

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

*J. J. [unclear]*  
*J. J. [unclear]*

Mississippi Power & Light Company ) Docket No. ER80-261

REQUEST FOR APPOINTMENT OF SETTLEMENT JUDGE AND  
IMMEDIATE CONVOCATION OF SETTLEMENT CONFERENCE

*Trinity [unclear]*  
*[unclear]*

The Municipal Energy Agency of Mississippi ("MEAM"), and the Cities of Clarksdale and Greenwood, Mississippi (collectively referred to as "Cities"), herewith urgently request the immediate appointment of a settlement judge in accordance with this Commission's Rule 1.18(g)(3)(i)(C), and the convening of a settlement conference in the very near future in this docket.

This docket was initiated by a filing by Mississippi Power & Light Company ("MP&L"), of an unexecuted Interconnection Agreement with Gulf States Utilities ("GSU") to permit transmission of power to take place for power delivered to MP&L at the existing GSU-MP&L 500 KV interconnection point to the Cities of Clarksdale and Greenwood, Mississippi. Both Cities filed a timely Petition to Intervene. No hearing has been set.

Close to a year ago, on December 4, 1979, this Commission accepted an October 2, 1979, Settlement Agreement between Mississippi Power & Light ("MP&L"), MEAM, Clarksdale and Greenwood in Docket Nos. ER78-583 and ER78-584. A part of that Settlement of significant importance to MEAM and its members was the assurance of MP&L that an arrangement would be worked out with Gulf States Utilities in the very near future to permit a transaction between MEAM members and the City of Lafayette, Louisiana, to take place. For whatever reason, no such arrangement between MP&L and GSU has been forthcoming, as is reflected in the filings thus far in this docket, to the substantial financial detriment of MEAM and its members.

As you may be aware, on May 29, 1980, the Nuclear Regulatory Commission ("NRC") issued a Notice of Violation (Attachment A hereto), finding MP&L in violation of certain of its NRC license conditions, among them License Condition 5(a), by not facilitating the transmission of Lafayette, Louisiana power from the MP&L-GSU interconnection to the City of Clarksdale. Gulf States Utilities Company is under a similar transmission obligation as a portion of its NRC license for its River Bend Nuclear Plant, but no request for NRC remedial action has yet been made, and no action has yet been taken by that agency.

By letter of June 18, 1980 (Attachment B hereto), MP&L responded to the NRC Notice of Violation, and stated, at page 8, that MP&L was prepared to commence transmission service from the MP&L-GSU interconnection for Clarksdale and Greenwood with or without an interconnection agreement between MP&L and GSU. This position was again stated in MP&L's letter of June 23, 1980, to this Commission in this docket, in which it requested that further action in this docket be deferred for the time being.

As we understand it, Gulf States Utilities, by letters of July 10 and June 20, 1980 (Attachments C and D hereto), has taken the position that it is willing to sign an interconnection agreement so long as service and rate schedules are attached. Although Gulf States has been requested to transmit the Lafayette power and energy for Clarksdale and Greenwood now, subject to resolution of its litigation with MP&L, no affirmative response has been received. It is our further understanding that MP&L is willing to sign an interconnection agreement so long as it is not bound to accept service under Gulf States' service schedules or (we understand) to offer services to Gulf States inconsistent with other arrangements previously made.

MEAM and its members believe that we are caught up in a larger dispute between Gulf States and MP&L. Both utilities seem to agree that transmission service should be provided from Lafayette to Clarksdale and Greenwood. Yet no power has flowed, to the substantial economic disadvantage of MEAM and its members. Both utilities are under an NRC obligation to facilitate transmission, and presumably would be in violation of their NRC license conditions if they declined to enter into reasonable interconnection agreements if such agreements were appropriate to facilitate having this power flow. The difficulties may, indeed, be semantic. For these reasons, MEAM respectfully requests the immediate appointment of a settlement Administrative Law Judge, and a settlement conference, on the record, to which a representative of Harold R. Denton, Director, Office of Nuclear Reactor Regulation, United States Nuclear Regulatory Commission, be invited, together with MP&L, GSU, Staff and Cities. The impasse that has occurred thus far in this proceeding appears to be a result of bureaucracy and confusion. Only the expeditious order of this Commission can clear up promptly this

confusion and permit a transaction which everyone claims to want, and which is clearly in the public interest, to occur. The procedures set out in Order No. 90 seem designed to resolve this kind of issue.

