



TU ELECTRIC

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February 5, 1992

William J. Cahill, Jr.
Group Vice President

Ms. Suzanne C. Black
Director, Project Directorate IV-2
Division of Reactor Projects III/IV/V
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

SUBJECT: COMANCHE PEAK STEAM ELECTRIC STATION (CPSES)
DOCKET NOS. 50-445A AND 50-446A
ANTITRUST OPERATING LICENSE REVIEW
RESPONSE TO REGULATORY GUIDE 9.3

REF: NRC letter from Ms. Suzanne Black to Mr. William J. Cahill, Jr.
dated December 5, 1991

Dear Ms. Black:

Enclosed is Texas Utilities Electric Company's (TU Electric) response to Regulatory Guide 9.3, which updates TU Electric's activities that have occurred since antitrust operating license review, as requested in the referenced letter.

This response is not intended to replace our original submittals. It provides updated information on TU Electric's activities since our previous response (TU Electric letter logged TXX-4998 dated September 2, 1986 as clarified by TU Electric letter logged TXX-6715 dated September 8, 1987) to the present, and is for both the Unit 1 and Unit 2 dockets. Per the Regulatory Guide, five (5) copies of the response are provided in the enclosure.

Sincerely,

William J. Cahill, Jr.

RSB/gj
Attachment
Enclosures (original + 5 copies)

c - Mr. R. D. Martin, Region IV
Resident Inspectors, CPSES (2)
Mr. M. B. Fields, NRR

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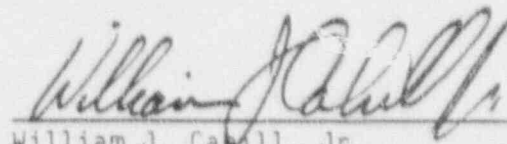
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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)
)
Texas Utilities Electric Company) Docket Nos. 50-445
) and 50-446
(Comanche Peak Steam Electric)
Station, Unit 1 & 2))

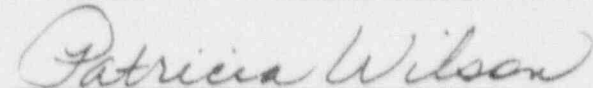
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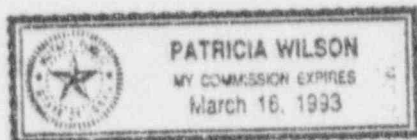
William J. Cahill, Jr. being duly sworn, hereby deposes and says that he is Group Vice President, Nuclear of TU Electric, the lead Applicant herein; that he is duly authorized to sign and file with the Nuclear Regulatory Commission this Antitrust Operating License Review response to Regulatory Guide 9.3 for the captioned facility; that he is familiar with the content thereof; and that the matters set forth therein are true and correct to the best of his knowledge, information and belief.


William J. Cahill, Jr.
Group Vice President, Nuclear

STATE OF TEXAS)
)
COUNTY OF SOMERVELL

Subscribed and sworn to before me, on this 5th day of February, 1992.


Notary Public



COMANCHE PEAK OPERATING LICENSE

ANTITRUST REVIEW - - REGULATORY GUIDE 9.3

- B.1.a. Anticipated excess or shortage in generating capacity resources not expected at the construction permit stage. Reasons for the excess or shortage along with data on how the excess will be allocated, distributed, or otherwise utilized or how the shortage will be obtained.

The Company does not anticipate either an excess or shortage of capacity. TU Electric has stated that Comanche Peak Unit 2 will be ready for commercial operation by the peak load in the summer of 1993. Other arrangements to obtain necessary interim power supply requirements prior to that time have already been made.

B.1.b. New power pools or coordinating groups or changes in structure, activities, policies, practices, or membership of power pools or coordinating groups in which the licensee was, is, or will be a participant.

Since September 2, 1986, there have been no such new power pools or coordinating groups, or material changes in structure, activities, policies or practices of power pools or coordinating groups in which TU Electric is a participant. Changes in membership of the Electric Reliability Council of Texas (ERCOT), by type of system, between June 13, 1986, and January 9, 1992, is as follows:

<u>Type of System</u>	<u>6-13-86</u>	<u>1-9-92</u>
Municipal	20	21
Cooperative	48	52
Investor-Owned	6	6
State Agency	1	2

B.1.c. Changes in transmission with respect to (1) the nuclear plant, (2) interconnections, or (3) connections to wholesale customers.

(1) With respect to the nuclear plant, the following four changes in transmission facilities have occurred since September 1986:

- i) The Comanche Peak - Comanche Switch 345 kV line, originally scheduled to be completed after both Comanche Peak units were in service, was completed in October 1986;
- ii) Brazos Electric Power Cooperative's new Concord 345/138 kV switching station was connected in the Comanche Peak - Venus 345 kV line at a point approximately 22 miles from Comanche Peak in November 1987;
- iii) A new 138 kV line between Comanche Peak and Stephenville was constructed and placed in service in December 1988 to provide additional flexibility in scheduling maintenance on the existing Comanche Peak - DeCordova 138 kV line; and
- iv) Two additional 345 kV circuit breakers were added in the Comanche Peak switchyard in November 1991 in order to increase reliability of the preferred source of supply to station service and startup transformers.

The conductor for the second circuit on the existing Comanche Peak - Panbrook 345 kV line will be installed prior to Comanche Peak Unit 2 operation.

(2) There have been no changes in TU Electric transmission with respect to interconnections, other than changes in the number of interconnections to systems with which TU Electric already maintained interconnections.

(3) There have been no changes in transmission with respect to connections to wholesale customers, other than changes in the number of transmission points of delivery to existing wholesale

customers and the addition of points of delivery to a new wholesale customer.

B.1.d. Changes in the ownership or contractual allocation of the output of the nuclear facility. Reasons and basis for such changes should be included.

Changes in the undivided ownership shares and contractual allocation of the output of Comanche Peak Units 1 & 2 are as follows:

CHANGE OF OWNERSHIP DATE	OWNERSHIP PERCENTAGES				
	TU (%)	TMPA (%)	BRAZOS (%)	TEX-LA (%)	TOTAL (%)
1/01/84	87.83	6.20	3.80	2.17	100.00
8/24/88 (1)	89.22	4.81	3.80	2.17	100.00
12/22/88 (2)	93.02	4.81	-0-	2.17	100.00
2/24/89 (1)	93.50	4.33	-0-	2.17	100.00
8/24/89 (1)	93.98	3.85	-0-	2.17	100.00
2/01/90 (3)	96.15	3.85	-0-	-0-	100.00
2/26/90 (1)	96.63	3.37	-0-	-0-	100.00
8/24/90 (1)	97.11	2.89	-0-	-0-	100.00
2/25/91 (1)	97.59	2.41	-0-	-0-	100.00
8/26/91 (1)	98.08	1.92	-0-	-0-	100.00

Note: The actual ownership percentages have been rounded only for display purposes to the nearest 1/100th percent.

TMPA - Texas Municipal Power Agency

BRAZOS - Brazos Electric Power Cooperative, Inc.

TEX-LA - Tex-La Electric Cooperative of Texas, Inc.

Footnotes:

- (1) These changes of ownership result from the settlement of litigation with TMPA. In 1988, TU Electric purchased the ownership interest of TMPA in Comanche Peak and entered into an obligation to purchase the interest with 10 equal semi-annual payments. Although the transaction is treated as a completed purchase of electric plant, under the terms of the agreement, legal title to the purchased assets passes to TU Electric at the time of, and in proportion to, each payment made. Therefore, legal title to 100% of the purchased assets will vest in TU Electric in August 1993, when the last payment is made. TMPA has no energy entitlements by reason of this agreement.
- (2) This change of ownership is the result of a settlement of litigation with Brazos.
- (3) This change of ownership is the result of a settlement of litigation with Tex-La.

B.1.e. Changes in design, provisions, or conditions of rate schedules and reason for such changes. Rate increases or decreases are not necessary.

The following response is based on the understanding that the information requested pertains to wholesale rate schedules.

TU Electric has had one rate design change subsequent to its September 2, 1986 filing. In September 1991, the Public Utility Commission of Texas (PUCT), in Docket No. 9300, approved new wholesale rates for TU Electric after adjudicatory hearings which followed the filing of an application for a general rate increase by TU Electric.

