

Annual Report for 1975

Washington Public Power Supply System

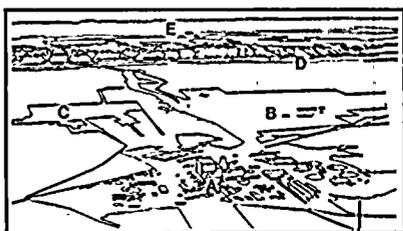
Docket # 50-397
Control # 8488
Date Recv'd. of LTR # 8-17-76
Regulatory Docket File

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Washington Public Power Supply System, a municipal corporation and joint operating agency of Washington State, is made up of 18 public utility districts and three municipal electrical systems. Established in January 1957, the corporation is empowered to acquire, construct and operate plants and facilities for the generation and/or transmission of electric power. Principal office of the Supply System is located at 3000 George Washington Way, P. O. Box 968, Richland, Washington 99352.



Cover Photo—This photograph shows work in progress on the Supply System's three nuclear power plants situated in Southeastern Washington State. Nuclear Project No. 2 (A) is in the foreground. In the middle are Nuclear Projects No. 1 (B), right, and No. 4 (C). The Columbia River (D) is in the background and beyond it (E) fertile irrigated farms.

Highlights of 1975

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

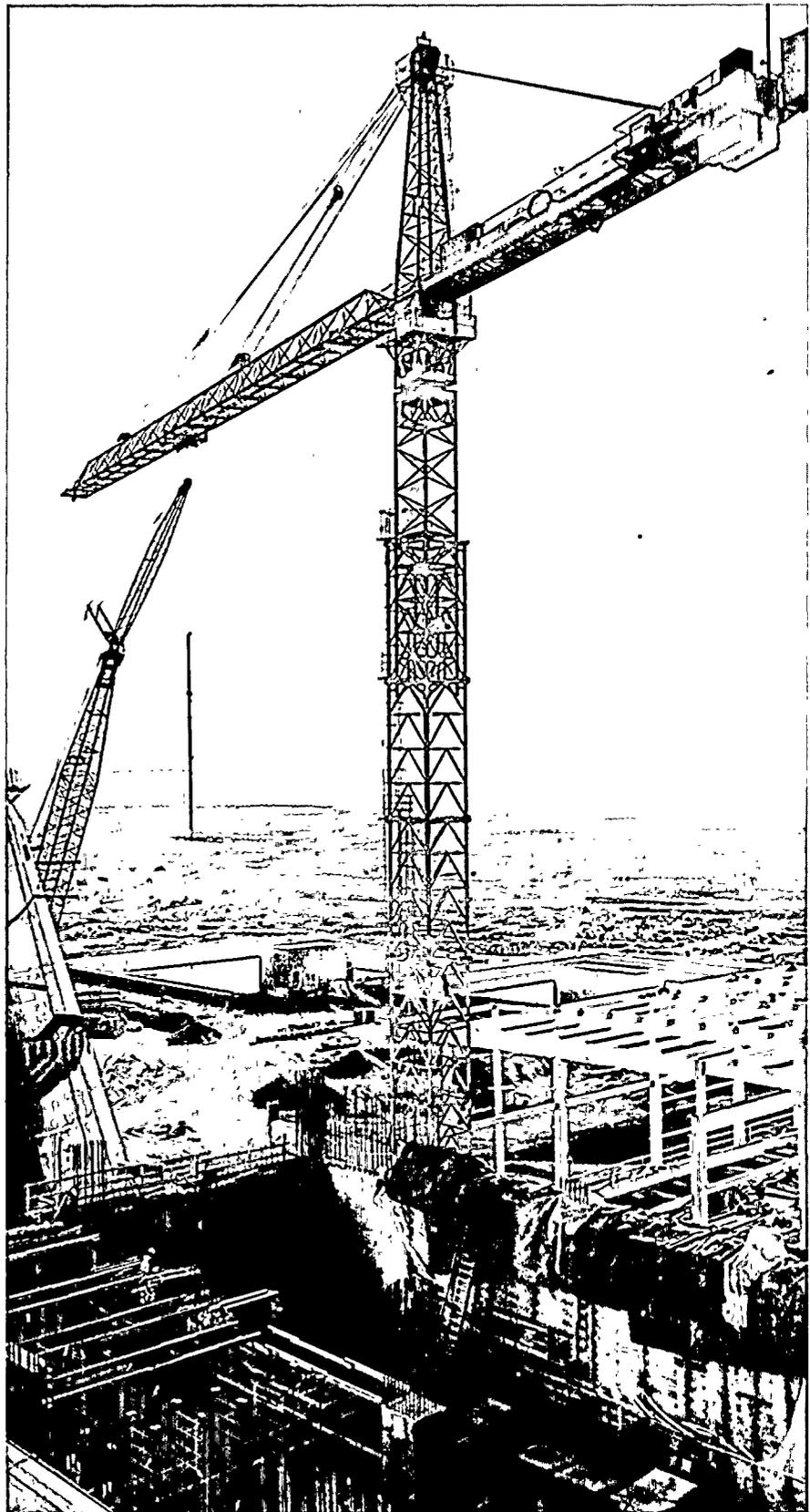
■ Construction of Nuclear Project No. 2 advances to 28 percent completion. Various delays encountered during construction make it necessary to set back the project's estimated completion date to July 1979. Bonds sold to finance project construction receive "triple-A" ratings from Moody's and Standard & Poor's.

■ Work began in August on site preparation and excavation for Nuclear Project No. 1 after Limited Work Authorization for Nuclear Projects No. 1 and No. 4 was received from the Nuclear Regulatory Commission, and the site on the Hanford Reservation was certified by Washington State. Similar work for Nuclear Project No. 4 began in October. Construction permit for Nuclear Project No. 1 was issued by NRC December 23.

■ Work required in preparing supplementary environmental impact statements for the utilities indicating intent to participate in Nuclear Projects No. 4 and No. 5 results in a 6-month delay in the anticipated completion date for WNP-5 (from March 1983 to September 1983).

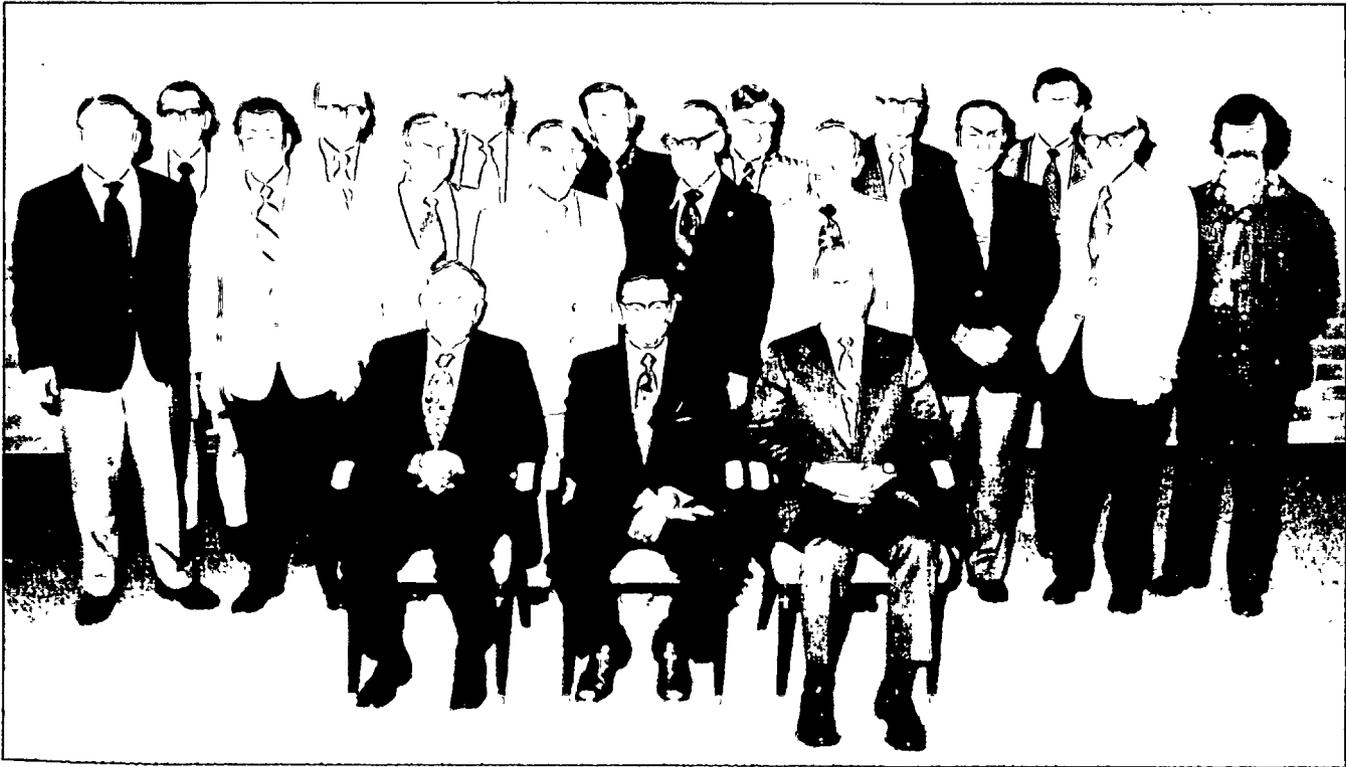
■ Central Warehouse and Office Facility is constructed and occupied in Richland. Facility includes a 50,000-square-foot warehouse with a 22,000-square-foot mezzanine and 16,500 square feet of office area.

■ Comptroller of the Currency authorizes national banks of the United States to purchase, deal in, underwrite, and hold unlimited amounts of Nuclear Project No. 1, No. 2, and No. 3 revenue bonds, thus broadening the market for these bonds.



The Board of Directors

WASHINGTON PUBLIC POWER SUPPLY SYSTEM



Gathered for a quarterly meeting of the Supply System's Board of Directors are, front row from left, Howard Prey, A. E. Fletcher, and Edwin W. Taylor; middle row from left, Gordon Vickery, John A. Goldsbury, John J. Welch, Ed Fischer, J. D. Cockrell, T. R. Teitzel (alternate from Lewis County), Clair R. Hilderbrandt, Kirby Billingsley, and E. L. Cosens (alternate from Richland); and back row from left, D. E. Hughes, John L. Toevs, Glenn C. Walkley, Rolf E. Jemtegaard, Harold W. Jenkins, Gerald C. Fenton, and W. G. Hulbert, Jr.

Management and control of the Supply System are vested in a Board of Directors consisting of one representative from each of 18 consumer-owned utilities and three municipal electrical systems in Washington State.

KIRBY BILLINGSLEY, Commissioner, Chelan County Public Utility District; LANE A. BRAY, Mayor, City of Richland; *J. D. COCKRELL, Light Superintendent, Department of Public Utilities, City of Tacoma; GERALD C. FENTON, Commissioner, Klickitat County Public Utility District; *ED FISCHER, Commissioner, Clark County Public Utility District; ALVIN E. FLETCHER, Commissioner, Clallam County Public Utility District; JOHN GOLDSBURY, Commissioner, Benton County Public Utility District; CLAIR R. HILDERBRANDT, Commissioner, Ferry County Public Utility District; *D. E. HUGHES, Manager of Engineering & Planning, Cowlitz County Public Utility District; *W. G. HULBERT, JR., Manager, Snohomish County Public Utility District; ARNOLD J. JAMES, Commissioner, Lewis County Public Utility District; ROLF E. JEMTEGAARD, Commissioner, Skamania County Public Utility District; HAROLD W. JENKINS, Commissioner, Kittitas County Public Utility District; FRANCIS LONGO, Manager, Wahkiakum County Public Utility District; QUENTIN MIZER, Manager, Pacific County Public Utility District No. 2; HOWARD PREY, Commissioner, Douglas County Public Utility District; EDWIN W. TAYLOR, Commissioner, Mason County Public Utility District No. 3; JOHN L. TOEVS, Commissioner, Grant County Public Utility District No. 2; *GORDON VICKERY, Superintendent, Seattle City Light; *GLENN C. WALKLEY, Commissioner, Franklin County Public Utility District; *JOHN J. WELCH, Commissioner, Grays Harbor County Public Utility District.

*Executive Committee Member

From the Board President

WASHINGTON PUBLIC POWER SUPPLY SYSTEM



Basic to the welfare of the Pacific Northwest is adequate electrical energy. Presently available resources for generation of electricity, based on the current state of technology, are falling water, the combustion of fossil fuels, and nuclear fission. However, most of the environmentally and economically acceptable hydroelectric sites on our rivers have been developed, and domestic natural gas and oil reserves are steadily declining.

Yet the number of customers served by Supply System members and utilities participating in our projects continues to increase. So in spite of a slight decline in 1974 in per capita residential use of electricity, our total electrical requirements also continue to increase.

There are many methods being researched for new energy sources, i.e., geothermal, solar, wind, tides, fusion, shale oil, etc. So far, not one of these energy sources has been developed to the point that a utility today can order a large power plant using one of these sources to generate electricity in the Pacific Northwest within 10 years from now.

Thus the only practical and available resources whose use can be expanded in the near future for the generation of electricity are coal and uranium.

Though low sulphur coal exists in some of the western states, it is not a simple matter to secure an adequate supply for the life of a large power plant. Also, coal is a source of valuable chemicals and should therefore be utilized in a conservative fashion so future generations can enjoy the products that can be produced from it.

Uranium, on the other hand, has only one large-scale use — fuel for powering electric generating stations. Uranium is available in sufficient quantity to fuel light water reactors into the next century. And by using fast breeder reactors, the efficiency of uranium energy can be expanded to meet energy demands for several centuries.

The members of the Washington Public Power Supply System and the more than 100 utilities participating in our power generating projects have the responsibility for providing an adequate electric power supply not only to 2.8 million customers in the Pacific Northwest today, but to the increased population this region will experience decades into the future. To do so as economically and efficiently as possible, we must have continued energy conservation efforts on the part of all users but, at the same time, we must use and develop all feasible and environmentally compatible energy sources. By adhering to this program, we can assure the economic stability of the region now and for those generations who will follow.



A. E. Fletcher,
President, Board of Directors

From the Executive Committee Chairman

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

When the Washington Public Power Supply System was formed 19 years ago, many of the present problems of electrical energy production were only a future possibility. Events of the past several years have proven the wisdom of creating this joint operating agency.

