

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

DOCKETED  
USNRC

'85 FEB 28 10:50

Before the Atomic Safety and Licensing Appeal Board

In the Matter of )  
 )  
LOUISIANA POWER & LIGHT COMPANY )  
 )  
(Waterford Steam Electric )  
Station, Unit 3) )  
 )

Docket No. 50-382 OL

OFFICE OF SECRETARY  
DOCKETING & SERVICE  
BRANCH

JOINT INTERVENORS' SUPPLEMENTAL MEMORANDUM  
IN SUPPORT OF JOINT INTERVENORS' MOTION TO REOPEN

Joint Intervenors submit this supplemental memorandum to support their second proposed contention that LP&L lacks the requisite character and competence to operate Waterford 3 safely.

I. MIDDLE SOUTH'S MISLEADING STATEMENTS IN ITS MOST RECENT OFFERING STATEMENT TO SELL \$100 MILLION IN SECURITIES.

The City of New Orleans recently filed a suit charging that Middle South Utilities, Inc., prior to filing its most recent offering to sell \$100 million of stocks and bonds with the Securities and Exchange Commission ("SEC"), failed to obtain approval from the New Orleans City Council. See "City sues to stop NOPSI stock sale" (Jan. 29, 1985), attached and incorporated herein as Exhibit 1.

The City claims that under a franchise agreement dating from 1923, New Orleans Public Service, Inc. ("NOPSI"), a Middle South subsidiary, had to obtain approval of the City of New Orleans prior to Middle South's offering of these securities. Middle South contends, alternatively, that in

1981, when the City transferred its ratemaking authority to the Public Service Commission ("PSC"), it also transferred all rights to regulate utility financing to the PSC.

The City is seeking to enjoin issuance of the securities unless its approval is obtained. Ibid.

Regardless of whether the City or Middle South succeeds in this litigation, Middle South was responsible to disclose this potential risk to investors. The City's longstanding legal position was well-known to Middle South and should have been stated in the offering statement. See Middle South and NOPSI Application-Declaration (Dec. 21, 1984) attached and incorporated herein as Exhibit 1A.<sup>1/</sup>

Clearly Middle South's failure to disclose this risk casts doubt on Middle South's honesty and integrity.

This misleading omission, in conjunction with the false and misleading statements described in Joint Intervenors' Motion to Reopen, support Joint Intervenors' contention that LP&L management lacks the required integrity to operate a nuclear power plant. See Joint Intervenors' Motion to Reopen at 16-21.

II. WATERFORD'S CURRENT MANAGEMENT LACKS AN UNDERSTANDING OF THE SERIOUSNESS OF WATERFORD'S QUALITY ASSURANCE PROBLEMS AND RESPECT FOR NRC REGULATION.

According to news reports, LP&L Senior Vice-President Roth S. "Mike" Leddick recently stated that the NRC kept "changing the rules" during the construction of Waterford 3, which led to its cost increasing two- or three-fold. He also stated that the NRC's unprecedented inspection efforts to verify the

<sup>1/</sup> On February 21, 1985, a Louisiana State Court issued a temporary restraining order against issuance of these securities. See The City of New Orleans v. New Orleans Public Service, Inc., No. 85-01562 (Civ. Dist. Ct. Parish New Orleans, filed Jan. 28, 1985).

safety of the plant cost the utility \$150 million but did not make the plant any safer. See "Plant cost blamed on public fear," Times-Picayune/States-Item (Jan. 25, 1985), attached and incorporated herein as Exhibit 2.

Mr. Leddick's statements indicate that he does not, even today, understand the seriousness of the quality assurance ("QA") and safety breakdown at Waterford over its construction life. Moreover, his attitude toward NRC regulation is one of disrespect.

Apparently, Mr. Leddick is unwilling to acknowledge that NRC regulation, including the Waterford Task Force's inspection efforts, is more than a waste of time. If he does not believe unprecedented NRC Staff actions to verify the construction quality of Waterford were needed, the Appeal Board can be certain that Mr. Leddick will not have a "willingness -- indeed -- desire" to carry out future NRC proposed programs. Consumer Power Co. (Midland Plant, Units 1 and 2), ALAB-106, 6 AEC 182, 184 (1973). Mr. Leddick's remarks reveal a decided lack of the necessary management character the NRC requires of its licensees.

III. LP&L BLACKOUT OF THE CITY OF NEW ORLEANS DEMONSTRATES ITS LACK OF MANAGEMENT COMPETENCE, OR, POTENTIALLY, INTENTIONAL MISCONDUCT.

On January 21, 1985, a substantial proportion of the combined NOPSI/LP&L generating capacity was lost. According to investigators commissioned by the City of New Orleans, the black-out affected 35,000 residential customers of NOPSI and 40,000 to 50,000 residential ratepayers of LP&L. See Press Release, attached and incorporated herein as Exhibit 4.

Early on January 21, Jim Fort, an LP&L spokesman, stated that the outage outlined the need for adding the Waterford 3 and Grand Gulf nuclear power plants to the Middle South Utilities system.<sup>2/</sup>

City Councilman James Singleton charged that LP&L and NOPSI had deliberately "orchestrated" the blackout in order to force LP&L and NOPSI to accept a larger portion of Grand Gulf 1 and Waterford 3 than they needed. Public Service Commissioner John F. Schwegmann also criticized LP&L's statements. The City Council has begun an investigation to determine the causes of the blackout and whether LP&L and NOPSI management deliberately caused the blackout to promote the need for Grand Gulf 1 and Waterford 3. See Exhibit 4; "Mistrust tarnishes utilities," Times-Picayune (Jan. 23, 1985), attached and incorporated herein as Exhibit 7.<sup>3/</sup>

It appears that the New Orleans City Council's investigation may find that LP&L management either deliberately, or through gross mismanagement, caused a blackout of New Orleans, which led to extensive property damage and personal harm. This conclusion would be critical to a determination of LP&L's management capabilities to operate Waterford in accordance with NRC regulations. If public authorities find LP&L cannot currently be

---

<sup>2/</sup> Currently pending before the Federal Energy Regulatory Commission ("FERC") are two cases which will determine the percentage of Grand Gulf 1 for which each of the subsidiaries of Middle South will be responsible. The Middle South subsidiaries are LP&L, NOPSI, Arkansas Power and Light Company, and Mississippi Power and Light Company.

<sup>3/</sup> Moreover, several New Orleans residents filed a \$100 million suit against NOPSI for the serious property damage and personal harm caused by the blackout. See "NOPSI sued for \$100 million in blackout," Times-Picayune (Jan. 24, 1985), attached and incorporated herein as Exhibit 8.

trusted to operate fossil fuel plants with care, how can the NRC find LP&L management responsible enough to operate a nuclear power plant?

The Appeal Board should, in any case, await the results of the City's investigation before endorsing current LP&L management.

Moreover, according to Mr. Leddick, the managers responsible for the blackout are D. L. Aswell and L. V. Maurin. Although both currently are in charge of fossil fuel plant operations, formerly they were Vice-President for Power Production and Waterford 3 Project Manager respectively. See Affidavit of Gary Groesch, attached and incorporated herein as Exhibit 9.

Any fault or negligence found regarding the blackout will be attributed to them. Their lack of current management capabilities in managing fossil fuel plants corroborates Joint Intervenors' contention that historically the management of Waterford 3 project was incompetent.

IV. APPLICANT'S MANAGEMENT HAS DEMONSTRATED ITS SUBSERVIENCE TO AND LACK OF INDEPENDENCE FROM ITS PARENT MIDDLE SOUTH.

Recently it has become evident that the management of Middle South controls applicant LP&L. Therefore, this Appeal Board cannot be assured that current LP&L management has the capabilities, including the independence, to follow NRC regulations and to ensure Waterford is safely operated.

According to the sworn testimony of John Chavanne, vice-president of corporate control for LP&L, Floyd Lewis, Middle

South Chairman and President, threatened to fire James Cain, LP&L and NOPSI President, unless Cain supported a plan under which LP&L and NOPSI would buy larger shares of Grand Gulf than previously agreed. Cain, in a reverse of position, supported a plan submitted to FERC on January 4, 1985, under which LP&L and NOPSI would buy 48 percent of the power from Grand Gulf 1 instead of the previously agreed-to 31 percent.<sup>4/</sup> See "Middle South chairman asked about firing threats," Times-Picayune (Jan. 30, 1985), attached and incorporated herein as Exhibit 10.

The sworn deposition testimony of other LP&L managers apparently support Mr. Chavanne's statement that Lewis threatened Cain with termination if Cain did not agree to a system-agreement which Cain perceived was against the interests of LP&L. Ibid.

Neither Cain nor LP&L has corporate or de facto operational independence from Middle South. Although LP&L is the applicant for a license for Waterford, it will be Middle South which ultimately controls the operation of the power plant. This fact is central to any NRC determination of whether or not LP&L's management has adequate character to operate Waterford 3 safely. Certainly if Cain bows to the wishes of Lewis on financial matters he will, if necessary, subordinate LP&L's safety responsibilities at Waterford to Middle South's needs.

---

<sup>4/</sup> PSC consultants believe that Louisiana does not need power from Grand Gulf and the new system agreement will cost New Orleans ratepayers "hundreds of millions of dollars." See Exhibit 10.

This point is especially important since the NRC Staff has based its conclusion that LP&L can operate Waterford 3 safely largely on an assessment that LP&L top management has shown a new willingness to deal straightforwardly with potential safety problems. The NRC Staff described how applicant addressed safety concerns outlined in the Eisenhut Letter of June 13, 1984, by "mobiliz(ing) a large work force headed by a special management team with personal oversight by the Applicant's President and Chief Executive Officer," NRC Staff's Response to Joint Intervenors' Motion to Reopen at 17. See also Crutchfield Affidavit, par. 4.

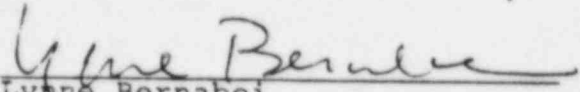
Obviously it makes little difference that Cain is personally overseeing the resolution of safety problems at Waterford 3 if his decision on safety matters can be overridden at will by Lewis.

Moreover, if Cain is willing to subordinate LP&L's financial interests to those of Middle South, it is even more probable that he will subordinate the safety of Waterford 3 to Middle South pressure.

V. CONCLUSION.

In consideration of the above arguments and documentation, this Appeal Board must determine that Joint Intervenors have met their burden to reopen the hearing record for litigation of their contention that LP&L management lacks the requisite character and competence to operate Waterford 3 safely.

Respectfully submitted,



Lynne Bernabei  
Government Accountability Project  
1555 Connecticut Avenue N.W.  
Suite 202  
Washington, D.C. 20036  
(202) 232-8550

Attorney for Joint Intervenors

Dated: February 25, 1985



SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

Form U-1

M56320

APPLICATION-DECLARATION  
under  
THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

New Orleans Public Service Inc.  
317 Baronne Street  
New Orleans, Louisiana 70112

✓ Middle South Utilities, Inc.  
225 Baronne Street  
New Orleans, Louisiana 70112

(Names of companies filing this statement  
and addresses of principal executive offices)

Middle South Utilities, Inc.

(Name of top registered holding company  
parent of each applicant or declarant)

SECURITIES AND EXCHANGE COMMISSION  
FEE RECEIVED  
DEC 21 1964  
OFFICE OF REPORTS  
& INFORMATION SERVICES

James M. Cain, President  
New Orleans Public Service  
Inc.  
317 Baronne Street  
New Orleans, Louisiana 70112

Edwin Lupberger  
Senior Vice President-  
Chief Financial Officer  
Middle South Utilities, Inc.  
225 Baronne Street  
New Orleans, Louisiana 70112

(Names and addresses of agents for service)

The Commission is also requested to send copies of any  
communications in connection with this matter to:

Melvin I. Schwartzman, Esq.  
Monroe & Lemann  
(A Professional Corporation)  
1424 Whitney Building  
New Orleans, Louisiana 70130

Thomas J. Igoe, Jr., Esq.  
Reid & Priest  
40 West 57th Street  
New York, New York 10019

R. Drake Keith, Treasurer  
Middle South Utilities, Inc.  
225 Baronne Street  
New Orleans, Louisiana 70112

Stephen K. Waite, Esq.  
Winthrop, Stinson, Putnam  
& Roberts  
40 Wall Street  
New York, New York 10005

Item 1. Description of Proposed Transactions.

New Orleans Public Service Inc. ("Company") proposes to issue and sell, subject to Rule 50 under the Public Utility Holding Company Act of 1935 ("Holding Company Act"), as modified by Holding Company Act Release No. 22623, not more than \$40,000,000 in principal amount of its First Mortgage Bonds ("New Bonds"), to be issued in one or more series from time to time not later than December 31, 1985. The interest rate to be borne by each series of the New Bonds will be a multiple of 1/8th of 1%. The price, exclusive of accrued interest, to be paid to the Company for each series of the New Bonds will be within a range specified by the Company to prospective purchasers of not more than five percentage points but shall not exceed five percentage points above or below 100% of the principal amount of such series of the New Bonds.

The New Bonds are to be issued under the Company's Mortgage and Deed of Trust, dated as of July 1, 1944, to The Chase Manhattan Bank (National Association), successor to The Chase National Bank of the City of New York, and Joseph A. Payne, successor to Carl E. Buckley, as Trustees, as heretofore supplemented and as proposed to be further supplemented by Supplemental Indentures to be dated as of the first day of the month in which a particular series of the New Bonds is issued. Each series of the New Bonds will mature not earlier than five years and not later than thirty years from the first day of the month of issuance.

Each Supplemental Indenture will provide that none of the New Bonds of a particular series covered thereby will be redeemed for a period of either four or five years, depending upon the term of that series, commencing with the first day of the month of issuance, at a regular redemption price if such redemption is for the purpose or in anticipation of refunding such bond through the use, directly or indirectly, of funds borrowed by the Company at an effective interest cost to the Company of less than the effective interest cost to the Company of such series of New Bonds. For further information as to the terms of the New Bonds, reference is made to Exhibits A-9, A-10 and A-11 hereto.

For information as to the procedures to be followed in connection with the sale of the New Bonds, as contemplated by Holding Company Act Release No. 22623, reference is made to Exhibits B-1 and B-3 hereto. See

Item 3 below with respect to the Company's possible amendment of this Application-Declaration to seek exemption from the requirements of Rule 50 under the Holding Company Act with respect to the sale of one or more series of the New Bonds.