The structure of TU Electric's wholesale rate was changed to implement separate summer and winter demand charges in order to recognize the differences between on-peak (summer) and off-peak (winter) costs. A summer/winter demand differential reflects this cost difference, recognizes the differences in load characteristics between wholesale customers and enables the wholesale customer to offer cost-based peak load pricing to its customers. TU Electric also implemented separate customer and energy charges based on the voltage level of service to reflect cost of service differences.

TU Electric's Rate WP Wholesale Power is applicable to both full requirements and partial requirements power and energy sold by TU Electric at wholesale for resale to ultimate consumers, subject to certain special conditions, including the execution of an Agreement for Electric Service with a term of not less than three years. In addition, power and energy is available to partial requirements customers only (a) when a generation source which does

not exceed the load of such customer is connected directly to and is a part of the system of the partial requirements customer and is used to supplement purchases of power and energy from TU Electric; or (b) when a partial requirements customer obtains power from another source, and the partial requirements customer: (i) has installed necessary system operating equipment to enable it to receive such other power under the existing ERCOT guidelines for Control Areas, or (ii) has contracted with another utility to effect delivery of such other power by becoming a part of such other utility's ERCOT Control Area, or (iii) has executed mutually satisfactory agreement with TU Electric whereby TU Electric will provide, for an interim period to allow such partial requirements customer time to satisfy the requirements of (i) or (ii), Control Area services and such other service as are necessary to assure the reliability of the supply of such other power, under terms which will fully compensate TU Electric for the particular services required.

In connection with approval by the PUCT in Docket No. 9300 of TU Electric's new wholesale rates, the Hearings Examiner found that no duty exists under the Public Utility Regulatory Act of the State of Texas to serve at wholesale.

B.1.f. List of all (1) new wholesale customers, (2) transfers from one rate schedule to another, including copies of schedules not previously furnished, (3) changes in licensee's service area, and (4) licensee's acquisitions or mergers.

(1) (a) In March 1989, Hunt-Collin Electric Cooperative, Inc. (Hunt-Collin) withdrew its membership from Rayburn Country Electric Cooperative, Inc. (Rayburn), a TU Electric wholesale customer, and became a wholesale customer of TU Electric. Hunt-Collin was served as such by TU Electric under the terms of a letter agreement which terminated on July 1, 1990. Since that date, TU Electric has continued to serve Hunt-Collin without a contract. (See also Hunt-Collin Cooperative, Inc., Section 1.h.)

(b) The City of Bartlett, Texas, was added to TU Electric's system on June 30, 1989. (See also Bartlett, Section B.1.h.)

(2) There have been no transfers from one rate schedule to another. Copies of wholesale rate schedules not previously furnished are attached.

(3) There have been no changes in TU Electric's service area except:

(a) In 1988, the PUCT clarified the service area boundary between the singly certified service area of Denton County Electric Cooperative, Inc. and the dually certified service area of TU Electric and Grayson - Collin Electric Cooperative, Inc. (Docket

No. 8025).

- (b) In 1989, the PUCT certified TU Electric to serve Texas-New Mexico Power Company (TNP), an existing customer of TU Electric, with start-up and testing power only, to TNP's new electric generating station located in Robertson County (Docket No. 8375). The service area is dually certified to Navasota Valley Electric Cooperative and Gulf States Utilities.
 - (c) In 1989, the PUCT certified TU Electric to serve a new residential customer in territory certified to Fannin County Electric Cooperative. (Docket No. 8699).
- (4) There have been no acquisitions or mergers.

B.1.g. List of those generating capacity additions committed for operation after the nuclear facility, including ownership rights or power output allocations.

Following is a list of future generating capacity, other than the Comanche Peak nuclear facilities, certified by the PUCT and announced by TU Electric:

<u>Year</u>	<u>Unit(s)</u>	<u>MW*</u>	<u>Fuel</u>
1996	Twin Oak 1	750	Lignite
1997	Twin Oak 2	750	Lignite
2000	Forest Grove 1	660	Lignite

* All of such capacity will be owned by TU Electric.

In addition, the PUCT recently approved a Notice of Intent for future generating capacity. A Certificate of Convenience and Necessity must now be approved by the PUCT before such future generating capacity can be constructed. The currently estimated unit ratings and commercial operation schedule for this capacity is as follows:

<u>Year</u>	<u>Units(s)</u>	<u>MW*</u>	<u>Fuel</u>
1997	Combined-cycle Combustion Turbines	645	Gas/Oil
1998	Combined-cycle Combustion Turbines	645	Gas/Oil
2000	Combustion Turbines	290	Gas/Oil
2001	Pulverized Coal Unit	650	Coal

* All of such capacity will be owned by TU Electric.

B.1.h. Summary of requests or indications of interest by other electric power wholesale or retail distributors, and licensee's response, for any type of electric service or cooperative venture or study.

The following relates activities for the period September 3, 1986, to the present. The responses are presented under the following headings: Municipalities, Cooperatives and Power Agencies, Investor-Owned and other Utilities, General and Communications Related to DC Asynchronous Connections. These responses do not include requests, discussions and agreements with others resulting from the normal process of business operations and communications.

Municipalities

Albuquerque and Las Cruces, New Mexico

In September 1988, the Cities of Albuquerque and Las Cruces, New Mexico notified TU Electric, among others, of their investigation into potential long-term electric power resources beginning in the 1990's. The Cities offered an information package in the event TU Electric desired to further explore the possibilities. Based on an overview analysis, TU Electric declined to pursue the solicitation further since the analysis indicated such a venture would be economically impractical taking into account, among other things, the cost and timing of adding additional capacity TU Electric would require to serve the load, the lack of integrated operations and the costs and feasibility of transmission availability.

Bartlett, Texas

In 1988, Brazos Electric Power Cooperative, Inc. (Brazos) notified the City of Bartlett, as well as the Cities of Granbury, Hearne, Sanger, Seymour, Weatherford and Whitesboro, then served as wholesale customers of Brazos, that they should consider alternate sources of power supply. TU Electric had discussions with each of the seven cities regarding possible electric service by TU Electric. As a result of TU Electric's discussions with the City of Bartlett, a 20-year wholesale power purchase agreement was executed and became effective on June 30, 1989. The other cities remain wholesale customers of Brazos.

Bowie, Texas

In February 1990, the City of Bowie, a wholesale customer of TU Electric, indicated its interest in soliciting proposals for an alternate supply of wholesale power. Despite TU Electric's efforts to retain the City of Bowie as a wholesale customer, it terminated its power supply agreement with TU Electric, effective January 1, 1992, and disconnected its facilities from TU Electric in order to purchase all of its power directly from TMPA.

Bridgeport, Texas

In March 1991, the City of Bridgeport, a wholesale customer of TU Electric, gave notice of termination of its agreement for electric service to be effective May 1, 1992. Despite TU Electric's efforts to retain the City of Bridgeport as a wholesale customer, it elected to disconnect its facilities from TU Electric and purchase all of its power directly from TMPA.

Brownsville, Texas

In August 1989, the Public Utilities Board of Brownsville (Brownsville) distributed a generation survey to identify potential power purchases, sales and joint unit participation subsequent to 1992. In December 1989, TU Electric advised Brownsville that excess capacity would not be available. No further inquiries have been received from Brownsville.

Electra, Texas

In 1988, the City of Electra approached TU Electric concerning the possible purchase of wholesale power. TU Electric indicated its willingness to discuss Electra's requirements. In January 1989, TU Electric learned that Electra had elected to obtain its wholesale power requirements from Western Farmers Electric Cooperative.

Farmersville, Texas

In 1989, the City of Farmersville approached TU Electric concerning the possible purchase of wholesale power. TU Electric indicated its willingness to discuss Farmersville's requirements; however, Farmersville elected to obtain its wholesale power requirements from TMPA.

Garland, Texas

In 1988, the City of Garland approached TU Electric to determine its interest in purchasing the City's electric utility assets. Following the exchange of information and several discussions between representatives of TU Electric and the City of Garland, it was mutually determined that such purchase would not

then be feasible.

Georgetown, Texas

In 1989, the City of Georgetown approached TU Electric regarding the possible sale of power to the City of Georgetown at a point of delivery on the system of the Lower Colorado River Authority (LCRA). TU Electric advised the City of Georgetown of its willingness to discuss such an arrangement. No further inquiries have been received.

