdsburg, Lodi, Lompoc, Santa Clara, and Ukiah, California ("Cities") from the United States of America, Western Area Power Administration;

7. WHEREAS, the Cities refused to pay PG&E for energy which they had attempted to purchase through NCPA in May-September, 1982, but placed funds into escrow pursuant to agreements with PG&E;

8. WHEREAS, PG&E filed with the Federal Energy Regulatory Commission on August 16, 1983, an Interconnection Agreement with NCPA, which was approved and took effect on September 14, 1983, superseding PG&E's prior power sales agreements with the cities of Alameda, Healdsburg, Lodi, Lompoc, and Ukiah, California;

9. WHEREAS, on November 28, 1983, PG&E served a suit in California state court against the City of Healdsburg under their recently superseded power sales agreement to collect the unpaid balance on its bills for the period May-September, 1982;





10. WHEREAS, on August 1, 1984, NCPA supplemented its pending § 2.206 petition to bring the Healdsburg suit to the attention of the NRC and contended that it evidenced a further violation of the Stanislaus Commitments;

11. WHEREAS, on March 19, 1985, NCPA withdrew without prejudice certain elements of its 1981 enforcement petition, and clarified its 1981 and 1984 petitions;

12. WHEREAS, in November, 1985, PG&E served state court suits against Alameda, Lodi, Lompoc, Ukiah, and Santa Clara, California which were substantially similar to the suit served against Healdsburg in 1983;

13. WHEREAS, PG&E's suits against the Cities are presently stayed;

14. WHEREAS, on April 28, 1988, the United States brought suit against PG&E, NCPA, and Cities in federal district court to, insofar as pertinent here, collect payment for energy provided in May-September, 1982;

15. WHEREAS, on June 8, 1989, the district court issued a Memorandum and Order, reported at U.S. v. Pacific Gas and Electric Co., 714 F. Supp. 1039, granting, insofar as pertinent here, summary judgment in favor of Healdsburg, Lompoc and Santa Clara, but against Alameda, Lodi and Ukiah, in their dispute with PG&E over the 1982 energy transactions;

16. WHEREAS, on June 14, 1990, the Commission issued a Notice of Violation against PG&E alleging certain violations of PG&E's Diablo Canyon antitrust license conditions, and a Director's Decision, DD-90-3, reported at 31 N.R.C. 595, making certain findings underlying the NOV and denying other relief requested by NCPA in its March 19, 1985 petition;



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17. WHEREAS, on September 21, 1990, PG&E timely filed a petition for review of the aforesaid Director's Decision (Pacific Gas & Electric Co. v. NRC, No. 90-1463 (D.C. Cir.)), which proceeding is, now stayed;

18. WHEREAS, on September 28, 1990, PG&E responded to the Notice of Violation, requesting that the NOV and the associated Director's Decision be vacated or stayed in part, and denying any violation of its nuclear licenses;

19. WHEREAS, on November 19, 1990, NCPA filed an enforcement petition with the NRC challenging the adequacy of PG&E's response to the Notice of Violation;

20. WHEREAS, on April 25, 1991, the federal district court entered a final Amended Judgment in the action brought against PG&E, NCPA and the Cities by the United States; 1/

21. WHEREAS, PG&E has appealed from the Amended Judgment, and NCPA and the cities of Alameda, Lodi and Ukiah have cross-appealed;

