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February 3, 1984

OF COUNSEL
SUSAN T. SHEPHERD

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U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Operating License Application,
antitrust review, Gulf States Utilities
Company (River Bend Units 1 & 2),
Docket Nos. 50-458A and 50-459A

Dear Mr. Regan:

By letter to you of September 15, 1983, the City of Lafayette, Louisiana ("Lafayette") provided information showing that in the interim since the construction permit antitrust review significant changes have taken place which (a) render information provided by GSU in 1981 outdated and substantially deficient; and (b) show that Gulf States is now acting in a manner inconsistent with the terms of the antitrust conditions in its construction permit and antitrust law and policy. On October 26, 1983, Gulf States Utilities Company ("Gulf States" or "GSU") transmitted updated antitrust information, pursuant to Regulatory Guide 9.3, in the above-captioned proceeding. 1/ By Federal Register notice of January 4, 1984, the Commission requested comments on Gulf States' submission. Pursuant to the January 4 Notice, Lafayette hereby updates and supplements its September 15 1983 letter.

1/ Further information was also submitted by the Cajun Electric Cooperative ("Cajun"), which owns a partial share of River Bend Unit 1.

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Summary

As stated in Lafayette's September 15 letter and further detailed herein, Lafayette requests that the Commission

(a) require GSU to remedy still existing deficiencies in its submittal,

(b) make a finding that "significant changes" have occurred subsequent to the previous antitrust review conducted by the Attorney General and the Commission at the construction permit stage and that a second antitrust review is now required at the operating license stage, and

(c) pursuant to Section 2.206 of the Commission's regulations, find that GSU has violated conditions of its construction permit, and provide for appropriate remedies, as discussed further herein.

In addition, Lafayette also suggests that a conference among Staff, Gulf States, Lafayette and other relevant and interested parties might be convened to address the matters addressed herein.

As detailed below, Gulf States' October, 1983 update confirms, 1/ that "significant changes" have taken place in Gulf States' load and capacity projections since the construction permit antitrust review, although Gulf States has not provided necessary and complete information related to them. Moreover, as summarized in Lafayette's September 1983 letter and further detailed herein, Gulf States' refusal to provide transmission for Lafayette and others on reasonable terms and conditions also and independently constitutes a "significant change" in the behavior of Gulf States.

It is now apparent that when River Bend 1 comes on-line in late 1985 Gulf States will have a very substantial excess of capacity where it previously had projected none. Indeed, the measure of excess above "desired reserves" is projected to be substantially greater than the size of GSU's share of the River Bend unit. This excess in part is due to GSU's 1982 contract to purchase 1,000 Mw of coal-fired unit power for a period also beginning in 1985.

In the face of present and potential cost increases on the GSU system, including those related to River Bend 1, present municipal wholesale customers of GSU have sought to purchase

1/ As stated in Lafayette's September 1983 letter.

wholesale power from Lafayette. In the first part of 1983, three of them entered into formal agreement with Lafayette to do so. Gulf States, however, has refused or delayed the provision of transmission service. It has done so despite express commitments to provide such service. These commitments are contained in longstanding interconnection agreements, recent Gulf States letters to at least one customer, and the antitrust conditions in the River Bend construction permit.

While GSU has grudgingly provided transmission between Lafayette and other generating utilities, it has refused to honor longstanding terms for such service, insisting on alternative and unreasonable terms. Where Lafayette has sought to sell to non-generating customers of GSU, Gulf States has flatly refused to provide transmission -- even in the face of its own recent and express commitment to do so. To date, it still refuses to commit itself to the provision of transmission between Lafayette (or another seller) and a non-generating system.

In sum, faced with cost increases and substantial excess capacity as River Bend 1 nears completion, Gulf States is using its control of transmission lines to prevent current customers from gaining less expensive power supply from Lafayette, or perhaps others. These actions are directly contrary to Otter Tail Power Company v. United States, 410 U.S. 366 (1973) and Consumers Power Co. (Midland Units 1 and 2), 7 NRC (1977).

I. Gulf States' Response Confirms That "Significant Changes" Have Occurred Which Require Consultation With The Department Of Justice.

As stated in Lafayette's September 1983 letter, in the interim since the construction permit review ^{1/} there have been "significant changes" in the facts of Gulf States' present and projected activities which bear directly on its compliance with the antitrust laws and the policies underlying them. Lafayette's letter identified new developments which constitute "significant changes." In essence, these changes include (a) significant changes in Gulf States' power supply arrangements and need for River Bend power, which in turn, provide motivation for its dealings with Lafayette and other competitors and (b) significant developments in its dealings with Lafayette, and other actual or potential competitors. Independently and collectively, these

^{1/} And, indeed, since Gulf States' April, 1981 provision of operating license review data.

items constitute "significant changes." As discussed in this section, GSU's October 1983 response, while still incomplete, concedes the accuracy of Lafayette's portrayal of the significant changes in GSU's load and capacity projections, and concedes the existence of many further developments in dealings with Lafayette and others. As discussed in Section II *infra*, while GSU's response is substantially inadequate in its characterization of recent dealings with Lafayette and others, its anticompetitive actions in these dealings are "significant changes" which require consultation with the Attorney General.

A. Gulf States' Response Concedes That "Significant Changes" In Load Growth And Projected Capacity Have Occurred, Affecting The Need For River Bend Power And GSU's Motivation In Dealings With Competitors.

GSU's October 1983 filing confirms that when River Bend comes on-line, it will have substantial capacity above that needed to meet load and reserve requirements. Based on this confirmation, a finding of "significant change" is in order.

As stated in detail in Lafayette's September 1983 letter, ^{1/} in the interim since the construction permit antitrust review, and indeed, in the interim since the 1981 provision of antitrust information, there have been "significant changes" in GSU's load growth and projected capacity which require a "significant change" finding. As Lafayette explained, it is now apparent that when River Bend 1 comes on-line, Gulf States will have substantial excess capacity where it previously projected none. Moreover, GSU projections show that it not only expects to have substantial excess capacity, but that its average cost of generation will increase substantially. Under the circumstances, Gulf States' incentive to retain present customers, as captives (and of course, seek new ones) is obvious and powerful. The Gulf States load and price forecasts are themselves a "significant change" which both help explain Gulf States' efforts to prevent its customers from purchasing power from Lafayette ^{2/} and require Commission attention and remedy to insure that the River Bend unit is not used in furtherance of anticompetitive practices.

As GSU's October 1983 filing confirms, GSU's load projections have decreased since its 1981 filing. When River Bend comes on-line, it will possess capacity far in excess of capacity requirements. As stated at page 2 (response to question B.1.b):

^{1/} See Lafayette's September 15 letter at 5-9.

^{2/} As discussed in the September 15 letter and below.

... Depressed economic conditions since 1981, particularly in the oil and chemical industry, have caused GSU to reduce its load projection below those made in 1981.

The reserve margin for the summer of 1986 (the next peak period following the River Bend Station Unit 1 in-service date of December, 1985) including all purchases is expected to be 46.5%. Purchases are being made for reasons other than meeting reserve requirements.

As the October filing states, the substantial projected excess capacity will be owing to the operation of River Bend and a 1,000 Mw purchase from the Southern Companies. The filing further states that in the absence of River Bend and purchase arrangements GSU would still have a reserve margin in excess of that planned for in the initial filing here. As GSU states, 1/ "(T)he reserve margin excluding all purchases without River Bend is expected to be 16.9%." That reserve margin, in turn, is not only within the 15-25 percent margin that, as Gulf States' response notes, has been recognized as appropriate by the FERC and the NRC, but is higher than the 15.8 percent reserve margin for the original proposed in-service date of 1981.

In sum, GSU's October 1983 update confirms that when River Bend comes into operation, GSU will have a reserve margin three times the adequate reserve margin initially planned for, and on which the construction permit was based. In its own right, and especially in view of GSU's recent behavior, 1/ this "significant change" requires attention to assure that it is not the catalyst for unlawful efforts to suppress competition.

B. GSU's October Filing Confirms Significant Changes In Coordination Activities, But Must Be Further Updated.

As stated in Lafayette's September 1983 letter, recent changes in Gulf States' coordination activities require revision to reflect "significant changes." In particular, Lafayette noted a major unit power sales agreement between the Southern Companies and GSU and an agreement among Southern, the Middle South Utilities and GSU to enter into a coordination agreement. The October GSU filing refers to the former, and indeed, holds the

1/ Response B.1.a.

2/ As discussed below.

interchange arrangement with Southern out as an action implemented in accord with the antitrust conditions here. 1/ The filing, however, omits recent revisions of these agreements which not only require explanation, but raise questions of undue preference and discrimination. The October filing refers to the proposed coordination agreement, but provides no hint of its status, or of GSU's willingness to respond to Lafayette's request to participate. The filing must be revised to account for these matters.

1. GSU must update its response to include and explain its revised agreements with Southern.

In December, 1983 Southern and GSU filed with the FERC an Offer of Settlement in Southern Company Services, Inc., Docket No. ER82-579. That filing significantly revises the terms of the Southern-GSU arrangement. GSU must be required to include the revised agreements in its filing here, along with accompanying explanation.

In particular, Lafayette is concerned that the revisions create a preference for Southern as a seller to GSU, even where others, such as Lafayette, could provide power to GSU at a price lower than Southern.

A new interchange Schedule (E "Long Term Power") would commit GSU to certain amounts of additional 2/ long term power from Southern, but simultaneously provide that Southern need not provide these amounts where it has made other commitments. 3/ On the other hand, as revised by the Settlement Offer, the "Unit Sales Agreement" would give Southern the right to call for an increase in GSU's "unit purchase" obligations when Southern's costs are below GSU's "avoided costs."

As Lafayette has stated, it has capacity which it is seeking to sell, and is in competition with Southern in the sale of such capacity to GSU, as well as others. The revised Unit Sales

1/ See response B.2 at 23.

2/ To the amounts provided for in the Unit Sales Agreement.

3/ Section E1.2 of Schedule E provides a lengthy and comprehensive list of present and potential sales by Southern that would take precedence over long term power sales to GSU.

Agreement, however, would require GSU to buy from Southern even where Lafayette, or some other supplier, could provide GSU with power at a lower price than Southern. This arrangement would appear to both unreasonably exclude Lafayette and others from competition with Southern, and by the same token, could prevent GSU's ratepayers from obtaining the most economic power available.

If the concept of the revision to the Unit Sales Agreement is questionable as unduly preferential and exclusionary, the details raise more suspicions. First, the agreement would define GSU's avoided cost to be the cost of replacement from oil or gas-fired generation "owned by GSU." 1/ In fact, as the October 1983 update admits, and GSU has recently proclaimed in its FERC general rate case, 2/ GSU has been buying substantial amounts of capacity from others for economy purposes. In this setting GSU's avoided cost is the cost of supply from others, including Lafayette, not the cost of its own higher cost oil and gas generation. By setting the latter as a target, GSU and Southern unreasonably weight the scales in favor of further commitment to Southern to the exclusion of more economic dealings with others.

Second, while the new language would provide Southern the right to increase GSU's obligation where there is a cost differential, it expressly does not provide for adjustments downward, were, for example, Southern's costs to increase, or the differential to disappear.

Finally, the new Unit Sales language would make GSU a marketing arm of Southern in territory not previously served by Southern -- territory including Lafayette. The new language would let GSU off the hook of increased Unit Sales commitments, but only if GSU (or Southern) finds an alternate buyer in the Texas and Louisiana area. It is not enough, that is, that Southern be made whole by an alternate sale in its other markets. Indeed, the revision states that "[S]ince Southern Companies have existing interconnections with certain subsidiaries of Middle South Utilities, Inc., none of the subsidiaries of Middle South Utilities, Inc. shall be considered as a utility or third party

1/ See Section 2.2.4(a) of Amendment No. 2 to Unit Power Sales Agreement.

2/ Docket No. ER82-375. In that case it sought, and obtained, special fuel clause treatment in recognition of the fact that it has been buying substantial amounts of capacity from others for economy purposes.

located in the states of Louisiana and Texas for purposes of this section." It is hard to imagine any justification for such a provision that meets competitive and public interest tests.

GSU must be required to further explain the basis and relation between the Schedule E and the amended Unit Power Sales Agreement, and to show why the new provisions are not unreasonably discriminatory, anticompetitive and contrary to the public interest.

2. GSU Must Provide Information On The Status Of The Coordination Agreement Among GSU, Middle South and Southern.

As stated in Lafayette's September 1983 letter, on December 13, 1982, Gulf States, Middle South Utilities, and the Southern Companies entered into an agreement in consideration of Middle South's withdrawal from the FERC proceeding concerning the GSU-Southern unit power sale. 1/ The December 13 Agreement, in turn, committed the three major utilities to enter into a further coordination agreement. In July 1983, Lafayette formally requested, by letter to each of the three utilities (Attachment 1 hereto), participation in the coordination agreement. As shown by a draft of the agreement, the terms provide for broad coordination among the major utilities. 2/ As stated in the September 15 letter, Lafayette had received no response to its request to participate. It has not received any response in the interim since.

Gulf States' October filing provides no indication of the status of the agreement, i.e., whether execution is likely or whether the agreement has been abandoned. 3/ Nor does Gulf

1/ FERC Docket No. ER82-579.

2/ See Attachment 2 hereto, and in particular, Section 3.4 thereof, which spells out the duties of the Executive Committee that will administer the coordination. The draft was made available to Lafayette in discovery in Docket No. ER82-579.

3/ With reference to the new coordination agreement, Gulf States' October 1983 update states, at B.1.b (page 4):

GSU agreed to enter into a reliability coordination agreement with the Middle South and Southern Companies incident to the new

States explain why it has failed to even respond to Lafayette's request for participation, much less agree to it. Gulf States should be required to state whether execution of the agreement is anticipated. If it is not, Gulf States should be required to explain why an agreement previously deemed necessary has been abandoned. Finally, Gulf States should be required to state why Lafayette has not been accorded the opportunity to participate in the agreement and its development.

II. GSU's Recent And Ongoing Actions To Frustrate Lafayette's Use Of GSU's Transmission System And Prevent GSU Customers From Taking Service From Lafayette Are "Significant Changes."

As summarized in Lafayette's September 15 letter, GSU has recently come to act in a manner inconsistent with the antitrust laws, and as discussed at III infra, inconsistent with the terms of its construction permit conditions. In particular, (a) GSU has refused to provide transmission for sales by Lafayette to customers of GSU who lack their own generation; (b) GSU has sought to resist and/or unlawfully and unreasonably condition transmission on behalf of sales by Lafayette to generating systems; and (c) GSU has failed to even respond to Lafayette's request that Lafayette be permitted to participate in a coordination agreement among GSU, Middle South, and the Southern Companies. GSU's October 1983 response either seeks to skim over the salient facts of GSU's behavior or ignores them completely. Lafayette hereby provides further detail and supporting documentation.

FOOTNOTE CONTINUED FROM PREVIOUS PAGE

GSU-Southern Company interconnection which will affect the transmission systems of the three companies. The City of Lafayette, which has no transmission system affected by such GSU-Southern Interconnection, requested to be added as a party to such agreement. No agreement has been executed.

As shown in Section 3.4, Attachment 2, a draft of the Agreement, the terms of the Agreement are far broader than suggested by Gulf States in the language quoted above.

A. GSU Refused To Provide Transmission For Lafayette Sales To Non-Generating Customers Of GSU.

As summarized in Lafayette's September 15, 1983 letter, GSU has refused to transmit power between Lafayette and GSU customers that do not own their own generation; GSU's response both slides over its past refusals and carefully refrains from committing itself to provide transmission service to non-generators. Gulf States' refusal to transmit to non-generators is a "significant change" which require Justice Department and Commission review and a commitment from Gulf States to provide transmission on reasonable terms.

1. GSU refused to provide transmission service for Abbeville in order to retain Abbeville as a customer.

As stated in Lafayette's September 15 letter, GSU refused to provide the transmission between Lafayette and the City of Abbeville needed to consummate a wholesale requirements agreement between Lafayette and Abbeville. In doing so, as the letter stated, GSU reneged on its contemporaneous written commitments to Abbeville to provide such service. GSU's October filing would, by omitting salient facts, suggest that GSU's refusal to provide transmission was less than a refusal to transmit in order to prevent loss of its customer to a competitor. Even so, the October filing effectively concedes Gulf States' refusal to transmit.

- a. GSU refused to provide transmission on behalf of a sale between Lafayette and Abbeville, despite express commitments to do so, in order to prevent Abbeville from obtaining service from Lafayette.

The story of GSU's dealings with Abbeville and Lafayette is told in detail in affidavits of Abbeville's Mayor Larry J. Campisi (Attachment 3 hereto) and its engineering consultant Harold Beard (Attachment 4 hereto) as well as other documents, also attached hereto. The highlights follow.

In January 1983, Abbeville inquired of GSU as to power supply alternatives available from GSU, including specifically, "transmission rights to achieve power from third parties as per

LST-GSU rate." 1/ (Attachment 5 hereto) In response, GSU stated that it would provide transmission should Abbeville decide to seek service elsewhere.

On March 1, 1983, GSU's Manager of Business Development, Malcolm Williams, wrote to Harold Beard, Abbeville's engineering consultant, that if Abbeville did not wish to continue with wholesale purchases from GSU, GSU would provide transmission service.

If Abbeville elects to purchase its electric energy requirements from a third party, GSU would agree to enter into a power interconnection agreement with Abbeville and would provide transmission service to the entities which have agreements with GSU. This agreement will provide, among other things, for transmission service under similar terms and conditions as agreements GSU has made with other entities (Attachment 6).

This commitment was reaffirmed by Mr. Williams in a March 15, 1983 letter to Mr. Beard:

... GSU will offer to provide electric service to the City of Abbeville under one (1) of the following arrangements.

... (4) GSU will provide the City with a thirty (30) year interconnection agreement as outlined in our letter of March 1, 1983 ... (Attachment 7)

As an alternative to the interconnection and transmission service, GSU proposed to enter into a new ten-year wholesale service contract with Abbeville. Abbeville protested GSU's insistence on a minimum ten-year term. As Mr. Beard explains (Attachment 4 at 6):

We were concerned because we wished Abbeville to have reasonable opportunity to plan for and choose economic supply sources as they become available ... In addition, we were concerned because we believed that Gulf States' rates were subject to significant

1/ The "LTS" rate is the transmission rate schedule contained in Gulf States' interconnection agreements with, among others, Lafayette.

increase and uncertainty related among other things, to the coming into service of the River Bend nuclear unit.

When GSU stood fast on the ten-year term, Abbeville entered into discussion with Lafayette for the supply of its requirements. As stated in the Beard and Campisi affidavits, in short order it became apparent to Abbeville that service from Lafayette would be more economical than service from GSU.

