

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of:)
COMMONWEALTH EDISON COMPANY) Docket Nos. 50-456
(Braidwood Nuclear Station,) 50-457
Units 1 and 2))

AFFIDAVIT OF DOUGLASS W. CASSEL, JR.

I, Douglass W. Cassel, Jr., being first duly sworn, hereby depose and say as follows:

1. I am one of the attorneys for Intervenors Rorem, et al., in the above-entitled proceeding.

2. I have also represented my employer, Business and Professional People for the Public Interest, in extensive negotiations with Commonwealth Edison and litigation before the Illinois Commerce Commission, from mid-December 1986 to date, concerning Edison's proposal to restructure the ownership of its Byron 2 and Braidwood nuclear units.

3. I drafted both the motion and the contention with which this affidavit is submitted. All facts asserted therein are true and correct to the best of my knowledge and belief. Said facts consist primarily of the terms of Edison's proposal, which is also filed herewith in its entirety, and of certain interpretations of that proposal and of the Illinois Public Utilities Act. Intervenors will be prepared to submit the testimony of Stephen Moore, Public Counsel of Illinois, in support of these interpretations, at any hearing on this

contention.

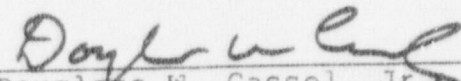
4. For the reasons stated therein, the NRC rule barring consideration of the financial qualifications of electric utilities, set forth in 10 CFR 50.33(f), 50.409(b) and 50.57(a)(4), should not be applied in this case, even if it literally applied, because under the terms of Edison's proposal no regulatory entity would any longer undertake to assure recovery of the cost of Braidwood (or of Byron 2). Moreover, under reasonable projections of the market for Braidwood power, there is no reasonable assurance that the market price for Braidwood power would be sufficient for cost recovery. At the hearing on this contention, Intervenors will be prepared to submit the testimony of Charles Komanoff on reasonable ranges of projections of the future economics of Braidwood, and of James Rothschild on the financial implications of those projections for Edison's proposed subsidiary. Both Mr. Komanoff and Mr. Rothschild are accomplished experts in their respective fields; their qualifications are being filed with this affidavit as Attachments to Intervenors' Motion.

5. For purposes of reopening the record, Intervenors' Motion is timely because it is predicated on Edison's application for an amendment to its Braidwood operating license, which was not filed by Edison until May 28, 1987, and not received by Intervenors until on or about June 8, 1987. Since June 8, Intervenors have diligently pursued numerous matters relating to Edison's proposal before both the NRC (see, e.g., Attachments G and H to Intervenors' Motion) and the Illinois Commerce Commission, where Edison's proposal is now pending approval, and

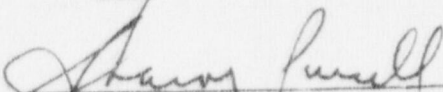
where various proposed amendments that would affect the financial qualifications of Edison and the subsidiary are under consideration.

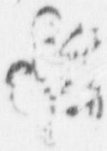
6. The financial qualifications of the proposed co-licensees address a significant safety issue, for the reasons stated by Commissioner Asselstine and by the full Commission, in describing the original intent of the Atomic Energy Commission. (See Attachment C filed herewith, pp. 6-8.) The full Commission expressly did not find that there is no link between financial qualifications and safety; rather it found that regulation of public utilities normally seeks adequately to assure recovery of costs. (Id.)

7. A materially different result would be likely had Edison's new proposal for ownership and financing of Braidwood existed and been considered prior to the close of the record in this docket. Unless Edison can demonstrate that the proposed co-licensees possess the financial qualifications necessary to operate Braidwood safely and lawfully under the proposed new arrangement, the operating license should be denied. Alternatively, the Commission should consider imposing material conditions on any license approval, such as requiring Edison to obtain additional financial guarantees for the proposed subsidiary.


Douglass W. Cassel, Jr.

Subscribed and sworn to before me this 1st day of July, 1987:


Notary Public

**BPI****Business and Professional People for the Public Interest**

109 North Dearborn Street, Suite 1300 • Chicago, Illinois 60602 • Telephone (312) 641-5570

BY FEDERAL EXPRESS

April 29, 1987

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Byron Station Unit 2
Application by
Commonwealth Edison
Company for Amendment to
Facility Operating License
NPF-6 and Appendix A,
Technical Specifications
NRC Docket No. 50-455

Dear Mr. Murley:

Business and Professional People for the Public Interest (BPI) and the Sinnissippi Alliance for the Environment (SAFE), by their undersigned attorney, urge the NRC not to approve Commonwealth Edison Company's request for an amendment of the operating license for Byron 2, and not to determine that no significant hazard exists, without first holding adjudicatory hearings on the serious financial qualifications issues raised by Edison's proposed restructuring of the ownership of Byron 2.

In addition, BPI and SAFE believe that serious antitrust issues are raised by Edison's proposal, as more fully set forth below.

SAFE has long been one of the intervenors in the operating license hearings on Byron. Among other issues, SAFE long ago raised questions concerning Edison's financial qualifications (FQ) to operate Byron. However, SAFE's FQ contention was dismissed after the NRC amended its rules to preclude case-by-case FQ review for regulated utilities.

Directors	James M. Aker	Donald R. Gann	Peter Hunt	Thomas L. Nicholson	Staff	Holly Gauthier
Alan Saks	Lucy B. Ascoli	Holly Davis	Jack A. Jaffe	Alexander Polakoff	Alexander Polakoff	Director of Development
President	James W. Ashley	Susan E. Davis	Joseph Kellman	Mary A. Rogner, M.D.	Executive Director	Marissa A. Manos
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E. Hoy McConnell II	Ronald C. Baker	Luis L. Diaz Perez, M.D.	Samuel T. Lawton, Jr.	Ann C. Rutzke	General Counsel	Bob Gomez
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Dann DeWeese Smith	Juan L. Berman	Steve Fitter	Paul A. Levy	Bill Singer	Mary Galloway James	Past Presidents
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BPI is a non-profit law center. Its attorneys represent SAFE and other intervenors in the Byron operating license proceeding. In addition, BPI was one of the consumer groups participating in extensive, unsuccessful negotiations with Edison over the company's proposal to restructure the ownership of Byron 2 and Braidwood 1 and 2. BPI is an intervenor in the current proceedings before the Illinois Commerce Commission in which Edison seeks state regulatory approval of the proposal.

1. THE EDISON PROPOSAL.

Edison proposes to alter the ownership and financing arrangements for Byron 2 and the 2 Braidwood units in a manner that will significantly affect the financial qualifications of the proposed co-licensees (Edison and its subsidiary, the Central Illinois Electric Generating Company), as well as raising new antitrust concerns.

In summary, Edison will transfer ownership to the subsidiary, whose sole assets will consist of these three units. (Memorandum of Understanding ("MU"), ¶1.) During the first five years, Edison will buy energy produced by the three units at fuel cost. (Id., ¶5.) The subsidiary's only other income, except for bonus payments in the event the three units' output exceed projections (id.), will be monthly capacity payments of \$55 million. Id. Edison officials have repeatedly explained that these capacity payments are projected to be enough only to cover the subsidiary's depreciation costs, projected O&M costs, and return on debt (but not on equity). (E.g., Deposition of Edison Vice President George Rifakes in Illinois Commerce Commission Docket 87-0043, April 28, 1987. Transcript not yet available.)

Thus, if O&M costs of the units exceed projections, or if substantial backfit costs are required, the subsidiary may well lack sufficient funds to cover these costs. Indeed, the proposed Financing Agreement ("FA") expressly recognizes that in order to meet its obligations, the subsidiary "may be required to make expenditures in excess of the revenues received by it from sales of power." (FA, Art.I(b).)

During this five-year period, Edison itself commits to make all necessary O&M and backfit expenditures for the three units. (MU, ¶1; Construction and Operating Agreement, ¶4.) However, Edison's ability to carry out this commitment is significantly constrained. Edison is to be reimbursed by the subsidiary for all such expenses. (Id., ¶¶3,5,7.) In the event the subsidiary lacks sufficient funds, Edison cannot simply "give" the subsidiary funds, because the agreement expressly prohibits Edison from providing any subsidy to the subsidiary. (MU ¶1.)

The only other planned alternative source of funds for the subsidiary would be loans, capital advances or capital contributions by Edison. (FA, Art. II, III.) However, these too may well not be available. The agreement recognizes that the affiliated interest provisions of the Illinois Public Utilities Act will govern relationships between Edison and the subsidiary. (MU, ¶1.) Under those provisions, the Illinois Commerce Commission would be precluded from approving such loans, advances or contributions, unless the subsidiary has a sufficient assurance of being able to repay the loan or pay a return on the contribution. (See Ill. Rev. Stat. 111-2/3, §§7-101, 102.) Given the subsidiary's limited assets and limited income, if the expenses required to meet NRC standards for O&M or retrofits substantially exceed projections, it is unlikely that the Illinois Commerce Commission would allow Edison to pour money into a failing subsidiary.

Finally, even if Edison were to be permitted to provide funds to the subsidiary, Edison itself would have mixed incentives at best. Because of the five-year rate freeze, Edison would be unable to recover any extra costs from ratepayers. (MU, ¶¶2-4.)

The foregoing difficulties undermine the financial qualifications of the subsidiary, and of Edison with respect to Byron 2, during the first five years. After the first five years, the FQ picture is even worse.

The proposal contemplates that the Illinois Commerce Commission will select one of three options to govern the period from year six through the end of the NRC operating license for Byron 2. (MU, ¶5.)

Under the first option, all three units are in the marketplace. (MU, ¶5a.) If the market for nuclear power is strong, the subsidiary may do well. But if the market is weak, the subsidiary has neither any assured demand for its power, nor any assured floor under the price at which its power may be sold. (FERC may or may not regulate the price the subsidiary may charge, but FERC can offer no assurance that any customers will be willing to buy the power at all, let alone at the offering price.)

Indeed, Edison admits as much. In its Antitrust Review, Attachment 2 to its letter of April 16, 1987 to Mr. Murley, Edison notes, "The Subsidiary, unlike Edison, has no service territory and thus, has no assured market for power. This means that the Subsidiary may be unable to sell the power at prices equivalent to those permitted by regulation. In that circumstance, the power will be sold at rates determined by competitive market forces."

Moreover, under this option, the subsidiary is no longer entitled to receive capacity payments from Edison. (Power Supply Agreement, ¶4.1.) Its only income is from whatever payments it negotiates for the power it sells; if Byron 2 were to be shut down, one third of the subsidiary's income-earning potential would be unavailable.

Meanwhile, under this option, Edison continues after year 5 to be constrained with respect to Byron 2 by the Illinois Public Utilities Act (MU, ¶1), and by the prohibition in the Memorandum of Understanding on the subsidiary. Id.

The second option does contemplate a life-of-plant power purchase contract for Byron 2 (though not necessarily for either of the Braidwood units). (MU, ¶5b.) However, if the midwest market for nuclear power continues to be a buyer's rather than a seller's market, the Illinois Commerce Commission is unlikely to select this option.

The third option is merely an extension for three more years of the financial relationships between Edison and the subsidiary prevailing in the first five years. After the three year extension, the Illinois Commerce Commission would still be left to decide between the first two options. (MU, ¶5c.)

II. FINANCIAL QUALIFICATIONS.

BPI and SAFE suggest that if the proposed restructuring is accomplished, neither Edison nor its proposed subsidiary will be an "electric utility" as defined in 10 CFR 50.2(x). Neither Edison nor the subsidiary, therefore, will be exempt from FQ review, under 10 CFR 50.33(f), 50.40(b) and 50.57(a)(4).

In the alternative, in the event the foregoing suggestion is rejected, BPI and SAFE urge the NRC to find that even if the FQ exemption rule technically applies, Edison's new proposal creates an exceptional case in which "case-by-case litigation of the financial qualification of such applicants is warranted." 49 Fed.Reg. 35747 at 35750.

Under either alternative, the seriousness of the FQ proposal warrants an adjudication hearing on its requested amendment prior to any finding of no significant hazard. 10 CFR 50.91, 50.92. Under the second alternative, an exception to the FQ exemption rule should be made for the hearing, pursuant to 10 CFR 2.758 on the ground that Edison's new proposal, and the financial relationships and conditions it would create, constitute "special circumstances." See 49 Fed.Reg. at 35751.

A. Neither Edison Nor The Subsidiary Is An "Electric Utility."

For purposes of the exemption from FQ review, an "electric utility" is one which generates or distributes electricity and "which recovers the cost of this electricity, either directly or indirectly, through rates established by the entity itself or by a separate regulatory authority." 10 CFR 50.2(x). This definition must be applied, over the 40-year period of the operating license, since applicants must show their financial qualifications "for the period of the license." 10 CFR 50.33(f)(2).

Neither Edison nor the subsidiary meets this cost-recovery test with respect to Byron Unit 2. Neither purports to set rates itself. Each relies instead on an alleged "separate regulatory authority" to set rates sufficient to recover its Byron 2 costs. In fact, as shown below, no such regulatory authority exists for either entity.

In the case of Edison itself, under the proposal the company, until now a regulated utility, would become the parent company of two major components. One would continue as a regulated utility under the jurisdiction of the Illinois Commerce Commission; it would include all Edison's generating stations other than Byron 2 and Braidwood 1 and 2.

The other component, the subsidiary owning Byron 2 and Braidwood 1 and 2, would not be under the rate-setting jurisdiction of the Illinois Commerce Commission. (MU, ¶1.) While the Edison proposal contemplates that FERC would regulate the subsidiary's rates (although, it should be noted, Edison has yet to file its proposal in any manner with FERC), any such FERC regulation would not assure cost recovery by the subsidiary. Under the Memorandum of Understanding (¶6(c); see also Power Supply Agreement, ¶4.3) FERC would be asked not to upset the terms of the agreement which, as discussed at length in Part I above, expressly contemplate less than full cost recovery. Thus, FERC would not qualify as a "separate regulatory authority" under 10 CFR 50.2(x), and the subsidiary would not qualify as an "electric utility" as defined therein.

By the same token, since Edison itself would no longer have assured cost recovery from its ratepayers of costs associated with Byron 2, which would be owned by the subsidiary, Edison would not be an "electric utility" under 10 CFR 50.2(x) with respect to Byron 2. Stated otherwise, Edison would become a two-part company. One part would continue to be an "electric utility," while the other would not, and Byron 2 would be in the part that would not continue to be an "electric utility".

- CH
- B. Even If Edison Or The Subsidiary Were Deemed To Be An "Electric Utility," An Exception To The FQ Exemption Should Be Made, Due To Special Circumstances.

The rule exempting regulated electric utilities from case-by-case FQ review rests "on the generic conclusion that the rate process assures for regulated electric utilities (or those utilities able to set their own rates) the funds needed for safe operation of a nuclear power facility." 49 Fed.Reg. at 35755 (Chairman Palladino); see id. at 35748, 35749-50.

As shown in Part I above, neither the Illinois Commerce Commission nor the FERC "rate process" will, under Edison's proposal, any longer assure that all funds needed for operation of Byron 2 will be available.

This case is thus one of those "special circumstances" in which an exception to the FQ rule, pursuant to 10 CFR 2.785, was expressly contemplated:

For example, such an exception to permit financial qualification review for an operating license applicant might be appropriate where a threshold showing is made that, in a particular case, the "local public utility commission will not allow the total cost of operating the facility to be recovered through rates.

49 Fed.Reg. at 35751.

Accordingly, even if it were deemed that Edison or the subsidiary qualifies as an "electric utility" under 10 CFR 50.2(x), an exception to the rule against FQ review should be made in this case.

- C. A Finding Of No Significant Hazard Should Not Be Made, And Certainly Not Prior To Hearing, In The Face Of Serious FQ Questions.

Under 10 CFR 50.92, a finding of no significant hazard is warranted only when operation of the facility in accordance with the proposed amendment "would not: (1) Involve a significant increase in the probability . . . of an accident previously evaluated; . . ."

Serious FQ issues, such as those raised by Edison's proposal, do involve a significant increase in accident probability. As Commissioner Asselstine noted when the new FQ rule was promulgated:

Unfortunately, financial considerations can and do lead to safety weaknesses in some instances. There have been instances, some recently, in which regulated utility licensees with operating power reactors have emphasized maximizing electricity generation over safety, In many instances, financial considerations appear to be a significant contributor to these Utility decisions. Some of these safety weaknesses have been of continuing duration, and not all have been detected or corrected by our inspection and enforcement program. These examples would appear to indicate clearly that financial considerations can and do affect safety in some instances.

49 Fed.Reg. at 35754.

The other Commissioners, while noting some support for a contrary view, made no contrary finding on the link between financial considerations and safety; rather they found financial qualifications sufficiently shown where regulatory assurance of cost recovery exists. Id. at 35751, 35755 (Palladino). In fact, the full Commission noted a persuasive rationale supporting a link between financial difficulties and safety hazards:

A financial disability is not a safety hazard per se because the licensee can, and under the Commission's regulations would be obliged to, simply cease operations if necessary funds to operate safely were not available. At most, the Atomic Energy Commission, in drafting the rule, must have intuitively concluded that a licensee in financially straitened circumstances would be under more pressure to commit safety violations or take safety "shortcuts" than one in good financial shape. Accordingly, the drafters of the rule sought to achieve some level of assurance, prior to licensing, that licensees would not be forced by financial circumstances to choose between shutting down or taking shortcuts while the license was in effect.

Id. at 35749.

Yet that is precisely the choice that may confront Edison's subsidiary in the event of financial difficulties: the choice between shutting down or taking shortcuts. For an entity like the subsidiary, which has no generating stations other than Byron 2 and Braidwood, and which could find itself insolvent if one or more of its three units is shut down for an extended period, that choice will be unusually difficult. Even for Edison, the prospect of insolvency of a subsidiary owning a major portion of the Company's entire assets would not be viewed lightly. And if the shut-down option is viewed as unaffordable,

There will be higher than normal pressure to opt in favor of taking shortcuts.

For the foregoing reasons, a finding of no significant hazard, prior to an adjudication hearing on Edison's and its subsidiary's financial qualifications, would be inappropriate and should not be made.

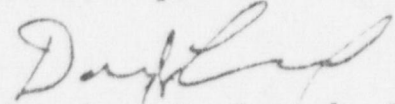
III. ANTITRUST REVIEW

BPI and SAFE are advised that the City of Chicago expects to file a separate letter concerning the serious antitrust questions raised by Edison's proposal, but glossed over in Attachment 2 to Edison's letter of April 16, 1987 to Mr. Murley.

Since some of BPI's member business executives could potentially purchase lower cost power from Edison's competitors, they stand to be injured by contractual provisions which have the effect of increasing the price at which the subsidiary would sell power to utilities other than Edison, or which have the effect of diminishing competition between Edison and other utilities. The same is true for those of BPI's members who are residents of the City of Chicago, which is presently studying various options for producing or purchasing power from sources other than Edison.

Thank you for your timely consideration of the foregoing comments.

Sincerely,



Douglass W. Cassel, Jr.
One of the Attorneys for
BPI and SAFE

cc: Leonard N. Olshan
U.S. Nuclear Regulatory Commission
7920 Norfolk Avenue
Bethesda, MD. 20814

DWC/sp



Commonwealth Edison
One First National Plaza, Chicago, Illinois
Address Reply to: Post Office Box 767
Chicago, Illinois 60690 - 0767

RECEIVED JUN 01 1987

May 28, 1987

Mr. Thomas E. Murley, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Subject: Braidwood Station Units 1 and 2
Application for Amendment to
Facility Operating License NPF-70 and
Appendix A, Technical Specifications
NRC Docket No. 50-456 and 50-457

Dear Mr. Murley:

Commonwealth Edison Company will establish a wholly-owned subsidiary corporation, the Central Illinois Electric Generating Company ("Subsidiary"), to facilitate an agreement, dated February 3, 1987, among Commonwealth Edison Company, the Governor, the Attorney General of the State of Illinois, the States Attorney of Cook County, Illinois, several other representatives of state agencies and certain industrial customers of Commonwealth Edison Company (the "Agreement"). The Agreement is attached as Exhibit A. The Agreement, which is pending before the Illinois Commerce Commission for approval, concerns a number of contested proceedings before the Illinois Commerce Commission and the courts involving the continued construction of Braidwood Station Units 1 and 2, as well as establishing the rates which Commonwealth Edison Company will be allowed to charge in recognition of the operation of Byron Station Unit 2 and Braidwood Station Units 1 and 2.

Specifically, the Agreement contemplates the conveyance of title to Byron Station Unit 2 and Braidwood Station Units 1 and 2 from Commonwealth Edison Company to the Subsidiary in accordance with the Facilities Transfer Agreement which is attached as Exhibit B. Commonwealth Edison Company will have the right to purchase all electricity produced by the units for at least a 5-year period under a Power Supply Agreement which is attached as Exhibit C. The Subsidiary's rates will be regulated by the Federal Energy Regulatory Commission. The Agreement also provides for a rate increase of approximately 9.6% (net of fuel savings) to Commonwealth Edison Company's retail customers with a five year moratorium on rate increases thereafter. The retail customer rates would continue to be regulated by the Illinois Commerce Commission thereafter. Finally, the Agreement provides several options that are available to address the rate treatment of the units owned by the Subsidiary after the fifth year. Those options are to be exercised at the direction of the Illinois Commerce Commission.

Although the Subsidiary will become the titleholder of Braidwood Station Units 1 and 2 ("the Facility") under the Agreement, it is not contemplated that the Subsidiary would itself operate the Facility. Commonwealth Edison Company, under an agreement with the Subsidiary, would continue to operate the Facility and be financially responsible for the operations of the Facility as that term is used in the regulations of the Nuclear Regulatory Commission (the "NRC"). The Construction and Operating Agreement and the Financing Agreement between Edison and the Subsidiary are attached as Exhibits D and E respectively.

Based on the foregoing, we believe the operating license, including the technical specifications, should be amended to recognize the Subsidiary's status as titleholder of the Facility. Accordingly, pursuant to 10 CFR Sections 50.59 and 50.90, Commonwealth Edison Company requests that NRC amend the operating license to add the Subsidiary as a co-licensee with Commonwealth Edison Company as shown on the marked-up operating license and technical specifications in Exhibit F.