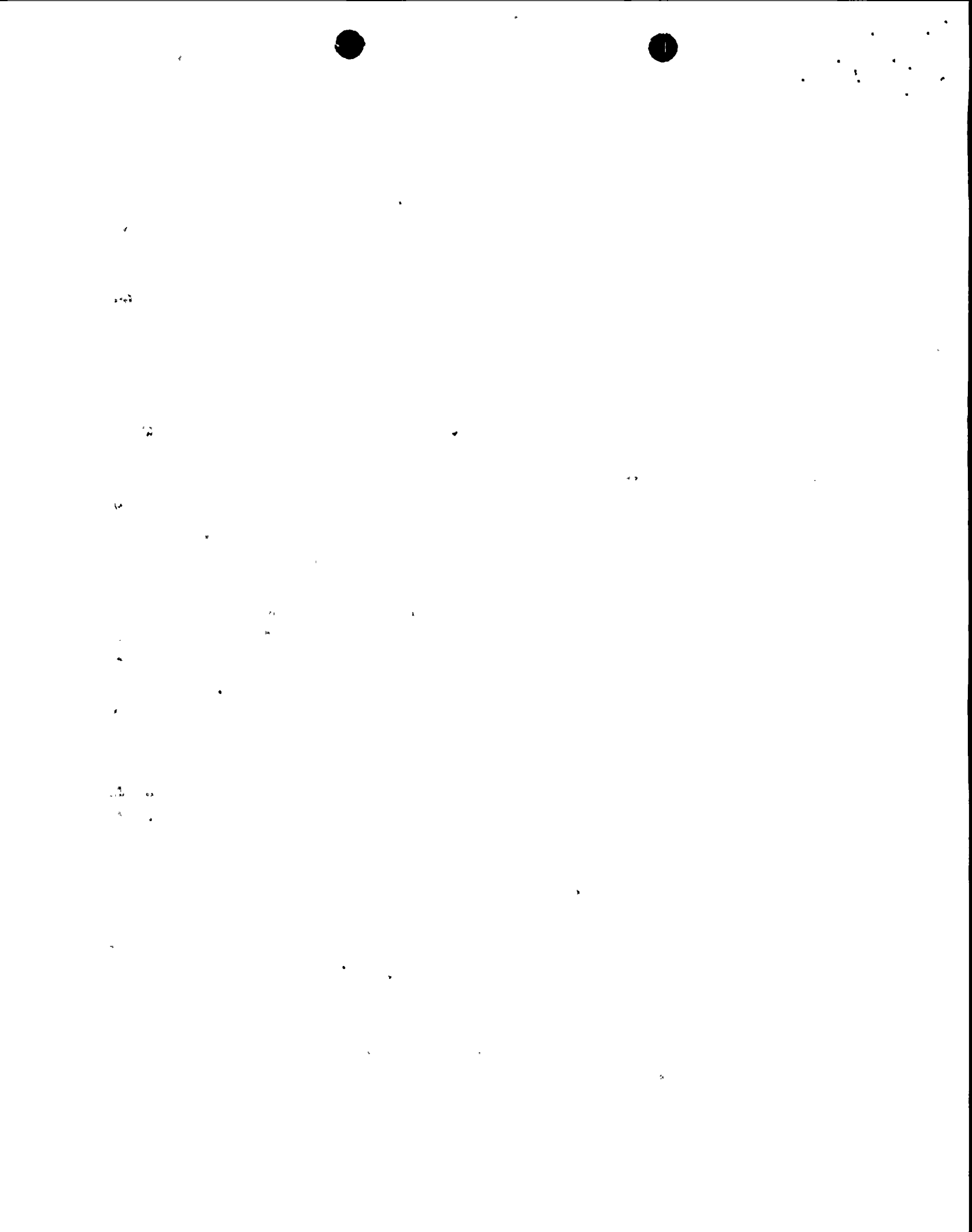
22. WHEREAS, PG&E and NCPA have entered into a wide-ranging settlement of numerous disputes and have released numerous claims, but have excepted from prior settlements and releases the proceedings addressed herein;

23. WHEREAS, certain NCPA Members are not parties to the NCPA-PG&E Interconnection Agreement, but are Neighboring Entities or Neighboring Distribution Systems as defined in the Stanislaus Commitments;

24. WHEREAS, NCPA and PG&E desire to settle the disputes addressed herein; and

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1/ Sometimes herein referred to as "the Amended Judgment."



25. WHEREAS, each Party represents and warrants that its undersigned representatives have been duly authorized to enter into this Settlement Agreement.

NOW THEREFORE, in consideration of the covenants and conditions herein set forth, the Parties agree as follows:

1. CONTRACT PROCEEDINGS

1.1 PG&E will file with FERC an agreed upon transmission rate schedule and any necessary modifications to the superseded power supply contracts of the cities of Healdsburg, Lompoc and Santa Clara to permit implementation of the Amended Judgment. The transmission charge shall be 1 mill per kilowatt-hour. NCPA will support PG&E's filing.

1.2 PG&E will release the funds placed in escrow by Healdsburg, Lompoc and Santa Clara, and will refund payments made under protest by Santa Clara relating to the disputed 1982 energy transactions, less any transmission charges payable to PG&E, in accordance with the terms of ordering paragraph 16 of the Amended Judgment.