In this era of energy shortage when America must become self-sufficient in order to survive and progress, there must be someone to initiate and carry through the process of providing for the energy needs of people, commerce and industry.

The Supply System has been assigned the task of making things happen for electrical energy production in the Pacific Northwest. From a very small beginning, the Supply System has become a multi-billion dollar organization, as this annual report reveals. Through the cooperation of its 21 member public utility districts and municipalities, with guidance from its Board of Directors, and working with the Bonneville Power Administration, the Public Power Council, industry and some private utilities, the Supply System has proven to be a viable entity capable of getting things done. This broad base of support in the Pacific Northwest provides the impetus for the agency's success and growth.

In 1970 the evolution of growth needs resulted in the re-structure of the Supply System's policy-making process. Management was provided with a strong fast-acting Executive Committee to carry out the directives of the Board of Directors.

In compliance with the Joint Operating Agency law embodied in the general public utility district laws of Washington State, the Executive Committee meets with Management at least twice each month to review and to act upon matters at hand. Management and the Executive Committee thus form a resolute team for decision making and action. This 1975 report reflects the positive results of an excellent Management working with the Executive Committee, each group understanding its respective role, and acting with the goal of getting things done.

The rapid growth of the Supply System during the past five years bears evidence that Management and Staff, in concert with the Executive Committee, have been diligent in carrying out the directives of the governing board to provide for future energy generation in the Pacific Northwest. The accomplishments of the past have established the foundation for continued progress and leadership in electrical energy production.



Ed Fischer,
Chairman, Executive Committee

The Managing Director's Report

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

For almost 10 years the electric utilities of the Pacific Northwest have been endeavoring to alert the public to the fact that the era of plentiful low cost hydroelectric power has ended.



In order to provide additional electric power at the lowest cost and with minimum adverse impact on the environment, the region's utilities, public and private, together with the Bonneville Power Administration, have developed a hydro-thermal program to supply the Pacific Northwest's electric needs through the mid-1980s. This program was designed to supplement all available hydro power with energy from thermal power plants.

Under this program the 21 members of the Supply System accepted the responsibility for construction of five nuclear power plants costing in excess of \$5 billion. These projects will provide more than six million kilowatts, or approximately 36 percent of the thermal generating capacity scheduled for the Pacific Northwest.

As our responsibilities have increased, so have our challenges.

In the summer of 1974, a number of turbine blades in one of the Hanford Generating Project's two 430,000 kilowatt turbine-generators were inspected and found to be damaged. Interim repairs were made and the unit was returned to service at reduced capacity.

This year during summer maintenance we discovered blade damage in the other turbine-generator. Again, interim repairs were made. One turbine-generator now is operating at 86 percent of capacity, and the other at 93 percent.

Construction progress on the 1100 megawatt WPPSS Nuclear Project No. 2 is approximately 28 percent complete versus a projected 44 percent completion at this time.

There are several reasons for the difference between actual and scheduled percent of completion. Our need to maintain the highest standards of quality assurance has on occasion slowed some phases of the work.

The most critical impact on the construction schedule, and on construction costs, has been the need to make substantial revisions to plant design to meet new guides and codes adopted by the U.S. Nuclear Regulatory Commission.

These changes required modifications of work in progress. Because of a shortage of skilled manpower, qualified personnel had to be pulled off other work to develop designs meeting the new NRC requirements to prevent significant delays and increased costs which would have resulted from backfitting at a later date.

As a result of changing criteria, with accompanying delays and escalation, WPPSS Nuclear Project No. 2 has increased from a \$614 million estimated cost to the present \$794 million. What has happened to WPPSS Nuclear Project No. 2 is not unique in either delays or increased costs. Utilities throughout the nation are having similar experiences.

The Supply System, the more than 100 utilities participating in our projects, and the Bonneville Power Administration are deeply concerned with these ever increasing costs, because the ultimate cost of the projects must be paid by the electric power users.

To control these ever-increasing costs, the following actions must be taken:

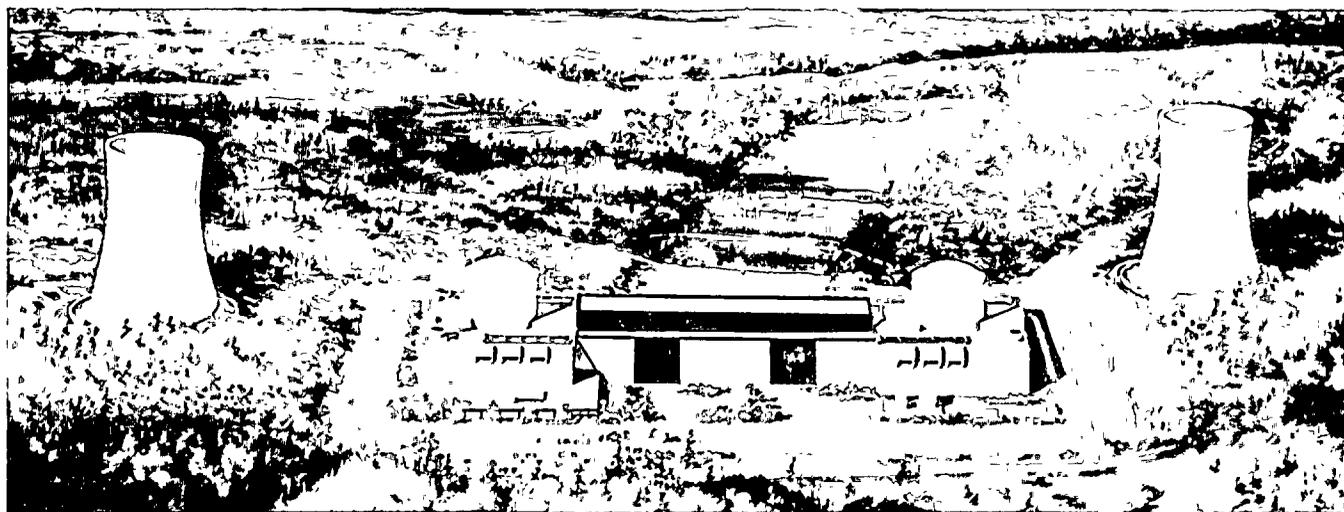
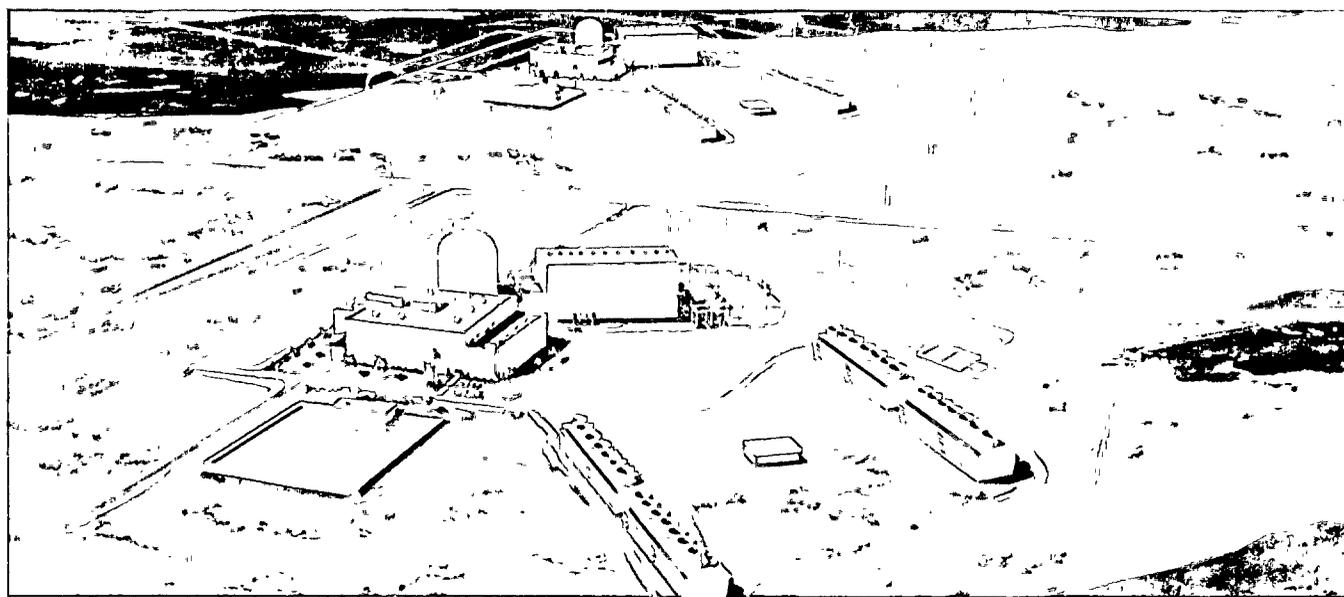
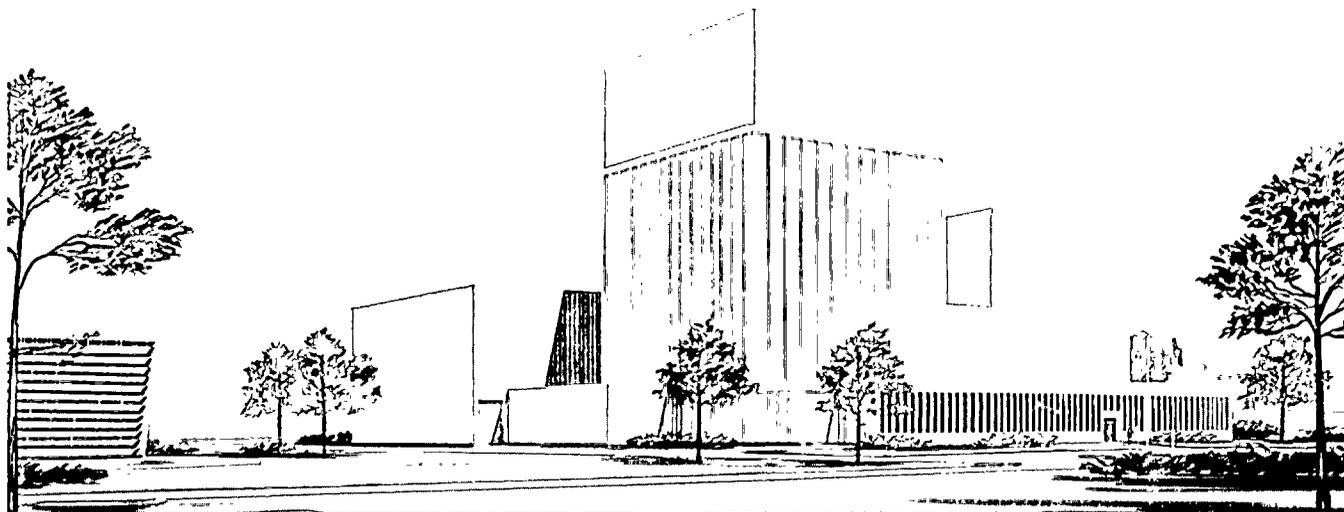
1. The time from conception to completion of thermal power plants must be reduced. Ten years is much too long to permit accurate and realistic planning.
2. The public and the government regulators must come to an understanding on what constitutes acceptable risks in the generation of electric power.
3. There must be a slowdown in the implementation of new safety and environmental regulations for projects under construction.
4. Industry must strive to improve financing, design, construction and operation of these large complex projects.
5. Local, state and federal agencies involved in the planning, licensing, designing, constructing and operating of nuclear power plants must coordinate their efforts and eliminate duplication.
6. A greater effort must be made by industry and by state and federal governments to inform the public of the available energy alternatives and to provide sufficient information to serve as the basis on which choices can be made between reasonable or practical alternatives.
7. The government must reduce the inflation rate.

We can ill afford to procrastinate on the issues. The sooner we begin to implement these actions, the better will be our prospects for the future—economically and socially.

A handwritten signature in cursive script that reads "J. J. Stein".

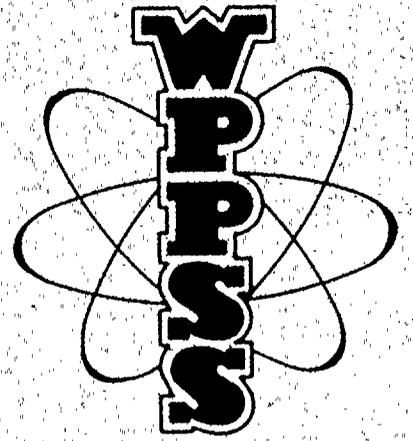
J. J. Stein,
Managing Director

These artist's concepts show five Supply System nuclear power plants: Nuclear Project No. 2 (top); Nuclear Project No. 1 with Nuclear Project No. 4 above it (center), and Nuclear Projects No. 3, left, and No. 5 (bottom).



Overview '75

WASHINGTON PUBLIC POWER SUPPLY SYSTEM



Safety analysis reports and results of environmental site studies fill many volumes for each Supply System project.



Throughout 1975, the Supply System devoted considerable effort to preparing for the future.

Looking beyond the horizon is not only desirable but is necessary in an industry concerned about use patterns for electricity 20 years from now, and which is confronted with the prospect of having to devote as much as 10 to 12 years to bring a power generating project on line from conception through construction to operation.

To provide an adequate power supply for our members, the primary efforts of the Supply System in 1975 were devoted to ensuring that our present projects would be available when needed, and to the development of plans for the Supply System to undertake future electric generating projects to meet projected loads after the mid-1980s.

At the same time the Supply System was building or preparing to build five nuclear power plants, it also was looking ahead to secure a fuel supply for these projects.

At the end of June 1975, the Executive Committee approved uranium supply contracts with Western Nuclear Inc., Denver, Colorado, and with Rio Algom Mining Ltd. of Toronto, Canada. The Western Nuclear contract calls for the delivery of 5.5 million pounds of uranium oxide in the 1979-83 period at \$22 per pound, escalated from December 1974. The Rio Algom contract is for one million pounds of uranium oxide which is expected to be delivered in early

1976. The addition of these contracts to the existing uranium supply contracts meets the fuel requirements for five Supply System nuclear power plants through 1983. Two of these five plants (Nuclear Projects No. 2 and No. 3) have uranium supply contracts for deliveries extending into the mid-1990s.

