

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into by and between SOUTHERN CALIFORNIA EDISON COMPANY (Edison), and the cities of ANAHEIM, BANNING AND RIVERSIDE (Cities), and relates to those matters which have been the subject of negotiations for a considerable time and includes claims relating to the matters involving the parties presently pending before regulatory commissions, before the U. S. Court of Appeals for the District of Columbia and before the Department of Justice.

As a result of those settlement discussions, but subject to conditions set forth in this Settlement Agreement, and with the agreement that each condition of the Settlement Agreement is in consideration and support of every other condition, the parties have agreed as follows:

ARTICLE 1 - DISPOSITION OF PENDING PROCEEDINGS

- 1.1 Cities will withdraw their objections and cooperate with Edison to attain the prompt and early disposition of Federal Power Commission Docket No. E-7618 so as to permit the rates filed therein as modified hereunder to become final.
- 1.2 Cities will withdraw with prejudice their intervention in Federal Power Commission Projects 67 and 120 having to do with relicensing of certain hydroelectric projects of Edison.

- 1.3 Cities will amend their petition in California Public Utilities Commission Certificate Application No. 52976 having to do with the proposed Third Midway-Vincent High Voltage Transmission line.
- 1.4 Cities will amend their petition to intervene to withdraw their objections in the Atomic Energy Commission Licensing Proceedings Docket Nos. 50-361 and 50-362 relating to the licensing of San Onofre Units 2 and 3. Upon Edison's request, Cities will advise the Atomic Energy Commission and the Department of Justice that the Cities have settled their claims relative to San Onofre on the basis of the proposal in this Settlement Agreement. Such advice may be used by Edison to the end that the Department of Justice will recommend to the Atomic Energy Commission that the granting of a license to Edison and San Diego Gas & Electric Company for San Onofre Units 2 and 3 will not create or maintain a situation inconsistent with the antitrust laws. Nothing contained in this paragraph shall limit the Cities from otherwise participating in the licensing proceedings.
- 1.5 Cities will dismiss their appeal in cities of Anaheim, Riverside and Banning, California vs. Federal Power Commission, pending before the U. S. Court of Appeals for the District of Columbia, as No. 71-1652.

Cities have, in the pending appeal, taken the position that Edison was not lawfully entitled to file unilaterally

with the Federal Power Commission the increased rates and to modify the discounts applicable to Cities which were the subject of Edison's filing on or about March 23, 1971 (which became effective subject to refund on November 14, 1971); Edison's position is that its said filing was lawful in all respects, that it was not contractually prohibited from making such filing and that the additional revenues now being collected under such rate increases and modifications are neither unjust nor unreasonable. It is Edison's further position that, if the Cities were to prevail in such litigation and Edison were required to await expiration of the terms of the present contracts with the Cities and were thereafter required to make a new filing with the Federal Power Commission and were not permitted to place such rates into effect before the regular processing, including a new five months' suspension, it has been estimated by Edison (utilizing the Cities' load-growth projections) that Edison would be exposed to loss of revenues from Cities in excess of \$5 million, in addition to potential costs arising out of litigation of other claims by Cities. In consideration of Cities dismissing such appeal, releasing other claims, and agreeing that, except as otherwise provided in Paragraph 2.4 of this Agreement, Edison will not be prohibited by contract or otherwise from making future unilateral rate filings under

Section 203 of the Federal Power Act, and Cities undertaking, as aforesaid, to cooperate in permitting the said ~~which was filed on March 22, 1971, as modified by~~ this Agreement, to become final, Edison agrees to pay the Cities \$3,100,000 as of September 1, 1971. Edison further agrees to pay to the Cities, as of September 1, 1972, the sum of \$25,000, which Edison believes is significantly less than it would necessarily incur in any defense of Cities' antitrust claims.

- 1.6 The \$3,125,000 sum included in Paragraph 1.5, shall be paid promptly upon approval or acceptance by the Federal Power Commission of this Settlement Agreement and upon the tenders for filing specified in Paragraph 5.6, and shall be distributed as follows:

Anaheim	\$1,715,000
Riverside	\$1,402,000
Banning	\$ 8,000

Said sums will be adjusted for prepayment or post-payment at an interest rate of 1/2% per month compounded monthly.

- 1.7 Cities shall make no claim based upon allegations of past anti-competitive activities against Edison arising out of Edison's participation in, or non-participation in, or receipt of power from the Navajo Project or the Navajo-Four Corners Project, but Cities reserve their rights to otherwise seek participation in or otherwise obtain power from the Navajo Project.

ARTICLE 1 - RATE MATTERS

- 2.1 Edison agrees to provide service at 220 kV and the Cities of Anaheim and Riverside hereby commit to take service at such higher voltage as soon as necessary facilities and rights of way can be procured and the necessary construction completed. The necessary details involved in determining the arrangements for each of the 220 to 66 V substations to be constructed, and the timing and responsibility for providing such facilities are as set forth in Exhibit G.
- 2.2 Edison agrees to modify and request the Federal Power Commission to accept for filing and make effective as provided herein concurrently upon the acceptance or approval of this Settlement Agreement, a modification of Rate Schedule R-2 applicable to Cities as filed in Federal Power Commission Docket No. E-7618 relative to the Cities to increase the voltage discount effective November 14, 1971, to 10 cents per kilowatt for service taken at 33 kV, 20 cents per kilowatt for service taken at 66 kV and 35 cents per kilowatt for service taken at 220 kV. Edison further agrees that in the event the City of Banning receives service prior to November 14, 1977, at 115 kV in accordance with Exhibit G, the rate schedule on file at that time under which Banning is served will be further modified effective when such service commences to provide for a voltage discount of 30 cents per kilowatt for service taken at 115 kV. The rate schedules as modified

... set forth in Exhibit B and shall be rendered for
 filing in accordance with this Settlement Agreement.

... The parties agree that the voltage discounts shall
 be as set forth in Paragraph 2.2. above until November 1,
 1977, and that during that period, none of the parties
 will contest the voltage discounts.

2.4 Edison will make no new rate filings before the
 Federal Power Commission concerning full requirements
 service which will effect prior to June 1, 1973, an
 increase in the level of rates applicable to resale
 customers taking such full requirements service. Edison
 may file new or increased rates pursuant to Section 205
 of the Federal Power Act, which rates Edison may request
 to be made effective, subject to refund, allowing for
 full statutory suspension, as early as June 1, 1973, and
 Cities may oppose or seek the modification of any such
 rates except as limited by this Settlement Agreement.

2.5 New services under terms and conditions as set forth
 in Article 4 of this Agreement shall be made available to
 the Cities by Edison, subject to regulatory authorization.

2.5 With the exception of the R-2 Rate Schedules currently
 in effect as modified herein, nothing herein shall be con-
 strued as a waiver by any of the Cities of their right to
 oppose future rate filings of Edison, except that each

City agrees not to oppose any such rate filing on the basis of any claim covered by Paragraphs 1.5 or 2.3 above or by the provisions of this Settlement Agreement.

ARTICLE 3 - RELEASE

3.1 The Cities hereby release Edison, its directors, officers, employees, agents and attorneys from any and all claims and demands, in connection with the subject matters involved in the allegations of Cities in the legal or administrative proceedings enumerated in 3.2 below, of whatever nature, anticipated or unanticipated, known or unknown, arising out of, or by virtue of, any conduct of Edison, occurring prior to the date of this Settlement Agreement, which conduct allegedly breached any contractual relationship or allegedly violated any of the laws or regulations of the United States Government, or any agency thereof, or the laws or regulations of the State of California, or any of the several states or political subdivisions thereof, or any agency thereof.

3.2 The aforesaid claims and demands relate to the matters involving the allegations of Cities in those legal or administrative proceedings known as:

3.2.1 Federal Power Commission Docket No. E-7618, a rate filing of Edison.

3.2.2 Federal Power Commission Projects No. 67 and 120, having to do with relicensing of hydroelectric projects of Edison.

3.2.3 California Public Utilities Commission
Certificate Application No. 2270, having
to do with proposed high voltage transmission
line.

3.2.4 Atomic Energy Commission Licensing Pro-
ceeding Docket Nos. 50-361 and 50-362, relating
to the San Onofre Nuclear Generating Station.