1.3 PG&E will retain the funds placed in escrow by Alameda, Lodi, and Ukiah, in accordance with the terms of ordering paragraph 21 of the Amended Judgment.

1.4 PG&E will pay \$6 million to NCPA.

1.5 PG&E, NCPA, Alameda, Lodi and Ukiah will withdraw their respective appeals and cross-appeals from the Amended Judgment, which will become final.

1.6 No motion to vacate the Memorandum and Order reported at 714 F. Supp. 1039 shall be made or supported by any Party.



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1.7 PG&E will withdraw with prejudice its six state court suits against the Cities (Pacific Gas and Electric Co. v. City of Alameda, No. 569904-1 (Alameda County Super. Ct.); Pacific Gas and Electric Co. v. City of Healdsburg, No. 127234 (Sonoma County Super. Ct.); Pacific Gas and Electric Co. v. City of Lodi, No. 169313 (San Joaquin County Super. Ct.); Pacific Gas and Electric Co. v. City of Lompoc, No. 144796 (Santa Barbara County Super. Ct.); Pacific Gas and Electric Co. v. City of Santa Clara, No. 537572 (Santa Clara County Super. Ct.); Pacific Gas and Electric Co. v. City of Ukiah, No. 47426 (Mendocino County Super. Ct.)).

2. DIABLO CANYON LICENSE CONDITION ENFORCEMENT PROCEEDINGS

2.1 PG&E will implement the Stanislaus Commitments as to NCPA and its present and future members, and to other Neighboring Entities and Neighboring Distribution Systems as set forth in Attachment 1 hereto, which Attachment is incorporated by this reference into this Settlement Agreement as though fully set forth herein. PG&E's obligation to abide by the Stanislaus Commitments in the manner set forth in Attachment 1 shall extend for so long as the Commitments are included in any federal license held by PG&E, but in any event shall not be extinguished prior to January 1, 2050.

2.2 NCPA will withdraw with prejudice its enforcement petition of November 19, 1990, ~~as set out in the letter conditionally withdrawing its request for further enforcement which is filed together herewith.~~ *mm 11/10/91*  
*RAJ 11-14-91*

2.3 PG&E will withdraw its petition to review the Director's Decision reported at 31 N.R.C. 595.



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3. SETTLEMENT, RELEASE AND DISMISSAL OF OUTSTANDING DISPUTES AND CLAIMS

3.1 By this conditional Settlement Agreement, and upon satisfaction of the condition. described in Section 4 and the completion of the actions described in Section 1 and 2 above, the Parties compromise, settle and release all disputes and claims involved in NCPA's December 1981, August 1984 and November 1990 § 2.206 petitions, as supplemented and clarified, and in and underlying the NOV and Director's Decision, except insofar as such claims were adjudicated in the District Court's June 8, 1989 decision (U.S. v. Pacific Gas and Electric Co., 714 F. Supp. 1039 (N.D. Cal. 1989)) and were the subject of the Amended Judgment entered April 25, 1991 in that action.

3.2 Except as otherwise provided in this conditional Settlement Agreement, each Party agrees that it will state no claim, assert no right, and seek no remedy or relief, whether in the form of money damages, refunds, license conditions or interpretations of license conditions, requests for provision of service or for modification of rates, charges, terms or conditions of service, investigations, or otherwise, in any judicial, administrative, or other proceedings, for or based on facts, circumstances and conditions (including actions or failure to act of any Party, alone or with others, and including entry into agreements, the terms and conditions of such agreements, and the nature of performance or non-performance under such agreements) which are alleged in NCPA's December 1981, August 1984 or November 1990 § 2.206 petitions, as supplemented and clarified, or underlying the NOV or the Director's Decision, or in the proceedings identified in Subsection 1.7 above (except insofar as they were adjudicated in U.S. v. Pacific Gas and Electric Co., supra, and were the subject of the Amended

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Judgment), or for the continuation of any such facts, circumstances or conditions up to and including the date of this Settlement Agreement.

3.3 By agreeing to this settlement and release, neither Party waives any rights to state claims or seek relief against the other Party for facts, circumstances or conditions prior to the date of this Settlement Agreement which are not alleged in the records of these proceedings specified in Subsection 3.1 above. By agreeing to this settlement and release, neither Party waives any rights to state claims or seek relief against the other Party for facts, circumstances or conditions in existence after the date of this Settlement Agreement, irrespective of whether such facts, circumstances or conditions are different from facts, circumstances or conditions existing prior to this Settlement Agreement. For purposes of this Subsection 3.3, the terms and conditions of agreements entered into prior to the date of this Settlement Agreement and still in effect will be deemed to be facts, circumstances or conditions in existence after the date of this Settlement Agreement.

