

UNITED STATES OF AMERICA  
BEFORE THE ATOMIC SAFETY & LICENSING BOARD  
NUCLEAR REGULATORY COMMISSION

In the Matter of )  
 ) Docket Nos. 50-329A  
CONSUMERS POWER COMPANY ) 50-330A  
Midland Plant, Units 1 and 2 )

ERRATA TO PROPOSED LICENSE CONDITIONS

On September 25, 1979, Consumers Power Company and the Intervenor in the above captioned proceeding attached proposed antitrust license conditions to their Joint Motion of Consumers Power Company and Intervenor Supporting Imposition of License Conditions.

Recent review of that attachment revealed three minor errors which require correction. I am attaching a list of these corrections and a brief explanation of them. Also attached is a complete set of the proposed license conditions which reflect the referenced corrections.

I am authorized to state that counsel for the Intervenor, the Department of Justice and the Commission Staff concur in these corrections. We regret any inconvenience to the Board occasioned by this filing.

Respectfully submitted,

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November 28, 1979

ERRATA TO LICENSE CONDITIONS

1. On page 7, last line, insert "and," after "sales)".

Explanation: This reflects correction of a typographical error and would conform with previous drafts.

2. On page 8, line 7, insert "as a part of" after "provide for".

Explanation: This is clarifying language which insures that under the circumstances described in the sentence the reserve responsibility is not construed to constitute only the increment in question. Such a construction would clearly not reflect the intent of the parties.

3. On page 13, line 18, insert after "executes" the phrase ", within one year after execution of letter of intent," and strike the phrase from the end of the same sentence.

Explanation: Moving the phrase in question within the sentence clarifies the intent of the parties that the phrase modify "executes".

MIDLAND NUCLEAR POWER STATION, UNITS 1 AND 2  
PROPOSED LICENSE CONDITIONS

I. DEFINITIONS

1. As used herein:

(a) "Licensee" means Consumers Power Company, or any successor or assignee of this licensee and includes each present or future subsidiary in which Licensee owns more than 50% interest and any successor thereto.

(b) "Bulk power" means the electric power and attendant energy supplied or made available at transmission or subtransmission voltage for resale.

(c) "Neighboring entity" means a private or public corporation, a governmental agency or authority, a municipality, a cooperative, or a lawful association of any of the foregoing, which is all or partially in Licensee's service area (as defined below) and which meets each of the following criteria: (1) its facilities, existing or proposed in the immediate future following a proposal for arrangements under these conditions, are economically and technically feasible of interconnection with those of the Licensee; (2) it owns and operates or proposes to own and operate electric generation, transmission or distribution facilities or has joint ownership participation or contractual rights in generation, transmission or distribution facilities operated by others; and (3) with the exception of

generation and transmission cooperatives, municipalities, governmental agencies or authorities, and associations, it is, or upon commencement of operations, will be a public utility or cooperative and subject to regulation with respect to rates and service under the laws of the State of Michigan or under the Federal Power Act; provided, however, that as to associations, a majority of members of such association is either a public utility or cooperative as discussed in this clause (3) or a municipality, governmental agency or authority.

(d) "Neighboring coordinating entity" means a "neighboring entity" which is currently planning its future bulk power supply so that its "total generation capacity" (as defined below) will be at least equal to its projected peak load demand and reserve requirements established pursuant to Section 3(a) hereof. Total generation capacity shall be calculated as the sum of the system's (1) native installed capacity, (2) formally executed bulk power purchases (including purchases under a wholesale tariff) from or arrangements with Licensee or other parties for periods of one or more six-month peak load seasons and (3) participation in generating units of Licensee or other electric systems. An electric distribution system that satisfies its entire peak load demand with firm power purchases from another electric system (including an association of which it is a member) does not qualify as a neighboring coordinating entity.

(e) "Costs" means all appropriate costs, including a reasonable return on investment, which are reasonably allocable to an arrangement between two or more electric systems under coordination principles or generally accepted industry practices. In determining costs, no value shall be included for loss of revenues from a sale of power by one party to a customer which another party might otherwise serve.