3.2.5 City of Anaheim, et al, vs. Federal Power
Commission, U. S. Court of Appeals, D. C. Circuit
Case No. 71-1652.

3.3 Edison hereby releases Cities, their officials, officers,
employees, agents and attorneys from any and all claims
and demands of whatever nature, anticipated or unantici-
pated, known or unknown, arising out of or by virtue of
any conduct of Cities occurring prior to the date of
this Settlement Agreement in connection with the subject
matters of, or documents provided in, or activities
related to, the legal and administrative proceedings
listed here in Paragraphs 3.2.1 through 3.2.5.

3.4 Each of the undersigned expressly waive the provisions
of Section 1542 of the Civil Code of the State of
California, reading as follows:

4.1.1.1. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

ARTICLE 4 - FURTHER AGREEMENT

4.1 Edison agrees, subject to regulatory authorization, to make available to Cities the following services and will take the steps reasonably necessary to seek to obtain such authorization:

4.1.1 Combined dispatch of power resources, sharing of reserves, transmission service, purchase and sale of capacity or energy and other necessary supplemental services, as part of integrated operation of City-owned resources with those of Edison in accordance with Exhibit A attached. A definitive agreement reflecting Exhibit A attached, with which the parties agree to abide, will be entered into between Edison and each City at an appropriate time in the future.

4.1.2 Partial Requirements Service, under terms and conditions to be determined as set forth in Paragraph 5.8, to supplement and back up other

power resources obtained by the cities and associated with Edison's resources as set forth in Exhibit A.

4.1.3 Transmission service on Edison's 220 kV network in conjunction with integrated operations under the terms and conditions set forth in Exhibits C and D attached. Such transmission service is based on using Edison's existing and planned transmission network and is therefore limited to power flows to the City. If a City requests specific transmission service both to and from a City and if such service is technically feasible, Edison will provide such service and will develop and tender for filing appropriate rates and charges.

4.1.4 Transmission service outside the 220 kV network but within Edison's certificated area on a point-to-point basis in conjunction with integrated operation under terms and conditions set forth in Exhibits C and E attached. Such transmission service is based on using Edison's existing transmission system and is therefore limited to power flows to the City. If a City requests specific transmission service both to and from a City and if such service is technically feasible, Edison will provide such service and will develop and tender for filing appropriate rates and charges.

4.1.3 Transmission service in conjunction with
requested service for City-owned power from
or in excess outside Edison's certificated area
on the basis that Edison will use its best efforts
to make mutually satisfactory arrangements to
transmit the City-owned power over facilities existing
at the time such transmission service is requested
and where such facilities are owned solely by Edison
to Edison's 220 kV network when a City requests
specific service. Any such service will be provided
under Edison's transmission rate schedules or under
rates, terms, and conditions to be agreed upon, and,
in the event of disagreement, Edison shall develop
and tender for filing with the Federal Power Commission,
an appropriate rate schedule and service agreement for
such service, and Cities may oppose or seek the
modification thereof.

If City desires transmission of power over
facilities outside Edison's certificated service
area, where such facilities are interconnected with,
but not solely owned by, Edison, then City shall be
responsible for negotiations with the appropriate
owner or owners of such facilities for such trans-
mission. Edison shall cooperate with City in its
efforts to obtain such transmission of power.

4.1.6 Should Cities obtain an entitlement to lay out and construct power lines, Edison will make the necessary arrangements to bring Cities' power to Edison's network provided the combined entitlement of Edison and Cities will not exceed Edison's present entitlement (presently estimated to be 327 megawatts) and provided further that Edison remains entitled to an amount at least equal to the combined entitlement of Cities.

4.1.7 Participation on a mutually agreeable basis in new generating units initiated by Edison in which Edison is a joint participant with other utilities or generating agencies. Such resources shall be integrated in accordance with those principles set forth in Exhibit A concerning integrated operation. Participation is also offered in the ownership of San Onofre Units 2 and 3 on the basis set forth in Exhibit F, provided that Cities commit themselves to such participation not later than November 1, 1977. Participation is neither offered to nor waived by the Cities in existing plants or contractual arrangements or in future power sources that will be owned solely by Edison or in contractual arrangements related to such power sources.

4.2 Edison agrees that no agreement between it and any other electrical system or systems will be construed by

Edison in carrying out the terms of this Settlement Agreement and the service arrangements contemplated herein, or (2) the entering into arrangements between the Cities and Edison or any other system to achieve the Cities' objective hereunder to have opportunities of contracting for, utilizing, and developing, independent power sources. Edison will cooperate with Cities in achieving the Cities' objective, but nothing in this Paragraph 4.2 shall inhibit Edison from exercising its rights, and performing all the terms and conditions of all lawful agreements to which it is now a party.

- 4.3 Cities will, promptly upon approval or acceptance by the Federal Power Commission of this Settlement Agreement, and upon the tenders for filing specified in Paragraph 5.6, return to Edison all documents, and all copies of such documents, including summaries thereof where possible, in the possession of Cities, their attorneys or agents, (except copies of documents attached to Cities' filings or pleadings in proceedings listed in 3.2), which Cities, their attorneys or agents have obtained from Edison or have made in the course of discovery proceedings in Federal Power Commission Docket No. E-7618, and will refrain from making or retaining other copies thereof. Such documents, summaries thereof, or information contained in such documents shall not be used against Edison by Cities, their attorneys or agents in any way, including use in any other legal proceedings.

Edison agrees it will retain or deposit with the parties agree in advance pertain to cost of service, for use in future rate proceedings.

ARTICLE 5 - GENERAL CONDITIONS

5.1 The making of this Settlement Agreement or the acceptance of it by any regulatory commission shall not be deemed in any respect to constitute a finding by such commission or an admission by any of the Cities or by Edison that any allegation or contention urged by the other parties in the various proceedings now pending or as to any of the matters covered by this Settlement Agreement is true or valid.

5.2 This Settlement Agreement is conditioned expressly upon the approval or acceptance by the Federal Power Commission of all of its terms and conditions, including the permitting to become effective, consistent with Article 2, of the rate schedules as specified in Section 5.5. "Approval or acceptance" as used in this Settlement Agreement refers to a final order of the Federal Power Commission which is no longer subject to review.

5.3 Contracts setting forth rates for the services contemplated herein shall be tendered for filing with the Federal Power Commission and such contracts and rates shall be subject to change, except as expressly limited

remain or in such contracts, upon filing by Edison pursuant to Section 205 of the Federal Power Act.

All resale service rendered by Edison shall be subject to the Rules of Edison on file with the Federal Power Commission, as such Rules may be modified from time to time upon filing by Edison pursuant to Section 205 of the Federal Power Act.

5.5 Concurrently with the submission of this Settlement Agreement to the Federal Power Commission and consistent with Article 2, Edison will tender Exhibits G and H for filing as rate schedules with the request that they be accepted for filing and allowed to go into effect concurrently upon approval or acceptance of the Settlement Agreement.

5.6 Immediately upon approval or acceptance by the Federal Power Commission of this Settlement Agreement, but not prior to closing of Docket E-7618, Edison will tender to the Federal Power Commission for filing as rate schedules Exhibit C, D, and E hereto. Cities will not oppose such filings made consistent with this Settlement Agreement.

5.7 Edison will tender to the Federal Power Commission for filing as a rate schedule each of the definitive Integrated Operation Agreements negotiated pursuant to Exhibit A when such agreements are executed, but not prior to the conclusion of the current resale rate

proceedings, Decree No. E-7016. If the parties are unable to agree on the form of contract, Edison shall submit the proposed form of Integrated Operation Agreement, to which Exhibit A shall be attached, and Cities reserve the right to intervene, oppose and seek modification of the proposed form of contract and the parties agree that the matter may be consolidated for hearing and decision upon timely motion in any Edison rate case involving resale rates subsequent to this Settlement Agreement. Neither party will take a position which does not conform to the agreed upon principles in Exhibit A.

