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January 11, 1980

Mr. Harold Denton
Director
Office of Nuclear Reactor
Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Donald L. Flexner, Esq.
Assistant Attorney General
U.S. Department of Justice
Washington, D.C. 20530

1766-189

In The Matter of Mississippi Power &
Light Company, Grand Gulf Nuclear Station
Numbers 1 and 2, Docket Nos. 50-416A and
50-417A.

Gentlemen:

We are in receipt of a copy of a letter dated December 10, 1979, addressed to you from counsel for Mississippi Power & Light Company ("MP&L"), the Applicant in the above-captioned proceeding. That letter purports to respond to the Department's letter of November 21, 1979, to the Nuclear Regulatory Commission. MP&L's letter represents that Condition 5 (wheeling of bulk power) has been satisfied by a settlement agreement entered into in FERC Docket Nos. ER78-583 and ER78-584. The Municipal Energy Agency of Mississippi ("MEAM") had originally hoped that this would be so. With this in mind, the Cities had accepted the representations of MP&L in the settlement negotiations that Section 50.10 of the Service Schedule E quoted at page 2-3 of MP&L's December 10 letter would, as a practical matter, be used to comply. It may be noted that that Section 50.10 obligates MP&L to transmit from any entity with which MP&L has an interconnection agreement. MEAM had accepted MP&L's representation that MP&L would work expeditiously to enter into

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Donald L. Flexner, Esq.

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an interconnection agreement with Gulf States Utilities which would permit the transaction between Lafayette, Louisiana, and certain of MEAM's members which has been stalled for well over a year, to take place on reasonable terms. Unfortunately, however, this belief appears to have been misplaced.

MP&L, in its December 10 letter, argues that nothing in Condition 5 of the construction permit requires MP&L to negotiate with another utility in order to reach an interconnection agreement to benefit MEAM or its members. It may be noted that Condition 5 requires MP&L to transmit from those utilities "to which licensees may be interconnected in the future as well as those that are now interconnected." (Emphasis added). Condition 5 does not even mention an interconnection agreement, or in any way limit MP&L's obligation to transmit to entities with which it has an interconnection agreement. Condition 5 refers to interconnections, rather than interconnection agreements. MP&L has long had and now has an interconnection with Gulf States.

MEAM has long been quite unsure what purpose was supposed to be served by MP&L's insistence that it have an interconnection agreement with Gulf States before it could begin to transmit the power which Gulf States has been willing to deliver to it on behalf of MEAM's members. MP&L has inferred to us that there must be a provision for accounting for inadvertent flows, or payment for excess flows, although it has never been able to clarify why this should be so.

MP&L, in its December 10 letter, attaches an October 16, 1979, letter from Norris Stampley, Vice President of MP&L, to Gulf States, asserting that MP&L is willing to execute an agreement with Gulf States. Unfortunately, there seems to be some confusion. On November 20, 1979, there was a meeting between MEAM members and MP&L, called to deal with joint planning for the future. We attach MEAM letters of November 21, and December 20, 1979, and a letter from Mr. Stampley to MEAM of December 4. While those letters reflect a disagreement upon the exact wording of certain conversations that had transpired, it seems reasonably clear that Mr. Stampley suggested that there was a real possibility that MP&L's affiliate, Louisiana Power & Light, would go to court to block any action which might ultimately be taken for transmission between Gulf States and MP&L, and suggested further that MEAM should agree to pay LP&L an additional transmission fee, the necessity for which we thought we had

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eliminated in the settlement at the FERC, rather than wait for MP&L and Gulf States to reach agreement. We attach as well a copy of a letter of December 14, 1979, from A. E. Naylor, Manager--Power Interconnections for Gulf States Utilities, to Mr. Stampley of MP&L which certainly appears to suggest that MP&L has declined to make available any service schedules to Gulf States in the interconnection agreement which MP&L now asserts it had proposed, apparently a substantial change from interconnection agreements previously proposed and agreed to by Gulf States.

It also appears from this correspondence that MP&L has proposed to Gulf States an Interconnection Agreement without service schedules, on the assertion that none are needed. If no service schedules are needed, of course, the MEAM view that no interconnection agreement is required for the needed transmission to take place is clearly established as correct. No interconnection agreement could be entered into without service schedules to permit accounting to take place. In sum, it seems that Condition 5 is plainly not yet satisfied.

