

UNITED STATES OF AMERICA  
BEFORE THE  
NUCLEAR REGULATORY COMMISSION

Texas Utilities Electric	)	
Company, et al.	)	
	)	Docket No. 50-445A
Comanche Peak Steam Electric	)	50-446A
Station, Units 1 and 2	)	

RESPONSE OF TU ELECTRIC TO  
COMMENTS OF  
CAJON ELECTRIC POWER COOPERATIVE, INC.

M. D. Sampels, Esq.  
WORSHAM, FORSYTHE, SAMPELS  
& WOOLDRIDGE  
3200 - 2001 Bryan Tower  
Dallas, Texas 75201  
(214) 979-3000

Douglas G. Green, Esq.  
NEWMAN & HOLTSINGER, P.C.  
1615 L Street, N.W.  
Washington, D.C. 20036  
(202) 955-6600

ATTORNEYS FOR  
TEXAS UTILITIES ELECTRIC COMPANY

DATED: July 13, 1992

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WORSHAM, FORSYTHE, SAMPELS  
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3200 - 2001 Bryan Tower  
Dallas, Texas 75201  
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Texas Utilities Electric Company ("TU Electric") hereby responds to the Comments submitted by Cajun Electric Power Cooperative, Inc. ("Cajun") on March 25, 1992.

Cajun requests the Nuclear Regulatory Commission (the "Commission" or "NRC") to consider Cajun's Comments regarding access by it to interconnections between the Electric Reliability Council of Texas ("ERCOT") and the Southwest Power Pool ("SWPP") "in [the Commission's] consideration of whether significant changes have occurred since the previous antitrust review and, further, clarify the procedures under which interested utilities may participate in ownership of the East DC Tie, consistent with the CPSES License Conditions." [Comments at 10-11]. While it is difficult to determine what relief, if any, Cajun seeks, TU Electric has recently been advised by Cajun that it has no commercial or identifiable legal complaint against TU Electric nor does it seek to delay, in any manner, the issuance of the operating

license for Comanche Peak Unit No. 2. Further, Cajun has advised TU Electric that it had not taken and did not intend to take any action which could delay operation of that unit (see pp. 11-12 infra).

Thus, at best, Cajun's Comments appear to represent an attempt to obtain relief which Cajun has admittedly thus far been unwilling to seek from the Federal Energy Regulatory Commission ("FERC") -- the agency regulating access to and ownership in the North and East HVDC Interconnections -- even though the FERC invited Cajun to do so on December 6, 1991.<sup>1</sup>

In any event, Cajun's Comments are completely irrelevant to the Commission's determination of whether a "significant change" has occurred in the activities of TU Electric since the Commission's previous antitrust review and should, therefore, be rejected.

## I.

### BACKGROUND

#### The 1980 Settlement

Pursuant to orders issued in FERC Docket Nos. EL79-8 and E-9558 (the "Original FERC Orders"),<sup>2</sup> the FERC approved a settlement (involving TU Electric, Houston Lighting & Power Company

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<sup>1</sup>"Order Granting Petition," Central Power and Light Company, et al., 57 FERC ¶ 61,317 (1991), a copy of which is attached hereto as Attachment 1.

<sup>2</sup>Central Power & Light Company, 17 FERC ¶ 61,078 (1981); 18 FERC ¶ 61,100 (1982).



("HL&P"), the CSW Operating Companies,<sup>3</sup> the NRC, the FERC, the Department of Justice ("DOJ") and various other electric utilities), which required, among other things, the construction of two asynchronous direct current interconnections between electric utilities in ERCOT and electric utilities in the SWPP:<sup>4</sup> (1) a North asynchronous direct current interconnection ("North Tie") between PSO, near Lawton, Oklahoma, and WTU near Oklaunion, Texas, having an initial nominal capacity of 200 MW, to be constructed by the CSW Operating Companies; and (2) a South asynchronous direct current interconnection ("South Tie") between the CSW Operating Companies in Walker County, Texas, and the South Texas Project, having an initial nominal capacity of 500 MW, to be constructed by the CSW Operating Companies and HL&P.

The settlement had its genesis in a September 11, 1980 agreement among TU Electric, HLP, the CSW Operating Companies, the FERC Staff and the NRC Staff (the "September 1980 Letter Agreement"), which, among other things, provided:

(3) As part of their respective wheeling rates filed pursuant to paragraphs (1) and (8), HL&P and CSW will each reserve 15% of the capacity in their respective DC interconnection facilities for firm power wheeling (herein "the reservation") pursuant to the following:

(a) the reservation shall be made for utilities in ERCOT and SWPP having loads

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<sup>3</sup>Central Power and Light Company ("CPL"), West Texas Utilities Company ("WTU"), Public Service Company of Oklahoma ("PSO") and Southwestern Electric Power Company ("SWEPCO"), the electric utility operating subsidiaries of Central and South West Corporation ("CSW") (CPL, WTU, PSO and SWEPCO are referred to herein collectively as the "CSW Operating Companies").

<sup>4</sup>CSW sought such interconnections in order to integrate the operations of CPL and WTU operating within ERCOT, with those of PSO and SWEPCO operating in SWPP.

less than 500 MW (herein "qualified utilities");

- (b) the reservation shall continue for five years after each facility goes into commercial operation at its rated capacity. \* \* \*
  - (d) HL&P and CSW will solicit requests for reservation capacity from qualified utilities one year before the respective DC interconnection facilities go into commercial operation, and at one year intervals thereafter for reservation capacity which has not been previously committed. \* \* \*
- (4) (a) \* \* \* the capacity reserved for qualified utilities pursuant to paragraph (3) of this letter agreement will be available for purchase by qualified utilities at the depreciated original cost thereof, until either (1) the reservation of capacity has been terminated or (2) the opportunity to participate in ownership of additional DC capacity to be installed has been tendered as set forth below, whichever comes first. \* \* \*
- (b) Whenever planning is undertaken to increase the capacity of the Interconnections, but at intervals of no more than every three years after June 30, 1983, until June 30, 2004, electric utilities in ERCOT and SWPP will be given the opportunity to participate in the planning of increases in the capacity of the Interconnections and of participating in the ownership of any incremental capacity added, provided again that each party that wishes to participate pays its pro rata share of the capital costs of constructing the Interconnection which it wishes to participate in and undertakes to pay its pro rata share of the costs of operating and maintaining that Interconnection and agrees further to be bound by the terms and conditions of the

Agreement between Owners of the  
Interconnections; \* \* \*<sup>5</sup>

[Emphasis supplied.]

The settlement was implemented at the NRC through the incorporation of Section 3.D.(2)(o) in the proposed Antitrust Operating License Conditions for Comanche Peak Unit No. 1 (the "License Conditions"), requiring TU Electric to use its best efforts to modify an Offer of Settlement then pending before the FERC in Docket No. EL79-8 to include each of the foregoing undertakings and to "thereafter use its best efforts to secure approval thereof by the FERC . . . "

Thus, the September 1980 Letter Agreement and Section 3.D.(2)(o) of the License Conditions formed the basis for settlement of the Comanche Peak antitrust proceeding then pending before the NRC and related proceedings pending before the FERC and the Securities and Exchange Commission, among others. As a result, pursuant to Stipulations filed in September 1980, by the NRC Staff, the Department of Justice, TU Electric and all other parties, the License Conditions became effective and the Commission found that issuance of an operating license to TU Electric would not create or maintain a situation inconsistent with the antitrust laws or the policies thereunder.<sup>6</sup> Thereafter, the FERC issued its Original

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<sup>5</sup>This provision was designed to insure that any electric utility in ERCOT and the SWPP, regardless of size, had the opportunity to participate in the planning and ownership of increases in the capacity of the HVDC Interconnections.

<sup>6</sup>As a part of the 1980 settlement, TU Electric also agreed to the inclusion in the License Conditions for Comanche Peak of a provision to the effect that it would not disconnect from, or refuse to connect with, any entity (as defined in the License Conditions) proposing to transmit electric energy in interstate commerce, provided such entity shall have used its best efforts to obtain an order under Sections 210, 211 and 212 of the Federal Power Act requiring the establishment, maintenance or modification of any such connection.

Orders incorporating the provisions of the September 1980 Letter Agreement. Cajun actively participated in the proceedings in Docket No. EL79-8 and fully supported the agreement embodied in the September 1980 Letter Agreement.<sup>7</sup> The North Tie was subsequently constructed by CSW and became operational on December 14, 1984.

#### Modification of the Original FERC Orders

When the Public Utility Commission of Texas declined to issue a certificate of convenience and necessity for construction of the South Tie (based on environmental concerns), pursuant to the request and consent of all parties, the FERC, by order issued on July 23, 1987 (the "July 1987 Order"),<sup>8</sup> modified the Original FERC Orders to require construction of the East Tie in lieu of the South Tie. The capacity of the East Tie was set at 600 MW compared to a 500 MW South Tie. Further, by order issued on January 27, 1987,<sup>9</sup> as well as by its July 1987 Order, the FERC approved revised tariffs<sup>10</sup> providing for the use of the North and East Ties, respectively, by any interested electric utility, including Cajun.

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<sup>7</sup> See, e.g., "Reply Comments of Cajun Electric Power Co-op, et al., to Initial Comments of the U.S. Department of Justice on the Rulings of the Presiding Administrative Law Judge," filed February 26, 1981, in FERC Docket No. EL79-8 (Attachment 2 hereto).

<sup>8</sup> Central Power & Light Company, 40 FERC ¶ 61,077 (1987). The July 1987 Order reaffirmed those provisions of the Original FERC Orders that were unaffected by the change in location of the DC tie capacity, including the 15% capacity reservation for "qualified utilities" and the obligation to periodically offer electric utilities the opportunity to participate in the planning and ownership of increases in the North and East Ties.

<sup>9</sup> Public Service Company of Oklahoma, et al., 38 FERC ¶ 61,050.

<sup>10</sup> The Original FERC Orders also required TU Electric, HLBP and the CSW Operating Companies to file compliance tariffs with the FERC for transmission service to, from and over the North and South Ties. Following the filing of such tariffs, a dispute arose which was ultimately resolved by a settlement approved by the FERC's January 1987 Order.



Cajun did not intervene or elect to participate in either of the proceedings leading to the January 1987 and July 1987 Orders.

The Original FERC Orders and the January and July 1987 Orders set forth in detail the procedures necessary for access to and use of the North and East Ties and participation in the ownership of such Ties by third parties. The FERC's January 1987 Order established the rate for, and the terms and conditions of, the wheeling of power for third parties by TU Electric, HL&P and the CSW Operating Companies to, from and over the North and South Ties, while the Original FERC Orders and the July 1987 Order provided for a 15% reservation of capacity in the North and East Ties for "qualified utilities" for firm transmission wheeling and/or purchase, as well as participation by third parties in the planning and ownership of increases in capacity of the North and East Ties. The July 1987 Order also required TU Electric to modify its tariff to take into consideration transmission service to, from and over the East Tie in lieu of the South Tie.

On June 30, 1986 and again on June 30, 1989, the CSW Operating Companies, as required by Ordering Paragraph (G)(6) of the July 1987 Order, solicited interest in the planning and ownership of an increase in the capacity of the North Tie. Cajun responded to the June 30, 1989 solicitation but took no other action whatsoever.<sup>11</sup>

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<sup>11</sup>Cajun misled the Commission regarding this solicitation by stating:

[s]ince TU Electric became a participant in the East DC Tie in 1986, no other entities have been allowed to become participants, despite the fact that Cajun has indicated, since at least July 25, 1989, that Cajun is interested in meeting to discuss ownership. See Cajun's July 25, 1989, Reply to Solicitation offered by Petitioners, attached as Attachment A. Cajun notes that a meeting among representatives of Cajun, the CSW Operating Companies, HL&P and TU Electric occurred on December 11, 1991, to explore this matter.

(continued...)

Earlier, a Texas cogenerator, Valley View Energy Company ("Valley View"), expressed an interest in the ownership of a portion of the North Tie and, pursuant to agreements executed by Valley View with the CSW Operating Companies, the FERC authorized an increase in the capacity of the North Tie to permit ownership in such tie by Valley View.<sup>12</sup>

#### Extension of Time to Construct the East Tie

On August 29, 1991, the CSW Operating Companies, HL&P and TU Electric filed a petition with the FERC in Docket No. EL79-8-000 seeking an extension of time within which to place the East Tie in service and permission to install the East Tie in two 300 MW segments. Cajun did intervene in that proceeding; did not oppose the extension; and did not oppose construction of the East Tie in two 300 MW increments; but did ask the FERC to change the definition of "qualified utilities" in the Original FERC Orders to permit Cajun's member cooperatives to qualify for access to the 15% reservation of capacity in the East Tie. [Pursuant to the 1980 settlement and the requirements of the Department of Justice, "qualified utilities" were defined as utilities in ERCOT and SWPP

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<sup>11</sup>(...continued)

[Comments at 9-10.] What Cajun fails to mention, however, is that Cajun's July 25, 1989 Reply to Solicitation relates to participating in the ownership of an increase in the capacity of the North Tie (which is owned solely by CSW) -- not the East Tie. TU Electric has no ownership interest in the North Tie.

<sup>12</sup>The Valley View transaction, which was never consummated because of Valley View's economic failure, was described in the Commission's previous "No Significant Change finding" issued on June 20, 1989:

Plans have been developed to expand the North Tie \* \* \* to accommodate a significant power transfer by a Texas co-generating entity.

Id. at 3.

having a peak load of less than 500 MW.] At least two "qualified utilities," Tex-La Electric Cooperative of Texas, Inc.<sup>13</sup> and Northeast Texas Electric Cooperative, Inc., intervened and aggressively opposed Cajun's request. TU Electric did not oppose Cajun's request but did suggest that the relief sought by Cajun was not within the scope of that particular FERC proceeding.

On December 6, 1991, the FERC granted the motion for extension of time and required the first 300 MW of capacity of the East Tie to be installed by August 31, 1995, with the full 600 MW to be installed by August 31, 1998. In granting the motion, the FERC denied the relief sought by Cajun, stating as follows:

This proceeding addresses a request by Petitioners for an extension of time in which to construct the East Interconnection. Cajun does not object to this request. Cajun's objections instead go to other matters not presently before the Commission: (1) a 500 MW limitation on who may be a qualified utility; and (2) the procedure for participation as an owner. These concerns are not properly addressed in the context of a petition for extension of time to which Cajun does not object. If Cajun wishes to pursue the 500 MW limitation issue, Cajun should file an appropriate request for relief. Similarly, with respect to the ownership issue, if Cajun believes that our prior orders are not being properly implemented, Cajun should file a complaint.

[Central Power and Light Company, et al., 57 FERC ¶ 61,317 (1991), emphasis supplied.] Cajun has done neither.

Subsequently, on May 15, 1992, the CSW Operating Companies, HL&P and TU Electric notified the FERC of their intent to construct

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<sup>13</sup> See, e.g., "Tex-La Electric Cooperative of Texas, Inc. Motion to Intervene and Answer and Protest to 'Response' of Cajun Electric Power Cooperative, Inc.," filed December 11, 1991, in FERC Docket No. EL79-8-003 (Attachment 3 hereto).

the East Tie in a single phase, indicating that, subject to reasonable contingencies, the full 600 megawatts of capacity would be installed on or before August 30, 1995, in full compliance with the FERC's December 1991 Order.<sup>14</sup> The FERC has indicated that installation of the full 600 megawatts of capacity on or before August 30, 1995, will be in full compliance with the Commission's December 1991 Order.

#### Recent Events

On December 11, 1991, shortly after the issuance of the FERC's December 1991 Order, the East DC Tie Management Committee met with Cajun in an attempt to address Cajun's concerns regarding ownership in the East Tie. As reflected in the minutes of that meeting, it was determined that

Larger utilities such as Cajun could, if they so desired, cosign the existing DC Tie Participation Agreement and buy either a share of an existing owner's participation or an expansion to the Tie's capacity.

TU Electric understands that HL&P subsequently offered to sell all or a part of its capacity entitlement in the East Tie to Cajun and that HL&P and Cajun are currently engaging in discussions.

On May 18, 1992,<sup>15</sup> in response to Cajun's filing of its Comments in this proceeding, TU Electric advised Cajun, among other things, of the parties' intent to construct the East Tie in a

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<sup>14</sup> Letter dated May 15, 1992, from counsel for the CSW Operating Companies, HL&P and TU Electric to the FERC (Attachment 4 hereto).

<sup>15</sup> See letter dated May 18, 1992, from Darrell Bevelhimer, TU Electric's Director of Bulk Power Transactions, to Phillip G. Harris, Vice President - Operations of Cajun (Attachment 5 hereto).



single 600 MW phase. TU Electric also advised Cajun that it is not opposed to Cajun purchasing a portion of the East Tie or participating in expansion of the East Tie. As it did in a February 25, 1992 meeting with Cajun, TU Electric again indicated its willingness to consider Cajun as a potential alternative when and if the time comes for TU Electric to consider additional generation resources.

On June 30, 1992, as required by the FERC's July 1987 Order, invitations to participate in expansion of the East Tie were transmitted to certain electric utilities in ERCOT and the SWPP, including Cajun.<sup>16</sup> An opportunity to participate in the ownership of the East Tie by any utility desiring to expand the Tie's capacity, including Cajun, was solicited by that invitation. No response has yet been received from Cajun, although one is expected.

On July 8, 1992, representatives of TU Electric and Cajun met for the purpose of determining if Cajun had any complaints regarding TU Electric's conduct, whether commercial or legal in nature. TU Electric was advised that no such complaints existed, although Cajun's attorney did indicate that he was not saying that no complaints of a legal nature existed, only that he was not aware of any. Cajun did articulate three items to TU Electric at that meeting:

1. Cajun inquired regarding the procedures for participation in the ownership of the East Tie. TU Electric advised Cajun's

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<sup>16</sup>A copy of the invitation to participate mailed to Cajun is attached hereto as Attachment 6.

representatives that the procedures for participation were set forth in the Original FERC Orders and the July 1987 Order, as utilized by Valley View, and reminded them that the owners of the East Tie had invited Cajun to participate in a meeting of the East DC Tie Management Committee and that Cajun was engaged in discussions with HL&P regarding the possible acquisition of all or a part of HL&P's ownership. Cajun was unable to express any further concerns regarding that issue.

2. Cajun's representatives inquired whether TU Electric proposed to discuss with them planning or expansion of the East Tie or the construction of new DC interconnections between ERCOT and SWPP in the future. In that connection, Cajun's representatives admitted that Cajun had never asked TU Electric to discuss such matters in the past and TU Electric had never declined to discuss any such matters with Cajun. Cajun also indicated that it had no plans to discuss with TU Electric at this time.

3. Cajun expressed concern with respect to construction of the East Tie in two 300 MW segments rather than a single 600 MW phase. Cajun admitted at the meeting that this was no longer a valid concern in light of the recent decision of the East Tie owners to construct the tie in a single 600 MW phase.

At the July 8 meeting, Cajun's representatives reiterated that Cajun had absolutely no interest in interfering in any way with the licensing or operation of Comanche Peak Unit No. 2 and again confirmed that Cajun had no complaints against TU Electric of a

commercial nature nor any legal complaints that it could identify at that time.

## II.

### ARGUMENT

Cajun requests the Commission to consider Cajun's Comments "in its consideration of whether significant changes have occurred since its previous antitrust review. As the Director of Nuclear Reactor Regulation observed in his Reevaluation and Affirmation of No Significant Change Finding Pursuant to Comanche Peak Steam Electric Station, Unit 1 Operating License Antitrust Review, issued on August 28, 1989,

The Commission delegated its authority to make significant change findings to the staff and in its Summer decision,<sup>17</sup> established a definite set of criteria the staff must follow in making the determination whether or not a significant change has occurred. The change or changes, ". . . 1) must have occurred since the previous antitrust review of the licensee(s); 2) are reasonably attributable to the licensee(s); and (3) have antitrust implications that would likely warrant some form of Commission Remedy." [Commission Memorandum and Order, p. 7, dated June 30, 1980 (CLI-80-28)] [Emphasis supplied.]

Id. at 3. The concerns and interests expressed by Cajun in its Comments fall far short of meeting any of the criteria set forth in Summer for determining whether or not a significant change has occurred. They certainly do not represent or reflect any change since the previous antitrust review. If anything, Cajun's Comments serve to underscore the maintenance of the status quo. As

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<sup>17</sup>South Carolina Electric & Gas Co. and South Carolina Public Service Authority (Virgil C. Summer Nuclear Station, Unit No. 1), CLI-80-28, 11 NRC 817 (1980), CLI-81-13, 13 NRC 862 (1981).

recognized by the Director in his Notice of No Significant Antitrust Changes, issued on June 20, 1989:

The change that has had the greatest impact in the Texas bulk power market has been the implementation of the joint settlement agreement, i.e., before the NRC and the Federal Energy Regulatory Commission. This settlement agreement required TU Electric, et al., to make their transmission facilities more available to power systems in Texas and thereby promote competition between intrastate and interstate power systems with the construction of two DC transmission lines. \* \* \*

Capacity (15 percent) in both DC interties has been reserved for non-owners who wish to engage in firm power transactions in the interstate market. Moreover, wheeling to, from or over the DC interties is now an available option to many power systems in Texas.

\* \* \*

The concept of interstate planning and participation in interstate power projects is a new one for most Texas power entities. \* \* \* [t]his movement was contemplated by and provided for in the antitrust settlement agreement before both the Nuclear Regulatory Commission and the Federal Energy Regulatory Commission. (The settlement agreement provides for requests for capacity increases and ownership purchases in the DC interties at intervals of every 3 years beginning in June of 1986 and lasting until June of 2004. \* \*

Although there are still physical impediments to complete synchronous operations between most Texas power entities and systems outside of Texas, . . . the settlement agreement provided power systems inside of Texas, as well as in surrounding states, the opportunity to exchange power and energy and engage in bulk power transactions. The Staff views the settlement agreement as a major first step in opening up power supply options to a broad spectrum of power entities in ERCOT and the SWPP.

Furthermore, none of the "concerns" expressed by Cajun in its Comments is attributable to TU Electric. In fact, Cajun does not



even allege that TU Electric has violated any provision of the License Conditions or the antitrust laws. As demonstrated above, it was the Department of Justice, the NRC and the FERC -- not TU Electric -- who insisted that the 15% capacity reservation in the North and East Ties be limited to utilities having a generating capacity of 500 MW or less.

Finally, Cajun's concerns have no antitrust implications that could form the basis for Commission remedy under Section 105(c) of the Atomic Energy Act (the "Act"). As noted earlier, Cajun's suggestion that the procedures and eligibility requirements for participating in the East Tie be changed amounts to a complaint about unchanged circumstances. For a party to invoke Section 105(c) of the Act to create changed circumstances turns the statute on its head. There clearly are no Section 105(c) issues involved here. Even Cajun recognizes that the FERC is the proper forum in which to address its concerns regarding the 500 MW limitation on "qualified utilities" entitled to capacity reservation in the East Tie [Comments at 8]. The FERC -- not the NRC -- is likewise the proper agency to address Cajun's request for "clarification" of the procedures for participation in the East Tie.