These uranium acquisitions were factored into the Supply System's annual 10-year fuel management plans for Nuclear Projects 1 through 5. The plans set forth the uranium ore and separative work requirements for all five nuclear projects, permitting a comparison of requirements vs. commitments. Also considered in the fuel management plan are services to convert uranium oxide to uranium hexafluoride, in which form it is enriched by the U. S. Energy Research and Development Administration. Present plans are to request conversion through 1985. Contracts with ERDA to provide enrichment services for each project for 30 years were signed in 1974. Also on the subject of enrichment, the Supply System is considering formation with several other utilities of a Northwest Enrichment Pool. This arrangement would give the Supply System increased flexibility in its fuel management by expediting trading units of enrichment service between member utilities.

The Supply System also is investigating the possibility of direct participation in uranium exploration and development of uranium-bearing lands to supplement normal procurement channels in obtaining assurance of long-term uranium supplies.

Progress on construction of nuclear projects reached the point during 1975 where it became prudent for the Supply System to construct a Central Warehouse and Office Facility adjacent to its Headquarters in Richland..

The Supply System's Central Warehouse and Office Facility in Richland was constructed and occupied in 1975.



Construction of the \$1,150,000 facility began April 14 and the occupancy permit was received from the City of Richland on September 17. The structure provides 50,000 square feet of warehouse floor with a 22,000-square-foot mezzanine, and 16,500 square feet of office area.

Spare parts for Nuclear Project No. 2 began arriving at Richland in mid-summer, and by the end of the year, all spare parts on hand and other stores materials had been moved into the new warehouse.

An emergency plan was drafted during 1975 in anticipation of the operation of the Supply System's nuclear projects at Hanford. Procedural agreements were made with medical facilities, federal law enforcement agencies and other local and state entities concerned with public health and safety whose efforts will be required in case of plan implementation.

The Supply System's computer capabilities are being put to use to develop and update reports of allocation of funds to contracts for the different projects and to serve as a management tool to assist in making future allocations. In particular, through its terminal facilities in Richland, the Supply System has access to a MARK IV file

management system in an off-site computer. A DATA 100 Model 74 terminal unit was installed during 1975, along with a 600 line-per-minute printer and a 600 card-per-minute reader. The construction managers for the three Supply System nuclear projects now under construction at Hanford are using this data transmission equipment for input/output service to provide engineering, scheduling, progress, and financial reports. The Supply System's Fuels and Technical Studies personnel also make extensive use of the data processing facilities in preparation of fuel management plans and economic and other analytical studies.

Yet another data processing application was under development at year's end. This involved converting the increasing volume of project-related data into micro forms and using a computerized system for data retrieval. This will enable the Supply System to maintain rapid, efficient control, retention, and retrieval of data as volume increases.

Accelerating activities on behalf of its several projects required the Supply System to increase its staff capabilities during 1975. During the year, more than 100 employees were added to the staff, particularly in the areas of operations, quality

assurance, purchasing, data processing, and central filing. Staff level at the end of November 1975 was 437, of which 15 were temporary. There were 47 employees at the Hanford Generating Project, 16 at the Nuclear Project No. 2 site, 2 at the Packwood Project, 2 at Elma near the Nuclear Project No. 3 site, and the remainder in Richland.

The Supply System's Affirmative Action goals for 1975 were essentially achieved in all divisions. Affirmative action and equal employment opportunity continued to be promoted in all areas. The result of this effort was an increase during the year in placement of women and members of minority groups in the work force.

At year's end, Congress passed and the President enacted into law legislation creating the Hells Canyon National Recreation Area, thereby nullifying almost two decades of effort by the Supply System and the Pacific Northwest Power Company (PNPC) to develop the hydroelectric potential of the Middle Reach of the Snake River, between the States of Idaho and Oregon.

The Supply System and PNPC had sought a joint license from the Federal Power Commission to construct two dams in this area of the river. At the time the recreation area legislation was enacted, the joint application was before the Commission for final determination.

The major impact of the bill is to deprive Pacific Northwest power users of about 6 billion kilowatt-hours of low-cost electricity generated by falling water, a self-renewing resource. This is the equivalent of 10 to 12 million barrels of oil, 4 million tons of coal, or 60 billion cubic feet of natural gas a year.

In the face of national energy shortages, coupled with the need to cut oil imports and conserve the nation's fossil fuel resources, enactment of this legislation appears contrary to the public interest.

When the utilities in the Pacific Northwest look into the future a decade or more, they see a need for construction and operation of additional electric generating plants to meet future anticipated needs. As a regional constructor and operator of power plants, it is logical that the Supply System be asked by the utilities to study potential power sources of the future, and to look into the siting of future power plants.

In January 1975, Woodward-Gizenski & Associates, consulting engineers and geologists of San Diego, California, completed a study for the Supply System of the geothermal resource potential in Central Washington State. The purpose of the study was to identify likely geothermal areas in the state and to provide the Supply System with an estimate of the type of geothermal resources to be found there. In such areas, naturally occurring underground heat might be used for future electrical generation.

The study indicated that the most favorable area in Central Washington is north of the Columbia River between Mt. St. Helens and Mt. Adams. It was estimated that it would take more than \$11 million and an exploration program of three years to determine whether or not there is any such resource in this area.

The firm of Woodward-Clyde Consultants, San Francisco, California, worked throughout 1975 under the Supply System's direction on a long-range planning program that will be used to identify the best potential future sites for electric generating facilities that will be needed after the mid-1980s. Power sources being considered for the

generating plants at these sites include geothermal, hydro, pumped storage, solar, and thermal.

The Woodward-Clyde thermal power plant siting study covered an area of 170,000 square miles, including the entire State of Washington, northern and western Oregon, and northern Idaho. Through application of a screening process, the most suitable parts of this vast area were successively evaluated until finally nine candidate sites ranging in size from 400 to 1,000 acres were identified. This work was described in a summary report issued in December 1975.

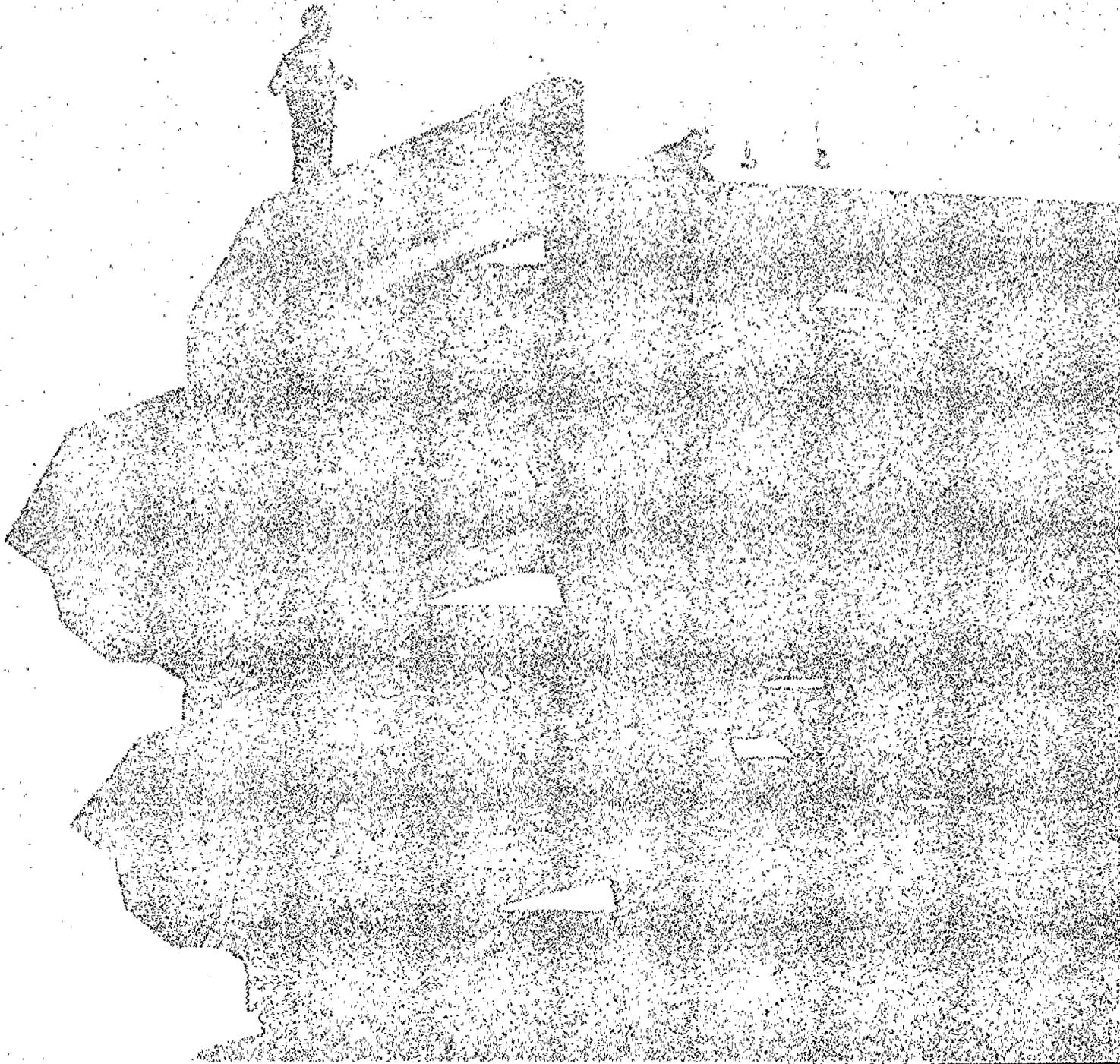
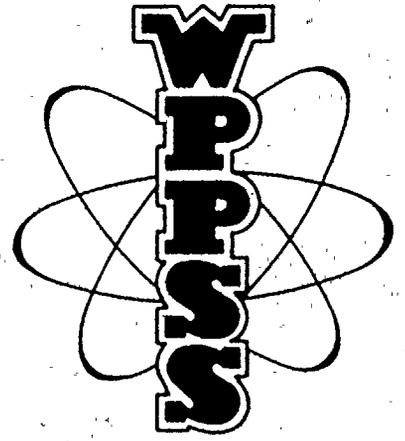
These nine sites were the best typical sites in areas of several square miles, in the judgment of the consultant. Physically, they would have the potential for location of at least two large thermal power plants, depending on the local water availability situation. Three of the Washington State sites are in Lewis County, one is in Grays Harbor County, one in Wahkiakum County, and one in Benton County. In Oregon, one site each is identified in Clatsop, Linn, and Umatilla counties.

In addition, three sites previously identified by Pacific Northwest public utilities were considered by the consultant. They are located in Washington State in Benton, Cowlitz, and Grant Counties.

There has not yet been a decision to build power plants at any of the sites mentioned in the Woodward-Clyde study, and in fact such a decision will not be made before a definite need for additional power has been confirmed and before there has been an extensive dialogue with residents in potential power plant site areas and with appropriate state and federal regulatory agencies.

Power Projects

WASHINGTON PUBLIC POWER SUPPLY SYSTEM



Packwood Lake, accessible by Forest Service trail, is a popular summer recreation area.

Packwood Lake Hydroelectric Project

The Packwood Lake Hydroelectric Project occupies lands of the Gifford Pinchot National Forest in the Cascade Mountains of Washington State. The project consists of a diversion structure a short distance downstream from the discharge of Packwood Lake (area of the lake is about 450 acres), an intake structure, and a 22,000-foot pipeline to convey the water through two tunnels and around a mountain to a surge tank and penstock a short distance southeast of the town of Packwood. The tailrace from the powerhouse discharges into the Cowlitz River.

Since starting commercial generation of electricity on June 1, 1964, the 31,500 kilowatt Packwood Project has generated more than 1.1 billion kilowatt-hours. It has operated nearly 90 percent of the time during the 11½ years since commercial operation began. Power from the project is allocated through Bonneville Power Administration to public utility districts in Benton, Clallam, Clark, Franklin, Ferry, Kittitas, Klickitat, Lewis, Mason, Skamania, Snohomish and Wahkiakum Counties in Washington State.

The project operated dependably and uneventfully during 1975. A continuing preventive maintenance program, supplemented by cleanup



and repair during the summer months, helped maintain that record.

Cost for electricity produced by the project is competitive with that produced by other non-federal hydroelectric projects and is about one mill above the Bonneville Power Administration wholesale firm energy (EC-6) rate.

FINANCIAL INFORMATION

Packwood operating costs for the fiscal year ended June 30, 1975, were \$918,091. Plant additions during 1975 totaled \$9,336; as of June 30, 1975, the plant value, less depreciation, amounted to \$9,379,274. Total assets of the project as of June 30, 1975, were \$13,423,320.

As reserves in excess of those required to meet commitments accumulate, they are used to retire bonds ahead of schedule by purchasing them in the open market. In 1975, \$140,000 was expended for this purpose.

