

UNION ELECTRIC COMPANY  
1901 GRATIOT STREET  
ST. LOUIS, MISSOURI

February 11, 1981

JOHN K. BRYAN  
VICE PRESIDENT

MAILING ADDRESS:  
P. O. BOX 149  
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Mr. Jerome Saltzman  
Chief-Utility Finance Branch  
Division of Engineering  
Office of Nuclear Reactor Regulation  
Nuclear Regulatory Commission  
Washington, DC 20555

Dear Mr. Saltzman:

This is in response to your letter dated December 17, 1980 relative to the antitrust review for the operating license for the Callaway nuclear plant. The following is in response to the questions presented in your inquiry:

1.a. Question(s):

Are those short-term purchases or sales on a spot basis; are they based on presently existing agreements; name the power entities that would be purchasing (or selling to) the bulk of UE's excesses?

Answer:

Any short-term sales or purchases (1 year or less) would be transacted under existing interchange agreements on file with the Federal Energy Regulatory Commission. Although it is difficult to specify the entities with whom such short-term sales or purchases would be made, Attachment 1 lists the companies with whom Union Electric (UE) has contractual arrangements for the interchange of capacity. Typically such transactions would be made from time to time as the need arises on a short-term non-firm basis under such agreements.

1.g. Question:

Does UE have any plans (not necessarily commitments) to install and/or share in new generating capacity after the Callaway plant has gone on line? Please elaborate.

Answer:

Although no commitments have been made beyond Callaway Unit 2 (through 1994), UE does plan in a general way and on a continuing basis to anticipate the needs for additional capacity taking into account all practical options for providing the most cost effective supply of electricity for our customers. Present thinking is that any additional capacity beyond Callaway Unit 2

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could be provided from a number of possible sources, i.e. nuclear, coal, hydro, synthetic fuels, joint owned unit, etc. No firm plans have been made at this time to meet capacity requirements beyond 1994.

l.h. Question:

Associated Electric Cooperative (AEC)

Why did AEC decline participation in the Callaway Plant and did AEC have any reason to believe that UE would sponsor any nuclear plants after Callaway?

Answer:

AEC approached UE some time after planning for the Callaway units had been finalized and AEC recognized they were late in discussing ownership of these units. However, UE and AEC explored various transmission and power supply arrangements. AEC told UE they did not wish to cause UE any economic detriment by participating in the Callaway units at that late date. Simultaneously AEC was discussing involvement in a nuclear unit in Iowa and two nuclear units in Oklahoma. UE's discussions with AEC centered on the capacity addition planning and future units particularly with respect to the possibility of UE adding more nuclear capacity after Callaway 2. The study showed that AEC involvement in Callaway would be at an economic detriment to UE. AEC requested UE to consider their participation in any nuclear units after Callaway 2 and UE agreed to notify them in advance of any plans for future nuclear units.

Shortly after the discussions between UE and AEC were completed, AEC announced that they would participate in the nuclear unit in Iowa and two nuclear units to be constructed by Public Service of Oklahoma (Black Fox Units).

Association of Illinois Electric Coops. (AIEC)

Briefly describe the "other arrangements" made by AIEC in lieu of UE supplying AIEC with reserve and supplemental power purchases." Did AIEC go elsewhere for these services and if so why?

Answer:

In April 1975 AIEC requested a meeting for the purpose of determining whether UE was interested in providing reserve and supplemental power for one of its member cooperatives, Soyland Power Cooperative, which had purchased a portion of Illinois Power's Clinton nuclear plant Unit 1. Following a meeting in May in St. Louis, AIEC indicated that they wished to further review

their request and would be in touch. Neither AIEC nor Soyland informed us of any other arrangements that were made.

Big Rivers Electric Corporation (Big Rivers)

Did Big Rivers express a desire for capacity from UE in any year other than in 1977? Did UE inform Big Rivers that UE may have excess capacity to sell after the Callaway plant went on-line? What amount and type (unit or system) of capacity was Big Rivers seeking? Was Big Rivers able to obtain the desired capacity? If so, from whom?

Answer:

Big Rivers was seeking approximately 50-55 MW for 1977 and 1978, about 250-300 MW for 1979, and 100 MW for 1980. They indicated the 1977 and 1978 capacity was needed to increase system reserves, while the 1979 capacity was needed to serve the expected expansion of a large industry and provide additional reserve capacity. The 1980 capacity would be for system reserves. The systems of UE and Big Rivers are not directly interconnected. UE informed Big Rivers that Callaway Unit 1 was to be in service in 1981 and that there would probably be excess capacity available after Callaway Unit 1 became operative. Following our discussions we heard nothing further from Big Rivers.

City of Carthage (Carthage)

Provide a copy of the terms and conditions for the electric service offered to Carthage for the winters of 1977 through 1979. From whom did Carthage ultimately receive this capacity?