- 5.8 The parties have agreed that partial requirements service should be available to Cities from Edison but have not resolved their differences as to the appropriate rates, terms and conditions for such service. A copy of the contract rate schedule as proposed by Edison without concurrence by the Cities (Exhibit B, Partial Requirements Service) is attached hereto. It is the Cities' position that the disparity between the all requirements and partial requirements rates as presently proposed, will prevent the Cities from developing their own resource program; and further that the applicability of Edison's all requirements rate schedules should be extended to partial requirements service, or these rates should be otherwise established, so as to enable the Cities to

Parties agree that all matters related to Edison's rate cases that these matters may be raised before the Federal Power Commission or Commission on Edison's rate cases involving people rates shall be consolidated for hearing and decision and have the all requirements and partial requirements rate matters consolidated for hearing and decision. Parties agree that any filing by Edison of a rate for partial requirements service, such as Exhibit B, may be consolidated for hearing and decision (with such rate cases). Absent a prior agreement, the parties agree to relegate to litigation and decision in such subsequent proceedings the determination of proper rates, terms and conditions for partial requirements service.

5.9 Nothing herein shall be construed as a waiver by any of the Cities of their rights to file complaints under the Federal Power Act as to any matter herein except as set forth in Paragraphs 1.5 and 2.3 and Article 3.

5.10 Commitments made and services offered herein shall be subject to interruption or curtailment in case of force majeure.

5.11 If filing with any public agency is necessary to implement the load shedding or load curtailment program referred to in Exhibit A of this Agreement, Edison shall file in accordance with statutory requirements.

any undertaking by one party to another party under this Agreement shall not constitute the dedication of the property to the public or to the other party, nor affect the status of any party as an independent electric system.

5.13 This Agreement is made upon the explicit understanding that it constitutes a negotiated settlement and that all offers of settlement and discussions relating thereto are and shall be privileged and shall be without prejudice to the position of any party. It is further agreed that the parties shall not be considered as necessarily agreeing with any method of cost-of-service determination, or design of rate schedule, or the application of any rule of law. This Settlement Agreement and such additional agreements as may be required to implement this Agreement are submitted on the same explicit understanding and on the further condition that in the event any appropriate commission does not by order accept this Settlement Agreement, it shall be deemed withdrawn and shall not constitute part of the record in any proceeding or be used for any other purpose.

5.14 Upon any breach of this Agreement, any party may seek whatever remedy it deems appropriate including, but not limited to, rescission or damages. Breach by a City, however, shall not entitle Edison to discontinue any of the services offered hereunder which Cities are taking as of the date of the breach.

This agreement shall be governed by the laws of the State of California, or of United States Federal law, as applicable.

5.16 The signatories hereto represent that they have been appropriately authorized to enter into this Agreement on behalf of the party for whom they sign.

Executed this fourth day of August 1972.

SOUTHERN CALIFORNIA EDISON COMPANY

By /s/ Wm. C. Drewry
Vice President & Assistant to the President
Attest: J. C. Bobek, Assistant Secretary
CITY OF ANAHEIM

By /s/ Jack C. Dutton
Attest: Dene M. Daoust

CITY OF BANNING

By /s/ Earle W. Crawford
Attest: Norma J. Brenton

CITY OF RIVERSIDE

By /s/ Ben Lewis
Attest: Virginia J. Strohecker

Approved as to Form

/s/ John Woodhead
Riv. City Attorney

PRINCIPLES FOR AGREEMENT ON
INTEGRATED OPERATION

1. General Agreement

- 1.1 The parties to the Integrated Operation Agreement shall be Southern California Edison Company (Edison) and the City of _____ (City). The principles set forth herein shall form the basis for a definitive Integrated Operation Agreement.
- 1.2 In order to better meet the power requirements of the respective parties and obtain operational economies on their respective systems, Edison and City agree to integrate their power sources. To accomplish this, Edison agrees to provide dispatching services for sources owned by, or under the control of, the City and to schedule operation and maintenance of such sources in the same manner as if they were owned or controlled by Edison.
- 1.3 Edison and the City will participate in joint planning in order that each party will have available to it sufficient information as to the future load, transmission and power supply plans of the other and in order to make joint power flow studies as related to future plans. The City and Edison shall each appoint a representative to freely exchange information and determine procedures regarding planning, engineering

and operate in connection with integrated operation.

1.4 The City shall coordinate its other power supplies with the Edison system under an Integrated Operation agreement. Such coordination will consist of providing any personnel, actions, facilities, information and cooperation reasonably required for planning, operating, dispatching, maintenance and billing activities. The City will provide Edison with information needed to schedule deliveries from City's sources and to provide Edison with complete data concerning generation by City-operated units.

1.5 The Integrated Operation Agreement shall become effective when signed by both parties and shall remain in effect until canceled by one party giving the other not less than 10 years' advance written notice of such cancellation, except that such agreement may be mutually terminated at any time. City may cancel the Integrated Operation Agreement and Exhibit A on 30 days' written notice, if no City sources of generation have been integrated into the combined resource plan. In the event Edison files (under Section 205 of the Federal Power Act) a change in rates which affects Integrated Operation and which creates a substantial detriment to City, City may cancel the Integrated Operation Agreement upon five years' written notice given not later than 90 days after such change is final.

or acquire a source or sources of power to meet all or a part of the electrical requirements of its system. To integrate such source or sources into Edison's system, City shall, at the earliest practicable time, inform Edison in writing of such desire. City shall show by the use of historical growth trends, future forecasts and other available supporting data that such sources will meet all or a part of its requirements in the reasonably foreseeable future. Sources from which City may obtain generation include, but are not limited to the following:

- 2.1.1 By construction of generating facilities either solely or in participation with parties other than Edison.
- 2.1.2 By purchase of power from third parties.
- 2.1.3 By participation with Edison in new generating units initiated by Edison in which Edison is a joint participant with other utilities or generating agencies; provided that Edison's and City's shares shall be in proportion to the relative size of Edison's and City's historical loads as determined from an average of the last six annual peak demands for each system, the latest of which

is for the year preceding the year during which the City commits to such participation. The amount of such participation shall be determined to the nearest 0.01 percent. Edison shall, as soon as practicable, inform City of Edison's plans for its participation in such projects.

2.2 Edison agrees to use its best efforts to integrate power sources planned by the City into the resource plan developed for the combined systems, provided:

2.2.1 Sufficient notice of the estimated date of firm operation is given to Edison in order that adequate and reliable power supplies for the combined systems may be provided in a timely manner;

2.2.2 Sufficient notice is given to Edison of the date when City must make a definite commitment to proceed with the construction or acquisition of such power source;

2.2.3 Such sources are of appropriate size, type, reliability and design, and have appropriate operating characteristics, for integration;

2.2.4 Such sources do not exceed the City's system requirements for the reasonably foreseeable future, unless City and Edison mutually

agree that City's proposed power source is desirable;

2.2.5 Such sources would not affect a power source proposed by Edison in the current resource planning for the combined systems and for which Edison has made substantial financial or other commitments toward its construction, unless City and Edison mutually agree that City's proposed power source is desirable;

2.2.6 Such sources are compatible with

- (a) resources planned for the combined systems,
- (b) the resource plans submitted annually by Edison to the California Public Utilities Commission under its General Order 131, and
- (c) other resource plans periodically submitted to regional agencies and organizations, which plans shall include the future power sources of the City previously agreed to be integrated into the combined systems; and

2.2.7 Agreement between the parties is reached regarding transmission facilities required to integrate the City's proposed source into the combined systems.

2.3 Within 60 days of the later of (a) receipt by Edison of the information on a proposed City power

sources as set forth in Section 2.2 or all the areas-
and transmission facilities as required by
Section 2.3, Edison shall inform City whether or
not the source of power proposed by City meets the
criteria set forth in Section 1.2. In the event that
Edison informs the City that such proposed source of
power does not meet said criteria, Edison shall, upon
request by the City, make available for examination
by the City the plans and specifications of Edison's
comparable existing and planned sources of power.

2.4 As soon as practicable after Edison has informed
City pursuant to Section 2.3 that the source of power
proposed by the City can be integrated into the
resource plan for the combined systems, City shall
enter into appropriate transmission service arrange-
ments with Edison for such source. After City has
made a definite commitment to Edison to proceed with
the construction or acquisition of such source of
power, City shall take all steps necessary to make
available the proposed source of power by the
estimated date of firm operation.

2.5 In the event Edison is unable or unwilling to
construct such new transmission facilities as may
be required to integrate the City's source of power
into the combined systems, City shall have the right
to construct transmission facilities to provide such

interconnection with other utilities may be constructed jointly with other utilities; provided that such utilities have entered into either an agreement for interconnected operations or an Integrated Operations Agreement with Edison. Edison will agree to enter into arrangements with such other utilities substantially in accord with its existing interconnection agreements or principles set forth herein for Integrated Operations.