### III.


#### CONCLUSION

None of the concerns raised by Cajun in its Comments to this Commission or in its meeting with TU Electric on July 8, 1992, have any relevance whatever to this proceeding and, if to be addressed at all, should be addressed in the context of a proceeding before

the FERC, the administrative agency charged with the responsibility of administering the ownership and operation of the North and East Ties and access to such ties, either by way of use or ownership.

For the foregoing reasons, Cajun's Comments should be rejected.

Respectfully submitted,

  
\_\_\_\_\_  
M. D. Sampels

OF COUNSEL:

M. D. Sampels, Esq.  
WORSHAM, FORSYTHE, SAMPELS  
& WOOLDRIDGE  
3200 - 2001 Bryan Tower  
Dallas, Texas 75201  
(214) 979-3000

Douglas G. Green, Esq.  
NEWMAN & HOLTZINGER, P.C.  
1615 L Street, N.W.  
Washington, D.C. 20036  
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TEXAS UTILITIES ELECTRIC COMPANY

DATED: July 13, 1992

ATTACHMENTS TO  
RESPONSE OF TU ELECTRIC TO  
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<u>Description</u>	<u>Attachment No.</u>
"Order Granting Petition," <u>Central Power and Light Company, et al.</u> , 57 FERC ¶ 61,317 (1991)	1
"Reply Comments of Cajun Electric Power Co., et al. to Initial Comments of the U.S. Department of Justice on the Rulings of the Presiding Administrative Law Judge," filed February 26, 1981, in FERC Docket No. EL79-8	2
"Tex-La Electric Cooperative of Texas, Inc. Motion to Intervene and Answer and Protest to 'Response' of Cajun Electric Power Cooperative, Inc.," filed December 11, 1991, in FERC Docket No. EL79-8-003	3
Letter dated May 15, 1992, from counsel for the CSW Operating Companies, HL&P and TU Electric to the FERC	4
Letter, dated May 18, 1992, from Darrell Bevelhymmer of TU Electric to Phillip G. Harris of Cajun	5
Invitation to participate in the expansion of the East Tie mailed to Cajun on or about June 30, 1992	6

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Martin L. Allday, Chairman;  
Charles A. Trabandt, Elizabeth Anne Moler,  
Jerry J. Lanodon and Branko Terzic.

Central Power and Light Company )  
Public Service Company of Oklahoma ) Docket No. EL79-8-000  
Southwestern Electric Power Company )  
West Texas Utilities Company )

ORDER GRANTING PETITION  
(Issued December 3, 1991)

On August 22, 1991, as supplemented on November 6, 1991, Central Power and Light Company (Central), Public Service Company of Oklahoma (Public Service), Southwestern Electric Power Company (SWEPCO), West Texas Utilities Company (West Texas) (collectively the "CS" Operating Companies), Houston Lighting & Power Company (HL&P) and Texas Utilities Electric Company (Texas Utilities or TU Electric) (collectively Petitioners) filed a petition for an extension of time to implement a July 23, 1987 order issued in Docket No. EL79-8-002. 1/

Specifically, Petitioners seek to extend the timetable for installation of the asynchronous direct current interconnection with nominal capacity of 600 megawatts to be constructed between SWEPCO's Welsh generating station and Texas Utilities' Monticello generating station, both of which are located in Titus County, Texas. This interconnection is known as the "East Interconnection." The July 23, 1987 order provided that the East Interconnection was to be installed and operational, subject to reasonable contingencies, by August 1991. 2/

Petitioners state that due to unforeseen delays they were unable to meet the scheduled date for installation of the East Interconnection. Petitioners propose to complete the East Interconnection by installing 300 megawatts of inertie capacity no later than August 1995 and an additional 300 megawatts of

1/ Central Power and Light Company, et al., 40 FERC ¶ 61,077 (1987).

2/ Id. at 61,223, Ordering Paragraph P.

Docket No. EL79-8-000

-2-

inertie capacity no later than August 1995, subject to reasonable contingencies. Petitioners state that the rights and obligations of the parties to the settlement agreement in Docket No. EL79-8-000, will be unaffected by their proposal, which includes an undertaking to make available the full 90 megawatts of capacity, required to be reserved for use by "qualified utilities" under prior Commission orders, upon the installation of the initial 300 megawatts of capacity of the East Interconnection.

Notice of the Petition was published in the Federal Register, 1/ with comments due on or before September 6, 1991. Cajun Electric Power Cooperative, Inc. (Cajun) filed a timely motion to intervene, but took no position on the relief requested.

Subsequently, on November 21, 1991, Cajun filed a response to Petitioners' November 6, 1991 supplemental filing. Cajun does not oppose granting an extension of time beyond August 1991 for completion of the East Interconnection. However, Cajun raised two other concerns. First, Cajun objects to the limitation of "qualified utilities" to utilities with a load of less than 500 megawatts. Cajun notes that it has a peak load of greater than 500 megawatts, but that each of Cajun's member cooperatives has a peak load of less than 500 megawatts. Cajun argues that the limitation should be removed. Alternatively, that Cajun be deemed a qualified utility. Second, noting that other utilities are given an opportunity to participate in the construction and ownership of the East Interconnection, Cajun expresses an interest in participation as an owner in the East Interconnection. Cajun urges the Commission to review and clarify the procedures for allowing utilities such as Cajun to participate as owners in the East Interconnection.

On November 26, 1991, Petitioners filed an answer to Cajun's November 21, 1991 submission. Petitioners note that Cajun does not object to the specific relief requested by Petitioners -- an extension of time for installation of the East Interconnection. Petitioners argue that Cajun's other concerns are beyond the scope of this proceeding.

Background

The Commission, by orders issued in Docket Nos. EL79-8 and E-9558, 4/ among other things, approved a settlement agreement requiring the construction of two asynchronous direct current

1/ 56 Fed. Reg. 42,607 (1991).

4/ Central Power and Light Company, et al., 17 FERC ¶ 61,077 (1981), order of settlement, 18 FERC ¶ 61,100 (1982).



interconnections between the Electric Reliability Council of Texas and the Southwest Power Pool. That settlement agreement and the Commission's orders described two interconnections: (1) an asynchronous direct current interconnection between Public Service near Lawton, Oklahoma and West Texas near Oklahoma, Texas, having an initial nominal capacity of 200 megawatts (the North Interconnection), to be constructed by the CSW Operating Companies; and (2) an asynchronous direct current interconnection between the CSW Operating Companies in Walker County, Texas and the South Texas Project (the South Interconnection), having an initial nominal capacity of 500 megawatts, to be constructed by the CSW Operating Companies and HL&P.

On May 1, 1986, the CSW Operating Companies and HL&P filed a petition with the Commission proposing: (1) to construct the East Interconnection in lieu of the South Interconnection; (2) to require the CSW Operating Companies, HL&P and Texas Utilities to interconnect with each other at the East Interconnection; and (3) to require ownership of the East Interconnection by the CSW Operating Companies, HL&P and others, and such wheeling, coordination, commingling, sale and exchange of electric power to, from, and over the East Interconnection or within the State of Texas as may facilitate its use. The Commission, in its July 23, 1987 order, approved a settlement agreement providing for the construction of the East Interconnection. Pursuant to the settlement agreement the CSW Operating Companies, HL&P and Texas Utilities were each required to "reserve 15% of their respective capacity in the HVDC Interconnections for firm power wheeling and purchase by qualified utilities . . . under the terms, conditions and limitations provided by the Commission's Original Orders." 5/

#### Discussion

Under Rule 214 of the Commission Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1991), the timely, unopposed motion to intervene serves to make Cajun a party to this proceeding.

This proceeding addresses a request by Petitioners for an extension of time in which to construct the East Interconnection. Cajun does not object to this request. Cajun's objections instead go to other matters not presently before the Commission: (1) a 500 MW limitation on who may be a qualified utility; and (2) the procedure for participation as an owner. These concerns are not properly addressed in the context of a petition for extension of time to which Cajun does not object. If Cajun wishes to pursue the 500 MW limitation issue, Cajun should file an appropriate request for relief. Similarly, with respect to

5/ 40 FERC at 41,232, Ordering Paragraph G.(5).

the ownership issue, if Cajun believes that our prior orders are not being properly implemented, Cajun should file a complaint. 6/

For good cause shown, we will grant Petitioners an extension of time as discussed below. The timetable for installation of the East Interconnection was set in an order approving a settlement agreement. All parties to that settlement agreement now request the extension of time for installation of the East Interconnection and also for phased construction, and there is no opposition to the request. Moreover, the maximum amount of reserved capacity to be made available in the East Interconnection to qualified utilities will be offered upon the initial installation of 300 megawatts of DC transfer capacity which minimizes the harm to the interests of third parties by the request to extend the timetable for installation of the East Interconnection. While we thus believe it appropriate to grant an extension of time, we will not grant an open-ended extension of time. 7/ Rather, at this time we will grant an extension of time as to the first 300 MW until August 31, 1995, and as to the full 600 MW until August 31, 1998. If a further extension is appropriate, Petitioners may timely file a request for such an extension.

Our action granting an extension, however, is conditioned on Petitioners making available the full reserved quantity of 90 megawatts upon the initial installation and operation of DC transfer capacity at the East Interconnection.

Except as herein ordered, all other provisions of the Commission's July 23, 1987 order regarding the East Interconnection remain in full force and effect and are unchanged by our action here.

#### The Commission orders:

(A) An extension of time for installation of the East Interconnection until August 31, 1995 for the first 300 MW and until August 31, 1998 for the full 600 MW is hereby granted.

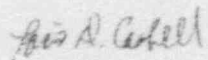
6/ See, e.g., Entergy Services, Inc., 52 FERC ¶ 61,317 at 62,270 (1990); Duke Power Company, 51 FERC ¶ 61,266 at 61,786 (1990).

7/ Petitioners' request was for an extension of time for installation of the East Interconnection, but "subject to reasonable contingencies, such as possible delays in complying with . . . environmental requirements . . . and force majeure." Petitioners' November 6, 1991 supplemental filing at 5.

(B) Authorization to install the East Interconnection in two phases is conditioned upon Petitioners providing the 90 megawatts of reserved capacity, required to be made available to qualified utilities pursuant to Ordering Paragraph (C)(5) of the Commission's July 23, 1987 order, upon initial installation and operation of DC capacity at the East Interconnection.

By the Commission.

( S E & L )



Lois D. Cashell,  
Secretary.

UNITED STATES OF AMERICA  
 FEDERAL ENERGY REGULATORY COMMISSION

Central Power & Light Company )  
 Public Service Company of Oklahoma )  
 Southwestern Electric Power Company ) Docket No. EL79-8  
 West Texas Utilities Company )

REPLY COMMENTS OF CAJUN ELECTRIC POWER  
 CO-OP, WESTERN FARMERS ELECTRIC COOPERATIVE,  
 KAMO ELECTRIC COOPERATIVE, INC., AND  
 GRAND RIVER DAM AUTHORITY TO INITIAL COMMENTS  
 OF THE U.S. DEPARTMENT OF JUSTICE ON THE RULINGS  
 OF THE PRESIDING ADMINISTRATIVE LAW JUDGE

The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc. and the Grand River Dam Authority hereby file a reply to the Initial Comments of the Department of Justice filed herein on February 20, 1981.

1. The undersigned attorney, for and on behalf of, Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority has reviewed the comments of the presiding judge's order of January 28, 1981, filed in this proceeding on February 20, 1981, by the Department of Justice, the Central and Southwest Companies, the Texas Utilities Companies, Houston Lighting and Power Company and the Federal Energy Regulatory Commission staff.

2. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority concur in the positions taken

by the Central and Southwest Companies, the Texas Utilities Companies, Houston Lighting and Power Company and the Federal Energy Regulatory Commission staff in favoring approval of the offer of settlement without a hearing on the issues raised by the Department of Justice.

3. It is believed that the public interest would best be served if the litigation which is pending before this and other forums is settled, as expeditiously as possible, pursuant to the terms of what appears to be a fair and reasonable offer of settlement.

4. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority believe that the competitive advantages which the Department of Justice allege would result from the AC interconnection are not sufficient to delay this Commission's approval of the Offer of Settlement.

5. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority therefore submits that this Commission should find that the Offer of Settlement is uncontested and should be approved as being in the public interests.

Respectfully submitted,

BY \_\_\_\_\_

Jay M. Galt  
LOONEY, NICHOLS, JOHNSON  
& HAYES  
219 Couch Drive  
Oklahoma City, Oklahoma 73102  
Attorneys for Petitioners



John Schwab  
P. O. Box 3036  
Baton Rouge, LA 70821  
Attorney for Cajun Electric  
Power Co-op

Robert W. Sullivan  
General Counsel  
Grand River Dam Authority  
Drawer G  
Vinita, Oklahoma 74301

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by mail the foregoing document upon each person designated on the official service list compiled by the Secretary of this proceeding in accordance with the requirements of §1.17 of the Rules of Practice and Procedure.

Dated at Oklahoma City, Oklahoma this 26th day of February, 1981.

\_\_\_\_\_  
Jay M. Galt

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Central Power and Light Company )  
Public Service Company of Oklahoma ) Docket No. EL79-8-003  
Southwestern Electric Power Company )  
West Texas Utilities Company )

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.  
MOTION TO INTERVENE AND  
ANSWER AND PROTEST TO  
"RESPONSE" OF  
CAJUN ELECTRIC POWER COOPERATIVE, INC.

Pursuant to Rules 211, 213 and 214 of the Commission's Rules of Practice and Procedure, Tex-La Electric Cooperative of Texas, Inc. ("Tex-La"), on behalf of itself and its seven member distribution cooperatives, move to intervene in the above-captioned proceeding and answers and protests the November 26, 1991 filing of Cajun Electric Power Cooperative, Inc. ("Cajun"). Though styled as a "Response," Cajun's pleading is either a late-filed protest to Petitioners'<sup>1</sup> August 21 filing requesting an extension of the schedule for installing the East High Voltage Direct Current Intertie ("East HVDC tie") or a complaint affirmatively requesting a change to the settlements in EL79-8 (Original Intertie Settlement) and EL79-8-002 (East HVDC Tie Settlement). Whatever the nature of Cajun's "Response," the Commission should reject it as both substantively and procedurally unsound.

---

<sup>1</sup> Petitioners include the four operating company subsidiaries of Central and Southwest Corporation ("CSW" and "CSW Operating Companies"), Houston Power & Light Company ("HL&P") and Texas Utilities Electric Company ("TU Electric").

All correspondence related to this proceeding should be addressed to:

A. Hewitt Rose  
Jordan Shulte & Burchette  
1025 Thomas Jefferson St., NW  
Suite 400 East  
Washington, D.C. 20007-0805  
(202) 965-8111

Tex-La is a generation and transmission rural electric cooperative corporation organized and existing under the laws of the state of Texas. Tex-La's seven member cooperatives own and operate electric distribution systems split between the Electric Reliability Counsel of Texas ("ERCOT") and the Southwest Power Pool ("SWPP") all within the state of Texas. The member cooperatives purchase all or part of their power requirements from Tex-La and resell that power at retail to their respective customers. Tex-La's member cooperatives are as follows:

Cherokee County Electric Cooperative Association  
Deep East Texas Electric Cooperative, Inc.  
Houston County Electric Cooperative, Inc.  
Jasper-Newton Electric Cooperative, Inc.  
Rusk County Electric Cooperative, Inc.  
Sam Houston Electric Cooperative, Inc.  
Wood County Electric Cooperative, Inc.

Tex-La's ERCOT load is located on the eastern edge of TU Electric's load control area, while its SWPP load is with the load control areas of Southwestern Electric Power Corporation and Gulf States Utilities. Tex-La has been an active participant in the intertie dockets and is a "qualified utility" under the Original Intertie Settlement. Tex-La is studying the purchase of

a portion of the East HVDC Intertie so that it can import power purchased from SWPP utilities, such as Cajun, over the tie to serve Tex-La ERCOT load.

#### I. BACKGROUND

Cajun requests the Commission to either (1) delete the Original Intertie Settlement provision setting aside a 15% reserved portion of the intertie for certain small ERCOT and SWPP utilities ("qualified utilities") or (2) add Cajun to the list of qualified utilities. Cajun misreads the purpose and terms of the Original Intertie Settlement and forgets its earlier support for that settlement.

The Original Intertie Settlement grew out of the attempt of the CSW to interconnect its two SWPP operating companies with its two ERCOT operating companies. See generally Thorpe, Electric Range War in Texas: A Case Study in Federal-State Rate Regulation, 48 Geo. Wash. L. Rev. 392 (1980). On June 9, 1980, CSW, the Texas Utilities operating companies<sup>2</sup> and EL&P reached a settlement substituting two, asynchronous HVDC interties for four synchronous, alternating current ("AC") interties originally proposed by CSW.

The Commission Staff opposed the settlement on grounds, among others, that, compared to the full interconnection of four AC interties, two HVDC interties constrained regional competition

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<sup>2</sup> In 1980 TU Electric consisted of three operating company subsidiaries which later merged into TU Electric as separate divisions.



to the detriment of smaller utilities. To overcome Staff's objections, on September 11, 1980 CSW, TU Electric and HL&P agreed to file a supplemental offer of settlement which included the provision to reserve 15% of the capacity of the ties for use by small utilities. This agreement, termed the "Cameron Letter," is attached in Appendix A and was part of the October 8, 1981 Supplemental Offer of Settlement filed by Petitioners in EL79-8.

Section (3) of the Cameron Letter, which seeks to assure intertie access to small utilities, became Ordering paragraphs 10(b) and (c) of the Order Approving Settlement in EL79-8. Cajun supported this order. Attachment B attached. Tex-La, as a result of a settlement with TU Electric, agreed not to oppose the settlement. The Commission approved the Original Interties Settlement in Central Power & Light Co., 17 FERC ¶ 61,078 (1981), corrected, Errata Notice (November 5, 1981) (unpublished), clarified on rehearing, 18 FERC ¶ 61,100 (1982).

When the Petitioners' sought to substitute a 600 MW East HVDC intertie for the originally ordered 500 MW South HVDC intertie, several qualified utilities took to the opportunity to fix an oversight in the Original Interties Settlement. They established a procedure to allocate reserved capacity among qualified utilities should the requests to use and/or purchase reserved capacity exceed the amount available. Ordering paragraph (G)(5) of Central Power & Light Co., 40 FERC ¶ 61,077 (1987) (Order approving East HVDC tie settlement). Key to this

procedure was a definite period for solicitations so that a pro rate sharing, if necessary, could be determined.

Cajun did not intervene in the proceeding. Tex-La did intervene, but withdrew pursuant to another settlement with TU Electric.

## II. CAJUN'S RESPONSE IS SUBSTANTIVELY UNSOUND.

### A. Eliminating the Category of Qualified Utilities.

Cajun's first alternative request --delete the qualified utility right to purchase a portion of the East HVDC intertie-- gains Cajun nothing more than it already has. Cajun, just as any utility, can purchase a portion of the East HVDC intertie from any current owner willing to sell. Ordering Paragraph (5), Order Approving Settlement in EL79-8 (Ownership of intertie capacity is transferable). If Cajun wishes to sell coordination power to TU Electric, then it can approach TU Electric about selling a portion of TU Electric's 100 MW share of the tie. If Cajun wishes to sell power to a small utility in ERCOT, such as Tex-La, then either Cajun or the buyer can purchase a portion of the tie to make the sale possible. Eliminating the access right of small utilities to intertie capacity does nothing to enhance Cajun's option to buy intertie capacity.

Indeed, Cajun's proposal limits access to the tie. At least some utilities, many of whom are potential buyers of Cajun power, have a right to use the East HVDC intertie. Eliminate that right and the sales market of all SWPP sell is confined to the intertie

access it or its buyer can negotiate with the intertie owners. For example, Cajun's proposal would make it more difficult and probably more expensive for Cajun to sell power to Tex-La over the intertie.

Cajun, which supported the Original Intertie Settlement, now asserts that the Qualified Utility right to purchase reserve capacity "no longer serves any legitimate purpose." This is exactly wrong. Intertie access rights are more important now than ever before. Since late 1984, ERCOT and SWPP have been interconnected only by a 200 MW North HVDC intertie. Small utilities have not been interested in using the 30 MW of reserved North tie capacity because of its expense and its location. The 600 MW East HVDC intertie, to be built in phases beginning by August 1995, is a different story. Due to its increase size and improvements in technology, the current estimate of the cost per MW of the 90 MW of East tie capacity is considerably lower than for the North tie. Moreover the East tie's location, terminating in the general area of Tex-La's loads, is ideal for Tex-La. To deny small utility access now, just when it is worth something, would be contrary to all the Commission Staff sought to accomplish with paragraph (3) of the Cameron Letter.

**B. Adding Cajun to the List of Qualified Utilities.**

Cajun's second alternative request -make Cajun a Qualified Utility- would change the Settlement without justification to the disadvantage of all qualified utilities. The EL79-8 qualified utilities are a limited class for a reason. If any utility,

regardless of size, had a right to purchase the reserved portion of intertie capacity, then that right would have little value. The set of potential bidders for reserved capacity would be unlimited and unknowable. Given ordering paragraph (G)(5) of the East HVDC intertie final order, all requests for capacity would reduce, pro-rata, the amount of reserved capacity available to an equally unlimited and unknowable extent.

Cajun is now proposing to change a settlement it early supported so that it can receive a benefit of the Settlement it did not bargain for. Cajun offers no explained policy basis for unilaterally adding itself to the list of qualified utilities. Cajun alleges no changed circumstances. Unless Cajun can show (1) changed circumstances adversely affecting Cajun, and (2) a change in the Original Intertie Settlement would be in the public interest, it should not be heard to protest that settlement now. Allowing a unilateral change to a Commission-approved settlement is contrary to Commission policy favoring settlements. El Paso Natural Gas Co., 26 FERC ¶ 61,016 (1984).

### III. CAJUN'S RESPONSE IS PROCEDURALLY UNSOUND

#### A. Late-Filed Protest

The Commission's August 23, 1991 "Notice of Filing" stated that all "protests should be filed on or before September 6, 1991." Cajun intervened on September 5, but did not protest the filing. Cajun's November 26 filing can be considered nothing than a protest filed more than two and a half months out of time.



Cajun offers not a word of explanation for its untimely filing. The Commission has rejected unjustified, late-filed protests in the past and should do so here. Southern Natural Gas Co., 53 FERC ¶ 61,469 (1990) ("Since the protest was out-of-time, and since no basis was provided for that protest, Blue Circle's protest is also denied."); Western Gas Interstate Co., 20 FERC ¶ 61,112 (1982).

