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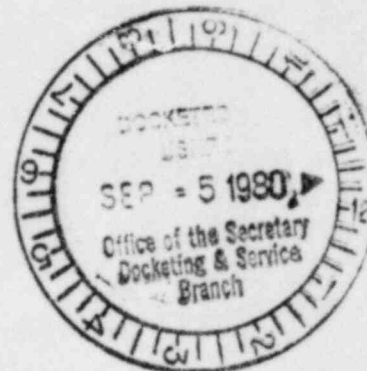
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September 3, 1980

OF COUNSEL
LLOYD E. DIETRICH



Fredric Chanania, Esquire
Michael Blume, Esquire
Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Proposed License Conditions
Houston Lighting & Power Co., et al.,
(South Texas Project, Units 1 & 2),
NRC Docket Nos. 50-498A, 50-499A

Gentlemen:

Enclosed is a typescript version of Brownsville's proposed modified License Conditions for South Texas Project Units 1 and 2. We sent you a copy of these revisions in handwritten form interlineated in your August 26, 1980 draft under cover letter dated August 29, 1980.

Very truly yours,

Marc

Marc R. Poirier
Attorney for the Public
Utilities Board of the City of
Brownsville, Texas

Enclosure

cc: All Parties
John A. Cameron, Jr.
Robert O'Neil

MRP:vha

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NRC Staff Proposal
August 26, 1980

As Modified by Brownsville
August 29, 1980

LICENSE CONDITIONS FOR SOUTH TEXAS PROJECT
UNITS NOS. 1 AND 2

I. A. The following definitions apply to paragraph I.B:

- (1) "Applicants" means severally and jointly Houston Lighting and Power Company (HLP), Central Power and Light Company (CPL), City Public Service Board of San Antonio (CPSB), and the City of Austin Electric Utility Department (COA) and any of their respective successors, assignees, or affiliates engaged in the generation, transmission or the distribution of electric power. Where a license condition is directed to a specific Applicant, that Applicant is identified.
- (2) "South Texas Area" means (a) those counties in which Applicants serve electrical customers at wholesale or retail, and (b) those other areas, if any, surrounded by the areas in (a) above.
- (3) "Entity" means an electric utility which is a person, or private or public corporation, a governmental agency or authority, a municipality, a cooperative, or an association of any of the foregoing, owning or operating, or proposing in good faith to own or operate facilities for generation, transmission or distribution of electric power and energy for the purpose of providing electric utility service.
- (4) "Bulk Power" means the electric power and attendant energy supplied or made available at transmission or subtransmission voltages, but not that supplied or made available solely at distribution voltages.
- (5) "Costs" means all appropriate operating and maintenance expenses and all ownership costs where applicable.

(6) The terms "connection" and "interconnection" are used interchangeably.

B. The Applicants defined in Paragraph I.A.(1) are subject to the following antitrust conditions:

- (1) CPL shall afford to the Public Utilities Board of the City of Brownsville an opportunity to participate in the South Texas Project, Units 1 and 2, on reasonable terms and conditions (including a reasonable ownership interest, taking into account Brownsville's needs and its ability to obtain ownership interest from other Applicants) and on a basis that will fully compensate CPL for its actual costs. CPL shall afford Brownsville reasonable transmission arrangements to enable it to obtain delivery of power from the South Texas Project, as well as all reasonable coordination services (including but not limited to reserve-sharing, back-up power, maintenance power, and emergency power) necessary for Brownsville to have effective access to power from the South Texas Project, the specific terms of which shall be agreed upon in advance of issuance of NRC operating license or FERC final order in Docket No. EL 79-8. Applicants shall not exercise any rights of first refusal over Brownsville's ownership share in the South Texas Project and shall facilitate, where necessary, Brownsville's obtaining its other rights hereunder.
- (2) The Applicants, as long as they are members of the Texas Interconnected System (TIS) or any other organization which considers the planning for or operations of ERCOT-TIS electric utilities, shall support reasonable requests by Entities in the South Texas Area having generation capacity for membership in TIS or such other organizations. The Applicants shall also propose and actively support, as long as they are members thereof, the creation of one or more additional classifications of TIS membership based on non-discriminatory criteria to afford access to

data, studies and recommendations to all Entities in the South Texas Area who desire membership. The Applicants shall share information with other Entities with respect to, and shall conduct with other such Entities through any electric utility planning organizations of which the Applicants are members, joint studies and planning of future generation, transmission and related facilities; provided, however, that this condition shall not obligate the Applicants to conduct such joint studies or joint planning unless (1) the studies or planning are requested and carried out in good faith and based on reasonably realistic and reasonably complete data or projections, (2) the studies or planning are reasonably justified on the basis of sound engineering principles, (3) appropriate protection is accorded proprietary or other confidential business and financial information, and (4) the costs for such studies or planning are allocated on a fair and equitable basis. Upon request by an Entity directly connected to CPL, CPL shall include such Entity in central dispatch arrangements undertaken among the subsidiaries of Central and South West Corporation, including related interchange and exchange energy transactions, on an equal and non-discriminatory basis.