On April 28, 1983, therefore, Abbeville and Lafayette entered into a wholesale requirements contract with service to start on June 1, 1983 (Attachment 8). As Mr. Beard's affidavit explains, in entering into the agreement "Abbeville assumed that Gulf States would honor its repeated commitments of March 1 and March 15 to provide Abbeville an interconnection agreement and transmission through the Gulf States system." (Attachment 4 at 7)

As stated in the Beard and Campisi affidavits, on May 5, 1983 Abbeville met with GSU to secure confirmation of GSU's interconnection and transmission commitments. At that meeting, however, GSU stated that it did not want to wheel power for a Lafayette sale to Abbeville, and would not do so unless it were required by law. Gulf States' official James Richardson said that any commitment that had been made had been rescinded (Attachment 3 at 5).

Several days later, Mayor Campisi received a call and was told that Gulf States wished to meet with the Mayor alone; attorneys and consultants were not invited. A meeting took place on May 18.

The meeting is summarized in Mayor Campisi's affidavit (Attachment 3, at 6-7). As the affidavit explains, Gulf States told Abbeville that it did not have interconnection agreements with non-generating systems, and "there would be no way it could allow them." Gulf States stated that it could not adhere to the commitment contained in its March letters to Abbeville. Under the circumstances, Abbeville asked if Gulf States would provide a new wholesale contract that provided for cancellation on a year's notice, but Gulf States said it could not do so because it feared loss of Abbeville as a customer.

As the Campisi affidavit recounts, following the meeting, Gulf States offered to reduce the initial term of a new contract to 3½ years (from ten). In doing so, it stated that unless Abbeville accepted this offer immediately, it would not be entitled to retroactive application (to January 1, 1983) of the "WST" (wholesale service at transmission voltage) rate, which would provide Abbeville thousands of dollars of refunds.

As Mayor Campisi's affidavit further details, given GSU's refusal to transmit and its insistence on immediate acceptance of its own offer, Abbeville had no recourse to acceptance of GSU's offer, even though the agreement with Lafayette was preferable (Attachment 3, at 8-9, emphasis added):

Under the circumstances, it was apparent that Gulf States was committed to resisting the loss of Abbeville as a customer to Lafayette. Even while Gulf States had, in Abbeville's view, committed itself to provide the interconnection agreement and transmission needed for Abbeville to proceed with its agreement to Lafayette, it was clear that the commitment could not be made good without long drawn out litigation.

In addition, as I wrote to the Mayor of Lafayette, if Abbeville had not agreed to Gulf States' final proposal, it would not have received service from Gulf States at the WST rate, and the further savings related to the retroactive application of this rate. Instead, as Abbeville pressed for fulfillment of Gulf States' commitments through litigation, the existing Gulf States contract would have automatically been renewed, and Abbeville would have had to pay the higher WSD rate until it could obtain transmission service to Lafayette.

As I wrote to the Mayor of Lafayette:[1/]

This could obviously take well over a year in view of Gulf States Utilities Company firm refusal to transmit such power and lengthy proceedings may be required. This could result in an interim loss to Abbeville sufficiently large such that as a practical matter Abbeville is forced to accept the best terms it could obtain from Gulf States Utilities Company prior to May 21.

Abbeville therefore decided that it had no choice but to execute an agreement with Gulf States. It did so notwithstanding its belief that the agreement with Lafayette would have been in its best interest.

1/ The letter referred to is Attachment 9 hereto.

In conclusion, Abbeville believed that it was in Abbeville's best interest to obtain its electric supply from Lafayette. Gulf States refused to provide the transmission and interconnection agreements it had promised would be available for our purchase from another system, and refused to hold its own offer open so that we might continue to pursue alternatives.

- b. GSU's October filing tries to paper over its refusal to deal in order to retain Abbeville as a customer.

GSU's statement on the Abbeville affair papers over GSU's refusal to transmit to Abbeville in order to prevent Abbeville from switching to Lafayette as a supplier. In doing so, the GSU response does not refer to its repeated express commitment to transmit for Abbeville, and its breach of that commitment. Even so, it effectively concedes GSU's refusal to transmit for non-generators.

As stated by GSU in its response here (at B.l.h.7):

By letter dated January 25, 1983, a consulting engineer for the City of Abbeville, Louisiana, inquired as to the availability of transmission service from GSU under a 1985 contract. GSU responded that an interconnection agreement with related transmission service could be made available under similar terms and conditions as agreements GSU had with other like entities. Interconnection agreements have only been entered into with entities engaging in bulk power supply from such entity's generating facilities, and Abbeville has no generating facilities. Thus no such interconnection agreement or contract for transmission service was made. A new wholesale contract was executed on May 27, 1983 which may be cancelled by Abbeville on one year's notice on any anniversary date beginning January 1, 1987. FERC accepted the contract in Docket No. ER83-613-000 after granting interventions by Abbeville and Lafayette. Transmission service would not have been available to Lafayette under Schedule LTS for this sale. (See paragraph (4) above.) If Abbeville

becomes a member of LEPA, transmission service under the GSU-LEPA Interconnection Agreement could be made available. (See paragraph (4) above.)

When the above is deciphered, it amounts, at the least, to an admission that Gulf States would not provide transmission for Abbeville. That is, CSU told Abbeville that transmission would be available to Abbeville, but on terms at which it is available to "other like entities," GSU knowing that it had not been providing transmission for "other like entities" (i.e., non-generators).

Even so, GSU's response as quoted above, would obscure GSU's actual commitment to Abbeville. In fact, GSU's commitment was not the qualified one implied in the above quoted statement. As quoted above, GSU now claims that it told Abbeville that it would transmit on terms available to "other like entities" (emphasis added). In fact, as quoted previously, and as shown in Attachment 6, its commitment referred to "other entities," without the qualifier "like." As Abbeville was entitled to presume, and indeed, as provided for by the terms of the construction permit here, "entity" clearly includes distributors, such as Abbeville. ^{1/} In sum, in reliance on express commitments to transmit, Abbeville entered into agreement with Lafayette; and, upon Abbeville's determination to seek power elsewhere, GSU pulled the rug out from under Abbeville.

2. Gulf States resisted transmission on behalf of a Lafayette sale to St. Martinville, another non-generating system.

In addition to frustrating a sale between Lafayette and Abbeville, GSU simultaneously frustrated Lafayette's potential sale to St. Martinville. St. Martinville, like Abbeville, has

^{1/} As stated in the "definitions" section of the construction permit conditions here:

2. "Entity" means person, a private or public corporation, governmental agency, an association, a joint stock association, business trust, municipality, or rural electric cooperative owning, operating, or proposing to own or operate equipment or facilities for the generation, transmission or distribution of electricity primarily for sale or resale to the public (emphasis added).

long been a wholesale requirements customer of GSU. By letter of April 5, 1983, the Mayor of St. Martinville formally expressed interest in purchasing electricity from Lafayette. 1/ "We would," Mayor Earl H. Willis wrote to Lafayette, "like you to discuss this matter with the City of Lafayette and Gulf States Utilities (for use of their transmission lines) and then give us a proposal for consideration." By letter of April 6, 1983 to GSU, Lafayette requested GSU to make transmission service available. 2/ By letter of April 19, 1983, GSU responded 3/ that:

The transmission service schedule "LTS" is for the purpose of coordinating generation. It is unclear to us how Lafayette would consider the full requirements load of St. Martinville as coordination of generation.

Also, the Agreement requires that Gulf States have an interconnection agreement with St. Martinville and provides for a request for transmission service by October 1st of the preceding year.

As Lafayette wrote to St. Martinville on May 5, 1983, 4/ "GSU's response did not say 'yes' or 'no' but indicated a lack of desire by GSU to transmit the power under that [Lafayette/GSU interconnection] Agreement. Depending on the outcome of a meeting on a very similar matter between Abbeville and GSU, Lafayette will vigorously pursue the necessary transmission ..."

As recounted above, GSU's response to Abbeville made clear that it had no desire to transmit on behalf of non-generating systems, and would not do so unless required by the law. In light of that message, Lafayette's negotiations with St. Martinsville fell into abeyance.

1/ Attachment 10.

2/ Attachment 11.

3/ Attachment 12.

4/ Attachment 13.

3. GSU still refuses to commit itself to transmit to non-generators.

As stated above, GSU refused transmission to Abbeville in order to block that City's purchase of power from Lafayette. Simultaneously, it resisted a request for transmission to St. Martinville. In doing so, GSU officials made plain that GSU did not want to provide transmission for others to its non-generating customers, and would resist efforts to obtain transmission. 1/

Consistent with this posture, GSU's October filing here still refuses to commit GSU to providing transmission to non-generating entities such as Abbeville and St. Martinville. In discussing Abbeville, GSU's response states (B.l.h.7):

If Abbeville becomes a member of LEPA transmission service under the GSU-LEPA Interconnection Agreement could be made available ...

GSU makes the same statement in regard to St. Martinville (response, B.l.h.6).

As cast, this response merely affirms GSU's refusal to enter into interconnection and transmission agreements, as promised with Abbeville, and its failure to offer the same to St. Martinville. Rather, GSU would, without any reasonable basis, condition transmission service to Abbeville, St. Martinville and, it must be presumed, other non-generators upon entrance into an association with other systems (LEPA). Even so, the response does not commit GSU to providing transmission service -- carefully choosing the word "could" instead of "would." As the

1/ See Attachments 3 and 4. For example, as the Beard affidavit (Attachment 4) recounts at 7, GSU official George Irvin told Abbeville that

... Gulf States did not like the idea of Abbeville's turning to Lafayette and did not want to wheel power for Abbeville. He said, however, that Company attorneys had advised him that Gulf States would be required by state law to wheel power under Gulf States' interconnection agreement with LEPA, if Abbeville joined LEPA. He made clear that if the law did not require it, Gulf States would not transmit.

history of Abbeville's dealings make plain, the use of "could" can only mean that GSU will resist the provision of transmission unless it is compelled to make it available by law. 1/

As noted above and below, the GSU construction permit here provides for transmission and interconnection by GSU with "entities." The construction permit clearly defines "entity" to include distributors such as Abbeville and St. Martinville. 2/ Assuming, as cannot be assumed, that GSU would provide transmission to distributors if they joined LEPA, there is no basis for this requirement in the construction permit, and GSU does not suggest any reasonable basis.

In sum, GSU must be required to expressly and immediately commit itself to the provision of transmission service, on reasonable terms, to non-generating GSU customers who might seek supply from others.

B. GSU Has Sought To Resist And/Or Impose Unreasonable Terms On Transmission Between Lafayette And Entities With Generation.

As shown above, GSU has refused to transmit for non-generating systems and has yet to provide transmission for them on behalf of a sale by anyone other than GSU. Where, in the case of generating systems, GSU has entered into interconnection agreements to provide transmission service, it has now sought to frustrate deals by refusal to provide service on terms long agreed to, and/or by insistence on new and patently unreasonable terms.

1. GSU unreasonably refused to provide Lafayette with through transmission to Mississippi Power & Light ("MP&L").

In 1982, Lafayette formally asked GSU to provide transmission to Mississippi Power & Light ("MP&L") on behalf of a sale by Lafayette to municipal systems in Mississippi. 3/ Service essentially identical to that requested had previously been

1/ See footnote 1, page 17.

2/ See footnote 1, page 15.

3/ Attachment 14.

provided, and MP&L expressly stated its willingness to receive the power from GSU. 1/ GSU, however, refused to provide transmission, stating as reason its own lack of interconnection agreement with MP&L. 2/ Lafayette therefore was required to find an alternative transmission path for the sale that did not require the use of GSU's transmission.

2. GSU refused to honor Lafayette and Plaquemine's transmission agreements with GSU and delayed the onset of wholesale service between Lafayette and Plaquemine.

In April 1983, Lafayette entered into agreement with the City of Plaquemine to supply Plaquemine with its power and energy requirement from June 1, 1983 through April 1986. Plaquemine had been receiving its supply from Gulf States.

Both Plaquemine and Lafayette have longstanding interconnection agreements with GSU, entered into in 1973 contemporaneous to the imposition of construction permit antitrust conditions here. Both the Plaquemine and Lafayette agreements provide for the use of the Gulf States transmission system for the transmission of "wholesale power and energy." 4/

1/ Attachment 15.

2/ Attachment 16.

3/ As Schedule "LTS," the transmission schedule of the Plaquemine and Lafayette interconnection agreements with Gulf States, provides, in the statement of "Purpose" (Section 1):

1. The purpose of this Service Schedule LTS is to provide for transmission services and compensation therefor in the case where it necessary to use the transmission facilities of Gulf States to deliver or receive wholesale power and energy to or from the system of Lafayette (Plaquemine) and another entity (as defined in Section 5) for coordinating generation, and to establish the terms, conditions, and standards applicable thereto. (emphasis added)

The Plaquemine/Lafayette agreement is for wholesale power and energy, and provides for coordination of Lafayette and Plaquemine's generation.

By letter of April 27, 1983, 1/ therefore, Lafayette requested Gulf States to provide transmission service under Schedule LTS, the transmission schedule contained in GSU's interconnection agreements with Plaquemine and Lafayette. Gulf States, however, refused to provide transmission under its longstanding interconnection agreements with Plaquemine and Lafayette.

Initially, GSU advanced a number of narrow technical claims for not providing the service requested. When Lafayette fully responded to these claims, 2/ however, GSU dug in its heels and insisted that it would not provide the service under Schedule LTS, 3/ notwithstanding Lafayette's protests that LTS service was in order. 4/ As GSU's response here would put it:

... Transmission for full requirements service as requested and scheduled by Lafayette did not meet the terms of such schedule. The type of scheduling of service requested is not provided to other entities under similar schedules. To provide the requested service would have been preferential treatment at a preferential rate. 5/

There is nothing in the GSU/Lafayette/ Plaquemine interconnection agreements that precludes the service sought by Lafayette and Plaquemine. 6/ While GSU would state that similar service is not provided to other entities under these schedules, GSU cites no instance in which similar service was sought and a contrary construction of the language provided.

In the event, faced with GSU's refusal to provide service under the interconnection agreements, Lafayette and Plaquemine had no immediate recourse but to enter into agreement to provide

1/ Attachment 17.

2/ See Attachment 18.

3/ Attachment 19.

4/ Attachment 20.

5/ Response B.1.h.4.

6/ See footnote 3, page 19, and Attachment 20. As quoted in Footnote 1, "LTS" provides for transmission of "wholesale power and energy ... for coordinating generation." The Lafayette/ Plaquemine agreement provides wholesale power and provides for coordination with Plaquemine's generation. In addition, Lafayette notes that the "term" provision of LTS (4.1) is consistent with the term of the agreement.

service under the LEPA transmission schedule. 1/ This schedule in addition to imposing additional administrative and transmission costs, 2/ contains unreasonable terms, including in particular, a penalty provision which, as discussed below, GSU would now impose to frustrate dealings between Lafayette and New Roads.

C. GSU Is Imposing A Baseless And Unreasonable Penalty On Transmission From Lafayette To New Roads.

GSU's anticompetitive behavior, even where it has no recourse but to provide transmission, is further demonstrated by its current imposition of an unreasonable and unsupported penalty on transmission between New Roads and Lafayette. Based on its claim that for a short period in August 1983 Lafayette transmitted power and energy to New Roads above the amount scheduled, GSU is now requiring (a) New Roads to pay for the allegedly excessive transmission as if the excessive amount were taken for a full twelve month period and also (b) simultaneously billing Lafayette for the amount actually transmitted. This penalty is nowhere provided for in the Lafayette interconnection agreement with GSU, under which, as GSU's October filing here states, transmission has been taking place. 3/

The New Roads municipal system had long been a GSU requirements customer. In 1982, New Roads acquired, through LEPA, an ownership share (of 3 Mw) in the Rodemacher 2 coal unit, operated by the Central Louisiana Electric Company ("CLECO"). In 1983 New Roads determined to supplement its Rodemacher purchase by purchasing the remainder of its requirements, approximately 2-4 Mw, from Lafayette. New Roads and Lafayette requested service under Lafayette's interconnection agreement with GSU begin on June 1, 1983. Again, as in the case of Lafayette's sale to Plaquemine, GSU raised technical objections, and service did not begin until mid-July, 1983.

1/ Attachment 20.

2/ The LEPA schedule being used requires a minimum service term of 12 months; while LTS permits a 5-month term. Thus, in addition to requiring additional administrative costs, Gulf States' insistence on the LEPA schedule limits Lafayette and Plaquemine's ability to adjust demands (and charges) to meet seasonal load variations.

3/ As GSU's October filing states, at B.1.h.5 (page 19), in July 1983 "GSU started providing transmission service from Lafayette to New Roads under Service Schedule LTS of the GSU-Lafayette agreement as requested."

No sooner had service begun, then, in August, 1983 GSU entered into dispute with New Roads and Lafayette.

According to GSU, for a brief period on August 10, 1983, Lafayette delivered 5 Mw of power and energy that was not scheduled as provided for by schedule LTS of the Lafayette-GSU interconnection agreement. As Lafayette informed GSU, the episode referred to related to an emergency in which Lafayette did indeed seek to schedule delivery, but GSU did not recognize Lafayette's efforts as scheduled. 1/ In any event, the proper remedy, as provided for by Schedule LTS of the GSU-Lafayette interconnection agreement, would be for Lafayette to pay for service taken, but allegedly not scheduled. 2/ In fact, GSU has been billing Lafayette for services actually rendered and in addition, billing New Roads as if it were intending to take the alleged excessive amount in full. By this effort, GSU would obtain close to \$80,000 in revenues for services not provided. In doing so, it ignores the Lafayette-GSU interconnection agreement, under which service takes place. 3/

Rather, GSU claims the extraordinary payments under a penalty provision in its recent interchange agreement with New Roads, which provision GSU also insisted upon in its recent interchange agreement with LEPA. (Incredibly, GSU's October filing here identifies these agreements as actions taken in accordance with its construction permit conditions.) GSU's decision to ignore the Lafayette/GSU agreement aside, the penalty provision is either unreasonable on its face or unreasonable in its application, and in any case, apparently not even part of the New Roads rate schedule on which GSU relies.

GSU relies on a penalty clause which, it says, is contained in the New Roads-GSU (and LEPA-GSU) transmission rate schedule. 4/

1/ Attachment 21.

2/ Thus, Section 4.5 of LTS provides:

In the event it should at any time be determined by Gulf States, either by audit, metering, or otherwise, that actual energy transmitted exceeds the capacity or energy contracted and scheduled, then in addition to the charge for contracted and scheduled transmission Gulf States shall be entitled to bill and receive from Lafayette an amount equal to the rate for secondary energy transmission service applied to the amount of energy actually transmitted in excess of the amount contracted and scheduled.

3/ See footnote 3, page 21.

4/ The clause appears in the October 1983 GSU filing, at Attachment 5, Rate Schedule LETS, page 2.