Cajun's argument in footnote 2 of its pleading that it is entitled to respond to the Petitioners' filing of a proposed "Order Granting Petition" pursuant to rule 202 is a transparent evasion. The proposed "Order Granting Petition" adds nothing new to the original filing. All of Cajun's arguments could have been made by the September 6 due date.

**B. Improper Complaint.**

Cajun's "Response" raises new issues that are unrelated to the Petitioners' filing. Cajun explicitly does not protest the specific action requested by the Petitioners. Instead, Cajun uses the docket heading to file what can be considered a complaint, making a new and independent argument for the Commission to reform the settlements. The Commission has properly condemned such procedural maneuvers before:

[A] complaint cannot be submitted as an integral part of a protest and motion to intervene in an ongoing proceeding; it does not allow interested parties sufficient notice of the complaint because it is not formally docketed and noticed.

Louisiana Power & Light Co., 50 FERC ¶ 61,040 (1990). See also Indiana Michigan Power Co., 51 FERC ¶ 61,191 (1990); Entergy Services, Inc., 52 FERC ¶ 61,317 (1990). The Commission should reject Cajun's filing on these grounds.

#### IV. TEX-LA'S INTERVENTION

Tex-La did not intervene in the August 22, 1991 filing by Petitioners, nor file any comments in response to Petitioners' November 6 proposed "Order Granting Petition." Tex-La intervenes now only to protest the new issues raised by Cajun's November 26 filing. No disruption or delay should occur in these proceedings, since no hearing has been scheduled. No party would be prejudiced or unduly burdened by Tex-La's intervention. Tex-La's interests cannot be adequately represented by any other party.

WHEREFORE, Tex-La requests the Commission to reject Cajun's request to alter the Original Interties Settlement and the East HVDC Tie Settlement.

Respectfully submitted

*A. Hewitt Rose*

A. Hewitt Rose  
Jordan Shulte & Burchette  
1025 Thomas Jefferson St., NW  
Suite 400 East  
Washington, D.C. 20007-0805  
(202) 965-8111

December 11, 1991

F:\MAIL\DATA\911209\A02

September 11, 1980

John A. Cameron, Jr., Esq.  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Room 8712  
Washington, D.C. 20426

Dear Mr. Cameron:

In order to avoid any possible misunderstandings, we wish to confirm our understanding of the FERC Staff's settlement demands in Docket No. EL79-8.

The FERC Staff will, on the date set for filing comments, affirmatively support the Offer of Settlement tendered by Central and South West Corporation (CSW), et al., in Docket No. EL79-8, dated July 28, 1980, (herein "Offer of Settlement") and withdraw the proposed Transmission Service Settlement Agreement sent out under your cover letter of July 3, 1980, if the following modifications are made to the Offer of Settlement by CSW, Texas Utilities Company (TU), and Houston Lighting & Power Company (HL&P). However, it is understood that no provision of the Offer of Settlement, as modified, shall be construed to affect the rights or obligations of the FERC Staff or any party hereto in any future proceedings at the FERC, to investigate or contest any rate filing made pursuant to the following paragraphs. The FERC Staff makes it clear that this letter is without prejudice to any FERC Staff request that additional relief be ordered in Docket No. EL79-8 against electric utilities other than CSW, TU and HL&P.

"System" as used herein means, respectively, (a) HL&P, (b) all TU operating companies, (c) CSW operating companies in the Electric Reliability Council of Texas (ERCOT), (d) CSW operating companies in the Southwest Power Pool (SWPP).

(1) Rates and service shall be determined from time to time in accordance with the procedures of Sections 205 and 206 of the Federal Power Act, whether or not otherwise applicable, by virtue of agreement of the parties pursuant to Section

211(d)(3) of the Federal Power Act, as amended. Each System agrees to file rates with the FERC, deemed to be rate increase filings pursuant to Section 205(e) of the Federal Power Act, for wheeling power to, from, and over the proposed direct current (DC) interconnection facilities which will:

- (a) roll in each System's alternating current (AC) and DC transmission costs, if any, with the result that any utility using any System's AC or DC lines, or both, for wheeling power in interstate commerce will pay a rate designed to recover all costs and a reasonable return on both the AC and DC investment and related operating costs;
- (b) be the same for that System regardless of whether the interstate movement comes over the North or the South interconnection;
- (c) be the same for that System regardless of the distance involved of the actual transmission over that System's lines;
- (d) or may, distinguish between types of service (e.g. economy, interruptible, firm) and length of service (e.g. short term to multiyear);
- (e) be filed at the FERC at least one year before the DC lines go into operation, under the terms and conditions in paragraph 13 of the proposed order contained in the Offer of Settlement, which means that the initial rate will go into effect subject to refund, if the Commission orders a hearing on the rates;
- (f) not include rates for wheeling of power solely within ERCOT-TIS which does not involve the proposed DC interconnection. However, the CSW ERCOT operating companies, being subject to FERC jurisdiction, will file, within three months of a final FERC order in Docket No. EL79-8 no longer subject to judicial review, a proposed wheeling tariff, to be collected subject to refund, applicable to wheeling within ERCOT-TIS for utilities in ERCOT with less than 1500 Mw load, consistent with this paragraph (1) and with paragraph (2) below;



- (g) be designed by each System to recover all of its costs and a reasonable return for the use of its AC and DC facilities;
- (h) be a single rate for each type of service over the TU System's combined transmission facilities, the CSW ERCOT System's combined transmission facilities, and the CSW SWPP System's combined transmission facilities. Thus, a wheeling customer would pay a single rate to each such System for a transaction utilizing all or any part of the combined transmission facilities of the TU System, the CSW ERCOT System, and the CSW SWPP System, respectively. The single rates will be based upon the transmission costs per kw of system load for each company within the TU System, the CSW ERCOT System and the CSW SWPP System, respectively, which costs shall be multiplied by the ratio of power flow over each such company's transmission system to the power flow over all or any part of the combined transmission facilities of the respective System, such flows being determined by a composite of typical wheeling transactions over the respective Systems. The single rate for each System shall then be determined by adding together the resulting weighted transmission costs for each company within that System (as calculated per the preceding sentence), to which appropriate transmission losses shall be added;
- (i) be in lieu of any "contract path" or similar theory for determining which utility or utilities within ERCOT-TIS are entitled to be paid for wheeling. The method for determining the amount of kilowatts or kilowatthours for billing purposes shall be the calculated load flow through each System with and without the proposed wheeling using the TIS computer programs and data base, as revised from time to time to reflect current and projected systems. Whenever any System is requested to wheel power, such System will provide a load flow analysis at cost within two working days of the request or upon payment of costs, whichever is later. (It is all Systems' belief that a single load flow study would suffice for all potentially affected companies

in ERCOT-TIS, since the data base is common and coordinated regularly with all relevant systems.); and

- (j) provide for interstate economy interchange and emergency power transmission service, which may be requested on an hour-to-hour basis, in accordance with good utility practice in the area.

(2) Whenever any System has been requested to wheel, it will respond with an answer to the request (including an explanation of any denial of service) as follows (dating from the completion of the load flow study for wheeling within ERCOT-TIS, or from the date of a request for wheeling by CSW SWPP):

- (a) for transmission service lasting for one or more years, within thirty days, or the first working day after thirty calendar days; and
- (b) for transmission service lasting for less than one year, within two working days.

(3) As part of their respective wheeling rates filed pursuant to paragraphs (1) and (8), HL&P and CSW will each reserve 15% of the capacity in their respective DC interconnection facilities for firm power wheeling (herein "the reservation") pursuant to the following:

- (a) the reservation shall be made for utilities in ERCOT and SWPP having loads less than 500 MW (herein "qualified utilities");
- (b) the reservation shall continue for five years after each facility goes into commercial operation at its rated capacity. At the end of the five year period, HL&P or CSW, or both, may file pursuant to the procedures set forth in the first sentence of paragraph (1), SUPRA, as a change in service, to delete the reservation for qualified utilities;
- (c) CSW companies shall make reservation capacity available for firm power wheeling in each of their DC interconnection facilities, so long as there is capacity available in either of them; when either of the DC interconnection facilities is out of service, CSW shall not be obligated to make reservation capacity

associated with that facility available on the other interconnection facility;

- (d) HL&P and CSW will solicit requests for reservation capacity from qualified utilities one year before the respective DC interconnection facilities go into commercial operation, and at one year intervals thereafter for reservation capacity which has not been previously committed. HL&P and CSW, respectively, may utilize any unused portion of the reservation capacity until a timely request for wheeling is made by a qualified utility; reservation capacity may be used on a firm basis from year to year or less if, after notice, capacity is not contracted for by qualified utilities; and
  - (e) The reservation in this paragraph (3) is reduced by the amount of capacity purchased pursuant to paragraph (4)(a), below.
- (4)(a) Superseding paragraph 1(f) of the Settlement Agreement (Attachment 1 in the Offer of Settlement filed in Docket No. EL79-8 by CSW et al, dated July 28, 1980) in its entirety, the capacity reserved for qualified utilities pursuant to paragraph (3) of this letter agreement will be available for purchase by qualified utilities at the depreciated original cost thereof, until either (1) the reservation of capacity has been terminated or (2) the opportunity to participate in ownership of additional DC capacity to be installed has been tendered as set forth below, whichever comes first. Purchase of reservation capacity by qualified utilities in the South interconnection shall be on a pro rata basis from both CSW and HL&P unless HL&P and CSW otherwise agree;
- (b) Whenever planning is undertaken to increase the capacity of the Interconnections, but at intervals of no more than every three years after June 30, 1983, until June 30, 2004, electric utilities in ERCOT and SWPP will be given the opportunity to participate in the planning of increases in the capacity of the Interconnections and of participating in the ownership of any incremental capacity added.

provided again that each party that wishes to participate pays its pro rata share of the capital costs of constructing the interconnection which it wishes to participate in and undertakes to pay its pro rata share of the costs of operating and maintaining that interconnection and agrees further to be bound by the terms and conditions of the Agreement between Owners of the interconnections; and

(c) This understanding is without prejudice to the right of either CSW or HL&P to sell DC capacity which is not subject to paragraph (3).

(5) The FERC order will be a final order, not an order contingent upon the issuance of any order by a court or other regulatory agency. However, some mechanism to reopen the FERC proceedings in the event that orders in other forums, including, but not limited to, SEC Admin. Proc. File No. 3-4951, cannot be obtained, is acceptable.

(6) Recognition of any environmental guidelines and periodic reports on the progress of construction and compliance with environmental requirements, not affecting the substance of the Order, will be included.

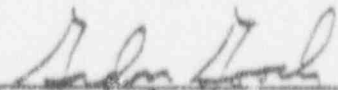
(7) Subject to reasonable contingencies, such as possible delays under paragraph (6) supra and force majeure, CSW and HL&P will commit to cause the DC capacity to be installed and operational within 5 years of the date of a final FERC order, no longer subject to judicial review. It is understood that HL&P's commitment and CSW's commitment are several, not joint.

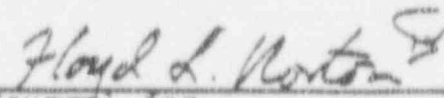
(8) The CSW SWPP operating companies shall file the single rate for wheeling within SWPP, as provided in paragraph 1(h) for utilities in SWPP with less than 1500 Mw load, within three months of a final FERC order in Docket No. EL79-8, no longer subject to judicial review. It shall go into effect subject to refund, if the Commission so orders. The CSW SWPP single rate filing shall be consistent with subparagraphs 1(a), (c), (d), (g) and (h), and with paragraph (2). The proposed rate to be filed pursuant to this paragraph (8) shall not apply to existing agreements for wheeling or purchase and resale service which either PSO or SWEPCO may have with other utilities.

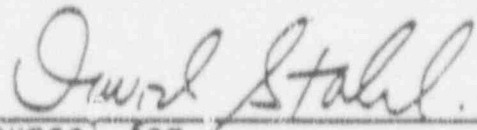


If you will confirm this Staff settlement demand by executing a copy of this letter below, the undersigned counsel, each being duly authorized to do so by his respective client, accept your settlement demand.

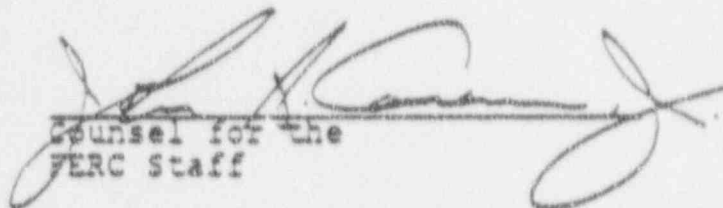
By our respective signatures, we all represent that this letter, together with the Offer of Settlement previously filed in this docket, constitutes the final settlement between the FERC Staff, CSW, TU, and HLP.

  
Counsel for  
Houston Lighting & Power Company


  
Counsel for  
Texas Utilities Company and the  
Operating Companies thereof

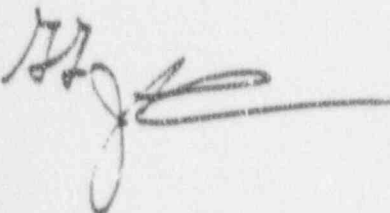
  
Counsel for  
Central & South West Corporation  
and the Operating Companies  
thereof

Confirmed:

  
Counsel for the  
FERC Staff

Accord:

  
FERC Staff



UNITED STATES OF AMERICA  
 FEDERAL ENERGY REGULATORY COMMISSION

Central Power & Light Company	)	
Public Service Company of Oklahoma	)	
Southwestern Electric Power Company	)	Docket No. EL79-8
West Texas Utilities Company	)	

REPLY COMMENTS OF CAJUN ELECTRIC POWER  
 CO-OP, WESTERN FARMERS ELECTRIC COOPERATIVE,  
 KAMO ELECTRIC COOPERATIVE, INC., AND  
 GRAND RIVER DAM AUTHORITY TO INITIAL COMMENTS  
 OF THE U.S. DEPARTMENT OF JUSTICE ON THE RULINGS  
 OF THE PRESIDING ADMINISTRATIVE LAW JUDGE

The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc. and the Grand River Dam Authority hereby file a reply to the Initial Comments of the Department of Justice filed herein on February 20, 1981.

1. The undersigned attorney, for and on behalf of, Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority has reviewed the comments of the presiding judge's order of January 28, 1981, filed in this proceeding on February 20, 1981, by the Department of Justice, the Central and Southwest Companies, the Texas Utilities Companies, Houston Lighting and Power Company and the Federal Energy Regulatory Commission staff.

2. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority concur in the positions taken

by the Central and Southwest Companies, the Texas Utilities Companies, Houston Lighting and Power Company and the Federal Energy Regulator Commission staff in favoring approval of the offer of settlement without a hearing on the issues raised by the Department of Justice.

3. It is believed that the public interest would best be served if the litigation which is pending before this and other forums is settled, as expeditiously as possible, pursuant to the terms of what appears to be a fair and reasonable offer of settlement.

4. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority believe that the competitive advantages which the Department of Justice allege would result from the AC interconnection are not sufficient to delay this Commission's approval of the Offer of Settlement.

5. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority therefore submits that this Commission should find that the Offer of Settlement is uncontested and should be approved as being in the public interests.

Respectfully submitted,

BY

\_\_\_\_\_  
Jay M. Galt  
LOONEY, NICHOLS, JOHNSON  
& HAYES  
219 Couch Drive  
Oklahoma City, Oklahoma 73102  
Attorneys for Petitioners

John Schwab  
P. O. Box 3036  
Baton Rouge, LA 70821  
Attorney for Cajun Electric  
Power Co-op

Robert W. Sullivan  
General Counsel  
Grand River Dam Authority  
Drawer G  
Vinita, Oklahoma 74301

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by mail the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of §1.17 of the Rules of Practice and Procedure.

Dated at Oklahoma City, Oklahoma this 26th day of February, 1981.

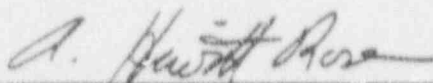
\_\_\_\_\_  
Jay M. Galt



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated this 11th day of December 1971.



A. Hewitt Rose  
Jordan Shulte & Burchette  
1025 Thomas Jefferson St., NW  
Suite 400 East  
Washington, D.C. 20007-0805  
(202) 965-8111

92 MAY 15 PM 4:39

May 15, 1992

Ms. Lois D. Cashell  
Secretary  
Federal Energy Regulatory Commission  
825 N. Capitol Street, N.E.  
Washington, D.C. 20426

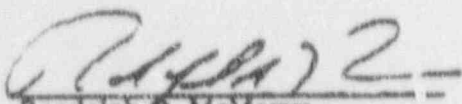
Re: Central Power and Light Co., et al., Docket No. EL79-8-000

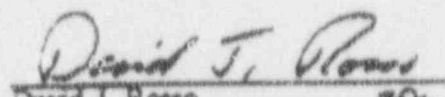
Dear Secretary Cashell:

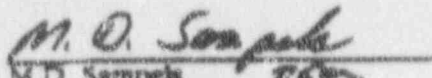
By this letter, Central Power and Light Company, Public Service Company of Oklahoma, Southwestern Electric Power Company, West Texas Utilities Company, Houston Lighting & Power Company and Texas Utilities Electric Company, Petitioners in the above-referenced docket, notify the Commission of their intent to construct the East HVDC Interconnection in a single phase. Petitioners anticipate that, subject to reasonable contingencies, the full 600 megawatts of capacity will be installed on or before August 30, 1995, in full compliance with the Commission's "Order Granting Petition," issued herein on December 6, 1991.

A copy of this letter will be served on all parties to this docket to give notice of the anticipated schedule for installation of the East Interconnection.

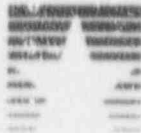
Respectfully yours,

  
Randolph Q. McManus  
Attorney for Houston Lighting  
& Power Company

  
David J. Roese  
Attorney for Southwestern Electric  
Power Company, Central Power and  
Light Company, Public Service Company  
of Oklahoma and West Texas Utilities  
Company

  
M.D. Sampels  
Attorney for Texas Utilities  
Electric Company

cc: Cynthia A. Marlette  
Daniel L. Laroamp  
Jerry R. Milbourn  
All parties in Docket No. EL79-8-002



TU ELECTRIC

Durrell Bevelhymz  
Director of Bulk Power  
Transactions

May 10, 1992

Mr. Phillip G. Harris  
Vice President - Operations  
Cajun Electric Cooperative, Inc.  
P. O. Box 15540  
Baton Rouge, Louisiana 70895

Re: Texas Utilities Electric Company,  
Comanche Peak Steam Electric Station,  
Unit 2; Docket No. 50-446A

Dear Mr. Harris:

I have reviewed the Comments filed by your attorney with the Nuclear Regulatory Commission ("NRC") on March 25, 1992, in the above matter. For your ready reference, a copy of those Comments is attached.

I am perplexed by the positions expressed in those Comments for a number of reasons, including the following:

1. When the interconnection dispute was settled in 1980, it was the Department of Justice, the NRC and the FERC, not TU Electric, who insisted that the 15% capacity reservation in the East Tie be limited to utilities having a generating capacity of 500 MW or less. Your attorney failed to mention to the NRC that when he, on Cajun's behalf, recently asked the FERC to increase the 500 MW threshold, at least one small utility vehemently objected. A copy of that response, together with the FERC's order regarding Cajun's request, is attached.

2. As stated in the Minutes of the Meeting between the East Texas DC Tie Management Committee and Cajun on December 11, 1991:

"Larger utilities such as Cajun could, if they so desired, cosign the existing DC Tie Participation Agreement and buy either a share of an existing owner's participation or an expansion to the Tie's capacity."

Subsequently, Houston Lighting & Power offered to sell all or a part of its capacity entitlement to the East Tie to Cajun. It is

my understanding that this offer was not accepted and may very well have been rejected by Cajun.

3. Invitations to participate in expansion of the East Tie will be mailed to certain electric utilities, including Cajun, on or before June 30, 1992, as required by the FERC's Order of July 23, 1987. While I'm sure you are familiar with that order, a copy is attached. An opportunity to participate in the ownership of the East Tie by any utility desiring to expand the Tie's capacity, including Cajun, will be solicited by that invitation.

4. The owners of the East Tie, including TU Electric, have filed tariffs with the FERC applicable to transmission service to, from and over the East Tie. Those tariffs are available for any electric utility, including Cajun, desiring transmission service over the East Tie. A copy of TU Electric's tariff is attached.

5. TU Electric indicated to you in our meeting of February 25, 1992, that it had no need for generating capacity from Cajun but indicated that it would take note of your interest in discussing the possible sale of capacity to TU Electric in the future.

6. The owners of the East Tie have recently advised the FERC that the entire 600 MW of East Tie capacity will be constructed, within the time required by the FERC's orders, in a single phase rather than in two phases as earlier planned. A copy of the letter containing such advice is attached.

7. TU Electric is not opposed to Cajun purchasing a portion of the East Tie or participating in expansion of the East Tie. Further, we continue to be willing to consider Cajun as a potential alternative, among all alternatives, when and if the time comes for TU Electric to consider additional generation resources. This fact was confirmed in my letter of April 1, 1992, to Mr. Jack M. Miller. A copy of that letter is attached.

8. TU Electric has never received a request from any electric utility, including Cajun, for any transmission service to, from or over the East Tie, but stands ready, willing and able to provide such service at any time in accordance with its TFO Tariff.

I would like to think that, upon examination of the information provided by this letter, you will agree that Cajun's Comments to the NRC were incorrect in certain important respects, incomplete as to content, and unfortunately misleading. I am concerned that the filing by your attorneys at the NRC may have been calculated to cause TU Electric added expense and delay in the licensing of Comanche Peak Unit No. 2. I am sure you did not intend such a result.



I would like to visit with you in the next 10 days to clear up any misunderstandings regarding Cajun's use of or participation in the East Tie, future TU Electric generation resources, and the NRC filing. Please let me know when, at your earliest convenience, you will have an opportunity to discuss these matters.

Very truly yours,

Darrell Bevelhymmer

Enclosures

cc: Mr. Jack M. Miller

*Law Offices*

*Duncan, Weinberg, Miller & Pembroke, P.C.*

WALLACE J. DUNCAN  
EDWARD WEINBERG  
FREDERICK L. MILLER, JR.  
JAMES D. PEMBROKE  
RICHMOND Y. ALLAN  
ROBERT WEINBERG  
JAN DE L. LORER  
JEFFREY J. SENZEP  
THOMAS L. RUDEBUSCH  
JEFFERY N. LITHE  
MELINDA J. HORDAN

SUITE 800  
1615 M STREET, N.W.  
WASHINGTON, D.C. 20036

202-467-6370  
TELECOPY 202-467-6379

*Carroll Office*

1115 STREET, N.W.  
WESLEY, D.C. 20036  
202-467-6370

*Washington Office*

2100 M STREET, N.W.  
WASHINGTON, D.C. 20036  
202-467-6370  
202-467-6379

*Richard Rogers Office*

1115 STREET, N.W.  
WASHINGTON, D.C. 20036  
202-467-6370  
202-467-6379

OF COUNSEL  
RICHARD H. REIZT

\* ADMITTED IN WASHINGTON ONLY  
\* ADMITTED IN MISSISSIPPI ONLY

March 25, 1992

Anthony T. Gody, Chief  
Policy Development and Technical  
Support Branch  
Office of Nuclear Reactor Regulation  
Nuclear Regulatory Commission  
Washington, DC 20555

Re: Texas Utilities Electric Company Comanche  
Peak Steam Electric Station, Unit 2;  
Docket No. 50-446A

Dear Mr. Gody:

Enclosed please find an original and one copy of  
Comments of Cajun Electric Power Cooperative, Inc., on antitrust  
information filed by Texas Utilities Electric Company pursuant to  
Regulatory Guide 9.3.