3.4 The Parties agree that this settlement and release will have no application to the following proceedings, as and to the extent specified: U.S. v. Pacific Gas and Electric Co., No. C-88-1600 (N.D. Cal.), as to matters adjudicated in that proceeding and the subject of the Amended Judgment, except that the Parties agree to dismiss their respective appeals of the Amended Judgment entered April 25, 1991; Pacific Gas and Electric Co. v. U.S., No. 36-89 C (U.S. Claims Ct.).

#### 4. CONDITIONS PRECEDENT TO SETTLEMENT

4.1 This settlement is conditioned on the Nuclear Regulatory Commission's acceptance of this settlement as fulfilling PG&E's obligations under the Stanislaus Commitments and the NOV, and terminating further action with regard to NCPA's



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November 19, 1990 § 2.206 petition, which has been conditionally withdrawn. 2/ PG&E also conditions its agreement to this settlement on the NRC accepting and acknowledging in writing that the Implementation of Stanislaus Commitments, attached hereto as Attachment 1, is an appropriate interpretation and implementation of and will meet PG&E's obligation, as to NEs or NDSs, under antitrust license condition (9)a. Should the Commission fail to issue an order satisfactory to the parties, then the Settlement Agreement will be withdrawn and all parties will be returned to the status quo ante.

4.2 This Settlement is conditional upon the agreement of Alameda, Lodi and Ukiah to join NCPA in dismissing their cross-appeal from the Amended Judgment.

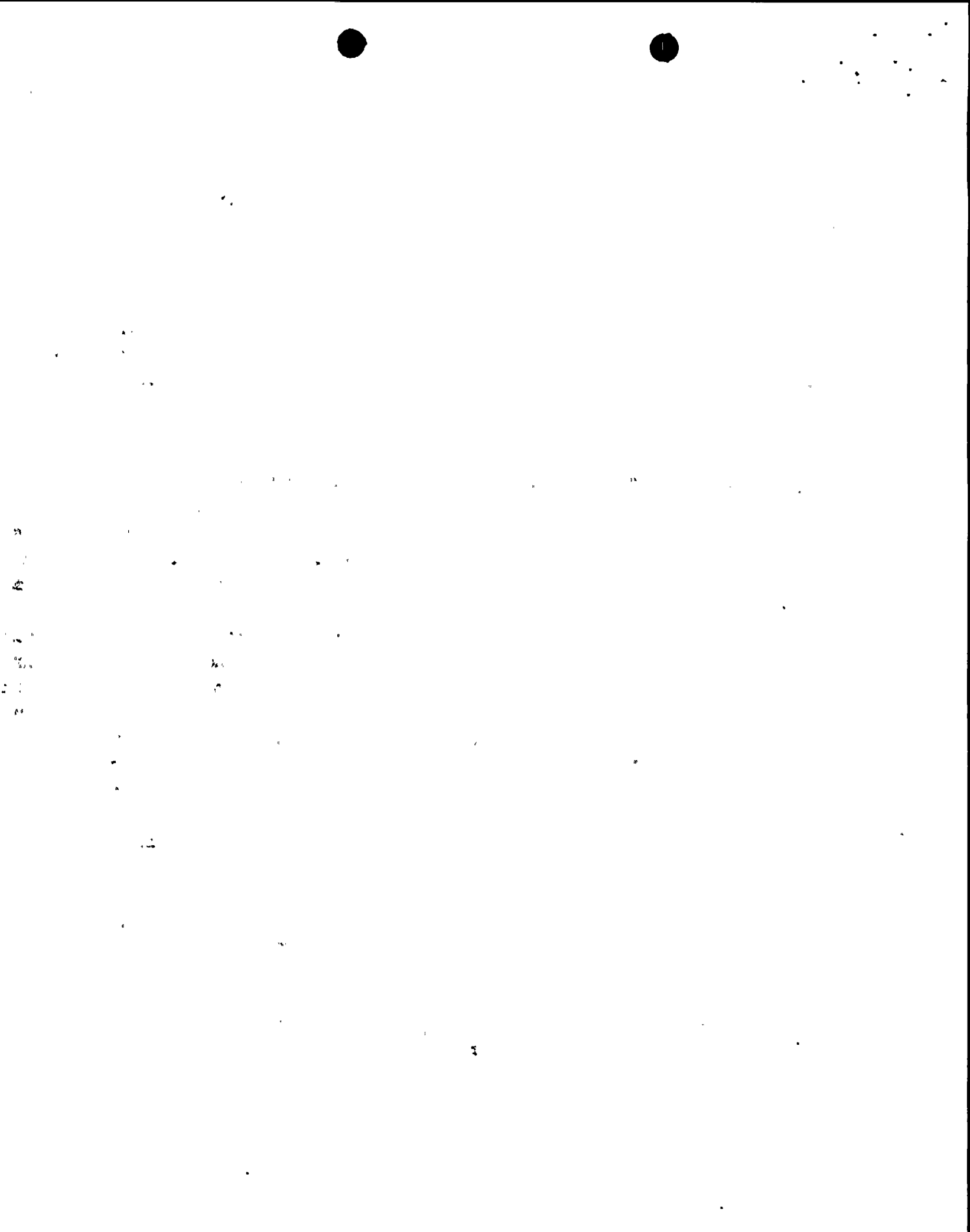
4.3 Within thirty (30) days of receipt by PG&E and NCPA of notice that the NRC has taken the action specified in Subsection 3.1, the Parties will carry out the actions specified in Sections 1 and 2.

