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NUCLEAR REGULATORY COMMISSION (NRC)
FORMERLY US ATOMIC ENERGY COMMISSION
ATTN: MR JAN STRASMA
799 ROOSEVELT ROAD
GLEN ELLYN, IL 60137

MIDLAND, MICH, JUNE 27 -- CONSUMERS POWER COMPANY AND DOW CHEMICAL COMPANY TODAY ANNOUNCED THE SIGNING OF RENEGOTIATED CONTRACTS FOR THE SUPPLY TO DOW OF STEAM FROM THE UTILITY'S MIDLAND NUCLEAR PLANT AND ELECTRICITY FROM THE POWER COMPANY'S ELECTRIC SYSTEM.

THE AGREEMENT UPDATES AND SUPERCEDES CONTRACTS ORIGINALLY SIGNED IN 1967 AND IN 1974. TENTATIVE AGREEMENT ON THE NEW CONTRACTS HAD BEEN ANNOUNCED JUNE 9.

THE \$1.67 BILLION MIDLAND PLANT IS BEING BUILT DIRECTLY ACROSS THE TITTABAWASSEE RIVER FROM DOW'S MIDLAND CHEMICAL PLANT COMPLEX. THE NUCLEAR PLANT IS ABOUT 50 PERCENT COMPLETE. THE TWO-UNIT PLANT WILL PRODUCE 1,300,000 KILOWATTS OF ELECTRICITY FROM THE UTILITY'S ELECTRIC CUSTOMERS AND UP TO FOUR MILLION POUNDS OF PROCESS STEAM PER HOUR FOR DOW.

ONE UNIT OF THE PLANT IS SCHEDULED TO BEGIN OPERATION IN 1981 AND THE SECOND IN 1982. STEAM AND ELECTRIC SERVICE TO DOW UNDER THESE CONTRACTS WILL BEGIN UPON COMPLETION OF THE SECOND UNIT.

THE MIDLAND PLANT WILL BE THE WORLD'S FIRST COMMERCIAL-SIZED DUAL-PURPOSE NUCLEAR PLANT.

BOTH PAUL OREFFICE, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF DOW, AND JOHN D SELBY, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF CONSUMERS POWER, EXPRESSED PLEASURE AT THE CONCLUSION OF THE CONTRACT. EACH OFFICIAL SAID THAT THE COMPANIES HAD NEGOTIATED A FAIR AND EQUITABLE CONTRACT WHICH WOULD BE EASY TO ADMINISTER.

HIGHLIGHTS OF THE AGREEMENT ARE:

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-- THE INITIAL TERM OF THE STEAM CONTRACT IS FOR 35 YEARS, AND MAY BE EXTENDED AT DOW'S OPTION YEAR TO YEAR THEREAFTER.

-- ANY DISPUTES CONCERNING BREACH OF THE OLD AGREEMENTS HAVE BEEN DISCHARGED BY THE NEW CONTRACTS.

JUN 28 1978

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- CONSUMERS POWER HAS THE OPTION TO SELL A PORTION OF THE MIDLAND PLANT TO THIRD PARTIES. DISCUSSIONS REGARDING PARTIAL OWNERSHIP IN THE ELECTRICAL PORTION OF THE FACILITY ARE BEING HELD BY CONSUMERS POWER AND A NUMBER OF MICHIGAN MUNICIPAL AND COOPERATIVE UTILITIES.
- DOW HAS THE FLEXIBILITY TO USE THE STEAM AT ITS MIDLAND MANUFACTURING COMPLEX IN ANY WAY IT CHOOSES WITH NO LIMITATIONS.

ACCORDING TO THE CONTRACT, DOW WILL PAY FOR STEAM ON A MONTHLY BASIS AND THE CHARGES TO DOW WILL REFLECT A COMBINATION OF THE COSTS OF EQUIPMENT TO SUPPLY STEAM TO DOW, A REASONABLE RATE OF RETURN ON CONSUMERS POWER COMPANY'S INVESTMENT IN THIS EQUIPMENT, AND DOW'S SHARE OF OPERATING COSTS.

CONSUMERS POWER EXPECTS TO BEGIN SUPPLYING STEAM TO DOW IN THE SPRING OF 1982. HOWEVER, IF FOR ANY REASON STEAM IS NOT PROVIDED BY DECEMBER 31, 1984, DOW HAS THE OPTION OF WITHDRAWING FROM THE CONTRACT BY PAYING A PORTION OF THE COSTS OF THE FACILITIES INSTALLED TO SUPPLY DOW WITH STEAM.

COMMENTING ON THE AGREEMENT, OREFFICE SAID "THIS CONTRACT REPRESENTS A SIGNIFICANT STEP FORWARD IN RESOLVING UNCERTAINTY ABOUT ENERGY AND AIR QUALITY ISSUES AT OUR MIDLAND PRODUCTION PLANTS, AND THE AGREEMENT SERVES THE PUBLIC INTEREST WELL. IT REPLACES CONTRACTS WHICH NEITHER SIDE HAS BEEN HAPPY WITH BECAUSE OF ALL THE CHANGING CIRCUMSTANCES OF RECENT YEARS IN THE ENERGY AREA."

SELBY SAID "NOW THAT WE HAVE COMPLETED THESE DELIBERATIONS, THE MANAGEMENT OF CONSUMERS POWER WILL FOCUS ITS ATTENTION ON COMPLETING THE MIDLAND UNITS AND OBTAINING OPERATING LICENSES. WE EXPECT THAT

ANY PUBLIC OR GOVERNMENT INVOLVEMENT IN THAT LICENSING PROCESS WILL PLACE PRIMARY CONSIDERATION ON THE ECONOMIC AND ENVIRONMENTAL BENEFITS TO THE GREATER MIDLAND AREA AND TO THE STATE OF MICHIGAN THAT WILL RESULT BY PUTTING THIS PLANT INTO OPERATION ON SCHEDULE."

THE AGREEMENT CONCLUDES SEVEN MONTHS OF NEGOTIATIONS WHICH BEGAN LAST NOVEMBER 2. THE RENEGOTIATIONS BEGAN AFTER EXECUTIVES OF THE TWO COMPANIES MET AND AGREED THAT THE CONTRACTS NEEDED TO BE UPDATED TO REFLECT NEW CONDITIONS THAT HAVE OCCURRED SINCE 1974. THE NEW CONDITIONS INCLUDE CHANGING NEEDS OF BOTH PARTIES, PLANT DESIGN CHANGES, AND SCHEDULING CHANGES.

NEGOTIATIONS WERE CONDUCTED BY THREE-MAN TEAMS FROM EACH FIRM. HEADING THE DOW DELEGATION WAS D. DICK DE LINE, MANUFACTURING MANAGER OF THE MICHIGAN DIVISION, DOW CHEMICAL USA. THE CONSUMERS POWER NEGOTIATORS WERE LED BY STEPHEN H HOWELL, THE UTILITY'S VICE PRESIDENT-PROJECTS, ENGINEERING AND CONSTRUCTION.

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CONSUMERS POWER COMPANY

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