The Company also proposes to establish one or more new series of its serial preferred stock having a par value of \$100 per share, which shall consist in the aggregate of not more than 200,000 shares ("New Preferred Stock"), and to issue and sell, in one or more series from time to time not later than December 31, 1985, the New Preferred Stock, subject to Rule 50 under the Holding Company Act, as modified by Holding Company Act Release No. 22623.

The Company presently has outstanding two classes of preferred stock, one consisting of 77,798 shares of 4-3/4% Preferred Stock and the other consisting of the serial preferred stock, which ranks pari passu with the 4-3/4% Preferred Stock as to dividends or other distributions and of which 60,000 shares bearing a dividend rate of 4.36% per annum, 60,000 shares bearing a dividend rate of 5.56% per annum and 150,000 shares bearing a dividend rate of 15.44% per annum are presently authorized and outstanding. By appropriate corporate action, the Company intends, with the consent of its parent, Middle South Utilities, Inc. ("Middle South"), to amend its Restatement of Articles of Incorporation, as amended ("Charter"), to authorize each series of the New Preferred Stock, which, except as to designation, dividend rate, redemption prices and the terms and amount of sinking fund requirements, if any, for the purchase or redemption of shares of the New Preferred Stock described below, will have the same characteristics as, and rank pari passu with, the presently outstanding 60,000 shares of 4.36% Preferred Stock, 60,000 shares of 5.56% Preferred Stock and 150,000 shares of 15.44% Preferred Stock.

The dividend rate of each series of the New Preferred Stock will be a multiple of 1/25th of 1%, and the price to be paid to the Company for each series of the New Preferred Stock will be not less than \$100 nor more than \$102.75 per share, plus accrued dividends, if any.

The terms of each series of the New Preferred Stock will include a prohibition for five years after the first day of the month of issuance of the respective series against refunding any shares of such series, directly or indirectly, with funds derived from the issuance

4

of debt securities at a lower effective interest cost or from the issuance of other stock, which ranks prior to or on a parity with such series as to dividends or assets, at a lower effective dividend cost.

The Company may include provisions for a sinking fund for any series of the New Preferred Stock designed to redeem annually, commencing a specified period of time after initial issuance, at \$100 per share plus accumulated dividends, a number of shares equal to a specified percentage of the total number of shares of such series, with the Company possibly having a noncumulative option to redeem annually an additional number of shares up to a specified percentage of the total number of shares of such series. For further information as to the terms of the New Preferred Stock, reference is made to Exhibits A-1, A-2, A-3, A-4, A-5, A-6, A-7 and A-8 hereto.

For information as to the procedures to be followed in connection with the sale of the New Preferred Stock, as contemplated by Holding Company Act-Release No. 22623, reference is made to Exhibits B-2 and B-4 hereto. See Item 3 below with respect to the Company's possible amendment of this Application-Declaration to seek exemption from the requirements of Rule 50 under the Holding Company Act with respect to the sale of one or more series of the New Preferred Stock.

The Company also proposes to issue and sell to Middle South, and Middle South proposes to acquire from the Company, not more than 4,000,000 shares\* of the Company's common stock having a par value of \$10 per share ("Additional Common Stock") at a price of \$10 per share, for an aggregate cash consideration of not more than \$40,000,000. The Company's Charter presently provides for 7,000,000 authorized shares of common stock having a par value of \$10 per share, of which 5,935,900 shares, having an aggregate par value on the Company's books of \$59,359,000, are issued and outstanding and owned by

\* The proposed 4,000,000 shares includes the 1,500,000 shares previously proposed to be issued by the Company and acquired by Middle South in 1984 with respect to which an application-declaration is pending (see File No. 70-6962) before the Commission. This Application-Declaration supersedes the application-declaration in File No. 70-6962 with respect to the proposed issuance and sale by the Company, and acquisition by Middle South, of additional shares of the Company's common stock.

Middle South. Accordingly, the Company proposes, by appropriate corporate action and with the consent of Middle South, further to amend its Charter so as to increase from 7,000,000 to 10,000,000 the number of authorized shares of its common stock, thereby providing the Company with a sufficient number of authorized but unissued shares for purposes of consummating the proposed sale to Middle South of the Additional Common Stock.

The Company and Middle South believe it is preferable for sales of the Additional Common Stock to be timed to coincide with the Company's cash needs from time to time. Therefore, the Company and Middle South respectfully request that the order of the Securities and Exchange Commission ("Commission") herein permit the sales of the Additional Common Stock to be effected from time to time and at any time through and including December 31, 1985, in increments to be determined by the Company and Middle South. Upon consummation of each such issuance and sale by the Company, and the acquisition of such Additional Common Stock by Middle South, the Company proposes to credit its Common Stock Account with the amount (in the aggregate of not more than \$40,000,000) received by it for the Additional Common Stock, and Middle South proposes to debit its Investment Account with the amount (in the aggregate of not more than \$40,000,000) of its cash investment in such Additional Common Stock. For additional information with respect to the proposed issuance and sale of the Additional Common Stock, reference is made to Exhibits A-6, A-7 and B-5 hereto.

Middle South plans to obtain the funds with which to acquire the Additional Common Stock by issuing... and selling its promissory notes to various commercial banks pursuant to Middle South's proposed revolving credit agreement (see File No. 70-7034) or through such other forms of financing as may be approved by the Commission.

The Company intends to apply the net proceeds... derived from the issuance and sale of the New Bonds, the New Preferred Stock and the Additional Common Stock to the payment in part of short-term borrowings, to the financing in part of the Company's 1985 construction program, which provides for expenditures of approximately \$39,300,000, to the payment in part of the Company's obligations to Middle South Energy, Inc. under a Power Purchase Advance Payment Agreement (see File Nos. 70-6592 and 70-6985) and to other corporate purposes.

Item 2. Fees, Commissions and Expenses.

To be supplied by amendment.

Item 3. Applicable Statutory Provisions.

The Company believes that Sections 6(a) and 7 of the Holding Company Act and Rules 23, 24 and 50 thereunder apply to the sale(s) of the New Preferred Stock and the New Bonds. The Company plans to utilize alternative procedures under Rule 50 for the sale(s) of the New Preferred Stock and the New Bonds as contemplated by Holding Company Act Release No. 22623.

The Company believes that the sale(s) of one or more series of the New Preferred Stock or the New Bonds may require the assistance of underwriters, dealers or agents depending on market conditions at the time of the offering thereof or that a private placement of one or more series of the New Preferred Stock or the New Bonds may result in more favorable terms to the Company than would result from a public offering. Accordingly, the Company may amend this Application-Declaration to seek an exemption from the requirements of Rule 50 so that it may offer such series of the New Preferred Stock or the New Bonds through either a negotiated public sale(s) or a private sale(s).

The Company believes that Sections 6(a), 7 and 12(f) of the Holding Company Act and Rules 23, 24 and 43 thereunder are or may be applicable to the proposed issuance and sale of the Additional Common Stock.

Middle South believes that Sections 9(a), 10 and 12(f) of the Holding Company Act and Rules 23 and 24 of the rules and regulations thereunder are or may be applicable to the proposed acquisition by it of the Additional Common Stock.

The Company and Middle South further consider that Rule 50 is inapplicable to the proposed issuance and sale by the Company of the Additional Common Stock by virtue of paragraph (a)(3) thereof.

Item 4. Regulatory Approval.

The Company and Middle South believe that no state regulatory body or agency and no Federal commission or agency other than the Commission has jurisdiction over the proposed transactions. For further information with

respect to these matters, reference is made to Exhibits F-1 and F-1(a) hereto.

Item 5. Procedure.

The Company and Middle South request that the Commission's order herein be entered on January 31, 1985 so as to permit the Company promptly to commence its proposed financing program in February 1985.

The Company and Middle South hereby waive a recommended decision by a hearing officer or any other responsible officer of the Commission; agree that the Staff of the Office of Public Utility Regulation may assist in the preparation of the Commission's decision; and request that there be no waiting period between the issuance of the Commission's order and the date on which it is to become effective.

Item 6. Exhibits and Financial Statements.

(a) Exhibits:

- A-1 Restatement of Articles of Incorporation of the Company, as executed September 30, 1969 (filed as Exhibit A-1 in File No. 70-6392).
- A-2 Articles of Amendment to Restatement of Articles of Incorporation of the Company, as executed February 27, 1980 (filed as Exhibit A-2(a) to Rule 24 Certificate in File No. 70-6392).
- A-3 Articles of Amendment to Restatement of Articles of Incorporation, as amended, of the Company, as executed March 19, 1980 (filed as Exhibit C-1 to Rule 24 Certificate in File No. 70-6404).
- A-4 Articles of Amendment to Restatement of Articles of Incorporation, as amended, of the Company, as executed January 23, 1984 (filed as Exhibit A-7(d) in File No. 70-6962).
- A-5 Proposed form(s) of Articles of Amendment of Restatement of Articles of Incorporation, as amended, of the Company increasing authorized shares of Preferred Stock and establishing series of New Preferred Stock.



- A-6 Proposed form of Articles of Amendment of Re-statement of Articles of Incorporation, as amended, of the Company increasing authorized shares of Common Stock.
- A-7 By-laws, as amended and currently in effect, of the Company (filed as Exhibit A-8 in File No. 70-6962).
- A-8 Proposed form of New Preferred Stock Certificate.
- A-9 Mortgage and Deed of Trust, as amended by ten supplemental indentures (filed, respectively, as the Exhibits and in the Files Nos. indicated: B-3 in 2-5411 (Mortgage); 7(b) in 2-7674 (First); 4(a)-2 in 2-10126 (Second); 4(b) in 2-12136 (Third); A-6 in 70-3959 (Fourth); A-7 in 70-4023 (Fifth); D to Rule 24 Certificate in 70-4023 (Sixth); 2(c) in 2-24523 (Seventh); A-4 in 70-4462--(Eighth); C to Rule 24 Certificate in 70-5479 (Ninth); and C to Rule 24 Certificate in 70-6204 (Tenth)).
- A-10 Form of Additional Supplemental Indenture(s).
- A-11 Proposed form of Bond.
- \*B-1 Proposed form of letter(s) to prospective purchasers with respect to the New Bonds.
- \*B-2 Proposed form of letter(s) to prospective purchasers with respect to the New Preferred Stock.
- \*B-3 Proposed form of Underwriting Agreement(s) for the New Bonds.
- \*B-4 Proposed form of Underwriting Agreement(s) for the New Preferred Stock.
- B-5 Proposed form of Agreement between the Company and Middle South relating to the sale and acquisition of the Additional Common Stock.
- \*C-1 Registration Statement(s) relating to the New Bonds.



- \*C-2 Registration Statement(s) relating to the New Preferred Stock.
- D Inapplicable.
- E Inapplicable.
- F-1 Opinion of Monroe & Lemann (A Professional Corporation).
- F-1(a) Memorandum of Monroe & Lemann (A Professional Corporation) in connection with its opinion.
- F-2 Opinion of Reid & Priest.
- \*G Plan of Financing.
- \*H-1 Fee Statement of Deloitte Haskins & Sells.
- \*H-2 Fee Statement of Monroe & Lemann (A Professional Corporation).
- \*H-3 Fee Statement of Reid & Priest.
- \*H-4 Fee Statement of Winthrop, Stimson, Putnam & Roberts.
- \*H-5 Fee Statement of Middle South Services, Inc..
- \*I-1 Preliminary computation of pro forma earnings coverage required for the issuance of the New Bonds under the Company's Mortgage and Deed of Trust, as supplemented.
- \*I-2 Preliminary computation of pro forma earnings coverage required for the issuance of the New Preferred Stock under the Company's Restatement of Articles of Incorporation, as amended.

(b) Financial Statements:

\*Financial Statements of the Company as of September 30, 1984 (reference is made to Exhibit G hereto).

\*Financial Statements of Middle South Utilities, Inc. and of Middle South

---

\* To be filed by amendment.

10

Utilities, Inc. and subsidiaries, consolidated, as of September 30, 1984.

Except as reflected in the Financial Statements, no material changes not in the ordinary course of business have taken place since September 30, 1984.

Reference is made to Exhibit G hereto for a statement of (i) the approximate amounts, before and after giving effect to the proposed transactions, of unbondable property of the Company available for the issuance of bonds and (ii) the proposed accounting treatment of the transactions herein contemplated.

Item 7. Information to Environmental Effects.

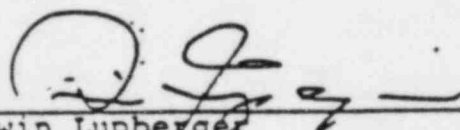
(a) As stated in Item 5, the Company and Middle South would appreciate receiving the order of the Commission in this File authorizing the transactions proposed herein on January 31, 1985. As more fully described in Item 1, the proposed transactions subject to the jurisdiction of the Commission relate only to the financing activities of the Company and Middle South and do not involve a major Federal action having a significant impact on the human environment.

(b) Not applicable.

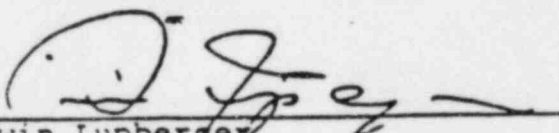
SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this statement to be signed on their behalf by the undersigned thereunto duly authorized.

NEW ORLEANS PUBLIC SERVICE INC.

By:   
Edwin Lupberger  
Assistant Treasurer and  
Assistant Secretary

MIDDLE SOUTH UTILITIES, INC.

By:   
Edwin Lupberger  
Senior Vice President -  
Chief Financial Officer

Dated: December 20, 1984

# The Times-Picayune The States-Item

149th year No. 5 New Orleans

Tuesday, January 29, 1985 20 cents

## City sues to stop NOPSI stock sale

By SUSAN FINCH  
and LYNN CUNNINGHAM  
Staff writers

The city of New Orleans filed suit Monday to stop New Orleans Public Service Inc. from selling \$100 million worth of bonds and stocks, saying the sale would increase the cost of buying NOPSI.

The city also says NOPSI should have sought City Council permission to sell the bonds and stocks, but did not.

The city says it has the option to buy utility operations under its

1923 franchise allowing NOPSI to operate in New Orleans. According to backers of a city takeover, the franchise allows the city to buy NOPSI's assets for the current book value, now about \$200 million.

According to the suit, NOPSI is proposing to sell up to \$40 million worth of new mortgage bonds, up to 200,000 shares of new preferred stock at \$100 a share, and as many as 4 million new shares of common stock at \$10 a share.