Attachment 1 of this letter contains additional general information in support of the application for license amendment. Included is a description of the organization and management of the Subsidiary, the Facility being conveyed to the Subsidiary, and information concerning technical and financial qualifications.

Attachment 2 addresses antitrust review. The information presented in this attachment demonstrates that neither the Agreement which occasions this amendment application nor its implementation constitute changed circumstances which raise any significant issues under the antitrust laws or which require a further antitrust review.

This proposed amendment has been reviewed and approved by both On-Site and Off-Site review in accordance with Commonwealth Edison Company procedures. We have reviewed this proposed amendment in accordance with 10 CFR 50.92(c) and determined that no significant hazards consideration exists. Our analysis is documented in Attachment 3.

The conveyance of the Facility to the Subsidiary requires the approvals of regulatory authorities in addition to the NRC, including the Illinois Commerce Commission and the Federal Energy Regulatory Commission. Until all necessary approvals have been obtained, the Agreement described above cannot be implemented. It is intended that such approvals will be sought and obtained by July 1, 1987. Therefore, it is requested that the NRC approve the proposed operating license amendment but delay its effectiveness until 12:01 a.m., July 1, 1987. Should it subsequently appear that other regulatory approval cannot be obtained prior to that time, Commonwealth Edison Company will promptly notify the NRC.

Commonwealth Edison Company is notifying the State of Illinois of this application for amendment by transmitting a copy of this letter and its attachments to the designated State Official.

Mr. T.E. Murley

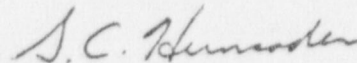
- 3 -

May 28, 1987

In accordance with 10 CFR 170, a fee remittance in the amount of \$150.00 is enclosed.

Please direct any questions regarding this matter to this office.

Very truly yours,



S. C. Hunsader
Nuclear Licensing Administrator

CS

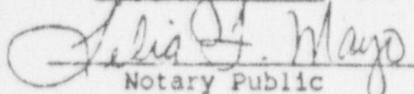
Exhibits: A through G

Attachments (1): General Background Information
(2): Antitrust Review
(3): Analysis of No Significant Hazards Consideration

Enclosure: Fee Remittance

cc: Byron Resident Inspector
NRC Region III Office
J. A. Stevens - NRR
M. C. Parker - IDNS

SUBSCRIBED AND SWORN to
before me this 28th day
of May 1987



Felicia J. Mayo
Notary Public

3107K

MEMORANDUM
OF
UNDERSTANDING

Exhibit A

February 3, 1987

MEMORANDUM OF UNDERSTANDING

WHEREAS: The completion of the nuclear power plants now under construction in Northern Illinois and the potential impact which either completion or cancellation of these plants could have on electric rates, electric service and the economy of the State are matters of great concern to the people of this State; and

WHEREAS: approximately 7.1 billion dollars will be invested in these power plants; and

WHEREAS: protracted and costly litigation concerning the completion of these power plants is continuing and further costly litigation concerning the level of electric rates will occur unless resolved by agreement among responsible public officials, electricity consumers and Commonwealth Edison Company ("Edison"); and

WHEREAS: the signatories to this Memorandum all agree that it is in their mutual interest to resolve the continued uncertainty with respect to completion of these power plants, the level of electric rates and the adequacy of electric service and to resolve those uncertainties without resorting to still further litigation which all agree would only serve to increase the costs to all concerned.

NOW THEREFORE, in consideration of the promises and covenants set forth in this Memorandum, the parties agree to a settlement upon the principles and understandings set forth below:

RESTRUCTURING THE OWNERSHIP
OF THREE NUCLEAR GENERATING FACILITIES

1. Edison will transfer its nuclear generating facilities known as Byron Unit II and Braidwood Units I and II (the "Units") to a wholly-owned subsidiary (the "Subsidiary"). Neither Edison nor the Subsidiary will take any action with respect to ownership (legal or equitable) of the Units that would prevent the Subsidiary from performing its obligations under the Power Supply Agreement provided for herein. Edison will complete and operate the Units transferred to the Subsidiary. For operating purposes, Edison will treat the Units on the same basis as its own units and will be responsible for insuring that they are operated and maintained safely and in accordance with all requirements of the Nuclear Regulatory Commission ("NRC"). In all aspects of operating the Units Edison will allocate costs and resources on a basis consistent with its general utility operations so as to insure that no subsidy flows from or to the Subsidiary. For purposes of treating deferred taxes related to the Units, Edison agrees that during the Initial Rate Period (as defined in Paragraph 3 herein) the Units shall be treated in the same manner as the nuclear units owned by Edison; and that deferred taxes shall not be flowed back to income disproportionately during the Initial Rate Period. For

rate-making purposes, book depreciation during the Initial Rate Period shall be accrued on a straight-line basis. Such depreciation shall commence (and capitalization of carrying charges shall cease) for Byron II and Braidwood I no later than July 1, 1987, and for Braidwood II no later than October 1, 1988. Edison further agrees that it will not cause the Subsidiary to replace Edison as the primary obligor of any outstanding security of Edison existing at the time this Memorandum is executed. The Subsidiary will not be subject to regulation by the Illinois Commerce Commission ("ICC" or "Commission"), except as provided in the affiliated interest provisions of the Illinois Public Utilities Act, and will not be subject to the audit provisions of the Illinois Public Utilities Act. The Subsidiary's rates will be subject to regulation by the Federal Energy Regulatory Commission ("FERC"), and, subject to the parties' commitments in Paragraph 7 hereof, Edison will not oppose the participation by any party to this Memorandum in any proceeding before the FERC, including a proceeding to approve the rates to be charged by the Subsidiary. In connection with the transfer to the Subsidiary, Edison will write off not less than \$550 million of its investment in the Units. Edison will file appropriate pleadings with the ICC to implement the provisions of this Memorandum. Parties to this Memorandum shall have the right to participate in any hearing called by the ICC relative to said petition.

Edison represents that it does not plan to retire any of its generating units in any different sequence or sooner than that on file with the ICC in Docket No. 86-0249 and Edison acknowledges

that retirement of its generating units requires the approval of the ICC under the Public Utilities Act. Furthermore, Edison represents that it intends to operate its generating units in accordance with the principles of economic dispatch (subject to changes imposed by governmental authority) and that its Illinois coal-burning units are, and Edison believes that at least for the duration of the Initial Rate Period, are expected to be, its lowest cost coal-burning units.

Edison agrees that it will not defer its operating and maintenance expenses and capital additions costs during the Rate Moratorium Period for the purpose of increasing its costs for test year purposes in any rate proceeding after the Rate Moratorium Period. To enable any party to verify that Edison has conducted its operating and maintenance and capital additions programs in accordance with this commitment, Edison shall file annually during the Initial Rate Period a report with the Commission describing its budgeted and actual activities related to operating and maintenance expenses and capital additions costs for the previous year. The report shall include an explanation of any significant discrepancies between the budget and actual expenditures for that year.

RATE MORATORIUM

2. Edison will not seek a general rate increase for five years or for eight years if option (c) described in Paragraph 5 hereof is exercised (which 5-year or 8-year period shall be the "Rate Moratorium Period"), except as specifically provided

in Paragraph 3 hereof (or, if option (c) of Paragraph 5 is exercised, the increase permitted therein), nor will Edison otherwise seek any other increase in its rates during this period, except as otherwise provided in Paragraph 3 hereof. This paragraph shall not preclude Edison from seeking an increase or decrease in or taking any other action before the ICC with respect to the following Rates and Riders, or from taking any other action with the consent of the party affected by the change: Rates 1, 1E and 1T (but only as these three rates relate to light bulb charges), and Riders 4 (but only with respect to avoided cost payments), 6, 7, 10, 21, 23 and 27. (In this Memorandum, "general rate increase" means any increase for which Edison would, absent a waiver by the Commission, have to comply with ICC General Order 210 now codified at 83 Ill. Admin. Code 285).

3. Effective as of July 1, 1987, Edison will increase its base retail rates by approximately \$660 million, exclusive of revenue taxes. The general service rates will be determined by applying a uniform percentage increase to its base rates currently in effect. The uniform percentage increase that will be applied to the general service rates will be the percentage that, if applied to all of Edison's base rates, would result in a revenue increase of approximately \$660 million. The parties agree that Edison's residential and general service rates will be as set forth in Attachments A, B and C. Attachment A reflects a reduction in the summer-winter rate differential. Except as otherwise required by the terms of this Memorandum, during the Initial Rate Period fuel costs of the Units shall be included in Edison's

computations under its fuel adjustment clause in the same manner as though the Units were owned by Edison. During the Rate Moratorium Period, Edison will not file with the ICC any other request for a general rate increase or for any other increase in rates (other than as may result from changes in the rates and Riders listed in Paragraph 2 hereof) except:

- a. Where conditions beyond Edison's control, such as, but not limited to, acts of God, major economic disruptions, or changes in law, rules or regulations or interpretations thereof, create or result in a financial emergency for Edison which threatens Edison's ability to continue to maintain an adequate quality of service in its service area or otherwise carry out its responsibilities as a public utility; or
- b. To recover costs or recoup revenue losses imposed by decisions, or by changes in law, ordinances, rules or regulations or interpretations thereof promulgated or enacted by any Illinois court, the General Assembly or any other Illinois governmental or regulatory body or other authority after the date hereof involving regulatory or tax matters or franchise or similar payments to units of local government, all as applicable primarily to electric utilities, public utilities, Edison or regulated industries generally (as distinguished from being applicable to all businesses or taxpayers as a class).
- c. To recover any federal acid-rain tax, surcharge or fee.

The Commission shall make the determination of whether an appropriate emergency exists to warrant the granting of a rate increase pursuant to the foregoing subparagraph a. Further, nothing in this Memorandum shall be construed as preventing any party from a) contesting an application by Edison to increase or restructure its rates or riders other than as provided in the first two sentences

of this Paragraph 3 (or in option (c) of Paragraph 5 of this Memorandum) or b) from seeking a rate reduction where a relaxation of governmentally imposed costs, such as, for example, a material reduction in taxes, creates a significant windfall for Edison. A "significant windfall" exists only if in any year Edison's reported consolidated net income, before interest expense, produces a rate of return on Edison's total book assets (including those of the Subsidiary) which is in excess of a rate of return which would be just and reasonable if applied to Edison's utility rate base pursuant to the Illinois Public Utilities Act.

On or about July 1, 1992, or, if option c in Paragraph 5 hereof is exercised then on or about July 1, 1995, Edison shall file with the ICC an application for a determination as to appropriate rates following the Initial Rate Period. Such application may include a request for a general rate increase (including emergency relief) or decrease. The period beginning with the effective date of the rate increase provided for in the first sentence of Paragraph 3 and ending with the effective date of the rates established by this procedure is defined as the "Initial Rate Period."

4. At no time will Edison seek to recover any revenue shortfall or inadequacy which it may believe exists in its rate levels in effect during the Rate Moratorium Period. This provision shall not prevent Edison from seeking a rate increase under the terms of the exceptions specified in subparagraphs (a), (b) and (c) of Paragraph 3 or from seeking emergency rate relief immediately following the Rate Moratorium Period.

POWER SUPPLY AGREEMENT

5. Edison will enter into a Power Supply Agreement with the Subsidiary whereby Edison will have a right which shall take precedence over the right of other purchasers to purchase all of the output of the Units for five years. Edison will buy electricity from the Subsidiary when doing so is cheaper than producing electricity from other units or buying it elsewhere. In exchange for the right to buy electricity, Edison will pay a fixed monthly fee of \$55 million to the Subsidiary. During the five year period ending June 30, 1992, Edison will pay only the cost of fuel, plus amounts equal to the amounts of bonuses provided for in the Output Guarantee provision of this Paragraph 5, for the electricity it buys from the Subsidiary.

Output Guarantee

If the Subsidiary is unable to produce energy from the Units at the cumulative target levels set forth below, Edison guarantees, through the operation of the fuel adjustment clause (by making credits against costs reflected in that clause), to compensate ratepayers for the excess costs of replacement power over the fuel costs of the Units; provided, however, that Edison shall not be obligated to absorb more than \$660 million of replacement power cost in respect of a shortfall in any of the years 1988 through 1991, or \$330 million in respect of 1987 or 1992. The amount of replacement power in respect of any year shall be deemed to be the shortfall in cumulative target level output as of

the end of such year less the amount, if any, of such shortfall at the end of the preceding year. In computing the shortfall in output under this paragraph, only one-half of any energy for which Edison has received a bonus of one-half of the savings pursuant to the immediately succeeding paragraph, shall be considered as energy output of the Units.

If in any year the Subsidiary produces energy from the Units in excess of 110% of the annual target level set forth below for such year, Edison shall be entitled to a bonus based on the savings related to all energy produced in excess of 110% of the target output. Such savings shall be the difference between replacement power costs and the fuel costs of the Units applicable to the energy representing output in excess of 110% of the target output. The bonus shall be equal to the full amount of such savings to the extent those savings do not exceed the amount of credits previously paid pursuant to the preceding paragraph and half such savings to the extent such savings do exceed such credits. In determining if a bonus is earned, all kWh output in any year up to 110% of target levels shall be considered normal output. Then any output achieved in that year after 110% of the target output has been achieved shall be considered excess output and eligible for the bonus.

Any credits, bonuses or adjustments to be made as a result of the Output Guarantee shall be accomplished through operation of the fuel adjustment clause.

TARGET LEVELS

<u>Year</u>	<u>Annual Gigawatthours</u>	<u>Cumulative Gigawatthours</u>
July-Dec 1987	6,000	6,000
1988	11,000	17,000
1989	13,200	30,200
1990	16,100	46,300
1991	18,000	64,300
Jan-June 1992	7,550	71,850

Commonwealth Edison will propose methods and procedures to estimate replacement costs for power, and submit such proposal to the parties to this Memorandum for comment. All parties agree to work together to develop a mutually agreeable approach. In the event that there are unresolved disputes, the parties agree to submit the matter to the ICC for hearing and resolution.

Capacity Guarantee

The Cumulative Target Level Gigawatthours as of July 1, 1992, as set forth above in this Paragraph 5, assumes that Byron II and Braidwood I each will produce 25,273 gigawatthours during the period and that Braidwood II will produce 21,304 gigawatthours during the period. If, as of July 1, 1992, either Byron II or Braidwood I has produced less than 20% of its share of the Cumulative Target level Gigawatthours, and as of such date, that Unit has become inoperable and it reasonably appears that the Unit will not operate in the foreseeable future, Edison shall be obligated to provide additional credits against costs used in computing fuel adjustment charges under Edison's retail rates. Such credits will be determined in accordance with Attachment D.

However, no such credits shall be made if the aggregate of the credits provided for under the Output Guarantee is equal to the aggregate amount of fixed monthly fees paid by Edison pursuant to Paragraph 5.

Options After Five Years

The Subsidiary shall agree to offer to Edison the following options, exercisable by Edison (after hearings and approval by the ICC) no later than July 1, 1991, relating to Edison's right to purchase power from the Subsidiary following June 30, 1992:

- a. Edison may purchase power from the Subsidiary when and as available for a period of 20 years at prices subject to FERC jurisdiction and have the "favored nations" rights set forth in Attachment E attached hereto. (Nothing contained herein shall be deemed to deprive the ICC of any authority it may have to approve contracts for purchase of such power or to review the prudence of such purchases); or
- b. Edison may contract to purchase not less than the entire amount of the output of Byron Unit II for the remainder of its useful life and such amount of power (in blocks of 100 megawatts) from Braidwood I as Edison shall designate at the time of exercise of this option, over the remainder of that Unit's useful life. Such power shall be sold at rates determined using traditional net original cost rate base/rate of return regulation and accounting for fuel and all other costs of production, all as determined by the FERC from time to time. The Illinois retail share of the costs thereof shall be fully reflected in Edison's retail revenue requirement in any proceeding before the ICC to determine Edison's retail rates. If

Edison has elected to purchase any amounts of power from Braidwood I pursuant to this option (b), Edison may, effective on July 1, 1997 or, if option (c) has been exercised, on July 1, 2000, reduce the amounts of power (in blocks of 100 megawatts) from Braidwood I which it must purchase, by giving notice of such reduction 12 months prior to the effective date. (If Edison exercises the option to purchase the entire output of Braidwood II and option (c) has been exercised, Edison cannot reduce the amounts of power purchased from Braidwood I on July 1, 2000.) The amount charged to Edison will be reduced to reflect this reduction, and the Illinois retail share of these lower costs shall be reflected in Edison's retail revenue requirement in any proceeding before the ICC to determine Edison's retail rates.

If Edison exercises this option (b) and has not reduced the amount of power it has elected to purchase from Braidwood Unit I, it shall have a further option, exercisable on December 1, 1998, to purchase not less than the entire output of Braidwood II during the period January 1, 2000 through the remainder of its useful life. If Edison elects to purchase such output, the rate Edison will pay therefor shall be the greater of (1) the market value of power as determined with reference to third party, arms length, long term firm power purchase contracts commencing approximately January, 2000, or (2) prices determined using traditional net original cost rate base/rate of return regulation and accounting for fuel and all other costs of production, all as determined by the FERC. The Illinois retail share of the costs of any output so purchased shall be fully reflected in Edison's retail revenue requirement in any proceeding before the ICC to determine Edison's retail rates.

For purposes of traditional net original cost rate base/rate of return regulation whenever provided for in this option b, rate base shall be calculated after deducting the applicable portion of the not less than \$550 million write-off specified in Paragraph 1; or

- c. Edison may defer the election of options (a) or (b) until July 1, 1994, in which case it shall be entitled to a one-time retail rate increase beginning on July 1, 1992. The increase will be accomplished by applying a uniform percentage increase to base rates then in effect. The percentage increase will be the lesser of i) one-half of the cumulative increase in the Consumer Price Index for All Urban Consumers, published monthly by the U.S. Department of Labor Bureau of Statistics, for Chicago, Illinois -- Northwestern Indiana, from April 1, 1987 to April 1, 1992, or ii) 7.5 percent.

If Edison elects this option (c), the \$55 million monthly fee payable to the Subsidiary pursuant to this Paragraph 5 shall be adjusted to reflect the full amount of the increase, and the Output and Capacity Guarantee provisions of this Paragraph 5 shall not apply during the period of the extension. In the event that this option (c) is exercised, then the deadline for exercising options (a) or (b) shall be extended to and including July 1, 1994.

Edison will select one of the above options as directed by the ICC. It is understood and agreed that the right to exercise options (a), (b) and (c) above, or any part of them, is to be Edison's under its agreement with the Subsidiary, but the determination of whether or not such options should be exercised for the

benefit of Edison's ratepayers shall rest with the ICC and the ICC shall direct Edison with regard to said options. From time to time Edison will institute proceedings before the ICC to obtain its direction and authority to exercise (or not exercise) such options within the time frame permitted for the exercise of said options. Nothing herein shall be construed as granting the ICC authority to direct Edison with respect to the amount of power it is to purchase under option (a).

If the FERC declines to make the determinations required under option (a), if any, and option (b), then the ICC will be requested to make such determinations.

If the Commission fails to direct Edison as to which option it is to elect on or before July 1, 1991 (or if option (c) is elected by July 1, 1991, and the Commission subsequently fails to further direct Edison with regard to the election of options (a) or (b) on or before July 1, 1994) and Edison has filed with the ICC a request for direction no later than 12 months prior to the date in question:

(i) Edison shall be deemed to have elected to contract to purchase the entire output of Byron II for the remainder of its useful life and 50% of the entire output of Braidwood I for the remainder of its useful life, all effective as of the termination of the Rate Moratorium Period;

(ii) Edison shall have no further options under this Memorandum; and

(iii) The rates for power contracted for pursuant to subparagraph (i) above shall be determined as provided above with respect to output of Byron II and Braidwood I contracted for under option (b).

REGULATORY AND JUDICIAL ACTIONS

6. Edison's obligations under this Memorandum are dependent upon the regulatory and judicial actions referred to below:

A. Illinois Commerce Commission Action to be taken before May 1, 1987.

(i) Authorization of creation of the Subsidiary and transfer of the Units and permits and licenses related thereto to the Subsidiary.

(ii) Approval of agreements between Edison and the Subsidiary under which Edison will complete construction of the Units and operate the Units and purchase power from the Subsidiary.

(iii) Authorization for Edison to invest in the Subsidiary, from time to time, as required to assure proper maintenance and operation of the Units.

(iv) Release of Edison from any obligation it has to complete the Units pursuant to prior orders of the Commission.

(v) Authorization for Edison to guarantee the Subsidiary's obligations and liabilities with respect to safe operation of the Units.

(vi) Approval of rates reflecting the rate increase provided for in the first four sentences of Paragraph 3 hereof, including any necessary waiver of General Order 210.

(vii) Approval of a suitable modification in Rider 19 to limit its availability in the case of changes in ownership of existing facilities.

(viii) A statement of intention not to oppose any reasonable proposal by Edison during the Initial Rate Period to refinance securities or otherwise to revise its capital structure so as to enhance the position of its stockholders within the framework of the revenues allowed Edison during the Initial

Rate Period under this Memorandum, it being understood that any such action is not binding on a determination of revenue requirements in any subsequent rate proceeding.

(ix) A statement of intention to refrain from reducing Edison's rates or revenues during the Initial Rate Period, unless requested to do so by Edison.

(x) Satisfactory resolution of the following Commission matters so that Edison may charge the rates provided for in this Memorandum and consummate the transactions described herein and is not required to make any refunds in respect of past charges:

- (a) Braidwood construction case
- (b) staff investigation into Edison's future rates
- (c) staff investigation into effect of the 1986 tax reform act as to Edison
- (d) pending Rate 1 restructuring
- (e) notice of inquiry into excess capacity (it being understood that it shall be a satisfactory resolution for this purpose if the Commission's determination has no application to Edison for the term of the Initial Rate Period or as its capacity may be deemed to be affected by purchases pursuant to option b of Paragraph 5. However, nothing herein shall preclude an excess capacity inquiry or adjustment at such time as Edison has acquired (through construction, joint ownership or purchase) capacity in addition to existing capacity and capacity acquired through the exercise of option (b) of Paragraph 5.)
- (f) pending fuel reconciliation proceedings

- (g) pending audits pertaining to Byron II and Braidwood I
 - (h) Uniform fuel clause proceedings (it being understood that satisfactory resolution would preserve Edison's fuel clause in essentially its present form [with modifications required under this agreement] for the Initial Rate Period including the right of the Commission to require Edison to operate on an economic dispatch basis). It is further agreed that during the Initial Rate Period Edison will not be required or permitted to recover purchased power demand charges or fixed fees for purchased power through the fuel clause.
- B. Timely grant of Nuclear Regulatory Commission approval of transfer of the Units and their licenses to the Subsidiary.
 - C. Timely grant of any necessary FERC approval of the rates and transactions provided for in this Memorandum.
 - D. Judicial action having the effect of affirming the Commission's July, 1984, and October, 1985, Edison rate orders in their entirety.
 - E. Timely action by the Securities and Exchange Commission confirming that Edison will remain exempt from the registration requirements of the Public Utility Holding Company Act of 1935.
 - F. Any other governmental action required as of July 1, 1987 for consummation of the transactions provided for in this Memorandum will be taken in a timely manner.