MP&L's December 10 letter again asserts that Condition 4, access to the Grand Gulf nuclear units, is also satisfied. Apparently, MP&L believes that entities which are members of MEAM should agree to pay millions of dollars without any idea whatever of the terms upon which such dollars would be paid or what they would get for it. No offer has yet been made to MEAM, or its members, in spite of continued requests for an offer. While two years, as suggested by MP&L (December 10 letter, p. 5), may be ample time to evaluate an offer of participation and make a firm decision based thereon, the offer which is required must include the terms upon which MP&L proposes to sell and operate that unit, and none of those terms have yet been made known to MEAM.

If MEAM's objections to MP&L's lack of compliance with Conditions 4 and 5 are resolved, MEAM does not contend that MP&L is otherwise failing to comply with License Condition 2 (Interconnection and Coordination of Reserves), although MEAM does contend that MP&L has declined to sell power to generating cities within its boundaries at the same or similar terms and conditions as those that are available to cities that are not generating in competition with it, in violation of Condition 6.

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January 11, 1980

MEAM hopes that it will be possible to resolve these matters expeditiously. Time is running on these matters; the effects of the failure of MP&L to comply with these Conditions is now significant and appears likely to become more so. We regret to advise you that we believe the Antitrust Division's letter of November 21, still to be wholly in point.

Yours very truly,



Robert C. McDiarmid

Enclosures

cc: Troy B. Conner, Jr., Esq.
Frederick Chanania, Esq.
Richard M. Merriman, Esq.
Janet R. Urban, Esq.
David R. Hunt, Esq.
Mr. Marvin Carraway
Mr. C. M. Matthews

RCMcD:jbs

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rec'd 12/20/79

for M.E.A.M.

Miss Energy -

MUNICIPAL ENERGY AGENCY OF MISSISSIPPI

POST OFFICE BOX 846

GREENWOOD, MISSISSIPPI 38936

December 20, 1979

M.E.A.M.

CHARO M. WEBSTER, JR., CHAIRMAN
CHARLES H. MATHEWS, VICE-CHAIRMAN
JAYIN CARRAWAY, REC. TREAS.

MEMBERS:
LLOYD J. BINGHAM, DUBOY
CHARLES E. BURCHFIELD, MOBILE
NEST L. BUTTROSS, GUYTON
FRANK H. GIBSON, LEBANON
CHARLES H. MATHEWS, GREENWOOD
R. SEWARD, TAZOO CITY
WHY SHAW, ITA BONA
CHARO M. WEBSTER, JR., CLATBORNE

Mr. Norris L. Stampley
Vice President
Mississippi Power & Light Company
P. O. Box 1640
Jackson, Mississippi 39205

Dear Norris:

I am surprised by a couple of things in your December 4 letter. As I stated in my letter, we do hope that continued joint planning will be productive, but I am not sure I would describe our November 20 meeting exactly as you have.

More importantly, I understood you to say that you had given Gulf States an interconnection agreement draft with a transmission service schedule similar to those you now have with the Cities and SMEPA. We have received a copy of a letter from Al Naylor to you which seems to state that you have declined to offer service schedules necessary for an interconnection agreement and declined to transmit for Gulf States. Frankly, I don't see how we or anyone else could enter into an interconnection agreement pursuant to which energy will flow without some provision for accounting and payment. We all thought you had agreed at the FERC settlement meetings that MP&L would work in good faith toward a rapid interconnection agreement with Gulf States which would permit us to obtain the Lafayette energy and capacity we need without running the risk of the contractual and legal problems everybody who deals with LP&L seems to wind up with.

While you carefully note in your letter that you did not state that you had knowledge that LP&L would go to court if we bought power delivered by Gulf States to you, you certainly left that as a very strong impression at our meeting of November 20. We do not appreciate your suggestion that we had the contractual means of obtaining Lafayette power using the existing contracts of CSU, LP&L and MP&L. If any entanglements with LP&L require payments of high lawyer fees to defend your rights before you are through, the savings would be eaten up, even if there were savings.

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Mr. Norris L. Stampley
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December 20, 1979

after paying the extra, unnecessary transmission charge. In light of LP&L's position, which we understand to be beyond that claimed by anyone else in the Southwest Power Pool area, I think you can understand why none of us wish to get involved in dealings with them.

We certainly would appreciate your clarifying for us the difference in viewpoints appearing in your letter and in the letter sent you by Al Naylor.