NOPSI and its parent com-

pany, Middle South Utilities Inc., filed the request to sell the stocks and bonds last month with the federal Securities and Exchange Commission. The companies asked the SEC to waive a customary hearing and allow the sale to go through as soon as possible, preferably by Feb. 1.

The common stock would be sold to Middle South, which already owns the more than 5.9 million shares of NOPSI stock, the suit says.

The suit says that with approval of Middle South, NOPSI will use some of the

money from the common stock sale to continue making advance payments for power from the Grand Gulf 1 nuclear reactor.

Since January 1984, NOPSI and two other Middle South companies, Louisiana Power and Light Co. and Mississippi Power and Light Co., have been paying a Middle South subsidiary \$12.5 million a month to finance Grand Gulf 1, a \$3.4 billion reactor near Port Gibson, Miss.

The city's suit says NOPSI President James M. Cain has previously acknowledged that the City Council must approve the

company's stock and bond sales and has said such action would not be undertaken without council approval.

But NOPSI has told the SEC that council approval is not needed because of the 1982 transfer of regulation of NOPSI from the City Council to the Louisiana Public Service Commission, the suit says.

NOPSI spokesman William Tregre said, "Our regulation is presently before the Public Service Commission, and they regulate our financing."

The suit, however, says the city

only gave the PSC control over rates of NOPSI and LP&L's operations in Algiers. It says the city did not give up control of financing.

PSC executive secretary Louis Quinn said the agency does not regulate securities sold by NOPSI, because the utility is owned by a holding company. He said the holding company is regulated by the SEC.

The suit also says that if the stock and bond sale is completed, it would become "impossible

See SUIT, A-4

### Suit

From Page 1

and/or impracticable" for the city to exercise its option to buy NOPSI operations.

The sale, the suit says, would

increase the value of the property the city wants to buy, although it does not specify what the impact would be.

"As a consequence," the suit says, "The city will be rendered incapable of financing the acquisition."

## METRO NEWS

# Plant cost blamed on public fear

By GUSTAV NIEBUHR  
East Jefferson bureau

The public's fear of nuclear power, combined with increased regulations by the federal government, have driven up the cost of the Waterford 3 nuclear plant, a senior official of Louisiana Power & Light Co. said Thursday.

The plant, which is scheduled to go on line by June, is now expected to cost \$2.7 billion, said Roth S. "Mike" Leddick, LP&L's senior vice president for nuclear operations. When construction of the plant was announced in 1970, Waterford 3 was budgeted at \$730 million with a January 1977 completion date.

"The cost of Waterford 3 didn't have to be that much, but frankly the public had a lot to do with it," Leddick told the Rotary Club of Metairie.

Asked about that remark after the meeting, Leddick said the federal Nuclear Regulatory Commission, acting in response to public concern about nuclear accidents, "kept changing the rules" on how nuclear plants should be built. The increased safety regulations caused construction costs to double and perhaps even triple at Waterford 3, he said.

"A lot of the problems with nuclear energy ... have been caused because the public was not as well informed as they should have been," Leddick said. He said that the news media have often taken a hostile attitude to nuclear energy, rather than trying to educate the public to its benefits.

Leddick, a graduate of the U.S. Naval Academy and a former



**Roth S. 'Mike' Leddick**  
LP&L senior vice president

nuclear submarine commander, supervised construction of the Prairie Island nuclear power plant in Minneapolis.

Construction of the plant was hampered by a series of delays, most recently in April, when the NRC began an unprecedented investigation into the plant's construction after receiving hundreds of complaints from workers that contractors had violated safety standards. That investigation has been completed and last month the NRC granted LP&L a license to operate Waterford 3 at 5 percent of its capacity. However, nearly a dozen NRC investigations of the plant and its management by LP&L remain open.

Leddick said the six-month investigation cost LP&L \$150 million but it did not make the plant safer.

While Leddick conceded that Waterford 3's completion will cause electric bills to local customers to rise significantly, he said the plant will prove a good investment in the long run. The price of its electricity will not increase with future inflation, at least for several decades, he said.

P R E S S    R E L E A S E

The City Council today released a report on the causes of the blackouts which occurred in the City on January 21, 1985. The report was prepared by a team of investigators hired by the City Attorney at the request of the City Council. The team of investigators included engineers from Gulf South Engineers, Inc. and R.W. Beck and Associates, and attorneys from the law firm of McGlinchey, Stafford, Mintz, Cellini & Lang. A summary of the facts discovered by the City's investigators are as follows:

1.    LOSS OF GENERATING CAPACITY:

A substantial proportion of the combined NOPSI/LP&L generating capacity was lost on the morning of January 21, 1985 from causes reported by NOPSI/LP&L to be a combination of winter and non-winter related conditions. The losses consisted of generator shutdowns and limitations in the output of other generators. When compared to the rated capacity of the units available and/or on-line before the first loss at 12:24 a.m., Monday, January 21, the order of the magnitude of losses of capacity were: NOPSI 10%, LP&L 64%, combined 56%. LP&L lost 2,051 MW (megawatts) of generating capacity out of a total generating capacity of 3,852 MW. The only NOPSI generating unit which was shutdown was Paterson #3, with a capacity of 56 MW, which shutdown at 11:23 A.M. from non-winter related conditions. See attached tables.

2. TRANSMISSION LIMITATION

Transmission capacity limitations would have prevented any substantial benefit from Grand Gulf, had it been available during the power outage period.

3. APPORTIONMENT OF EMERGENCY LOAD SHEDDING (BLACKOUTS)

According to the Emergency Reports, filed with the Department of Energy, 35,000 residential customers of NOPSI and 40,000 to 50,000 residential ratepayers of LP&L were affected by the blackouts. NOPSI/LP&L policy is that the load shed during an emergency is based upon a 2:1 ratio, i.e., LP&L will shed twice as much power than NOPSI since LP&L's load is twice as large. However, since LP&L was able to ultimately shed about 385 MW of industrial load, and NOPSI only 9 MW from three industrials, the ultimate burden placed on the residential ratepayers of LP&L was very close to the burden on residential ratepayers of NOPSI, i.e., each had to shed about 200 MW of residential and non-industrial load. Since the unwritten policy of NOPSI and LP&L pertaining to the sharing of shedding in an emergency situation concentrates on the total volume of the load, rather than on the kind of load, NOPSI's non-industrial customers will bear a disproportionate burden of cut-backs or cut-offs in power in emergency situations. NOPSI/LP&L maintain that this unwritten procedure is equally applicable if NOPSI would have an emergency.

4. WINTER PROOFING DESIGN CRITERIA FOR GENERATING PLANTS

Data supplied by NOPSI/LP&L indicate that most of their steam electric generating units are supposed to withstand a temperature

of 10°F with a wind velocity of 50 mph. The weather conditions experienced on January 21, 1985 did not exceed the winter proofing design criteria.

During December 1983, very similar temperatures, wind velocity and direction were reported by NOPSI/LP&L. The utility reports that a remedial program was undertaken to correct cold weather problems identified in 1983. During the 1985 emergency, NOPSI/LP&L report no breakdowns of equipment suffering breakdowns during December 1983.

#### 5. MOTHBALLING OF PLANTS

During December 1984, NOPSI began the "mothballing" of 193 MW of generating capacity at its Market Street and Paterson plants. During the same period, 444 MW of generating capacity (Paterson #4, Michoud #1 and #2) was taken out of service for scheduled maintenance, including an anticipated long duration outage (several months) of Michoud No. 2. The net loss of available NOPSI generating capacity at the time of the blackouts was 637 MW or 50.7% of the total NOPSI generating capacity.

#### 6. CURTAILMENT PLAN AND LOAD SHEDDING SEQUENCE

The Curtailment Plan adopted by the City Council on December 7, 1978 by Resolution R-78-204 calls for rotating outages so that no particular area is out of power for a period exceeding 20 minutes at a time.

The Curtailment Plan provision calling for rotating outages not to exceed 20 minutes was not adhered to. Most outages



appear to have been substantially longer than 20 minutes while some areas eligible for shedding appear not to have suffered outages at all.

The priority list indicating the sequence of shedding was not adhered to. The inability to adhere to the curtailment plan outage duration requirements and the shedding priority list may have been affected by problems in the operation of the remote control switching and telemetry systems. NOPSI/LP&L are investigating and report no conclusion as to causes.

NOPSI furnished a map of New Orleans showing areas serviced by each feeder. On the East Bank of New Orleans, one feeder area experienced a loss of 0-2 hours of electric power, 13 feeder areas, 2-4 hours, 45 feeder areas, experienced 4-6 hours, and 41 feeder areas were out of electricity for more than 6 hours. 54 areas experienced either no loss, or from the available data losses could not be determined.

#### 7. OTHER REPORTED EMERGENCIES

Eight other emergency reports were filed with the U.S. Department of Energy concerning freeze-related problems on January 21, 1985. Only one emergency (Detroit Edison in Detroit, Michigan) was possibly due to an electric generator failure. Detroit Edison lost 137 MW power output on a total of 5,380 MW, or 2.5% of their total load. The report seems to indicate that no residential ratepayers were deprived of their electricity. The other reports indicate that utilities in Maryland, Pennsylvania, Michigan, Ohio and Virginia did not experience loss of generation,

but experienced reduced voltage on transmission lines. Gulf States Utilities lost power on a 500 KV transmission line. It lost 600 MW on a line load of 4,450 MW (13.5%) and reported that power was lost to 120,000 customers, mainly in Texas. It is unknown how many customers were affected in the Lake Charles, Louisiana area. No generator failures were reported by Gulf States Utilities. The cause of the problem was unknown. The problem occurred at about 8:25 a.m. Power was restored at 11:00 a.m.

The report prepared by the City's investigators is only a preliminary report and did not reach any final conclusions regarding the ultimate cause of the failures of the generating units, the prudence of the procedures followed by NOPSI/LP&L during the emergency, or the prudence of policy decisions regarding weatherization or "mothballing" of plants.

The report was prepared with the cooperation of and with information supplied by NOPSI/LP&L personnel.

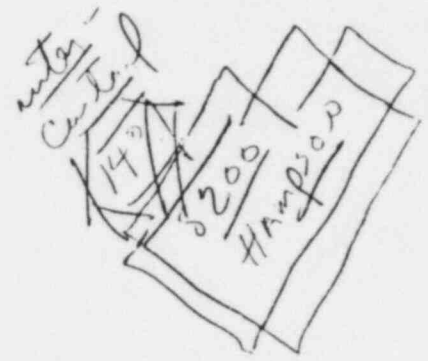
LPAL UNITS IN AMITE AREA SOUTH\*  
DURING OUTAGES 1/21/85

200  
22  
12/1

Powerplants	Unit	Year of Commercial Operation	Capacity MW	1/21/85		Out Due To Scheduled Maintenance	Back on Line 1/21/85	Winter Design Criteria Wind Velocity
				Out	MW Out			
Ninemile	1	1951	66	4:30 a.m.	22 <sup>***</sup>			--
	2	1953	100	4:30 a.m.	56 <sup>***</sup>		3:08 p.m. - 1/22/85	--
	3	1955	125	Dec. 1984		135	3:40 p.m. - 1/22/85	--
	4	1971	750	4:30 a.m.	143 <sup>***</sup>		1/22/85	10°F 50 MPH
	5	1973	750	1:45 a.m.	750		9:50 p.m. - 1/22/85	10°F 50 MPH
			SUBTOTAL:	1,791		971		
Little Gypsy	1	1961	244	1:48 a.m.	244		4:31 a.m.	--
	2	1965	436	3:20 a.m.	436		7:26 a.m. or 11:45 a.m.**	0°F None Stated
	3	1969	570	Jan. 1984		570	Feb. 1985 (Estimate)	"Similar to #1, 2"
			SUBTOTAL:	1,250		680		
Waterford	1	1975	411					10°F 50 MPH
	2	1975	400	12:24 a.m.	400			10°F 50 MPH
			SUBTOTAL:	811		400		

- 1) Total capacity of 3 generating plants 3,852 MW
- 2) Total generating capacity out due to forced losses 2,051 MW
- 3) Total generating capacity out due to scheduled maintenance 705 MW
- 4) Total generating capacity available or generating 1,096 MW

10,000



\* Does not include Buras (19 MW), Thibodeaux (40 MW) Daily Log-Sheets show Buras off until 11 a.m., thereafter producing 3 MW and no output from Thibodeaux.  
 \*\* Conflicting Information  
 \*\*\* Reduction in capacity. See Appendix 4 of Preliminary Report.

TABLE 1  
Revised 1/27-85

NEW ORLEANS PUBLIC SERVICE, INC.  
 GENERATING UNITS DURING OUTAGES 1/21/85

Plant	Unit	Date In Commercial Operation	Capacity (MW)	Forced Outage 1/21/85	MW Out	Out Due To Scheduled Maintenance	Out Due To "mothballing" Starting 1/1/85	Back On Line
Market Street	11	1938	36				36	
	12	1943	36				36	
	13	1954	31				31	
	SUBTOTAL:			103			103	
Paterson	1	1947	46					
	2	1948	44				46	
	3	1950	56	11:23 a.m.	56		44	
	4	1954	87			87		
	5	1967	16					
SUBTOTAL:			249		56	87	90	01/22/85 at 1:35 a.m. 10:48 p.m., 01/21/85 (after emergency unit tripped at 11:41 p.m.) 3:12 a.m. On Line
Michoud	1	1957	113					
	2	1963	244				113	
	3	1967	548	2:22 a.m.	58**		244	
SUBTOTAL:			905		58	357		Late Jan. 1985* May 1985* (Estimates) 8:00 a.m. - 530 MW (January 21, 1985)

- 1) Total capacity of 3 generating plants 1257 MW
- 2) Total generating capacity out due to forced losses (after 11:23 a.m.) 56 MW
- 3) Reduction in capacity 58 MW
- 4) Total generating capacity out due to "mothballing" 193 MW
- 5) Total generating capacity out due to scheduled maintenance 444 MW
- 6) Total capacity available or generating 562 MW at 3:12 a.m.

\*\*Unable to increase load - at 490 MW

TABLE 2  
 Revised 1/27-85

# The Times-Picayune

## The States-Item

148th year No. 364 New Orleans

Tuesday, January 22, 1985 20 cents

# Major power blackout is triggered by cold

By MARK ECHLEIFSTEIN  
and FRANK DONZE  
Staff writers

Jack Frost chose the dead of night to wreak havoc with switches and controls that operate four Louisiana Power & Light Co. generating stations early Monday morning, triggering one of the worst blackouts in the electric system's history.