COMMITMENTS OF THE PARTIES

- 7. Edison commits to use its best efforts to accomplish the regulatory and judicial actions described in Paragraph 6 as promptly as practicable and will institute proceedings in

furtherance thereof before the ICC to implement the provisions of this Memorandum on or before February 6, 1987. The other parties to the Memorandum agree to support the terms of this Memorandum in any proceeding in which they are participants before the ICC, the NRC and the FERC. The parties agree that for the Initial Rate Period they will not take any action (whether before a regulatory body, the General Assembly or any other legislative body, or any court) that would prevent or require the undoing of any of the transactions contemplated by this agreement, it being understood, however, that in Supreme Court Docket No. 63747, People of the State of Illinois ex rel Neil F. Hartigan, Attorney General v. Illinois Commerce Commission and Commonwealth Edison Company, the parties have presented their positions and have the discretion to determine what action to take in that case. The parties other than Edison upon proper notice authorize Edison to represent on their behalf before any regulatory body or court that they are signatories to this agreement and have agreed to the regulatory action described in Paragraph 6. The parties recognize that Edison's agreement to limit the level of its rates or otherwise to adhere to the terms hereof is conditioned upon compliance with this Paragraph 7 by all other parties hereto. Edison's failure to accomplish the implementation of the settlement on or before September 1, 1987 shall discharge the parties hereto from all obligations with respect to the regulatory and judicial actions set out in Paragraph 6 hereof, provided, however, that if Edison has extended the termination date set forth in Paragraph 8 to a date later than September 1, 1987, then such later date shall be

substituted for September 1, 1987 in this sentence. It is further understood that the parties may participate in generic dockets related to the subjects specified in subparagraphs A(x)(e) and (h) of Paragraph 6 hereof. However, the results produced by these dockets shall not be used by any party in conflict with the representations related thereto in this Paragraph 7.

GENERAL

8. This understanding shall terminate if all regulatory and judicial action contemplated herein has not occurred prior to July 1, 1987, except as otherwise provided in this Paragraph 8. Edison shall have the right to extend the deadline for or waive any such action, subject to the limitations herein contained. During the period of any such extension, Edison's rates shall provide for charges no higher than the greater of (i) charges permitted under Edison's rates now in effect, or (ii) charges under such rates as they may be changed under Paragraph 2 or 3 hereof. No such extension shall operate to extend the termination date of the Rate Moratorium Period, or the date by which options in Paragraph 5 may be exercised. No such waiver shall permit Edison to place in effect any rates which provide for charges higher than the greater of (i) charges permitted under Edison's rates now in effect, or (ii) charges under such rates as they may be changed under Paragraph 2 or 3 hereof. If Edison extends any deadline pursuant to this Paragraph 8, and this understanding, nonetheless, thereafter terminates because regulatory or judicial action contemplated herein has not occurred prior to the

extended deadline, its rates now in effect shall be reinstated as of the date of termination. No such extension shall expire later than December 31, 1987. In addition, in the case of such a termination, if during the period of the extension Edison places in effect a general rate increase, the Output Guarantee provided under Paragraph 5 shall be considered to be in effect during such period. For that purpose the amount of output guaranteed shall be equal to 33 1/3 gigawatthours multiplied by the number of days the increase is in effect and the maximum fuel adjustment clause credit will be equal to \$1,833,333 multiplied by such number of days. This understanding shall not be construed as preventing Edison from filing for a rate increase in respect of its investment in and operating and maintenance costs associated with Byron II and Braidwood I and II prior to July 1, 1987, nor shall it operate to prevent the parties from contesting such application. No increase which may result from any application permitted by the preceding sentence shall become effective during the period of any extension of the July 1, 1987 deadline. Any such application for an increase will be withdrawn if the necessary regulatory and judicial action has taken place by July 1, 1987 as that date may be extended as provided in this Paragraph 8.

9. In addition to Edison's other rights in respect of any failure to meet the conditions to its obligations hereunder, (a) if, prior to the time the regulatory and judicial actions specified in Paragraph 6 occur, in Edison's reasonable judgment it appears likely that any governmental action provided for herein will not be taken within the time specified in Paragraph 8 (other

than because of Edison's fault), or (b) thereafter if Edison and at least two of the other parties to this Memorandum believe it likely that any such action will be invalidated, in whole or in part, Edison may terminate the understandings embodied herein and if Edison has already conveyed the Units to the Subsidiary, Edison shall have the right to cause the Subsidiary to reconvey the Units to Edison. The ICC order approving the conveyance to the Subsidiary shall contain appropriate provisions approving such a reconveyance. Any such reconveyance shall be without prejudice to any party's rights to oppose and to raise all arguments and positions and to pursue procedures provided by law or regulation regarding "ratebasing" the Units and reflecting their costs in rates.

10. The obligations of the signatories to this Memorandum are also conditioned upon the establishment and continued effectiveness of rates consistent with this Memorandum throughout the Initial Rate Period.

11. Any disputes over the interpretation of this Memorandum will be committed to the respective regulatory agency having jurisdiction over the subject matter.

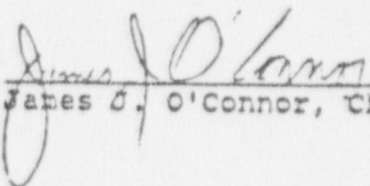
12. The parties agree that any FERC-mandated modifications, alterations, amendments or changes to any component of the rate provided for in this Memorandum, the Power Supply Agreement or any other governing document, or the terms or conditions thereof, shall not constitute a basis for a change in retail rates during the Initial Rate Period. This provision shall not be construed as modifying or in any manner limiting the condition imposed in Paragraph 6C.

13. Edison agrees to take any action necessary to ensure that the Subsidiary, with respect to its own obligations, shall be bound by this Memorandum as if it were an original signatory. Edison will furnish evidence of the Subsidiary's acceptance of the terms of this Memorandum.

Memorandum of Understanding dated this 3rd day of February, 1987.

Commonwealth Edison Company

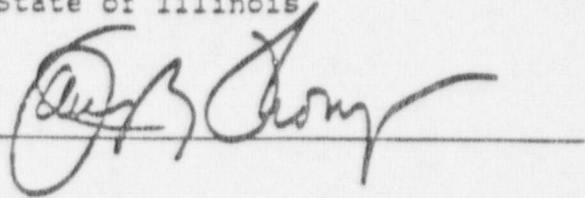
By


James J. O'Connor, Chairman

Memorandum of Understanding dated this 3rd day of
February, 1987.

James R. Thompson, Governor,
on behalf of the People of the
State of Illinois

BY

A handwritten signature in cursive script, appearing to read "James R. Thompson", is written over a horizontal line.

Memorandum of Understanding dated this 3rd day of
February, 1987.

The Small Business Utility Advocate

By William G. Shepherd
William G. Shepherd

Memorandum of Understanding dated this 3rd day of
February, 1987.

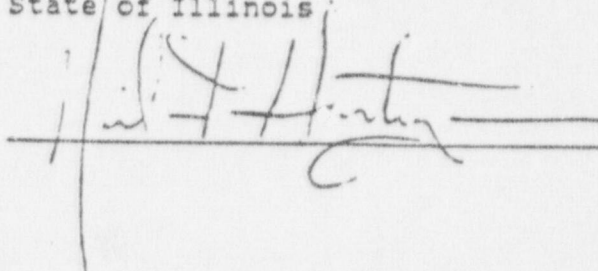
The Governor's Office of
Consumer Services

BY Alvin K. Grandys
Alvin K. Grandys, Ph.D.
Director

Memorandum of Understanding dated this 24 day of
February, 1987.

Neil F. Hartigan, Attorney General,
on behalf of the People of the
State of Illinois

By

A handwritten signature in cursive script, appearing to read "Neil F. Hartigan", is written over a horizontal line. A vertical line extends downwards from the left side of the signature.

Memorandum of Understanding dated this 3 day of
February, 1987.

Richard M. Daley,
State's Attorney, on
behalf of the People of
Cook County, Illinois

BY Richard M. Daley

Memorandum of Understanding dated this 3rd day of
February, 1987.

The Illinois Industrial Energy Consumers
(IIEC) Party Intervenors in Docket 86-0249

By

Randall Robertson
RANDALL ROBERTSON
Attorney for IIEC

Commonwealth
Edison CompanyELECTRICITY
For the Cities and Villages listed on
Sheets Nos. 4, 5, 6, 7 and 8
and the unincorporated contiguous territoryILL. C. C. No. 4
Revised Sheet No. 9

RATE 1. RESIDENTIAL SERVICE

Availability.

This rate is available to any customer using the Company's electric service for residential purposes.

Charges.

* Monthly Customer Charge.

	July 1, 1987 Through December 31, 1988	January 1, 1989 and After
For Customer residing in:		
A building containing 3 or more dwelling units.....	\$ 3.50	\$ 3.45
A building containing 1 or 2 dwelling units.....	\$ 9.10	\$ 8.86

Buildings containing 1 or 2 dwelling units shall include, but not be limited to, structures commonly referred to as single family detached houses, single family attached houses, row houses, town houses, semi-detached houses, duplexes, two-flats, and two family houses.

On December 10, 1984, the Company had assigned all existing Rate 1 customers to one of the charge classifications described above. If any of these customers informs the Company that this initial classification is incorrect, the Company, upon verification, will place the customer in the appropriate classification but will not issue any refund.

* Energy Charge.

	July 1, 1987 Through December 31, 1988	January 1, 1989 and After
<u>Summer Months</u>		
Charge per kilowatt-hour for first 400 kilowatt-hours supplied in the month.....	11.964¢	11.695¢
Charge per kilowatt-hour for all kilowatt-hours over 400 supplied in the month.....	16.770¢	16.102¢
<u>Other Months</u>		
Charge per kilowatt-hour for first 400 kilowatt-hours supplied in the month.....	11.964¢	11.695¢
Charge per kilowatt-hour for all kilowatt-hours over 400 supplied in the month.....	5.392¢	5.306¢

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatt-hours supplied in the month.

Late Payment Charge.

The late payment charge provided for in the Terms and Conditions of this Schedule of Rates shall be applicable to all charges under this rate.

Light Bulb Service.

The above charges do not include light bulb service. The charge for such service shall be 0.174¢ per kilowatt-hour for the first 500 kilowatt-hours supplied in the month. Light bulb service is described in Rider 10 and is optional with the customer.

Minimum Charge.

The minimum monthly charge shall be the Monthly Customer Charge.

Term of Service.

The customer's term of service shall commence when the Company begins to supply service hereunder and shall continue not more than ten days after notice is received to discontinue service.

Three-Phase Service.

Three-phase service is available under this rate. Where a three-phase secondary supply is not available from the Company's distribution system adjacent to the customer's property, the necessary primary and secondary extensions will be furnished by the Company subject to the provisions of Rider 2.

(Continued on Sheet No. 10)

Asterisk (*) indicates change

Date Effective: July 1, 1987
Issued by G. P. Rifakes, Vice President,
Post Office Box 767, Chicago, Illinois 60690

Commonwealth
Edison CompanyELECTRICITY
For the Cities and Villages listed on
Sheets Nos. 4, 5, 6, 7 and 8
and the unincorporated contiguous territoryILL. C. C. No. 4
Revised Sheet No. 24

RATE 6. GENERAL SERVICE

Applicability.

Except as provided in Rate 6L, this rate is applicable to any commercial, industrial, or governmental customer with a Maximum Demand of less than 1,000 kilowatts who uses the Company's electric service hereunder for all requirements. Direct current requirements provided under another rate immediately prior to September 2, 1975, will, however, also be provided hereunder.

General Service - Time of Day.

Time of day charges shall apply to (1) any customer with a Maximum Demand of 500 kilowatts, but less than 1,000 kilowatts, in three of the 12 months preceding the billing month, one of which occurs during the three months preceding the billing month, (2) successors to customers served under these charges immediately prior to the date of succession whose estimated Maximum Demands meet the demand requirements in clause (1) above, (3) new customers whose estimated Maximum Demands meet the demand requirements in clause (1) above, and (4) any customer previously billed hereunder pursuant to clauses (1) or (2), except as otherwise provided below.

These charges shall not be applicable to customers or their successors with electric space heating taking service under the Heating with Light provision of Rider 25 prior to November 23, 1977, except upon written application by the customer to the Company.

If a customer at one time was served pursuant to (1) above on General Service - Time of Day and has a Maximum Demand which has not exceeded 200 kilowatts in any month of the twelve month period preceding the billing month, such customer may elect, in written application to the Company, to be served on General Service - General Service - Time of Day shall not again be applicable until such customer qualifies for such rate under the requirements of General Service - Time of Day.

General Service.

General service charges shall apply to all other customers qualifying for service under this rate.

Charges.

General Service - Time of Day.

Monthly Customer Charge.

The Monthly Customer Charge shall be \$19.59.

• Demand Charge.

Summer Months	All Other Months
\$15.06	\$11.77

per kilowatt for all kilowatts of Maximum Demand for the month.

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

• Energy Charge.

6.560¢ per kilowatt-hour for all kilowatt-hours supplied during Peak Periods.

3.111¢ per kilowatt-hour for all kilowatt-hours supplied during Off-Peak Periods.

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatt-hours supplied in the month.

General Service.

• Monthly Customer Charge.

The Monthly Customer Charge shall be \$9.35.

• Demand Charge.

Summer Months	All Other Months
\$15.06	\$11.77

per kilowatt for all kilowatts of Maximum Demand for the month.

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

• In accordance with the Application of Demand Charge provisions of this rate, there shall be no demand charge as such for certain small customers, but in lieu thereof, such customers shall pay 6.409¢ per kilowatt-hour in Summer Months and 5.077¢ per kilowatt-hour in all other months in addition to the energy charges set forth below.

• Energy Charge.

	Kilowatt-hours Supplied in the Month
5.130¢ per kilowatt-hour for the first	30,000
3.987¢ per kilowatt-hour for the next	470,000
3.934¢ per kilowatt-hour for all over	500,000

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatt-hours supplied in the month.

(Continued on Sheet No. 25)

Asterisk (*) indicates change

Date Effective: July 1, 1987
Issued by G. P. Rifakis, Vice President,
Post Office Box 767, Chicago, Illinois 60690

RATE 6. GENERAL SERVICE

(Continued from Sheet No. 24)

Late Payment Charge.

The late payment charge provided for in the Terms and Conditions of this Schedule of Rates shall be applicable to all charges under this rate.

Minimum Charge.

The minimum monthly charge shall be the monthly customer charge.

*Maximum Charge.

For customers with demand meters, the average cost of electricity hereunder in any month, exclusive of the Monthly Customer Charge, shall not exceed the sum of 19¢ per kilowatt-hour and the fuel adjustment per kilowatt-hour provided, however, that such guaranteed charge shall not operate to reduce the Customer's bill to an amount less than the minimum charge.

Maximum Demand.

For General Service—Time of Day customers, the maximum demand in any month shall be the highest 30-minute demand established during the peak periods in such month.

For General Service customers, the maximum demand shall be the highest 30-minute demand established during such month.

Application of Demand Charge.

The Company shall provide a demand meter and the demand charge shall apply when a customer's monthly kilowatt-hour use exceeds 2,000 kilowatt-hours in each of two successive monthly billing periods or if his maximum demand or monthly kilowatt-hour use is estimated as in excess of ten kilowatts or 2,000 kilowatt-hours, respectively. Any customer to whom the demand charge would not ordinarily apply under the foregoing sentence, may, at his request and upon payment of appropriate meter rentals, be provided with a demand meter and billed the demand charge rather than the charge in lieu thereof. In such case meter rentals shall be payable for the period during which the Customer elects to retain the meter, but not less than 12 months, unless he becomes entitled to a demand meter prior to the end of the 12-month period. A customer who is entitled to a demand meter shall not be required to pay rental or other separate charges for such meter.

Whether or not a demand meter is installed, the charge in lieu of demand charge shall apply to any customer, except a customer paying rental for a demand meter in accordance with the foregoing paragraph, whose use has not exceeded 2,000 kilowatt-hours and whose maximum demand has not exceeded ten kilowatts in any month of the preceding 12-month period and shall continue to apply until the Customer's use exceeds 2,000 kilowatt-hours in two successive monthly billing periods or his demand exceeds ten kilowatts in two successive monthly billing periods.

*Measurement of Demand and Kilowatt-hours Supplied.

When two or more metering installations are provided on the Customer's premises, the demand in any 30-minute period shall be determined by adding together the separate demands at each metering installation during such 30-minute period except that (a) in case the demand at any metering installation is registered by an indicating or cumulative demand meter, the demand at such installation in each 30-minute period of any month shall be assumed to be the same as the highest demand in any 30-minute period of such month, and (b) the demand at any installation may be assumed to be 75 percent of the connected load if such connected load is two kilowatts or less, and such demand is to be added to a metered demand. Where there are two or more watt-hour metering installations on the Customer's premises, the kilowatt-hours supplied shall be determined by adding together the kilowatt-hours metered at each installation, provided that where the kilowatt-hours at any such installation exceed 5,500 in the billing month and are not metered in such a manner as to permit determination of the hours during which they were delivered, for purposes of applying the time of day provisions of this rate such kilowatt-hours shall be considered to have been delivered in peak periods. If the energy use at such installation is 5,500 kilowatt-hours or less in the billing month, a charge of 4¢ per kilowatt-hour shall apply to such kilowatt-hours. The maximum demands and kilowatt-hours supplied for two or more premises will not be combined for billing purposes hereunder.

Upon request, the Company will provide unmetered service for connected loads not exceeding two kilowatts where operation of the Customer's equipment is continuous or is regularly scheduled on an annual basis. For the purposes of billing in such cases, the monthly kilowatt-hours shall be determined by multiplying the rated wattage (based upon nameplate or other appropriate data) of the connected loads by one-twelfth of the annual hours of operation and dividing by 1,000. All kilowatt-hours delivered to an unmetered point of supply shall be considered to have been delivered during peak periods.

(Continued on Sheet No. 25)

Commonwealth
Edison Company

ELECTRICITY
For the Cities and Villages listed on
Sheets Nos. 4, 5, 6, 7 and 8
and the unincorporated contiguous territory

ILL. C. C. No. 4
Revised Sheet No. 28

RATE 6L. LARGE GENERAL SERVICE

Applicability.

This rate is applicable to (1) any commercial, industrial, or governmental customer with a Maximum Demand of 1,000 kilowatts or more in three of the 12 months preceding the billing month, (2) successors to customers served under these charges immediately prior to the date of succession whose estimated Maximum Demands meet the demand requirements in clause (1) above, (3) new customers whose estimated Maximum Demands meet the demand requirements in clause (1) above, and (4) any customer previously billed hereunder pursuant to clauses (1) or (2), except as otherwise provided below.

If a customer at one time was served pursuant to (1) above on Large General Service--Time of Day and has a Maximum Demand which has not exceeded 200 kilowatts in any month of the 12 month period preceding the billing month, such customer may elect, in written application to the Company, to be served on Rate 6, General Service. Rate 6L, Large General Service--Time of Day, shall not again be applicable until such customer qualifies for such rate under clause (1) above.

The Large General Service--Heat with Light charges shall be applicable only to customers or their successors with electric space heating taking service under the Heating with Light provisions of Rider 25 prior to November 23, 1977.

A Large General Service--Heat with Light customer will be allowed to take Large General Service--Time of Day service upon written application to the Company. Once changed to Large General Service--Time of Day service, those customers or their successors will not be allowed to return to Large General Service--Heat with Light.

Charges.

Large General Service--Time of Day.

- Monthly Customer Charge.
The Monthly Customer Charge shall be \$547.06
- Demand Charge.

<u>Summer Months</u>	<u>All Other Months</u>		<u>Kilowatts of Maximum Demand for the Month</u>
\$15.06	\$11.77	per kilowatt for the first	10,000
6.55	5.06	per kilowatt for all over	10,000

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

- Energy Charge.
6.560¢ per kilowatt-hour for all kilowatt-hours supplied during Peak Periods.
3.111¢ per kilowatt-hour for all kilowatt-hours supplied during Off-Peak Periods.

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatt-hours supplied in the month.

Large General Service--Heat with Light.

- Monthly Customer Charge.
The Monthly Customer Charge shall be \$547.06.
- Demand Charge.

<u>Summer Months</u>	<u>All Other Months</u>	
\$15.06	\$11.77	per kilowatt for all kilowatts of Maximum Demand for the month.

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

- Energy Charge.
- | | <u>Kilowatt-hours Supplied in the Month</u> |
|--|---|
| 5.130¢ per kilowatt-hour for the first | 30,000 |
| 3.967¢ per kilowatt-hour for the next | 470,000 |
| 3.934¢ per kilowatt-hour for all over | 500,000 |

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatt-hours supplied in the month.

(Continued on Sheet No. 29)

RATE 6L. LARGE GENERAL SERVICE

(Continued from Sheet No. 28)

Late Payment Charge.

The late payment charge provided for in the Terms and Conditions of this Schedule of Rates shall be applicable to all charges under this rate.

Minimum Charge.

The minimum monthly charge shall be the monthly customer charge.

Maximum Charge.

The average cost of electricity hereunder in any month, exclusive of the Monthly Customer Charge, shall not exceed the sum of 19.76¢ and the fuel adjustment per kilowatt-hour provided, however, that such guaranteed charge shall not operate to reduce the Customer's bill to an amount less than the minimum charge.

* Maximum Demand.