- (3) Each Applicant shall participate in and facilitate the exchange of bulk power by transmission over its own transmission facilities between or among two or more Entities in the South Texas Area with which the Applicant is connected; and any such Entity(ies) and any Entity(ies) engaging in bulk power supply outside the South Texas Area between whose facilities the Applicant's transmission lines and other transmission lines would form a continuous electric path, provided that (i) permission to utilize such other transmission lines has been obtained by the proponent of the arrangement, and (ii) the arrangements reasonably can be accommodated from a functional and technical standpoint. Each Applicant shall provide such transmission services on a

non-discriminatory basis at a single rate applicable to such transmission services each Applicant provides over its on transmission facilities (including both AC and DC facilities), but in the case of CPL, such single rate shall be for CPL's and West Texas Utility Company's combined transmission facilities.^{1/} Such transmission shall be on terms that fully compensate the Applicants for their costs including a reasonable return on investment, and that properly credit as an offset to any wheeling charges costs related to investments made by other Entities in transmission facilities integrated with CPL transmission facilities; provided however that such transmission services and the rates to be charged therefor shall be subject to the jurisdiction of the appropriate regulatory agency(ies). Applicants shall maintain on file with such appropriate regulatory agency(ies) a tariff including such rate(s) for such transmission services, which rate(s) shall become effective immediately and which shall be collected subject to refund pending the outcome of any regulatory proceeding on that rate(s). The Applicants shall not refuse to provide such transmission services merely because the rate(s) to be charged therefor are the subject of dispute before such regulatory agency(ies). Unless otherwise required by paragraph (6) below, the specific rates, terms and conditions for such transmission shall be agreed upon and shall be filed as soon as practicable but no later than the date of issuance of the South Texas operating license or the FERC Order in Docket No. EL 79-8, whichever occurs first. Any Entity(ies) requesting such transmission arrangements shall give reasonable advance notice of its (their) schedule and requirements. The Applicants shall not be required to enter into any arrangement which would unreasonably impair system reliability or emergency transmission capacity.

^{1/} The single rate may make reasonable distinctions based upon the firmness of the transmission services provided.

- (4) The Applicants shall include in their planning and construction programs sufficient transmission capacity as required for the transactions referred to in paragraph I.B.(3) (and I.B.(5) for CPL), provided any Entity(ies) in the South Texas Area gives the Applicants sufficient advance notice as may be necessary to accommodate its (their) requirements from a functional and technical standpoint and that such Entity(ies) fully compensates the applicants for their costs including a reasonable return on investment. The Applicants shall not be required to construct transmission facilities if construction of such facilities is infeasible, or if their costs in connection therewith would exceed the total of revenues and benefits therefore (excluding costs and benefits associated with the loss of customers), or if such would unreasonably impair system reliability or emergency transmission capacity. In connection with the performance of their obligations above, the Applicants shall not be foreclosed from requiring a reasonable contribution in aid of construction or from making arrangements for coordinated construction of future transmission lines such that each of the parties to the transaction would own an interest in or a segment of the transmission addition in proportion to its share of the cost of the addition. Any such contribution made in aid of construction or ownership interest shall also be reasonably reflected in the transmission capacity available to such Entity and properly credited as an offset of any wheeling charges. If the Applicants engage in joint ownership of transmission lines with any other Entity, they shall not refuse to engage in similar transactions in comparable circumstances with other Entities, subject to the provisions limiting the Applicants' obligations above.
- (5) HLP and CPL shall, upon reasonable advance notice, enter into arrangements for the sale of full and partial requirements bulk power pursuant to a filed tariff to requesting Entities in the STIS service area or reasonably adjacent thereto (but excluding Entities having

non-aggregated generation capacity of 200 MW) under reasonable terms and conditions which shall provide for recovery of Company costs, including a reasonable return on investment. Such tariff shall not require HLP or CPL to enter into any arrangement for such sale or sales if it does not have available sufficient bulk power or adequate transmission to provide the requested service or if the sale would impair its ability to render adequate and reliable service to its own customers or its ability to discharge prior firm power commitments. Any curtailment of HLP's or CPL's full or partial requirements sales shall be on a reasonable and non-discriminatory (where possible) basis with all other services provided to customers.