## 5. GENERAL PROVISIONS

5.1 Submission of Settlement. Upon the signing of this Settlement Agreement, the Parties will promptly submit it to the NRC as an offer of settlement of NCPA's December 1981, August 1984 and November 1990 2.206 petitions, as supplemented and clarified, the NOV, and the Director's Decision, and will request the NRC to accept this Settlement Agreement as a complete resolution of all claims in those petitions and proceedings. Each Party will provide to the other upon request appropriate information and documentation to prepare or otherwise support the joint offer of settlement before the NRC and any other proceeding

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2/ PG&E also will seek clarification of the basis for the conclusions in section A of the NOV, as set forth in the accompanying request.



concerning this settlement before any other regulatory agency, when acceptance or approval of such application is necessary for the arrangements contemplated herein.

5.2 Obligation to Support. The Parties will make every reasonable effort to support, defend, and protect this Settlement Agreement before the NRC, FERC, the California Public Utilities Commission and any other regulatory authority or court of competent jurisdiction which has as an issue before it this Settlement Agreement or its operation or effect.

5.3 No Admission. Neither the execution of, nor any consideration provided in, this Settlement Agreement will be deemed an admission of any liability by any Party. No Party makes any admission concerning the validity or invalidity of any claims made in any proceeding settled, dismissed, terminated or withdrawn by or as a result of this Settlement Agreement.

5.4 Integration. This Settlement Agreement constitutes the complete and final expression of the agreement of the Parties as to its subject matter and is intended as a complete and exclusive statement of the terms of their agreement which supersedes all prior and contemporaneous oral or written offers, promises, representations, negotiations, discussions and communications concerning this Settlement Agreement.

5.5 No Precedent. Nothing contained in this Settlement Agreement shall establish any precedent beyond this agreement, except as provided herein. This Settlement Agreement shall not be submitted as evidence of contract interpretation in any proceeding other than those which involve interpretation of the obligations entered into pursuant to this agreement.

5.6 Amendment. This Settlement Agreement may be amended only by a written instrument duly executed by the Parties.





5.7 Governing Law. This Settlement Agreement will be interpreted, governed by, and construed under the laws of the State of California or the laws of the United States, as applicable, as if executed and to be performed wholly within the State of California.

5.8 Captions. All captions, headings and titles in this Settlement Agreement are provided for convenience only and are not intended to have any meaning or effect on the contents of this Agreement, its scope or its interpretation.

