

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of)	
PACIFIC GAS AND ELECTRIC)	NRC Docket No. P-564A
COMPANY)	
(Stanislaus Nuclear Project,)	
Unit No. 1))	

NRC STAFF'S SUBMISSION OF SELECTED DISCOVERY DOCUMENTS
RESULTING FROM PG&E'S PRODUCTION OF "GREEN-DOTTED" DOCUMENTS

INTRODUCTION

At the last Conference with Counsel, May 15-17, 1979, the Licensing Board requested Staff and Intervenors to submit to the Board on July 9, 1979, 50 documents resulting from PG&E's production of the so called "green-dotted" category of discovery documents. The term "green-dotted" documents has been used to describe those discovery documents which are being produced by PG&E pursuant to the April 25, 1978, "Stipulation Concerning Production of Documents." The documents submitted herewith, to Staff's knowledge, were not produced by PG&E pursuant to the Department of Justice's Civil Investigation Demand ("CID") several years ago. They therefore serve to enable the Board to evaluate the current document production effort underway in this proceeding.

As requested by the Board, the Staff will describe the significance of the documents submitted herewith and the relationship of many of the documents to the inadequacy of the PG&E Commitments to remedy the situation alleged to be inconsistent with the antitrust laws. Before doing so, however, some general comments are appropriate.

The Staff believes that the production of documents from the so called green-dotted category of documents has been very useful and continues to be very helpful to the Staff in enabling it to educate itself concerning the

issues in this case. The Staff believes that the documents it is submitting herewith are what it considers to be "good" documents; i.e., documents which educate the Staff concerning the competitive situation in California and the various allegations that have been made concerning that competitive situation and PG&E's position and conduct therein. It follows that it is not necessary for a document to establish any liability on the part of PG&E before it can be considered a document worthy of the massive discovery effort that is underway in this case. At this point in the proceeding, the Staff is simply seeking to learn as much as it can about the situation in California involving PG&E and the various allegations that have been made by the intervenors.

Keeping that in mind, it is important to emphasize the distinction between the role of the Staff in this case at this time and that of the intervenors and PG&E. They, unlike the Staff, are entities which have been engaging in the electric utility business with one another in California for decades. They come to this proceeding more or less knowing what they believe to be true about PG&E's position and conduct in the bulk power supply markets in California. The Staff, however, has been introduced relatively recently to the situation in California. We, therefore, are just in the process of learning about an extremely complex situation involving various relationships of a number of entities in the electric utility business in California and nearby states. The Staff therefore suggests that the documents submitted herewith are good, important documents from point of view of the Staff learning about the situation which is the subject of this proceeding.

The Staff believes that the production of green-dotted documents is worthwhile and necessary. The number of "good" green-dotted documents is a small percentage of the total number produced, but there are several reasons why this is so: First of all, as the Board is aware, there appears to be a large number of highly relevant documents stored in a warehouse to which intervenors and Staff have not had access and from which there has not yet been any production by PG&E. From PG&E's own description of those documents on the warehouse transmittal slips, we would expect that a fairly high percentage of those documents would be good documents. Since these documents that are presently in the warehouse to a large extent were not in the files when the intervenors and the Staff searched PG&E's files pursuant to the April 25th Stipulation, it follows that the density of so called good documents from those files was necessarily reduced. Secondly, PG&E has not yet submitted any claims of privilege. We would expect that there will be a fairly large number of such claims made by PG&E which will be contested by intervenors or the Staff. If such is the case, we would expect that a certain number of the documents claimed to be privileged by PG&E will ultimately be determined by the Board not to be privileged and, when produced will turn out to be good documents. Finally, PG&E has made it clear to the Board that initially its clerks were categorizing as privileged or irrelevant and sensitive, and therefore not producible in this proceeding, a large number of documents which ultimately were determined by PG&E's attorneys to not be entitled to any claim of privilege or properly categorized as irrelevant and sensitive. Intervenors and Staff have yet to receive any of those documents, and we would expect those to contain a high percentage of good documents.