Granbury, Texas

In 1990, the City of Granbury approached TU Electric to determine its interest in purchasing Granbury's electric utility assets. Several discussions have occurred and are planned with Granbury. No proposal has been made by TU Electric and it is not known if such a purchase is feasible. (See also Bartlett, Section B.1.h.)

Weatherford, Texas

- (1) In 1987, the City of Weatherford approached TU Electric regarding the possible purchase of 15 MW of power and energy, beginning in 1989. TU Electric advised the City of Weatherford that it did not have excess capacity available. The City of Weatherford then indicated its interest in possible participation in existing or planned TU Electric generating resources. TU Electric advised the City of Weatherford that since TU Electric's resource plan did not result in excess capacity, joint ownership would provide no benefits to TU Electric customers. The City of Weatherford

indicated its interest in discussing the sale of 50 to 75 MW of peaking capacity to TU Electric in exchange for 15 MW of base load capacity. After evaluation of this inquiry, TU Electric concluded that there would not be any mutual benefits from such arrangement. No further inquiries have been received from the City of Weatherford regarding these proposals.

- (2) In 1989, the City of Weatherford entered into an agreement to purchase power from the City of Austin in amounts ranging from 10 to 25 MW. The City of Weatherford made arrangements for the delivery of such power by TU Electric, among others, under PUCT Substantive Rule 23.67, which provides for "as-available," and thus interruptible, transmission service. Utilities in Texas (other than the host utility) are not permitted to charge for as-available transmission service under Substantive Rule 23.67 as long as the transfer does not involve more than 25 MW. The City of Weatherford is located in the control area of Brazos. Apparently, Weatherford was unsuccessful in securing from Brazos back-up capacity for its City of Austin power purchase on terms other than at Brazos' wholesale rate. The City of Weatherford approached TU Electric about obtaining such back-up capacity. Since such an arrangement would have required the installation of additional capacity on TU Electric's system, TU Electric offered to provide firm transmission service to help back up Weatherford's power purchase from the City of Austin, provided

Weatherford was willing to compensate TU Electric for its costs. The City of Weatherford has been unwilling to purchase firm power transmission service from TU Electric.

- (3) In July 1990, the City of Weatherford contacted TU Electric to discuss the possibility of purchasing power from TU Electric and any interest TU Electric might have in participating in a generating unit to be owned by the City of Weatherford. TU Electric indicated that it had no interest in either proposal for the reason that it did not have excess capacity available and that arrangements for TU Electric's peaking capacity in the time frame in question had already been made.
- (4) In February 1991, the City of Weatherford requested a feasibility study with cost estimates for TU Electric to serve a possible future Weatherford substation. TU Electric performed studies and furnished the results, along with cost estimates to the City. No response to the study has been received.

Cooperatives and Power Agencies

Brazos Electric Power Cooperative, Inc.

- (1) In September 1987, Brazos notified TU Electric of its intent to construct a transmission line from TU Electric's Sun Switching Station to serve Dickens Electric Cooperative. TU Electric intervened in Brazos' application for a certificate of convenience and necessity as Brazos did not have an agreement to interconnect with TU Electric at this location

and such line construction would affect TU Electric's interconnection with West Texas Utilities Company (WTU). In March 1988, Brazos and TU Electric resolved the issues pursuant to a letter agreement which provided for the construction of the facilities and established another interconnection with WTU.

- (2) In March 1988, TU Electric and Brazos entered into a letter agreement providing for the amendment of certain existing agreements regarding transmission and distribution services and changes in the classification of distribution points of delivery. Negotiations regarding definitive amendments to these agreements are in progress.
- (3) In July 1988, Brazos requested information on avoided cost credits and distribution service for a small power producer for a proposed 2 MW generator on a portion of Brazos' distribution system served by TU Electric. TU Electric responded in December 1988 with the requested information. No further inquiries have been received.
- (4) On December 22, 1988, TU Electric's purchase of Brazos' ownership share of Comanche Peak and related transmission facilities, approved by the Nuclear Regulatory Commission (NRC), was finalized, thus settling the pending litigation between the parties regarding the Comanche Peak ownership agreement.
- (5) In March 1990, Brazos publicly solicited proposals to provide peaking capacity in the amount of 205 MW beginning in June

1994. TU Electric did not respond since it did not expect to have excess peaking capacity available for sale.

- (6) In late 1990, Brazos contacted TU Electric regarding the need for possible changes in portions of TU Electric's transmission system in order to accommodate Brazos' planned installation of combustion turbine generating capacity at its R.W. Miller generating plant. TU Electric performed studies and furnished Brazos with the results. Discussions are in progress.
- (7) In December 1990, Brazos contacted TU Electric regarding the purchase from TU Electric of 100 to 200 MW of base load power for the period 1993 - 1995. TU Electric performed several studies and furnished Brazos the results. No further inquiries have been received.

Cap Rock Electric Cooperative (Cap Rock)

In 1987, Cap Rock, then a full requirements wholesale customer of TU Electric pursuant to a 1963 agreement for electric service (the 1963 Agreement), requested TU Electric to provide partial requirements, transmission and related services to facilitate Cap Rock's proposed purchase of power from Panda Energy Corporation, a cogenerator. In 1988, Cap Rock also requested that TU Electric provide transmission and scheduling services to enable Cap Rock to effectuate its proposed purchase of economy energy from HL&P. Various meetings and communications occurred between Cap Rock and TU Electric between February of 1987 and May of 1989 regarding Cap Rock's examination of bulk power alternatives and TU Electric's efforts to accommodate Cap Rock once the 1963 Agreement had been

terminated in accordance with its terms.

In May 1989, TU Electric formally communicated its position to Cap Rock that, after the 1963 Agreement had been terminated in accordance with its terms and Cap Rock had placed itself in the position of being able to take delivery of power obtained from other sources by becoming a control area, a part of another control area or obtaining that service from a third party, TU Electric would provide, among other things, partial requirements bulk power to Cap Rock at rates approved by the PUCT. TU Electric also offered to enter into a short-term scheduling arrangement with Cap Rock, recognizing that power purchase alternatives might become available to Cap Rock before it could become, or become a part of, a fully functioning control area or obtain such control area services from a third party.

Cap Rock declined TU Electric's offer, claiming that TU Electric's position constituted a violation of the Comanche Peak License Conditions. Shortly thereafter, Cap Rock filed with the NRC a request for enforcement of the License Conditions, which was contested by TU Electric.

In February 1990, at the suggestion of the Staff of the NRC, Cap Rock undertook to provide TU Electric with a forecast of its requirements. TU Electric responded by indicating its willingness to execute a new power supply agreement which would anticipate Cap Rock's requirements. Extensive negotiations resulted in the execution of a new Power Supply Agreement by Cap Rock and TU Electric on June 8, 1990 (the 1990 Power Supply Agreement). On the

basis of the 1990 Power Supply Agreement, Cap Rock withdrew its May 1989 request to the NRC for an order enforcing and modifying the License Conditions, as well as its appeal from the NRC's June 1989 finding of no significant antitrust changes.¹ The 1990 Power Supply Agreement also formed the basis for Cap Rock's withdrawal from participation in TU Electric's rate case pending in PUCT Docket No. 9300.

The 1990 Power Supply Agreement became effective at 12:01 a.m. on February 1, 1992, the time specified by Cap Rock for the termination of the 1963 Agreement. The 1990 Power Supply Agreement, among other things, provides for Cap Rock to purchase from TU Electric all of Cap Rock's power and energy requirements until such time as Cap Rock provides the requisite notice(s) to reduce load. Pursuant to the 1990 Power Supply Agreement, if Cap Rock wishes to reduce load supplied by TU Electric to Cap Rock, Cap Rock is required to give at least three years' prior written notice to TU Electric, except with respect to not more than 30 MW to nine specified Points of Delivery, for which two years' notice is required. Cap Rock may cancel the 1990 Power Supply Agreement

¹On June 16, 1989, in the Comanche Peak Antitrust Operating License Review, the Director of the Office of Nuclear Reactor Regulation issued a finding of no significant antitrust changes. (Cap Rock had filed comments in this proceeding in August 1988.) Cap Rock sought reevaluation of the Director's decision. On August 29, 1989, the Director issued a decision reaffirming his June 16, 1989 finding of no significant antitrust changes, and on November 30, 1989, Cap Rock petitioned the U. S. Court of Appeals for the District of Columbia Circuit to review that decision. Cap Rock Electric Cooperative, Inc. v. United States Nuclear Regulatory Commission and the United States of America, No. 89-1735, U. S. Court of Appeals for the District of Columbia Circuit.

entirely upon three years' notice in the first five years and on five years' notice thereafter.