2.6 City shall take all steps necessary to make the proposed source of power available in accordance with Section 2.4 above within the time necessary to proceed with the project involved. If, under any circumstances, the City decides to abandon its involvement in the proposed power source, Edison shall have the right to assume ownership of the source and the responsibility for its completion upon reimbursing the City for all costs incurred by City in connection with such power source.

2.7 The parties will support each other in obtaining any necessary authorizations and regulatory approvals for new sites, rights-of-way and facilities associated with transmission services and new sources of power included by agreement in the combined resource plan.

3. City-Owned and Operated Generation

3.1 City shall design and construct its sources of

generation in such manner that such sources are capable of performing in a manner comparable to Edison's sources of generation.

3.2 City and Edison shall confer from time to time on desirable unit characteristics and design criteria bearing on unit reliability and usability so that the parties have a reasonable period of time to exchange views on such characteristics and criteria. Such exchange shall not create any responsibility on the part of the requesting party or anyone else as to the adequacy or capability of such source and is only intended to enable the requesting party to evaluate the reliability of sources which are to be integrated with its own sources of generation.

3.3 The Rated Capability of a source of generation, including a purchase from a specific generating unit owned by a third party, shall be the City's share of the unit's maximum level of net generation that can be continuously maintained (with only ordinary maintenance and adjustment) under physical, regulatory, legal, warranty, or other restrictions at any given time. The Rated Capability shall be determined by operating tests of the type normally used by Edison to establish the capability of its generating units. The Rated Capability of a source of purchased power will be deemed to be its maximum firm rate of delivery under the purchase contract.

A source of power shall be considered to be a source of rated capability on the date when it has demonstrated that all essential features and equipment are capable of operating simultaneously in such condition that such source is capable of continuous delivery into the integrated systems at its Rated Capability. Such demonstration shall include satisfactory completion of all necessary start-up and performance tests which would be performed normally on similar Edison sources. Such date shall, for the purposes herein, be considered to be the date of firm operation.

- 3.5 City shall, at Edison's request, install and maintain at City's expense automatic generation control equipment compatible with Edison's automatic generation control system on those sources of City's generation which have been designated by Edison. Edison will not request such equipment to be installed on City sources unless Edison would install such equipment on the source if Edison owned it.

4. Integrated Operation and Maintenance

- 4.1 After City acquires a source or sources of power, City and Edison shall at all times each contribute a proportionate share of the reserve requirements for the combined systems. City's contribution shall be deemed to be a percentage of the then effective Rated

... of the amount of the five percent reserve
... required by Edison for the combined system
... during a five year period, the rate of interest for
... the year in which such reserve is applied.
Said average shall be determined to the nearest
0.01 percent.

- 4.2 City shall be responsible for the operation and maintenance of the sources of generation owned and operated by it.
- 4.3 City shall make its sources of power available for scheduling by Edison to meet the combined requirements of Edison and City. City's sources will not be scheduled by Edison for operation in excess of their Rated Capability except under emergency conditions. Edison shall inform City in advance when such operation is anticipated and the duration thereof. In the event that an emergency arises where such advance notification is not possible, Edison shall inform the City as soon as possible after such operation has occurred. Edison shall schedule City sources in accordance with good electric utility practice.
- 4.4 City shall coordinate with Edison the schedules for maintenance and refueling work on City's sources of power. City shall perform all such work on sources solely owned by it in accordance with such schedules, and shall not, except in emergencies, take any such source out of service without prior approval of the Edison dispatcher.

- 4.5 Each party shall keep Edison currently informed of any operating or scheduling limitations on any of City's sources of power. City shall use due diligence to restore the availability of its sources of power in the event of outages which cause all or a part of such sources to become temporarily unavailable.
- 4.6 As long as the City is purchasing a portion of its load requirements from Edison, in the event that the lack of availability of generating sources or transmission capacity results in insufficient capacity to provide adequate service to the combined loads of Edison's and City's systems, and load curtailment or limitations on new loads becomes necessary on the combined system, the City and Edison agree to engage jointly in load curtailment on a pro rata basis and/or in limitations on new loads. No curtailment or limitation will be initiated until all reasonable efforts have been made by each party to make full use of all California and adjacent regional resources.
- 4.7 Each party shall operate its system, in accordance with good electric utility practice, to minimize the reactive power demand placed on the other party's system.
- 4.8 In the event that Edison, at its sole option, schedules energy from City's Rated Capability during any hour, which energy exceeds the City's requirements during that hour, Edison shall pay City for such excess energy at a rate per kilowatt-hour equal to City's incremental cost plus 15 percent of such cost.

City, the date of operation of such source is agreed to by Edison. Edison shall pay for such energy at a rate equal to Edison's incremental cost. No capacity or energy credit will be allowed under any applicable partial requirements rate until a source of power is firm. Edison will cooperate, when conditions on its system permit, by providing a load for warranty testing of all new City units.

4.10 Edison shall provide scheduling and dispatching services for City's sources of power. City shall reimburse Edison monthly for such services at a mutually agreeable rate based on Edison's costs, including overheads, of providing such services.

4.11 In the event City acquires a non-firm source of energy, City will be credited for such energy to the extent that such energy is used to meet that portion of its requirements which is not being met by City's other sources of power. Edison shall purchase from City all such energy which is excess to City's requirements at City's cost which cost shall include charges made by Edison and others to City for transmission service, plus 15 percent of such cost provided, that such energy is economically usable by Edison. Edison shall provide and City shall be obligated to pay for spinning reserves to back up such non-firm source at a charge equal to the incremental cost incurred by Edison in providing such reserves.

In the event City acquires a non-firm source of energy, Edison shall have the best efforts to provide transmission service over existing facilities solely owned by Edison for any such non-firm source of energy. If City desires transmission of such non-firm power over facilities outside Edison's certificated service area where such facilities are interconnected with but not solely owned by Edison, City shall be responsible for negotiations with the appropriate owner or owners of such facilities for such transmission. Edison shall cooperate with City in its efforts to obtain such transmission of power. It is contemplated that the period of time involved may be more or less than 12 months and that the charges for transmission service will be calculated on a basis proportional to charges applicable to Network or Point-to-Point Transmission Service. If the period involved is not a multiple of 12 months, a special agreement will be required which may embody changes in the terms and conditions of Network or Point-to-Point Transmission Service to reflect conditions occasioned by the different period of time involved.

- 4.12 Either party may, from time to time, require a demonstration of the ability of a City's generating source to produce the Rated Capability of that source. Such demonstration shall be similar to that set forth in Section 3.3 hereof. Such demonstration shall be performed at the requesting party's sole expense.

Interconnection Facilities

- 5.1 The design and construction of City-owned facilities at any point of interconnection between the systems of Edison and City shall be subject to the written approval of Edison. As long as City has made such design and performed such construction in accordance with Edison's standards, Edison shall not withhold such approval.
- 5.2 City shall have the right to construct transmission facilities, or arrange with others for transmission service, and such facilities or the facilities providing such service, may be connected to Edison's system when (a) adequate electrical system protection is provided; (b) the City reimburses Edison for costs incurred by it as a result of such connection; and (c) the City arranges for transmission service to be provided by Edison in accordance with the terms and conditions of Edison's rates for such service. Such facilities or arrangements may be constructed or provided jointly with other utilities, provided that such utilities have entered into either an agreement for interconnected operations or an Integrated Operations Agreement with Edison. Edison will agree to enter into arrangements with such other utilities substantially in accord with its existing interconnection agreements or principles set forth herein for Integrated Operations.

6. Supplemental Service and Losses

6.1 Edison shall provide the balance of City's electric system requirements including replacement power and energy for unavailable Rated Capacity under rates, terms, conditions, and form of contract to be agreed upon by the parties or determined by final order of the Federal Power Commission.

6.2 Prior to determining the City's capacity and energy credits, the Rated Capacity of each of the City's sources of generation and its associated energy shall be reduced to reflect appropriate average transmission losses from that source to the point of interconnection between Edison's and City's Systems.

6.3 Capacity credit under any applicable partial requirements rate for a City's source of generation shall be given when such source is integrated into the combined systems as provided in Section 2.0 hereof, but not prior to the date of firm operation.