These Comments are submitted in accordance with the  
Notice issued by the Commission and published at 57 Federal  
Register 6340 (February 24, 1992).

Sincerely,

James D. Pembroke  
Thomas L. Rudebusch  
Charles A. Braun

Attorneys for Cajun Electric  
Power Cooperative, Inc.

Enclosure

cc: Phillip G. Harris  
✓ William J. Cahill, Jr.

UNITED STATES OF AMERICA  
BEFORE THE  
NUCLEAR REGULATORY COMMISSION

In the Matter of )  
 )  
TEXAS UTILITIES ELECTRIC COMPANY ) Docket No. 50-446A  
 )  
(Comanche Peak Steam )  
Electric Station, Unit 2) )  
\_\_\_\_\_ )

COMMENTS OF  
CAJUN ELECTRIC POWER COOPERATIVE, INC.,  
ON ANTITRUST INFORMATION FILED BY  
TEXAS UTILITIES ELECTRIC COMPANY  
PURSUANT TO REGULATORY GUIDE 9.3

Cajun Electric Power Cooperative, Inc. ("Cajun"), pursuant to the Nuclear Regulatory Commission's ("Commission" or "NRC") notice issued February 14, 1992, 57 Fed. Reg. 6340 (February 24, 1992), of receipt of antitrust information filed by Texas Utilities Electric Company ("TU Electric") in the above-referenced docket, files these Comments and states as follows:

I. BACKGROUND

TU Electric is currently the majority owner and operator of the Comanche Peak Steam Electric Station ("CPSES"), Units 1 and 2, over which the Commission exercises antitrust review responsibilities according to Section 105 of the Atomic Energy Act of 1954 ("AEA"). The Commission issued a construction permit for CPSES, Units 1 and 2, in December 1974, with certain antitrust license conditions. The antitrust conditions were imposed because of allegations, which were examined by the

Department of Justice, that TU Electric's<sup>1</sup> dominant market position in generation and transmission restrained the competitive alternatives of other power systems in Texas. See Department of Justice advice letter to Atomic Energy Commission, dated January 17, 1974.

On June 21, 1978, at the operating license stage of review, the Commission issued a "significant change" finding, according to Section 105c(2) of the AEA, seeking the advice of the Department of Justice on the antitrust aspects of TU Electric's activities related to the operating license for CPSES. See 7 N.R.C. 950 (1978). The significant changes in circumstances related to TU Electric's efforts, in concert with Houston Lighting & Power Company, to isolate the Texas electric bulk power market from interstate commerce by opening their interconnections with another Texas utility, Central Power & Light Company ("Central"), when Central sought to interconnect its operations with affiliated companies located outside the Electric Reliability Council of Texas ("ERCOT").

On August 1, 1978, the Department of Justice recommended an antitrust hearing, stating:

(B)ecause of [TU Electric's] and HL&P's adherence to a policy of intrastate only operations in light of the present market circumstances, and considering the unprecedented disruptive action of disconnection undertaken by applicant and HL&P to enforce this policy and agreement, an antitrust hearing is necessary to determine whether additional conditions should be

---

1/ At the time TU Electric was known as Texas Utilities Generating Company.



attached to the operating license of Comanche Peak.

Department of Justice letter dated August 1, 1978, at 3-4. Following this recommendation of the Department of Justice, the Commission convened an antitrust hearing and consolidated it with a proceeding examining HL&P's South Texas Project, Units 1 and 2, Docket No. 50-420, et al.

Following extensive litigation before the Commission, the Federal Energy Regulatory Commission ("FERC") and the Securities and Exchange Commission ("SEC"), TU Electric, HL&P, Central and other parties reached several settlement agreements. As reflected in the Memorandum and Order issued on May 6, 1982, by the Commission's presiding administrative law judge, a portion of the settlements involved additional antitrust conditions on CPSES. See 15 N.R.C. 1143 (1982). The May 6, 1982 Order made the license conditions effective immediately. *Id.* The license conditions were designed to preclude TU Electric (or HL&P) from acting in concert with any other entity to disconnect from interstate power systems.

At the forefront of the settlement was the provision for the construction of two direct current asynchronous transmission lines ("DC ties") interconnecting utilities in ERCOT with utilities located in the Southwest Power Pool ("SWPP"). See *Id.*, Central Power and Light Co., 17 FERC ¶ 61,078 (1981), Order on reh., 18 FERC ¶ 61,100 (1982) ("FERC Original Order"). These two DC ties have been known as the "North DC Tie" and the "South DC Tie." The North DC Tie was placed in service late in 1984. Subsequently, HL&P and others filed a petition with FERC

seeking to delay and redefine the remaining interconnection as the East DC Tie, and to allow TU Electric to participate as an owner of the East DC Tie. See Central Power & Light Co., 40 FERC ¶ 61,077 (1987). In FERC's Order granting the petition, FERC stressed the requirement that TU Electric, among others, "permit other utilities to participate in the construction and ownership of the East [DC Tie]." 40 FERC at 61,221. The East DC Tie was to be in place no later than August 31, 1991.

On August 22, 1991, TU Electric and other East DC Tie owners ("Petitioners") filed a petition at FERC for an extension of time to construct the East DC Tie. The Petition requested that installation of the full 600 MW of capacity on the East DC Tie be delayed until August 1998, with 300 MW being installed by August 1995. The proposed draft order stated that the East DC Tie may be delayed even further due to "reasonable contingencies, such as delays in complying with the environmental requirements of this Order...." See Central Power and Light Co., 57 FERC ¶ 63,317 (1991). Cajun filed a motion to intervene in the proceeding.

Cajun is a generation and transmission cooperative comprised of thirteen distribution cooperatives ("Members") in Louisiana. Cajun stated that it has surplus capacity and energy

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2/ The East DC Tie owners include the following entities in addition to TU Electric and HL&P: Central Power and Light Company ("Central") and Southwestern Electric Power Company ("SWEPCO"). The North DC Tie owners include Public Service Company of Oklahoma ("PSO") and West Texas Utilities Company ("West Texas"). Central, SWEPCO, PSO and West Texas are all operating companies of the Central & South West Corporation ("CSW").

which it could market to interested purchasers located within the ERCOT region.

On November 6, 1991, Petitioners filed at FERC a proposed draft "Order Granting Petition" providing Petitioners the relief sought in their Petition. Cajun responded to the Petitioners' proposed order by presenting to FERC Cajun's concerns regarding the requested relief. In its response, Cajun stated, *inter alia*, that Cajun's ability to market surplus capacity to interested purchasers which are ERCOT members is directly affected by the construction and commercial operation date of the East DC Tie.

On December 6, 1992, the FERC issued an order granting, with modifications, Petitioners' request for an extension of time to complete the DC Tie, and stated that Cajun's concerns were not properly addressed in the context of the petition for an extension of time. *Id.* ("December 6th Order").

## II. TU ELECTRIC RESPONSE TO REGULATORY GUIDE 9.3

On December 5, 1991, the Commission Staff requested certain antitrust information from TU Electric in accordance with Commission Regulatory Guide 9.3. See Staff letter dated December 5, 1991. The Staff letter indicates that an antitrust review is appropriate at this time in light of the scheduled December 1992 fuel load for CPSES Unit 2 and the length of time since the antitrust review of CPSES Unit 1, which was completed in September 1989.

By letter dated February 5, 1992, TU Electric responded to the Staff's request for information in accordance with



Regulatory Guide 9.3. TU Electric stated that in April 1991 it submitted to regional electric utilities requests for responses directed to potential alternatives to generation which TU Electric was seeking to have certified. See TU Electric Filing at 23-24. According to TU Electric's filing, Cajun responded by indicating that it was interested in discussing the sale of capacity and energy to TU Electric. *Id.* Representatives of Cajun and TU Electric met on February 26, 1992, to discuss capacity sales in Texas.

Further, under a section entitled "Communications Related to DC Asynchronous Connections", TU Electric discusses, *inter alia*, the attempts by it and the other East DC Tie owners to defer the completion date of the East DC Tie, and Cajun's pleadings at FERC related to that request. *Id.* at 35-36. TU Electric states that Cajun's pleadings, while not opposing the East DC Tie owners' joint request for an extension of time to complete the East DC Tie, did indicate two concerns about the extension, namely: (1) the 500 MW maximum system load criterion to be a qualifying utility eligible to reserve transmission service utilizing the East DC Tie, since Cajun has a peak load in excess of 500 MW, and (2) the procedures by which other entities, including Cajun, may become participants in the East DC Tie.

TU Electric indicates that the FERC, in its December 8th Order, granted in part the petitioners' request for an extension of time. See 57 FERC at 62,090-91. TU indicates that the FERC also stated in its order that Cajun concerns about participation in the East DC Tie were beyond the scope of the



FERC proceeding, and recommended that Cajun file a complaint if it felt the FERC's prior orders were not being properly implemented.

On February 14, 1992, this Commission issued a notice of receipt of the TU Electric antitrust information, and established 30 days from the notice as the time for the filing of Comments.

### III. COMMENTS

While Cajun did not oppose the Petitioners request to FERC for an extension of time to complete the East DC Tie, Cajun has concerns about the delays that have occurred in the completion of the second DC Tie between the ERCOT and SWPP regions, *i.e.*, the East DC Tie. Cajun notes that the first DC Tie (*i.e.*, the North DC Tie) was completed in 1984. The operation of the North DC Tie, which is limited currently to 330 MW, apparently allowed CSW to demonstrate to the SEC that it was an integrated electric system within the meaning of the Public Utility Holding Company Act. See "Memorandum and Order Terminating Proceeding," issued on April 1, 1982, SEC File No. 3-4951. Cajun is concerned that the original impetus to greater interconnections between ERCOT and SWPP has been stymied.

The record shows that the second DC Tie has experienced continuing delays. Since September 1989, when the most recent antitrust review by Commission Staff was conducted, the date of the full 600 MW completion of the East DC Tie has been extended to 1998 (with 300 MW to be completed in 1995). In this regard, Cajun notes that the FERC rejected the Petitioners' request that

the East DC Tie could be delayed even beyond August 1998 due to "reasonable contingencies." See FERC's December 6th Order, 37 FERC at 62,030, and page 4, supra. Cajun is interested in the timely completion of the East DC Tie.

Moreover, Cajun is concerned about the requirement that entities qualified to reserve transmission service over the DC Ties be limited to entities with a peak load of less than 500 MW. See TO Electric Filing at 37. Cajun is a generation and transmission cooperative with thirteen Members, and is the exclusive power supplier for each of its Members. Each of Cajun's Members has a peak load under 500 MW. In its December 6th Order, the FERC denied Cajun's request to clarify Cajun's status in that proceeding, and stated that Cajun should file a request for relief if Cajun wanted a FERC order on that issue. Cajun has not yet filed a request for relief on its status as a qualifying utility with the FERC. Cajun is not at this time requesting any relief from this Commission on this issue.

Further, Cajun is interested in the option of participation in the East DC Tie as an owner, in addition to, or in place of, utilizing the reserved transmission capacity. Cajun notes that CPSES operating license conditions include the following requirements:

The Applicants shall participate in and facilitate the exchange of bulk power by transmission between or among two or more Entities in the North Texas Area . . . and any Entity(ies) outside the North Texas Area between whose facilities the Applicants' transmission lines, including any direct current (asynchronous) transmission lines, form a continuous electrical path. . . .

\* \* \* \* \*

If Applicants engage in joint ownership of transmission lines with any other Entity they shall not refuse to engage in similar transactions in comparable circumstances with other Entities.

\* \* \* \* \*

Applicants shall provide other Entities with reasonable access to any future interstate interconnection facilities which Applicants may own.

Antitrust License Condition for Comanche Peak Steam Electric Station Units 1 and 2, §§ 3.D.2(i), 3.D.2(j)(a) and 3.D.2(j)(b), respectively.<sup>17</sup> However, since TU Electric became a participant in the East DC Tie in 1986, no other entities have been allowed to become participants, despite the fact that Cajun has indicated, since at least July 25, 1989, that Cajun is interested in meeting to discuss ownership. See Cajun's July 25, 1989, Reply to Solicitation offered by Petitioners, attached as

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<sup>17</sup> In this regard, Cajun notes that the 1981 FERC Original Order states that:

Other utilities in ERCOT and SWPP have an opportunity to participate in the construction and ownership of the interconnections on the condition that each such party pays its pro rata share of the capital costs of constructing the interconnection in which it wishes to participate and undertakes to pay its pro rata share of the costs of operating and maintaining the interconnection. Furthermore, at maximum intervals of three years from June 30, 1983, to June 30, 2004, other utilities which are members of ERCOT or SWPP will be given an opportunity to participate in planning and ownership of any capacity increases in the interconnections.



Attachment A. Cajun notes that a meeting among representatives of Cajun, the CSW Operating Companies, HL&P and TU Electric occurred on December 11, 1991, to explore this matter.

Cajun is exploring the option of ownership in the East DC Tie, and is interested in developing a working relationship with the East DC Tie owners. As TU Electric states in its filing, Cajun has not filed a complaint with the FERC. See TU Electric filing at 38. Cajun respectfully suggests that the Commission review in this proceeding, the opportunities and procedures whereby interested utilities may participate in the East DC Tie, pursuant to CPSES License Conditions Paragraphs 3.D.2(1) and (j).

These procedures should be clarified in at least two respects. First, the participation contemplated by the CPSES Antitrust Conditions should be initiated by any interested utility in the ERCOT or SWPP regions, and not merely by the Petitioners. Second, such participation should provide a forum for regional planning of transmission, with the focus on the capacity in the DC Ties.

Cajun's comments reflect the intent of the Commission's Orders to permit other utilities to participate in the ownership of the East DC Tie and to increase opportunities for transfers between ERCOT and SWPP.

#### IV. CONCLUSION

WHEREFORE, for the foregoing reasons, Cajun Electric Power Cooperative, Inc., respectfully requests that the Commission consider the foregoing information in its



consideration of whether significant changes have occurred since the previous antitrust review and, further, clarify the procedures under which interested utilities may participate in ownership of the East DC Tie, consistent with the CPSES License Conditions.

Dated: March 25, 1992

Respectfully submitted,



James D. Pembroke  
Thomas L. Rudebusch  
Charles A. Braun  
DUNCAN, WEINBERG, MILLER  
& PEMBROKE, P.C.  
1613 M Street, N.W.  
Suite 800  
Washington, D.C. 20036  
(202) 467-6370

Attorneys for Cajun Electric Power  
Cooperative, Inc.

ATTACHMENT A

REPLY TO SOLICITATION

DATE: July 25, 1989

Mr. James A. Bruggeman  
Vice-President, System Engineering  
Central and South West Services, Inc.  
P. O. Box 660164  
Dallas, Texas 75266-0164

Cajun Electric Power Coop., Inc. is interested in participating, pursuant to the orders in FERC Docket EL79-8, E-9958 and EL79-8-002, in the planning and ownership of an increase in the capacity of the 200 megawatt nominal capacity direct current asynchronous interconnection between Public Service Company of Oklahoma and West Texas Utilities Company at Oklaunion, Texas, described in the letter of June 30, 1989 from Merle L. Borchelt, Chairman and Chief Executive Officer of Central and South West Services, Inc.

Cajun will attend a meeting of interested parties to be scheduled by Central and South West Services, Inc. and will be represented at that meeting by Resal Craven.

Please forward all further communications regarding the meeting of interested parties and the planning of any expansion to:

Cajun Electric Power Cooperative, Inc.

P.O. Box 15540

Baton Rouge, Louisiana 70895

Attention of: R. A. Craven

RECEIVED

JUL 31 1989

POWER DIVISION PLANNING

By: Phillip G. Harris

Vice President-Operations

Title

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Central Power and Light Company )  
Public Service Company of Oklahoma ) Docket No. EL79-8-003  
Southwestern Electric Power Company )  
West Texas Utilities Company )

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.  
MOTION TO INTERVENE AND  
ANSWER AND PROTEST TO  
"RESPONSE" OF  
CAJUN ELECTRIC POWER COOPERATIVE, INC.

Pursuant to Rules 211, 213 and 214 of the Commission's Rules of Practice and Procedure, Tex-La Electric Cooperative of Texas, Inc. ("Tex-La"), on behalf of itself and its seven member distribution cooperatives, move to intervene in the above-captioned proceeding and answers and protests the November 26, 1991 filing of Cajun Electric Power Cooperative, Inc. ("Cajun"). Though styled as a "Response," Cajun's pleading is either a late-filed protest to Petitioners'<sup>1</sup> August 21 filing requesting an extension of the schedule for installing the East High Voltage Direct Current Intertie ("East HVDC tie") or a complaint affirmatively requesting a change to the settlements in EL79-8 (Original Intertie Settlement) and EL79-8-002 (East HVDC Tie Settlement). Whatever the nature of Cajun's "Response," the Commission should reject it as both substantively and procedurally unsound.

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<sup>1</sup> Petitioners include the four operating company subsidiaries of Central and Southwest Corporation ("CSW" and "CSW Operating Companies"), Houston Power & Light Company ("HL&P") and Texas Utilities Electric Company ("TU Electric").



All correspondence related to this proceeding should be addressed to:

A. Hewitt Rose  
Jordan Shulte & Burchette  
1025 Thomas Jefferson St., NW  
Suite 400 East  
Washington, D.C. 20007-0805  
(202) 965-8111

Tex-La is a generation and transmission rural electric cooperative corporation organized and existing under the laws of the state of Texas. Tex-La's seven member cooperatives own and operate electric distribution systems split between the Electric Reliability Counsel of Texas ("ERCOT") and the Southwest Power Pool ("SWPP") all within the state of Texas. The member cooperatives purchase all or part of their power requirements from Tex-La and resell that power at retail to their respective customers. Tex-La's member cooperatives are as follows:

Cherokee County Electric Cooperative Association  
Deep East Texas Electric Cooperative, Inc.  
Houston County Electric Cooperative, Inc.  
Jasper-Newton Electric Cooperative, Inc.  
Rusk County Electric Cooperative, Inc.  
Sam Houston Electric Cooperative, Inc.  
Wood County Electric Cooperative, Inc.

Tex-La's ERCOT load is located on the eastern edge of TU Electric's load control area, while its SWPP load is with the load control areas of Southwestern Electric Power Corporation and Gulf States Utilities. Tex-La has been an active participant in the intertie dockets and is a "qualified utility" under the Original Intertie Settlement. Tex-La is studying the purchase of

a portion of the East HVDC intertie so that it can import power purchased from SWPP utilities, such as Cajun, over the tie to serve Tex-La ERCOT load.

#### I. BACKGROUND

Cajun requests the Commission to either (1) delete the Original Intertie Settlement provision setting aside a 15% reserved portion of the interties for certain small ERCOT and SWPP utilities ("qualified utilities") or (2) add Cajun to the list of qualified utilities. Cajun misreads the purpose and terms of the Original Intertie Settlement and forgets its earlier support for that settlement.

The Original Intertie Settlement grew out of the attempt of the CSW to interconnect its two SWPP operating companies with its two ERCOT operating companies. See generally Thorpe, Electric Range War in Texas: A Case Study in Federal-State Rate Regulation, 48 Geo. Wash. L. Rev. 392 (1980). On June 9, 1980, CSW, the Texas Utilities operating companies<sup>2</sup> and HL&P reached a settlement substituting two, asynchronous HVDC interties for four synchronous, alternating current ("AC") interties originally proposed by CSW.

The Commission Staff opposed the settlement on grounds, among others, that, compared to the full interconnection of four AC interties, two HVDC interties constrained regional competition

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<sup>2</sup> In 1980 TU Electric consisted of three operating company subsidiaries which later merged into TU Electric as separate divisions.

to the detriment of smaller utilities. To overcome Staff's objections, on September 11, 1980 CSW, TU Electric and HL&P agreed to file a supplemental offer of settlement which included the provision to reserve 15% of the capacity of the ties for use by small utilities. This agreement, termed the "Cameron Letter," is attached in Appendix A and was part of the October 8, 1981 Supplemental Offer of Settlement filed by Petitioners in EL79-8.

Section (3) of the Cameron Letter, which seeks to assure intertie access to small utilities, became Ordering paragraphs 10(b) and (c) of the Order Approving Settlement in EL79-8. Cajun supported this order. Attachment B attached. Tex-La, as a result of a settlement with TU Electric, agreed not to oppose the settlement. The Commission approved the Original Interties Settlement in Central Power & Light Co., 17 FERC ¶ 61,078 (1981), corrected, Errata Notice (November 5, 1981) (unpublished), clarified on rehearing, 18 FERC ¶ 61,100 (1982).

When the Petitioners' sought to substitute a 600 MW East HVDC intertie for the originally ordered 500 MW South HVDC intertie, several qualified utilities took to the opportunity to fix an oversight in the Original Interties Settlement. They established a procedure to allocate reserved capacity among qualified utilities should the requests to use and/or purchase reserved capacity exceed the amount available. Ordering paragraph (G) (5) of Central Power & Light Co., 40 FERC ¶ 61,077 (1987) (Order approving East HVDC tie settlement). Key to this

procedure was a definite period for solicitations so that a pro rate sharing, if necessary, could be determined.

Cajun did not intervene in the proceeding. Tex-La did intervene, but withdrew pursuant to another settlement with TU Electric.

II. CAJUN'S RESPONSE IS SUBSTANTIVELY UNSOUND.

A. Eliminating the Category of Qualified Utilities.

Cajun's first alternative request --delete the qualified utility right to purchase a portion of the East HVDC intertie-- gains Cajun nothing more than it already has. Cajun, just as any utility, can purchase a portion of the East HVDC intertie from any current owner willing to sell. Ordering Paragraph (5), Order Approving Settlement in EL79-8 (Ownership of intertie capacity is transferable). If Cajun wishes to sell coordination power to TU Electric, then it can approach TU Electric about selling a portion of TU Electric's 100 MW share of the tie. If Cajun wishes to sell power to a small utility in ERCOT, such as Tex-La, then either Cajun or the buyer can purchase a portion of the tie to make the sale possible. Eliminating the access right of small utilities to intertie capacity does nothing to enhance Cajun's option to buy intertie capacity.