Except as noted in the paragraph below, the maximum demand in any month shall be the highest 30-minute demand established during the peak periods in such month except that for customers with 30-minute demands exceeding 1,500 kilowatts in three of the 12 months preceding the billing month, the maximum demand shall be the average of the three highest 30-minute demands established during the peak periods in such month, not more than one such demand to be selected from any one day.

For customers taking service under Large General Service - Heating with Light provision of this rate the maximum demand shall be the highest 30-minute demand established at any time during such month except that for customers with 30-minute demands exceeding 1,500 kilowatts in three of the 12 months preceding the billing month, the maximum demand shall be the average of the three highest demands established during the month, not more than one such demand to be selected from any one day.

Measurement of Demand and Kilowatt-hours Supplied.

Where two or more metering installations are provided on the Customer's premises, the demand in any 30-minute period shall be determined by adding together the separate demands at each metering installation during such 30-minute period except that (a) in case the demand at any metering installation is registered by an indicating or cumulative demand meter, the demand at such installation in each 30-minute period of any month shall be assumed to be the same as the highest demand in any 30-minute period of such month, and (b) the demand at any installation may be assumed to be 75 percent of the connected load if such connected load is two kilowatts or less, and such demand is to be added to a metered demand. Where there are two or more watt-hour metering installations, the kilowatt-hours supplied shall be determined by adding together the kilowatt-hours metered at each installation, provided that where the kilowatt-hours at any such installation exceed 5,500 in the billing month and are not metered in such a manner as to permit determination of the hours during which they were delivered, for purposes of applying the time-of-day provisions of this rate, such kilowatt-hours shall be considered to have been delivered in peak periods. If the energy use at such installation is 5,500 kilowatt-hours or less in the billing month, a charge of 4.021¢ per kilowatt-hour shall apply to such kilowatt-hours. The maximum demands and kilowatt-hours supplied for two or more premises will not be combined for billing purposes hereunder.

Upon request, the Company will provide unmetered service for connected loads not exceeding two kilowatts where operation of the Customer's equipment is continuous or is regularly scheduled on an annual basis. For the purposes of billing in such cases, the monthly kilowatt-hours shall be determined by multiplying the rated wattage (based upon nameplate or other appropriate data) of connected loads by one-twelfth of the annual hours of operation and dividing by 1,000. All kilowatt-hours delivered to an unmetered point of supply shall be considered to have been delivered during peak periods.

Service Facilities.

A standard installation furnished by the Company hereunder shall be determined by the provisions of the Company's Rider 6 except that the facilities so provided as standard shall be adequate only to supply service to a load equal to the maximum 30-minute demand of the Customer established during the peak period. If larger facilities are required to serve the excess of the off-peak demand over the peak demand, the Customer shall pay, as optional facilities in accordance with the Company's Rider 6, the cost of any facilities so required. However, no optional facilities charges shall apply to facilities existing and in place at the time the Customer qualifies for service hereunder.

(Continued on Sheet No. 30)

Attachment D

The amount of the credit which is to be made in respect of either Byron II or Braidwood I Unit if it meets the criteria for capacity guarantee credits set forth in Paragraph 5 of the Memorandum of Understanding shall be determined by making the calculations described below.

- A. From the aggregate amount of fixed fees paid pursuant to Paragraph 5 of the Memorandum of Understanding there shall be subtracted the aggregate amount of credits made pursuant to that Paragraph (net of the aggregate amount of Edison's share of the shared savings).
- B. The result of the calculation made under paragraph A shall be multiplied by 0.35.
- C. The result of the calculation made under paragraph B shall be multiplied by a fraction, the numerator of which is the difference in gigawatthours between the cumulative actual output of the Unit as of June 30, 1992, and 25,274 and the denominator of which is 25,274. This calculation in paragraph C shall be made separately for Byron II and Braidwood I.

The result of the calculation made pursuant to paragraph C shall be the amount of the credit; provided that in no event shall the sum of the credits made under this provision and the aggregate

amount of credits made pursuant to the Output Guarantee in Paragraph 5 of the Memorandum of Understanding exceed the aggregate amount of fixed fees paid pursuant to Paragraph 5.

Attachment E

"Most Favored Nations"

During the 20-year period June 30, 1992 through June 30, 2012 Edison under option (a) in Paragraph 5 shall have the rights set forth in paragraphs (A) and (B) below.

(A) If Edison is purchasing power under a Contract with the Subsidiary ("Pre-Existing Edison Contract") and the Subsidiary enters into a contract to sell power to a Third Party ("Third Party Contract") which is comparable to the Pre-Existing Edison Contract, but contains more favorable prices or payment terms, Edison may elect to have the price and payment terms of the Third Party Contract substituted for the prices and payment terms of the Pre-Existing Edison Contract. A Third Party Contract shall be considered to be "comparable" only if:

I. It is effective over approximately the same calendar time period as the Pre-Existing Edison Contract.

II. Any other difference between the terms and conditions of the Third Party Contract (excluding price and payment terms) and those of the Pre-Existing Edison Contract does not significantly affect (i) the Subsidiary's cost of providing service, (ii) the quantity or type of service to be provided, (iii) the benefits obtained by the Subsidiary, or (iv) the risks undertaken by the Subsidiary.

Edison shall have no right to substitute only the price or payment terms of the Third Party Contract for those of the Pre-

Existing Edison Contract, it being understood that Edison's election under this paragraph is limited to substitution of both the payment and price terms of the Third Party Contract for those of the Pre-Existing Contract.

B. If the Subsidiary enters into a Third Party Contract and Edison advises Subsidiary that it desires to purchase power under a comparable contract, the Subsidiary will offer power to Edison under a comparable contract, if such power is available from the Units. For purposes of this paragraph, a contract will be considered to be comparable to the Third Party Contract only if its terms and conditions are materially the same as those of such Third Party Contract excepting only such terms and conditions as do not significantly affect (i) the Subsidiary's cost of providing service, (ii) the quantity or type of service to be provided, (iii) the amounts, form and timing of payments, (iv) the benefits obtained by the Subsidiary or (v) the risks undertaken by the Subsidiary. No such comparable contract shall relieve Edison of any of its obligations under any Pre-Existing Edison Contract.

Upon the execution of any Third Party Contract, the Subsidiary will give Edison notice of same and furnish copy of same to Edison within 30 days of the execution of said Third Party Contract.

FACILITIES TRANSFER AGREEMENT

Commonwealth Edison Company ("Edison") and _____

_____ ("Subsidiary") hereby agree as follows:

1. The conveyance of facilities which is the subject of this Agreement takes place in implementation of a Memorandum of Understanding among Commonwealth Edison Company, the Governor of the State of Illinois, the Attorney General of the State of Illinois, the State's Attorney of Cook County, the Governor's Office of Consumer Services, the Small Business Utility Advocate, and certain industrial customers of Commonwealth Edison Company who are party intervenors in a proceeding before the Illinois Commerce Commission bearing the Docket No. 86-0249. The Memorandum of Understanding entered into by the above parties contemplates the settlement of a variety of contested proceedings before the Illinois Commerce Commission and the courts in which the continued construction of Braidwood Unit 2 is at issue as well as the rates which Edison will charge. The agreement contemplates the conveyance of the facilities commonly known as Byron Unit 2 and Braidwood Units 1 and 2 (collectively, the "Units") to Subsidiary. Subsidiary's rates will be regulated by the Federal Energy Regulatory Commission. A rate increase of approximately 13% in Edison's retail base rates with a five-year moratorium on rate increases thereafter is also provided for. Accordingly, Edison will convey the Units to Subsidiary. The real estate and facilities constituting the Units are more particularly described

in Appendix 1. The conveyance shall be effective as of July 1, 1987, or such later date as may be specified by Edison. In the case of Byron Unit 2 such conveyance shall include an easement for the continued operation and maintenance of that Unit on the Byron Station Site described in Appendix 1.

2. The conveyance will be evidenced by suitable quitclaim deeds and such bills of sale and other documents as Subsidiary may reasonably require. Where appropriate, such documents shall reflect the fact that the Units are and will remain subject to the lien of the mortgage securing Edison's first mortgage bonds. Such conveyance shall be subject to a reservation to Edison of such rights as may be necessary or appropriate, to enable Edison, as an NRC licensee, to comply with all NRC requirements, including the authority to exclude persons from the premises conveyed to Subsidiary so as to meet NRC security, emergency planning and radiation protection requirements as described in Section 2.1 of the Safety Evaluation Report issued by the Nuclear Regulatory Commission ("NRC") for Byron dated February, 1982, and the Safety Evaluation Report for Braidwood dated December, 1983. Such conveyance shall also be subject to a reservation to Edison of such rights as may be necessary or appropriate to enable Edison to continue to operate and maintain facilities on the Braidwood Station Site described in Appendix 1, which will not be conveyed to Subsidiary.

3. Edison will take such steps as are necessary (including seeking any required NRC approval or consent) to amend

or transfer its NRC licenses to Subsidiary to the extent such amendment or transfer is necessary to give Subsidiary title to the Units, the right to complete construction thereof or the right to operate the Units through Edison as its agent and sell electric power generated by the Units. Edison will provide the NRC with such assurances and guarantees as it may require in connection with the conveyance of the Units to Subsidiary. Edison recognizes that the NRC may require that Edison be a primary obligor with respect to certain of Subsidiary's obligations and liabilities arising out of construction, ownership or operation of the Units. Edison will transfer any other licenses or permits relating to the Units, where necessary to enable Subsidiary to complete construction of the Units, operate them or sell power therefrom.

4. Ad valorem property taxes applicable to either the Byron Station Site and the facilities thereon or the Braidwood Station Site and the facilities thereon shall be allocated between the parties so that each bears an amount thereof in proportion to its investment in the station in question. Subsidiary shall also be liable for 50% of such taxes allocable to Byron Station common plant. Ad valorem property taxes for 1987 shall be prorated to the date of the conveyance.

5. This Agreement shall become effective when Edison notifies Subsidiary that all governmental approvals and actions required by the terms of the Memorandum of Understanding between Edison and various other parties, dated February 3, 1987, have been obtained or waived by Edison. Nothing contained herein shall be construed as permitting Edison to waive approval by the

Illinois Commerce Commission of this Agreement or any other agreement between Subsidiary and Edison.

6. This Agreement is subject to approval by the Illinois Commerce Commission and shall only become effective upon such approval.

Executed this ____ day of _____, 1987.

COMMONWEALTH EDISON COMPANY

By: _____

Its: _____

[SUBSIDIARY]

By: _____

Its: _____

Parcel 11

TR's D #425183, Recorded 5-11-73, BK277, PG320

Parcel 13

WD #425179, Recorded 5-11-73, BK277, PG316

Parcel 14

WD #422159, Recorded 1-15-73, BK276, PG73

Parcel 15

WD #422158, Recorded 1-15-73, BK276, PG72

Parcel 19

WD #426182, Recorded 6-21-73, BK277, PG774
QCD #426183, Recorded 6-21-73, BK277, PG776

Parcel 21

TR's D #431590, Recorded 3-15-74, BK279, PG785

Parcel 22

WD #423572, Recorded 3-12-73, BK276, PG750

Parcel 23

WD #426439, Recorded 7-2-73, BK277, PG900

Parcel 24

QCD #430565, Recorded 1-24-74, BK279, PG284

Parcel 25

WD in TR #423087, Recorded 2-22-73, BK276, PG493

Parcel 26

WD in TR #423086, Recorded 2-22-73, BK276, PG491

Parcel 27

WD in TR #424181, Recorded 4-3-73, BK276, PG1048

Parcel 28

TR's D #459784, Recorded 7-6-77, BK288, PG650

Parcel 29

WD #462001, Recorded 9-21-77, BK289, PG198

Parcel 30

WD #469580, Recorded 6-21-78, BK291, PG72

Parcel 31

TR's D #439779, Recorded 4-17-75, BK282, PG669

Parcel 32

WD #433435, Recorded 5-31-74, BK280, PG444

Parcel 32-1

WD #454954, Recorded 1-13-77, BK287, PG255

Parcel 33

TR's D #453474, Recorded 11-18-76, BK286, PG900

Parcel 1RR (Railroad)

WD #437173, Recorded 11-22-74, BK281, PG924

Parcel 2RR

WD #438600, Recorded 2-14-75, BK282, PG256

Parcel 3RR

WD #434263, Recorded 7-3-74, BK280, PG833

Parcels 4RR, 4RRA, and 4RRB

WD in TR #431897, Recorded 4-1-74, BK279, PG909
WD in TR #431899, Recorded 4-1-74, BK279, PG913
TR's D #443723, Recorded 10-21-75, BK283, PG938

Parcel 5RR

WD #436961, Recorded 11-12-74, BK281, PG862

Parcel 6RR

WD #433434, Recorded 5-31-74, BK280, PG442

Parcel 7RR

WD #437753, Recorded 12-31-74, BK281, PG1149
QCD #437754, Recorded 12-31-74, BK281, PG1151

Parcels 8RR, 8RRA, and 8RRB

WD #436594, Recorded 10-24-74, BK281, PG711
QCD #436595, Recorded 10-24-74, BK281, PG713
WD in TR #436596, Recorded 10-24-74, BK281, PG715

Parcels 9RR and 9RRA

WD #438239, Recorded 1-23-75, BK282, PG145
QCD #438240, Recorded 1-23-75, BK282, PG147
WD in TR #438238, Recorded 1-23-75, BK282, PG143

Parcels 10RR, 10RRA, and 10RRB

TR's D #436593, Recorded 10-24-74, BK281, PG709
WD in TR #431560, Recorded 3-14-74, BK279, PG771

Parcel 11RR

WD #436592, Recorded 10-24-74, BK281, PG708

Parcel 12RR

QCD #502362, Recorded 7-1-82, BK299, PG111-115

2. As used herein, the "Braidwood Station Site" is the land conveyed by the following deeds:

Parcel 1

Special WD #R73-33682, Recorded 11-7-73, Will County

Parcel 2 and Parcel 1 Corridor

Special WD #R75-04282, Recorded 2-21-75, Will County
QCD #R75-07989, Recorded 4-9-75, Will County

Parcel 3

WD #R73-00389, Recorded 1-4-73, Will County

Parcel 4

QCD #R73-00320, Recorded 1-4-73, Will County
QCD #R73-00321, Recorded 1-4-73, Will County
QCD #R73-00322, Recorded 1-4-73, Will County
QCD #R73-00323, Recorded 1-4-73, Will County
WD #R76-06641, Recorded 3-11-76, Will County

Parcel 5

Court Order #R75-26232, Recorded 9-30-75, Will County
QCD #R76-12112, Recorded 4-28-76, Will County

Parcels 6 and 7

WD #R73-32465, Recorded 10-25-73, Will County
WD #R73-32466, Recorded 10-25-73, Will County
WD #R73-32467, Recorded 10-25-73, Will County

Parcel 7-1

WD #R77-29452, Recorded 8-12-77, Will County

Parcel 8

WD #R74-28701, Recorded 11-18-74, Will County

Parcel 9

TR's D #R76-11403, Recorded 4-22-76, Will County

Parcel 10

TR's D #R74-10641, Recorded 5-9-74, Will County

Parcel 11

TR's D #R74-02647, Recorded 2-1-74, Will County

Parcel 12

Special WD #R74-10086, Recorded 5-3-74, Will County

Parcel 13

QCD #R73-09343, Recorded 4-4-73, Will County

Parcel 14

Special WD #R73-12394, Recorded 5-2-73, Will County

Parcels 15, 16 and 38

Special WD #73-11350, Recorded 11-8-73, Kankakee County

Parcel 17

Special WD #R74-10087, Recorded 5-3-74, Will County

Parcel 18

WD #R72-33692, Recorded 11-16-72, Will County

Parcel 19

WD #R73-12393, Recorded 5-2-73, Will County

Parcel 20

WD #R73-28751, Recorded 9-20-73, Will County

Parcel 21

TR's D #R75-000787, Recorded 1-10-75, Will County

Parcel 22

WD #R75-13721, Recorded 6-6-75, Will County

Parcel 23

WD #238349, Recorded 4-17-75, BK328, PG787, Grundy County

Parcel 24

WD #239424, Recorded 6-26-75, BK329, PG260, Grundy County

Parcel 25

WD #247760, Recorded 1-27-77, BK342, PG610, Grundy County

Parcel 25-1 Railroad Spur

Title in Trust 45553, CT&T Co.

Parcel 25-2

QCD #250782, Recorded 8-1-77, BK350, PG455, Grundy County

Parcel 26

Title in Trust 45553, CT&T Co.

Parcel 27

WD #73-4771, Recorded 5-25-73, Kankakee County
QCD #73-4774, Recorded 5-25-73, Kankakee County
QCD #73-4775, Recorded 5-25-73, Kankakee County
QCD #73-4776, Recorded 5-25-73, Kankakee County
QCD #73-4777, Recorded 5-25-73, Kankakee County
QCD #73-4778, Recorded 5-25-73, Kankakee County
WD #73-4779, Recorded 5-25-73, Kankakee County
WD #73-4780, Recorded 5-25-73, Kankakee County
WD #73-4781, Recorded 5-25-73, Kankakee County
QCD #73-4782, Recorded 5-25-73, Kankakee County

Parcel 28

WD #73-76, Recorded 1-4-73, Kankakee County

Parcel 29

WD #72-10952, Recorded 11-17-72, Kankakee County

Parcel 30

WD #72-10954, Recorded 11-17-72, Kankakee County

Parcel 31

WD #73-2911, Recorded 4-4-73, Kankakee County

Parcel 32

WD #73-772, Recorded 1-26-73, Kankakee County

Parcel 33

WD #72-6651, Recorded 7-26-72, Kankakee County

Parcel 34

WD #73-75, Recorded 1-4-73, Kankakee County

Parcel 35

WD #72-9224, Recorded 10-3-72, Kankakee County

Parcel 36

WD #72-9223, Recorded 10-3-72, Kankakee County .

Parcel 37

Special WD #75-1247, Recorded 2-24-75, Kankakee County

Parcel 39

Conservator's Deed #73-5184, Recorded 6-4-73, Kankakee County

Parcel 2 Corridor

TR's D #R76-16535, Recorded 6-3-76, Will County

Parcel 3 Corridor

WD #R73-31738, Recorded 10-18-73, Will County

Parcel 4 Corridor

WD #R73-36061, Recorded 12-6-73, Will County

Parcel 5 Corridor

WD #R74-01538, Recorded 1-18-74, Will County

Parcel 6 Corridor

Easement - See Braidwood - Wilton Center R/W, Parcel 6

Parcel 7 Corridor

WD #R73-26439, Recorded 8-29-73, Will County
QCD #R73-26440, Recorded 8-29-73, Will County

Parcel 8 Corridor

WD #R74-02644, Recorded 2-1-74, Will County

Parcel 9 Corridor

WD #R74-21461, Recorded 8-29-74, Will County

Parcel 10 Corridor

WD #R75-07305, Recorded 4-1-75, Will County

Parcel 11 Corridor

TR's D #R75-07303, Recorded 4-1-75, Will County

Parcel 12 Corridor

TR's D #R82-06274, Recorded 3-29-82, Will County

3. Edison will grant Subsidiary an easement in the Byron Station Site for the purpose of (i) operating and maintaining the Byron Unit 2 generating facility, including any needed replacements, modifications, additions, retrofits or similar improvements to the equipment and structures constituting Byron Unit 2, and (ii) making such use of the Byron Station Site as is appropriate in connection with the retirement and

decommissioning of such equipment and structures.

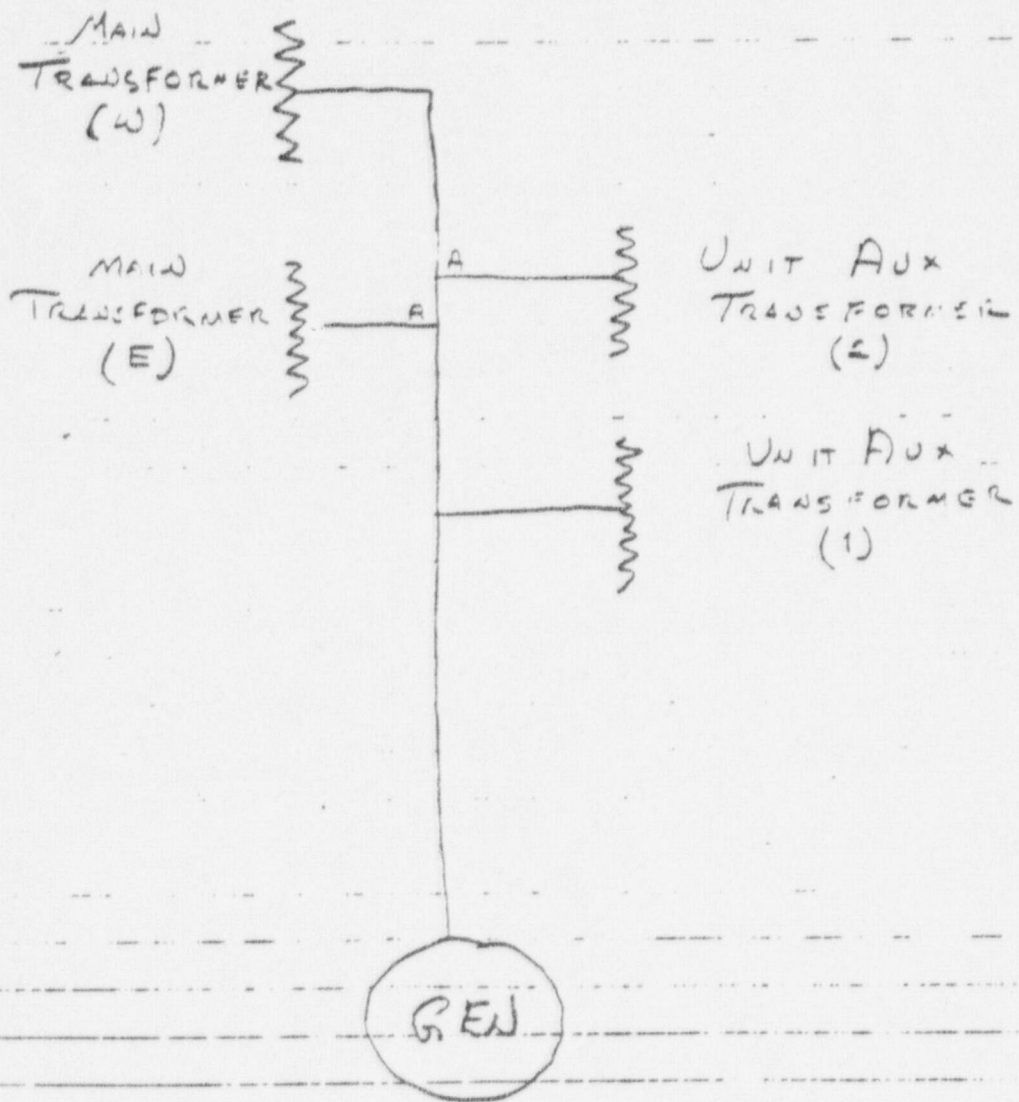
4. The facilities and structures which constitute the Byron Unit 2 generating facility include the Byron Unit 2

- a. Reactor Containment
- b. Reactor Vessel
- c. Reactor internals including control rod drive mechanisms, instrumentation and detectors, pressurizers and steam generator including separator and dryer.
- d. Cranes and Hoists used solely in connection with operation of the Unit
- e. Main and Misc. Instrument and Control Panels
- f. Piping, including valves and supports used solely in connection with operation of the Unit
- g. Circulating Water Pumps used solely in connection with operation of the Unit
- h. Turbine (including foundation)
- i. Generator (including foundation)
- j. Condenser
- k. 345 KV. Main Power Disconnect Switch (1/2 interest)
- l. Natural Draft Cooling Tower

Such facilities and structures also include any other facility or structure at the Byron Station Site which (i) was designed, constructed or installed primarily for use in connection with the operation of Byron Unit 2; and (ii) in the case of any such facility through which electricity generated by Byron Unit 2 flows (together with the structures which support such facility), is located in the system at or prior to the points designated A on the attached diagram.