In October 1991, at Cap Rock's request, officials of TU Electric met with Steve Collier, Cap Rock's Director of Power Supply and Regulatory Affairs, to discuss Cap Rock's plans for new power supply arrangements. Collier informed TU Electric that Cap Rock had an agreement with WTU to begin purchasing all of its wholesale power requirements from WTU as early as January 1992. Collier also indicated that Cap Rock intended to transfer some of its system load requirements to Southwestern Public Service Company (SPS) beginning in June 1993. By letter to TU Electric, dated October 23, 1991, Collier indicated that Cap Rock anticipated canceling its 1963 Agreement with TU Electric "without [TU Electric] having to serve any wholesale load temporarily under the new power supply agreement" and confirmed its arrangements with WTU and SPS. Cap Rock requested, among other things, that TU Electric provide it with a draft wheeling contract so that Cap Rock could begin to make the necessary arrangements for the wheeling of power from WTU to Cap Rock over TU Electric's system.

On November 4, 1991, TU Electric informed Cap Rock that TU Electric expected Cap Rock to comply fully with the 1963 and 1990 Power Supply Agreements and that it would, therefore, not be possible for Cap Rock to purchase power elsewhere, including Cap Rock's proposed purchase from WTU, until the cancellation of the 1963 agreement and upon expiration of the notice periods provided for in the 1990 Power Supply Agreement. Representatives of TU

Electric and Cap Rock subsequently met on December 12, 1991. At that meeting, TU Electric informed Cap Rock that TU Electric could only consider waiving the notification provisions of the 1990 Power Supply Agreement if Cap Rock was willing to make TU Electric and its customers whole. Cap Rock indicated no interest in pursuing that alternative.

On December 19, 1991, Cap Rock formally gave TU Electric notice of termination of the 1963 Agreement,² effective at 12:01 a.m. on February 1, 1992, and again requested that TU Electric furnish Cap Rock with a draft wheeling agreement. The next day Cap Rock filed suit against TU Electric in state court in Midland, Texas asking the court to declare that the 1990 Power Supply Agreement is not binding or enforceable. Cap Rock also seeks mandatory injunctive relief requiring TU Electric to take the necessary action to permit Cap Rock to receive electric service from WTU. In its petition, Cap Rock states that it has entered into a contract with WTU, pursuant to which Cap Rock will buy its full requirements for electricity for its entire system, beginning at 12:01 a.m. on February 1, 1992. TU Electric has filed an Answer and Counterclaim in the Midland litigation, denying all of Cap Rock's allegations and seeking a judgment declaring, among other things, that the 1990 Power Supply Agreement is binding and enforceable.

²Cap Rock also gave notice of termination of Lone Wolf Electric Cooperative's 1963 power supply agreement with TU Electric. In March 1990, Lone Wolf, a full requirements customer of TU Electric, merged with Cap Rock.

Cap Rock, by letter dated January 6, 1992, filed an informal complaint with the NRC regarding the foregoing. In its letter, Cap Rock did not request any relief but stated that it had been able to make arrangements for alternative power supply sources much earlier than it had anticipated when the 1990 Power Supply Agreement with TU Electric was negotiated, indicating that, under such circumstances, to require Cap Rock to make purchases from TU Electric under the 1990 Power Supply Agreement would somehow be inconsistent with the Comanche Peak License Conditions.

By letter dated January 30, 1992, TU Electric accepted Cap Rock's December 19, 1991 letter as notice of termination of the 1963 Agreement, effective at 12:01 a.m. on February 1, 1992, at which time the 1990 Power Supply Agreement became effective. TU Electric advised Cap Rock, that it would thereafter supply all of Cap Rock's power and energy requirements, in accordance with the provisions of the 1990 Power Supply Agreement, at Cap Rock's points of delivery presently served by TU Electric. TU Electric also denied Cap Rock's request for TU Electric to wheel power from WTU to Cap Rock, beginning February 1, 1992, until the 1990 Power Supply Agreement has been terminated in accordance with its terms or a wheeling request is made pursuant to the provisions thereof, pointing out that the contract does not obligate TU Electric to wheel power or energy from WTU, as requested, without at least three years' prior written notice.

Cajun Electric Cooperative, Inc. (Cajun)

(1) In April 1991, TU Electric requested responses to an

Information Request for potential alternatives to generation facilities which TU Electric was seeking to have certified. (See Section B.1.g.) In July 1991, Cajun responded, indicating an interest in discussing the sale of power and energy, or generating capacity, to TU Electric. TU Electric advised Cajun that it would evaluate its response, together with all others received pursuant to the Information Request. In its response, Cajun also expressed an interest in participating in the ownership of the East DC Asynchronous Connection (East Tie). In this connection, TU Electric advised Cajun that whenever planning is undertaken to increase the capacity of the East Tie, TU Electric would be happy to discuss Cajun's interest in participating in its ownership. In December 1991, Cajun participated in a meeting of representatives of the owners of the East Tie to explore options regarding its participation in or use of the East Tie as a means to sell excess base load capacity to electric utilities in ERCOT. Further discussions with Cajun are anticipated.

- (2) See "Communications Related to DC Asynchronous Connections" for a discussion of Cajun's intervention in FERC Docket No. EL79-8-000.

Houston County Electric Cooperative (Houston County)

In October 1989, a discussion was held between TU Electric and Houston County to familiarize the Houston County representative, who was newly involved with the Cooperative, with certain aspects

of utility operations.

Hunt-Collin Electric Cooperative Inc.

In March 1989, Hunt-Collin withdrew as a member of Rayburn and took service directly from TU Electric under a Letter Agreement for electric service, which terminated on July 1, 1990. Beginning as early as September 1989, in anticipation of the termination of Hunt-Collin's agreement for electric service, Hunt-Collin and TU Electric engaged in discussions regarding electric service for Hunt-Collin. During the course of these discussions, Hunt-Collin made certain proposals to TU Electric regarding a cost separation formula which provided for Hunt-Collin's customers to be billed on TU Electric's retail rates with a credit going to Hunt-Collin based on the distribution, administrative and general expenses avoided by TU Electric as a result of Hunt-Collin serving these customers. In January 1990, Hunt-Collin was advised that TU Electric would not accept Hunt-Collin's proposal. Also in January 1990, TU Electric's rate case in Docket No. 9300 was filed with the PUCT and Hunt-Collin intervened.

In the summer of 1990, discussions occurred between Hunt-Collin and TU Electric regarding the possible settlement of TU Electric's rate case. The potential sale of Hunt-Collin's business to another electric utility, including TU Electric, was also raised. At the request of Hunt-Collin, TU Electric made a proposal on October 3, 1990 regarding the purchase of Hunt-Collin's business and assets. Hunt-Collin rejected TU Electric's offer and continued in its efforts to prevail in TU Electric's rate case.

Hunt-Collin's General Manager, in a discussion with a TU Electric official, indicated that if Hunt-Collin did not prevail at the PUCT in Docket No. 9300, it would in all likelihood sell its business within the next eighteen months to TU Electric or another electric utility and that Hunt-Collin saw little to be gained from discussions of a new power supply agreement at that time.

Sometime prior to September 1991, Hunt-Collin asked TU Electric if TU Electric's October 3, 1990 proposal was still valid and, if so, would TU Electric update that offer. TU Electric did update the proposal on September 6, 1991. Both proposals were rejected by Hunt-Collin.

During the pendency of these events, TU Electric chose to serve Hunt-Collin without a written service agreement. TU Electric has billed and Hunt-Collin has paid for services rendered under Rate WP.

In October 1991, Hunt-Collin members voted to merge with Cap Rock, subject to the approval of the PUCT. TU Electric has intervened in the PUCT proceeding in this matter, which is currently in progress.

Lone Wolf Electric Power Cooperative, Inc. (Lone Wolf)

In 1989, representatives of TU Electric and Lone Wolf generally discussed the possible purchase by TU Electric of Lone Wolf's electric utility assets. In 1990, Lone Wolf and Cap Rock merged.