DESCRIPTION OF THE SUBMITTED DOCUMENTS

There have been a number of allegations made in this proceeding concerning the United States Department of Interior, Bureau of Reclamation, Central Valley Project Contract with the Pacific Gas and Electric Company for the Sale, Interchange and Transmission of Electric Capacity and Energy, Contract No. 14-06-200-2948A, otherwise known as the "PG&E-CVP" contract (#2948A). For example, it has been alleged that PG&E prevents the Bureau of Reclamation from serving preference customers by refusing to wheel, that the contract unreasonably places maximum limits on preference customer loads served by the Bureau, that PG&E has obtained for itself the right to all excess capacity and energy of the Central Valley Project, that PG&E has an unreasonable right to certain Northwest capacity and dump and exchange energy, and that other capacity or energy obtained by the Bureau of Reclamation can't be connected to PG&E's system without PG&E's consent. It has been alleged that this contract unreasonably limits the area in which, and the preference customers to which, PG&E will wheel CVP power, and that the contract in part constitutes a territorial allocation. The Staff has found a number of documents which bear on the subject of the PG&E-CVP contract and the various allegations that have been raised concerning it.

Attachments 1 through 7 relate to the subject of the PG&E-CVP contract. Attachment 1 is an internal U.S. Bureau of Reclamation memorandum dated May 22, 1950 (PG&E Document No. ZAT 1070397) which describes the fundamental contract principles from the viewpoint of the Bureau of Reclamation which should be observed in its negotiations with PG&E for the PG&E-CVP contract. This document outlines the principles which the Bureau expected to have embodied in the PG&E-CVP contract and is significant from the Staff's point of view in understanding the PG&E-CVP contract and in understanding the position that the Bureau of Reclamation took in negotiating that contract and in understanding what the

Bureau of Reclamation attempted to accomplish by that contract. It would be essential to have this document in the Staff's analysis of the PG&E-CVP contract and in determining whether or not the various allegations concerning the restrictions in that contract are reasonable under the circumstances and in determining what purpose is served by the various provisions alleged to be restrictive and anticompetitive.

Attachment 2 (PG&E Document No. ZAT 1070417) is a January 27, 1967 Interim Staff report of the House of Representatives Natural Resources and Power Subcommittee of the Committee on Government Operations concerning, among other things, then proposed contracts relating to the Pacific Northwest-Southwest Intertie, one of which was the PG&E-CVP contract. This document contains an analysis of the deficiencies of the PG&E-CVP contract from the point of view of an independent body. It provides an explicit and detailed analysis of the various deficiencies and inadequacies of the proposed PG&E-CVP contract as seen by the Staff of the Subcommittee, many of which are considered to be anticompetitive. This document undoubtedly will assist the Staff in evaluating the various provisions of the PG&E-CVP contract which have been alleged to be restrictive and anticompetitive.

Attachment 3 (PG&E Document No. ZAT 1070403) is a June 29, 1950 Bureau of Reclamation internal memorandum concerning a meeting with PG&E representatives on June 27, 1950, apparently one of the negotiating sessions which led to the PG&E-CVP contract. This memo details the position that was taken at that meeting and during those negotiations by PG&E with respect to various proposals advanced by the Bureau. For example, the document shows that the Bureau expected to transmit power to load centers with no contract restriction which would in any way handicap or prevent the Bureau from tying in power developments in the San Joaquin Valley with the remainder of CVP should the Bureau desire to do so.

The memo shows that in response to this, PG&E would not state definitely whether it was willing to accept such a position, but goes on to explain that PG&E representatives "reiterated their old story that one of the principle purposes of this contract, from the Company's standpoint, was to prevent the Bureau from building transmission facilities. They stated frankly the Company wanted to be free to oppose Bureau requests for appropriations for any transmission line, including backbone transmission." This is obviously highly relevant to the issue of PG&E's monopolization of transmission and PG&E's preventing other entities from building their own transmission in PG&E's service area. The document goes on to make it clear that PG&E representatives were explicit in their fear that the Bureau would build up an independent distribution system which would be available to serve preferred customers and would enable the Bureau gradually to become independent from PG&E with the ability to operate its own system. Another point discussed in this contract is the ability of the Bureau to serve preference customers coming into existence after the execution of a contract in an area or community in which PG&E was then presently serving at retail. The contract as it is now written prevents the Bureau from serving any customers in areas in which PG&E was at that time serving at retail. We see from this memo that according to the Bureau, PG&E took a very strong position that it would not place itself in a position where the Bureau could compete for presently existing PG&E retail customers and thereby allow public power to become active and similarly compete for existing company customers.