5. Edison will convey the Braidwood Station Site to Subsidiary subject to the reservations contained in paragraph 2 of the Facilities Transfer Agreement between Edison and Subsidiary together with all equipment, structures, inventories, materials

and supplies located or stored thereon except the transmission facilities. As used herein "transmission facilities" means any equipment through which electricity generated by Braidwood Unit 1 or Braidwood Unit 2 flows (together with the structures which support such facilities) which is located in the system after both of the points designated A on the attached diagram.



DIAGRAM

POWER SUPPLY AGREEMENT
BETWEEN
[SUBSIDIARY]
AND
COMMONWEALTH EDISON COMPANY

This Power Supply Agreement ("Agreement"), made and entered into this day of , 1987, by and between [Subsidiary], ("[Subsidiary]"), and COMMONWEALTH EDISON COMPANY, ("Edison"),

WITNESSETH:

WHEREAS, [Subsidiary] shall own certain electric generating units commonly known as Byron Unit 2, Braidwood Unit 1 and Braidwood Unit 2 (the "Units"); and

WHEREAS, Edison is a public utility engaged in, among other businesses, the generation, purchase, transmission, distribution and sale of electric power and energy at wholesale and retail; and

WHEREAS, [Subsidiary] has agreed to sell to Edison power and energy available to [Subsidiary] from the Units, and Edison has agreed to join with [Subsidiary] in executing an agreement that will set forth in detail the terms and conditions for the sale of such power and energy by [Subsidiary] to Edison; and

WHEREAS, Byron Unit 2 and Braidwood Unit 1 are expected to be placed in service on or before July 1, 1987;

NOW, THEREFORE, [Subsidiary] and Edison, in consideration of the premises and the mutual agreements contained herein, which each of the parties hereto acknowledges to be sufficient consideration, agree as follows:

ARTICLE I

TERM OF AGREEMENT

- 1.1 EFFECTIVE DATE. The Effective Date of this Agreement shall be July 1, 1987.
- 1.2 TERM. This Agreement will have an Initial Term beginning on the Effective Date hereof continuing through and including June 30, 1992. The Initial Term of this Agreement is subject to extension pursuant to the provisions of Section 5.4 of this Agreement. The parties recognize that the date for exercise of the option relative to Braidwood 2 capacity provided in subparagraph (ii) of Section 5.3 hereof falls outside such Initial Term, but nevertheless survives.

ARTICLE II

UNIT CAPACITY SALE AND RESERVE RESPONSIBILITY

- 2.1 UNIT CAPACITY SALE. During the Initial Term of this Agreement (and any extension of such Initial Term pursuant to Section 5.4 of this Agreement), [Subsidiary] shall make available to Edison all the power and energy available from each of the Units from time to time and at any time for Edison's own use or resale to others.

2.2 RESERVE RESPONSIBILITY. The sale by [Subsidiary] to Edison of the output of the Units pursuant to Section 2.1 is a sale without generating capacity reserves.

ARTICLE III

POINTS OF DELIVERY

3.1 POINTS OF DELIVERY. Edison shall receive and take title to power and energy produced at each Unit at the point of interconnection between the Unit and Edison's facilities.

ARTICLE IV

CHARGES FOR SERVICE

4.1 RESERVATION CHARGE. During the Initial Term of this Agreement (and any extension of such Initial Term pursuant to Section 5.4 of this Agreement), Edison shall pay [Subsidiary] a base monthly reservation charge of \$55,000,000 beginning with the bill for July, 1987. Such base monthly reservation charge shall be subject to increase as provided in Section 5.4 of this Agreement.

4.2 ENERGY CHARGES. For each kilowatthour of energy delivered to Edison hereunder in any month Edison shall pay [Subsidiary] the cost of fuel (including applicable costs of leased nuclear fuel) incurred in such month to produce the energy purchased by Edison, such cost of fuel to be calculated in a manner consistent with the provisions of Edison's Illinois Commerce Commission ("ICC") fuel adjustment clause. If, in any of the periods listed on the table set forth below, [Subsidiary] produces energy from the Units in excess of

110% of the target level for such period listed on such table ("Bonus Energy"), Edison shall also pay [Subsidiary] an amount determined in accordance with the following formula:

$$1/2 (S - C) + C,$$

where:

- S = the savings deemed to result from the production of Bonus Energy; and
- C = amounts previously credited by Edison to retail ratepayers pursuant to the "Output Guarantee" provisions of Paragraph 5 of the Memorandum of Understanding dated February 3, 1987, between Edison and certain other parties (the "Memorandum of Understanding"), and not previously considered in determining compensation for Bonus Energy or S, whichever shall be less.

In determining whether [Subsidiary] has become entitled to compensation for Bonus Energy, all energy output for any period listed on the table set forth below up to the target level for such period shall be considered normal output and only when [Subsidiary] has produced energy from the Units in such period in excess of 110% of the target level for such period shall [Subsidiary] become eligible for Bonus Energy compensation.

TARGET LEVELS

<u>Period</u>	<u>Period Gigawatthours</u>	<u>Cumulative Gigawatthours</u>
July-Dec 1987	6,000	6,000
1988	11,000	17,000
1989	13,200	30,200
1990	16,100	46,300
1991	18,000	64,300
Jan-June 1992	7,550	71,850

The savings deemed to be realized by Edison from the production of Bonus Energy shall be the difference between the fuel cost incurred by [Subsidiary] in producing Bonus Energy and the cost Edison would have incurred in replacing such Bonus Energy. Edison, in conformity to the Memorandum of Understanding, shall determine the value of such replacement power. The additional Bonus Energy compensation to which [Subsidiary] may be entitled shall be determined no later than 30 days following the end of the period to which such Bonus Energy compensation relates. Any such Bonus Energy compensation shall be billed to Edison in equal monthly installments over the 12 months succeeding the month in which such determination is made.

4.3. FIRM RATES. The rates for service specified herein, as they may be increased as expressly provided for in Section 5.4, shall remain in effect during the Initial Term of this Agreement and any extension thereof pursuant to Section 5.4, and shall not be subject to change through application to the Federal Energy Regulatory Commission ("FERC") pursuant to the provisions of Section 205 of the Federal Power Act absent the

agreement of the parties hereto. Similarly, the pricing mechanisms specified in Article V shall not be subject to change through application to the FERC pursuant to such provisions of the Federal Power Act.

ARTICLE V

OPTIONS

- 5.1 EXERCISE OF OPTIONS. Edison shall have the options specified in Sections 5.2, 5.3 and 5.4 below to purchase power and energy from [Subsidiary] after the Initial Term of this Agreement. Except as otherwise provided in Section 5.4 below, each such option is exclusive of the others, and the option selected by Edison must be exercised by Edison no later than the close of business, Monday, July 1, 1991.
- 5.2 MOST FAVORED NATION STATUS (Option a). During the period June 30, 1992, through June 30, 2012, Edison may purchase power and energy from [Subsidiary] produced from the Units, when and as available from the Units and subject to prior sale to others, at any time and from time to time at prices subject to the jurisdiction of the FERC but subject to Edison's rights described in Appendix A to this Agreement. Nothing contained in this Section 5.2 shall be deemed to deprive the ICC of any authority it may have to approve contracts for the purchase of such power and energy or to review the prudence of such purchases. If the FERC is without or disclaims jurisdiction with respect to the rates at which such sales are to be made by [Subsidiary] to Edison,

the rates agreed upon by the parties shall be submitted to the ICC for review under Section 7-101 of the Illinois Public Utilities Act and the rates agreed upon by the parties, as they may be modified by the ICC upon review, shall be the basis upon which Edison shall compensate [Subsidiary].

5.3 NEW AGREEMENT (Option b). (i) Edison shall have the option to contract with [Subsidiary] to purchase not less than the entire output of Byron Unit 2 for the remainder of its useful life and, if it does so, to also purchase such amount of power (in blocks of 100 megawatts) from Braidwood Unit 1 over the remainder of its useful life as Edison shall designate at the time of exercise of this option. If Edison elects to purchase any amounts of power from Braidwood Unit 1 pursuant to this Section 5.3, Edison shall have the further option to reduce the amounts of power (in blocks of 100 megawatts) that Edison is obligated to purchase from Braidwood Unit 1, any such reduction to be effective on July 1, 1997 or, if Edison has previously exercised the option provided for in Section 5.4 of this Agreement, effective on July 1, 2000, in either case by giving notice of such reduction 12 months prior to such effective date. Edison shall purchase such power, and the energy associated therewith, at rates determined using traditional net original cost rate base/rate of return regulation and accounting for fuel and all other costs of production, all as determined by the FERC from time to time. If the FERC is without or disclaims jurisdiction with respect

to such rates, or declines to make such a net original cost rate base/rate of return determination, such determination as made by Edison and [Subsidiary] shall be submitted to the ICC for review under Section 7-101 of the Public Utilities Act, and the determination of the parties, as it may be modified by the ICC upon such review, shall be the basis upon which Edison shall pay [Subsidiary]. In the event that Edison exercises its option to reduce its purchases from Braidwood Unit 1, the amount payable to [Subsidiary] shall be reduced to reflect such reduction effective as of the date of such reduction.

(ii) If Edison has elected to purchase the output of Byron Unit 2 and at least a part of the output of Braidwood Unit 1 under this Section and has not elected to reduce the amount of power produced by Braidwood Unit 1 to be purchased under this Section, Edison shall have the further option to elect on December 1, 1998, to purchase not less than the entire output of Braidwood Unit 2 during the period January 1, 2000 through the remainder of the useful life of Braidwood Unit 2. In the event Edison exercises the option to purchase the output of Braidwood Unit 2, it shall not thereafter have any option under this Agreement to reduce the amount of power Edison is obligated to purchase from Braidwood Unit 1. For power, and associated energy, produced from Braidwood Unit 2 Edison shall pay [Subsidiary] the greater of (1) the market value of such power and energy as determined by reference to

third-party, arms length, long-term firm power purchase contracts commencing approximately January, 2000, or (2) rates determined using traditional net original rate base/rate of return regulation and accounting for fuel and all other costs of production, all as determined by the FERC. If the FERC is without or disclaims jurisdiction with respect to such rates, or declines to make such a determination of market value or net original cost rate base/rate of return rates, such determinations as made by Edison and [Subsidiary] shall be submitted to the ICC for review under Section 7-101 of the Public Utilities Act, and the determinations of the parties, as they may be modified by the ICC upon such review, shall be the basis upon which Edison shall pay [Subsidiary], except as otherwise provided in this Section.

5.4 EXTENSION OPTION (Option c). Edison shall have the option to defer until the close of business on Friday, July 1, 1994, the time by which it must exercise the option provided in Section 5.2 above or the option provided for in Section 5.3 above. If Edison exercises the option provided for in this Section 5.4, the Initial Term of this Agreement shall be extended, and the entire output of the Units shall continue to be available to Edison, to and including June 30, 1995, and the monthly payment required to be made by Edison under Section 4.1 of this Agreement shall be increased by an amount equal to 1/12 of the annual retail rate increase to which Edison shall be entitled as a consequence of its election, at

the direction of the ICC, to exercise the option provided by this Section 5.4. The bonus provision of Section 4.2 shall not apply during the period of such extension. Particularly, but not in limitation of the foregoing, the capacity of Braidwood 2 shall remain subject to the option specified in Section 5.3 (ii) above (being part of Option b as set out in "Options After 5 Years" in Paragraph 5 of the Memorandum of Understanding dated February 3, 1985).

5.5 DEFAULT OPTION. [Subsidiary] recognizes that Edison has agreed with others to be directed by the ICC in its exercise of the options provided in Sections 5.2, 5.3 and 5.4 above. In the event that Edison has filed with the ICC a request for such direction no later than 12 months prior to the applicable option exercise date, and the ICC has failed to direct Edison with regard to any such exercise, Edison shall be deemed to have elected to contract to purchase the entire output of Byron Unit 2 for the remainder of its useful life and 50% of the entire output of Braidwood Unit 1 for the remainder of its useful life beginning on the date 12 months following the applicable exercise date. In the event this Section 5.5 becomes operative, Edison shall have no further options under this Article V and the rates for power for which Edison has so contracted shall be determined as provided in Section 5.3 with respect to the output of Byron Unit 2 and Braidwood Unit 1.

ARTICLE VI

BILLING

6.1 STATEMENTS. As soon as practicable after the end of each calendar month, the Parties shall cause to be prepared a statement setting forth the energy delivered by [Subsidiary] to Edison from each Unit and the cost of fuel incurred by [Subsidiary] in producing such energy during such month. If necessary, the cost of fuel may be determined on an estimated basis and adjusted retroactively once the actual cost of fuel incurred in such month is known. Generally accepted practices and methods of accounting and billing for energy transactions between interconnected systems shall be followed in preparing such statements.

6.2 BILLS. As soon as practicable after preparation of the monthly statement provided for in Section 6.1 above, [Subsidiary] shall render to Edison a bill for the amounts due [Subsidiary] by Edison for energy purchased in the month covered by such statement, the capacity reservation charge for such month and any Bonus Energy compensation due [Subsidiary] pursuant to Section 4.2 of this Agreement. Edison shall pay [Subsidiary] the amount due within 15 days of the date of the bill. Unless otherwise agreed upon, a calendar month shall be the standard monthly period for the purposes of settlement under this Agreement.

ARTICLE VII

METERS AND METERING

- 7.1 METERS. Electric power and energy interchanges at each point of delivery shall be measured by suitable metering equipment provided by Subsidiary.
- 7.2 TESTING. Such metering equipment shall be tested by Edison at suitable intervals as specified by the parties from time to time, such intervals not to exceed 12 months. The accuracy of registration shall be maintained in accordance with sound operating practice.
- 7.3 BILLING CORRECTIONS. If, as a result of any test, any meter shall be found to be registering more than two percentage points above or below one hundred percent accuracy, the account between the parties hereto shall be corrected, for a period equal to one-half of the elapsed time since the last prior test, according to the percentage of inaccuracy so found, except that if the meter shall have become defective or inaccurate at a reasonably ascertainable time since the last prior test of such meter, the correction shall extend back to such time. Should metering equipment at any time fail to register, the energy delivered shall be determined from the best available data.

ARTICLE VIII

CONDITIONS PRECEDENT TO EFFECTIVENESS OF AGREEMENT, AMENDMENTS AND SPECIAL TERMINATION RIGHT

- 8.1 CONDITIONS PRECEDENT. The effectiveness of this Agreement is conditioned upon the approval or acceptance for filing of

this Agreement by any regulatory authority having jurisdiction and the approval by the ICC of Edison's sale of the Units to [Subsidiary].

8.2 FERC ACCEPTANCE FOR FILING. [Subsidiary] and Edison mutually recognize and agree that this Agreement will be filed with the Federal Energy Regulatory Commission and [Subsidiary] and Edison agree jointly to request acceptance for filing of this Agreement without suspension by the FERC. In this connection, Edison and [Subsidiary] agree that each of them will execute any and all documents, duly authorize all officers or agencies, and do all of the things necessary and appropriate to secure acceptance for filing of this Agreement by the FERC without suspension, or change or modification of the terms hereof, no later than July 1, 1987.

8.3 AMENDMENTS. This Agreement may be amended only upon mutual agreement of the parties. Any such amendment shall be in writing and will be effective as of the date set forth in the order of any regulatory authority, or other governmental agency having jurisdiction, approving or accepting for filing such amendment or any portion thereof that is required to be approved or accepted.

8.4 SPECIAL TERMINATION RIGHT. If, for any reason, Edison is not permitted to place in effect or maintain the rates provided for in the Memorandum of Understanding, Edison shall have the right to terminate this Agreement, such termination to be effective when and as specified by Edison.

ARTICLE IX

MISCELLANEOUS

- 9.1 GOVERNING LAW. The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the laws of the State of Illinois, except to the extent that this Agreement shall be subject to federal law.
- 9.2 COUNTERPARTS. Any number of counterparts of this Agreement may be executed and each shall have the same force and effect as the original.
- 9.3 NOTICES. Any notice, demand or request made by a party to the other party pursuant to any provision of this Agreement shall be made in writing and shall be delivered either in person, by prepaid telegram or by registered or certified mail to the officer at the address listed below, provided that each party may from time to time change the designated recipient or the address or both, to be used for the giving to it of any such notice, demand or request, by giving written notice of such change to the other party.

TO [Subsidiary]:

TO Edison:

- 9.4 SECTION HEADINGS NOT TO AFFECT MEANING. The descriptive headings of the various Articles and sections of this Agreement have been inserted for convenience only and shall not modify or restrict any of the terms and provisions thereof.

- 9.5 FURTHER ASSURANCES. From time to time after the execution of this Agreement, each party shall execute such instruments, upon the request of the other, as may be necessary or appropriate to carry out the intent of this Agreement.
- 9.6 WAIVERS. Any waiver by either party of its rights with respect to a default under this Agreement, or with respect to any matter arising in connection with this Agreement, shall not be a waiver of any subsequent default or matter.
- 9.7 COMPUTATION OF TIME. In computing any period of time prescribed or allowed by this Agreement, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, Sunday, or legal holiday, in which event the period shall run until the end of the next business day which is not a Saturday, Sunday, or legal holiday.
- 9.8 SURVIVORSHIP OF OBLIGATIONS. The termination of this Agreement shall not discharge any party from any obligation it owes to the other party under this Agreement by reason of any transaction, loss, cost, damage, expense or liability which shall have occurred or arisen after the effective date of this Agreement, but prior to such termination. It is the intent of the parties that any such obligation owed (whether the same shall be known or unknown as of the termination of this Agreement) will survive the termination of this Agreement.

9.9 Subsidiary hereby agrees to be bound by the obligations imposed on it by the Memorandum of Understanding as if it were an original signatory thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective authorized officers and their respective corporate seals to be affixed hereto as of the date first above written.

ATTEST:

COMMONWEALTH EDISON COMPANY

Secretary

By _____
(Title)

ATTEST:

[Subsidiary]

Secretary

By _____
(Title)

Appendix A

"Most Favored Nations"

During the 20-year period June 30, 1992 through June 30, 2012 Edison under Section 5.2 of this Agreement shall have the rights set forth in paragraphs (A) and (B) below.

(A) If Edison is purchasing power under a Contract with the Subsidiary ("Pre-Existing Edison Contract") and the Subsidiary enters into a contract to sell power to a Third Party ("Third Party Contract") which is comparable to the Pre-Existing Edison Contract, but contains more favorable prices or payment terms, Edison may elect to have the price and payment terms of the Third Party Contract substituted for the prices and payment terms of the Pre-Existing Edison Contract. A Third Party Contract shall be considered to be "comparable" only if:

I. It is effective over approximately the same calendar time period as the Pre-Existing Edison Contract.

II. Any other difference between the terms and conditions of the Third Party Contract (excluding price and payment terms) and those of the Pre-Existing Edison Contract does not significantly affect (i) the Subsidiary's cost of providing service, (ii) the quantity or type of service to be provided, (iii) the benefits obtained by the Subsidiary, or (iv) the risks undertaken by the Subsidiary.

Edison shall have no right to substitute only the price or payment terms of the Third Party Contract for those of the Pre-

Existing Edison Contract, it being understood that Edison's election under this paragraph is limited to substitution of both the payment and price terms of the Third Party Contract for those of the Pre-Existing Contract.

B. If the Subsidiary enters into a Third Party Contract and Edison advises Subsidiary that it desires to purchase power under a comparable contract, the Subsidiary will offer power to Edison under a comparable contract, if such power is available from the Units. For purposes of this paragraph, a contract will be considered to be comparable to the Third Party Contract only if its terms and conditions are materially the same as those of such Third Party Contract excepting only such terms and conditions as do not significantly affect (i) the Subsidiary's cost of providing service, (ii) the quantity or type of service to be provided, (iii) the amounts, form and timing of payments, (iv) the benefits obtained by the Subsidiary or (v) the risks undertaken by the Subsidiary. No such comparable contract shall relieve Edison of any of its obligations under any Pre-Existing Edison Contract.

Upon the execution of any Third Party Contract, the Subsidiary will give Edison notice of same and furnish copy of same to Edison within 30 days of the execution of said Third Party Contract.

CONSTRUCTION AND OPERATING AGREEMENT

Agreement dated as of _____, 1987, between _____, ("Subsidiary") and Commonwealth Edison Company ("Edison"). Subsidiary and Edison agree as follows:

1. Recitals. In accordance with an agreement entitled Memorandum of Understanding, dated February 3, 1987, among Edison, the Governor of the State of Illinois, the Attorney General of the State of Illinois, the State's Attorney of Cook County and other parties (the "Memorandum"), Edison has agreed to transfer its nuclear generating facilities known as Byron Unit 2 and Braidwood Units 1 and 2 (the "Units") to Subsidiary. The real estate and facilities constituting the Units are more particularly described in the Facilities Transfer Agreement. Edison has also agreed that it would complete and operate the Units transferred to Subsidiary as agent for Subsidiary.

