Department of Justice
Washington, D.C. 20530

RECEIVED
JAN 22 1974
U.S. ATOMIC ENERGY COMMISSION
Docketing and Service Section

[illegible] 11 AM 11:33
OFFICE OF THE SECRETARY
D.C.

50-445
50-446

Howard K. Shapar, Esquire
Associate General Counsel
U. S. Atomic Energy Commission
Washington, D. C. 20545

JAN 17 1974

Re: Texas Utilities Generating Company, et al
Comanche Peak Steam Electrical Station,
Units 1 and 2, AEC Docket Nos. 50-445 and
50-446, Department of Justice File 60-413-74

Dear Mr. Shapar:

You have requested our advice pursuant to the provisions of Section 105 of the Atomic Energy Act of 1954, as amended by P.L. 91-560, in regard to the above-captioned application.

Applicant Texas Utilities Generating Company (TUG), for itself and as agent for Dallas Power & Light Company (DPL), Texas Electric Service Company (TES), and Texas Power & Light Company (TPL), has applied for a construction permit for its Comanche Peak Steam Electric Station, Units 1 and 2. The facility will be located in Somervell and Hood Counties, Texas. Operation of unit #1 has been scheduled for January 1980, with unit #2 to follow in January 1982. Each nuclear unit will include a 1,150 megawatt electric generating unit.

Applicant

TUG is a subsidiary of Texas Utilities Company (TU). TUG will operate the Comanche Peak facilities as agent for the joint owners, DPL, TES and TPL. The three joint owners are the operating electric utility subsidiaries of TU. Together with TU's subsidiaries, Texas Utilities Services Inc. and Texas Utilities Fuel Company, which provide specialized services for the operating companies, these companies comprise the Texas Utilities Company System (TUCS).

8609230079 860916
PDR ADOCK 05000445
M PDR

635

069359

The transmission lines of the TUCS are interconnected and constitute an integrated system through which the output of the generating stations is distributed. This output provides retail electric service to 323 cities and towns, and wholesale electric service to three municipal electric systems and 33 rural electric co-operatives. The TUCS service area covers approximately 75,000 square miles in the north central, eastern, and western parts of Texas with an estimated population of 3.7 million. This represents about one-third the total area and population within the State of Texas.

For the 1972 fiscal year TUCS had total energy sales of 37,361,387 megawatt-hours. TUCS had at the end of 1972 net generating capacity of 10,929 megawatts of which its own installed capacity amounted to 10,767 megawatts. The TUCS peak load in 1972 was 8,285 megawatts. TUCS is the largest utility system operating in the State of Texas.

Interconnection and Coordination with Others

DPL, TES and TPL are members of the Texas Interconnected System (TIS). TIS is a group of nine interconnected electric systems that operate throughout the State of Texas. TIS is comprised of six investor-owned and three publicly owned electric systems. The members of TIS have an oral understanding with regard to the minimum installed reserves and spinning reserves that each member will maintain. The members of TIS also conduct various studies relating to the need for, and effects of, any future transmission and generation changes planned by the members. Thus, membership in TIS allows each member system to obtain various benefits from such coordination that are not available to non-members.

The members of TIS have in operation, under construction or in planning a number of 345 KV transmission lines which will form various loops among the member systems to substantially improve the system reliability of each member. These interconnections will also allow power interchanges to improve the operating economy of the members.

TUCS as well as the other members of TIS operate wholly within the State of Texas. TUCS is not subject to regulation by the Federal Power Commission. Neither is there any state regulatory body in Texas having jurisdiction over the rates of electric utilities.

In the past, membership in TIS has not been available to all of the electric utility systems in Texas, even where the non-member system was of sufficient size to make a contribution to the reliability of the bulk power supply of the members.

Results of Antitrust Review

As noted above, TUCS is the dominant bulk power supplier in its service area and owns and controls a dominant portion of the transmission facilities in its service area. In the course of our antitrust review, certain allegations were received, the general import of which was that [redacted] has misused its dominant position in generation and transmission to restrain the competitive opportunities of smaller systems in Texas. [redacted] its part, [redacted] denied that its policies and practices have been inconsistent with the antitrust laws. However, in order to eliminate any questions as to the policies that it intends to follow during the period of the Comanche Peak license, TUCS indicated its willingness to formalize these policies and to have them included as conditions to the license. As a result of discussions with the Department, these policies have been articulated [redacted] and set out in the attachment to the letter of [redacted] to the Department, dated January 25, 1974, which is attached hereto.

In its commitments, TUCS affirms that it will make the following types of arrangements with other bulk power suppliers in its service area: ownership participation in the Comanche Peak Nuclear Units; coordination and sharing of reserves; and transmission services over its facilities. In our opinion, these should provide competitors of Applicant with competitive, alternative bulk power supply sources and substantially eliminate the grounds on which complaints made to the Department by the smaller systems were based. On the strength of these policy commitments,

and with the expectation that the Commission will include them as conditions to the license, we conclude that an antitrust hearing will not be necessary with respect to the instant application.

Sincerely yours,

THOMAS E. KAUPER
Assistant Attorney General
Antitrust Division

Enclosure

EXHIBIT A2

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

January 8, 1985

Docket Nos. 50-445/446

Mr. M. D. Spence, President
Texas Utilities Generating Company
400 North Olive Street
Lock Box 81
Dallas, Texas 75201

Dear Mr. Spence:

Subject: Comanche Peak Review

On July 9, 1984, the Comanche Peak Technical Review Team (TRT) began an intensive onsite effort to complete a portion of the reviews necessary for the NRC staff to reach its decision regarding the licensing of Comanche Peak Unit 1. The onsite effort covered a number of areas, including the review of allegations of improper construction practices at the facility.

On September 18, 1984, the NRC met with you and other Texas Utilities Electric Company representatives to provide you with a request for additional information in the electrical and instrumentation, civil and structural, and test program areas having potential safety implications. On November 29, 1984, we reported to you on the status of our technical review in the protective coatings area and requested additional information in the mechanical, and miscellaneous areas. TRT reviews of construction QA/QC allegations and technical issues have progressed to the point where we can now provide you with the status of our efforts in the construction QA/QC area and a request for a program plan specifically addressing our concerns. Further background information regarding these allegations and technical issues will be published in Supplements to the Comanche Peak Safety Evaluation Report (SSER), which will document the TRT's detailed assessment of the significance of all issues examined.

The TRT effort constitutes one element in the process of the agency's review of the Comanche Peak license application. The QA review group on the TRT was comprised of about 20 individuals having a total of over 300 years experience in nuclear engineering, QA, and related fields. This group spent several months at the Comanche Peak site examining the construction QA program in depth.

The TRT findings are provided in the enclosure to this letter. We have not proposed specific TUEC corrective actions as we have in previous reports from the TRT. We request that you evaluate the TRT findings and consider the implications of these findings on construction quality at Comanche Peak. We request that you submit to the NRC, in writing, a program and schedule for completing a detailed and thorough assessment of the QA issues presented in the enclosure to this letter.

8501140128 850108
PDR ADOCK 05000445
A PDR

Your programmatic plan and the plans for its implementation will be reviewed and evaluated by the staff before NRC considers the issuance of an operating license for Comanche Peak Unit 1. The TRT considers the construction QA/QC findings to be generic to both Units 1 and 2 and your program plan and schedule should address both units. This program plan shall: (1) address the root cause of each finding and its generic implications on safety-related systems, programs, or areas, (2) address the collective significance of these deficiencies, and (3) propose an action plan from TUEC that will ensure that such problems do not occur in the future. Your actions should consider the use of management personnel with a fresh perspective to evaluate the TRT's findings and implement your corrective actions. Finally, you should consider the use of an independent consultant to provide oversight to your program.

The findings of TRT with respect to QA/QC allegations, along with the TRT's assessments of your response to this letter, will be provided to the Senior Management Panel on Contention 5 established by the Executive Director on December 24, 1984. The Senior Management Panel will determine an overall NRC staff position on Contention 5 based on an integrated review of a number of sources of information concerning QA/QC at Comanche Peak in addition to the TRT findings, including information from the CAT team, the SRT team, OI, Region IV and the Hearing Board.

The TRT's overall evaluation of the technical issues and allegations is nearing completion. As we finalize information received in conversations with allegers, and further assess the implications of our findings we will inform you of additional concerns, as they arise. In the mean time, your examination of the potential safety implications of the TRT findings should include, but not be limited to the areas or activities selected by the TRT.

In order to fully discuss these concerns with you we are scheduling a meeting for January 17, 1985 which will be held in our office in Bethesda, Maryland. This meeting will provide an opportunity to ask questions regarding these concerns prior to formulating your program plan. Additional meetings will be held at NRC request as your program plan is formulated.

This request is submitted to you in keeping with the NRC practice of promptly notifying applicants of outstanding information needs that could potentially affect the safe operation of their plant. Future requests for information of this nature will be made, if necessary, as TRT technical reviews continue.

Sincerely,

Darrell G. Eisenhut, Director
Division of Licensing
Office of Nuclear Reactor Regulation

Distribution
Docket File
NRC PDR
LPDR
PRC System
LB#1 F/F
MRushbrook
RWessman
HLivermore
RCTang
SBurwell
LShao
PMatthews
RKeimig
JCalvo
CMcCracken

Enclosure: As stated

cc w/enclosure:
See next page

CPTRT	CPTRT	DEDirector	CPTRT
RWessman	VSNoonan	DGEisenhut	H. Livermore
1/8/85	1/8/85	1/8/85	1/8/85

Your programmatic plan and the plans for its implementation will be reviewed and evaluated by the staff before NRC considers the issuance of an operating license for Comanche Peak Unit 1. The TRT considers the construction QA/QC findings to be generic to both Units 1 and 2 and your program plan and schedule should address both units. This program plan shall: (1) address the root cause of each finding and its generic implications on safety-related systems, programs, or areas, (2) address the collective significance of these deficiencies, and (3) propose an action plan from TUEC that will ensure that such problems do not occur in the future. Your actions should consider the use of management personnel with a fresh perspective to evaluate the TRT's findings and implement your corrective actions. Finally, you should consider the use of an independent consultant to provide oversight to your program.

The findings of TRT with respect to QA/QC allegations, along with the TRT's assessments of your response to this letter, will be provided to the Senior Management Panel on Contention 5 established by the Executive Director on December 24, 1984. The Senior Management Panel will determine an overall NRC staff position on Contention 5 based on an integrated review of a number of sources of information concerning QA/QC at Comanche Peak in addition to the TRT findings, including information from the CAT team, the SRT team, OI, Region IV and the Hearing Board.

The TRT's overall evaluation of the technical issues and allegations is nearing completion. As we finalize information received in conversations with allegers, and further assess the implications of our findings we will inform you of additional concerns, as they arise. In the mean time, your examination of the potential safety implications of the TRT findings should include, but not be limited to the areas or activities selected by the TRT.

In order to fully discuss these concerns with you we are scheduling a meeting for January 17, 1985 which will be held in our office in Bethesda, Maryland. This meeting will provide an opportunity to ask questions regarding these concerns prior to formulating your program plan. Additional meetings will be held at NRC request as your program plan is formulated.

This request is submitted to you in keeping with the NRC practice of promptly notifying applicants of outstanding information needs that could potentially affect the safe operation of their plant. Future requests for information of this nature will be made, if necessary, as TRT technical reviews continue.

Sincerely,

Darrell G. Eisenhut, Director
Division of Licensing
Office of Nuclear Reactor Regulation

Enclosure: As stated

cc w/enclosure:
See next page

COMANCHE PEAK

Mr. M. D. Spence
President
Texas Utilities Generating Company
400 N. Olive St., L.B. 81
Dallas, Texas 75201

cc: Nicholas S. Reynolds, Esq.
Bishop, Liberman, Cook,
Purcell & Reynolds
1200 Seventeenth Street, N. W.
Washington, D. C. 20036

Robert A. Wooldridge, Esq.
Worsham, Forsythe, Sampels &
Wooldridge
2001 Bryan Tower, Suite 2500
Dallas, Texas 75201

Mr. Homer C. Schmidt
Manager - Nuclear Services
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street
L. B. 81
Dallas, Texas 75201

Mr. H. R. Rock
Gibbs and Hill, Inc.
393 Seventh Avenue
New York, New York 10001

Mr. A. T. Parker
Westinghouse Electric Corporation
P. O. Box 355
Pittsburgh, Pennsylvania 15230

Rumea Hicks, Esq.
Assistant Attorney General
Environmental Protection Division
P. O. Box 12548, Capitol Station
Austin, Texas 78711

Mrs. Juanita Ellis, President
Citizens Association for Sound
Energy
1426 South Polk
Dallas, Texas 75224

Ms. Nancy H. Williams
CYGNA
101 California Street
San Francisco, California 94111

Mr. James E. Cummins
Resident Inspector/Comanche Peak
Nuclear Power Station
c/o U. S. Nuclear Regulatory
Commission
P. O. Box 38
Glen Rose, Texas 76043

Mr. Robert D. Martin
U. S. NRC, Region IV
611 Ryan Plaza Drive
Suite 1000
Arlington, Texas 76011

Mr. Lanny Alan Sinkin
114 W. 7th, Suite 220
Austin, Texas 78701

B. R. Clements
Vice President Nuclear
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street
L. B. 81
Dallas, Texas 75201

William A. Burchette, Esq.
1200 New Hampshire Avenue, N. W.
Suite 420
Washington, D. C. 20036

Ms. Billie Pirner Garde
Citizens Clinic Director
Government Accountability Project
1901 Que Street, N. W.
Washington, D. C. 20009

David R. Pigott, Esq.
Orrick, Herrington & Sutcliffe
600 Montgomery Street
San Francisco, California 94111

Anthony Z. Roisman, Esq.
Trial Lawyers for Public Justice
2000 P. Street, N. W.
Suite 611
Washington, D. C. 20036

cc: Mr. Dennis Kelley
Resident Inspector - Comanche Peak
c/o U. S. NRC
P. O. Box 1029
Granbury, Texas 76048

Mr. John W. Beck
Manager - Licensing
Texas Utilities Electric Company
Skyway Tower
400 N. Olive Street
L. B. 81
Dallas, Texas 75201

Mr. Jack Redding
Licensing
Texas Utilities Generating Company
4901 Fairmont Avenue
Bethesda, Maryland 20014

Enclosure

Technical Review Team Findings Resulting From
Quality Assurance/Quality Control Allegations

In evaluating the QA/QC program at CPSES, the Technical Review Team (TRT) completed the following: (1) interviewed Texas Utilities Electric Company (TUEC) and Brown & Root (B&R) personnel and allegers, (2) reviewed quality assurance records, selected affidavits, transcripts and depositions, and NRC Regional and Office of Investigations reports, and (3) physically inspected hardware to evaluate the safety significance of quality assurance/quality control (QA/QC) allegations at Comanche Peak Steam Electric Station (CPSES).

1 QUALITY ASSURANCE PROGRAM

The TRT found that although the TUEC QA program documentation met NRC requirements, the weaknesses of its implementation in several areas demonstrate that TUEC lacked the commitment to aggressively implement an effective QA/QC program in several areas:

A. TUEC failed to periodically assess the overall effectiveness of the site QA program in that there have been no regular reviews of program adequacy by senior management. Further, TUEC did not assess the effectiveness of its QC inspection program.

B. During the peak site construction period of 1981-2, TUEC employed only four auditors, all of whom had questionable qualifications in technical disciplines. Although charged with overview of all site construction and associated vendors, these Dallas based auditors provided only limited QA surveillance of construction activities.

C. Repetitive NCRs were issued that identified the need to retrain construction personnel in the requirements and contents of QA procedures. One corrective action request (CAR) dealing with inadequate construction training and records remained open for one year. The identical problem was identified in a subsequent CAR, which still had not been closed at the time of the TRT's onsite review.

D. The TRT found many examples of incomplete and inadequate workmanship and ineffective QC inspection in TUEC's evaluation of the as-built program. (See Section 4 for a detailed discussion.)

E. Some craft workers newly assigned as QC inspectors were in a position to inspect their own work and records. Site management did not view this lack of separation between production and inspection roles as a potential conflict-of-interest.

F. There were potential weaknesses in the TUEC 10 CFR 50.55(e) deficiency-reporting system. Applicable procedures did not identify what types

8501140130 850108
PDR ADOCK 05000445
A PDR

of deficiencies constituted significant breakdowns in the QA program, nor how they should be evaluated for reportability to the NRC. Evaluation guidelines for reporting hardware deficiencies lacked clarity and definitive instructions and the threshold for reporting deficiencies was too high. Specific past and present construction deficiencies that were not reported by TUEC are listed in Sections 4, 5 and 11 of this enclosure.

G. The TUEC exit interview system for departing employees appeared to be neither well structured nor effective, as evidenced by the lack of employee confidence, limited implementation, failure to document explanations and rationale, and failure to complete corrective actions and to determine root causes.

H. The B&R corrective action system was generally ineffective and was bypassed by the B&R QA Manager, as exemplified in the following instances:

1. There were no definitive instructions to describe the types of problems that required corrective action. Minimal procedural instructions resulted in corrective action decisions frequently being left to the judgement of the QA Manager.

2. Since June 1983, B&R had issued no Corrective Action Requests (CARs), and was substituting memos and letters of concern for this function. This shortcut had become a regular method of operation and appeared to bypass the CAR system.

I. The TUEC corrective action system was poorly structured and ineffective in that:

1. Controlling procedures were brief and general.

2. There was no translation of FSAR requirements on trending and no details on how trend analyses were to be accomplished.

3. Quarterly reports were not issued in a timely manner.

4. The method of categorizing problems by building did not assure meaningful trend analysis.

5. A 1984 CAR report identified three items requiring action; however, none had been taken.

6. CAR 029 was used as a vehicle for a specific disposition rather than for generic action, as intended by the CAR system.

2 QUALITY CONTROL INSPECTION

The TRT evaluated the CPSES QC program to determine if it was functionally effective and if the QC system and organization effectively ensured consistent quality of design, procedures, processes and product at the plant. The results of this review showed the following problems.

A. Based on the TRT review of about 200 fuel pool travelers, TUEC was unable to maintain an effective and controlled QC program for fuel pool liner fabrication, installation, and inspection. Typical fuel pool traveler irregularities were:

1. There was apparently a routine practice during construction of the fuel pool that allowed craft personnel to complete a portion of the inspection report forms prior to the actual inspection. Craft personnel entered the word "SAT," dated the entry, and left blank only the space for the QC inspector's signature. It appeared that the craft personnel were judging the inspection results prior to inspections.

2. The date accompanying the signature for visual examination of an inside weld was changed to a date that appeared to precede the examination.

3. Entries by the same inspector for two different inspections did not appear to match in that one entry appeared to be written by another person.

4. The procedure number for a dye penetrant inspection was changed by an inspector different from the one who conducted the inspection.

5. The date for a dye penetrant inspection was changed by an inspector other than the one who performed the inspection.

6. Fuel pool travelers were found with missing QC signoffs for fitup and cleaniness. No proof could be found that some of the required weld fitup and cleanliness inspections were ever performed.

7. The TRT review disclosed the following irregularities with traveler entries in addition to those listed above:

   (a) Date changes after the fact
   (b) Signoffs for functions out of sequence
   (c) Corrections after the fact
   (d) Changes to first party inspector date signoffs
   (e) Missing signatures

B. There were examples of limited corrective action, including vendor-supplied pipe whip restraints that had received inadequate source inspections. Twelve NCRs were issued involving weld defects on these restraints. TUEC corrective action included paint removal from only a sample of the welds and 21 restraints were selected for reanalysis; however, the TRT found no basis or criteria for paint removal or how the worst case restraints were identified.

The reviews of allegations in the Civil and Structural, Coatings, Electrical, Test Programs, and Piping and Mechanical areas also indicate QC inspection deficiencies, as provided in our letters of September 18, and November 29, 1984.

3 T-SHIRT INCIDENT

The T-shirt incident has previously been explored in many forums, including hearings before the Atomic Safety and Licensing Board. The TRT has examined this matter, but will not now describe all of the associated issues. Importantly, however, the TRT believes that TUEC management failed to adequately investigate the incident to determine its root cause, but reacted as though the QC inspectors involved were guilty of disruptive behavior. Of particular concern to the TRT is the strong perception that TUEC QA management may have acquiesced to pressures and complaints from construction personnel and may have failed to adequately support their QC workforce.

4 INSPECTIONS OF AS-BUILT PIPE AND ELECTRICAL RACEWAY SUPPORTS

The TRT conducted a series of inspections encompassing as-built safety-related pipe support and electrical raceway support installations. These inspections were of completed systems or components that had been previously inspected and accepted by TUEC QC as meeting the respective construction and installation requirements.

A. Pipe Support Inspections

Tables 1 and 2 are indicative of the scope of the TRT pipe support as-built inspection effort. Of the 42 pipe supports inspected, 37 were randomly selected, while 5 originated from an alleger's list. Forty-six deficiencies were identified in the supports inspected. Following are examples of the deficiencies identified and the applicable criteria. TUEC's final QC inspections of this sample ranged from December 1982 to October 1984.

1. Component Support Welds:

(a) Applicable criteria

ASME Section III, NF Subsection and subarticles NF-4424 and NF-5360 set forth rules for examining welds.

B&R QI-QAP-11.1-28 Revision 25, Paragraph 3.5.5.1 delineates criteria for the examination of welds, including inspection parameters for acceptable weld sizes.

The TRT found supports exhibiting welds that did not appear to be in accordance with the above-referenced codes and procedures.

(b) Examples of deficient welds

(1) Support No. AF-1-001-001-S33R. Discrepancies included porosity; insufficient weld leg; incomplete welds and insufficient fill. This support was removed, scrapped, and completely rebuilt subsequent to the TRT inspection.

Table 1 Pipe supports in unit 1

Supports Inspected by TRT As-Built group	*42
Class 1 supports inspected	4
Class 2 supports inspected	14
Class 3 supports inspected	24
Hangers with problems	26
Total problems identified	46
Procedure adequacy problems	5
Hardware-related problems	16
As-built drawing related problems	8
Component identification problems	2
Weld-related problems	10
QC record problems	1
Material identification problems	4
Welds inspected without paint by TRT	305
Welds inspected with paint by TRT	89
Total welds inspected by TRT	394
Welds needing weld repair	10
% of welds inspected	2.5%
Supports needing welding repair	6
% of supports inspected	14%

Bldg	System	No. of Supports Inspected
Containment	Safety Injection (SI)	1
Containment	Reactor Coolant (RC)	6
Containment	Residual Heat Removal (RHR)	2
Fuel Handling	Component Cooling (CC)	11
Safeguards	Residual Heat Removal (RHR)	1
Safeguards	Containment Spray (CT)	8
Safeguards	Demineralized Water (DD)	1
Safeguards	Auxiliary Feedwater (AF)	8
Auxiliary	Chemical Volume & Control (CS)	1
Safeguards	Main Steam (MS)	2
Safeguards	Chilled Water (CH)	1

*All 42 pipe supports inspected by the TRT had been previously accepted by site QC.

Table 2 Pipe supports in unit 1*

Problem Category	Hanger No.	No. of Problems	Type
1. No locking device for threaded fasteners	RC-1-901-702-C82S CS-1-085-003-A42K	2	Hardware problem
2. Min. edge distance (on base plate) violated	CC-X-039-006-F43R	1	Hardware prob.
3. Baseplate hole-location dimensions out of tolerance	CC-X-039-007-F43R CC-1-126-010-F33R CC-1-126-011-F33R CC-1-126-012-F33R	4	As-Built prob.
4. Spherical bearing/washer gap excessive	CC-1-126-015-F43R RC-1-052-016-C41K RC-1-052-020-C41K MS-1-416-001-S33R	4	Hardware prob.
5. Spherical bearing contamination	SI-1-090-006-C41K MS-1-416-002-S33R	2	Hardware prob.
6. Snubber adapter plate-insufficient thread engagement	MS-1-416-002-S33R SI-1-090-006-C41K CT-1-013-012-S32K	3	Proced. prob.
7. Insufficient threaded eng'mt, threaded rod (sight holes)	RC-1-901-702-C82S	1	Hardware prob.
8. Snubber/Strut load pin locking device broken or missing	AF-1-001-014-S33R	1	Hardware prob.
9. Load side of pipe clamp halves not parallel	AF-1-001-001-S33R AF-1-001-014-S33R	2	Proced. prob.
10. Pipe clearances w/support out of tolerance	CC-1-126-013-F33R AF-1-001-702-S33R	2	Hardware prob.
11. Pipe clamp locknut loose	AF-1-035-011-S33R	1	Hardware prob.

*All 42 pipe supports inspected by TRT had been previously accepted by site QC.

Table 2 (Continued) Pipe supports in unit 1*

Problem Category	Hanger No.	No. of Problems	Type
12. Snubber/Sway strut misalignment	CC-1-126-014-F43R RC-1-052-020-C41R	2	Hardware problem
13. Snubber cold set dimension does not match drawing	CS-1-085-003-A42k	1	As-Built prob.
14. Snubber orientation does not match drawing	CT-1-005-004-S22K CT-1-013-010-S22K	2	As-Built prob.
15. Component type/model no. installed does not match drawing	SI-1-090-006-C41K RC-1-052-020-C41R	2	Compon. ID prob.
16. No identification for support materials, parts, and components	CT-1-013-014-S32R CC-1-126-012-F33R CC-X-039-005-F43R AF-1-035-011-S33R	4	Matl. identific. prob.
17. BRP column line dimension does not match BRHL Dimension	Support not affected	1	As-Built prob.
18. Weld porosity excessive	AF-1-001-001-S33R	1	Weld-related prob.
19. Weld undercut excessive	AF-1-001-702-S33R	1	Weld-related prob.
20. Weld length undersized	AF-1-001-001-S33R	1	Weld-related prob.
21. Weld leg or effective throat undersized	AF-1-001-001-S33R RH-1-006-012-C42R CC-X-039-007-F43R	3	Weld-related prob.
22. Weld called out on drawing does not exist in field	CC-1-126-013-F33R	1	Weld-related prob.
23. Welds added in field are not reflected on drawing	AF-1-001-702-S33R numerous welds	1	Weld-related prob.
24. Excessive grinding resulting in min. thickness violations (weld clean-up)	AF-1-037-002-S33R CT-1-013-014-S32R	2	Weld-related prob.
25. No QC Buy-off on weld data card	CC-1-126-013-F33R	1	QC record problem
		46	Total problems identified by TRT

*All 42 pipe supports inspected by TRT had been previously accepted by site QC.

(2) Support No. AF-1-001-702-S33R. Exhibited extraneous welding that was not documented on the as-built drawing. One of the required welds was undercut beyond the limits of acceptance (this weld was subsequently repaired).

(3) Support No. CC-1-126-013-F33R. Support drawing required a 1/4" fillet weld to connect item 5 to item 6. This weld was omitted in the field.

(4) Support No. CC-X-039-007-F43R. A required 5/16" all-around fillet weld had an approximately 1/16" undersize weld leg for the length across the top flat of the tube steel.

(5) Support No. RH-1-006-012-C42R. An all-around 1/4" fillet weld connecting item 5 to item 7 was undersized by 1/32" to 1/16" across the top.

(6) Support No. AF-1-037-002-S33R. This support exhibited a 1/16" to 3/32" reduction in plate thickness and weld size due to excessive grinding of the weld at the base plate. Base material thickness of the support plate was reduced beyond the limits of acceptance in three locations.

(7) Support No. CT-1-013-014-S32R. Excessive overgrinding of welds resulted in notching of the sway strut rear brackets. This condition was repaired subsequent to the TRT inspection.

2. Locking Device for Threaded Fasteners:

(a) Applicable criteria

Subarticle NF-4725 states in part that all threaded fasteners, except high-strength bolts, shall be provided with locking devices to prevent loosening during service.

ASME Sect. III, Div. 1, Interpretation No. III-1-83-49R provides that the user should satisfy himself that any other device than those described in NF-4725 is capable of acting as a locking device under all service conditions.

Brown & Root Procedure QI-QAP-11.1-28, Attachment 2, Operation 7, Inspection Attribute h., requires that all exposed threads be free of extraneous material.

CPSES/FSAR, Paragraph 17.1.3 states that the design verification procedure assure that drawings, specifications, procedures, and instructions meet stipulations of related codes and standards.

10 CFR 50.55(e)(1) directs that the holder of the construction permit shall notify the NRC regarding each deficiency found in design and construction which, if not corrected, could adversely affect the safety of operations at any time throughout the expected lifetime of the plant.

There appeared to be a difference in locking devices on threaded fasteners for similar pipe support hardware made by two separate vendors. Whereas in some cases Nuclear Power Service Incorporated (NPSI) specified only one nut and no locking device, ITT-Grinnell required two nuts in those same applications. If the design of NPSI models indeed should be found to need the locknuts or their equivalent, there could be hundreds of pipe supports installed without adequate locking devices.

The TRT found examples in Unit 1 where deficiencies existed so that TUEC was in potential violation of the codes, procedures, guidelines, and commitments concerning locking devices for threaded fasteners. In spite of the requirements pursuant to 10 CFR 50.55(e)(1), TUEC did not report to the NRC the omission of thread-locking devices in the Unit 1 nuclear safety systems and did not attempt corrective action until May 1984, when TUEC tested previously applied paint for thread-lock capability. That test was inconclusive, since it did not establish that the paint, an epoxy process, would reliably perform as an effective locking device under all service conditions and throughout the expected lifetime of the plant. Further, TUEC could not identify to the TRT which paint was the subject of testing.

TUEC had a potentially inadequate quality assurance specification No. 2323-AS-31, which did not cover inspection of painted threaded fasteners. The paint was applied to ASME code-controlled, NF hardware per specification 2323-AS-30 (non-Q) which required no inspection. This issue appears to be generic for Unit 1.

The TRT notes that TUEC did not initiate an NCR identifying the widespread problem of missing locknuts; only a Request for Information was generated, which TUEC could not locate for the TRT. An NCR, required by procedure, would have brought the problem and its ramifications to management attention and would have provided a vehicle for controlled, organized, and approved engineering disposition.

(b) Examples of deficient locking devices.

Pipe support RC-1-901-702-C82S had a load bolt at a beam attachment which did not exhibit an approved locking device. (The bolt material type was SA-307 grade A.) Additionally, pipe support CS-1-085-003-A42K had no approved locking device on the "special clamp" bolts, even though the design drawing for this clamp showed each bolt with a nut and a locknut.

3. Minimum Edge Distance for Bolts:

(a) Applicable criteria

- QI-QAP 11.1-28 Revision 19, Paragraph 6.1 required that bolt holes in structural members shall not be closer than 1-1/2 times the bolt diameter from the edge of the member to the center of the bolt hole.

ASME Sect. III Div. 1, Subsection NA, Appendix XVII, Table XVII-2462-1(b)-1, gives specifically allowed minimum edge distances for bolt holes (reamed, punched or drilled) at sheared or rolled edges of plates, shapes, or bars.

(b) Example of minimum edge distance violation

- The baseplate for pipe support CC-X-039-006-F43R, located in the component cooling system, Room 249A, Fuel Handling Building, violated minimum edge distance criteria for bolt holes.

4. Base Plate Hole-Location Dimensions:

(a) Applicable criterion

QI-QAP-11.1-28, Revision 19, Attachment 4, Paragraph 2, under fabrication tolerances, limits a "hole centerline location to ±1/4" or as shown on the design drawing."

(b) Examples of hole-location dimension problems

The TRT found the horizontal member of Support CC-1-126-010-F33R was 3 inches lower at its centerline relative to the upper bolt-hole centerline than shown on the vendor-certified drawing. The as-built drawing had not been revised to reflect the actual installed condition in the plant. This support was located in the component cooling system, Room 247A, in the Fuel Handling Building. Other supports with similar hole-location violations found in the inspections were: CC-X-039-007-F43R, CC-1-126-011-F33R, and CC-1-126-012-F33R.

5. Spherical Bearing Gap:

(a) Applicable criterion

Brown & Root Procedure, QI-QAP 11.1-28, Revision 25 paragraph 3.7.3.1 states that "a sufficient number of spacers shall be used to prevent the spherical bearings from becoming dislodged," and "in no case shall the resulting gap be more than the thickness of one vendor-supplied spacer."

(b) Examples of spherical bearing gap deficiencies

An excessive free gap existed between spherical bearing and washers on the sway strut assembly of support CC-1-126-015-F43R. Other supports with similar bearing gap anomalies found in TRT's inspections were: RC-1-052-016-C41K, RC-1-052-020-C41K, and MS-1-416-001-S33R. The frequency of this type of procedure violation in the TRT's limited inspection suggests that this problem is generic for Unit 1.

6. Spherical Bearing Contamination:

(a) Applicable criterion

QI-QAP-11.1-28 Revision 22, Paragraph 6.3.1 Note 2 states in part that "bearing internal and external surfaces shall be free of rust and foreign material, and bearing shall move freely within the housing."

(b) Examples of spherical bearing contamination

The TRT found paint contamination in the bearings of both snubber assemblies on component support SI-1-090-006-C41K that severely obstructed the bearing cavities and limited their movement. This Class 1 component support is located in the Containment Building of the Unit 1 safety injection system. A similar condition exists on support MS-1-416-002-S33R.

7. Snubber Adapter Plate Bolting - Lack of Full Thread Engagement:

(a) Applicable criteria

QI-QAP-11.1-28, Revision 22, Paragraph 6.1, states that "all bolts, studs, or threaded rods shall have full thread engagement in the nut."

ASME Sect. III, Div. 1, Subsection NF, Subarticle NF 4711 states that "the threads of all bolts or studs shall be engaged for the full length of thread in the nut."

QI-QAP-11.1-28, Revision 25, Attachment 29 permits less than full thread engagement in threaded plates. This allowance for less than full thread engagement is a potential violation of the ASME Code Sect. III, NF-4711; no code case was invoked to set aside this procedure. The requirement of NF-4711 that "the threads of all bolts or studs shall be engaged for the full length of thread in the nut" also implies that there be a full length of a threaded hole in plates, shapes, or bars where the required threaded hole length is the same as the bolt diameter. Further, there is no evidence that partial thread engagement at the snubber adapter plate connection has been given consideration in the design procedures for linear-type supports, nor does it appear that sufficient design margins have been introduced to allow for less than full-threaded connection. The TRT did not check "as-built" analyses to determine whether any such variations from the design norm had been considered in the "as-built" stress calculations.

What is in question is whether any calculations had been made to address this particular thread engagement condition for each size snubber being used in the plant.

(b) Examples of lack of full thread engagement

Snubber (shock arrester) adapter-plate bolt threads were insufficiently engaged in all four threaded holes of component support MS-1-416-002-S33R. The worst condition was 0.095" short, or more than 25% less than full thread engagement. Similar lack of full thread engagement deficiencies was found on NF supports SI-1-090-006-C41K and CT-1-013-012-S32K.

8. Threaded Rod Thread Engagement:

(a) Applicable criterion

QI-QAP-11.1-28, Revision 21, Paragraph 6.3.2.a. directs that "QC shall verify thread engagement if site [sight] holes are present in the strut body."

(b) Example of rod thread engagement deficiency

Sight holes were present in the strut body to verify threaded rod engagement. The rod was not visible through the sight hole for support RC-1-901-702-C82S.

9. Snubber/Sway Strut Load Pin Locking Device:

(a) Applicable criterion

QI-QAP-11.1-28, Revision 22, Paragraph 6.3.1.1.b states that "the size of the cotter pins, when used, should be the maximum size the hole will accommodate and shall be fully opened."

(b) Example of locking device deficiency

Sway strut No. AF-1-001-014-S33R had a broken cotter pin.

10. Load Side of Pipe Clamp Halves Not Parallel:

(a) Applicable criterion

QI-QAP-11.1-28, Rev. 25, Sec. 3.7.3.1 states that "pipe clamp halves, in relation to attaching eyerod end, shall be parallel."

(b) Examples of halves not parallel

Clamp halves for pipe supports AF-1-001-001-S33R and AF-1-001-014-S33R were not parallel.

11. Pipe Clearances Outside of Allowable Tolerance:

(a) Applicable criterion

- QI-QAP-11.1-28, Revision 19, Attachment 4, item 3.b states "where the design shows 0" on one side and 1/16" on the other, 0" must be maintained while 1/16" ± 1/32" is required on the other side."

(b) Examples of pipe clearance violations

Pipe support CC-1-126-013-F33R exhibited no clearance on top or bottom, while the hanger drawing called out 0" on the bottom and 1/16" on top. A similar problem existed for pipe support AF-1-001-702-S33R.

12. Pipe Clamp Locknut Loose:

(a) Applicable criterion

QI-QAP-11.1-28 Revision 21, Sect. 6.1 states that "unless otherwise shown on the drawing, fasteners will be tightened securely."

(b) Example of loose locknut

A pipe clamp locknut for pipe support AF-1-035-011-S33R was found loose (less than finger-tight).

13. Snubber/Sway Strut Misalignment:

(a) Applicable criterion

QI-QAP-11.1-28, Revision 18, Sect. 6.3.1.d states that "maximum sway strut misalignment shall not exceed 5° for ITT-Grinell and NPSI from the canterline of the sway strut."

(b) Examples of misalignment

Pipe support CC-1-126-014-F43R exhibited angularity that exceeded this requirement. A similar problem existed with pipe support RC-1-052-020-C41R.

14. Snubber Cold Set (AC) Dimension Did Not Match Drawing:

(a) Applicable criterion

QI-QAP-11.1-28, Revision 24, Sec. 3.8.3.5.b states that "deviation of more than ± 1/8" from the specified cold setting (AC dimension shown on the design drawing) is not permitted, unless authorized by a design change."

(b) Example of incorrect AC dimension

Pipe support CS-1-085-003-A42K deviated by approximately 1" from the cold set dimension shown on the design drawing.

15. Support Configuration Did Not Match Drawing:

(a) Applicable criterion

QI-QAP-11.1-28, Revision 24, Attachment 2, Operation 3 lists the following inspection attribute: "support configuration complies with the design drawing."

(b) Examples of configuration problems

Pipe support snubber CT-1-005-004-S22K was installed end-to-end opposite from the orientation shown on the drawing. A similar problem existed with pipe support CT-1-013-010-S22K, where dimensional discrepancies existed on the support drawing that detailed the orientation of the snubber.

16. Component Type/Model No. Installed Did Not Match Drawing:

(a) Applicable criterion

QI-QAP-11.1-28, Revision 24, Sect. 3.2.1.1 states that "vendor-supplied NPT stamped component supports shall bear marking (i.e., name plate) traceable to the design drawing."

(b) Examples of component identification problems.

Model numbers of installed snubbers for pipe support SI-1-090-006-C41K did not match the model number on the design drawing. A similar problem existed with pipe support RC-1-052-020-C41R.

17. Weld Data Card Missing QC Initials For Welds:

(a) Applicable criterion

QI-QAP-11.1-28, Rev. 25, Paragraph 3.5.3 Welder and Welding Material Verification states that "The QCI shall verify that the welder is qualified to make the weld utilizing the welder qualification matrix (attachment 16, typical), that the use of the WPS (Attachment 17, typical), and the type of filler material listed on the WFML [weld filler material log] are the same as those listed on the weld data card (WDC), and the welder's symbol has been recorded on the WFML."

(b) Example of deficient weld data card

Support number CC-1-126-013-F33R had some welds performed with no QC inspector initials or signature on the corresponding blocks of the weld data card for that support inspection package.

18. Identification of Materials and Parts:

(a) Applicable criteria

10 CFR 50 Appendix B, Criterion VIII states that "measures shall assure that identification of the item is maintained by heat number, part number, serial number or other appropriate means either on item or on records traceable to the item, as required throughout fabrication, erection, installation and use of the item."

QI-QAP-11.1-28, Revision 19, Sect. 3.1.2 states that "at installation inspection, the QC inspector shall verify the hanger number, the material type, grade and heat number ... using the information provided on the Material Identification Log."

(b) Examples of material identification deficiencies

A replacement part (sway strut eyerod) for pipe support CT-1-013-014-S32R had no apparent material identification either on the hardware or in the documentation package for the support. The Material Identification Log (MIL) did not list any identification traceable to the origin of the replacement part. A similar problem existed with pipe supports CC-1-126-012-F33R, CC-X-039-005-F43R, and AF-1-035-011-S33R.

B. Deficiencies with High Rate of Occurrence

The following pipe support inspections by the TRT were in addition to those already listed in the previous examples. Results of these ancillary inspections are summarized in Table 3.

The TRT identified six specific deficient items which need further evaluation to assess their generic implications. The TRT concern is that these items may have a high rate of occurrence throughout plant safety-related systems. The specific "frequently occurring" items and relevant inspection criteria were as follows:

(1) Strut and snubber load pin spherical bearing clearance with washers was excessive (Ref. QI-QAP-11.1-28, Sec. 3.7.3.1 Rev. 25).

(2) Strut and snubber load pin locking devices (cotter pins or snap lock rings) were damaged or missing (Ref. QI-QAP-11.1-28 Rev. 25, which did not specifically address load pin locking devices).

(3) Pipe clamp halves on load side were not parallel (Ref. QI-QAP-11.1-28, Sec. 3.7.3.1 Rev. 25).

(4) Bolts threaded into tapped holes of snubber adapter plates had less than full thread engagement (a "frequently occurring" deficiency; see related discussions on pipe supports, example 7 "Snubber Adapter Plate Bolting - Lack of Full Thread Engagement" within Part A of this section on as-built inspection).

(5) "Hilti Kwik" bolts (concrete expansion anchors) as installed did not meet minimum effective embedment criteria (Ref QI-QP-11.2-1, Sec. 3.5.1 Rev. 16).

(6) Locking devices for threaded fasteners were missing or of a non-approved type (see item 2 "Locking devices for threaded fasteners" on pipe support deficiencies within Part A of this section on as-built inspection).

Table 3 Summary of additional TRT inspections

Area: Room 77N, El 810'-6"
Unit 1, Safeguards Bldg

	Deficiency	No. of Supports Inspected	No. of Supports Deficient	% Deficient
Item 1.	Excessive Spherical Bearing Clearance	92	5	5.4%
Item 2.	Load Pin Locking Device Missing	92	14	15.2%
Item 3.	Pipe Clamp Halves Not Parallel	40	9	22.5%
Item 4.	Snubber Adapter Plate Bolts With Less Than Full Thread Engagement	19	*13	to be determined

Area: Cable Spread Room 133, El 807'-0"
Unit 1, Auxiliary Bldg

	Deficiency	Bolts Inspected	Number Deficient	% Deficient
Item 5.	Hilti Kwik Bolt Does Not Meet Minimum Embedment**	24	3	12.5%

*Bolts had less than full thread engagement.

**Taking into account the "allowed" slippage of the bolt for a distance of one nut thickness due to torquing (Ref. "Installation of 'Hilti' Drilled-In Bolts" 35-1195-CEI-20, Rev. 3, Para. 3.1.4.1) and the minimum specified embedment, the above Hilti bolts violated the "effective" embedment requirements.

The TRT undertook additional hardware inspections to ascertain the regularity with which these specific items may exist. All accessible pipe supports in Room 77N, at the 810-foot, 6-inch elevation of the Unit 1 Safeguards Building, were inspected for "frequently occurring" deficiencies 1, 2, 3 and 4 listed above. To assess the level of occurrence of "frequently occurring" deficiency 5, electrical support 'Hilti' baseplates located in the Cable Spread Room 133, at the 807-foot elevation of the Unit 1 Auxiliary Building, were inspected. For details on "frequently occurring" deficiency 6, see item A.2, "Locking Device for Threaded Fasteners," of the pipe support deficiencies, described above.

C. Electrical Raceway Support Inspections

The TRT inspected electrical conduit supports and cable tray hangers to the requirements of QI-QP-11.10-1, Inspection of Seismic Electrical Support and Restraint Systems; QI-QP-11.21-1, Requirements of Visual Weld Inspection; and other applicable instructions for conduit support and cable tray hanger inspections. All electrical raceway supports included in TRT inspections had been previously QC accepted. Table 4 summarizes the results of the TRT inspections not previously provided as part of our letter of September 18, 1984.

The TRT found the following discrepancies during its inspection of selected electrical conduit supports and cable tray hangers in Unit 1:

1. Undersize Welds:

(a) Applicable criterion

DCA 3464, Rev. 23, page 3 of 32, note 3 states in part that "welding requirements as shown on various details should be read as the minimum requirement."

(b) Examples of undersize welds

Three of four welds on conduit support C120-21-194-3 (cable spread room) were undersized. The required weld size was 1/4" at all weld joints, while the measured weld size was 7/32" to 5/32" for the full lengths of three out of the four welds.