6.4 In the event of a forced outage of a City resource, Edison shall use its best efforts to provide transmission service over existing facilities solely owned by Edison for any appropriate resource City may obtain to replace the resource forced out. If City desires transmission of power from such

... facilities outside Edison's unincorporated service area where such facilities are interconnected with but not solely owned by Edison, City shall be responsible for negotiations with the appropriate owner or owners of such facilities for such transmission. Edison shall cooperate with City in its efforts to obtain such transmission of power. It is contemplated that the period of time involved may be more or less than 12 months and that the charges for transmission service will be calculated on a basis proportional to charges applicable to Network or Point-to-Point Transmission Service. If the period involved is not a multiple of 12 months a special agreement will be required which may embody changes in the terms and conditions of Network or Point-to-Point Transmission Service to reflect conditions occasioned by the different period of time involved.

7. Sale of Surplus Power

7.1 In the event City constructs or acquires a source of power which Edison and City have agreed will be integrated with the power sources available to the combined systems, and a portion of such source will exceed the immediately foreseeable requirements of the City, Edison will purchase such portion subject to the following:

7.1.1 City shall first use such source of power to meet its own estimated requirements.

- 7.1.2 City shall have given Edison at least five years' advance notice of the amount of such capacity to be purchased, unless shorter notice is otherwise agreed upon.
- 7.1.3 City and Edison have agreed that City will have a need for such portion for its own requirements in the reasonably foreseeable future;
- 7.1.4 The capacity associated with such portion is available for a minimum of 12 consecutive months;
- 7.1.5 Energy associated with such capacity bears the same ratio to the total energy availability as the ratio of capacity to be purchased bears to the total capacity of the source; and
- 7.1.6 The price for capacity and energy to be purchased by Edison shall fully compensate City for investment and all other associated costs.
- 7.1.7 For purposes of determining Rated Capability, it shall be deemed that the Rated Capability of such source is equal to its total capability minus the amount of capacity being sold to Edison.
- 7.2 In the event City desires to sell outside the combined systems all or a part of the output of any

of the source of power, City shall first offer to sell such output to Edison at a price which shall fully compensate City for investment and all other associated costs. In the event Edison does not choose to purchase such output, City may sell it outside the combined systems during periods when it is anticipated such output will not be required to serve the combined loads of Edison and the City. Where applicable, Edison agrees to provide transmission service for the period of the sale in accordance with the terms and conditions of the Integrated Operations Agreement.

- 7.3 In the event Edison refuses to integrate the City's proposed source of power into the combined systems as City proposes, City may proceed with its construction or acquisition. In such event, City shall not receive a capacity credit under any applicable partial requirements rate until such integration is agreed upon between the parties. The City shall be free to sell all or part of the output outside the combined systems and where applicable Edison agrees to provide transmission service for the period of the sale in accordance with the terms and conditions of the Integrated Operations Agreement.

8. Transmission Line Design Ratings

- 8.1 Charges for Network Transmission Service and Point-to-Point Transmission Service are based on the

of determining such charges, such design ratings shall be deemed to be as follows:

- 8.1.1 For all 220 kV transmission lines utilized for Network Transmission Service, and where such lines are listed in Schedule 18A of the Federal Power Commission Annual Power System Statement Form 12, 57 percent of those capacity ratings set forth in said Schedule;
- 8.1.2 For a transmission line operating at 220 kV or less, where such line is not utilized for Network Transmission Service but where such line is listed in Schedule 18A of the Federal Power Commission Annual Power System Statement Form 12, 57 percent of its capacity rating as set forth in said Schedule.
- 8.1.3 For a transmission line operating at 220 kV or less and where such line is not listed in Schedule 18A of the Federal Power Commission Annual Power System Statement Form 12, 57 percent of Edison's estimate of the capacity rating that would be set forth in said Schedule if such line were listed.
- 8.1.4 Capacity ratings of transmission lines operating at 220 kV or less, as such ratings

are set forth in said Schedule 12a, shall not be less than the current carrying capacity of that line's overhead conductor when, at 60 Hertz continuous alternating current, will raise the conductor temperature from an ambient air temperature of 40° centigrade to a conductor temperature of 90° centigrade with a cross wind of two feet per second;

8.1.5 Except for Edison's 500 kV line constructed between Eldorado Substation and the Colorado River (which presently has a design rating of 768 megawatts), a transmission line operating at 500 kV shall be deemed to have a design rating of 1,000 MW, unless a different design rating is established from stability studies, which studies give weight to generator and transmission line impedances, transients, series compensation, and parallel circuits, as well as conductor material and size. In the event the design rating of a 500 kV line is changed as a result of changes in series compensation or other factors, charges for transmission service will be modified accordingly.

8.1.6 For the 800 kV DC transmission line between Celilo and Sylmar Converter Stations, the design rating, with all equipment in service, shall be

limited to be not more than 1,000 megawatts on the Oregon-Nevada border, of which Edison's entitlement is 21.5 percent of such rating.

8.1 Either party may request a review of the 57 percent figure, or the basis of determining capacity ratings set forth above, not more than once in any five-year period. If such a review indicates that such figure should be increased or decreased by more than one percentage point, or if such basis should be changed, an increase or decrease in charges, as appropriate, shall be made and reflected in the next scheduled rate filing. City may, on request, review studies made by Edison which are used to determine the design rating for the 500 kV transmission line in question.

9. Notices

9.1 Any written notice, if to be given to the City, shall be addressed to _____

_____ and if to Edison, to Secretary, Southern California Edison Company, P. O. Box 800, Rosemead, California 91770.

10. Dispute Resolution

10.1. Arbitration

10.1.1. In the event of any disagreement between the parties with respect to (i) any question of fact or opinion involved in the application of the provisions of that agreement, or (ii) the interpretation of any provision of that agreement, the disagreement will be submitted to arbitration, unless such matter is within a regulatory agency's jurisdiction.

11. No Dedication of Facilities

11.1 Any undertaking by one party to another party under the Integrated Operation Agreement shall not constitute the dedication of the electrical system or any portion thereof of any party to the public or to the other party, and it is agreed that any such undertaking shall cease upon the termination of that agreement.

12. Regulatory Authority

12.1 The Integrated Operation Agreement shall be subject to filing with, and to such changes or modifications as may from time to time be directed by appropriate regulatory authority, if any, in the exercise of its jurisdiction.

13. Uncontrollable Forces

13.1 Each party shall be considered to be in default in the performance of any of its obligations under the Integrated Operation Agreement or any related Transmission Service Agreement (other than obligations of said party to pay costs and expenses) when a failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces" shall be any cause beyond the control of the party affected, including but not restricted to failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority, and action or non-action by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority, which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed so as to require a party to settle any strike or labor dispute in which it may be involved. Any party rendered unable to fulfill any of its obligations under the Integrated Operation Agreement by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch.

Except for any loss, damage, claim, cost, charge or expense resulting from willful action, no party (First Party), its directors, or other governing body, officers, or employees, shall be liable to the other party (Second Party) for any loss, damage, claim, cost charge or expense of any kind or nature (including direct, indirect or consequential loss, damage, claim, cost, charge or expense) incurred by Second Party, resulting (whether or not from the negligence of any party, its directors or other governing body, officers, employees or any other person or entity whose negligence would be imputed to such party) from (i) engineering, repair, supervision, inspection, testing, protection, operation, maintenance, replacement, reconstruction, use or ownership of the First Party's electric system, or (ii) the performance or nonperformance of the obligations of any party under the Integrated Operation Agreement or any related Transmission Service Agreement. Except for any loss, damage, claim, cost, charge or expense resulting from Willful Action, the Second Party releases the First Party, its directors, or other governing body, officers, and employees, from any such liability.

14.2 Except for liability resulting from Willful Action, a claim or filing an action for any death, injury, loss or damage arising out of electric service to such customer shall indemnify and hold harmless the other party, its directors, or other governing body, officers and employees from and against any liability for such death, injury, loss or damage. The term "electric customer" shall mean any electric customer, except an electric utility system to whom power is delivered for resale.

14.3 Willful Action as referred to herein is defined as follows:

14.3.1 Action taken or not taken by a party at the direction of its directors or other governing body, officers, or employees having management or administrative responsibility affecting its performance under the Integrated Operation Agreement or any related Transmission Service Agreement, which action is knowingly or intentionally taken or failed to be taken with conscious indifference to the consequences thereof or with intent that injury or damage would result therefrom. Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

14.3.2 Action taken or not taken by a party at the direction of its directors, other governing body, officers, or employees having management or administrative responsibility affecting its performance under the Integrated Operation Agreement or any related Transmission Service Agreement, which action has been determined by final arbitration award or judgment or judicial decree to be a material default under the Integrated Operation Agreement or any related Transmission Service Agreement and which action occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such default.