Attachment 4 (PG&E Document No. ZAM 084074) is a September 7, 1972 letter from the Chairman of NCPA to the Assistant Secretary for Water & Power of the Department of Interior. The letter explains that it is the position of NCPA that the Bureau of Reclamation had invoked the PG&E-CVP contract to (1) refuse to wheel power for NCPA without PG&E's consent, (2) refuse to arrange for PG&E to

wheel NCPA power, and (3) refuse to negotiate for the purpose of power and energy from NCPA for redelivery to preference customers. The letter goes on to call for a modification of the Bureau's negotiating position in connection with a proposed Bureau-NCPA agreement. Attachment 5 (PG&E Document No. ZAM 084071) is a reply to this letter from the Bureau dated October 6, 1972. In this reply the Bureau states its position that it disagrees with the allegations in NCPA's letter with an explanation as to why it disagrees. These documents assist the Staff in evaluating NCPA's allegations, the position that the Bureau of Reclamation took on those allegations, and the relationship of the Bureau's position to the position taken by PG&E.

Attachment 6 (PG&E Document No. ZAM 084750) appears to be a May 18, 1972 Department of Justice memorandum which is entitled "Santa Clara's Needs To Alleviate Antitrust Restraints". This document details the provisions of the PG&E-CVP contract which, in the opinion of the Justice Department, are anti-competitive and restrictive vis a vis Santa Clara. The document outlines all the changes that should be made to the PG&E-CVP contract to remove the restrictive provisions and the anticompetitive effects of that contract on Santa Clara.

Attachment 7 (PG&E Document No. AXF 522658) is an April 25, 1972 letter from PG&E to the City Manager of the City of Davis, California concerning the University of California at Davis as a preference customer of the Bureau of Reclamation Central Valley Project. This letter essentially constitutes a refusal by PG&E to wheel Bureau-CVP power to the University of California at Davis because of the PG&E-CVP contract provision which provides that PG&E need only wheel to Bureau customers which are located outside the corporate boundaries of municipalities which are served at retail by PG&E.

There have been a number of allegations in this proceeding concerning PG&E's treatment of cogenerators and industrial generators and PG&E's refusal to wheel from those types of entities to various electric utilities. Attachments 8 through 16 relate to the subject of cogeneration and industrial generators.

Attachment 8 (PG&E Document No. ZAM #1062188) is a March 2, 1978 letter from PG&E to the State of California Energy Resources Conservation and Development Commission in response to questions posed at an Energy Commission hearing. The Energy Commission requested that PG&E supply it with the criteria PG&E uses to analyze wheeling requests. PG&E stated that if the request to wheel a cogenerator surplus power fell within the requirements of the PG&E Stanislaus Commitments or applicable law, then PG&E would wheel as a matter of course; otherwise, PG&E would consider the request to wheel on a case-by-case basis and enter into arms length negotiations. This letter goes on to outline the criteria which PG&E would use in considering requests to wheel power. It is interesting to note that, as explained by the Staff in "NRC Staff's Preliminary Comments Concerning the PG&E Commitments", submitted to the Board on February 23, 1979, that the PG&E Commitments exclude cogenerators from those entitled to the benefits of the Commitments, and that the Commitments do not require PG&E to wheel from industrial cogenerators. The Staff therefore wonders what PG&E meant when it said that it would wheel from a cogenerator if the request fell within the requirements of the PG&E Commitments, since apparently the PG&E Commitments don't require PG&E to wheel from a cogenerator. Related to this very issue is Attachment 9 (PG&E Document No. ZAM 1069702), which is a press release by PG&E for the newspaper The Sacramento Bee. PG&E states in this press release that it has offered to transmit Georgia Pacific Power for NCPA in accordance with the PG&E Commitments, but that because Georgia Pacific was not a public utility the Commitments did not require PG&E to wheel power from Georgia Pacific

and therefore PG&E had no obligation under the Stanislaus Commitments to wheel power from Georgia Pacific Company to NCPA. In essence PG&E is stating that while it will wheel power from industrial cogenerators pursuant to the Stanislaus Commitments, the Stanislaus Commitments don't in fact require PG&E to wheel power from industrial cogenerators. Another document related to this subject of wheeling from industrial cogenerators is Attachment 10 (PG&E Document No. ZAM 1069773), a December 30, 1977 internal PG&E memo to the file concerning a meeting between PG&E and the California Public Utility Commission on the subject of cogeneration. The document shows that the PUC asked if PG&E would provide wheeling service to industrial cogeneration partners. PG&E's response was that it would wheel power for neighboring entities under the PG&E-Stanislaus Commitments. As discussed immediately above, and in the Staff's preliminary comments concerning the PG&E Commitments, since those Commitments do not in fact require PG&E to wheel from cogenerators, PG&E essentially answered "no" to the PUC's question of whether PG&E would wheel from industrial cogenerators.

