

*Law Offices*

*Duncan, Weinberg & Miller, P.C.*

WALLACE L. DUNCAN  
EDWARD WEINBERG  
FREDERICK L. MILLER, JR.  
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PETER S. GLASER  
ROBERT WEINBERG  
CHARLES F. HOLUM  
JANICE L. LOWER  
JEFFREY C. GENZER  
GERALDINE M. CARR†

OF COUNSEL  
DANIEL M. SHEAR\*

JOHN R. LITTLE, JR.  
KARL F. ANUTA, OF COUNSEL  
DENVER OFFICE

\* ADMITTED IN MARYLAND ONLY  
† ADMITTED IN CALIFORNIA ONLY

SUITE 800

1615 M STREET, N.W.

WASHINGTON, D.C. 20036

(202) 467-6370

TELECOPY (202) 467-6379

*Denver Office*

717 17TH STREET, SUITE 1670  
DENVER, COLORADO 80202  
(303) 292-2161

*Northeast Regional Office*

52 ELM STREET  
SPRINGFIELD, VERMONT 05156  
(802) 885-2582  
OF COUNSEL  
PARKER, LAMB & ANKUDA, P.C.

OF COUNSEL

BAILY & MASON, P.C.  
510 L STREET, SUITE 312  
ANCHORAGE, ALASKA 99501  
(907) 276-4331

June 10, 1987

Benjamin Vogler  
Senior Supervisory Trial Attorney  
U.S. Nuclear Regulatory Commission  
7735 Old Georgetown Road  
Bethesda, Maryland 20814

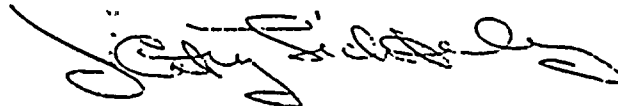
Re: Arizona Public Service Co., et al., Receipt of  
Antitrust Information, Docket No. STN 50530A

Dear Mr. Vogler:

Plains Electric Generation and Transmission  
Cooperative, Inc. ("Plains") filed Comments before the Nuclear  
Regulatory Commission on November 28, 1986, in the above-  
captioned proceeding. Plains has reached a settlement agreement  
with El Paso Electric Company as a result of which Plains with-  
draws its Comments in this proceeding and requests that all  
action cease on the allegations raised in those Comments. A copy  
of the settlement agreement is enclosed with this letter.

Plains appreciates the assistance and cooperation which  
it has received from you, the NRC staff, and the Department of  
Justice staff.

Sincerely,



J. Cathy Lichtenberg

Enclosure

8706220105 870615  
PDR ADOCK 05000530  
M PDR



cc: Janet Urban, Esq. (w/encl.)

(w/oencls.)

Jesse L. Funches

A.J. Pfister

William W. Royer

Royal Furgeson, Jr.

Arthur C. Gehr, Esq.

George Bruder, Esq.