Midwest Electric Power Cooperative, Inc. (Midwest)

In December 1991, Midwest, a full requirements wholesale

customer of TU Electric, requested TU Electric to delete one of Midwest's points of delivery from the power purchase agreement between the parties in order for Midwest to take service at that point of delivery from Southwestern Public Service Company. TU Electric has not yet responded to this request but currently plans to amend the Midwest contract to accommodate Midwest's desire, provided TU Electric is adequately compensated for its costs, including the costs associated with any idled facilities.

Rayburn Country Electric Cooperative, Inc.

- (1) TU Electric provided service to Rayburn under a negotiated interim power supply agreement from the expiration of the contractual service agreements between TU Electric and Rayburn on June 30, 1987, and the execution of a Power Supply Agreement on July 1, 1990. The 1990 Power Supply Agreement was structured in a manner to meet the requests of Rayburn to purchase power from alternate sources, and for related transmission services, scheduling services, regulation services and emergency power. Following the execution of the 1990 Power Supply Agreement, Rayburn gave TU Electric notice of its intent to transfer 10 points of delivery to Southwestern Electric Power Company in May 1993.
- (2) The 1984 scheduling agreement for federal hydroelectric power between TU Electric, Tex-La and Rayburn expired June 30, 1990. Tex-La, Rayburn and Brazos entered into an agreement with the United States of America under which they are entitled to power from the pool of generation produced at the Denison Dam

and Whitney Dam hydroelectric projects. TU Electric and Rayburn entered into a scheduling agent agreement, effective June 19, 1991, under which Rayburn receives its allocation of the preference power from the pool. The hydroelectric capacity from Denison and Whitney Dams is located in the control area of Brazos.

- (3) In March 1987, TU Electric entered into a scheduling agreement with Rayburn in connection with Rayburn's purchase of economy energy from Houston Lighting & Power Company (HL&P).
- (4) In December 1989, Rayburn entered into a scheduling agreement with TU Electric relative to economy energy purchases from South Texas Electric Cooperative, Inc. (STEC) following the termination of similar arrangements with WTU.
- (5) TU Electric and Rayburn executed a transmission service agreement, effective July 1, 1991, in order to give Rayburn access to its entitlement to the output of power produced at Denison Dam and Whitney Dam.
- (6) In November 1991, Rayburn requested TU Electric to provide transmission services in connection with the purchase by Rayburn and Tex-La of 7 MW of reserve capacity from STEC as a part of Rayburn's obligations to Brazos to back up Rayburn's entitlement to the output of power produced at Denison Dam and Whitney Dam. Negotiations are ongoing.

Texas Municipal Power Agency

On August 24, 1988, TU Electric's NRC-approved purchase of TMPA's ownership share of Comanche Peak and related transmission

facilities was finalized, thus settling the pending litigation between the parties regarding the Comanche Peak ownership agreement.

Tex-La Electric Cooperative of Texas, Inc.

- (1) For an interim period, electric service to Tex-La was provided by TU Electric under a letter agreement upon expiration of its contractual arrangements with TU Electric on June 30, 1987. The letter agreement was replaced by a Power Supply Agreement, which became effective on February 1, 1990.
- (2) Extensive negotiations were undertaken to settle the pending litigation between Tex-La and TU Electric regarding the Comanche Peak Joint Ownership Agreement. As the result of these negotiations, TU Electric agreed to purchase Tex-La's ownership in Comanche Peak and associated transmission facilities. The settlement also included the February 1, 1990 Power Supply Agreement which went into effect at the closing of the NRC-approved TU Electric purchase of Tex-La's Comanche Peak assets on February 1, 1990. Subject to notice provisions, the Power Supply Agreement permits Tex-La to purchase power from sources other than TU Electric (in which case TU Electric will provide scheduling agent service for such purchases pursuant to contract terms) and to transfer loads from TU Electric to other electric utilities. Tex-La is purchasing 40 MW of power from Central Power and Light Company (CPL) (with CPL supplying spinning reserves to TU Electric), has transferred two points of delivery to other suppliers and

has notified TU Electric of its intent to transfer two additional points of delivery effective in October 1992.

- 3) The 1984 scheduling agreement for federal hydroelectric power between TU Electric, Tex-La and Rayburn expired June 30, 1990. Tex-La, Rayburn and Brazos entered into an agreement with the United States of America under which they are entitled to power from the pool of generation produced at the Denison Dam and Whitney Dam hydroelectric projects. TU Electric and Tex-La entered into a scheduling agent agreement, effective July 1, 1990, under which Tex-La receives its allocation of the preference power from the pool. The hydroelectric capacity from the Denison and Whitney Dams is located in the control area of Brazos.
- (4) In February 1990, TU Electric and Tex-La entered into an agreement which added the City of Austin as a source to Tex-La for economy energy.
- (5) In November 1986, TU Electric and Tex-La entered into a scheduling agreement relative to Tex-La's purchase of economy energy from HL&P.
- (6) In July 1987, TU Electric and Tex-La entered into a scheduling agreement in connection with Tex-La's purchase of economy energy from WTU.
- (7) TU Electric and Tex-La executed a transmission service agreement, effective July 1, 1991, in order to give Tex-La access to its entitlement to the output of power produced at Denison Dam and Whitney Dam.

- (8) In November 1991, Tex-La proposed that its loads presently served by Southwestern Electric Service Company (SESCO) be included in the Tex-La load served by TU Electric supplemental power and energy and Tex-La's power supply resources pursuant to the February 1990 Power Supply Agreement. Tex-La currently purchases approximately 30 MW from SESCO for service to Cherokee County Electric Cooperative Association at five points of delivery on the SESCO system. The 1990 Power Supply Agreement does not provide for such a transaction. TU Electric has not yet responded to Tex-La's request.
- (9) In November 1991, Tex-La requested TU Electric to provide transmission services in connection with the purchase by Tex-La and Rayburn of 7 MW of reserve capacity from STEC as a part of Tex-La's obligation to Brazos to back up Tex-La's entitlement to the output of power produced at Denison Dam and Whitney Dam. Negotiations are ongoing.
- (10) See "Communications Related to DC Asynchronous Connections" for a discussion of Tex-La's intervention in FERC Docket No. EL79-8-000.

General

TU Electric purchases, from time to time, small portions of various distribution facilities from other utilities as customers change from one utility to another in multi-certified service areas. Since September 2, 1986, TU Electric has purchased distribution facilities from Denton County Electric Cooperative, Grayson - Collin Electric Cooperative and Kaufman County Electric

Cooperative.

Investor-Owned and Other Utilities

Houston Lighting & Power Company

In June 1990, HL&P solicited proposals regarding the supply of 160 MW of power to HL&P beginning in 1995. TU Electric did not respond to the solicitation.

Southwestern Public Service Co.

- (1) SPS proposed in late 1985 to make a sale of unit power to TU Electric beginning in 1988. TU Electric engaged in a number of discussions with SPS during 1986 and 1987 regarding the feasibility of a purchase. No agreement was reached.
- (2) In April 1991, TU Electric requested responses to an Information Request for potential alternatives to generation facilities which TU Electric was seeking to have certified. (See Section B.1.g.) In August 1991, SPS responded, indicating an interest in discussing the sale of power and energy, or generating capacity, to TU Electric. TU Electric advised SPS that it would evaluate its response, together with all others received pursuant to the Information Request.

Texas-New Mexico Power Company

In May 1990, an Amended and Restated Agreement for Electric Service was executed with TNP to overcome certain disputes regarding the administration of the underlying agreements. Also in May 1990, an Interconnection and Transmission Wheeling Agreement was executed which provides for integration of the TNP One plant

into ERCOT and for the delivery of power therefrom.

In October 1990, TNP and TU Electric entered into an agreement permitting TNP personnel direct access to metering data at TNP points of delivery.

West Texas Utilities Company

In December 1991, TU Electric received a copy of a solicitation regarding transmission services sought by Cap Rock from other ERCOT control area utilities for power to be supplied to Cap Rock by WTU beginning January 1992. TU Electric advised WTU that providing the service which has been requested by Cap Rock would constitute an interference with TU Electric's June 8, 1990 Power Supply Agreement with Cap Rock. (See Cap Rock Electric Power Cooperative, Inc. Section B.1.h.)

General

Offers of Utility Sale of Power to TU Electric

During the update period TU Electric received offers or inquiries from the City of Austin, HL&P, Gulf States Utilities, L&R, CPL and WTU regarding TU Electric's interest in purchasing short-term firm power. In each instance TU Electric declined the purchase because it did not need the capacity and/or because the availability of the power to TU Electric would be subordinated to the native loads of the offering utilities. TU Electric has purchased its short-term needs in the form of dedicated power supplies from cogenerators.