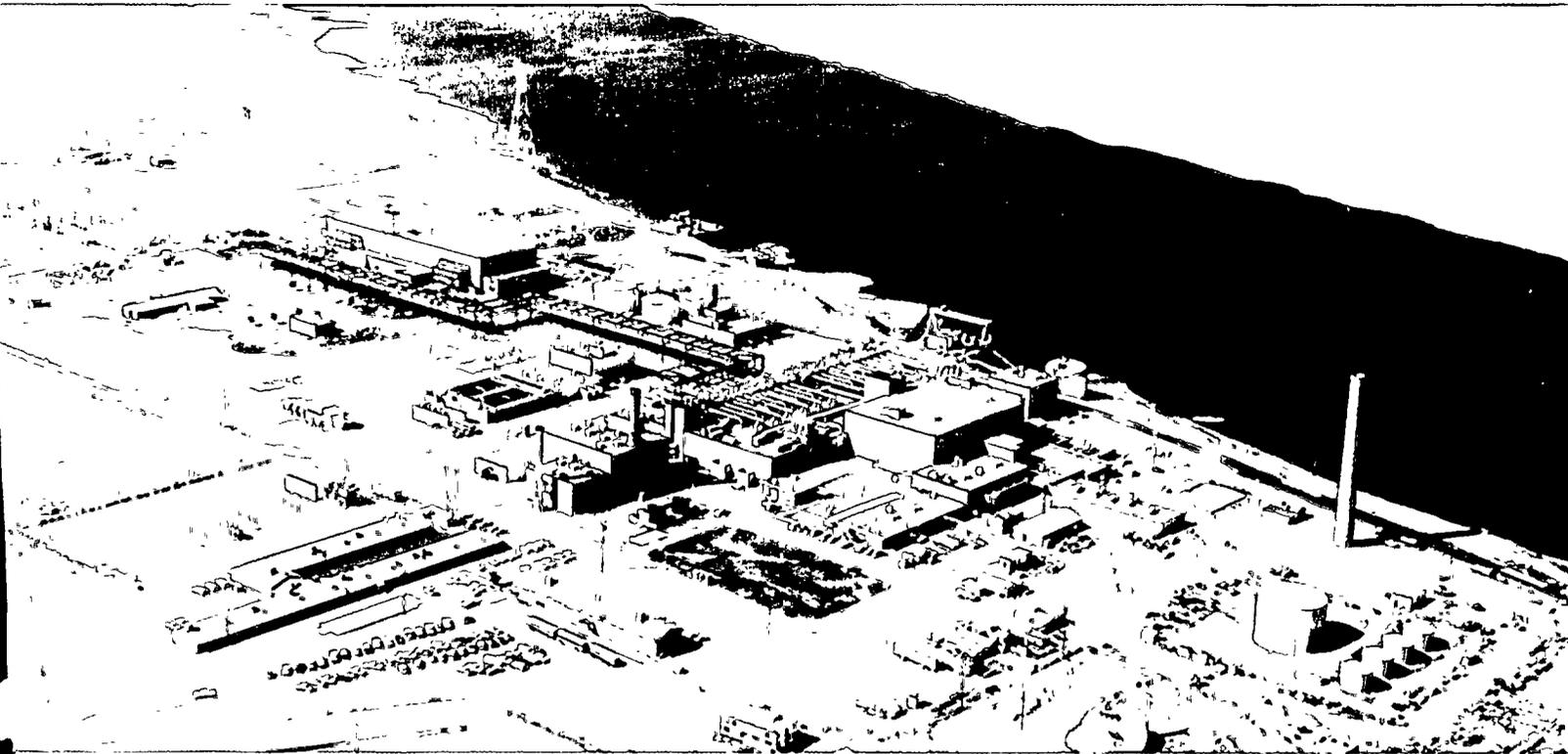
Hanford Generating Project

The 860,000 kilowatt Hanford Generating Project (HGP) set records during 1975 for both the longest continuous run in its history and for amount of electricity generated during a run.

The start of 1975 found the HGP well into its record-setting run. When the steam source for the project, the Energy Research and Development Administration's N Reactor, was shut down for refueling on February 24, it had provided steam to the HGP for 62 continuous days. The two turbine-generators at HGP operated during that time at a combined power level of 830,000 kilowatts, producing a total generation during the run of 1,221,530,000 kilowatt-hours.

Following reactor refueling, the HGP-N Reactor complex resumed operation in mid-March to conclude the annual contract commitment for

The Supply System's Hanford Generating Project, upper left, receives steam through overhead pipes from the Energy Research and Development Administration's dual purpose N Reactor, right center.



steam between ERDA and the Supply System. During the period from startup after February's reactor refueling to shutdown May 9, the HGP-N Reactor complex operated continuously for an additional 51 days, the second longest run in its history. Generation averaged 835,000 kilowatts. Total generation during Fiscal Year 1975 was 3,838,858,000 kilowatt-hours.

On May 4, near the end of the fiscal year run, the HGP-N Reactor complex generated its 30 billionth kilowatt-hour of electricity. This was more power than had been produced at any other single nuclear generating plant in the world. To generate the same amount of electricity, a fossil fuel power plant would have had to burn nearly 11 million tons of coal or more than 50 million barrels of oil.

The annual HGP maintenance program began May 9, including dismantling and inspecting both turbines. The turbine manufacturer had developed a refined and reliable

test technique to analyze the conditions that prevail during operation in an effort to determine the cause of the blade problems identified in both turbines.

Turbine-generator Unit 2 was returned to service on September 11 at a generation level of 370,000 kilowatts, some 60,000 kilowatts below the normal level. The decreased output was due to replacement of defective blades by pressure plates. By the end of November, Unit 1 was back in operation with two pressure plates in one low-pressure section, and two rows of blades installed in the other low-pressure section. One row was new blades and the other row

was assembled from salvaged blades. The station output was limited to 780,000 kilowatts by these modifications.

FINANCIAL INFORMATION

Pursuant to the bond resolution, the Hanford Generating Project's fiscal year ends on August 31. The project's operating costs for the fiscal year ended August 31, 1975, were \$31,003,871. Plant additions during fiscal year 1975 totaled \$11,549; as of August 31, 1975, the plant value, less depreciation, amounted to \$51,043,641. Total assets of the project as of August 31, 1975, were \$70,515,739.

A welder works in the Reactor Building at WPPSS Nuclear Project No. 2.



Nuclear Project No. 2

Two words—"progress" and "problems"—both can be used, paradoxically, to describe 1975 activities associated with WPPSS Nuclear Project No. 2 (WNP-2). WNP-2 has a General Electric nuclear steam supply system using a boiling water reactor. The Westinghouse turbine-generator is rated at 1,135,000 kilowatts. The plant features off-stream cooling of the turbine condenser using a system of six circular mechanical draft cooling towers. The plant site is about 10 miles north of the City of Richland, and three miles west of the Columbia River.

A sign of progress was the advancement of overall construction during the year from 13 percent to 28 percent by December 1975. At that time, work was in progress on 15 of the 16 major construction contracts, including general construction; structural steel erection; architectural construction; mechanical equipment installation and piping; heating, ventilating, air conditioning and plumbing; electrical installation; cooling towers and accessories; make-up water pumphouse; and warehousing.

Scheduled construction by the end of calendar year 1975 had been estimated at 45 percent. Delays in some of the major construction areas, along with design revisions, accounted for failure to meet this projection and resulted in a one-year

slippage of scheduled project completion from June 1978 to July 1979.

As is the case with all nuclear power plants now under construction, WNP-2 is susceptible to technology improvements, imposition of changes in federal Nuclear Regulatory Commission requirements, and problems that plague any large, complex construction project. Problems experienced in each of these areas in 1974 required assignment of a top level Supply System executive to coordinate work on the project for the first part of 1975 and again later in the year. In addition, Burns & Roe, the WNP-2 architect-engineer and construction manager, and the key contractors acquired additional skilled manpower in all areas of engineering and craft work in an effort to improve the schedule.

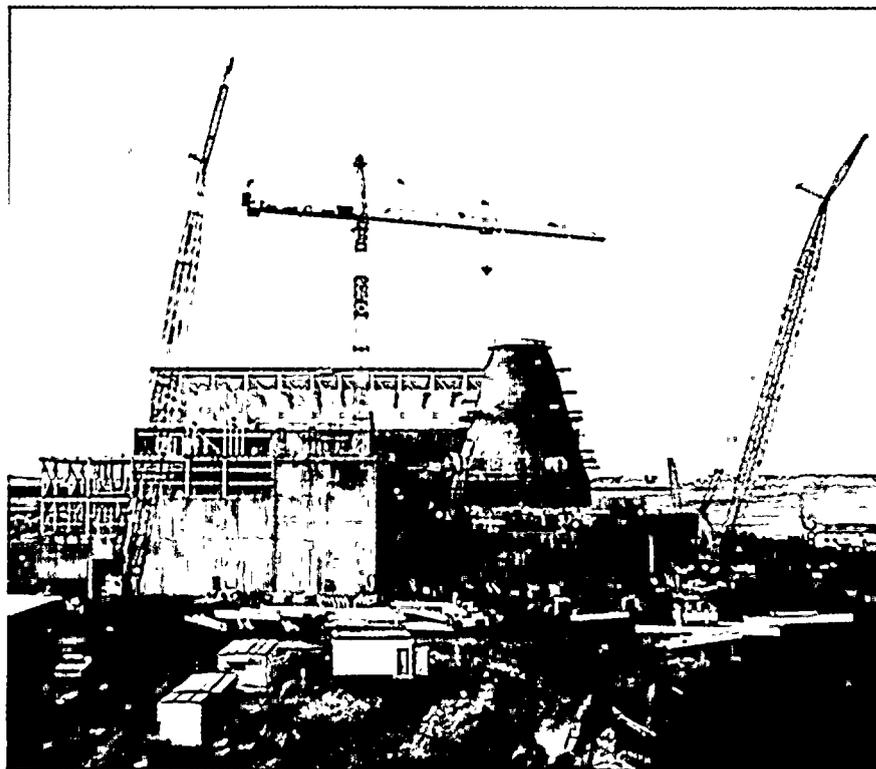
Steel and concrete rise to form the radwaste, turbine-generator, and reactor buildings at Nuclear Project No. 2.

Project manning level went from about 900 at the start of 1975 to more than 1,300 at year's end, and work on the reactor building went on a multiple shift basis in an effort to expedite that critical phase of the project.

Several problems experienced during the year contributed to delaying the project schedule. In the spring of 1975, some of the welds on a pipe whip support bracket tore the inside of the containment vessel. After an extensive investigation into the reasons for the tearing, repairs were made on a three-shift basis over a period of two months. There then followed two weeks of testing to assure that the repair work complied with American Society of Mechanical Engineer Codes, Nuclear Regulatory Commission safety criteria, and Supply System policies.

A re-analysis of loads anticipated on the containment vessel in the event of accidental releases of large volumes of steam made it necessary to design strengthening for the vessel after it had been fabricated and pressure tested (testing was completed on June 2). The NRC also required a design change in the sacrificial shield wall that will be installed above the reactor vessel as additional protection against impacts. This necessitated a number of drawing changes before construction and installation of the shield could proceed.

Nevertheless, more than 78,000 cubic yards of concrete were placed at WNP-2 during 1975. Twenty-one out of 26 construction specifications had been awarded by year's end, with a total committed cost for these contracts of \$180,983,000. Sixty-seven out of 72 prepurchased equipment specifications had been awarded, with a total committed cost for these contracts of \$96,610,000. Major contracts were awarded during 1975 to Fischbach/ Lord Electric Company (a joint venture) for installation and testing of electrical equipment and installa-



tion of wire, cable and conduit, \$43,725,111; to Westinghouse Electric Corp. for turbine-generator installation, \$3,037,784; and to Peter Kiewit & Sons for architectural construction, \$7,150,000.

A National Pollutant Discharge Elimination System (NPDES) permit was issued for WNP-2 following a hearing held in Richland March 6. This permit allows the Supply System to discharge excess water from the project into the Columbia River, and sets forth the controls and quality standards for this discharge. On March 14, the Supply System received the U. S. Army Corps of Engineers permits allowing the start of construction for the river intake and discharge facilities for the project. Construction of these facilities was about 60 percent complete by the end of 1975.

The quality assurance documentation requirement analysis covering all prepurchased equipment contracts was completed during the summer of 1975. The computerized

report printout contained 65,536 QA records.

FINANCIAL INFORMATION

The Supply System has issued \$480,000,000 of revenue bonds to pay a portion of the cost of acquiring and constructing the project. The bonds are rated "triple-A" by both Moody's and Standard & Poor's.

Burns and Roe, the project architect-engineer, submitted a revised capital cost estimate in the fall of 1975. Total estimated project costs rose from \$614 million to \$794 million. The increased costs were attributed to escalation of the cost of labor and materials, architect-engineering services, financing expenses and taxes.

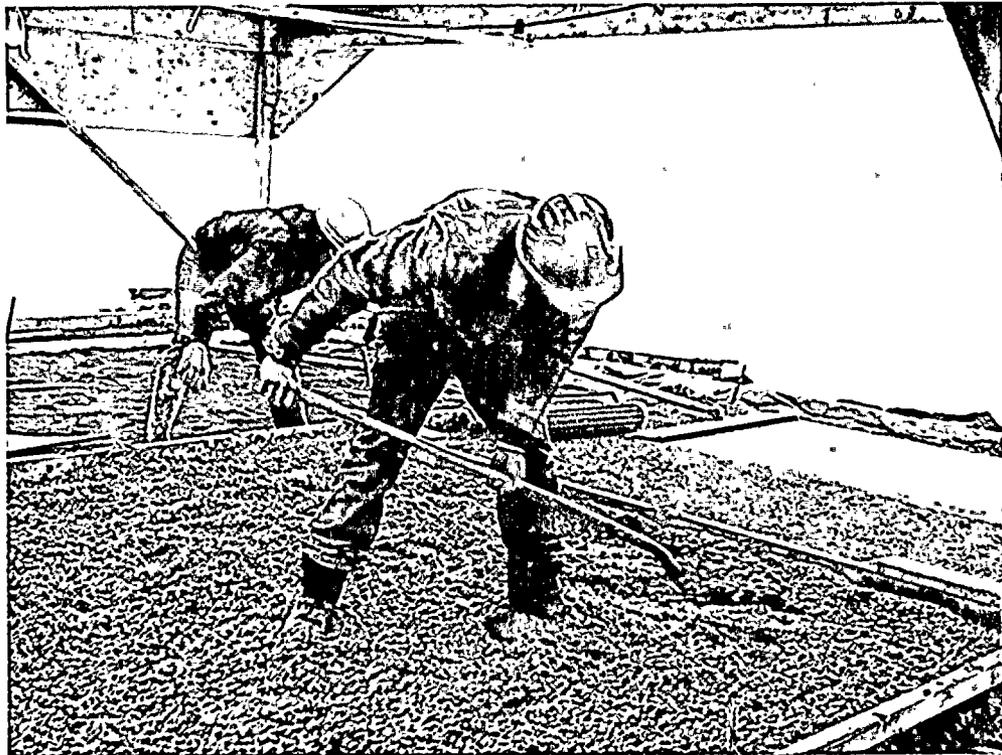
Nuclear Projects No. 1 and No. 4

In 1975, WPPSS Nuclear Projects No. 1 and No. 4 (WNP-1 and WNP-4) started to move off the drawing boards and make the physical transition to steel and concrete.

The two duplicate nuclear power plants are situated some 3,000 feet apart on a site about 10 miles north of the City of Richland, Washington. Each plant will use a Babcock & Wilcox pressurized water reactor.

The Westinghouse turbine-generator at each plant will have an electrical output of around 1,250,000 kilowatts.

For Nuclear Project No. 1, the receipt of a federal construction permit on December 23, 1975, culminated more than three years of Supply System effort. The project had begun in late 1972 as an intended replacement nuclear steam supply system for the U. S. Energy Research and Development Administration's N Reactor, situated on the ERDA Hanford Reservation. The N Reactor provides sufficient surplus steam to the Supply System's adjacent Hanford Generating Project to enable the HGP's two turbine-generators to produce more than 800,000 kilowatts of electricity.