In Lafayette's view this clause on its face, and certainly as applied by GSU, is unreasonable. In addition, as LEPA has told GSU (Attachment 22), the imposition of the penalty is contrary to GSU's agreement that the clause was not intended to provide utterly disproportionate penalties for operational errors (assuming that GSU's version of events here were correct). Moreover, the imposition of the clause is contrary to GSU's commitment that New Roads and LEPA would be served at rates contained in the most recent FERC rate case settlement agreement, which rates do not contain the penalty. Thus, in filing the New Roads interconnection agreement with the FERC in February 1983, Gulf States specifically stated that the charges under Schedule LTS will be those determined in the ongoing general rate case (Attachment 23). Indeed, in the October 1983 filing here, GSU itself acknowledges that transmission service in its agreement with New Roads is at the LTS rate provided for by the settlement of its recent FERC rate case, which does not contain the penalty. 1/

In sum, Gulf States' present attempt to impose a baseless and, in any case, utterly disproportionate penalty on transmission between New Roads and Lafayette is a further instance of unreasonable and anticompetitive behavior.

1/ Thus, Item B.1.f calls for GSU to provide copies of rate schedules not previously provided. Gulf States, at page 14 of its response, notes that it is providing transmission service to New Roads "for excess Kw taken by New Roads under Service Schedule LTS under the New Roads-GSU Interconnection Agreement." The response then concludes:

Attached you will find a copy of the rate schedules which have not been previously furnished (Attachment 2). These rate schedules are merely compliance rate schedules for Docket #ER82-375-000, which has not been approved at this time.

As inspection of Attachment 2 shows, Schedule LTS does not contain the penalty provision GSU now would impose. (Neither was such provision contained in the final settlement rates in that docket, which are currently effective.)

D. Gulf States Has Failed To Even Respond To Lafayette's Request That It Be Permitted To Participate In Coordination Among Gulf States, Middle South Utilities, And The Southern Companies.

As stated in Lafayette's September letter, in December 1982 Gulf States, the Southern Companies ("Southern") and the Middle South Utilities ("Middle South") entered into an agreement in consideration of Middle South's withdrawal from a FERC proceeding involving a large unit power sale from Southern to GSU, and the related construction of a 500 kv interconnection between the two. That agreement, in turn, committed the three large systems to enter into a coordination agreement. In mid-1983 Lafayette obtained 1/ a draft of the proposed coordination agreement. Upon receipt of the draft Lafayette wrote to the three systems formally requesting the opportunity to participate in the new agreement. 2/ As Lafayette's September letter stated, Lafayette had yet to receive any formal response to this request. No formal response has been received in the interim since September.

III. GSU's Violation Of Antitrust Conditions In Its Construction Permit Is A "Significant Change" Requiring Commission Scrutiny And Remedy.

Pursuant to the 1974 antitrust review, the construction permit entered into by GSU contains, inter alia, the following commitments by the Company:

7. Interconnection and coordination agreements shall not embody any unlawful or unreasonably restrictive provisions pertaining to intersystem coordination. Good industry practice as developed in the area from time to time (if not unlawfully or unreasonably restrictive) will satisfy this provision.

10. Applicant shall facilitate the exchange of bulk power by transmission over its transmission facilities between two or more entities engaging in bulk power supply in

1/ The document, Attachment 2 hereto, was obtained in discovery before the FERC.

2/ Attachment 1.

its service area in Louisiana with which it is interconnected; and between any such entity(ies) and any entity(ies) engaging in bulk power supply outside Applicant's service area in Louisiana between whose facilities Applicant's transmission lines and other transmission lines would form a continuous electrical path; provided that (1) Permission to utilize such other transmission lines has been obtained by the entities involved, (2) Applicant has appropriate agreements for transmission service with the entities interconnected with Applicant at both the receiving and delivery points on Applicant's system, and (3) the arrangement reasonably can be accommodated from a functional and technical standpoint...

GSU's refusal to provide transmission service between Lafayette and Plaquemine under the transmission schedules in the interconnection agreements between these systems and GSU constitutes a violation of provision 10 of the construction permit. Alternatively, to the extent GSU would contend that these transmission schedules do not provide for the service requested, it is in violation of provision 7.

GSU's refusal to respond to Lafayette's request to participate in the planned coordination agreement among GSU, Middle South, and Southern indicates that GSU is unreasonably limiting Lafayette's access to coordination, in violation of provision 7.

GSU's refusal to provide transmission service agreements for Lafayette's sale to non-generating systems, including the sale to Abbeville and potential sale to St. Martinville, constitutes a violation of provision 10 of the permit. 1/ Alternatively, its refusal to provide transmission service to non-generators under its existing interconnection agreement with Lafayette requires a finding, pursuant to provision 7, that the agreements are unreasonably restrictive.

GSU's efforts to impose substantial costs on transmission between Lafayette and New Roads that bear no relation to service rendered is in violation of Section 7 of the construction permit.

1/ Lafayette recognizes that GSU does not have a transmission agreement with Abbeville, but it has defaulted on its March 1983 written commitment to provide one, and cannot now claim that it is not obligated to transmit because of lack of "an appropriate agreement."

Conclusion

In summary, in view of the matters stated above, and in Lafayette's September 15 letter, Lafayette respectfully requests that the Staff make an initial finding that "significant changes" have occurred subsequent to the antitrust review at the construction permit stage and that further antitrust review is in order.

As stated in Lafayette's September 1983 letter and further shown herein, recent developments in Gulf States' activities are "significant changes" which require

- a. a directive to Gulf States that it further update its application to fully account for (i) the recent alteration of its substantial power supply arrangements with the Southern Companies and (ii) its related commitment to enter into a coordination agreement with Southern and the Middle South Utilities;
- b. a determination that "significant changes" have occurred requiring Commission review and consultation with the Justice Department;
- c. a determination that Gulf States has violated the conditions of its construction permit; and
- d. further actions to modify the project antitrust conditions as a condition of the maintenance of the construction permit and grant of the operating license, to require that Gulf States provide assured access (on reasonable terms) to its transmission system to Lafayette and to those GSU customers who wish service from other suppliers, including Lafayette.

In addition, Lafayette also suggests that a conference among Staff, Gulf States, Lafayette and other relevant and interested parties might be convened to consider the matters addressed herein.

Lafayette would be pleased to provide such further information and assistance as it can to clarify and/or elaborate on the facts and requests stated herein.

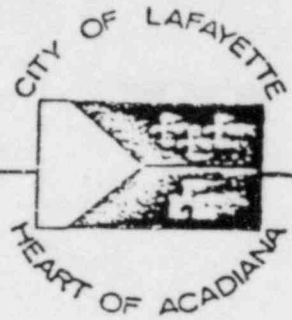
Very truly yours,

Daniel Guttman

George Spiegel
Daniel Guttman

Attorneys for the City of Lafayette,
Louisiana

cc: Cecil Johnson, Esq.



Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE: (318) 261-8800
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502

July 5, 1983

Handwritten signature

Mr. Paul W. Murrill
Chief Executive Officer
Gulf States Utilities Company
P. O. Box 2951
Beaumont, Texas 77704

Mr. William R. Reed
Chief Executive Officer
Southern Company Services, Inc.
600 North 18th. Street
Birmingham, Alabama 35202

Mr. Frank G. Smith, Jr.
Chief Executive Officer
Middle South Services, Inc.
P. O. Box 61000
New Orleans, Louisiana 70161

Gentlemen:

RE: Proposed Coordination Agreement

As Director of the electric utility system of the City of Lafayette, Louisiana, it has come to my attention that your systems are currently engaged in drafting a "reliability coordination agreement" for the further coordination of utility systems in the region. ^{1/} On behalf of Lafayette, this letter is to formally express our interest in participating in the development and operation of the agreement. We have been provided with a May 10, 1983 draft of the agreement. We enclose a copy of the draft which, with the minor revisions to provide for Lafayette, we are prepared to sign.

As you may know, the electric system of the City of Lafayette has an increasing need to be concerned and involved with the coordination activities of neighboring systems in the southern region. The City currently has generating capability in excess of 600 Mw, with a peak load of approximately 250 Mw.

^{1/} Provision for this agreement appears in paragraph 7 of the December 13, 1982 agreement among Arkansas Power & Light Company et al. and Gulf States Utilities and Alabama Power Company, et al.

Mr. Paul W. Murrill
Mr. Frank G. Smith, Jr.
Mr. William R. Reed

2

July 1, 1983

Until recently, all generation was located at plants located in the City of Lafayette. In 1982, however, Lafayette began to receive power from its share of the Rodemacher 2 unit, located in Boyce, Louisiana on the Central Louisiana Electric Company system and Lafayette soon expects to receive power under an allocation from the Southwestern Power Administration.

Lafayette is electrically interconnected with and/or has interchange agreements with CLECO, GSU and Cajun Electric Power Cooperative, and belongs to the Southwest Power Pool.

In addition to its interchange of power and energy with those with whom it is directly interconnected, Lafayette has historically sought to engage in transactions with other utilities in the region, where the exchanges provide benefits to the parties involved. In 1981, for example, it provided power and energy to certain municipalities in Mississippi through the transmission facilities of GSU and Mississippi Power & Light. In 1982 and 1983, it similarly sold such power transmitted over Central Louisiana Electric Company, Louisiana Power & Light and Mississippi Power & Light. It has also sold power to a number of Louisiana systems over the facilities of the Louisiana Power Light Company, GSU, and CLECO.

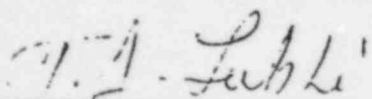
At present, Lafayette has substantial excess capacity which it seeks to make available on an economic basis, and seeks coordination, in part, to further this end, as well as to improve, as possible, the reliability of power supply in the Lafayette area. It seeks to coordinate with GSU and use the transmission facilities of the GSU and Middle South systems and, with the forthcoming completion of the 500 Kv interconnection between GSU and Mississippi Power Company, would welcome the opportunity to engage in coordination with the Southern Companies, as well as GSU and Middle South.

In conclusion, Lafayette would be pleased to provide such further information as may be appropriate, and requests that it be permitted to participate in the cooperative venture on which you are proceeding.

Very truly yours,

CITY OF LAFAYETTE, LOUISIANA

By



J. J. Labbe'

Director of Utilitiies

TJL:jb

Enclosure

RELIABILITY CO-ORDINATION AGREEMENT

AMONG

ARKANSAS POWER & LIGHT COMPANY
LOUISIANA POWER & LIGHT COMPANY
MISSISSIPPI POWER & LIGHT COMPANY
NEW ORLEANS PUBLIC SERVICE INC.
MIDDLE SOUTH SERVICES, INC.

GULF STATES UTILITIES COMPANY

- and

ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN COMPANY SERVICES, INC.

DRAFT
MAY 10 1983

THIS AGREEMENT, made as of the _____ day of _____, 1983, by and among ARKANSAS POWER & LIGHT COMPANY, an Arkansas corporation, LOUISIANA POWER & LIGHT COMPANY, a Louisiana corporation, MISSISSIPPI POWER & LIGHT COMPANY, a Mississippi corporation, NEW ORLEANS PUBLIC SERVICE INC., a Louisiana corporation (hereinafter collectively referred to as the "Middle South Companies"), and MIDDLE SOUTH SERVICES, INC., a Delaware corporation (hereinafter referred to as "MSS"), with all of the aforesaid companies being hereinafter collectively referred to as the "Middle South System Companies"; GULF STATES UTILITIES COMPANY, a Texas Corporation (hereinafter referred to as "GSU"); and ALABAMA POWER COMPANY, an Alabama corporation, GEORGIA POWER COMPANY, a Georgia corporation, GULF POWER COMPANY, a Maine corporation, MISSISSIPPI POWER COMPANY, a Mississippi corporation (hereinafter collectively referred to as the "Southern Companies"), and SOUTHERN COMPANY SERVICES, INC., an Alabama corporation (hereinafter referred to as "SCSI"), with all of the aforesaid companies being hereinafter collectively referred to as the "Southern System Companies".

WITNESSETH:

WHEREAS, the respective generating and transmission systems of the Middle South Companies are interconnected with each other so as to form an integrated electric utility system (hereinafter called the "Middle South System") operating in the states of Arkansas, Louisiana, Mississippi and Missouri; and

WHEREAS, GSU is itself an integrated electric utility system operating in the states of Louisiana and Texas; and

WHEREAS, the respective generating and transmission systems of the Southern Companies are interconnected with each other so as to form an integrated electric utility system (hereinafter called the "Southern System") operating in the states of Alabama, Florida, Georgia, and Mississippi; and

WHEREAS, GSU and the Middle South System have direct transmission interconnections and are indirectly interconnected through the transmission facilities of others, and it is anticipated that additional direct and indirect interconnections will be established in the future; and

WHEREAS, GSU and the Southern System are indirectly interconnected through the transmission facilities of the Middle South System and others, and it is anticipated that direct and additional indirect interconnections will be established in the future; and

WHEREAS, the Middle South System and the Southern System have direct transmission interconnections and are indirectly interconnected through the transmission facilities of others, and it is anticipated that additional direct and indirect interconnections will be established in the future; and

WHEREAS, the Middle South System Companies, GSU and the Southern System Companies have determined that it would be mutually advantageous to enter into a coordination agreement to formalize and expand their intersystem activities to safeguard and augment reliability of their respective systems;

NOW, THEREFORE, in consideration of the above premises and of mutual benefits from the covenants herein set forth, the parties hereto agree as follows:

ARTICLE I

TERM OF AGREEMENT

Section 1.1 Term: The term of this Agreement shall commence and become effective on the _____ day of _____ 1983, and shall terminate on May 31, 1993. Hereafter, this Agreement shall automatically renew for successive terms of ten (10) years, each provided that any party hereto may terminate this Agreement, effective with the expiration date of the initial term or of any

renewal term, by giving written notice to this effect to all the other parties hereto, no less than four (4) years prior to the expiration date.

ARTICLE II

PURPOSE

Section 2.1 The purpose of this Agreement is to foster the reliability of the Middle South Companies', GSU's and the Southern Companies' (collectively, the "Companies") bulk power supply through coordination among the Companies of the planning and operation of their collective generation and bulk power transmission facilities.

ARTICLE III

EXECUTIVE COMMITTEE

Section 3.1 Appointment: There is hereby established an Executive Committee to which each of the Companies shall appoint one representative and one alternate. A representative and an alternate may be designated as the appointees of more than one company by the Chief Executive Officer of each company for which such appointments are made. Appointments to the Executive Committee shall be respectively made by written notice by the Chief Executive Officer of each of the Companies to the designated agents for the Middle South Companies and for the Southern Companies and (other than when GSU is making such appointments) to GSU and may be changed by similar written notice. As of the effective date of this agreement MSS shall be the designated agent for the Middle South Companies and SCSL shall be the designated agent for the Southern Companies. GSU shall represent itself.

Section 3.2 Organization: The Executive Committee shall select a Chairman whose term of office shall be for one year. The Chairmanship of the Executive Committee shall rotate alphabetically among the Companies.

Section 3.3 Meetings: The Executive Committee shall meet annually or oftener as required to carry out its duties and responsibilities. Meetings shall be called by the Chairman on his own initiative or upon request of any member of the Committee. Notice of all meetings, stating the time and place, shall be given by the Chairman in writing to each designated agent and to GSU by mailing at least one week prior to the date of the meeting.

Section 3.4 Duties: The duties of the Executive Committee shall be to review principles and coordinate procedures with respect to matters affecting bulk power supply. The scope of the matters to be considered by the Committee shall include, but not necessarily be limited to, the following:

1. Coordination of generation and transmission planning, construction, operation, and protection arrangements to maintain maximum reliability,
2. Coordination of interconnection lines and facilities for full implementation of mutual assistance in emergencies,
3. Initiation of joint studies and investigations pertaining to emergency performance of bulk power supply facilities,
4. Coordination of maintenance schedules of generating units and transmission lines, especially in adjacent areas,
5. Determination of requirements for adequate communication among the parties hereto,
6. Coordination of load relief measures and restoration procedures,
7. Coordination of spinning reserve requirements,
8. Coordination of voltage levels and reactive power supply,
9. Other matters relating to the margin of security of the systems of the Companies to meet customer service requirements, and
10. Exchange of information on items such as:
 - a. Magnitude and characteristics of actual and forecasted loads,

Section 3.5 Capabilities of generating facilities, power supply additions, and capability of bulk power interchange facilities, and plant and system emergencies such as unit outages, line outages, etc.

Section 3.5 Task Forces: The Executive Committee shall appoint such task forces as it deems necessary to carry out assigned duties.

Section 3.6 Consultants: The Executive Committee may retain independent consultants to make studies and recommendations on matters within its scope.

Section 3.7 Action by Unanimous Vote: All actions of the Executive Committee shall be by unanimous vote of all members, including the Chairman. If a unanimous vote of the Executive Committee on any issue is not attainable, a representative of any party hereto may require the Chairman to present the issue in question to the Chief Executive Officers of MSS, GSU, and SCSJ for their joint consideration and resolution.

ARTICLE IV

INTER-AREA RELIABILITY

Section 4.1 The parties hereto recognize that attainment of their objectives will be facilitated by continued cooperation with neighboring interconnected systems not parties to this Agreement. The parties also recognize that as a result of further augmenting reliability of the bulk power supply of the Companies, the benefits of greater reliability will inherently pass to other interconnected systems. Accordingly, the Companies will attempt periodically to review matters affecting reliability with systems to which they are interconnected and which are not parties to this Agreement.

Section 5.5 Successors and for the benefit of the parties hereto and their successors and assigns.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.1 Expenses: The expenses of each member of the Executive Committee and each member of its task forces shall be borne by the company or companies he represents. Any other expenses of the Executive Committee or its task forces or consultants shall be shared as agreed by the committee.

Section 5.2 Appointment of Agents: MSS joins in the execution of this Agreement for the principal purpose of serving and acting as agent for the Middle South Companies jointly and severally. SCSJ joins in the execution of this Agreement for the principal purpose of serving and acting as agent for the Southern Companies jointly and severally. Any of the Companies, through its Chief Executive Officer, may designate a new agent for itself from time to time under this Agreement by giving all of the other parties hereto thirty (30) days prior written notice, in which event the authority of the company previously designated as agent shall cease and the newly designated agent shall be substituted therefor.

Section 5.3 Notices: Any written notice or demand required or authorized by this Agreement shall be properly given if mailed, postage prepaid, to Chief Executive Officer, Middle South Services, Inc., P.O. Box 61000, New Orleans, Louisiana 70161, on behalf of the Middle South Companies, or to Chief Executive Officer, Southern Company Services, Inc., 600 North 18th Street, Birmingham, Alabama 35202, on behalf of the Southern Companies or to Chief Executive Officer, Gulf States Utilities Company, P.O. Box 2951, Beaumont, Texas 77704. Such notices shall be deemed effective upon receipt or such later time as may be designated therein. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by any party by similar notice.

Section 5.4 Ownership: Each of the Companies shall retain sole control over its own facilities and the construction, location and operation thereof.

Section 5.5 Waivers: Any waiver at any time by any party hereto of its rights with respect to any other party hereto or with respect to any other matter arising in connection with the Agreement shall not be considered a waiver with respect to any subsequent right or matter.