PACIFIC GAS & ELECTRIC COMPANY

By: *Robert J. Haywood*  
Name: Robert J. Haywood *duo*  
Title: Vice President - Power Planning and Contracts

Date: November 20, 1991

NORTHERN CALIFORNIA POWER AGENCY

By: *Michael W. McDonald*  
Name: Michael W. McDonald  
Title: General Manager

Date: 11/15/91

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ATTACHMENT 1

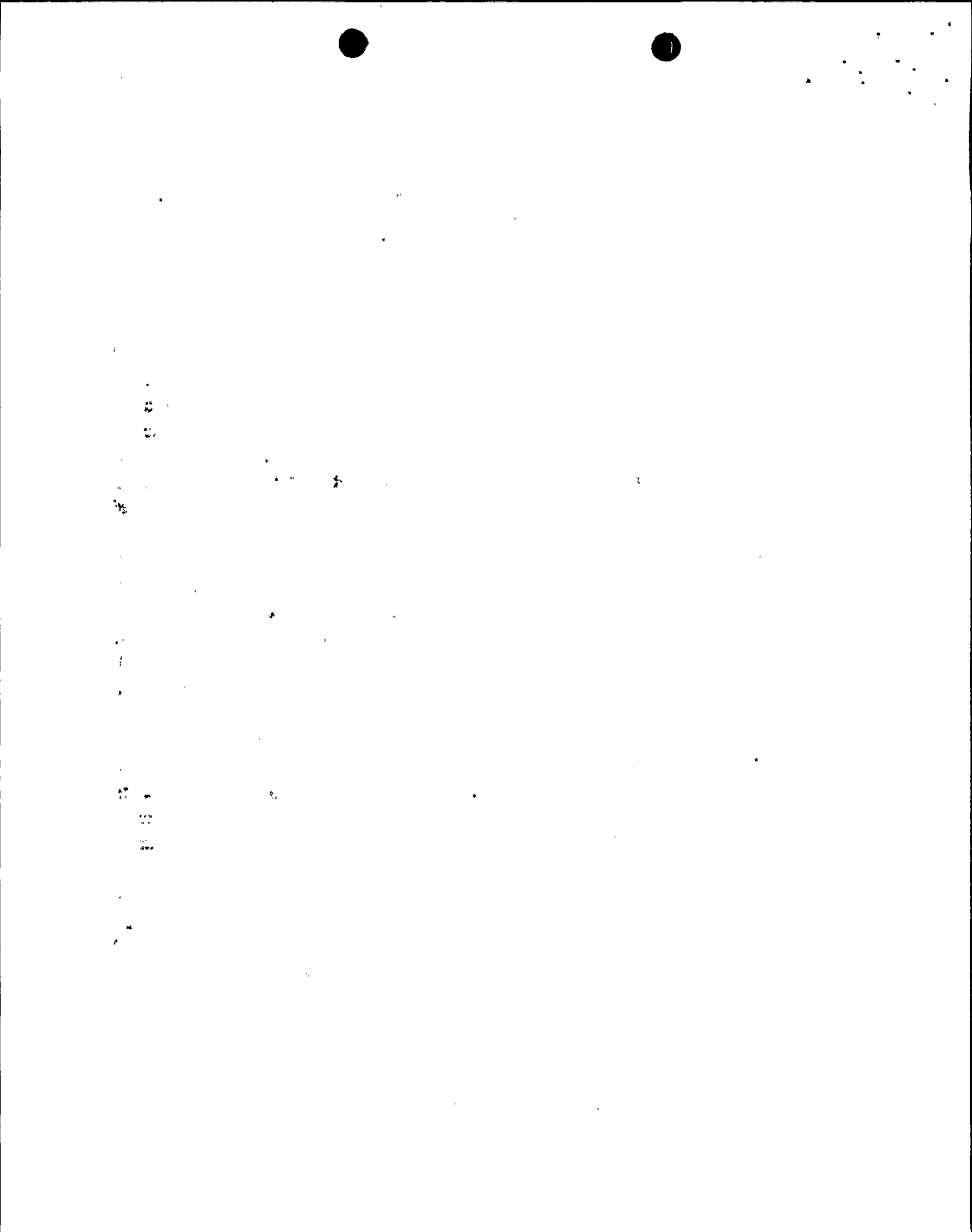
IMPLEMENTATION OF STANISLAUS COMMITMENTS