The first concrete is poured at Nuclear Project No. 1, beginning the foundation for the reactor containment building.

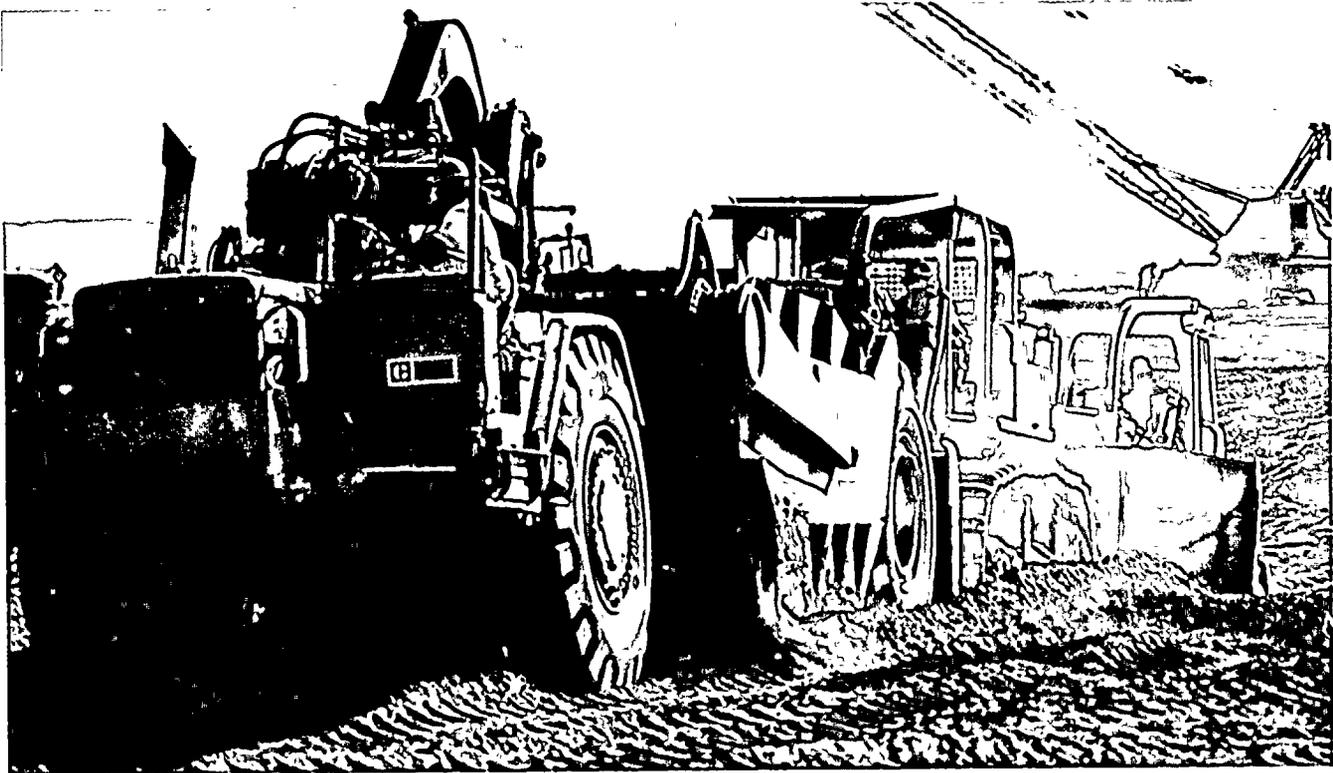
As time went on, however, it became increasingly important to the regional power supply picture that the N Reactor-Hanford Generating Project complex continue operating into the late 1970s rather than shut down for the construction of a new nuclear steam supply system. To maintain this continuity of operation, the Supply System's Board of Directors in May 1974 authorized addition of a new turbine-generator, cooling cycle, and attendant facilities to the nuclear steam supply system, and authorized locating the completely independent power plant at a site on the Hanford Reservation somewhat less than one mile from WNP-2.

Two months later, in July 1974, the Supply System's Executive Committee formally authorized actions leading to development of a duplicate nuclear power plant near the new WNP-1 site. This new plant was identified as WNP-4. WNP-1 is scheduled to begin commercial operation in March 1981, and WNP-4 in March 1982.

Site investigation and engineering and design work for the two projects proceeded at maximum effort during 1975 with the aim of securing state and federal approval for them as soon as possible. In mid-March, the state Thermal Power Plant Site Evaluation Council (TPPSEC) held site certification hearings in Olympia, the state's capital. All testimony was completed in one week's time and the hearing record closed except for the subject of socioeconomic impact. The Council kept that portion of the record open until completion and review of a socioeconomic impact study for the two projects made by Woodward-Clyde, consultants to the Supply System.

The following month, May 13-15, the federal Atomic Safety and Licensing Board (ASLB) held hearings in Richland to gather evidence to be considered by the Board before making a decision on issuance of a Limited Work Authorization (LWA) for WNP-1 and WNP-4. The Board heard

Excavation work in progress at Nuclear Project No. 4.



testimony in a number of areas, including the need for power, site suitability, and anticipated plant releases. The same week, the Advisory Committee on Reactor Safeguards met in Richland to explore a number of safety questions relating to the projects, including offsite power sources, environmental surveillance programs, and accident analyses.

By early July, TPPSEC had prepared and submitted a Site Certification Agreement for WNP-1 and WNP-4 to Washington Governor Daniel J. Evans. The governor signed the agreement on August 8, thus giving the Supply System state authorization to proceed with construction and operation of the projects.

One week earlier, on August 1, the Nuclear Regulatory Commission (NRC) had issued a Limited Work Authorization for WNP-1 and WNP-4, allowing the Supply System to begin preliminary site preparation and excavation. With

both state and federal approval, the site work for WNP-1 could proceed at full speed. Indeed, throughout the fall of 1975, excavation at both plants proceeded ahead of schedule, with a total of more than 2 million cubic yards excavated and placement of compacted backfill begun at WNP-1.

With the initial work progressing so well at the site, the Supply System felt it prudent to request an expanded Limited Work Authorization from the NRC to allow installation of concrete foundations and walls up to grade level for some permanent structures such as the containment, general services, and turbine-generator buildings, and pumphouses. An ASLB hearing for this supplemental LWA was held September 29 and, with a favorable ASLB ruling, the NRC issued the supplemental LWA on October 2.

The supplement made it possible to continue work at WNP-1 up to the granting of the construction permit, and will make it possible for work to continue at WNP-4 into 1976 to the time that project is expected to receive a construction permit from the NRC.

In other construction activity in progress at the WNP-1 site at year's end, the concrete batch plant was being readied for operation, power cables were being installed for road and yard lights, forming for the concrete foundation work in the main excavation was under way, two wells for construction water had been drilled, two office buildings and a warehouse had been constructed, and several roads and rail spurs were under construction. There were 240 persons at work onsite.

United Engineers & Constructors, architect-engineer and construction manager for WNP-1 and WNP-4, reported that engineering and design effort was more than 40 percent complete as the year ended.

Major construction contracts were awarded during 1975 to Power City Electric for temporary electrical facilities, \$5,113,077; to U.S. Elevator Corp. for elevators and dumbwaiters, \$3,155,700; to J. J. Welcome Construction Company for grading, major excavation, and earthwork, \$3,642,442; to Transco Pacific Co. for railroad work, \$977,000; to Boecon Company for temporary facilities, \$3,030,000; to Hoffman Construction Company for substructure concrete, \$11,436,000; to Boecon Corporation for stainless steel liners, \$5,125,000; to the A-C Joint Venture for structural steel, \$19,482,000; and to Zurn Industries, Inc., for cooling towers, \$11,597,859 for WNP-1 with an option for WNP-4 of \$11,397,862.

Major prepurchased equipment contracts were awarded during the year to Mine Safety Appliances Co. for atmospheric cleanup trains, \$8,882,000; to Mitsui & Company (USA) for heat exchangers, \$6,186,000; to Ederer, Inc., for turbine and heater bay cranes,

\$2,006,200; to Boeing Engineering and Construction for major equipment supports, \$7,995,000; and to Westinghouse Electric Corp. for feedwater heaters, \$8,310,480, and for turbine condensers, \$4,148,125 for WNP-1 with an option for WNP-4 of \$4,183,300.

FINANCIAL INFORMATION

Although WNP-1 and WNP-4 are duplicate plants from a physical standpoint, they will be financed separately by the issuance of long-term revenue bonds.

The Supply System issued \$175 million of long-term revenue bonds in September 1975 to pay a portion of the costs of acquiring and

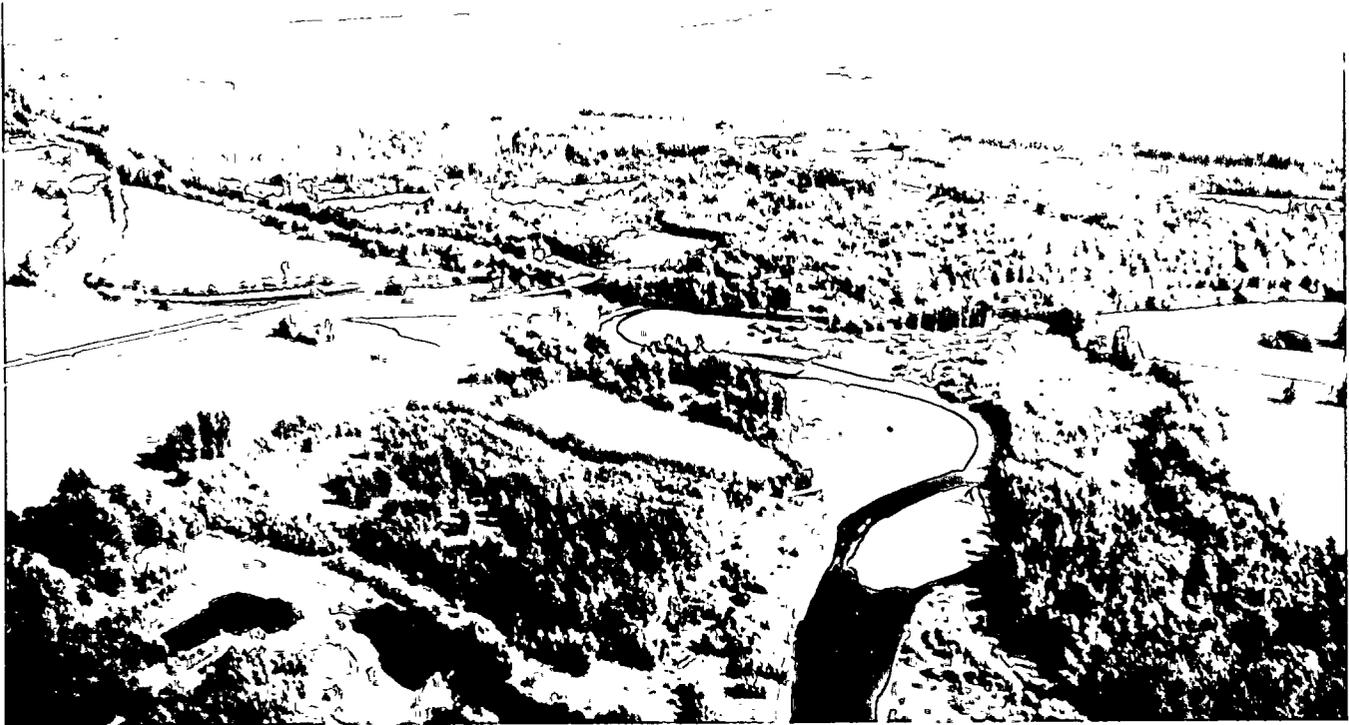
constructing WNP-1. The bonds were rated "triple-A" by both Moody's and Standard & Poor's. Proceeds are being used to finance part of the cost of construction and will be used to retire \$77 million of WNP-1 revenue notes in December 1976. Additional bonds are planned to be issued from time to time as additional construction funds are required.

It is presently planned that WNP-4 and the Supply System's ownership interest in WNP-5 (described elsewhere in this report) will be financed collectively in total. The Supply System issued \$100 million of revenue bonds in July 1975 to finance preliminary work on these projects.

In the fall of 1975, United Engineers & Constructors submitted a revised capital cost estimate for both projects. Total estimated project costs for WNP-1 rose to \$1.147 billion from \$990 million, and WNP-4 costs rose to \$1.095 billion from \$1.009 billion.



Fertile farmland surrounds the confluence of the Chehalis River (left) and the Satsop River (bottom right). The site for Nuclear Projects No. 3 and No. 5 is on one of the forested ridges (near background) 1½ miles south of this point.



Nuclear Projects No. 3 and No. 5

For WPPSS Nuclear Projects No. 3 and No. 5 (WNP-3 and WNP-5), 1975 was a year of preparation.

The beginning of the year found an extensive licensing effort under way in anticipation of several crucial state and federal hearings expected during 1975. Engineering work at that time was 25.7 percent completed. By the end of the year, the hearings had been held, but the decisions were pending. Engineering approached 40 percent completion.

The Supply System has proposed to construct and operate WNP-3 and WNP-5 on a site about 16 miles east of the city of Aberdeen in Grays Harbor County, Western Washington. The twin plants will be situated end-to-end on a ridge some one and one-half miles south of the Chehalis River and 390 feet above sea level. Each plant will use a

Combustion Engineering nuclear steam supply system with a pressurized water reactor. The Westinghouse turbine-generator at each plant will have an electrical output of 1,240,000 kilowatts. WNP-3 is scheduled to begin commercial operation in March 1982, and WNP-5 in September 1983.

WNP-3 ownership is shared 70 percent by the Supply System, 10 percent by Portland General Electric Company, 10 percent by Pacific Power and Light Company, 5 percent by Puget Sound Power and Light, and 5 percent by The Washington Water Power Company. The Supply System will have an ownership interest in WNP-5 of at least 70 percent. Final ownership arrangements have not been completed; however, both Pacific Power and Light and Portland General Electric have stated their intention to each accept a 10 percent ownership interest in the project.

The Supply System and its architect-engineer and construction manager for the two projects, Ebasco Services, Inc., began work on WNP-3 in January 1973. Announcement of the Grays Harbor County site selection was made in April 1973. Various site investigations began immediately and have continued since. The decision to construct and operate a duplicate nuclear power plant at the site was made in July 1974 by the Supply System's Executive Committee.