2. Completion of Construction. Edison agrees to complete the construction of the Units as soon as is commercially feasible in accordance with the Construction Permits issued by the United States Nuclear Regulatory Commission ("NRC"). In this regard, Edison shall, and Subsidiary irrevocably authorizes

Edison to, make such contracts, agreements and modifications to existing contracts and take such other actions as Edison, in its sole discretion, considers necessary or appropriate to complete the construction of the Units and their preparation for commercial service. Subsidiary will cooperate with Edison in connection with its duties under this paragraph, including, without limitation, applications for authorizations, permits or licenses and the execution of such other documents as may be reasonably required.

3. Construction Payments. Edison shall be responsible for making arrangements for the payment of all costs and obligations incurred in connection with the construction of the Units. The costs incurred by Edison in connection with such construction up to the in-service date of the Units shall be deemed to be a contribution to capital by Edison as sole shareholder of subsidiary.

Edison shall also be responsible for making arrangements for payment of all costs and obligations incurred after the in-service date, in connection with the construction of any needed replacements, modifications, additions, retrofits or similar improvements with respect to the Units. Edison shall bill Subsidiary for these costs. To the extent practicable, the billings shall be at such times as shall be appropriate to put the amounts billed in Edison's hands at the times disbursements are made. To the extent such billing is not practicable, Edison

shall have the right to bill Subsidiary for Capital Costs.

"Capital Costs" means a return on Edison's unamortized investment in the item in question, at a rate equal to that which Edison has been authorized to earn on rate base in its then most recent general rate order promulgated by the Illinois Commerce Commission (such rate to vary when and as such Commission promulgates new orders) and, in the case of investment in depreciable (or otherwise amortizable) property, amortization of the value of such investment in accordance with the basis then used by Edison in respect of similar property includable in Edison's retail rate base.

Subsidiary may require Edison to provide Subsidiary with a statement showing in reasonable detail the basis for the computation of any bill, at or about the time the bill is rendered to Subsidiary. The existence of a dispute between Edison and Subsidiary with respect to the proper amount of any bill shall not relieve Subsidiary of its obligation to pay the bill when due. All bills shall be subject to audit and later correction if in error.

4. Operation and Maintenance. Edison shall operate and maintain the Units in accordance with the terms of the applicable NRC Operating Licenses, taking all steps which it considers necessary or appropriate for that purpose, including, but not limited to, (a) manning the Units with its own employees, (b) making and modifying contracts with third parties, (c)

securing and keeping in effect all necessary licenses and other governmental authorizations, (d) preparing and maintaining reports and records required by governmental authority or necessary or appropriate to properly account for the costs and expenses of operation and maintenance of the Units, (e) providing purchasing, engineering and other support services associated with the operation of the Units, (f) procuring and maintaining such liability and property insurance as may be required by law or may be otherwise considered to be desirable by Edison and (g) providing off-site electrical power to the Units as described in Section 8.2 of the Safety Evaluation Reports for Byron Station dated February, 1982, and the Braidwood Station dated December, 1983, as amended from time to time. During the Priority Period applicable to a Unit, Edison will treat such Unit on the same basis as its own units, allocating personnel and other resources, dispatching and establishing priorities for activities and resources among the Unit and Edison's own units as though Edison owned the Unit. The "Priority Period" applicable to a Unit is the Rate Moratorium Period (as defined in the Memorandum) and any subsequent period during which Edison is purchasing output from such Unit under a contract entered into pursuant to subparagraph (b) of paragraph 5 of the Memorandum. During any other period Edison will operate and maintain a Unit in accordance with accepted utility practices.

Edison shall also construct any needed replacements, modifications, additions, retrofits or similar improvements to

the Units, whether required before or after completion of the Units, and shall retire and decommission the Units upon the expiration of their useful lives, salvaging any useful parts of the Units. Subsidiary will cooperate with Edison in all activities in connection with the operation and maintenance of the Units, including, without limitation, applications for authorizations, permits and licenses and the execution of such other documents as may be reasonably required.

5. Operation and Maintenance Costs. Edison shall be responsible for making arrangements for the payment of all costs and obligations incurred in connection with the operation and maintenance of the Units, including without limitation, all costs associated with materials and supplies inventories used for the Units and the disposal of nuclear fuel used in the Units, irrespective of the identity of the owner of such fuel. Edison shall bill Subsidiary for these costs. To the extent practicable, the billings shall be at such times as shall be appropriate to put the amounts billed in Edison's hands at the times disbursements are made. To the extent such billing is not practicable, Edison shall have the right to bill Subsidiary for Capital Costs. Subsidiary may require Edison to provide Subsidiary with a statement showing in reasonable detail the basis for the computation of any bill, at or about the time any bill is rendered to Subsidiary. The existence of a dispute between Edison and Subsidiary with respect to the proper amount

of any bill shall not relieve Subsidiary of its obligation to pay the bill when due. All bills shall be subject to audit and later correction if in error.

6. Nuclear Fuel. Nuclear fuel may be leased or subleased by Edison to Subsidiary. In the case of fuel subleased to Subsidiary, Subsidiary shall pay to Edison a rental equal to the amounts payable by Edison in respect of such fuel under Edison's lease of such fuel. To the extent practicable, such rental payments shall be due at such times as shall be appropriate to put the amounts billed in Edison's hands at the times Edison makes its rental payments. In the case of nuclear fuel leased by Edison to Subsidiary, Subsidiary will pay to Edison a rental equal to the Capital Costs applicable to such fuel.

7. Allocation of Overhead. Subsidiary recognizes that under this Agreement Edison will incur expenses associated with its management and supervisory duties which are not fully compensated in the Construction Costs and Operation and Maintenance Costs provided for above. Accordingly, Subsidiary agrees to pay Edison annually an allocable portion of its management and supervisory overhead costs with respect to each of the Units, to

be determined in accordance with the following formula:

$$\frac{U}{T} \times A \text{ and } G$$

Where:

"U" means the total construction expenditures and operating expenses of the Unit in question for that fiscal year;

"T" means Edison's total construction expenditures and operating expenses for that fiscal year including all such expenditures made in connection with this Agreement; and

"A&G" means the total of Edison's Administrative and General Costs, as reflected in Edison's books of accounts maintained in accordance with applicable regulatory requirements, including applicable pension provisions, other employee benefits and payroll taxes, and executive management's salaries and the expenses of their offices for that fiscal year.

With respect to each Unit "fiscal year" means that part of each calendar year during the term hereof which is subsequent

to the in-service date of the Unit and prior to completion of its decommissioning and retirement. Edison shall bill Subsidiary for its allocable share of management and supervisory overhead costs within 30 days after the close of each fiscal year. Subsidiary shall make payment to Edison within ten days after receipt of the bill.

8. Byron Station Common Plant and Common Costs.

Edison shall make the real estate and facilities designed, constructed or used as common plant for both units of the Byron Station available when and as required for operation and maintenance of Byron Unit 2. Subsidiary agrees to pay to Edison for the use of such common plant a monthly rental charge equal to 50% of the Capital Costs applicable to such common plant.

To the extent practicable, costs properly assignable to a Unit at the Byron Station shall be assigned to the owner of such Unit. Fifty percent of operating and maintenance costs not readily allocable to a Unit shall be allocated to Byron Unit 2.

The parties recognize that there are facilities associated with each of the generating units at the Byron Station which are not classified as common plant but which are, from time to time, used in connection with the operation of both units. Such facilities will continue to be so used throughout the remaining useful lives of such generating units. During the Priority Period applicable to Byron Unit II, neither party shall be obligated to compensate the other for such use. For any

period thereafter, the parties will agree to an appropriate method of sharing the use of, and costs associated with, such facilities.

9. Spare Equipment. Edison will make available to Subsidiary for use in connection with the Units spare equipment and parts maintained in connection with Edison's units. Subsidiary will make available to Edison for use in connection with Edison's units spare equipment and parts maintained in connection with the Units. The party receiving any such spare equipment or parts shall compensate the other party either in cash or by providing like equipment or parts, at the election of the party providing such equipment or parts. If payment is to be made in cash, such payment shall be equal to the original cost of the item in question. At any time after the Rate Moratorium Period (as defined in the Memorandum), either party may terminate the obligations to make equipment and parts available under this paragraph.

10. Access. Subsidiary shall at all times provide Edison, its employees, independent contractors and other authorized invitees with access to the Units for such purposes as Edison, in its sole discretion, considers appropriate, including access to the NRC to assure compliance with NRC regulations.

11. Term. Except as otherwise provided in paragraph 12, this Agreement will continue in force until the earlier of (a) the retirement of all of the Units or (b) such date as is provided for by Edison and Subsidiary in a written agreement to the effect that this Agreement is terminated.

12. Termination. Edison may terminate this Agreement if Subsidiary becomes insolvent or generally fails to pay, or admits in writing its inability to pay, debts as they become due; or Subsidiary applies for, consents to or acquiesces in the appointment of, a trustee, receiver or other custodian for Subsidiary or any property thereof, or makes a general assignment for the benefit of creditors; or, in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for Subsidiary or for a substantial part of the property of Subsidiary and is not discharged within 30 days; or any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is commenced in respect of Subsidiary, and if such case or proceeding is not commenced by Subsidiary it is consented to or acquiesced in by Subsidiary or remains for 30 days undischarged; or Subsidiary takes any corporate action to authorize, or in furtherance of, any of the foregoing.

Subsidiary may terminate this Agreement as to any Unit, upon twelve months' prior written notice to Edison of Subsidiary's determination to terminate with respect to such Unit provided that no such termination may be effective prior to the end of the Priority Period applicable to such Unit.

The foregoing termination rights shall be in addition to any other rights the parties may have arising out of any fact or circumstance referred to in this paragraph or arising out of any default. No such termination shall relieve Edison of any obligation it may have as a licensed operator of the Units or as otherwise may be imposed on Edison by the NRC or by operation of law with respect to safety of construction, operation, maintenance, shutdown or decommissioning of the Units.

13. Agency. Subsidiary hereby appoints Edison as Subsidiary's agent for the purpose of completing construction of the Units and operating and maintaining them under the terms of this Agreement; and, it is expressly understood that in so constructing, operating and maintaining the Units, Edison will be acting solely as agent for Subsidiary and not as a principal. This Agreement shall not create any rights in any person, other than Edison and Subsidiary, whether as a third party beneficiary or otherwise. Edison shall have no obligation hereunder to anyone other than Subsidiary and Subsidiary shall have no right to assign, convey, pledge or otherwise transfer any of its rights hereunder without the prior written consent of Edison. Nothing

contained herein shall operate to limit any obligation Edison may have as a licensed operator of the Units, or as otherwise may be imposed on Edison by the NRC or by operation of law with respect to the safety of construction, operation, maintenance, shutdown or decommissioning of the Units.

14. Miscellaneous.

(a) The validity, interpretation and performance of this Agreement and each of its provisions shall be governed by the law of the State of Illinois as though all acts or omissions occurred in that State. This Agreement is subject to the approval of any regulatory authority required by law.

(b) The section headings included in this Agreement have been inserted for convenience of reference only and shall in no way affect the interpretation of this Agreement.

(c) This Agreement may not be amended except by a written instrument executed by Edison and Subsidiary.

(d) This Agreement may not be assigned by either party without the prior written consent of the other party, which shall not be unreasonably withheld.

(e) This Agreement is subject to approval by the Illinois Commerce Commission and shall only become effective upon such approval.

Executed this ____ day of _____, 1987.

COMMONWEALTH EDISON COMPANY

By: _____

Its: _____

[SUBSIDIARY]

By: _____

Its: _____

FINANCING AGREEMENT

COMMONWEALTH EDISON COMPANY, ("Edison"), and _____
_____, ("Subsidiary"), in consideration of those
matters set forth in Article I hereof agree as follows:

ARTICLE I

Recitals

(a) Edison owns 100% of the outstanding equity securities of Subsidiary.

(b) Edison and Subsidiary are parties to a Facility Transfer Agreement, a Construction and Operating Agreement, and a Power Supply Agreement, all of even date herewith. Pursuant to those agreements, Edison will transfer to Subsidiary the facilities commonly referred to as Byron Unit 2 and Braidwood Units 1 and 2 (collectively the "Units"), and as agent for Subsidiary, complete construction of the Units, operate and maintain the Units, and construct any modifications thereto required for their continued operation, and, for at least 5 years, will have the right to purchase all of the power generated thereby. In order to perform its obligations under those agreements, Subsidiary may be required to make expenditures in excess of the revenues received by it from sales of power.

Exhibit F

ARTICLE II

Funding

1. On or before July 1, 1987, Edison will make a cash contribution to the capital of Subsidiary in the amount of \$25,000,000 to provide working capital. Thereafter, from time to time, and at Subsidiary's request, Edison will make available to Subsidiary such funds as may be necessary to enable Subsidiary to comply with any obligation it may have with respect to safe construction, operation, maintenance, shutdown or decommissioning of the Units; provided that nothing herein contained shall be construed as obligating Edison to provide funds to enable Subsidiary to continue or resume operation of the Units, or any of them, when Edison believes that continued or resumed operation is uneconomical.

2. From time to time, and at Subsidiary's request, Edison may make available to Subsidiary such funds as may be necessary to enable Subsidiary to perform its obligations in respect of the agreements referred to in Article I, or to fulfill any other obligation Subsidiary may come to have arising out of or relating to ownership or operation of the Units.

ARTICLE III

Conditions

At Edison's option, funds to be provided hereunder shall be made available in the form of: (1) loans bearing interest at a rate not to exceed 250 basis points above Edison's then most

recent borrowing of similar duration; (2) non-interest bearing capital advances; or (3) capital contributions.

ARTICLE IV

Term

This Agreement shall continue in full force and effect during the term of the Construction and Operating Agreement referred to above.

ARTICLE V

Limitations

(a) The obligations of Edison to provide funding under paragraph 1 of Article II and its right to provide other funding hereunder shall be subject to approval of this Agreement by the Illinois Commerce Commission.

(b) This Agreement shall not create any rights in any person, other than Edison and Subsidiary, whether as a third party beneficiary or otherwise. Edison shall have no obligation hereunder to anyone other than Subsidiary and Subsidiary shall have no right to assign, convey, pledge or otherwise transfer any of its rights hereunder without the prior written consent of Edison.

(c) Subsidiary shall not use any of the funds provided to Subsidiary hereunder for any purpose other than those specified in Article II.

Dated at _____, Illinois, the ____ day of _____, 1987.

COMMONWEALTH EDISON COMPANY

By _____

By _____



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

COMMONWEALTH EDISON COMPANY
DOCKET NO. STN 50-456
BRAIDWOOD STATION, UNIT 1
FACILITY OPERATING LICENSE

CENTRAL ILLINOIS ELECTRIC GENERATING COMPANY
License No. NPF-70

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:

as amended,

and Central Illinois Electric
Generating Company

A. The application for a license filed by Commonwealth Edison Company ~~(the licensee)~~ ^(CO-licensees) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I, and all required notifications to other agencies or bodies have been duly made;

B. Construction of Braidwood Station, Unit 1 (the facility) has been substantially completed in conformity with Construction Permit No. CPPR-132 and the application, as amended, the provisions of the Act and the regulations of the Commission;

C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D. below);

D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D. below);

E. Commonwealth Edison Company ^{is owner and as agent for Central Illinois Electric Generating Company,} is technically qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;

F. Commonwealth Edison Company has satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;

Exhibit F

- G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;
- H. After weighing the environmental, economic, technical, and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of Facility Operating License No. NPF-70, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and
- I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.

2. Based on the foregoing findings regarding this facility, Facility Operating License No. NPF-70, which supercedes Facility Operating License No. NPF-59 issued on October 17, 1986, is hereby issued to Commonwealth Edison Company (the licensee) to read as follows:

and Central Illinois Electric Generating Company*

A. This license applies to Braidwood Station, Unit 1, a pressurized water reactor, and associated equipment (the facility) owned by Commonwealth Edison Company. The facility is located in north-eastern Illinois, 3 miles southwest of the Kankakee River, 20 miles south-southwest of the town of Joliet, and 60 miles southwest of Chicago, Illinois. The facility is within Reed Township, Will County, Illinois and is described in the Byron/Braidwood Stations' Final Safety Analysis Report, as supplemented and amended, and in the Environmental Report, as supplemented and amended.

B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

- Co-licensees,
(1) Commonwealth Edison Company (CECO), pursuant to Section 103 of the Act and 10 CFR Part 50, to possess, use and operate the facility at the above designated location in Will County, Illinois, in accordance with the procedures and limitations set forth in this license; *
- Co-licensees,
(2) CECO, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
- Co-licensees,
(3) CECO, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;

The obligations of the co-licensees with respect to the ownership and operation of the facility are set forth in the Facility Transfer Agreement and the construction and operating Agreement dated (later), 1987 which are attached to the amendment application filed on May 28, 1987.

Co-licensees,

- (4) ~~CECO~~,[^] pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and

Co-licensees,

- (5) ~~CECO~~,[^] pursuant to the Act and 10 CFR Parts 30, 40 and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

C. This license shall be deemed to contain and is subject to the conditions specified in the Commission's regulations set forth in 10 CFR Chapter I and is subject to all applicable provisions of the Act and to the rules, regulations and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:

(1) Maximum Power Level

~~The licensee~~ Commonwealth Edison Company (CECO)

is authorized to operate the facility at reactor core power levels not in excess of 3411 megawatts thermal (100 percent rated power) in accordance with the conditions specified herein and other items identified in Attachment 1 to this license. The items identified in Attachment 1 to this license shall be completed as specified. Attachment 1 is hereby incorporated into this license. Pending Commission approval, this license is restricted to power levels not in excess of five percent of rated power (170 megawatts thermal).

(2) Technical Specifications and Environmental Protection Plan

The Technical Specifications contained in Appendix A and the Environmental Protection Plan contained in Appendix B, both of which are attached hereto, are hereby incorporated into this license. ~~The licensee~~ shall operate the facility in accordance with the Technical Specifications and the Environmental Protection Plan.

(3) Emergency Planning

In the event that the NRC finds that the lack of progress in completion of the procedures in the Federal Emergency Management Agency's final rule, 44 CFR Part 350, is an indication that a major substantive problem exists in achieving or maintaining an adequate state of emergency preparedness, the provisions of 10 CFR Section 50.54(s)(2) will apply.

(4) Initial Startup Test Program

Any changes to the Initial Test Program described in Section 14 of the FSAR made in accordance with the provisions of 10 CFR 50.59 shall be reported in accordance with 50.59(b) within one month of such change.

(5) Regulatory Guide 1.97, Revision 2 Compliance

~~The licensee~~ ^{CECO} shall submit the final report and a schedule for implementation within six months of NRC approval of the DCRDR.

- D. The facility requires an exemption from the requirements of Appendix J to 10 CFR Part 50, Paragraph III.D.2(b)(ii), the testing of containment air locks at times when containment integrity is not required (SER Section 6.2.6). This exemption is authorized by law, will not present an undue risk to the public health and safety, and is consistent with the common defense and security. This exemption is hereby granted. The special circumstances regarding this exemption are identified in the referenced section of the safety evaluation report and the supplements thereto. This exemption is granted pursuant to 10 CFR 50.12. With this exemption, the facility will operate, to the extent authorized herein, in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission.

An exemption was previously granted pursuant to ^{co-licensees} 10 CFR 70.24. The exemption was granted with NRC materials license No. SNM-1938, issued October 8, 1985, and relieved the licensee from the requirement of having a criticality alarm system. Therefore, the licensee is exempted from the criticality alarm system provision of 10 CFR 70.24 so far as this section applies to the storage of fuel assemblies held under this license.

- E. ~~The licensee~~ ^{CECO} shall implement and maintain in effect all provisions of the approved fire protection program as described in the Final Safety Analysis Report, as supplemented and amended, and as approved in the SER dated November 1983 and its supplements, subject to the following provision:

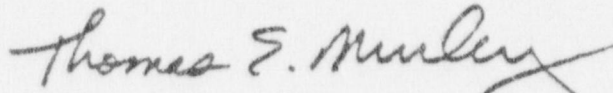
~~The licensee~~ ^{CECO} may make changes to the approved fire protection program without prior approval of the Commission, only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

- F. ~~The licensee~~ ^{Co-licensees} shall fully implement and maintain in effect all provisions of the physical security guard training and qualification, and safeguards contingency plans previously approved by the Commission and all amendments and revisions to such plans made pursuant to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The plans, which contain Safeguards Information protected under 10 CFR 73.21, are entitled: "Braidwood Station Physical Security Plan, Security Personnel Training and Qualification Plan,* and Safeguards Contingency Plan*" with revisions submitted through May 27, 1986.

Co-licensees

- G. Except as otherwise provided in the Technical Specifications or Environmental Protection Plan, the ~~licensee~~ shall report any violations of the requirements contained in Section 2.C of this license in the following manner: initial notification shall be made within 24 hours to the NRC Operations Center via the Emergency Notification System with written followup within thirty days in accordance with the procedures described in 10 CFR 50.73(b), (c), and (e).
- H. The ^{Co-licensees}~~licensee~~ shall have and maintain financial protection of such type and in such amounts as the Commission shall require in accordance with Section 170 of the Atomic Energy Act of 1954, as amended, to cover public liability claims.
- I. This license is effective as of the date of issuance and shall expire at midnight on May 21, 2026.

FOR THE NUCLEAR REGULATORY COMMISSION



Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Attachments:

1. Work Items to be completed
2. Appendix A - Technical Specifications (NUREG-1261)
3. Appendix B - Environmental Protection Plan

Date of Issuance: May 21, 1987

*The Security Personnel Training and Qualification Plan and the Safeguards Contingency Plan are Appendices to the Security Plan. As requested by CECO letter dated April 22, 1983, Revision 6 is to be considered "the initial formal submittal."