14.3.3 Action taken or not taken by a party at the direction of its directors, other governing body, officers or employees having management or administrative responsibility affecting its performance under the Integrated Operation Agreement or any related Transmission Service Agreement, which action is knowingly or intentionally taken or failed to be taken with the

and judge that such action taken or failed to be taken is a violation of the Integrated Operation Agreement or any related Transmission Service Agreement.

14.3.4 The phrase "employees having management or administrative responsibility," as used in this Section 14.3, means the employees of a party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling, operating and supervising such party's performance under the Integrated Operation Agreement or any related Transmission Service Agreement with responsibility for results.

APPENDIX A

San Onofre Nuclear Generating Station,
Units 2 and 3
Southern California Edison Company and
San Diego Gas & Electric Company
AEC Docket Nos. 50-361A and 50-362A

Dear Mr. Shapar:

On July 12, 1971, the Attorney General, pursuant to Section 105c of the Atomic Energy Act, as amended, advised the Atomic Energy Commission that an antitrust hearing concerning the activities of Southern California Edison Company would be required in connection with the above-captioned application. On August 29, 1972, Southern California Edison advised the Commission that the Company and the various intervenors in this proceeding had entered into a settlement. On October 25, 1972, the Commission supplied a copy of that settlement to the Department and requested that "the Attorney General further advise the Commission as to the effect the above settlement has upon the recommendation that a hearing is necessary in this matter." Our initial review of that settlement agreement required the Department to conclude that it was not adequate to protect the public interest. The Department therefore entered into discussions with the Company which have resulted in agreement by the Company and the Department on the Conditions attached hereto.

In addition to the matters referred to in the attached Conditions, it is to be noted that the wholesale territorial allocation agreement between the Company and Imperial Irrigation District, which the Department's original advice letter discussed, was remedied on September 5, 1972. On that date, an "Interpretive Supplement No. 1 To Service Area Boundary Agreement Between Southern California Edison Company and Imperial Irrigation District" was executed. This agreement, which specifies that the Service Area Boundary Agreement does not prohibit the sale or wheeling of bulk power for resale,

was filed with the California Public Utilities Commission
on October 4, 1972.

On the assurance that the attached Conditions will be
imposed by the Commission on the license to be issued in
this proceeding, we conclude that an individual hearing will
not now be required.

Southern California Edison Company

2244 WALNUT GROVE AVENUE

FULLERTON, CALIFORNIA 92720

WILLIAM H GOULD

June 6, 1974

Thomas E. Kuyper, Esq.
 Assistant Attorney General
 Antitrust Division
 Department of Justice
 Washington, D. C. 20530

Re: Southern California Edison Company,
 San Onofre Nuclear Generation
 Station, Nuclear Units #2 and #3,
 AEC Dockets 50-361A and 50-362A

Dear Mr. Kuyper:

On July 12, 1971, the Department of Justice Antitrust Division completed its review in connection with the above generating station and recommended to the Atomic Energy Commission that an antitrust hearing be held pursuant to Section 105(c) of the Atomic Energy Act of 1954, as amended. Southern California Edison Company ("Edison") denied then and continues to deny every allegation that Edison has violated any of the antitrust laws of the United States or that any activities under the proposed license would create or maintain a situation inconsistent with those laws.

Edison has entered into agreements with all of its large resale customers which provide, among other things, for integrated operations and coordinated planning of customer resources with Edison resources, partial requirements service, transmission service, and participation by such customers in certain future Edison generating units.

Edison is agreeable to the imposition of conditions to the San Onofre license which will embody, for the period of the license, provisions generally in accord with such agreements with its large resale customers. Edison agrees.

therefore, that conditions in the form attached may be made part of the license for the above units on the following express understandings with the Department of Justice:

- a. Nothing in these conditions shall be deemed to enlarge or modify the extent to which Edison has heretofore dedicated any of its properties to public service.
- b. Edison does not intend to become a common carrier by reason of these conditions.
- c. These commitments by Edison are made in order to render unnecessary an antitrust hearing with respect to the pending applications for these units. The Department of Justice will recommend to the Atomic Energy Commission that there be no antitrust hearing in this matter as a hearing is no longer needed.
- d. These commitments do not constitute an admission of any of the allegations contained in the Department of Justice letter of July 12, 1971, to the Atomic Energy Commission.
- e. Edison reserves the right to contend in any other proceedings before the Atomic Energy Commission and with respect to any attempt in this proceeding to modify these conditions should they be imposed by the Atomic Energy Commission as license conditions, that the Atomic Energy Commission does not have jurisdiction to impose such conditions.

The undersigned is authorized by Edison to act on its behalf and to submit the foregoing to the Department of Justice and the Atomic Energy Commission.

Very truly yours,

SOUTHERN CALIFORNIA EDISON COMPANY

CONDITIONS TO SAN ONOFRE
NUCLEAR UNITS #2 AND #3 AEC LICENSE
AEC DOCKETS NOS. 50-361A AND 50-362A

1. As used herein:
 - 1.1 "Bulk Power" means the electric power, and any attendant energy, supplied or made available at transmission or subtransmission voltage by one entity to another.
 - 1.2 "Entity" means, person, a private or public corporation, a municipality, a cooperative, an association, a joint stock association or business trust owning, operating or proposing in good faith to own or operate equipment or facilities for the generation, transmission or distribution of electricity to or for the public as a utility.
2. Applicant recognizes it is generally in the public interest for electric utilities to interconnect, coordinate reserves, and/or engage in bulk power supply transactions in order to provide mutual, though not necessarily equal benefits, to each of the parties in such arrangements. However, Applicant should not be obligated to enter into such an arrangement if (1) to do so would violate, or incapacitate it from performing any lawfully existing contracts it has with another party or (2) there is contemporaneously available to it a mutually exclusive competing or alternative arrangement with another party which affords it greater benefits. In implementing the commitments in the succeeding paragraphs, Applicant will act in accordance with these principles.
3. Applicant shall, pursuant to such principles, permit participation on mutually agreeable terms in new nuclear generating units initiated by Applicant, upon timely

any entity(ies) within or contiguous to Applicant's service area which at that time does not have access to an alternative comparably-priced source of bulk power supply. With respect to those units not initiated by Applicant in which Applicant is a joint participant with other utilities, Applicant shall cooperate in facilitating the participation of any such entity(ies) which seeks such participation upon timely application.

4. Applicant shall permit interconnection and coordination of reserves by means of agreements for the sale and purchase of emergency bulk power with any entity(ies) within or contiguous to Applicant's service area and thereby allow such other entity(ies), as well as Applicant, full access on a proportionate basis to the benefits of reserve coordination. ("Proportionate basis" refers to the equalized percentage of reserves concept rather than the largest single-unit concept, unless the participants have otherwise agreed.) Interconnections will not be limited to low voltages when higher voltages are available from Applicant's installed facilities in the area where interconnection is desired, when the proposed arrangement is found to be functionally, technically and economically feasible. Emergency service to be provided under such agreements will be furnished to the fullest extent available and desired where such supply does not jeopardize or impair service to the supplier's customers.
5. Applicant shall sell bulk power to or purchase bulk power from any other entity(ies) within or contiguous to Applicant's service area. This refers to the mutually beneficial opportunity to coordinate in the planning of

a/ With respect to Applicant's present or future resale customers "timely application" shall be in no event later than 90 days after publication by the Atomic Energy Commission of the notice of the receipt of application for a construction permit. With respect to all other entity(ies) referred to above "timely application" shall be within a reasonable period from a planning standpoint after the first public announcement of Applicant's intention to construct the specific unit, but in no event later than the said time specified for Applicant's resale customers.

G.W.H.