Attachment 11 (PG&E Document No. ZAM 1064216) is a March 22, 1979 letter from PG&E to the California Public Utility Commission submitting a quarterly status report on cogeneration projects. This document is useful to the Staff for the purpose of analyzing (1) the availability of power from cogeneration projects in or near California, (2) the extent to which there may be competition between or among PG&E and others for this type of power, and (3) the need for the PG&E Commitments to address PG&E's obligations to wheel from industrial cogenerators.

Attachment 12 (PG&E Document No. ZAM 1063265) is an April 3, 1979 internal PG&E memo also relating to the amount of cogeneration power that may be available.

Attachment 13 (PG&E Document No. AXF 527698) is a November 19, 1971 internal PG&E memo concerning the Dow Chemical Company and the possibility of a "serious threat" that Dow might market some of its surplus power to NCPA and others. Similarly, Attachment 14 (PG&E Document No. AXF 527688) which is a January 10, 1972 internal PG&E memo, also mentions the possibility of a "serious threat" that Dow will market its excess surplus to NCPA.

Attachment 15 (PG&E Document No. ZAL 1040586) is an agreement dated October 26, 1976 between NCPA and Georgia Pacific Company which provides for NCPA's purchase from Georgia Pacific Company of electric energy generated at Georgia Pacific's Fort Bragg plant which is surplus to the needs of Georgia Pacific. Attachment 16 (PG&E Document No. ZAL 1040589) is a November 1, 1976 letter agreement between NCPA and Georgia Pacific which amends the previously mentioned agreement (Attachment 15) by providing that the agreement between NCPA and Georgia Pacific is expressly conditioned upon NCPA's ability to reach agreement with PG&E for wheeling that Georgia Pacific energy to NCPA. These two documents show that NCPA is indeed competing with PG&E for cogeneration and that NCPA's

ability to compete with PG&E and to obtain power from other sources is dependent upon PG&E's agreement or obligation to wheel that power to NCPA. Once again, this relates directly to the PG&E Commitments because since they do not require PG&E to wheel power from industrial cogenerators, it is clear that NCPA cannot buy power from a cogenerator unless PG&E will voluntarily agree to wheel that power.

Attachments 17, 18 and 19 relate to the Shasta Dam Area Public Utility District.

Attachment 17 (PG&E Document No. ZAM 1064743) is an internal PG&E memorandum dated July 27, 1965 which reports on the loss of customers to the Shasta Dam PUD and the fact that PG&E's competitive pressure has caused Shasta PUD an increase in its electric accounts receivable and a decrease in electric demand from the PUD. The document states quite explicitly that Shasta Dam PUD's waiving of certain charges for electricity was a direct result of "increased competitive pressure" that PG&E has been putting on them and talks about meeting a "dangerous precedent" in order to avoid losing customers and the need on the part of PG&E to step up its competitive effort, which it states it is doing. This document (as well as several others that are related to it) requires analysis on the part of the Staff as to whether it is evidence of healthy competition or rather unfair methods of competition or competitive pressure which is a part of the alleged scheme to monopolize generation and/or transmission in PG&E's service area or other relevant markets. Similarly, Attachment 18 (PG&E Document No. ZAM 1064735) is a January 24, 1966 internal PG&E memo on the Shasta Dam area PUD, which once again talks about PG&E's increased competitive pressure showing results of increased expenses for Shasta Dam PUD and concludes that PG&E will "keep the pressure on". Attachment 19 (PG&E Document No. ZAM 1064736) is a similar document

which talks about the direct results of efforts by PG&E against Shasta Dam and what can be done with more tools and manpower.

Attachments 20, 21 and 22 relate to the subject of the development of geothermal energy in California.