Respectfully submitted,



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Appendix 0

## CHANGES SUBSEQUENT TO CONSTRUCTION PERMIT ANTITRUST REVIEW

This appendix describes those changes in the licensee's (MP&L's) activities that have occurred subsequent to the construction permit antitrust review which the staff<sup>1</sup> does not consider to be significant in an anticompetitive sense.

### Possible Temporary Excess Capacity

In its February 7, 1979 response<sup>1</sup> to Regulatory Guide 9.3, MP&L projected a Middle South Utility System (MSU) reserve of 30.9% in 1981 if all generation under construction is completed on time. This would represent a 624 MW excess in 1981 over the MSU 15% minimum reserve criteria and would disappear by the time Grand Gulf Unit 2 became operational in 1985.

MP&L's February 7, 1979 response states that due to the uncertainty surrounding construction schedules, there are no firm plans to allocate this potential excess. MP&L further states that as construction proceeds and schedules become more certain, consideration will be given to offering to sell the excess capacity. Staff considers MSU's proposed action with respect to the possible temporary excess capacity to be consistent with normal electric utility planning.

### Power Pool Changes

MP&L's February 7, 1979 response to Regulatory Guide 9.3 states that the Administrative Office of the South Central Electric Companies (SCEC) has been closed and the coordination duties assumed by the MSU System Operator. Staff would expect such a change to result in reduced equipment, facility and manpower requirements and is unaware of any competitive effects of this change.

<sup>1</sup>See Appendix H for MP&L's response to Regulatory Guide 9.3 and to other staff questions associated therewith. (Hereafter, February 7, 1979 response.)

MP&L also reports an increase in the membership of the Southwest Power Pool since the construction permit antitrust review. Staff normally considers pool membership to be procompetitive and is unaware of any allegations to the contrary.

#### Transmission and Interconnection Changes

MP&L has established 115 kV interconnections with the Cities of Clarksdale and Greenwood, and is constructing a 115 kV interconnection to the South Mississippi Electric Power Association (SMEPA). MP&L has also added six points of delivery to its wholesale customers. Staff considers these additional interconnections and delivery points to be consistent with a customer's desire to serve its load in an economic and reliable manner. The transmission configuration with respect to the Grand Gulf nuclear plant has also changed since the construction permit application. Staff considers the change to be part of the normal planning process.

#### Changes in Grand Gulf Ownership

After 1972 expressions of interest for an ownership share of Grand Gulf, MP&L entered negotiations with Western Mississippi Electric Power Association (WMEPA) and SMEPA, for the sale of 9% ownership interest in Grand Gulf. These negotiations intensified in 1976 and were culminated by the WMEPA cooperatives deciding to join SMEPA as members and by SMEPA agreeing to acquire a 10% interest in the facility.<sup>2</sup>

MP&L considered the Municipal Energy Agency of Mississippi's (MEAM's) request for ownership interest in the Grand Gulf nuclear station as untimely and was initially reluctant to offer MEAM an ownership in the plant.<sup>3</sup> However, MP&L has agreed to provide a 2.48% ownership interest in the Grand Gulf Station to

<sup>2</sup>P. 6 of June 18, 1980 letter to Harold R. Denton from N. L. Stampley (see Appendix F).

<sup>3</sup>December 14, 1978 letter to Richard M. Webster, Jr. from D. C. Lutken. Also September 25, 1978 letter to Mr. Shenfield from Mr. Farkos.



MEAM.<sup>4</sup> Staff has been informed that negotiations are proceeding satisfactorily toward completion of these arrangements for this ownership transfer. Satisfactory completion of these arrangements will remove the staff's antitrust concerns with respect to the ownership access to Grand Gulf Units 1 and 2. In the event that the arrangements are not satisfactorily negotiated, staff can pursue a resolution of its concerns with respect to Unit 1 through compliance proceedings such that an operating license proceeding is not necessary to resolve the matter. With respect to Unit 2, staff's concerns can be resolved by either compliance proceedings or operating license proceedings.

#### Changes in Rate Schedules

MP&L's February 7, 1979 response to Regulatory Guide 9.3 describes changes in its full requirement service schedules to include charges relating to both demand and energy as contrasted to previous schedules which included only charges related to energy.<sup>5</sup> The changes were the result of a settlement agreement among the parties, which was concurred in by the FERC. Demand charges for this type of service are common in the industry. Staff does not consider such changes to be anticompetitive.