Yours very truly,

Marvin L. Carraway
Secretary-Treasurer
Municipal Energy Agency of
Mississippi

cc: Mr. C. M. Mathews
Vice Chairman - MEAM

Mr. Charles Burchfield
Commissioner - MEAM

Mr. Al Naylor
Manager of Planning - CSU

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GULF STATES UTILITIES COMPANY

POST OFFICE BOX 2951 • BEAUMONT, TEXAS 77704

AREA CODE 713 838-6631

December 14, 1979

Mr. N. L. Stampley, Vice President
Mississippi Power & Light Company
P. O. Box 1640
Jackson, Mississippi 39205

Dear Norris:

As you are aware, we have been negotiating for months upon an appropriate interconnection agreement between our companies. Early in the year we exchanged drafts. In May we submitted to you a revised draft which we thought contained the significant changes you had requested. At that time we thought the agreement was substantially in final form for execution.

In mid-October you submitted to us a totally new draft of a proposed interconnection agreement, stating that it was adapted from one you had recently executed. Since your recent draft is significantly different in important respects from the previous drafts, we have tried to reconcile the differences, hopefully so as to permit each of us to be consistent with respect to the services we respectively offer.

With this in mind, we have taken your draft and made a few proposed revisions to it. Attached is a copy of your draft containing our proposed revisions. In the areas in which our respective positions differ materially or which are not covered in your proposed form of agreement, we suggest that each company incorporate its provisions into its service schedules.

For instance, we have provisions in our interconnection agreements regarding continuity of service and billing and settlement which are either not covered by or differ from the provisions in your proposed agreement. We suggest that our standard provisions be incorporated in the GSU service schedules attached to the interconnection agreement, and you incorporate your standard provisions in your service schedule. This would hopefully allow each of us to be consistent in imposing the same provisions with respect to services offered by each of us within our own service areas. If this sounds like an acceptable alternative, please let me know and we will promptly submit to you a proposed GSU transmission service

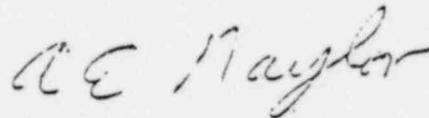
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schedule with our conditions included in it. We will also make the appropriate modifications, as outlined above, to our other service schedules which were included in the May draft. We would expect you to add the billing and settlement provisions which were contained in your interconnection agreement to your service schedules.

We have discussed with you our need for transmission service on your system. This letter constitutes our formal request that transmission service be made available to us on substantially the same basis as that we understand you are now offering to others. For this reason, we expect the interconnection agreement at least to include initially a service schedule providing such transmission service.

Please let us have your comments as soon as possible.

Sincerely,



A. E. Naylor
Manager-Power Interconnections

AEN:am
Attachment

cc: ✓ Mr. C. M. Mathews
Vice Chairman - MEAM

Mr. Charles Burchfield
Commissioner - MEAM

Mr. Jack Davey
Vice President & Chief Engineer - LP&L

Mr. John F. Vogt, Jr.
Vice President - Middle South Services

Mr. Marvin L. Carraway
Secretary-Treasurer - MEAM

Mr. C. M. Mathews



MISSISSIPPI POWER & LIGHT COMPANY

Helping Build Mississippi

P. O. BOX 1640, JACKSON, MISSISSIPPI 39205

NORRIS L. STAMPLEY
VICE PRESIDENT

December 4, 1979

POOR ORIGINAL

Mr. Marvin L. Carraway
Secretary-Treasurer
Municipal Energy Agency of Mississippi
Post Office Box 866
Greenwood, MS 38930

Dear Marvin:

Thanks for your letter of November 21, 1979 which outlined your understanding of some matters discussed in our meeting on November 20.

I agree that the November 20 meeting was productive and we look forward to continued joint planning as together we seek to meet the energy needs of western Mississippi. The meeting was arranged for the specific purpose of joint planning for future generation additions, "with specific reference to our future coal-fired units," and the framework was laid for this activity.

In addition to the long range generation planning, you brought up the matter of transmission of power from Lafayette, Louisiana to you. You are correct in stating that MP&L is ready to transmit power from our interconnection with Gulf States (GSU) to you as soon as we execute and file an interconnection agreement and GSU advises that they will deliver the power to us. Our most recent suggestion to GSU was that we sign an interconnection agreement patterned after the one recently entered into with SMEPA, but without any service schedules. We have offered to continue negotiations with them on a revised agreement with or without service schedules after execution of such a document. As you stated, we did contact GSU on October 30, 1979 and asked their cooperation in expediting this matter. We again contacted them on November 26, 1979 in this same regard.

I believe you have misinterpreted my comments about the position of MP&L relative to power flows from Lafayette to you. How the power flows from Lafayette to GSU is no concern of ours. I did state that it is my understanding that MP&L believes it would be entitled to remuneration for such transactions as they stated in their letter of April 23, 1979 to Mr. Mathews.