R. K. Gad, III

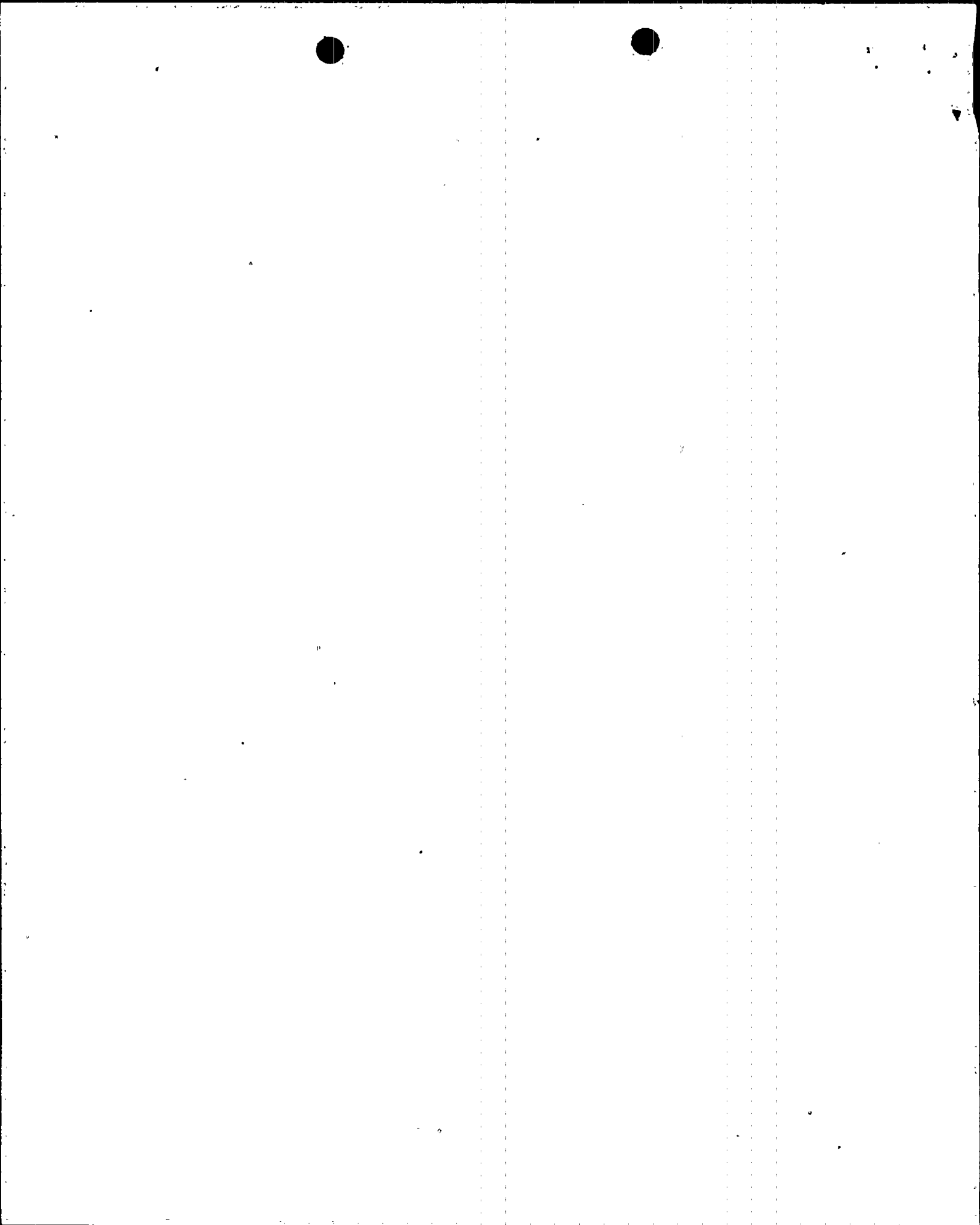
Los Angeles Department of Water and Power

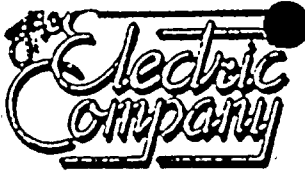
Southern California Public Power Authority

Arizona Public Service Company

Public Service Company of New Mexico

Southern California Edison





El Paso Electric Company  
P.O. Box 982  
El Paso, Texas 79960  
(915) 543-5711

June 5, 1987

Mr. Stanley K. Bazant  
Executive Vice President/General Manager  
Plains Electric Generation and  
Transmission Cooperative, Inc.  
Post Office Box 6551  
Albuquerque, New Mexico 87197