- new generation, related transmission and associated facilities. This provision shall not be construed to require Applicant to purchase or sell bulk power if such purchase or sale cannot be found to be functionally, technically and economically feasible.
6. Applicant shall, pursuant to such principles, transmit bulk power over its transmission facilities within its service area, both between or among two or more entities with which it is interconnected to the extent that such transmission can be found to be functionally, technically and economically feasible and can be effected without an adverse affect on service to its own customers. Applicant is obligated under this condition to transmit bulk power on the terms stated above, and in connection with Applicant's plan to construct new transmission facilities for its own use within its service area, to include in its planning and construction program sufficient transmission capacity as required for such transmission, provided that such entity(ies) give Applicant sufficient advance notice as may be required to accommodate the arrangement from a functional and technical standpoint and that such entity(ies) are obligated to compensate Applicant fully for the use of its system. Applicant shall use its best efforts to facilitate the transmission of bulk power over then existing transmission facilities outside its service area for such entities.
 7. The foregoing conditions shall be implemented in a manner consistent with the provisions of the Federal Power Act and all rates, charges or practices in connection therewith are to be subject to the approval of regulatory agencies having jurisdiction over them.

SPIEGEL & McDIARMID
 2600 VIRGINIA AVENUE, N.W.
 WASHINGTON, D. C. 20037
 TELEPHONE 1202 337-1000

FURZE SPIEGEL
 ROBERT C. McDIARMID
 ANDREW STREBEL
 ROBERT A. JABLON
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 JOHN L. ROTH
 FRANCES E. FRANCIS
 WILLET DAVIDSON
 THOMAS N. McHUGH, JR.

October 25, 1978

PETER H. ...
 DANIEL J. ...
 DAVID R. ...
 BONNIE S. ELA ...
 ROBERT HARLEY ...
 THOMAS ...
 JAMES CARL POLLOCK

John H. Shenefield
 Assistant Attorney General
 Antitrust Division
 United States Department
 of Justice
 Washington, D.C. 20530

Re: Arizona Public Service Company et al. Palo Verde
 Nuclear Generation Station Units 4 and 5; NRC
 Project Number P-662A, Department of Justice File
 Number 60-415-95

Dear Mr. Shenefield:

This is with reference to your letter of September 13, 1978 to Howard K. Shapar, advising the Nuclear Regulatory Commission that in your opinion it is not necessary for the Commission to hold an antitrust hearing in the Palo Verde proceeding. The Cities of Anaheim and Riverside, California do not seek an anti-trust review in relation to the construction permit for Palo Verde units 4 and 5. They (and other utilities) are participants in those units and want to avoid any delay in the issuance of a construction permit for the units.

However, the Cities take issue with the factual assumptions in your letter. Contrary to the implications of your letter, it is the Cities' experience that the San Onofre conditions have neither resolved nor prevented situations inconsistent with the antitrust laws. In Cities' view, Southern California Edison Company has not lived up to the San Onofre conditions, or if the conditions be narrowly construed, Edison has in any event acted anticompetitively. The Cities therefore recommend that the Department of Justice consider taking action, outside the Palo Verde proceeding, to enforce the San Onofre conditions and the antitrust laws against Edison.

The Cities recommend action outside the Palo Verde proceeding partly because many other electric systems are involved in the

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- 2 -

project. They and their electric customers may be adversely affected if construction of the project is delayed by an antitrust review.

Among other obligations, the San Onofre conditions obligate Edison to "transmit bulk power over its transmission facilities within its service area" and "use its best efforts to facilitate the transmission of bulk power over then existing transmission facilities outside its service area. . ." Nevertheless, Edison has for example refused Anaheim and Riverside's requests for firm transmission service from the Northwest, thereby foreclosing the Cities from competing for supplies of bulk power from sellers in the Northwest and from purchasing energy sold by the Bonneville Power Administration to which the Cities have statutory preference. (The facts as Cities understand them will be presented in testimony on behalf of the Cities, to be served October 27, 1978 in Federal Energy Regulatory Commission Docket No. E-7777 (Phase II). We shall send you a copy then.)

Briefly summarized, these are the facts as we understand them: Bulk power transactions between the Pacific Northwest and California occur over the Pacific Northwest-Pacific Southwest Intertie. The principal facilities of the Intertie below the Oregon border are two 500 KV AC lines controlled under forty year contracts by Edison and the two other members of the California Power Pool, and an 800 KV DC line in which Edison is entitled to half the capacity under a seventy-five year contract (with the Los Angeles Department of Water and Power and three smaller entities entitled to the other half). Together, Edison, Pacific Gas & Electric Company and San Diego Gas & Electric Company now control about 2,800 MW of the total 3,900 MW in the Intertie. Edison, PG&E and SDG&E share their portion of the Intertie 43%, 50%, and 7%. (They also share imports from the Northwest on the same percentage basis.) Furthermore, Edison has the right of first refusal for any capacity in the DC line that is surplus to the needs of Los Angeles and the others (and they must give Edison substantial notice before attempting to sell capacity rights in the DC line). Moreover, the California Power Pool members claim that transmission rights purchased by other entities such as the Sacramento Municipal Utility District and the California Department of Water Resources revert to the Pool members when not used by the other entities and cannot be resold to others. The Pool members have refused to recognize DWR's interim sale of part of its Intertie capacity to the Cities.

In Cities' view, Edison's combining to control the Intertie has helped Edison to divide sales markets, to foreclose the Cities from supply markets, and to impose and maintain a price squeeze on the Cities. For example, Edison, PG&E, and SDG&E use the Intertie to export power to Northwest entities; Edison, PG&E and SDG&E appear to divide such sales to Northwest entities 43% from Edison, 50% from PG&E and 7% from SDG&E. The California Power Pool mem-

- 3 -

bars likewise divide the market within California. As Cities area prefers to buy from PG&E, the buyer must get Edison's permission to do so; and PG&E must provide extra reserves for the sale (100% spinning reserves, which would be charged to the buyer), which tends to make such arrangements uneconomic.

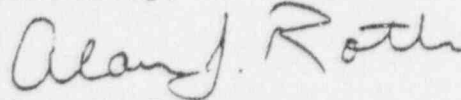
Finally, with the Cities constrained to dependence on Edison, Edison has been able to impose a price squeeze on the Cities, charging them more than it charges retail customers for comparable services, for a long period until the Federal Energy Regulatory Commission reduces the wholesale rates. The Cities are trying to escape their dependence on Edison, but it takes time. They have succeeded in purchasing some energy from Nevada Power Company in an interim arrangement also beneficial to Edison. The Cities are pursuing participation in projects such as San Onofre and Palo Verde (but contrary to the fifth San Onofre condition, relating in part to coordinated planning of transmission, Edison has thus far refused to let Cities participate in the high voltage lines from Palo Verde to California, offering only to sell transmission services to the Cities). As stated, Cities are seeking power supplies in the Northwest (and the Southwest). However, Edison has used its control over the Intertie in a manner that forecloses Cities from soon diversifying its power sources so as to escape present dependence on Edison. As a consequence, Cities are vulnerable to Edison's price squeeze and could be driven out of business, with Edison taking over Cities' retail service areas.

The Cities are in earnest about their antitrust allegations against Edison. On March 2, 1978 Anaheim, Riverside, and others filed an antitrust suit against Edison. Anaheim, Riverside, Banning, Colton, and Azusa, California v. Southern California Edison Company, U.S. District Court, Central District of California, CV-78-810-MML. On August 31, 1978, the Court denied Edison's motion to dismiss the suit, but deferred the action pending three FERC proceedings. In two of the FERC proceedings, Anaheim, Riverside and others are raising the issues of the Intertie, the California Power Pool agreement, the Seven Party Agreement (between the California Power Pool members and four investor-owned utilities in the Northwest), and related agreements and transactions: FERC Docket Nos. E-7777 (Phase II) and E-7796. Finally, the Cities have pursued the price squeeze issue in an Edison wholesale rate case, FERC Docket No. ER76-205.

Enforcement of the San Onofre conditions would help ameliorate the antitrust harm now being suffered by Anaheim, Riverside, and others. Enforcement would open the way for the Cities to reach economical sources of electricity, thus vindicating the Cities' rights to preference power from federal sources, their rights to compete with others for less expensive electricity from whatever source, and their right to escape from the price squeeze imposed by Edison. While the Department of Justice must often

leave it to the parties to seek a vindication of their rights under the antitrust laws, the San Onofre conditions resulted from the Department's recommendation for an antitrust hearing by the NRC, and the San Onofre conditions have led the Department to suggest no further antitrust hearing in the Palo Verde proceeding. In our view, the Department of Justice should therefore seek enforcement of the San Onofre conditions (in a manner that does not threaten delay of the Palo Verde construction permit or the San Onofre operating license because a delay would hurt Anaheim, Riverside, and possibly others); or, the Department should otherwise seek enforcement of the antitrust laws against Edison.