Similarly, cable tray hanger CTH 5824 (Containment Building) had 12 undersize welds. The all-around welds on the six horizontal beams should be 1/4" in size, according to details L_1 and L_2 on Drawing FSE-00159, sheet 5824, 1 of 2. The measured size of these welds was 3/16" to 5/32" at each connection. Also, support IN-SP-7b exhibited undersize welds measuring 7/32" to 5/32" instead of the required 1/4".

Table 4 Summary of electrical raceway support inspection by the TRT - unit 1

Support welds inspected	59
Supports inspected	5*
Supports with problems	3 (60%)
Types of problems	
Hardware-related, other than welding	6
Unauthorized configuration change	1
Weld-related types of problems (categories)	2
Welds requiring rework	41
Welds made in field but not recorded on drawing	80**
Beam stiffeners added but not recorded on drawing	40
Building/Area	**Supports**
Cable Spread Room	CTH 12646 C 130-21-250-3 C 120-21-194-3
Auxiliary Building	CTH 6742
Containment	CTH 5824

*All electrical supports inspected by the TRT had been previously inspected and accepted by QC.

**Full visual inspection was not performed by the TRT on these extra welds.

2. Misplaced Welds:

(a) Applicable criterion

QI-QP-11.10-1, Revision 29, Paragraph 3.5.2, Assembly Inspection, includes the requirement to inspect a support for configuration. Paragraph 3.6.2 of the same procedure requires that support welds receive visual inspection and that nonconforming welds be reported.

(b) Examples of misplaced welds

During inspection of Hanger CTH-6742, the TRT found that two structural welds were made in the wrong direction. The 3/16" shop welds which join MK-10 and MK-11 were made horizontally instead of vertically, as shown on drawing FSE-00159, sheet 6742. QC Inspection Report ME-I-0024909, dated February 16, 1984, accepted all inspectable attributes as satisfactory prior to the TRT inspection.

3. Unauthorized Configuration Changes:

(a) Applicable criterion

QI-QP-11.10-1, Inspection of Seismic Electrical Support and Restraint Systems, paragraph 3.5.2 includes the requirement for inspection of a support for configuration compliance.

(b) Examples of configuration change

The TRT found that cable tray hanger CTH 5824 (Containment Building) had been fabricated to include 40 more stiffeners and 80 more welds than required or shown on drawing FSE-00159, sheet 5824, 2 of 2, Detail L_2. Inspection Report ME-1-0006155 verified final QC inspection and acceptance on January 3, 1984.

Further, cable tray hanger CTH-6742 (Auxiliary Building), Clip, MK-12, should be 6" x 6" x 3/4" angle stock in accordance with FSE-00159, sheet 6742. The actual flange thickness of MK-12 was 3/8".

4. Hilti Anchor Bolt Installation Deficiencies:

(a) Applicable criterion

QI-QP-11.2-1, Concrete Anchor Bolt Installation, provided requirements for proper installation and inspection of Hilti anchor bolts.

(b) Examples of Hilti bolt deficiencies

CTH-6742 (Auxiliary Building) anchor bolt torque was not verified (paragraph 3.5 of the procedure). Hilti bolts were not marked in accordance with attachment 1 of the procedure, nor was the length of these bolts verifiable (paragraph 3.2).

CTH-5824 (Containment Building) base plate bolt holes had violated minimum edge distance--edge distance cannot be less than 1 7/8" (Attachment 2 of the procedure). Actual distance was 1 5/8" to 1 3/8" from the nearest plate edge. This condition affected five of the eight Hilti anchor bolt holes in the base plates for this hanger.

One Hilti bolt was skewed to more than 15 degrees. Maximum allowable skew was 6 degrees without corrective bevel washers (paragraph 3.1.2).

The Hilti bolt torque on this hanger CTH 6741 (Auxiliary Building) was not documented as being verified by QC (paragraph 3.5).

5. Undersize Nuts:

There was inconsistency in the application of nuts for SA-325 bolts in that both standard and heavy hex nuts were used. No stipulation was found which would permit the use of standard (non-heavy) hex nuts. This condition is a potential violation of the Material Specification ASTM A325 (ASTM, Part 4-1974) paragraph 1.5, which provides that "heavy hex structural bolts and heavy hex nuts shall be furnished unless other dimensional requirements are stipulated...." B&R Drawing No. FSE-000159, sheet 5824, 2 of 2, required the use of ASTM A325 bolts for cable tray hanger number CTH-5824.

D. Summary of Pipe Support and Electrical Raceway Support Inspections

The as-built verification effort conducted by the TRT provides evidence of faulty construction by craft personnel, installed hardware that does not match as-built drawings, and ineffective QA and QC inspections. Despite the small size of the TRT's sample, there appears to be a large number of deficiencies. The potential also exists that these deficiencies are not represented correctly in the final stress analysis.

5 DOCUMENT CONTROL

The TRT evaluated the CPSES document control system to determine if it was effective and if it ensured consistent quality of documents for construction practices and records. The results of this review showed the following problems.

A. The TRT found that there was a potential for document control center (DCC) field distribution centers (satellites) to issue deficient document packages to craft personnel. Typical problems identified were: packages were not thoroughly examined; procedures and guidelines were not specific or were not followed; and documents controlling operation of the centers existed in the form of guidelines and charts rather than as controlled procedures.

B. The TRT found that many problems indicative of inadequate drawing control existed at CPSES from September 1981 to April 1984. These problems had been identified prior to the TRT's evaluation by both TUEC and NRC Region IV audits and reviews.

Prior to placing the satellites in operation (a phased effort between February and August 1983), DCC distributed drawings, component modification cards (CMCs), and design change authorizations (DCAs) to file custodians, welding engineering, the pipe fabrication shop, QC, and the hanger task force. Document control through this system proved to be ineffective.

In an attempt to correct identified problems, DCC satellites were created to distribute drawings to field personnel, rather than use the file custodians. However, between August 1983 and April 1984, recurring problems with document control were identified. Examples of the types of document control problems that existed between August 1983 and April 1984 were as follows:

1. Drawings released to the field were not current.
2. Drawing and specification changes were not current.
3. Design documentation packages were incomplete.
4. DCC did not provide the satellites with up-to-date drawings, CMCs, DCAs and document revisions.
5. Drawings hanging from an open rack, which had no checkout control, were available to craft and QC personnel.
6. Design change logs were inaccurate.
7. Design documents were not always properly accounted for in DCC.
8. Current and superseded copies of design documents were filed together.
9. Satellite distribution lists were inaccurate.
10. There were discrepancies between drawings contained in the satellites and those in DCC.

11. Some drawings were missing from the satellite files.

12. Telephone requests for design documents resulted in the issuance of documents that bypassed the controlled distribution system.

In April 1984, top management took a direct interest in recurring document control problems. Their efforts appear to have been successful. For instance, in April 1984 satellites 306 and 307 had error rates of 30% and 10%, respectively; but by July 1984, these error rates had fallen to less than 1% for both satellites. The TRT has found that TUEC document control after July 1984 was adequate; however, the effects of document control inadequacies prior to July 1984 have yet to be fully analyzed by TUEC.

C. Deficiency reporting procedure CP-EP-16.3 appeared to relate only to craft and engineering personnel and was not directed to noncraft and nonengineering personnel who may have had knowledge of reportable items. Procedure CP-EP-16.3 indicated that the applicable manager was responsible for documenting and reporting Deficiency and Disposition Reports (DDRs); but there were no checks or balances to ensure that a manager or a designated substitute would process a DDR.

D. TUEC did not consider the CYGNA audit findings regarding the DCC as appropriate for formal reporting to the NRC pursuant to 10 CFR 50.55(e), as required by procedure CP-EP-16.3, "Control of Reportable Deficiencies."

E. The TRT found that the DCC issued a controlled copy stamp to the QC department to expedite the flow of hanger packages to the Authorized Nuclear Inspector. Methods for this kind of issuance and control of such stamps were not described in TUEC's procedures.

6 TRAINING/QUALIFICATION

The TRT identified numerous weaknesses during its review of the ASME and non-ASME training, certification, and qualification of QC and DCC personnel. TUEC's training and certification program lacked the programmatic controls to ensure that the requirements in 10 CFR 50, Appendix B were achieved and maintained. The items identified by the TRT include those listed below, in addition to the items previously provided in our letter of September 18, 1984.

A. Twenty percent of the training records reviewed contained no verification of education or work experience.

B. The results of Level I certification tests were used for some Level II certifications rather than the results of a Level II test.

C. After failing a certification test, a candidate could take the identical test again.

D. Certifications were not always signed or dated.

E. White-out was used on certification tests.

F. Seven inspectors had questionable qualifications.

G. There was no limit or control on the number of times an examination could be retaken.

H. No guidelines were provided for the use of waivers for on-the-job training.

I. In some cases recertification was accomplished by a simple "yes" from a supervisor.

J. There was no formal orientation training for DCC personnel prior to August 1983.

K. The responsibility for administration of the non-ASME training program was not clearly assigned to a single individual or group.

L. Non-ASME personnel capabilities were loosely defined by levels (I, II, III).

M. There were numerous additional problems in non-ASME certification testing, such as: no requirement for additional training between a failed test and the retest; no time limitation between a failed test and a retest; two different scoring methods to grade a test and a retest; no guidelines on how a test question should be disqualified; no program for periodically establishing new tests except when procedures changed; and no details on how the administration of tests should be monitored.

N. The exemption provision in ANSI N45.2.6, which allowed substitution of previous experience or demonstrated capability, was the normal method for qualifying inspection personnel rather than the exceptional method.

7 VALVE INSTALLATION

The TRT found that installation of certain butt-welded valves in three systems required removal of the valve bonnets and internals prior to welding to protect temperature-sensitive parts. The three systems involved were the spent fuel cooling and cleaning system, the boron recycle system, and the chemical and volume control system. This installation process was poorly controlled in that disassembled parts were piled in uncontrolled areas, resulting in lost, damaged, or interchanged parts. This practice created the potential for interchanging valve bonnets and internal parts having different pressure and temperature ratings.

8 ONSITE FABRICATION

The TRT findings regarding onsite fabrication shop activities indicated that:

A. The scrap and salvage pile in the fabrication (fab) shop laydown yard was not identified and did not have restricted access.

B. Material requisitions prepared in the fab shop did not comply with the applicable procedure.

C. The fab shop foremen were not familiar with procedures that controlled the work under their responsibility.

D. Fabrication and installation procedures did not include information to ensure that B&R-fabricated threads conformed to design specifications or to an applicable standard.

E. Indeterminate bulk materials that accumulated as a result of site cleanup operations were mingled with controlled safety and nonsafety material in the fab shop laydown yard.

F. Site surveillance of material storage was not documented.

G. Work in the fab shop was performed in response to memos and sketches instead of hanger packages, travelers, and controlled drawings.

9 HOUSEKEEPING AND SYSTEM CLEANLINESS

TRT inspections at CPSES indicated that the facility was well maintained. However, two issues were identified that indicate housekeeping and system cleanliness deficiencies.

A. The TRT reviewed the August 6, 1984, draft of flush procedure FP-55-08. The purpose of this procedure was to verify the cleanliness of Unit 1 reactor coolant loops, including the reactor vessel, by means of hand-wiping, visual inspection, and swipe testing. Tests to determine surface chloride and fluoride contamination were performed by TUEC systems test engineers and Westinghouse representatives. The TRT notes, however, that FP-55-08 required only two swipe tests of the reactor vessel—one on the side and one on the bottom. This limited number of swipe tests may not provide adequate assurance that the vessel had been properly cleaned.

B. In rooms 67, 72, and 74 of the Unit 2 Safeguards Building, the TRT observed that not all snubbers were wrapped with protective covering when welding was being done in close proximity to them. This practice was a violation of B&R procedure CP-CPM-14.1, which required protection of installed equipment during welding. This condition was immediately corrected when the TRT reported it to TUEC QA management, and an inspection was performed by TUEC to correct similar conditions in other areas as well.

10 NONCONFORMANCE REPORTS (NCRs)

There were several weaknesses in the NCR and deficiency identification reporting systems. The TRT found that:

A. The TUEC procedure for preparation and processing of NCRs did not contain explicit instructions for handling voided NCRs.

B. NCRs were used as a tracking document to record removal of a part from equipment on a permanent equipment transfer rather than for reporting a nonconforming condition; such usage of the NCR was not defined in procedures.

C. There was an inconsistency between paragraphs 2.1 and 3.2.1 in procedure CP-QP-16.0. Paragraph 2.1 required all site employees to report nonconformances to their supervisor or to the site QA supervisor, while paragraph 3.2.1 required persons other than QA or QC personnel to submit a draft NCR to the Paper Flow Group.

D. The NCR form had no form number or revision date to indicate that the form was being adequately controlled.

E. There were two versions of the TUEC NCR form, one with and one without a space for the Authorized Nuclear Inspection (ANI) review.

F. The NCR form had no space to identify the cause of the nonconformance and the steps taken to prevent its recurrence.

G. The NCR form had no provision for quality assurance review.

H. The TRT found approximately 40 different forms (other than NCRs) for recording deficiencies. Many of these forms and reports were not considered in trending nonconforming conditions.

11 MATERIALS

The as-built review effort by the TRT included a material traceability check on 33 of the same pipe supports that the TRT had field inspected. The material traceability was adequate for those 33 pipe supports, with the exception of four material identification discrepancies, as noted in section 4 on as-built inspections.

In another case, TUEC failed to maintain material traceability for safety-related material and numerous hardware components. This QA breakdown was identified in an ASME Code survey in October 1981 yet was not reported to the NRC in accordance with the requirements of 10 CFR 50.55(e).

EXHIBIT A3

86 24 6487

RECD S.E.C.
JUL 14 1986
11

5

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

RECEIVED
JUL 15 1986
Bechtel Information Services
Gaithersburg, Maryland

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

DATE OF EARLIEST EVENT REPORTED - JUNE 26, 1986

TEXAS UTILITIES ELECTRIC COMPANY

I.R.S. Employer
No. 75-1837355

A Texas
Corporation

Commission File
No. 0-11442

2001 BRYAN TOWER, DALLAS, TEXAS 75201

(214) 653-4600

1 OF 3

ITEM 5. OTHER EVENTS.

Reference is made to the Registrant's 1985 Form 10-K in Item 1 under Fuel Supply-Nuclear and Regulation and Rates-Regulation, in Item 2 under Construction Program and in Item 8 under Note 9 to Financial Statements. Reference is also made to the Registrant's Form 10-Q for the quarter ended March 31, 1986 in Part II, Item 5, and the Registrant's Forms 8-K dated June 6, 1986 and July 1, 1986.

The Registrant, a subsidiary of Texas Utilities Company, is constructing two nuclear-fueled generating units at the Comanche Peak Steam Electric Station. On June 26, 1986, the Atomic Safety and Licensing Board (ASLB), designated by the Nuclear Regulatory Commission (NRC) to address intervenor contentions relating to the Registrant's application for an operating license for Comanche Peak, issued a Memorandum which addresses "Board Concerns" about the adequacy of the Registrant's Comanche Peak Response Team program (CPRT). The Memorandum states that, based upon the ASLB's current knowledge of the program, after having reviewed the first results reports and the NRC Staff's Supplemental Safety Evaluation Report on the CPRT program, the ASLB continues to have concerns expressed in earlier memorandums, as described in the documents referenced above. The ASLB also raised additional concerns about how findings in one area of the reinspection effort may affect the Registrant's programs in other areas, whether sufficient attention is being paid to problems of quality assurance and quality control regarding design, the adequacy of the CPRT sampling program, and perceived oversights in one of the results reports recently issued. The Registrant is addressing these concerns and will respond to the ASLB within the next few weeks.

The Registrant has previously reported that modifications would be required on approximately thirty percent of the pipe supports in Unit 1 and that containment electrical penetrations would be replaced. It now appears that more corrective actions will be required than was anticipated at that time. In the course of the design reviews being performed at Comanche Peak, additional problems have recently been discovered in several areas of the design of the plant. Some of these discoveries will result in additional corrective actions which include reanalysis, revision or updating of existing design calculations, reinspection, and, in some cases, physical rework. These developments will further extend the time needed to perform corrective action and to obtain an operating license from the NRC and will increase the cost for this generating facility. Due to uncertainties regarding further reanalysis, reinspections and rework and the nature and extent of the hearing process before the ASLB thereafter, the Registrant is unable at this time to predict how much additional time will be

required to obtain license approval to permit the operation of Unit 1. The reanalysis, reinspection and corrective action and the hearing process before the ASLB cannot be completed in time for commercial operation of Unit 1 for the Registrant's peak load in the summer of 1988 and the Registrant is, therefore, making other arrangements to obtain additional power supplies for such time.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEXAS UTILITIES ELECTRIC COMPANY

Date: July 11, 1986

By H. Jarrell Gibbs

H. Jarrell Gibbs
Treasurer and Assistant Secretary

EXHIBIT A4

CONFORMED COPY
Prepared By
Division of Rates and Customer
Southwestern Power Administration

Ispa-177

AGREEMENT FOR THE SALE AND/OR EXCHANGE OF ELECTRIC POWER AND ENERGY BETWEEN THE UNITED STATES OF AMERICA AND THE TEXAS POWER & LIGHT COMPANY

THIS AGREEMENT, made and entered into as of the 4th day of April, 1947, by and between the UNITED STATES OF AMERICA, represented by the Southwestern Power Administration, an agency of the Department of the Interior (hereinafter referred to as the "Government"), and the TEXAS POWER & LIGHT COMPANY, a corporation organized and existing under the laws of the State of Texas (hereinafter referred to as the "Company"),

WITNESSETH, That,

WHEREAS, the United States has constructed and is now operating under the supervision and control of the War Department the Denison Dam Project on the Red River between the States of Oklahoma and Texas, for the purposes of flood control, stream regulation, navigation, and power production, and

WHEREAS, there is now installed and in operation one 35,000 KW generating unit and construction work is now in progress on the installation of a second 35,000 KW generating unit at the Denison Dam with a scheduled completion date of July 1, 1948, and

WHEREAS, it is contemplated that the installation of a third 35,000 KW generating unit will be undertaken at the Denison

EXHIBIT D

Dam as soon as funds are provided by the Congress for such installation, and

WHEREAS, a portion of the surplus electric power and energy now being generated at the Denison Dam Project is being sold by the Government to the Company under and in accordance with the terms of a certain contract dated as of May 3, 1944, and subsequently amended and modified, and a portion of such power and energy is being sold to the Oklahoma Gas and Electric Company under and in accordance with that certain contract dated as of April 13, 1945, and subsequently amended and modified, and

WHEREAS, the Congress of the United States, under the Flood Control Act of December 22, 1944, has directed the Secretary of War to deliver to the Secretary of the Interior all the surplus electric power and energy generated at reservoir projects under control of the War Department, and authorized the Secretary of the Interior to transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles, at rates confirmed and approved by the Federal Power Commission, giving preference in the sale of such power and energy to public bodies and cooperatives, and

WHEREAS, the Secretary of the Interior has designated the Administrator of the Southwestern Power Administration as

his agent in marketing such power and energy generated at such reservoir projects in the area which is defined as comprising the States of Arkansas and Louisiana, that part of the States of Kansas and Missouri lying South of the Missouri River Basin and East of the 98th Meridian, and that part of the States of Texas and Oklahoma lying East of the 99th Meridian and North of the San Antonio River Basin, and

WHEREAS, the parties hereto mutually desire to carry out the will of the Congress as expressed in the Flood Control Act of December 22, 1944, and to utilize their respective generating, transmission, and distribution systems in the accomplishment thereof, and

WHEREAS, the Company now owns and has in operation, transmission and distribution facilities in the State of Texas which are interconnected with the Denison Dam Project through which power and energy generated by the Denison Dam Project can be marketed, and

WHEREAS, the Government does not now have the transmission and distribution facilities necessary to serve directly customers as provided in said Flood Control Act of December 22, 1944, and does not desire to construct or acquire such facilities if existing facilities can be utilized for that purpose under adequate contractual arrangements with utility systems, and

WHEREAS, the Government desires to leave the way open for the sale, and be free to sell, to customers outside the State of Texas a portion of the power and energy generated at the Denison Dam Project, and

WHEREAS, the parties hereto mutually desire that the maximum benefits accruing from full utilization of the Government's hydroelectric power developments through their interconnection and integration with each other and through integration of the Government's system with the system of the Company shall be made available to power consumers of the area, and

WHEREAS, there is now allocated at the Denison Dam Project reservoir storage between elevation 590' and 617' for power production, and

WHEREAS, competent engineering studies, based upon the best available records of river flow, indicate that with one generating unit and the utilization of the reservoir capacity now allocated to power, there can be produced at the Denison Dam Project, 140,000,000 KWH of primary and an average of 78,000,000 KWH of secondary energy per year, with a second generating unit installed there can be produced the same amount of primary and an average of 127,000,000 KWH of secondary energy per year and with a third generating unit installed there can be produced the same amount of primary and an average of 156,000,000 KWH of secondary energy per year, and

WHEREAS, present estimates of primary and secondary energy that can be produced by the Denison Dam Project will probably be increased through the effects of integrated operation, and

WHEREAS, the amounts of the primary and secondary energy that can be produced by the Denison Dam Project might be changed by (a) a revision in the operating policy of the War Department, (b) the possible future construction of additional reservoir storage on the Red River above the Denison reservoir or (c) other factors entering into their determination, and

WHEREAS, the greatest economic value of the Denison Dam Project can probably be attained through the effects of the integration of the Project with the electric distributing agencies in its vicinity;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, and in order to carry out the policy and accomplish the purposes of the Congress as expressed in the Flood Control Act of December 22, 1944, the parties hereto contract and agree with each other as follows:

SERVICE

1. (a) The Government shall generate and deliver, and the Company shall receive and accept, into the Company's system until the second generating unit at the Denison Dam is installed and ready for commercial operation and the Company so notified by

the Government, 120,000,000 KWH of primary energy per year as scheduled by the Company; provided, that the Company shall not schedule power at a rate less than 10,000 KW, nor at a rate greater than 5,000 KW less than the maximum generating capacity, which, in the judgment of the Government, can be safely supplied by one generating unit at the Denison Dam.

(b) The Government shall generate and deliver, and the Company shall receive and accept, into the Company's system until the second generating unit at the Denison Dam is installed and ready for commercial operation and the Company so notified by the Government, such secondary energy, in addition to the primary energy provided for in Paragraph 1 (a) hereof, as, in the judgment of the Government, is available for sale from the Denison Dam Project through the use of not to exceed 5,000 KW less than the maximum generating capacity, which, in the judgment of the Government, can be safely supplied by one generating unit at the Denison Dam.

~~2. (b) After the second generating unit at the Denison Dam is installed and ready for commercial operation and the Company is so notified by the Government,~~ the Government shall generate and deliver, and the Company shall receive and accept, into the Company's system, 70,000,000 KWH of primary energy per year as scheduled by the Company; provided, that the

Company shall not schedule power at a rate less than 10,000 kW, nor at a rate greater than the maximum generating capacity, which, in the judgment of the Government, can be safely supplied at any time by one generating unit at the Denison Dam.

~~(b) After the second generating unit at the~~ Denison Dam is installed and ready for commercial operation and the Company so notified by the Government, the Government shall generate and deliver, and the Company shall receive and accept, into the Company's system, one-half of the secondary energy, as herein defined, generated at the Denison Dam; ~~provided, that the~~ total delivery of energy under ~~Paragraphs~~ (a) and (b) hereof shall be limited from time to time and at any time to the practical capability of the Company's system and of those systems with which the Company's system is integrated to receive and distribute such energy.

~~(c)~~ Whenever in the judgment of the Government secondary energy can be generated and delivered into the Company's system ~~under Paragraphs 1 (b) and 2 (b) hereof~~ and the Denison reservoir level is below the top of the power storage allocation in said reservoir, the Company may schedule its receipt and acceptance of such secondary energy; provided, that the Company shall assume all of the responsibility for any loss by the Company of secondary energy by reason of the discharge of the water

15,000 KW.

representing such stored energy through the sluices in order to meet the requirements of flood control; and provided further; that the Company shall not schedule power on any unit at the Denison Dam at a rate less than 10,000 KW, nor at a rate greater than the maximum generating capacity which, in the judgment of the Government, can be safely supplied at any time by means of such unit.

(c) After the third generating unit is installed and ready for commercial operation and the Company is so notified by the Government, the Government shall make ~~half~~ the capacity of such third generating unit available for service to the Company in its scheduling of the primary and secondary energy which it is obligated to receive and accept under ~~Paragraphs 2 (a) and~~ 2 (b), hereof, excepting when such third generating unit is required as reserve capacity for one of the other two generating units at the Denison Dam power plant, or for use by the Company in its service to other customers while engaged in maintaining ~~the~~ its units.

(d) After the third generating unit is installed and ready for commercial operation and the Company is so notified by the Government, the Government shall make available to the Company, in addition to half of the capacity of the third generating unit made available to the Company under Paragraph 2 (d) hereof, the rest of the capacity of the third generating unit for the Company's scheduling of primary and secondary energy which it

is obligated to receive and accept under Paragraphs 2 (a) and 2 (b) hereof, except when such third generating unit is required as reserve capacity for one of the other two generating units in the Denison Dam power plant or for use by the Government in maintaining its service to other customers on its system.

(f) Each of the first three main generating units at the Denison Dam power plant put into commercial operation during the term hereof shall be maintained in commercial operating condition by the Government thereafter (excluding periods for inspection, maintenance and repairs, scheduled in advance by the Government with due consideration for the convenience of the Company) until the termination of this Agreement.

3. (a) The Government shall have the right to take out of the Company's system at any point or points designated by the Government electric power and energy for use by the Government in serving its own customers in wholesale quantities, as authorized under the provisions of Section 5 of the Flood Control Act of December 22, 1944, to the extent and upon conditions as follows, to-wit:

(1) It is recognized by the parties hereto that the right of the Government to take power and energy out of the Company's system hereunder is primarily for the purpose of

serving public bodies and cooperatives in accordance with the preference provided for under the Flood Control Act of December 22, 1944, and the Government agrees to make diligent effort to dispose of all the power and energy taken out of the Company's system to such preferred customers and that it will not dispose of any such power and energy to any customer outside such preferred class so long as such power and energy can be marketed by the Government within such preferred class. In order to provide a reasonable time to accomplish such primary purpose, the Government agrees that it will not dispose of any such power and energy to any customer outside such preferred class until after the expiration of eighteen (18) months from the date on which service begins hereunder; provided, that, in the event the Government thereafter disposes of such power and energy to a customer or customers outside such preferred class, the Company may at its election at any time terminate this Agreement by giving the Government

three (3) years written notice to that effect.

(f) The maximum demand of the Government (as hereafter defined in Paragraph 3 (b) hereof) shall not be in excess of 20,000 KW ~~until the third generating unit at the Denison Dam is installed and ready for commercial operation and the Company so notified by the Government, and 25,000 KW thereafter.~~

(g) The Government shall give the Company thirty (30) days written notice of its intention to take out of the Company's system any power and energy and the date on which such withdrawal shall begin, and shall promptly supply the Company with a copy of any contract or contracts with the Government's customers which are to be served out of the Company's system, and shall notify the Company as to the date on which such service will begin.

(h) The Company shall not be required to deliver power and energy to the Government which delivery requires the installation of new facilities until the Company shall have

had reasonable time in which to install such facilities.

(5) The Company shall not be required to deliver power and energy to the Government or its customers for delivery by the Government or its customers for service in any town or municipality in which the Company is now serving or may hereafter serve customers at retail; provided, that the Company may be required to deliver power and energy hereunder from the Company's 138-KV bus at its Payne substation for delivery by the Government over the Government's own lines, subject to the provisions of Paragraph 3 (a) (7) hereof, to such towns or municipalities now owning and operating their own electric distribution systems.

(6) The Company shall not be required to deliver power and energy to the Government or its customers for delivery to any customer or customers of any other privately owned utility company having electric facilities directly interconnected with the transmission

lines of the Company and purchasing electric power and energy from, or interchanging the same with, the Company.

(7) In the event and so long as the Government delivers power and energy for service to customers now or hereafter supplied by the Company (excepting (a) establishments operated by or for the account of the Federal Government and (b) rural electric cooperatives, incorporated under the Electric Cooperative Corporation Act of the State of Texas and serving only customers authorized to be served under said Act), the Government shall compensate the Company by means of a credit equal to the difference between the cost of such power and energy computed at the lowest then effective rate of the Government and the cost of such power and energy computed at the lowest then effective rate of the Company applicable to the service to such customers. Such credit shall be liquidated monthly by means of a deduction from the current monthly payments by the Company due under Paragraph (6) hereof and a cash payment by the Government, if necessary.

(e) For the purpose of this Agreement the term "maximum demand of the Government" for any month shall mean the total of the maximum thirty minute demands at each of the delivery points, during the twelve months period ending with the month under consideration, of each of the Government's customers, other than the Company, taking power and energy out of the Company's system hereunder, adjusted for lagging power factor as provided for herein.

CONDENSER OPERATION

4. Although the Government shall not be required to generate and the Company shall not be allowed to schedule power and energy from any one main generating unit in the Denison Dam power plant at less than ten thousand (10,000) kilowatts, the Government shall, for the benefit and upon the request of the Company, operate one or more of the generating units available for use by the Company at no load as condensers to the extent that such operation does not unreasonably interfere with the delivery of the Government's commitments to other customers, and is not contrary to good operating practices or detrimental to the Government's facilities in excess of ordinary wear and tear.

ACCOUNTING

5. The Company shall keep an accurate account of the various classifications of electric power and energy delivered

by the Government into the system of the Company, and of all of the electric power and energy taken out of the Company's system by the Government. The Company shall furnish to the Government, as soon as practicable after the end of each month, a detailed certified statement for such month of the power and energy delivered into the Company's system by the Government hereunder and the power and energy taken out of the Company's system hereunder by the Government at each point of delivery. The Government shall furnish the Company each month a statement for the previous month of the total generation of energy at the Denison Dam power plant, the amount used for operating the project and the amount of each class of energy disposed of by the Government to the Company and to its other customers. Such statement shall include the amount of any water which may have been discharged through the dam, other than through the turbines, when the reservoir level was below the top of the power storage allocation. The Government shall give the Company, by telephone through their dispatching offices, the daily elevation of the Denison reservoir.

PAYMENT

6. (a) The Company shall pay the Government for power and energy delivered into the Company's system as provided in Paragraphs 1 (a) and 1 (b) hereof $59,000 per month less $1.55 per kilowatt per month of the maximum demand of the Government for such

month and less four mills per kilowatt hour for all the kilowatt hours of energy taken out of the Company's system by the Government in excess of 250 kilowatt hours per kilowatt of maximum demand of the Government for such month.

(b) The Company shall pay the Government for power and energy delivered by the Government into the Company's system as provided in Paragraphs 2 (a) and 2 (b) hereof $52,000 per month less $1.55 per kilowatt per month of the maximum demand of the Government for such month and less four mills per kilowatt hour for all the kilowatt hours of energy taken out of the Company's system by the Government in excess of 250 kilowatt hours per kilowatt of maximum demand of the Government for such month.

(c) After the Government has declared the third generating unit at Denison Dam ready for commercial operation and has so notified the Company in writing, the Company shall pay to the Government for the period when all three generating units are available for commercial operation the sum of $6,000 per month in addition to the other payments provided for herein.

(d) If, during any month or part thereof, (excluding periods for inspection, maintenance and repairs scheduled in advance by mutual agreement of the parties hereto) all three generating units are not available for commercial operation, the Company's payment to the Government under Paragraph 6 (c) hereof

shall be reduced for such month by the ratio that the hours of such non-availability of such units bear to the total number of hours in such month.

DEFINITIONS OF ENERGY

7. For the purposes of this Agreement:

(a) "primary energy" shall mean the maximum certain number of kilowatt hours of electric energy which could be produced at the Denison Dam power plant in every year during a repetition of the stream flow of the Red River at the Denison Dam during the period from January 1, 1913, to December 31, 1946, or to an appropriate later date for future determinations hereunder, by means of the natural flow of the Red River at the Denison Dam and the utilization of the water storage capacity in the Denison reservoir allocated to power.

(b) "diversity energy" shall mean that energy which could be produced at the Project in addition to the primary energy from water not needed for use or for storage for the production of the primary energy and which could be combined with energy available from other dams constructed and operated in the area by the United States so as to make available on a transmission system interconnecting such dams and the Denison Dam a constant amount of energy during every month during the most adverse conditions of stream flow which may be expected, assuming a repetition of previous records of stream flow at all of such dams and at the Denison Dam since January 1, 1913, without foresight with respect to stream flow and without

jeopardizing the production of the full amount of the primary energy of the Project to be delivered into the Company's system hereunder, and

(c) "secondary energy" shall mean that energy which, in addition to the primary energy and the diversity energy, could, in the judgment of the Government, be produced at the Denison Dam, at any time and from time to time, during such a repetition of the stream flow at the Denison Dam, without foresight with respect to stream flow and without jeopardizing the production of the full amount of the primary energy and diversity energy of the Project.

ADJUSTMENT PROVISION

8. (a) In the event the amount of the various classifications of energy presently determined by the Government to be available from the Denison Dam Project are changed from time to time or at any time through,

(1) the integration of the Denison Dam Project with other hydroelectric power projects in the area,

(2) a change in policy of the War Department in the operation of the Denison Reservoir,

(3) the construction of addition reservoir storage in the Red River basin above the Denison reservoir, or

(4) other factors affecting such amounts, the Government shall, not oftener than once a year excepting on its own volition make a proper redetermination of such amounts and notify the Company promptly of the results thereof.

(b) In event, after any such redetermination, the Government notifies the Company that the diversity energy available from the Denison Dam Project has been increased, the commitment of the parties for the delivery and receipt of primary energy under Paragraph 2 (a) hereof shall be increased by an amount equivalent to one-half of the increase in diversity energy as determined by the Government.

(c) In event, after any such redetermination, the Government notifies the Company that the primary energy available for sale in Texas from the Denison Dam Project has been increased the Government may, at its election, increase the commitment of the parties for the delivery and receipt of primary energy under Paragraph 2 (a) hereof, by such amount of primary energy as it may specify to the Company in writing; provided that the total of all increases in primary energy as provided for in this Paragraph 8 shall not exceed 30,000,000 kilowatt hours per year without the consent of the Company.

(d) In the event, as a result of any such redetermination, the amount of primary energy delivered to the Company is increased under the provisions of this Paragraph 8, or 70,000,000 kilowatt hours of primary energy per year are not available from the Denison Dam Project for sale in Texas, the Company's payment to the Government for power and energy as provided in Paragraph 6 (b) hereof, shall be adjusted appropriately by four mills for each kilowatt hour that the primary energy delivered under this Agreement differs from 70,000,000 kilowatt hours.

POWER FACTOR AND VOLTAGE

9. (a) The Company shall take power and energy from the Government at the Company's Payne Substation at such power factor as will best serve the Company's system at that point from time to time and at any time; provided, that the Company shall not intentionally impose any power factor on the system of the Government in such a way as to overload or impair the facilities of the Government, or unreasonably interfere with the delivery of the Government's commitments to other customers. The Government shall take power and energy from the Company at the power factor which the loads of the Government's customers impose on the Company's system; provided, that, if the power factor of the load of any such customer during any month should

be less than 85 per cent lagging at its point of delivery, the Government's maximum demand at such point of delivery shall be adjusted by determining the Government's maximum demand imposed by such customer for such month by multiplying the measured kilowatts of demand by 85 and dividing the result by the actual power factor at the time of maximum demand.

(b) The electric power and energy delivered hereunder into the Company's system shall be delivered as three-phase alternating current, at a frequency of approximately 60 cycles per second, at a nominal voltage of 138 kilovolts, with adjustments above or below nominal voltage, as requested by the Company, within the limits of transformer taps. The Government will, from time to time, and at any time, upon request of the Company, raise or lower the voltage at the Denison Dam power plant in delivering power and energy to the Company at its Payne Substation, within reasonable limits and considering the reasonable voltage requirements of the Government's other customers served by the same generator. The electric power and energy delivered hereunder to the Government, or its customers, out of the Company's system shall be delivered as three-phase alternating current at a frequency of approximately 60 cycles per second at such standard service voltage of the Company as the Government may specify, with an allowable variation of 5 per cent above

or below nominal voltage; provided that the Government shall not specify delivery to it or its customers at a voltage requiring the installation or construction of facilities by the Company in excess of those provided to be furnished by the Company under Paragraph 12 hereof.

POINTS OF DELIVERY

10. The point of delivery of the power and energy delivered by the Government into the Company's system shall be that point in the Company's Payne Substation where the Government's 138-KV transmission line makes electrical connection with the Company's system; provided, that the electric power and energy delivered to the Company shall be measured by metering equipment belonging to the Government installed at the Denison Dam power plant, without adjustment for transmission losses between the metering point and the delivery point. The point, or points, of delivery by the Company to the Government of power and energy which the Government takes out of the Company's system hereunder shall be at such point, or points, on the Company's system, in accordance with the Company's usual wholesale practice, as may be designated by the Government from time to time or at any time.

FACILITIES

11. The Government shall furnish a substation at the Denison Dam site, including metering equipment at the Denison Dam

power plant, a 138-KV transmission line extending from said substation to the Company's Payne Substation and shall maintain said facilities and all equipment necessary

(a) to enable the Government to deliver to the Company at its Payne Substation the power and energy covered by this Agreement, and

(b) to assure reasonable protection to the lines and equipment of the Company.

12. (a) The Company shall maintain and operate during the term of this Agreement its existing generation and transmission facilities or generation and transmission facilities at least substantially equivalent to its existing facilities which shall be adequate at all times to enable the Company to fulfill its obligations hereunder. In the event the Company, at any time before the termination of this Agreement, disposes of any substantial part of such facilities adequate provision shall be made by the Company for delivery to the Government and its customers of so much of the power and energy to which the Government is entitled hereunder as may be necessary, within the limitations hereof, to supply the requirements of the Government and its customers in the area served by the facilities so disposed of.

(b) The Company shall furnish, install, operate and maintain all facilities, including appropriate metering equipment

that may be necessary (a) to enable the Company to take and receive into its system at its Payne Substation all of the electric power and energy that may be delivered to the Company under Paragraphs 1 (a), 1 (b), 2 (a), and 2 (b) hereof, (b) to enable the Company to deliver to the Government, or its customers, the power and energy taken out of the Company's system, as allowed under Paragraph 3 (a) hereof; provided, that the Company shall not be obligated to install or construct new transmission or related facilities solely for the purpose of delivering electric power and energy to the Government or its customers, the cost of which would, in the opinion of the Company, result in an excessive financial burden to the Company, and the Company shall not be required to furnish any transmission or related facilities which the Government could not construct or acquire under the authorization of the Flood Control Act of December 22, 1944, to transmit and dispose of the power and energy from the Denison Dam Project, if funds therefor were provided by the Congress, and (c) to assure reasonable protection to the lines and equipment of the Government and/or its customers. The plan, or plans, for protection of the Government's lines and equipment, and those of its customers, must be submitted to and approved by the Government. The Government, or its customers, may, if desired, install suitable metering equipment at any point of delivery for the purpose of

checking the meters installed by the Company. The Company may, if desired, install suitable metering equipment at the Denison Dam power plant for the purpose of checking the meters installed by the Government.

13. Each party shall install and operate on its respective facilities (a) such equipment as may be required to afford a carrier current telephone system which will provide direct communication between the Company's district operator's office at the Payne Substation and the operator of the Denison Dam power plant, and (b) carrier current equipment and automatic frequency and load control equipment for telemetering the load on the Government's generating plant to the Company's dispatching office in Dallas, and for automatic control of the net flow into the Company's system.

METER READING AND ADJUSTMENTS

14. Each meter used in determining the amount of electric power and energy delivered into the Company's system at its Payne Substation, and each meter used in determining the amount of electric power and energy delivered by the Company to the Government, or its customers, out of the Company's system, including check meters, if installed, shall, by comparison with accurate standards, be tested and calibrated by the Company in the presence of a representative of the Government at intervals of not to exceed six (6)

months. If a meter shall be found incorrect or inaccurate, it shall be restored to an accurate condition or a new meter substituted by the owner thereof. A meter shall be considered inaccurate if it is found to deviate from an accurate standard meter in excess of 1/2 of 1 per cent when tested at 100 per cent of load or 1 per cent when tested at 10 per cent of load.

15. The Government, or the Company, shall have the right to request and have a special meter test made at any time. If any test made at the Government's request discloses that the meter tested is registering correctly, the Government shall bear the expense of such test, but the expense of all other tests shall be borne by the Company.

16. The results of all such tests and calibrations shall be open for examination by the Government and a report of every test shall be furnished by the Company to the Government promptly. Any meter tested and found to be within 2 per cent accuracy but in excess of the specified accuracy under paragraph 14 above, shall be recalibrated, but no correction in billing meter reading shall be made. If, as a result of any test, any meter is found to register in excess of 2 per cent either above or below normal accuracy, then the readings of such meter previously taken shall be corrected according to the percentage of inaccuracy so found, but no such correction shall extend beyond ninety (90) days previous

to the date on which the inaccuracy is determined by such test, nor for a longer period than such inaccuracy may be determined to have existed.

17. For any period that a meter is found to have failed to register, the readings of the check meters, if installed and found to have normal accuracy, shall be used for such period of failure. In case the meters and the check meters, if installed, fail to register at the same time, the electric energy delivered during such period shall be assumed to be the same as that for a period of like operation during which such meters were in service and operating, such like period to be agreed upon by the parties hereto.

18. The Company's and Government's meters and the Company's and Government's check meters, if installed, shall be read by a representative of the Company and, at the election of the Government, simultaneously checked by a representative of the Government, except that the Government's meters at the Denison Dam power plant and the Company's check meters, if any at such place, shall be read by a representative of the Government and, at the election of the Company, simultaneously checked by a representative of the Company, regularly on the last day of each month, except when prevented by a holiday or Sunday, or other cause, in which event, the reading will be made on the following day, or as early

thereafter as possible. The result of all meter readings and all meter tests shall be mailed by the Company to the Government at Tulsa, Oklahoma, P. O. Drawer 1619, on or before the fifth day after such readings or tests are made, unless another day is set by mutual agreement.

CONSTRUCTION STANDARDS

19. The parties hereto shall construct, maintain, and operate their respective receiving and delivery facilities in accordance with accepted standards at least equal to those provided by the National Electrical Safety Code of the United States Bureau of Standards.

RIGHTS OF ACCESS

20. Each party shall give all necessary permissions to the other to enable its representatives to carry out this Agreement, and shall give the other the right, by duly authorized representatives and employees, when accompanied by its own authorized representatives, to enter the premises of the party owning same at all reasonable times for the purpose of reading or checking meters, or inspecting, testing, repairing, renewing, or exchanging any or all of its equipment which may be located on the property of the, other, or for the purpose of performing any other work incident to the performance of this Agreement.

REMOVAL

21. Any and all equipment, apparatus, and devices necessary to fulfill either the Government's obligations or the Company's obligations hereunder, placed or erected by the Government or the Company on or in the premises of the other party shall be and remain property of the party owning and installing such equipment, apparatus and devices, regardless of the mode or manner of its annexation or attachment to real property of the other, and upon the termination of service provided for hereunder, the Government and the Company shall have the right to enter upon the premises of the other, in order to, and to remove such equipment, apparatus, or devices, owned by it or in its possession.

CONTINUITY OF SERVICE

22. The electric power and energy delivered by the Government into the Company's system hereunder, and the electric power and energy delivered by the Company to the Government, or its customers, out of the Company's system hereunder, shall be made available continuously, except (1) for interruptions due to an uncontrollable force as hereinafter defined, and (2) for temporary interruptions or reductions which, in the opinion of the party owning the facilities in which such interruptions occur, may be necessary or desirable for purposes of maintenance, repairs,

replacements, installation of equipment, investigations and inspections; provided, that such party causing such interruptions, except in case of emergency, shall give the other party reasonable advance notice of such temporary interruptions or reductions, and will make such installations, investigations, inspections, and perform such maintenance, repairs or replacements, with diligence and in accordance with a schedule, of which the Company shall have reasonable notice, so as to cause the least inconvenience to both parties hereto.

23. Both parties hereto shall exercise due diligence, reasonable care and foresight to maintain continuity of service in the delivery and receipt of power and energy as provided for in this Agreement, but shall not be considered to have failed in said obligation by reason of an uncontrollable force as hereinafter defined, or by reason of outages for repairing, replacing or inspecting of facilities. Such interruptions in service shall not constitute a breach of this Agreement on the part of either party, and neither party shall be liable to the other for damages resulting therefrom. In case of impaired or defective service, the receiver of such service shall immediately give notice to the load dispatcher of the party rendering such service by telephone, confirming such service by telephone, confirming such notice in writing on the same date such notice is given by telephone.