PLAINS/EL PASO LETTER OF UNDERSTANDING -- TRANSMISSION-RELATED MATTERS

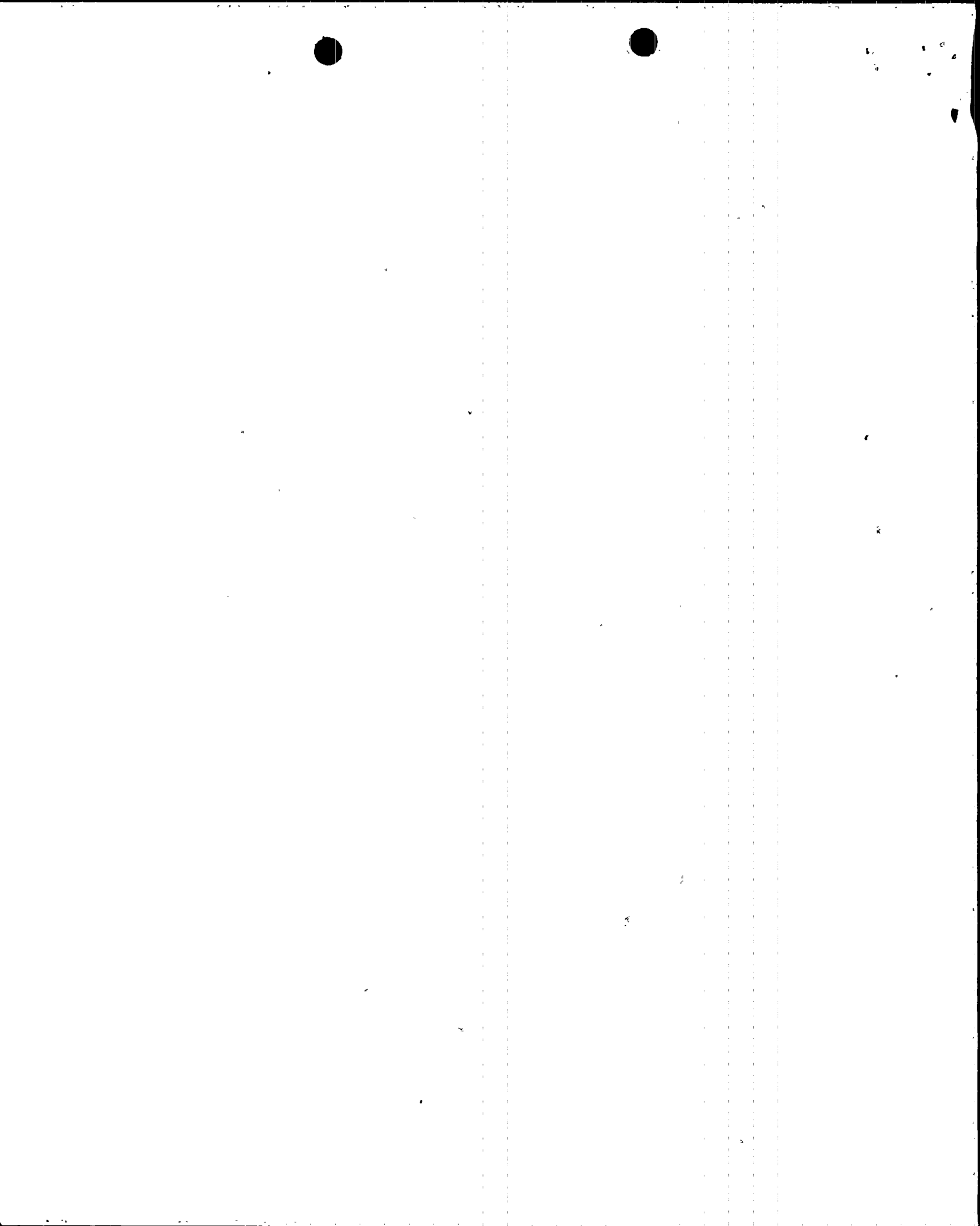
Dear Mr. Bazant:

This letter documents the understandings of El Paso Electric Company (El Paso) and Plains Electric Generation and Transmission Cooperative, Inc. (Plains) to pursue resolution of certain transmission-related items presently outstanding between the companies.