Answer:

In 1977 UE offered electric service to Carthage during the 1977/78 winter period (see Attachment 2). It was understood that Carthage would have to make contractual arrangements for transmission service since our transmission systems are not directly interconnected. Shortly thereafter Carthage indicated they did not wish to purchase electric service for the 1977/78 winter; however, they indicated further interest in such purchase for the 1978/79 winter. UE again offered to make such a sale. Subsequently UE was advised that for economic reasons Carthage preferred to purchase power from a system closer to it (see Attachment 3). They did not inform us from whom they made the purchase for the above stated periods.

City of Columbia (Columbia)

Provide a copy of the interchange service contract between UE and the City of Columbia that became effective September 1, 1979. Would this contract be suitable to a purchaser requesting a small portion of its power requirements? If not, what type of service agreement would UE offer such a purchaser?

Answer:

A copy of the Interchange Agreement between UE and Columbia, effective September 1, 1979, is attached and marked Attachment 4. This contract does provide a portion (up to 50 MW) of Columbia's firm power requirements. Typically interchange agreements assume that both parties have sufficient generation to provide for their own load and each can supply significant amounts of power to the other in emergencies or to defer major generating additions. This type of agreement, however, is not suitable for use in supplying a "small portion" of the power requirements of utilities which do not provide their own generation. UE is always willing to work with any prospective purchaser in developing an appropriate contract to supply a small portion of such a purchaser's requirement if and when the need should arise.

City of Fulton (Fulton)

Describe the "other arrangements" made by Fulton in 1974 regarding capacity purchases.

Answer:

Fulton requested 5 MW of power from Central Electric Power Cooperative and was turned down. Fulton then contacted UE to obtain the necessary firm supply of power. Subsequent negotiations between UE and Fulton led to the preparation of a draft contract tentatively agreed upon by both parties. Before the contract was executed Fulton informed us that Central Electric Power Coop. had changed its position and agreed to sell Fulton the needed power for five years and since Fulton was not directly connected to UE, it preferred to purchase the power from the Coop.

Interstate Power Company (Interstate)

Describe the request by Interstate for capacity in 1974, i.e., type, amount, term, etc. Was Interstate able to obtain the desired capacity? If so, from whom?

Answer:

In 1974 Interstate requested unreserved capacity in the amount of 30 MW for a 12-month period beginning May 1, 1976, under the Twin Cities-Iowa-St. Louis 345 kV Interconnection Agreement. After UE agreed to provide the requested power, we received no further information regarding Interstate's intent nor were we informed as to whether Interstate contracted for this capacity or if so with whom.

Cities of Jackson, Malden and Kennett (Cities)

Describe the "various power arrangements" in the Cities' 1979 request to Missouri Utilities (ultimately UE) and the progress to date in meeting these power arrangements.

Answer:

In July of 1979 the Cities of Jackson, Malden and Kennett contacted UE regarding three alternate types of electric service, as follows:

1. UE would provide all of the power requirements of the Cities but would provide credit to the cities for their generating capacity which would be available when called upon by UE.
2. Cities would purchase a block of firm power from UE under UE's present Wholesale Tariff.
3. Cities would purchase Interruptible Power from UE.

Cities are currently evaluating these alternatives along with potential power purchases from other suppliers including Missouri Utilities Company and Southwestern Power Administration. UE is continuing to meet with the Cities, the most recent meeting being January 13, 1981, to further explore these arrangements.

Mt. Pleasant

Describe Mt. Pleasant's (presumably the Iowa municipal) capacity request in 1974 and explain the difference(s) if any in the terms and conditions originally offered by UE and those offered in 1979. Was Mt. Pleasant able to obtain the services it was seeking in 1974? If so, from whom?

Answer:

In March 1974, Mt. Pleasant contacted UE to inquire whether UE would be interested in entering into a contract to sell surplus energy to Mt. Pleasant. Attached is a letter dated

April 18, 1974, (Attachment 5) to Mt. Pleasant in response to this request.

In September 1979, Mt. Pleasant again contacted UE for off-peak power and energy. On October 30, 1979 UE again responded to Mt. Pleasant (Attachment 6). Mt. Pleasant did not respond in either instance nor did they inform us as to any other arrangements they may have made. It is our understanding that these periodic requests are made to meet either city charter or ordinance requirements.

City of Paragould (Paragould)

What type of service was Paragould interested in beyond 1981? Has UE offered Paragould electric service? If so, when, what type, and under what terms?

Answer:

In 1979 Paragould contacted UE to discuss the possibility of purchasing off-peak energy to supplement purchases from the Southwestern Power Administration (SPA) and additional firm capacity and energy to meet peak demands beginning with the summer of 1981. In a letter dated November 5, 1979 (Attachment 7) UE responded to Paragould and discussed the arrangements that might be made. Paragould did not respond immediately. In the fall of 1980, representatives of both parties met and again discussed Paragould capacity requirements through the next ten years. Again UE expressed a willingness to work out an arrangement to satisfy their power requirement. To date we have not heard from Paragould.

