



ANAHEIM PUBLIC UTILITIES DEPARTMENT

Office of The General Manager

January 8, 1980

Mr. Argil Toalston, Chief
Power Supply Analysis Section
Antitrust and Indemnity Group
Office of Nuclear Reactor Regulation
Nuclear Regulatory Commission
Washington, D. C. 20555

Re: San Onofre Nuclear Generating Station, Units 2 and 3

Dear Mr. Toalston:

You have requested that the City of Anaheim answer specific questions in connection with your review of the operating license applications for San Onofre Nuclear Generating Station, Units 2 and 3. Our answers to those questions are as stated below.

The City of Anaheim, along with the City of Riverside, is a prospective participant in the San Onofre Nuclear Generating Station, Units 2 and 3. Both Cities are concerned that the operating license for both units be issued as quickly as possible. While there are certain matters at issue between each of the Cities and Southern California Edison Company (Edison), the predominant participant in the San Onofre plant, these matters are currently the subject matter of ongoing litigation between the Cities and Edison at either the Federal Energy Regulatory Commission, or in the Federal District Court. The Cities urge that the NRC staff take all steps necessary to complete its review as quickly as possible and grant the operating licenses for the San Onofre Nuclear Generating Station, Units 2 and 3.

Question 1:

In your March 24, 1978 letter to Mr. R. L. Myers of Southern California Edison Company, you stated that the California Energy Resources Conservation and Development Commission in reporting to the Legislature had suggested that the participants in the proposed Sundersert Nuclear Project purchase from Edison an interest in the Lucerne Valley Project. Please provide any documentation or other basis that would have suggested to the Energy Commission that Edison would offer or allow participation in Lucerne.

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Answer 1:

Anaheim has no information or documentation that would suggest that Edison would have allowed participation in its proposed combined cycle plant to be constructed in Lucerne Valley. Nor are we aware of any documentation which the Energy Commission had that suggested that Edison would offer or allow participation in that plant. In fact, pursuant to a letter from Robert L. Myers, dated May 1, 1978, (a copy of which is attached) Southern California Edison stated that it would not offer participation in the Lucerne Valley plant to Anaheim.

Question 2:

In October, 1976, you wrote to Mr. K. L. Turley, President of Arizona Public Service Company, expressing an interest to participate in an amount of 50 mw in each of the Palo Verde Nuclear Units 1, 2 and 3, together with the related transmission lines to California. What response did Anaheim receive? What transmission alternatives did Anaheim consider other than joint ownership with Southern California Edison? What are the reasons that Anaheim did not ultimately choose to participate in the Palo Verde Units? Under what conditions, if any, would Anaheim have chosen to participate in the Units? Under what conditions, if any, would Arizona Public Service Company have permitted Anaheim to participate in the Units? Do you know why LADWP chose to participate in the Units, whereas Anaheim did not? Do you know LADWP's arrangements for transmission from Palo Verde to California?

Answer 2:

Attached hereto is a copy of a letter from Thomas G. Woods, Jr., Executive Vice President, Arizona Public Service Company, dated October 28, 1976, stating that Arizona Public Service Company was unable to offer the City of Anaheim any of its ownership interest in the Palo Verde Nuclear Generating Station, Units 1, 2 or 3. Moreover, this letter indicates that Arizona Public Service Company did not have authority to dispose of the ownership rights of any other participant in the Palo Verde Nuclear Generating Station, Units 1, 2 and 3. At the time of the October, 1976 letter which I wrote to Mr. K. L. Turley of Arizona Public Service Company, it had been suggested that a transmission line from the Palo Verde Nuclear Generating Station would be looped in to the Sundesert Nuclear Project in which Anaheim was a proposed participant. Thus, it was contemplated that Anaheim could obtain joint ownership in the transmission lines from both of these projects. Anaheim would have considered any transmission scheme which provided for (1) Anaheim's rights to firm transmission over the system; and 2)

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Anaheim's cost would be based upon the cost of the transmission system. It should be noted, however, that Edison was, at that time, the only Palo Verde participant with a need to bring power west to California. Thus, Edison's proposed transmission line appeared to be the only viable proposal for transmission from Palo Verde. Anaheim was told that there was no available ownership participation to be acquired in the Palo Verde 1, 2 and 3 units. Anaheim would have participated in those units if ownership rights had been available. We do not know under what conditions, if any, Arizona Public Service would have permitted Anaheim to participate in the Palo Verde 1, 2 and 3 units. It is our understanding that the Los Angeles Department of Water and Power (LADWP) acquired from the Salt River Project (SRP) ownership rights in SRP's Coronado Generating Station. That arrangement provides that when the Palo Verde 1, 2 and 3 units become available that the ownership interest of LADWP in the Coronado units will transfer to the Palo Verde 1, 2 and 3 units. We are not familiar with LADWP's arrangements for transmission from Palo Verde to California.