Attachment 20 (PG&E Document No. ZAM 1086346) is a Proposed Decision Submitted by Northern California Power Agency before the California PUC concerning PG&E's application to construct and operate a Geysers Power Plant Unit No. 11. NCPA's proposed decision contains quotations from testimony given at the PUC hearing by Mr. Elmer E. Hall, PG&E's Chief Siting Engineer. Mr. Hall's testimony shows that it is PG&E's policy to not share transmission facilities or provide transmission service for NCPA if NCPA arranges for the purchase of geothermal steam in the Geysers area and plans to construct a geothermal generating plant. Mr. Hall testified explicitly that PG&E was not willing to enter into any reserve or standby agreements with NCPA concerning NCPA's geothermal development and that PG&E was opposed to generation by NCPA in the area of the Geysers. This document obviously relates to the allegation of PG&E's monopolization of generation and in particular PG&E's monopolization of and control over geothermal development in the Geysers area of California and PG&E's ability to deny access by others to geothermal development and the geothermal resources in the Geysers area.

Attachment 21 (PG&E Document No. AXF 572358) is a November 29, 1973 internal PG&E memo concerning a meeting with the City of Lodi and Lodi's desire to reopen discussions with PG&E relating to Lodi's and NCPA's independent development of geothermal generation at the Geysers and the transmission of that power to Lodi over PG&E's transmission lines. The document discusses Lodi's concern over PG&E's exclusive rights to purchase steam supply in the Geysers area. This document has attached to it another document (PG&E No. AXF 572359) which is a

November 21, 1973 letter from the City of Lodi to PG&E which describes an engineering study which was done for Lodi which demonstrates the feasibility of Lodi and other NCPA cities of financing, building, and operating geothermal power generating facility in the Geysers area. The letter goes on to explain however, that there are two primary areas of difficulty in NCPA implementing their plans for geothermal development, namely a source of steam and then the transmission of the power from the Geysers area to the NCPA members. These documents relate to the allegations of PG&E's monopolization of geothermal energy and the dependence of NCPA on PG&E for NCPA's own attempts to develop geothermal energy in California.

Along these same lines, Attachment 22 (PG&E Document No. AXE 846777) is a December 1, 1975 letter from the California legislature to the Director of the Department of Water Resources which describes the difficulty of municipal systems getting wheeling from the geysers area and urges the Department of Water Resources to develop geothermal energy and build its own transmission lines in order to take advantage of the potential of the Geysers area of California. This document shows the potential for competition between DWR and others for geothermal development and, as with Lodi and the other NCPA members, shows DWR's apparent dependence on PG&E for transmission of geothermal power from the Geysers area to the DWR system.

Attachment 23 (PG&E Document No. ZAM 1062202) is a February 5, 1979 memo which attaches the 1978 to 1998 electric load forecast of PG&E. This document and others like it are extremely useful for the Staff's presentation of its case in providing general background material and projections on the resources and load of the area. In particular, documents such as this are important for the Staff's analysis of PG&E's position in various relevant markets and the extent to which PG&E has monopoly power in those markets. More specifically

on page 4 of this electric load forecast, there appears the statement by PG&E that PG&E owns 76% of the electric generating capacity in the area. Obviously this type of information is important as far as calculating PG&E's market shares.

Attachment 24 (PG&E Document No. ZAL 1040346) a December 6, 1978 letter from the Department of Water Resources California Water Commission to PG&E president John F. Bonner discussing a California Water Commission workshop to assess coal as an energy source for the California State Water Project to be held on February 1, 1979. The letter invites PG&E's participation in the workshop but points out that the workshop should not be used as a forum to debate public vs. private power or the use of nuclear. The letter contains handwritten notes, believed to be by Mr. Bonner, which state that while PG&E should not debate public vs. private power or nuclear vs. coal, PG&E could attack state expenditures for studies and construction of state generating sources and transmission lines which are over and above the facilities needed for pumping power. It therefore appears that it is PG&E's wish that DWR not engage in electric energy transmission and generation except for supplying its own pumping load.

Attachment 25 (PG&E Document No. AXF 685931) a December 1, 1970 internal PG&E memo shows PG&E monitoring the possibility of DSR's studying the economic feasibility of constructing steam plant generation for its pumping load.