Section 5.6 Successors and Assigns: This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the respective parties hereto, but it shall not be assignable by any party hereto without the written consent of all the other parties hereto except in accordance with the provisions of a mortgage or deed of trust or to a successor corporation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers.

[Faint signatures and names of parties, including Middle South Companies and Southern Company Services, Inc.]

Attachment 3

AFFIDAVIT OF LARRY J. CAMPISI

My name is Larry J. Campisi. Since June of 1982 I have been the Mayor of the City of Abbeville, Louisiana.

Abbeville owns and operates a municipal utility distribution system for the benefits of its citizens and ratepayers. The City's municipal electric system is electrically interconnected with the transmission system of the Gulf States Utilities Company at a voltage of 34.5 Kv.

In 1975, Abbeville had entered into a contract to receive its requirements for power and energy from the Gulf States Utilities system. The contract provided an initial term of three years, with year-to-year renewal thereafter. Under this agreement, energy was furnished at a delivery voltage of 34.5 Kv, at the Gulf States rate for this level of delivery voltage.

Following my election, Gulf States proposed a renegotiation of its contract with Abbeville. Under the proposal, GSU would agree to construct a 138 Kv transmission line to serve the City, and serve it under GSU rate WST, which is significantly lower than the rate for 34.5 Kv (WSD). GSU proposed to lease the existing substation to Abbeville at 2 percent/month until Abbeville built its own 138 Kv - 34.5 Kv substation. As a condition to the "upgrade," GSU wanted a ten-year initial contract term.

It was my belief that Abbeville should upgrade the interconnection facilities to 138 Kv, but in doing so, should be

able to avail itself of power supply opportunities from sources other than Gulf States. I was particularly concerned about potential cost increases or uncertainties in Gulf States rates in the future. These concerns related especially to the River Bend 1 nuclear unit which it is constructing, and to possible increases in the cost of natural gas. I therefore wanted Abbeville to have both the right to receive power from sources, including the City of Lafayette and the Louisiana Energy & Power Authority (LEPA), other than Gulf States and the opportunity to do so upon reasonable notice to Gulf States. With the view to exploring these alternatives, in early 1983 the City employed the services of an engineering consultant, Mr. Harold Beard.

On January 13, 1983, on behalf of Abbeville, I wrote to Gulf States stating Abbeville's desire to negotiate on a new contract, and seeking a meeting to discuss this.

Abbeville met with representatives of Gulf States in Abbeville on January 24 in the offices of Abbeville's city attorney, Durwood Conque.

A January 25, 1983 letter from Mr. Beard to Mr. George Irvin, General Superintendent, Gulf States Utilities Company summarized Abbeville's requests, as stated at the meeting. As the letter stated, the City had told Gulf States that it was interested in receiving service under rate WST and upgrading its inter-connection with GSU to 138 Kv; the City requested a two-year contract term with year-to-year renewal; and the City wished

transmission rights to obtain power from third parties. As the letter stated, "Abbeville might elect to purchase all or a portion of load from third parties in the future."

On March 1, 1983, representatives of Gulf States met separately with Mr. Beard in Baton Rouge and myself in Abbeville. (I understand that the meeting with Mr. Beard is described in a statement by Mr. Beard.) Mr. Harold Beaugh of GSU came to visit me. Among the points I emphasized was Abbeville's desire for a contract that included a reasonable provision for cancellation, and that provided Abbeville the opportunity to obtain power from other sources. I made clear that the ten-year contract term proposed was unacceptable.

On March 1 and March 15, Mr. Malcolm Williams, Gulf States' Manager of Business Development, wrote letters to Abbeville in which he spelled out Gulf States' offers. Both of these letters made clear Gulf States' commitment to either (a) provide service under the Gulf States "WST" rate or (b) agree to a 30-year interconnection agreement under which Abbeville would be able to use Gulf States' transmission facilities to obtain power from other sources.

On April 8, 1983, representatives of Gulf States met with Mr. Beard and myself in Abbeville. At this meeting, Abbeville again protested Gulf States' insistence on a 10-year term, but Gulf States continued to contend that such term was needed to be consistent with the terms contained in contracts with other

municipal wholesale customers. Gulf States did agree, however, that if Abbeville entered into a new contract with Gulf States, it would be billed on the WST rate as of January 1, 1983.

Following the April 8 meeting, Mr. Beard and I called Mr. T.J. Labbe, Superintendent of the Utilities Department of the City of Lafayette, Louisiana. We did so in view of Gulf States' insistence on a ten-year contract term and our concern that more economic power alternatives could be available to Abbeville during this period. It was our understanding that the Lafayette system was seeking to sell additional power, and we wished to know the terms of its availability. As a result of the call, representatives of Lafayette and Abbeville met on April 12, 1983 to discuss Lafayette's supply of power and energy to Abbeville.

As a result of that meeting and the analysis performed by Mr. Beard, we decided to negotiate with Lafayette for the supply of our energy and power requirements. Following the meeting, negotiations proceeded rapidly, and on April 28, 1983 agreement was reached. The agreement provided that Lafayette would begin to supply Abbeville with its requirements for power and energy on June 1, 1983.

In entering into the agreement with Lafayette, Abbeville naturally assumed that GSU would honor the commitments made in its March 1983 letters to provide Abbeville with an inter-connection agreement and transmission service.

On May 5, 1983, Abbeville met with Gulf States in Lafayette to state our intent to obtain service from Lafayette, and discuss the interconnection agreement and transmission arrangements which we understood GSU had committed to. Gulf States' Mr. George Irvin said he was not sure if a commitment was made because he did not write the letter, and he would have to consult with Mr. Williams. Gulf States' Mr. James Richardson, however, said that any such commitment that had been made had been rescinded.

Mr. Irvin further said that Gulf States did not want to wheel for Abbeville and would do so only if required to do so by law. I asked him to explain what he meant. He said that he understood from his attorneys that the state law which created LEPA would require transmission for Abbeville if it became a LEPA member, but that there is a possibility state law could be changed.

Several days later, I received a call from Mr. Sam Theriot, Abbeville's state representative. Mr. Theriot said that he had been contacted by Mr. Ernie Broussard, Gulf States' legislative lobbyist.

Mr. Theriot was asked by Mr. Broussard to set up a meeting between Abbeville and Gulf States. Mr. Theriot asked me what Abbeville had requested from Gulf States. I said that we wanted a year-to-year contract and the right to seek supply from third parties. Mr. Theriot said that he was not familiar with the details of Abbeville-Gulf States negotiations, but that all Gulf States wanted was for him to arrange a meeting.

I told Mr. Theriot that I would be in Baton Rouge on May 18 for the annual "Mayor's Day." Mr. Theriot called and told me that he had arranged a luncheon meeting with himself, Mr. Broussard, and Gulf States Vice President Summa Stelly at the City Club in Baton Rouge at that date. He said that Gulf States wanted to meet with me alone; attorneys and consultants were not invited.

I met with GSU as scheduled on May 18. In addition to Messrs. Broussard, Stelly, and Theriot, Mr. Ted Meinschert attended for GSU.

Following initial pleasantries, Mr. Stelly stated that GSU wanted to keep Abbeville as a customer, and wanted to clear up misunderstandings that Abbeville might have had as a result of its communications with Gulf States. Mr. Stelly stated that Gulf States could not adhere to the letter commitments made by Mr. Malcolm Williams. He said that Gulf States did not have any interconnection agreements with electric systems that did not own generation and there would be no way it could allow them.

I said that Abbeville believed that purchasing from Lafayette, instead of Gulf States, was in Abbeville's best interests. I further said that I assumed a commitment from Mr. Williams to provide for an interconnection agreement and related transmission was a commitment from Gulf States. I said that Abbeville needed Gulf States' adherence to this commitment.

Mr. Stelly responded that Gulf States could not adhere to the commitment. He said, however that Gulf States would agree to reduce the initial term of its proposed contract with Abbeville from ten years to five years.

I said that Abbeville wanted a contract which provided for cancellation on a year's notice.

Mr. Stelly said that Gulf States could not accept a contract that permitted cancellation on a year's notice because it would lose Abbeville as a customer. I responded that if Gulf States were competitive, there would be no reason for Abbeville to take power from Lafayette but that, as Abbeville's consultant advised, Gulf States would not be competitive.

I also said that Abbeville intended to join LEPA and did not want opposition from GSU.

In conclusion, I told GSU that if Abbeville were to take power from GSU, it would require a year-to-year contract.

Mr. Stelly said that he would consider my statements and get back in touch by 6:00 p.m. that day.

At about 6:10 p.m., I received a call from Mr. Stelly. He said that he thought we could work out an agreement, and suggested a meeting at breakfast the next morning.

At subsequent talks with Mr. Stelly and others, Gulf States said it would shorten the contract term to three and one-half years. In addition, if Abbeville agreed to the contract immediately, it would be entitled to retroactive application (to January 1, 1983) of the WST rate -- which would provide Abbeville thousands of dollars of refunds.

Under the circumstances, it was apparent that Gulf States was committed to resisting the loss of Abbeville as a customer to Lafayette. Even while Gulf States had, in Abbeville's view, committed itself to provide the interconnection agreement and transmission needed for Abbeville to proceed with its agreement to Lafayette, it was clear that the commitment could not be made good without long drawn out litigation.

In addition, as I wrote to the Mayor of Lafayette, if Abbeville had not agreed to Gulf States' final proposal, it would not have received service from Gulf States at the WST rate, and the further savings related to the retroactive application of this rate. Instead, as Abbeville pressed for fulfillment of Gulf States' commitments through litigation, the existing Gulf States contract would have automatically been renewed, and Abbeville would have had to pay the higher WSD rate until it could obtain transmission service to Lafayette.

As I wrote to the Mayor of Lafayette:

This could obviously take well over a year in view of Gulf States Utilities Company firm refusal to transmit such power and lengthy proceedings may be required. This could result in an interim loss to Abbeville sufficiently large such that as a practical matter Abbeville is forced to accept the best terms it could obtain from Gulf States Utilities Company prior to May 21.

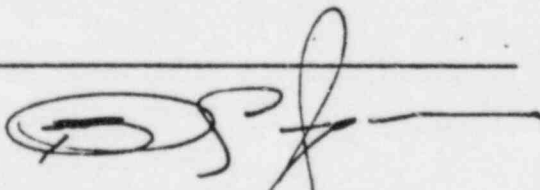
Abbeville therefore decided that it had no choice but to execute an agreement with Gulf States. It did so notwithstanding its belief that the agreement with Lafayette would have been in its best interest.

In conclusion, Abbeville believed that it was in Abbeville's best interest to obtain its electric supply from Lafayette. Gulf States refused to provide the transmission and interconnection agreements it had promised would be available for our purchase from another system, and refused to hold its own offer open so that we might continue to pursue alternatives.



Larry J. Campisi

Subscribed and sworn to
before me this 18th day
of August, 1983.



Notary Public

AFFIDAVIT OF HAROLD BEARD

My name is Harold Beard. I am President of Beard Engineering, Inc., Consulting Engineers, P.O. Box 3838 Baton Rouge, Louisiana 70821, telephone (504) 297-5344.

Beard Engineering was founded in 1970 to provide engineering consulting service to industrial and municipal energy users. In the past half decade, it has come to perform similar services in the sewer and water utility areas.

In January of 1983, I was employed by the City of Abbeville, Louisiana to assist it in power supply negotiations. Abbeville operates a municipal electric system which has been receiving its power under a wholesale power arrangement with the Gulf States Utilities Company.

In 1982 the Abbeville system experienced peak loads of approximately 23 megawatts (summer) and 13 megawatts (winter), and provided approximately 94.5 million Kwh of electricity.

Abbeville is electrically interconnected with the Gulf States system at 34.5 Kv. It had been purchasing power under the Gulf States "WSD," or wholesale distribution rate; a rate significantly higher than that available for customers taking power at higher voltages who are eligible for service under the Gulf States "WST," or wholesale transmission rate.

Abbeville had been receiving power under a contract entered into on March 18, 1975, which provided a three-year term and a year-to-year renewal each May thereafter. I was called upon after Gulf States had transmitted to Abbeville a proposed new contract which, among other things, provided for a ten-year initial term.

On January 13, 1983, Abbeville sent GSU a letter stating its desire to meet regarding contract negotiations.

On January 25, 1983, a meeting was held in the offices of Durwood Conque, Abbeville's City Attorney. The meeting was attended by Mr. Conque, myself, Abbeville Mayor Larry J. Campisi, an Abbeville City Councilman and Mr. Ed LeBlanc, and on behalf of Gulf States, Mr. George Irvin, and Mr. Harold Beaugh. At that meeting Abbeville stated its needs. As summarized in my January 25, 1983 letter to Mr. Irvin, Abbeville's requests included:

1. The city wished to take service on rate WST and proceed with necessary plans for interconnection to GSU at the 138 Kv level.
2. The City requested an initial contract length of two (2) years with the right of cancellation upon one (1) year notice.
3. The City requested transmission rights to obtain power from third parties, as currently provided for municipal systems under Gulf States transmission rate LST-GSU.
4. The City stated it might elect to purchase all or a portion of its needs from third parties in the future.

In my January 25 letter, I offered to meet with Gulf States at the Company's headquarters in Beaumont, Texas, if Abbeville's requests required the consideration of higher officials.

As Abbeville's advisor, I felt that Abbeville required an interconnection agreement with Gulf States and related transmission rights in order to assure its ability to pursue and take advantage of economic power supply alternatives from

suppliers other than Gulf States, and to coordinate generation or generation rights it might acquire. I believed that a reduction in the (10-year) term provision proposed by Gulf States was critical because, in the absence of a shorter term, Abbeville would not be able to reasonably avail itself of economic third party alternatives, even if it had an interconnection agreement and transmission rights.

On March 1, 1983, a meeting was held in my office in Baton Rouge attended by Messrs. Malcolm Williams, Gulf States' Manager for Business Development, Jim Richardson and George Irvin. (The meeting followed a call the previous day from Mr. Williams, who said he would be in the area.)

At the meeting, I again stated that Abbeville required an interconnection agreement and transmission rights, and could not abide by a 10-year contract term which had no provision for cancellation. Gulf States indicated its willingness to agree to the first two points, but stated that it could not agree to a term of less than 10 years because it would have to offer such a term to other municipal wholesale and industrial customers.

By letter of March 1 to me, Mr. Williams confirmed that Gulf States would provide an interconnection agreement and transmission services if Abbeville elected to purchase its electric energy requirements from a third party. The letter stated, in part:

If Abbeville elects to purchase its electric energy requirements from a third party, GSU would agree to enter into a power interconnection agreement with Abbeville and

would provide transmission service to the entities which have agreements with GSU. This agreement will provide, among other things, for transmission service under similar terms and conditions as agreements GSU has with other entities.

Under such agreement, it will be the responsibility of Abbeville to provide all facilities necessary to implement the agreement and to receive the transmission service. Once the agreement is in effect, GSU will be under no obligation to furnish energy from Gulf States' resources to Abbeville. It will be the responsibility of Abbeville to make arrangement for the purchase of energy from entities with which GSU has an interconnection agreement and to provide the reserve for such purchases.

By letter of March 15 to me, Gulf States, through Mr. Williams, reaffirmed its commitment to provide an interconnection agreement and transmission, and summarized the alternatives to this:

- (1) GSU would make available to Abbeville electric service under our Rate Schedule WST for a period of ten (10) years. This ten year period will begin on completion of a 138 KV substation designed to take the WST service. GSU will extend the 138 KV transmission line approximately 2.5 miles to the substation site at no cost to the City. Abbeville would have the option of constructing, owning and maintaining the substation, or have GSU construct, own and maintain the substation under a monthly facilities charge. Under the ten (10) year agreement as stated above, GSU would also make additional concessions to the City which would include (1) an option to pay a monthly facilities charge on our existing substation and make rate WST available immediately and (2) include a rider in the contract which would permit the City to purchase generation from those installations located within the city limits and certified as a Qualified Facility by the Federal Energy Regulatory Authority.

- (2) GSU would make Rate Schedule WST available to Abbeville under the present agreement if the City elects to install the 138 KV substation and pay GSU for the installation of the necessary 138 KV transmission line and related equipment.
- (3) GSU will consider an agreement to engineer and/or construct this substation for the City on a fee basis under proposals (1) and (2) shown above.
- (4) GSU will provide the City with a thirty (30) year interconnection agreement as outlined in our letter of March 1, 1983.
- (5) GSU will continue to serve Abbeville under the present contract and rate WSD.

The letter stated that Gulf States' offer was available until June 1, 1983, and assured that Gulf States "will work with the City on any of these alternatives."

On April 8, 1983 a meeting was held in Abbeville attended by myself, the Mayor, Mr. Irvin, and Mr. Harold Beaugh. At this meeting, Abbeville again protested the ten-year term proposed by Gulf States for a new contract, and stated that, in any case, the term should begin on January 1, 1983 and not upon the completion of the 138 Kv substation, as proposed by Gulf States. Mr. Irvin stated that Gulf States was agreeable to the change. I asked Mr. Irvin whether he had the authority to make this commitment for Gulf States, and he said that he did.

By letter of April 11, 1983 from Mr. Irvin to Mayor Campisi, Gulf States confirmed that the 10-year period would begin from January 1, 1983. In addition, Gulf States stated that the WST rate was to be available as of January 1, 1983 -- that is,

Abbeville would not have to await the completion of the higher voltage facilities in order to get the benefits of the lower WST rate.

Following the meeting of April 8, the Mayor and I discussed our concerns about Gulf States' insistence on a 10-year initial contract term. We were concerned because we wished Abbeville to have reasonable opportunity to plan for and choose economic supply sources as they become available. For example, Abbeville was interested in joining the Louisiana Energy & Power Authority (LEPA) a municipal power authority recently created to plan and coordinate economic power supply for municipal systems. In addition, we were concerned because we believed that Gulf States' rates were subject to significant increase and uncertainty related, among other things, to the coming into service of the River Bend nuclear unit.

In light of these concerns, we telephoned Mr. T.J. Labbe, Director of the Utilities Department of the City of Lafayette. Lafayette is electrically interconnected with Gulf States, and Abbeville understood that it might have the ability to supply Abbeville with its power needs, if transmission were available over the Gulf States transmission system. A meeting was scheduled with Lafayette to discuss the potential supply of power by Lafayette to Abbeville.

In anticipation of the meeting, I performed estimates of the relative costs of power from Lafayette and Gulf States.

In view of my analysis and the discussions with Lafayette, it became clear that it was in Abbeville's best interests to enter into agreement with Lafayette for the supply of its power requirements.

On April 28, Abbeville and Lafayette reached an agreement under which Lafayette would provide Abbeville its energy and power requirements. The agreement provided for service to start on June 1, 1983 with an initial term through April 1989.

In entering into agreement with Lafayette, Abbeville assumed that Gulf States would honor its repeated written commitments of March 1 and March 15 to provide Abbeville an interconnection agreement and transmission through the Gulf States system.