1. PG&E-NCPA Interconnection Agreement and Successor Rate Schedules. In the event that it is proposed to terminate the Interconnection Agreement between PG&E and NCPA and its signatory members dated July 29, 1983, as amended, or any successor agreement or rate schedule, and NCPA makes a request for services at least fourteen months prior to the proposed date of termination, PG&E and NCPA shall negotiate in good faith towards a successor interconnection agreement. Should the parties fail to execute a successor agreement within four months, PG&E shall file with the Federal Energy Regulatory Commission, subject to refund, and not less than seven months prior to the proposed date of termination of the then-effective rate schedule a successor interconnection rate schedule (IRS) under which PG&E shall provide NCPA with such services as NCPA may request to the extent set forth in the Stanislaus Commitments, or are at the date of NCPA's request being furnished by PG&E to NCPA or another Neighboring Entity or Neighboring Distribution System pursuant to commitment 5 of the Stanislaus Commitments as set forth in section 3, below, but if such services exceed or go beyond those PG&E is obligated to provide by the Stanislaus Commitments, PG&E may, at its option, provide either the services requested by NCPA or the services PG&E is obligated to provide pursuant to the Stanislaus Commitments. No such filing shall contain termination provisions which provide for shorter notice periods than are consistent with the negotiation and filing provisions of this section. PG&E's filing shall propose an effective date for the IRS coincident with the proposed date of termination of the then-effective rate schedule, and the then-effective rate schedule

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shall not terminate, and service under the then-effective rate schedule shall continue, until it is superseded by a successor rate schedule, subject to refund, as specified above. The IRS shall comply with and be subject to the Stanislaus Commitments and this implementation agreement, and it shall not contain any provision giving PG&E the right to withdraw service or terminate the agreement on account of adverse regulatory action or positions taken by NCPA before any governmental agency or court.

If such IRS as filed includes rates and charges that would increase the total annual payments by NCPA for services to be provided under the IRS by more than 15 percent per year over the total annual payments for services under the predecessor rate schedule, then, at NCPA's option, until FERC issues a final order establishing rates no longer subject to refund under the IRS rates and charges under the IRS will not increase in any year by more than an amount which will increase NCPA's total annual payments by 15 percent per year. For the purpose of measuring a change in payments by NCPA, the change will be measured from PG&E's proposed effective date for the IRS, and the amount of the change will be calculated by subtracting the total annual payment for services under the predecessor rate schedule from the total annual payment for such services under the proposed IRS, holding constant PG&E's total system costs and NCPA's resources and loads. After FERC issues a final order establishing the rates in the IRS no longer subject to refund, the limitation imposed by this provision will no longer apply. NCPA shall pay PG&E the difference, if any, between the rates paid prior to such final order and the rates authorized by FERC in its final order, with interest. If any "true-up" amount owed by NCPA pursuant to the foregoing exceeds 25 percent of the total annual payments under the IA, NCPA shall be entitled to amortize the "true-up" payment over a three year period, subject to interest.



2. Interconnection Services to Neighboring Entities and Neighboring Distribution Systems. Upon eighteen months advance written notice of any Neighboring Entity ("NE") or Neighboring Distribution System ("NDS") for an interconnection or similar agreement, such agreement to supersede any then-existing contract or rate schedule for power, transmission or interconnection services, PG&E agrees to negotiate in good faith towards a successor agreement to provide such interconnection, transmission and power services as may be requested by such NE or NDS. If the parties fail to reach agreement, no later than 7 months prior to the requested effective date PG&E shall file unilaterally with FERC, subject to refund, an interconnection or similar rate schedule (IRS) to provide, at a minimum, requested services to such NE or NDS as are set forth in the Stanislaus Commitments. No such filing shall contain termination provisions which provide for shorter notice periods than are consistent with the negotiation and filing provisions of this section. The IRS shall comply with and be subject to the Stanislaus Commitments and this implementation agreement, and it shall not contain any provision giving PG&E the right to withdraw service or terminate the agreement on account of adverse regulatory action or positions taken by the customer before any governmental agency or court.

If such IRS as filed includes rates and charges that would increase the total annual payments by such NE or NDS for services to be provided under the IRS by more than 15 percent per year over the total annual payments for services under the predecessor contract, if any, then, at the customer's election, until FERC issues a final order establishing rates no longer subject to refund under the IRS, rates and charges under the IRS will not increase in any year by more than an amount which will increase such customer's total annual payments by 15 percent per year. For the purpose of measuring a change in payments by such customer, the change will be measured from PG&E's proposed .