WNP-3 and WNP-5 are the Supply System's first nuclear power plants situated in Western Washington. In January 1975, a study of the anticipated socioeconomic effects of construction and operation of the two projects was completed for the Supply System. A supplemental socioeconomic analysis was made later in the year and submitted to the Supply System in September.

The object of these studies was to identify anticipated impacts, particularly those which can be alleviated by coordinated planning efforts of local and state governments in cooperation with the Supply System.

In April, the Supply System acquired an existing structure situated near the town of Elma a few miles east of the projects' site. It was remodeled to provide office space for Supply System and Ebasco personnel during the preliminary construction of the projects. Later, it will be available as an information center.

The first of a series of state and federal hearings for WNP-3 and WNP-5 was held in Olympia, the state capital, in mid-April. This hearing was to provide the state Thermal Power Plant Site Evaluation Council (TPPSEC) with information to enable it to issue a

National Pollutant Discharge Elimination System permit. The permit is for the discharge of excess water from the projects into the Chehalis River, and establishes the controls and quality standards for this discharge. Two additional days of hearings on this subject were held in Elma July 24-25. By year's end, TPPSEC had developed a draft of the NPDES permit and was preparing for its issuance.

On June 24 and 25, the Atomic Safety and Licensing Board held environmental and site suitability hearings for the projects in Aberdeen. The primary topic of discussion centered around the need for the power to be generated by the projects.

On August 5, TPPSEC began the final siting hearings on WNP-3 and WNP-5 with taking of public testimony in Elma, and continued intermittently in Olympia, Elma, and the Evergreen State College through November 12, for a total of 43 days of hearings. At year's end, TPPSEC was considering the input from the hearings and developing a Site Certification Agreement for submittal to the state's governor.

In June 1975, the Supply System's Board of Directors authorized a \$2.2 million real estate transaction to acquire the land on which the principal structures for WNP-3 and

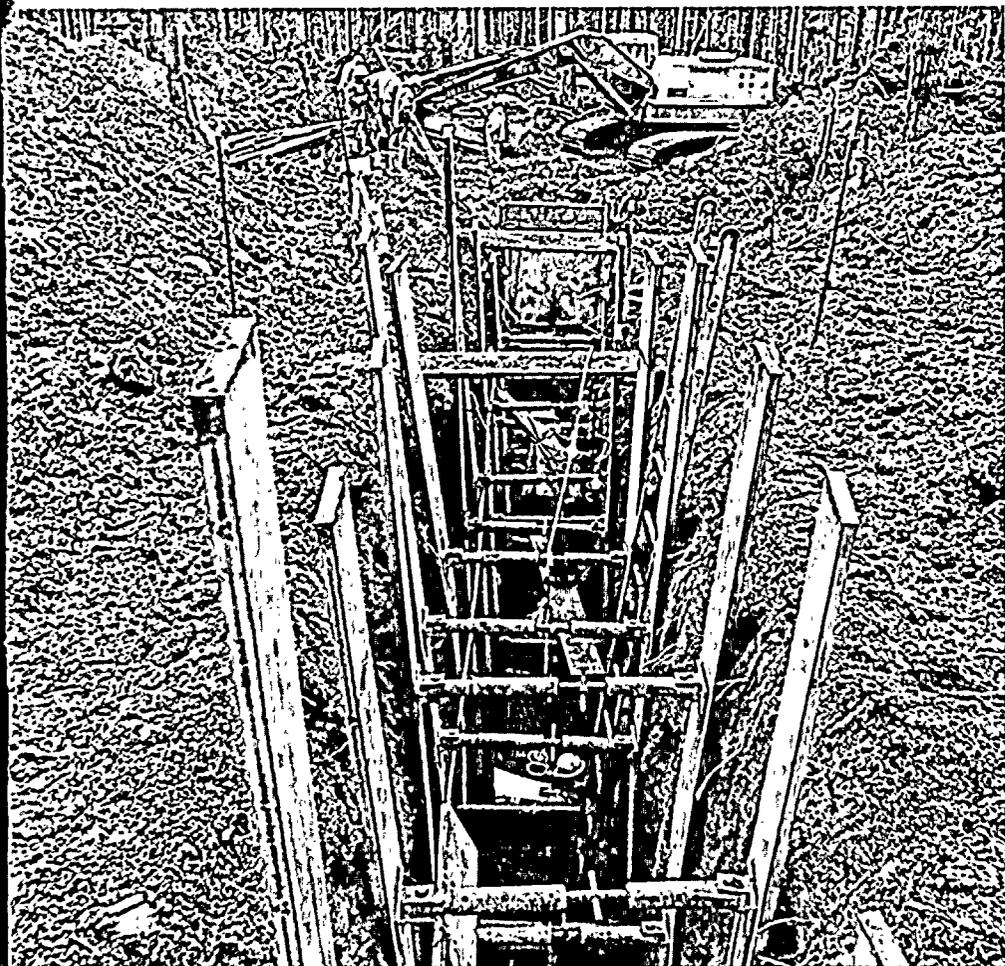
Vegetation from the bottom of the Chehalis River is gathered to be analyzed for naturally occurring radioactivity as part of pre-construction environmental studies.



WNP-5 will be constructed. The purchase included approximately 280 acres of Grays Harbor County-owned property and 840 acres of ITT Rayonier, Port Blakely Mill Company, and Weyerhaeuser Company properties. The county-owned property was exchanged to ITT Rayonier and Port Blakely for their properties in the nuclear power plant site area. The Supply System also made arrangements with the Washington State Department of Highways for assistance with the acquisition of rights-of-way required for access roads to the site.

A number of contracts were awarded during the year so that project construction, when approved, could proceed expeditiously. The contracts are firm with respect to WNP-3 and contain options for the work and material required for

Extensive geology and seismology investigations are an important part of the site evaluation the Supply System makes for each of its nuclear power plant sites.



constructing its 70% ownership share of WNP-3. The bonds were rated "triple-A" by both Moody's and Standard & Poor's. A portion of the proceeds will be used to retire the \$29 million of WNP-3 revenue notes issued in October 1973 for preliminary financing and maturing in June 1976. Additional bonds are to be issued from time to time as construction funds are required.

It is presently planned that WNP-4 (described elsewhere in this report) and the Supply System's ownership interest in WNP-5 will be further financed during 1976. The Supply System issued \$100 million of revenue bonds in July 1975, to finance preliminary work on these projects.

In October 1975, Ebasco Services submitted a revised capital cost estimate for both projects. Total estimated project costs for WNP-3 rose to \$1.244 billion from \$1.144 billion, and WNP-5 costs rose to \$1.271 billion from \$1.210 billion. These estimated increases resulted from the continued inflation of costs of labor, material, and financing, and the need to incorporate more complex safety and control systems in the plants.

WNP-5. This provides flexibility during the time final financing details are being concluded for WNP-5. Awards were made to Railco, Inc., for railroad track, switches, and fittings for WNP-3, \$910,490; for radwaste tanks to Boeing Aerospace Co., \$838,906 for WNP-3 with an option for WNP-5 of \$698,553; for large diameter concrete pipe to Ameron, Inc., \$1,760,738 for WNP-3 with an option for WNP-5 of \$1,207,043; for steam generator feed pump turbines to DeLaval Turbine, Inc., \$1,392,100 for WNP-3 with an option for WNP-5 of a similar amount; for circulating water pumps to Ingersoll Rand Company, \$1,906,000 for WNP-3 with an option for WNP-5 of \$1,940,000; and for clearing, grubbing and erosion control for WNP-3 to J. J. Welcome Construction Company, \$2,095,000.

FINANCIAL INFORMATION

Although WNP-3 and WNP-5 are duplicate plants from a physical standpoint they will be financed separately by the issuance of long-term revenue bonds.

The Supply System issued \$150 million of long-term revenue bonds in December 1975 to pay the cost incurred in 1976 for acquiring and

Project Participants

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

Public & Peoples Utility Districts

Oregon

Central Lincoln Peoples Utility District
Clatskanie Peoples Utility District
Northern Wasco County Peoples Utility District
Tillamook Peoples Utility District

Washington

Benton County PUD No. 1
Chelan County PUD No. 1
Clallam County PUD No. 1
Clark County PUD No. 1
Cowlitz County PUD No. 1
Douglas County PUD No. 1
Ferry County PUD No. 1
Franklin County PUD No. 1
Grant County PUD No. 2
Grays Harbor County PUD No. 1
Kittitas County PUD No. 1
Klickitat County PUD No. 1
Lewis County PUD No. 1
Mason County PUD No. 1
Mason County PUD No. 3
Okanogan County PUD No. 1
Pacific County PUD No. 2
Pend Oreille County PUD No. 1
Skamania County PUD No. 1
Snohomish County PUD No. 1
Wahkiakum County PUD No. 1
Whatcom County PUD No. 1

Municipalities

Idaho

Albion Heyburn
Bonners Ferry Idaho Falls
Burley Minidoka
Declo Rupert

Oregon

Bandon Forest Grove
Canby McMinnville
Cascade Locks Milton-Freewater
Drain Monmouth
Eugene Springfield Utility Board

Washington

Blaine Port Angeles
Centralia Richland
Cheney Seattle
Coulee Dam Steilacoom
Ellensburg Sumas
McCleary Tacoma

Irrigation Districts

Consolidated Irrigation District #19
Vera Irrigation District #15

Investor Owned Utilities

Montana Power Company
Pacific Power & Light Company
Portland General Electric Company
Puget Sound Power & Light Company
The Washington Water Power Company

Total Participants by classification:

Cooperatives:	52
Irrigation Districts:	2
Municipalities:	30
Public Utility Districts:	26
Investor Owned Utilities:	5
	<hr/>
Total	115

Cooperatives

California

Surprise Valley Electrification Corp.

Idaho

Clearwater Power Co.
East End Mutual Electric Co., Ltd.
Fall River Rural Electric Cooperative Inc.
Farmers Electric Co., Ltd.
Idaho County Light & Power Cooperative Assn., Inc.
Kootenai Electric Cooperative, Inc.
Lost River Electric Cooperative, Inc.
Northern Lights, Inc.
Prairie Power Cooperative, Inc.
Raft River Rural Electric Cooperative, Inc.
Riverside Electric Co., Ltd.
Rural Electric Co.
Salmon River Electric Cooperative, Inc.
South Side Electric Lines, Inc.
Unity Light & Power Company

Montana

Flathead Electric Cooperative, Inc.
Glacier Electric Cooperative, Inc.
Lincoln Electric Cooperative, Inc.
Missoula Electric Cooperative, Inc.
Ravalli County Electric Cooperative, Inc.
Vigilante Electric Cooperative, Inc.

Nevada

Wells Rural Electric Cooperative, Inc.

Oregon

Blachly-Lane County Cooperative Electric Assn.
Central Electric Cooperative, Inc.
Columbia Basin Electric Cooperative, Inc.
Columbia Power Cooperative Assn., Inc.
Consumers Power, Inc.
Coos-Curry Electric Cooperative, Inc.
Douglas Electric Cooperative, Inc.
Harney Electric Cooperative, Inc.
Hood River Electric Cooperative, Inc.
Lane County Electric Cooperative, Inc.
Midstate Electric Cooperative, Inc.
Salem Electric
Umatilla Electric Cooperative Assn.
Wasco Electric Cooperative, Inc.
West Oregon Electric Cooperative, Inc.

Washington

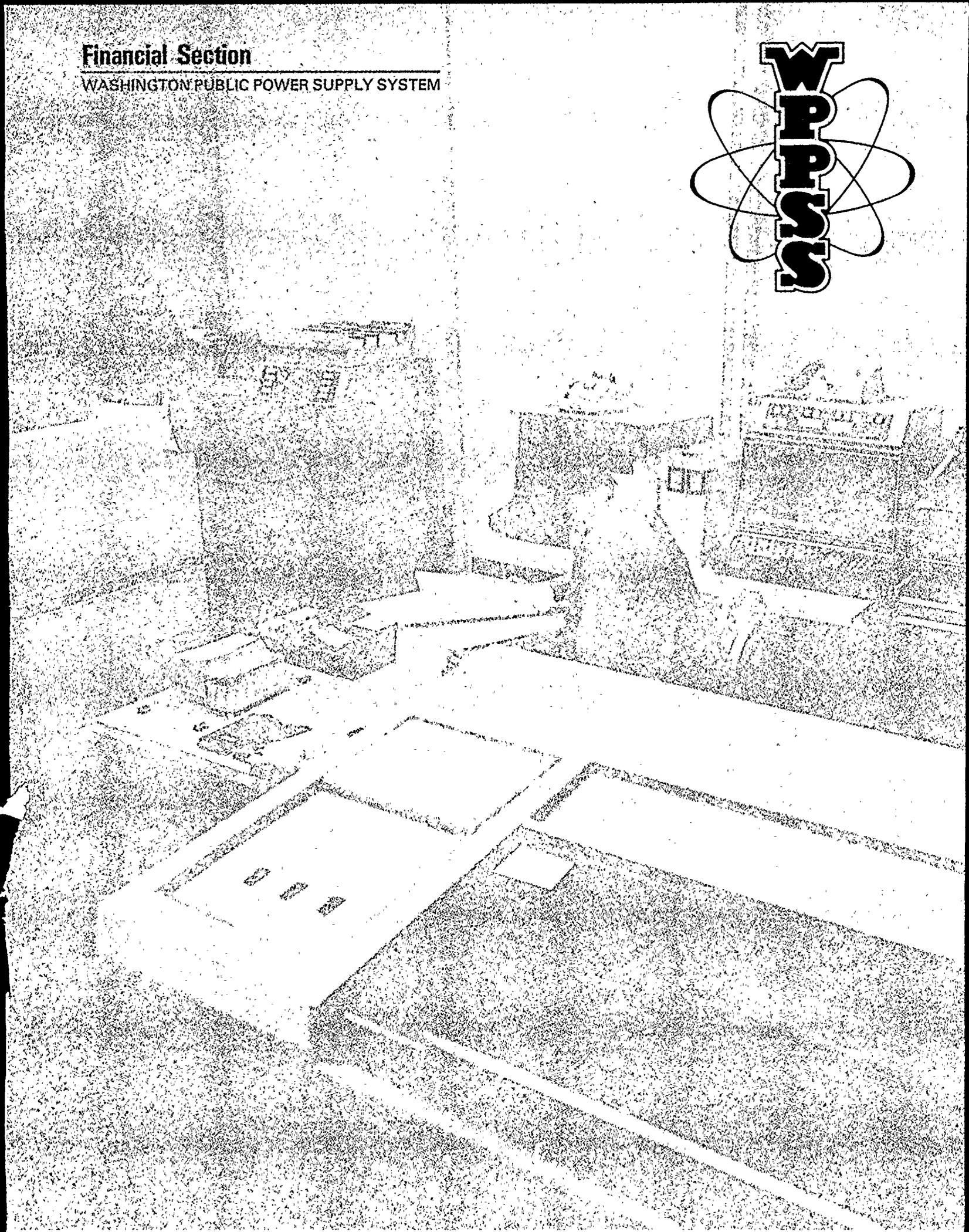
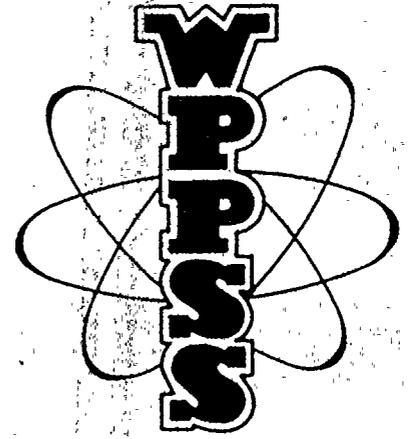
Alder Mutual Light Company
Benton Rural Electric Assn., Inc.
Big Bend Electric Cooperative, Inc.
Columbia Rural Electric Assn., Inc.
Elmhurst Mutual Power & Light Inland Power & Light Co.
Lincoln Electric Cooperative, Inc.
Nespelem Valley Elec. Cooperative, Inc.
Ohop Mutual Light
Okanogan County Electric Cooperative, Inc.
Orcas Power & Light Company
Parkland Light & Water Company
Tanner Electric

Wyoming

Lower Valley Power & Light, Inc.