Attachments 26 through 29 and 43 through 45 relate to the Pacific Northwest-Southwest Intertie and surplus energy and capacity from the Northwest. Attachment 43 (PG&E Document No. ZAL 1072245) is an October 5, 1973 letter from Anaheim to PG&E asking PG&E whether it would object to a modification of the 7 Party Agreement to allow Anaheim to be a party to that agreement so that Anaheim would be able to purchase surplus Northwest power to which Anaheim is entitled as a preference

customer. Attachment 44 (PG&E Document No. ZAL 1072246) dated October 12, 1973 is PG&E's reply to Anaheim's request. PG&E replied that it would not modify the 7 Party Agreement to allow the inclusion of Anaheim and stated quite explicitly that it was PG&E's view that the 7 Party Agreement was a necessary counterbalance to the statutory preference rights of public systems. It thus appears that PG&E is openly taking the position that whatever surplus Northwest power is available to California companies can be excluded from the public systems by agreement of the California and Northwest private companies.

Attachment 45 (PG&E Document AXE 857271) is the California Company Pacific Intertie Agreement Coordination Committee Ruling Number 40 with an effective date of June 1, 1977. This document relates to the California Company Pacific Intertie Agreement between Pacific Gas & Electric Company, Southern California Edison Company and San Diego Gas & Electric Company dated August 25, 1966, and is helpful for the Staff in understanding how the Pacific Intertie agreement works in operation, how it is interpreted by the parties and how in practice the California Companies share the intertie facilities and share access to surplus northwest power.

Attachment 26 (PG&E Document No. AXE 846987) is an August 25, 1976 letter from Anaheim to PG&E requesting the terms and conditions under which PG&E would agree to allow Anaheim to participate in available excess or surplus transmission capacity in the AC intertie line in order to obtain surplus power from the Northwest. PG&E's response is Attachment 27 (PG&E Document No. AXE 846986) a letter dated October 1, 1976 in which PG&E states its position that capacity in PG&E's transmission system will be made available first to other power users in the PG&E service area before it is made available to other entities outside the PG&E service area. This position is also the basis for the provision in

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the PG&E Stanislaus Commitments which, in the transmission section, gives PG&E the right of first purchase of all power generated in the area by any entity before PG&E would be obligated under the Commitments to wheel that power outside the area. The reasonableness of this position is being evaluated by the Staff.

Attachments 28 and 29 (PG&E Document Nos. ZAL 1049275 and 274 respectively) are correspondence in 1975 between PG&E and Puget Sound Power & Light Company concerning substantial quantities of surplus energy available from the Northwest for exporting to California companies. The documents show that apparently this substantial quantity of surplus energy was offered to PG&E before any other entity in California including public entities which may have preference to that power. The extent to which this type of transaction is pursuant to the 7 Party Agreement and/or inconsistent with the Northwest preference laws is being studied by the Staff.

Attachment 30 (PG&E Document No. ZAL 1040936) is a September 11, 1970 letter from an NCPA attorney to the Sacramento Municipal Utility District ("SMUD"). This letter requests discussions with SMUD for cooperation between NCPA and SMUD in joint participation in a second SMUD generating unit and suggests that such cooperation is restricted by the PG&E-SMUD contract dated June 4, 1970. Attachment 31 (PG&E Document No. ZAL 1040934) is SMUD's reply dated September 14, 1970 which admits that NCPA's participation in SMUD's second thermal plant would indeed be precluded by the PG&E-SMUD contract. This letter goes on to explain the reasons for such a preclusion. The type of reasoning offered in this letter is being evaluated by the Staff.

Attachment 32 is a letter dated April 2, 1976 from PG&E to SMUD (PG&E Document No. ZAM 076143). This document shows that SMUD requested certain transmission service to be made available to it. PG&E's response, contained in this letter, is that the "companies" (the California Power Pool members) do not agree that SMUD

is entitled to request such transmission service. The letter shows that a copy of this reply went to the "other pool companies". The extent to which this type of response constitutes a concerted refusal to deal is being studied by the Staff.

One of the issues in this proceeding concerns competition between PG&E and municipal systems for the franchise to serve at retail within the municipal corporate limits. Documents in the possession of Staff show numerous hard-fought battles between PG&E and various municipalities concerning the franchise to serve in those municipalities. One such example is the attempt by the City of Berkeley to establish its own distribution system, Berkeley presently being served by PG&E.

Attachment 33 (PG&E Document No. AXF 605124) consists of handwritten notes, much of which is illegible, which discusses a celebration over PG&E's successful "knocking down repeated takeover efforts...". The extent to which PG&E has used either its alleged monopoly power and/or unfair methods of competition to successfully defeat attempts by municipalities to establish their own distribution systems, is presently being studied by the Staff.