On May 5, 1983, Abbeville met with Gulf States in Lafayette. The meeting was attended by myself, Mayor Campisi, City Attorney Durwood Conque and Mr. Ed LeBlanc for Abbeville, and Messrs. Jim Richardson, Harold Beaugh and George Irvin for Gulf States.

At the meeting, Abbeville told Gulf States of its agreement with Lafayette and its need for the interconnection and transmission previously promised by Gulf States.

Mr. Irvin told us that Gulf States did not like the idea of Abbeville's turning to Lafayette, and did not want to wheel power for Abbeville. He said, however, that Company attorneys had advised him that Gulf States would be required by state law to wheel power under Gulf States' interconnection agreement with LEPA, if Abbeville joined LEPA. He made clear that if the law did not require it, Gulf States would not transmit.

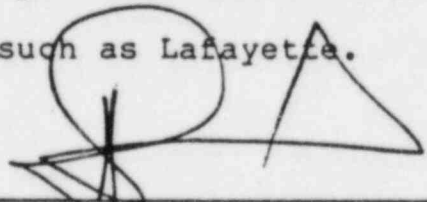
Several days later, I received a call from Mayor Campisi. He told me that Gulf States wanted to have lunch with him in Baton Rouge on May 18, and that they had made it clear that neither I nor City Attorney Conque were invited. The Mayor did have lunch with the Company as scheduled. Mr. Conque and I met with the Mayor before and after the luncheon meeting.

After the meeting the Mayor reported that Mr. Summa Stelly, a Gulf States Vice President, had made clear that Gulf States would not transmit power from Lafayette to Abbeville; that he would not allow it; that it was as simple as that. The Mayor reported that Mr. Stelly said that the transmission and interconnection commitments made by Gulf States officials in prior letters and talks with Abbeville were made by officials who did not have the authority to make such commitments.

Gulf States' refusal to provide the interconnection agreement and transmission to which it had previously committed itself placed Abbeville in a terrible dilemma. If it did not have transmission for power from Lafayette and did not sign a new contract with Gulf States, it would be required to continue to pay Gulf States the high WSD rates, while it took legal action to have Gulf States honor its commitments. Abbeville would likely face costly and drawn-out litigation to vindicate its rights, while paying a high rate for service from Gulf States. Given its resources and the circumstances, we agreed that Abbeville could not afford the risk of undertaking this course, even though we

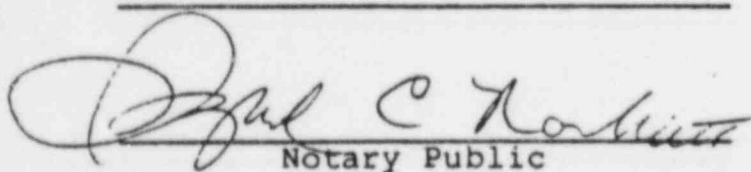
believed the contract with Lafayette was in Abbeville's best interest. It was agreed that the Mayor had no practical recourse but to seek the best terms from Gulf States.

As Abbeville's consulting engineer, it remains my view that it is critical that Abbeville have assured access to power supply alternatives to Gulf States. In my judgment, the contract with Lafayette was preferable to the contract Abbeville was forced to enter into with Gulf States. It further appears that in the next few years the price of electricity from Gulf States will continue to increase in relation to the price at which it would be available from other sources, such as Lafayette.



Harold Beard

Subscribed and sworn to
before me this 22nd day
of July, 1983.


Notary Public

My Commission is for life

BEARD ENGINEERING INC.

Consulting Engineers

P O BOX 3838

BATON ROUGE, LA 70821-3838

Attachment 5



January 25, 1983
8301

Offices

11328 PENNYWOOD AVE.
BATON ROUGE, LA 70809-4138
PHONE (504) 292-5344

Mr. George Irvin
General Superintendent
Gulf States Utilities Co.
P.O. Box 3267
Lafayette, LA 70502

Dear George:

In response to your phone request of this date, we are issuing this letter as an outline of our request to Gulf States Utilities in our meeting in Abbeville, La., this past Monday, January 24, 1983.

1. The city interest in rate WST and its desire to proceed with necessary plans for interconnection to GSU at the 138KV level.
2. During this interim period until a new station can be financed and built, we wish to rent your existing substation so as to achieve WST Rate. Rental rate is to be at a value of 1% per month of estimated construction value of \$2,000,000 (\$20,000/month).
3. Acknowledged that interim rate at \$8.346/KW and 2.60¢/KWH will be adjusted from July 1, 1982 to date of filing acceptance by FERC. The submitted rate at this time is WST @ \$7.748 and 2.6¢/KWH.
4. Contract length being two (2) years with right of cancellation of one (1) year notice. Contract automatically extends on year to year basis.
5. Transmission rights to achieve power from third parties as per LST-GSU rate.
6. Third party parallel operation on Co-generation facilities of industrial clients.

Page 2
Letter to Mr. Irvin
January 25, 1983

7. Abbeville might elect to purchase all or a portion of load from third parties in the future.

We wish to emphasize that it is the intent of the city of Abbeville to achieve a working relationship with Gulf States Utilities and do whatever is possible to secure economical rates for its customers. As acknowledged in this meeting, I have met with representatives from others regarding possible energy sources so as to have an economical source of power should GSU rate not be economical to our customers.

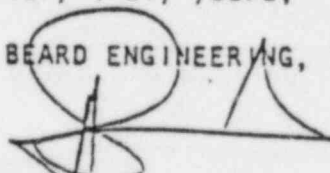
It would be beneficial to both GSU and Abbeville if items 1 and 2 outlined above could be resolved as soon as possible. As a suggestion, we would meet back in Abbeville in approximately 2 weeks to discuss GSU's position on these points.

We can certainly appreciate that this letter involves numerous departments and individuals within GSU and if you deem this meeting should be in Beaumont, so as to expedite acceptable results, this would be agreeable to our office.

By copy of this letter to other participants in the meeting, we are requesting that any items omitted or requiring modifications be directed directly to Mr. Irvin with a copy to this office.

Very truly yours,

BEARD ENGINEERING, INC.



Harold J. Beard
President

HJB:tem

cc: Honorable Larry J. Campisi and Council
Mr. Jim Elliott, & Mr. Dane Escott, ECI Engineers
Mr. Durwood Conque
Mr. Ellis R. Bordelon, City Auditor

GULF STATES UTILITIES COMPANY

POST OFFICE BOX 2951 • BEAUMONT TEXAS 77704

AREA CODE 713 838-6631

March 1, 1983

Mr. Harold Beard
President
Beard Engineering, Inc.
Consulting Engineers
P. O. Box 3838
Baton Rouge, Louisiana 70821

Dear Mr. Beard:

Thank you for your letter of January 25, 1983, to Mr. George Irvin concerning the City of Abbeville electric service.

It is our understanding that Abbeville is considering the construction of a new 138KV substation and receiving service at 138KV under our Rate Schedule WST. GSU is agreeable to provide this service; however, the nearest 138KV transmission line is approximately 2.5 miles away. Under the short-term agreement you proposed, Abbeville would be required to locate the substation adjacent to this line or reimburse GSU for the cost of extending the line to the new substation site. The existing GSU substation is not available for lease.

If Abbeville elects to purchase its electric energy requirements from a third party, GSU would agree to enter into a power interconnection agreement with Abbeville and would provide transmission service to the entities which have agreements with GSU. This agreement will provide, among other things, for transmission service under similar terms and conditions as agreements GSU has with other entities.

Under such agreement, it will be the responsibility of Abbeville to provide all facilities necessary to implement the agreement and to receive the transmission service. Once the agreement is in effect, GSU will be under no obligation to furnish energy from Gulf States' resources to Abbeville. It will be the responsibility of Abbeville

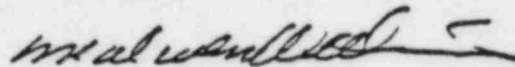
Mr. Harold Beard
Page Two

March 1, 1983

to make arrangement for the purchase of energy from entities with which GSU has an interconnection agreement and to provide the reserve for such purchases.

Please let us know should you have additional questions concerning the matter.

Sincerely,



Malcolm Williams
Manager-Business Development

MMW: bls

cc: Mr. George Irvin
Mr. James Richardson
Honorable Larry J Campisi and Council
Mr. Jim Elliott & Mr. Dane Escott, ECI Engineers
Mr. Durwood Conque
Mr. Ellis R. Bordelon, City Auditor

Attachment 7

GULF STATES UTILITIES COMPANY

POST OFFICE BOX 2951 • BRAUMONT TEXAS 77704

AREA CODE 713 828-6631

File Abbeville

March 15, 1983

Beard Engineering Company
Consulting Engineering
P. O. Box 3838
Baton Rouge, Louisiana 70821

Attention: Harold J. Beard

Dear Mr. Beard:

Thank you for your letter of March 1, 1983 concerning our discussion on the City of Abbeville electric system. GSU has provided Abbeville with electric service for a number of years and feel that we can offer the City the most reliable power supply for its future growth and development.

As discussed in our recent meeting in Baton Rouge, there are several alternatives on how this service can be supplied. It is our intent to provide Abbeville with a contract and rate option that will accrue the most benefit to the City and its rate payers, while protecting the GSU investment. In this regard, GSU will offer to provide electric service to the City of Abbeville under one (1) of the following arrangements.

- (1) GSU would make available to Abbeville electric service under our Rate Schedule WST for a period of ten (10) years. This ten year period will begin on completion of a 138 KV substation designed to take the WST service. GSU will extend the 138 KV transmission line approximately 2.5 miles to the substation site at no cost to the City. Abbeville would have the option of constructing, owning and maintaining the substation, or have GSU construct, own and maintain the substation under a monthly facilities charge. Under the ten (10) year agreement as stated above, GSU would also make additional concessions to the City which would include (1) an option to pay a monthly facilities charge on our existing substation and make rate WST available immediately and (2) include a rider in the contract which would permit the City to purchase generation from those installations located within the city limits and certified as a Qualified Facility by the Federal Energy Regulatory Authority.

March 5, 1983

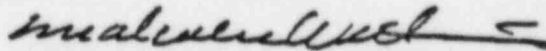
- (2) GSU would make Rate Schedule WST available to Abbeville under the present agreement if the City elects to install the 138 KV substation and pay GSU for the installation of the necessary 138 KV transmission line and related equipment.
- (3) GSU will consider an agreement to engineer and/or construct this substation for the City on a fee basis under proposals (1) and (2) shown above.
- (4) GSU will provide the City with a thirty (30) year interconnection agreement as outlined in our letter of March 1, 1983.
- (5) GSU will continue to serve Abbeville under the present contract and rate WSD.

The GSU commitment to these new contract proposals is for a period of sixty (60) days, not later than June 1, 1983.

We have a sincere interest in continuing to provide the City of Abbeville electric service and will work with the City on any of these alternatives. We do think, however, that the City's long term interest will be best served with the ten year contract option. Abbeville can insure a firm source of power for new industrial and commercial growth. (GSU maintains a professional industrial development department that will work with the City to promote this new business and jobs). GSU has long term commitments for coal and nuclear power which will keep Abbeville competitive in securing this new business while offering the City rate payers fair residential rates.

We would welcome the opportunity to discuss these proposals with you, Mayor Campisi and the City Council. Please give me a call if you have any questions concerning this matter.

Sincerely,



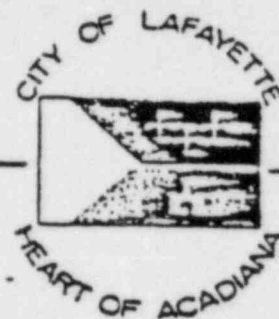
Malcolm M. Williams
Manager Business Development

MMW/kf

cc: Mr. George Irvin - GSU
Mr. James Richardson - GSU
Hon. Larry J. Campisi & Council
Mr. Ellis R. Bordelon, City Auditor

OFFICE OF THE MAYOR

DUD LASTRAPES, MAYOR
PHONE: (318) 261-8300
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502



April 28, 1983

Honorable Larry J. Campisi, Mayor
City of Abbeville
304 Charity Street
Abbeville, LA 70510-5194

Re: Agreement by the City of Lafayette to Sell
Electrical Power and Energy to the City of Abbeville

Dear Mayor Campisi:

This letter is to confirm our agreement to submit to our respective City Councils a Wholesale Power Agreement which contains the following basic provisions.

I. RATE

Total charges shall consist of the sum of A, B, C, and D below.

- A. CAPACITY CHARGE - The initial Capacity Rate through April 30, 1985 shall be established at \$3.50 Per Kilowatt of Monthly Billing Demand. The Demand Rate for the period May 1, 1985 through April 30th, 1987, shall be \$4.50 per Kilowatt of Monthly Billing Demand and shall be increased on May 1st of each year thereafter during the contract period by \$.50 per Kilowatt of Monthly Billing Demand; but the City of Lafayette shall not be obligated to sell power at a Demand Rate during any year which is less than 1/12th of the sum of the City of Lafayette's Utilities and Lafayette Public Power Authority's total annual cost, including construction work in progress, less distribution, operation and maintenance expenses and less fuel expenses, per kilowatt of firm load responsibility.

During the initial period of this Agreement, through April 30, 1989, Monthly Billing Demand is the non-coincidental summation of the maximum 15 Minute integrated demand or load of Abbeville, occurring during the month for each delivery point all times a factor of 1.18 (to account for reserves) but not less than 75% of the maximum billing demand which was established during a previous month of May, June, July, August, or September. During any extended periods beyond April 30, 1990, the Monthly Billing Demand shall be determined in the same manner as previously described for the initial period but at a lesser percentage thereof as is mutually agreed, prior to the extended period, only by the City of Lafayette and the City of Abbeville.

- B. ENERGY CHARGE - The monthly energy cost per kWh shall be based on the weighted average fuel cost per kWh generated during the service month which is the sum of No. 1, 2, and No. 3 below:

1.	A	X	[D	+	G]	=	\$ _____	kWh
2.	B	X	[E	+	H]	=	\$ _____	kWh
3.	C	X	[F	+	H]	=	\$ _____	kWh

TOTAL ENERGY COST PER kWh	=	\$ _____	kWh
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Where A = $\frac{\text{Net kWh Generated with Gas and Oil Fuel}}{\text{Net kWh Generated with all Fuels + Net kWh purchased;}}$

Where B = $\frac{\text{Net kWh Generated with Coal Fuel}}{\text{Net kWh Generated with all Fuels + Net kWh purchased;}}$

Where C = $\frac{\text{Net kWh purchased}}{\text{Net kWh Generated with all Fuels + Net kWh purchased;}}$

Where D = $\frac{\text{Total Fuel Cost of Gas and Oil}}{\text{Net kWh Generated with Gas and Oil Fuel ;}}$

Where E = $\frac{\text{Total Fuel Cost of Coal}}{\text{Net kWh Generated with Coal;}}$

Where F = $\frac{\text{Total Cost of Purchased Power and Energy}}{\text{Net kWh Purchased}}$;

Where G = \$.0035 per Kilowatt Hour for the initial period through April 30, 1985 and shall be increased by \$.0005 per Kilowatt Hour on April 30th of each year not to exceed \$.0075 per Kilowatt Hour.

Where H = \$.0075 per Kilowatt Hour.

Net kWh generated per above is net at the City of Lafayette, that is, taking into account 4% losses on Central Louisiana Electric Company Transmission System for delivery of coal energy from the Rodemacher Plant in Boyce, Louisiana.

Where Fuel Cost Gas and Oil = All costs for natural gas and fuel oil consumed in the electric generating facilities of the City of Lafayette and the Lafayette Public Power Authority (LPPA); and,

Where Fuel Cost Coal = All costs associated with the purchase of coal at the source, (mine site), plus rail tariff, plus railroad car operation, and maintenance costs associated with unloading, plus interest on cost of stockpile.

Where Cost of Purchased Power and Energy = Total payments by the City of Lafayette (other than the Lafayette Public Power Authority) for purchased power and energy.

- C. TRANSMISSION SERVICE, LOSSES AND OTHER CHARGES - Abbeville shall be responsible for making arrangements and paying all costs associated with transmission service, or if mutually agreed, reimbursing the City of Lafayette for same. Overgeneration by the City of Lafayette to supply losses will be billed at the same rate as capacity and energy.
- D. FACILITIES USE CHARGE - Facilities owned and installed by the City of Lafayette for the purpose of providing service to the City of Abbeville loads shall be subject to a facilities use charge of 1.5% per month of the original installed cost of said facilities.

April 28, 1983

II. TERM

The initial term of this Agreement shall be through April 30, 1989 and shall extend thereafter for periods of one year which may be terminated by either party giving a one year notice to the other. Provided however that neither party may terminate this Agreement without mutual consent prior to April 30, 1989. It is understood, recognized, and agreed that all terms, conditions, rates and provisions of this Agreement are applicable beyond the initial period to loads of Abbeville which are less than 100 percent of their electrical requirements, with consideration given to any minor co-generation facilities that Abbeville may be obligated to receive power from. It is also understood that the parties will annually review and coordinate their power supply requirements.

III. EFFECTIVE DATE

The initial date of service shall be June 1, 1983 or a later date when all necessary transmission services and telemetering arrangements have been secured. Provided further that if such transmission service is not available by January 1, 1984, the parties are relieved of all their obligations hereunder.

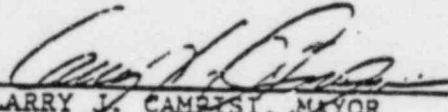
IV. METERING

Each party shall provide, operate and maintain all communication telemetering and interchange facilities on its respective system.

If the above accurately sets forth our agreement, please indicate such by signing in the space provided below and return a copy to me.

Very truly yours,

DUD LASTRAPES, MAYOR
CITY OF LAFAYETTE



LARRY J. CAMPISI, MAYOR
CITY OF ABBEVILLE

ORDINANCE NO. 0-2522

AN ORDINANCE AUTHORIZING A WHOLESALE POWER AGREEMENT
BETWEEN THE CITY OF ABBEVILLE, LOUISIANA, AND THE
CITY OF LAFAYETTE, LOUISIANA

BE IT ORDAINED by the City Council of the City of Lafayette:

SECTION 1: That the City of Lafayette Department of Utilities
is authorized and directed by the Mayor to enter into agreement with
the City of Abbeville, Louisiana, for the sale of wholesale power.

SECTION 2: A copy of said agreement stipulating contract terms
is attached hereto and made a part hereof by reference.

SECTION 3: All ordinances or resolutions or parts thereof
in conflict herewith are hereby repealed.

SECTION 4: This Ordinance shall become effective immediately
upon adoption and approval by the Mayor, or as provided in the City Charter,
whichever is sooner.