(f) "Net benefits" means that, for each party thereto, the benefits derived from an arrangement exceed its costs. Receipt of compensation which covers Licensee's costs, in accordance with the applicable tariff or rate filed by Licensee with a regulatory authority, or established by such authority pursuant to a final, non-appealable order, shall be deemed to provide Licensee with net benefits as to such arrangement; provided that Licensee shall not decline to enter into an arrangement during the pendency of administrative or judicial proceedings involving filings applicable to such arrangement. Compensation under a tariff or rate applicable to a particular arrangement or a particular party shall not necessarily be deemed to provide net benefits as applied to different arrangements or different parties. In calculating net benefits from a particular arrangement, Licensee shall also take account of value (positive or negative) other than compensation under a rate or tariff, including impact on system reliability and risks of forced outage.

(g) "Integrated bulk power system" means the interconnected generation, transmission and sub-transmission facilities used to serve a system's principal load centers.

(h) "Licensee's service area" means all counties in Michigan's Lower Peninsula with the following exceptions: (1) the entirety of the counties of Berrien, Cass, Huron, Lapeer, Macomb, Sanilac, St. Clair and Wayne, and (2) the townships in which Licensee is not franchised to provide electric service in the counties of Van Buren, St. Joseph, Monroe, Washtenaw, Oakland, Tuscola and Livingston.

## II. GENERAL PRINCIPLES

2(a) The arrangements described in the following sections shall be of the types, and pursuant to terms and conditions, which are consistent with good industry practice. The terms and conditions of any individual arrangement shall be on a basis that will compensate Licensee for its costs incurred thereby. No party shall be obligated to enter into an arrangement if on balance there does not appear to be any demonstrable net benefit to such party arising from that arrangement. It is recognized that, in any particular arrangement the net benefits may not be equal or identical for each party and that the net benefits of an arrangement for a small system or for a system not theretofore engaging in such arrangements may be greater

than that realized by a larger electric system or one already engaging in such arrangements. The relative net benefits to be derived by the parties from a proposed arrangement shall not therefore affect a decision with respect to participating in any such arrangement, subject to the other terms and conditions of this license.

(b) Any neighboring coordinating entity entering into any arrangements provided for in these license conditions will be expected insofar as practicable and in accordance with good industry practice - taking into account laws, rules and other restrictions affecting taxation and financing - to grant reciprocal rights and benefits to Licensee, and to undertake reciprocal obligations with respect to Licensee. Nothing herein shall require a neighboring coordinating entity to construct generation facilities except where to do so is necessary to maintain its reserve obligations under Section 3(a) below.

(c) Interconnection, interchange of power, coordination or other arrangements under this license shall be required only if such arrangements would not adversely affect Licensee's system operations or the reliability of power supply to Licensee's customers or other electric systems with whom it has prior contractual commitments, and if such arrangements would not jeopardize Licensee's ability to finance or construct on reasonable terms facilities needed to meet its

own anticipated system requirements, including the sale of firm bulk power pursuant to Section 11(a) hereof.

(d) The following conditions shall be implemented in a manner consistent with the provisions of the Federal Power Act and other applicable regulatory statutes, regulations and orders. All rates, charges or practices in connection with any action taken by Licensee pursuant to this license, which are subject to the jurisdiction of a regulatory agency, are subject to the approval of that agency. Nothing in the foregoing shall be construed to waive any of the Licensee's rights or protection afforded by law with respect to the retail distribution of electricity in those areas of Michigan in which it transacts local business. Licensee shall not be required to enter into any final arrangement prior to resolution of any substantial questions as to the lawful authority of another party to engage in the arrangement.

(e) If Licensee participates in any of the following arrangements with an association of electric systems, Licensee shall not be obligated to take account of requests or requirements of members of that association which do not qualify as a "neighboring entity", as defined in section 1(c) hereof.

(f) Agreements implementing the following sections shall not impose limitations upon the use or resale of capacity and energy after delivery to a neighboring entity, except as may be necessary to protect the reliability of Licensee's system.

(g) Licensee shall also negotiate in good faith interconnection and other appropriate agreements with a neighboring entity which has bona fide plans to become a neighboring coordinating entity in the immediate future so as to permit such entity the opportunity to participate in arrangements described in the following sections as soon as it becomes a neighboring coordinating entity.

(h) The obligations set forth in the following sections shall be governed by conditions and limitations set forth in this section.

