



SUSQUEHANNA RIVER BASIN COMMISSION

1721 North Front Street

Harrisburg, Pennsylvania 17102

717-238-0423

Application 19940901

PENNSYLVANIA POWER AND LIGHT COMPANY (PP&L) MONTOUR STEAM ELECTRIC GENERATING STATION (SES)

Consumptive use of up to 17 MGD on a 30-day average

Review Authority

This application was reviewed by Susquehanna River Basin Commission (Commission) staff pursuant to Article 3, Section 3.10 of the Susquehanna River Basin Compact, P.L. 91-575, and Commission Regulation 803.61 relating to the consumptive use of water. The application was received by the Commission on March 23, 1994.

Description

Purpose. The purpose of this project is to generate electrical power to be fed into the public utility power grid.

Location. The project is located approximately one mile north and east of Washingtonville in Derry Township, Montour County, Pennsylvania.

Project Location. The project consists of two steam turbine electric generating units, each rated at about 740 megawatts. The first of these units began operation in April 1972 and the second sometime in 1973. Maximum 30 day consumptive use for both units is estimated at 17 MGD due to cooling tower evaporation, drift losses, and detention basin evaporation.

Water for general plant use and cooling tower make-up is taken from the West Branch of the Susquehanna River and piped twelve miles to the plant site. Under normal operation, water is taken from the river with excess flow going to the Montour Reservoir (Lake Chillisquaque), which was constructed as a backup water source on the Middle Branch of the Chillisquaque Creek approximately 2.5 miles northeast of the plant site.

Findings

SRBC alleges that Montour SES is subject to the requirements of Regulation 803.61, and in particular, the requirement of compensation for consumptive use of water during periods of low flow, because Montour SES began consuming water after January 23, 1971.

PP&L maintains that it is exempt from the SRBC consumptive use regulations because, among other things, it was permitted and operational prior to the effective date of Part 803.

SRBC and PP&L representatives have met to discuss the applicability of the regulation and have developed a proposed settlement agreement. The Commission finds that the proposed settlement agreement, though containing certain compromises between the Commission and PP&L regarding the projected amounts of needed make-up storage and the amount of monetary compensation due for past consumptive use, is a fair and equitable settlement of the matter. The settlement carries out the basic purposes of Regulation 803.61 by providing a source of low flow make-up for a project that would otherwise have none.

The staff finds that the proposed settlement agreement, presented today for your approval and to be incorporated in the terms of this docket approval, though containing certain compromises between the Commission and PP&L regarding the projected amounts of needed make-up storage and the amount of monetary compensation due for past consumptive use, is a fair and equitable settlement of the matter. The settlement carries out the basic purposes of Regulation 803.61 by providing a source of low flow make-up for a project that would otherwise have none. In the view of staff, the risks of litigating the matter to win every last concession from the company far outweigh any advantages to be gained by the Commission or the public it serves.

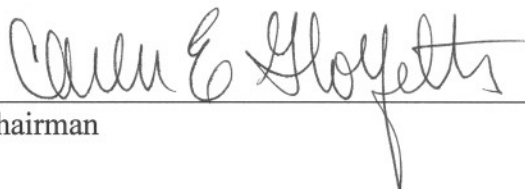
Therefore, the Commission staff recommends the following decision to the Commission on this project application:

Decision

The consumptive use of up to 17 MGD on a 30-day average at Montour SES is approved as follows:

1. The terms of a certain settlement agreement between the Susquehanna River Basin Commission and Pennsylvania Power and Light Company regarding the Montour Steam Electric Station, a copy of which is attached hereto as Attachment A, are hereby incorporated into and made binding upon this docket approval.
2. The Executive Director is hereby authorized to execute the said agreement on behalf of the Commission.
3. This action does not obviate the need for the applicant to obtain any other federal, state or local approvals required for the project.

By the Commission:



Chairman

Dated: September 27, 1994

ATTACHMENT A

Settlement Agreement Between Susquehanna River Basin Commission and Pennsylvania Power & Light Company Regarding Montour Steam Electric Station

I. Background

- A. The Susquehanna River Basin Commission (SRBC), the federal interstate compact commission with authority to regulate water resources within the limits of the Basin under the Susquehanna River Basin Compact, P.L. 91-575 (the Compact).
- B. Pennsylvania Power & Light Company ("PP&L") is an operating utility, incorporated under the laws of the Commonwealth of Pennsylvania, serving a 10,000 square mile territory which encompasses 29 counties in central-eastern Pennsylvania.
- C. PP&L wholly or jointly owns several power plants including a steam electric station located approximately ten miles from the West Branch of the Susquehanna River in Derry Township, Montour County, Pennsylvania ("Montour SES").
- D. The SRBC has issued a letter dated April 1, 1994, ordering PP&L to appear and show cause why Montour SES is not subject to regulation at 18 C.F.R. § 803.61.
- E. The SRBC staff have alleged that Montour SES is subject to the requirements of § 803.61, and in particular, the requirement of compensation for consumptive use of water during periods of low flow, because Montour SES began consuming water after January 23, 1971.