Question 3:

Has Anaheim taken any services under its Integrated Operations Agreement ("IOA") and associated agreements with Edison? If not, why not? If so, has Anaheim experienced any particular difficulties? Did any outside engineering or economic consultants assist Anaheim in working out the terms and conditions of the IOA and related agreements? Have the terms and conditions of the IOA and related agreements been interpreted as Anaheim initially understood them? If not, what changes in the interpretation have occurred?

Answer 3:

Anaheim entered into the Integrated Operations Agreement with Edison on November 29, 1977. Prior to that date, Anaheim entered into an agreement with Nevada Power Company to purchase non-firm energy. Edison agreed to provide interruptible transmission for that energy from the Nevada-Edison interconnection point to the City of Anaheim. That energy was integrated by Edison in accordance with the terms of an Agreement of Integration and Transmission of Non-firm Energy with Anaheim. That Agreement was entered into prior to the conclusion of negotiations between Anaheim and Edison for the Integrated Operations Agreement. However, it was agreed that the parties would operate in accordance with Exhibit A of the Settlement Agreement between Anaheim and Edison and others, which Exhibit A contained the principles which served as the basis for the

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negotiations of the Integrated Operations Agreement.

Edison and Anaheim have had a dispute concerning Edison's obligations to provide Anaheim interruptible transmission service under the 1972 Settlement Agreement and subsequently the Integrated Operations Agreement. It is Anaheim's position that Edison is required by the terms of the Settlement Agreement to use its best efforts to provide interruptible transmission service over Edison's facilities for the City of Anaheim. Edison contends that interruptible transmission was not one of the services which it agreed to provide under the terms of the 1972 Settlement Agreement and, therefore, has refused to incorporate the provisions for interruptible transmission service as one of the services offered under the Integrated Operations Agreement. This is of particular importance since Edison is required under the Integrated Operations Agreement to schedule and dispatch all of Anaheim's integrated resources as if they were owned by Edison. As Edison contends that interruptible transmission is not one of the services that it is required to provide under the Integrated Operations Agreement, it has applied a different standard concerning the provision of interruptible transmission service. Edison's position is that interruptible transmission service for Anaheim is subject to interruption by Edison for any reason whether justified or not. Anaheim's energy from Nevada Power Company is not treated by Edison in the same manner as if it were Edison's own energy. It is treated as "second class" by Edison, and if Edison, for whatever reason, wishes to interrupt the transmission of that energy, it does so. The City of Anaheim thus has suffered numerous interruptions with respect to the transmission of energy from Nevada Power Company to the City of Anaheim. The unavailability of transmission has meant that Anaheim has been required to purchase higher price energy from Edison rather than take advantage of the lower cost energy available from Nevada Power Company.

The Integrated Operations Agreement contains a provision for the arbitration of disputes which arise between Edison and Anaheim. In addition, it would be the position of Anaheim that to the extent that the Integrated Operations Agreement is subject to the jurisdiction of the Federal Energy Regulatory Commission, disputes under the IOA could be brought before that Commission for resolution.

Question 4:

Are there any other matters that you are aware of that you think that the NRC staff should consider in its review as to whether antitrust related significant changes have occurred

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in Edison's activities?

Answer 4:

As indicated in the beginning of this letter, there are a number of issues in dispute between Anaheim and Edison. With respect to the wholesale rates which Edison charges Anaheim and its other wholesale customers, Anaheim, along with the Cities of Riverside, Colton, Banning and Azusa, California, have alleged before the Federal Energy Regulatory Commission in Docket Nos. E-8570, ER 76-205 and ER 79-150 that Edison's rates as filed create a "price squeeze" situation when compared with Edison's similar retail rates, and that this "price squeeze" results in price discrimination which is illegal under the Federal Power Act. The five Cities have also brought a treble damage antitrust suit in Federal District Court (Central District of California) alleging, among other things, that the price squeeze created by Edison's wholesale rates is illegal under the antitrust laws of the United States.

Anaheim, along with the other Cities, in their antitrust action against Edison in Federal District Court, have alleged that Edison's foreclosure of the bulk power supply market is in violation of the antitrust laws of the United States.

The Cities are also involved in litigation with Edison concerning Edison's activities to foreclose the Cities from access to alternative bulk power supplies. This litigation includes Docket No. E-7777 (Phase II) and Docket No. E-7795 before the Federal Energy Regulatory Commission. These proceedings concern investigation by the FERC of the California Power Pool, and Pacific Intertie arrangements, which are those arrangements concerning the transmission facilities between the Pacific Northwest and California. The Cities have alleged that Edison alone and in conspiracy with the California Power Pool companies have acted to foreclose the Cities, as well as other municipal systems in California, from access to available energy in the Pacific Northwest. Cities also alleged that Edison, alone and in conspiracy with the other California Power Pool companies, have agreed to divide the California bulk power supply market so as to insure that municipals located within the service area of one of the systems such as that of Southern California Edison Company, will not obtain power on an economic basis from other private utilities in California.