And while power was restored to almost all residential areas in the New Orleans area by midday Monday, utility and city officials urged residents and businesses to limit usage through Tuesday to

avoid a repeat of the power losses.

The New Orleans City Council called for an investigation of whether rotating blackouts — ordered by LP&L and its sister power company, New Orleans Public Service Inc., after ungenerating failures — were necessary.

The initial generating outages were caused by a combination of freezing rain, low temperatures and wind conditions that dropped the chill factor below 0, said NOPSI spokesman Bill Tregre. That caused a variety of electronic switches, hydraulic valves

and cooling water lines to freeze, he said.

"We had taken some precautions and done some insulation based on our experience last year, but evidently the insulation we put in was not adequate to protect us from the extreme cold we experienced yesterday," Tregre said.

He said most of the controls are exposed to the weather, and are not housed in protective buildings because of the area's mild climate. When the equipment failed, the plants' computer systems automatically shut them down, Tregre said. To make up

for the loss of that power, the utility officials diverted power from other areas by ordering rotating blackouts.

New Orleans area businesses, asked to shut down Monday afternoon by the City Council, were expected to resume normal operations Tuesday.

North of Lake Pontchartrain, residents in St. Tammany and Washington parishes could be hit by power outages if more branches fall on lines and break them, officials said.

LP&L and NOPSI said they were forced to cut power without warning to more than 70,000

sleeping customers early Monday.

Some customers were without power for as long as six hours.

Utility officials said they had to continue rotating blackouts throughout southeast Louisiana until midday Monday, leaving thousands more without power for shorter periods of time, to avoid having the companies' entire generating system shut down.

One LP&L spokesman said the rolling blackouts were dealt out to NOPSI and LP&L customers "to spread the grief to as few people as possible for the least amounts of time."

The power outages added to the discomfort felt by residents attempting to cope with sub-freezing temperatures, frozen water pipes and dangerously slippery streets and bridges.

But the blackout also sparked a political tempest after LP&L spokesman Jim Fort said early Monday that the outage underlined the need for adding the Waterford 3 and Grand Gulf 1 nuclear power plants to the Middle South Utilities system.

His comments elicited immediate criticism from the City Council.

See BLACKOUTS, A-4

# Blackouts

From Page 1

cil and Public Service Commissioner John F. Schwegmann.

During an emergency council meeting called to discuss taking over NOPSI, councilmen invited Middle South chairman Floyd L. Lewis to explain the outage. They hinted that Lewis might be subpoenaed if he declines an invitation to their meeting Thursday.

"I think they orchestrated the blackouts," Councilman James Singleton said after the meeting. "They have decided that what they'll do is show us how much we need nuclear power and try to ram it down our throats like they've been doing all along."

Schwegmann said Fort was groping for whatever shred of additional support he can get to justify the decision to build those units.

NOPSI spokesman Richard Guthrie said the additional power that would be supplied by Grand Gulf 2 and Waterford 3 when they begin commercial operations later this year "would have changed the situation considerably."

"Basically, when you're depending on one basic source of electricity with no backup," Guthrie said, "you're in trouble."

Meanwhile, Mississippi Power & Light Co. officials said Grand Gulf 1 was operating at only 5 percent of its capacity on Sunday and Monday.

The plant now is expected to be increased to more than 60 percent of its capacity next week during its third stage of testing before commercial operation.

MP&L spokesman Lincoln Warren said its sister utilities in Louisiana had not requested that Grand Gulf generate more power on an emergency basis to help alleviate the blackout. He said he did not know if such a move would be feasible under federal Nuclear Regulatory Commission regulations.

And Guthrie said a transformer normally used to relay power from Arkansas has been

inoperative for two months.

"If there is any (available) power up North, there would be a problem" relaying it to LP&L and NOPSI, he said.

The companies did get emergency power from MP&L and several other surrounding power companies, Fort said.

The LP&L power plants that malfunctioned were Nine Mile Point Unit 5 on the West Bank near Bridge City, Little Gypsy Station Units 1 and 2 near the Bonnet Carre Spillway, and Waterford 2, a natural gas generating plant on the West Bank of St. Charles Parish.

Making the situation worse, LP&L and NOPSI officials said, was that two power plants at the Michoud Generating Station have been shut down for more than a month for routine maintenance.

Tregre said such maintenance is routinely done during winter months because those months are normally a time of low power demand.

NOPSI is supposed to follow a specific emergency plan for New Orleans customers that was mandated by the City Council in 1978.

But Fort said the emergency plan never had a chance to work.

Because all four LP&L plants shut down between 2:40 a.m. and 3:50 a.m., the company could not notify sleeping residential customers and business and manufacturing executives to limit their electricity usage.

The magnitude of the power loss also meant that reducing voltage by 10 percent, another option in the emergency plan, would not work.

The only option, Fort said, was to cut off large chunks of customers as quickly as possible to avoid the loss of power to all of southeast Louisiana.

Once utility officials got the situation under control, they began to rotate the blackouts in most areas. That meant turning off individual distribution lines at switching stations throughout the New Orleans area on a rotating basis.

The only areas whose power was not cut off were those served

by substations serving:

► The Central Business District, where cutting off individual distribution lines was impractical.

► The St. Charles streetcar line and portions of the area around it, to continue use of the streetcar.

► The Air Products and Chemicals Inc. plant on Intracoastal Drive in eastern New Orleans, because that company's generators were producing power for NOPSI on an emergency basis.

In addition, individual distribution lines to most area hospitals, fire and police stations, sewerage and water plants and other essential services were not cut off wherever possible.

Power was restored to all residential areas except those cut off by breaks in individual distribution lines by 2 p.m.

Meanwhile, residents served by Washington St. Tammany Electric Cooperative in several parts of three parishes braced Monday for another night of going intermittently without electricity.

Sunday night's temperatures in the teens caused demand for power greater than what the electric co-op could provide. As a result, about 5,000 homes were without power at various times.

In the northern part of St. Tammany and in parts of Washington and Tangipahoa parishes, about 3,500 residents went without electricity for about an hour after midnight, said operations manager Gerald Brumfield.

The electric co-op decided against alternating power to various areas the company serves, said Brumfield, who urged the co-op's 26,000 customers to conserve electricity.

Central Louisiana Electric Co., which serves the rest of the parish, had more power than it needed Monday and was providing some of it to Middle South Utilities, a spokesman said.

About 5,100 CLECO customers, mostly in the Slidell area, were without power Sunday when a LP&L line under construction fell across a CLECO line.

Although power was restored to most areas within a few hours, 60 customers were without electricity for 14 hours, he said.

1-23-85 Times - Acaying

**An analysis**

# Mistrust tarnishes utilities

By LYNN CUNNINGHAM  
Staff writer

The executive secretary of the state Public Service Commission can remember when Louisiana Power & Light Co. was "the darling of the nation's utility industry" — a company that was so well run its executives asked to reduce rates 26 times in the past 60 years.

New Orleans City Attorney Salvador Anzelmo recalls with fondness a New Orleans Public Service Inc. of days gone by, a "paternalistic" utility known simply as "Public Service" that supplied cheap power and ran a money-making transit system.

But that sweet harmony has soured. State and city officials say now that they see the two New Orleans area utilities as untrustworthy satellites of the Middle South system, ready to sell out local interests to the corporate good.

Tuesday, New Orleans City Councilman Wayne Babovich said that if the council voted now, it would take over NOPSI and the Algiers operations of LP&L because the companies can no longer be trusted to protect ratepayers.

Monday, Councilman James Singleton charged that the utilities created extensive power outages during a cold snap as a ploy to garner support for their nuclear plants, Waterford 3 and Grand Gulf 1.

The same day, PSC members in Baton Rouge lambasted utility officials over their plans to

See UTILITIES, next page

## Utilities

From A-21

increase the amount of power LP&L and NOPSI will buy from the \$3.4 billion Grand Gulf 1 plant in Mississippi.

The utilities' local image has gotten so bad, several observers say, that if voters were asked again to return regulatory control over them to the City Council, the measure would pass.

A similar referendum failed by a few hundred votes in 1983. Councilmen Monday introduced legislation to call a May 4 referendum on regulatory control.

"It's turned around," said Councilman Joseph Giarrusso, one of the measure's authors. "People have a better understanding of what the issues are — the rate impact of two nuclear power plants."

Observers who say the utilities' image has decayed cite several actions by company executives.

For example, city officials are angry because they say NOPSI tried to claim a large share of a court-ordered refund granted the city and the utility from a gas supply company.

Also, the utilities have said that when the PSC assumed regulatory control in 1982, city officials lost some other controls over NOPSI and LP&L.

But the biggest blow to the utilities' relations with government and the public seems to be the decision this month by James M. Cain, president of NOPSI and LP&L, to increase the companies' share in Grand Gulf 1 electricity — a decision made without notifying the council or the PSC.

State and city officials reacted loudly and quickly, saying that NOPSI and LP&L capitulated to pressure from their parent company, Middle South Utilities Inc., which in turn was feeling political pressure from Arkansas. Middle South owns LP&L, NOPSI, Arkansas Power & Light Co. and Mississippi Power & Light Co.

LP&L and NOPSI had supported the cost-sharing plan proposed by the PSC. It also was

adopted by a Federal Energy Regulatory Commission judge, who recommended it to the full commission. The FERC regulates interstate power sales and will have the final say over how Grand Gulf 1 power is split up.

PSC consultants say the utilities' new cost-sharing plan will cost Louisiana ratepayers hundreds of millions of dollars in increased electric rates. Utility executives say that the plan will benefit Louisiana ratepayers in the long run.

At Monday's PSC meeting, Cain and Middle South Chairman Floyd W. Lewis were extolling the virtues of the new proposal. Commissioner Louis Lambert of Gonzales sat 10 feet away.

"Why should we believe anything you're saying today," Lambert said, "when you told us months ago that you backed our position (in the cost-sharing issue) — reversing your position without telling us, embarrassing us. A credibility problem now exists and you created it."

Cain acknowledged that he may have lost credibility with the PSC, but said he hoped the commission would understand how hard it is to please electric customers in three states.

New Orleans City Councilman Mike Early said he has noticed a "subtle, but definite change in NOPSI's corporate image" in the community, and attributes it to NOPSI's increasing identification with Middle South.

"NOPSI is not the corporate citizen it once was in New Orleans," Early said. "Its image now is that of a subsidiary of a mammoth, multistate corporation that acts for the benefit, not of New Orleans and Louisiana, but for system as a whole."

Babovich said that to mend fences, NOPSI and LP&L would have to support a Grand Gulf 1 cost sharing plan more favorable to New Orleans area customers than the Middle South plan.

"NOPSI has got to stop playing games," he said, "either admit it doesn't have control of its destiny, or work with us to battle the dominant companies."

1-23-85 Times Picayune

# City probes power plants after outage

By LYNN CUNNINGHAM  
and MARK SCHLEIFSTEIN  
Staff writers

New Orleans city officials and energy consultants toured New Orleans Public Service Inc. generating plants Tuesday in a council-ordered investigation into the Monday blackouts that left 70,000 without electricity in sub-freezing temperatures.

Meanwhile, the president of Louisiana Power & Light Co. and NOPSI said Tuesday that a city councilman's charges about the power failures were a "slap in the face."

Councilman James Singleton accused utility officials of masterminding the blackouts to support the companies' contention that nuclear plants will provide better service for Louisiana customers.

Singleton made the charge Monday, and the council called for the investigation of NOPSI's rotating power cutoffs. The utility said the cutoffs were needed because high demand was threatening to throw the entire New Orleans area into darkness.

City Attorney Salvador Anzelmo said the investigation group, which includes city lawyers and engineers from a



**James M. Cain**  
It was a "slap in the face"

national consulting firm, wants to know whether NOPSI and LP&L are to blame for the outages and whether NOPSI was selling electricity to LP&L.

Utilities President James M. Cain said at a hastily called press conference, "We have no more orchestrated the blackouts than the Sewerage & Water Board orchestrated low water pressure."

See BLACKOUT, next page

## Blackout

From Page 21

To say we did this is in poor taste."

Cain, describing Monday "as a hell of a day," gave several reasons for the blackouts:

- ▶ A transformer malfunctioned, preventing power from an LP&L and NOPSI-sister subsidiary in Arkansas from reaching the area.
- ▶ Several power plants were disassembled for scheduled winter maintenance and couldn't be restarted in time.

- ▶ Insulation of outdoor controls was inadequate at LP&L's gas and oil-fired generators. Cain said engineers and technicians didn't expect the below-zero wind-chill factor. He also said that controls at two area nuclear plants, Waterford 3 and Grand Gulf 1, are indoors and not susceptible to freezing.

Cain also said a comment by a utility spokesman that power from Waterford 3 and Grand Gulf 1 could have prevented the blackouts has caused him "a lot of grief."

He said he cannot understand "the psychology behind the public's reaction to the comment," and said the remark was intended to show that the two plants could have provided more power to the area.

Both the \$2.73 billion Waterford 3 and \$3.4 billion Grand Gulf 1 are years behind schedule and many times over budget. Both are scheduled for commercial operation later this year, and both will furnish electricity to LP&L and NOPSI customers.

Meanwhile, as warmer weather thawed the New Orleans area Tuesday, electric power was restored to all but a few LP&L and NOPSI customers.



Times - Picayune  
The States - Item  
January 29, 1985

## Blackouts defended by utilities

By LYNN CUNNINGHAM  
Staff writer

Local utilities, in a series of planned emergency power outages during the height of last week's record-breaking cold snap, tried to follow accepted industry practice and New Orleans City Council emergency guidelines, utility engineers said Monday.

Local utility engineers called a press conference Monday to tell their version of the story behind the controversial Jan. 21 area-wide outages that left 70,000 electricity customers without power for hours in the midst of a freezing temperatures.

"We did what the plan called for," said Jerry Saacks, chief engineer for Louisiana Power & Light Co. and New Orleans Public Service Inc.

Saacks said the rotating blackouts "were necessary to prevent a cascading situation which could have resulted in a complete area blackout of all customers."

Utility spokesman James Fort said the blackouts were in line with nationwide utility practices and emergency guidelines laid out in 1978 by the council.

But New Orleans City Councilman James Singleton, who accused NOPSI and LP&L of orchestrating the blackouts to emphasize the need for two nuclear plants, said he is not convinced the plan was followed.

"I'm not satisfied they followed the plan," Singleton said. "They think they did. But it's obvious to me they did not. They can't justify that they followed the plan."