Indeed, Cajun's proposal limits access to the tie. At least some utilities, many of whom are potential buyers of Cajun power, have a right to use the East HVDC intertie. Eliminate that right and the sales market of all SWPP sell is confined to the intertie



access it or its buyer can negotiate with the intertie owners. For example, Cajun's proposal would make it more difficult and probably more expensive for Cajun to sell power to Tex-La over the intertie.

Cajun, which supported the Original Intertie Settlement, now asserts that the Qualified Utility right to purchase reserve capacity "no longer serves any legitimate purpose." This is exactly wrong. Intertie access rights are more important now than ever before. Since late 1984, ERCOT and SWPP have been interconnected only by a 200 MW North HVDC intertie. Small utilities have not been interested in using the 30 MW of reserved North tie capacity because of its expense and its location. The 600 MW East HVDC intertie, to be built in phases beginning by August 1995, is a different story. Due to its increase size and improvements in technology, the current estimate of the cost per MW of the 90 MW of East tie capacity is considerably lower than for the North tie. Moreover the East tie's location, terminating in the general area of Tex-La's loads, is ideal for Tex-La. To deny small utility access now, just when it is worth something, would be contrary to all the Commission Staff sought to accomplish with paragraph (3) of the Cameron Letter.

**B. Adding Cajun to the List of Qualified Utilities.**

Cajun's second alternative request --make Cajun a Qualified Utility-- would change the Settlement without justification to the disadvantage of all qualified utilities. The EL79-8 qualified utilities are a limited class for a reason. If any utility,

regardless of size, had a right to purchase the reserved portion of intertie capacity, then that right would have little value. The set of potential bidders for reserved capacity would be unlimited and unknowable. Given ordering paragraph (G)(5) of the East HVDC intertie final order, all requests for capacity would reduce, pro-rata, the amount of reserved capacity available to an equally unlimited and unknowable extent.

Cajun is now proposing to change a settlement it early supported so that it can receive a benefit of the Settlement it did not bargain for. Cajun offers no explained policy basis for unilaterally adding itself to the list of qualified utilities. Cajun alleges no changed circumstances. Unless Cajun can show (1) changed circumstances adversely affecting Cajun, and (2) a change in the Original Intertie Settlement would be in the public interest, it should not be heard to protest that settlement now. Allowing a unilateral change to a Commission-approved settlement is contrary to Commission policy favoring settlements. El Paso Natural Gas Co., 26 FERC ¶ 61,016 (1984).

### III. CAJUN'S RESPONSE IS PROCEDURALLY UNSOUND

#### A. Late-Filed Protest

The Commission's August 23, 1991 "Notice of Filing" stated that all "protests should be filed on or before September 6, 1991." Cajun intervened on September 5, but did not protest the filing. Cajun's November 26 filing can be considered nothing than a protest filed more than two and a half months out of time.

Cajun offers not a word of explanation for its untimely filing. The Commission has rejected unjustified, late-filed protests in the past and should do so here. Southern Natural Gas Co., 53 FERC ¶ 61,469 (1990) ("Since the protest was out-of-time, and since no basis was provided for that protest, Blue Circle's protest is also denied."); Western Gas Interstate Co., 20 FERC ¶ 61,112 (1982).

Cajun's argument in footnote 2 of its pleading that it is entitled to respond to the Petitioners' filing of a proposed "Order Granting Petition" pursuant to rule 202 is a transparent evasion. The proposed "Order Granting Petition" adds nothing new to the original filing. All of Cajun's arguments could have been made by the September 6 due date.

**B. Improper Complaint.**

Cajun's "Response" raises new issues that are unrelated to the Petitioners' filing. Cajun explicitly does not protest the specific action requested by the Petitioners. Instead, Cajun uses the docket heading to file what can be considered a complaint, making a new and independent argument for the Commission to reform the settlements. The Commission has properly condemned such procedural maneuvers before:

[A] complaint cannot be submitted as an integral part of a protest and motion to intervene in an ongoing proceeding; it does not allow interested parties sufficient notice of the complaint because it is not formally docketed and noticed.



Louisiana Power & Light Co., 50 FERC ¶ 61,040 (1990). See also Indiana Michigan Power Co., 51 FERC ¶ 61,191 (1990); Entergy Services, Inc., 52 FERC ¶ 61,317 (1990). The Commission should reject Cajun's filing on these grounds.

IV. TEX-LA'S INTERVENTION

Tex-La did not intervene in the August 22, 1991 filing by Petitioners, nor file any comments in response to Petitioners' November 6 proposed "Order Granting Petition." Tex-La intervenes now only to protest the new issues raised by Cajun's November 26 filing. No disruption or delay should occur in these proceedings, since no hearing has been scheduled. No party would be prejudiced or unduly burdened by Tex-La's intervention. Tex-La's interests cannot be adequately represented by any other party.

WHEREFORE, Tex-La requests the Commission to reject Cajun's request to alter the Original Interties Settlement and the East HVDC Tie Settlement.

Respectfully submitted



A. Hewitt Rose  
Jordan Shulte & Burchette  
1025 Thomas Jefferson St., NW  
Suite 400 East  
Washington, D.C. 20007-0805  
(202) 965-8111

December 11, 1991

F:\KARDATA\911209P.AIG



September 11, 1980

John A. Cameron, Jr., Esq.  
Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Room 8712  
Washington, D.C. 20426

Dear Mr. Cameron:

In order to avoid any possible misunderstandings, we wish to confirm our understanding of the FERC Staff's settlement demands in Docket No. EL79-8.

The FERC Staff will, on the date set for filing comments, affirmatively support the Offer of Settlement tendered by Central and South West Corporation (CSW), et al., in Docket No. EL79-8, dated July 28, 1980, (herein "Offer of Settlement") and withdraw the proposed Transmission Service Settlement Agreement sent out under your cover letter of July 3, 1980, if the following modifications are made to the Offer of Settlement by CSW, Texas Utilities Company (TU), and Houston Lighting & Power Company (HL&P). However, it is understood that no provision of the Offer of Settlement, as modified, shall be construed to affect the rights or obligations of the FERC Staff or any party hereto in any future proceedings at the FERC, to investigate or contest any rate filing made pursuant to the following paragraphs. The FERC Staff makes it clear that this letter is without prejudice to any FERC Staff request that additional relief be ordered in Docket No. EL79-8 against electric utilities other than CSW, TU and HL&P.

"System" as used herein means, respectively, (a) HL&P, (b) all TU operating companies, (c) CSW operating companies in the Electric Reliability Council of Texas (ERCOT), (d) CSW operating companies in the Southwest Power Pool (SWPP).

(1) Rates and service shall be determined from time to time in accordance with the procedures of Sections 205 and 206 of the Federal Power Act, whether or not otherwise applicable, by virtue of agreement of the parties pursuant to Section

211(d)(3) of the Federal Power Act, as amended. Each System agrees to file rates with the FERC, deemed to be rate increase filings pursuant to Section 205(e) of the Federal Power Act, for wheeling power to, from, and over the proposed direct current (DC) interconnection facilities which will:

- (a) roll in each System's alternating current (AC) and DC transmission costs, if any, with the result that any utility using any System's AC or DC lines, or both, for wheeling power in interstate commerce will pay a rate designed to recover all costs and a reasonable return on both the AC and DC investment and related operating costs;
- (b) be the same for that System regardless of whether the interstate movement comes over the North or the South interconnection;
- (c) be the same for that System regardless of the distance involved of the actual transmission over that System's lines;
- (d) or may, distinguish between types of service (e.g. economy, interruptible, firm) and length of service (e.g. short term to multiyear);
- (e) be filed at the FERC at least one year before the DC lines go into operation, under the terms and conditions in paragraph 13 of the proposed order contained in the Offer of Settlement, which means that the initial rate will go into effect subject to refund, if the Commission orders a hearing on the rates;
- (f) not include rates for wheeling of power solely within ERCOT-TIS which does not involve the proposed DC interconnection. However, the CSW ERCOT operating companies, being subject to FERC jurisdiction, will file, within three months of a final FERC order in Docket No. EL79-8 no longer subject to judicial review, a proposed wheeling tariff, to be collected subject to refund, applicable to wheeling within ERCOT-TIS for utilities in ERCOT with less than 1500 Mw load, consistent with this paragraph (1) and with paragraph (2) below;

- (g) be designed by each System to recover all of its costs and a reasonable return for the use of its AC and DC facilities;
- (h) be a single rate for each type of service over the TU System's combined transmission facilities, the CSW ERCOT System's combined transmission facilities, and the CSW SWPP System's combined transmission facilities. Thus, a wheeling customer would pay a single rate to each such System for a transaction utilizing all or any part of the combined transmission facilities of the TU System, the CSW ERCOT System, and the CSW SWPP System, respectively. The single rates will be based upon the transmission costs per kw of system load for each company within the TU system, the CSW ERCOT System and the CSW SWPP System, respectively, which costs shall be multiplied by the ratio of power flow over each such company's transmission system to the power flow over all or any part of the combined transmission facilities of the respective System, such flows being determined by a composite of typical wheeling transactions over the respective Systems. The single rate for each System shall then be determined by adding together the resulting weighted transmission costs for each company within that System (as calculated per the preceding sentence), to which appropriate transmission losses shall be added;
- (i) be in lieu of any "contract path" or similar theory for determining which utility or utilities within ERCOT-TIS are entitled to be paid for wheeling. The method for determining the amount of kilowatts or kilowatthours for billing purposes shall be the calculated load flow through each System with and without the proposed wheeling using the TIS computer programs and data base, as revised from time to time to reflect current and projected systems. Whenever any System is requested to wheel power, such System will provide a load flow analysis at cost within two working days of the request or upon payment of costs, whichever is later. (It is all Systems' belief that a single load flow study would suffice for all potentially affected companies



in ERCOT-TIS, since the data base is common and coordinated regularly with all relevant systems.); and

- (j) provide for interstate economy interchange and emergency power transmission service, which may be requested on an hour-to-hour basis, in accordance with good utility practice in the area.

(2) Whenever any System has been requested to wheel, it will respond with an answer to the request (including an explanation of any denial of service) as follows (dating from the completion of the load flow study for wheeling within ERCOT-TIS, or from the date of a request for wheeling by CSW SWPP):

- (a) for transmission service lasting for one or more years, within thirty days, or the first working day after thirty calendar days; and
- (b) for transmission service lasting for less than one year, within two working days.

(3) As part of their respective wheeling rates filed pursuant to paragraphs (1) and (8), HL&P and CSW will each reserve 15% of the capacity in their respective DC interconnection facilities for firm power wheeling (herein "the reservation") pursuant to the following:

- (a) the reservation shall be made for utilities in ERCOT and SWPP having loads less than 500 MW (herein "qualified utilities");
- (b) the reservation shall continue for five years after each facility goes into commercial operation at its rated capacity. At the end of the five year period, HL&P or CSW, or both, may file pursuant to the procedures set forth in the first sentence of paragraph (1), supra, as a change in service, to delete the reservation for qualified utilities;
- (c) CSW companies shall make reservation capacity available for firm power wheeling in each of their DC interconnection facilities, so long as there is capacity available in either of them; when either of the DC interconnection facilities is out of service, CSW shall not be obligated to make reservation capacity

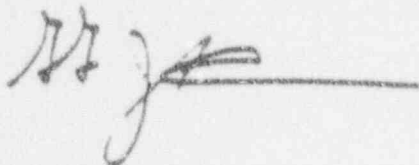


associated with that facility available on the other interconnection facility;

- (d) HL&P and CSW will solicit requests for reservation capacity from qualified utilities one year before the respective DC interconnection facilities go into commercial operation, and at one year intervals thereafter for reservation capacity which has not been previously committed. HL&P and CSW, respectively, may utilize any unused portion of the reservation capacity until a timely request for wheeling is made by a qualified utility; reservation capacity may be used on a firm basis from year to year or less if, after notice, capacity is not contracted for by qualified utilities; and
- (e) The reservation in this paragraph (3) is reduced by the amount of capacity purchased pursuant to paragraph (4)(a), below.

(4)(a) Superseding paragraph 1(f) of the Settlement Agreement (Attachment 1 in the Offer of Settlement filed in Docket No. EL79-8 by CSW et al, dated July 28, 1980) in its entirety, the capacity reserved for qualified utilities pursuant to paragraph (3) of this letter agreement will be available for purchase by qualified utilities at the depreciated original cost thereof, until either (1) the reservation of capacity has been terminated or (2) the opportunity to participate in ownership of additional DC capacity to be installed has been tendered as set forth below, whichever comes first. Purchase of reservation capacity by qualified utilities in the South interconnection shall be on a pro rata basis from both CSW and HL&P unless HL&P and CSW otherwise agree;

- (b) Whenever planning is undertaken to increase the capacity of the Interconnections, but at intervals of no more than every three years after June 30, 1983, until June 30, 2006, electric utilities in ERCOT and SWPP will be given the opportunity to participate in the planning of increases in the capacity of the Interconnections and of participating in the ownership of any incremental capacity added,



provided again that each party that wishes to participate pays its pro rata share of the capital costs of constructing the interconnection which it wishes to participate in and undertakes to pay its pro rata share of the costs of operating and maintaining that interconnection and agrees further to be bound by the terms and conditions of the Agreement between Owners of the interconnections; and

(c) This understanding is without prejudice to the right of either CSW or HLAP to sell DC capacity which is not subject to paragraph (3).

(5) The FERC order will be a final order, not an order contingent upon the issuance of any order by a court or other regulatory agency. However, some mechanism to reopen the FERC proceedings in the event that orders in other forums, including, but not limited to, SEC Admin. Proc. File No. 3-4951, cannot be obtained, is acceptable.

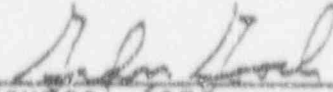
(6) Recognition of any environmental guidelines and periodic reports on the progress of construction and compliance with environmental requirements, not affecting the substance of the Order, will be included.

(7) Subject to reasonable contingencies, such as possible delays under paragraph (6) supra and force majeure, CSW and HLAP will commit to cause the DC capacity to be installed and operational within 5 years of the date of a final FERC order, no longer subject to judicial review. It is understood that HLAP's commitment and CSW's commitment are several, not joint.

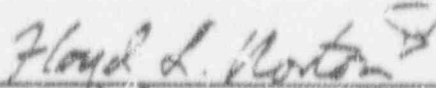
(8) The CSW SWPP operating companies shall file the single rate for wheeling within SWPP, as provided in paragraph 1(h) for utilities in SWPP with less than 1500 Mw load, within three months of a final FERC order in Docket No. EL79-8, no longer subject to judicial review. It shall go into effect subject to refund, if the Commission so orders. The CSW SWPP single rate filing shall be consistent with subparagraphs 1(a), (c), (d), (g) and (h), and with paragraph (2). The proposed rate to be filed pursuant to this paragraph (8) shall not apply to existing agreements for wheeling or purchase and resale service which either PSO or SWEPSCO may have with other utilities.

If you will confirm this Staff settlement demand by executing a copy of this letter below, the undersigned counsel, each being duly authorized to do so by his respective client, accept your settlement demand.

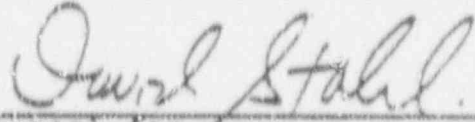
By our respective signatures, we all represent that this letter, together with the Offer of Settlement previously filed in this doc. c, constitutes the final settlement between the FERC staff, CSW, TU, and HLP.



\_\_\_\_\_  
Counsel for  
Houston Lighting & Power Company

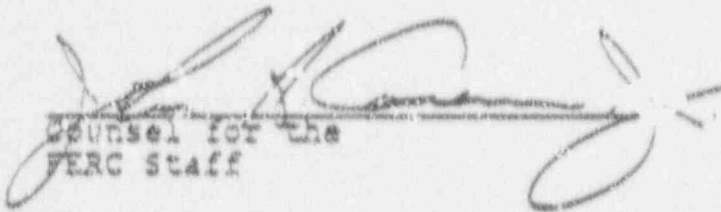


\_\_\_\_\_  
Counsel for  
Texas Utilities Company and the  
Operating Companies thereof




\_\_\_\_\_  
Counsel for  
Central & South West Corporation  
and the Operating Companies  
thereof

Conf. ned:

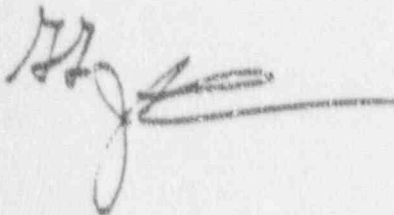


\_\_\_\_\_  
Counsel for the  
FERC Staff

Accord:



\_\_\_\_\_  
NRC Staff



UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Central Power & Light Company )  
Public Service Company of Oklahoma )  
Southwestern Electric Power Company ) Docket No. EL79-8  
West Texas Utilities Company )

REPLY COMMENTS OF CAJUN ELECTRIC POWER  
CO-OP, WESTERN FARMERS ELECTRIC COOPERATIVE,  
KAMO ELECTRIC COOPERATIVE, INC., AND  
GRAND RIVER DAM AUTHORITY TO INITIAL COMMENTS  
OF THE U.S. DEPARTMENT OF JUSTICE ON THE RULINGS  
OF THE PRESIDING ADMINISTRATIVE LAW JUDGE

The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc. and the Grand River Dam Authority hereby file a reply to the Initial Comments of the Department of Justice filed herein on February 20, 1981.

1. The undersigned attorney, for and on behalf of, Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority has reviewed the comments of the presiding judge's order of January 28, 1981, filed in this proceeding on February 20, 1981, by the Department of Justice, the Central and Southwest Companies, the Texas Utilities Companies, Houston Lighting and Power Company and the Federal Energy Regulatory Commission staff.

2. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority concur in the positions taken



by the Central and Southwest Companies, the Texas Utilities Companies, Houston Lighting and Power Company and the Federal Energy Regulatory Commission staff in favoring approval of the offer of settlement without a hearing on the issues raised by the Department of Justice.

3. It is believed that the public interest would best be served if the litigation which is pending before this and other forums is settled, as expeditiously as possible, pursuant to the terms of what appears to be a fair and reasonable offer of settlement.

4. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority believe that the competitive advantages which the Department of Justice allege would result from the AC interconnection are not sufficient to delay this Commission's approval of the Offer of Settlement.

5. The Cajun Electric Power Co-op, Western Farmers Electric Cooperative, KAMO Electric Cooperative, Inc., and the Grand River Dam Authority therefore submits that this Commission should find that the Offer of Settlement is uncontested and should be approved as being in the public interests.

Respectfully submitted,

BY

Jay M. Galt  
LOONEY, NICHOLS, JOHNSON  
& HAYES  
219 Couch Drive  
Oklahoma City, Oklahoma 73102  
Attorneys for Petitioners

John Schwab  
P. O. Box 3036  
Baton Rouge, LA 70821  
Attorney for Cajun Electric  
Power Co-op

Robert W. Sullivan  
General Counsel  
Grand River Dam Authority  
Drawer G  
Vinita, Oklahoma 74301

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by mail the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of §1.17 of the Rules of Practice and Procedure.

Dated at Oklahoma City, Oklahoma this 25th day of February, 1981.

Jay M. Galt \_\_\_\_\_

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated this 11th day of December 1971.

*A. Hewitt Rose*

A. Hewitt Rose  
Jordan Shulte & Burchette  
1025 Thomas Jefferson St., NW  
Suite 400 East  
Washington, D.C. 20007-0805  
(202) 965-8111

318817

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

ELECTRIC RATES: Settlement

Before Commissioners: Martha O. Hesse, Chairman;  
Anthony G. Sousa, Charles G. Stalon  
Charles A. Trabandt and C. M. Naeve

Central Power and Light Company, )  
Public Service Company of Oklahoma, ) Docket No. EL79-8-002  
Southwestern Electric Power Company, )  
West Texas Utilities Company )

ORDER APPROVING SETTLEMENT

(Issued July 23, 1987)

On June 10, 1987, Central Power and Light Company ("CPL"), Public Service Company of Oklahoma ("PSO"), Southwestern Electric Company ("SWEPCO"), West Texas Utilities Company ("WTU") (collectively, the "CSW Operating Companies"), Houston Lighting & Power Company ("HL&P") and Texas Utilities Electric Company ("TU Electric"), pursuant to section 385.602 of the Commission's Rules of Practice and Procedure, filed an Offer of Settlement with the Commission for its consideration and approval.

By this Order, we adopt and approve the Offer of Settlement and order the relief requested therein and in the Petition filed on May 1, 1986, by the CSW Operating Companies and HL&P, modifying the prior Orders of the Commission in Docket No. EL79-8 to the extent set forth herein.

Background

By its Order issued in Docket Nos. EL79-8 and E-9558 on October 28, 1981, as corrected by the Errata Notice issued November 5, 1981, 17 FERC § 61,078, and its Order on Rehearing issued January 29, 1982, 18 FERC § 61,100, incorporating by reference the form of "Order Approving Settlement" submitted with the Second Supplemental Offer of Settlement in such proceeding (the "Original Orders"), the Commission, among other things, approved a settlement requiring the construction of two asynchronous direct current interconnections between electric utilities in the Electric Reliability Council of Texas ("ERCOT") and electric utilities in the Southwest Power Pool ("SWPP"). The Original Orders also required the provision of transmission



service for wheeling power to, from and over the interconnections by the CSW Operating Companies, HL&P and the electric utility operating companies of Texas Utilities Company, to which TU Electric is the successor.

The Original Orders specifically required the CSW Operating Companies and HL&P to "construct or cause to be constructed the necessary facilities to effect the interconnections as described in or consistent with the settlement agreement." The settlement agreement and the Original Orders described two interconnections: (1) an asynchronous direct current interconnection between PSO system facilities near Lawton, Oklahoma and WTU system facilities near Oklaunion, Texas, having an initial nominal capacity of 200 MW (the "North Interconnection"), to be constructed by the CSW Operating Companies; and (2) an asynchronous direct current interconnection between the CSW Operating Companies in Walker County, Texas and the South Texas Project (the "South Interconnection"), having an initial nominal capacity of 500 MW, to be constructed by the CSW Operating Companies and HL&P (the North Interconnection and the South Interconnection being referred to herein jointly as the "Interconnections").

The North Interconnection was placed in service on December 14, 1984. Paragraph (10)(c)(ii) of the "Order Approving Settlement" incorporated by reference in the FERC's Order issued January 29, 1982, provides that whenever planning is undertaken to increase the capacity of the Interconnections, but at intervals of no more than every three years after June 30, 1983, until June 30, 2004, electric utilities in ERCOT and SWPP will be given the opportunity to participate in the planning of increases in the capacity of the Interconnections and of participating in the ownership of any incremental capacity added, provided certain conditions are met. Having complied with this provision in 1986 by offering participation to ERCOT and SWPP electric utilities, the CSW Operating Companies entered into an agreement to permit the expansion of the North Interconnection from a nominal capacity of 200 MW to a nominal capacity of 300 MW. The 100 MW of expanded capacity would be owned by the City of Austin, Texas.