ADMINISTRATIVE CONTROLS

6.1 RESPONSIBILITY

6.1.1 The Station Manager, Braidwood Station, shall be responsible for overall unit operation and shall delegate in writing the succession to this responsibility during his absence. *(an employee of Commonwealth Edison,*

Commonwealth Edison 6.1.2 The Shift Engineer *(an employee of Commonwealth Edison,* (or during his absence from the control room, a designated individual) shall be responsible for the control room command function. A management directive to this effect, signed by the Assistant Vice President and General Manager Nuclear Stations, shall be reissued to all station personnel on an annual basis. *of Commonwealth Edison*

6.2 ORGANIZATION

OFFSITE

6.2.1 The *Commonwealth Edison* offsite organization for unit management and technical support shall be as shown in Figure 6.2-1.

UNIT STAFF

6.2.2 The unit organization shall be as shown in Figure 6.2-2 and:

- a. Each on duty shift shall be composed of at least the minimum shift crew composition shown in Table 6.2-1; and
- b. At least one licensed Operator shall be in the control room when fuel is in the reactor. In addition, while the unit is in MODE 1, 2, 3, or 4, at least one licensed Senior Operator shall be in the control room;
- c. A Radiation Chemistry Technician,* qualified in radiation protection procedures, shall be on site when fuel is in the reactor;
- d. All CORE ALTERATIONS shall be observed and directly supervised by either a licensed Senior Operator or licensed Senior Operator Limited to Fuel Handling who has no other concurrent responsibilities during this operation;
- e. A site Fire Brigade of at least five members* shall be maintained onsite at all times. The Fire Brigade shall not include the Shift Engineer, and the two other members of the minimum shift crew necessary for safe shutdown of the unit and any personnel required for other essential functions during a fire emergency; and

*The Radiation Chemistry Technician and Fire Brigade composition may be less than the minimum requirements for a period of time not to exceed 2 hours in order to accommodate unexpected absence provided immediate action is taken to fill the required positions.

Commonwealth Edison has overall responsibility for unit operation, acting as agent of Central Illinois Electric Generating Company.

KANKAKEE RIVER
SCREEN HOUSE



MAKE-UP & BLOWDOWN PIPING

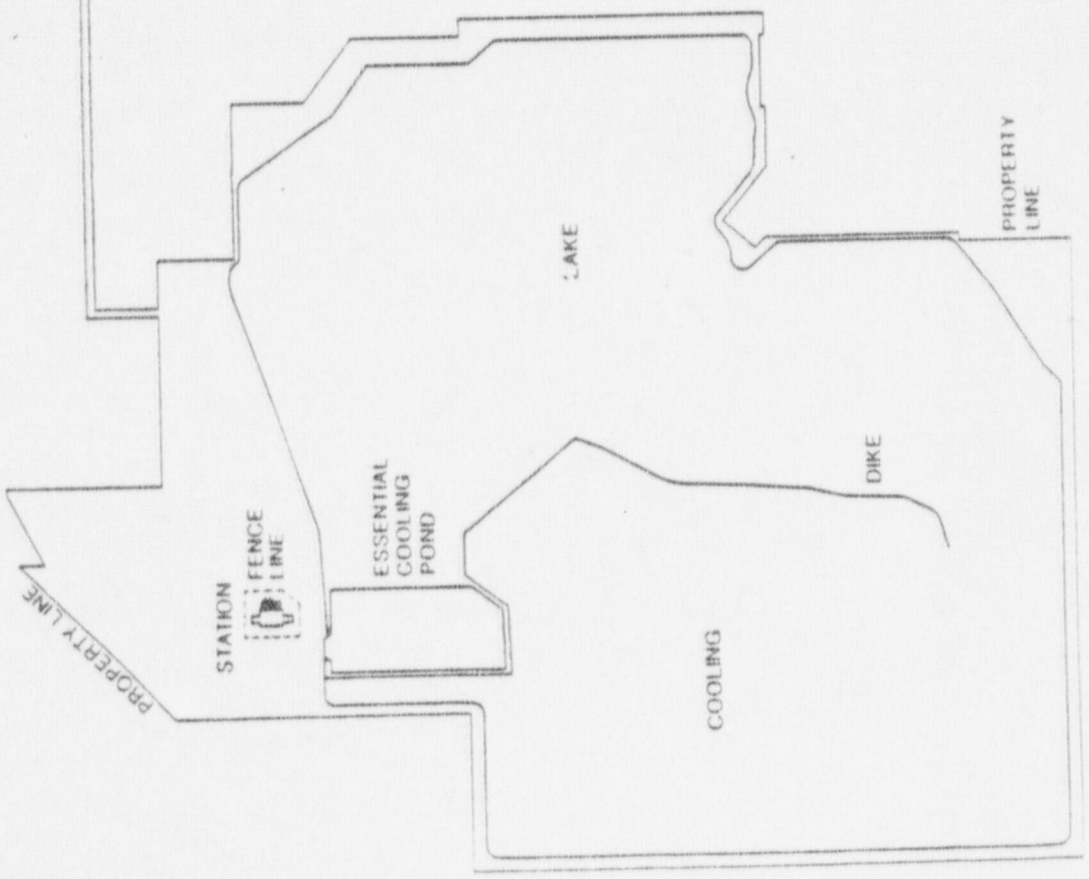


EXHIBIT G
BRAIDWOOD STATION SITE
UNITS 1 & 2

Sheet - 1

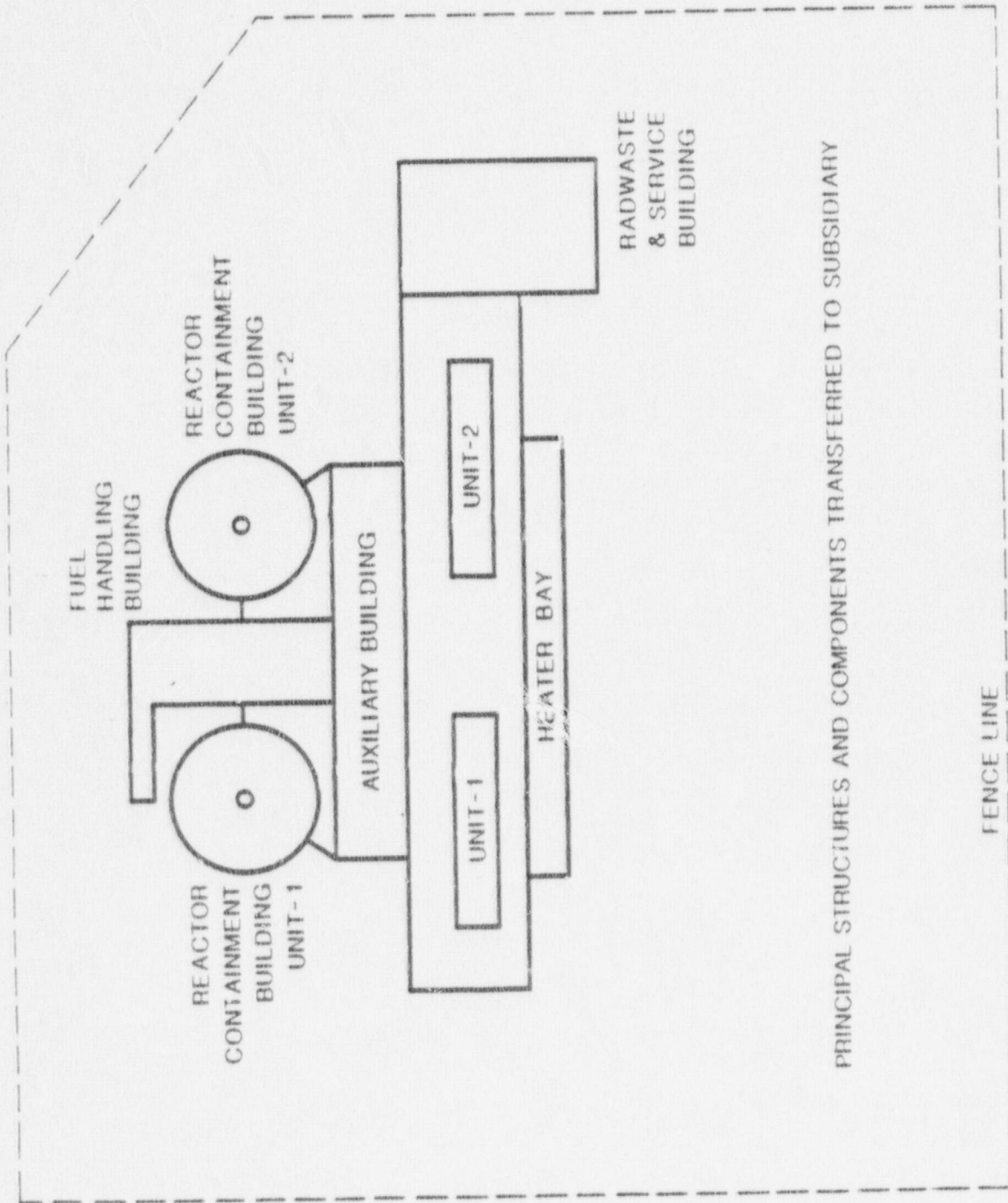


EXHIBIT G

BRAIDWOOD STATION DETAIL
UNITS 1 & 2

Sheet - 2



ATTACHMENT 1

The following general information is provided in support of the application for license amendment.

I. Subsidiary

A. Name: Central Illinois Electric Generating Company

B. Address: P.O. Box 767
Chicago, IL 60690

C. Business Purpose: The Subsidiary will be a corporation established to hold title to the Facility and, through Commonwealth Edison Company as agent, operate the Facility for the purpose of selling the electricity generated thereby in accordance with rates approved by the Federal Energy Regulatory Commission.

D. Organization and Management: The Subsidiary has not yet been created. It will be created sometime in the future after favorable consideration by the Illinois Commerce Commission. The Subsidiary will be a corporation organized and existing under the laws of the State of Illinois. Its principal office will be located in Chicago, Illinois. All of the stock of the corporation will be owned by Commonwealth Edison Company. All of the Subsidiary's directors and principal officers will be employees of Commonwealth Edison Company. All will be citizens of the United States. They will be:

<u>Name</u>	<u>Subsidiary and Edison Position</u>
James J. O'Connor	Chairman and President *
Wallace B. Behnke, Jr.	Vice Chairman *
Bide L. Thomas	Executive Vice President *
Raymond P. Bachert	Vice President and Comptroller
Harlan M. Dellsy	Vice President and General Counsel
James W. Johnson	Vice President
Thomas J. Maiman	Vice President
Robert J. Manning	Vice President
Donald A. Petkus	Vice President
Cordell Reed	Vice President
George P. Rifakes	Vice President
J. Patrick Sanders	Vice President
John J. Viera	Vice President
Ernest M. Roth	Treasurer
Klaus H. Wisiol	Secretary

* Also will be members of the Board of Directors of Central Illinois Electric Generating Company

It is not contemplated that the Subsidiary will have any other employees with the possible exception of a few administrative staff persons. As explained below, all personnel and other resources needed to operate, maintain and decommission the Facility safely will be provided by Commonwealth Edison Company.

II. Facility

Under the Facilities Transfer agreement, title to the Facility will be conveyed to the Subsidiary, including control over the site exclusion area as described in Section 2.1 of the Safety Evaluation Report, dated November, 1983, which was issued by the NRC for Braidwood Station.

The Facility is depicted in Exhibit G, Sheets 1 and 2, and consists of the following structures and equipment for each unit:

- a. Reactor Containment
- b. Reactor Vessel
- c. Reactor internals including control rod drive mechanisms, instrumentation and detectors, pressurizer and steam generators including separator and dryer.
- d. Cranes and Hoists used solely in connection with operation of the Unit
- e. Main and Misc. Instrument and Control Panels
- f. Piping, including valves and supports used solely in connection with operation of the Unit
- g. Circulating Water Pumps used solely in connection with operation of the Unit
- h. Turbine (including foundation)
- i. Generator (including foundation)

- j. Condenser
- k. 345 KV Main Power Disconnect Switch (1/2 interest)
- l. Cooling Lake

III. Technical Qualifications

The NRC has determined under the operating license that Commonwealth Edison Company is qualified to operate the Facility. These circumstances will not change as a result of the proposed license amendment. The Subsidiary will appoint Commonwealth Edison as its agent responsible for the operation, maintenance and decommissioning of the Facility. This relationship is established under paragraphs 4 and 13 of the Construction and Operating Agreement (Exhibit D). Paragraph 13 also states that the Subsidiary shall have no right to "assign, convey, pledge or otherwise transfer any of its rights" without the written consent of Commonwealth Edison Company. Moreover, as sole owner of the shares of the Subsidiary, Edison will control all decision-making to assure that the Facility's nuclear operations organization, which was found technically qualified by the NRC in its Safety Evaluation Report (SER, dated November, 1983), will remain in place. Finally, the NRC will have regulatory control over the Subsidiary as a co-licensee of the Facility as well as Edison thereby subjecting any change in the operating entity of the Facility to the NRC's approval.

IV. Financial Qualifications

Commonwealth Edison Company is responsible financially for the operation, maintenance, and decommissioning of the Facility under the proposed amendment and as set forth in Article II of the Financing Agreement as that term is used in the NRC's regulations (Exhibit E). In accordance with its obligations under those regulations, Commonwealth Edison Company commits to provide the necessary financial resource to operate, maintain and decommission the Facility safely.

Commonwealth Edison Company is an electric utility as defined in 10 CFR Section 50.2, and pursuant to 10 CFR Section 50.33(f) and 57.57(a)(4) no finding of financial responsibility to operate the Facility was required when the operating license was issued. None is required of the Subsidiary since (i) Commonwealth Edison is assuming full responsibility for the Facility, and (ii) the Subsidiary also qualifies as an electric utility under 10 CFR Section 50.2 because as the owner of the Facility its legal status properly qualifies it as a generator and seller of electricity through rates established by a separate regulatory authority.

ATTACHMENT 2

Antitrust Review

Commonwealth Edison Company submitted the requisite information under 10 CFR Section 50.33a and Appendix L to Part 50 in connection with the operating license antitrust review for Braidwood Unit 1. The information was reviewed by the Attorney General and comments were solicited from the public. On September 18, 1986 the NRC's Director of the Office of Nuclear Reactor Regulation made findings, in accordance with Section 105(c)(2) of the Atomic Energy Act of 1954, as amended, that no significant changes had occurred since the construction permit reviews by the Attorney General and the NRC for Braidwood Unit 1 which would require a second antitrust review in connection with the OL application. (See 51 Fed. Reg. 34171 (September 25, 1986)).

The following discussion will demonstrate that neither the Agreement which occasions this Amendment application nor its implementation constitute changed circumstances which raise any significant issues under the antitrust laws or which require a further antitrust review.

For a period of five to eight years after the effective date of the Agreement, Edison (and through it, Edison's customers) will be entitled to all of the power generated by the Units. That is no different from the situation without the Agreement. At all times, both with and without the Agreement, the price of power generated by the Units, and thus as an economic matter, what is paid for entitlement to the power, is subject to regulatory control. The Illinois Commerce Commission controls the price of power sold to Edison's retail customers and the FERC controls the price of power sold to other utilities (including municipal systems).

What may be different under the Agreement is that after the initial period (the duration of which, 5 to 8 years, is to be determined by the Illinois Commerce Commission) is the identity of the utility entitled to the power and, more importantly, what is to be paid for that entitlement. Under Edison's ownership, the situation without the Agreement, the amount paid for entitlement to the power is determined by traditional rate base/rate of return regulation. Such regulation serves to place both a cap and a floor on the amounts (rates) paid for the electricity generated. However, with the Subsidiary's ownership of the Units under the Agreement, the amounts paid for entitlement to the power may be lower than with Edison's ownership. The Subsidiary, unlike Edison, has no service territory and thus, has no assured market for the power. This means that the Subsidiary may be unable to sell the power at prices equivalent to those permitted by regulation. In that circumstance, the power will be sold at rates determined by competitive market forces. This circumstance is dependent on the options which are exercised by Edison at the end of the initial 5-year term of the Power Supply Agreement, as directed by the Illinois Commerce Commission. This arrangement between Edison, the Subsidiary and the Illinois Commerce Commission is, if anything, pro-competitive.

ATTACHMENT 3

Analysis of No Significant Hazards Consideration

The application to amend the operating license to add the Subsidiary as a co-licensee of the Facility involves no significant hazards consideration as demonstrated herein.

The tests for determining whether a proposed amendment involves no significant hazards consideration are set forth in 10 CFR Section 50.92(c). The proposed amendment involves no change in the Facility, the manner in which the Facility is operated, or in the personnel who operate it. The proposed change will involve no alterations to the facility itself and no modifications to plant procedures. Therefore, the proposed amendment involves no increase in the probability or consequences of an accident previously evaluated. Nor does it create the possibility of a new or different kind of accident from any accident previously evaluated or involve any reduction in a margin of safety.

Charles Komanoff, Professional Experience (5/87)

Charles Komanoff is a consultant, analyst and author on the economics of the electric utility, nuclear power and coal sectors of the United States economy, and director of Komanoff Energy Associates, an energy and economic consulting firm at 270 Lafayette Street, New York, NY 10012.

Komanoff has written three books concerning the economic and societal costs of nuclear and coal electric generation; two of the books were published by distinguished scientific publishing houses, and all three broke considerable new ground in their subject areas. He has consulted for two agencies of the United States Congress, the U.S. Department of Energy, and governmental agencies of 15 States with a combined population of half the total population of the United States.

Komanoff is widely credited with having anticipated many of the key problems of the U.S. electric power industry over the past decade and a half: coal-fired generating plant emissions including acid rain; declining operational performance and economies of scale for large generating units, particularly nuclear units; and, most prominently, sharply rising real capital and operating costs for nuclear plants.

Komanoff's professional involvement in the U.S. electric power, nuclear and coal sectors dates from September, 1971. He has worked for the Council on Economic Priorities (1971-72 as a research fellow, 1974-76 as energy projects director); and for the New York City Environmental Protection Administration (1972-73 as quantitative analyst, 1973-74 as senior quantitative analyst). He founded Komanoff Energy Associates in January 1977.

Komanoff has consulted for governmental clients and environmental and citizens organizations since 1975, first through the Council on Economic Priorities, and since 1977 under the auspices of Komanoff Energy Associates. He has presented expert testimony on electric utility economic matters before the U.S. Nuclear Regulatory Commission, four NRC Atomic Safety & Licensing Boards, and Public Utility Commissions of twelve States. Komanoff has been an invited witness on nuclear and coal power economic issues before four Committees of Congress. He was also one of three American witnesses to testify in the inquiry on nuclear power economics before the Select Committee on Energy of the House of Commons (U.K.).

Each of Komanoff's books defined and anticipated emerging aspects of electric utility costs -- both monetary and societal -- that ultimately grew into critical areas of electric power policy. The Price of Power: Electric Utilities and the Environment (published by CEP in 1972, republished by the M.I.T. Press in 1974) documented the environmental impacts of the electric power sector, particularly by coal-fired generators, and described the rising conflicts between utility growth and the drive for environmental quality. Power Plant Performance: Nuclear and Coal Capacity Factors and Economics

Charles Komanoff, Professional Experience, cont'd. (5/87)

(published by CEP in 1976) analyzed the operational performance and comparative economics of nuclear and coal generating plants and described the constraints on improving reactor reliability. Power Plant Cost Escalation: Nuclear and Coal Capital Costs, Regulation and Economics (published by Komanoff Energy Associates in 1981, republished by Van Nostrand Reinhold in 1982) quantified the extent and itemized the causes of rising real capital costs in the coal and, especially, the nuclear power sectors and predicted the economic distress from new nuclear units. All three books are distinguished by their attention to detailed, empirical, data on power plant monetary and societal costs.

Komanoff's work on nuclear and coal capital costs is considered by many knowledgeable analysts to be the definitive work in that area. For example, the discussion of cost growth in nuclear plant construction in the February 1984 report, "Nuclear Power In An Age of Uncertainty," by the U.S. Office of Technology Assessment is based almost entirely on Power Plant Cost Escalation and later material that Komanoff provided to OTA as a consultant.

In addition to the books described above, Komanoff has published articles in diverse industry, scientific and scholarly journals including Nuclear Safety (published at Oak Ridge National Laboratory by the U.S. Department of Energy), Journal of the Air Pollution Control Association, Bulletin of the Atomic Scientists, and Public Utilities Fortnightly. He has also published articles in major newspapers including The Wall Street Journal, The New York Times, and The Los Angeles Times. His work is cited frequently and prominently in those periodicals and others ranging from Science to Barron's.

Komanoff graduated with honors from Harvard College in 1968, with a B.A. degree in Applied Mathematics.

A chronological list of major KEA governmental clients is provided on the following pages.

KEA Governmental Clients

1987

PA Office of Consumer Advocate
IL Citizens Utility Board
LA Public Service Commission
CA Public Utilities Commission
IL Commerce Commission

TX Off. of Public Utility Counsel
City of New Orleans
IL Office of Consumer Services
WA Utilities & Transp. Commission
DC Office of the Peoples' Counsel

1986

CT Division of Consumer Counsel
PA Office of Consumer Advocate
IL Citizens Utility Board
LA Public Service Commission
CA Public Utilities Commission

TX Off. of Public Utility Counsel
City of New Orleans
CT DFUC, Prosecutorial Staff
IL Office of Consumer Services
WA Utilities & Transp. Commission

1985

CT Division of Consumer Counsel
PA Office of Consumer Advocate
FL Office of Public Counsel
NY Consumer Protection Board

U.S. Department of Energy
Montgomery County (Dayton, OH)
City of Cincinnati

1984

ID Public Utilities Commission
WA (State) Public Counsel
PA Office of Consumer Advocate
AZ Residential Utility Consumers Off.

NY Consumer Protection Board
OH Consumers' Counsel
Montgomery County (Dayton, OH)

1983

Office of Technology Assessment
Public Utility Districts (var., WA)

OH Consumers' Counsel
Montgomery County (Dayton, OH)

1982

IL Attorney General

WA (State) Attorney General

1981

ID Public Utilities Commission
FL Office of Public Counsel

NY Consumer Protection Board
City of New York

1980

NJ Public Advocate

FL Office of Public Counsel

KEA Governmental Clients (Cont'd.)