#### New Wholesale Customers

MP&L began to serve the town of Itta Bena at wholesale in 1976.<sup>6</sup> The town had previously been served by the Delta Electric Power Association under a month by month arrangement. The town desired firm service and approached MP&L for such service. The change was made with the full cooperation of the parties involved. Under these circumstances, staff considers the offer to serve as furthering the competitive process.

<sup>4</sup>Ibid. p. 12 Stampley June 18, 1980 letter.

<sup>5</sup>p. 8 of February 7, 1979 response. The rate schedules are identified as MW-15 for municipal and REA-15 for cooperatives.

<sup>6</sup>MP&L response of April 12, 1979 to Questions asked by NRC in connection with its OL review. (Hereafter April 12, 1979 response.)

### Acquisition and Lease Agreements

Effective April 1, 1973, MP&L purchased the Capital Electric Power Association (CEPA).<sup>7</sup> The Department of Justice was aware of this acquisition during its construction permit antitrust review. Accordingly, the acquisition does not represent a significant change subsequent to the construction permit review.<sup>8</sup>

MP&L's certificated service area was changed in 1973 to include the Town of Shaw, Mississippi (MPSC Docket No. U-2629) and the service area previously served by CEPA. Then on August 20, 1973, MP&L began serving at retail the Town of Shaw pursuant to a lease agreement.<sup>9</sup> According to MP&L's sworn statement, there was no organized opposition to the MP&L lease arrangement and MP&L received excellent cooperation from the Board of Alderman and the Citizens of the Town of Shaw.<sup>10</sup> No contrary information has been brought to staff's attention regarding the consummation of this lease agreement.

### Interconnection Agreements

Consistent with its license conditions to provide various power supply and coordination services to other electric utility systems in the western Mississippi area, MP&L has entered into interconnection agreements including various service schedules with the Cities of Clarksdale and Greenwood and with the South Mississippi Electric Power Association (SMEPA).

<sup>7</sup>P. 9 of February 7, 1979 response. CEPA had a peak load in 1971 of 53.1 MW according to MP&L's application for construction permits for Grand Gulf.

<sup>8</sup>The acquisition of CEPA was not even mentioned in the Attorney General's advice letter of May 24, 1973.

<sup>9</sup>P. 9 of February 7, 1979 response. CEPA had a peak load in 1971 of 53.1 MW according to MP&L's application for construction permits for Grand Gulf.

<sup>10</sup>P. 3 of April 12, 1979 response.



MP&L - Clarksdale/Greenwood

Subsequent to the issuance of the Grand Gulf construction permits (CPR-118, and 119 on September 4, 1974), interconnection agreements were executed between Mississippi Power and Light Company and the Cities of Greenwood, (FERC Rate Schedule No. 239) and Clarksdale, Mississippi (FERC Rate Schedule No. 243). These Agreements have provisions for:

1. point(s) of interconnection,
2. ownership of interconnection facilities,
3. metering of energy flows,
4. emergency, maintenance and reserve power, and
5. transmission service.

Five service schedules were made a part of the agreements:

1. Service Schedule A - Reserve Capacity

This schedule identified the basis whereby emergency and maintenance power exchanges can be made. Service is provided if and when available. Energy delivered under this schedule is billed at 12.5 mills per kWh or 115% of actual cost incurred, whichever is greater.

2. Service Schedule B - Unintentional Energy

This schedule provides procedures for identifying and billing unintentional energy flows. The City will be billed for receipt of all energy in excess of 10,000 kWh per month at a rate equivalent to that charged for purchases under Schedule A. MP&L will be billed for unintentional energy receipts at a rate of 5 mills per kWh. The reason for the difference in the rate for MP&L energy as compared to that for the cities is not stated in the agreement. However, staff is aware that the cities would normally have control, through scheduling of their own generation, of the unintentional energy that flows.

3. Service Schedule C

This schedule provides for the sale of firm capacity and energy by MP&L to assist the City in meeting its installed reserve criterion. The City is required to purchase contract capacity as determined by the following formula whenever P1 is positive.