Fort said, "We followed the prearranged plan to the extent we could."

Fort said part of the plan called for planned power outages, but only for durations between 20 and 30 minutes. Those guidelines were not followed, Fort said, because of the crisis situation and fear that equipment turned on and off frequently might break.

"It was a judgment call," Fort said.

According to a utility report, 11 of the 16 generators that supply power to metropolitan New Orleans were either operating or available to generate the day before the cold front swept

## NOPSI

From Page 1

through south Louisiana. Those 11 plants, the utility said, would supply more than enough power to Orleans, Jefferson, St. Bernard, Plaquemines and St. Charles parishes.

But the utility did not predict that sub-zero wind chill factors would freeze outdoor controls and knock out four of those 11 generating plants.

When the four plants went down, the remaining units had to take up the slack, their transmission lines working at near capacity levels to distribute the power, according to the report. In order to prevent the overload of transmission lines that utility officials said would have darkened the

entire metropolitan area, LP&L initiated outages. NOPSI soon followed.

Saacks said that NOPSI sold power to LP&L during the emergency period, but that the sale were necessary to maintain the integrity of the LP&L system whose transmission lines connect NOPSI to outside power.

Saacks also said that the utilities learned a lesson about adequate protection for outside power plant equipment.

But Singleton accused the companies of ignoring proper maintenance.

"NOPSI and LP&L are so bent on getting (the two nuclear plants) Grand Gulf 1 and Wateford 3 paid for that they have deliberately created the situation where they allowed their equipment to deteriorate," Singleton said.

## METRO

## NOPSIS sued for \$100 million in blackout

By SUSAN FINCH  
and LYNN CUNNINGHAM  
Staff writers

A leading utility critic Wednesday filed a \$100 million class action suit against New Orleans Public Service Inc., claiming company negligence caused Monday's extensive power blackouts during subfreezing temperatures.

Former City Councilman and Public Service Commissioner Brod Bagert filed the suit in Civil District Court on behalf of several New Orleanians, charging that 70,000 NOPSIS customers suffered property damage and personal discomfort because of the eight-hour blackout.

NOPSIS has said the outages were necessary because power demand in the metropolitan area exceeded supply, and the imbalance could have caused a widespread blackout.

But Bagert claims NOPSIS had sufficient power to serve its customers but diverted some of it to neighboring Louisiana Power & Light Co., also threatened with losing power.

He also claims that NOPSIS management ordered generating units disassembled for routine maintenance during the winter months when customer demand is high.

"At no point," Bagert said, "did NOPSIS not have enough

generating capacity to supply the city."

NOPSIS Senior Vice President John Cordaro, who called Bagert's suit harassment, said the companies bought and sold power to each other during the outage, but only to prevent a total area blackout.

"Total blackout was a real alternative," Cordaro said. "The integrity of the entire system had to be maintained, so we (blackout areas) to bring back stability."

Cordaro said utility engineers will present a report to the New Orleans City Council Thursday explaining the reasons for the intermittent power outages. City

engineers also will present their own report.

Cordaro said he is not surprised Bagert filed the suit. The local attorney is a leader in the fight to return regulatory control of NOPSIS to the City Council and to buy out NOPSIS to avoid purchasing high-cost power from a Mississippi nuclear plant.

"I question his motives," Cordaro said. "He is a leader in the drive toward municipalization. Every opportunity he sees as a possible argument to further his desire to move this city toward municipalization, he takes."

NOPSIS had adequate notice that temperatures would drop, but failed to take sufficient mea-

asures to "ensure sufficient electrical power for heating and other electrical needs," according to the suit.

Bagert said he didn't know the other plaintiffs personally, but they had called him Monday to express their anger over the blackouts.

Also Wednesday, NOPSIS was sued for more than \$1 million by the owners of a 2703 Ursulines Ave. grocery that burned Monday morning after electrical power to the area was shut off.

Seven Seas of Harvey Inc., which operates Bayamo's, sued with store operators Jose Jimenez and his wife, Norma, claiming NOPSIS shut off power

to the area for no good reason and without warning, and without stopping the flow of gas into buildings affected by the power loss.

Loss of electricity caused the blower in the grocery's heating unit to shut down, but the gas-powered part of the unit kept operating, according to the suit.

The suit says the fire, which left the grocery and its contents a total loss, was caused by NOPSIS's negligence, including failure to warn its customers of the danger of operating heating units when electrical power is cut off and failure to halt the flow of gas into buildings when power has been stopped.

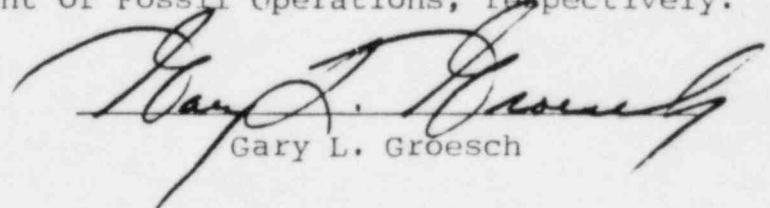
AFFIDAVIT

My name is Gary L. Groesch. I am the Research Coordinator of the Oystershell Alliance/Save Our Wetlands (Joint Intervenors) intervention into the operating license of the Waterford 3 nuclear power plant. I attended a meeting on January 25, 1985 at the Waterford 3 facility wherein Louisiana Power & Light (LP&L) officials briefed Nunzio Palladino, chairman of the Nuclear Regulatory Commission, on the present status of the project and a possible timetable for attaining an upgraded license.

During the six-hour discussion and tour, I had occasion to speak with R. S. Leddick, Vice-President of Nuclear Operations, about the extensive rolling blackouts that occurred on January 21 in the LP&L and New Orleans Public Service areas. I mentioned that the initial reports on the blackouts (see reports) indicated lack of preparation on behalf of LP&L managers. I questioned him concerning his responsibility during the episode. He responded that his duties were concentrated on the nuclear project, not the failed fossil units. He said fossil operation and maintenance were the responsibilities of "Maurin and Aswell."

These two men, D. L. Aswell and Lee Maurin, were the former senior LP&L personnel at the Waterford 3 facility throughout the 1970's and into the 1980's until the arrival of Leddick and his "team." Aswell was Vice-President of Power Production; Maurin was Plant Manager and Vice-President of Nuclear Operations.

Aswell and Maurin are now the Senior Vice-President of Fossil Operations and Vice-President of Fossil Operations, respectively.

  
Gary L. Groesch

*Sworn to and subscribed before me  
this 23rd day of February, 1985  
Barth H. Burstein  
Notary Public*

SECOND REPORT  
ON LOSS OF ELECTRIC POWER IN  
CITY OF NEW ORLEANS ON JANUARY 21, 1985

Submitted to City Council  
on January 29, 1985

To Supplement  
Preliminary Report  
of January 24, 1985

McGlinchey, Stafford, Mintz,  
Cellini & Lang

Gulf South Engineers, Inc.

R. W. Beck and Associates

## INDEX

	Page
Introduction . . . . .	1
Table 1: LP&L Units . . . . .	3
Table 2: NOPSI Units . . . . .	4
Table 3: Retail Customer Mix - 1982 . . . . .	5
Table 4: Retail Customer Mix - 1983 . . . . .	6
Table 5: Number of LP&L Customers in Affected Area . . . . .	7
Report on Findings of Fact . . . . .	8
Protection Against Freezes: Weatherization of LP&L's Power Plant . . . . .	12
Electric Power Emergency Reports . . . . .	15
Appendices . . . . .	18

## INTRODUCTION

This is the Second Report pursuant to Council Resolution 85-35. The resolution calls for a "full and complete investigation with regard to the 'rolling blackouts' of electric power in the City on January 21, 1985 and the necessity for the blackout."

This report incorporates information and facts not available or researched at the time the First Preliminary Report was submitted. Also included are revisions of some tabulations.

This report is a preliminary report, limited to facts obtained from NOPSI/LP&L and several other sources such as the U.S. Meteorological Service. Facts obtained from NOPSI/LP&L were furnished by Plant Managers and Management Personnel and not directly from operators on duty at the time events occurred. Information however, did include logs which we understand from NOPSI were prepared by the operators. Information obtained from NOPSI/LP&L also included data automatically recorded.

During January 22 and 23, meetings were held with NOPSI/LP&L including visits to generator units which experienced outages. The investigating team was not informed at that time about generators at Nine Mile and Michoud which were limited in output during the crisis period. Therefore, the Team did not have an opportunity, while inspecting Unit #5 at Nine Mile to inspect generating units nos. 1, 2 and 4 which were also limited in output. Information furnished the evening of January 23 first revealed the Michoud No. 3 and the Nine Mile units 1, 2 and 4

problems. Those units were thus not included in the First Preliminary Report technical section, "Exhibit A", prepared by R. W. Beck.

This report deals mainly with factual issues as did the Preliminary Report. It is not an inquiry into policy decisions, into the identity of those making decisions, or of those at whose direction any decisions made were implemented. We were unable to examine the decision making process and how any of the policies were adopted, as this was an area in which LP&L/NOPSI's legal counsel refused to allow any inquiries in by the Investigating Team.

In the short period of time available to prepare this report, it has not been possible to collect sufficient information to reach any conclusions regarding the adequacy and prudence of winter proofing programs in comparison to standards common to the utility industry.

We have not reached any final conclusions regarding the ultimate cause of the failures of the generating units, the prudence of the emergency procedures that were followed, or the reasonableness of the policies under which NOPSI and LP&L initiated the shedding of its loads. This report is not intended to be, and should not be considered a complete report on all of the facts involved.

NOPSI/LP&L personnel have worked long hours to gather, reproduce and identify material furnished at the request of the investigating team. We are appreciative of their cooperation.

LP&L UNITS IN AMITE AREA SOUTH  
DURING OUTAGES 1/21/85

Generating Plants	Unit	Year of Commercial Operation	Capacity MW	1/21/85		Out Due To Scheduled Maintenance	Back on Line 1/21/85	Winter Design Criteria °F Wind Velocity
				Out	MW Out			
Denham	1	1951	66	4:30 a.m.	22 <sup>***</sup>			
	2	1953	100	4:30 a.m.	56 <sup>***</sup>		3:08 p.m. - 1/22/85	--
	3	1955	125	Dec. 1984		135	3:40 p.m. - 1/22/85	--
	4	1971	750	4:30 a.m.	143 <sup>***</sup>		1/22/85	10°F 50 MPH
	5	1973	750	1:45 a.m.	750		9:50 p.m. - 1/27/85	10°F 50 MPH
			SUBTOTAL: 1,791		971	135		
Little Gypsy	1	1961	244	1:48 a.m.	244		4:31 a.m.	--
	2	1965	436	3:20 a.m.	436		7:26 a.m. or 11:45 a.m. <sup>**</sup>	0°F None Stated
	3	1969	570	Jan. 1984		570	Feb. 1985 (Estimate)	*Similar to #1, 2*
			SUBTOTAL: 1,250		680	570		
Terford	1	1975	411					10°F 50 MPH
	2	1975	400	12:24 a.m.	400			10°F 50 MPH
			SUBTOTAL: 811		400			

- 1) Total capacity of 3 generating plants 3,852 MW
- 2) Total generating capacity out due to forced losses 2,051 MW
- 3) Total generating capacity out due to scheduled maintenance 705 MW
- 4) Total generating capacity available or generating 1,096 MW

\* Does not include Buras (19 MW), Thibodeaux (40 MW) Daily Log-Sheets show Buras off until 11 a.m., thereafter producing 3 MW and no output from Thibodeaux.

\*\* Conflicting Information

\*\*\* Reduction in capacity. See Appendix 4 of Preliminary Report.

TABLE 1  
Revised 1/27-85



NEW ORLEANS PUBLIC SERVICE, INC.  
 GENERATING UNITS DURING OUTAGES 1/21/85

Plant	Unit	Date In Commercial Operation	Capacity (MW)	Forced Outage 1/21/85	MW Out	Out Due To Scheduled Maintenance	Out Due To "Mothballing" Starting 1/1/85	Back On Line
Market Street	11	1938	36				36	
	12	1943	36				36	
	13	1954	31				31	
	SUBTOTAL:			103			103	
Peterson	1	1947	46				46	
	2	1948	44				44	
	3	1950	56	11:23 a.m.	56			
	4	1954	87			87		
	5	1967	16					
SUBTOTAL:			249		56	87	90	01/22/85 at 1:35 a.m. 10:48 p.m., 01/21/85 (after emergency unit tripped at 11:41 p.m.) 3:12 a.m. On Line
Michoud	1	1957	113			113		
	2	1963	244			244		
	3	1967	548	2:22 a.m.	58**			
SUBTOTAL:			905		58	357		Late Jan. 1985* May 1985* (*Estimates) 8:00 a.m. - 5:30 MW (January 21, 1985)

- 1) Total capacity of 3 generating plants 1257 MW
- 2) Total generating capacity out due to forced losses (after 11:23 a.m.) 56 MW
- 3) Reduction in capacity 58 MW
- 4) Total generating capacity out due to "mothballing" 193 MW
- 5) Total generating capacity out due to scheduled maintenance 444 MW
- 6) Total capacity available or generating 562 MW at 3:12 a.m.