UNCONTROLLABLE FORCES

24. Neither party hereto shall be considered to be in default in respect to any obligation hereunder if prevented from fulfilling such obligation by reason of an uncontrollable force. For the purpose of this Agreement, the term "uncontrollable force" means any cause beyond the control of the party affected, including, but not limited to, failure of facilities or water supply flowing into the Denison reservoir, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, or restraint by court or public authority, which, by exercise of due diligence and foresight, such party could not reasonably have been expected to avoid. Either party rendered unable to fulfill any obligation by reason of an uncontrollable force shall exercise due diligence to remove such inability with all reasonable dispatch.

TERMINATION OF EXISTING CONTRACT

25. The contract between the parties hereto of date May 3, 1944, as amended and modified, for the sale of electric power and energy shall terminate instantaneously with the beginning of service under this Agreement.

CANCELLATION OF SERVICE CONTRACTS BY COMPANY

26. The Company shall cancel and terminate any contract for electric service it has or may have with any customer entitled

to receive service hereunder from the Government by means of power and energy supplied hereunder by the Company, if requested to do so by such customer, effective when and provided such customer enters into a contract with the Government for the service covered by the Company's contract, but service shall continue under the terms of the Company's contract until service begins under the Government contract.

LIMITATIONS OF SERVICE

27. (a) The Government shall not at any time enter into a contract or contracts with customers to be served from the Company's system hereunder which will cause the maximum demand of the Government to exceed the number of KW specified in Paragraph 3 (a) hereof, and the Government will not at any time render service to its customers to an extent which will result in the maximum demand of the Government exceeding the number of KW specified in Paragraph 3 (a) hereof.

(b) The Company shall not be obligated to extend its facilities to or establish service to any additional customer or at any additional delivery points if such service or such facilities and their use would result in the maximum demand of the Government exceeding the number of KW which the Government is entitled to have delivered to it out of the Company's system hereunder.

(c) In the event the maximum demand of the Government during any month shall exceed the number of KW specified in Paragraph 3 (a) hereof, the Company shall promptly notify the Government of such fact, and the Government shall within thirty (30) days after receipt of such notice direct the Company to discontinue service to a specified customer or customers to the extent necessary to reduce the maximum demand of the Government to the number of KW which the Government is then entitled to receive under Paragraph 3 (a) hereof. In the event the Government does not so direct the Company within such period, the Company shall have the right to disconnect the necessary number of customers of the Government to reduce the maximum demand of the Government to the number of KW which the Government is then entitled to receive under said Paragraph 3 (a) hereof, and shall disconnect them in the reverse order of the dates of their existing contracts with the Government for service supplied by reason of this Agreement, the one bearing the most recent date being the first to be cancelled.

SUSPENSION OF SERVICE

28. The failure of either party to pay to the other any amount due under this Agreement shall entitle such other party to discontinue the delivery of electric power and/or energy thereafter upon giving twenty (20) days prior written notice to

the defaulting party of its intention to do so, unless such payment is made before the discontinuance of such delivery.

NOTICES

29. Any written notice, demand, or request, required or authorized by this Agreement, shall be deemed properly given to or served on the Government if mailed to the Administrator of Southwestern Power Administration, P. O. Drawer 1619, Tulsa 1, Oklahoma, and shall be deemed properly given to or served on the Company if mailed to the President of the Texas Power & Light Company, Dallas, Texas. The designation of the persons to be notified, or the address of such persons, may be changed at any time and from time to time by letter so addressed.

AVAILABILITY OF FUNDS

30. The performance of the Government's obligations hereunder is contingent upon the Congress making the necessary appropriations for expenditures incident to the performance of this Agreement.

CONFIRMATION AND APPROVAL OF RATES BY FEDERAL POWER COMMISSION

31. This Agreement, and all rights and obligations hereunder, are expressly conditioned upon the Federal Power Commission approving and confirming the rates set forth herein at which power and energy is or may be disposed of hereunder by the Government to the Company as required by the Flood Control Act of December 22, 1944.

INTRASTATE OPERATION

32. It is the purpose of the parties hereto that their systems shall be so operated that power and energy will not flow from the Company's system to points outside the State of Texas or from points outside the State of Texas into the Company's system. The Government shall make no interconnection on its system, and the Government shall not operate its system, in a manner that will cause or allow power and energy to flow from the Company's system to points outside the State of Texas or from points outside the State of Texas into the Company's system; provided, that after the Company has had the opportunity to install, maintain and operate protective equipment at the Denison Dam power plant for the purpose of preventing the flow of power and energy into or from the Company's transmission system from or into a state or states other than the State of Texas, the Government may supply power and energy to the Company in the State of Texas and to the Government's customers in states other than the State of Texas simultaneously while one or more generating units at Denison Dam are interconnected. In the event it is impracticable for the Government to deliver its commitments for power and energy to the Company in the State of Texas and to the Government's customers in any other state or states while one or more generating units at Denison Dam are interconnected without contravening the purpose

of this paragraph, or service to the Company hereunder is impaired by such interconnected operation, the generating unit or units as scheduled by the Company to supply the power and energy agreed to be delivered to the Company hereunder, shall be isolated and the Company shall be served from such isolated unit or units alone so long as may be necessary to prevent the flow of power and energy into the Company's system from outside the State of Texas or from the Company's system to points outside the State of Texas. All electric power and energy delivered hereunder by the Company to the Government or its customers shall be for use wholly within the State of Texas by customers whose lines have no connections to or from points outside the State of Texas.

TERM OF AGREEMENT

33. This Agreement shall become effective upon date of its execution, and service shall begin hereunder on the first day of the month following the date of the confirmation and approval of rates by the Federal Power Commission as provided in Paragraph 31 hereof and shall remain in force and effect for a period of twenty (20) years unless sooner terminated as herein provided. Either party may terminate this Agreement at any time by giving six (6) years written notice to the other party in advance of the effective date of termination thereof in which event the Agreement shall terminate on the date fixed in such notice.

OTHER REMEDIES

34. Nothing contained in this Agreement shall be so construed as, in any manner, to abridge, limit, or deprive either party hereto of any means of enforcing any remedy, either at law or in equity, for breach of any of the provisions hereof which it would otherwise have.

GENERAL RESTRICTIONS

35. No person undergoing sentence of imprisonment at hard labor shall be employed under this Agreement.

36. No Member of or delegate to the Congress, or Resident Commissioner, shall be admitted to any share or part of this Agreement, or to any benefit that may arise therefrom.

37. The Company warrants, by the act of accepting and executing this Agreement, that it has employed no person to solicit or to secure the same upon any agreement for a commission, percentage, brokerage or contingent fee.

38. Neither party, in the performance of this Agreement, will discriminate against any employee or applicant for employment because of race, creed, color or national origin.

EMERGENCY ASSISTANCE

39. In times of emergency each party will render to the other all aid and assistance possible within the limitations of its existing facilities and the provisions of Paragraph 32 hereof.

OPTION FOR ADDITIONAL POWER AND ENERGY

40. Before the Government sells for use in the State of Texas, to any party other than the Company, any of the power and energy generated at the Denison Dam power plant, other than that delivered to the Company under this Agreement, the Company shall have the option of purchasing such power and energy under similar terms and conditions as provided for herein with proportionate charges therefor, including a proportionate increase in the power and energy which the Government is entitled to take out of the Company's system for service to its own customers.

SUCCESSOR AND ASSIGNS

41. This Agreement shall inure to the benefit of and be binding upon the successor and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in several counterparts, each of which shall constitute an original, by their duly authorized officers, as of the day and year first hereinabove written, but actually on this the 4th day of April, 1947.

UNITED STATES OF AMERICA

By (signed) Douglas G. Wright
DOUGLAS G. WRIGHT, Administrator,
Southwestern Power Administration,
an agency of the Department of
the Interior.

(Seal)

ATTEST/s/ J. E. Van Horn
Secretary

TEXAS POWER & LIGHT COMPANY

By (signed) W. W. Lynch
Vice President

I, J. E. Van Horn, certify that I am the Secretary of the Texas Power & Light Company, and that W. W. Lynch, who signed this agreement on behalf of said Company was then Vice President of said Company; that said Agreement was duly signed for and on behalf of said Company under the general authority of its governing body, and is within the scope of its corporate powers.

/s/ J. E. Van Horn
Secretary

(Seal)

I hereby certify that to the best of my knowledge and belief, based upon observation and inquiry, W. W. Lynch who signed this Agreement for the Texas Power & Light Company, has authority to execute the same, and is the individual who signs similar agreements on behalf of said Company with the public generally.

/s/ Douglas G. Wright

CONFORMED COPY
OF EXECUTED ORIGINAL

EXHIBIT A5

ROBERT H. SUNTING SECRETARY/TREASURER

WILLIAM G. PARKER PRESIDENT

R. G. [illegible] VICE PRESIDENT



The Brazos System

Brazos Electric Power Cooperative, Inc.

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

March 23, 1983

Mr. Walter M. Bowers
Chief, Division of Power Marketing
Southwestern Power Administration
Department of Energy
P.O. Box 1619
Tulsa, Oklahoma 74101

Dear Mr. Bowers:

Please accept this letter as our request for consideration in the event that additional hydro electric power and energy becomes available at Denison Dam, or other locations where the power and energy could be delivered into the ERCOT system.

We are currently serving nineteen rural distribution cooperatives, and have interconnection agreements with seven municipal systems and a state university. All of these systems would benefit directly from the availability of additional hydro electric peaking power and energy.

Yours very truly,

Richard E. McCaskill

Richard E. McCaskill

REM/DBS/lw

cc: Mr. Dan B. Swenke
Mr. J. D. Copeland

POST OFFICE BOX 6296 WACO, TEXAS 76706-0296 PHONE (817) 752-2501 GENERAL OFFICE: 2404 LaSALLE AVENUE

EXHIBIT A6

ROBERT A. BUNTING SECRETARY/TREASURER

WILLIAM G. PARKER PRESIDENT

P. C. WEDDY VICE

The Brazos System

Brazos Electric Power Cooperative, Inc.

RICHARD E. MACASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

January 16, 1984

Mr. Walter Bowers, Chief
Division of Power Marketing
Southwestern Power Administration
P.O. Box 1619
Tulsa, Oklahoma 74101

Dear Mr. Bowers:

I wish to thank you for your courtesies at our meeting on January 6.

By this letter I reiterate Brazos' interest and request for a share of power and energy from the Denison Units. Without qualifying this request, as we stated at the meeting, we would find acceptable any reasonable arrangement under which the Denison electrical output was sold to Tex-La Electric Cooperative of Texas, Inc. ("Tex-La") and Rayburn Country Electric Cooperative, Inc. ("Rayburn"). While it is our legal position that the existing contract between the United States, through the Southwestern Power Administration ("SWPA"), and the Texas Power & Light Company ("TPL") is in violation of the preference laws and legally unenforceable, we would not necessarily object to final arrangements under which TPL continued to receive 35 MW of capacity from the Denison Dam with up to 1200 hours per kw of associated energy. We note that even if it were assumed that such allocation to TPL were valid, if the TPL contract (or any subsequent allocation....whether direct or indirect....in connection with the contract) were interpreted to give TPL rights to additional energy or to expand its rights beyond its current contract term, then certainly the contract could not be legally enforced under such interpretation.

We discussed the possibility of Brazos' "firming" Denison power for Tex-La and Rayburn beginning in 1990, or some other arrangement which would be beneficial to the parties. Brazos is very much interested in this possibility, and, indeed, has proposed that this be implemented now.

Brazos reiterates that it would like to purchase available excess energy from Denison.

We discussed the possibility of Brazos and SWPA entering into a "banking" or interchange arrangement for non-ERCOT SWPA power and energy. You stated that such arrangement would be beneficial to SWPA, if it could be accommodated

POST OFFICE BOX 6296 WACO, TEXAS 76706-0296 PHONE (817) 752-2501 / GENERAL OFFICE: 2404 LaSALLE AVENUE

727

electrically. The feasibility of such arrange ent, of course, depends upon the availability and price of transmission over the proposed DC ties or the possibility of AC transmission.

We have taken the liberty of sending copies of this letter to Texas Utilities, and to Tex-La and Rayburn Country. We recognize that they may have different views concerning these matters.

Yours very truly,

Dan Swenke

Dan Swenke, P.E.

DBS:cc

cc: Mr. Mike Ozymy
Mr. Ray Raymond
Mr. John Butts
Mr. Bill Burchette
Mr. Bob O'Neil

bcc: Joe Riley
Clarence Carpenter
Bob Jablon

EXHIBIT A7

ROBERT H. BUNTING SECRETARY/TREASURER

WILLIAM G. PARKER PRESIDENT

P. C. LLEDTKE VICE P



The Brazos System

Brazos Electric Power Cooperative, Inc.

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

January 27, 1984

Mr. Walter Bowers, Chief
Division of Power Marketing
Southwestern Power Administration
P.O. Box 1619
Tulsa, Oklahoma 74101

Dear Mr. Bowers:

At our meeting on January 16, 1984, we restated our belief that we are entitled to an allocation of Denison capacity and energy. It is our understanding that Southwestern Power Administration has determined to allocate the capacity and energy from the Denison North unit to Tex-La Electric Cooperative, Inc. and Rayburn Country Electric Cooperative, Inc. It is our further understanding that Tex-La and Rayburn Country are negotiating arrangements with Texas Power & Light Company, a non-preference entity, under which TP&L will receive a substantial portion of the economic benefits from the North unit and, indeed, from the entire project. Specifically, TP&L will receive the capacity and energy from both the South and North units (provided it is not necessary to back up Whitney). Texas Power & Light will be allowed the scheduled Denison output in accordance with its system needs. In conjunction with the above arrangements, TP&L will sell to Tex-La and Rayburn Country a total of 34.5 megawatts of firm load factor power. Under the above arrangements, TP&L would be required to sell to the Cooperatives approximately 138,000 mwh from Denison annually. TP&L will be able to keep for its own benefit all additional available Denison energy. We estimate that this would average 53,000 mwh/year.

Under the proposed arrangment TP&L will be obtaining approximately 191,000 mwh of energy at 1.326¢ per kwh, more or less, including the demand charge. Moreover, it is indisputable that TP&L's ability to schedule Denison power to meet its peak needs, and therefore to displace the most expensive energy on its system, is very valuable.

Absent some specific justification, we are certain that you would not approve arrangements whereby significant benefits from a SWPA hydroelectric project would be going to a non-preference entity. However, at our meeting last week you confirmed that SWPA is encouraging Tex-La and Rayburn Country to pursue the above described arrangements instead of arrangements with Brazos for two reasons: (1) SWPA feels that it must honor the TP&L contract, or series of contracts ("IPSA 177"), and (2) the Denison project capacity has been allocated to Tex-La and Rayburn Country, who need firm power. However, as you are aware, Brazos has been willing to provide long-term

POST OFFICE BOX 6296 WACO, TEXAS 76706-0296 PHONE (817) 752-2501 / GENERAL OFFICE: 2404 LaSALLE AVENUE

730

arrangements to "firm" the capacity of those two cooperatives, or to otherwise give them comparable economic benefits to those in the proposed arrangement with TP&L, on the assumption that the allocation of Denison power and energy to Tex-La/Rayburn Country is valid. Therefore, as a practical matter, the only reason for your approving arrangements under which Tex-La and Rayburn Country pass benefits to TP&L, as opposed to arrangements with Brazos, is your insistence that the SWPA/TP&L contract be considered at least presumptively valid.

The TP&L/SWPA contract, Clause 40, states:

> OPTION FOR ADDITIONAL POWER AND ENERGY
>
> 40. Before the Government sells for use in the State of Texas, to any party other than the Company, any of the power and energy generated at the Denison Dam power plant, other than that delivered to the Company under this Agreement, the Company shall have the option of purchasing such power and energy under similar terms and conditions as provided for herein with proportionate charges therefor, including a proportionate increase in the power and energy which the Government is entitled to take out of the Company's system for service to its own customers.

To the extent this clause is valid, it only gives the Company "the option of purchasing such power and energy under similar terms and conditions as provided for" in this contract, which terms and conditions do not require SWPA to sell TP&L secondary energy.

While Brazos has stated a willingness to work with Tex-La and Rayburn Country to provide long-term arrangements to "firm" their capacity (as TP&L would do under the proposed arrangements), representatives for these cooperatives have stated that they feel constrained to work through TP&L because of SWPA's position that the TP&L contract with SWPA must be honored. Bob O'Neil, attorney for Rayburn Country, pointed out at the meeting that his client is losing substantial revenues under the temporary arrangements that have been put in place for firming the Denison North unit capacity and energy compared with those which were offered by Brazos. He stated that Rayburn Country could not consummate a deal with Brazos so long as SWPA was taking the position that its allocation would be threatened unless Rayburn Country contracted for "firming" through TP&L, although it was and is prepared to consider alternative arrangements with Brazos.

We are advised by counsel that SWPA could not approve future arrangements under which substantial preference power and energy would go to TP&L where there are practical alternatives to such arrangements. Certainly SWPA cannot allow the preference laws to be defeated based upon enforcement of a contract, dating back to the 1940's, which contract not only locks in the delivery of power and energy on a long-term basis, contrary to the preference laws, and purportedly restricts SWPA from making new marketing arrangements in the future in conformity with the preference laws, but which contains restrictions which -- to say the least-- are highly questionable as a matter of antitrust-policy. Moreover, as is set forth above, by any reading of the IPSA 177 contract, as amended, TP&L would be entitled to at most 1200 hours of energy per kilowatt of contracted capacity and not to the very valuable excess energy too. We have been informed that TP&L may be willing to interpret its contract as having some limitations, but we are not certain of the details.

Based upon the above, Brazos requests that you do not approve the new proposed arrangements (or similar arrangements) between Tex-La, Rayburn Country and TP&L. It is Brazos' position that Denison capacity and energy should be allocated directly to Brazos. Plainly, Brazos was not put on notice before the final allocation of the contemplated new arrangements, and, in any event, an allocation excluding it would have no basis in equity. However, Brazos does desire to cooperate with SWPA and the other parties to reach a fair resolution of all problems arising out of the differing claims to Denison entitlements. Therefore, we are preparing to submit a new proposal next week, which we hope will be fair to all parties and consistent with the preference laws and will assure SWPA of its revenue entitlement from, and satisfactory operation of, the Denison units.

Brazos interprets you to have stated at last week's meeting that we could lose part of our energy entitlement from Whitney if we do not give up our entitlement to firm power from that unit. It seems totally inconsistent for SWPA to take the position that TP&L is entitled to the maximum benefits that could be implied from its contract, but Brazos would have to give up rights to firm power under its contract, or be penalized. Obviously, to protect our ratepayers, we would have to take almost any action that you demand to protect our valuable Whitney power allocation, doing so under protest and reserving our rights. In any event, as our counsel stated, we are willing to consider giving up our rights to firm power from Whitney and entering into a "run of the river" agreement. However, we think if such changes were made, Brazos should certainly obtain some benefits from Denison. By entering into detrimental contractual modifications, Brazos would be making the Denison project more valuable. Also, the fact that the present Whitney water levels (and those at Morris Sheppard, which affect Whitney) are low must be recognized in considering equities.

I urge you to examine the possibilities of Brazos firming non-ERCOT hydroelectric projects in exchange for a right to receive non-ERCOT energy. Brazos is directly tied to Texas Utilities Electric Company and indirectly tied to the Central and South West Company transmission facilities. Of course, because the normal power flows over the DC ties would be into ERCOT, there should be capacity in these ties to permit Brazos to firm non-ERCOT power projects. When Brazos generates to firm non-ERCOT power, as a result of displacement, it will actually free DC tie capacity. On the other hand, if Brazos buys non-ERCOT hydroelectric energy off-peak, there should be capacity availability coming south. If there were even slight amounts of potential savings as a result of SWPA and Brazos entering into such arrangements, such savings could aid the parties' reaching mutually acceptable agreements relating to Denison.

Yours very truly,

Dan Swenke

Dan Swenke, P.E.
Manager - Operations

DBS:cc

cc: Mr. Mike Czymy
Mr. Ray Raymond
Mr. John Butts
Mr. Bill Burchette
Mr. Bob O'Neil
Mr. Richard McCaskill
Mr. Bob Gross
Mr. Carl Stover

bcc: Clarence Carpenter
Joe Riley
Bob Jablon

EXHIBIT A8

Department of Energy
Southwestern Power Administration
Post Office Box 1619
Tulsa, Oklahoma 74101

FEB - 7 1984

Mr. Dan Swenke, P.E.
Brazos Electric Power Cooperative, Inc.
P. O. Box 6296
Waco, TX 76706-0296

Dear Mr. Swenke:

This is in response to your letter dated January 16, 1984, to SWPA reiterating Brazos' interest and request for a share of power and energy from the Denison Dam project.

We appreciate your interest and concern over the disposition of power generated at the Denison project. As you know SWPA's Final Power allocations of 1980 resulted in Tex-La of Texas and Rayburn Country Cooperatives sharing in a 70 MW allocation of Peaking Capacity and 1200/kWh/kW/yr of associated energy, and Brazos being allocated 30 MW of Peaking Capacity and 1200 kWh/kW/yr of associated energy. We did not address energy allocations during this public process except for the 1200 hours that is to accompany the Peaking Capacity.

The TP&L Contract (Ispa-177) referred to in your letter was considered legal when executed, is an obligation of the Government until 1990, and was executed for the benefit of SWPA serving its Texas customers rather than for the benefit of TP&L. The arrangement for delivery of SWPA power to its Texas preference customers could just as well be accomplished by any entity, including Brazos, willing to do so under terms satisfactory to the allottee. Although these TP&L arrangements were made in 1947 when the hydropower was a less attractive commodity than it is today, the Cooperatives still feel they benefitted and are presently attempting to continue the use of TP&L (now TUEC) to deliver their SWPA power to their customers. The arrangements being made are not that different than several of SWPA's customers who are remote to our system. We invite Brazos to work with the Cooperatives for future arrangements but must remind you that we feel our obligations to TP&L are just as binding as our obligations to Brazos are in supporting Whitney out of Denison, at least until contracts expire.

As to available excess energy from the Denison project, Brazos is entitled to a portion of any such excess energy from Denison as is not needed to satisfy Section 40 of the SWPA/TP&L contract just as the Cooperatives are entitled to a portion of excess energy available from Whitney. It is our intention to make excess energy available much in the same manner as we do to preference customers outside of Texas, except as may be barred by a

735

project being sold as a "narrows" type project. As you are aware, the quantities of excess energy available to both the Cooperatives and Brazos are somewhat clouded until the expiration of the TP&L contract in 1990. Nevertheless, whatever energy is available beyond our contractual obligation to TP&L (and to the Cooperatives upon execution of a "narrows" type contract) will be made available to the preference customers in Texas as circumstances allow.

As we have indicated to you, we will discuss banking/exchange arrangements with you at any time.

We can also appreciate your interests and concerns in developments affecting these two Texas projects and would suggest that you consider the proposal of developing the "narrows" type contract with SWPA which would preserve the Whitney output for Brazos, estimated by the Corps of Engineers to be in excess of 2400 kWh/kW/yr of nameplate capacity. Moreover, Brazos would use the project for operational benefits, have access to the overload of the generating units, and other considerations as discussed with you before--all at SWPA's system rate. And, if Brazos and the Cooperatives devise an arrangement by which Brazos can schedule/integrate the Denison and Whitney projects, firm the sale of 100 MW by SWPA (70 MW to the Cooperatives and 30 MW to Brazos), and enable SWPA to honor its existing obligations, we would be supportive of such arrangements.

Sincerely,

Walter M. Bowers
Director, Power Marketing

cc:
Mr. Mike Ozymy
Texas Utilities Electric Company
2001 Bryan Tower
Dallas, TX 75201

Mr. Ray Raymond, President
Rayburn Country Electric Cooperative, Inc.
P.O. Box 370
Kaufman, TX 75142

Mr. John H. Butts, Executive Director
Tex-La Electric Cooperative of Texas, Inc.
P.O. Box 1623
Nacogdoches, TX 75961

Mr. William H. Burchette
Heron, Burchette, Rickert & Rothwell
Suite 420
1200 New Hampshire Ave., NW
Washington, DC 20036

Robert O'Neil, Esquire
Miller, Balis & O'Neil
Suite 1400
Washington, DC 20005

EXHIBIT A9

Department of Energy
Southwestern Power Administration
Post Office Box 1619
Tulsa, Oklahoma 74101

FEB 22 1984

Dan Swenke, P.E.
Manager, Operations
Brazos Electric Power Cooperative, Inc.
P.O. Box 6296
Waco, TX 76706-0296

Dear Mr. Swenke:

This is in reply to your letter dated January 27, 1984, concerning the allocation of 35 MW of power and associated energy generated at the Denison Dam project.

The 35 MW allocation to Tex-La Electric Cooperative of Texas, Inc., and Rayburn Country Electric Cooperative, Inc. (Cooperatives) resulted from comments made to our preliminary power allocations (1980-1988) and attendant Public Review and Comment. Not only was this allocation process announced in the Federal Register for August 2, 1979, copies were mailed to each customer (including Brazos) with our "Notice" dated August 7, 1979. The allocation process was widely publicized in articles appearing in various customer organization newsletters. Moreover, a copy of the Final Power Allocations (FPA) which appeared in the Federal Register dated March 24, 1980, was mailed to Brazos. Brazos failed to attend these public review forums, offer comments, or request an allocation during these public participation processes prior to the FPA. Thus, the responsibility for such failure and attendant consequences must rest squarely with Brazos.

Regarding the Texas Power & Light Company's (TP&L) involvement in the proposed contractual arrangements, we can only reiterate our answer dated February 7, 1984, to your letter dated January 16, 1984. Our primary concern is to market the power generated at designated projects to our preference customers. SWPA does not object to arrangements with intermediaries so long as the preference customer concerned benefits from the Federal resource. As you are quite aware, such intermediaries are compensated for the power movements through various arrangements.

We have said many times we would welcome an arrangement whereby Brazos would schedule the projects while honoring our Power Allocations and our TP&L contract. Your statement that SWPA is encouraging Tex-La and Rayburn Country to pursue arrangements with TP&L instead of Brazos is not correct.

Your statement that the FPA excluded Brazos is incorrect. In fact Brazos was allocated 30 MW. The 1980 FPA provides that if the allottee does not have adequate wheeling or supplemental power sources under contract by the

first of the year in which the allottee is scheduled to receive power, such power will be withdrawn and redistributed per the FPA criterion. Thus, under the FPA procedures, the Denison power and energy would probably be allocated to preference customers in Kansas and Louisiana. The present interim arrangements with the Cooperatives have only been condoned since SWPA did not have the full capacity from the Denison North unit available for sale pursuant to the FPA allocations. The upcoming March 1, 1984, expiration date of the interim agreement is based on the expectation that this condition will be rectified. Moreover, any new criterion for the allocation of power would be subject to the public participation process and requests of any interested parties in SWPA's area would have to be considered. Consequentially, the potential for Brazos to receive an allocation is unknown.

SWPA is primarily concerned with the development of a satisfactory marketing arrangement which can be implemented when the full 35 MW at Denison is available. A Brazos proposal satisfactory to the Cooperatives and consistent with the 1980 FPA would be viewed favorably by SWPA, so long as Whitney (and subsequently our Brazos contract) support interests are protected as are those interests of TP&L under its contract with SWPA. All such arrangements would need to be accepted by all parties and be in place by March 1, 1984.

Varying theories concerning the meaning of Section 40 of Contract Ispa-177 have been put forth; however, this clause is rather simply stated and however one may interpret the Section, the intent seems fairly clear and unambiguous; the Company should have the first option of purchasing power generated at the Denison Dam project and delivered into Texas. TP&L has indicated in its negotiations with the Cooperatives time and again that they would forego whatever additional benefits, real or perceived, they may receive through scheduling this power to the Cooperatives. The Cooperatives have indicated they would be receptive to an arrangement with Brazos if the economics were persuasive. On January 16, 1984, Mr. O'Neil represented that Rayburn Country was losing substantial revenues under the temporary arrangement. Mr. Bob Gross, Consultant for Tex-La of Texas strongly disputed that claim and declared the Brazos offer to date is not economically as good as that of the Company. On February 13, 1984, three options as presented by Brazos were discussed. The Cooperatives found these options unacceptable. We understand a final offer was made by Brazos which the Cooperatives were to discuss with their respective Board of Directors.

Regarding your comments that Brazos could lose part of its "entitlement from Whitney" if Brazos does not give up its "entitlement to firm power". Brazos' entitlement under its contract with SWPA is 30 MW with 1200 kWh/kW of associated energy. Brazos is guaranteed this amount. Additional secondary energy could be made available from time to time and sold as excess energy at SWPA's option. In the past Brazos has received the secondary energy at Whitney because no other preference customer could use such energy. Brazos has never been "entitled" to all the secondary energy generated at Whitney. Under the proposed Cooperatives contract, the Cooperatives will receive a portion of Whitney secondary energy in exchange for firming up the Whitney Dam Project as a resource to meet SWPA's obligations under the current SWPA/Brazos Contract (No. 14-02-0001-1482, dated January 27, 1971.)

We appreciate this opportunity to reply to your comments and stand ready to further discuss the proposed integration of the Denison and Whitney projects.

Sincerely,

Walter M. Bowers
Director, Power Marketing

EXHIBIT A10

Exhibit "2"

SCHEDULING AGENT AGREEMENT

between

TEXAS UTILITIES ELECTRIC COMPANY

and

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.

and

RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.

THIS AGREEMENT, made and entered into this 28th day of February, 1984, by and between Texas Utilities Electric Company (TUEC), a corporation of Dallas, Texas, organized and existing under the laws of the State of Texas, acting through its duly authorized officials, Tex-La Electric Cooperative of Texas, Inc. (Tex-La of Texas), a Cooperative corporation of Nacogdoches, Texas, and Rayburn Country Electric Cooperative, Inc. (Rayburn Country), a Cooperative corporation of Kaufman, Texas, both organized and existing under the laws of the State of Texas, (hereinafter collectively referred to as the "Cooperatives") acting through their respective duly authorized officials, WITNESSETH, That,

WHEREAS, in accordance with the Southwestern Power Administration's (SWPA) Final Power Allocations (1980-1982), 45 Fed. Reg. 19,032 (1980), Tex-La Electric Cooperative, Inc. (Tex-La), a Cooperative corporation of Nacogdoches, Texas, of which Tex-La of Texas and Rayburn Country are members, has been allocated 35,000 kilowatts of hydroelectric power and associated energy generated at the North Unit of the Denison Dam Hydroelectric Project on the Red River between the States of Texas and Oklahoma, said North Unit being located in Grayson County, Texas (the North Unit), conditioned, however, upon Tex-La's support, or arrangement to support, SWPA's contractual obligation to Brazos as to power and energy from the Whitney Project pursuant to Contract No. 14-02-0001-1482, as amended; and

WHEREAS, the Cooperatives and SWPA, on or before February 29, 1984, will execute a Power Sales Contract under which the Cooperatives will purchase from SWPA up to 70,000 kilowatts of power and associated energy generated at the North Unit and the South Unit of Denison Dam and Supplemental Energy generated at hydroelectric projects other than Denison Dam (said contract hereinafter being referred to as the "Power Sales Contract"); and

WHEREAS, pursuant to Contract No. 14-02-001-364, as amended, SWPA and Tex-La entered into a Power Exchange Agreement on October 20, 1958, under which, among other things, 15,000 kilowatts of firm power and associated energy is furnished to members of Tex-La by SWPA from the system of TUEC on account of generation from the South Unit of Denison Dam; and

WHEREAS, the ability of SWPA to fulfill its contractual obligation to Tex-La from said South Unit is dependent upon the sale of 35,000 kilowatts of hydroelectric power and associated energy by SWPA to TUEC pursuant to Contract No. Ispa-177, as amended; and

WHEREAS, since neither SWPA nor the Cooperatives have facilities available to transmit hydroelectric power and energy generated at Denison Dam or at other SWPA hydroelectric projects to the Cooperatives nor own facilities for direct delivery of such power and energy furnished from the SWPA system to the Cooperatives' member systems; and

WHEREAS, since SWPA and the Cooperatives do not have facilities available to transmit the aforementioned hydroelectric power and associated energy from Denison Dam or from other SWPA hydroelectric projects to the Cooperatives' member systems, TUEC and the Cooperatives desire to enter into this Agreement whereby TUEC is authorized to act as the Cooperatives' agent for the scheduling of the delivery of such hydroelectric power and associated energy into its system for the account of the Cooperatives;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, the parties hereto mutually contract and agree as follows:

A. Designation and Authority of Scheduling Agent

The Cooperatives hereby designate TUEC as its duly authorized Scheduling Agent through whom all transactions with SWPA within the provisions of the Power Sales Contract, other than those pertaining to billing and payment, shall be conducted. TUEC shall become and hereby is, authorized and directed to accept and receive from SWPA, for the account of the Cooperatives, all hydroelectric power and associated energy generated at the North Unit and all Supplemental Energy and to receive and accept all necessary notices and accounting statements, and to act for and on behalf of the Cooperatives as to all matters pertaining to scheduling, receipt, and delivery of the aforementioned quantity of hydroelectric power and associated energy, other than matters pertaining to billing and payment, in all respects and with the same force and effect as could the Cooperatives acting through their duly authorized officials. Such energy accounting statements and notices shall be deemed properly given to or served on TUEC if mailed to:

President,
Texas Utilities Generating Company,
A Division of Texas Utilities Electric Company
2600 Skyway Tower, Lockbox 81
400 North Olive Street
Dallas, Texas 75201

B. Term of This Scheduling Agent Agreement

The transfer, acceptance, and delivery of hydroelectric power and energy pursuant to the provisions of this Scheduling Agent Agreement shall begin at 12:01 a.m., March 1, 1984, and shall terminate at 11:59 p.m., April 30, 1984, unless

earlier terminated by mutual agreement of TUEC and the Cooperatives in writing. It is understood and agreed by the parties hereto that the Power Sales Contract includes the sale by SWPA to Tex-La of 35,000 kilowatts of hydroelectric power and associated energy generated at the South Unit of the said Denison Dam Hydroelectric Project and that, insofar as said Power Sales Contract so provides, the Cooperatives agree that, during the term of this Agreement, SWPA's obligations to the Cooperatives pertaining to power and energy generated at said South Unit are fully satisfied pursuant to Contract No. Ispa-177, as amended, between SWPA and Texas Power & Light Company (TUEC having succeeded to all of the rights and obligations of Texas Power & Light Company under Contract No. Ispa-177, as amended, pursuant to a statutory merger that occurred on January 1, 1984) and Contract No. 14-02-001-464, as amended, between SWPA and Tex-La, said Contract No. Ispa-177, as amended, and Contract No. 14-02-001-464, as amended, to remain in full force and effect throughout the term of this Agreement. TUEC hereby expresses its claimed right of first refusal pursuant to Contract No. Ispa-177, as amended, to all power and energy generated at the North Unit and refuses same, but only for that power and energy generating during the term of this Agreement, provided that the Cooperatives receive and pay for all of such power and energy generated at the North Unit during such term pursuant to the Power Sales Contract. With respect to its claimed right of first refusal, the Cooperatives, by execution of this Agreement, neither admit nor deny the existence of such claimed right of TUEC.

C. Receipt of Hydroelectric Power and Energy

In order that the Cooperatives may fully realize the benefits of the variable quantities of hydroelectric power and energy made available to the Cooperatives by the Power Sales Contract between SWPA and the Cooperatives from the North Unit and the Supplemental Energy available from other SWPA hydroelectric

projects, TUEC shall be entitled to utilize all generating capacity from the North Unit, including Overload Capacity (being defined as the maximum load that a machine, apparatus, or device can carry for specified periods of time under specified conditions when operating beyond its nameplate rating but within the limits of its manufacturer's guarantee, or in the case of expiration of the guarantee, within safe limits as determined by the owner), and all such Supplemental Energy available to the Cooperative. TUEC shall also be entitled to schedule all the hydroelectric power and associated energy available at the North Unit except such energy as is required to satisfy SWPA's contractual obligations for the delivery of 30,000 kilowatts of Hydro Peaking Power and Peaking Energy of 1,200 kilowatt-hours per kilowatt per year of Peaking Contract Demand to Brazos pursuant to Contract No. 14-02-0001-1482, as amended. It is further recognized by the parties to this Agreement that there may be periods when the net output of the generating units at the Whitney Project is not available in sufficient amounts to fulfill the SWPA obligations to furnish and deliver 30,000 kilowatts of Hydro Peaking Power and Peaking Energy of 1,200 kilowatt-hours per kilowatt per year to Brazos. During the aforesaid periods, TUEC shall furnish and deliver to Brazos power and energy from the North Unit in sufficient quantities, as available, that, when utilized with the power and energy available from the generating units at the Whitney Project, will be sufficient to fulfill the said SWPA obligation under Contract No. 14-02-0001-1482, as amended. In consideration to TUEC for the displacement of the power and energy to fulfill this said SWPA contractual obligation pursuant to Contract No. 14-02-0001-1482, as amended, TUEC shall be entitled to receive seven kilowatts of power and seven kilowatt-hours of energy from the North Unit for each six kilowatts of power and six kilowatt-hours of energy scheduled for delivery to Brazos to fulfill the said SWPA contractual obligation from the North Unit. It is further agreed, that if the North Unit is

unavailable, in whole or in part, to support the SWPA contractual obligation during the aforesaid periods, then, to the extent power and energy is available from TUEC from sources other than the North Unit, TUEC shall provide the power and energy necessary to fulfill the SWPA contractual obligation and the Cooperatives shall pay TUEC therefor in accordance with the appropriate TUEC Wholesale Power tariff, included as Exhibit A to this Agreement, or its successor tariff.

D. Exchange and Delivery of Power and Associated Energy to the System of the Cooperatives

TUEC shall continue to deliver into the system of the Cooperatives and the Cooperatives shall accept 15,000 kilowatts of firm load factor power and associated energy in exchange for the 35,000 kilowatts of hydroelectric power and associated energy generated at the South Unit of Denison Dam and transferred into the system of TUEC by the Cooperatives as provided for in Contract No. Ispa-177, as amended, and Contract No. 14-02-101-464, as amended. With respect to the 35,000 kilowatts and Overload Capacity made available to the Cooperatives from the North Unit, TUEC shall, during the term of this Agreement, credit the Cooperatives with all the hydroelectric energy generated at the North Unit (which, for the purposes of this Agreement, is assumed to be 57.73 percent of the output of the entire Denison Dam) and all Supplemental Energy from SWPA transferred into the system of TUEC. Such power and energy shall be credited to the Cooperatives in accordance with the methodology set forth in Exhibit B to this Agreement.

E. Intrastate Nature of Transaction

Cooperatives represent and warrant that for the duration of this Agreement, the North Unit and the Whitney Project and their respective related facilities do not and will not, either directly or through connections with other entities, transmit electric energy in interstate commerce. Cooperatives further agree that they will not hereafter engage, directly or through other entities, in any such

interstate activities relating to the North Unit or the Whitney Project, or operate, establish, maintain, modify, or utilize, directly or through other entities, any connection or facility used or to be used for the sale or transmission of electric energy in interstate commerce from either the North Unit or the Whitney Project. It is understood and agreed that the breach by the Cooperatives or the failure of the Cooperatives to comply with any provision of this Section E shall entitle TUEC to disconnect its facilities forthwith.

F. Indemnification for Claims Arising Out of This Agreement

(a) The Cooperatives agree to indemnify and hold harmless TUEC and/or Texas Power & Light Company from any and all damages assessed against TUEC and/or TP&L by judgment, decree, order or otherwise together with all costs of defense including reasonable attorneys' fees that result from any claim, demand, cause, cause of action, complaint, suit, action or administrative proceeding made, brought, or prosecuted by Brazos, its member cooperatives or anyone claiming through, by or under Brazos or its member cooperatives, against TUEC, brought in any state or federal court or administrative agency or otherwise, that relates to or arises out of TUEC's execution or performance of this Agreement. This indemnity does not extend to any claim or award for damages that arises out of TUEC's execution or performance of any other agreement, whether in the past or in the future (including Contract No. Ispa-177, as amended), or any TUEC action or failure to act other than in the execution or performance of this Agreement.

(b) Any such indemnity to be paid to TUEC by the Cooperatives shall be allocated between the Cooperatives in accordance with their respective Allocation Percentage set forth in Exhibit C to this Agreement.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Agreement on the date first mentioned above.

TEXAS UTILITIES ELECTRIC COMPANY

By: _____

Title: Division President

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.

By: _____

Title: _____

RAYBURN COUNTRY ELECTRIC COOPERATIVE, INC.

By: _____

Title: _____

EXHIBIT A11

J E FORMAN SECRETARY / TREASURER WILLIAM G PARKER PRESIDENT LUTHER PARKS VICE PRESIDEN



The Brazos System

Brazos Electric Power Cooperative, Inc.

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

July 16, 1986

Mr. John W. Beck
Vice President
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street, L.B. 81
Dallas, Texas 75201

Dear John:

We have received your July 14, 1986 letter, concerning the NRC antitrust review. We shall follow your suggestion that we respond directly to the NRC. In this context, I note that Section 20 of our Joint Ownership Agreement for Comanche Peak restricts our ability to transmit power and energy in interstate commerce. Similar language is found in other contracts with your company. I am advised by our counsel that Section 20, and similar provisions in other contracts, restrain trade through their effect of restricting Brazos to buying and selling within the ERCOT area of Texas.

Two simple examples point up the difficulty that Section 20 brings:

1. If Comanche Peak continues to be delayed (and we are forced to retain our ownership share), we cannot practically replace such deficient power and energy from economical power supply sources outside of ERCOT.

2. Brazos has made application for 7.5 MW of non-ERCOT SWPA power. The value to us of such power is greatly reduced because of our inability to have normal A.C. transmission of such power.

We therefore, request that we be released from such "interstate" clauses.

Since your response is necessary to respond to the NRC antitrust review, I

would appreciate an early reply.

Very truly yours,

Richard E. McCaskill

Richard E. McCaskill

REM/lw

cc: Mr. J. S. Farrington, Chairman of the Board
and Chief Executive
Texas Utilities Electric Company

Mr. Michael D. Spence, Division President
Texas Utilities Generating Company

Mr. Frank Bennett, Director
Southeast Area - Electric
Rural Electrification Administration

Mr. John H. Butts, Manager
Tex-La Electric Cooperative of Texas, Inc.

Mr. Ed Wagoner, General Manager
Texas Municipal Power Agency

EXHIBIT A12

LC JD
JR
BJ

TEXAS UTILITIES GENERATING COMPANY

SKYWAY TOWER · 400 NORTH OLIVE STREET, L.B. 81 · DALLAS, TEXAS 75201

MICHAEL D. SPENCE
PRESIDENT

August 14, 1986

Mr. Richard E. McCaskill
Executive Vice President
and General Manager
Brazos Electric Power Cooperative, Inc.
P. O. Box 6296
Waco, Texas 76706-6296

Dear Richard:

This is in response to your letter to John W. Beck dated July 16, 1986. We do not believe that Section 20 of the Joint Ownership Agreement restricts you from transmitting power and energy in interstate commerce or restricts you to buying and selling power within the ERCOT area of Texas. The North DC interconnection was installed specifically for those and other purposes.

However, to avoid any misunderstanding in this regard please be advised that, as we have stated in the past, to the extent that Section 20 of the Joint Ownership Agreement or similar provisions in any other agreements are inconsistent with paragraphs 3.D(2)(1)(a) and (b) of the License Conditions for Comanche Peak (a copy of which is attached) such provisions are waived. We will of course maintain all our rights under those License Conditions and will expect you to comply therewith.

Very truly yours,

Mike

MDSpence/lm

RECEIVED AUG 19 1986

LICENSE CONDITIONS FOR COMANCHE PEAK STEAM ELECTRIC STATION NUCLEAR UNITS NOS. 1 AND 2

D. (1) The following definitions apply to paragraph 3.D.(2):

(a) "Applicants" means severally and jointly Texas Utilities Generating Company, Dallas Power & Light Company, Texas Electric Service Company, Texas Power & Light Company, Texas Utilities Company and each other subsidiary, affiliate or successor company now or hereafter engaged in the generation, transmission and/or the distribution of electric power in the State of Texas.