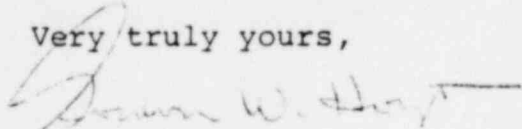
Thus, while Edison's activities with respect to Anaheim raises a number of significant antitrust questions, it is the position

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of Anaheim that these issues are being fully aired and litigated before other agencies including the Federal Energy Regulatory Commission and in the District Court.

We would again urge that action be taken by the NRC staff to complete its review and grant the operating license applications for the San Onofre Nuclear Generating Station, Units 2 and 3.

Very truly yours,



Gordon W. Hoyt
General Manager

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Southern California Edison Company

Pub
Project Commission

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ROSEMEAD, CALIFORNIA 91770

ROBERT L. MYERS
MANAGER OF RESALE AND SPECIAL SERVICES

May 1, 1978

D. E. SPARKS
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Mr. Gordon W. Hoyt
Utilities Director
City of Anaheim
P. O. Box 3222
Anaheim, California 92803

Dear Mr. Hoyt:

In your March 24, 1978 letter, you requested participation in ownership of the proposed Edison Lucerne Valley Combined Cycle Plant.

As you know, Section 8.1.1.3 of the Integrated Operations Agreement provides for possible participation by Anaheim in new jointly-owned generating units initiated by Edison. The Lucerne Valley project has been planned and is intended to remain as a solely-owned Edison project.

With respect to the Energy Commission suggestion to which you refer, it should be noted that Anaheim's participation in Lucerne Valley would not improve system reliability or increase resources available to the Edison control area. In that sense, Lucerne Valley should not be considered an alternative to the Sundesert Nuclear Project.

The coal gasification project you referred to is a research and development type project associated with Coolwater Generating Station, an existing Edison station.

Please call if any other questions arise concerning this matter.

Yours very truly,


R. L. Myers

CITY OF ANAHEIM
UTILITIES DIRECTOR

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GWH		EGA
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RAA	Recommendation	File
Action	Info	Comments

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Xerox to: Spiegel
Watts

ARIZONA  PUBLIC SERVICE COMPANY

P. O. BOX 21666 • PHOENIX, ARIZONA 85036

October 28, 1976

T. G. WOODS, JR.
EXECUTIVE VICE PRESIDENT

CITY OF ANAHEIM
UTILITIES DIRECTOR

Mr. Gordon W. Hoyt
Utilities Director
City of Anaheim, California
P. O. Box 3222
Anaheim, California 92083

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QWH
CHE
LMS Recommendation File
Attn: Info. Comments
KLD
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Dear Mr. Hoyt:

Your letter to Mr. Turley dated October 22, 1976 requesting an opportunity to participate in the Palo Verde Nuclear Generating Station has been referred to me for response.

The Palo Verde Station, which is currently under construction, is jointly owned by the following utilities with undivided interests in the ratios indicated: Arizona Public Service Company, 29.1%; Salt River Project Agricultural Improvement and Power District, 29.1%; El Paso Electric Company, 15.8%; Public Service Company of New Mexico, 10.2%; and Southern California Edison Company, 15.8%.

Arizona Public Service Company is the Project Manager and Operating Agent responsible for the construction and operation of the station. However, the responsibility given to Arizona Public Service Company to act as Project Manager and Operating Agent does not include any authority to dispose of the ownership or other rights in the station belonging to any other participants.

The size and the number of units of the Palo Verde Station, established upon the execution of the Arizona Nuclear Power Project Participation Agreement in August 1973, were based upon the aggregate of the needs of all of the then participants for additional generating resources in the early 1980's. Since that time, changes in circumstances affecting Arizona Public Service Company have accentuated its need for the additional generating resources to be provided by its share of Palo Verde. In fact, we would like to increase our participation in Palo Verde if we are able to do so and have so advised some of the other Palo Verde participants. Accordingly, Arizona Public Service Company is unable to offer to the City of Anaheim any of its 29.1% ownership interest in any of the Palo Verde units.

By the terms of the Participation Agreement all transmission facilities associated with Palo Verde are excluded from the described joint ownership arrangements.

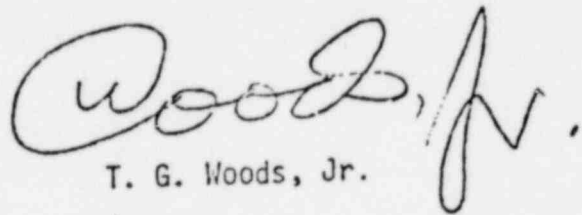
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Arizona Public Service Company

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Further, Arizona Public Service Company presently does not contemplate acquiring any ownership interest in any transmission facilities for the delivery of power from Palo Verde to California. Accordingly, we are unable to offer the City of Anaheim any ownership interest in transmission lines that may be required to serve the City of Anaheim.

Sincerely,

A handwritten signature in cursive script, appearing to read "Woods, Jr.", written in dark ink.

T. G. Woods, Jr.

TGWJr:dw

cc: K. L. Turley

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