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AUTH. NAME AUTHOR AFFILIATION
BARHAM, C. D. Carolina Power & Light Co.
RECIP. NAME RECIPIENT AFFILIATION
BOLCH, T. J. North Carolina Electric Membership Corp.

SUBJECT: Discusses efforts to negotiate mutually satisfactory wheeling agreement w/addressee re shift of power requirement to another supplier. Formula approach being studied for wheeling charge.

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CP&L
Carolina Power & Light Company
P. O. Box 1551 • Raleigh, N. C. 27602

CHARLES D. BARHAM, JR.
Senior Vice President and General Counsel

January 31, 1986

Mr. Thomas J. Bolch
North Carolina Electric Membership Corporation
3400 Sumner Boulevard
P. O. Box 27306
Raleigh, North Carolina 27611-7306

Dear Tom:

As we have said previously, should the members of NCEMC decide to shift their power requirements to another supplier, we would negotiate with you in an effort to agree upon a mutually satisfactory wheeling arrangement. You are aware from our prior conversations with respect to your letter of December 11, 1985, that you have raised a number of very complex issues which will require study and negotiation before agreement can be reached. For example, there would be about 110 EMC delivery points involved.

With regard to a wheeling charge, we are studying a formula approach to insure a fair return and proper cost allocations. The allocation factor which we think should be used would be determined by contribution to annual peak load. The factor would be NCEMC load divided by the sum of 1) NCEMC load, 2) CP&L territorial load, and 3) Power Agency load.

You have indicated that NCEMC may make a "firm" power purchase from Duke Power Company, which implies that Duke will supply the backstand power in case of outage of capacity. Although CP&L may not be asked to be responsible for backstand power, we need to negotiate and agree upon what charges would be made in the event CP&L should be called upon to supply power in an emergency.

For CP&L to reduce its own generation 815 MW and schedule that much power from Duke will mean a shifting of power flows on the systems. This change would have an effect on system losses. Further, to dedicate that much transfer capability could have a major impact on the ability of CP&L to move power into its system from Duke in an emergency. It will take more time to determine exactly what has to be done and how much would have to be charged NCEMC for changes necessary to assure that the current transfer capacity is maintained.

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You may be discussing with Duke Power Company the changes on its system that will be required to assure the same degree of reliability of the interconnected systems as is present now. It is in both our interests that such reliability be maintained.

The CP&L contracts with the EMCs provide for a three-year notice period of cancellation. For many years in its planning, as expected by the EMCs, CP&L has included the EMC load and is entitled to the full three-year notice. Earlier termination would have an adverse financial impact on our system. It also should be recognized that it may take about three years before NCEMC could be ready to receive power when consideration is given to the requirements for changes in the transmission systems. To dispatch the EMC's loads to each point of delivery, an extensive and accurate telemetering system will be required to supply the necessary information to both the CP&L and Duke dispatch control centers. For example, the system for 9 Power Agency-Northeast North Carolina cities required two years to specify, design, construct, and install. By comparison, as I mentioned before, the EMCs have about 110 delivery points.

We will be glad to discuss wheeling with you further.

Very truly yours,

Charles

Charles D. Barham, Jr.

CDBjr/bjl

cc: Nuclear Regulatory Commission,
Attn: Harold R. Denton, Director of Nuclear
Reactor Regulation

Nuclear Regulatory Commission,
Attn: Benjamin H. Vogler, Deputy Antitrust Counsel