* * * * *

DISPOSITION OF ORDINANCE NO. 2522

THIS ORDINANCE WAS INTRODUCED ON
May 17 1983

FINAL DISPOSITION BY COUNCIL ON
May 31 1983

YEAS: Pierre, Richey,
Simon, Hudson

YEAS: Richey, Simon, Hudson

NAYS: None

NAYS: None

ABSTENTIONS: Dominique

ABSTENTIONS: Dominique

ABSENT: None

ABSENT: Pierre

NOTICE OF PUBLIC HEARING: THIS ORDINANCE WAS PUBLISHED BY TITLE AND NOTICE OF PUBLIC HEARING WAS PUBLISHED IN THE ADVERTISER ON Sunday, May 22 1983.

THIS ORDINANCE WAS PRESENTED TO MAYOR FOR HIS APPROVAL ON
June 1983 AT 8⁴⁵ O'CLOCK A.M.

RETURNED TO COUNCIL OFFICE ON June 1 1983
AT 11¹⁵ O'CLOCK A.M.

June 1983
DATE

Shirley C. Wabow
CITY CLERK

DISPOSITION BY MAYOR (ASSUMING ORDINANCE ADOPTED):

1. I HEREBY APPROVE/^{PK}VETO THIS ORDINANCE.

June 1, 1983
DATE

Paul Carter
MAYOR

2. IF NO APPROVAL NOR VETO OF MAYOR APPEARS, AND TEN DAYS HAVE ELAPSED SINCE THIS ORDINANCE WAS PRESENTED TO HIM FOR APPROVAL, THE SAME HAS AUTOMATICALLY BEEN APPROVED.

RECONSIDERATION BY COUNCIL (IF VETTED):

ON _____ 19____ THE COUNCIL DID/REFUSED TO READOPT THIS ORDINANCE AFTER THE MAYOR'S VETO.

DATE

CITY CLERK

FINAL PUBLICATION:

FULL AND FINAL PUBLICATION OF THIS ORDINANCE WAS MADE IN THE ADVERTISER ON Sun - June 5 1983.

• CITY OF •
ABBEVILLE
SINCE 1850

MAY 27, 1983

The Honorable
Dud Lastrapes, Mayor
City of Lafayette
705 W. University Avenue
Lafayette, LA. 70502

Dear Mayor Lastrapes:

Although I have signed a letter agreement to purchase power from Lafayette and we currently have before our respective councils a formal Wholesale Power Agreement, the City of Abbeville has decided that it had no choice but to execute with Gulf States Utilities Company a new contract (see enclosure), and therefore we will not at this time request our city council's approval of the agreement.

Although the cost of wholesale power purchased from Lafayette would have been in the best interests of the City of Abbeville, in the discussions between Mr. Summa Stelly and Mr. Ted Meinscher on Wednesday and Thursday (May 18 and May 19), Mr. Stelly said Gulf States Utilities Company would not transmit power from Lafayette to Abbeville. Although interconnection agreements exist between Gulf States Utilities Company and the City of Lafayette, and between Gulf States Utilities Company and Louisiana Energy and Power Authority (LEPA), Gulf States Utilities Company would not acknowledge to transmit energy to Abbeville despite previously signed letters on March 1st and 15th to this effect during our long drawn out negotiations with Gulf States Utilities Company. Thus, it appears that such transmission service cannot be obtained without long drawn out litigation.

At the same time, Gulf States Utilities Company has offered Abbeville a contract under which, effective as of January 1, 1983, Gulf States Utilities Company would sell wholesale power under its rate schedule WST (transmission voltage) as a substitute for the charges it has been paying under rate WSD.

COUNCILMEMBER
SHELTON C. PICARD
Councilman at Large
O'NEIL "PARKER" HEBERT
District A
HAROLD LEMAIRE
District B
RUSSELL J. FREDERICK
District C

City of Abbeville
304 Charity Street

Mayor Lastrapes
May 27, 1983

PAGE 2

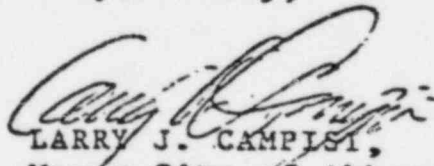
(distribution voltage), and it will rent to Abbeville the company's existing substation facilities until Abbeville is able to complete construction of a new modern transmission station.

This will save Abbeville, net after paying rent, approximately \$330,000.00 per year as compared to purchasing services under rate schedule WSD. The refund for the period January 1 to April 30, 1983, alone, will amount to some \$120,000.00.

The current contract provisions become automatically extended for one year as of May 21, 1983, and Abbeville would have been forced to pay the higher WSD rate until such time as we could obtain transmission service between Lafayette and Abbeville. This could obviously take well over a year in view of Gulf States Utilities Company firm refusal to transmit such power and lengthy proceedings may be required. This could result in an interim loss to Abbeville sufficiently large such that; as a practical matter, Abbeville is forced to accept the best terms it could obtain from Gulf States Utilities Company prior to May 21.

We have tried to reduce the term of the agreement to the shortest possible period. Originally, Gulf States Utilities Company sought a 30 year term, then it reduced its demand to a 10 year term so as to be consistent with the 10 year term it obtained from the City of Kaplan and others, and finally has obtained a reduction to 4 years. It is Abbeville's desire to negotiate future purchase of power from Lafayette and the City of Abbeville will cooperate with Lafayette to obtain this result as soon as possible, but, of course, Abbeville's use must be consistent with its binding contractual relations with Gulf States Utilities Company and the best interests of the City of Abbeville.

Respectfully,


LARRY J. CAMPISI,
Mayor, City of Abbeville

LJC/btc

Enclosure



THE CITY OF ST. MARTINVILLE

121 NEW MARKET STREET - ST. MARTINVILLE - LOUISIANA - 70582

Attachment 10

EARL H. WILLIS
MAYOR

EOPOLD J. GARY
SECRETARY

COUNCILMEN
ZERBEN J. CHAMPAGNE
(Mayor Pro-Tem)
MURPHY L. SIMON
KLINEY J. HOLLIER
A. LEO THOMAS
HAROLD J. PICKNEY

April 5, 1983

Mr. Louie Ervin,
Associate Director of Utilites/Power Development & Sales
City of Lafayette
P.O. Box 4017-C
Lafayette, La. 70502

Dear Sir:

This is to advise that the City of St. Martinville is interested in purchasing electricity from excess power the City of Lafayette now has for a period of 2 to 5 years. We would like to discuss this matter with the City of Lafayette and Gulf States Utilities (for use of their transmission lines) and then give us a proposal for consideration.

Sincerely,

Earl H. Willis
Mayor

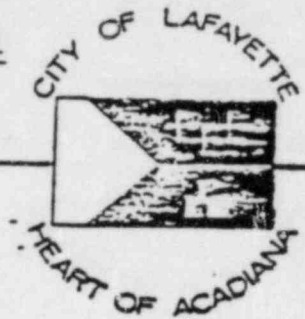
St. Martin



Le Petit Paris De La

Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE (318) 251-8752
703 W. UNIVERSITY AVENUE
P. O. BOX 4317-C
LAFAYETTE, LOUISIANA 70502



April 6, 1983

Mr. Al Naylor
Gulf States Utilities Company
P. O. Box 2951
Beaumont, Texas 77704

Dear Mr. Naylor:

This letter is to follow up on my phone request made yesterday through Mr. Jim Delahoussaye.

Officials for the City of St. Martinville, Louisiana, have indicated their desire to pursue a purchase power agreement with the City of Lafayette. They have asked that we request a letter of confirmation from Gulf States Utilities that the required transmission service will be made available pursuant to the GSU/Lafayette Power Interconnection Agreement and Service Schedule LTS.

The required transmission service would be for St. Martinville's full load and would commence simultaneous with a time St. Martinville would agree to terminate purchasing power and energy from Gulf States Utilities. We understand that Gulf States Utilities has requested that St. Martinville respond within the next few weeks as to their intention for continuing to purchase from GSU but a response to this request is first necessary to enable them to respond to GSU. From our understanding, transmission service through the GSU/Lafayette Interconnection Agreement may be required as early as this Summer and would continue for a period of two to five years.

If there is any additional information needed, please do not hesitate to call.

Mr. Al Naylor
Gulf States Utilities

2


April 6, 1983

I am looking forward to hearing from you at your very earliest convenience.

Very truly yours,

CITY OF LAFAYETTE, LOUISIANA

By


Lodie R. Ervin, Associate Director of Utilities
Power Development & Sales

LRE:jb

cc: Mayor Earl H. Willis
St. Martinville, La.

Mr. George Spiegel
Spiegel & McDiarmid

GULF STATES UTILITIES COMPANY

1000 GULF STATE BLVD. HOUSTON, TEXAS 77034

AREA OFFICE 713 238 4411



April 19, 1983

Mr. Louie R. Ervin
Associate Director of Utilities
Power Development & Sales
City of Lafayette
P O Box 4017-C
Lafayette, La 70502



Dear Mr. Ervin:

This is in response to your letter of April 6th.

The transmission service schedule "LTS" is for the purpose of "coordinating generation". It is unclear to us how Lafayette would consider the full requirements load of St. Martinville as coordination of generation.

Also, the agreement requires that Gulf States have an interconnection agreement with St. Martinville and provides for a request for transmission service by October 1st of the preceding year.

If you have any further questions concerning this matter, I would be glad to discuss them with you.

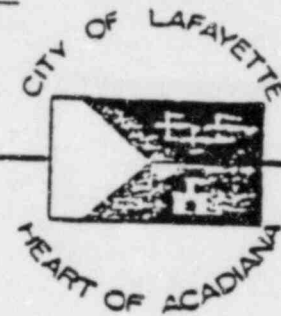
Yours truly,

A. E. Naylor
A. E. Naylor, Manager
Power Interconnections

AEN:cvg

Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE: (318)
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502



May 5, 1983

Honorable Earl Willis, Mayor
City of St. Martinville
121 New Market Street
St. Martinville, LA 70582

Dear Mayor Willis:

Enclosed for your consideration is a proposed Wholesale Power Agreement between St. Martinville and Lafayette. In recognition of St. Martinville's concern about power supply beyond the 2 to 5 year period previously discussed, Lafayette's proposed contract is for an initial period through April 30, 1989 with provisions for annual extensions as mutually agreeable. Lafayette would also be receptive to the possibility of including St. Martinville's requirements in Lafayette's next decision to add generation. Further, if St. Martinville decides to join LEPA, we would try to coordinate backing off our power supply at the end of this contract such that St. Martinville could begin receiving LEPA power.

I have written Gulf States Utilities (GSU) in regard to transmission service under terms of the Lafayette/GSU Interconnection Agreement. GSU's response did not say "yes" or "no" but indicated a lack of desire by GSU to transmit the power under that Agreement. Depending on the outcome of a meeting on a very similar matter between Abbeville and GSU, Lafayette will vigorously pursue the necessary transmission through either: 1) direct transmission under an Interconnection Agreement between St. Martinville and GSU; 2) the Lafayette/GSU Interconnection Agreement; 3) the LEPA/GSU Interconnection Agreement; or 4) construction of a transmission line from Lafayette to St. Martinville.

We are prepared to submit this proposed Agreement to our Council for approval, subject only to obtaining the necessary transmission, and would ask that you review and consider doing the same.

Respectfully submitted,

Louie R. Ervin

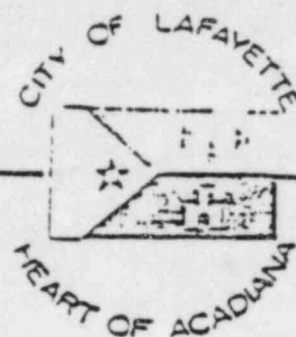
Louie R. Ervin
Associate Director
Department of Utilities
Power Development & Sales

LRE:chc

Attachment 14

Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE: (518) 251-8752
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502



March 29, 1982

Mr. Al Naylor
Gulf States Utilities Company
P. O. Box 2951
Deaumont, Texas 77704

Dear Al:

We are negotiating with MEAM (Municipal Energy Agency of Mississippi) for the sale of capacity and energy for approximately a five month period beginning Oct. 1, 1982; estimated capacity will be 50 MW to 75 MW.

I would appreciate a confirmation from you that the Gulf States System is able to deliver this power to the Mississippi Power and Light System for further delivery to the MEAM System.

Very truly yours,

CITY OF LAFAYETTE, LOUISIANA

By T. J. Laboe
T. J. Laboe
Director of Utilities

TJL:jb



MISSISSIPPI POWER & LIGHT COMPANY

Helping Build Mississippi

P. O. BOX 1640, JACKSON, MISSISSIPPI 39205

May 27, 1982

T. A. DALLAS
VICE PRESIDENT &
CHIEF ENGINEER

Attachment 15

Mr. A. E. Naylor-Manager
Power Interconnections
Gulf States Utilities Company
P. O. Box 2951
Beaumont, Texas 77704

Dear Al:

You wrote to me on April 15, 1982, concerning a proposed Interconnection Agreement between Gulf States Utilities Company (GSU) and Mississippi Power & Light Company (MP&L) and indicating that some arrangements and/or contracts between MP&L and GSU were necessary to accommodate transmission service in the Fall of 1982 from the City of Lafayette to the Cities of Greenwood and Clarksdale, Mississippi. In this connection you requested that MP&L accept the Service Schedules which you sent to us. As in the past, it remains our belief that such Schedules are not needed to effect this transmission service.

However, MP&L is willing to do what is necessary to accommodate the transmission service from Lafayette to Greenwood and Clarksdale, requested for the Fall of 1982. This includes entering into an Agreement with GSU similar to the Letter Agreement between MP&L and GSU, dated December 15, 1980; entering into an Interconnection Agreement with GSU without Service Schedules, along the lines of the one we discussed in 1980; or delivering the requested power to Greenwood and Clarksdale without a contractual arrangement between MP&L and GSU. We feel that all of these alternatives will allow GSU to agree to provide the transmission service to Lafayette necessary to accommodate the proposed transaction.

If you have any questions, please let me know.

Sincerely,

T. A. Dallas

T. A. Dallas

TAD:770

**GULF STATES UTILITIES COMPANY**

POST OFFICE BOX 2951 • BEAUMONT, TEXAS 77704

AREA CODE 713 838-6831

April 6, 1982

Mr. T. J. Labbe
Director of Utilities
City of Lafayette
P O Box 7017-C
Lafayette, LA 70502

Dear TJ:

In answer to your letter dated March 29, 1982 requesting transmission service to Mississippi Power and Light, GSU is not able to accommodate this request under the terms and conditions of the GSU-Lafayette Interconnection Agreement. The agreement for transmission service stipulates that GSU must have an Interconnection Agreement with the entity who is to receive the power from Gulf States.

Mississippi Power and Light has not seen fit to accommodate GSU's request for an Interconnection Agreement and the applicable service schedules.

Gulf States Utilities does have Interconnection Agreements with LP&L, CLECO, and SWEPCO and will provide transmission service from the City of Lafayette to these entities if you so desire. I suggest that you contact these entities in order to arrange for a transmission path to MEAM.

We will be glad to cooperate with you in any way we can to accommodate the City of Lafayette in order that you may sell power to other entities.

Yours truly,

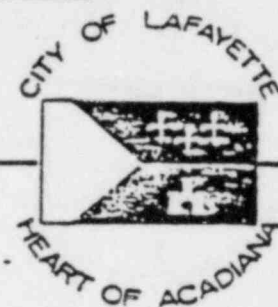
A handwritten signature in cursive script, appearing to read 'A. E. Naylor'.

A. E. Naylor-Manager
Power Interconnections

AEN:cvg

Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE (318) 261-8752
705 W UNIVERSITY AVENUE
P O BOX 4017-C
LAFAYETTE, LOUISIANA 70502



April 27, 1983

Mr. Al Naylor
Gulf States Utilities Company
P. O. Box 2951
Beaumont, Texas 77704

Dear Al:

SUBJECT: Transmission Service to the
City of Plaquemine, La.

This letter is to confirm the City of Lafayette's telephone request made yesterday to Gulf States Utilities Company (GSU), through Mr. Virgil Shaw, with respect to transmission service between the Cities of Plaquemine and Lafayette. Tuesday evening the respective Municipal Governments approved an Agreement for the sale of surplus power and energy from Lafayette to Plaquemine. I understand that Plaquemine is sending official request to GSU for termination of their purchase power agreement and reactivation of their interconnection agreement to be effective June 1, 1983.

To effectuate the Lafayette/Plaquemine Agreement, the City of Lafayette hereby requests transmission service from GSU under Service Schedule LTS in the amount of Plaquemine's full load requirements for the period June 1, 1983 through April 30, 1986. We also request that GSU waive the October 1st notice provision and expedite this request such that transmission service be available by June 1, 1983. For the 1983 Summer period, ending September 30, 1983, transmission capacity of 23,000 Kilowatts is requested and for the period October 1, 1983 through April 30, 1984 transmission capacity of 15,000 Kilowatts is requested. Thereafter through April 30, 1986, quantities will be similar for similar periods but increased by the amount of Plaquemine's normal load growth, now estimated to be about 5% annually. Plaquemine would like a commitment now from GSU to furnish the necessary transmission service for the entire period of our Agreement, through April 30, 1986. We request the first 12 months of transmission service be pursuant to the Lafayette/GSU Interconnection Agreement and the remaining term be pursuant to the Plaquemine/GSU Interconnection Agreement. Although our primary request is for delivery from Lafayette to Plaquemine we request transmission be "to or from" each City such that Lafayette could receive power and energy from Plaquemine.

Al Naylor
Louisiana State Utilities Company

2

April 27, 1983

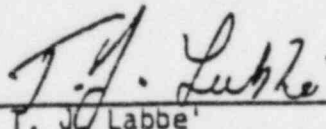
Lafayette anticipates having all necessary telemetering installed by June 1st to enable us to dispatch Plaquemine's load, however Plaquemine is prepared, beginning June 1, 1983, to schedule deliveries from Lafayette while swinging their own load until such time all necessary metering is installed. Please advise us as soon as possible if GSU has need for additional telemetry at the time Lafayette begins swinging Plaquemine's load.

I would appreciate your very earliest consideration of this request and we are prepared to meet with you to expedite this matter.

Very truly yours,

CITY OF LAFAYETTE, LOUISIANA

By



T. J. Labbe
Director of Utilities

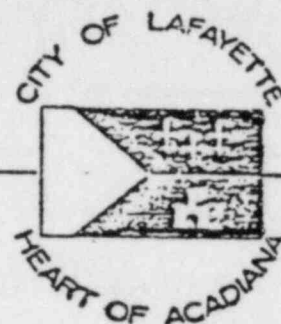
TJL:jb

cc: Mayor Earl Willis, St. Martinville
Mr. Wallace Brand, Brand & Leckie
Mr. Ray Radigan, Burns & McDonnell
Mr. George Spiegel, Spiegel & McDiarmid

Attachment 18

Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE: (318) 261-8752
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502



May 19, 1983

Mr. Al Naylor
Manager - Power Interconnections
Gulf States Utilities Company
Post Office Box 295
Beaumont, Texas 77704

Dear Mr. Naylor:

SUBJECT: Transmission Service to the
City of Plaquemine, Louisiana.