St. Joseph Light and Power Company (St. Joe)

What type of service did St. Joe request in 1975 and was St. Joe able to obtain service for the period 1977 through 1979? From whom did St. Joe receive said service? Why did UE decline participation in 1977 in the Iatan steam plant jointly owned by St. Joe and Kansas City Power & Light Company?

Answer:

In 1975 St. Joe contacted UE to discuss the availability of non-firm capacity for the years 1976 (15 MW), 1977 (30 MW), 1978 (50 MW), and 1979 (75 MW) under the St. Joe-UE Interchange Agreement. St. Joe indicated these purchases were to provide summer capacity and a source of coal-fired energy to displace higher priced St. Joe generation during the winter. UE indicated that capacity appeared to be available in 1976 and 1977; however, UE was planning to install oil-fired combustion turbines in 1978 and 1979 to meet its own capacity requirements. St Joe did not

pursue this request with UE, nor did they inform UE of any other arrangements.

In 1977 St. Joe contacted UE with regard to partial ownership of the Iatan steam plant. At the time UE was deeply involved in the planning and construction of its Callaway nuclear units scheduled for in-service in 1983 for Unit 1 and 1987 for Unit 2. With such additional base load generation, it was concluded that the purchase of additional base load capacity was unnecessary. UE was instead looking at peaking capacity to provide a better system mix which would enable it to provide lower cost service for its customers.

Western Illinois Power Cooperative (WIPCO)

When approached by WIPCO concerning power purchases and joint power arrangements, did UE suggest to WIPCO that such coordinating agreements with power entities closer to its service area would be more beneficial and/or economical to WIPCO? Was UE willing to enter into such arrangements with WIPCO? Please explain UE's reasons.

Answer:

In 1974 representatives of WIPCO and UE met to discuss power purchases by WIPCO and joint power arrangements between the parties. There was no statement nor suggestion made by UE that WIPCO's requirements could be obtained more beneficially or economically from power entities closer to its system. UE indicated its willingness to consider any proposal by WIPCO for power purchases and joint power ownership arrangements. Subsequent to the meeting, nothing further was heard from the representatives of WIPCO nor was UE informed of any other arrangements that WIPCO may have made.

City of Perry (Perry)

What is the status of the negotiations between Missouri Power & Light and Perry regarding paragraph 2.D?

Answer:

The suggested change in paragraph 2.D. of the subject contract has been effected. A copy of the new contract language together with the Federal Energy Regulatory Commission (FERC) Notice of Amendment and FERC's acceptance of the Amendment in FERC Docket No. ER-80-301 are attached and marked Attachment 8.

City of Marceline (Marceline)

Why was Marceline unwilling to accept the new language proposed in Mr. Birk's letter of June 28, 1974 Re: Paragraph 5 of

the agreement between MP&L and Marceline? Is the agreement unchanged as it now stands?

Answer:

This contract has not heretofore been modified because it has been the subject of litigation (involving rate issues and not the contract change requested) before the Federal Energy Regulatory Commission (opinion No. 31 issued October 27, 1978 and Opinion No. 31-A issued May 16, 1979, FERC Docket No. ER76-539), and subsequently the U.S. Court of Appeals, District of Columbia Circuit (Docket No. 79-1740).

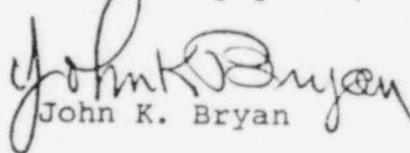
A final Order in Docket No. 79-1740 was rendered on September 25, 1980. Now that the litigation is concluded, MP&L will enter into negotiations with Marceline to modify the electric service agreement dated July 24, 1973, so as to delete paragraph 5 and substitute therefor the following:

"In order to maintain the reliability and integrity of the interconnected system, to provide for the safe operation of the Company's facilities, and to insure the flow of information necessary so that Company may, on a logical basis, plan for additional load on its supply and transmission facilities, Customer shall give Company reasonable advance written notice of all proposed new municipal use or resale of this electrical energy which will constitute a substantial addition and shall consult with Company prior to such use or resale to determine that such use or resale is consistent with safe and reliable system operation."

We will notify you when this change has been accomplished.

If you need further information or clarification, please feel free to contact me.

Very truly yours,

  
John K. Bryan

STATE OF MISSOURI )  
                          )     S S  
CITY OF ST. LOUIS )

John K. Bryan, of lawful age, being first duly sworn upon oath says that he is Vice President-Nuclear and an officer of Union Electric Company; that he has read the foregoing document and knows the content thereof; that he has executed the same for and on behalf of said company with full power and authority to do so; and that the facts therein stated are true and correct to the best of his knowledge, information and belief.

By John K. Bryan  
John K. Bryan  
Vice President  
Nuclear

SUBSCRIBED and sworn to before me this 11th day of February, 1981

Margaret S. Heida  
MARGARET S. HEIDA  
NOTARY PUBLIC—STATE OF MISSOURI  
ST. LOUIS COUNTY  
MY COMMISSION EXPIRES JANUARY 2, 1982