(b) "North Texas Area" means the following Texas counties: Anderson, Andrews, Angelina, Archer, Bastrop, Baylor, Bell, Borden, Bosque, Brown, Burnet, Cherokee, Clay, Coke, Collin, Comanche, Cooke, Coryell, Crane, Culberson, Dallas, Dawson, Delta, Denton, Eastland, Ector, Ellis, Erath, Falls, Fannin, Fisher, Freestone, Gaines, Glasscock, Grayson, Henderson, Hill, Hood, Hopkins, Houston, Howard, Hunt, Jack, Johnson, Kaufman, Kent, Lamar, Lampasas, Leon, Limestone, Loving, Lynn, Martin, McLennan, Midland, Milam, Mitchell, Montague, Nacogdoches, Navarro, Nolan, Palo Pinto, Parker, Pecos, Rains, Reagan, Red River, Reeves, Rockwall, Rusk, Scurry, Schackelford, Smith, Somervell, Stephens, Sterling, Tarrant, Terry, Tom Green, Travis, Upton, Van Zandt, Ward, Wichita, Wilbarger, Williamson, Winkler, Wise, Wood, and Young.

(c) "Entity" means an electric utility which is a person, a private or public corporation, a governmental agency or authority, a municipality, a cooperative, or an association owning or operating or contractually controlling, or proposing in good faith to own or operate or contractually control, facilities for generation of electric power and energy; provided, however, that as used in paragraphs 3.D.(2)(a), 3.D.(2)(b), 3.D.(2)(g), 3.D.(2)(i), 3.D.(2)(j)(a) and (b), 3.D.(2)(k), 3.D.(2)(l) and 3.D.(2)(m), "Entity" means an electric utility which is a person, a private or public corporation, a governmental agency or authority, a municipality, a cooperative, or an association owning or operating, or proposing in good faith to own or operate, facilities for generation, transmission and/or distribution of electric power and energy.

(d) "Entity in the North Texas Area" means an Entity which owns or operates facilities for the generation, transmission and/or distribution of electric power in any area within the North Texas Area.

(e) "Bulk Power" means the electric power and/or electric energy supplied or made available at transmission or subtransmission voltages.

(f) "Costs" means all appropriate operating and maintenance expenses and all ownership costs where applicable.

(g) The terms "connection" and "interconnection" are used interchangeably.

(2) The Applicants defined in Paragraph 3.D.(1)(a) are subject to the following antitrust conditions:

(a) The Applicants shall afford an opportunity to participate in the Comanche Peak Steam Electric Station, Units 1 and 2, for the term of the instant license, or any extension or renewal thereof, to any Entity(ies) in the North Texas Area making a timely request therefor, through a reasonable ownership interest in such unit(s) on reasonable terms and conditions and on a basis that will fully compensate Applicants for their costs. It is understood that any request received prior to December 1, 1973, shall be deemed to be timely. In connection with such participation, the Applicants also will interconnect with and offer transmission service as may be required for delivery of such power to such Entity(ies) at a point or points on the Applicants' system on a basis that will fully compensate the Applicants for their costs including a reasonable return on investment. Notwithstanding the December 1, 1973 date appearing hereinabove, the Applicants' offer of participation in Comanche Peak, Units 1 and 2, to Tex-La Electric Cooperative of Texas, Inc. shall not obligate the Applicants, by virtue of such offer, to offer an opportunity to participate in Comanche Peak, Units 1 and 2, to any other Entity.

(b) The Applicants, as long as they are members of the Texas Interconnected Systems (TIS), shall support reasonable requests by Entities in the North Texas Area having generating capacity for membership in TIS. The Applicants shall also propose and actively support, as long as they are members thereof, the creation of one or more additional classifications of TIS membership based on non-discriminatory criteria to afford access to data, studies and recommendations to all Entities in the North Texas Area who desire membership. The Applicants shall also support requests by qualified Entities in the North Texas Area for membership in any other electric utility planning or operating organization of which the Applicants are members (other than one involving only the Applicants). The Applicants shall share information with other Entities with respect to, and shall, with other such Entities through any electric utility planning organizations (other than one involving only the Applicants) of which the Applicants are members, conduct and/or participate in joint studies and planning of future generation, transmission and related facilities; provided, however, this condition shall not obligate the Applicants to conduct or participate in such joint studies or joint planning unless (1) the studies or planning are requested and conducted in

good faith and are based on reasonably realistic and reasonably complete data and projections, (2) the studies or planning are reasonably justified on the basis of sound engineering principles, (3) appropriate protection is accorded proprietary or other confidential business and financial information, and (4) the costs for such studies or planning are allocated on a fair and equitable basis.

(c) The Applicants will connect with, coordinate reserves, and sell, purchase or exchange emergency and/or scheduled maintenance bulk power with any Entity(ies) in the North Texas Area on terms that will provide for the Applicants' costs, including a reasonable return on investment, in connection therewith and allow such Entity(ies) full access to the benefits of such reserve coordination.

(d) Emergency service and/or scheduled maintenance service to be provided by each party shall be furnished to the fullest extent available from the supplying party and desired by the party in need. If requested, Applicants shall exchange maintenance schedules with any Entity in the North Texas Area. The Applicants and each such Entity(ies) shall provide to the other emergency service and/or scheduled maintenance service if and when available to the extent they can do so without unreasonably impairing service to their customers including other electric systems to whom they have firm commitments. Any curtailment or refusal to provide such emergency and/or scheduled maintenance service shall be on a non-discriminatory basis.

(e) The Applicants and the other party(ies) to a reserve sharing arrangement shall from time to time jointly establish the minimum reserves to be installed and/or provided under contractual arrangements as necessary to maintain in total a reserve margin sufficient to provide adequate reliability of power supply to the interconnected systems of the parties in accordance with good industry practice as developed in the area. Unless otherwise agreed upon, minimum reserve requirements shall be calculated as a percentage of each party's estimated net peak load demand (taking into account firm sales and firm purchases). No party to the arrangement shall be required to maintain greater reserves than the percentage which results from the aforesaid calculation. The reliability of power delivered into TIS-ERCOT over dc asynchronous connections shall not be treated differently by the Applicants, for purposes of spinning and installed reserve calculations and requirements, than would be the case if such power originated within TIS-ERCOT. Outages on dc asynchronous connections shall be treated by the Applicants the same as losses of generation within TIS-ERCOT. The Applicants agree to support the adoption of principles involving dc asynchronous connections contained in this paragraph within any TIS or ERCOT organization.

(f) The parties to such a reserve sharing arrangement shall provide such amounts of spinning reserves as may be equitable and adequate to avoid the imposition of unreasonable demands on the other party(ies) in meeting the normal contingencies of operating its (their) system(s). However, in no circumstances shall such reserve requirement exceed the installed reserve requirement.

(g) Interconnections with any Entity will not be limited to low voltages when higher voltages are requested and are available from the Applicants' installed facilities in the area where a connection is desired, when the proposed arrangement is found to be technically and economically feasible. Control and telemetering facilities shall be provided as required for safe and prudent operation of the interconnected systems.

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

(i) The Applicants shall participate in and facilitate the exchange of bulk power by transmission over the Applicants' transmission facilities between or among two or more Entities in the North Texas Area with which the Applicants are connected, and between any such Entity(ies) and any Entity(ies) outside the North Texas Area between whose facilities the Applicants' transmission lines and other transmission lines, including any direct current (asynchronous) transmission lines, would form a continuous electrical path; provided, that (i) permission to utilize such other transmission lines has been requested by the proponent of the arrangement, (ii) the arrangements reasonably can be accommodated from a functional and technical standpoint and (iii) any Entity(ies) requesting such transmission arrangements shall have given Applicants reasonable advance notice of its (their) schedule and requirements. Such transmission shall be on terms that fully compensate the Applicants for their costs including a reasonable return on investment; provided, however, that such transmission services and the rates to be charged therefor shall be subject to any regulatory agency(ies) having jurisdiction thereof. The Applicants shall not refuse to provide such transmission service merely because the rates to be charged therefor are the subject of dispute with such Entity. The Applicants shall not be required to enter into any arrangement which would unreasonably impair system reliability or emergency transmission capacity, it being recognized that while some transmission may be operated fully loaded, other transmission may be for emergency use and operated either unloaded or partially loaded. (The foregoing applies to any Entity(ies) to which the Applicants may be connected in the future as well as those to which they are now connected.)

(j)(a) The Applicants shall include in their planning and construction programs sufficient transmission capacity as required for the transactions referred to in paragraphs (i) and (k), provided any Entity(ies) in the North Texas Area gives the Applicants sufficient advance notice as may be necessary to accommodate its (their) requirements from a functional and technical standpoint and that such Entity(ies) fully compensates the Applicants for their costs including a reasonable return on investment. The Applicants shall not be required to construct transmission facilities if construction of such facilities is infeasible, or if such would unreasonably impair system reliability or emergency transmission capacity. In connection with the performance of their obligations above, the Applicants shall not be foreclosed from requiring a reasonable contribution in aid of construction or from making arrangements for coordinated construction of future transmission lines such that each of the parties to the transaction would own an interest in or a segment of the transmission addition in proportion to its share of the cost of the addition. Any such contribution made in aid of construction or ownership interest shall be properly credited in determining any wheeling charges. If the Applicants engage in joint ownership of transmission lines with any other Entity, they shall not refuse to engage in similar transactions in comparable circumstances with other Entities, subject to the provisions limiting the Applicants' obligations above.

(j)(b) Applicants shall provide other Entities with reasonable access to any future interstate interconnection facilities which Applicants may own, on terms and conditions comparable to the provisions of paragraph D.2(i) hereof, and subparagraph (a) of this paragraph.

(k) The Applicants shall, upon reasonable advance notice, sell full and partial requirements bulk power to requesting Entities in the North Texas area having, on the date of this License, non-aggregated generating capacity of less than 200 MW (including no generating capacity) under reasonable terms and conditions, which shall provide for recovery of Applicants' costs, including a reasonable return on investment. The Applicants shall not be required to make any such sale if they do not have available sufficient bulk power or adequate transmission to provide the requested service or if the sale would impair their ability to render adequate and reliable service to their own customers or their ability to discharge prior commitments.

(l)(a) In connection with the performance of their obligations herein and subject to the provisions of this paragraph, the Applicants will not disconnect from or refuse to connect their then-existing or proposed facilities with the facilities of any Entity, used or proposed to be used for the transmission of electric energy in interstate commerce by reason of the interstate character of such

facilities, and the Applicants will not prevent any Entity with which they maintain connection from establishing, maintaining, modifying, or utilizing a connection with facilities used or proposed to be used for the transmission of electric energy in interstate commerce by reason of the interstate character of such facilities, provided that, anything in these License Conditions to the contrary notwithstanding (but subject to paragraph I(b) and I(d) below), any Entity seeking to establish, maintain, modify or utilize any connection which could affect the nonjurisdictional status of the Applicants under the Federal Power Act shall have filed an application with and used its best efforts to obtain an order from the Federal Energy Regulatory Commission, applicable to the Applicants under Sections 210, 211 and 212 of such Act, requiring the establishment, maintenance, modification or utilization of such connection. In the event that an Entity files an application pursuant to this subparagraph, the Applicants agree that they will not unreasonably oppose any such application. In the event such application is denied by a valid order of the Federal Energy Regulatory Commission, any continuing refusal by the Applicants to establish, maintain, modify or utilize such connection with such Entity shall be subject to review by the NRC in accordance with the Atomic Energy Act of 1954, as amended, and the rules and regulations thereunder, to determine whether any such refusal would create or maintain a situation inconsistent with the antitrust laws or the policies thereunder in accordance with the standards set forth in Section 105 of such Act; provided that all factual determinations by the FERC on any cost or system reliability reason(s) for any such refusal shall not be subject to redetermination by the NRC. The burden of proof will be on the Applicants in such NRC proceeding.

(I)(b) Applicants shall not enter into or maintain any agreement or understanding with any other Entity(ies) to refuse to deal with another Entity(ies) with the purpose of maintaining an exemption from jurisdiction under the Federal Power Act, and in the event that Applicants refuse to make an interconnection with or choose to disconnect from any Entity(ies), such decision and/or action by the Applicants will be undertaken unilaterally, not jointly, and without consultation with any other Entity(ies), provided, however, that after Applicants decide to undertake such action, they may notify any affected Entity.

(I)(c) In the event that an Entity files an application pursuant to subparagraph (a) of this paragraph solely by reason of Applicants' desire to maintain their exemption from jurisdiction under the Federal Power Act, Applicants agree to pay such Entity's reasonable expenses in connection with such application and the ensuing proceeding 1/, provided, however, that Applicants shall not be required to pay for any expenses of such Entity if that Entity's

---

1/ This obligation shall not apply to the expenses of the Central & South West Corporation or Houston Industries or any of their respective subsidiaries, including, but not limited to, the expenses of Central & South West Corporation and any of its subsidiaries incurred in FERC Docket No. EL 79-8

application is denied by FERC for reasons advocated by Applicants at FERC, and provided further, that Applicants shall not be required to pay for any expenses of such Entity which that Entity would have incurred had it not filed an application solely by reason of Applicants' desire to maintain their exemption from jurisdiction under the Federal Power Act.

(I)(d) Nothing in these License Conditions shall impair the right of the Department of Justice or any other Entity, public or private, to file an antitrust action in any Federal Court in the event any Applicant refuses to establish, maintain, modify or utilize any connection with any Entity(ies), provided, that nothing herein shall preclude any Applicant from raising any legal or equitable defense that may be available to it.

(m) Applicants agree to use their best efforts to amend any agreements with all Entities to ensure that such agreements are not inconsistent with paragraph 3.D.(2)(I)(a) and (b) above.

(n) The Applicants will, in accordance with applicable law, allow ownership participation in future nuclear generating facilities which they may construct, own, and operate in the State of Texas on conditions similar to these License Conditions.

(o) Applicants shall use their best efforts to modify the Offer of Settlement filed in FERC Docket No. EL79-8 to include each of the undertakings set forth in the letter agreement among Applicants, Central & South West Corporation, Houston Lighting & Power Company and the FERC Staff dated September ___, 1980; Applicants shall thereafter use their best efforts to secure approval thereof by the FERC, and shall abide by any valid order(s) of the FERC issued pursuant to the Offer of Settlement. Nothing herein shall preclude the Department of Justice from instituting or intervening in any proceeding at FERC, including FERC Docket No. EL79-8, and from presenting such arguments and evidence that it deems appropriate.

(p) The foregoing conditions shall be implemented (i) in a manner consistent with applicable Federal, state and local statutes and regulations and (ii) subject to any regulatory agency having jurisdiction. Nothing herein shall preclude the Applicants from seeking an exemption or other relief to which they may be entitled under applicable law or shall be construed as a waiver of their right to contest the applicability of the license conditions with respect to any factual situation.

EXHIBIT B1

TEXAS MUNICIPAL POWER POOL

POWER POOL & INTERCHANGE AGREEMENT

INDEX

TEXAS MUNICIPAL POWER POOL

POWER POOL AND INTERCHANGE AGREEMENT

		Page
I.	PARTIES	1
II.	RECITALS	1-2
III.	OBJECTIVES	2
	3.01 Mutual Assistance	2
	3.02 Coordinated Operation	2
	3.03 Sharing Reserves	2
	3.04 Exchange of Economy Power & Energy	3
	3.05 Economic Dispatch	3
	3.06 Generation and Transmission Facilities Planning	3
	3.07 Joint Participation	3
IV.	DEFINITIONS	3
	4.01 Dedicated Facilities	3
	4.02 Economic Dispatch	3
	4.03 Power and/or Energy	3
	4.031 Economy Energy	3
	4.032 Emergency Energy	3
	4.033 Firm Power and Energy	3
	4.034 Inadvertent Energy	4
	4.035 Maintenance Power and Energy	4
	4.036 Non-Firm Energy	4
	4.037 Supplemental Power and/or Energy	4
	4.04 Generating Capacity	4
	4.05 Generating Facilities	4
	4.06 Net Energy for Load	4
	4.07 Transmission Facilities	4
	4.08 Points of Delivery	4
	4.09 Pool Dispatcher	4
	4.10 Power and Energy	4
	4.11 Substation and Switchstation Facilities	5
	4.12 Firm Pool	5
	4.13 Prudent Utility Practices	5

4.14 Reserves 5
4.15 System 5
4.16 Dedication of Facilities 5
4.17 Pool 6

V. POOL ADMINISTRATION 6
5.01 Pool Committee 6
5.02 Officers 6
5.03 Meetings 6
5.04 Voting Rights 6
5.05 Responsibilities 7

VI. TECHNICAL COMMITTEE 7
6.01 Members 7
6.02 Responsibilities 7-8
6.03 Meetings 8

VII. POOL FACILITIES 8
7.01 Dedication of Facilities 8-9
7.02 Facility Schedules 9-10

7.021 Schedule A - Generation
7.022 Schedule B - Transmission
7.023 Schedule C - Substations, Switching Stations, Metering
7.024 Schedule D - Auxiliary Communications
7.025 Schedule E - Other Facilities
7.026 Schedule F - Rates and Charges
7.027 Schedule G - Existing Pool Facilities

VIII. POOL SYSTEM OPERATIONS 10
8.01 General 10-12
8.02 Coordination of Reserves 12

8.021 Installed 12
8.022 Spinning 12

8.03 Power and Energy Exchange 12

8.031 Emergency 12
a. Facility 12
b. Fuel 13
8.032 Economy 13

8.033 Maintenance 13
8.034 Supplemental 13
8.035 Firm Power 13

8.04 Dispatch 13

8.041 Normal 13-14
8.042 Emergency 14
8.043 Economic 14

8.05 Control Areas 14
8.06 Emergencies 14-15
8.07 Transmission Lines, Substations and Interconnection Facilities 15
8.08 System Protection Coordination 15
8.09 Brokerage Operation 16

IX. RATES AND CHARGES 16

9.01 Power and Energy Rates 16
9.02 Charges for Existing Pool Facilities 16
9.03 Accounting and Billing 16

X. JOINT PARTICIPATION 16

XI. OPERATIONAL ASSISTANCE 16-17

XII. REFERENCE TO OTHER CONTRACTS 17

XIII. MISCELLANEOUS PROVISIONS 17

XIV. TERM OF AGREEMENT 17

14.01 Intial Term 17-18
14.02 Withdrawal by any Party 18
14.03 Enforceability 18
14.04 Limits of Party's Obligations 19
14.05 Expansion of Pool 19

XV. EXECUTION 19-20

SCHEDULES

A. Generation
B. Transmission
C. Substations, Switching Stations, Metering
D. Auxiliary Communications
E. Other Facilities
F. Rates
G. Existing Facilities

TEXAS MUNICIPAL POWER POOL
POWER POOL & INTERCHANGE AGREEMENT

I. PARTIES:

This Agreement is entered into this 1st day of February, 1982, by and between the City of Bryan, Texas; the City of Denton, Texas; the City of Garland, Texas; the City of Greenville, Texas; (hereinafter referred to as "Cities"); the Brazos Electric Power Cooperative, Inc. ("Brazos"); and the Texas Municipal Power Agency (TMPA). All of such entities may hereinafter be referred to individually as "Party" and collectively as "Parties".

II. RECITALS:

WHEREAS, the Cities are municipal corporations of the State of Texas and home rule cities; and

WHEREAS, Brazos is an Electric Cooperative Corporation organized and existing under Article 1528b, V.A.T.C.S., and

WHEREAS, the Texas Municipal Power Agency (TMPA), a municipal power agency organized pursuant to Article 1435a (4a), V.A.T.C.S., created for the purpose of providing wholesale power and energy for the Cities, and

WHEREAS, the Cities own their own power generating facilities and intracity distribution and transmission systems by which each of the Cities generates, transmits, and sells power to the general public; and

WHEREAS, Brazos owns its own power generating facilities and extensive cross-country transmission facilities by which it generates, transmits, and sells electrical power to cooperative distribution agencies or associations, municipalities, universities and other distribution entities; and

WHEREAS, TMPA is now constructing and/or purchasing generation and transmission facilities for the purpose of providing the Cities future

electric power and energy requirements, and

WHEREAS, the Parties are willing to make existing transmission facilities available for use by the Pool as appropriate and as allowable by other contractural obligation and upon reasonable compensation therefore; and

WHEREAS, the Parties have determined by action of their respective governing bodies that it is to their several and mutual advantage to utilize their respective generating and transmission facilities in as economical and reliable a manner as is possible by pooling such power and energy generation and transmission facilities as set out herein; and

WHEREAS, the Parties desire to coordinate the operation and maintenance of said generation and transmission facilities, and to establish a framework for coordinating the future planning and participation in joint facilities:

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND UNDERTAKINGS HEREIN CONTAINED, THE PARTIES AGREE AS FOLLOWS:

III. OBJECTIVES:

The Parties agree that the intent of this Agreement shall include but not to be limited to the following objectives:

3.01 Mutual Assistance

Provide for mutual assistance in time of emergency and scheduled outages.

3.02 Coordinated Operation

Coordinate the operation of the respective Parties' systems so as to create a coordinated Pool system.

3.03 Sharing Reserves

Provide for coordination in sharing responsibilities for maintaining reserves of power and energy.

3.04 Exchange of Economy Power and Energy

Provide for periodic sales or exchanges of power and energy on an economical basis between the Parties.

3.05 Economic Dispatch

Provide a basis for Economic Dispatch and Power Brokerage Operation.

3.06 Generation and Transmission Facility Planning

Provide for coordination in planning generation, transmission, and system facilities.

3.07 Joint Participation

Provide a forum for the parties to discuss and consider joint participation in future system facilities.

IV. DEFINITIONS:

4.01 Dedicated Facilities

Facilities owned by the respective Parties that have been committed to the common use and mutual benefit of all Parties in accordance with the provisions of this Agreement.

4.02 Economic Dispatch:

The joint coordination of start-up, operation, and shut-down of the Parties' electrical generation, transmission, and other related facilities by and among the Parties in order to minimize their total system-wide fuel requirements, thereby resulting in a monetary savings to all the Parties.

4.03 Power and/or Energy shall be categorized as follows:

4.031 Economy Energy

Energy produced by one Party and substituted for, less economical energy of another Party on a non firm basis.

4.032 Emergency Energy

Energy required by a Party to make up a deficiency between the current energy requirements and the immediately available energy of the Party.

4.033 Firm Power and Energy

Power and energy intended to be available at all times during the period covered by a commitment, even under adverse conditions.

4.034 Inadvertent Energy

Any energy that was interchanged that ws not scheduled.

4.035 Maintenance Power and Energy

Power and Energy required to replace power and energy not available due to maintenance of a system facility.

4.036 Non-Firm Energy

Energy supplied or available under an arrangement which does not have the availability feature of firm energy.

4.037 Supplemental Power and/or Energy

Supplemental power and/or energy is any excess available when a Party's normal maximum capacity exceeds its peak requirements.

4.04 Generating Capacity

The maximum normal rated load carrying capability expressed in MVA or MW of generating equipment.

4.05 Generating Facilities

All electric generation units or interest therein belonging to any or all of the Parties.

4.06 Net Energy for Load

A Party's net energy generation plus energy received from others minus energy delivered to others during the period under consideration.

4.07 Transmission Facilities

All transmission lines, poles, interest in land incidental thereto, and other apparatus belonging to a Party and necessary to transmit power and energy.

4.08 Points of Delivery

Those points where the system of any one party interconnects with the system of the other Parties or with outside entities.

4.09 Pool Dispatcher

The Party or Parties designated by the Pool to coordinate and monitor the flow of power and energy.

4.10 Power and Energy

Electrical power shall be expressed in megawatts (MW). Energy shall be expressed in Megawatt hours (MWH).

4.11 Substation and Switch Station Facilities

All facilities, electrical equipment, interest in land incidental thereto, and other apparatus belonging to a Party used for the purpose of transforming electrical power from one voltage to another or used for switching electrical power. Such facilities shall be inclusive from points of transmission line termination to transformer low voltage terminal or as defined by individual facility schedules.

4.12 Firm Pool

A Firm Pool is defined herein as one that can sustain the loss of its largest generating unit, or any dedicated portion thereof, or any transmission facility, and still have the capability to serve its firm load commitments.

4.13 Prudent Utility Practice

Any of the practices, methods and acts engaged in or accepted by a significant proportion of the electric utility industry at the time the decision was made or any of the practices, methods, and acts that, in the exercise of reasonable judgement in the light of facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable costs consistant with reliability, safety and expedition. Prudent utility practices are not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to a spectrum of possible practices, methods or acts.

4.14 Reserves

Generating capability that is in excess of that required to carry the system load.

4.15 System

A group of one or more generating sources and/or connecting transmission lines operated under common management or supervision to supply load.

4.16 Dedication of Facilities

Dedication of a facility shall mean the commitment by the owner of the facility to make such facility available for use to other members of the Pool for purposes as outlined in this Agreement.

4.17 Pool

The Pool is defined as a coalition of individual generating and transmission systems organized for the purpose of coordinating, operating and maintaining the combined generation and transmission facilities of the member systems for the mutual benefit and assistance of such systems.

V. POOL ADMINISTRATION

5.01 Pool Committee

The Pool Committee shall be comprised of two representatives from each Party. Each Party shall select its own representative to the Pool Committee and may change such representative(s) permanently or on a temporary basis as designated alternate(s) at any time upon written notice to the other Pool Parties. Each Party shall be permitted to bring personnel in an advisory or consulting capacity to any Pool Committee meeting; however, only duly appointed representatives or their designated alternates to the Pool Committee will be allowed to participate in formal action taken by the Pool Committee.

5.02 Officers

The Pool Committee shall elect from its membership a Chairman and Vice Chairman at its first meeting and annually at its January meeting in all subsequent years. The Chairman shall not be elected twice from the representatives of any one Party until a representative from all other Parties has served as Chairman. A Secretary shall be selected by the Pool Committee but shall not be a member of the Pool Committee. The Pool Committee shall have such other officers as the Committee shall determine are desirable.

5.03 Meetings

The Pool Committee shall meet at a time and at a place to be agreed to by all Parties. Meetings shall be held on the third Thursday in the months of January, April, July and October, and at such other times as the Pool Committee may select. Special meetings shall be held at the call of the Chairman or by the Secretary upon the written request of any two Parties.

The Pool Committee Secretary shall transmit, by mail, within five (5) working days after the meeting, the minutes of the meeting to the designated official of each City constituting a member of the Pool and to the respective General Managers of Brazos and the TMPA. Unless written notice is received by the Pool Secretary within thirty (30) days from the date of the meeting from one of the members that such member has an objection to the action taken, the action shall be binding on all concerned. In the event that objection in writing is made, then the Pool Committee shall meet and take what action it deems expedient in accordance with the terms of this Agreement.

5.04 Voting Rights

All decisions of the Pool Committee shall be decided by unanimous vote of all Parties. Each Party's representatives shall vote as a unit. A quorum for a meeting shall consist of a representative of Brazos, TMPA and at least two of the four Cities.

5.05 Responsibilities

The Pool Committee shall be responsible for administering the provisions of this Agreement. The Pool Committtee shall approve or disapprove of all recommendations as may be presented by the Technical Committee as hereinafter established. The Pool Committee shall approve or disapprove of all data submitted by Parties for Pool planning or operating purposes.

VI. TECHNICAL COMMITTEE:

6.01 Members

There shall be established a Technical Committee with membership consisting of one person from each Party. Each Party shall select its own representative to the Technical Committee and shall notify the Pool Secretary of its representative. Temporary alternates may be designated by appropriate notification to the chairman of the Technical Committee. The Technical Committee shall elect from its membership a Chairman and Vice Chairman at its first meeting and at the first meeting of each year thereafter.

6.02 Responsibilities

The Technical Committee shall advise and make recommendations to the Pool Committee concerning planning and operating aspects of the Pool System. Recommendations of the Technical Committee, when appropriate, shall be given consideration in action by the Pool Committee. The responsibilities of the Technical Committee shall include but not belimited to the following:

6.021 Annually develop a ten year power and energy forecast.

6.022 Coordinate planning of respective systems so as to avoid unnecessary duplication.

6.023 Consider feasibilities and recommend participation in joint generation, transmission and substation facilities where such facilities would be mutually beneficial.

6.024 Coordinate planning data for generation, transmission, and substation facilities prior to submitting such data to the Electric Reliability Council of Texas (ERCOT).

6.025 Coordinate planning of respective systems considering ERCOT and other appropriate reliability and security criteria.

6.026 Consider and recommend minimum installed reserve criteria for each of the Parties.

6.027 Consider all other such matters as are relevant to planning of generation, transmission and related facilities of the Parties.

6.028 Appoint subcommittees to study any special planning tasks.

6.029 Prepare and present annually to the Pool Committee a work plan and associated expenditures required for any planning studies or activities that will be paid for by Pool members.

6.030 Recommend procedures for intersystem operations to provide for flows of intersystem power and energy in accordance with the provisions of this Agreement.

6.031 Recommend appropriate rates to be applied to the respective types of power and energy.

6.032 Coordinate the time schedule for maintenance outages so that the Parties can reasonably meet their load requirements.

6.033 Coordinate maintenance of any possible jointly owned facilities.

6.034 Recommend frequency and voltage levels and acceptable reactive volt ampere interchange.

6.035 Recommend spinning reserve criteria for each of the Parties in accordance with ERCOT guidelines.

6.036 Coordinate operations of the respective systems considering ERCOT and other appropriate reliability and security criteria.

6.037 Consider all other matters concerning operations under this Agreement.

6.038 Appoint subcommittees to study any special operating activities.

6.03 Meetings

The Technical Committee shall meet quarterly at a time, date and place as determined by the Committee, or at such other times as the Committee may select.

VII. POOL FACILITIES:

7.01 Dedication of Facilities

Each Party shall dedicate to the Pool such facilities of their respective systems, as deemed appropriate by such Party, that are mutually beneficial to coordinated Pool operation. All facilities offered for dedication to the Pool shall be subject to a recommendation of the Technical Committee and approval by the Pool Committee. All dedicated facilities shall be rated in terms of net megawatt output or capability. Dedication and rating of facilities shall be as follows:

7.011 Normal maximum rating of generating units shall be the maximum continuous net output or capability of the facility under loading and climatic conditions expected during the period of system annual peak.

7.012 Emergency rating shall be the maximum net output or capability that can be supplied for a four-hour period following normal maximum output or capability as provided in 7.011 above.

7.013 Units capable of generating with alternate fuels shall be tested to determine their rating with alternate fuels.

7.014 Ratings of transmission lines, substation facilities and communication facilities shall be recommended by the Technical Committee.

7.015 Within three months after completion of rating tests set forth in subparagraphs 7.011, 7.012, 7.013 hereof but not more than twelve months after installation of new facilities to be included in the Pool, the results of such rating tests shall be reported in writing to the Pool Committee for modification of Schedules A through G as appropriate.

7.016 All generating units shall be tested in accordance with applicable operating guidelines or as recommended by the Technical Committee, to meet the requirements of Paragraph 7.011 above.

Any Party may withdraw, in whole or part, from the Pool any dedicated generation units, dedicated transmission lines, dedicated substations, or dedicated contractual agreements that are necessary to Pool operation by written notice to the Pool Committee provided that such notice shall be not less than the "minimum withdrawal time period" listed on each respective facility dedication schedule.

Notwithstanding the foregoing provisions, any Party may at any time bring a request to the Pool Committee for such modification of Schedules A through G as defined in Section 7.02.

7.02 Facility Schedules

Schedules A through G attached hereto and by reference made a part hereof, set forth the ratings of all generating resources, transmission lines, substations and equipment and communication systems dedicated to the Pool. Schedules A through G shall be modified from time to time as newly dedicated facilities are installed, tested and accepted. Schedules A through G shall also be modified if facilities are derated or if generating, transmission or substation capacity is withdrawn from the Pool; provided, however, that such capacity cannot be withdrawn from the Pool except as provided herein.

Schedules A through G shall be indentified as follows:

7.021 Schedule A Generation

7.022 Schedule B Transmission

7.023 Schedule C Substations, Switching Stations, Metering

7.024 Schedule D Auxiliary Communications

7.025 Schedule E Other Facilities

7.026 Schedule F Rates and Charges

7.027 Schedule G Existing Pool Facilities

VIII. POOL SYSTEM OPERATIONS:

8.01 General

It shall be the responsibility of each Party to plan, finance, install, and operate the facilities of its own system. Generation, transmission, and substation equipment shall be installed to keep the Pool with the required reserves as outlined in Sections 8.021 and 8.07 herein. The Pool Party(ies) responsible for capacity additions shall be the Party whose predicted system load exceeds its capacity.

If a Pool Member does not have the required reserves, no other member of the Pool shall sell capacity such that the Pool will not have the required reserves without giving the reserve deficient member first refusal.

Detailed planning for installation of generating, transmission and substation equipment shall be the responsibility of the Party(ies) shceduled to install such equipment, with such plans to conform to the considerations of Party(ies), responsibility as set forth herein. The Pool Committee and party installing new facilities shall consider the feasibility of joint participation in such facilities.

If any of the above provisions fail to address a condition of Pool capacity deficiency, the Pool Committee shall work in a coordinated manner to assure the operation of a firm Pool.

On or before January 1st of each year, each Party shall submit to the Pool Committee the peak load projections for its system for the next ten year period. Projections shall be substantiated by past peak loads experienced and other supporting data. The methodology for projecting demand and energy requirements shall be current state of the art and shall be approved by the Pool Committee.

On the basis of these projections, and in accordance with the methods stated herein, the Parties shall develop plans for generation, transmission and substation installations for the next ten year period.

In the event that each Party(ies) has generating capacity such that its normal maximum planned installed capacity exceeds its planned system load, but the Party(ies) and the Pool will not have the required reserve capacity, then the deficient Party(ies) shall be responsible for securing additional capacity in an amount at least equal to the ratio of the Party's deficiency such that the Pool will have the required reserves. (Additional Capacity Required = Members Deficiency/Total Deficiency of All Members) x Pool Deficiency)

In the event that a Party(ies) has generating equipment such that its normal maximum planned installed capacity does not meet its planned system load but the Pool has required reserve capacity, then the deficient Party(ies) may purchase supplemental power from Pool members or may purchase capacity from utilities external to the Pool.

If the Pool has sufficient capacity to meet the Pool load, but does not have the capacity to meet load plus reserves, and one or more members do not have capacity to meet load (and the member shortage to meet load is greater than the Pool shortage to meet load plus reserves) then the capacity deficient member(s) shall be responsible for securing additional capacity sufficient for the Pool to meet load plus reserves, in an amount proportional to their defiency. Members that are still deficient of capacity to meet load shall either purchase additional supplemental capacity from the other members (who have excess) or from the outside.

If the Pool has sufficient capacity to meet the Pool load, but does not have capacity to meet load plus reserves, and one or more members do not have capacity to meet load, (and the Pool deficiency to meet load plus reserves is greater than the member deficiency to meet load) the capacity deficient member(s) shall be responsible for securing additional capacity sufficient to meet their load. In addition, all those members who are deficient of reserves shall purchase capacity outside of the Pool necessary for the Pool to meet reserve requirements proportional to their shortage.

All Parties shall submit annually on the date selected by the Pool Committee, their maintenance schedule for dedicated generating

units for the next annual period. The Technical Committee shall review such Schedules and submit a proposed Pool Maintenance Schedule to the Pool Committee for its approval.

8.02 Coordination of Reserve

8.021 Installed Reserves

The Pool Committee shall assure that installed and/or purchased generating capacity in the Pool system are such that the normal maximum rating of the combined generating equipment shall exceed tha annual Pool peak load by 15% or as required by ERCOT operating guidelines. Generation, transmission, substation equipment and related facilities shall be installed or such respective capacity acquired under contract so as to keep the Pool firm.

8.022 Spinning Reserves

Spinning reserve requirements for the Pool shall be scheduled day-by-day throughout the year as required and divided among the Parties in an equitable manner and in accordance with ERCOT guidelines. ERCOT allocation of spinning reserve to the Pool shall, with the exception of TMPA, be divided among the Parties in proportion that each Party's predicted annual peak load bears to the sum of all Parties' predicted annual peak loads. The Cities may utilize TMPA generation to satisfy their spinning eserve requirements, providing that such utilization is operationally feasible. However, to the extent possible, and within the operating guidelines stated herein, the spinning reserves shall be allocated in such a manner so as to provide for maximum utilization of the most efficient generating equipment.

8.03 Power & Energy Exchange

The Parties agree to exchange power and energy as provided herein.

8.031 Emergency

a. Facility Emergency

If any Party requires energy during a forced outage of that Party's system the other Parties shall make available the emergency energy to such Party to the maximum extent possible including startup of generating units if necessary.

b. Fuel Emergency

If any Party suffers a fuel curtailment the other Parties shall make available emergency energy as above, providing that the furnishing of such energy does not result in a fuel emergency on the system of a providing Party or Parties.

For the first four (4) hours of an emergency condition, the Pool Dispatcher may arrange the delivery of energy from any of the Parties with capacity available to supply it. Deliveries of emergency energy after a four hour period shall be made from other Parties with excess capacity in the portion that their normal maximum capacity exceeds their predicted net load or from such other sources as the Pool Dispatcher and Party with such emergency determine to be economically and/or operationally feasible.

8.032 Economy

Should any two or more Parties have operating conditions which meet those required for economy energy, the Party having available energy shall make available the same to the other Parties.

8.033 Maintenance

Each Party agrees to sell to any other Party any excess power and energy during periods of scheduled unit maintenance on dedicated Pool facilities.

8.034 Supplemental

Each Party agrees to sell to any other Party supplemental power and energy to the extent its normal maximum capacity exceeds its peak load.

8.035 Firm Power

Should the Parties determine to transfer firm power and energy, they shall have the right to do so according to terms determined at the time of the transaction.

8.04 Dispatch

8.041 Normal

Each Party shall submit to the Pool Dispatcher an estimate of the daily peak demand and available capacity. The Pool Dispatcher shall then make a determination of total capacity and spinning reserve requirements and allocate generating

resources as necessary to meet the anticipated Pool peak load and reserve requirements for that day.

8.042 Emergency

In the event that any Party's system suffers the failure of a generating unit, transmission line, substation, or any other equipment, each Party agrees to, upon the call of the Pool Dispatcher, immediately start additional units and to furnish to the limits of its emergency ratings such power and energy as may be required.

8.043 Economic

The Parties are encouraged to participate in an economic dispatch operating plan. All economic dispatch transactions shall be coordinated through the Pool Dispatcher.

8.05 Control Areas

Each member of the Texas Municipal Power Pool may operate as a separate control area, or may operate with members of the Pool, or with Utilities that are not members of the Pool in other control area configurations, provided that such operation is conducted in accordance with applicable operating rules and criteria, and provided that such operation doe not adversely affect the integrity of the Pool.

Any member, or group of members may make changes in their control area configuration, provided that sufficient and reasonable notice is given to other members of the Pool in order that they can be prepared for the new mode of operation.

Any intent to make changes in control area configuration shall be set out in detail and such information shall be provided in writing to the Pool Committee. Such changes shall be studied by the Technical Committee and a report concerning the implications of such changes shall be made to the Pool Committee within 60 days of such time that written notice is provided to the Pool Committee.

No changes shall be made before the elapse of the 60 day period, without the unanimous approval of the Pool Committee.

8.06 Emergencies

During the system disturbances due to unit failures within the system or transmission line switching, each Party agrees to maintain its generating equipment in service until authorized by the Pool Dispatcher to remove units from service or to separate its system from the Pool. It is the intent of this provision to have each Party maintain its units in service until the system is relayed off. Questions as to relaying facilities, relay settings, and related matters shall be investigated by the Technical Committee.

When indicated to be necessary, the Pool Committee shall have the required studies made to determine the proper relay settings and other improvements to correct deficiencies in the system operation.

8.07 Transmission Lines, Substations and Interconnection Facilities

The facilities referred to as "Pool Facilities", shall be those facilities determined to be required by the Pool Committee to permit power pooling operations.

Each Party shall maintain substation or interconnection equipment at its points of deliveries to the Pool Facilities in sufficient capacity to provide to the Pool that part of its excess generation required to make the Pool firm. In addition to the foregoing, each Party shall also maintain adequate substation or interconnecting equipment at the points of deliveries to the Pool Facilities or to other systems not a Party to this Agreement, to permit the sale or purchase of power and energy if such sale and/or purchases are made by the Party(ies) as provided for herein.

Substation and interconnection capacity between the Party's systems and the Pool Facilities shall be reviewed annually by the Pool Committee from transmission system studies conducted pursuant to Section 8.01 and 8.07 herein.

Such facilities as are needed to maintain adequate capacity in the Pool shall be constructed or contracted by the Party(ies) approved by the Pool Committee. Such facilities or any parts thereof shall be designated as Pool Facilities. Compensation for use of added transmission facilities shall be determined jointly by the Pool Committee and the Party(ies) approved to furnish the same and shall be binding on the Party(ies).

Through participation in ERCOT, the Pool Committee shall annually conduct computer studies for operation of the transmission system for the future to determine the adequacy of the transmission system and Party's substations and interconnecting facilities to accomplish the Pool operation and contemplated power sales and purchases, during the study period. All Parties shall participate in and share in proportion to the previous year's peak loads the cost of such system studies. It is understood that certain transmission system additions will be jointly developed and may be financed and owned by more than one Party. In such event, the compensation for use by the Pool of such facilities will be determined by the Pool Committee.

8.08 System Protection Coordination

Relaying facilities, relay settings and related matters shall be reviewed and investigated by the Technical Committee. When indicated to be necessary, the Technical Committee shall have the required load flow and short circuit studies performed to determine the proper relay settings and other improvements to correct deficiencies in system protection and coordination. All such coordination shall conform to applicable ERCOT.

8.09 Brokerage Operation

The Parties should be encouraged to participate in brokerage operations if such become available and as long as such arrangements do not adversely affect Pool operations.

IX. RATES AND CHARGES

9.01 Power and Energy Rates

All rates included in this Agreement as Schedule F attached hereto for exchange and sale of power and energy between Parties shall be as recommended by the Technical Committee and approved by the Pool Committee.

9.02 Charges For Existing Pool Facilities

Each Participant in the Pool shall pay Brazos an annual rental charge for the use of existing facilities installed under the terms of the Power Pool & Interchange Agreement dated September 23, 1963, and further identified in Schedule G attached hereto. The annual rental charges shall total 7% of the installed cost of the facilities and shall be proportioned among the four Cities and Brazos in proportion to each system's previous year's peak demand.

9.03 Accounting and Billing

Accounting and billing for all Pool transactions shall be administered by the Pool Dispatcher. Invoices shall be rendered monthly between Parties according to a tabulation of charges prepared by the Pool Dispatcher. Such charges shall be according to rates and charges defined herein and according to power, energy, facility use and services rendered under the provisions of this Agreement.

X. JOINT PARTICIPATION

As each Party recognizes and begins planning for additional facilities, consideration shall be given to joint participation with other Parties of the Pool. This provision is not intended to imply any form of mandatory action, but rather to recognize the mutual benefits that may exist in jointly participating in the ownership of future facilities. Any such participation of generating, transmission or substation equipment shall be by separate agreement and shall not be a part of this Agreement.

XI. OPERATIONAL ASSISTANCE

In the event of disaster, natural or otherwise, or other unusual circumstance that results in severe damage to a Party's system, the Parties hereby agree to provide line crews, equipment, materials and

services to the greatest extent possible to assist the Party suffering damage in restoration of service. Those Parties providing assistance shall be reimbursed for services rendered at their cost plus any expenses for personnel, housing, food, gasoline, etc.

XII. REFERENCE TO OTHER CONTRACTS

Each of the Parties now have in force contracts to purchase, transmit and interchange power and energy with other Parties and joint participation agreements and ownership agreements with Parties not party to this Agreement. This Agreement shall in no way invalidate any provision of any such agreements.

XIII. MISCELLANEOUS PROVISIONS

Any Party may contract with any system not a Party to this Pool Agreement as a Party to furnish to that system or be furnished by that system, power and energy, provided that the contract provision will not adversely affect Pool operations or reserve requirements.

All interconnections by a Party with any system not a party to this Agreement shall be electrically compatible with the operation of the Pool.

Demand and energy losses on the transmission system incident to the sale or purchase of power and energy between Parties or between Party(ies) and systems not a party to this Pooling Agreement shall be replaced in kind by the purchasing Party in amounts as recommended by the Technical committee and approved by the Pool Committee.

During normal operating conditions some power and energy interchange will result without being scheduled or desirable. All such interchanges shall be classified as Inadvertent Interchange. The Pool Dispatcher shall advise monthly all Parties of such interchange and schedule the return of the energy in a timely manner.

XIV. TERM OF AGREEMENT

14.01 Initial Term

The Pool shall continue to function under the terms of the existing Power Pool and Interchange Agreement dated September 23, 1963, and amendments to same until execution hereof by all Parties now signatories to the said existing Agreement. This Pooling Agreement shall become effective upon execution by the Parties and upon approval by the Administrator of the Rural Electrification Administration at which time the said existing Agreement shall become null and void.

This Agreement shall provide for Pool operation for a period of ten (10) years and shall continue in force thereafter until notification by any Party of its intent to withdraw as provided in this Section XIV.