\*\*Unable to increase load - at 490 MW

TABLE 2  
 Revised 1/27-85

TABLE 3 -- RETAIL CUSTOMER MIX - 1982 \*

LP&L						
Retail Customers			KWH Sales		Electric Operating Revenues	
Class	No.	%	(Millions)	%	(\$000,000)	%
Res.	478,360	88.6	6,429	27	364.0	30
Com.	52,001	9.6	3,130	13	183.0	15
Ind.	6,618	1.2	12,997	54	574.0	48
Govt.	--	--	--	--	--	--
Other	3,408	0.6	1,385	6	74.5	6
<b>Total</b>	<b>540,387</b>	<b>100</b>	<b>23,941</b>	<b>100</b>	<b>1,195.5</b>	<b>100</b>
NOPSI						
Retail Customers			KWH Sales		Electric Operating Revenues	
Class	No.	%	Millions	%	\$000,000	%
Res.	177,700	90	1,700	35	107.1	35
Com.			1,631	34	109.1	36
Ind.			756	16	40.8	14
Govt.			756	16	43.3	14
Other			--	--	--	--
<b>Total</b>	<b>198,400</b>	<b>100</b>	<b>4,843</b>	<b>100</b>	<b>300.3</b>	<b>100</b>

\* Source - 1982 Annual Reports

TABLE 4 -- RETAIL CUSTOMER MIX - 1983

LP&L

Retail Customers*			KWH Sales*		Electric Operating Revenue*	
Class	No.	%	Millions	%	Millions	%
Res.	487,148	88	6,274	28	358,840	31
Com.	53,812	10	3,168	14	186,822	16
Ind.	7,503	1	11,491	52	529,649	47
Govt.	3,562	1	1,305	06	69,432	06
Other	--					
Total	552,025	100	22,238	100	1,144,743	100

NOPSI

Retail Customers**			KWH Sales*		Electric Operating Revenue*	
Class	No.	%	Millions	%	\$ Millions	%
Res.	179,800	89	1,643	34	97.8	35
Com.	18,600	9	1,654	35	104.3	37
Ind.	1,100	1	728	15	36.4	13
Govt.	1,600	1	762	16	41.1	15
Other	--	--			--	
Total	201,100	100	4,787	100	279.6	100

\* Source - 1983 Annual Report

\*\* Source - LP&L/NOPSI

TABLE 5 -- RETAIL CUSTOMER MIX - 1983

LP&L Customers Affected by Outages

LP&L

Retail Customers		
Class	Number	Percent
Residential	213,060	89.7
Commercial	20,810	8.8
Industrial	2,330	1.0
Governmental	1,200	0.5
Other	--	
Total	237,400	100.0

REPORT OF FACTS FOUND - II

The following are revisions and additions to the five facts presented in the Preliminary Report of January 24, 1985 as well as new facts identified since. The original set of facts (numbers 1 through 5) are presented in Appendix 6.

The numerical sequence is continued here for the new facts.

ITEMS 1 AND 2 -SEE APPENDIX 6

3. APPORTIONMENT OF EMERGENCY LOAD SHEDDING AMONG NOPSI AND LP&L SERVICE AREAS:

Additional Information:

Records of load shed and commands for shedding of load furnished by NOPSI/LP&L indicate that from the commencement of load shedding efforts the two to one policy of allocation of load to be shed was maintained. By about 1.25 hours following the first shedding and until return to normal the ratio of load shed was approximately three to one with the LP&L service area enduring three times as much as the NOPSI service area. This relates to total load shed without regard to class of load as to industrial, commercial or residential.

4. WINTER PROOFING DESIGN CRITERIA FOR GENERATING PLANTS:

NOPSI/LP&L indicate that freeze protection, minimum temperature and maximum wind velocity used by NOPSI/LP&L as design criteria for the original design or subsequent freeze

protection of steam electric generating units is generally more severe than that encountered during January 1985.

Table No. 2 contains freeze protection general criteria for temperature and wind velocity as furnished by NOPSI/LP&L for several steam electric generator units.

The current freeze protection general design criteria was developed following record setting cold weather of January 1962. See Appendix No. 8 for a tabulation of those conditions in comparison to conditions recorded in December 1983 and January 1985.

5. See Appendix 6

6. LOSS OF GENERATING CAPACITY:

A substantial proportion of the combined NOPSI/LP&L generating capacity was lost on the morning of January 21, 1985 from causes reported by NOPSI/LP&L to be a combination of winter and non-winter related conditions. The losses consisted of generator shutdowns and limitations in the output of some generators. When compared to the rated capacity of units available and/or on-line before the first loss at 12:24 a.m., Monday, January 21, the order of the magnitude of losses of capacity were: NOSPI 10%, LP&L 64%, combined 56%. See Preliminary Report, section "Chronology of Events".

7. COMPARISON OF ACTUAL LOAD SHEDDING SEQUENCE AND PRORATION  
VERSUS CURTAILMENT PLAN AND SHEDDING PRIORITY SEQUENCE:

The Curtailment Plan provision calling for rotating outages not to exceed 20 minutes was not adhered to. Most outages appear to have been substantially longer than 20 minutes while some areas eligible for shedding appear not to have suffered outages at all.

The priority list indicating the sequence of shedding was not adhered to. The inability to adhere to the curtailment plan outage duration requirements and the shedding priority list may have been affected by problems in the operation of the remote control switching and telemetry systems. NOPSI/LP&L are investigating and report no conclusion as to causes.

NOPSI furnished a map of New Orleans showing areas serviced by each feeder. On the East Bank of New Orleans, one feeder area experienced a loss of 0-2 hours of electric power, 13 feeder areas, 2-4 hours, 45 feeder areas, experienced 4-6 hours, and 41 feeder areas were out of electricity for more than 6 hours. 54 areas experienced either no loss, or from the available data losses could not be determined.

We were not provided with a feeder area map for the affected LP&L area. Hence, the location of the feeder groups tripped for Algiers could not be determined.

Review of the LP&L Southern Control Daily Switching Log and computer generated power shedding report dated January 21, 1984 reveals that Algiers is serviced by LP&L's Lower Coast and Holiday Substations. Six service areas were blacked out in Algiers through switches in the Holiday Substations and each outage lasted about three hours. LP&L also shed loads through the Lower Coast Substation, cutting power to two Algiers service areas, with one outage lasting about 2.5 hours and the other lasting a total of about two hours.

8. RESERVE CAPACITY FOR POWER SUPPLY LOSS CONTINGENCIES

NOPSI/LP&L maintained approximately 1500MW of excess supply capacity as of the evening of January 20, 1985 in excess of the expected peak area load. Normal contingency planning does not anticipate the disintegration of the system to the extent that it occurred. The large number of steam electric generator unit outages and reduction in output is highly unusual, and was unique in the country. (See Appendix 3).



PROTECTION AGAINST FREEZES:  
WEATHERIZATION OF LP&L'S POWER PLANTS

A. Weatherization Program

The freeze of January 21, 1985 was not unexpected. Freezing weather had been predicted one or two days before January 21, 1985 (See Appendix 9). The MSU dispatch centers have teletype connections with the Weather Bureau. The Companies no longer use a consulting meteorologist. In answer to our question, whether the companies had written procedures regarding weatherizing the plants we were told that there were no written procedures (See also Appendix 5, which is the response to our request for information on this point), but that only LP&L/NOPSI of the MSU companies, were in the process of preparing procedures. Company officials stated that after the Christmas 1983 freeze, a formal program was undertaken. All freeze related problems were identified, a remedial program was developed and reported to all plants within the Middle Sou System. Specific remedial measures were taken with respect to individual equipment items and systems. General remedial action was undertaken including protective sheathing on walls around certain areas. As of our plant visits on January 22 and 23, 1985, work was incomplete on some enclosures and walls. We were not able to investigate the status of other measures as details of those measures were received later.

Upon receipt of an impending freeze warning, NOPSI/LP&L advised that plant managers act at their discretion and in their

best judgment to effect additional last minute measures for freeze protection in addition to those mandated by p.10r directives.

B. Cost of Weatherization Program

Members of management of both companies and plant managers at the various powerplant sites alike volunteered the information that the implementation of a weatherization freeze protection program was hampered and delayed as a result of a lack of funds. "We are strapped for money," was the often-heard complaint. The lack of funds was not attributed by the Companies representatives as being the result of any regulatory actions.

Time did not permit a thorough review of the adequacy of freeze protection measures or of the maintenance programs as to any potential relationship to the failures. Nor can we evaluate whether any budget constraints contributed to the failures of equipment. It is recommended that the Council urge the Companies to make the necessary financial resources available for the protection of the powerplants from cold weather a priority. A thorough reevaluation of all systems and subsystems for any factors affected by subfreezing weather should be undertaken as a company-wide formal program. The re-evaluation program should involve design engineering personnel in addition to operating personnel and should involve a formal examination of every system and subsystem for vulnerability to freezing, identification of possible failure modes, identification of

specific freeze protection measures; determination of monitoring techniques for verifying the operation of measures. Particular attention should be directed to instrument air systems and pressure sensing lines. Indicating systems not in control loops but which may be required for backup manual operation or confirmation of critical data should receive the same priority for freeze protection as control loop systems.

## ELECTRIC POWER SYSTEM EMERGENCY REPORTS

Filed on January 21, 1985  
With the U.S. Department of Energy

Ten reports were filed under the Power System Emergency Reporting Procedures guidelines of the Department of Energy (See Appendix 3). The criteria determining when a report must be filed are summarized at Appendix 4.

The reports of NOPSI and LP&L represented two of the ten filed. LP&L reported at 4:08 a.m. that it began losing power on its 2100 MW system and that seven or eight industries voluntarily dropped their load and that 40,000 to 50,000 customers were cut off on a rotating basis.

NOPSI reported that at 4:08 a.m. it "began to lose power generation on a 600 MW system." It did not state that the power generators lost were not NOPSI's power generators, but actually LP&L's generating equipment. No power plant unit on NOPSI's system was shut down until 11:23 a.m. The only problem that occurred prior to 4:08 a.m. on NOPSI's system of which we are now aware, happened at 2:22 a.m. when NOPSI was unable to increase the load on its Michoud #3 station to more than 490 MW. Michoud #3 has a capacity of 548 MW. NOPSI officials claim that the reduction in power was due to various weather related problems. By 4:08 a.m., NOPSI was instructed to shed an additional 100 MW after the first instruction to shed 100 MW four minutes earlier.

The Emergency Report further stated that two major customers voluntarily dropped their load and that 35,000 residents shared on a rotation of power basis. It stated that the loss of power

generation was caused by freezing weather conditions. However, freezing conditions were not responsible for the loss of any generator and Paterson 3 (87 MW) shut down at 11:23 a.m. with problems, which, according to information we received from the Companies' officials, did not appear to be freeze related. Moreover, at the time that Paterson 3 went out, NOPSI had been given approval to pick up, or was actually picking up, load (See Preliminary Report Appendix 3).

According to the Emergency Reports, 35,000 residential customers of NOPSI and 40,000 to 50,000 residential ratepayers of LP&L were affected. The Companies' officials informed us that the load shed during an emergency is based on a 2:1 ratio, i.e., LP&L will shed twice as much power than NOPSI, as LP&L's load is twice as large. However, since LP&L was able to ultimately shed about 385 MW of industrial load (See Appendix 10), and NOPSI only 9 MW (See Appendix 11) from three industrials, the ultimate burden placed on the residential ratepayers of LP&L was very close to the burden on residential ratepayers of NOPSI, i.e., each had to shed about 200 MW of residential and non-industrial load. Since the unwritten policy of NOPSI and LP&L pertaining to the sharing of shedding in an emergency situation concentrates on the total volume of the load, rather than on the kind of load, NOPSI non-industrial customers will bear a disproportionate burden of cut-backs or cut-offs in power in emergency situations if this policy continues to be in effect.

This procedure is apparently equally applicable if NOPSI would have an emergency. At this time, we do not know if this

procedure is a common industry practice among sister companies owned by the same parent company, nor can we evaluate at this time whether this is a common practice among neighboring utilities.

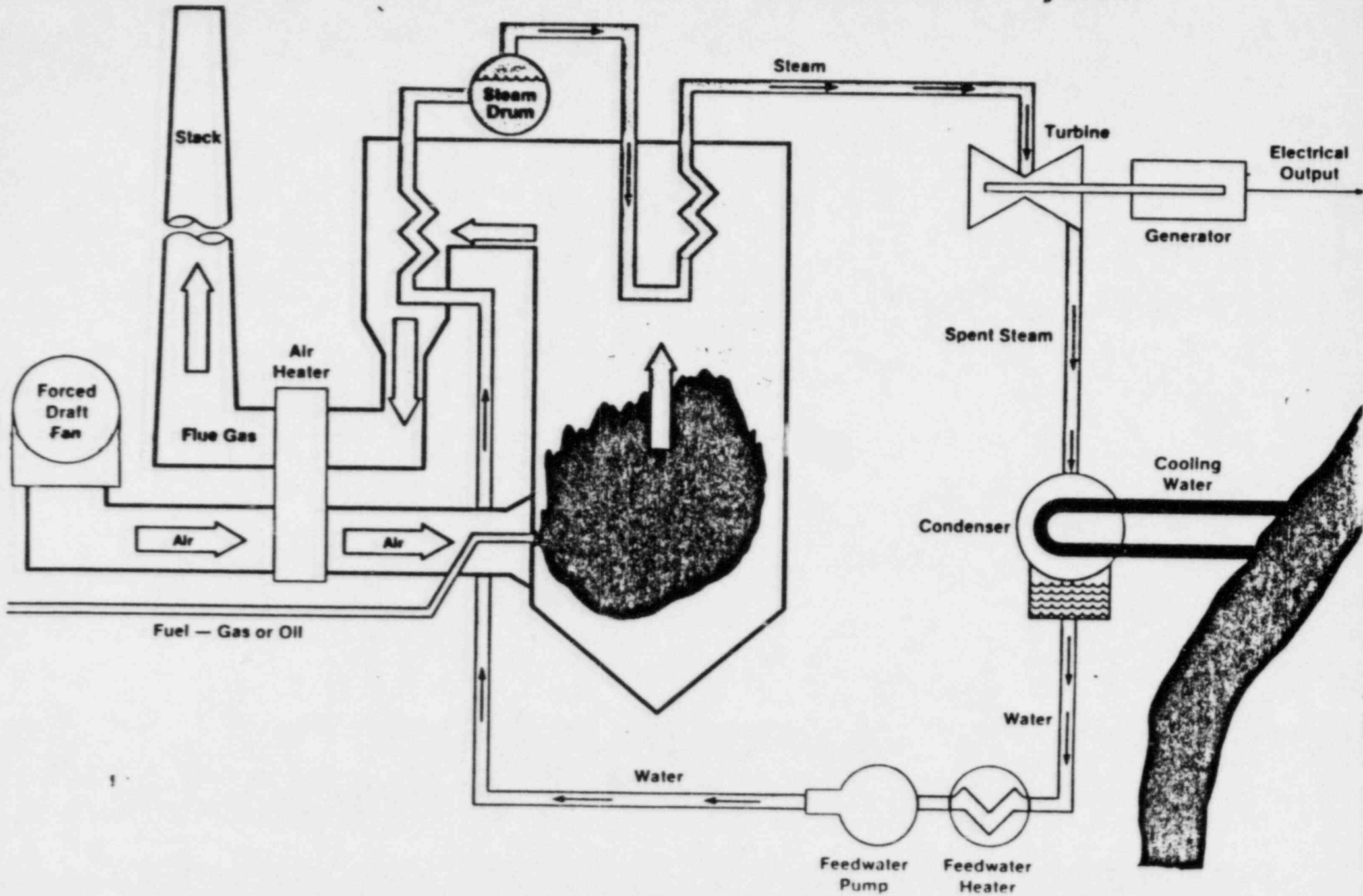
Eight other emergency reports were filed. Only one emergency (Detroit Edison in Detroit, Michigan) was possibly due to an electric generator failure. Detroit Edison lost 137 MW power output on a total of 5,380 MW, or 2.5% of this total load. The report seems to indicate that no residential ratepayers were deprived of their electricity. The other reports indicate that utilities in Maryland, Pennsylvania, Michigan, Ohio and Virginia did not experience loss of generation, but experienced reduced voltage on transmission lines. Gulf States Utilities lost power on a 500 KV transmission line. It lost 600 MW on a line load of 4,450 MW (13.5%) and reported that power was lost to 120,000 customers, mainly in Texas. It is unknown how many customers were affected in the Lake Charles, Louisiana area. No generator failures were reported by Gulf States Utilities. The cause of the problem was unknown. The problem occurred at about 8:25 a.m. Power was restored at 11:00 a.m.