Microwave

TU Electric maintains a microwave system for communication and system control functions. TU Electric does not offer its microwave facilities for rent but does permit shared use of its microwave system with others where such sharing provides mutual benefits. Mutual benefits may be in the form of jointly needed control or operational information, or joint use of towers and facilities. Microwave use agreements have been negotiated with Brazos, HL&P, LCRA, and TNP (as well as with Texas Utilities Fuel Company and Valero Communications Company). Requests made by TMPA and Johnson County Electric Cooperative for use of TU Electric's microwave system were not approved since the use desired did not offer mutual benefits.

Communications Related to DC Asynchronous Connections

- (1) Pursuant to orders issued in FERC Docket Nos. EL79-8 and E-9558 in 1981 and 1982 (the Original Orders), the Federal Energy Regulatory Commission (FERC), among other things, approved a settlement requiring the construction of two asynchronous direct current interconnections between electric utilities in ERCOT and electric utilities in the Southwest Power Pool (SWPP): (1) a North asynchronous direct current interconnection (North Tie)³ between PSO near Lawton, Oklahoma, and WTU near Oklaunion, Texas, having an initial nominal capacity of 200 MW, to be constructed by the CSW Operating Companies;⁴ and (2) a South asynchronous direct current interconnection (South Tie) between the CSW Operating Companies in Walker County, Texas, and the South Texas Project, having an initial nominal capacity of 500 MW, to be constructed by the CSW Operating Companies and Houston Lighting & Power Company (HL&P).

As a result of continuing disputes and attendant delays in the certification, construction and operation of the South Tie, in May 1986, the CSW Operating Companies and HL&P petitioned the FERC in Docket No. EL79-8-002 to modify the Original Orders so as to require construction of a 600 MW asynchronous direct current interconnection between SWEPCO's

³The North Tie was completed and placed in service on December 14, 1984.

⁴CPL, WTU, Public Service Company of Oklahoma (PSO) and Southwestern Electric Power Company (SWEPCO).

Welch generating station and TU Electric's Monticello generating station, both of which are located in Titus County, Texas (the East Tie) in lieu of the South Tie.

On July 23, 1987, the FERC issued an order approving a settlement in Docket No. EL79-8-002 (the "East Tie Order"), providing for the construction of the East Tie in lieu of the South Tie. The East Tie Order additionally reaffirmed those provisions of the Original Orders that were unaffected by the change in location of the DC tie capacity. Subject to reasonable contingencies, the parties were committed to install and operate the East Tie by August 1991.

As a result of unforeseen delays relating principally to the negotiation of the East Tie Participation Agreement and disputes regarding implementation of tariffs developed to provide transmission service to, from and over the North and East Ties [see paragraph (2) below], the participants were unable to meet the original August 1991 target date. On August 29, 1991, the CSW Operating Companies, HL&P and TU Electric filed a petition with the FERC in Docket No. EL79-8-000 for an extension of time to implement the East Tie Order and proposing that the East Tie be installed in two phases of 300 MW each.

Cajun filed a timely motion to intervene in this proceeding, but took no position on the relief requested. Subsequently, on November 21, 1991, Cajun filed a response to the petitioners' November 6, 1991 supplemental filing. While

Cajun did not oppose granting an extension of time beyond August 1991 for completion of the East Tie, it raised two other concerns. First, Cajun objected to the limitation of "qualified utilities," under the Original Orders, to utilities with a load of less than 500 MW. Cajun noted that it had a peak load of greater than 500 MW, but that each of Cajun's member cooperatives had a peak load of less than 500 MW. Cajun argued that the limitation should be removed or, alternatively, that Cajun be deemed a qualified utility. Second, noting that other utilities are given an opportunity to participate in the construction and ownership of the East Tie, Cajun expressed an interest in participation as an owner in the East Tie. Cajun urged the FERC to review and clarify the procedures for allowing utilities such as Cajun to participate as owners in the East Tie. On November 26, 1992, petitioners filed an answer to Cajun's November 21, 1991 submittal, arguing that Cajun's concerns were beyond the scope of the proceeding.

On December 6, 1991, the FERC issued an order granting the petition for extension of time and requiring the first 300 MW of capacity of the East Tie to be installed by August 31, 1995, with the full 600 MW to be installed by August 31, 1998. The FERC's order granting the extension was conditioned on petitioners making available the full reserved quantity of 90 MW upon the initial installation and operation of DC transfer capacity at the East Tie.

With respect to Cajun's intervention, the FERC indicated in its December 6 order that if Cajun wishes to pursue the 500 MW limitation issue, it should file an appropriate request for relief; and similarly, with respect to the ownership issue, if Cajun believes that FERC's prior orders are not being properly implemented, Cajun should file a complaint. To date, Cajun has filed no such request or complaint.

On December 11, 1991, following the issuance of the FERC's December 6 order, Tex-La and Northeast Texas Electric Cooperative, Inc. (NTEC) each filed a motion to intervene and answer and protest to the November 26, 1991 filing of Cajun (discussed above). In its filing, Tex-La, who indicated that it had been an active participant in the "intertie" dockets and is a "qualified utility" under the FERC's Original Orders, stated that it is studying the purchase of a portion of the East Tie so that it can import power purchased from SWPP utilities, such as Cajun, over the tie to serve Tex-La ERCOT load. Tex-La and NTEC (who likewise indicated that it had been an active participant in the "intertie" dockets and is a "qualified utility" under the FERC's Original Orders) urged the FERC to reject Cajun's "Response" as both substantively and procedurally unsound.

- (2) TU Electric, the CSW Operating Companies and HLP filed tariffs for transmission service to, from and over the DC Asynchronous Connections (TFO Tariff) as required by the FERC's Original Orders. These filings were consolidated for hearing and

investigation in Docket Nos. ER82-545-000, et al. and ultimately were the subject of an Offer of Settlement that was approved by the FERC pursuant to an order issued January 27, 1987.

A dispute arose between TU Electric and the CSW Operating Companies concerning the compensation due in connection with the transfer of power and energy to, from and over the North Tie pursuant to the TFO Tariff. TU Electric filed a complaint (Docket No. EL89-15-000) and filed unexecuted transmission service agreements (TSAs) covering service for the CSW Operating Companies for the period 1987 - 1989 (Docket No. ER82-545-002). On November 24, 1989, the FERC entered an order in those dockets addressing both TU Electric's complaint and its TSA filing. The FERC accepted the unexecuted TSAs filed by TU Electric covering the period 1987 - 1989, which reflected the reservation of 220 megawatts of capacity to be received by each CSW Operating Company from each of its two affiliated Operating Companies located on the opposite side of the North Tie for a total of eight reservations. The FERC's November 24, 1989 order, together with a March 19, 1990 order denying rehearing, were appealed by the CSW Operating Companies to the U. S. Court of Appeals for the District of Columbia Circuit.

TU Electric filed revised Exhibits C-1 (Docket No. ER90-223-000) to its transmission service agreements for the CSW Operating Companies providing for the same reservations in

1990 as those used for 1989 in Docket No. ER82-545-002. Again, a dispute arose. The FERC addressed TU Electric's filing in an "Order Directing Revised Filing," issued June 15, 1990 (Docket No. ER90-223-000), pursuant to which it rejected TU Electric's filing and ordered TU Electric to file revised Exhibits C-1 reflecting 200 MW of transfer south to north across the North Tie on four, rather than eight, transaction paths; viz., CPL to PSO and SWEPCO and WTU to PSO and SWEPCO, to reflect the unidirectional nature of the transfers as represented by the CSW Operating Companies. TU Electric filed such revised Exhibits C-1 on June 18, 1990, which filing was docketed as Docket No. ER90-223-001. The CSW Operating Companies and an intervenor, Oklahoma Municipal Power Authority (OMPA),⁵ each sought rehearing of the FERC's June 15, 1990 order.

