



**Consumers  
Power**

**POWERING  
MICHIGAN'S PROGRESS**

General Offices: 1945 West Parnall Road, Jackson, MI 49201 • (517) 788-0453

**David P Hoffman**  
*Vice President  
Nuclear Operations*

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Nuclear Regulatory Commission  
Document Control Desk  
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DOCKET 50-255 - LICENSE DPR-20 - PALISADES PLANT -  
TRANSFER OF PLANT OWNERSHIP TO PALISADES GENERATING COMPANY - ADDITIONAL  
INFORMATION (TAC NO 72245)

NRC letter dated July 25, 1990 requested Consumers Power Company's response to a series of five questions relating to Palisades Generating Company stockholder's financial liability and equity responsibility. The following is our response.

Question 1

What is the dollar liability of the stockholders in the event of a contingency whose cost exceeds the amount originally contributed by them"

Response

PGC's stockholders, as such, have no liability beyond their initial investments. However, Consumers Power and Bechtel Power Corporation (but not Westinghouse) have each committed to provide up to \$20 million (\$40 million total) to PGC to fund capital expenditures determined by PGC's Board of Directors to be necessary, to the extent other funds are unavailable, during the first seven years after the title transfer. In return, Consumers and Bechtel would receive PGC preferred stock. The commitment of Consumers and Bechtel will be excused if PGC's Board of Directors determines that further operations of Palisades is not economically feasible. In the example given, where debt financing (including working capital lines of credit) is exhausted or unavailable, PGC would look to any continuing revenues under the Power Purchase Agreement ("PPA") with Consumers, to its cash on hand, and to its insurance. If shutdown were required, Consumers as the operator would have the obligation to place and maintain the plant in a safe shutdown condition even if PGC is unable to pay Consumers under the Operating Agreement.

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Question 2

Also relating to any contingency situation as described in question 1, would each party forego its initial investment and pay no more? Or would the excess amount above and beyond the original equity investment be paid by each party based on their proportional share of ownership?

Please define exactly how this sort of event would be resolved.

Response

See Response No. 1. If all funding sources were exhausted and operation of the plant by PGC were no longer feasible, bankruptcy would be a possibility, in which event the shareholders could lose their equity investments. Creditors or their transferees might, if licensed, thereafter repair and operate the plant. Failing that, the plant would presumably be decommissioned. Funds for decommissioning would be obtained from the decommissioning trusts. If sufficient funds had not yet accumulated in the trusts, the PPA provides for the recovery of additional decommissioning charges from Consumers to fund the balance, subject to FERC concurrence in the manner in which the charges are calculated.

Question 3

At about what capacity factor does Consumers' obligation take effect to make purchases of and payments for Available Energy? (p 9 of Power Purchase Agreement)

Response

Rather than establishing an energy production level above which Consumers is obligated to pay for Available Energy, Section 7 of the PPA establishes an energy production level below which Consumers is entitled (but not required) to terminate its obligation to purchase Available Energy. The stated energy production level below which Consumers can terminate is 675,000 megawatt-hours in each year during any period of three consecutive full calendar years. This production level equates to approximately a 10 percent capacity factor for the Palisades Plant. Such a termination by Consumers under Section 7 does not terminate Consumers' obligation to pay decommissioning charges pursuant to Section 10.3 of the PPA and nuclear insurance and Price-Anderson costs arising from events occurring before the termination.

Question 4

Who pays for maintaining the Palisades Plant in a safe and stable condition in the situation arising in question 3, where Consumers' is not obligated to make payments?

Response

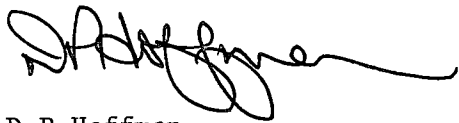
Consumers' contractual obligations under the Operating Agreement (which is independent of the PPA) would remain unaffected by termination of its obligation to purchase Available Energy pursuant to Section 7 of the PPA. Even if PGC should default on its obligation to pay Consumers for its services as plant operator, Section 9.3 on page 27 of the Operating Agreement would require Consumers to continue to perform such services to the extent necessary to maintain the Plant's operating license in full force and effect until transferred to a successor operator. Any successor operator would, of course, have to be licensed by the NRC.

Question 5

Who pays to maintain Palisades in a safe and stable condition under the outage condition described in the License Change Request, revision 1, p 8 and the condition described in 10.1.4, p 22 of the Power Purchase Agreement?

Response

As Section 10.1.4 of the PPA indicates, Consumers is obligated to pay a minimum capacity charge after the 91st and through the 365th day of an outage, except under certain circumstances. During the first 91 days of a unit outage, or after the 365th day of a unit outage, Consumers is not required to pay the minimum capacity charge. Even if revenues, cash on hand or sources of debt financing were not available during the outage period to continue to pay Consumers for its services as operator, Consumers would be obliged to maintain the plant in a safe and stable condition. See the response to Question 4. In such event Consumers would become a creditor of PGC for the unpaid cost of the services.



D P Hoffman  
Vice President  
Nuclear Operations  
Palisades Plant