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MISSISSIPPI POWER & LIGHT COMPANY

Mr. Marvin L. Carraway
December 4, 1979
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However, I did not intend to indicate that I had knowledge that they would go to court seeking such payment, and LP&L will have to speak for themselves in this issue. I did state that Greenwood and Clarksdale had the contractual means of immediately obtaining the Lafayette power using existing contracts of GSU, LP&L and MP&L. It is Greenwood and Clarksdale's selection to choose a path for which a contract did not exist, which in itself causes a delay, but furthermore, has chosen to ignore the physical use of the LP&L transmission because a contractual path might have permitted this position. MP&L takes no position on any use of another system and will deliver to Clarksdale and Greenwood any power delivered to its system by any entity for that purpose. Nevertheless, because of Clarksdale and Greenwood's choice, the residents of Clarksdale and Greenwood may have been deprived of this low cost energy source for many months (since August 28, 1978) with no obvious benefits.

We look forward to further joint planning with the Cities.

Sincerely,

Nevis

NLS:dp

cc: Mr. C. M. Mathews ~~←~~ THIS COPY FOR
Vice Chairman - MEAM

Mr. Charles Burchfield
Commissioner - MEAM

Mr. Jack Davey
Vice President & Chief Engineer - LP&L

Mr. Al Naylor
Manager of Planning - GSU

POOR ORIGINAL

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NOV 23 1979

MUNICIPAL ENERGY AGENCY OF MISSISSIPPI

POST OFFICE BOX 868

GREENWOOD, MISSISSIPPI 38930

November 21, 1979

M.E.A.M.

RICHARD M. WEBSTER, JR., CHAIRMAN
CHARLES M. MATHEWS, VICE-CHAIRMAN
MARVIN CARRAWAY, SEC. TREAS.

COMMISSIONERS:
BILLY J. BINEGAR, DURANT
CHARLES E. BURCHFIELD, KOSCIUSKO
ERNEST L. BUTTROSS, CANTON
PERRIN H. GRISSON, LELAND
CHARLES M. MATHEWS, GREENWOOD
E. R. SEWARD, YAZOO CITY
JIMMY SHAW, ITTA BENA
RICHARD M. WEBSTER, JR., CLARKSDALE

Mr. Norris L. Stampley
Vice President
Mississippi Power & Light Company
P. O. Box 1640
Jackson, Mississippi 39205

Dear Norris:

We believe our meeting on Tuesday, November 20, 1979, can prove to be productive and we would like to confirm our understanding of the matters discussed.

As we discussed with you and your planning staff, we need to resolve whatever problem now prevents our consummating the Lafayette, Louisiana transaction as soon as possible to be better able to project our requirements. We understand from your comments that you have had no further contact with Gulf States Utilities since immediately after our last meeting on October 30, 1979. You informed us that the document that you forwarded to GSU is similar to the filed SMEPA Agreement, that you have offered GSU the same transmission service schedule which has been agreed to by the Cities and SMEPA, and that you have agreed to continue negotiations with GSU for additional service schedules as required. You further suggested, however, that we should go ahead with Louisiana in the Lafayette transaction since we were just marking time and LP&L intended to go to court to obtain compensation if power flowed from Lafayette to the Cities. We understand that, while MP&L is prepared to transmit directly from GSU to the Cities and you have stated your desire to conclude negotiations with GSU, it is your view that LP&L believes it would be entitled to some remuneration and would go to court seeking payment and, therefore, we might be better off starting the transaction immediately by going ahead and making arrangements with LP&L initially. Of course, you know our position is and always has been that the Lafayette transaction should be accomplished without any interference by LP&L. We prefer not to have any contract or other dealings with LP&L in this transaction and we want to keep the arrangements as simple as possible rather than complicated.

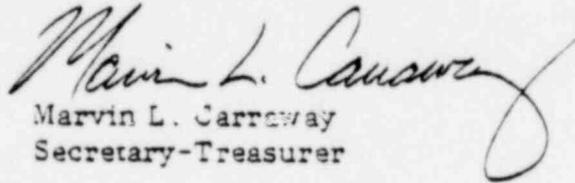
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Mr. Norris L. Stampley
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November 21, 1979

We certainly appreciate your willingness to supply us with copies of the SMEPA Service Schedules and the participation agreement with the understanding that they would be used as possible patterns for future agreements with the Cities.

We look forward to our future meetings concerning our joint planning for the future.

Yours very truly,


Marvin L. Carroway
Secretary-Treasurer

MLC:

cc: Mr. C. M. Mathews, Vice Chairman
Mr. Charles Burchfield, Commissioner

bc: Mr. Robert C. McDiarmid
Mr. David R. Hunt