## APPENDICES

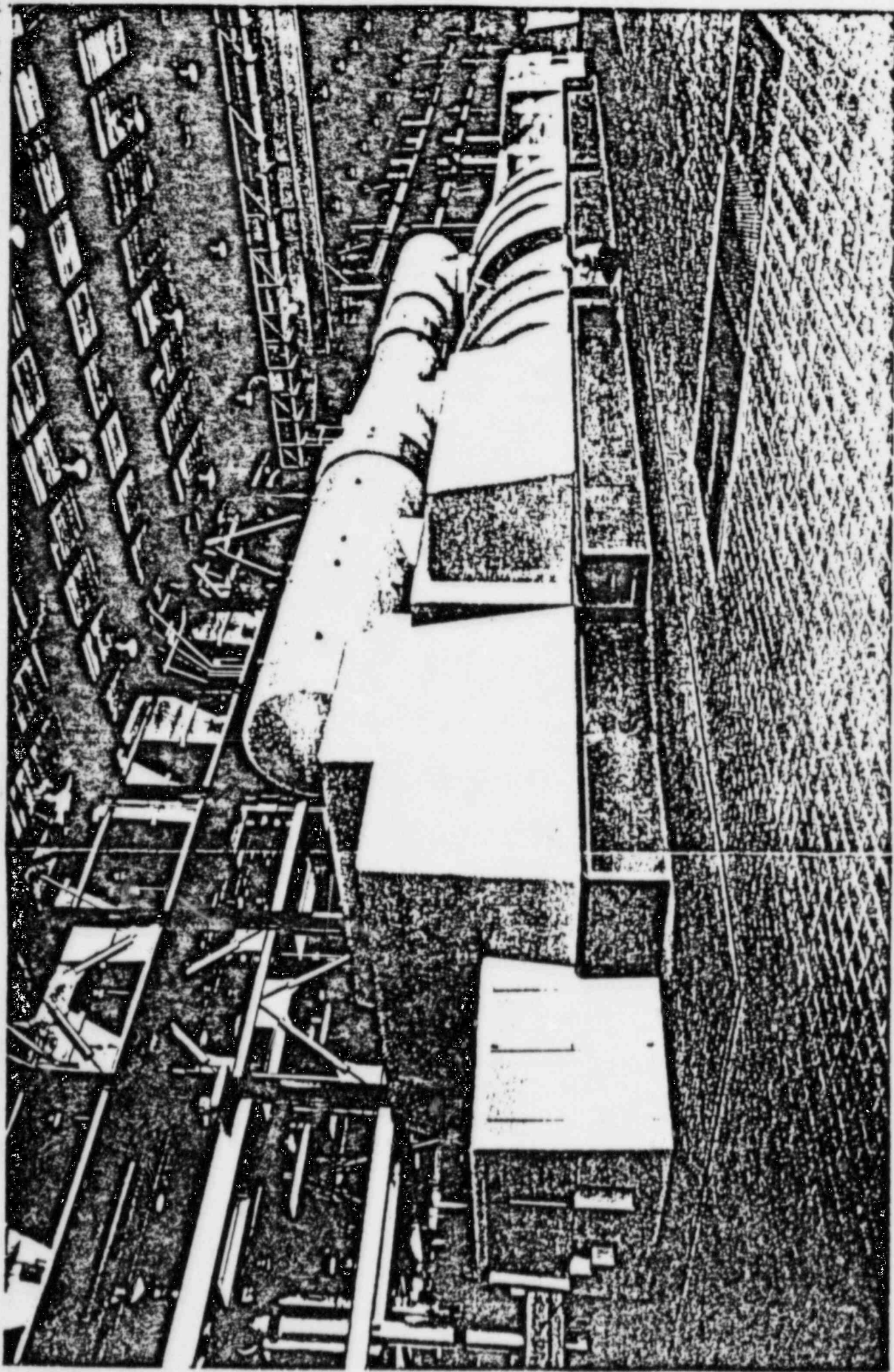
<u>APPENDIX</u>	<u>DESCRIPTION</u>
1	Schematic diagram of electric generating unit.
2	Diagram of a typical electric generator.
3	Electric Power System Emergency Reports filed by various utilities with the Department of Energy on January 21, 1985.
4	Summary of Electric Power System emergency reporting requirements of the U.S. Department of Energy.
5	Response of NOPSI and LP&L to Request for Written Procedures for preparation of units for cold weather.
6	"Report of Facts Found," Excerpt of Preliminary Report on Loss of Electric Power in City of New Orleans, submitted to City Council on January 21, 1985.
7	Excerpts from the Times-Picayune from January 20-27, 1985 on the New Orleans freeze and the NOPSI power outage, and a New York Times excerpt from January 23, 1985.
8	Table of weather conditions in 1962, 1983 and 1985.
9	Graphs indicating total generating output of NOPSI and LP&L.
10	Excerpts from the Times-Picayune from January 18-21, 1985 on weather data in Louisiana and the nation.
11	LP&L Industrial load shedding January 21, 1985.
12	NOPSI Industrial load shedding January 21, 1985.
13	Summary of NOPSI and LP&L curtailment plan, filed with the New Orleans City Council on December 7, 1978.

# Electric Generating Unit

Boiler • Turbo-Generator • Condenser/Feedwater System







A TYPICAL GENERATOR  
(not 'TOPSI's of LP&I's)

5500-02-5

ROUTING AND TRANSMITTAL SLIP

Date 1/25/85

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Walter Zelaski		
2.		
3.		
4.		
5.		

Action	File	Note and Return
Approval	For Clearance	For Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS  
 Outage reports attached per your request today.  
 Items 7, 8, 9, 10 are not on a reporting form because there were no blank forms available at the time the messages were received.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Norton Savage	0F-09A FORETL
	Phone No.
	252-8869

5041-102

U.S.G. NO. 100-421-329/412

OPTIONAL FORM 41 (Rev. 7-76)  
 Prepared by GSA  
 FORM 41 CFR 101-11.306

#1

UNITED STATES DEPARTMENT OF ENERGY/IE  
ELECTRIC POWER SYSTEM EMERGENCY REPORT

Date of Report January 21, 1985

Type of Report: ~~INTERMITTENT~~ ~~VOLTAGE~~ ~~REDUCTION~~ ~~APPEAR~~ ~~OTHER~~ VOLTAGE REDUCTION/OTHER XX;  
OTHER L/

Utility: Louisiana Power and Light Co. Division: (Southeastern LA)

Reported by: Malcolm Hurtsell, Vice President, Louisiana Power & Light Co.  
(Name and Title)

Location: 142 Delaronde Street Home: 504-523-5714  
New Orleans, LA 70174 Phone: Office: 504-595-2208  
This Emer: 504-523-5714

System and/or Area Affected: Southeastern Louisiana

Date & Time of Initial ~~Disturbance~~ <sup>Incident</sup> ~~XXXXXX~~ 4:08 1/21/85

For an Interruption Report the Following:

Date & Time of Service Restoration: Initial \_\_\_\_\_ Final \_\_\_\_\_  
7 or 8 major industrial and 40,000 to 50,000 residential  
Number of Customers Involved: / Amount of Load Involved: \_\_\_\_\_

Description of Event (Including as appropriate: cause of the incidents, equipment damaged, critical services interrupted, and any effects on neighboring systems):

At 4:08 a.m. January 21, 1985, Louisiana Power and Light, Co., began to lose power on its 2100 MW system providing power to Southeast Louisiana south of Lake Pontchartrain. Instituted emergency shedding and retention plan which is closely coordinated with a common load sharing program for all customers. Seven or eight major industrial customers have voluntarily dropped their load and rotating sharing to 40,000 to 50,000 customers is in effect. 2100 MW system is being maintained at 1600 MW. No emergencies exist in the system except those mentioned. The loss of power generation was caused by freezing conditions.

~~Full power restored at 7:52 P.M. 1/21/85. deleted per Customer Hist~~  
2<sup>nd</sup> PM

#2

UNITED STATES DEPARTMENT OF ENERGY/IE  
ELECTRIC POWER SYSTEM EMERGENCY REPORT

Date of Report January 21, 1985

Type of Report: INTERRUPTION /; VOLTAGE REDUCTION/~~ADVERSE~~ xxx;  
OTHER /

Utility: Potomac Edison Company Division: \_\_\_\_\_

Reported by: James D. Latimer, Eastern Division Manager, Potomac Edison Co.  
(Name and Title)

Office: 421 E. Patrick St.

Location: P.O. Box 488, Frederick, MD 21701 phone: 301-694-4420

System and/or Area Affected: Potomac Edison

Date & Time of Initial ~~Disturbance/Outage~~/Incident: 8:49 a.m. 1/21/85  
reported

For an Interruption Report the Following:

Date & Time of Service Restoration: Initial \_\_\_\_\_ Final \_\_\_\_\_

Number of Customers Involved: \_\_\_\_\_ Amount of Load Involved: \_\_\_\_\_

Description of Event (Including as appropriate: cause of the incidents, equipment damaged, critical services interrupted, and any effects on neighboring systems):

At 8:49 a.m. on January 21, 1985 Potomac Edison Company effected a 3% company-wide voltage reduction. The reason for the reduction was that at 7:00 p.m. on January 20, 1985 a 1750 MW peak was reached and that this will go even higher today.

2<sup>00</sup> PM

Full Power restored @ 7:30 PM on 1/21/85

#3 + #4

UNITED STATES DEPARTMENT OF ENERGY/IE  
ELECTRIC POWER SYSTEM EMERGENCY REPORT

Date of Report January 21, 1985

Type of Report: ~~INTERCONNECTION~~ VOLTAGE REDUCTION / ~~APPENDIX~~ x/;  
OTHER /

Utility: Pennsylvania, New Jersey, Maryland Interconnection Division: Valley Forge 10:18

Reported by: William Shelton at 10:12 and Mr. Charlie Woodward Supervising Eng.  
(Name and Title)

Mailing address:

Location: 955 Jefferson Ave. Norristown, PA 19401 Phone: 215-666-8806

System and/or Area Affected: Entire System

Date & Time of Initial Disturbance/Outage/Incident: 9:15 a.m. Time of Report 10:12

For an Interruption Report the Following:

Date & Time of Service Restoration: Initial 12:30 p.m. Final 12:30 p.m.

Number of Customers Involved: -- Amount of Load Involved: --

Description of Event (Including as appropriate: cause of the incidents, equipment damaged, critical services interrupted, and any effects on neighboring systems):

PA, NJ and MD Interconnection is effecting a load reduction of 5% to all customers  
No emergencies - situation under control. Full power output restored at  
12:30 p.m.

#5

UNITED STATES DEPARTMENT OF ENERGY/IE  
ELECTRIC POWER SYSTEM EMERGENCY REPORT

Date of Report January 21, 1985

Type of Report: ~~INTERRUPTION~~, ~~CONSERVATION~~, VOLTAGE REDUCTION/~~APPEAL~~ /x/;

Utility: Detroit Edison Division: Entire System

Reported by: William Garvey -  
(Name and Title)

Location: 2000 2nd Avenue  
Detroit, Michigan 48237 Phone: 313-237-7833

System and/or Area Affected: Entire System

Date & Time of Initial ~~Disturbance/Outage~~/Incident: 8:18 a.m.

For an Interruption Report the Following:

Date & Time of Service Restoration: Initial \_\_\_\_\_ Final \_\_\_\_\_

Number of Customers Involved: \_\_\_\_\_ Amount of Load Involved: 137MW

Description of Event (Including as appropriate: cause of the incidents, equipment damaged, critical services interrupted, and any effects on neighboring systems):

At 8:18 a.m. Detroit Edison reduced its 5380 MW system by 137 MW power output

There are no emergencies. Applied load management 59.89 HZ in two parts

1/Voltage reduction and 2/Electric Water Service Removed. Additionally

10 commercial users reduced their load.

#1 + #6

UNITED STATES DEPARTMENT OF ENERGY/IE  
ELECTRIC POWER SYSTEM EMERGENCY REPORT

Date of Report January 21, 1985

Type of Report: ~~EMERGENCY~~/; VOLTAGE REDUCTION/APPEAL X;/  
OTHER L/

Utility: New Orleans Public Services, Inc Division: New Orleans

Reported by: Malcolm Hurlsell, Vice President New Orleans Public Services, Inc.  
(Name and Title)

Location: 142 Delaronde Street Home: 504-523-5714  
New Orleans, Louisiana 70174 Phone: Off: 504-595-2208

System and/or Area Affected: New Orleans  
~~This Emerg: 504-523-5714~~

Date & Time of Initial ~~Disruption~~ <sup>Incident</sup> ~~Outage~~ <sup>Incident</sup>: 4:08 a.m. 1/21/85

For an Interruption Report the Following:

Date & Time of Service Restoration: Initial \_\_\_\_\_ Final \_\_\_\_\_  
two major industrial and 35,000 residential

Number of Customers Involved: / Amount of Load Involved: 200 MW

Description of Event (Including as appropriate: cause of the incidents, equipment damaged, critical services interrupted, and any effects on neighboring systems):

At 4:08 a.m. January 21, 1985, New Orleans Public Service, Inc., began to lose power generation on a 600 MW system. Instituted emergency shedding and retention plan which is closely coordinated with a common load sharing program. Two major industrial customers voluntarily dropped and affected residential sharing involved rotation of power to 35,000 residential customers. 600 MW system is being maintained at 400 MWs. No emergencies exist in the system except those mentioned. The loss of power generation was caused by freezing weather conditions. The temperature in the New Orleans Area with wind/chill factor is 10° below 0° Fahrenheit.