Pursuant to its "Order Granting in Part and Denying in

⁵The CSW Operating Companies claimed that 50 MW of the 200 MW transfer north over the North Tie from WTU to PSO and SWEPCO, ordered by the FERC in its June 15, 1990 Order, originated solely in the control area of WTU and represented the projected entitlement of OMPA in the output of Oklaunion Unit No. 1. Although the CSW Operating Companies disclaimed any responsibility for such 50 MW, the FERC found that the CSW Operating Companies were responsible for "all [such] transfers" and concluded that "CSW's use" of the North Tie must reflect an additional reservation for OMPA's 50 MW entitlement. After the issuance of the June 15, 1990 Order, OMPA filed a motion to intervene out of time seeking rehearing of that Order, claiming that it was concerned that an indemnification provision in OMPA's transmission service agreement with PSO would allow PSO to seek recovery from OMPA of any amounts payable to TU Electric that are deemed associated with the OMPA transfers. OMPA requested the FERC to exclude OMPA's share of the Oklaunion capacity from the determination of TU Electric impact fees related to ERCOT-SWPP transfers over the North Tie.

Part Rehearing and Directing Revised Filing." issued September 20, 1990 (Docket No. ER90-223-002), the FERC modified its June 15, 1990 order to the extent that it found that the 50 MW entitlement of OMPA in Oklaunion Unit No. 1 originates solely in WTU's control area and, therefore, ordered TU Electric to file revised Exhibits C-1 reflecting a 150 MW transfer south to north from CPL to SWEPCO and PSO and a 200 MW transfer south to north from WTU to SWEPCO and PSO.

The June 15, 1990 and September 20, 1990 orders were appealed to the U. S. Court of Appeals for the District of Columbia Circuit by the CSW Operating Companies and by OMPA.

The time within which TU Electric was required to file the revised Exhibits C-1 mandated by the FERC's September 20, 1990 Order was extended in order to permit TU Electric and the CSW Operating Companies to pursue settlement discussions.

Settlement discussions ensued between TU Electric and the CSW Operating Companies and culminated in the execution of the Settlement Agreement on July 25, 1991. Under the Settlement Agreement, TU Electric and the CSW Operating Companies entered into TSAs covering eight transmission paths for the transfer of electric power to, from and over the North and East Ties from and after the Effective Dates as provided therein (the North Tie Transmission Service Agreement is retroactively effective to January 1, 1991) and continuing until December 31, 2010, provided that either party may cancel the TSAs on five years' prior written notice given no earlier than January

1, 2001, and provided further that, after December 31 2010, the term of the TSAs shall continue from year to year, unless canceled by either party on one year's prior written notice.

The parties also resolved by agreement the issues relating to compensation for transmission services provided during the periods 1987 - 1989 and 1990. Among other things, they agreed that the CSW Operating Companies would dismiss their Petitions for Review of the FERC's November 24, 1989, March 19, 1990, June 15, 1990 and September 20, 1990 Orders and would relinquish all rights to recover the money already paid to TU Electric in compensation for the provision of transmission services during the period 1987 through 1989, would repay in kind all losses incurred by TU Electric as a result of such transmission services for the period 1987 through 1990, and would pay to TU Electric the sum of \$3,189,450 for such services provided in 1990.

The new TSAs apply solely to power and energy transferred to, from and over the North and East Ties in accordance with the reservations contained therein. All other power and energy transferred to, from and over the North and East Ties is subject to the provisions of TU Electric's TFO Tariff.

The Settlement Agreement and North and East Tie TSAs were approved by the FERC by Order issued September 12, 1991. In October 1991, the Settlement Agreement was consummated and the appeals initiated by the CSW Operating Companies and OMPA

dismissed.⁶

⁶The CSW Operating Companies and TU Electric also entered into a settlement agreement with OMPA, which was likewise approved by the FERC in its September 12, 1991 Order. Pursuant to this agreement, (1) the CSW Operating Companies agreed to waive any claim that OMPA is obligated to indemnify a CSW Operating Company against payments made to TU Electric (or any other ERCOT utility) for transmission services attributable to the transfer over the North Tie of power and energy from OMPA's ownership entitlement in the Oklaunion Generating Station, and (2) TU Electric entered into a TSA with OMPA, under TU Electric's TFO Tariff, providing for the transfer of power and energy from OMPA's ownership entitlement in Oklaunion north over the North Tie to OMPA until Oklaunion is retired or no longer in commercial operation.

B.2 Licensees whose construction permits include conditions pertaining to antitrust aspects should list and discuss those actions or policies which have been implemented in accordance with such conditions.

TU Electric believes its practices are consistent with the License Conditions for Comanche Peak. The following relates actions and/or policies in terms of License Conditions for Comanche Peak, Unit 1, as set forth in Appendix C to the Operating License.

B.1. - TU Electric afforded full opportunity to participate in the Comanche Peak Steam Electric Station, and Joint Ownership Agreements were executed with BEPC, TMPA and Tex-La.

B.2. - TU Electric supported the merger of the Texas Interconnected Systems into ERCOT and has supported membership for all eligible entities. TU Electric participates in periodic joint studies at the ERCOT level. Included are studies necessary to support meeting ERCOT planning and operating criteria as determined by the Engineering and Operating Subcommittees of the ERCOT Technical Advisory Committee. See also Section B.1.h.

B.3., 4., 5., 6. - TU Electric's operations with respect to reserve requirements, the exchange of maintenance schedules and emergency service conforms to the ERCOT operating guidelines. Such guidelines are consistent with all License Conditions.

B.7., 8. - TU Electric has established interconnections with others to achieve mutual benefits and has not refused to interconnect with anyone.

B.9. - TU Electric participates in "bulletin board" economy energy transactions within ERCOT and was a participant in prior

"brokerage" transactions both as purchaser and seller. Transmission service provided by TU Electric for the benefit of others and transmission service provided by others for TU Electric are listed on Exhibits B1 and B2, respectively.

TU Electric has on file with the FERC a tariff for the transmission of energy to, from and over the North and East Ties as ordered by the FERC in Docket Nos. EL79-8, ER82-545-000, et al and related dockets [see "Communications Related to DC Asynchronous Connections"] and will carry out any transaction under this tariff in a non-discriminatory manner.

See also Section B.1.h. for a discussion of transmission arrangements undertaken by TU Electric.

B.10.(a)(b) - TU Electric plans bulk transmission supply in accordance with ERCOT guidelines and has not refused to plan or provide other transmission arrangements consistent with ERCOT and PUCT guidelines under the criteria set forth in this section of the License Conditions.

B.11. - TU Electric has entered into discussions with various entities regarding the sale of bulk power. For the results of such discussions, see Section B.1.h.

B.12.(a)(b)(c)(d) - TU Electric is in compliance with all requirements.

B.13. - The practice of TU Electric is to amend any contract language which may be inconsistent with paragraph B.12.(a) and (b), or, to waive any obligation under such contractual provision.

B.14. - Not applicable.

B.15. - TU Electric is in compliance with obligations related to FERC Docket EL 79-8.

B.16. - TU Electric is in compliance with the requirements of this paragraph.

TEXAS UTILITIES ELECTRIC COMPANY		TARIFF FOR ELECTRIC SERVICE	Section No. III-D	Sheet No. 8
			Effective Date September 19, 1991	
			Revision One	Page 1 of 2
Section Title OTHER	Tariff Name RATE WP WHOLESALE POWER		Applicable Entire System	

APPLICATION

Applicable, in the event that Company has entered into an Agreement for Electric Service with respect thereto, to full requirements and partial requirements power and energy sold by the Company to electric utilities, municipalities, and to rural electric distribution cooperatives for resale to ultimate consumers in the State of Texas, subject to the special conditions set forth herein. Service at each point of delivery is metered and billed separately.

Not applicable to temporary or shared service.

TYPE OF SERVICE

Three phase, 60 hertz, at the most available primary distribution or transmission voltage. Where service of the quantity and type required by Customer is not already available at the location to be served, additional charges and contract arrangements may be required prior to its being furnished. If Customer takes service at transmission voltage, Company may at its option meter service on the secondary side of Customer's transformers and adjust for transformer losses in accordance with Company's Tariff for Electric Service.