Financial Section

WASHINGTON PUBLIC POWER SUPPLY SYSTEM



Balance Sheets

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

June 30, 1975 (Amounts in thousands)

ASSETS	Hanford	Packwood Lake Hydroelectric	Nuclear Project #1	Nuclear Project #2	Nuclear Project #3	"Future" Generating Facilities	General Fund
	Project	Project			Note A	Note A	(Unaudited)
Utility Plants and Equipment - at cost:							
In service	\$ 67,150	\$ 12,205		\$ 1,275			\$ 717
Modifications and additions to facilities owned by the U.S. Government	14,411						
Less allowances for depreciation and amortization	(29,717)	(2,825)		(40)			(666)
	51,844	9,380		1,235			51
Construction work in progress				177,150			
Preliminary costs of utility plants to be constructed			\$ 24,334		\$ 22,794	\$ 4,780	
Nuclear fuel				10,631			
Prepayments for nuclear fuel enrichment services			3,014	2,812	3,212	3,228	
Less amount charged to other joint owners					(7,705)		
	51,844	9,380	27,348	191,828	18,301	8,008	51
Special Funds - Note C:							
Cash	1	4	38	2,333	236	61	
Time certificates of deposit			8,590	45,051	3,000		
Securities - Note B	1,558	306	27,094	190,120	8,099	9,003	
Accounts receivable				3	780		
Prepaid Insurance				138		1	
Deferred expenses, less amortization				57			
Due from other Projects and General Fund			3,051	134	22	157	
Net amounts due from other funds	275		426	3,441	38	22	
	1,834	310	39,199	241,277	12,175	9,244	
Sinking Funds - Note C:							
Cash	495	16		1		59	
Time certificates of deposit			4,557	21,230			
Securities - Note B	5,322	707	27,884	51,415	1,306	1,172	
	5,817	723	32,441	72,646	1,306	1,231	
Current Assets:							
Cash and repurchase agreements	1,998	89					1,033
Securities - Note B		40					
Accounts receivable	127	109					
Supplies and spare parts inventories	203						
Prepaid insurance	213	7					4
Due from other funds	1,015	88					
Due from other Projects and General Fund	58	4					
Due from power purchasers	2,939						
Special cash deposit - matured interest	6	2	1,975	15,373	22	384	
	6,559	339	1,975	15,373	22	384	1,037
Other Asset - unbilled reimbursable cost	837	2,633					
Deferred Charges:							
Costs associated with abandoned plant site - Note B			6,847				
Preliminary survey and investigation costs - Note E							3,381
Unamortized debt expense	218	38	118	682	21	23	
	218	38	6,965	682	21	23	3,381
	\$ 67,109	\$ 13,423	\$ 107,928	\$ 521,806	\$ 31,825	\$ 18,890	\$ 4,469

LIABILITIES	Hanford Project	Packwood Lake Hydroelectric Project	Nuclear Project #1	Nuclear Project #2	Nuclear Project #3	"Future" Generating Facilities	General Fund
							(Unaudited)
Revenue Notes and Bonds - Note C:							
Principal amount	\$ 60,040	\$ 12,956	\$ 102,000	\$ 480,000	\$ 29,000	\$ 17,500	
Unamortized debt (discount) or unaccreted premium	(1,195)	(143)	(159)	(610)	2	(38)	
	58,845	12,813	101,841	479,390	29,002	17,462	
Accrued Interest	626	158	234		56	53	
Special Funds - Note C:							
Accounts payable and accrued expenses			3,319	14,213	2,670	969	
Amounts withheld from contractors			111	5,983	37		
Accrued sales taxes on contractor payments				3,406			
Amount due to "Future" Generating Facilities			22				
Net amounts due to other funds		30					
		30	3,452	23,602	2,707	969	
Sinking Funds - net amounts due to other funds - Note C	441	58	426	3,441	38	22	
Current Liabilities:							
Accounts payable	408	23					\$ 405
Net amounts due to other funds	849						
Due to other projects	2,914						489
Due power purchasers		199					
Matured interest on debt	6	2	1,975	15,373	22	384	
	4,177	224	1,975	15,373	22	384	894
Deferred Credits and Advances:							
Deferred gain on redemption of revenue bonds	2,738	140					
Advance from power purchasers to increase current assets	282						
Advances from members and participants and accrued interest							3,575
	3,020	140					3,575
Commitments and Contingency - Note D							
	\$ 67,109	\$ 13,423	\$ 107,928	\$ 521,806	\$ 31,825	\$ 18,890	\$ 4,469

See Notes to balance sheets

Notes To Balance Sheets

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

Note A - Organization

The Washington Public Power Supply System is a municipal corporation and joint operating agency of the State of Washington and was organized in 1957. Its membership consists of 18 public utility districts and three municipalities which own and operate electric systems within the State of Washington. It is empowered to acquire, construct and operate facilities for the generation and transmission of electric power and energy.

The Supply System has constructed and is now operating the Packwood Lake Hydroelectric Project and the Hanford Project, has one nuclear electric generating plant under construction (Nuclear Project No. 2) and four other nuclear electric generating plants (Nuclear Projects Nos. 1 and 3, and "Future" Generating Facilities which includes Projects Nos. 4 and 5) in various stages of preliminary planning. In addition the Supply System has a General Fund. The Hanford Project is situated on land which is leased from the Energy Research and Development Administration (ERDA). Nuclear Projects Nos. 1, 2 and 4 also are situated on property leased from ERDA. Rental for each project's property is a nominal amount for each year plus any taxes or assessments which may be imposed upon the leasehold. Projects Nos. 3 and 5 will be constructed on land owned by the projects. The projects are further described elsewhere in this report.

Because of the Bonneville Power Administration's (BPA - an agency of the United States Government) obligations under the Net Billing and/or Exchange Agreements as described in Note C, Security for the Bonds, the Supply System and BPA have entered into Project Agreements with respect to the Hanford Project and Nuclear Projects Nos. 1, 2 and 3. The Project Agreements, among other things, provide standards for the design, licensing, financing, construction, fueling, operation and maintenance of each of the aforementioned projects. They also provide for the approval of any replacements, repairs or capital additions thereto.

Nuclear Project No. 3 will be constructed and operated by the Supply System pursuant to terms of an Ownership Agreement between the Supply System and four investor-owned utilities. The project will be 70% owned by the Supply System and 30% by four investor-owned utilities (Pacific Power & Light Company - 10%, Portland General Electric Company - 10%, Puget Sound Power & Light Company - 5%, and The Washington Water Power Company - 5%). Each of the joint owners is responsible for providing its ownership share of the costs of construction and operation and will be entitled to its ownership share of the project's capability. The ownership shares may be adjusted upon the occurrence of certain events. Each owner shall defray its own financing costs. The parties to the Ownership Agreement have designated the Supply System to act as their agent to construct, operate and maintain the project.

The Supply System expects to have an 80% ownership share of Nuclear Project No. 5, with the remaining 20% to be shared by two of the investor-owned utilities which are co-owners of Nuclear Project No. 3.

"Future" Generating Facilities consist of the Supply System's Nuclear Projects Nos. 4 and 5, any ownership interest that the Supply System may acquire in Puget Sound Power & Light Company's Skagit Nuclear Power Project Unit Nos. 1 and 2, and preliminary studies and investigations of the construction of additional generating facilities.

All projects heretofore undertaken by the Supply System except Nuclear Projects Nos. 4 and 5 have been separately financed. It is anticipated that the Supply System's ownership interests in Nuclear Projects Nos. 4 and 5 and any interest in the Skagit Project will be collectively financed in total.

Note B - Accounting Policies

The Supply System has adopted accounting policies and practices which are in accordance with generally accepted accounting principles applicable to the utility industry. As required by the various project bond and note resolutions, separate books of account are maintained for each project. Descriptions of significant accounting policies are presented below.

Capitalization of Costs During Construction
During the construction phase of a project, the Supply System will capitalize all costs of the project including general, administrative, interest and other overhead expenses.

Debt Discount, Premium and Expenses
Debt discount or premium and expenses relating to the issuance of revenue notes and bonds are amortized on the straight-line method over the terms of the respective issues. Such provisions for amortization (net of accretion of premiums) are capitalized as costs during the construction period.

Gains on Redemption of Revenue Bonds - Packwood and Hanford Projects
Gains from the early extinguishment of debt occurring prior to 1973 have been recorded in the balance sheet as a deferred credit less the annual accretion to income computed using the straight-line method over the terms of the respective bonds.

Current Assets and Current Liabilities

Assets and liabilities shown as current in the accompanying balance sheets exclude current maturities on revenue bonds and notes and accrued interest thereon as either sinking funds have been provided for their payment or with respect to revenue notes due within one year, refinancing of this debt has been accomplished subsequent to June 30, 1975 (see Note C).

Securities

The bond and note resolutions provide for the investment of funds in U. S. Government and government agencies' securities and certain bank time deposits evidenced by certificates of deposit and secured in the manner provided by the laws of the State of Washington.

U.S. Government and government agencies' securities are stated at amortized cost including accrued interest thereon. Investment securities owned by the Hanford and Packwood Projects' Bond Fund Reserve accounts and Reserve and Contingency funds are stated at the lower of amortized cost or market as provided by their respective bond resolutions. Interest earned on investments during construction is recorded as a reduction of construction costs.

The market value, including accrued interest, of investments held in the sinking and special funds and as current assets as of June 30, 1975 approximates amortized cost.

Depreciation and Amortization

Provisions for depreciation of the Hanford and Packwood Projects' utility plants have been computed on the straight-line basis using an estimated life ending in 1996 and 2012, respectively, (the final redemption years of the respective project's Revenue Bonds) which approximates the estimated lives of the projects.

In the event that the Hanford Project ceases operations as discussed in Note D, the then carrying value of the plant will continue to be depreciated over the remaining term of the outstanding revenue bonds. Regardless of continued operations, the purchasers of power from the project will continue to be obligated to pay the principal amount of bonded debt,

among other costs, until 1980 when participants of Nuclear Project No. 1 assume this obligation. Consequently, if the plant ceases operations, revenues arising from the aforementioned payments will nevertheless be recorded each year thereafter in amounts which will result in full realization of the carrying value of the plant.

Provisions for amortization of modifications and additions to facilities owned by the U. S. Government are being computed for the Hanford Project on the straight-line basis using an estimated useful life ending October 31, 1977, the present contract date of discontinuance of dual purpose operation of the New Production Reactor. However, operation may be extended as further explained in Note D.

Costs associated with the abandoned plant site will be amortized by charges to income over the life of Nuclear Project No. 1 beginning with the commencement of commercial operations.

The administrative office building which is accounted for on the records of Project No. 2 is being depreciated on the straight-line basis over its estimated useful life.

Contributions Used for Purchase of Equipment—Packwood and Hanford Projects

Monies provided by participants to acquire equipment since completion of the projects are accounted for as contributions in aid of construction and are applied as a reduction of the carrying value of plant in-service.

Operating Revenues

Because member purchasers of power are contractually obligated to pay project

annual costs including the principal amount of bonded debt, the Supply System records this reimbursable cost as operating revenues for the Hanford and Packwood projects. In order to spread such revenues equally over the full term of the respective bonds, the Supply System has recorded as revenue each year an amount (in addition to recovery of operating costs) which is equal to the provisions for depreciation and amortization of utility plant and debt discount and expense, less the annual accretion of the gain on bond redemption occurring prior to 1973 and all gains on bond redemption subsequent to 1973.

Cumulative reimbursable costs less payments by member purchasers for future bond redemption are reflected as Unbilled Reimbursable Costs in the accompanying balance sheets.

Retirement Plan

The Supply System participates in the Washington State Public Employees' Retirement System which provides retirement benefits to eligible employees. Cost of the plan to the projects is determined by the Retirement System's Board. The actuarially computed value of pension benefits exceeds the fund assets for the Retirement System. However, because the Retirement System is a multi-employer system, the amount of such excess, if any, that relates to the Supply System is not available.