14.02 Withdrawal by any Party

Any Party of the Pool may withdraw from the Pool by written notice delivered to all other Parties at least ten (10) years in advance of the date of withdrawal.

Withdrawal of any Party in accordance with the provisions of this Section XIV shall relieve that member of any obligation for payments to other Parties as of the date of its withdrawal, except as provided hereinafter.

After a Party withdraws they may choose not to pay for Pool facilities authorized after notice of withdrawal is made, but they must pay for Pool facilities authorized prior to such notice for a period of ten (10) years after such notice.

In the event that a Party withdraws all obligations and priviledges of that member to the Pool and of the other Pool members to that member will be kept the level that existed at the time notice of withdrawal was received.

Withdrawal of any Party in accordance with the provisions of this Section XIV shall not relieve that Party of its obligation for payments for Pool Facilities until ten (10) years from the date of its notice of withdrawal from the Pool.

The withdrawal or notice of withdrawal of any Party(ies) shall not affect the priviledges and obligations of those remaining in the Pool.

If any Party withdraws from the Pool, that Party shall purchase any Pool Facilities that were constructed for interconnecting the Party's system to the Pool's system if the facilities are no longer required by the Pool due to the Party's withdrawal.

14.03 Enforceability

It is stipulated and agreed, between the Parties hereto, that in the event that any Party shall, after assuming responsibilities as provided herein, fail to carry out these responsibilities and that as a result of this failure the Pool becomes unfirm, that such failure shall relieve all other Parties of their responsibilities to such Party. Upon finding that a Party has failed to carry out a responsibility assumed hereunder, the Pool Committee shall give written notice to the Executive Officer of the Governing Body of the Party in question.

14.04 Limits of Party's Obligations

Nothing contained in this Agreement shall obligate any Party:

a. To provide any facilities for which it is unable to obtain necessary financing or;

b. To enter into any contract or amend or cancel any existing contract without the approval, if such approval is required, of the holder of such Party's loan contract, mortgage, or bond indenture, or;

c. To make any use of its facilities in a manner which would be in violation of such Party's obligation to the holder of its loan contract, mortgage, or bond indenture.

14.05 Expansion of Pool

The Parties recognize the benefit of expanded Pool operations and agree that membership in the Texas Municipal Power Pool may be expanded to include additional Parties. Acceptance of additional Parties shall be by Pool Committee action and execution of amendments to this Pooling Agreement, as modified to include the Pool Facilities necessary to interconnect and provide for successful pooling operation of all Parties.

14.06 Severability

If any part of this Agreement shall be held invalid or illegal, such invalidity or illegality shall not affect the remainder hereof.

XV. EXECUTION

IN WITNESS WHEREOF, this Agreement has been executed by the Parties hereto on this 31st day of March, 1986.

ATTEST:

Dorothy D Mellett
City Secretary

CITY OF BRYAN, TEXAS

By: Marvin Tate
Mayor

ATTEST:

Charlotte Allen
City Secretary

CITY OF DENTON, TEXAS.

By: Richard O Stewart
Mayor

ATTEST:

Velma Drury
City Secretary

CITY OF GARLAND, TEXAS

By: _____
Mayor

ATTEST:

_____
City Secretary

CITY OF GREENVILLE, TEXAS

By: _____
Mayor

ATTEST:

Lois Ruff
~~Secretary~~ Asst. to the Secretary

BRAZOS ELECTRIC POWER COOP., INC.

By: Richard E. McCabe
Executive Vice President
& General Manager

ATTEST:

_____
Secretary

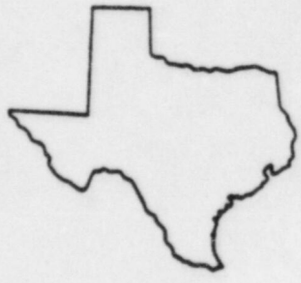
TEXAS MUNICIPAL POWER AGENCY

By: _____
General Manager

EXHIBIT B2

RECEIVED MAR 1 7 1986

Electric Reliability Council of Texas



AGREEMENT

Originally dated as of July 22, 1970

and as amended and restated on September 5, 1972

and as again amended and restated on September 4, 1981

and as again amended on September 27, 1985

September 27, 1985

ELECTRIC RELIABILITY COUNCIL OF TEXAS

AGREEMENT

PREAMBLE

With the desire:

(1) To serve better their respective customers;

(2) To render more reliable service;

(3) To ensure the availability of ample electric power and energy now and in the future; and

With the belief:

(1) That availability of an adequate and reliable supply of electric power and energy is a necessity;

(2) That voluntary cooperation between those responsible for supplying electric power and energy is the only satisfactory way to achieve the degree and type of cooperation which would be meaningful;

(3) That exchange of information between those supplying electric power and energy is of great benefit in the performance of their respective obligations;

(4) That cooperation can be achieved best through voluntary creation and operation of a reliability council;

The undersigned have created the Electric Reliability Council of Texas, hereby become members thereof.

ARTICLE I

Purpose

SECTION I. The purpose of the Electric Reliability Council of Texas (hereinafter referred to as the Council) is to promote the reliable operation of power systems by:

(a) Exchanging information concerning the planning and operation of generating, transmission and distribution facilities;

and manpower available to others in the restoration of service disrupted by hurricanes, cyclones, tornadoes, floods, riots, enemy attack and disorders;

(c) Maintaining direct communication channels for the purpose of rendering total aid to victims in the event of enemy attack, thereby providing maximum civil defense for all members of the Council;

(d) Providing a means of exchanging information and system data and for making necessary regional studies designed to increase the reliability of such power systems under all normal and abnormal circumstances;

(e) Creating a vehicle for the reporting, where appropriate, of information to regulatory agencies, and

(f) By maintaining adequate reliability of bulk power supply facilities and other facilities of members of the Council through coordination of planning and operations.

SECTION 2. The responsibility of the Council is to assist in the achievement of the purposes set out in Section 1 above; however, it is understood that this responsibility shall not conflict with the responsibility of the individual member systems and associations to carry out their own coordination of planning and operation within their respective areas.

ARTICLE II

Qualifications for Membership

SECTION 1. Any entity, corporate or otherwise, including agencies of the Federal government or federally-owned or financed systems and state, municipal or other government-owned or financed entity, which owns, controls and operates an electric power system in Texas, all or part of which consists of facilities for the generation, transmission or distribution of electric energy in intrastate commerce only [save and except for those purchases, transmissions or sales of electric energy that (1) are made pursuant to an order of the Federal Energy Regulatory Commission under Sections 210, 211 and 212 of the Federal Power Act, as amended, such as that entered in FERC Docket EL79-8 and (2) do not subject an entity to jurisdiction under Section 201 of that Act] and offers electric utility service to all members of the general public (members served by rural electric cooperatives shall be considered "public" for the purpose of this provision) may be admitted to membership in the Council. Entities with generating and transmission facilities which are owned or controlled by members shall also be eligible for membership in the Council.

SECTION 2. Any electric system which meets the above qualifications for membership and has executed this Agreement shall be a member of the Council so long as that member continues to meet these qualifications and the obligations of membership.

SECTION 3. Any other electric system which meets the above qualifications for membership and makes written application for membership to the Chairman of the Executive Board of the Council will be approved for membership and upon signing a copy of this Agreement shall become a member with equal standing to the parties originally signing this Agreement and remain a member so long as it continues to meet the qualifications and obligations of membership.

Each member shall appoint a representative, which representative shall be one of its employees, to act for it at meetings of the Council and shall give to the Chairman of the Executive Board in writing the name of the person thus appointed.

ARTICLE IV

Meetings

The organization meeting of the Council was held on the 22nd day of July, 1970 at Austin, Texas. Subsequent meetings of the Council shall convene at least annually on a date and at a place to be established by the Executive Board. Additional meetings of the Council may be held provided that such meetings have been authorized by the Executive Board and provided that written notice of any such meeting shall be mailed to all members of the Council at least three (3) weeks prior to the scheduled date of the meeting.

ARTICLE V

Organization

SECTION 1. The affairs of the Council shall be administered by an Executive Board of thirteen (13) representatives elected by the Council. The Executive Board shall be selected so as to provide representation, insofar as practicable, from each of the various types of systems, comprising the membership of the Council, i.e., investor-owned, state, municipal, and cooperatives. The Executive Board shall include at least six (6) representatives of the investor-owned companies, at least two (2) representatives of the municipal systems, at least one (1) representative of state authorities, and at least two (2) representatives of the cooperative systems, which representatives

the types of systems specified. The two additional members of the Executive Board shall be elected by majority vote of the Council members.

SECTION 2. The Executive Board shall be elected initially at the organizational meeting of the Council and annually thereafter, in each case for a term of one (1) year and by a majority of the votes (as established in Article VI) of members present and voting at such meetings, except as provided herein. Any vacancy occurring on the Executive Board prior to an annual meeting of the Council may be filled by a majority vote of the Executive Board.

SECTION 3. The Executive Board shall elect initially at the organizational meeting of the Council and annually thereafter from the Board's membership a Chairman and a Vice Chairman. In addition, the Executive Board shall appoint a Secretary-Treasurer who need not be a member of the Council. The Executive Board may employ such staff and may appoint such committees or subcommittees and/or task forces from employees of the Council members as it deems appropriate to carry out the purposes of the Council. The Executive Board shall also appoint from employees of the Council members the chairman and members of a Technical Advisory Committee; such committee shall have a membership at least equal to the number of members of the Executive Board and shall have the same minimum representation as required in Section 1 of this Article for the Executive Board. The Technical Advisory Committee shall include a representative from each of the following who were members of the Texas Interconnected System on the date of adoption of this amendment:

Brazos Electric Power Cooperative, Inc.
Central Power & Light Company
City of Austin
City of Brownsville
City Public Service of San Antonio
Dallas Power & Light Company
Houston Lighting & Power Company
Lower Colorado River Authority
South Texas & Medina Coops.
Texas Electric Service Company
Texas Municipal Power Agency
Texas Power & Light Company
West Texas Utilities Company

of the Executive Board at least one (1) month in advance of the annual meeting. The Nominating Committee shall consist of four (4) representatives of the Council, two (2) of whom shall represent non investor-owned systems and two (2) of whom shall represent investor-owned systems. It shall be the duty of the Nominating Committee to receive the names of eleven (11) representatives selected to serve as members of the Executive Board by the groups of systems having appointment rights and to nominate two additional representatives to complete a slate of thirteen (13). The two (2) representatives nominated by the Nominating Committee shall be submitted for election at the annual meeting of the Council. Additional nominations for election to the Board may be made at the annual meeting; however, representatives of the systems appointed in accordance with Article V, Section 1, and duly reported to the Nominating Committee shall be binding upon the Council.

SECTION 5. In advance of the annual meeting each of the groups of systems having appointment rights under Article V, Section 1, shall notify the Nominating Committee of their respective selections. In the event that such selections are not reported to the Nominating Committee, the Committee shall nominate an additional number of representatives sufficient to complete a thirteen (13) member slate and any representative so nominated shall be submitted for election at the annual meeting.

SECTION 6. Meetings of the Executive Board shall be held at least annually upon call of the Chairman. The Chairman may call additional meetings of the Executive Board as required. The Chairman shall preside at all meetings and shall be responsible for preparation of agendas for such meetings. In the absence of the Chairman, the Vice Chairman shall serve in his place. The Secretary-Treasurer shall be responsible under the direction of the Chairman for timely issuance of notices and agendas of meetings, the keeping of accurate minutes of meetings, the distribution of such minutes and other communications to all members of the

Council, and the reporting, where appropriate, of information to regulatory agencies.

SECTION 7. Nine (9) members of the Executive Board shall constitute a quorum and 80 percent of the voting strength of the Council shall constitute a quorum at meetings of the Council.

ARTICLE VI

Voting Strength of Members

Prior to each annual meeting of the Council, the Chairman of the Executive Board shall have prepared and sent to each member a written tabulation showing the voting strength of each member of the Council. The voting strength shall be determined by the following formula:

$$V = 1000 \times M/T$$

M = Average kwh handled by member through the intrastate system, which is the basis for its membership herein, during three (3) preceding calendar years (reported on FPC Form 12 as Total Energy Delivered or equivalent for systems not reporting on Form 12).

T = The sum of M for all members.

V = Voting strength of member (expressed in nearest whole number but not less than one vote per member).

Such voting strength shall prevail from the convening of each annual meeting until the convening of the next following annual meeting. Each member must report for each year, on a calendar year basis from the above described FPC Form 12, the energy account for its system. For each member the value of M in the formula shall be the average of the energy accounts for the three (3) calendar years immediately preceding the next annual meeting. Such energy reports shall be made to the Chairman of the Executive Board not less than three (3) months prior to the next scheduled annual meeting.

Functions of the Executive Board

SECTION 1. It shall be the duty of the Executive Board to initiate the action required, in their opinion, to fulfill the purposes of the Council as stated in Article I within the limitations set out herein. The Executive Board or such committee or individual as may be appointed by the Executive Board shall (a) assemble and distribute to members information from each member with respect to the items mentioned in Article I, Section 1 hereinabove; (b) assemble and distribute to members information pertaining to reliability of service; (c) aid in obtaining information requested by any member or group of members pertaining to matters related to availability and reliability of service; (d) recommend criteria for such elements of design as affect the reliability of any interconnected bulk power system, and recommend procedures for the effective establishment of up-to-date information which is vital in maintaining maximum reliability in the important segment of the electric utility systems between the bulk power supply and the ultimate consumer; (e) report, where appropriate, information to regulatory agencies concerned with reliability; (f) determine and establish guidelines with regard to coordination of planning and operation of the systems of Council members; and (g) review and evaluate operating criteria and procedures affecting the reliability of bulk power supply and other facilities of Council members.

SECTION 2. Each member of the Council shall report to the Executive Board in such form and for such period of time as may be requested by the Board from time to time such available data for the system which the member represents which are reasonably necessary to prepare and file reports to regulatory agencies as provided for in Section I (e) of this Article.

SECTION 3. Each member of the Council shall inform the Executive Board of its plans for generation or transmission additions which significantly affect the reliability of operation of the bulk power supply system and shall report any decisions as to alterations or changes proposed for their respective electric systems whether in generation, transmission, distribution, intersystem communication or control or protective equipment, which may significantly affect the reliability of the interconnected bulk power systems.

SECTION 4. Each member of the Council shall inform the Executive Board of operating procedures or changes in operating procedures which may significantly affect the reliability of operation of the members' systems. Upon receipt of such information the Executive Board shall study and evaluate (or shall direct such committee, subcommittee or task force as it may appoint to study and to evaluate) the operating procedures or proposed changes in operating procedures.

SECTION 5. The Chairman of the Executive Board shall report to the Council for its consideration any findings, conclusions and recommendations of the Board with respect to such additions, alterations, operating procedures or proposed changes in operating procedures.

ARTICLE VII-A

Functions of the Technical Advisory Committee

SECTION 1. The Technical Advisory Committee shall, itself or through its subcommittees, (a) make such studies and plans as it deems appropriate to accomplish the purposes of the Council and the duties of its subcommittees, (b) review and coordinate the activities and reports of its subcommittees, (c) make such recommendations to the Executive Board as it deems appropriate including recommendations for the adoption of guidelines and criteria, (d) perform such other duties as directed by the Executive Board, and (e) submit an annual budget to Executive

Board covering expenditures of special projects proposed by the Committee, such budget to represent 50% of the actual cost of the projects, which will be billed proportionately to the ERCOT membership in accordance with Article VIII, Section 3; the other 50% to be divided and billed equally to members of the Committee.

SECTION 2. The Technical Advisory Committee shall appoint at the Annual Meeting, from employees of the Council members, the Chairman and members of the Engineering, Operating, and Environmental Subcommittees. Membership of the subcommittees shall include representatives from each entity on the Technical Advisory Committee. The Technical Advisory Committee may appoint, from among its members and the members of its subcommittees, such other subcommittees, study groups, and task forces as it deems appropriate.

SECTION 3. The Engineering Subcommittee shall, under direction and supervision of the Technical Advisory Committee, perform, evaluate, and review basic system studies for Council members, perform such other duties as the Committee may direct, and make such recommendations to the Committee as it deems appropriate. Studies of the Subcommittee shall include but not be limited to: installed generation reserves, abnormal systems conditions, major outage contingencies, statistical studies, transmission facilities and future generation installations. All studies prepared by the Subcommittee shall be classified as "work papers" until approved by the Executive Board.

SECTION 4. The Operating Subcommittee shall, under the direction and supervision of the Technical Advisory Committee, undertake studies and perform such duties as it deems appropriate and as directed by the Committee, and make recommendations to the Committee. Studies of the Subcommittee shall include, but not be limited to: relay settings, communication facilities, allocation of spinning reserve generation, system dispatching procedures, load frequency tie line control, load shedding procedures, coordination of maintenance schedules

committee shall be classified as "work papers" until approved by the Executive Board.

SECTION 5. The Environmental Subcommittee shall, under direction and supervision of the Technical Advisory Committee, perform studies and review of environmental matters related to the utility business and follow the activities of state and federal agencies in development and implementation of environmental regulations. Such studies, reviews and reports that may be made to the Technical Advisory Committee, and subsequently to the Board, shall be classified as "work papers" until approved by the Executive Board.

SECTION 6. The Committee and its subcommittees, study groups and task forces, shall meet as often as necessary to perform their duties and functions. All meetings of the Committee and Subcommittees shall be called by their respective chairman and all such meeting notices shall be sent in writing to each member at least two (2) weeks prior to the meeting, unless an emergency condition should suggest otherwise (such emergency to be by mutual consent of a majority of the members).

ARTICLE VIII

Finances

SECTION 1. The personal and travel expenses of each member of the Council, Executive Board, any committees, subcommittees or task forces that shall be formed, shall be borne by the system which such member represents.

SECTION 2. An Administrative budget for the Council for each ensuing year, starting from the date of the organizational meeting, shall be adopted at the annual meeting. Such administrative budget (including cost of liability insurance) for the Council itself for each fiscal year (October 1 through the

following September 30) shall be prepared by the Executive Board and submitted to the Council at the annual meeting, and to be effective must be approved by the affirmative vote of not less than two-thirds of the voting strength of the Council (as such voting strength is defined in Article VI); provided a budget for administrative expenses which may be incurred by the Council between time of formation and September 1970, and the method of meeting same shall be agreed upon at the organizational meeting.

SECTION 3. The administrative expenses of the Council shall be financed by funds received from annual dues levied against the members of the Council in proportion to each member's voting strength at the beginning of the fiscal year for which the budget of such administrative expenses was adopted. The foregoing basis for apportionment of the Council's administrative expenses will be reviewed annually by the Executive Board and may be modified by that Board to assure equitable distribution of the Council's expenses among the member systems.

SECTION 4. Each member shall be promptly notified of the administrative budget and its proportionate share of the administrative expenses of Council following adoption of the budget at the Council's annual meeting.

SECTION 5. Any member may withdraw from the Council after the budget is approved, and will thereby be relieved of any obligation to pay any part of such administrative expenses, provided written notice of the member's desire to withdraw is given within thirty (30) days after receipt of the member's statement of annual dues.

SECTION 6. Each member shall pay its proportionate share of the administrative expenses within sixty (60) days after adoption of the Council's budget at its annual meeting.

SECTION 7. No member shall, without its consent, be responsible for the administrative expenses of the Council in any one year in excess of its proportion of the amount budgeted for administrative expenses for that year.

SECTION 8. Special projects may be separately budgeted and the cost allocated upon any basis agreed upon by those participating in such special project.

ARTICLE IX

Termination of Membership

SECTION 1. Notwithstanding any other provision of this Agreement or any amendment of this Agreement, any member may terminate its obligation under this Agreement, other than its obligation to pay its proportionate share of the administrative expenses of the Council for the full fiscal year within which such termination is effective, at any time upon thirty (30) days' notice, whereupon it shall cease to be a member of the Council.

SECTION 2. The Council may be dissolved by a vote of a majority of the voting strength.

ARTICLE X

Amendment

This Agreement may be amended at the Annual Meeting by a vote of two-thirds of the voting strength of the members present and voting; provided no amendment shall curtail the right of a member to withdraw from the Council as set out in Article VIII, Section 5, and Article IX hereof.

ARTICLE XI

General

SECTION 1. It is agreed that this Council is a voluntary association and no member shall be subject to any type of claim whatsoever by reason of any action

or failure to act of said member or any other member as there is no legal obligation on any member to do any act or refrain from doing any act hereunder. Each member shall do such things and perform such acts as such member may deem desirable.

SECTION 2. Each member shall retain sole control of its own facilities and the use thereof, and nothing in this Agreement shall require a member to construct or dedicate facilities for the benefit of any other member or allow its facilities to be used by any other member, or to construct or provide any facilities for its own use, and nothing herein shall be deemed to impair the ability or right of any member to take such actions or to fail to act, as it deems necessary or desirable, with respect to the management, extension, construction, maintenance and operation of its own facilities, present and future.

ARTICLE XII

Term

This Agreement shall continue until terminated by agreement of a majority of the voting strength of its members.

EXHIBIT C1

BILL OF SALE

THE STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTIES OF HOOD, §
SOMERVELL, TARRANT §
AND JOHNSON §

THAT, for good and valuable consideration, the receipt of which is hereby acknowledged by TEXAS POWER & LIGHT COMPANY (hereinafter the "Seller"), in accordance with the terms of the "TRANSMISSION AGREEMENT BETWEEN DALLAS POWER & LIGHT COMPANY, TEXAS ELECTRIC SERVICE COMPANY, TEXAS POWER & LIGHT COMPANY, and BRAZOS ELECTRIC POWER COOPERATIVE, INC. (hereinafter the "Agreement"), said Seller has SOLD, TRANSFERRED, AND CONVEYED, and by these presents does SELL, TRANSFER, AND CONVEY an undivided 18.16% interest in and to all transmission lines and facilities associated with the Comanche Peak - Cleburne Junction and Cleburne Junction - Everman 345 kv electric transmission lines situated in Hood, Somervell, Tarrant and Johnson Counties, Texas (hereinafter the "transmission lines and facilities"), unto BRAZOS ELECTRIC POWER COOPERATIVE, INC. (hereinafter the "Purchaser"), its successors and assigns, to have and to hold forever, as a tenant in common.

For purposes of this Bill of Sale, the "transmission lines and facilities" associated with the Comanche Peak - Cleburne Junction and Cleburne Junction - Everman 345 kv electric transmission lines means the following, to the extent such may exist on the date of execution hereof: all towers, conductors, lines and appurtenances, and any other personal property or fixtures associated with said transmission lines.

Seller RESERVES and EXCEPTS for itself, its successors and assigns, the right, at its cost and expense, to install, maintain, use and operate a second circuit on and along the right-of-way herein conveyed and assigned, including the right to use poles and towers and related facilities situated thereon. Seller hereby ASSIGNS to DALLAS POWER & LIGHT COMPANY (DP&L) and TEXAS ELECTRIC SERVICE COMPANY (TESCO) an undivided interest in and to the rights reserved by Seller in this paragraph, so that such rights shall be owned by Seller, DP&L and TESCO, as tenants in common.

This conveyance and sale is expressly made subject to applicable terms and conditions of the Transmission Agreement dated July 25, 1979, between DP&L, TESCO, Seller and Purchaser, including but not limited to the following:

(a) The waiver by Purchaser of any right to partition, pursuant to Section 15.02 of said Transmission Agreement.

(b) Restrictions on lease, use by others, sale, transfer, encumbrance and other disposition of the aforesaid right-of-way pursuant to Section 15.04 of the Transmission Agreement.

This conveyance and sale is also subject to the following:

(i) Liens for current taxes, assessments, or governmental charges or levies not in default.

(ii) Claims of materialmen or mechanics, the payment of which is not due or being contested in good faith.

(iii) Easements and mineral reservations, grants, and leases of record in Hood, Somervell, Johnson and Tarrant Counties, Texas.

Seller binds itself to WARRANT AND DEFEND said transmission lines and facilities unto the said Purchaser, its successors and assigns, from and against the lawful claims of whomsoever claims or shall claim the same, or any part thereof, by, through, or under Seller, but not otherwise, subject, however, as aforesaid.

At execution hereof, Purchaser has paid Seller all construction costs to date for construction of a second circuit on Seller's 345 kv transmission line described in Section 4.02 of the Transmission Agreement, together with interest thereon, as provided in said Agreement. Upon completion of construction of the second circuit as described in said Section 4.02 and of the transmission lines herein described, the undivided interest of Purchaser in the property and easements herein conveyed and assigned shall be adjusted to a percentage derived from a fraction, the numerator of which is the actual costs of construction of second circuit as described in said Section 4.02 of the Transmission Agreement, together with interest thereon through September 30, 1981,

and the denominator is the actual costs of construction of the Comanche Peak - Cleburne Junction and Cleburne Junction - Everman 345 kv transmission line; Seller, by execution hereof, and Purchaser, by acceptance hereof, covenant to execute such conveyances, assignments and other instruments as may be necessary to adjust Purchaser's ownership in the property and easements herein conveyed and assigned.

IN WITNESS WHEREOF, this Bill of Sale is executed by Seller on the date of its acknowledgment hereto, but effective and dated for all purposes as of the 31st day of August, 1982.

TEXAS POWER & LIGHT COMPANY

ATTEST:

By R. K. Campbell
President

Secretary

SELLER

THE STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared R. K. Campbell, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said TEXAS POWER & LIGHT COMPANY, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 26th day of August, 1982.

B. Janice McKee
Notary Public, Dallas County, Texas

My commission expires: 12/31/84

SPECIAL WARRANTY DEED
AND
ASSIGNMENT OF EASEMENTS

THE STATE OF TEXAS §
§
COUNTIES OF HOOD, §
SOMERVELL, TARRANT §
AND JOHNSON §

KNOW ALL MEN BY THESE PRESENTS:

THAT TEXAS POWER & LIGHT COMPANY (hereinafter the "Grantor"), a Texas corporation, for and in consideration of the sum of Ten and No/100 Dollars ($10.00) and other good and valuable consideration paid to the undersigned by BRAZOS ELECTRIC POWER COOPERATIVE, INC. (hereinafter the "Grantee"), the receipt and sufficiency of which are hereby acknowledged and confessed, has GRANTED, SOLD and CONVEYED, and by these presents does GRANT, SELL and CONVEY, unto Grantee, an undivided 18.16% interest in certain real estate lying and being situated in Johnson and Tarrant Counties, Texas, and being more specifically described in Exhibits A and B, attached hereto and made a part hereof for all purposes.

And for the same consideration, Grantor has SOLD, ASSIGNED and TRANSFERRED, and by these presents does SELL, ASSIGN and TRANSFER unto Grantee, an undivided 18.16% interest in and to all those certain easements for electric power lines across lands in Hood, Somervell, Johnson and Tarrant Counties, Texas, such easements being more specifically described in Exhibit C, attached hereto and made a part hereof for all purposes.

The property and easements described in Exhibits A, B and C attached hereto, constitute the right-of-way for the Comanche Peak - Cleburne Junction and Cleburne Junction - Everman 345 kv electric transmission lines.

Grantor RESERVES and EXCEPTS for itself, its successors and assigns, the right, at its cost and expense, to install, maintain, use and operate a second circuit on and along the right-of-way herein conveyed and assigned, including the right to use poles and towers and related facilities situated thereon. Grantor hereby ASSIGNS to DALLAS POWER & LIGHT COMPANY (DP&L) and TEXAS ELECTRIC SERVICE COMPANY (TESCO) an undivided interest in and to the rights reserved by Grantor in this

paragraph, so that such rights shall be owned by Grantor, DP&L and TESCO, as tenants in common.

This conveyance and assignment is expressly made subject to applicable terms and conditions of the Transmission Agreement dated July 25, 1979, between DP&L, TESCO, Grantor and Grantee, including but not limited to the following:

(a) The waiver by Grantee of any right to partition, pursuant to Section 15.02 of said Transmission Agreement.

(b) Restrictions on lease, use by others, sale, transfer, encumbrance and other disposition of the aforesaid right-of-way pursuant to Section 15.04 of the Transmission Agreement.

This conveyance and assignment is also subject to the following:

(i) Liens for current taxes, assessments, or governmental charges or levies not in default.

(ii) Claims of materialmen or mechanics, the payment of which is not due or being contested in good faith.

(iii) Easements and mineral reservations, grants, and leases of record in Hood, Somervell, Johnson and Tarrant Counties, Texas.

TO HAVE AND TO HOLD the aforesaid property and easements, together with all and singular the rights and appurtenances thereto, unto the said Grantee, its successors and assigns, and Grantor does hereby bind itself and its successors and assigns to warrant and forever defend all and singular the property unto Grantee and its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, by, through, or under it, but not otherwise, subject, however, as aforesaid.

At execution hereof, Grantee has paid Grantor all construction costs to date for construction of a second circuit on Grantor's 345 kv transmission line described in Section 4.02 of the Transmission Agreement, together with interest thereon, as provided in said Agreement. Upon completion of construction of the second circuit as described in said Section 4.02 and of the transmission lines herein described, the undivided interest of Grantee in the property and easements herein

conveyed and assigned shall be adjusted to a percentage derived from a fraction, the numerator of which is the actual costs of construction of second circuit as described in said Section 4.02 of the Transmission Agreement, together with interest thereon through September 30, 1981, and the denominator is the actual costs of construction of the Comanche Peak - Cleburne Junction and Cleburne Junction - Everman 345 kv transmission line; Grantor, by execution hereof, and Grantee, by acceptance hereof, covenant to execute such conveyances, assignments and other instruments as may be necessary to adjust Grantee's ownership in the property and easements herein conveyed and assigned.

EXECUTED by Grantor on the date of its acknowledgment hereto, but effective and dated for all purposes as of the 31st day of August, 1982.

TEXAS POWER & LIGHT COMPANY

By R. K. Campbell
President

ATTEST:

Secretary

GRANTOR

THE STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared R. K. Campbell, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said TEXAS POWER & LIGHT COMPANY, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 26th day of August, 1982.

Notary Public, Dallas County, Texas

My commission expires: 12/31/84

EXHIBIT A
TO
SPECIAL WARRANTY DEED
AND
ASSIGNMENT OF EASEMENTS
FROM
TEXAS POWER & LIGHT COMPANY
TO
BRAZOS ELECTRIC POWER COOPERATIVE, INC.

All those certain lots, tracts or parcels of land in Johnson and Tarrant Counties, Texas, described as follows:

TRACT A-1

All that certain lot, tract or parcel of land out of the Hiram Little Survey, Abstract 930, Tarrant County, Texas, being a poriton of Tract No. 1 of that certain conveyance to Robert J. Harding and David F. Lee by a deed recorded in Volume 4357, Page 41, Deed Records of Tarrant County, Texas, and being more particularly described in two tract by metes and bounds as follows:

TRACT A

BEGINNING at a point in the East line of said Tract No. 1 and the West line of the old I. & G.N. Railway Company property, said point of beginning being the most northerly Southeast corner of that certain tract conveyed to Texas Electric Service Company by a deed recorded in Volume 3643, Page 191, Deed Records of Tarrant County, Texas;

THENCE with the East line of said Tract No. 1 and the West line of the old I. & G.N. Railway Company property, South 20 degrees 13 minutes East 239-7/10 feet to a steel rod;

THENCE South 63 degrees 50 minutes West 1096-1/10 feet to a steel rod in the South line of said Tract No. 1;

THENCE with said South line, North 89 degrees 55 minutes West 96-3/10 feet to the most southerly Southeast corner of said Texas Electric Service Company tract;

THENCE with the Southeast line of said Texas Electric Service Company tract, North 54 degrees 38 minutes East 1223-05/100 feet to the place of beginning, containing some 3-78/100 acres.

TRACT B

BEGINNING at a steel rod in the East line of said Tract No. 1 and the West line of the old I. & G.N. Railway Company property, said rod standing 390-5/10 feet South 20 degrees 13 minutes East along said East line from the most northerly Southeast corner of that certain tract conveyed to Texas Electric Service Company by a deed recorded in Volume 3643, Page 191, Deed Records of Tarrant County, Texas;

I. & G.N. Railway Company property, South 20 degrees 13 minutes East 365-1/10 feet to the Southeast corner of said Tract No. 1;

THENCE with the South line of said Tract No. 1, North 89 degrees 55 minutes West 823-0/10 feet to a steel rod, said rod standing 435-44/100 feet South 89 degrees 55 minutes East along said South line from the most southerly Southeast corner of said Texas Electric Service Company tract;

THENCE North 63 degrees 50 minutes East 776-3/10 feet to the place of beginning, containing some 3-25/100 acres.

TRACT A-2

All that certain lot, tract or parcel of land out of the HIRAM LITTLE SURVEY, Abstract 930, Tarrant County, Texas, being a portion of the Third Tract of that certain conveyance to A. E. Cantrell recorded in Volume 2175, Page 42, Deed Records of Tarrant County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a steel rod in the West line of said Third Tract, said rod standing 183-5/10 feet South 0 degrees 08 minutes East along said West line from a concrete monument at the Southwest corner of that certain tract conveyed to Texas Electric Service Company by a deed recorded in Volume 3558, Page 107, Deed Records of Tarrant County, Texas;

THENCE North 54 degrees 42 minutes East 562-9/10 feet to a steel rod in the East line of said Third Tract; said rod standing 183-6/10 feet South 0 degrees 05 minutes East along said East line from a steel rod at the Southeast corner of said Texas Electric Service Company tract;

THENCE with said East line, South 0 degrees 05 minu es East 324-6/10 feet to a point;

THENCE South 89 degrees 55 minutes West 459-9/10 feet to the place of beginning, and containing 1-713/1000 acres of land, more or less.

TRACT A-3

All that certain lot, tract or parcel of land out of the Hiram Little Survey, Abstract 930, Tarrant County, Texas, being a portion of the Fourth Tract of that certain conveyance to Bass T. Cantrell recorded in Volume 2175, Page 42, Deed Records of Tarrant County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at the Southeast corner of said Fourth Tract;

THENCE with the South line of said Fourth Tract, South 89 degrees 56 minutes West 576-0/10 feet to a steel rod;

THENCE North 54 degrees 42 minutes East 704-6/10 feet to a steel rod in the East line of said Fourth Tract;

THENCE with said East line, South 0 degrees 08 minutes East 406-5/10 feet to the place of beginning, and containing 2-688/1000 acres of land, more or less.

TRACT A-4

All that certain lot, tract or parcel of land out of the R. W. Waggoner Survey, Abstract 1618, and the John H. Lucas Survey, Abstract 932, Tarrant County, Texas, being a portion of the First Tract of that certain conveyance to Eula Mae Thompson, et vir, by deed recorded in Volume 2613, Page 159, Deed Records, Tarrant County, Texas, and being more particularly described by metes and bounds as follows;

BEGINNING at a steel rod set in the East curved R.O.W. of State Highway No. 731 in the North line of said First Tract and said Lucas Survey, said point being North 61 degrees 07 minutes 30 seconds East 384-85/100 feet from the West corner of said Survey and the most Westerly Northwest corner of said First Tract;

THENCE, departing said highway R.O.W. and with the North line of said Lucas Survey and said First Tract, and with the South line of that certain tract conveyed to the City of Crowley, known as Crowley Park, North 61 degrees 07 minutes 30 seconds East, passing 1-0/10 feet left of a fecne post at 179 feet and continuing with said Survey line and common property line, in all, 1314-85/100 feet to a steel rod found for corner;

THENCE, departing said Survey line and common property line, South 45 degrees 37 minutes West, passing the line common to said Lucas and Waggoner Surveys at approximately 1248-5/10 feet, a fence at 1546-9/10 feet, and continuing in all, 1548-5/10 feet to a steel rod found for corner in said State Highway No. 731 East fenced R.O.W.;

THENCE North 6 degrees 09 minutes West 140-4/10 feet to a Texas Highway Department brass capped monument found 1-8/10 feet West of a fence, said point being the beginning of a curve to the right, whose radius point bears North 83 degrees 43 minutes 40 seconds East 11,409-16/100 feet;

THENCE around the arc of said curve, to the right and in a Northerly direction, recrossing the line common to said Waggoner and Lucas Surveys at approximately 95 feet and continuing in all, 310-05/100 feet to the point of beginning, containing 6-260/1000 acres of land.

TRACT A-5

All that certain lot, tract or parcel of land out of the John Steele Survey, Abstract 1400, and the John H. Lucas Survey, Abstract 932, Tarrant County, Texas, being a portion of Tract Two of that certain conveyance to Cutle Crowley Property Venture by the trustee's deed, dated July 6, 1976, and recorded in Volume 6196, Page 176, Deed Records of Tarrant County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a 1¼ inch pipe found at the Southeast corner of said Tract Two;

THENCE with the South line of said Tract Two, South 89 degrees 44 minutes West, crossing the line common to said Steele and Lucas Surveys, in all 693-6/10 feet to a steel rod;

THENCE North 45 degrees 37 minutes East, re-crossing the line common to said Steele and Lucas Surveys, in all 973-75/100 feet to a steel rod in the East line of said Tract Two;

THENCE with said East line, South 0 degrees 12 minutes West 677-9/10 feet to the place of beginning, containing in all, some 5-397/1000 acres of land.

TRACT A-6

All that certain lot, tract or parcel of land in the M. Hunt Survey, Abstract 763, and the J. W. Gorbett Survey, Abstract 608, Tarrant County, Texas, and being more particularly described by metes and bounds in two tracts as follows:

TRACT I

All that certain lot, tract, or parcel of land in the M. Hunt Survey, Abstract 763, Tarrant County, Texas, being a part of that certain 27-28/100 acre tract conveyed to Jack C. Wessler, Trustee, under "Tract I" in the deed dated 22 January 1979 and recorded in Volume 6669, Page 803, Deed Records of Tarrant County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at the North corner of said Hunt Survey and Wessler "Tract I" and of that certain tract conveyed to Alan B. Connell, Jr. under "Tract 4" in the deed recorded in Volume 5693, Page 880, of the Tarrant County Deed Records, and a Northwest corner of the R. W. Waggoner Survey, Abstract 1618, and a Southeast corner of the E. B. Fryear Survey, Abstract No. 535;

THENCE along the Easterly line of said Tract 4 and Tract I, and with the line common to the Hunt and Waggoner Surveys South 45 degrees 02½ minutes East 321-1/10 feet to a point that stands 75 feet Northwesterly from measured at right angles to the surveyed centerline of the Proposed Everman-Cleburne 345 KV electric transmission line;

and parallel with said surveyed centerline South 46 degrees 16½ minutes West, at approximately 2,681 feet crossing a fence, at 2,686-3/10 feet passing a steel rod and continuing in all 2,703-4/10 feet to the Southwesterly line of said Hunt Survey, Tract I, and Tract 4, and the Northeasterly line of the J. W. Haynes Survey, Abstract No. 774;

THENCE North 44 degrees 29¾ minutes West, along said Surveys and said tract line, 259-1/10 feet to the North common corner of said Hunt and Haynes Surveys and the most westerly corner of said Tract 4 and Tract I;

THENCE North 44 degrees 57½ minutes East, along the Northwesterly line of said Hunt Survey, Tract I, and Tract 4, a distance of 2700-2/10 feet to the place of beginning, containing in all some 17-99/100 acres of land.

TRACT II

All that certain lot, tract or parcel of land in the J. W. Gorbett Survey, Abstract 608, Tarrant County, Texas, being a part of that certain 17-46/100 acre tract conveyed by Alan B. Connell, et ux to Jack C. Wessler, Trustee, under "Tract II" in the deed dated 22 January 1979 and recorded in Volume 6669, Page 803, Deed Records of Tarrant County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at the Northwest corner of said Jack Wessler 17.46 acre "Tract II", by description also being the Northwest corner of the Gorbett Survey and the Northwest corner of that certain "Tract I" described in the deed to Alan B. Connell, Jr., recorded in Volume 5693, Page 880 of the Tarrant County Deed Records;

THENCE South 87 degrees 53¼ minutes East along the common North line of said Gorbett Survey and said Tract I and Tract II, generally along a fence, 1003-4/10 feet to steel rod set 75 feet Northwesterly from, measured at right angles to, the surveyed centerline of the proposed Everman-Cleburne 345 KV electric transmission line;

THENCE crossing said Wessler 17.46 acre tract with a line running 75 feet Northwesterly from and parallel with said centerline South 45 degrees 27 minutes 30 seconds West 1434-75/100 feet to a steel rod set for the West line of said 17.46 acre tract;

THENCE North 1 degree 05½ minutes East along the common West line of the Wessler tract, the Connell Tract 1 and said Gorbett Survey, 1043-5/10 feet to the place of beginning, containing in all some 12-01/100 acres of land.

TRACT A-7

All that certain lot, tract, or parcel of land in the E. P. Browning Survey, Abstract 56, Johnson County, Texas, being a portion of that certain 157.74 acres of land conveyed to Jack C. Wessler, Trustee by the deed dated December 29, 1978 and recorded in Volume 784, Page 212, Deed Records of Johnson County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a point in the Northwest line of said Jack C. Wessler 157.74 acre tract, in the line common to said Browning Survey and the A. J. Stephens Survey, Abstract 783 Johnson County, Texas, said point being 5-5/10 feet Southwesterly along said common line from an iron pin found in place for the most northerly corner of the Wessler tract, said point also being 80 feet Southeasterly from, measured at right angles to, the centerline of the existing Comanche Peak-Cleburne 345 KV electric transmission line;

THENCE parallel with and 80 feet southeasterly from said centerline South 22 degrees 10 minutes 20 seconds West, at 3,300-4/10 feet passing an iron pin set in the East line of a County Road, and continuing in all 3,328-2/10 feet to a point in said County Road and the West line of the Wessler tract, the West line of the Browning Survey, and the East line of the J. W. Armstrong Survey, Abstract 950, Johnson County, Texas, said point also being 580-8/10 feet Northwesterly along said West property line from the Southwest corner of the Wessler 157.74 acre tract;

THENCE with the West line of the Wessler tract and the line common to the Browning and Armstrong Surveys North 30 degrees 10 minutes West, at 101-06/100 feet crossing the centerline of said 345 KV transmission line, and continuing in all 202-12/100 feet to a point that stands 80 feet Northwesterly from, measured at right-angles to said centerline;

THENCE with a line that runs parallel with and 80 feet Northwesterly from said centerline North 22 degrees 10 minutes 20 seconds East, at 27-8/10 feet passing an iron pin set on the East side of said County Road, and continuing in all 2,998-6/10 feet to an iron pin set in the Northwest line of said Wessler 157.74 acre tract and the line common to the Browning and Stephens Surveys;

THENCE with said property line and survey line North 60 degrees 00 minutes East, at 130-44/100 feet recrossing said transmission line centerline, and continuing in all 260-88/100 feet to the place of beginning, containing in all some 11-62/100 acres of land.

EXHIBIT B
TO
SPECIAL WARRANTY DEED
AND
ASSIGNMENT OF EASEMENTS
FROM
TEXAS POWER & LIGHT COMPANY
TO
BRAZOS ELECTRIC POWER COOPERATIVE, INC.

All those certain lots, tracts or parcels of land in Johnson and Tarrant Counties, Texas, described as follows:

1. The West 150 feet of that certain tract of land in Block 46, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Troy C. Crenshaw, et ux, to Texas Electric Service Company by the deed dated November 6, 1968, and recorded in Volume 4644, Page 559, Deed Records of Tarrant County, Texas.
2. All of that certain 1-379/1000 acre tract of land in Block 46, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Dan Novikoff, et ux, to Texas Electric Service Company by the deed dated January 22, 1979, and recorded in Volume 6667, Page 463, Deed Records of Tarrant County, Texas.
3. All that certain 0-766/1000 acre tract of land in Block 46, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Harold L. Frank, et ux, to Texas Electric Service Company by the deed dated February 5, 1974, and recorded in Volume 5628, Page 172, Deed Records of Tarrant County, Texas.

School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Florence Bandy, et vir, to Texas Electric Service Company by the deed dated December 28, 1973, and recorded in Volume 5581, Page 24, Deed Records of Tarrant County, Texas.

5. All that certain 0-992/1000 acre tract of land in Block 46, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Dennis Lehman, et ux, to Texas Electric Service Company by the deed dated January 16, 1974, and recorded in Volume 6005, Page 539, Deed Records of Tarrant County, Texas.

6. All that certain 1-145/1000 acre tract of land in Block 46, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by J. C. Fletcher, Jr., et ux, to Texas Electric Service Company by the deed dated March 27, 1974, and recorded in Volume 5628, Page 156, Deed Records of Tarrant County, Texas.

7. All that certain 4-439/1000 acre tract of land in Block 47, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Joe N. Johnston, et al, to Texas Electric Service Company by the deed acknowledged on March 28, 1974, and recorded in Volume 5661, Page 245, Deed Records of Tarrant County, Texas.