### III. COORDINATED OPERATIONS

#### 3. Obligation to interconnect and share reserves

(a) Licensee shall interconnect and enter into appropriate coordination agreements with a neighboring coordinating entity which so requests and operate normally in parallel in accordance with good operating practice, provided that a reciprocal plan of reserve sharing is agreed to by a neighboring coordinating entity as provided herein. Licensee and such entity shall jointly establish and separately maintain the minimum reserves to be installed or otherwise provided under such a plan in accordance with good industry practice. Further, under such a plan, Licensee shall not be obligated to agree that a party may maintain a minimum reserve percentage less than Licensee's own reserve percentage. The reserve requirement thus established shall be calculated as a percentage of peak load demand (adjusted for firm power purchases and sales)

and, except as provided herein, no party to the interconnection shall be required to maintain as its reserve requirement more than such percentage of peak load demand. If the reserve requirements of any party to a reserve sharing plan under this paragraph are increased over and above the amount such party would be required to maintain without such interconnection, then the other party shall be required to carry or provide for as a part of its reserve responsibility the full amount of kilowatts of such increase. If over a reasonable period one system demands emergency support from the other to a disproportionately greater extent than the system delivers such support, by reason of the unfavorable reliability experience of the receiving system's generation or transmission facilities, the receiving system shall take all reasonable steps to avoid such demands (e.g., by purchasing capacity and energy other than emergency energy, or other reasonable steps). Each party to any such reciprocal plan shall maintain such amounts of operating reserves as may be consistent with good industry practice and adequate to avoid the imposition of unreasonable demands on either party in meeting the reasonable contingencies of operating its own system. However, in no circumstances shall a party's operating reserve requirement exceed its installed reserve requirement.

(b) Interconnections with neighboring coordinating entities shall not be limited to lower voltages when higher voltages are requested and available from installed facilities

of the party to whom the request is made in the area where the interconnection is desired. Each party shall maintain control and metering facilities as required for safe and prudent operation of the interconnected system in accordance with good industry practice.

(c) The cost of interconnection facilities between Licensee and another system shall be allocated in a manner which takes account of the various transactions for which the interconnection facility is to be utilized.

(d) Except as provided in Section 10(a) infra, interconnections shall be made to the integrated bulk power systems of each entity. Any party may require that the transmission facilities between the interconnected parties meet reasonable protective standards to avoid credible contingencies cascading to areas outside of each party's system.

(e) Interconnection agreements shall not prohibit neighboring coordinating entities from entering into other interconnection agreements, but may include appropriate provisions to protect the reliability of Licensee's system, and to insure that Licensee is compensated for additional costs resulting from such other interconnections.

4. Obligation for reciprocal sales of emergency power.

Licensee shall exchange emergency power with neighboring coordinating entities which so request. Licensee shall be required to engage in such transactions if and when

it has power and energy available for such transactions from its own generating resources or from interconnected systems but only to the extent that it can do so without impairing service to its customers or other electric systems with whom it has contractual commitments, provided, however, emergency service shall take precedence over any sales of economy energy.

5. Obligation to coordinate maintenance scheduling and for purchases and sales of maintenance power and energy.

Licensee shall exchange joint maintenance schedules and shall engage in purchases and sales of maintenance power and energy with any neighboring coordinating entity which so requests when it can reasonably do so. After agreement to each such transaction, power shall be supplied to the fullest extent practicable for the time scheduled and in accordance with generally accepted industry practice for maintenance power and energy sales.

6. Obligation to engage in sales of economy energy.

Licensee shall exchange data on costs of energy from generating resources available to it and, consistent with system security sell to, purchase from, or exchange economy energy when appropriate to do so under principles of economic dispatch with a requesting neighboring coordinating entity on a basis that will apportion the savings from such transactions equally between Licensee and such entity.

7. Obligation to sell, purchase or exchange other non-firm surplus capacity and energy associated therewith.

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Licensee shall sell to, purchase from or exchange with any neighboring coordinating entity other non-firm bulk power which the supplying system deems to be surplus, when such transactions would serve to reduce the overall costs of bulk power supply without a loss to either party. Such bulk power transactions shall be on terms and conditions consistent with generally accepted industry practice.

#### 8. Reciprocal Performance

With regard to transactions in emergency and maintenance power, economy energy and other non-firm surplus capacity-energy, as set forth in Sections 4, 5, 6 and 7 above, other parties to such transactions shall maintain (and adequately plan to provide) bulk power supply facilities and capabilities sufficient to reasonably assure Licensee that reciprocal performance will be forthcoming. Reciprocal performance requires plans and bona fide efforts necessary to maintain the established reserve levels under the coordination arrangement. Temporary short-falls in meeting this requirement due to circumstances beyond a party's control would not provide a basis for the other party's failure to perform in this regard. Reciprocal performance does not necessarily require that neighboring coordinating entities supply Licensee with the same amounts of power or energy which they receive from Licensee.