MONTHLY RATE

	Primary Voltage (WP-PR)	Transmission Voltage (WP-TRAM)
Customer Charge:	\$235.00 per point of delivery	\$820.00 per point of delivery
Demand Charge:	\$12.72 per kw of demand (on-peak months) \$ 9.78 per kw of demand (off-peak months) \$ 1.00 per kw for each current month kw in excess of the contract kw	\$11.42 per kw of demand (on-peak months) \$ 8.79 per kw of demand (off-peak months) \$ 1.00 per kw for each current month kw in excess of the contract kw
Energy Charge:	0.37¢ per kwh all kwh	0.36¢ per kwh all kwh
Fuel Cost:	Plus an amount for fuel cost calculated in accordance with Rider FC.	
Power Cost:	Plus an amount for purchased power cost calculated in accordance with Rider PCR.	
Payments:	Bills are due when rendered and are past due if not paid within 16 days thereafter. Bills are increased 3% if not paid within 20 days after being rendered.	

DEMAND DETERMINATION

Demand for calculation of the monthly bill is the largest of:

1. Current month kw;
2. 80% of the on-peak kw;
3. 50% of the contract kw;
4. 50% of the annual kw.

EXHIBIT A

TEXAS UTILITIES ELECTRIC COMPANY		TARIFF FOR ELECTRIC SERVICE	Section No. 111-0	Sheet No. 8
			Effective Date September 19, 1991	
			Revision One	Page 2 of 2
Section Title OTHER	Tariff Name RATE WP WHOLESALE POWER		Applicable Entire System	

DEFINITIONS

Current month kW is the highest 15-minute kW recorded during current month.

On-peak kW is the highest 15-minute kW recorded during the billing months of June through September in the 12-month period ended with the current month. For a Customer contracting for new service, on-peak kW is the current month kW until Customer establishes such demand through on-peak use, unless, in Company's sole judgment, sufficient data exists for Company to estimate on-peak kW until Customer establishes on-peak history through actual use.

On-peak months are the billing months of June through September. Off-peak months are the billing months of October through May.

Contract kW is the maximum kW specified in the Agreement for Electric Service.

Annual kW is the highest 15-minute kW recorded at the point of delivery in the 12-month period ended with the current month.

SPECIAL CONDITIONS

1. Power and energy is available to partial requirements customers only in the following circumstances:
 - (a) when a generation source which does not exceed the load of such customer is connected directly to and is a part of the system of the partial requirements customer and is used to supplement purchases of power and energy from TU Electric, or
 - (b) when a partial requirements customer obtains power from another source, and the partial requirements customer:
 - (i) has installed necessary system operating equipment to enable it to receive such other power under the existing ERCOT guidelines for Control Areas, or
 - (ii) has contracted with another utility to effect delivery of such other power by becoming a part of such other utility's ERCOT Control Area, or
 - (iii) has executed a mutually satisfactory agreement with TU Electric whereby TU Electric will provide, for an interim period to allow such partial requirements customer time to satisfy the requirements of (i) or (ii) above, Control Area services and such other services as are necessary to ensure the reliability of the supply of such other power, under terms which will fully compensate TU Electric for the particular services required.
2. The \$1 per kW charge for excess contract kW does not apply to points of delivery where load transfers are made in accordance with Subsection 6.05 of the Company's Service Regulations if, during such load transfers, the sum of the current month kW does not exceed the sum of the contract kW for each affected point of delivery.

AGREEMENT

An Agreement for Electric Service with a term of not less than three years is required.

NOTICE

Service hereunder is subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Electric Service.

EXHIBIT A

EXHIBIT B1

TRANSMISSION SERVICE PROVIDED BY TU ELECTRIC

FOR THE BENEFIT OF OTHERS

Throughout this exhibit the following abbreviations apply:

HL&P	Houston Lighting & Power Company
CPSB	City Public Service Board of San Antonio
WTU	West Texas Utilities Company
LCRA	Lower Colorado River Authority
CP&L	Central Power & Light Company
CSW	Central & South West Companies (CP&L, WTU, Public Service of Oklahoma, Southwestern Electric Power)
COA	City of Austin
COB	City of Brownsville
BEPC	Brazos Electric Power Cooperative, Inc.
TMPA	Texas Municipal Power Agency
TMPP	Texas Municipal Power Pool
STEC	South Texas Electric Cooperative, Inc.
MEC	Medina Electric Cooperative, Inc.
TNP	Texas New-Mexico Power Company
TEX-LA	Tex-La Electric Cooperative of Texas, Inc.
RAYBURN	Rayburn Country Electric Cooperative, Inc.
WEATHFD	City of Weatherford

<u>RECIPIENT</u>	<u>SOURCE</u>	<u>POWER (MW)</u>	<u>DATE</u>
WEATHFD	City of Greenville	10 - 15	1986 to 1990
WEATHFD	City of Austin	10 - 25	1989 to 1996
TMPA	Gibbons Creek SES	312	1979 to 2014 *
BEPC	San Miguel SES	195.5	1979 to 2014 *
BEPC	LCRA	58 - 150	1990 to 1994
BEPC	Denison Dam	10	1990 to 1993
CP&L	Oklaunion SES	52	1986 to 2021
COB	Oklaunion SES	68	1986 to 2021 *

CSW	CSW (4 agreements via via North HVDC Tie)	220	1991 to 2010
TNP	City of Bryan (via TMPP)	20	1986
TNP	City of Bryan (via TMPP)	20 - 40	1988 to 1992
TNP	TNP 1 SES	288	1990 to 2025 *
TEX-LA	Denison Dam	27.5	1990 to **
TEX-LA	CP&L	40	1990 to 1994
RAYBURN	Denison Dam	42.5	1990 to **
TEX-LA	HL&P	***	1986
TEX-LA	WTU	***	1987
TEX-LA	COA	***	1990
RAYBURN	WTU	***	1988 ⁽¹⁾
RAYBURN	HL&P	***	1987
RAYBURN	STEC	***	1989

Legend:

- * Contract terminates at the end of the life of the project.
- ** Contract continues in force during life of agreement with the United States of America, except under certain conditions.
- *** Economy energy transactions. Actual transfer levels are subject to limitations per contract.
- (1) Terminated in 1989.

EXHIBIT B2

TRANSMISSION SERVICE PROVIDED BY OTHERS
FOR THE BENEFIT OF TU ELECTRIC

EXPIRED TRANSACTIONS

TERM/ POWER:	<u>SOURCES</u>				
	<u>COGENERATORS</u>				
	<u>DOW</u>	<u>DOW</u>	<u>DOW</u>	<u>COGEN LYONDELL</u>	<u>AES DEEPWATER</u>
	<u>OCT 88 -</u> <u>SEP 89/</u> <u>350 MW</u>	<u>OCT 89 -</u> <u>NOV 90/</u> <u>300 MW</u>	<u>DEC 90 -</u> <u>NOV 91/</u> <u>200 MW</u>	<u>MAY 88 -</u> <u>APR 91/</u> <u>400 MW</u>	<u>JAN 87 -</u> <u>DEC 89/</u> <u>145 MW</u>
<u>SERVICE PROVIDER</u>					
HL&P	X	X	X	X	X
CPSB	X	X	X	X	X
WTU	X	X	X	X	X
LCRA	X	X	X	X	X
CPL	X	X	X	X	X
COA	X	X	X	X	X
BEPC	X	X	X	X	X
TMPA	X	X	X	X	X
STEC	X	X	X	X	X
MEC	X	X	X	X	X

Legend:

X Energy from this transaction was transmitted in part over this system.

CURRENTLY ACTIVE TRANSACTIONS

	<u>SOURCES</u>				
	<u>COGENERATORS</u>				
	DJW	COGEN LYONDELL	COGEN LYONDELL	COGENRON	TEXASGULF
TERM/ POWER:	DEC 91 - APR 95/ <u>100 MW</u>	MAY 91 - APR 92/ <u>400 MW</u>	MAY 92 - APR 94/ <u>350 MW</u>	JAN 87 - JUN 99/ <u>450 MW</u>	APR 86 - DEC 95/ <u>85 MW</u>
<u>SERVICE PROVIDER</u>					
HL&P	E	A	A	E	A
CPSB	A	A	A	E	E
WTU	E	E	E	E	E
LCRA	A	A	A	A	A
CPL	E	E	E	E	E
COA	A	A	A	A	A
BEPC	A	A	A	E	E
TMPA	A	A	A	A	A
STEC	A	A	A	E	E
MEC	A	A	A	E	E
TNP	NA	NA	NA	E	NA

Legend:

- E Executed agreement.
- A Transaction taking place under verbal agreement in accordance with PUCT Substantive Rule 23.66 pending negotiation of final contract (Non-jurisdictional entities have verbally agreed to price transmission services at Rule 23.66 rates.)
- NA No impact on entity.