On February 18, 1983, CPL, SWEPCO and HL&P filed with the Public Utility Commission of Texas ("TPUC") an application for the issuance of a certificate of convenience and necessity for the construction and operation of the South Interconnection. Because of continuing litigation regarding the application for certification and attendant delays in the certification, construction and operation of the South Interconnection, on May 1, 1986, the CSW Operating Companies and HL&P filed a Petition with the Commission proposing that the South Interconnection be relocated. Specifically, Petitioners requested that Original Orders be modified so as to (a) require construction of direct current terminals and such associated alternating current

transmission facilities as are necessary to effect an asynchronous direct current interconnection between SWEPCO's Welsh generating station and TU Electric's Monticello generating station (hereinbelow defined as the "East Interconnection"); (b) require the CSW Operating Companies, HL&P and TU Electric to interconnect with each other at the East Interconnection; (c) require such ownership of the East Interconnection by the CSW Operating Companies, HL&P and others, and such wheeling, coordination, commingling, sale and exchange of electric power to, from and over the East Interconnection or within the State of Texas as may facilitate its use; and (d) relieve the CSW Operating Companies and HL&P from their obligation to construct and operate the South Interconnection upon construction of the East Interconnection.

The State of Texas and the TPUC intervened, and while reserving their jurisdiction and authority regarding the need for and issuance of a certificate of public convenience and necessity for construction of the East Interconnection, do not oppose the Offer of Settlement or modification of the Original Orders as requested by Petitioners and recognize that the Original Orders and the proposed modification thereof preclude any consideration by the TPUC of the adequacy of existing service and the need for additional service.

All other parties, while reserving their respective positions in the event the Commission rejects or modifies the Offer of Settlement, have either affirmatively joined in the proposal or announced their intention to accept the proposed order without appeal.

#### The Offer of Settlement

The Offer of Settlement would resolve all matters at issue in this proceeding. The Offer of Settlement provides, as an alternative to construction of the South Interconnection, for the construction of an interconnection at a site in east Texas between SWEPCO's Welsh generating station and TU Electric's Monticello generating station, both located in Titus County, Texas, with an initial nominal capacity of 600 MW (the "East Interconnection"), and for the construction, operation, ownership and use thereof by the CSW Operating Companies, HL&P and TU Electric. The Offer of Settlement further provides that the North Interconnection may be expanded to a nominal capacity of 300 MW.

The East Interconnection is to consist of the following facilities: (1) a 345 kv AC switchyard facility at the TU Electric Monticello generating station necessary for the interconnection of the TU Electric AC electric system with the Welsh-Monticello Line (the "Monticello Switchyard Facility"); (2) the

"Welsh-Monticello Line," which is a 345 kv AC transmission line between the Monticello Switchyard Facility and the HVDC Terminal; (3) the "HVDC Terminal," consisting of high voltage direct current back-to-back converters and related facilities and the land on which it is located; and (4) a 345 kv AC switchyard facility at the SWEPCO Welsh generating station necessary for the interconnection of the SWEPCO AC electric system with the HVDC Terminal (the "Welsh Switchyard Facility").

The Offer of Settlement provides that the foregoing facilities are to be owned as follows: (1) the Monticello Switchyard Facility by TU Electric; (2) the Welsh-Monticello Line by SWEPCO; (3) the HVDC Terminal by CPL, SWEPCO, HL&P and TU Electric (the "Participants") in accordance with the ratio of their respective ownership interests set forth below to the total HVDC Terminal nominal capacity of 600 megawatts:

CPL	-	150 nominal megawatts
SWEPCO	-	150 nominal megawatts
HL&P	-	200 nominal megawatts
TU Electric	-	100 nominal megawatts

and (4) the Welsh Switchyard Facilities by SWEPCO.

Notwithstanding the separate ownership of certain of the facilities comprising the East Interconnection, all of such facilities are to be exclusively dedicated to the transmission of electric energy to, from and over the East Interconnection pursuant to the provisions of this Order.

The Participants shall compensate SWEPCO, as the owner of the Welsh-Monticello Line and the Welsh Switchyard Facilities, and TU Electric, as the owner of the Monticello Switchyard Facility, for use of such facilities by an annual facility charge sufficient to compensate SWEPCO and TU Electric for their costs, including a reasonable return on investment.

#### Discussion

As proposed by the Offer of Settlement, the construction of the East Interconnection will enable the parties to give effect to the Commission's Original Orders, consistent with the objectives of the Commission's Original Orders. In this regard, the opportunity afforded for electric utilities in ERCOT and SWPP to participate at this time in the ownership of the East Interconnection approved herein satisfies the undertaking in the Original Orders to first offer such opportunity with respect to the South Interconnection within three years after June 30, 1983. Notwithstanding this opportunity, nothing herein is to be

construed to terminate capacity reserved for qualified utilities in the East Interconnection, except as limited by the provisions of Paragraph (10)(c)(i) of the Original Orders.

The Offer of Settlement, which provides for the interconnection of the CSW Operating Companies in ERCOT with those in the SWPP and for the interconnection of HL&P and TU Electric in ERCOT with the SWPP pursuant to sections 210 and 212 of the Federal Power Act, as amended (the "Act"), is consistent with the objectives of the Commission's Original Orders and preserves the rights set out therein.

The Commission has jurisdiction to issue the order requested under sections 201(b)(2), 210, 211 and 212 of the Act. This order, which modifies in part the Original Orders issued in Docket No. EL79-8, is consistent with and supported by the findings of the Original Orders and the supporting evidence adduced herein.

The Commission has reviewed the engineering reports submitted by the Participants, and investigated the interconnections proposed in the Offer of Settlement, in order to determine whether they are in the public interest. 1/ Pursuant to sections 210 and 211(a) of the Act, this Order is in the public interest, will improve the reliability of each electric utility system to which this Order applies, and will reasonably preserve existing competitive relationships. The Order will not result in any reasonably ascertainable uncompensated economic loss for any electric utility affected by the Order, nor will it place an undue burden on, unreasonably impair the reliability of, or impair the ability to render adequate service to customers of any electric utility affected by the Order.

The Commission Staff prepared an Environmental Assessment concerning the settlement proposal and concluded that the construction and operation of the proposed interconnections would not constitute a major federal action significantly affecting the quality of the human environment. The implementation of the environmental recommendations ordered below will provide adequate mitigation of the potential adverse environmental effects of the actions required by this Order.

The Commission Orders:

- 
- 1/ The Commission notes that the participants have indicated that transient stability studies related to the operation of the expanded North Interconnection will be conducted prior to construction of the expansion of that interconnection.



(A) The CSW Operating Companies, HL&P and TU Electric shall construct or cause to be constructed the necessary facilities, as described in Ordering Paragraph (E)(1) of this Order, to effect a direct current asynchronous East Interconnection with a nominal capacity of 600 MW between SWEPCO's Welsh generating station and TU Electric's Monticello generating station.

(B) Consistent with the expansion provisions of the Original Orders, the North HVDC Interconnection may be expanded to a nominal capacity of 300 megawatts.

(C) The CSW Operating Companies, HL&P and TU Electric shall interconnect with each other and with any other adjacent utility at (i) the East Interconnection, (ii) at locations which are presently in place and (iii) at such locations which may be mutually agreed upon by the CSW Operating Companies, HL&P or TU Electric and any utility in order to permit or to facilitate the transmission, purchase, sale, exchange, wheeling, coordination or commingling of electric power in interstate commerce, to, from or over such interconnections (including the North Interconnection and the East Interconnection, being referred to herein jointly as the "HVDC Interconnections") or within ERCOT, by or for the CSW Operating Companies, HL&P or TU Electric, or any other electric utility. The CSW Operating Companies, HL&P and TU Electric will maintain and use any such interconnection for any purpose, except in and during emergencies as determined by the CSW Operating Companies, HL&P or TU Electric or except when otherwise ordered by a governmental entity with putative authority, regardless of the source of the electric power in interstate commerce, and whether or not authorized or ordered by the Commission or by any other governmental authority. However, the CSW Operating Companies, HL&P and TU Electric shall not be required to maintain any such interconnection and may each disconnect in order to assert rights under the Act if any utility or federal power marketing agency proposes or proceeds to construct or operate a facility for the transmission of electric power in interstate commerce, other than the facilities provided for in this Order, without first obtaining an order under the provisions of sections 210, 211 and 212 of the Act. Unless any such interconnection is a non-jurisdictional interconnection ordered by the Commission under the provisions of sections 210, 211 and 212 of the Act, (i) HL&P may disconnect in the event it determines that to maintain any such interconnection would affect its non-jurisdictional status under the Act, and (ii) TU Electric may disconnect in the event it determines that to maintain any such interconnection would affect its non-jurisdictional status under the Act. In any event, HL&P or TU Electric may elect to maintain any interconnection without prejudice to its non-jurisdictional status set forth in Ordering Paragraph (I).

(D) The CSW Operating Companies, HL&P and TU Electric shall permit other utilities to participate in the construction and

ownership of the East Interconnection on the condition that each such other party that wishes to participate pays its pro rata share of the costs of constructing the East Interconnection and undertakes to pay its pro rata share of the costs of operating and maintaining that Interconnection and agrees further to be bound by the terms and conditions of the Agreement among the Participants in the East Interconnection.

(E) (1) The East Interconnection shall consist of the following facilities: (a) the Monticello Switchyard Facility, which shall be owned by TU Electric; (b) the Welsh-Monticello Line, which shall be owned by SWEPCO; (c) the HVDC Terminal, which shall be owned by the Participants in accordance with the ratio of their respective ownership interests set forth below to the total HVDC Terminal nominal capacity of 600 megawatts:

CPL	-	150 nominal megawatts
SWEPCO	-	150 nominal megawatts
HL&P	-	200 nominal megawatts
TU Electric	-	100 nominal megawatts

and (d) the Welsh Switchyard Facilities, which shall be owned by SWEPCO.

(2) Notwithstanding the separate ownership of certain of the facilities comprising the East Interconnection, all of such facilities shall be exclusively dedicated to the transmission of electric energy to, from and over the East Interconnection and for use by the Participants in proportion to their relative ownership interest in the HVDC Terminal, by any qualified utility having a right to the use of the East Interconnection pursuant to an arrangement entered into in accordance with the provisions of Paragraph (G)(5), or by any electric utility having such right pursuant to the provisions of Paragraph (H).

(3) The Participants shall compensate SWEPCO, as the owner of the Welsh-Monticello Line and the Welsh Switchyard Facilities, and TU Electric, as the owner of the Monticello Switchyard Facility, for use of such facilities by an annual facility charge sufficient to compensate SWEPCO and TU Electric for their cost, including a reasonable return on investment. Said facility charges, determined in compliance with this Order, shall be incorporated in an agreement between the owner-Participant and the user-Participant. Such agreements shall unilaterally be filed by each owner-Participant from time to time with the Commission, and the Commission shall review such agreements pursuant to the procedures of section 205 of the Federal Power Act. The first such agreements shall be filed so

as to become effective prior to the commercial operation of the facilities.

(F) Subject to the provisions of section 203 of the Federal Power Act, ownership or use of the East Interconnection or the North Interconnection, including the rights and obligations established herein, may be transferred at any time without further order of the Commission.

(G) (1) Except as otherwise provided in Ordering Paragraphs (C)(4) and (5), and unless limited by contract, each Participant or owner shall use and have the exclusive right to the use, for any purpose, of that HVDC Interconnection in which it has an ownership interest, to the extent of its ownership interest that HVDC Interconnection, or in the case of the East Interconnection, to the extent of its ownership interest in the HVDC Terminal.

(2) HL&P and TU Electric shall use the HVDC Interconnections for any purpose, including the purchase, sale, exchange, wheeling, coordination, commingling or transfer of electric power and energy in interstate commerce.

(3) The CSW Operating Companies shall use the HVDC Interconnections for any purpose, including the central dispatch of energy between and among the CSW Operating Companies to enhance the economic operation of the CSW Operating Companies as a single integrated and coordinated system.

(4) Any capacity in the HVDC Interconnections which may be unused at any point in time may be used by any other system in ERCOT or SWPP upon request, subject to interruption by any Participant or owner desiring to utilize its entire capacity and subject to payment of such rates as shall be adequate to recover the cost of such use of the Interconnection, and other terms and conditions as may be unilaterally filed by the Participant or owner from time to time with the Commission in accordance with the procedures of Sections 205 and 206 of the Federal Power Act, whether or not otherwise applicable, by virtue of agreement of the parties pursuant to section 211(d)(3) of the Act.

(5) The CSW Operating Companies, HL&P and TU Electric will each reserve 15% of their respective capacity in the HVDC Interconnections for firm power wheeling and purchase by qualified utilities (as that term is defined in the Commission's Original Orders) under the terms, conditions and limitations provided by the Commission's Original Orders.

(a) All requests for reserved capacity from qualified utilities must be accompanied by a signed binding agreement for



the reservation of the capacity sought or for the purchase of such capacity.

(b) If, in response to the annual solicitation to qualified utilities for reserved capacity, the aggregate of requests to use and/or purchase such capacity exceeds the amount of uncommitted reserved capacity, then capacity will be made available pursuant to such requests on the following basis:

(i) Each qualified utility requesting reservation capacity shall be entitled to contract for the use of, or to purchase, a pro rata share of the available reservation capacity based on the proportion its request bears to the total of all requests.

(ii) The agreement signed by the requester shall provide for its cancellation or for reduction in the amount to be contracted for or purchased in the event that the requester is unable to receive as large a share of capacity as requested due to the pro rata reduction set forth in subparagraph (b)(i) above. If a requester finds it necessary to cancel its request as a result of the pro rata reduction, the capacity so relinquished will be divided among the remaining requesters on a pro rata basis pursuant to subparagraph (b)(i) above.

(c) Purchase of reservation capacity by qualified utilities in the East Interconnection shall be on a pro rata basis from the CSW Operating Companies, HL&P and TU Electric unless the CSW Operating Companies, HL&P and TU Electric otherwise agree.

(6) Whenever planning is undertaken to increase the capacity of the HVDC Interconnections, but at intervals of no more than every three years after June 30, 1986, with respect to the North Interconnection, and after June 30, 1989, with respect to the East Interconnection, until June 30, 2004, electric utilities in ERCOT and SWPP shall be given the opportunity to participate in the planning of increases in the capacity of the HVDC Interconnections and of participating in the ownership of any incremental capacity added, provided again that each party that wishes to participate pays its pro rata share of all costs and undertakes to pay its pro rata share of the costs of operating and maintaining that HVDC Interconnection and agrees further to be bound by the terms and conditions of the applicable Agreement among the owners or participants of that HVDC Interconnection. Any such planned increase in the capacity of either HVDC Interconnection shall be submitted to the Commission for



action pursuant to sections 210, 211 and 212 of the Federal Power Act.

(H) The CSW Operating Companies, HL&P and TU Electric shall wheel power for each other and for other electric systems in ERCOT and SWPP to, from and over the East Interconnection at the rates and under the terms and conditions set forth in the settlement tariffs submitted in Docket Nos. ER82-545-000, et al., except that such tariffs shall be modified as necessary to comply with this Order. Such modified tariffs shall be filed with the Commission as compliance filings within ninety (90) days after entry of this Order.

(I) Compliance with this Order and the Offer of Settlement shall not make HL&P or TU Electric or any other electric utility or other entity a "public utility" as that term is defined by Section 201 of the Act and subject to the jurisdiction of the Commission for any purpose other than for the purpose of carrying out the provisions of sections 210, 211 and 212 of the Act.

(J) As a result of this Order, HL&P and TU Electric may be or will be operating in interstate commerce by virtue of the interconnections required by this Order and the wheeling, transmission, purchase, sale, exchange, coordination or commingling of electric power to, from or within ERCOT, including the ownership or use of facilities therefor, or by virtue of the synchronous or asynchronous operation of electromagnetic unity of response of interconnected electric facilities; HL&P and TU Electric, however, shall not be subject to jurisdiction under section 201 of the Act by virtue of section 201(b)(2) of the Act.

(K) In the event any other electric utility is determined to be subject to jurisdiction as a public utility under the Act as a direct or indirect result of the flow of power and energy through the North Interconnection or the East Interconnection, or ownership of the North Interconnection or the East Interconnection, such jurisdiction shall not affect the non-jurisdictional status of HL&P or TU Electric.

(L) Since the parties have already agreed on the terms and conditions upon which this Order is to be carried out, including the apportionment of costs between them and the compensation or reimbursement reasonably due to any of them, no proposed order pursuant to section 212(c) of the Federal Power Act is necessary. The Commission approves the settlement and, pursuant to Section 212(c)(2)(A) of the Act, the terms and conditions of the settlement relating to apportionment of costs, compensation and reimbursement as set forth therein are hereby incorporated in this Order.

(M) The owners of the 100 mw expansion of the North Interconnection shall submit to the Commission transient stability

studies relating to the expanded North Interconnection prior to the construction of that interconnection.

(N) The Participants in the East Interconnection shall comply with the mitigation measures contained in Attachment A hereto in order to minimize the environmental impact resulting from construction of the AC transmission lines.

(O) Not less than 90 days prior to the commencement of construction (right-of-way clearing) of the East Interconnection, the Participants shall submit to the Division of Environmental Analysis, Office of Hydropower Licensing, a report detailing compliance with Environmental Recommendations Nos. 1 through 4 of Attachment A. Such report shall include the final right-of-way identified for the East Interconnection. Not less than 120 days after the transmission line is energized, the Participants shall submit a report detailing compliance with Environmental Recommendations Nos. 5 and 6 of Attachment A.

(P) Subject to reasonable contingencies, such as possible delays in complying with the environmental requirements of this Order, and force majeure, the CSW Operating Companies, HL&P and TU Electric will commit to cause the East Interconnection to be installed and operational within four (4) years of the date this Order is no longer subject to review.

(Q) Upon construction of the East Interconnection, the CSW Operating Companies and HL&P shall be relieved of any obligation to construct, install, expand or operate or to make capacity available in the South Interconnection as required by the Original Orders and from any obligation to transmit power for other electric utilities to, from and over the South Interconnection.

(R) The provisions of the Commission's Original Orders, except as herein modified, are unchanged by this Order, and the rights and obligations established thereunder shall remain in full force and effect.

(S) The Commission's approval of this settlement does not constitute approval of or precedent regarding any principle or issue in this proceeding.

By the Commission.

( S E A L )

*Kenneth F. Plumb*

Kenneth F. Plumb,  
Secretary.

## Environmental Recommendations

1. SWEPCO, before starting any land-clearing or land-disturbing activities, should consult with the landowners, the Soil Conservation Service and the U.S. Fish and Wildlife Service about developing a plan that includes the best management practices to control erosion and sedimentation as a result of project construction and maintenance.

SWEPCO should include in the plan an implementation schedule, monitoring and maintenance programs for project construction, and provisions for periodic review of the plan and for making any necessary revisions to the plan.

2. SWEPCO, after consultation with the U.S. Fish and Wildlife Service and the Texas Parks and Wildlife Department, should locate the final right-of-way (ROW) alignment of the East Interconnection so that bottomland hardwoods and other wetlands are avoided. Where bottomland hardwoods and other wetlands cannot be avoided, SWEPCO should, as much as possible, avoid the placement of transmission towers within wetlands, span streams, and allow shrubs to revegetate the ROW following construction.
3. SWEPCO, after consultation with the U.S. Fish and Wildlife Service and the Texas Parks and Wildlife Department, should develop a wildlife mitigative plan that will provide for the clearing, revegetation, and maintenance of the project transmission line right-of-way for the benefit of wildlife resources.
4. SWEPCO, after consulting with the State Historic Preservation Office (SHPO), should conduct a survey of the area of the project's potential environmental impact (APEI). The survey should be of sufficient scope and intensity to identify the properties that are listed on or eligible for listing on the National Register of Historic Places that are located within the APEI and should culminate in a survey report that adequately documents every National Register and eligible property in the APEI. This survey report, along with the comments and recommendations of the SHPO, should be filed with the Commission before SWEPCO begins constructing the proposed transmission line.



In the survey report, SWEPCO should identify each National Register and eligible property in the APEI, according to the National Register criteria of eligibility in 36 Code of Federal Regulations (CFR) 60. SWEPCO should specify the criteria that each National Register and eligible property satisfies, and should describe each National Register and eligible property according to the applicable criteria.

In the survey report, SWEPCO should evaluate the effect that constructing and operating the transmission line would be likely to cause at each National Register and eligible property according to the criteria of effect in 36 CFR 800. SWEPCO should then determine, in the case of each effect, whether or not the effect would likely be adverse. SWEPCO should apply the criteria of effect and adverse effect to the specific characteristics of the National Register and eligible properties that have substantially contributed to satisfying the National Register criteria of eligibility.

In the survey report, SWEPCO should describe measures to mitigate adverse effects to the specific characteristics of National Register and eligible properties that have contributed substantially to satisfying the National Register criteria of eligibility.

SWEPCO should apply the criteria of eligibility of the criteria of effect and adverse effect and should present its determinations of eligibility, effect, and adverse effect to the SHPO in formal written form prior to filing these data with the Commission and should request, pursuant to Section 106 of the National Historic Preservation Act, that the SHPO concur with SWEPCO's determinations of eligibility, effect, and adverse effect.

SWEPCO should not begin construction of the transmission line in a manner or location that might affect a National Register or eligible property until all requirements of the National Historic Preservation Act that pertain to the construction and operation of the line have been satisfied and the Commission has so informed SWEPCO.

5. SWEPCO should coordinate with the operators of the two radio towers (FAA and Southwestern Bell) located in the project area to insure that the interconnection would not degrade the performance of these facilities. The results of coordination with the operators should be filed with the Commission.



6. SWEPSCO should conduct a radio noise survey along the transmission line ROW at appropriate locations that are relatively free of electrical noise from other sources. SWEPSCO should use an AM radio receiver in the survey, and should evaluate the reception of the principal broadcasting stations serving the area at each location both with the line energized and deenergized. The results of this survey should be filed with the Commission.