Attachment 34 (PG&E Document No. ZAL 1040729) is a letter dated February 14, 1979 from Anaheim to Nevada Power Company, PG&E and Southern California Edison Company concerning Anaheim's attempted participation in the Allen Warner-Project, a coal project located in Nevada. The document shows Anaheim dependence upon other systems including PG&E and Edison, for transmitting such power to Anaheim before Anaheim could participate in such a project. The letter simply demonstrates the difficulty a small system like Anaheim experience in attempting to participate in projects. For example, Anaheim met with Nevada Power Company to discuss Anaheim's participation in the project. Nevada Power Company indicated that PG&E and Edison would be responsible for responding to requests for participation in the

project by utilities located in their respective areas, but when Anaheim contacted Southern California Edison Company about Anaheim's participation in the project, Southern California Edison Company told Anaheim that Nevada Power Company was responsible for considering such requests. Also, PG&E told Anaheim that Edison would be responsible for transmission facilities between the Allen-Warner Project and Southern California. This "run-around" led Anaheim to write to all three companies concerning its participation in the Allen Warner Project and request that a procedure be established for simply responding to Anaheim's request.

Attachment 35 (PG&E Document No. ZAM 1065101) is a draft with handwritten corrections of a September 25, 1967 letter from PG&E to the California PUC concerning the Westland's Water District. The document discusses the alternatives available to Westland, a preference agency which purchases from the Central Valley Project, for obtaining its electrical supply. The document states that other than the method selected under an existing contract, the most probable method for Westland's supply was for Westland to build its own transmission system. Such a system as described here would have paralleled part of PG&E's transmission system. The draft letter originally contained a statement that "... the necessity of not having a competitive system made it necessary for P.G. and E. to offer to distribute energy for Westland to the ultimate points of use." The handwritten comments show the deletion of the words "necessity" and "necessary" and a softening of the language so that PG&E's position is stated in terms of "economic waste" rather than of the "necessity of not having a competitive system."

Attachment 36 (PG&E Document No. ZAM 1075508) is an April 16, 1976 letter from the State of California State Lands Commission to PG&E which expresses concern over difficulty experienced by municipal systems in attempting to obtain contracts for wheeling power from existing and potential generating sources to their own systems, and proposes to include a special provision in leases for

transmission lines crossing state owned waterways. The provision would have required that whenever surplus capacity exists in such a transmission line crossing the state land, the excess capacity must be made available if requested to publicly owned distribution systems. Attachments 37 and 38 (PG&E Document Nos. ZAM 075474 and 496, respectively) are the replies of PG&E and Southern California Edison Company to this proposal. PG&E's reply, Attachment 37, makes explicit reference to the PG&E-Stanislaus Statement of Commitments and suggests that because of the Company's policy of providing transmission service pursuant to those Commitments, it is not necessary for the state to include such a wheeling provision in its lease documents. The soundness of that position is being studied by the Staff.

Attachment 39 (PG&E Document No. ZAM 1075413) is a recent electric resale service contract between PG&E and the City of Palo Alto. This contract contains the express provision that electric power and energy purchased by the City from PG&E shall not be sold, distributed or used by the city outside the corporate limits of the city except for service to the city's facilities or installations. The reasonableness of that restriction is being considered by the Staff. The contract also provides, interestingly, that it expressly does not in any way prevent the City from seeking to obtain electric power and energy from sources other than PG&E and the Bureau of Reclamation. The necessity for the inclusion of an express grant of authority to the city to obtain other sources of power and energy is being considered by the Staff.

Attachments 40 and 41 (PG&E Document Nos. ZAT 1074473 and 470, respectively) are correspondence between the City of Alameda and PG&E concerning a disputed portion of PG&E's electric service bill to the City. The correspondence shows that PG&E threatened to terminate service to the City of Alameda. The Staff has correspondence evidencing similar threats by PG&E to discontinue service to

other cities and is evaluating the reasonableness of such action by PG&E.