The Parties hereby state the following understandings, intentions and agreements:

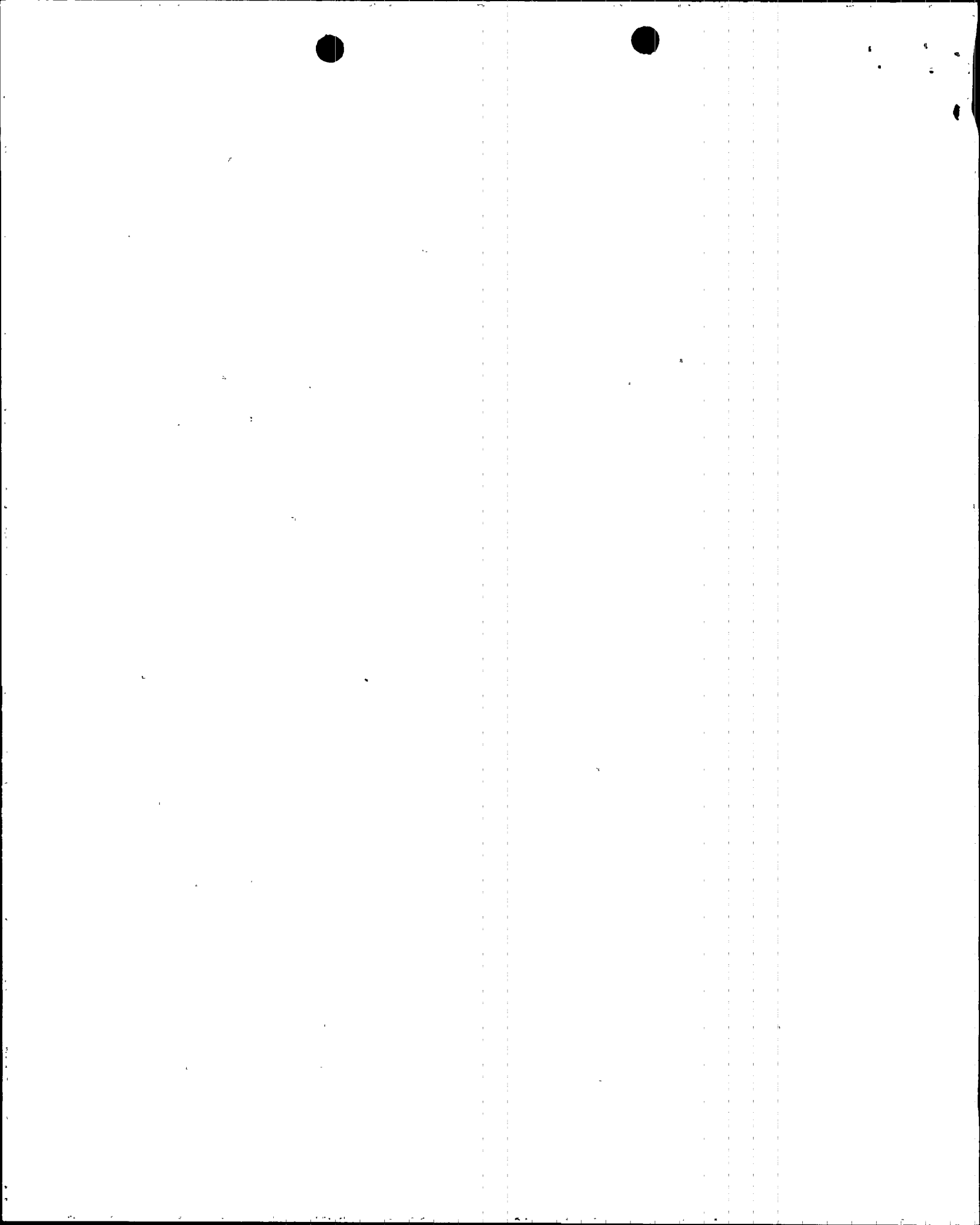
1. That the Parties shall study jointly with scheduled completion by the date of AIP CCN approval plus one and one-half months or October 15, 1987, whichever is later, assuming no new additional major study work is required by Plains, the New Mexico transmission system incorporating the AIP as currently designed and planned to determine system transfer capability in Southern New Mexico.
2. That the Parties shall study jointly with scheduled completion by the date specified in Item 1 above plus four months or February 15, 1988; whichever is later, the New Mexico transmission system incorporating the AIP with enhancements (e.g., the addition of compensation devices). Performance of the system with enhancements must be in accordance with standards generally accepted within the NMPP. If services of an outside consultant are required, additional time may be added to this schedule.
3. That Plains will have the option to purchase and have an unencumbered and undivided ownership interest in up to 13.8% of AIP (it being agreed between the parties that such 13.8% ownership interest is equal to 50 MW of SNM system transfer capability (which equates to 50 MW of transmission rights) and, if Plains should choose to exercise its option in a lesser amount, that such 50 MW SNM system transfer capability shall be ratably reduced by such