REID & PRIEST

1111 19<sup>TH</sup> STREET, N.W.  
WASHINGTON, D. C. 20036  
402 528-0100

NEW YORK OFFICE  
40 WEST 57<sup>TH</sup> STREET  
NEW YORK, N.Y. 10019-4097  
212 902 9000  
CABLE ADDRESS: "REIDAPT"  
TELEX: 710691751 RDPT NYE  
220634 RDPT US  
FACSIMILE: 212 902-4296

WASHINGTON OFFICE  
TELEX: 648630 RP WASH  
FACSIMILE: 202 466 5327  
202 699-1811  
DIRECT DIAL NUMBER

May 20, 1988

Federal Energy Regulatory Commission  
825 North Capitol Street, N.E.  
Washington, D.C. 20426

Attention: Lois D. Cashell, Acting Secretary

Re: Central Power & Light Company, et al.,  
Docket No. EL79-8-002

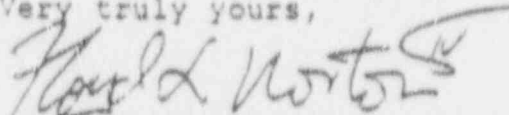
Dear Ms. Cashell:

Enclosed for filing on behalf of Texas Utilities Electric Company (TU Electric) are six copies of TU Electric's compliance Tariff For Transmission Service To From And Over Certain HVDC Interconnections, submitted pursuant to the Commission's Order Approving Settlement issued July 23, 1987, in the above-referenced proceeding. In its July 23, 1987 order, the Commission authorized the construction of an East HVDC Interconnection in lieu of the South HVDC Interconnection that was originally ordered to be constructed by orders issued in Docket Nos. EL79-8 and E-9558. Central Power & Light Company, et al., 17 FERC ¶ 61,078 (1981) and 18 FERC ¶ 61,100 (1982). TU Electric has revised its tariff to delete references to the South HVDC Interconnection and replace them as appropriate with references to the East HVDC Interconnection. In addition, the compliance tariff contains a provision concerning reservation of capacity by qualified utilities which results from TU Electric's part-ownership of the East HVDC Interconnection. The rates contained in the compliance tariff are unchanged from those presently on file with the Commission, which were filed by TU Electric on February 26, 1987 in Docket No. ER82-545-002.

Also enclosed is a form of notice suitable for publication in the Federal Register. If you have any questions please contact me or Marilyn D. Sampels, Esq., Worsham, Forsythe, Sampels & Wooldridge, 2001 Bryan Tower, Dallas, Texas 75201.

-2-

Very truly yours,



Floyd L. Norton, IV  
Attorney for  
Texas Utilities Electric Company

cc: All Parties in Docket No. EL79-8-002

TEXAS UTILITIES  
ELECTRIC COMPANY

TARIFF  
FOR  
ELECTRIC SERVICE

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Section Title	Tariff Name	Applicable
OTHER	RATE TFO TRANSMISSION SERVICE TO, FROM AND OVER CERTAIN HYOC INTERCONNECTIONS	

ARTICLE I.

Authority

This Transmission Service Tariff is being filed in accordance with the Orders of the Federal Energy Regulatory Commission (FERC or Commission) in FERC Docket No. EL79-6-002, issued on July 22, 1987, and the Orders of the FERC in FERC Docket Nos. EL79-6 and E-9558, issued on October 28, 1981, November 5, 1982, and January 29, 1982, together with the form of Order Approving Settlement submitted with the Second Supplemental Offer of Settlement in FERC Docket EL79-6 on January 22, 1981, and incorporated by reference in the said Order of the FERC dated January 29, 1982 (collectively referred to herein as "Orders"). The services to be rendered, the terms and conditions of such service and the rates to be charged and collected (including a charge and collection for line losses where applicable) are defined, limited and governed by said Orders and shall be rendered, charged, and collected in accordance with said Orders which are incorporated in this Tariff by reference. In the event that any provision of this Tariff conflicts with the said Orders, the provisions of such Orders shall control.

2. Definitions

1. Company - Texas Utilities Electric Company

2. Economy Energy - Economy Energy is energy produced and supplied from a more economical source by one Electric Utility and substituted for that being produced or capable of being concurrently produced in a different control area from a less economical source by another Electric Utility, subject to interruption at any time without prior notice and backed up by the receiving Electric Utility's on-line spinning reserve generation or replacement energy commitments in an amount equal to the transaction involved plus the spinning reserves otherwise required by the ERCOT guidelines. The foregoing spinning reserve shall only be applicable to Economy Energy Transmission Service for transactions terminating within ERCOT. Power or energy economically dispatched among affiliated utilities is not Economy Energy within the meaning of this Tariff, but instead is Firm Power and charged as such pursuant to this Tariff (including the determination of losses).

3. Economy Energy Transmission Service - Economy Energy Transmission Service is the transmission of Economy Energy by Company in accordance with the provisions of this Tariff, and subject to interruption at any time without prior notice, at the sole discretion of the Company.

4. Electric Utility - Electric utility means electric system, rural electric cooperative (including a generation and transmission cooperative), or other entity within ERCOT or SWPP legal jurisdiction authorized to engage in the distribution and sale of electricity to the general public.

5. Emergency Power - Emergency Power is the power and energy required by an Electric Utility to a period of up to ten (10) hours in the event the sum of its load and spinning reserve obligation exceeds the sum of its generation and scheduled imports of firm energy due to temporary emergency conditions beyond its control, such as a forced outage, unplanned reduction in capability, or failure of transmission facilities.



TEXAS UTILITIES  
ELECTRIC COMPANY

TARIFF  
FOR  
ELECTRIC SERVICE

Section No.	Sheet No.
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Section Title	Tariff Name	Applicable
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OTHER

RATE TO  
TRANSMISSION SERVICE TO, FROM AND  
OVER CERTAIN HVDC INTERCONNECTIONS

2. Definitions (Continued):

1. Emergency Power Transmission Service - Emergency Power Transmission Service is the transmission of Emergency Power by Company in accordance with the provisions of this Tariff, and subject to interruption at any time without prior notice, at the sole discretion of the Company.

2. ERCOT - Electric Reliability Council of Texas, or its successors.

3. Firm Power - Firm Power is power and energy other than Economy Energy and Emergency Power, including but not limited to, power and energy dispatched among affiliated entities, and specifically including power and energy economically dispatched among Public Service Company of Oklahoma, Southwestern Electric Power Company, West Texas Utilities Company and Central Power & Light Company or their successors.

4. Firm Power Transmission Service - Firm Power Transmission Service is the transmission of Firm Power by Company in accordance with the provisions of this Tariff.

5. HVDC Interconnections - The North direct current asynchronous interconnection, consisting of back-to-back direct current terminals located at Oklaunion, within Wilbarger County, Texas, and/or the East direct current asynchronous interconnection, consisting of a 345 kV AC switchyard facility at the TU Electric Monticello generating station, approximately 16 miles of 345 kV AC transmission line, back-to-back direct current terminals, and a 345 kV switchyard facility at the Welsh generating station, all located within Titus County, Texas. These HVDC interconnections were, or will be, constructed pursuant to the above referenced FERC Orders.

6. Reserved Period - The period of time for which transmission service is provided by Company.

7. Scheduled Transfer - The maximum amount of power to be scheduled to, from and over the HVDC interconnections for delivery to a receiving Electric Utility.

8. SWPP - Southwest Power Pool or its successors.

3. Transmission Service; Availability; Interruption; Additional Facilities.

1. The service offered and the rates charged under this Tariff apply to transmission service associated with all power or energy transactions, including firm power, and economy and emergency energy (such rates for economy energy transactions to be charged on the basis of where such energy actually originates and term rates), to, from and over the HVDC interconnections.

2. When and to the extent capacity is available, Company will provide transmission service for other electric systems in ERCOT and SWPP to, from and over the HVDC interconnections, provided that the service requested conforms fully with the provisions of Sections 211 and 212 of the Federal Power Act and the Orders as described in Section 1.1. Such service shall be at a rate adequate to recover the costs of such transmission service pursuant to the rates contained herein as the same may be changed from time to time.

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2. Transmission Service; Availability; Interruption; Additional Facilities. (Continued)

1. It is understood that the obligation of Company to transmit power under the provisions of this Tariff shall be subject to Company's ability to transmit and deliver the quantities of power for which service is requested consistent with the operation of the transmission system of Company under normal and emergency conditions for Company's own purposes. The availability of service hereunder shall be determined by the Company.

2. Subject to the provisions of this Tariff, such service shall include Firm Power Transmission Service, Economy Energy Transmission Service and Emergency Power Transmission Service. Such transmission service will be provided in those instances where the Electric Utility desiring transmission service has given the Company reasonable advance notice of the type of power or energy to be transmitted and the quality and duration of the transmission service which it desires in accordance with the provisions of Section 2.1; provided that the Company shall have priority of use and may interrupt the service provided to non-owners at any time; provided further that firm transmission service may be interrupted only for construction or maintenance, or when the Company is ordered to do so by a governmental entity with putative authority, or in any emergency or when the Company is unable to provide such service due to forces beyond its control, or when the furnishing of transmission service would, in the judgment of the Company, impair the reliability of the system or its ability to render adequate service to its non-transmission service customers, or except as may be mutually agreed upon by the parties to each transaction, or if necessary in the event that the Company has disconnected in accordance with Section 5.2 hereof.

3. Nothing herein shall be construed as requiring Company to enlarge or modify its facilities to transmit such power. If, in the judgment of the Company, expansion of its transmission facilities would be required in order to provide the service requested, the Electric Utility requesting service shall agree prior to the initiation of service, to reimburse the Company for such Electric Utility's share of the anticipated cost of such facilities, including a reasonable rate of return on such costs; Company shall retain ownership and control of such facilities and shall not be required to refund any of such costs upon termination of transmission service.

4. Nothing herein shall be interpreted to require the filing of an independent or separate application under Sections 211 and 212 of the Federal Power Act so long as the service requested otherwise conforms to and is within the scope of the service required by the Commission's Orders in Dockets EL79-8, E-8558, and EL79-8-002.

ARTICLE II.

1. Request for Service. Requests for transmission service shall be made in writing to Company by the Electric Utility which ultimately is to receive the power and energy to be transmitted by Company. Each request for transmission service shall be accompanied with sufficient information to enable Company to identify the source of the power and energy to be transmitted; the type (i.e., firm power, economy energy or emergency power) and amount of power and energy to be transmitted and the duration of the requested service; the identity of the parties to the proposed transaction; and such other information reasonably required by the Company to respond to such

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1. Request for Service (Continued)

request. Subject to the provisions of this Tariff and a determination of the compensation due the Company pursuant to Article III hereof, the Company will provide transmission service upon the execution of a written agreement in the form of Transmission Service Agreement attached. In providing either Economy Energy or Emergency Power Transmission Service, Company may waive any or all requirements of this Section contemporaneously with the performance of such service, provided that all necessary information and an executed form of Transmission Service Agreement is supplied by the Electric Utility requesting service as soon as practicable thereafter but in no event later than three (3) working days following the oral agreement providing such service.

1.2 Load Flow Analysis: Company Response.

1. Subject to the provisions of Section 2.1, whenever Company is requested to provide transmission service, Company will provide a load flow analysis at cost within two working days of the request or upon payment of costs, whichever is later. The costs shall include, without limitation, out-of-pocket expenses, labor and overhead. Thereafter, the Company will respond with an answer to the request (including an explanation of any denial of service) as follows (dating from the completion of the load flow study for scheduling within ERCOT): (i) for transmission service lasting for one or more years, within thirty days, or the first working day after thirty (30) calendar days; and (ii) for transmission service lasting for less than one year, within two working days.

2. Compensation for service hereunder shall be made in accordance with Article III hereof determined by reference to load flow analyses modeled with and without the receipt and delivery of the scheduled transfer to be transmitted in any given transaction hereunder using ERCOT computer programs and data bases, as revised from time to time to reflect current and projected transmission systems or, where appropriate, current and projected representative transfers between each ERCOT company.

3. For transmission service lasting for one or more years, the Electric Utility requesting service must give notice to the Company of its intention to take transmission service within thirty (30) days of Company's response to the request. For transmission service lasting for less than one year, the Electric Utility requesting service must give notice to Company of its intention to take transmission service within 10 days of Company's response to the request.

1.3 Reserved Period.

Subject to the provisions of Section 1.3 hereof, in no event shall the Reserved Period for Firm Power Transmission Service be less than one month. Company may require at its option that the Reserved Period shall be no less than the period for which the party supplying power has agreed to furnish the power to be received and transmitted by Company.



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2.1 Interconnections with Other Systems.

3. If the requested transmission service involves transmission on the facilities of a utility system other than that of the supplying utility or the Company, the Electric Utility which ultimately is to receive the power and energy to be transmitted by the Company shall be responsible for making any and all necessary arrangements for use of those facilities, with respect to transmission service rendered to an Electric Utility operating within the load control area of the Company, the Company shall to the extent necessary coordinate joint system operations with the supplying utility and any intervening third parties in order to insure the integrity of the interconnected system and proper energy accounting.

4. This Tariff shall be applicable only to service provided by, and charges for the use of, the Texas Utilities Electric Company system. No other utility may collect charges for the use of the Company's transmission system, nor shall the Company be denied compensation for any service provided by, or use of, its system to which this service tariff is applicable. The Company shall not be responsible for the collection of charges on behalf of, or the making of payments to, any other intervening utility in connection with the delivery of power and energy on behalf of an Electric Utility. Any claims or demands made by other utilities in respect of the use of the transmission systems of such other utilities arising out of service rendered hereunder shall be the sole responsibility of the Electric Utility which ultimately is to receive the power and energy to be transmitted by Company.

2.2 Compliance. By executing a Transmission Service Agreement hereunder, or by commencing to take transmission service to, from and over the HVDC interconnections and over the Company's system as previously authorized by Company, any Electric Utility which ultimately is to receive the power and energy transmitted by the Company agrees to take and pay for transmission service in accordance with the terms and conditions of this Tariff as they may then be in effect, without limitation as to the rights and remedies otherwise available to Company, any Electric Utility that ultimately receives electric power or energy transmitted to, from and over the HVDC interconnections which involves transmission on the Company's system, without previously receiving authorization by Company to take such service pursuant to the provisions of this Tariff, shall be obligated to pay twice the compensation due the Company in accordance with Article III hereof for such transmission service, which shall be deemed to be Firm Power Transmission Service, unless such Electric Utility can demonstrate to Company's satisfaction that the transmission involved was rendered without its knowledge or consent and without notice thereof.

ARTICLE III.

2.3 Compensation - Firm Power Transmission Service. The facilities charge for Firm Power Transmission Service shall be determined as follows:

1. The annual cost of providing transmission service on the system of the Company shall be determined from the Company's cost of service study as most recently approved by the Public Utility Commission of Texas. If a cost of service study is not available, the cost shall be based on annual expenses found in FERC expense accounts 560-573 plus the depreciation, federal income tax and other associated taxes, and the rate of return most recently allowed by the Public Utility Commission of Texas based on FERC plant accounts 350-399, less accumulated depreciation.



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Compensation - Firm Power Transmission Service, (Continued)

The Company shall determine, at least annually, the megawatt-miles for that transmission line used in subparagraph (a) of this paragraph in determining the annual cost of providing transmission service. The megawatt-miles for the system shall be the sum of the products of (1) the thermal rating of each line (75 deg. C conductor, 25 deg. C air, 1.4 mph wind and gravity of 3.2) times the length in miles of the line, for transmission lines whose nominal string voltage is at least 50,000 volts when measured phase to phase.

The changes in megawatt power flows resulting from the use of Company's system to provide transmission service under this tariff shall be determined at least annually from peak load period flow studies that employ the most recently revised data base and applicable programs maintained by a subcommittee made up of representatives of ERCOT utilities charged with coordinating plans regarding the planning of the ERCOT generation and transmission system facilities.

The magnitude of the increase in power flow as determined in subparagraph (c) of this paragraph shall be multiplied times the length of the respective line. The megawatt-mile change on all lines shall be summed to determine the total megawatt-mile change on the system.

The annualized facilities charge for providing transmission services is then found by dividing total megawatt-mile change as found in subparagraph (d) of this paragraph by the system megawatt-miles as found in subparagraph (b) of this paragraph, and then multiplying the resulting amount by the transmission costs found in subparagraph (a) of this paragraph; provided, however, the facilities charge shall not exceed the Company's annual transmission service cost divided by the megawatt of peak demand plus the sum of all wheeling transactions times the change in watt flow across the wheeling utility's boundary, calculated as 1/2 the sum of the absolute value of all tie line flow changes due to the wheeling. Additionally, the sum of the facilities fees of all wheeling transactions shall not exceed the Company's annual transmission service cost divided by the megawatt of peak demand plus the sum of all wheeling transactions times the fee in the megawatt flow across the Company's boundary.

Charges for simultaneous transactions shall be based on the megawatt flow changes resulting from the separate addition of each transaction to the peak load power flow base case.

The annual firm power transmission facilities charge determined in accordance with the foregoing provisions shall be payable in twelve (12) equal monthly installments for a Reserved Period of an entire year. For firm service less than one year, the monthly rate so derived shall be applicable for each month of the Reserved Period.

Compensation - Economy Energy Transmission Service. A facilities charge for Economy Energy Transmission Service shall be determined as follows:

The annual facilities charge for providing Economy Energy Transmission Service on the system shall be determined in accordance with paragraph 3.1 and will be divided by the watt Scheduled Transfer to obtain an annual cost per kw.

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3.2 Compensation - Economy Energy Transmission Service. (Continued)

3. The annual cost per MW derived in paragraph 3.2(a) will be divided by 8760 hours to calculate a charge expressed in dollars per MW per hour.

4. To determine the hourly wheeling charges, the rate calculated in paragraph 3.2(b) will be multiplied by the megawatt hours scheduled for transfer across the HVDC interconnections for delivery to the receiving Electric utility.

3.3 Compensation - Emergency Power Transmission Service. Emergency Power Transmission Service will be provided in the event of a bona fide emergency for a period of up to ten hours, without charge, after which time any such service shall be deemed to be Firm Power Transmission Service and charged in accordance with Section 3.1 hereof.

3.4 Billing and Payment. Bills for transmission service shall be rendered monthly by Company. All such bills shall be due when rendered. The past due date shall be sixteen (16) days from the date of mailing of the bill. Any amount due and unpaid after the due date shall be deemed delinquent and there shall be added interest at the current rate provided for refunds made under the Federal Power Act by FERC or any successor agency.

3.5 Billing Disagreement. A billing disagreement occurs when a bill as rendered is disputed by the Electric utility utilizing transmission service and Company is notified in writing of such disagreement. When resolution of disagreement is not achieved within sixteen (16) days from the date of mailing the bill, the bill must be paid as submitted or added interest pursuant to Section 3.4 will accrue.

3.6 Non-payment. In the event of non-payment of a bill, Company shall have the right to terminate transmission service sixty (60) days subsequent to the date of mailing of the bill. Company shall provide notification in writing of its intent to terminate transmission service for non-payment of bill at least thirty (30) days prior to the actual date of termination of transmission service.

3.7 Taxes. There shall be added to any amount calculated pursuant to any of the foregoing provisions of this Section an amount in dollars sufficient to reimburse the Company for any increase in the amounts paid or payable by it as sales, excise or similar taxes (other than taxes based upon or measured by net income) imposed after the effective date of this Tariff.

ARTICLE IV.

4.1 Losses. The losses incurred by Company shall be determined from the scheduled transfer used in conjunction with the loss metrics applicable to the type of transmission service rendered (i.e., firm or economy) produced by a subcommittee made up of representatives of ERCOT utilities charged with coordinating studies regarding the planning of ERCOT generation and transmission system facilities. These loss metrics shall indicate the magnitude and distribution of losses associated with the transfer. At the option of the Company, losses will be repaid in kind or in cash. If the Company elects a cash payment, it shall be made during the following calendar month the sheet be based on the Company's unadjusted cost of fuel as that cost was incurred. The most recently available monthly average system heat rate shall be used to convert the fuel price to a charge per kilowatt-hour for the losses.

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ARTICLE V.

- 5.1 Transmission Service not Covered by Tariff. The rates, terms, conditions and classifications concerning the transmission service furnished hereunder, and any future changes in or modifications thereof, shall not apply to any transmission services provided by the Company which services are not required for delivery of power and energy to, from and over the HVDC interconnections or to any written agreements with other utilities for transmission service to, from or over the HVDC interconnections it may have now or in the future, other than agreements made pursuant to this Tariff.
- 5.2 Company to Remain Non-jurisdictional. The Company shall not be required to provide service hereunder or to maintain any existing or future interconnection which is necessary to facilitate the transmission, sale, exchange, wheeling, combination or commingling of electric power in interstate commerce to, from and over the HVDC interconnections or within the State of Texas, in the event it determines that to do so could affect its non-jurisdictional status under the Federal Power Act unless such interconnection is a non-jurisdictional interconnection ordered by the Federal Energy Regulatory Commission under the provisions of Sections 210, 211 and 212 of such Act.
- 5.3 Notice to Commence Transmission Service. It shall be the responsibility of the Electric Utility that has executed a Transmission Service Agreement to give Company advance notice of the transmission service covered thereby at least twenty-four (24) hours prior to commencement of such service, except for Economy Energy or Emergency Power, for which notice should be provided as soon as practicable.
- 5.4 Transmission Service Interruption. Company does not guarantee that the transmission service delivered hereunder will be free from interruptions or interruptions, and Company shall not be liable for damage resulting therefrom.
- 5.5 Notice. Company, except in case of emergency as determined by Company, will, to the extent practicable, give reasonable advance notice of any scheduled temporary interruptions or impairment of transmission service. Company shall be notified by the Electric Utility utilizing the transmission service of any interruptions to the use of the transmission service as soon as practicable, such notice to be made orally and confirmed in writing on the date such notice is given.
- 5.6 Termination. Unless earlier terminated pursuant to the provisions of Section 3.6, a written agreement may be cancelled by the Electric Utility utilizing transmission service upon notice given two working days prior to the date of proposed cancellation in the case of an agreement providing for a Reserved Period of less than one year or upon notice given 30 days prior to the date of proposed cancellation in the case of an agreement providing for a Reserved Period of one year or more.



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#### ARTICLE VI.

6.1 Changes. The rates provided herein and accompanying cost of service, and any terms and conditions not specified in the Orders, are subject to being superseded, changed or modified, either in whole or in part, from time to time by a legally effective filing by Company with or by order of the FERC or any successor regulatory authority having jurisdiction, and subject to the provisions of Section 1.1 hereof, the Commission's Order Approving Settlement in Docket ER82-545-000, et al, and the Proposed Order submitted therewith, the Company shall have the right at any time unilaterally to seek superseding provisions from such regulatory authority.

#### ARTICLE VII.

7.1 Power Factor. The Electric Utility utilizing transmission service shall be responsible for the supply of reactive power requirements on its own system and shall be responsible for the supply of reactive power required to maintain the power factor of the power delivered to it as near unity as practicable, except as otherwise may be arranged between authorized representatives of the Company and the Electric Utility utilizing transmission service due to the then existing conditions; provided, however, that in no event shall such Electric Utility be required to maintain a higher power factor than is required of other similarly situated customers on the Company's system.