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effective date for the IRS and the amount of the change will be calculated by subtracting the total annual payment for services under the predecessor contract or rate schedule from the total annual payment for such services under the proposed IRS, holding constant PG&E's total system costs and the customer's loads and resources. After FERC issues a final order establishing rates in the IRS no longer subject to refund, the limitation imposed by this provision will no longer apply. Such customer shall pay PG&E the difference, if any between the rates paid prior to such final order and the rates authorized by FERC in its final order, with interest. If any "true-up" amount owed by such customer pursuant to the forgoing exceeds 25 percent of the total annual payments under the predecessor contract, such customer shall be entitled to amortize the "true-up" payment over a three year period, subject to interest.

3. Services Offered To Others. In the event that PG&E should offer any customer services described in commitment 5 of the Stanislaus Commitments which are not available in an interconnection agreement or IRS with NCPA or another NE or NDS, NCPA or such other NE or NDS may request that its rate schedule be amended to provide for such services. Unless the services which are thus requested pursuant to this Section 3 are inconsistent with the terms of that rate schedule and would materially upset the balance of benefits and burdens in such rate schedule, PG&E will provide them, or the parties will attempt to negotiate a means by which to provide them. If PG&E and the customer fail to negotiate a suitable amendment to such rate schedule within three months of the request, then PG&E shall unilaterally file with FERC a rate schedule amendment setting forth the rates, terms and conditions for such service, including any appropriate limitations on availability, to be effective, subject to refund, no later than nine months from the date of the request, subject to Commission review and provisions for refund.



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The amendment shall not be conditioned on acceptance by FERC without material change. PG&E shall not be obligated to provide capacity or energy which are not then available to it, to acquire capacity or energy from other sources, or to undertake any long term planning obligation in connection with this provision or in the provision of services under this Section 3 beyond that provided in any applicable contract or rate schedule with the NE or NDS.

4. Service Pending Resolution of Legal Issues. Any question on the part of PG&E concerning the legal or contractual authority of PG&E, NCPA or another NE or NDS to enter into an agreement for service or to engage in a transaction related to a request for service under the Stanislaus Commitments shall not relieve PG&E of its obligation to negotiate in good faith or to file unilaterally a rate schedule. If such issues are not promptly resolved during the initial negotiations, PG&E will initiate efforts to resolve any such question in an appropriate forum prior to filing a rate schedule within the time period specified herein, or PG&E may make a conditional filing with FERC in compliance with this agreement, the provision of service under such rate schedule to be subject to resolution by FERC of the legal or contractual issues raised by PG&E, as set forth below. In any such filing, PG&E may propose reasonable terms and conditions to protect the interests of its ratepayers, shareholders, officers and employees in the event that service is rendered in a fashion which is later determined to contravene legal or contractual obligations. If the service is requested by NCPA, and if such service involves only power accounting changes, rather than changes in power flows, such service will be deemed to be provided to NCPA as of the date requested, except that service shall not commence within 90 days after the initial request for service unless a lesser period has been agreed to. If PG&E has promptly initiated efforts to resolve such questions



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in an appropriate forum prior to or contemporaneous with the filing of the rate schedule, and the issue has not yet been decided by that forum, it may propose such reasonable terms and conditions which will make the provision of services contingent upon the resolution of the issue. PG&E has the right to deny service pending such resolution, but if it elects to do so, its filing shall include proposed compensation to the customer, subject to regulatory review as to adequacy as a part of the rate schedule, to be paid in the event that such resolution is in favor of the customer and to the extent that service would have been provided but for the PG&E's election. In the case of PG&E and NCPA, the parties will cooperate in seeking expedited resolution by FERC (or, another decisional body) of these issues.

5. Settlement Terms. PG&E has undertaken unilateral filing obligations in this Implementation of Stanislaus Commitments, and the parties understand that as a result of those obligations, PG&E has the right to attempt to negotiate, in any bilateral or multilateral agreement which is negotiated in conformity with obligations under the Stanislaus Commitments, provisions which in substance:

condition the effectiveness of such agreement on regulatory approval or acceptance without material change or modification,

require the parties to negotiate to restore the original balance of benefits or burdens in the event of such material change or modification or in the event of subsequent adverse regulatory action,

require the parties to support and defend such agreement before governmental agencies or courts.



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PG&E shall not include in any unilaterally filed rate schedule any provision giving PG&E the right to withdraw service or terminate the rate schedule in the event of adverse regulatory action or positions taken by NCPA or any other NE or NDS before any governmental agency or court.