- F. PP&L maintains that it is exempt from the SRBC consumptive use regulations because, among other things, it was permitted and operational prior to the effective date of Part 803.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

II. Settlement Terms

1. (a) The Parties agree that there are 3,000 acre-feet of capacity available at Cowanesque, taking into consideration the 5% uprate implemented at Susquehanna Unit 2 in 1994 and the 5% uprate, to be implemented at Susquehanna Unit 1 in 1995. The Parties agree that make up water for Montour's consumptive use will be provided for by releases of up to 3000 acre-feet from Cowanesque Reservoir ("Cowanesque") and, subject to Pennsylvania Fish Commission approval, releases from Lake Chillisquaque pursuant to Operating Plans for each facility, as described in (c) below. The releases from Lake Chillisquaque will continue until the Lake's elevation level is down to elevation 580'. If the Pennsylvania Fish and Boat Commission does not approve lowering of the Lake level to elevation 580', then PP&L will make releases from Lake Chillisquaque until the Lake elevation is at the lowest level that the Pennsylvania Fish Commission will approve.

(b) Subject to approval by the Pennsylvania Department of Environmental Resources (DER), PP&L will continue to maintain Lake Chillisquaque's elevation at 594.5 to 595.5 for normal operations. Further, subject to DER approval, PP&L will, pursuant to the Operating Plan for Lake Chillisquaque, raise the lake level to elevation 596.7 prior to expected drought trigger flows. If DER does not approve the Lake elevation at 595.5 for normal operations or 596.7 for drought conditions, then PP&L will restrict the Lake elevation level to the highest levels that DER will approve.

(c) Releases from Lake Chillisquaque and Cowanesque, as well as pumping of water into Lake Chillisquaque to raise its water level in anticipation of drought trigger flows, will be conducted pursuant to Operating Plans for each facility. PP&L will submit to the SRBC for its approval an Operating Plan for Lake Chillisquaque within 120 days after the effective date of this agreement. The SRBC in coordination with PP&L will modify the Operating Plan for the Cowanesque Reservoir within 120 days after the effective date of this agreement. PP&L shall implement actions required by the Lake Chillisquaque Operating Plan pursuant to the schedules stated therein. The SRBC reserves the right, in cooperation with PP&L, to permanently or temporarily modify the Operating Plans to be consistent with basin-wide consumptive use make-up actions provided such modification

does not require PP&L to provide additional make-up water for Montour SES or any other facility.

- (d) PP&L shall not be required under this Agreement to take any steps that would subject it to additional water release, compensation or project review requirements with respect to Montour SES or any other facility in order to carry out the provisions of this agreement.

Within 30 days after approval of the standard SRBC docket mentioned in paragraph 3 below, PP&L agrees to pay the amount of \$300,000 to the SRBC, which shall be applied by the SRBC as full payment of the following:

- All application fees associated with docketing Montour's consumptive use under this agreement;
- Monetary compensation for past consumptive use at Montour;
- SRBC's costs associated with taking the actions required by this agreement, including review of the Lake Chillisquaque Operating Plan.

Payment will be made by check or money order payable to:

Susquehanna River Basin Commission
1721 North Front Street
Harrisburg, Pennsylvania 17102-2391

This payment shall not be construed to give any rights or credits to PP&L with respect to any future water supply storage project sponsored by the SRBC at the Curwensville Flood Control Project in Clearfield County, Pennsylvania or at any other reservoir site.

3. This Agreement constitutes a full settlement between the Parties with respect to all issues relating to any make-up requirements under SRBC regulations for all of Montour's consumptive use, both under the current Regulation 803.61 and any such future regulation, though this agreement shall not bar the Commission from *otherwise* changing or revising the current regulation. Further, no actions required under this Agreement will themselves be subject to project review under SRBC regulations, except that the terms of this Agreement shall be incorporated into and be binding upon a standard SRBC project review docket approval. Approval of this settlement shall also constitute project approval under Part 803 insofar as such project approval is required. Except as expressly provided herein, this Agreement does not, however, cover any additional consumptive use after the date of this agreement at Montour SES or any other facility resulting from additions, changes or modifications that would constitute a "project" under SRBC regulations, including the installation of any air quality related scrubbers. Any such additional consumptive use shall be subject to review and approval by the SRBC to the extent authorized by SRBC regulations. This Agreement shall not be construed as limiting in any way the emergency powers granted the SRBC under Article 11 of the Compact.

4. This settlement agreement is entered without admission of any issue of fact or law by either Party. This agreement shall not be used by either Party as evidence in any proceeding and shall not be construed as an admission or adjudication of any facts or calculations that form the basis of this settlement.
5. This agreement shall be enforceable in the same manner as any contract. The parties agree that venue over any action arising from this agreement will be in the United States District Court, Middle District of Pennsylvania.
6. This agreement shall become effective when fully executed by the Parties.
7. This agreement cannot be modified except in writing signed by both Parties.
8. This agreement shall be construed under the laws of the Commonwealth of Pennsylvania.
9. The undersigned representative of each Party certifies that he or she is fully authorized to enter into the terms and conditions of this agreement and to execute and legally bind the party to this document.

IN WITNESS WHEREOF, the Parties hereto have caused this agreement to be executed by their duly authorized representatives.

For SRBC:

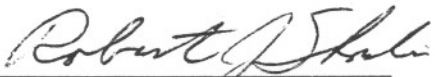
Dated:

Name:

Title:

For PP&L:

Dated:



Name: Robert J. Shovlin

Title:

VICE PRESIDENT

POWER PRODUCTION
AND ENGINEERING

September 15, 1994