8. All that certain 0-125/1000 acre tract of land in Block 47, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Joe N. Johnston to Texas Electric Service Company by the deed dated November 15, 1977, and recorded in Volume 6382, Page 425, Deed Records of Tarrant County, Texas.

9. All that certain 3-815/1000 acre tract of land in Block 47, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas conveyed by Thomas V. Fouts, et ux, et al, to Texas Electric Service Company by the deed dated December 12, 1974, and recorded in Volume 5755, Page 620, Deed Records of Tarrant County, Texas.

10. All that certain 2-581/1000 acre tract of land in Blocks 47 and 48, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by The Fort Worth National Bank, Trustee U/W T.C. Jones, Deceased, et al, to Texas Electric Service Company by the deed dated June 28, 1977, and recorded in Volume 6309, Page 924, Deed Records of Tarrant County, Texas.

11. All that certain 8-359/1000 acre tract of land in Block 37, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by the First National Bank of Fort Worth, Independent Executor of the Estate of Ruth McCracken Osborne, Deceased, et al, to Texas Electric Service Company by the deed dated December 8, 1978, and recorded in Volume 6686, Page 760, Deed Records of Tarrant County, Texas.

12. All that certain 4-198/1000 acre tract of land in Blocks 36 and 37, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Garfield T. Siebenhausen, et ux, to Texas Electric Service Company by the deed dated February 28, 1975, and recorded in Volume 5786, Page 415, Deed Records of Tarrant County, Texas.

13. All that certain 4-252/1000 acre tract of land in Block 36, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Gertrude Squires, et al, to Texas Electric Service Company by the deed dated February 14, 1975, and recorded in Volume 5778, Page 196, Deed Records of Tarrant County, Texas.

14. All that certain 2-441/1000 acre tract of land in Blocks 35 and 36, Shelby County School Land Survey, Abstract 1375, Tarrant County, Texas, conveyed by Roger E. Souder, et ux, to Texas Electric Service Company by the deed dated March 11, 1975, and recorded in Volume 5793, Page 651, Deed Records of Tarrant County, Texas.

15. All that certain 7-224/1000 acre tract of land in the Hiram Little, Abstract 930, and the M. Hunt, Abstract 762, Surveys, Tarrant County, Texas, conveyed by Fonnie Squires and Marquerite S. Bentley to Texas Electric Service Company by the deed dated February 11, 1975, and recorded in Volume 5776, Page 817, Deed Records of Tarrant County, Texas.

16. All that certain 4-598/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Marquerite S. Bentley to Texas Electric Service Company by the deed dated February 11, 1975, and recorded in Volume 5779, Page 704, Deed Records of Tarrant County, Texas.

17. All that certain 8-271/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Wayne Morgan to Texas Electric Service Company by the deed dated January 9, 1974, and recorded in Volume 5580, Page 818, Deed Records of Tarrant County, Texas.

18. All that certain 3-22/100 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Jack C. Wessler, Trustee, to Texas Electric Service Company by the deed dated June 26, 1974, and recorded in Volume 5745, Page 320, Deed Records of Tarrant County, Texas.

19. All that certain 2-561/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Municipal Refuse Disposal Authority to Texas Electric Service Company by the deed dated March 17, 1975, and recorded in Volume 5800, Page 751, Deed Records of Tarrant County, Texas.

20. All that certain 1-939/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Jack C. Wessler, Trustee, to Texas Electric Service Company by the deed dated March 27, 1974, and recorded in Volume 5765, Page 973, Deed Records of Tarrant County, Texas.

21. All that certain 2-974/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Jack C. Wessler, Trustee to Texas Electric Service Company by the deed dated October 12, 1973, and recorded in Volume 5557, Page 931, Deed Records of Tarrant County, Texas.

22. All that certain 2-584/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Mary Kathryn Arnold, et vir, to Texas Electric Service Company by the deed dated June 27, 1974, and recorded in Volume 5676, Page 201, Deed Records of Tarrant County, Texas.

23. All that certain 1-07/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by George G. Phiripes to Texas Electric Service Company by the deed dated February 5, 1975, and recorded in Volume 5773, Page 382, Deed Records of Tarrant County, Texas.

24. All that certain 1-062/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Thespa Demakas to Texas Electric Service Company by the deed dated February 10, 1975, and recorded in Volume 5777, Page 742, Deed Records of Tarrant County, Texas.

25. All that certain 2-079/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Mary Albert to Texas Electric Service Company by the deed dated February 19, 1975, and recorded in Volume 5787, Page 786, Deed Records of Tarrant County, Texas.

26. All that certain 1-029/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Robert E. Forrester, Jr., et ux, to Texas Electric Service Company by the deed dated May 6, 1974, and recorded in Volume 5641 , Page 985, Deed Records of Tarrant County, Texas.

27. All that certain 3-936/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Excel Construction Company, Inc., to Texas Electric Service Company by the deed dated February 13, 1973, and recorded in Volume 5431, Page 414, Deed Records of Tarrant County, Texas.

28. All that certain 1-725/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Excel Construction Company, Inc., to Texas Electric Service Company by the deed dated February 15, 1973, and recorded in Volume 5431, Page 424, Deed Records of Tarrant County, Texas.

29. All that certain 5-624/1000 acre tract of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, conveyed by Oak Grove Venture 12-73 to Texas Electric Service Company by the deed dated March 6, 1974, and recorded in Volume 5609, Page 898, Deed Records of Tarrant County, Texas.

30. 11-123/1000 acres of land in the Hiram Little Survey, Abstract 930, Tarrant County, Texas, being the East-West 150 foot wide strip of Parcel "B" of that certain conveyance from Capital Syndications Company Investment No. 77 to Texas Electric Service Company by the deed dated January 10, 1974, and recorded in Volume 5581, Page 430, Deed Records of Tarrant County, Texas.

31. All that certain 5-006/1000 acre tract of land in the Green B. Stone Survey, Abstract 1401, Tarrant County, Texas, conveyed by Huguley Memorial Seventh Day Adventist Medical Center, Inc. to Texas Electric Service Company by the deed dated February 26, 1976, and recorded in Volume 6025, Page 38, Deed Records of Tarrant County, Texas.

32. All that certain 4-709/1000 acre tract of land in the J. E. Phillips Survey, Abstract 1232, Tarrant County, Texas, conveyed by William Joseph Luck and Leskie Luther Luck to Texas Electric Service Company by the deed dated March 13, 1978, and recorded in Volume 6436, Page 196, Deed Records of Tarrant County, Texas.

33. 20-404/1000 acres of a 20-649/1000 acre tract of land in the William Stone, Abstract 1400, and Joseph Martin, Abstract 1017, Surveys, Tarrant County, Texas, conveyed by "E" Systems, Inc. Pool Trust to Texas Electric Service Company by the deed dated January 20, 1977, and recorded in Volume 6175, Page 135, Deed Records of Tarrant County, Texas, the 0-275/1000 acres being excepted being a 10 foot wide strip for a distribution line.

34. All that certain 3-874/1000 acre tract of land in the John Steele, Abstract 1381, and John H. Lucas, Abstract 932, Surveys, Tarrant County, Texas, conveyed by Jack C. Wessler, Trustee to Texas Electric Service Company by the deed dated January 22, 1979 and recorded in Volume 6678, Page 310, Deed Records of Tarrant County, Texas.

35. All that certain 6-066/1000 acre tract of land in the R. W. Waggoner, Abstract 1618, John H. Lucas, Abstract 932, and the A. W. Reynolds, Abstract 1318, Surveys, Tarrant County, Texas, conveyed by Jack C. Wessler, Trustee to Texas Electric Service Company by the deed dated January 5, 1979, and recorded in Volume 6672, Page 702, Deed Records of Tarrant County, Texas.

36. All that certain 9-29/100 acre tract of land in the M. Hunt Survey, Abstract 763, and 5-45/100 acre tract of land in the J. W. Gorbett Survey, Abstract 60 Tarrant County, Texas, conveyed by Jack C. Wessler, Trustee to Texas Electric Service Company under Tract I and Tract II, respectively, by the deed dated January 22, 1979, and recorded in Volume 6705, Page 407, Deed Records of Tarrant County, Texas.

37. Lots 71, 85, 86 and 93, Shannon Valley Estates, and addition to Johnson County, Texas, according to the plat recorded in Volume 1, Page 261, Plat Records of Johnson County, Texas.

38. Lot 6 and the West 200 feet of Lot 7, Block 1, Space Acres, an Addition to Johnson County, Texas, according to the plat recorded in Volume 1, Page 65, Plat Records of Johnson County, Texas.

39. Lot 5, Block 1, Space Acres, an addition to Johnson County, Texas, according to the plat recorded in Volume 1, Page 65, Plat Records of Johnson County, Texas.

Reference is hereby made to the aforesaid recorded instruments for all purposes.

EXHIBIT C
TO
SPECIAL WARRANTY DEED
AND
ASSIGNMENT OF EASEMENTS
FROM
TEXAS POWER & LIGHT COMPANY
TO
BRAZOS ELECTRIC POWER COOPERATIVE, INC.

1. Easement from Curtis W. Wenzel and wife, Ella Sue Wenzel, to Texas Electric Service Company, dated February 10, 1976, and recorded in Volume 5964, Page 124, Deed Records of Tarrant County, Texas.
2. Easement from Jerry Frank Berger and wife, Margaret Ann Berger, to Texas Electric Service Company, dated February 28, 1975, and recorded in Volume 5791, Page 611, Deed Records of Tarrant County, Texas.
3. Easement from Elton M. Hyder Charitable and Educational Fund, Inc., to Texas Electric Service Company, dated February 12, 1979, and recorded in Volume 6680, Page 526, Deed Records of Tarrant County, Texas.
4. Easement from Paul H. Pewitt to Texas Electric Service Company, dated October 12, 1978, and recorded in Volume 6597, Page 713, Deed Records of Tarrant County, Texas.
5. Easement from W. T. Crouch to Texas Electric Service Company, dated March 31, 1978, and recorded in Volume 6449, Page 976, Deed Records of Tarrant County, Texas.
6. Easement from Joe W. Crouch, Individually and as Independent Executor of the Estate of Annie M. Crouch, deceased, to Texas Electric Service Company, dated September 3, 1976, and recorded in Volume 6109, Page 623, Deed Records of Tarrant County, Texas.

7. Easement from Robert W. Driskell to Texas Electric Service Company, dated July 1, 1976, and recorded inVolume 6087, Page 171, Deed Records of Tarrant County, Texas.

8. Easement from Sterl Malone to Texas Electric Service Company, dated December 11, 1978, and recorded in Volume 6654, Page 161, Deed Records of Tarrant County, Texas.

9. Easement from Mrs. W. C. Hampton to Texas Electric Service Company, dated February 21, 1979, and recorded in Volume 6688, Page 25, Deed Records of Tarrant County, Texas.

10. Easement from Wm. R. Harris, Executor of the Estate of S. W. Harris, deceased, to Texas Electric Service Company, dated February 21, 1979, and recorded in Volume 6688, Page 27, Deed Records of Tarrant County, Texas.

11. Easement from Adrienne Gans Simon to Texas Electric Service Company, dated February 16, 1979, and recorded in Volume 6684, Page 929, Deed Records of Tarrant County, Texas.

12. Easement from Hallmark Development Company, Inc., to Texas Electric Service Company, dated May 6, 1977, and recorded in Volume 724, Page 607, Deed Records of Johnson County, Texas.

13. Easement from Marvin L. Babbitt and Martha Ann Babbitt to Texas Electric Service Company, dated February 17, 1977, and recorded in Volume 714, Page 5, Deed Records of Johnson County, Texas.

14. Easement from Gordon L. Kimberling and Virginia Ann Kimberling to Texas Electric Service Company, dated December 8, 1978, and recorded in Volume 783, Page 16, Deed Records of Johnson County, Texas.

15. Easement from Frank A. Wolfe, Sr., et ux, to Texas Electric Service Company, dated August 25, 1975, and recorded in Volume 674, Page 163, Deed Records of Johnson County, Texas.

16. Easement from Wynell Hooper, et vir to Texas Electric Service Company, dated December 1, 1978, and recorded in Volume 781, Page 763, Deed Records of Johnson County, Texas.

17. Easement from Inez Kathryn Lucas Glenn, et al, to Texas Electric Service Company, dated January 5, 1976, and recorded in Volume 680, Page 731, Deed Records of Johnson County, Texas.

18. Easement from James C. Armstrong, et al, to Texas Electric Service Company, dated October 12, 1975, and recorded in Volume 677, Page 90, Deed Records of Johnson County, Texas.

19. Easement from Lowell Thomas Meadows, et ux, to Texas Electric Service Company, dated December 13, 1978, and recorded in Volume 783, Page 24, Deed Records of Johnson County, Texas.

20. Easement from A. T. Vandiver, et ux, to Texas Electric Service Company, dated March 26, 1975, and recorded in Volume 659, Page 829, Deed Records of Johnson County, Texas.

21. Easement from J. Haden Vandiver to Texas Electric Service Company, dated March 26, 1975, and recorded in Volume 659, Page 827, Deed Records of Johnson County, Texas.

22. Easement from A. T. Vandiver, et ux, to Texas Electric Service Company, dated March 26, 1975, and recorded in Volume 659, Page 831, Deed Records of Johnson County, Texas.

23. Easement from Walter Claer to Texas Electric Service Company, dated August 28, 1975, and recorded in Volume 674, Page 79, Deed Records of Johnson County, Texas.

24. Easement from Wesley R. Allbright, et ux, to Texas Electric Service Company, dated May 26, 1975, and recorded in Volume 665, Page 417, Deed Records of Johnson County, Texas.

25. Easement from David C. Hall, et ux, to Texas Electric Service Company, dated July 18, 1975, and recorded in Volume 667, Page 721, Deed Records of Johnson County, Texas.

26. Easement from David C. Hall, et ux, to Texas Electric Service Company, dated July 18, 1975, and recorded in Volume 667, Page 718, Deed Records of Johnson County, Texas.

27. Easement from Robert F. Tork, Jr., et ux, to Texas Electric Service Company, dated August 13, 1974, and recorded in Volume 646, Page 462, Deed Records of Johnson County, Texas.

28. Easement from Robert F. Tork, Jr., et ux, to Texas Electric Service Company, dated August 13, 1974, and recorded in Volume 646, Page 456, Deed Records of Johnson County, Texas.

29. Easement from Robert F. Tork, Jr., et ux, to Texas Electric Service Company, dated August 13, 1974, and recorded in Volume 646, Page 459, Deed Records of Johnson County, Texas.

30. Easement from Glenn E. Blair to Texas Electric Service Company, dated November 6, 1973, and recorded in Volume 623, Page 793, Deed Records of Johnson County, Texas.

31. Easement from Fay Fuqua and Bessie Fuqua to Texas Electric Service Company, dated April 20, 1976, and recorded in Volume 693, Page 842, Deed Records of Johnson County, Texas.

32. Easement from A. C. Cruze to Texas Electric Service Company, dated August 30, 1976, and recorded in Volume 701, Page 215, Deed Records of Johnson County, Texas.

33. Easement from Elizabeth C. Brown to Texas Electric Service Company, dated November 7, 1978, and recorded in Volume 779, Page 540, Deed Records of Johnson County, Texas.

34. Easement from William J. Jones, et ux, to Texas Electric Service Company, dated August 23, 1974, and recorded in Volume 651, Page 858, Deed Records of Johnson County, Texas.

35. Easement from Hugh Q. Buck to Texas Electric Service Company, dated January 2, 1979, and recorded in Volume 783, Page 710, Deed Records of Johnson County, Texas.

36. That certain easement acquired by Judgment of Condemnation dated August 20, 1979, recovered in Cause No. 249-290-78 in the District Court of Johnson County, Texas, by Texas Electric Service Company, as Plaintiff against Hugh W. Parchman, Jr., et al, as Defendants, a certified copy of which is recorded in Volume 827, Page 484, Deed Records of Johnson County, Texas.

37. Easement from Keith F. Kelly, et al, to Texas Electric Service Company, dated December 6, 1978, and recorded in Volume 783, Page 18, Deed Records of Johnson County, Texas.

38. Easement from James Edward Ashcraft, et ux, to Texas Electric Service Company, dated September 16, 1975, and recorded in Volume 677, Page 87, Deed Records of Johnson County, Texas.

39. Easement from J. W. Orrell, et ux, to Texas Electric Service Company, dated September 15, 1975, and recorded in Volume 677, Page 148, Deed Records of Johnson County, Texas.

40. Easement from Mrs. O. D. Wyatt to Texas Electric Service Company, dated November 29, 1978, and recorded in Volume 781, Page 324, Deed Records of Johnson County, Texas.

41. Easement from R. U. Bell, et ux, to Texas Electric Service Company, dated September 18, 1975, and recorded in Volume 677, Page 342, Deed Records of Johnson County, Texas.

42. Easement from Walter G. Mize, et ux, to Texas Electric Service Company, dated December 29, 1978, and recorded in Volume 785, Page 348, Deed Records of Johnson County, Texas.

43. Easement from C. S. Doyle to Texas Electric Service Company, dated January 17, 1979, and recorded in Volume 786, Page 69, Deed Records of Johnson County, Texas.

44. Easement from E. R. Martin, et ux, to Texas Electric Service Company, dated March 1, 1978, and recorded in Volume 751, Page 46, Deed Records of Johnson County, Texas.

45. Easement from L. T. Hollingsworth, et ux, to Texas Electric Service Company, dated March 1, 1978, and recorded in Volume 751, Page 42, Deed Records of Johnson County, Texas.

46. Easement from W. L. Riley to Texas Electric Service Company, dated January 9, 1979, and recorded in Volume 72, Page 498, Deed Records of Somervell County, Texas.

47. Easement from Thomas S. Weary to Texas Electric Service Company, dated December 12, 1977, and recorded in Volume 69, Page 1017, Deed Records of Somervell County, Texas.

48. Easement from C. H. Bowers, et ux, to Texas Electric Service Company, dated June 10, 1977, and recorded in Volume 68, Page 584, Deed Records of Somervell County, Texas.

49. Easement from Eugene Ratliff, et ux, to Texas Electric Service Company, dated June 19, 1978, and recorded in Volume 71, Page 142, Deed Records of Somervell County, Texas.

50. Easement from Marvin S. Davis, et ux, to Texas Electric Service Company, dated August 24, 1977, and recorded in Volume 69, Page 560, Deed Records of Somervell County, Texas.

51. Easement from Marvin S. Davis, et ux, to Texas Electric Service Company, dated August 24, 1977, and recorded in Volume 69, Page 562, Deed Records, of Somervell County, Texas.

52. Easement from Marvin S. Davis, et ux, to Texas Electric Service Company, dated August 24, 1977, and recorded in Volume 69, Page 564, Deed Records of Somervell County, Texas.

53. Easement from L. M. Wirt, Sr. to Texas Electric Service Company, dated September 6, 1977, and recorded in Volume 69, Page 565, Deed Records of Somervell County, Texas.

54. Easement from J. D. Sparks, et al, to Texas Electric Service Company, dated February 18, 1978, and recorded in Volume 70, Page 241, Deed Records of Somervell County, Texas.

55. Easement from James R. Hewlett to Texas Electric Service Company, dated June 14, 1978, and recorded in Volume 71, Page 115, Deed Records of Somervell County, Texas.

56. Easement from J. T. Dugger, et ux, to Texas Electric Service Company, dated June 8, 1977, and recorded in Volume 68, Page 582, Deed Records of Somervell County, Texas.

57. Easement from Freida Ann Beckham to Texas Electric Service Company, dated June 23, 1977, and recorded in Volume 68, Page 711, Deed Records of Somervell County, Texas.

58. Easement from Walter A. Reeves, Sr. to Texas Electric Service Company, dated October 3, 1978, and recorded in Volume 71, Page 676, Deed Records of Somervell County, Texas.

59. Easement from C. S. Harrington, et al, to Texas Electric Service Company, dated April 21, 1976, and recorded in Volume 66, Page 670, Deed Records of Somervell County, Texas.

60. Easement from E. M. Cavasos, et ux, to Texas Electric Service Company, dated May 31, 1977, and recorded in Volume 68, Page 578, Deed Records of Somervell County, Texas.

61. Easement from C. R. Kelly to Texas Electric Service Company, dated September 26, 1977, and recorded in Volume 70, Page 239, Deed Records of Somervell County, Texas.

62. Easement from R. E. Roberts to Texas Electric Service Company, dated April 3, 1978, and recorded in Volume 70, Page 792, Deed Records of Somervell County, Texas.

63. Easement from Doris B. Hinton, et al, to Texas Electric Service Company, dated February 24, 1978, and recorded in Volume 70, Page 253, Deed Records of Somervell County, Texas.

64. Easement from Allen Russell, et ux, to Texas Electric Service Company, dated March 9, 1978, and recorded in Volume 280, Page 279, Deed Records of Hood County, Texas.

65. Easement from Allen Russell to Texas Electric Service Company, dated March 22, 1978, and recorded in Volume 754, Page 99, Deed Records of Johnson County, Texas.

66. Easement from Raymond P. and Helen Elliott to Texas Electric Service Company, dated November 18, 1977, and recorded in Volume 741, Page 446, Deed Records of Johnson County, Texas.

67. Easement from Robert A. King to Texas Electric Service Company, dated June 6, 1978, and recorded in Volume 761, Page 508, Deed Records of Johnson County, Texas.

68. Easement from H. E. Kennon, et ux, to Texas Electric Service Company, dated June 16, 1978, and recorded in Volume 762, Page 749, Deed Records of Johnson County, Texas.

69. Easement from John A. and Louise L. Jones to Texas Electric Service Company, dated November 30, 1978, and recorded in Volume 781, Page 768, Deed Records of Johnson County, Texas.

70. Easement from William C. Harris, et ux, to Texas Electric Service Company, dated November 15, 1978, and recorded in Volume 779, Page 742, Deed Records of Johnson County, Texas.

71. Easement from Winifred A. Hutchison, et al, to Texas Electric Service Company, dated November 29, 1978, and recorded in Volume 781, Page 761, Deed Records of Johnson County, Texas.

72. Easement from John B. Manning, et ux, to Texas Electric Service Company, dated December 13, 1978, and recorded in Volume 783, Page 22, Deed Records of Johnson County, Texas.

73. Easement from Dudley J. Hanna, et ux, to Texas Electric Service Company, dated September 12, 1977, and recorded in Volume 736, Page 156, Deed Records of Johnson County, Texas.

74. Easement from Roy W. Reitz, Jr., et al, to Texas Electric Service Company, dated December 5, 1978, and recorded in Volume 781, Page 784, Deed Records of Johnson County, Texas.

75. Easement from Margaret H. Walters, et al, to Texas Electric Service Company, dated December 4, 1978, and recorded in Volume 782, Page 27, Deed Records of Johnson County, Texas.

76. Easement from Betsy Crum, et al, to Texas Electric Service Company, dated October 10, 1977, and recorded in Volume 738, Page 37, Deed Records of Johnson County, Texas.

77. Easement from Donna Boog-Scott, et vir, et al, to Texas Electric Service Company, dated Setpebmer 8, 1977, and recorded in Volume 738, Page 29, Deed Records of Johnson County, Texas.

78. Easement from John E. Boog-Scott, et al, to Texas Electric Service Company, dated September 28, 1977, and recorded in Volume 738, Page 27, Deed Records of Johnson County, Texas.

Reference is hereby made to the aforesaid recorded instruments for all purposes.

EXHIBIT C2

Contract Changes to the March 29, 1968 Interconnection and Power Interchange Agreement Between Texas Power & Light Company and Brazos Electric Power Cooperative, Inc.

DATE	FACILITY SCHEDULE #	NAME	STATUS
12-21-83	2	Garland 69 KV	Deleted
05-03-85	4	Seymour	Amended
10-14-83	10	Rice	Amended
12-21-83	13	Grapevine	Deleted
12-21-83	26	Denton	Deleted
12-21-83	28	DeCordova	Deleted
12-17-80	39	Killeen/Trimmier	New
05-07-81	40	Montague	New
06-29-83	41	India	New
03-31-82	42	Hood	New
05-26-83	43	Hilltop Lakes	New
06-07-85	43	Hilltop Lakes	Deleted
05-26-82	44	Keller	New
05-26-82	45	Collin-Frisco	New
05-26-82	46	West Weatherford	New
06-23-83	47	Roanoke	New
07-28-82	48	Winkler	New
06-21-83	49	Scotland	New
04-15-83	50	Talbertridge	New
06-29-83	51	Windsor	New
11-23-83	52	Alvord	New
09-24-83	53	Telico	New
09-24-83	54	Zephyr	New
11-23-83	55	Fairfield	New
11-23-83	56	Argyle	New
02-20-84	57	Belton	New
02-29-84	58	Hearne Switch	New
02-29-84	59	Jewett	New
11-23-83	60	DeCatur	New
11-23-83	61	Spring Valley	New
06-07-85	62	Goodloe	New
06-24-85	63	Temple-Taylor Valley	New
12-10-85	64	Hebron	New
02-05-85	65	Beargrass	New
06-07-85	67	Farrar	New
08-16-85	68	Milano	New
04-07-86	69	Brownwood Switch	New

In addition to the above Facility Schedule Changes, the following changes were made on 12.5 KV delivery points.

04-26-84	Abandon Alma and Rice delivery points.
06-21-84	Abandon West delivery point.
06-26-84	Abandon Early and Zephyr delivery points.

EXHIBIT C3

NEW CONNECTIONS TO WHOLESALE CUSTOMERS

DATE ENERGIZED	NAME	CUSTOMER
10-28-80	Ennis Substation	Navarro Coop
04-17-81	Mt. Zion Substation	Mid-South Coop
04-28-81	Trimmier Substation	Bartlett Coop
06-26-81	Post Oak Substation	J-A-C Coop
08-26-81	Lake Forrest Substation	Mid-South Coop
02-22-82	Salem Substation	Cooke Coop
05-28-82	Dobbin Substation	Mid-South Coop
06-21-82	Fall Creek Substation	Johnson Coop
02-10-83	Winkler Substation	Navarro Coop
05-06-83	Talbertridge Substation	Bartlett Coop
06-22-83	Highland Substation	Denton Coop
07-20-83	Scotland Substation	J-A-C Coop
07-21-83	Sota Substation	Mid-South Coop
02-20-84	Telico Substation	Navarro Coop
04-03-84	Knox Substation	B-K Coop
06-13-84	Zephyr Substation	Comanche Coop
11-27-84	Audubon Substation	Wise Coop
02-20-85	Spring Valley Substation	McLennan Coop
04-19-85	Beargrass Substation	Navasota Valley Coop
08-22-85	Farrar Substation	Navasota Valley Coop
10-03-85	Hearne Southwest Substation	City of Hearne
10-10-85	Center Point Substation	Tri-County Coop
10-21-85	North Zulch Substation	Mid-South Coop
04-29-86	Hebron Substation	Denton Coop
07-18-86	Milano Substation	Belfalls Coop
04-01-86	When Dickens Coop and Gate City Coop became members of Brazos, Brazos leased the following substations from the cooperative. Brazos will assume ownership of the facilities at a later date.	

Dickens Substations	Gate City Substations
Aspermont	Liberty
Bissett	McAdams
Clairemont	Paducah South
Espuela	
Kalgary	
S.M.S.	

EXHIBIT C4

257203

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

NOTICE OF FILING OF PETITION FOR MODIFICATION OF COMMISSION ORDERS
(May 6, 1986)

Take notice that on May 1, 1986, Central Power and Light Company ("CPL"), Public Service Company of Oklahoma ("PSO"), Southwestern Electric Power Company ("SWEPCO") and West Texas Utilities Company ("WTU")(collectively, the "CSW Operating Companies") and Houston Lighting & Power Company ("HL&P") petitioned the Commission to modify its earlier orders accepting the offer of settlement filed in this proceeding. In its earlier orders approving the offer of settlement, the Commission, inter alia, ordered the CSW Operating Companies and HLP to construct an asynchronous direct current interconnection between Walker County, Texas and the South Texas Nuclear Project (the "South Interconnection"). Petitioners ask the Commission to modify its earlier orders to (a) require establishment of an asynchronous direct current interconnection (the "East Interconnection") between SWEPCO's Welsh generating station and Texas Utilities Electric Company's ("TUEC") Monticello generating station, both in Titus County, Texas, and the immediate undertaking of actions required therefor, (b) require the CSW Operating Companies, HL&P and TUEC to interconnect their facilities with each other at the East Interconnection, (c) require such ownership of the East Interconnection by the CSW Operating Companies, HL&P and others, and such wheeling, coordination, commingling, sale and exchange of electric power to, from and over the East Interconnection and within the State of Texas as may facilitate its use, and (d) relieve the CSW Operating Companies and HL&P from their obligation to construct and

operate the South Interconnection upon construction of the East Interconnection. The filing Companies expressly reserve the right to withdraw their petition in the event that opposition arises which is not resolved.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 825 North Capitol Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211, 385.214). All such motions or protests should be filed on or before May 19 , 1986. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection.

Kenneth F. Plumb
Secretary

EXHIBIT D1

JOE FORMAN SECRETARY/TREASURER WILLIAM G. PARKER PRESIDENT F. O. LOECKE VICE PRES.

RECEIVED
MAY 24 1985
SPIEGEL & McDIARMID

EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

The Brazos System

Brazos Electric Power Cooperative, Inc.

May 21, 1985

Mr. Michael D. Spence
President
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street, L. B. 81
Dallas, Texas 75201

Dear Mr. Spence:

We have today wire-transferred $380,000 to your account. This construction progress payment was due May 16, 1985. Mr. Max Tanner was advised by telephone last Friday, May 17, 1985, of the reasons for the delay in payment. It is felt that it would be appropriate to describe the reasons in this letter.

As a result of the enormous construction cost overruns, our currently available REA loan funds have been depleted. This includes our supplemental loan of $95,500,000 in addition to the original loan of $96,136,000. As everyone has recognized since the discussions which led to the Joint Ownership Agreement for Comanche Peak, Brazos has relied on REA financing to pay for our share of the units. As we have told TU many times, REA has informed us, in writing, that REA does not intend to consider any request from Brazos for an additional "deficiency loan" to cover continuing cost increases in construction of Comanche Peak.

Based on your estimates, we fully expected the funds approved by REA to cover the total costs of our share of the Comanche Peak units, including interest during construction. However, the construction contributions requested by TU and paid by Brazos to date already have substantially exceeded the total costs estimated for Brazos' share of the project at the time we entered into the Joint Ownership Agreement. On March 27, 1985, we requested an explanation for these massive overruns. On May 7, 1985, we forwarded to you a memo prepared by our attorneys. We have not seen a response to either of these transmittals.

Under these circumstances, there is at least a genuine dispute as to whether Brazos has any obligation to make further payments for construction of Comanche Peak. In order to avoid even the possibility of a default under the Joint Ownership Agreement, however, we are anxious to work with you to resolve our

POST OFFICE BOX 6298 · WACO, TEXAS 76706-0298 · PHONE (817) 752-2901 · GENERAL OFFICE 2404 LaSALLE AVENUE

mutual concerns. To that end, on May 20, 1985, we forwarded to Mr. Mike Ozymy a draft of a proposed agreement intended to settle these issues. Accordingly, we are requesting an early meeting to discuss this proposal.

Sincerely,

Richard E. McCaskill

REM:lr
cc: Mr. Max Tanner
Mr. Mike Ozymy
[redacted]

EXHIBIT D2

ROBERT H. BUNTING SECRETARY TREASURER

WILLIAM G. PARKER PRESIDENT

F. C. LUEDTKE VICE PRES

RECEIVED

MAY 24 1985

SPIEGEL & McDIARMID

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

NRC
ACTION COPY
DOES NOT NEED TO BE FILED

2nd Brazos Ltr
MM 6v42
NRR
1D-5

The Brazos System

Brazos Electric Power Cooperative, Inc.

May 20, 1985

Mr. Mike Spence, President
Texas Utilities Generating Company
Skyway Tower, 400 No. Olive Street, L.B. 81
Dallas, Texas 75201

Mr. John Butts, Manager
Tex-La Electric Cooperative of Texas, Inc.
P.O. Box 1623
Nacogdoches, Texas 75961

Mr. Ed Wagoner, General Manager
Texas Municipal Power Agency
P.O. Box 7000
Bryan, Texas 77805

Gentlemen:

Brazos wishes to sell its interest in the Comanche Peak Project. Our understanding of the spirit of our Joint Ownership Agreement requires Brazos to give each of the co-owners of the Project the right of first refusal in acquiring Brazos' 3.8% ownership interest. Accordingly, before we seek any outside interest in the Project, we feel obligated to offer our ownership interest to you first. Please advise us, as soon as possible, if you desire to purchase part or all of our interest in Comanche Peak.

Sincerely,

Richard E. McCaskill

Richard E. McCaskill

REM/lw

cc: [redacted]
Spiegel & McDiarmid

EXHIBIT D3

JOE FORMAN SECRETARY/TREASURER

RECEIVED
JUN 4 1985
SPIEGEL & McDIARMID

WILLIAM G. PARKER PRESIDENT

The Brazos System

Brazos Electric Power Cooperative, Inc.

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

May 29, 1985

Mr. Michael D. Spence
President
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street, L.B. 81
Dallas, Texas 75201

Dear Mr. Spence:

As you are probably aware, Brazos has not paid the construction payment for Comanche Peak in the amount of $209,000 scheduled for May 23, 1985. We believe there are serious questions as to whether Brazos has any obligation to make further construction payments in view of the enormous construction cost overruns on the Project. By letters of March 27, May 7 and May 21, 1985, we requested an explanation for these overruns. As of this date, we have not received a response to our requests. During conversations of May 24, 1985, with your staff we were advised that TUEC personnel would be fully occupied in responding to NRC requests until approximately Mid-June. In light of these representations, we agreed to table our requests temporarily at that time. Recent events, however, compel us to insist upon a prompt response.

Sections 5.03 and 5.04 of the Joint Ownership Agreement as well as applicable principles of agency law obligate TUGCO to provide us with information concerning the Project. Notwithstanding your obligations to the NRC, we believe that TUEC's failure to respond to our requests for an explanation of the construction cost overruns constitutes a breach of these provisions, which relieves Brazos of any obligation to make further construction payments at least until such breach has been remedied.

As we have repeatedly told you, REA refuses to finance additional capital payments for Comanche Peak in view of the unexplained cost overruns, and your failure to provide reasonable explanations makes it impossible for us to obtain additional funds. We remain anxious to work this problem out with you, but we need a clear understanding of the reasons for the cost overruns and delays in order to be able to do so.

Very truly yours,

Richard E. McCaskill

Richard E. McCaskill

REM/lw

cc: Mr. Max Tanner
Mr. Mike Ozymy
[redacted]

POST OFFICE BOX 6296 WACO, TEXAS 76706-0296 PHONE (817) 752-2501 / GENERAL OFFICE 2404 LaSALLE AVENUE

EXHIBIT D4

To: Bonnie Blair Spiegel & McDiarmid

Telecopy To 6 Blair

From: E J. D. Copeland

TEXAS UTILITIES GENERATING COMPANY
SKYWAY TOWER • 400 NORTH OLIVE STREET, L.B. 81 • DALLAS, TEXAS 75201

MICHAEL B. SPENCE
PRESIDENT

RECEIVED
JUN 12 1985
SPIEGEL & McDIARMID

June 10, 1985

Mr. Richard McCaskill
Brazos Electric Power Cooperative, Inc.
P. O. Box 6296
Waco, TX 76706-0296

Dear Richard:

We have reviewed matters raised in recent correspondence from BEPCI which was generally summarized in your letter of May 29, 1985.

The correspondence addresses two basic areas of concern. The first area is the furnishing of information regarding the Comanche Peak construction schedule, cost estimates and items raised by the Nuclear Regulatory Commission's Technical Review Team (TRT). The second area is BEPCI's problem with obtaining financing to meet its obligations for construction costs of Comanche Peak.

With respect to the first point, such information has been provided regularly at the Owner's Committee meetings which began immediately following the execution of the Joint Ownership Agreement. Additionally, the owners have been and continue to be furnished correspondence, budget information, schedule reports, news releases and other related material on a regular basis. As indicated in Max Tanner's letter to you of April 19, 1985, it was thought that all of BEPCI's questions had been adequately addressed. Subsequently, however, in meetings to discuss BEPCI's financing problem you indicated that some specific questions relating to the Technical Review Team Report may have not been answered to your satisfaction. While we feel those questions have been addressed, we committed to furnish additional detailed information at an agreed later date, and we stand by that committment. This additional detailed information will be available at the June 13-14 meeting with the NRC staff in Arlington, ~~Texas~~ Tuesday and, if necessary, can be further disucssed at the next Owner's Committee meeting presently scheduled for June 28, 1985 at the Comanche Peak site.

As you are aware, the Joint Ownership Agreement established the Owner's Committee to provide a forum for interchanging information regarding the status of the Project. We continue to feel that this mechanism to provide the owners with information regarding the Project has functioned appropriately and we see no basis for departing now from this agreed upon approach. If BEPCI has questions you feel have not been addressed, they should be placed on the agenda of the next Owner's Committee meeting.

RECEIVED JUN 12 1985

Regarding the second point, BEPCI's financial problem with the Rural Electrification Administration, we have met, as you know, on several occassions to discuss ways to assist BEPCI with its problem. A proposal to cap BEPCI's cost has been offered and is still active from our position. Our efforts in this endeavor to address BEPCI's financing problems have been responsive and timely.

Finally, in response to your suggestion that BEPCI's obligations under the Joint Ownership Agreement may be relieved, we certainly disagree since, as stated above, such information has been provided. TUGCO as Project Manager, has certainly not defaulted in its obligations and we expect BEPCI to timely meet its committments and obligations as well.

Very truly yours,

Michael D. Spence

MDSpence/ma

EXHIBIT D5

TEXAS UTILITIES GENERATING COMPANY

SKYWAY TOWER • 400 NORTH OLIVE STREET, L.B. 81 • DALLAS, TEXAS 75201

MICHAEL D. SPENCE
PRESIDENT

September 16, 1985

Mr. Richard E. McCaskill
Executive Vice President and
General Manger
Brazos Electric Power Cooperative, Inc.
P. O. Box 6296
Waco, TX 76706-0296

CERTIFIED MAIL, RETURN
RECEIPT REQUESTED
NO. P 068 029 167

RE: Written Notice of Failure to Make Payment in the Time and Manner Provided by the Joint Ownership Agreement for Comanche Peak Steam Electric Station.

Dear Mr. McCaskill:

This letter serves written notice, pursuant to Paragraph 18.02 of the Joint Ownership Agreement for Comanche Peak Steam Electric Station (Agreement), upon Brazos Electric Power Cooperative, Inc., of the failure of Brazos Electric Power Cooperative, Inc. to make payments in the time and manner provided in said Agreement.

Whenever used in this letter, the term Agreement shall mean the "Joint Ownership Agreement Between Dallas Power & Light Company, Texas Electric Service Company, Texas Power & Light Company, Texas Utilities Generating Company, Texas Municipal Power Agency and Brazos Electric Power Cooperative, Inc. for Comanche Peak Steam Electric Station," dated January 2, 1979, as modified by the "Modification of Joint Ownership Agreement Between Dallas Power & Light Company, Texas Electric Service Company, Texas Power & Light Company, Texas Utilities Generating Company, Texas Municipal Power Agency, and Brazos Electric Power Cooperative, Inc. for Comanche Peak Steam Electric Station," dated June 1, 1979, as amended by the "Amendment of Joint Ownership Agreement" by and between Dallas Power & Light Company, Texas Electric Service Company, Texas Power & Light Company, Texas Utilities Generating Company, Texas Municipal Power Agency, Brazos Electric Power Cooperative, Inc., and Tex-La Electric Cooperative of Texas, Inc., dated December 9, 1980, and as amended by the "Second Amendment of Joint Ownership Agreement" by and between Dallas Power & Light Company, Texas Electric Service Company, Texas Power & Light Company, Texas Utilities Generating Company, Texas Municipal Power Agency, Brazos Electric Power Cooperative, Inc., and Tex-La Electric Cooperative of Texas, Inc., dated February 12, 1982.

Specifically, Brazos Electric Power Cooperative, Inc. has failed to make the following payments in the time and manner provided by the Agreement:

1. Payment that should have been made pursuant to Request No. 85-22 by May 23, 1985, in the amount of $209,000.00; and

2. Payment that should have been made pursuant to Request No. 85-23 by May 30, 1985, in the amount of $311,600.00; and

3. Payment that should have been made pursuant to Invoice No. 5260 by June 3, 1985, in the amount of $53,984.76; and

4. Payment that should have been made pursuant to Request No. 85-24 by June 6, 1985, in the amount of $136,800.00; and

5. Payment that should have been made pursuant to Request No. 85-25 by June 13, 1985, in the amount of $258,400.00; and

6. Payment that should have been made pursuant to Invoice No. 5287 by June 18, 1985, in the amount of $34,927.39; and

7. Payment that should have been made pursuant to Invoice No. 5298 by June 18, 1985, in the amount of $12,335.29; and

8. Payment that should have been made pursuant to Request No. 85-26 by June 20, 1985, in the amount of $300,200.00; and

9. Payment that should have been made pursuant to Request No. 85-27 by June 27, 1985, in the amount of $288,800.00; and

10. Payment that should have been made pursuant to Invoice No. 5334 by July 2, 1985, in the amount of $54,129.66; and

11. Payment that should have been made pursuant to Request No. 85-28 by July 3, 1985, in the amount of $167,200.00; and

12. Payment that should have been made pursuant to Invoice No. 5295 by July 3, 1985, in the amount of $44.84; and

13. Payment that should have been made pursuant to Request No. 85-29 by July 11, 1985, in the amount of $399,000.00; and

14. Payment that should have been made pursuant to Request No. 85-30 by July 18, 1985, in the amount of $209,000.00; and

15. Payment that should have been made pursuant to Request No. 85-31 by July 25, 1985, in the amount of $254,600.00; and

16. Payment that should have been made pursuant to Invoice No. 5349 by July 28, 1985, in the amount of $118.19; and

17. Payment that should have been made pursuant to Request No. 85-32 by August 1, 1985, in the amount of $437,000.00; and

18. Payment that should have been made pursuant to Invoice No. 5408 by August 2, 1985, in the amount of $54,109.90; and

19. Payment that should have been made pursuant to Request No. 85-33 by August 8, 1985 in the amount of $205,200.00; and

20. Payment that should have been made pursuant to Invoice No. 5412 by August 14, 1985, in the amount of $266,353.45 less Credit Memo No. 5469 dated August 12, 1985, in the amount of $189,835.94; and

21. Payment that should have been made pursuant to Request No. 85-34 by August 15, 1985, in the amount of $418,000.00; and

22. Payment that should have been made pursuant to Request No. 85-35 by August 22, 1985 in the amount of $235,600.00; and

23. Payment that should have been made pursuant to Invoice No. 5435 by August 28, 1985, in the amount of $342.75; and

24. Payment that should have been made pursuant to Request No. 85-36 by August 29, 1985, in the amount of $497,800.00; and

25. Payment that should have been made pursuant to Invoice No. 5472 by September 4, 1985, in the amount of $54,426.05; and

26. Payment that should have been made pursuant to Request No. 85-37 by September 5, 1985, in the amount of $163,400.00; and

27. Payment that should have been made pursuant to Request No. 85-38 by September 12, 1985, in the amount of $247,000.00.

Brazos Electric Power Cooperative, Inc., pursuant to said Paragraph 18.02, is hereby notified that payment of the above amounts must be made within thirty (30) days of the receipt of this notice in order to cure the default that exists. Failure of Brazos Electric Power Cooperative, Inc., to cure such default within said thirty-day period will give the nondefaulting Parties (as the term Parties is defined in the Agreement) all of the options, rights and remedies provided for in Paragraph 18.03 of the Agreement or otherwise afforded by law.

As you know, we have delayed sending you this notice only because of the extensive efforts we have made with you to consider alternative methods by which Brazos Electric Power Cooperative, Inc.'s obligations under the Joint Ownership Agreement could be met, which efforts, unfortunately have proven unsuccessful. It is especially unfortunate that your Board has declined to authorize the execution of an agreement,

the substance and material terms of which you have acknowledged to be reasonable and acceptable to both you and officials of the Rural Electrification Administration. Despite our good faith in attempting to negotiate an agreement by which Brazos Electric Power Cooperative, Inc. could meet its obligations under the Joint Ownership Agreement, your response of September 11, 1985, totally rejects the agreement developed by us jointly over the last several months. It had been our understanding that we were making progress toward a mutually agreeable and satisfactory arrangement; otherwise, this notice would have been sent long before now.