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- lesser percentage ownership in AIP), with such capacity coming from the enhancements described in Item 2 above. If the studies hereunder yield less than 50 MW of additional system transfer capability, the Parties shall renegotiate cost responsibilities.
4. That as an alternative to ownership under Item 3 above of up to 50 MW of SNM transfer capability, Plains may elect to contract for wheeling on a one-for-one MW basis for 30 years at FERC rates. Plains would pay a proportionate share for enhancements.
  5. That El Paso will offer wheeling to Plains on the West Mesa-Arroyo 345 KV line of up to 50 MW if one of Plains' members is awarded the contract to serve the SDI loads as described in the 1987 SDI RFP. Said wheeling, at FERC rates, would be derived from enhanced AIP capabilities and would be for a term not to exceed the term of the SDI contract. Plains would pay a proportionate share of the enhancements.
  6. That Plains will pay El Paso, at the time of the ownership transfer under Item 3, a proportionate share of El Paso's already-incurred AIP costs and will thereafter pay a proportionate share of AIP costs and enhancements on a monthly basis as they are incurred. Costs will be based on estimated (subject to adjustment when AIP is closed to El Paso's books) costs as recorded on El Paso's financial records maintained in accordance with generally accepted accounting principles consistently applied and in accordance with FERC regulatory requirements. Said costs will be specifically detailed in Participating and Operating agreements which remain to be negotiated, these agreements being subject to REA approval, if required. Such costs charged to Plains shall exclude the cost of any facilities which are for the sole benefit of EPE and not required for improved system transfer capability. Future operating and maintenance cost payments by Plains shall be addressed in the Participating and Operating agreements.
  7. That Plains will exchange all transmission rights acquired by purchase of a share of the AIP for transmission rights in El Paso's West Mesa-Arroyo line on a one-for-one MW basis. In the event of permanent retirement of the West Mesa-Arroyo transmission line, Plains' transmission rights will be reassociated with Plains' AIP ownership interest.
  8. That Plains' options in Items 3, 4 and 5 above will expire one year following the NMPSC approval of the AIP CCN or one year following the completion of Item 2 above (subject to Item 18 below), whichever is later. Should a substantial delay in the SDI award under Item 5 occur, the Parties shall renegotiate the option period.
  9. That any of Plains' wheeling rights and transmission rights obtained pursuant to this agreement in the West Mesa-Arroyo line will not be transferable to a third party without El Paso's written consent, which consent shall not be unreasonably withheld. In the event that Plains exercises the purchase option hereunder and later

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- desires to sell any ownership, transmission rights or wheeling obtained hereunder, El Paso shall have right of first refusal to purchase such ownership, transmission rights or wheeling. Future mergers and consolidations with, and sales of all or substantially all of Plains' assets, between Plains and another cooperative(s) are excluded from the application of these restrictions, but they shall apply to the surviving entity or transferee.
10. That El Paso and Plains shall have the right to utilize, at no wheeling cost, on an hourly basis, any unused portion of system transfer capability respectively obtained by Plains under Items 3, 4 and 5 above and obtained by El Paso under Item 11 below, subject to REA approval if required.
  11. That Plains will offer El Paso the right to participate in future transmission facilities rated at 115 KV or above planned by Plains, in excess of Plains' needs, in an amount up to the sum of Plains' transmission rights and wheeling obtained hereunder.
  12. That each Party shall be responsible for transmission losses associated with its use of transmission rights obtained hereunder.
  13. That Plains and El Paso will have no rights to tap (electrically connect into) the AIP except as agreed to by the other Party or as ordered by the NMPSC.
  14. That El Paso shall deliver power and energy transmitted to Plains pursuant to this Letter of Understanding at the Las Cruces 115 KV Substation. Incremental delivery costs from Arroyo to Las Cruces will be included within the costs of the enhanced AIP and be paid by Plains at the time of the payment under Item 6; the costs shall be estimated through joint study using applicable forecasted data through the duration of the Plains-Mescalero Apache Tribe easement. To the extent that El Paso's incremental delivery costs were not recovered through the AIP project costs, Plains shall reimburse El Paso through, at Plains' option, FERC wheeling charges or a contribution in aid of construction.
  15. That the Parties shall develop and execute a mutual hazard sharing arrangement totaling 50 MW and involving Plains Escalante Generating Station and El Paso's entitlements in generating units at Palo Verde and Four Corners. Unless otherwise agreed, such 50 MW shall be spread equally across EPE's entitlement in the generating units at Palo Verde and Four Corners. The details of this arrangement shall be subject to future negotiation. The Parties shall explore the existing hazard sharing agreement now in effect between Plains and Public Service Company of New Mexico as to the desirability and applicability of the concepts expressed therein.
  16. That Plains will comment in favor of El Paso's CCN for the AIP upon execution of this Letter of Understanding.
- P.D.  
Bazant