#7

Trans. Received: 3:20 P.M.

Voltage Reduction

Date: Jan 21, 1965

Utility: Consumer Power Co.

Reported by: John MACZKA

LOCATION: 1945 PARNELL RD.  
- JACKSON, MICH.

517-788-1077

(517-788-2427) work

Amount of Load Involved: 100 MW

Time of occurrence: 7:55 a.m.

System affected: Entire system  
Peak load was 4456 MW - Reduction 11.3%

1) Estimated 5% Voltage Reduction at 8:15 a.m. 80 MW

2) Essential Customer Reduction 20 MW

No emergencies - Coal supply was frozen -  
(freezing weather) - buying power for offset.

4:00 P.M. Returned to full power

Growlinski



#8  
Time Received: 3:50 P.M.  
Jan 21, 1985

Voltage Reduction

Utility: Cleveland Electric Illuminating Company

Reported by: Thomas J. KRZYWAK

Phone: 216-622-9800

LOCATION: P.O. Box-5000  
Cleveland, Ohio 44101

Ext 70217

Peak Load 2924

Involved entire system

No emergency situations

1/ Voltage reduction of 5% on system

2/ Appended through media for  
voluntary load reduction  
in industrial, commercial and  
residential use.

#10

TEL-5:10 P.M.  
1/21/85

Voltage Reduction / PJM

UTILITY: VEPCO

P.O. Box 26666  
Richmond, VA 23261

804-771-3157

Peak Load: 10,400 MW

8:15 am

Involved entire VEPCO system

Emergency situation

Buy 600 MW from PJM  
Wheeling 1000 PJM

Voltage Reduction of 5% on system -  
in agreement with PJM.

#9

TO: 4:20 P.M.  
1/21/85

Power Outage

UTILITY: Gulf States Utilities

Location: P.O. Box 2951 TEL  
Beaumont, Texas 77701

NAME: Weymond J. Schumacher

LINE LOAD 4450 - lost 600 MW  
and power to 170000 customers

Lost power on 500 KV line 11... - 7

Hartburg Sub-Station, Eldorado, Ark.

230 KV breaker on lower transformer  
also tripped - attempt to close - KV

Breaker caused switching to  
open 809. Cause is  
investigation underway

- all switches in system had to be  
manually closed -

Power was restored to all customers

at 11:00 a.m. - Customers affected:  
Western Division  
Beaumont Division  
Port Arthur Division  
Lake Charles, La.

SUMMARY OF POWER SYSTEM EMERGENCY REPORTING  
PROCEDURES ISSUED BY THE DEPARTMENT OF ENERGY

Who reports

Every electric utility or other subject entity engaged in the generation, transmission or distribution of electric energy shall report promptly to the Department of Energy's (DOE) Alert Coordination Officer. Telephonic reports of an emergency by the utility are accepted by the DOE. The utilities are not required to update their information once reported. DOE does not require a written report of the emergency, unless specifically requested by DOE. A report may be made jointly by two or more entities.

Reporting Requirements

Time Limit

The following events must be reported:

1. The issuance of any public or private request to any customer or the general public to reduce the use of electricity for reasons of maintaining the continuity of service of the utility's bulk electric power supply system;

2. Any load shedding that results in the reduction of over 100 megawatts (MW) of firm customer load for reasons of maintaining the continuity of service of the bulk electric power supply system;

1. The Department of Energy (DOE) shall be notified as soon as practicable, or within twenty-four (24) hours after the issuance of the request;

2. The DOE shall be notified as soon as practicable, or within twenty-four (24) hours after the issuance of the request;

Summary of Power System Emergency Reporting  
Procedures Issued by the Department of Energy  
(Continued)

3. Any electric power supply equipment or facility failure or other event that, in the judgment of the utility, constitutes a hazard to the current or prospective adequacy of the utility's bulk electric power supply system;
  4. Any electric power supply equipment or facility failure or other event that, in the judgment of the utility, constitutes a hazard to the current or prospective adequacy of the utility's bulk electric power supply system;
  5. Any loss in service for greater than 15 minutes by an electric utility of firm loads totalling over 100 MW, or more than 50% of the total load being supplied immediately prior to the incident, whichever is less;
  6. Any significant incident on an electric utility system which results in a continuous outage of 3 hours or longer to over 50,000 customers or more than one-half of the utility's total customers, whichever is less.
3. The DOE shall be notified as soon as practicable, or within three (3) hours after such action is taken;
  4. The DOE shall be notified as soon as practicable, but reports are expected within one (1) business day after the determination of the hazardous condition by the utility;
  5. The DOE shall be notified as soon as practicable, without unduly interfering with service restoration and, in any event within three (3) hours after the beginning of the interruption period.
  6. The DOE shall be notified as soon as practicable, or within twenty-four (24) hours of the occurrence if practicable, or as soon thereafter as practicable.

WRITTEN POLICIES FOR PREPARATION OF UNITS  
FOR COLD WEATHER

No such written procedures exist

PROVIDED BY NUPSI/LP  
IN RESPONSE TO INFORMA  
TION REQUEST FOR  
WRITTEN POLICIES FOR  
PREPARATION OF UNITS  
FOR COLD WEATHER  
TO CITY INVESTIGATION TEAM  
1/23-85

## Report of Facts Found

1. Transmission capacity limitations would have prevented any substantial benefit from Grand Gulf, had it been available during the power outage period.
2. During December 1984, NOPSI began the "mothballing" of 193 MW of generating capacity at Market Street and Paterson. During the same period, 444 MW of generating capacity (Paterson #4, Michoud #1 and 2) was taken out of service for scheduled maintenance including an anticipated long duration outage (several months) of Michoud No. 2. The net loss of available NOPSI generating capacity is 637 MW or 50.7% of the total NOPSI generating capacity.
3. NOPSI/LP&L follow what they report to be a "long established practice" of apportioning emergency load shedding obligations within an affected area on the basis of the proportions of normal peak loads irrespective of the location of generation capacity. Thus, a given service area, during an emergency, will shed its share of load regardless of the amount of generating capacity within the service area. This methodology is designed by NOPSI/LP&L to minimize the magnitude of power outages in any service area by spreading outages as widely as possible. Conversely, the methodology can result in outages within a service area despite the availability of

sufficient or even excess generating capacity.

4. According to NOPSI/LP&L, the plants suffering outages were designed or modified for operation down to a low temperature of +10°F. No wind criteria was reported. The temperature during the emergency did not drop to 10°F. During December 1983 very similar temperatures, wind velocity and direction were reported by NOPSI/LP&L. The utility reports that a remedial program was undertaken to correct cold weather problems identified in 1983. During the 1985 emergency, NOPSI/LP&L report no breakdowns of equipment suffering breakdowns during December 1983.
5. There is one 500kv/230kv 560 MVA transformer and one 500kv/115kv, 560 MVA transformer at the Little Gypsy plant. One unit was out for repairs. Had both units been in service, the system would not have been capable of importing enough power to cover the loss of generation capacity.



Times - Picayune, Jan. 30



Middle South Utilities Inc. Chairman Floyd Lewis testifies before New Orleans City Council. STAFF PHOTO BY ELLIS LUCIA

# Middle South chairman asked about firing threats

By LYNN CUNNINGHAM and FRANK DONZE  
Staff writers

New Orleans city councilmen questioned utility executive Floyd Lewis for three hours Tuesday, asking whether he threatened to fire an executive if he did not support a controversial plan that increases Louisiana's share of high-cost Grand Gulf 1 nuclear power.

Councilmen Wayne Babovich and Mike Early quoted a Louisiana Power & Light Co. and New Orleans Public Service Inc. financial executive, who recently testified under oath that LP&L and

NOPSI President James M. Cain was pressured into getting approval for the heavily criticized plan. Lewis is chairman of Middle South Utilities Inc., which owns LP&L, NOPSI and utilities in Mississippi and Arkansas.

Under the plan, which was first proposed by Middle South's chief financial officer, LP&L and NOPSI would buy 48 percent of the power from the \$3.4 billion Grand Gulf 1 for most of the Mississippi plant's lifetime. Previously the utilities had agreed to buy only 31 percent of the power. The additional 17 percent, according to consultants for the Louisiana Public Service Com-

mission, will cost New Orleans area ratepayers hundreds of millions of dollars. Specific figures are not yet available.

The PSC has been taking depositions from utility officials in an attempt to show that Lewis and Middle South played a key role in drawing up the allocation plan. That, PSC members say, would prove that the plan does not benefit Louisiana ratepayers and is instead designed to ensure the financial health of Middle South.

Tuesday, councilmen quoted a deposition by John H. Chavanne,

See LEWIS, A-4

# Lewis

From Page 1

vice president of corporate control for LP&L and NOPSI, who said he assumed the pressure on Cain came from Lewis. Chavanne was being questioned by state Public Service Commission special attorney Michael Fontham.

Fontham questioned Chavanne about a Jan. 2 LP&L and NOPSI staff meeting: "Did Mr. Cain, during the course of this meeting, make the statement that he might be asked to resign, by Mr. Lewis?"

Chavanne: "There was a statement made by Mr. Cain to the effect that he may be asked to resign, yes, sir. Whether he added by Mr. Lewis, I don't recall exactly. But..."

Fontham: "What was your understanding of who would ask Mr. Cain to resign, during the course of that staff meeting?"

Chavanne: "I had the impression that if anyone would ask Mr. Cain to resign it would be Mr. Lewis."

But Lewis repeatedly denied exerting any pressure on Cain, particularly that he threatened Cain's job if the LP&L and NOPSI chief did not get the approval of the LP&L and NOPSI boards on the Grand Gulf 1 plan.

Lewis defended the proposal, and insisted that the boards of the four utilities independently arrived at their decisions to support the plan, filed Jan. 4 with the Federal Energy Regulatory

Commission. The FERC, which oversees interstate power sales, will allocate Grand Gulf 1's power.

"You didn't say he (Cain) was expected to get the votes or face termination?" Babovich asked Lewis.

"That never crossed my mind," Lewis said. "I nominated Jim Cain for that job."

Lewis said he had talked with Cain Tuesday morning and Cain indicated that he did not know what Chavanne was talking about.

In a prepared statement Tuesday, Cain said, "At no time has Mr. Floyd Lewis threatened me or in any way indicated that my continued employment was dependent upon adoption of the Grand Gulf offer of settlement."

But Fontham said the testimony of Chavanne and three other LP&L and NOPSI officials indicates that Cain was pressured by Lewis to ensure passage of the settlement offer and was threatened with the loss of his job.

"Chavanne's testimony," Fontham said Tuesday, "is supported by other executives of the companies. Chavanne is not by himself in stating what happened."

Fontham would not say who the executives are, but he said

that depositions have been taken from only five LP&L and NOPSI officials; Chavanne, Cain, vice president of rates Shelton Cunningham, chief financial officer Malcolm McLetchie, and general manager Malcolm Hurstell. Copies of the depositions were not available.

Hurstell and Cunningham declined comment on their testimony, saying Fontham told them not to discuss it. McLetchie could not be reached for comment.

After Tuesday's meeting, Councilman James Singleton said, "I believe Chavanne is telling the truth. I'm not saying Floyd Lewis said it (that Cain would be fired). But I'm sure the word came from his office."

Tuesday's meeting took on the air of a courtroom, with Lewis playing the role of combative witness before a tenacious group of prosecuting councilmen.

Lewis became testy at times, particularly when Singleton asked him to reveal his annual salary.

Lewis said it was irrelevant to the proceeding. Singleton persisted, and Lewis finally gave in, saying he earns \$404,000 a year.

Before the councilmen began questioning Lewis, they heard a report on planned power outages during a recent cold snap. As a result, Lewis's appearance was delayed 45 minutes.

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

Before the Atomic Safety and Licensing Appeal Board

In the Matter of )  
)  
LOUISIANA POWER & LIGHT COMPANY) Docket No. 50-382 OL  
)  
(Waterford Steam Electric )  
Station, Unit 3) )  
)

I hereby certify that a copy of the foregoing Joint  
Intervenors' Supplemental Memorandum in Support of Motion  
to Reopen has been served this 22<sup>nd</sup> day of February, 1985,  
by mailing a copy first-class, postage prepaid to the  
following:

Service List

* Christine N. Kohn, Chairman Atomic Safety & Licensing Appeal Board U.S. Nuclear Regulatory Comm. Washington, D.C. 20555	Sheldon J. Wolfe, Esq. Chairman Atomic Safety & Licensing Board U.S. Nuclear Regulatory Commission Washington, D.C. 20555
↓ Dr. W. Reed Johnson Atomic Safety & Licensing Appeal Board U.S. Nuclear Regulatory Comm. Washington, D.C. 20555	Atomic Safety & Licensing Board U.S. Nuclear Regulatory Commission Washington, D.C. 20555
* Howard A. Wilbur Atomic Safety & Licensing Appeal Board U.S. Nuclear Regulatory Comm. Washington, D.C. 20555	Docketing and Service Station (3) Office of the Secretary U.S. Nuclear Regulatory Commission Washington, D.C. 20555
Atomic Safety & Licensing Appeal Board Panel U.S. Nuclear Regulatory Comm. Washington, D.C. 20555	* Sherwin Turk, Esq. Office of Executive Legal Director U.S. Nuclear Regulatory Commission Washington, D.C. 20555
	Dr. Walter H. Jordan Administrative Judge 881 West Outer Drive Oak Ridge, TN 37830

William J. Guste, Jr., Esq.  
Attorney General for the State  
of Louisiana  
234 Loyola Avenue, 7th Floor  
New Orleans, LA 70112

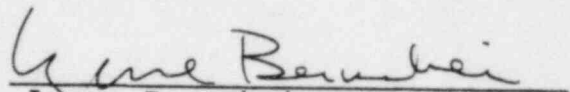
Dr. Harry Foreman, Director  
Administrative Judge  
University of Minnesota  
Box 395, Mayo  
Minneapolis, MN 55455

Mr. Gary L. Groesch  
302 Walnut Street  
New Orleans, LA 70118

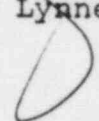
Malcolm Stevenson, Esq.  
Monroe & Lemann  
1424 Whitney Building  
New Orleans, LA 70130

\* E. Blake, Esq.  
B. Churchill, Esq.  
Shaw, Pittman, Potts &  
Trowbridge  
1800 M Street N.W.  
Washington, D.C. 20036

Carole H. Burstein, Esq.  
445 Walnut Street  
New Orleans, LA 70118

---

Lynne Bernabei  


\* Hand-Delivered