Your latest response states that Brazos Electric Power Cooperative. Inc. wishes to discuss further the terms and conditions contained in proposals originally made by you. While we are willing to discuss mutually agreeable arrangements, we remain resolute that the terms contained in those proposals are neither acceptable nor fair and reasonable, and that arrangements by which Brazos Electric Power Cooperative, Inc. can meet its obligations under the Joint Ownership Agreement must be along the lines of the agreement which your Board rejected. In the event that your Board is willing to authorize you to negotiate in good faith toward arrangements reasonably similar to those contained in the September 3, 1985 draft, we will be available to promptly meet upon your request to continue the negotiation process expeditiously.

Sincerely,

Texas Utilities Generating Company, a Division of Texas Utilities Electric Company, Project Manager

By: Michael D. Spence
President

cc: Mr. E. L. Wagoner, General Manager
Texas Municipal Power Agency

Mr. Marvin P. Tate

Mr. Juan D. Nichols, President
Tex-La Electric Cooperative of Texas, Inc.

Mr. John Butts, General Manager
Tex-La Electric Cooperative of Texas, Inc.

EXHIBIT D6

SPIEGEL & McDIARMID
RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

ACTION COPY

The Brazos System

Brazos Electric Power Cooperative, Inc.

September 27, 1985

Mr. Michael D. Spence, President
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street, L.B. 81
Dallas, Texas 75201

Re: Additional Written Notice of Default by TUGCO and TUEC of Obligations Under the Joint Ownership Agreement for Comanche Peak Steam Electric Station

Dear Mr. Spence:

In response to your letter of September 16, 1985, claiming that Brazos Electric Power Cooperative is in default with respect to its obligations under the Joint Ownership Agreement for Comanche Peak Steam Electric Station, as amended (hereafter "Joint Operating Agreement" or "Agreement"). Brazos hereby denies that it has committed any act of default under the Agreement. On the contrary, Texas Utilities Generating Company ("TUGCO"), Texas Utilities Electric Company ("TUEC"), and their affiliates (including Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company) have breached the Agreement and are in default of their obligations under the Agreement.

TUGCO and TUEC failed to have the plant in commercial operation as scheduled and within the budget estimates that TUEC presented to Brazos to induce Brazos to enter into the Joint Ownership Agreement. In June, 1979, when Brazos entered into the Joint Ownership Agreement for a 3.8% share of the Comanche Peak Units, the cost estimate for the construction of the Comanche Peak units was approximately $2.325 billion. TUGCO agreed that it would "act with due diligence in performing its obligations and will use its best efforts to timely complete construction of, and place into service, each Unit of the Project." (Section 3.04 of the Joint Operating Agreement.) The Agreement calls for the Date of Commercial Operation for Unit 1 to be January, 1981 and Unit 2 to be January, 1983. Although the Agreement recites that the Parties recognize that the actual dates may vary from the estimates given for commercial operation, Section 2.02 of the contract also states that cost estimates given at the time of closing will be "realistic and current."

Because of TUGCO's and TUEC's apparent failure to prepare the plant for licensing, it now appears that Unit 1 will not be ready for commerical operation at rated capacity until late 1986, and there are no guarantees against additional delays. The total cost of the units (including AFUDC) could be approximately $4.36 billion or more.

TUGCO's and TUEC's failure to meet their obligations has caused substantial harm and damage to Brazos in the form of increased costs for Brazos' share of the Comanche Peak units, increased interest expense on Brazos' debts associated with its participation in the Comanche Peak units, and deprivation of a source of power, among other things. In addition, TUGCO's and TUEC's failure to provide timely budget, cost, and scheduling information as required by the Joint Ownership Agreement has impaired Brazos' ability to obtain financing.

TUGCO's and TUEC's failure to construct and place the Comanche Peak units in operation within a reasonable time and cost is the direct result of TUGCO's and TUEC's substantial breach of their duties under their contract with Brazos and their other legal obligations. Section 3.04 of the Agreement provides that TUGCO, as Project Manager, "shall have sole responsibility for and is fully authorized to act for the Parties with respect to the licensing, design, construction, operation, maintenance ... and decommissioning of the Project, and the Parties further agree that the Project Manager shall have complete possession and control of the Project ...." This control has extended to the hiring and supervising of architectural, engineering and design firms and other agents, employees and consultants. Brazos believes that TUGCO and TUEC have breached at least the following obligations imposed under the contract (among others):

1. the duty to employ "prudent utility practices" contained in Recitals to the contract and in Sections 1.19, 3.04, 5.02, 8.02 and 8.03 of the contract;

2. the duty to construct the plant in accordance with NRC licensing requirements and any applicable federal or state laws and regulations, including the principal architectural and engineering criteria and environmental commitments made to the NRC in accordance with standards set forth, among other places, in Sections 3.04, 5.01, 8.01, 8.03 and 23.03 of the contract; and

3. the duty to keep Brazos informed of all significant matters with respect to the construction and operation of the project, including estimates of the costs and schedule for completing the project, as required in Sections 5.03, 9.01, 9.02 and 9.03 of the contract, among others.

In addition, TUGCO and TUEC have breached numerous other express and implied legal obligations to perform the contract, including the duty to perform in a workmanlike manner and to comply with warranties and independent standards of law, and it may have breached Section 22 relating to training.

Under the terms of Section 3.04, TUEC and TUGCO promise to indemnify Brazos for damages, losses or expense sustained by Brazos as a result of a breach of

the Joint Ownership Agreement by the Project Manager or its agents, servants or employees.

The facts which indicate TUGCO's and TUEC's breach of the provisions listed above are, unfortunately, too numerous to list conveniently in letter form. Many of TUGCO's and TUEC's failures to conform to NRC regulations have been identified by the special Technical Review Team ("TRT") and the construction Assessment Team ("CAT") of the Nuclear Regulatory Commission as well as by the consultant Cygna. For example, in a December 28, 1983 decision, the Licensing Board concluded that TUGCO's and TUEC's iterative design process is not a satisfactory fulfillment of the requirement of 10 C.F.R. Part 50, Appendix B, to promptly identify and correct design deficiencies. In that decision, the Board states that a number of the design problems identified (by CASE's witnesses, among others) could have been detected and mitigated had an appropriate quality assurance program been in place. Some examples may include specific problems subsequently reviewed and identified by the TRT and CAT assessments and by Cygna, including those relating to the design and construction of the pipe supports and the design and installation of the cable trays. Other deficiencies in TUGCO's and TUEC's performance are identified in the reports of those groups, including numerous deficiencies in the quality assurance/quality control area ranging from inadequate training of inspectors to failure to perform audits. TUGCO's and TUEC's commitment to aggressively implement quality assurance/quality control requirements in certain areas has been questioned by the TRT.

In addition, it appears that TUGCO's and TUEC's handling of the licensing proceedings, including its failure to provide the Licensing Board with adequate responses to questions raised by intervenors, has further undermined the Board's confidence in TUGCO's and TUEC's performance as Project Manager. Such failure constitutes an additional violation of TUGCO's and TUEC's obligations under the Joint Ownership Agreement to satisfy NRC requirements and secure a license to operate the Comanche Peak units.

Thus, TUEC, TUGCO and their affiliates and agents have breached the Joint Ownership agreement and are in default. Brazos has not committed any act of default under these circumstances, and the other Parties to the Agreement have no rights under Paragraph 18.05 or otherwise to any relief against Brazos.

I disagree with your interpretation of how REA and I viewed your proposal. We had negotiated to the point where your proposal was more reasonable than it had been. However, this does not mean that I personally thought terms, which I might accept in compromise, were fair. For example, it is not fair or reasonable for Brazos to lose capacity or to have its costs for retained capacity inflated because of TUEC or TUGCO failures to fulfill their obligations. Nor were your proposals fair that Brazos waive claims involving Comanche Peak construction which were totally unrelated to cost overruns or

delays or that Brazos agree that TUEC had made no representations involving Comanche Peak. Furthermore, I always made clear and you indicated that you understood that the Board is responsible for settlement decisions and must be satisfied by the terms of any proposal. As I have informed you, the Board rejected your proposal as unfair and unsatisfactory.

Brazos preserves all its rights and remedies. Because specific items of breach or legal claims are not mentioned, they are not waived. References to TUEC include TUGCO and all other affiliates. In this connection I anticipate sending separately the notice required under Section 17.50A of the Texas Deceptive Trade Practices - Consumer Protection Act.

Having said the above, as is required to protect its legal rights, Brazos remains willing and, indeed, anxious to cooperate with you to reach an amicable resolution of all problems. By letter of September 11, 1985, we forwarded an outline of terms which we believe are both reasonable and fair to all parties. We remain available to discuss resolution of our differences along the lines described in our September 11 letter, or on any other potentially satisfactory basis.

Very truly yours,

Richard E. McCaskill

REM:lr

cc: Mr. J. S. Farrington, Chairman, Texas Utilities Generating Company
Mr. T. Michael Ozymy, Director, Special Projects, Texas Utilities Generating Company
Mr. John Butts, General Manager, Tex-La Electric Cooperative of Texas, Inc.
Mr. E. L. Wagoner, General Manager, Texas Municipal Power Agency
Mr. Juan D. Nichols, President, Tex-La Electric Cooperative of Texas, Inc.
Mr. Marvin P. Tate, Vice President, Texas Municipal Power Agency
Mr. Frank Bennett, Director, Southwest Area-Electric, REA
Mr. Thomas L. Eddy, Chief, Power Engineering Branch, REA
Mr. Charles B. Gill, Governor, CFC
Mr. Richard Bulman, Loan Officer, CFC
Mr. John W. Beck, Chairman, Comanche Peak Owners Committee

bcc: Mr. J. B. Copeland
Mr. Bob Jablon
[redacted]
Mr. Joe Riley

EXHIBIT D7

WILLIAM G. PARKER PRESIDENT
LUTHER PARKS VICE PRESIDENT

RECEIVED
OCT 7 1985
SPIEGEL & McDIARMID

TO: Ben
ACTION COPY
DOES NOT NEED TO BE FILED

The Brazos System

Brazos Electric Power Cooperative, Inc.

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

October 1, 1985

Mr. Peter B. Tinkham, Secretary
Texas Utilities Company
Texas Utilities Electric Company
Texas Utilities Fuel Company
Texas Utilities Mining Company
Texas Utilities Services, Inc.
2001 Bryan Tower
Dallas, Texas 75201

Re: Additional Written Notice of Default by TUGCO and TUEC of Obligations Under the Joint Ownership Agreement for Comanche Peak Steam Generating Station

Dear Mr. Tinkham:

Last Friday, I sent to Mr. Michael D. Spence on behalf of Brazos Electric Power Cooperative the attached letter notifying the Texas Utilities Generating Company ("TUGCO"), the Texas Utilities Electric Company ("TUEC"), and their affiliates, of a breach and default in their obligations with regard to the Joint Ownership Agreement for Comanche Peak Steam Electric Station and with regard to Comanche Peak. I attach and incorporate this letter as providing you with further, formal notice of such breach and default.

Very truly yours,

Richard E. McCaskill

REM:lr
Enclosure (Ltr. 9/27/85)

cc: Mr. Michael D. Spence, President, TUGCO
Mr. J. S. Farrington, Chairman, TUEC
Mr. T. Michael Ozymy, Director, Special Projects, TUGCO
Mr. John Butts, General Manager, Tex-La Electric Cooperative of Texas, Inc.
Mr. Juan D. Nichols, President, Tex-La Electric Cooperative, Inc.
Mr. E. L. Wagoner, General Manager, TMPA
Mr. Marvin P. Tate, Vice President, TMPA
Mr. Frank Bennett, Director, Southwest Area-Electric, REA
Mr. Thomas L. Eddy, Chief, Power Eng. Branch, REA
Mr. Charles B. Gill, Governor, CFC
Mr. Richard Bulman, Loan Officer, CFC
Mr. John W. Beck, Chairman, Comanche Peak Owners Committee

bcc: Mr. J. D. Copeland
Mr. Robert A. Jablon
[redacted]
Mr. Joe Riley

POST OFFICE BOX 6298 WACO, TEXAS 76706-6298 PHONE (817) 752-2501 / GENERAL OFFICE 2404 LaSALLE AVENUE

EXHIBIT D8

SPIEGEL & McDIARMID

OCT 8 1985

DELIVERED BY AIR COURIER

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

WILLIAM G. PARKER PRESIDENT

The Brazos System

Brazos Electric Power Cooperative, Inc.

October 7, 1985

Mr. Michael D. Spence, President
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street, L.B.81
Dallas, Texas 75201

CERTIFIED MAIL, RETURN
RECEIPT REQUESTED
No. 43790

Dear Mr. Spence:

This letter constitutes notice under Section 17.50A of the Texas Deceptive Trade Practices - Consumer Protection Act (Texas Business & Commerce Code, Title 2, Sub. Sec. 17.41 et. seq.) that Brazos Electric Power Cooperative, Inc. ("Brazos") intends to file a lawsuit against Texas Utilities Electric Generating Company ("TUGCO") and its affiliates, including Texas Utilities Electric Company ("TUEC"), Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company for violations of that statute and for breaches of and defaults under the Joint Ownership Agreement for the construction of the Comanche Peak Steam Electric Station, Units 1 and 2 ("Comanche Peak"), entered into by Brazos on June 1, 1979, as amended. Under the terms of that Agreement, TUGCO acts as Project Manager for the construction and operation of the units (Joint Ownership Agreement Section 3.04).

TUGCO and TUEC have failed to have the plant in commercial operation as scheduled and within the budget estimates they presented to Brazos to induce Brazos to enter into the Joint Ownership Agreement. In June, 1979, when Brazos entered into the Joint Ownership Agreement for a 3.8% share of the Comanche Peak Units, the cost estimate for the construction of the Comanche Peak units was approximately $1.700 billion. TUGCO agreed that it would "act with due diligence in performing its obligations and will use its best efforts to timely complete construction of, and place into service, each unit of the Project." (Section 3.04 of the Joint Ownership Agreement). The Agreement calls for the Date of Commercial Operation for Unit 1 to be January, 1981 and Unit 2 to be January, 1983. Although the Agreement recites that the Parties recognize that the actual dates may vary from the estimates given for commercial operation, Section 2.02 of the contract also states that cost estimates given at the time of closing will be "realistic and current."

TUGCO's further failure to provide Brazos with changes in cost and schedule estimates in a timely manner and its failure to keep Brazos informed of developments in the licensing process, including the identification of substantial deviations by TUGCO from NRC requirements, also constitute actionable breaches of the Agreement. Under the circumstances, none of the cost or completion schedule estimates provided by TUGCO to Brazos has reflected a reasonable assessment. Indeed, because of TUGCO's and TUEC's apparent failure to satisfy NRC regulations, it now appears that Unit 1 will not be ready

for commercial operation at rated capacity until late 1986, and there are no guarantees against additional delays. The total cost of the units (including AFUDC) could be approximately $4.56 billion or more.

The substantial discrepancy between TUGCO's promised performance and its actual performance as well as its continuing inability to perform its obligations under the contract lead Brazos to conclude that TUGCO misrepresented its ability to manage the plant, misrepresented its ability to select and/or supervise competent contractors, misrepresented the competence of the major contractors selected by TUGCO, specifically Brown & Root and Gibbs & Hill, and misrepresented its ability and intent to comply with Nuclear Regulatory Commission ("NRC") regulations, especially in the areas of quality assurance and quality control.

TUGCO's and TUEC's failure to construct and place the Comanche Peak units in operation within a reasonable time and cost is the direct result of TUGCO's and TUEC's substantial breach of their duties under their contract with Brazos and their other legal obligations. Section 3.04 of the Agreement provides that TUGCO, as Project Manager, "shall have sole responsibility for and is fully authorized to act for the Parties with respect to the licensing, design, construction, operation, maintenance ... and decommissioning of the Project; and the Parties further agree that the Project Manager shall have complete possession and control of the Project ...." This control has extended to the hiring and supervising of architectural, engineering and design firms and other agents, employees and consultants. Brazos believes that TUGCO and TUEC have breached at least the following obligations imposed under the contract (among others):

1. the duty to employ "prudent utility practices" contained in Recitals to the contract and in Sections 1.19, 3.04, 5.02, 8.02 and 8.03 of the contract;

2. the duty to construct the plant in accordance with NRC licensing requirements and any applicable federal or state laws and regulations, including the principal architectural and engineering criteria and environmental commitments made to the NRC in accordance with standards set forth, among other places, in Sections 3.04, 5.01, 8.01, 8.03 and 23.08 of the contract; and

3. the duty to keep Brazos informed of all significant matters with respect to the construction and operation of the project, including estimates of the costs and schedule for completing the project, as required in Sections 5.03, 9.01, 9.02 and 9.03 of the contract, among others.

In addition, TUGCO and TUEC have breached numerous other express and implied legal obligations to perform the contract, including the duty to perform in a workmanlike manner and to comply with warranties and independent standards of the law, and it may have breached Section 22 relating to training.

Under the terms of Section 3.04, TUGCO and TUEC promise to indemnify Brazos for damages, losses or expenses sustained by Brazos as a result of a breach of the Joint Ownership Agreement by the Project Manager or its agents, servants or employees.

Many of TUGCO's and TUEC's failures to conform to NRC regulations have been identified by the special Technical Review Team ("TRT") and the Construction Assessment Team ("CAT") of the Nuclear Regulatory Commission as well as by the consultant Cygna. For example, in a December 28, 1983 decision, the Licensing Board concluded that TUEC's and TUGCO's iterative design process is not a satisfactory fulfillment of the requirement of 10 C.F.R. Part 50, Appendix B, to promptly identify and correct design deficiencies. In that decision, the Board states that a number of the design problems identified (by CASE's witnesses, among others) could have been detected and mitigated had an appropriate quality assurance program been in place. Examples include specific problems subsequently reviewed and identified by the TRT and CAT assessments and by Cygna, including those relating to the design and construction of the pipe supports and the design and installation of the cable trays. Other deficiencies in TUGCO's performance are identified in the reports of those groups, including numerous deficiencies in the quality assurance/quality control areas ranging from inadequate training of inspectors to failure to perform audits. TUGCO's commitment to aggressively implement quality assurance/quality control requirements in certain areas has been questioned by the TRT.

In addition, it appears that TUGCO's and TUEC's handling of the licensing proceedings, including their failure to provide the Licensing Board with adequate responses to questions raised by intervenors, has further undermined the Board's confidence in TUGCO's and TUEC's performance as Project Manager. Such failure constitutes an additional violation of TUGCO's and TUEC's obligations under the Joint Ownership Agreement to satisfy NRC requirements and secure a license to operate the Comanche Peak units.

As a result of the behavior described above, and related and similar behavior, TUGCO and TUEC are in violation of the Texas Deceptive Trade Practices Act. Each of the failures of performance described above constitutes the breach of an express or implied warranty and unconscionable action or course of action under Sec. 17.50(a) of the Act. In addition, TUGCO's and TUEC's actions constitute one or more unlawful false, misleading, or deceptive acts or practices as enumerated in Sec. 17.46(b) of the Act.

TUGCO's and TUEC's conduct constitutes a producing cause of actual and substantial damages to Brazos in the form of increased costs for Brazos' share of the Comanche Peak units, increased interest expense on Brazos' debts associated with its participation in the Comanche Peak unit, and deprivation of a source of power, among other things. The damages claimed by Brazos amount to $205,000,000, to date, including overheads, interest and attorneys fees. In addition, Brazos will claim any additional amounts incurred until

the issue is resolved. Brazos intends to make a claim for treble damages under the Act if no satisfactory offer of settlement is received within thirty days after the date of this letter.

Brazos preserves all its rights and remedies. Because specific items of breach or legal claims are not mentioned, they are not waived. References to TUEC include TUGCO and all other affiliates.

Very truly yours,

Richard E. McCaskill

Richard E. McCaskill

REM:lr

cc: Mr. Peter B. Tinkham, Secretary
Mr. J. S. Farrington, Chairman, TUEC
Mr. T. Michael Ozymy, Director, Special Projects, TUGCO
Mr. John Butts, General Manager, Tex-La Electric Cooperative of Texas, Inc.
Mr. Juan D. Nichols, President, Tex-La Electric Cooperative, Inc.
Mr. E. L. Wagoner, General Manager, TMPA
Mr. Marvin P. Tate, Vice President, TMPA
Mr. Frank Bennett, Director, Southwest Area-Electric, REA
Mr. Thomas L. Eddy, Chief, Power Eng. Branch, REA
Mr. Charles B. Gill, Governor, CFC
Mr. Richard Bulman, Loan Officer, CFC
Mr. John W. Beck, Chairman, Comanche Peak Owners Committee

bcc: Mr. J. D. Copeland
Mr. Robert A. Jablon
Ms. Bonnie Blair
Mr. Joe Riley

EXHIBIT D9

TEXAS UTILITIES GENERATING COMPANY
SKYWAY TOWER • 400 NORTH OLIVE STREET, L.B. 81 • DALLAS, TEXAS 75201

MICHAEL D. SPENCE
PRESIDENT

November 4, 1985

Mr. Richard E. McCaskill
Executive Vice President & General Manager
Brazos Electric Power Cooperative, Inc.
P. O. Box 5296
Waco, Texas 76706-6296

Dear Mr. McCaskill:

This letter is written in response to your October 7, 1985, letter. That letter purports to constitute notice to Texas Utilities Electric Company and its affiliates (collectively "TUEC") of the intention of Brazos Electric Power Cooperative, Inc., ("Brazos") to institute a lawsuit against TUEC for alleged violations of the Texas Deceptive Trade Practices-Consumer Protection Act ("Texas DTP-CPA") in connection with the construction of the Comanche Peak Steam Electric Station ("Comanche Peak") and for alleged breaches of the Joint Ownership Agreement (the "Agreement") relating to Comanche Peak. TUEC has reviewed the allegations set forth in your letter and believes that they are wholly without any bases in fact. Furthermore, TUEC denies that it has in any way or manner violated the Texas DTP-CPA in any of its dealings with Brazos or that it has in any way or manner breached the Agreement. Any lawsuit instituted by Brazos under the Texas DTP-CPA therefore would be groundless and brought either in bad faith or for the purpose of harrassing TUEC. Consequently, if such a suit were filed, TUEC would be entitled, under Section 17.50(c) of the Texas DTP-CPA, to recover its reasonable and necessary attorneys' fees and court costs in defending such a suit.

Notwithstanding the foregoing, representatives of both TUEC and Brazos have had several discussions in the past few months regarding their disagreements. Those discussions culminated in the preparation of a September 3, 1985 draft agreement. The execution of that agreement by TUEC and Brazos would result in a substantial benefit to Brazos. TUEC is still willing to enter into that agreement, and TUEC hereby agrees to settle and compromise the parties' dispute pursuant to terms of that agreement. This settlement offer is made pursuant to Sections 17.50A of the 1977 version of the Texas DTP-CPA and Sections 77.50A and 17.50B of the 1979 version of the Texas DTP-CPA; and it is not an admission by TUEC of any liability to Brazos or the truth of any allegation in your letter. On the contrary, TUEC, as pointed above, expressly denies the same. Rather, the purpose of the settlement offer is to avoid needless and expensive litigation.

Yours very truly,

Michael D. Spence

MDSpence/lm

EXHIBIT D10

Telecopied to Bob Tatum 11-5-85

TEXAS UTILITIES GENERATING COMPANY

SKYWAY TOWER • 400 NORTH OLIVE STREET, L.B. 81 • DALLAS, TEXAS 75201

MICHAEL D. SPENCE
PRESIDENT

November 1, 1985

Mr. M. P. Tate
4101 Texas Avenue, Suite B
Bryan, Texas 77802

CERTIFIED MAIL, RETURN RECEIPT REQUESTED NO. P072741607

Mr. J. H. Butts
Tex-La Electric Power Cooperative of Texas, Inc.
P. O. Box 1623
Nacogdoches, Texas 75961

CERTIFIED MAIL, RETURN RECEIPT REQUESTED NO. P072741608

Re: Default Provisions of the Joint Ownership Agreement for Comanche Peak Steam Electric Station.

Gentlemen:

As you know, Brazos Electric Power Cooperative, Inc. (Brazos) has failed to make payments as required by the Joint Ownership Agreement for Comanche Peak Steam Electric Station dated January 2, 1979, as amended. Written notice of that failure was mailed to Brazos on September 16, 1985, pursuant to Paragraph 18.02 of that Joint Ownership Agreement. Brazos has failed to cure its default by making the required payments within thirty days of said written notice, which makes applicable Paragraph 18.03 of that Joint Ownership Agreement.

Subparagraph (a) of said Paragraph 18.03 provides:

"(a) The nondefaulting Parties, following the expiration of thirty days after notice was received by the defaulting Party and provided such defaulting Party did not cure its default as allowed by Paragraph 18.02, shall make payments and take actions necessary to cover the default, with the cost thereof allocated among and paid by each of the nondefaulting Parties in the ratio that its Ownership Share bears to the total Ownership Shares of all nondefaulting Parties."

Since Brazos' Ownership Share is 3.8%, the total Ownership Shares of all nondefaulting Parties is 96.2%. Accordingly, the obligation of each of the individual nondefaulting Parties under the above-quoted Paragraph 18.03(a) is as follows:

Texas Utilities Electric Company (TUEC) =

87-5/6% ÷ 96.2%, or 91.303%

Texas Municipal Power Agency (TMPA) =

6.2% ÷ 96.2%, or 6.445%

Tex-La Electric Cooperative of Texas, Inc. (Tex-La) =

2-1/8% ÷ 96.2%, or 2.252%

The amount of the default as same currently exists as of the date of this letter is $9,816,097.13. Accordingly, the amounts necessary to cover the default of Brazos from the nondefaulting parties is currently as follows:

TUEC = $8,962,391.16;

TMPA = $632,647.46; and

Tex-La = $221,058.51,

which is calculated by multiplying the $9,816,097.13 by the percentages shown above. Moreover, future billings to the nondefaulting Parties must be in accordance with the percentages shown above.

TUEC is, however, willing to relieve Tex-La and TMPA of this additional obligation under the Joint Ownership Agreement due to Brazos' default; therefore, in lieu of insisting upon TMPA's and Tex-La's covering their proportionate amount of the default of Brazos by making the above-stated payments and by making future payments pursuant to the said Joint Ownership Agreement as provided in said Paragraph 18.03(a), TUEC hereby offers to cover the default of Brazos itself (both existing and as concerns future payments due from Brazos under said Joint Ownership Agreement), subject to the following conditions:

(1.) that TMPA and Tex-La assign to TUEC all of their rights, options and remedies under the said Joint Ownership Agreement with respect to the default of Brazos, including, without limitation, their rights to receive interest as provided in Subparagraph (b) of Paragraph 18.03 of the said Joint Ownership Agreement, their rights to an increased Energy Entitlement Share of Energy produced from any Batch as provided in Subparagraph (c)(1) of Paragraph 18.03 of the said Joint Ownership Agreement, their rights and options to acquire all or any part of the undivided interest and entitlements of Brazos as provided in Subparagraph (c)(2) of Paragraph 18.03 of the said Joint Ownership Agreement, and the rights to receive payments from Brazos under Subparagraph (c)(3) of Paragraph 18.03 of the said Joint Ownership Agreement;

(2.) that TMPA and Tex-La agree to promptly and duly execute and deliver to TUEC such documents and assurances and to take such other and further action that TUEC may from time to time reasonably request in order to carry out more effectively the intent and purpose of the undertakings of the above-stated conditon no. 1 and to establish and protect the rights, options and remedies assigned to TUEC pursuant to said condition no. 1;

(3.) that by making this offer TUEC does not acknowledge any responsibility for causing Brazos' default, as Brazos has alleged; and

(4.) that TMPA and Tex-La accept, in writing, TUEC's offer herein to cover the default of Brazos itself by signing in the space provided below and returning same to the undersigned within thirty (30) days of the receipt hereof.

Despite the use of the term "TMPA and Tex-La" in the immediately preceding paragraph of this letter, TUEC's offer as stated in said paragraph is made separately to each TMPA and Tex-La and it is expressly not a condition to said offer that both TMPA and Tex-La accept said offer.

Sincerely,

Michael D. Spence

Michael D. Spence

MDS/lad
cc: Mr. E. L. Wagoner
Mr. Juan Nichols
Mr. Richard E. McCaskill
Mr. John Beck
Mr. T. Michael Ozymy

THE OFFER HEREIN MADE BY TEXAS UTILITIES ELECTRIC COMPANY IS HEREBY ACCEPTED AND ALL OF THE ABOVE-STATED CONDITIONS TO SAID OFFER ARE ACCEPTED AND AGREED TO:

TEXAS MUNICIPAL POWER AGENCY

_____
Date

By: _____
Its duly authorized Officer

TEX-LA ELECTRIC COOPERATIVE OF TEXAS, INC.

_____
Date

By: _____
Its duly authorized Officer

RECEIVED
NOV 5 1985
SPIEGEL & McDIARMID

TELECOPY COVER SHEET

DATE: 11-5-85 TIME: 9:45

FROM: Brazos Electric Power Cooperative

TO: BOB JABLON Telecopy No.: 202-879-4001

We are sending you 4 pages, including this cover sheet, by a 3M EMT 9140 Automatic Telecopier. If you do not receive all pages, or if there is any other problem with the transmission, please phone (817) 752-2501 Ext. 220 at your earliest convenience.

Thank you.

EXHIBIT D11

JOE FORMAN SECRETARY / TREASURER WILLIAM G. PARKER PRESIDENT LUTHER PARKS VICE PRESIDENT

COPY

RECEIVED
NOV 13 1985
SPIEGEL & McDIARMID

RICHARD E. McCASKILL
EXECUTIVE VICE PRESIDENT
AND GENERAL MANAGER

The Brazos System

Brazos Electric Power Cooperative, Inc.

November 7, 1985

Mr. M. P. Tate
4101 Texas Avenue, Suite B
Bryan, Texas 77802

CERTIFIED MAIL, RETURN RECEIPT REQUESTED NO. 43795

Mr. J. H. Butts
Tex-La Electric Power Cooperative of Texas, Inc.
P. O. Box 1623
Nacogdoches, Texas 75961

CERTIFIED MAIL, RETURN RECEIPT REQUESTED NO. 43796

Mr. Michael D. Spence, President
Texas Utilities Generating Company
Skyway Tower
400 North Olive Street, L.B. 81
Dallas, Texas 75201

CERTIFIED MAIL, RETURN RECEIPT REQUESTED NO. 43797

Re: Default of Texas Utilities Generating Company Under the Joint Ownership Agreement for Comanche Peak Steam Electric Station

Gentlemen:

We have received a copy of a letter, dated November 1, 1985, from Michael D. Spence to M. P. Tate and J. H. Butts, stating, among other things, that Brazos is in default of its obligations under the Joint Ownership Agreement for Comanche Peak Steam Electric Station dated January 2, 1979, as amended, and that, subject to certain conditions, TUEC is "willing to relieve Tex-La and TMPA .... [of payments of] the amounts necessary to cover the default of Brazos."

The purpose of this letter is to reaffirm Brazos' position that it is not in default, but rather that TUEC and its affiliated companies have breached and are in default of their obligations under the Joint Ownership Agreement. Brazos has refrained from making certain payments referred to in Mr. Spence's letter because it could not obtain necessary cost and other information from TUEC and its affiliates for it to obtain financing or for it to justify that amounts TUEC claims are owed are, in fact, owed. See letters of Richard E. McCaskill to Michael D. Spence of September 27, 1985 and October 7, 1985. Brazos, of course, has no objection if TUEC relieves Tex-La and TMPA of any obligations which TUEC believes that those systems may have, but Brazos does not waive any of its rights.

Brazos continues to believe that outstanding disagreements between the parties should be resolved through negotiations on a fair, equitable basis to all concerned.

Very truly yours,

Richard E. McCaskill

REM:lr

cc: Mr. E. L. Wagoner, TMPA
Mr. Juan Nichols, Tex-La
Mr. John Beck, TUGCO
Mr. Frank Bennett, REA
Mr. Joe Riley, Attorney
bcc: Mr. Robert A. Jablon
Mr. J. D. Copeland

EXHIBIT E1

DOCKET NO. 4079

APPLICATION OF BRAZOS ELECTRIC POWER COOPERATIVE, INC. FOR A RATE INCREASE

PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

In public meeting at its offices in Austin, Texas, the Public Utility Commission of Texas finds that the above-styled application was processed in accordance with applicable statutes by an Examiner who prepared and filed a report containing Findings of Fact and Conclusions of Law, which Examiner's report, with the following changes, is ADOPTED and made a part hereof.

1. Due to concern regarding the point during the proceedings in this docket at which evidence concerning the $2,232,322 spent to complete projects after the end of the test year was presented by Brazos Electric Power Cooperative, the $2,232,322 shall not be included in plant in service, nor shall any interest on that amount be considered in computing return.

2. Return for Brazos Electric Power Cooperative in this docket shall be calculated so as to provide a TIER of 1.1.

3. Finding of Fact No. 8 is revised to read as follows:

   Brazos and South Texas Electric Cooperative, Inc. (STEC) are joint owners of San Miguel Electric Cooperative, Inc. which constructed and operates a 400 MW lignite-fired steam generating plant and associated mine.

4. Finding of Fact No. 11 is revised to read as follows.

   Brazos has invested capital of $212,473,045, computed as follows:

Original Cost of Plant in Service	$165,103,102
Less: Accomulated Depreciation	$ 35,000,874
Net Plant	$129,102,228
Construction Work in Progress	70,998,219
Nuclear Fuel	2,937,512
Other Long Term Assets	669,744
Working Cash Allowance	1,353,163
Materials and Supplies	5,916,239
Prepayments	454,940
Fuel Inventory	1,051,000
Total Invested Capital	$212,473,045

5. Finding of Fact No. 14 is revised to read as follows.

   A total cost of service for Brazos of $125,760,133, computed as follows, is reasonable:

RECEIVED MAR 30 1982

Purchased Power	$70,731,876
Operation and Maintenance	40,776,011
Depreciation	4,691,400
Total Other Taxes	1,232,070
Return	8,328,774
Total Cost of Service	$125,760,133

6. Finding of Fact No. 15 is revised to read as follows:

A return for Brazos in the amount of $8,328,774 is fair and reasonable. That amount represents a return of 3.919 percent on the Coop's invested capital.

7. Finding of Fact No. 16 is revised to read as follows:

Given adjusted test year fuel revenues of $59,371,841 and other revenue of $187,409, Brazos has a base rate revenue requirement of $66,200,883 and a base rate revenue deficiency of $13,416,144.

8. Finding of Fact No. 18 is revised to read as follows:

The following rates are just and reasonable and should generate sufficient revenues to cover Brazos's cost of service:

Facilities Charge: $150.00/delivery point/month
Demand Charge: $6.75/kw of billing demand*
Energy Charge: 9.8233 mills per kwh

*Minimum based on 75% of previous June-September metered maximum

9. As the rates authorized by the Commission herein exceed those rates which the Company has been charging on an interim basis, no refund is necessary. Thus, Finding of Fact No. 21 is deleted.

The Commission further issues the following additional Orders:

1. The application of Brazos Electric Power Cooperative, Inc. for a rate increase is GRANTED to the extent set forth in Revised Finding of Fact No. 18.

2. Brazos Electric Power Cooperative, Inc. shall file a revised tariff in accordance with the rates and guidelines set out in the Examiner's Report sufficient to generate revenues not greater than those prescribed in the report. The revised tariff shall be filed in four copies with the Commission Filing Clerk within 20 days from the date of this Order. The Commission Staff shall have 20 days from the date of the filing of the revised tariff to review it for approval or rejection. The tariff shall be deemed to be approved and shall become effective upon the expiration of 20 days after filing or sooner upon notification by the Commission. In the event of rejection, Brazos Electric Power Cooperative, Inc., shall be notifed by the Commission, and it shall have 20 additional days to file an amended tariff with the same procedures to then be repeated.

3. The revised and approved rates shall be charged only for service rendered in areas over which this Commission was exercising its original jurisdiction as of the adjournment of the hearing on the merits herein, and said rates may be charged only for service rendered after the tariff approval date. Should the tariff approval date fall within Brazos Electric Power Cooperative, Inc.'s billing period, the Coop shall be authorized herein to prorate each customer's bill to reflect that customer's daily energy consumption at the appropriate rates.

4. Brazos Electric Power Cooperative, Inc. is ORDERED to file with the Commission's Engineering Division the monthly power cost adjustment for a given billing period, along with the corresponding work papers, either monthly or on a quarterly basis.

5. This Order is deemed to be final upon the date of rendition. Approval of the revised tariff filed in compliance with this Order shall be deemed to be final on the date of its effectiveness either by operation of this Order or by notification by the Commission, whichever occurs first.

RENDERED AT AUSTIN, TEXAS, on this the 21st day of July, 1982.

PUBLIC UTILITY COMMISSION OF TEXAS

SIGNED: H. Mark Rollins
H. MARK ROLLINS

SIGNED: George M. Cowden
GEORGE M. COWDEN

SIGNED: T. G. Smith
T. G. SMITH

ATTEST:

Carolyn E. Hellman
CAROLYN E. HELLMAN
SECRETARY OF THE COMMISSION

lc

DOCKET NO. 4079

APPLICATION OF BRAZOS ELECTRIC POWER COOPERATIVE, INC. FOR A RATE INCREASE

PUBLIC UTILITY COMMISSION OF TEXAS

EXAMINER'S REPORT

Procedural History

On September 25, 1981, Brazos Electric Power Cooperative, Inc. (hereinafter variously referred to as Brazos, the Applicant, and the Coop), filed the above-referenced application seeking authority to change certain of its rates for electric utility service. The proposed changes would, according to Brazos's projections, generate additional revenues of between $33,703,170 and $49,762,675 annually, or a percentage increase of between 42.02 and 61.12 percent of test year operating revenue.

A prehearing conference was held in this docket on October 13, 1981. Appearing at that conference were Mr. Joseph Riley, for the Applicant, Mr. James O. Mullin, for the City of Weatherford, and Mr. Fernando Rodriguez, for the Commission Staff. The motions to intervene filed by the Cities of Weatherford and Bartlett were granted at the prehearing, as was the motion of the General Counsel to suspend the effective date of the rate increase for 120 days pursuant to Section 43(d) of the Public Utility Regulatory Act, TEX.REV.CIV.STAT.ANN. art. 1446c (1981). In a prehearing order entered on October 15, 1981, the motion to intervene filed by the City of Seymour was also granted.

At the prehearing conference on October 13, 1981, the City of Weatherford raised the question of whether or not cities buying wholesale power from Brazos have original jurisdiction to set the rate at which that power is purchased, where one or more of the delivery points at which the cities take the power are within the cities' municipal limits. In her prehearing order of October 15, 1981, the Examiner ruled that Section 17(a) of the Public Utility Regulatory Act does not give cities original jurisdiction in such instances, and that the Commission had original jurisdiction under such circumstances pursuant to Section 17(e) of the Act. That ruling by the Examiner was appealed by the City of Weatherford to the Commission on October 23, 1981. The Commission considered the appeal and entered an order upholding the Examiner's ruling on November 13, 1981.

The hearing on the merits of Brazos's application was convened on December 14, 1981. At that time the motion to intervene filed by the City of Granbury on November 2, 1981 was granted for the record, and the objections filed by Brazos to the City of Weatherford's Third and Fourth Requests for Information, filed on November 20 and December 4, 1981, respectively, were upheld.

Entering appearances at the hearing on the merits were Joseph Riley and Coke Mills, for the Applicant, James O. Mullin, for the City of Weatherford, William T. Wilson, for the City of Bartlett, Ralph Walton, Jr., for the City of Granbury, and Fernando Rodriguez, for the Commission Staff. Testimony was presented by Brazos, the City of Granbury, the Commission Staff, and the City of Weatherford, and all parties had an opportunity to cross-examine the witnesses.

The hearing on the merits was adjourned on December 15, 1981, but with the agreement of all parties, the record was held open for the limited purpose of allowing Brazos to file an exhibit showing the rate at which some $49 million of its debt was rolled over on December 28. That exhibit was filed on January 7, 1982.

On December 29, 1981, an Examiner's Order was entered granting Brazos interim rates, subject to refund, to become effective upon the beginning of commercial operation of the San Miguel generating facility. Such operation began at 12:00 a.m. on January 7, 1982.

Briefs were filed by the parties in this case on January 11, 1982.

Opinion

Introduction

Brazos Electric Power Cooperative, Inc. is a generation and transmission electric cooperative incorporated under the Rural Electric Cooperative Act of the State of Texas. Brazos sells wholesale power to its nineteen member distribution cooperatives, as well as to the Cities of Bartlett, Granbury, Hearne, Sanger, Seymour, Weatherford, and Whitesboro, and to Texas A & M University, pursuant to Certificate of Convenience and Necessity No. 30016. Brazos obtains the majority of its financing from the Rural Electrification Administration (REA), the National Rural Utilities Cooperative Finance Corporation (CFC), and the Federal Financing Bank (FFB).

Brazos owns three gas-fired steam generating plants with a total capacity of approximately 500 MW, and is a member of San Miguel Electric Cooperative, Inc., which owns and operates a 391 MW lignite-fired steam generating plant and associated mine which just began commercial operation. The Cooperative purchases additional capacity from the Southwest Power Adminstration and the Brazos River Authority. Brazos is a member of the Texas Municipal Power Pool, and is interconnected with Texas Power and Light Company (TP&L), Texas Electric Service Company (TESCO), Lower Colorado River Authority (LCRA), and South Texas Electric Cooperative, Inc. (STEC).

The rates being charged by Brazos at the time of this rate filing were established in 1976. The Coop is seeking this rate increase to support the costs of new facilities planned by the Coop to meet its increasing load requirements. The major items of additional cost being incurred by the Coop are its payments to San Miguel Electric Cooperative, Inc. (hereinafter referred to as San Miguel) for its share of the lignite-fired generating plant, the debt service on the cost of the 345 kv transmission line from the San Miguel plant to the 345 kv network, and the wheeling charges incurred in getting the San Miguel power into the Brazos system. Brazos will initially take 67.5 percent of San Miguel's capacity, with Brazos's share dropping to 50 percent as the requirements of South Texas Electric Cooperative, Inc., co-owner of the project, grow.

As the San Miguel plant did not begin operation until after Brazos's rate application was prepared and the hearing on that application was held, many of the expenses associated with San Miguel which the Applicant seeks to have included in its cost of service are, by necessity, estimates. Careful consideration should be given to those estimates to insure that the rates finally established herein are indeed fair and reasonable.

Invested Capital

In its rate filing package, Brazos showed an adjusted original cost of plant in service of $169,301,846. Schedule B-1.0, Applicant's Exhibit 9. That amount included a $3,529,000 adjustment to test year plant in service made to reflect the estimated additional cost which would be incurred in completing projects which were in process at the end of the test year, but which would be in service by the time the rates requested in this docket go into effect. At the hearing on the merits it was shown that all the projects associated with that estimate were completed as of October, 1981, and that the actual cost incurred to complete those projects was $2,232,322. Applicant's Exhibit 8. The Applicant requested the known amount be substituted for the $3.5 million estimate and included as plant in service.

The Staff Accountant, Marilyn Neff, recommended that the $3,529,000 be excluded from the invested capital calculations, as the money had not been expended as of the end of the test year. She also rejected the Company's proposal that the known expenditure of $2,232,322 be substituted in its place for the same reason. The notion of a historical test year dictates that there must be some cutoff point, after which updates to the historical data are not allowed. In this instance the Staff has chosen the end of the test year, March 31, 1981, as that cutoff point with regard to plant in service.

Both the Coop and the Staff found it appropriate to reclassify $36,601,362 of construction work in progress, associated with projects which were under construction at the end of the test period but which have since gone on line, into plant in service. The Examiner agrees with the Coop that it also appropriate to include in plant in service the known amounts expended to complete those same projects and bring them on line. The additional expenditure of $2,232,322 represents a known and measurable change which should be recognized at this time.

From plant in service, invested capital is calculated as follows:

Original Cost of Plant in Service	$167,335,424	✓ Schedule C 1.0 + the above
Less: Accumulated Depreciation	$36,000,874	✓
Net Plant	$131,334,550	
Construction Work in Progress	70,998,219	✓ Schedule C 1.0 less the above
Nuclear Fuel	2,932,512	✓ Schedule C 3.0
Working Cash Allowance	1,353,163	
Materials and Supplies	5,916,239	Schedule B 1.0
Prepayments	454,940	Schedule B 1.0
Fuel Inventory	1,061,000	Schedule B 1.0
Total Invested Capital	$214,040,623	

The components of invested capital added to plant in service above are all as proposed by the Company except for the working cash allowance, which has been increased to reflect the recommended level of O & M expense.