$P = \text{kW to be purchased} = L \cdot C/R$ , where;

L = City's highest hourly load experienced in the 12 months ending with the current month

C = City's dependable generating capacity

R = Middle South System capacity at peak load divided by Middle South System Peak Load. R is limited to 1.25 or less.

The above formula results in the City maintaining a reserve percentage equal to that of the Middle South System which is also required of MP&L under the Middle South System agreement.

The City is entitled to take energy up to the contract kW at any time. Demand charges are \$2.75 per kW-month with energy billed at incremental cost plus 15%. Billing is for a minimum of 12 months with the demand each month at least equal to the maximum demand established during the previous 11 months.

4. Schedule D - Economy Energy

This schedule provides for the exchange of energy on the traditional split-the savings basis, when and if available.

5. Service Schedule E - Bulk Power Transmission Service

Initially the agreements with the Cities did not provide for transmission service. MP&L subsequently developed a transmission schedule to provide services as desired by the Cities. Upon filing of the schedule with the

FERC, requests for petition to intervene were filed by the Cities as well as SMEPA. SMEPA's interest stemmed from their concurrent negotiations with MP&L for similar bulk power transmission services. (See MP&L-SMEPA Agreement below.) The Cities' contentions centered primarily around the reasonableness of the terms and conditions of the schedule.

A settlement agreement in this proceeding was approved by the FERC and supported by all intervenors. The resulting Services Schedule provides:

A. Long-term firm transmission service whereby:

1. MP&L will include, in its planning and construction program, transmission capacity to accommodate prospective transmission service for Cities,
2. service will be available only through specific agreement,
3. the Contract period is a minimum of 12 months with a 30-day advanced request,
4. transactions are arranged via contract path,
5. Cities are obligated to "make arrangements for use of third parties' facilities, and
6. billing is at a rate of \$.75 per kilowatt-month for deliveries at voltage in excess of 13.8 kV. The rate increases by \$.25 per kilowatt-month for deliveries at 13.8 kW or lower.

B. Short-term firm transmission service whereby;

1. contract period is scheduled in increments of one week or longer, with each arrangement requested at least forty-eight hours in advance.

2. billing is at a rate of \$.173 per kilowatt-week with a \$.058 per kW increase for voltages of 13.8 kW or less.

C. Non-firm transmission service whereby;

1. service is scheduled verbally on an hourly basis, when and if available.
2. Billing is at a rate of 1 mill per kilowatt-hour with a 0.3 mill per kWh increase for voltages 13.8 kV or less.

There is a minimum bill for each transmission service transaction of \$100 per month with a limit on the aggregate of such charges not to exceed \$1000 in any month.

MP&L and South Mississippi Electric Power Association (SMEPA)

SMEPA supplies full requirements power to approximately one-half of its total membership through its own generation and transmission facilities. Full requirements power for SMEPA's "off-system" members, operating in MP&L's service area has in the past been purchased from MP&L.

SMEPA plans to gradually increase its generation and to supply its "off-system" members through transmission service arrangements with MP&L. Towards this end, SMEPA (along with WMEPA) has negotiated a 10 percent ownership interest in the Grand Gulf facility and has entered into an interconnection agreement with MP&L which provides for emergency service (Schedules ES), maintenance service (Schedule MS), economy energy service (Schedule EE) and transmission service (Schedule TS-1 and TS-2).

The agreement lists SMEPA's off-system delivery points and describes the transmission interconnection between SMEPA and MP&L. The rates for service under Schedule ES and MS are based on seller's incremental costs

plus 15% except the 15% is limited to 4.0 mills per kWh or less. Economy energy is provided on the traditional split-the-saving basis.

Rate schedule TS-1 is designed to provide for the transmission of capacity and energy between SMEPA generating resources and load centers using the MP&L transmission system. There is a 3% allotment for transmission losses and a demand charge based on MP&L's annual fixed charges for transmission.

Rate Schedule TS-2 is designed to facilitate long-term firm, short-term firm, and non-firm transmission arrangements. For firm services, there is a 3% allotment for transmission losses and a demand charge based on MP&L's annual fixed charges on transmission. The non-firm transmission is supplied at a specified energy charge per kWh.

Staff considers the availability of the above listed interconnection and transmission services consistent with an electric utility's need to obtain an economic and reliable power supply. Although staff has not investigated in depth the rates ... the individual terms and conditions of the agreements, it is noted that these issues have been resolved among the parties by settlement agreements before the FERC.