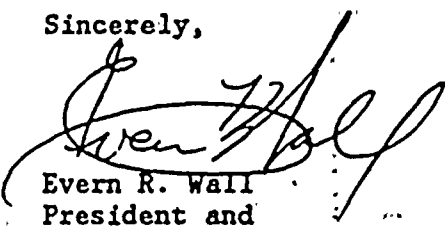


Mr. Stanley K. Baz...  
June 5, 1987

17. That Plains will withdraw its comments of November 28, 1986 to the NRC and the Department of Justice and to any other entities upon execution of this Letter of Understanding and cooperate with El Paso to attempt to secure dismissal of any and all current proceedings based on such comments.
18. That disputes under Items 1, 2 and 3 and costs under Items 4, 5, 6 and 14 will be subject to arbitration in accordance with Exhibit 1 attached hereto and made a part hereof.

If the foregoing statements and intentions are acceptable to you, please so indicate by signing and dating both originals and returning one original to El Paso.

Sincerely,

  
Evern R. Wall  
President and  
Chairman of the Board

Accepted and agreed to this 5<sup>th</sup> day of JUNE, 1987.

PLAINS ELECTRIC GENERATION AND  
TRANSMISSION COOPERATIVE, INC.

By 

Its Executive Vice President/General Manager

R.D.  
RM

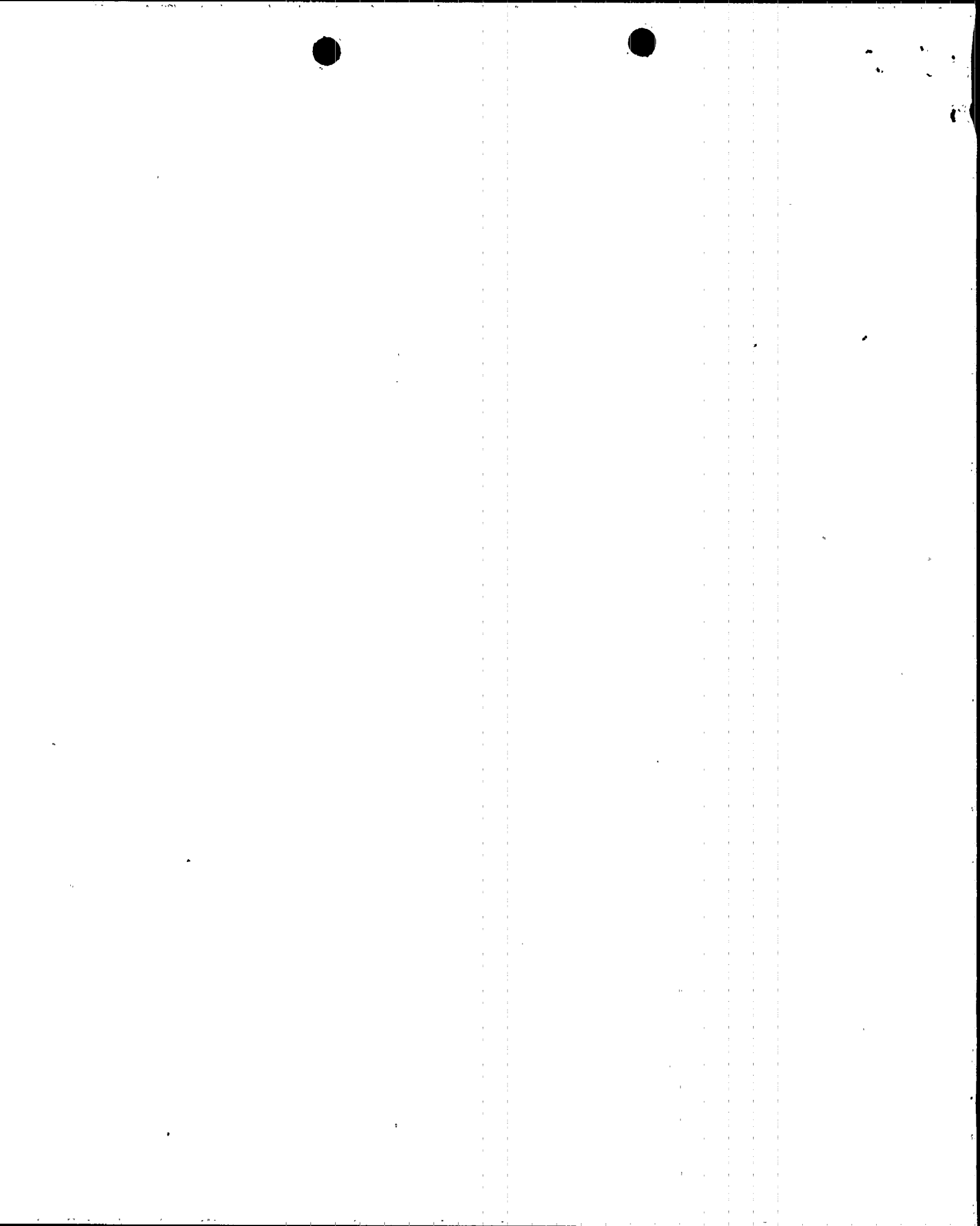


EXHIBIT 1 TO  
PLAINS/EL PASO LETTER OF UNDERSTANDING  
TRANSMISSION-RELATED MATTERS

ARBITRATION PROVISIONS

Disputes under Items 1, 2 and 3 and costs under Items 4, 5, 6 and 14 shall be subject to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the New Mexico Uniform Arbitration Act.

- a. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. Each arbitration shall be conducted by a panel of three (3) Arbitrators, unless the Parties agree that the arbitration be conducted by one (1) Arbitrator. In either event, the Arbitrator(s) shall be appointed in accordance with Item (d) below. Each Arbitrator shall, by experience, training or education, be skilled and knowledgeable in the matters to be arbitrated, and shall be selected in accordance with Item (d) below.
- b. Costs and expenses of the arbitration, including the fees of the Arbitrator(s), but not including attorney's fees, shall be borne as the Arbitrator(s) shall direct.
- c. The chairman shall call and conduct all meetings of the Arbitration. The panel shall act by majority vote. The panel may establish procedures for discovery, hearings and briefings.
- d. Within thirty (30) days after written submission by a party of a dispute under Item 18, each party shall name one member to the arbitration panel (which member may not be an employee) and within thirty (30) days thereafter, the two members shall select a third member, who shall be the chairman, and if they so desire, an alternative third member, who shall be chairman in the event of the absence or inability to serve of the chairman in any arbitration. In the event of the failure of a party to appoint a member within the period designated, or of the two members appointed by the Parties to appoint a third member (the chairman) and any alternate member, the appointment to the unfilled position may be made by the American Arbitration Association upon request by either Party. In case of vacancy in any of the above positions, the vacancy shall be filled within thirty (30) days, or less if necessary for a timely decision, by the procedures used to make the original appointment to the position.
- e. The Arbitrators shall issue a decision within one hundred fifty (150) days of any request for arbitration.