Brazos filed its application solely on an original cost basis. No evidence was presented by any party as to the current cost of plant or a reasonable adjustment thereto for age and condition. Consequently, the Examiner has made no recommendations herein concerning the adjusted value of the Applicant's invested capital or a reasonable rate of return thereon.

Depreciation

Staff Engineer Kent Saathoff reviewed the depreciation rates proposed by Brazos and found them to be reasonable and within recommended REA guidelines. He recommended the proposed rates be adopted, and as no party offered any evidence to the contrary, the Examiner concurs with that recommendation.

Cost of Service

On Schedule A-1.0 of its rate filing package, Brazos showed a requested total cost of service of $126,935,739. The Commission Staff recommended several adjustments to the Company's proposal which had the net effect of reducing the Company's request by $1,304,380, to $125,631,359. The City Intervenors filed testimony showing a total cost of service of $127,372,511 for Brazos. The components of the various proposals are set forth briefly below:

	Brazos	Staff	Intervenor
Purchased Power	$71,476,997	$70,731,878	$73,112,076
Operation and Maintenance	40,253,086	40,776,011	40,825,761
Depreciation	4,788,448	4,691,400	4,788,488
Total Other Taxes	1,237,903	1,232,070	1,237,902
Return	9,179,305	8,200,000	7,408,323
Total Cost of Service	$126,935,739	$125,631,359	$127,372,551

For the most part, the adjustments to cost of service proposed by the Commission Staff were not contested at the hearing. The major points of difference will be highlighted in the discussion which follows.

The Staff's proposed $745,119 adjustment to Brazos's purchased power request was the result of the recalculation of the adjustment necessary to reflect rate increases of suppliers of power to Brazos's isolated delivery points. As the final rates for Texas Power & Light Company in Docket No. 3780 had not been determined by the Commission at the time Brazos prepared its rate filing package, the Company used TP&L's proposed rates in calculating its adjustment. Use of the applicable tariff as approved by the Commission in Docket No. 3780 resulted in a decrease in purchased power expense of $576,956. Purchased power from West Texas Utilities Company had been overstated by Brazos in the amount of $185,695 due to the inclusion of amounts for fuel which had previously been

included in base rates. Purchased power costs from LCRA had been understated by $19,130 due to a mathmatical error. The remaining $1,598 of the adjustment is the result of minor mathematical differences.

The Intervenor's proposed increase of Brazos's requested purchase power expense is largely the result of their recommended adjustments to billing units made to reflect end of test year usage. The Examiner believes that the recommendation of the Commission Staff on this expense is more reasonable.

The Commission Staff recommended a net increase of $522,925 to the O & M expense request made by Brazos in its rate filing package.

The first adjustment proposed by the Staff is the disallowance of Brazos's proposed $209,305 decrease in power production expenses, excluding fuel. The purpose of Brazos's adjustment was to adjust expenses for the expected decrease in generation from Brazos's gas fired plants when San Miguel comes on line. The Staff has doubts about the cost simulation study used by Brazos to project required generation. Ms. Neff also found in her analysis of power production costs by month that the costs do not vary significantly with the level of production. As she felt that the method used by the Coop did not adequately identify the variable costs involved, she recommended the proposed adjustment be disallowed.

Ms. Neff proposed an increase to fuel expense of $249,701 to reflect the effect of the Staff's weather adjusted sales by adjusting expected generation figures. All parties in the case stipulated to the adoption of the Staff's proposed weather adjustment. Calculating the adjusted MWH generation required from the Staff's adjusted MWH sales, and from there calculating the number of BTU's required to produce the adjusted MWH, Ms. Neff arrived at the increased fuel expense of $249,701.

Ms. Neff proposed $333,666 of payroll related adjustments. The Coop had adjusted its test year figures to reflect salary increases effective on May 1, 1981. Ms. Neff determined that salary levels had increased subsequent to May 1, 1981, and used payroll data as of November 1, 1981 as a basis for her adjustments, restating the November payroll for the end of test year number of employees. She also recalculated the ratio of payroll expensed to payroll capitalized by including the test year figures.

Medical and dental insurance expense was adjusted to reflect the change in the percentage of payroll expense which should be applied to the cost of the employee benefits.

The Staff recommended that rate case expenses be amortized over two years.

The Examiner finds that the cost of service recommendations of the Staff discussed above are reasonable, and recommends their adoption.

None of the adjustments discussed above were really contested by any party. However, the question of what amount which should be allowed in the cost of service for wheeling charges became one of the most contested issues in the case.

In its rate filing package, Brazos proposed a total adjustment of $4,412,581 to its test year transmission O & M expense. An adjustment of $50,000 was included as the cost associated with the 78 miles of new 345 kv transmission line from the San Miguel power plant. Brazos requested $281,561 be included to amortize a reported $1,407,807 in wheeling charges associated with San Miguel testing, deferred subsequent to the test year, over a five year period. Finally, Brazos proposed the inclusion of $1,681,020 to cover annual wheeling charges from LCRA, and $2,400,000 to cover those charges from the Texas Utilities Companies.

In her prefiled testimony, Ms. Neff recommended that the requested $281,561 amortization allowance be disallowed. She stated that in her review and investigation of the application, she learned that $1,600,000 of the amount supposedly deferred had not been billed by Texas Utilities and would not be incurred until San Miguel began commercial operation. Additionally, she discovered that the charges which had actually been billed by LCRA were less than the amount which the Coop had expensed. Therefore she recommended that the amortization of deferred wheeling charges be disallowed, as the cost had not been incurred. As the Coop did not dispute this testimony, the Examiner assumes they agree with the Staff adjustment.

What the Coop did not agree with was the Staff's recommendation that an allowance for annual wheeling charges be included in the cost of service at the level requested by the Coop in its rate filing package, $4,081,020, rather than at the revised level requested by Brazos at the hearing on the merits, $5,127,516.

It is first important to realize that both the recommendations regarding the wheeling charges are estimates, as the charges will be incurred for wheeling power from San Miguel, which has come on line since the end of the hearing. There is no argument over the estimated charges for wheeling from LCRA. However, Brazos is now proposing that the estimate of wheeling charges from Texas Utilities be increased to $3,446,496, while the Staff and Intervenors say it should remain at $2,400,000, or be eliminated entirely from the cost of service.

The dispute over wheeling charges arose as the result of Ms. Neff's efforts to confirm the $2.4 million estimate originally presented by the utility. Brazos based its original request upon a telephone inquiry to TP&L personnel made by Brazos during the preparation of its rate filing. The $2.4 million was the figure quoted by TP&L. In order to confirm that amount, Ms. Neff made her own inquiry to Mr. Louis Howard of TP&L, who provided her with an estimate of $3,446,496. Ms. Neff testified that since the amount requested by Brazos was lower than the estimate provided to her by TP&L, she concluded that the Brazos estimate was reasonable. She further testified that, for purposes of her assessment of the Brazos application, she would have probably adjudged any requst made by Brazos to be reasonable as long as it was less than or equal to the amount provided to her by TP&L in confirmation of the Brazos estimate.

Brazos argues that since both estimates are the result of inquiries made to TP&L for an estimate of the annual charges which will be associated with San Miguel, the later estimate should be presumed to be more accurate and should be used for purposes of this rate case.

The Staff, on the other hand, is basically taking the position that both figures are rough estimates, that the Coop has presented no evidence showing that either number is particularly reliable, and that, therefore, while it is reasonable to include something in the cost of service for wheeling expense, it is more reasonable to include the lower, more conservative amount.

The Examiner believes that Brazos has done a poor job of supporting its estimated request for wheeling charges. Mr. Copeland testified that no effort was made to verify the $200,000 per month, or $2.4 million per year, estimate given over the phone by someone in the engineering department of TP&L. Transcript page 139. Nor was an attempt made to verify the subsequent $12.7468 per killowatt per year estimate that was the basis of the $3,446,496 wheeling charge estimate. Although there is contract between Brazos and the Texas Utilities Companies which sets forth the components of the formula which is to be used in computing the amount of the wheeling charges, Brazos apparently made no reference to that formula in estimating its wheeling charges for purposes of its rate filing.

The Examiner believes it is reasonable to recognize in this docket the fact that Brazos will incur costs for wheeling San Miguel power during the period the rates approved herein are in effect, even though it is impossible to ascertain at this time what that cost will be. A $2.4 million allowance for wheeling charges from the Texas Utilities Companies appears to be a reasonable estimate for such charges over the course of a year. Should Brazos's costs actually run higher, then the Coop can use the funds made available by the operating margin recommended by the Examiner herein, or it can seek additional rate relief as necessary.

Ms. Neff recommended that requested depreciation expense be decreased by $97,048 to remove depreciation on the $3,529,000 which, as was previously discussed, the Staff recommended not be included in invested capital. The Examiner recommends that it only be decreased by $35,659, in light of her inclusion of the $2,232,322.

Ad valorem tax was decreased by $20,085 by the Staff as a result of the same invested capital recommendation. The reduction should be only $7,381, based upon the Examiner's recommendations. Payroll taxes were reduced by $2,869 because of a change in methods used to compute F.I.C.A. I believe this was later changed to an increase of approx $5,000

Based upon the discussion above, the Examiner recommends a total cost of service for Brazos, including return which will be discussed below, of $125,530,452, computed as follows:

Purchased Power	$ 70,731,878
Operation and Maintenance	40,776,011
Depreciation	4,752,789
Total Other Taxes	1,244,744
Return	8,025,000
	$125,530,452

Return

The return requirements of Brazos in this rate case were determined by the parties on the basis of a cash flow or interest coverage type of analysis: how much revenue does Brazos require to maintain an appropriate times interest earned ratio (TIER). Both the Coop and the Staff determined that an operating TIER of 1.10 was reasonable and appropriate for Brazos at this time. The Intervenors have urged the adoption of a 1.0 operating TIER.

Return is composed of two items: that necessary for equity management and that necessary for interest. That portion of the return necessary for equity management can be divided into two subcomponents: one for the increase, or decrease, of equity in the system capitalization and the other for the rotation or retirement of capital credits.

The portion of return necessary for the rotation or retirement of capital credits in this docket is zero. According to the testimony of Mr. McCaskill, Brazos has decided that at this time the rotation or retirement of capital credits appears to be an unwarranted burden for their ratepayers. Brazos has never rotated or retired capital credits, though it should give serious consideration to the rotation of capital credits in the future since such rotation is an inherent characteristic of the cooperative philosophy.

The second portion of return necessary for equity management is that amount necessary for management of the system's capitalization. Brazos's capitalization at the end of the test year was 9.34 percent equity and 90.66 percent debt. Staff Financial Analyst Jim Johnson testified that he believes that this capitalization ratio is adequate at this time and is comparable to other generation and transmission cooperatives (G&T's). It is his feeling that Brazos, as well as other G&T's, should be relying upon their member distribution cooperatives for their financial strength and not, as is the case in investor-owned utilities, upon an equity cushion. Therefore, he concluded that this portion of the return should also be zero.

The final portion of return is that amount necessary for interest coverage. Since both portions of return necessary for equity management are zero, the return concern in this docket is an amount for interest coverage. To compute an adequate return amount the interest expense must be known.

In making his recommendations, Mr. Johnson performed an analysis of Schedule H-5, long term debt as test year end, Schedule A-17, Proposed interest expense on long term debt, and various responses to requests for information concerning amounts and cost of

debt. As a result of his analysis, he adjusted Schedule A-17, proposed interest expense, to more accurately reflect his concept of the current economy and what he expects of the economy during 1982. On Schedule A-17 Brazos listed a variable rate CFC $2,105,868 note as carrying an interest rate of 18.5%. This note was subject to renewal in December 1981 and Mr. Johnson assumed it would be converted into long term debt. The CFC long term interest rate at the time the Staff's testimony was filed was 14.0 percent. He therefore recalculated the interest expense on the note at 14.0 percent.

Again on Schedule A-17, Brazos listed an FFB note in the amount of $60,304,000 at a 15.302 percent interest rate. This $60,304,000 was the result of combining FFB notes F0015 through F0035, shown on Schedule H-5, and adding a $1,528,000 note advanced May 20, 1981. The interest rate of 15.302 percent was the interest rate on the $1,528,000 note. Mr. Johnson felt that it is more appropriate to separate the notes and the interest rates. Contained within the $60,304,000 is a note for $49,503,647 which was subject to a renewed interest rate in December 1981. All parties agreed that it was critical that the interest rate on this note be as accurate as possible, as this one note is equal to approximately 25 percent of the total notes payable of Schedule A-17. Therefore, Brazos was allowed to submit a late filed exhibit, showing the interest rate at which the note was actually renewed. That interest rate was 13.845 percent. The Examiner believes it is proper to use the actual interest rate which that note now carries in calculating the Coop's cost of interest.

FFB notes F0015, in the amount of $3,000,000, and F0020, in the amount of $2,500,000 were included in the $60,304,000 at 15.302 percent interest. Note F0015 has been renewed with an interest rate of 15.832 percent. Note F0020 has been renewed with an interest rate of 12.694 percent. The actual interest rates of those notes should be used in calculating interest costs.

FFB notes F0030 and F0035, which are to be renewed in 1982, were also included in the $60,304,000. The weighted cost of all notes subject to renewal in 1982, according to Mr. Johnson's Schedule II, is 11.489 percent. The simple average of these interest rates is 11.802 percent. Mr. Johnson feels that these interest rates should not be adjusted as he believes that a range of 11.48 to 11.802 percent on FFB interest rates is a very real possibility during 1982. Although the money market has been quite erratic during the past year or so, and many economists believe the trend of interests rates is going down, the Examiner believes that the interests rates used by Mr. Johnson are too low. She recommends that these two notes be assigned a rate of 13.8 percent for purposes of calculating return herein. used 13.845

The Staff accepted the $912,000 April 2, 1981, 13.807 percent note as well as the $1,528,000 May 20, 1981, 15.302 percent note listed by the Coop in making its interest calculations. It excluded the $3,529,000 construction estimate at the 15.302 percent interest rate, however. In light of the Examiner's recommendations concerning invested capital, allowance for $2,232,322 at an interest rate of 13.8 percent should be included in the return calculations. used 13.845

Brazos has requested an operating TIER of 1.1 in this docket, although its lenders only require that it maintain a net TIER of at least 1.0 for two out of three years to avoid default. The Coop stressed the fiscal uncertainties related to San Miguel as the main reason for requesting the 1.1 coverage. Should any of the many estimates regarding the costs which will be incurred in conjunction with San Miguel turn out to be too low, the Coop fears that it may find itself in financial trouble. Brazos specifically pointed to the variation between the two estimates which have been provided from TP&L on wheeling charges as support for its request for a higher TIER. Should TP&L's second estimate of Brazos's wheeling charges prove to be correct and the Commission not increase O & M expense to cover the increase, then Brazos contends that $1,046,516 of the Staff's recommended $1,522,586 operating margin would already be gone, leaving very little cushion to cover any other mistaken estimates.

Jim Johnson agreed with Brazos's assessment of the uncertainties which they are facing and testified that the requested 1.1 operating TIER request by the Coop was not unreasonable in this instance. However, he also stated that it was not the only reasonable TIER for the company.

Mr. McMorries, testifying for the Intervenors, recommended that an operating TIER of 1.0 be targeted instead of the 1.1 requested. He pointed out that even if the Coop's operating TIER is set at 1.0, its net TIER, the indicator used in finding default, would be higher than the 1.0 level should the Coop receive non-operating margins, as it has in the past. The Intervenors assert that the difference between net TIER and operating TIER is the only cushion which should be afforded Brazos, as it is supposed to be a nonprofit entity.

The Examiner agrees that the situation with San Miguel may well expose Brazos to some unexpected expenses during the coming year or so. However, if the Commission follows her recommendation concerning approval of the Coop's requested PCA clause as discussed below, the Coop will be shielded from a large number of those risks. Furthermore, considering the large number of estimates made in this application, it is likely that some of the guesses will turn out to be too high, although others will have been too low. The Examiner recommends that Brazos be allowed an operating TIER in this docket of 1.06. Should additional relief become necessary, the Cooperative can return to the Commission for another rate increase. By the time of such a filing, Brazos will have gained valuable knowledge concerning the expenses which will indeed be incurred in connection with San Miguel, and rates can be set which accurately reflect those costs.

The Examiner recommends a total return for Brazos of $8,025,000, which is summarized on the following table:

Return	$ 8,025,000
Interest Expense	
Long Term Debt	$16,558,623
Charged to Construction	(10,102,679)
Other Interest	556,940
	$ 7,012,884
Operating Margin	$ 1,012,116
Operating TIER	1.061

Cost of Service Study and Rate Design

Brazos prepared and filed a cost of service study as a part of its rate filing package. The purpose of such a study is to allocate to each rate class an appropriate amount of the utility's expenses incurred in providing service as a basis for formulating equitable rates. A cost study also identifies cost components as being demand, energy, customer, or fuel related.

Brazos used two customer rate classes in preparing its cost study. One was the group of 19 member cooperatives which take firm power requirements from Brazos. The other consisted of seven municipal electric utilities which also take firm power service from Brazos. Brazos additionally makes certain sales of power to others, such as Texas A & M University, on a nonfirm basis. These other customers were not treated as a separate classification in the cost of service study, but rather, revenue associated with sales to such customers was treated as a revenue credit to the firm customers.

The Coop's use of two customer classes, Member Cooperatives and Municipal Customers, was contested by both the Staff and Intervenors. The Coop justified its decision with reference to the cost study on the basis that while all of the municipals and most of the cooperatives take service directly from the Brazos integrated system, a portion of the cooperative load is served from isolated points of delivery. Brazos purchases capacity and energy from various entities such as West Texas Utilities Company and TESCO for use by the member cooperatives at these isolated points. Brazos is billed for capacity and energy at the rate established by the selling utility. The cooperative taking isolated delivery is, however, billed based upon Brazos's applicable wholesale rate.

In developing the cost of service, Brazos believed it was important to distinguish between the costs associated with providing service to the cooperatives and the costs associated with providing service to the municipals. However, even though a portion of the cooperatives' load is supplied at isolated points, Brazos did not think it appropriate to establish different wholesale rates for such cooperatives. Brazos proposed the establishment of one rate for all the cooperative load, with that rate reflecting a blend of costs associated with both the integrated system and the isolated system. The municipals, Brazos argued, do not use or benefit from the isolated system and, therefore, should not be assigned any of the purchased power costs associated with the isolated system. In developing the cost responsibility of the municipals, only the integrated Brazos system was considered by the Coop.

It was the position of the Commission Staff and Intervenors that the major criterion which should be considered when segregating customers into different rate classes is usage or load characteristics, and that separate customers classes should be formed only when the customers in those classes have significantly different usage characteristics.

Although the usage and load characteristics of the Brazos customers vary over a fairly wide range, there is no division along the line of cooperatives and municipalities, as proposed by Brazos.

The other justifications given by the Coop for maintaining two rate classes are the facts that there have historically been two separate classes, and that the member cooperatives have more responsibility for the debts of Brazos than do the municipals. The Examiner does not feel that there is sufficient justification for applying different rates to the cooperatives and the municipal customers, and therefore recommends that only one class of rates be established.

Although he disagreed with the Coop's use of two customer classes in its cost study, as well as with the Coop's classification of certain cost components, Mr. Saathoff testified that he believed the results of the study are useful as a guide for designing rates in this docket.

Brazos and the Intervenors in this case reached an agreement that Brazos's demand charge should be set at $6.75 for all customers. Although Mr. Saathoff had originally proposed a $5.00 charge, he testified that a $6.75 charge would be reasonable. The Examiner recommends that charge be adopted. She would further propose an energy charge of 9.7288 mills per kwh to cover her recommended cost of service.

Purchased Power Adjustment Clause

Brazos currently has an approved purchased power cost adjustment (PCA) clause in its tariff. However, in its current application, the Coop has proposed a new, two part PCA clause which would allow the same dollar for dollar recovery of purchased power costs as is accomplished for fuel costs through the standard fuel cost adjustment clauses. Demand and energy related components of purchased power costs (excluding fuel) would be recovered separately through a demand cost adjustment and an energy cost adjustment.

The major reason such a clause is needed by Brazos is San Miguel. Brazos is obligated to pay its share of all fixed charges associated with the San Miguel plant whether it operates or not. San Miguel engineers have forecasted a 70 percent availability factor for the plant, but as the plant is brand new, there is no way of knowing for sure what its availability factor will be. Should San Miguel be non-operational during a peak month, off-system purchases of power would have to be made by Brazos, in addition to the Coop's having to continue to pay San Miguel's fixed charges.

Because Brazos's base power cost has the potential of being extremely volatile during the early operations of San Miguel, and also because the Commission has recently approved similar dollar for dollar PCA's for other utilities, the Commission Staff has recommended Brazos's proposed clause be approved.

The Intervenors expressed a great deal of concern that approval of such a clause would somehow allow Brazos to pass through all sorts of expenses indiscriminately, effectively removing their rates from regulation by the Commission. They also expressed concern that utilization of both a Fuel Cost Adjustment clause (FCA), and a two part PCA would be confusing to the customers, and that the fluctuating bills which might result would sent false price signals to the customers.

The Intervenors' argument appears to be that San Miguel Electric Cooperative will be able to pass all manner of cost increases through to Brazos and that the PCA clause will then allow Brazos to pass those unregulated charges through to its customers. That is not the case. San Miguel is a public utility under the Public Utility Regulatory Act whose rates will be set by this Commission just as the rates of Brazos are. The problem which confronts us in this case is that San Miguel has just begun commercial operations. The permanent rates of San Miguel are scheduled to be decided upon by the Commission on March 10, 1982. Those rates will reflect the costs incurred by San Miguel in providing power. For purposes of this rate case, the cost of power from San Miguel must be estimated. The PCA will allow Brazos to amend its rates to reflect the approved rates being charged to it by San Miguel at any given time.

Additionally, as the San Miguel plant is just becoming operational, its reliability is somewhat uncertain. Should Brazos not be able to obtain all the power it has planned to from San Miguel, it will have to purchase power from other sources to meet its requirements. The proposed PCA will merely allow Brazos to pass through the excess cost of that purchased power to its customers. Brazos will derive no net income from utilization of the PCA.

Regarding the Intervenors' concern that automatic adjustment clauses may lead to customer confusion, the Examiner would have to concede that they are right. However, in a climate of highly volatile costs, the use of fuel and purchased power cost adjustment factors is the most equitable means available of assuring fair and reasonable rates. Additionally, in the case of Brazos which sells only wholesale power, virtually all of its customers are utilities themselves, thus greatly minimizing the confusion factor.

In order to enable the Commission to monitor Brazos's use of its PCA, the Coop should be instructed to file detailed estimates and calculations used to calculate the purchased power adjustment factors with the Commission's Engineering Division by the fifth day of each billing period for review by the Engineering Staff.

Pre-existing Contracts

Brazos Electric Power Cooperative has written contracts for service with each of the municipalities to which it provides service and with Texas A & M University. The Cities of Weatherford and Granbury raised the issue of these contracts, which were entered into before the creation of the Commission in 1975, in their prefiled testimony, contending that perhaps the wholesale rates of those customers should be established according to the terms of their contracts rather than by this Commission.

The Public Utility Commission, pursuant to the Public Utility Regulatory Act, has the duty and authority to regulate the rates, services, and operations of the public utilities under its jurisdiction. It additionally has the authority, if it is in the public interest, to change rates of service specified in contracts. Crystal City v. LaVaca Gathering Company, 535 S.W.2d 722 (Tex. Civ. App.-El Paso, 1976, n.r.e.). In the instant case, if the rates of the municipalities were allowed to stay at levels specified in their contracts, the rates charged to the Cooperatives would have to be increased significantly to compensate for the revenue shortfall. The resulting rates would be unreasonably discriminatory, and would definitely not be in the public interest.

Refund of Interim Rates

The cost of service and resultant rates recommended by the Examiner in this report are slightly lower than those currently in effect pursuant to her interim Order. It is therefore the recommendation of the Examiner that Brazos be ordered to calculate the amount billed to its customers under the interim rates in excess of the amount which would have been billed under the rates approved herein, and to refund that amount, by means of billing credits, over a period not to exceed three billing cycles.

The Examiner recommends that the Commission set rates for all the customers of Brazos Electric Power Cooperative in accordance with the recommendations set forth herein. She further recommends adoption of the following Findings of Fact, Conclusions of Law, and proposed Order.

Findings of Fact

1. On September 25, 1981, Brazos Electric Power Cooperative, Inc. filed an application seeking authority to change certain of its rates so as to generate additional revenues of between $33,703,170 and $49,762,675 annually, or a percentage increase of between 42.02 and 61.12 percent of test year operating revenue.

2. A prehearing conference was held herein on October 13, 1981, at which time the effective date of the proposed rate increase was suspended for 120 days pursuant to Section 43(d) of the Public Utility Regulatory Act.

3. The Cities of Weatherford, Bartlett, Seymour, and Granbury requested and were granted Intervenor status in this docket.

4. In an Order entered by the Examiner on October 15, 1981, it was determined that the Commission has original jurisdiction to set the rates charged by Brazos to its wholesale municipal customers, even if the delivery points for the wholesale power are located within the municipal limits of the purchasing municipality. The City of Weatherford appealed that ruling to the Commission on October 23, 1981, and the Commission entered an order upholding the Examiner's ruling on November 13, 1981.

5. The hearing on the merits of this application was convened on December 14, 1981. By agreement of all parties, Brazos was allowed to submit a late filed exhibit after the close of the hearing showing the new interest rate at which a $49 million note had been rolled over. That exhibit was filed on January 7, 1982.

6. On December 29, 1981, Brazos was granted interim rate relief at the level proposed by the Commission Staff at the hearing on the merits. Those rates became effective when San Miguel began commercial operation on January 7, 1982.

7. Brazos is an REA cooperative which generates and transmits wholesale electric power to 19 member distribution cooperatives serving 57 counties, seven municipalities, and Texas A & M University.

8. Brazos and South Texas Electric Cooperative, Inc. (STEC) are joint owners of San Miguel Electric Cooperative, Inc. which constructed and operates a 391 MW lignite-fired steam generating plant and associated mine.

9. Brazos and STEC are obligated to take power from and pay all construction and operating costs of the San Miguel plant.

10. The original cost of Brazos's plant in service is $167,335,424. Accumulated depreciation thereon is $36,000,874, resulting in a net plant in service of $131,334,550.

11. Brazos has invested capital of $214,040,623, computed as follows:

Original Cost of Plant in Service	$167,335,424
Less: Accumulated Depreciation	$ 36,000,874
Net Plant	$131,334,550
Construction Work in Progress	70,998,219
Nuclear Fuel	2,932,512
Working Cash Allowance	1,353,163
Materials and Supplies	5,916,239
Prepayments	454,940
Fuel Inventory	1,051,000
Total Invested Capital	$214,040,623

12. Brazos did not present any evidence regarding the current cost of its utility plant in service or the adjusted value of its invested capital, nor did any other party to the case.

13. The depreciation rates proposed by Brazos are reasonable.

14. A total cost of service for Brazos of $125,530,452, computed as follows, is reasonable:

Purchased Power	$70,731,878
Operation and Maintenance	40,776,011
Depreciation	4,752,789
Total Other Taxes	1,244,774
Return	8,025,000
Total Cost of Service	$125,530,452

15. A return for Brazos in the amount of $8,025,000 is fair and reasonable. That amount represents a return of 3.749 percent on the Coop's invested capital.

16. Given adjusted test year fuel revenues of $59,371,841 and other revenue of $187,409, Brazos has a base rate revenue requirement of $65,971,202 and a base rate revenue deficiency of $13,186,463.

17. Brazos's proposed cost of service study reasonably identifies the customer, demand, and energy related portions of its total cost of service. However, the Coop did not sustain its burden of proof in justifying separate customer classes for member cooperatives and municipal customers.

18. The following rates are just and reasonable and should generate sufficient revenues to cover Brazos's cost of service:

Facilities Charge: $150.00/delivery point/month
Demand Charge: $6.75/kw of billing demand*
Energy Charge: 9.7288 mills per kwh

*Minimum based on 75% of previous June-September metered maximum

19. Brazos's proposed fuel cost adjustment and power cost adjustment clauses are reasonable. They will provide the Coop with an acceptable means of recovering volitile operating costs without over-or under-recovery of those costs.

20. It is reasonable to require Brazos to file with the Commission's Engineering Division its monthly power cost adjustment for a given billing period, along with the corresponding work papers, by the fifth day of the billing period.

21. It is reasonable to require Brazos to refund revenue collected pursuant to its interim rates in excess of that which would have been collected had the rates approved herein been in effect.

Conclusions of Law

1. The Commission has jurisdiction over this matter pursuant to TEX.REV.CIV.STAT.ANN. art. 1446c, §§16, 17, 37-48 (1980).

2. The Commission has ratemaking jurisdiction in this docket over all customers of Brazos not subject to the original jurisdiction of any municipality. The rates approved by the Commission in the instant docket may only be charged to those customers not under the original jurisdiction of any municipality.

3. The depreciation rates and practices recommended by the Examiner are proper under TEX.REV.CIV.STAT.ANN. art. 1446c, §27 (1980).

4. The rates recommended by the Examiner in this docket will allow Brazos to recover its operating expenses with a reasonable return on its invested capital, pursuant to the requirements of TEX.REV.CIV.STAT.ANN. art. 1446c, §39 (1980).

5. The rates recommended by the Examiner in this docket are reasonable and nondiscriminatory and should be approved by the Commission because they comply with the ratemaking criteria set forth in TEX.REV.CIV.STAT.ANN. art. 1446c, §§37-48 (1980).

6. The Commission has jurisdiction to set the rates which will be charged by Brazos to all of its customers, including those having contracts with Brazos which purport to establish rates, consistent with the public interest.

Respectfully submitted,

Jacqueline S. Holmes
JACQUELINE S. HOLMES
HEARINGS EXAMINER

APPROVED on this 5th day of March, 1982.

Carolyn E. Shellman
CAROLYN E. SHELLMAN
DIRECTOR OF HEARINGS

ld

EXHIBIT F1

TARIFF ITEM: RATE SCHEDULE	Section No. 4
	Sheet No. 1
APPLICATION: ENTIRE SYSTEM	Effective Date
	Revision No.
	Page 1 of 3

AVAILABILITY:

To all customers.

CHARACTER OF SERVICE:

The Cooperative will supply 60 cycle alternating current at any available standard distribution voltage. Metering will be at distribution voltage or, if otherwise, will be compensated for transformer losses.

MONTHLY CHARGE:

Facilities Charge:	$150.00 per delivery point per month
Demand Charge:	$ 6.75 per kW of billing demand
Energy Charge:	9.8233 mills per kwh

BILLING DEMAND:

The billing demand is the sum of the maximum demands of all points of delivery to customer for the current month, provided that in no event shall such billing demand be less than seventy-five percent (75%) of the highest maximum demand similarly determined during the preceding months of June, July, August, and September.

MAXIMUM DEMAND:

The maximum demand of a delivery point shall be the average number of kilowatts supplied during the 15-minute period of maximum use at the delivery point during the month provided that a) if at any delivery point the power factor is determined to be less

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED
APR 19 '82 DOCKET · 4079
FILE BY

TARIFF ITEM: RATE SCHEDULE	Section No. 4
	Sheet No. 1
APPLICATION: ENTIRE SYSTEM	Effective Date
	Revision No.
	Page 2 of 3

MAXIMUM DEMAND (Continued):

than 90% lagging for a period of maximum use during the months of June, July, August, and September, the maximum demand of such point for the month of such determination and for the succeeding eleven months shall be multiplied by 0.9 and divided by the determined power factor, and b) no maximum demand of a member substation of the Brazos system shall be less than 300 kW.

BILLING ADJUSTMENTS:

The monthly charges shall be adjusted to reflect the following billing adjustments:

Fuel Cost Adjustment (FCA) - Reference Sheet No. 3

Power Cost Adjustment (PCA_D) - Demand, Reference Sheet No. 4

Power Cost Adjustment (PCA_E) - Energy, Reference Sheet No. 5

The billing adjustment will not be credited in determining the minimum monthly bill.

MINIMUM CHARGE:

The monthly charge shall be the higher of the following:

1. Facilities charge plus applicable billing demand charge;
2. Reference the Agreement for Service.

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED
APR 19 '82 DOCKET 4079
FILE ..... BY .....
TARIFF CLERK

TARIFF ITEM:	Section No. 4
RATE SCHEDULE	Sheet No. 1
APPLICATION:	Effective Date
ENTIRE SYSTEM	Revision No.
	Page 3 of 3

PAYMENT:

Bills for electric service will be rendered monthly and are due when rendered and become delinquent if not paid within 15 days from the date of the bill.

CONTRACT PERIOD:

As provided in the Agreement for Service.

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED
APR 19 '82 DOCKET - 4079
FILE ..... BY .....
TARIFF CLERK

TARIFF ITEM: RATE SCHEDULES INTERIM FIXED FUEL FACTOR	Section No. 4
	Sheet No. 3
APPLICATION: TO ALL RATE SCHEDULES	Effective Date 9-1-83
	Revision No. 1
	Page 1 of 1

INTERIM FIXED FUEL FACTOR [Filed in obedience to and subject to Substantive Rule 052.02.03.033 (b) (3)]

The fuel cost factor per kWh for the current billing month for all rate schedules is determined as follows:

$$FCA = \frac{\$.04125 \times SG \pm CF}{S}$$

Where:

SG = Estimated firm kWh sales generated by Cooperative.

S = Estimated kWh sales for current month, excluding off-system sales.

CF = Correction factor adjusrment to be applied in the current billing month to account for the difference between estimated fuel cost revenue and actual fuel cost revenue in preceding periods in accordance with Public Utility Commission of Texas Substantive Rule 052.02.03.033 (b) (3) and under such terms and conditions as the Commission may order.

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED
NOV 22 '83 DOCKET 5988
BY
TARIFF CLERK

TARIFF ITEM:	Section No. 4
RATE SCHEDULES POWER COST ADJUSTMENT	Sheet No. 4
APPLICATION:	Effective Date
TO ALL RATE SCHEDULES	Revision No.
	Page 1 of 1

DETERMINATION OF POWER COST ADJUSTMENT

The demand and energy component of the rate will be adjusted in accordance with the following:

Demand Charge Adjustment:

$$PCA_D = \frac{P_1 - P_O \pm CF_D}{BD}$$

Where:

P_1 = Estimate of current month's total demand related costs associated with purchased power.

P_O = Estimate of current month's total demand related costs associated with purchased power which are included in Brazos' base rates

BD = Estimate of Brazos' current month's total billing demand excluding off-system sales

CF_D = Correction factor to be applied to current month billing to account for differences in PCA_D costs and revenue in previous periods.

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED
APR 19 '82 DOCKET · 4079
FILE ..... BY .....
TARIFF CLERK

TARIFF ITEM:	Section No. 4
RATE SCHEDULES POWER COST ADJUSTMENT	Sheet No. 5
APPLICATION:	Effective Date
TO ALL RATE SCHEDULES	Revision No.
	Page 1 of 1

DETERMINATION OF POWER COST ADJUSTMENT

Energy Charge Adjustment:

$$PCA_E = \frac{E_1 - E_O \pm CF_E}{S}$$

Where:

E_1 = Estimate of current month's total energy related costs associated with purchased power

E_O = Estimate of current month's energy related costs associated with purchased power which are included in Brazos' base rates

S = Estimate of current month total energy sales excluding off-system sales

CF_E = Correction factor to be applied to the current month billing to account for difference in PCA_E costs and revenue in previous periods.

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED
APR 19 '82 DOCKET 4079
FILE ..... BY .....
TARIFF CLERK

EXHIBIT H1

Board folder
RC - JD.

Coleman County
ELECTRIC COOPERATIVE, INC.
P. O. BOX 760 • COLEMAN, TEXAS 76834

March 20, 1986

Mr. William G. Parker
President
Brazos Electric Power Cooperative, Inc.
P. O. Box 729
Comanche, Texas 76442

Mr. Richard E. McCaskill
Executive Vice-President and General Manager
Brazos Electric Power Cooperative, Inc.
P. O. Box 6296
Waco, Texas 76706-6296

Gentlemen,

For the past six months Coleman County Electric Cooperative, Inc. Board and Management has been re-evaluating the Cooperative's application for membership in the Brazos Electric Power Cooperative, Inc.

Since our original request for membership was made, and a change over date agreed upon, other circumstances arose that made us take another look at a proposed change in power suppliers. The Comanche Peak Project, and the present power costs were the primary factors in our decisions.

Economic conditions in our service area are severely strained because we are so heavily dependent on farming, ranching and oil. Therefore our members would be very adversely affected by any increased pass through in power cost at this time.

Because of the circumstances surrounding this major move by our Cooperative, and our Board's responsibility to our members, based on the best possible information available to them, the Board of Directors of Coleman County Electric Cooperative, Inc. passed the following resolution:

> Resolved, that whereas studies have been implemented by, and between Brazos Electric Cooperative, Inc., Coleman County Electric Cooperative, Inc., and other distribution Cooperatives, to determine the possibility of Coleman County Electric Cooperative becoming a member of the Brazos System on January 1, 1986.
>
> And Whereas, the original information and studies indicated that mutual benefit to both Cooperatives could be realized by making the transfer on January 1, 1986.
>
> And Whereas, current information received from Brazos indicates that the optimum membership date of January 1, 1986 is extended to some date in the future.
>
> **Now Therefore Be It Resolved, that Coleman County Electric Cooperative, Inc.**

RECEIVED MAR 24 1986

withdraw it's application for membership in Brazos at this time, and that Brazos reassign Coleman County Electric Cooperative's Wholesale Power Contract back to West Texas Utilities Company before April 1, 1986.

Please accept this letter as our notice to withdraw our application to become a member of Brazos at this time. We also request that you reassign our Wholesale Power Contract back to W.T.U. before April 1, 1986.

Coleman County Electric Cooperative, Inc. and Brazos Electric Cooperative, Inc. have expended much time and money studying this over the past two years, and we feel our association with Brazos has been strengthened by it. We would like to continue to work together as all Cooperatives should. We are all working toward the same destination, even though we may all travel a different route at times.

Thanks again. Maybe at some future date something acceptable to all might be worked out.

Sincerely,

James C Barr

JAMES C. BARR
General Manager

JCB/rb

EXHIBIT H2

XB Board Folder
JD

CONCHO VALLEY ELECTRIC COOPERATIVE, INC.

Area Code (915) 655-6957

2530 Pulliam St.
P. O. Box 30130
San Angelo, Texas 76903

February 21, 1986

Mr. Richard McCaskill
Brazos Electric Power Cooperative, Inc.
P. O. Box 6296
Waco, Texas 76706-0296

Dear Richard:

Thank you for meeting with our group on the 13th of January.

We have seen a number of changes during the last two years of planning between our organizations. Most of which neither of us had very little control over. However, we feel the original mutual agreement on the objective that CVEC's membership in Brazos should be timed to be of advantage to both our organizations remains unchanged and is paramount.

Based on the data analysis for our system, we have concluded the following:

Total Actual Cost for 1983, 1984 and 1985

A. Brazos would have billed CVEC $1,567,568 more than paid to WTU for CVEC power cost.

B. Brazos cost for depreciation, interest, taxes and O & M on CVEC substations and Transmission plant transfer to Brazos would have cost Brazos $374,841.

C. The three year period would have benefited Brazos members by $1,192,727 at the expense of the CVEC membership.

Projection Total for 1986, 1987 and 1988

A. Brazos is projected to bill CVEC $1,814,766 more than would be paid to WTU for CVEC power cost.

B. Brazos cost for depreciation, interest, taxes and O & M on CVEC substations and transmission and on 1986, 1987 and 1988 new plant transferred to Brazos would cost Brazos $906,235.

C. The next three year period would benefit Brazos members by $908,531 at the expense of the CVEC membership.

The above cost was based on Brazos furnished projections of power cost which were adjusted for CVEC's load factor. Estimates for the increased cost impact on Brazos members, if Comanche Peak did not become operational, were not projected.

The unknown outcome of the Comanche Peak project and the news media coverage and related member relations problems are also of much concern.

It is evident, that the original membership date of January 1, 1986 or the April 1, 1986 date, is not of benefit to our organization at this point in time. In fact, the date now is 1989 or 1990 based on the information Brazos has furnished our group.

Based on this information, our board has adopted the following resolution:

> NOW BE IT RESOLVED, that based on the current information available, presented by Brazos Electric Power Cooperative, Inc. to the Concho Valley Electric Cooperative, Inc. Board of Directors, it is not in the best interest of Concho Valley Electric Cooperative's, Inc. membership to become a member of the Brazos Electric Power Cooperative, Inc. at this time.

We understand that you and the Brazos Board of Directors must do what you feel is in the best interest of the entire Brazos membership and hope you understand that we must do the same for the CVEC membership.

Both our organizations have expended much time and effort to arrive at this point. We do not feel our efforts have been in vain and look forward to continued communications with Brazos and to a time when Brazos Membership would be of benefit to both CVEC and Brazos members.

Thank you again for your time and efforts.

Sincerely,

ALTON E. ROLLANS
General Manager

AER/val

EXHIBIT H3

D' Board Folder
TC J.D

SOUTHWEST TEXAS ELECTRIC COOPERATIVE. INC.
P.O. DRAWER 677
ELDORADO, TEXAS 76936

March 13, 1986

Mr. William G. Parker
President
Brazos Electric Power
Cooperative, Inc.
P. O. Box 729
Comanche, TX 76442

Mr. Richard E. McCaskill
Executive Vice-President
and General Manager
Brazos Electric Power
Cooperative, Inc.
P. O. Box 729
Comanche, TX 76442

Gentlemen:

Over the past several months, our Cooperatives have engaged in studies and discussions to determine the feasibility of SOUTHWEST TEXAS ELECTRIC COOPERATIVE becoming a member of the Brazos system. In addition, efforts were made to determine the optimum time for such membership to occur. Subsequently, the date of January 1, 1986 was chosen as the date when both Cooperatives would receive approximately equal benefits from the new membership. However, after application for membership was made by SOUTHWEST TEXAS ELECTRIC COOPERATIVE, INC. and after the optimum membership date was selected, new information concerning the Comanche Peak Project as well as Brazos power costs effectively moved the optimum date to some date in the future which is yet to be determined.

Because of the responsibility each Cooperative's Board and management staff owes its members, it was necessary for the SOUTHWEST TEXAS Board of Directors and management to re-evaluate the application for membership in light of the new information provided by Brazos. Therefore, at the regular Board of Directors meeting held on March 11, 1986, the Board of Directors unanimously passed the following Resolution:

RESOLVED, that whereas studies have been implemented by and between Brazos Electric Power Cooperative, Inc. (Brazos), Southwest Texas Electric Cooperative, Inc. (Southwest) and other distribution cooperatives to determine the optimum time for various cooperatives to become members of Brazos.

THAT WHEREAS, the original studies indicated the optimum membership date was January 1, 1986, however, current information furnished by Brazos indicates that such optimum time is extended to some date in the future.

NOW, THEREFORE, be it RESOLVED, that Southwest Texas Electric Cooperative, Inc. withdraw it's Application for Membership in Brazos at this time and that the West Texas Utilities-Southwest Texas Electric Cooperative Wholesale Power Contract be reassigned to Southwest Texas Electric Cooperative.

Please accept this letter as notice of the withdrawal of our application to become a member of Brazos at this time. Further, we ask that the Wholesale Power Contract with West Texas Utilities be reassigned immediately.

We are terribly disappointed that events turned out as they did. However, it is our firm conviction that electric cooperatives must continue to work together and assist one another whenever they can. We look forward to continuing our relationship together in the future.

Sincerely,

A. T. Turner

A. T. TURNER
General Manager

ATT/vcg

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Response and Enclosed Exhibits of Applicant Brazos Electric Power Cooperative, Inc. to Data Requested in Nuclear Regulatory Commission Regulatory Guide 9.3 were served this 2nd day of September, 1986, upon the following counsel for Applicants:

Robert A. Wooldridge, Esq.
Worsham, Forsythe, Sampels
& Wooldridge
2001 Bryan Tower
Suite 2500
Dallas, TX 75201

William H. Burchette, Esq.
Mark D. Nozette, Esq.
Heron, Burchette, Ruckert
& Rothwell
Suite 700
1025 Thomas Jefferson Street, N.W.
Washington, D.C. 20007

Mr. W.G. Council
Executive Vice President
Texas Utilities Generating Company
400 North Olive Street, L.B. 81
Dallas, TX 75201

Blake Tartt, Esq.
Fulbright & Jaworski
Suite 400
1150 Connecticut Avenue, N.W.
Washington, D.C. 20036

Donald Weightman

Law Offices of:
Spiegel & McDiarmid
1350 New York Avenue, N.W.
Suite 1100
Washington, D.C. 20005-4798