7.2 Metering and Recording. Company shall install and maintain the necessary metering (meters, telemetry, and recording equipment) for transmission service rendered pursuant to this Tariff. Except where otherwise agreed, the Electric Utility receiving service shall compensate Company for the cost of installing necessary metering in the manner set forth in the Transmission Service Agreement entered into hereunder. Such compensation shall be in addition to all other charges provided for herein. Meters shall be of such number, type and arrangement as will measure demand and/or energy delivered. Company shall test and calibrate such meters by comparison with accurate standards at intervals approved for meters of the type used. Company shall also conduct special tests at the request of the Electric Utility receiving service. The cost of such special tests shall be borne by Company, except when the results of such tests disclose the meters are registering within 2 percent of 100 percent accuracy, in which event the Electric Utility requesting the special test shall bear the cost of testing.

#### ARTICLE VIII.

8.1 Liability. The Electric Utility utilizing transmission service hereunder expressly agrees to indemnify and save harmless and defend Company against all claims, demands, costs, or expenses arising out of providing the transmission service, including, without limitation, claims or demands asserted by any party in connection with the transmission or delivery of power and energy except when the claims, demands, costs or expenses result from the sole negligence or willful misconduct of the Company with respect to the operation of its system. The Electric Utility utilizing transmission service assumes all responsibility for electricity beyond the points of interconnection between the Company and such Electric Utility, the supplying party or intervening third party systems, and Company shall not be liable for damages to the persons or property of such utility or its employees or any other persons resulting from the use or presence of electricity beyond such points of interconnection. In no event shall the Company have to change the compensation set pursuant to Article III by reason of the foregoing paragraph 8.1.



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9.2 Force Majeure. In case either the Company or the Electric utility receiving transmission service hereunder should be delayed in or prevented from performing or carrying out any of the agreements, covenants and obligations made by and imposed upon said parties by this Tariff by reason of or through strike, stoppage in labor, failure of contractors or suppliers of materials, riot, fire, flood, ice, invasion, civil war, rebellion, insurrections, military or usurped power, order of any court granted in any bona fide adverse legal proceedings or action, or of any civil or military authority either de facto or de jure, explosion, act of God or the public enemies, or any cause reasonably beyond its control and not attributable to its neglect; then, and in such case or cases, such party shall not be liable to the other party for or on account of any loss, damage, injury or expense resulting there or arising out of such delay or prevention; provided, however, that the party suffering such delay or prevention shall use due and, in its judgment, practicable diligence to remove the cause or causes thereof; and provided further, that neither party shall be required by the foregoing provisions to settle a strike except when, according to its own best judgment, such settlement seems advisable.

9.3 No Dedication of Facilities. Any undertaking by the Company under any provisions of this Tariff shall not constitute the dedication of the Company's transmission system or any portion thereof to the public or to any other party, and it is understood and agreed that any such undertaking by Company shall cease upon termination of the Reserved Period provided for in any written agreement entered into under this Tariff or cancellation of such written agreement, whichever shall occur first.

ARTICLE IX.

9.4 Miscellaneous.

a. Until January 1, 1989 or until the East HYOC interconnection goes into service, whichever is earlier, power and energy economically dispatched along the CSW Operating Companies which is transferred from the North HYOC interconnection to WTU or CPL will be assumed to terminate within the WTU service territory for purposes of determining transmission service charges.

b. For such period in Section 9.1a, above, no further transmission service charges will be imposed for transfers of such power and energy beyond the WTU service territory to CPL, except that losses will be charged to the point of actual termination thereof (it being agreed that transfers of any power and energy, including power and energy economically dispatched by the CSW Operating Companies, to, from and over the North HYOC interconnection to a non-CSW Operating Company shall not be assumed to terminate within the WTU service territory for the purpose of determining transmission charges hereunder but rather such transfer will be charged to the point of actual termination thereof.)

c. For the period provided in Section 9.1a, above, power and energy economically dispatched and the CSW Operating Companies which is transferred from CPL to PSO or SWPCO over the North HYOC interconnection will be assumed to originate within the WTU service territory for purposes of determining transmission service charges.

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11. Miscellaneous. (Continued)

1. For the period provided in Section 9.1a, above, no further transmission service charges will be imposed for transfers of such power and energy over the North HVDC Interconnection to PSO or SWEPCO, except that losses will be charged from the point of actual origination thereof (it being agreed that transfers of any power and energy, including power and energy economically dispatched by the CSW Operating Companies, to, from and over the North HVDC Interconnection to a non-CSW Operating Company shall not be assumed to have originated within the KTW service territory for the purpose of determining transmission charges hereunder but rather such transfers will be charged from the point of actual origination thereof).

2. During the period provided in Section 9.1a, above, such portion of the power and energy economically dispatched among the CSW Operating Companies and transferred between KTW and CPL will be backed up by the receiving utility's on-line spinning reserve in the amount of the transfer, in addition to such utility's normal spinning reserve as required by the ERCOT guidelines.

3. After the period provided in Section 9.1a, above, any power and energy, including power and energy economically dispatched among the CSW Operating Companies, transferred to, from and over the HVDC Interconnections, will be charged on the basis of where such power and energy actually originates and terminates.

ARTICLE X.

1. Reservation of Capacity. Company reserves 15 percent (nominal capacity of 15 MW) of its ownership of the East HVDC Interconnection (nominal capacity of 100 MW) for firm power wheeling pursuant to the following:

1. The reservation of 15 MW is for electric utilities in ERCOT and SWEPP having loads less than 500 MW (Qualified Utilities);

2. The reservation of DC capacity will continue for a five year period after the East HVDC Interconnection goes into commercial operation. At the end of the five year period the Company may file, as a change in service, a request to seize the reservation for Qualified Utilities;

3. Company will solicit requests for reservation capacity for use during all or part of said five year period from Qualified Utilities at least one year before the East HVDC Interconnection is projected to be available for commercial operation, and at one year intervals thereafter for reservation capacity which has not been previously committed. A Qualified Utility must respond with a request to use all or part of the reserved DC capacity in writing, accompanied by a signed binding agreement, within 30 days of the date of the solicitation letter. Company reserves the right to utilize any unused portion of the reservation capacity until a timely request for wheeling is made by a Qualified Utility; reservation capacity may be used by the Company on a firm basis from year to year or less, if after solicitation and notice, capacity is not contracted for as provided herein by any Qualified Utility;

4. The reservation of 15 MW is reduced by the amount of capacity purchased pursuant to paragraph 2. below;

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... be over any capacity reserved pursuant to this Article X shall be subject to and governed by the provisions of this tariff as then in effect;

Capacity reserved for Qualified Utilities will be available for purchase by Qualified Utilities at the depreciated original cost thereof, until either (1) the reservation of capacity is terminated or (2) the opportunity to participate in ownership of additional DC capacity is offered as set forth below in paragraph G, whichever comes first. The request for purchase of reserved capacity must be accompanied by a signed binding agreement. The reservation of capacity by Qualified Utilities in the East HVDC Interconnection shall be on a rate basis from the Company, the Central and South West Operating Companies ("CSW"), and the Lighting & Power Company ("L&P") unless the Company, L&P, and CSW otherwise agree; and

In response to the annual solicitation to Qualified Utilities for reserved capacity, if the number of requests to use and/or purchase such capacity exceeds the amount of uncommitted capacity, then capacity will be made available pursuant to such requests on the following basis:

Each Qualified Utility requesting reservation capacity shall be entitled to contract for the use of, or to purchase, a pro rata share of the available reservation capacity based on the proportion its request bears to the total of all requests.

The agreement signed by the requester shall provide for its cancellation or for reduction in the amount to be contracted for or purchased in the event that the requester is unable to use its full share of capacity as requested due to the pro rata reduction set forth in paragraph (g)(1) above. If a requester finds it necessary to cancel its request as a result of the pro rata reduction, the capacity so relinquished will be divided among the remaining requesters on a pro rata basis pursuant to subparagraph (g)(1) above.

... and in the event planning is undertaken to increase the capacity of the East HVDC Interconnection but at intervals of no more than every three years after June 30, 1989, until June 30, 1991, electric utilities in ERCOT and SWPP will be given the opportunity to participate in the construction of increases in the capacity of the East HVDC Interconnection and of participating in the purchase of any incremental capacity added, provided again that each party that wishes to participate pays its pro rata share of all costs of constructing the East HVDC Interconnection and wishes to participate in and undertakes to pay its pro rata share of the costs of operating and maintaining the East HVDC Interconnection and agrees further to be bound by the terms and conditions of the Agreement between Owners of the East HVDC Interconnection.

ARTICLE XI.

Effective Date. This Tariff shall become effective as of the date on which an Order of the Federal Energy Regulatory Commission approving the Proposed Order attached thereto, submitted to the Commission pursuant to 18 C.F.R. § 35.30, is no longer subject to judicial review, and shall be in effect unless changed, modified, or superseded in accordance with Article VI of the FERC.

Not of Record. The section headings contained in this Tariff are for convenience only and shall not be construed to affect the meaning of any provision of this Tariff.



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THIS AGREEMENT (Agreement), made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by and between TEXAS UTILITIES ELECTRIC COMPANY (Company) and \_\_\_\_\_ (Customer),

WITNESSETH:

That in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree with each other as follows:

Company shall provide transmission service, and Customer shall pay for transmission service, in accordance with the provisions of Company's Tariff for Transmission Service To, From and Over Certain HVDC Interconnections as the same may be amended from time to time, and which is incorporated by reference and made a part of this Agreement as Exhibit A attached hereto, and with the specifications set forth below.

1. Name of supplying party which shall generate electric power and energy for Customer's account is: \_\_\_\_\_, Name of supplying party which shall deliver electric power and energy for Customer's account is: \_\_\_\_\_. A copy of the contract(s) evidencing such agreement(s) (if any) is attached hereto as Exhibit B.

2. Amount of Scheduled Transfer of power and energy, for which Company will provide transmission service and for which Company shall be paid a transmission charge in accordance with the attached Exhibit C and compensation for losses as determined under Article IV of Company's Tariff attached hereto, is \_\_\_\_\_ MW. Point of origin of Scheduled Transfer of power and energy (and if transfer originated outside of ERCOT, the point of entry of power and energy into ERCOT) are \_\_\_\_\_ and \_\_\_\_\_. Point(s) of destination of Scheduled Transfer of power and energy; (and if transfer terminates outside of ERCOT, point(s) of departure of power and energy from ERCOT) are \_\_\_\_\_ and \_\_\_\_\_.

3. Subject to compliance with all provisions of Company's effective Tariff for Transmission Service To, From, and Over Certain HVDC Interconnections, this Agreement shall continue in effect for a term (Reserved Period) extending from \_\_\_\_\_, 19\_\_\_\_ to \_\_\_\_\_, 19\_\_\_\_.

4. Such power and energy shall be received and delivered subject to the following metering, recording, metering, scheduling and control provisions.

5. Power and energy which is delivered by Company and is not telemetered shall be subject to the following reconciliation provision: \_\_\_\_\_.

6. Additional or modified facilities to accommodate this transaction shall be provided and paid for, as follows:



TEXAS UTILITIES ELECTRIC COMPANY		TARIFF FOR ELECTRIC SERVICE		Section No.	Sheet No.
				111-0	0
				Effective Date	
		Revision	Page		
		One	14 of 15		
Section Title	Tariff Name	Applicable			
OTHER	RATE TFO TRANSMISSION SERVICE TO, FROM AND OVER CERTAIN HVDC INTERCONNECTIONS				

7. All bills rendered Customer shall be mailed to Customer's address, which is \_\_\_\_\_ or such other address as Customer may give Company in writing and shall be payable in accordance with the provisions of the Tariff for Transmission Service To, From and Over Certain HVDC Interconnections at Company's office in Dallas, Texas.

8. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors, legal representatives and assigns, but shall not be assigned by either party without the written consent of the other.

9. WITNESS WHEREOF, the parties have caused these presents to be executed and sealed.

TEXAS UTILITIES ELECTRIC COMPANY

ATTEST:

\_\_\_\_\_

By: \_\_\_\_\_

Title

Submitted by \_\_\_\_\_

Date \_\_\_\_\_

(Name of Customer)

ATTEST:

\_\_\_\_\_

By: \_\_\_\_\_

Title

Date \_\_\_\_\_

FACILITIES CHARGES FOR FIRM POWER TRANSMISSION SERVICE	TARIFF FOR ELECTRIC SERVICE	Section Number	Subsection
		111-0	10
		Effective Date	
		Revision	Page
		One	15 of 15
Tariff Name		Applicable	
RATE TFO TRANSMISSION SERVICE TO, FROM AND OVER CERTAIN HYDC INTERCONNECTIONS			

EXHIBIT C

1. FACILITIES CHARGES FOR FIRM POWER TRANSMISSION SERVICE

(per Article 3.1 of the Tariff)

Rate for Service (\$/Mwhr)	Impact (Mwhr)	Annual Facilities Charge	Monthly Billing Charge
45.50			

2. FACILITIES CHARGES FOR ECONOMY ENERGY TRANSMISSION SERVICE

(per Article 3.2 of the Tariff)

Annual Facilities Charge	Scheduled Transfer	Annual Cost Per MWh	Hourly <sup>a</sup> Cost Per MWh

shall be multiplied by the hourly equivalent Scheduled Transfer is the hourly billing charge.

92 MAY 15 PM 4: 29

May 15, 1992

Ms. Lois D. Cashell  
Secretary  
Federal Energy Regulatory Commission  
825 N. Capitol Street, N.E.  
Washington, D.C. 20426

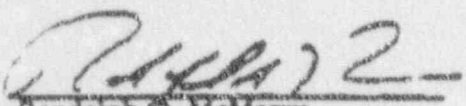
Re: Central Power and Light Co., et al. Docket No. EL79-8-000

Dear Secretary Cashell:

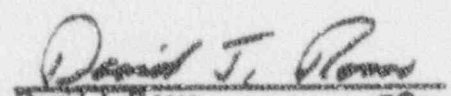
By this letter, Central Power and Light Company, Public Service Company of Oklahoma, Southwestern Electric Power Company, West Texas Utilities Company, Houston Lighting & Power Company and Texas Utilities Electric Company, Petitioners in the above-referenced docket, notify the Commission of their intent to construct the East HVDC Interconnection in a single phase. Petitioners anticipate that, subject to reasonable contingencies, the full 500 megawatts of capacity will be installed on or before August 30, 1995, in full compliance with the Commission's "Order Granting Petition," issued herein on December 6, 1991.

A copy of this letter will be served on all parties to this docket to give notice of the anticipated schedule for installation of the East Interconnection.

Respectfully yours,



Randolph Q. McManus  
Attorney for Houston Lighting  
& Power Company



David J. Romano  
Attorney for Southwestern Electric  
Power Company, Central Power and  
Light Company, Public Service Company  
of Oklahoma and West Texas Utilities  
Company



M.D. Sampels  
Attorney for Texas Utilities  
Electric Company

cc: Cynthia A. Mariette  
Daniel L. Larsenup  
Jerry R. Millbourn  
All parties in Docket No. EL79-8-002



92 MAY 15 PM 4:39

May 15, 1992

Ms. Lois D. Cashell  
Secretary  
Federal Energy Regulatory Commission  
825 N. Capitol Street, N.E.  
Washington, D.C. 20426

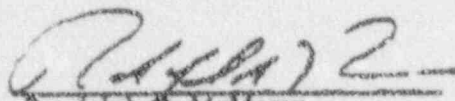
Re: Central Power and Light Co., et al. Docket No. EL79-8-000

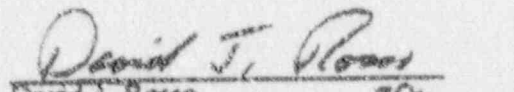
Dear Secretary Cashell:


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Randolph Q. McMama  
Attorney for Houston Lighting  
& Power Company

  
David J. Roaso  
Attorney for Southwestern Electric  
Power Company, Central Power and  
Light Company, Public Service Company  
of Oklahoma and West Texas Utilities  
Company

  
M.D. Sampels  
Attorney for Texas Utilities  
Electric Company

cc: Cynthia A. Marlette  
Daniel L. Larcamp  
Jarry R. Milbourn  
All parties in Docket No. EL79-8-002





David Bevelhimer  
Director of Bulk Power  
Transactions

April 1, 1992

Mr. Jack M. Miller  
Director, Bulk Power Markets  
Cajun Electric Power Cooperative, Inc.  
10719 Airline Highway  
Baton Rouge, Louisiana 70895

Dear Mr. Miller,

Thank you for your letter, dated March 9, 1992. We likewise received benefit from our meeting with you on February 25, 1992.

In light of our new 10-year Resource Plan announced on March 17, it would now be premature to discuss generating unit purchase or firm power purchase. We are delaying the construction of two 750 MW lignite units (already CCN approved) for two years to 1997 and 1998, the proposed addition of two 620 MW combined cycle units for two years until 1999 and 2001, and the 290 MW simple cycle unit until 2001. A 650 MW pulverized coal unit has been deferred beyond 2001, the last year in the planning horizon. The changes in the construction schedule are mainly in response to a decrease in long-term estimates of growth in customer demand for electricity in our service area.

We appreciate your interest in our capacity requirements. Should the requirements of our service area change such that there is a need to consider new firm capacity requirements earlier than anticipated in the new resource plan, we will review the alternatives available at that time.

As requested, I have enclosed an organization chart for Bulk Power Transactions and a copy of our 1990 FERC Form 1.

Yours truly,

(signed by D. Bevelhimer)



Central and South West Services, Inc.

1818 Whitted Rodgers Highway  
P.O. Box 687184 • Dallas, Texas 75269-0184  
PL-784-1000

PAGE TWO

June 30, 1992

Cajun Electric Power Cooperative, Inc.  
P. O. Box 15540  
Baton Rouge LA 70895

Ladies and Gentlemen:

As you may be aware, in final orders of the Federal Energy Regulatory Commission ("FERC") in Docket Nos. E-9352, EL79-8, EL79-8-002 and EL79-8-000 (which orders are hereinafter referred to as the "Orders"), the operating subsidiaries of the Central and South West Corporation ("CSW"), Houston Lighting & Power Company ("HL&P") and Texas Utilities Electric Company ("TU Electric") were ordered to construct a 600 MW nominal capacity asynchronous direct current interconnection between the Welsh generating station of Southwestern Electric Power Company, a CSW operating subsidiary, ("SWEPCO") and TU Electric's Monticello generating station (the "East Interconnection"). SWEPCO and another CSW operating subsidiary, Central Power and Light Company ("CPL"), together with HL&P and TU Electric (the "East Interconnection Participants"), are currently engaged in the planning and design of the East Interconnection and anticipate completion of the entire 600 MW project no later than August 1995.

The Orders also provide, in relevant part, as follows:

Whenever planning is undertaken to increase the capacity of the HVDC interconnections, but at intervals of no more than every three years. . . after June 30, 1989, with respect to the East Interconnection, until June 30, 2004, electric utilities in ERCOT and SWPP shall be given the opportunity to participate in the planning of increases in the capacity of the [East] HVDC interconnection . . . and of participating in the ownership of any incremental capacity added, provided again that each party that wishes to participate pays

A Member of the Central and South West System  
Central Power and Light Company • Public Service Company of Oklahoma • Southwestern Electric Power Company  
Tennessee, Inc. • West Texas Utilities Company

PL-784-1000

PAGE TWO

its 50% share of all costs and undertakes to pay its 50% share of the costs of operating and maintaining that [East] HVDC Interconnection and agrees further to be bound by the terms and conditions of the applicable Agreement among the owners or Participants of that [East] Interconnection. Any such planned increase in the capacity of . . . [the] HVDC Interconnection shall be submitted to the Commission for action pursuant to sections 210, 211 and 212 of the Federal Power Act.

Pursuant to these provisions of the Orders, this letter is being written to each electric utility in the Electric Reliability Council of Texas and the Southwest Power Pool ("Electric Utility") to inquire whether any such Electric Utility has any interest in participating in the planning and ownership of an increase in the planned capacity of the East Interconnection.

Should you or any other Electric Utility decide to participate in the ownership of incremental East Interconnection capacity, the planned capacity of the East Interconnection will be increased as contemplated by, and under and subject to the conditions and limitations set forth in, the Orders. As a participant in the East Interconnection, an Electric Utility would own an undivided interest in the East Interconnection as a whole, together with the other participating owners. Your costs and investment in the expanded East Interconnection would be allocated to you 50% on the basis of your participation share in the total capacity of the East Interconnection. Costs of the East Interconnection will include facilities charges for AC facilities dedicated to the East Interconnection, but separately owned by one or more of the East Tie Participants.

If you are interested in participating, pursuant to the Orders, in the planning of an expansion and as an owner of the planned increase in capacity of the East Interconnection, please execute the Reply to Solicitation form attached hereto and return it to the addressee for receipt no later than July 31, 1982.

If we receive an executed Reply to Solicitation from you by the prescribed date, we will notify you of the date and other

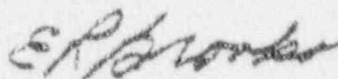
Due to alternating current transmission facility limitations which may exist on either side of the East Interconnection, an increase in the planned capacity of the East Interconnection may also require investment in additional alternating current transmission facilities on the systems of the CSW operating subsidiaries or TW Electric. CSW and TW Electric will expect to recover such costs from entities seeking an increase in the planned capacity of the East Interconnection.



details of a meeting of interested parties to discuss your interests. If we do not receive an executed Reply to Solicitation from you by the prescribed date, we will assume that, at this time, you have no interest in the planning or ownership of an expansion of the East Interconnection. In accordance with the Orders, a further opportunity to participate in the planning and ownership of an expansion of the East Interconnection will be made available in 1995.

For additional information concerning this opportunity to participate in the planning and ownership of an expansion of the planned capacity of the East Interconnection, you may contact Terry D. Dennis, Vice-President - Engineering, at Central and South West Services, Inc., P.O. Box 660166, Dallas, Texas 75266-0166, telephone number (214) 754-1350.

Very truly yours,



E. R. Brooks  
Chairman, President and  
Chief Executive Officer

Attachment

JX



REPLY TO SOLICITATION

Date: \_\_\_\_\_

Mr. Terry D. Dennis  
Vice President - Engineering  
Central and South West Services, Inc.  
P.O. BOX 660164  
Dallas, Texas 75266-0164

\_\_\_\_\_ is interested in participating, pursuant to the orders in FERC Docket EL79-8, E-9588, EL79-8-002 and EL79-8-000, in the planning and ownership of an expansion of the planned 600 megawatt nominal capacity direct current asynchronous interconnection between Southwestern Electric Power Company and Texas Utilities Electric Company, located in Titus County, Texas described in the letter of June 30, 1992 from E. R. Brooks, Chairman, President and Chief Executive Officer of Central and South West Services, Inc.

\_\_\_\_\_ will attend a meeting of interested parties to be scheduled by Central and South West Services, Inc. and will be represented at that meeting by \_\_\_\_\_.

Please forward all further communications regarding the meeting of interested parties and the planning of any expansion to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention of: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
Title