Earlier the Staff discussed Attachments 15 and 16, which showed NCPA's attempt to contract with Georgia Pacific for the purchase of surplus energy from Georgia Pacific's Fort Bragg plant and the amendment to the executed contract making the arrangement contingent upon NCPA's arrangement with PG&E for transmission services. Attachment 42 (PG&E Document No. AXE 857286) is a May 17, 1977 letter from PG&E to Georgia Pacific Company discussing a possible long term agreement between PG&E and Georgia Pacific for surplus from electric capacity and energy from Georgia Pacific's Fort Bragg plant. This document, in conjunction with Attachments 15 and 16, raises the question of whether or not PG&E refused to wheel power from Georgia Pacific to NCPA in part for the purpose of obtaining that power for itself. Admittedly, these three documents are not a complete record of the apparent competition for the surplus energy and/or capacity from Georgia Pacific's Fort Bragg plant. But these documents do demonstrate the way in which the Staff is putting together the pieces of various transactions which form the basis of the allegations that have been made in this case.

Attachments 43 through 45 were discussed supra at sp. 14-15.

Attachment 46 (PG&E Document No. ZAM 1062265) is a March 1, 1979 PG&E report to the California PUC on the forecast of planned transmission facilities. Documents such as these are important to the Staff in analyzing the extent of PG&E's control over transmission and PG&E's plans to maintain and/or increase that control over transmission.

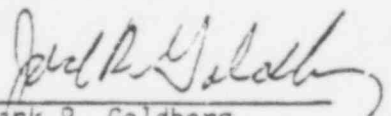
Attachment 47 (PG&E Document No. ZAT 1070614) is a March 12, 1973 statement of the Secretary of the Interior before the Federal Power Commission concerning the Pacific Intertie and the 7 Party Agreement. This document, as well as others like it, provides the Staff with important background information on the development and purpose of the intertie and the related contracts.

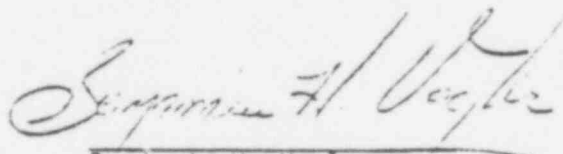
Attachment 48 (PG&E Document No. AXE 857102) is an August 26, 1977 letter from PG&E to the City of Palo Alto which shows that both PG&E and Palo Alto were competing for power from the same source and strongly suggests that PG&E's control of transmission resulted in PG&E's ability to close the deal to the exclusion of Palo Alto.

Attachment 49 (PG&E Document No. ZAT 1059138) is a PG&E report of a Healdsburg City Counsel meeting which shows that Healdsburg believed that PG&E's fuel cost adjustment to Healdsburg, which was 58% higher than what PG&E was charging PG&E's non-resale customers, was overtly intended to force resale cities out of the electrical business.

Finally, Attachment 50 (PG&E Document No. ZAT 1058246) shows the Healdsburg City Manager to believe PG&E to be "a real monopoly in action":

Respectfully submitted,


Jack R. Goldberg
Counsel for NRC Staff


Benjamin H. Vogler
Assistant Chief Antitrust
Counsel

Dated at Bethesda, Maryland
this 9th day of July, 1979

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of

PACIFIC GAS AND ELECTRIC
COMPANY
(Stanislaus Nuclear Project,
Unit No. 1)

)
)
)
)

NRC Docket No. P-564A

CERTIFICATE OF SERVICE

I hereby certify that copies of NRC STAFF'S SUBMISSION OF SELECTED DISCOVERY DOCUMENTS RESULTING FROM PG&E'S PRODUCTION OF "GREEN-DOTTED" DOCUMENTS in the above-captioned proceeding have been served on the following by deposit in the United States mail, first class, or, as indicated by an asterisk, through deposit in the Nuclear Regulatory Commission's internal mail system, this 9th day of July, 1979.

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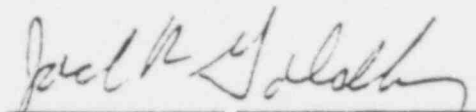
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Served without attachments.

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INTERIM REPORT

6-26-79

Accession No. _____

Contract Program or Project Title:

Subject of this Document: "LOFT Monthly Progress Report for April 1979"

Type of Document: Progress Report

Author(s): Various

Date of Document: April 1979

Responsible NRC Individual and NRC Office or Division: G. D. McPherson

This document was prepared primarily for preliminary or internal use. It has not received full review and approval. Since there may be substantive changes, this document should not be considered final.

for
Ray Rose
H. P. Pearson, Supervisor
Information Processing
EG&G Idaho, Inc.

Prepared for
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

INTERIM REPORT

NRC Research and Technical
Assistance Report

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