1979

NY Consumer Protection Board
NJ Public Advocate

FL Office of Public Counsel

1978

NY Consumer Protection Board
Suffolk County (NY)

NJ Public Advocate

1977

MI Attorney General
KY Department of Natural Resources
NY Consumer Protection Board
General Accounting Office (U.S. Congress)

NJ Public Advocate
City of New York
Suffolk County (NY)

1976

CT Public Utilities Control Auth.
NJ Public Advocate

CA Energy Commission
NM Attorney General

(business and citizens group clients not shown)

Charles Komanoff
Publications

Spring 1987

BOOKS

Power Plant Cost Escalation: Nuclear and Coal Capital Costs, Regulation and Economics (Komanoff Energy Associates, 1981, republished by Van Nostrand Reinhold, 1982).

Power Plant Performance: Nuclear and Coal Capacity Factors and Economics (Council on Economic Priorities, 1976).

The Price of Power: Electric Utilities and the Environment (Council on Economic Priorities, 1972, republished by M.I.T. Press, 1974), co-authored with Sandy Noyes and Holly Miller.

REPORTS

"Prometheus Bound: Nuclear Power at the Turning Point" (Cambridge Energy Research Associates, 1983), co-authored with I.C. Bupp.

"Power Propaganda: A Critique of the Atomic Industrial Forum's Nuclear and Coal Cost Data for 1978" (Environmental Action Foundation, 1980).

"Nuclear Plant Performance Update 2" (KEA, 1978).

"Nuclear Plant Performance Update" (Council on Economic Priorities, 1976).

"Responding to Con Edison: An Analysis of the 1974 Costs of Indian Point and Alternatives" (Council on Economic Priorities, 1975).

JOURNAL ARTICLES

New England Journal of Public Policy, "Dismal Science Meets Dismal Subject: The (Mal)practice of Nuclear Power Economics," Fall 1985.

Public Utilities Fortnightly, "Assessing the High Costs of New Nuclear Power Plants," Vol. 114, No. 8, 11 October 1984.

Public Utilities Fortnightly, One of two contributions to "Two Views of the Comparative Escalation of Nuclear and Coal-Fired Power Plant Costs," Vol. 109, No. 11, 27 May 1982.

Public Power, "Nuclear Costs Spiral Above Coal," Vol. 39, No. 5, September-October, 1981.

Nuclear Safety, "Sources of Nuclear Regulatory Requirements," Vol. 22, No. 4, July-August, 1981.

JOURNAL ARTICLES (Continued)

Bulletin of the Atomic Scientists, "U.S. Nuclear Plant Performance,"
November 1980.

Journal of the American Pollution Control Association, "Pollution
Control Improvements in Coal-Fired Electric Generating Plants: What
They Accomplish, What They Cost," Vol. 30, No. 9, September 1980.

New York Review of Books, "Doing Without Nuclear Power," Vol. 26, No.
8, 17 May 1979.

"Electric Utility Demand in the Coming Decades: What Utilities Must
Do About It -- What Consumer Advocates and Regulators Should Do Now,"
Electric Potential, Winter, 1985-86

NEWSPAPER ARTICLES (Op-Ed pieces)

The New York Times, Sunday Financial Section, "The Power Shortage Is A
Mirage," 28 April 1985.

Wall Street Journal, "Nuclear Crews Stretch Work, Up Costs", 19 March
1984.

Newsday, "Lilco's Owners Should Share The Burden," 11 January 1983.

Newsday, "Let's Halt Shoreham Work While Seeking True Costs," 19 June
1980.

Newsday, "Shoreham: Time For A Reappraisal," 26 June 1979.

Los Angeles Times, "A Coal-Fired Future," 3 September 1981.

St. Louis Post-Dispatch, "Nuclear Vs. Coal: Rising Costs Are
Undermining The Economics of Atomic Power," 8 July 1981.

WORKS IN PROGRESS

"The Economic Impact of Three Mile Island," presented to the American
Association for the Advancement of Science symposium, May 1986 (in
revision).

Not Included Here

Consultant Reports
Expert Testimony
Congressional Testimony
Numerous articles in environmental/citizens periodicals

1 I. STATEMENT OF QUALIFICATIONS OF JAMES A. ROTHSCHILD

2 Q. Please state your name and business address.

3 A. My name is James A. Rothschild. My address is 1
4 Scarlet Oak Drive, Wilton, Connecticut 06897.

5 Q. What is your occupation?

6 A. I am a financial consultant specializing in utility
7 regulation. I have experience in providing expert
8 testimony regarding the rate treatment for electric, gas
9 telephone, sewer, and water utilities throughout the United
10 States. I have testified in well over 100 utility rate
11 cases and in twenty different jurisdictions.

12 Q. Please summarize your professional affiliations.

13 A. I am president of Rothschild Financial Consulting and
14 have been a consultant since 1972. From 1979 through
15 January, 1985 I was president of Georgetown Consulting
16 Group, Inc. Prior to that, from 1976 to 1979 I was the
17 president of J. Rothschild Associates. Both of these firms
18 specialized in utility regulation. From 1972 through 1975
19 I was employed as a consultant at Touche Ross & Co. Much

1 of my consulting work done while at Touche Ross related to
2 utility regulation. While associated with all of the above
3 firms, I have worked for various state Utility Commissions,
4 Attorneys General, and Public Advocates on matters relating
5 to regulatory and financial issues. These included rate of
6 return, financial issues, and accounting issues. (See
7 Appendix.)

8 Q. Please describe your educational experience.

9 A. I graduated from the University of Pittsburgh in 1967
10 with a B.S. degree in Chemical Engineering, and from Case
11 Western Reserve University in 1971 with an MBA in banking
12 and finance.

13 Q. Please describe your non-utility experience.

14 A. See the Appendix for a complete resume. The statements
15 and description in the resume are true and correct and were
16 prepared under my direction and control.

APPENDIX

10

Testifying Experience of James A. Rothschild

ALABAMA

Continental Telephone of the South; Docket No. 17968, Rate of Return, January, 1981.

ARIZONA

Sun City West Utilities; Accounting, January, 1985

CONNECTICUT

Connecticut American Water Company; Docket No. 800614, Rate of Return, September, 1980

Connecticut Light & Power Company; Docket No. 85-10-22, Accounting and Rate of Return, February, 1986

Connecticut Natural Gas; Docket No. 780812, Accounting and Rate of Return, March, 1979

Connecticut Natural Gas; Docket No. 830101, Rate of Return, March, 1983

DELAWARE

Artesian Water Company, Inc.; Overall Cost of Capital, December, 1986

Diamond State Telephone Company; Docket No. 82-32, Rate of Return, November, 1982

Diamond State Telephone Company; Docket No. 83-12, Rate of Return, October, 1983

Wilmington Suburban Water Company; Rate of Return Report, September, 1986

FLORIDA

Alltel of Florida; Docket No. 850064-TL, Accounting, September, 1985

Florida Power & Light Company; Docket No. 810002-EU, Rate of Return, July, 1981

Florida Power & Light Company; Docket No. 82007-EU, Rate of Return, June, 1982

Florida Power & Light Company; Docket No. 830465-EI, Rate of Return and CWIP, March, 1984

Florida Power Corporation; Docket No. 830470-EI, Rate Phase-In, June, 1984

Florida Progress Corp.; Rate of Return, August, 1986

Gulf Power Company; Docket No. 810136-EU, Rate of Return, October, 1981

Gulf Power Company; Docket No. 840086-EI, Rate of Return, August, 1984

Rolling Oaks Utilities, Inc.; Docket No. 850941-WS, Accounting, October, 1986

Tampa Electric Company; Docket No. 820007-EU, Rate of Return, June, 1982

Tampa Electric Company; Docket No. 830012-EU, Rate of Return, June, 1983

GEORGIA

Georgia Power Company; Docket No. 3397-U, Accounting, July, 1983

ILLINOIS

Central Illinois Public Service Company; ICC Docket No. 86-0256, Financial and Rate of Return, October, 1986

Commonwealth Edison Company; Docket No. 850810970, Financial Testimony, May, 1986

Commonwealth Edison Company; Docket No. 86-0249, Financial Testimony, October, 1986

Northern Illinois Gas Company, Financial Affidavit,
February, 1987

KENTUCKY

Kentucky Power Company; Case No. 8429, Rate of Return,
April, 1982

Kentucky Power Company; Case No. 2734, Rate of Return and
CWIP, June, 1983

Kentucky Power Company; Case No. 9051, Rate of Return and
Rate Base Issues, September, 1984

West Kentucky Gas Company, Case No. 8227, Rate of Return,
August, 1981

MAINE

Bangor Hydro-Electric Company; Docket No. 81-136, Rate of
Return, January, 1982

MARYLAND

C & P Telephone Company; Case No. 7591, Fair Value,
December, 1981

MASSACHUSETTS

Boston Edison Company; Docket No. DPU 906, Rate of Return,
December, 1981

Fitchburg Gas & Electric; Accounting and Finance, October,
1984

Southbridge Water Company; M.D.P.U., Rate of Return,
September, 1982

MINNESOTA

Minnesota Power & Light Company; Docket No. E015/GR-80-76,
Rate of Return, July, 1980

NEW JERSEY

Atlantic City Sewage; Docket No. 774-315, Rate of Return, May, 1977

Elizabethtown Water Company; Docket No. 751-6, Accounting, April, 1978

Elizabethtown Water Company; Docket No. 802-76, Rate of Return, January, 1979

Hackensack Water Company; Docket No. 776-455, October, 1977 and Accounting, February, 1979

Hackensack Water Company; Docket No. 787-847, Accounting and Interim Rate Relief, September, 1978

Hackensack Water Company; AFUDC & CWIP, June, 1979

Hackensack Water Company; Docket No. 804-275, Rate of Return, September, 1980

Hackensack Water Company; Docket No. 8011-870, CWIP, January, 1981

Middlesex Water Company; Docket No. 793-254, Tariff Design, September, 1978

Middlesex Water Company; Docket No. 793-269, Rate of Return, June, 1979

Mount Holly Water Company; Docket No. 805-314, Rate of Return, August, 1980

National Association of Water Companies; Tariff Design, 1977

New Jersey Bell Telephone; Docket No. 7711-1047, Tariff Design, September, 1978

New Jersey Land Title Insurance Companies, Rate of Return and Accounting, August and November, 1985

New Jersey Natural Gas; Docket No. 7812-1681, Rate of Return, April, 1979

Rockland Electric Company; Docket No. 795-413, Rate of

Return, October, 1979

South Jersey Gas Company; Docket No. 769-988, Accounting,
February, 1977

United Artists Cablevision; Docket No. CTV-9924- 83, Rate
of Return, April, 1984

West Keansburg Water Company; Docket No. 838-737, Rate of
Return, December, 1983

NEW YORK

Consolidated Edison Company; Case No. 27353, Accounting and
Rate of Return, October, 1978

Consolidated Edison Company; Case No. 27744, Accounting and
Rate of Return, August 1980

Generic Financing Case for Electric & Gas Companies; Case
No. 27679, May, 1981

Long Island Lighting Company; Case No. 27136, Accounting
and Rate of Return, June, 1977

Long Island Lighting Company; Case No. 27774, Rate of
Return, November, 1980

Long Island Lighting Company; Case No. 28176 and 28177,
Rate of Return and Revenue Forecasting, June, 1982

Long Island Lighting Company, Case No. 28553, Rate of
Return and Finance, March, 1984

New York Telephone, Case No. 27469, April, 1979

New York Telephone, Case No. 27710, Accounting, September,
1981

OHIO

Columbia Gas Company of Ohio; Case No. 77-1428-GA-AIR,
March, 1979

Columbia Gas Company of Ohio; Case No. 78-1118-GA-AIR,
Accounting and Rate of Return, May, 1979



BPI

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BY FEDERAL EXPRESS

June 23, 1987

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Byron 2 Operating
License Amendment
NRC docket no. 50-455

Dear Mr. Murley:

This letter provides a brief updated report on the status of Commonwealth Edison's proposal before the Illinois Commerce Commission (ICC) to restructure the ownership and other financial arrangements concerning the Byron 2 and Braidwood 1 and 2 nuclear units.

In brief, the proposal is still pending before the ICC, with no decision on regulatory approval now expected before July 6, 1987. In the meantime, the proposal is a moving target. First, on June 1, 1987, the ICC Staff recommended a number of amendments to the proposal, some of which bear on the financial qualifications (FQ) of Edison and the proposed subsidiary for NRC purposes. Second, on June 8, Edison agreed to adopt some but not all of the ICC Staff recommendations. Third, on June 12, the ICC Hearing Examiners recommended adoption of most of the ICC Staff recommendations, and also added further recommended changes of their own. Fourth, on June 16, the Illinois Supreme Court reversed an earlier \$495 million Edison rate increase for Byron 1, and remanded for further proceedings. Most recently, during public meetings and oral argument during June 15-18, the members of the ICC discussed a number of potential additional amendments to the proposal, even more stringent than those recommended by the Examiners. Some Commissioners expressed considerable concern about Edison's proposal. It remains unclear whether the proposal will be approved and, if so, subject to what changes and additional conditions. Further ICC meetings to discuss the proposal have been scheduled for June 25 and 26, July 1 and July 6.

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1. ICC Staff Recommendations.

A copy of the specific changes to the Edison proposal recommended by the ICC Staff is attached as Attachment A. Among others, they include:

. Several recommended changes to the bonus-and-penalty provisions that would reduce the likelihood and amount of any bonuses, while increasing the likelihood and amount of any penalties.

. A recommendation that if the subsidiary is to receive any bonuses, then it must also pay any penalties; otherwise, both the bonuses and the penalties should be paid by or to Edison.

. That a \$70 million refund recommended by the Examiner in another case, due to poor performance by LaSalle unit 1, not be waived, as part of Edison's "settlement", and that additional potential refunds of up to \$106 million in pending cases also be preserved.

. A requirement that the subsidiary establish an external fund for decommissioning.

. Retention of the ICC's unrestricted right to reduce Edison's rates during the next 5 years, with no "statement of intent" not to do so, as Edison had requested.

2. Edison Reply.

On June 4, Edison filed a reply to Staff suggestions. A copy of Edison's reply is enclosed as Attachment B. Edison opposed some of the changes on the ground that "Staff's proposal expands those risks well beyond those Edison bargained for, thereby changing the balance of the Agreement." (Att. B, p. 1.) Edison agreed to other changes.

3. Hearing Examiner's Recommendations.

On June 12, the ICC Hearing Examiners issued a 177-page proposed Order on the Edison proposal. A copy of pages 148-64, in which the Examiners adopted most of Staff's suggested changes and added some of their own, is enclosed herewith as Attachment C. Perhaps the most significant additional change involves Edison's right to terminate the agreement in the event the ICC reduces rates in the next 5 years, or for other reasons. The

Examiners recommend that prior ICC approval be required for any such termination. This would appear to give the ICC greater flexibility to reduce Edison's rates, among other effects. In oral argument of June 17, Edison stated that it cannot accept this proposed change.

4. Illinois Supreme Court Decision.

On June 16 the Illinois Supreme Court decided People ex rel Hartigan v. ICC, docket no. 63747 (copy enclosed as Attachment "D" hereto). The Court reversed a \$495 million rate increase received by Edison for Byron 1 in October 1985, and remanded for further proceedings before the ICC to determine the appropriate level of rate increase. If a lower increase is granted (as is likely, in my opinion), Edison's future revenues will of course be lower and, in addition, ratepayers will be entitled to seek reparations for the excessive rates collected after the date of the Supreme Court decision. At oral argument on June 17, Edison indicated that it will still support its proposed "settlement" for Byron 2 and Braidwood, thereby assuming the risk of lower rates for Byron 1. While Edison professes confidence that its rates will not be reduced on remand, substantial reductions and reparations are possible, since the issue involves the reasonableness of construction expenditures at Byron 1.

5. ICC Discussions.

The seven members of the ICC have not yet taken definitive positions on the Edison proposal. During their discussions of June 15-18, however, considerable interest was expressed in the various changes recommended by their Staff and by the Examiners. In addition, there was discussion of adding still tighter restrictions, such as strengthening the provision requiring ICC approval for Edison's termination. It remains, of course, too soon to predict how the ICC will rule.

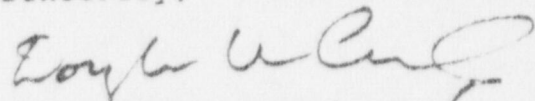
CONCLUSION

Even in its original form, Edison's proposal raised serious FQ issues, as set forth in my letter of April 29. The numerous amendments now under consideration by the ICC raise further FQ issues. As of now, the proposal is a "moving target". No definitive NRC assessment can be made until after the final version is approved by the ICC and then, within 10 days as

required by the Examiners' draft order, agreed to by Edison - if, indeed, such approval and subsequent agreement occur at all.

For these reasons and those set forth in my April 29 letter, we urge the NRC not to make a finding of no significant hazard prior to an adjudicatory hearing on FQ. At such hearing BPI and SAFE stand ready to present the testimony of qualified experts on the Illinois legal and financial ramifications of Edison's proposal on the FQ of Edison and its proposed subsidiary. Expert witnesses who have agreed to testify include Stephen Moore, Public Counsel of the State of Illinois, on the meaning of the agreement and its effect under Illinois law; and Charles Komanoff and James Rothschild on its financial effects. Vitae of Mr. Komanoff and Mr. Rothschild are attached hereto as Attachments E and F, respectively.

Sincerely,



Douglass W. Cassel, Jr.
One of the Attorneys for
BPI and SAFE

Encl.

cc: Leonard N. Olshan
U.S. Nuclear Regulatory Commission
7920 Norfolk Avenue
Bethesda, MD. 20814

**BPI**

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BY FEDERAL EXPRESS

June 23, 1987

Thomas D. Murley, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Braidwood Units 1 and 2,
Application for Amendment
to Facility Operating
License NPF-70 and
Appendix A, Technical
Specifications, NRC Docket
Nos. 50-456 and 50-457

Dear Mr. Murley:

For the reasons stated in my letters to you of April 29 and June 23, 1987, in docket 50-455 concerning Byron 2, BPI and Bridget Little Rorem, et al., intervenors in this docket, urge the NRC not to approve Edison's request for an amendment of any operating license pertaining to Braidwood 1 or 2, and not to determine that no significant hazard exists, without first holding adjudicatory hearings on the serious financial qualifications issues raised by Edison's proposed restructuring of the ownership and other financial arrangements relating to Byron 2 and Braidwood 1 and 2.

BPI will be prepared to present the same witnesses in this docket as listed in my June 23 letter in the Byron 2 docket. To avoid needless duplication, perhaps the hearings on FQ issues should be consolidated.

It appears that Edison's application for Braidwood is virtually identical to its application for Byron 2. Thus the issues in the two cases will, in general, be identical.

There are at least two respects, however, in which the FQ questions relating to Braidwood are even more serious than those relating to Byron 2. Both points arise under option B of the Edison proposal, one of the two long-term options for what

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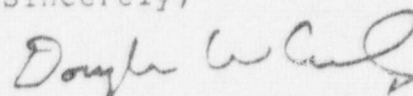
happens after the first 5 years of the Edison proposal. Under option B, Edison would enter into a long-term power purchase contract for Byron 2. In contrast, however, during 1992 through 2000 (or 1995 through 2000 if option C is selected), power from Braidwood 2 may be purchased by Edison only if it is (a) needed and (b) least cost. Since the ICC Staff has already projected that Braidwood 2 power will not be needed by Edison prior to 2000, Braidwood 2's financial situation under option B during 1992-2000 is essentially the same - i.e., lacking any regulatory assurance of cost recovery, and dependent upon market prices - as under option A.

Second, under option B, Braidwood unit 1, unlike Byron 2, potentially may not be purchased at all, or, if so, only in 100 Megawatt chunks, the amount of which may be reduced in 1997. The unpurchased amount of Braidwood 1 - potentially the entire unit - would then be in the same precarious position as Braidwood 2 under either option A or B, i.e., lacking any regulatory assurance of cost recovery.

In the case of Braidwood 1, that lack of regulatory assurance would remain throughout the unit's life. In the case of Braidwood 2, the unit could be purchased by Edison (and thus brought back under a regulatory cost-recovery umbrella) in the year 2000, but only if the ICC were then willing to permit Edison to pay the higher of cost or market price for the unit.

In short, the FQ issues for Braidwood are even more serious than those for Byron 2.

Sincerely,



Douglass W. Cassel, Jr.
One of the Attorneys for
BPI and Intervenors Rorem,
et al.

cc: Jan Stevens
U.S. Nuclear Regulatory Commission
7920 Norfolk Avenue
Bethesda, MD. 20814

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USNFC

'87 JUL -2 P4:48

CERTIFICATE OF SERVICE

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I, Douglass W. Cassel hereby certify that I caused copies of the foregoing Motion To Reopen The Record To Admit Late-Filed Contention On Financial Qualifications to be served on all parties on the attached service list by depositing copies in the U.S. mail, first class postage prepaid this 1st day of July 1987, except that Ivan Smith, Esq., Chairman and Administrative Judge, Atomic Safety and Licensing Board was served by Federal Express on this same date.

Douglass W. Cassel, Jr.
Douglass W. Cassel, Jr.

SERVICE LIST

Atomic Safety and Licensing
Board Panel
U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

Ivan Smith, Esq.
Chairman and Administrative
Judge
Atomic Safety and Licensing
Board
U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

Richard F. Cole
Administrative Judge
Atomic Safety and Licensing
Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

A. Dixon Callihan
Administrative Judge
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Stuary Treby, Esq.
NRC Staff Counsel
U.S. Nuclear Regulatory Commission
7335 Old Georgetown Road
Bethesda, Maryland 20014

Thomas J. Gordon, Esq.
Waller, Evans & Gordon
2503 South Neil
Champaign, IL. 61820

Docketing & Service Section
Office of the Secretary
U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

Region III
Office of Inspection &
Enforcement
U.S. Nuclear Regulatory
Commission
799 Roosevelt Road
Glen Ellyn, IL. 60137

Joseph Gallo, Esq.
Isham, Lincoln & Beale
1150 Connecticut Av., N.W.
Washington, D.C. 20036

Michael I. Miller, Esq.
Peter Thornton, Esq.
Isham, Lincoln & Beale
Three First National Plaza
Chicago, IL. 60602

C. Allen Bock, Esq.
P.O. Box 342
Urbana, IL. 61801

Bridget Little Rorem
117 North Linden Street
Essex, IL. 60935

Lorraine Creek
Route 1, Box 182
Manteno, IL. 60950