Sincerely,



Alan J. Roth

Attorney for the Cities of Anaheim and
Riverside, California

cc: Gordon W. Hoyt
Utilities Director

Everett C. Ross
Public Utilities Director

Mr. W. H. McDaniel, Jr., President
 Southern California Edison Company
 2277 Walnut Grove Avenue
 Pasadena, California 91770

Dear Mr. McDaniel:

This letter is to formally confirm the City of Glendale's informal requests over the past several years to participate in the San Onofre nuclear generating units.

Mr. W. H. Fell, General Manager and Chief Engineer of our Public Service Department, indicates that he has discussed and requested participation by the City of Glendale with your Mr. William Gould, Executive Vice President, and with David J. Fogarty, Vice President (power supply), upon occasion during the past several years.

The City of Glendale requests your consideration of the right for participation and ownership of 50% total of San Onofre No. 2 and No. 3 units. Our first preference on ownership would be on a comparable basis with the Pacific Intertie ownership and allocation principles. We are prepared to arrange financing for this portion of ownership as suits the needs for construction.

As an alternative, we request the opportunity and right to purchase any of the unused or unexercised purchase and ownership rights that the cities of Banning, Riverside and Anaheim have been authorized.

As another alternative, we request the opportunity to purchase firm, preferably, or surplus energy from these plants on preferably long term contracts or with time limitations.

As another alternative, we request the opportunity to participate in future generation units at this or other future sites, and in the joint development plans and procedures as covered in the anti-trust part of the nuclear power plant development regulations of the Atomic Energy Act.

We would appreciate an opportunity to discuss our request with your staff.

Very truly yours,

J. Keithley
 City Manager

Southern California Edison Company

P O BOX 800

2024 HANCOCK DRIVE AVENUE

PASADENA, CALIFORNIA 91370

TELEPHONE

213-572-2400

June 11, 1975

Mr. J. Keithley
City Manager
City of Glendale
Glendale, California

Dear Mr. Keithley:

Thank you for your letter of May 16, 1975, in which you, on behalf of the City of Glendale, have requested to participate in San Onofre Nuclear Generating Station Units 2 and 3. As you know, these units are now under construction and are planned for commercial operation in 1981 and 1982.

Our plans for these units have received continuing public notice and discussion for several years. On June 1, 1970 Edison and San Diego Gas & Electric applied to the AEC for a construction permit. After many delays, hearings and submittals, such a permit was received on October 18, 1973.

The capacity and energy of Edison's share of Units 2 and 3 is needed to serve Edison's retail and resale customers, and to meet its other firm contractual commitments. If the capacity and energy of any portion of these units were acquired by a utility system located outside Edison's service area, Edison would be unable to replace that capacity and energy with comparable resources by the time of the units' respective commercial operating dates. We believe your request is not timely and, therefore, cannot be accommodated from a planning standpoint. Accordingly, Edison is not prepared to offer you participation in the capacity and energy of San Onofre Units 2 and 3.

While some informal discussions may have occurred between your Mr. W. E. Fell and Messrs. William R. Gould and David J. Fogarty during the past several years, I am sure it was made clear, for the reasons given above, that participation in Units 2 and 3 was not available to the City of

- 2 -

On 1/1/77, the Edison Electric Company, Inc. (Edison) entered into a purchase agreement with the City of Glendale, California, for the purchase of Edison's interest in San Onofre Units 2 and 3. The purchase price was \$100 million, plus a \$10 million "earnout" provision.

As you are aware, the Cities of Anaheim, Riverside and San Bernardino have been offered, as part of a settlement agreement, a share of Edison's 40 percent portion of San Onofre Units 2 and 3. If Anaheim, Riverside and San Bernardino do not elect to acquire the portions of Edison's interest in Units 2 and 3 which Edison has offered to make available to them, such portions will, pursuant to that agreement's terms, revert back to Edison, and thereby will maintain the capacity and energy within the area served by Edison and its resale customers.


With respect to your request to purchase capacity and energy from Units 2 and 3, we do not anticipate any surplus capacity or energy from these units. Therefore, we could not agree to such a sale at this time.

With respect to participation in Edison's future nuclear generation units, Edison plans to offer participation to "entities" in accordance with conditions of the Nuclear Regulatory Commission's license for San Onofre Units 2 and 3. A copy of these conditions is attached.

My staff will be happy to meet with you to discuss the implications of these conditions.

Yours very truly,





CITY OF ANAHEIM, CALIFORNIA
Office of Utilities Director

January 17, 1977 .

Mr. Robert L. Myers
Manager of Resale Accounts
Southern California Edison Company
Post Office Box 800
Rosemead, California 91770

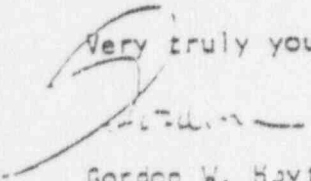
Dear Bob:

Subject: Palo Verde to Devers 500 kv Transmission Line

The City of Anaheim is discussing with the Salt River Project acquisition of a part of their interest in various generating projects in Arizona. Among the projects being discussed is the Palo Verde Nuclear Project. As you know, the Southern California Edison Company proposes to construct a 500 kv transmission line from Palo Verde to the Devers Substation.

Anaheim has expressed an interest in acquiring an ownership interest in 100 megawatts of capacity in the Palo Verde Plant. Anaheim would like to acquire an ownership interest in the proposed Palo Verde-Devers (or Palo Verde-Sundesert-Devers) transmission line. Since the line has not yet received the necessary regulatory agency approvals, etc., it appears that now is the time to plan for joint ownership of the line. Under what terms and conditions will the Southern California Edison Company share ownership in the above-mentioned transmission line with the City of Anaheim.

Very truly yours,



Gordon W. Hoyt
Utilities Director

cc: Alan R. Watts, Esq.
George Spiegel, Esq.
Mr. Winston H. Peterson

CITY OF ANAHEIM, CALIFORNIA

Office of Utilities Director

April 1, 1977

Mr. Robert L. Myers
Manager of Resale Accounts
Southern California Edison Company
Post Office Box 800
Rosemead, CA 91770

Dear Bob:

I have reviewed your letter of March 16, 1977 wherein Edison states its inability to offer long-term firm transmission service, on Edison's proposed Palo Verde to Devers 500 kv transmission line, to the City of Anaheim where such transmission service is needed to enable Anaheim to participate in ownership in the Palo Verde Nuclear Project of Arizona Public Service Company (NRC Docket No. 50-528A). Edison further refuses to consider co-ownership with Anaheim in this planned transmission line between Palo Verde Nuclear Project and Edison's Devers Substation.

We are disappointed in your statement of an Edison position which appears contrary to the tenor and terms of our arrangements under which Anaheim power and transmission resources and operations are integrated, the conditions to the San Onofre license (NRC Docket Nos. 50-316A, et al) and the conditions to the Palo Verde license (NRC Docket Nos. STN 50-528, et al). Among other things, these require Edison to proceed on a joint planning basis so as to include in its planning and construction program sufficient transmission capacity as is required by Anaheim. Moreover, the withholding of transmission capacity from Anaheim could result in eliminating Anaheim's competitive opportunity to obtain a portion of the presently unallocated Palo Verde capacity. Needless to say, this raises needless legal questions.

Edison's policy here is unproductive. The Bureau of Land Management, and other regulatory agencies, as well as environmental agencies, are bound to insist that all parties interested in transmission from Palo Verde to bring power into California combine their efforts so that the resulting facilities provide the service at lowest overall cost and minimum overall

With respect to your specific request for co-ownership of Edison's Palo Verde to Devers Transmission Line, we do not believe in any event that it can be demonstrated to be in the best interest of Edison and its customers to provide co-ownership in this transmission line.

Very truly yours,

Original Signed by
ROBERT L. MYERS

ROBERT L. MYERS

RLM:vs

cc: Winston H. Peterson
George Spiegel
Alan Watts
R. P. Burbank

bcc: E. A. Myers, Jr.
A. Arenal
David Barry
R. K. Durant
P. E. Martin
R. L. Mitchell ←
R. L. Wheelchel
M. D. Whyte

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