Note C - Revenue Notes and Bonds

Outstanding revenue notes and bonds of the various projects as of June 30, 1975, consist of the following (amounts in thousands):

	Effective Interest Rate	Hanford Project	Packwood Lake Hydroelectric Project	Nuclear Project #1	Nuclear Project #2	Nuclear Project #3	"Future" Generating Facilities
Hanford Project Electric Revenue Bonds, Series of 1963, 2.4% to 3.25% due in varying annual amounts through 1986 except \$27,585 due September 1, 1996.	3.26%	\$60,040					
Packwood Lake Hydroelectric Project Revenue Bonds, Series of 1962, 3.625% maturing March 1, 2012.	3.66%		\$ 9,971				
Packwood Lake Hydroelectric Project Revenue Bonds, Series of 1965, 3.75% maturing March 1, 2012	3.76%		2,985				
WNP No. 1 Revenue Notes, Series 1973, 4.25% maturing December 15, 1975	4.27%			\$ 25,000			
WNP No. 1 Revenue Notes, Series 1974, 5.90% maturing December 15, 1976	6.04%			77,000			
WNP No. 2 Revenue Bonds, Series 1973, 5.0% to 5.7% due in varying amounts through 1991 except \$124,400 due July 1, 2012.	4.66%				\$150,000		
WNP No. 2 Revenue Bonds, Series 1974, 6.5% to 7.375% due in varying amounts through 1994 except \$15,000 due July 1, 1999, and \$37,000 due July 1, 2012.	7.21%				80,000		
WNP No. 2 Revenue Bonds, Series 1974A, 7.2% to 7.75% due in varying amounts through 1994 except \$15,000 due July 1, 1999, and \$78,000 due July 1, 2012.	7.67%				125,000		
WNP No. 2 Revenue Bonds, Series 1975A, 6.60% to 6.875% due in varying amounts through 1994 except \$15,000 due July 1, 1999, and \$78,000 due July 1, 2012.	6.71%				125,000		
WNP No. 3 Revenue Notes, Series 1973A, 4.375% maturing June 15, 1976.	4.38%					\$ 29,000	
WPPSS Generating Facilities Revenue Notes, Series 1974, 4.7% maturing December 15, 1975	4.7%						\$ 2,500
WPPSS Generating Facilities Revenue Notes, Series 1974A, 7.75% maturing June 15, 1976.	8.0%						15,000
		\$ 60,040	\$ 12,956	\$ 102,000(A)	\$ 480,000	\$ 29,000(A)	\$ 17,500
Current maturities on the above debt		\$ 1,130	\$ 110	\$ 24,997	\$ -0-	\$ 29,000	\$ 17,500

[A] - Subsequently refinanced by issuance of revenue bonds in the amounts of \$175,000,000 and \$150,000,000 for Nuclear Projects Nos. 1 and 3, respectively.

Security for the Supply System's notes and bonds is summarized as follows:

Agreements and Contracts

The participants of the Hanford Project and Nuclear Projects Nos. 1, 2 and 3, which are utilities operating principally in the Western United States, have entered into Net Billing Agreements (referred to as an Exchange Agreement with respect to the Hanford Project) with the Supply System and Bonneville Power Administration. Pursuant to the agreements, the Supply System has sold all of the projects' capability to the participants of each project. The participants of each project have agreed to purchase a stipulated percentage of each project's capability. As payment for the purchase of power, each participant is obligated to pay the Supply System its pro rata share of the annual cost of each project, including debt service. In turn, the participants have assigned their respective interest in each project's capability to BPA. BPA is obligated to credit the amounts paid to the Supply System by the participants against amounts owed to BPA by the participants for power and certain services provided by BPA. BPA is so obligated whether or not the projects are completed, operable, or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of each project's output.

The Supply System's Packwood Project Revenue Bonds are secured by power sales contracts between the Supply System and 12 of its members. Pursuant to these agreements, each of the 12 members purchases and pays the percentage allocation of power specified therein at rates which will be sufficient to operate and maintain the project, including debt service on the bonds. Such payments will continue until the bonds are paid or provision is made for their payment or retirement. The contracts also provide that if any of the 12 members, because of insolvency or bankruptcy, fails to pay its respective share of project annual costs, 8 of the 12 members, which account for 94.75 percent of the project's power output, are liable for an automatic pro rata increase of the shares not so paid. The remaining 4 member purchasers are limited in their liability for a pro rata increase to an aggregate amount equal to double their original percentages.

The Generating Facilities notes are secured by Revenue Note Agreements between the Supply System and 19 of its members. The agreements provide, among other things, for each of the 19 members to make advance payments to the Supply System in an amount sufficient

to pay the principal of and interest on all of the notes as they become due and payable unless the notes are paid or provision is made for the payment thereof from other monies of the Supply System lawfully available therefor. Subsequent to June 30, 1975, the Supply System obtained \$100,000,000 through issuance of WPPSS Generating Facilities Revenue Bonds; proceeds were used in part to establish a fund to retire at maturity the Series 1974 (\$2,500,000) and 1974A (\$15,000,000) Revenue Notes.

As security for the \$100,000,000 of Generating Facilities Revenue Bonds, the Supply System has entered into Option and Services Agreements with 93 participants (which are utilities operating principally in the Western United States). Under these agreements, the participants have obtained options to become parties to a Participants' Agreement which provides for the purchase and sale of the participants' shares of the capability of the projects. The agreements provide, among other things, for the 93 participants to make advance payments to the Supply System in an amount sufficient to pay the principal of and interest on all of the bonds as they become due and payable unless the bonds are paid or provision is made for the payment thereof from other monies of the Supply System lawfully available therefor.

Security - Creation of Funds

Under provisions of the various revenue note and bond resolutions, the Supply System has been required to establish trustee-administered sinking funds for the sole purpose of paying principal and interest on the notes and bonds.

With respect to projects in the planning and/or construction phase, proceeds of revenue notes and bonds not specifically required to meet principal and interest payments have been placed in special funds. The special funds are to be used for planning and/or construction purposes. The special funds may be used, if necessary, to make required interest and principal payments.

The Hanford and Packwood Projects each have established a Reserve and Contingency Fund (included as Special Funds in the accompanying balance sheets). As provided in the bond resolutions, the funds are to be used, among other things, to make up any deficiencies in the Bond Funds and to pay for extraordinary operation and maintenance costs, replacements and contingencies.

In addition, amounts in special cash deposits are held in trust for the bondholders or noteholders for the payment of principal and interest on notes and bonds.

Note D - Commitments and Contingency

The estimated costs of the projects are discussed elsewhere in this report.

The Supply System has entered into contracts covering a portion of total estimated costs for certain major equipment and material, and for services relating to financing, design, and the supply of nuclear fuel for the projects under construction and those in various stages of preliminary planning. At June 30, 1975, the total contract amounts, less payments, by project were approximately:

Nuclear Project No. 1	\$186,000,000
Nuclear Project No. 2	\$280,000,000
Nuclear Project No. 3	\$227,000,000
"Future" Generating Facilities	\$364,000,000

The U. S. Energy and Research Development Administration (ERDA), one of the successor agencies to the Atomic Energy Commission, owns and operates the nuclear reactor which provides steam to the Hanford Project. The reactor is operated for the production of plutonium for national defense, and steam is a by-product of such production. In 1971, ERDA suspended its operation of the reactor. However, the Supply System entered into an agreement in 1971 with ERDA to continue dual-purpose operation of the reactor through October 1977. The agreement requires annual payments of \$22,500,000 plus maintenance charges for continued operation of the reactor. The Supply System is continuing efforts to work out new agreements which will extend the operation of the project beyond October 1977.

Note D - Commitments and Contingency [Continued]

The present agreement provides for the Supply System to reimburse ERDA for termination and standby charges and shutdown costs (estimated to approximate \$9,235,000) arising from the future suspension of the reactor. The participants of Nuclear Project No. 1 have agreed to pay all such termination and standby charges and shutdown costs. Also, these participants have agreed to pay, commencing January 1, 1980, all debt service costs of the Hanford Project regardless of continued operation of the reactor. Outstanding revenue bonds will then aggregate approximately \$48,000,000. The agreement to pay such costs will permit participants of Nuclear Project No. 1 to receive power from BPA to the extent of such additional costs incurred.

The U. S. Government has an option to acquire ownership of the Hanford Project upon obtaining Congressional approval. If the Government exercises its option, it must assume all rights and obligations of the project, including the obligation to pay all revenue bonds.

Note E - Preliminary Survey and Investigation Costs - General Fund [Unaudited]

The Supply System has recorded \$3,380,706 including interest on advances (see below), as preliminary survey and investigation costs relating to certain projects which have been under consideration. The most significant such project is the Middle Snake Hydroelectric Project for which approximately \$3,300,000 has been charged.

The Middle Snake Hydroelectric Project was originally intended to consist of two dams which were to be constructed on the Snake River between Idaho and Oregon and operated jointly by the Supply System and an investor-owned utility consortium.

During 1975, proposed federal legislation passed the Senate and the House of Representatives of the U. S. Congress which, if signed by the President, would prohibit construction of dams in this section of the river and create instead a

system of federal wild river, recreation and wilderness areas.

Monies expended by the General Fund of the Supply System for preliminary planning costs, as explained above, have been advanced by its members and project participants. It has been agreed that repayment of the amount advanced plus interest thereon at 4% per annum to the member-participants will be made solely from the proceeds of the sale of revenue bonds issued by the Supply System to finance the construction of the project or any alternate project ultimately constructed. Such advances amounting to \$2,292,644 plus accrued interest of \$989,308 have been recorded as a liability in the General Fund. If the projects are abandoned, the Supply System intends to write-off the related planning costs. Also, advances, including interest, pertaining thereto are not intended to be repaid. In addition to the recorded costs, the Supply System may be liable for additional planning costs with respect to the Middle Snake Hydroelectric Project. Such additional unrecorded costs are not expected to be material in amount.

Report of Independent Accountants

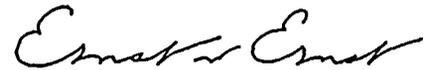
Board of Directors
Washington Public Power Supply System
Richland, Washington

We have examined the individual balance sheets of Washington Public Power Supply System's Hanford Project, Packwood Lake Hydroelectric Project, Nuclear Project No. 1, Nuclear Project No. 2, Nuclear Project No. 3, and "Future" Generating Facilities as of June 30, 1975. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the balance sheets referred to above present fairly the respective financial positions of Washington Public Power Supply System's Hanford Project, Packwood Lake Hydroelectric Project, Nuclear Project No. 1, Nuclear Project No. 2, Nuclear Project No. 3 and "Future" Generating Facilities at June 30, 1975, in conformity with generally accepted accounting principles applied on a consistent basis.

The individual balance sheet of the General Fund as of June 30, 1975, was not audited by us and, accordingly, we do not express an opinion on it.

Seattle, Washington
August 26, 1975



Project Expenditures

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

		Nuclear Project No. 1 Eng. & Const. Management \$22,274,000 Construction & Fuel 3,018,000 Owner's Costs 2,866,000 Net Financing Costs (810,000) <hr/> \$27,348,000
Engineering & Construction Management	79.1%	
Construction & Fuel	10.7%	
Owner's Costs	10.2%	

		Nuclear Project No. 2 Construction & Fuel \$138,783,000 Eng. & Const. Management 38,203,000 Owner's Costs 9,526,000 Net Financing Costs 5,316,000 <hr/> \$191,828,000
Construction & Fuel	72.3%	
Engineering & Construction Management	19.9%	
Owner's Costs	5.0%	
Financing Costs	2.8%	

		Nuclear Project No. 3 (WPPSS 70% ownership share) Eng. & Const. Management \$13,124,000 Owner's Costs 2,801,000 Construction & Fuel 2,756,000 Net Financing Costs (380,000) <hr/> \$18,301,000
Engineering & Construction Management	70.2%	
Construction & Fuel	15.0%	
Owner's Costs	14.8%	

		Packwood Lake Project Year ended June 30, 1975 Depreciation \$485,000 Interest 255,900 Power Production 72,400 Administrative & General 59,300 Transmission 45,500 <hr/> \$918,100
Interest	52.8%	
Depreciation	27.9%	
Power Production	7.8%	
Administrative & General	6.5%	
Transmission	5.0%	

		Hanford Generating Project Year ended August 31, 1975 Power Production \$24,126,400 Depreciation and Amortization 3,982,100 Interest 2,176,900 Administrative & General 659,100 Transmission 59,400 <hr/> \$31,003,900
Power Production	77.8%	
Depreciation & Amortization	12.9%	
Interest	7.0%	
Administrative & General	2.1%	
Transmission	0.2%	

Statement of the State Auditor

TO WHOM IT MAY CONCERN:

The Washington State Auditor's Division of Municipal Corporations conducts a continuous examination of all of the operations of the Washington Public Power Supply System, including each and every project. Reports are issued covering each calendar year.

On every such examination, state law requires that inquiry shall be made as to the financial condition and resources of the Supply System, whether the Constitution and laws of the state, the resolutions and orders of the Supply System, and the requirements of the Division of Municipal Corporations have been properly complied with; and into the methods and accuracy of the accounts and reports.

Very truly yours,

ROBERT V. GRAHAM, State Auditor



DARRELL K. RUSSELL, CPA
Chief Examiner
Division of Municipal Corporations

WPPSS Bond and Construction Fund Trustees

	Bond Fund Trustee	Construction Fund Trustee
WPPSS Nuclear Project No. 1	Morgan Guaranty Trust Company 23 Wall Street New York, New York 10005	Morgan Guaranty Trust Company 23 Wall Street New York, New York 10005
WPPSS Nuclear Project No. 2	Continental Illinois National Bank 231 South LaSalle Street Chicago, Illinois 60693	Continental Illinois National Bank 231 South LaSalle Street Chicago, Illinois 60693
WPPSS Nuclear Project No. 3	Seattle-First National Bank P. O. Box 3586 Seattle, Washington 98124	WPPSS
Hanford Project	Bankers Trust Company of New York P. O. Box 318 Church Street Station New York, New York 10015	Not applicable
Packwood Project	Seattle Trust & Savings Bank 804 Second Avenue Seattle, Washington 98104	Not applicable

Consultants

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

Auditors

Ernst & Ernst,
Seattle, Washington

Bond Counsel

Wood, Dawson, Love & Sabatine,
New York, New York

Ecological Services

Battelle-Northwest,
Richland, Washington

Ebasco Services,

New York, New York

Dr. Howard Coombs,

University of Washington,
Seattle, Washington

Engineering Services

R. W. Beck & Associates
Seattle, Washington

Financial Advisors

Blyth, Eastman, Dillon and Company,
New York, New York

Legal Counsel

Houghton, Cluck, Coughlin & Riley,
Seattle, Washington

Conner & Knotts,

Washington, D.C.

Nuclear Fuel Analysts

The S.M. Stoller Corporation,
New York, New York

Socio-Economic Analysts

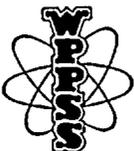
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