- (6) HLP and CPL shall use their best efforts to obtain approval by the Federal Energy Regulatory Commission ("FERC") of CPL's Amended Interconnections Application in Docket No. EL 79-8 dated June 27, 1980, as modified to be consistent with these conditions and will present expert engineering witnesses, subject to cross-examination, and shall justify the DC interconnections as alternatives to AC interconnections. HLP and CPL shall also use their best efforts to obtain any necessary approval of the proposed DC Interconnections before the Texas Public Utility Commission and any other forum where actions must be taken. CPL and HLP shall use their best efforts to construct the proposed DC Interconnections in accordance with any final order of the FERC or other regulatory authority, and shall have the DC Interconnections in operation five (5) years after the last regulatory approval necessary to begin construction has been obtained, subject to reasonable extensions of time for good cause shown.

- (7) CPL and HLP shall, excluding any ownership arrangements, make fifteen (15) percent of the DC Interconnections, which are the subject of FERC Docket No. EL 79-8, available for firm transmission service to Entities upon reasonable terms and conditions agreed upon in advance of issuance of NRC operating license or FERC final order in Docket No. EL 79-8, provided that the fifteen percent reservation shall be subject to modification after the first ten (10) years of operation of the DC interconnections, should such amount become unreasonable in light of underutilization by other Entities.
- (8) In connection with the performance of their obligations above and subject to the provisions hereinafter set forth, the Applicants shall not disconnect from or refuse to connect their then-existing or proposed facilities with the facilities of any Entity used or proposed to be used for the transmission of electric energy in interstate commerce by reason of the interstate character of such facilities, and the Applicants will not prevent any Entity with which they maintain connections from establishing, maintaining or modifying a connection with facilities used or proposed to be used for the transmission of electric energy in interstate commerce by reasons of the interstate character of such facilities, and the Applicants will not prevent any Entity with which they maintain connections from establishing, maintaining or modifying a connection with facilities used or proposed to be used for the transmission of electric energy in interstate commerce by reasons of the interstate character of such facilities, provided that, anything in these license conditions to the contrary notwithstanding, any Entity seeking to establish, maintain or modify any connection which could affect the nonjurisdictional status of the Applicants under the Federal Power Act shall give Applicants six-months written notice and shall cooperate by filing with FERC on behalf of Applicants an application to obtain an order

from the FERC, applicable to the Applicants under Sections 210, 211 and 212 of such Act, requiring the establishment, maintenance or modification of such connection. The burden and expense of prosecuting the application shall be borne by Applicants.^{1/} In the event such application is denied by a valid order of the FERC, Applicants may seek an order from the NRC that any proposed refusal by the Applicants to establish, maintain or modify such connection with such Entity could not create or maintain a situation inconsistent with the antitrust laws or the policies thereunder in accordance with the standards set forth in Section 105 of the Atomic Energy Act of 1954, as amended, and the rules and regulations thereunder, provided that all factual determinations by the FERC on any cost or system reliability reason(s) for any such refusal shall not be subject to redetermination by the NRC. The burden of proof will be on the Applicants in such NRC proceeding.

- (9) Applicants agree to use their best efforts to amend any agreements to ensure that such agreements are not inconsistent with paragraph (8) above.
- (10) The Applicants will, in accordance with applicable law, afford reasonable ownership participation to other Entities in future nuclear generating facilities which they may construct, own, or operate on conditions similar to the foregoing.

^{1/} This provision shall not obligate HLP, CPSB, and COA or any other licensee of the South Texas Project to pay the expenses of Central and South West Corporation or any of its subsidiaries with respect to FERC Docket No. EL 79-8.

- (11) Applicants agree that the reliability of power delivered into TIS-ERCOT over DC asynchronous connections shall not be treated differently by the Applicants, for purposes of spinning and installed reserved calculations and requirements, than would be the case if such power originated within TIS-ERCOT. Outages on DC asynchronous connections shall be treated by the Applicants in the same way as losses of generation within TIS-ERCOT. Applicants agree to support the adoption of principles involving DC asynchronous connections contained in this paragraph within any TIS or ERCOT organization.
- (12) The foregoing conditions shall be implemented (1) in a manner consistent with applicable Federal, state and local statutes and regulations, and (2) subject to any regulatory agency having jurisdiction. Nothing herein shall preclude the Applicants from seeking an exemption or other relief to which they may be entitled under applicable law or shall be construed as a waiver of their right to contest the applicability of the license conditions with respect to any factual situation.