On April 27, 1983, I made a request by phone through Mr. Virgil Shaw that Gulf States provide transmission service between the Cities of Plaquemine and Lafayette under Service Schedule LTS. In accordance with Mr. Shaw's suggestion, this request was formally made to you in a letter of April 27, 1983 from our Director of Utilities, Mr. T. J. Labbe'. Your response to Mr. Labbe' dated May 3, 1983 was that your Interconnection Agreement with Plaquemine was suspended and you had not received any request from Plaquemine to reactivate the Interconnection Agreement, which I understand the official request for reactivation had been made. Then, by your letter of May 9, 1983 to Plaquemine's Mayor, Honorable Stanley R. Hebert, you acknowledge receipt of Plaquemine's official request dated April 29, 1983. In your May 9th letter to Mayor Hebert you advised that Gulf States Utilities (GSU) desired certain metering modifications to return to an "Interconnection" mode of operation. We were quite surprised to read in your letter to Mayor Hebert "that neither the Plaquemine nor the Lafayette agreements provide for this type of service." In an attempt to resolve any and all problems that GSU may have with providing the transmission service requested, Mr. Wallace Brand, Attorney for Plaquemine, and I, met with you, Mr. Virgil Shaw and Mr. Benny Hughes at your Beaumont office on May 16th. During that May 16th meeting, GSU brought out the following potential problems for discussion.

1. GSU expressed their opinion that the LTS Transmission Service Schedule does not provide for a situation where the sending party (Lafayette) generates the reactive power (Vars) and does the regulation for the receiving party (Plaquemine). Also, GSU indicated transmission voltage at the receiving end might be a problem unless the receiving party generates the Vars. Apparently of greater concern was that GSU may be required to generate the Vars and the LTS Schedule does not have a power factor clause for compensation in the event GSU is required to supply the Vars. GSU expressed that this is a reason the LTS Schedule is not applicable and it would be necessary to file additional applicable rate schedules with the Federal Energy Regulatory Commission (FERC) which would be applicable. However, GSU said some time was needed to consider, from a corporate policy position, whether such a FERC filing would be made and then if a filing was to be made, it could take several months to finalize. During this period of time GSU agreed to continue supplying Plaquemine total electrical requirements now under contract to be supplied by the City of Lafayette beginning June 1, 1983.
2. GSU expressed the opinion that the LTS Rate Schedule was not applicable to the length of period requested (35 Months) and that the transmission capacity required must be constant throughout the year; that is, transmission service during the Winter was not available for a lesser capacity than during the Summer period.
3. GSU expressed the opinion that the Lafayette/GSU Interconnection Agreement only covered power generated in Lafayette and not from the Rodemacher Plant (which is near Boyce, Louisiana) of which Lafayette owns 50% interest.
4. GSU indicated that before this requested transaction could take place, a recorder and daughter cards must be purchased from Leeds and Northrup, which is the equipment necessary to receive the digital signal telemetered from Plaquemine to GSU's control center in Beaumont. Besides this equipment, the only other telemetering requirement is a communication link. GSU said they thought the communication link could be obtained in about a month but it would be 28 to 36 weeks before the recorder and daughter card would be in.

I have reviewed the GSU/Lafayette Interconnection Agreement and LTS Service Schedule and investigated the potential problems brought out by GSU at the May 16th meeting. The following should satisfactorily resolve all potential problems.

1. Lafayette will fully comply with Article IV, Section 4.4 - Reactive Power contained in the GSU/Lafayette Interconnection Agreement. Since Plaquemine has just recently implemented a power factor correction program by installing capacitors there should not be a problem of relying on GSU's system for Vars. Further, Lafayette will, in accordance with the last sentence of the same Section 4.4, supply reactive power to the system for Plaquemine's load and Lafayette is not asking GSU to impair the voltage on its transmission system. GSU will not be obligated to supply reactive power and therefore there is no need for an additional power factor clause in the LTS Schedule to compensate GSU. I find nothing in the GSU/Lafayette Interconnection Agreement which could be interpreted to prohibit this type transaction but in fact, Section 4.4 of the Interconnection Agreement does recognize this type transaction where the supplying party can generate the reactive power (Vars) for the receiving party.
2. It is clear from Section 4.1 of Service Schedule LTS that transmission service thereunder is for periods of a minimum of not less than five (5) months, and may be for such longer period as is mutually agreeable. Lafayette and Plaquemine has requested transmission service for 35 months and is certainly within the minimum of five (5) months. As for the contention - that the level of transmission service be constant throughout the year, if it serves the purpose of meeting the wording technicality, you may interpret our request as a series of independent requests up to the requested 35 months. The independent requests are then for the following periods: (1) 6/1/83-10/31/83; (2) 11/1/83-4/30/84; (3) 5/1/84-9/30/84; (4) 10/1/84-4/30/85; (5) 5/1/85-9/30/85; (6) 10/1/85-4/30/86
3. Section 1.2 - Purpose of the Interconnection Agreement and Section 1- Purpose of Service Schedule LTS are very clear that they provide for the transfer of power and energy to and from the systems of Lafayette and other entities. Despite the location of Lafayette's Rodemacher Generating Plant, that energy is delivered to the System of Lafayette under the terms of an interconnection agreement with Central Louisiana Electric Company. Lafayette is not requesting that GSU deliver any of this energy from the Rodemacher Plant to Lafayette's system but only from Lafayette's system.
4. Based on discussions with representatives of Plaquemine, I had understood that GSU was contractually committed to reactivate their Interconnection Agreement within 30 days of being notified. It now seems that GSU is not prepared to meet that commitment since you indicated you are using the Plaquemine telemetering recorder for an interconnection with SWEPCO.

May 19, 1983

4. (Continued)

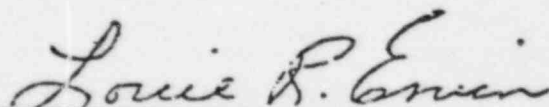
If it is impossible to operate interconnection without this equipment it is surprising that a major utility such as GSU with numerous interconnections would not have any spares in stock especially if it takes 28 to 36 weeks for replacements. I recognize the desirability of GSU receiving instantaneous load data from Plaquemine but my utility experience has been that metering equipment is subject to periodic malfunctions and the power continues to flow while best available data is plugged in until such time as repairs are made. Lafayette expects to have its telemetering installed by June 1st and will be happy to assist GSU by Lafayette supplying actual load data to GSU over the telephone as needed in order to provide a most reasonable mode of operation for this interim. Please let your purchasing personnel know that there must be some misunderstanding with your equipment supplier, Leeds and Northrup, since I was just advised by Leeds and Northrup that without a request for expediting an order, normal delivery is no more than 10 to 12 weeks. Also, I understand that QEI, 100 Wilnot Road, Deerfield, Illinois 66015, Phone (312) 940-0188, is an alternate supplier of interchangeable equipment and their delivery times are typically less than Leeds and Northrup. In any event, I see no reason why we cannot begin deliveries to Plaquemine prior to delivery of the recorder and operate during the interim by Lafayette furnishing the load data by phone. The actual metered deliveries are recorded by GSU's printing demand meter at Plaquemine and Lafayette's telemetered data will be available for your inspection and should be sufficient verification for this interim period that Lafayette has in fact generated Plaquemine's full requirements.

Mr. Naylor, I believe this letter satisfactorily addresses all potential problems and Lafayette will expect to begin deliveries to Plaquemine beginning June 1, 1983. I will ask our Chief Engineer to again contact your metering personnel and trust you will now allow your Mr. Davis to coordinate with him in determining the technical and physical arrangement needed at Plaquemine.

Sincerely,

CITY OF LAFAYETTE, LOUISIANA

By



Louie R. Ervin, Associate Director
Power Development & Sales



GULF STATES UTILITIES COMPANY

POST OFFICE BOX 2951 • BEAUMONT, TEXAS 77704
AREA CODE 713 838-6631

May 26, 1983



Mr. Louie R. Ervin, Associate Director
Power Development & Sales
Department of Utilities
City of Lafayette
P.O. Box Number 4017-C
Lafayette, Louisiana 70502

Dear Mr. Ervin:

This is to acknowledge receipt of your letter dated May 19, 1983. You have itemized your proposed resolution of certain problems in four paragraphs. I will comment on each paragraph by number. Each of these comments was made by me in the meeting with you and Mr. Brand on May 16, 1983.

1. Your compliance with Section 4.4 of our interconnection agreement does not resolve the transmission service problem. Full requirements transmission service rates that Gulf States has in effect with Cajun Electric Power Cooperative and Louisiana Energy and Power Authority have among other things a power factor adjustment clause and a 12 month 100% demand charge. The Transmission service rate LTS does not have these provisions and its purpose is for coordination of generation.

2. Since Service Schedule LTS does not cover the type of service you propose, the time periods involved are beside the point.

3. As stated in the agreement, our present interconnection agreement with you contemplates interconnection only with respect to your two steam electric generating stations located in the City of Lafayette. Additional interchange and service arrangements may only be made by mutual agreement. Rodemacher generation is not covered by our present interconnection agreement with you.

4. The letter agreement between Gulf States and Plaquemine allows Plaquemine to cancel the wholesale

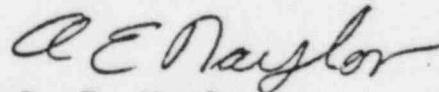
agreement upon 30 days notice. It does not require reinstatement of the Interconnection Agreement or provision of transmission service at the time of termination of wholesale service or within any stated period after such termination.

I am surprised that you misunderstood what was stated in the letter to Plaquemine on May 9, 1983, and what Mr. Brand restated in his item No 1 of his letter dated May 20, 1983.

As we indicated at the meeting we are willing to consider amendments to our interconnection agreement. We do not hold ourselves out as a common carrier of electricity and do not intend to become one either by agreement or through any course of action. We intend to provide certain transmission services only when pursuant to specific contracts and mutually agreed scheduling. Pending our consideration of the legal and operational issues involved in the new type of transmission service you have requested, we suggested you consider implementing your proposed transaction through LEPA. We have been requested by Plaquemine to extend our wholesale service to them on a month-to-month basis pending developments.

We have provided certain transmission service to Lafayette in the past in accordance with the provisions of the LTS schedule. In most, if not all, of those instances you have requested waivers of the notice provisions of the schedule. Please do not assume that we will grant waivers in the future. As more transactions occur with our various interconnected parties, more planning and evaluation lead time may be required. We urge you to review the obligations of Lafayette with respect to planning and notices contained in Section 2 of the LTS schedule.

Sincerely,

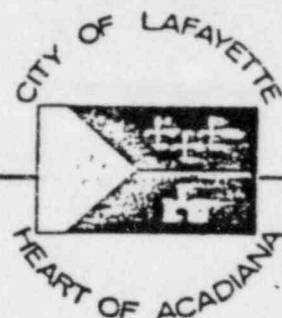


A. E. Naylor
Manager-Power
Interconnections

cc: Mayor Stanley Hebert, Plaquemine
Wallace Brand
Benny Hughes
Virgil Shaw
Cecil Johnson

Department of UTILITIES

Attachment 20



RECEIVED

JUN 9 1983

DIRECTOR OF UTILITIES
PHONE: (318) 261-8800
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502

SPIEGEL & McDIARMID

June 6, 1983

Mr. Al Naylor
Manager, Power Interconnections
Gulf States Utilities Company
P. O. Box 295
Beaumont, TX 77704

Re: Transmission Service to the City of
Plaquemine, Louisiana

Dear Mr. Naylor:

Your separate letters to Plaquemine's Mayor Hebert and to me dated May 26, 1983 are received. I have delayed responding for the past few days since indications were that GSU may be willing to allow Lafayette's energy to begin flowing to Plaquemine by July 1, 1983. I now understand this is not possible and the Lafayette-Plaquemine Contract date of June 1, 1983 to commence deliveries is now past.

First, I want to be perfectly clear that the City of Lafayette strongly objects to GSU's refusal to provide transmission service under Schedule LTS for the transfer of power and energy between the Cities of Plaquemine and Lafayette. We disagree with your contention that Service Schedule LTS does not cover this type service requested. Regardless of what language GSU may have in their agreements with Cajun and LEPA, it is the GSU-Lafayette Agreement which must be adhered to.

When Lafayette entered into the Interconnection Agreement with GSU on January 8, 1974, the City had every reason to believe that transmission service would be available under the terms of that Agreement and Service Schedule LTS. We cannot now, over nine (9) years later, accept GSU's refusal to provide transmission service because the language in our Agreement is not identical to some language GSU may have since agreed to with Cajun and LEPA.

I verbally expressed at our May 16th meeting and in my May 19th letter that reactive power (power factor adjustment) is not a practical problem and we are not asking GSU to supply any reactive power. Although we believe Section 4.4 of our Agreement adequately addresses reactive power, we will, concurrent with receiving transmission service, discuss any language modifications you might desire to file with FERC; but GSU should not use this technicality to economically force Plaquemine to continue purchasing from GSU while Lafayette is under contract to supply that same power and energy.

Mr. Al Naylor
Page 2
June 6, 1983

I must point out that GSU has agreed to settlement in FERC Docket No. ER 82-375-000 an LTS Rate, applicable to Plaquemine and Lafayette, with exactly the same monthly charge per kilowatt as GSU has agreed to settle for the rate schedules applicable to Cajun and LEPA. It appears that GSU is discriminately refusing to provide transmission service to Lafayette under the LTS Rate while stating the same requested transmission service would be made available to Cajun and LEPA at the same monthly charge per kilowatt. GSU has its rights under the Federal Power Act to make appropriate filings with FERC for revisions to Schedule LTS but to refuse transmission service until such time as GSU may choose to make a filing is viewed by Lafayette as an attempt to restrain trade.

It is ironic that GSU has previously, for its own use or transmission to others, purchased coal energy from Lafayette, which was generated at the Rodemacher Plant and transmitted by the Central Louisiana Electric Company (CLECO) to Lafayette's System, but GSU now contends that the Rodemacher coal plant generation is not covered by our present Agreement. Even though we disagree with that contention, in recognition that the June 1 date for initial delivery to Plaquemine is now past and every day GSU refuses to transmit causes Lafayette an increasing economic burden, Lafayette, without prejudice to our position and in order to get the power flow started, will reluctantly agree, on a temporary basis, to run generation at our gas and fuel oil generating plants in Lafayette with output at least equal to the load being supplied to Plaquemine. Despite our temporary agreement to generate with gas and oil in Lafayette, we maintain the position that our Interconnection Agreement is for the purpose "...to provide for the use of Gulf States transmission facilities to transfer power and energy to or from the system of Lafayette and another entity or entities" which is as set forth on Rate Schedule LTS. Plaquemine is unquestionably an entity under the definition contained in Service Schedule LTS and GSU has recognized this fact on the face of the LTS Rate Schedule which provides: "This rate schedule shall apply to provision by Gulf States Utilities Company of Transmission Service to the City of Lafayette and the City of Plaquemine under and pursuant to the Power Interconnection Agreement between such parties and Service Schedule LTS thereto." GSU is perfectly aware and has been aware for some time that energy from the Rodemacher Plant is contractually transmitted by the CLECO System to Lafayette's System. Once the Rodemacher energy is transmitted by CLECO to the Lafayette System, as a practical matter and from a technical and physical viewpoint, the kilowatts generated at the Rodemacher Plant and the kilowatts generated at Lafayette's two steam plants, are not separately discernable. We are not requesting GSU to provide transmission service to transmit the Rodemacher energy to Lafayette's System, CLECO is doing that; we are only requesting GSU provide transmission service under our existing Agreement and applicable Rate Schedule LTS, to or from the Lafayette System at the point of interconnection set forth in the Agreement.

Mr. Al Naylor
Page 3
June 6, 1983

Although we do not agree with GSU's contention that LTS does not provide transmission service for Lafayette to furnish full requirements firm power to a third party, that is not the purpose of the contract between Lafayette and Plaquemine. As I explained, the purpose of the Plaquemine-Lafayette Contract is for purposes of coordination of generation. Again, among other provisions, the Lafayette-Plaquemine Contract provides for coordination of operations, emergency assistance by either party to the other, coordination of reserves, and in recognition of the economics of Lafayette's lower cost generation, Plaquemine agrees to purchase and Lafayette agrees to sell surplus (not firm) power and energy "up to Plaquemine's full load requirements." Lafayette has never expressed that it is to supply full requirements firm power. To the contrary, Lafayette is only requesting transmission service be provided for surplus power and energy up to a capacity equal to Plaquemine's full load requirements (specifically requested at 23,000 KW and 15,000 KW during the upcoming summer and winter months respectively) such that to the extent Lafayette's lower cost surplus power and energy is available it can be made available to Plaquemine over GSU's transmission system.

Although we do not agree with GSU's contentions, and without prejudice to our position, if Plaquemine would agree on a temporary basis to have some generation on line and schedule the rest from Lafayette, would GSU then allow transmission service to commence immediately? If GSU still insists that all telemetering be installed prior to allowing Lafayette's energy to flow to Plaquemine, and if GSU estimates delivery of this metering equipment will be 28 to 36 weeks, then if you would provide to me the complete specifications and catalog numbers of the required metering equipment, I will order the equipment since delivery to us is quoted at about 12 weeks.

Frankly, Mr. Naylor, we see no legitimate reason for GSU's refusal to provide transmission service. We maintain that our Interconnection Agreement and the LTS Schedule is applicable to the type transmission service requested and believe that GSU's refusal to provide that service is in violation of the settlement of the anti-trust case which resulted in the January 8, 1974 Interconnection Agreement. We also believe GSU's refusal to provide the requested service is in violation of Nuclear Regulatory Commission's anti-trust licensing conditions for the River Bend Station.

Unless our disagreements are resolved in the next few days, we feel we have no choice but to seek relief by means which are available.

Sincerely,



Louie R. Ervin

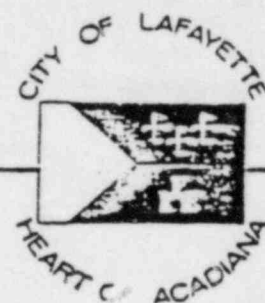
Associate Director of Utilities/Power Development & Sales

LRE:d1

cc: Mayor Stanley Hebert, Plaquemine
Mr. Wallace Brand
Mr. Ray Radigan
Mr. George Spiegel
Mr. Lee Leonard

Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE: (318) 251-8800
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502



July 26, 1983

Mr. Al Naylor
Gulf States Utilities Company
P. O. Box 2951
Beaumont, Texas 77704

Dear Mr. Naylor:

I am responding to your July 5, 1983 letter to Mayor Stanley Hebert of Plaquemine in which you discuss wholesale electric service to Plaquemine. My records and experience in this matter differ from the view set forth in your letter.