IV. ACCESS TO NUCLEAR GENERATION

9(a) Licensee shall, upon timely request, afford any neighboring entity an opportunity to participate in Midland Units 1 and 2. Licensee shall, prior to the time major equipment items for nuclear generating units are ordered, upon request by any neighboring entity, afford such entity an opportunity to participate in all future nuclear generating units for which Licensee applies for a construction permit on or before December 31, 1999. Participation shall be through reasonable joint ownership or other joint financing arrangements in which the participating neighboring entities pay their share of costs of construction approximately (but no later than) as they are incurred by Licensee. The form of such participation in such generation units shall be at the option of the participating entity to the extent that such an entity is legally able to participate in the unit under such a form of participation. Such participation shall be on reasonable terms and conditions and on a basis that will compensate Licensee for its costs incurred and to be incurred for such generating units; provided, the aggregate participation of others in any nuclear unit shall not be required to exceed the lower of 49% of the capacity of such unit or an amount based upon a ratio of (i) most recent aggregate peak load demand of requesting participants to (ii) the sum of such demands and Licensee's most recent peak load demand (less the most recent peak load demands on Licensee by the requesting participants.)

A request from a neighboring entity for participation in Midland Units 1 and 2 shall be deemed timely only if a letter of intent to participate (subject only to financing contingencies) is executed by the governing body of the participating entity and received by Licensee within a mutually agreeable time period following the effective date of these license conditions. As to future nuclear units it plans to construct, other than Midland Units 1 and 2, Licensee shall provide to requesting neighboring entities all available financial and technical data required to assess the feasibility of participation therein. A request for such participation shall be deemed timely only if a letter of intent to participate (subject only to financing contingencies) is executed by the governing board of the participating entity and received by Licensee within six months following Licensee's provision of such data. A neighboring entity's participation request in a nuclear unit shall also be deemed timely only if it executes, within one year after execution of such letter of intent, a legally binding and enforceable agreement with Licensee to assume financial responsibility for its share of the costs associated with a unit.

(b) As a part of any arrangement that may be reached with respect to any participation under subsection 9(a) above, Licensee shall interconnect with and deliver to the integrated bulk power system of a participating neighboring entity any power to which it may be entitled under such arrangement at a

delivery point or points on Licensee's system on a basis that will compensate Licensee as provided in Section 10(b) infra.

(c) Licensee, as long as it maintains majority ownership, may exercise final authority in all decisions necessary in accordance with good industry practice in the engineering, design, construction, operation, maintenance and scheduling of a nuclear generating unit where a joint ownership or joint financing arrangement is entered under subsection 9(a). An advisory committee shall be organized properly to consider the needs and desires of each party thereto.

(d) In the event that one or more neighboring entities choose to obtain majority ownership in any nuclear unit, Licensee shall be afforded the opportunity to participate in such unit under comparable terms and conditions as those described in subsection 9(a). Nothing in these License Conditions shall require any party to enter into a nuclear unit joint venture where to do so would cause loss of tax-exempt status or otherwise significantly increase the tax liabilities of such party.

#### V. TRANSMISSION SERVICE

10(a) Licensee shall facilitate bulk power transactions between two or more neighboring entities by providing transmission service between or among the integrated bulk power systems of such entities or to such integrated bulk power systems from the generation facilities of such entities.

Licensee shall also provide transmission service for bulk power transactions over its transmission facilities between the integrated bulk power system of any neighboring entity and any electric system engaged in bulk power transactions which is outside Licensee's service area. Licensee shall provide transmission service under this paragraph only if (1) Licensee's and other connected transmission lines form a continuous electric path between the supplying and the recipient systems; (2) permission to utilize other systems' transmission lines has been obtained by the proponent of the arrangement; (3) the services can reasonably be accommodated from a functional technical standpoint without significantly impairing Licensee's reliability or its use of transmission facilities; and (4) reasonable advance request is received from the neighboring entity seeking such services to the extent that such notice is required for operating or planning purposes.

(b) Licensee's provision of transmission services under this section 10 shall be on a basis which compensates it for its costs of transmission reasonably allocable to the service or on another mutually agreeable basis and in accordance with a reasonable transmission agreement. Licensee shall file tariffs providing for transmission services required to implement these license conditions with the Federal Energy Regulatory Commission or its successor agency. Nothing in this license shall be construed to require Licensee to wheel

power and energy to or from a retail customer. Each neighboring entity to whom Licensee provides transmission services hereunder shall be expected to provide transmission services to Licensee under comparable terms and conditions, to the extent it has transmission facilities available to do so. Licensee shall keep requesting neighboring entities informed of its transmission planning and construction programs and shall include therein sufficient transmission capacity as required by such entities, provided that such entities provide the Licensee sufficient advance notice of their requirements. However, Licensee shall not be required to construct any transmission facility (1) which will be of no demonstrable present or future electrical benefit to Licensee, (2) which would jeopardize Licensee's ability to finance or construct, on reasonable terms, facilities to meet its own anticipated system requirements or to satisfy existing contractual obligations to other electric systems, or (3) which could reasonably be constructed by the requesting entity without duplicating any portion of Licensee's transmission system. In such cases where Licensee elects not to construct transmission facilities, the requesting system shall have the option of constructing and owning such facilities and interconnecting them with Licensee's facilities.

VI. OBLIGATION TO SELL FIRM BULK POWER

11(a) Upon timely request, Licensee shall interconnect with, execute appropriate agreements with, and sell firm bulk power under tariff provisions filed with the Federal Energy Regulatory Commission or its successor agency to any neighboring entity (i) which was a wholesale customer of Licensee on the effective date of these license conditions and (ii) which is not a party to a coordination agreement with Licensee, up to the amount required to supply electric service to the retail customers or the retail load of distributing cooperatives (located in Licensee's service area) which are supplied by such neighboring entity.

(b) Upon timely request, subject to the terms of subsection 11(c) hereof, Licensee shall sell firm bulk power to neighboring coordinating entities to which Licensee is not selling bulk power under subsection 11(a) hereof; provided, however, that the purchasing entity agrees to sell such firm bulk power as it has available to Licensee under comparable terms and conditions. Nothing shall require Licensee to sell firm bulk power under the preceding sentence in amounts which exceed the purchasing entity's annual peak load demand and reserve requirements minus its total generating capacity (other than firm bulk power purchases from Licensee), as defined in paragraph 1(d) hereof, at the time of the sale. As used in this subsection (b), "peak load" shall mean the greatest previously experienced load

plus estimated load growth attributable to the retail customers or the retail load of distribution cooperatives (located in Licensee's service area) to the extent that such load and load growth are supplied by the purchasing entity in question for periods of requested purchases.

(c) Licensee shall keep requesting neighboring entities informed of its generation planning and construction programs. Licensee shall include in such planning and programs sufficient generation capacity to satisfy requests for firm bulk power from a system which was a wholesale customer of Licensee on the effective date of these license conditions. Licensee shall not be required hereunder to construct generation facilities or advance generation schedules to satisfy bulk power requests of a system which was not a wholesale customer of Licensee on the effective date of these license conditions.

(d) As used in this paragraph, "wholesale customer of Licensee on the effective date of these license conditions" shall include a neighboring entity which is formed in the future whose load includes load served at retail by Licensee immediately prior to its formation (hereinafter a "New Neighboring Entity"); provided, however, that when the total load of a New Neighboring Entity also includes load served at retail by an entity other than Licensee immediately prior to its formation, Licensee shall only be required to sell firm

bulk power under this paragraph in an amount equal to the load in kW served at retail by Licensee during the year immediately prior to the New Neighboring Entity's formation, plus the growth of retail load experienced in the geographic area previously served by Licensee.

(e) Firm bulk power sales under this paragraph shall not be limited to lower voltages when higher voltages are requested and available from Licensee in the area where the interconnection is desired.

#### VII. ACCESS TO POOLING ARRANGEMENTS

12. Licensee shall not oppose the membership of a neighboring coordinating entity in any pooling or coordination arrangement to which Licensee is presently a party, or within the term of this license becomes a party; provided, however, that the entity satisfies membership qualifications which are reasonable and do not constitute undue discrimination. To the extent that Licensee enters into pooling, coordination or similar joint bulk power arrangements during the term of the license, it shall use its best efforts to include provisions therein which permit requesting neighboring coordinating entities the opportunity to participate in the arrangement on a basis that is reasonable and which do not constitute undue discrimination.

UNITED STATES OF AMERICA  
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NUCLEAR REGULATORY COMMISSION

In the Matter of )  
 ) Docket Nos. 50-329A  
CONSUMERS POWER COMPANY ) 50-330A  
Midland Plant, Units 1 and 2 )

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Errata to Proposed License Conditions were served upon the following persons by deposit in the United States mail, first class mail postage prepaid, this 28th day of November, 1979.

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