Your letter fails to mention that Lafayette first made a request, by letter of April 27, 1983, to Gulf States Utilities Company (GSU) for transmission service to commence June 1, 1983, directly between Lafayette and Plaquemine. That original request was to be under Lafayette's and Plaquemine's respective Interconnection Agreements with GSU. After several conversations, a meeting at your office on May 16, 1983, and my letters of May 19th and June 6, 1983, which addressed potential problems GSU had come up with, still GSU would not commit to providing the direct transmission service within any time frame. GSU did, however, offer to expeditiously provide the necessary transmission if the transaction would be implemented through the Louisiana Energy & Power Authority (LEPA) but at a higher annual cost. According to our Engineers and Metering Personnel, the transaction was further delayed because their GSU counterparts were not allowed to coordinate telemetering details because of "orders from higher up." As a practical matter, Plaquemine had no alternative but to continue purchasing full requirements from GSU rather than purchasing under their agreement with Lafayette.

I would like to remind you that my letter to you concerning direct transmission service between Lafayette and Plaquemine, dated June 6, 1983, has never been answered. Lafayette still firmly believes the pending request for direct transmission service was and is required under the GSU/Lafayette Interconnection Agreement and under the Nuclear Regulatory Commission's license conditions for the River Bend Nuclear Plant.

Mr. Al Naylor
Gulf States Utilities

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Jul- 26, 1983

Our attempt to obtain that direct transmission within a reasonable time frame was frustrated to the point that pending resolution of the direct service, the only practical alternative was to commence service through LEPA.

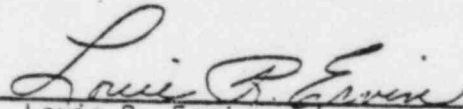
Of course, the very nature of a three (3) party agreement with LEPA took time. GSU, as late as the last week in June, did not know when its telemetering would be ready to commence service. As a result, transmission service through LEPA did not commence on July 1, 1983, as proposed, but finally began at Noon July 18, 1983.

Now that service to Plaquemine has begun, I sincerely hope we can soon resolve our differences in interpretation of our Interconnection Agreement. Even though I believe the existing language of that agreement adequately covers the requested direct transmission service to Plaquemine, I look forward to working with you on any clarifying language which would alleviate your concerns and provide the type transmission service Lafayette requires.

Sincerely,

CITY OF LAFAYETTE, LOUISIANA

By



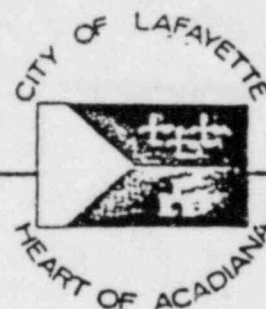
Louie R. Ervin
Associate Director of Utilities
Power Development & Sales

LRE:jb

cc: Mr. T. J. Labbe'
Mr. Wallace Brand
Mr. Sylvan Richard
Mr. Benny Hughes
~~Mr. George Spang~~

Department of UTILITIES

DIRECTOR OF UTILITIES
PHONE: (318) 261-8800
705 W. UNIVERSITY AVENUE
P. O. BOX 4017-C
LAFAYETTE, LOUISIANA 70502



October 17, 1983

Mayor Trina O. Scott
City of New Roads
237 West Main Street
New Roads, Louisiana 70760

Dear Mayor Scott:

Friday afternoon I received your letter dated October 11, 1983 concerning GSU's penalty billing to New Roads for transmission service.

I agree with you that these charges by GSU are unfounded but think you have misinterpreted the reason Lafayette made credit on your September invoice in the amount of GSU's previously billed penalty charges. It was because of our valued relationship and our attempt to assist New Roads that we credited your September invoice and not because of any liability on Lafayette's part. It was our thought that we could assist by taking up this problem along with other problems we are having with Gulf States and then allowing New Roads to repay the credit when the problems are resolved. However, it would give us great difficulty to reimburse New Roads on a continuing basis without at least first meeting with you and then with Gulf States, especially since we feel the charges are improper.

Lafayette, in fact, did deliver to our point of interconnection with GSU the amounts of energy scheduled within normally acceptable inadvertent flows. Mr. Naylor's letter to you dated September 16, 1983 states the energy transmitted exceeded that scheduled by 1000 KW to 5000 KW, 42 hours of the month. The 1000 kilowatts or 1 megawatts he refers to is simply inadvertent flow which is recognized several places in the GSU/New Roads Interconnection Agreement and is the minimum (1 megawatt) physical and electrical capability of the metering equipment. For example, if actual kilowatts for two consecutive hours were 999 KW and 001 KW, the normal metering equipment capability is that it will print out "0" for the first hour which is only 1/1000th short of a megawatt and it will print out "1" for the second hour which is only 1/1000th of a megawatt. This is standard inadvertent flow. More importantly, the 5000 KW or 5 MW which accounts for the bulk of the dollars that GSU is billing, is the result of two hours during August that Lafayette actually delivered to GSU's system all of the scheduled energy but GSU refused to recognize any scheduled deliveries during these two hours. I explained this to Mr. Naylor in a letter of September 26, 1983, which I copied to you. Specifically, for the two hours emergency conditions

Mayor Trina O. Scott
City of New Roads

2

October 17, 1983

continued, Lafayette was just before the hour when finally getting through to GSU on the telephone. Typically, we schedule at fifteen minutes prior to the hour. During these two hours, typical utility practice would be to account for the difference as inadvertant flow. Even though Lafayette scheduled prior to the hour but could not get through on the telephone, GSU insisted on a zero quantity scheduled during that hour and thereby forced a condition where deliveries exceed schedule by some 5 megawatts.

What we are talking about here is an operational problem and from my point of view, I see nothing in the GSU/New Roads agreement that would allow GSU to deviate from normal operation policies recognized by the North American Reliability Council or the Southwest Power Pool during emergency conditions. To then seize that opportunity to bill New Roads for quantities of energy that were truly delivered to the system but not recognized by Gulf States, in my opinion, is unethical and contradictory to the GSU/New Roads Interconnection Agreement. Further, I see nothing that would require New Roads to pay for inadvertant flow. Section 3.2 on Page 12 of that Agreement specifically recognizes inadvertant flow as a valid basis for actual deliveries to differ from scheduled deliveries. The second paragraph on Page 16 of that agreement states: "Each of the parties hereto, insofar as is consistent with its responsibility for controlling frequency, will operate its system in a manner so as to make net receipts and deliveries of power and energy, as nearly as practical, equal to scheduled receipts and deliveries." (underline added). I certainly don't think GSU can claim any frequency problem and it is inexplicable why all of a sudden, a one megawatt inadvertant flow becomes no longer practical when the metering has a 1 MW minimum registration. I should also point out that during the 744 hours of August, the inadvertant flow out of GSU's system only occurred, according to Mr. Naylor, during 42 hours which in all likelihood the flow into or beneficial to GSU may have occurred some 702 hours during the month. Also, Section 4.2 (c) of the GSU/New Roads Agreement provides for accounting and returning of inadvertant flow. Then the last line on Page 20 of the agreement specifies: deviations from scheduled deliveries are to be held to a minimum.

Nevertheless, it has been our attempt and will continue to be our attempt to assist New Roads in scheduling energy at a lower cost than they could otherwise produce it with their own generation; but, if it would help we certainly are agreeable to allow New Roads to do their own scheduling by just calling Lafayette and GSU and specifying the quantity scheduled for delivery.

We will certainly recognize it is entirely New Roads decision whether or not to continue paying GSU for the penalty billing but we would have great difficulty in reimbursing New Roads for charges that we feel are not only improper under the GSU/New Roads Agreement; but for which Lafayette has met all of its responsibilities.

Mayor Trina O. Scott
City of New Roads

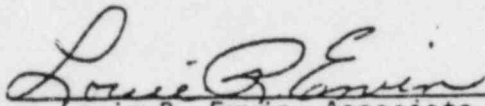
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October 17, 1983

We stand ready to discuss this matter with you and if you like, LEPA, and are amenable to working with you toward the best interest of New Roads. If ultimately, as I understand from your October 11th letter, it is your decision to pay Lafayette for the full amount of the September billing, you may ignore the two credits of \$456.95 plus \$6909.39.

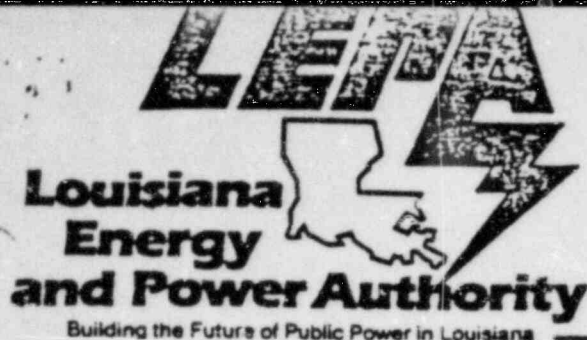
Very truly yours,

CITY OF LAFAYETTE, LOUISIANA

By 
Louie R. Ervin, Associate Director of Utilities
Power Development & Sales

LRE:jb

cc: Mr. Sylvan Richard, LEPA
Mr. Roy Davis, New Roads



November 28, 1983

Mr. A. E. Naylor
Manager, Power Interconnection
Gulf States Utilities Company
P. O. Box 2951
Beaumont, TX 77704

Dear Mr. Naylor:

I am writing to request your help in straightening out GSU's erroneous billings to New Roads for bulk power transmission service under your interconnection agreement with that LEPA member town.

The 12-month penalty imposed on New Roads for receiving energy it believed had been duly scheduled by Lafayette is not provided for in Rate Schedule LTS-GSU, as approved by FERC in the settlement of your rate case, Docket ER82-375. My understanding as regards both New Roads and LEPA was that our transmission rates would be identical to those ultimately resulting from that case, whether by settlement or by final order on the merits after a FERC hearing. Your Mr. Everett's December 2, 1982, letter to the FERC regarding the GSU-LEPA agreement confirms that understanding, and FERC's letters accepting the New Roads and LEPA filings specifically point out that the service under those submittals is subject to refund and to the outcome of ER82-375. Nowhere does the ER82-375 approved Rate Schedule LTS-GSU or any other approved settlement rate contemplate a penalty of the sort you have been billing to New Roads, apparently by reference to the language of paragraph 4 of the Rate Schedule LTS-GSU you filed subject to refund (which resembles paragraph 5 of Rate Schedule LEIS in the GSU-LEPA agreement). Presumably now that FERC has acted on the settlement, you will be making the necessary filings to conform our agreements to FERC's orders in that docket by removing the discriminatory penalty language. I am advised that a failure to do so and to relieve New Roads of the improper billings already made would violate the filed rate doctrine.

Even should you disagree with our view of the settlement's explicit effect on your obligations at FERC regarding New Roads and LEPA, I hope that you will recall our discussion at the time you first brought up the idea of this charge. I was concerned that the very thing that has happened to New Roads would occur sometime as a result of human error in scheduling or other normal activities of interconnected system operations. You assured me then that the proposed charge was not meant to apply, and would not be applied by GSU, where LEPA or a member like New Roads unintentionally scheduled in energy beyond quantities scheduled out by its supplier. It was because I thought we could rely on your

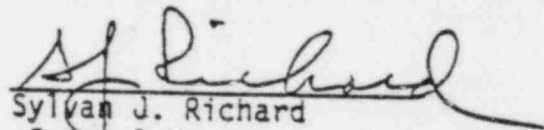
Mr. A. E. Naylor
November 28, 1983
Page Two

assurance that LEPA did not resist GSU's filing the provision as an interim matter subject to what Lafayette and Plaquemine got out of the FERC proceeding. To penalize New Roads for its unintentional receipts of energy in the present circumstances, where it reasonably believed all was in order, totally contradicts our understanding that the proposed charge would not be applied where the transaction was the result of human error.

Finally, it is downright unconscionable to impose on New Roads or any other inter-connection partner a penalty of this kind. Rates are supposed to be based on the cost of providing service. I don't think you would seriously contend that your system incurred any costs as a result of this mixup that warrant a charge in the range of \$80,000 over year. There is no place for harsh penalties unrelated to cost in ratemaking generally, and they certainly should not apply to the activities of GSU, LEPA and the LEPA members working together as responsible interconnected electric utilities.

I hope you will agree that prompt relief for New Roads is called for -- and that your provision of transmission service arrangements should, without the need for enforcement action by FERC, comport not only with your filed and accepted rates but also with our mutual understanding of their reasonable purpose and use.


Very truly yours,



Sylvan J. Richard
General Manager

SJR/cha

cc: Mayor Edward Lyons
Mayor Trina Scott
Mr. Roy Davis
Mr. Ronald Judice



GULF STATES UTILITIES COMPANY

POST OFFICE BOX 2951 • BEAUMONT, TEXAS 77704

AREA CODE 409 838-6631

December 16, 1983

Mr. Sylvan J. Richard
General Manager
LOUISIANA ENERGY AND POWER AUTHORITY
315 Johnston St.
Lafayette, Louisiana 70502

RE: NEW ROADS BILLING

Dear Sylvan:

We have received and reviewed your letter dated November 28, 1983 in regard to the electrical billing for New Roads.

We are quite surprised, if we understand your intentions correctly, that you think we should revise our rates to eliminate any compensation to us for unscheduled use of our transmission system.

We wish to remind you that both our Interconnection Agreements (GSU-New Roads, GSU-LEPA) were filed as separate filings with FERC and we agreed the money charges would be the same as those finally settled under Docket ER82-375 for scheduled transmission service. At no time in the proceedings was there any discussion or any question as to charges for transmission service for unscheduled usage.

Rate Schedule LTS-GSU in the New Roads Agreement and Rate Schedule LETS in the LEPA Agreement contain identical language under paragraphs 4 and 5 respectively.

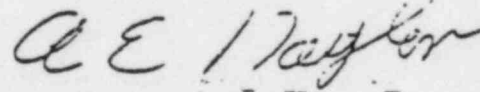
We suggest you review all the previous correspondence on this. We are attaching a copy of a letter dated October 15, 1982 in which we advised New Roads that GSU would have no

responsibility to make-up any deficiency of power and/or energy to supply New Roads' load. Our meter records show that New Roads has received Excess KW (above schedule) many times each month since July, excepting the month of November. During August alone Lafayette under-scheduled for 98 hours on 30 different days for a total of 122,000 KWH's.

Your references which suggest "inadvertent" do not apply since inadvertent flow occurs only when both parties are generating power and energy on both sides of the interconnection point. At no time when New Roads took Excess KW were they generating.

Sylvan, we will be pleased to meet with you to discuss this. We have now explained our position to all entities involved. Please call and we will arrange a meeting at a time which will be mutually convenient.

Sincerely,



A. E. Naylor-Manager
Power Interconnections

cc: Mayor Ed Lyons
Mayor Trina Scott
Mayor ProTem Dianne M. Christopher
Mayor Dud Lastrapes
T.J. Labbe
Louie Ervin
Virgil Shaw
Benny Hughes

bcc: Summa Stelly, Ted Meinscher



GULF STATES UTILITIES COMPANY

POST OFFICE BOX 2951 • BEAUMONT, TEXAS 77704
AREA CODE 713 838-6631

February 22, 1983

Mr. Kenneth F. Plumb, Secretary
Federal Energy Regulatory Commission
825 North Capitol Street, N. E.
Washington, D. C. 20426

Re: Filing of Interconnection Agreement,
Dated February 1, 1983, Between
Gulf States Utilities Company and
the Louisiana Municipality of New Roads

Dear Mr. Plumb:

Enclosed for filing are seven (7) sets of the following documents:

- (1) An Interconnection Agreement (including initial service schedules) executed by Gulf States Utilities Company and the Louisiana municipality of New Roads. (Exhibit A).
- (2) A copy of the Agreement transmittal letter related to the level of rates agreed to by the parties. (Exhibit AA).
- (3) A map identifying the location of the interconnection. (Exhibit B).
- (4) A one line diagram, designated Exhibit BB, illustrating the interconnection facilities. All of the proposed new additions are encircled by a broken line in the lower center of Exhibit BB.
- (5) A notice of the filing for publication in the Federal Register. (Exhibit C).

Also enclosed is a check in the amount of \$500 for the filing fee prescribed in 18 CFR 36.2(f).

Gulf States Utilities Company (GSU) proposes that the Agreement and related service schedules become effective either June 1, 1983, or the date that all facilities necessary to implement the Interconnection Agreement (Exhibit A) are in service, whichever is later. The Applicant expects service under the filing to commence on June 1, 1983.

Mr. Kenneth F. Plumb
February 22, 1983
Page 2

The attached mailing list contains the names and addresses of persons who were served with copies of the new schedules. Copies of this filing have been served upon the Louisiana Public Service Commission, the Public Utility Commission of Texas and the City of New Roads, Louisiana.

Correspondence regarding this Application should be addressed to:

Gulf States Utilities Company
Lee Allen Everett, Attorney
P. O. Box 2951
Beaumont, Texas 77704

The Interconnection Agreement which includes the initial rate schedules was executed on February 1, 1983, by GSU and New Roads.

GSU is an investor owned utility primarily engaged in the transmission and distribution of electricity in Southeast Texas and Southcentral Louisiana. GSU, which has its principal place of business in Beaumont, Texas is a public utility subject to the Commission's rate jurisdiction pursuant to 16 USCA 824d.

New Roads is an incorporated Louisiana municipality and one of nine Louisiana municipality's which are members of the Louisiana Energy and Power Authority (LEPA). A similar filing involving LEPA has been docketed No. ER83-172-000.

GSU presently delivers electricity to the municipality of New Roads and is serving a portion of that municipality's load at GSU's wholesale rates. The Interconnection Agreement facilitates modification of the delivery point to become an interconnection point capable of exchanging as well as receiving power. The enclosed Interconnection Agreement defines the responsibilities and costs of New Roads and GSU related to service through that interconnection.

The map, attached as Exhibit B, designates New Roads as "New Rhodes". Implementation of the Interconnection Agreement is not expected to require the addition of significant new facilities by GSU at the present New Roads interconnection. GSU's cost of facilities to implement the agreement is expected to approximate \$16,000. A line diagram of the present and proposed facilities at the interconnection point is enclosed and designated Exhibit BB.

The initial rate schedules included in the Agreement are as follows:

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Service Schedule

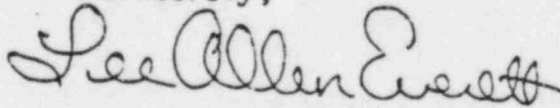
LTS
ES
RE
ECON

Type of Service

Transmission Service
Emergency Service
Replacement Energy
Economy Energy Supply

The parties have agreed that the charges per KW and KWH under schedule LTS will be equivalent to comparable service rates determined appropriate by the Commission in GSU's pending wholesale rate case, Docket No. ER82-375-000. (See Exhibit AA and Rate Schedule LTS in Exhibit A). Since those wholesale rates are presently under consideration by the Commission, probable revenues under the interconnection schedules cannot be accurately predicted. The best estimate of the initial 12 months of revenues under the LTS schedule would be approximately \$47,000. Due to the nature of service revenues expected under the other schedules cannot be predicted quantitatively.

Sincerely,



Lee Allen Everett
Attorney for Gulf States
Utilities Company

Enclosures