RELATED CORRESPONDENCE

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter Of:	)	
	)	
PUGET SOUND POWER AND LIGHT COMPANY, et al.,	)	Docket Nos. 50-522 50-523
	)	
(Skagit Nuclear Power Project, Units 1 and 2)	)	
	)	

INTERROGATORIES AND REQUESTS
FOR PRODUCTION TO
PUGET SOUND POWER AND LIGHT CO.
AND OTHER APPLICANTS
(Dated June 25, 1979)

In accordance with 10 CFR, §2.740B and 10 CFR §2.741, please answer the following Interrogatories and respond to the accompanying Requests for Production.

Documents to be produced should be presented at the offices of undersigned counsel at 9:00 a.m. on July 16, 1979, or at such other time and place as may be agreed upon.

INTERROGATORY NO. 1: Attached is a copy of a newspaper story which appeared in the Seattle Times on June 7, 1979. Is the information contained therein accurate? If not, please set forth all respects in which such information is not accurate.

ANSWER:

7908300763

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INTERROGATORY NO. 2: How long have the applicants had under discussion the formation of a "jointly owned independent subsidiary company" which would undertake construction, or financing, or both, of the Skagit plants? Please identify all documents which reflect the fact and content of such discussions, to date.

ANSWER:

INTERROGATORY NO. 3: Has the consideration, by the applicants, of the formation of a jointly owned independent subsidiary company to assist with construction or financing, or both, of the Skagit nuclear plants, been disclosed to the NRC staff at any time? If not, why not? If so, please give full particulars, and describe all documents which have been submitted or transmitted to the NRC staff in that connection, to date.

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ANSWER:

INTERROGATORY NO. 4: When did any of the applicants first inform the Bonneville Power Administration of the plan to form a jointly owned independent subsidiary company to assist with the financing, or construction, or both, of generating facilities, including the Skagit plant? Please identify all documents of any kind which have been submitted or transmitted to the Bonneville Power Administration in that connection, to date.

ANSWER:

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INTERROGATORY NO. 5: When and how did any of the applicants first inform the Securities and Exchange Commission of an intention to pursue the formation of a jointly owned independent subsidiary company which would assist in the financing, or construction, or both, of power generating facilities? Please describe all documents which have been submitted to the Securities and Exchange Commission at any time in connection with such proposal, and also describe all such documents which have been submitted to any other federal or state agency, including the United States Congress, the state power plant site evaluation council, and the governor.

ANSWER:

INTERROGATORY NO. 6: Please explain how the current version of the regional power bill would permit a jointly owned independent subsidiary company to build or finance, or both, new power plants. Please identify all documents which reflect or embody such a plan.

ANSWER:

INTERROGATORY NO. 7: Please explain how the formation of a jointly owned independent subsidiary company would permit the financing of the construction of new power plants by the issuance of bonds rather than stock, and identify all documents, reports, and studies, which pertain to this subject, and which have been prepared by or for you at any time, to date. Please also explain why such bonds would have a lower interest rate than bonds issued by the applicants directly, and identify all documents, studies, or reports, which explain or discuss the reasons why such interest rates would be lower.

ANSWER:

INTERROGATORY NO. 8: Please identify all documents, including correspondence, memoranda, notes, reports, and other records of any kind, which have been:

a. Produced internally by any of the applicants,

b. Exchanged by the applicants, or their attorneys, consultants, or agents,

And which relate to the proposal to form a jointly owned but independent subsidiary company to build new power plants.

ANSWER:

INTERROGATORY NO. 9: Has the proposal to form a jointly owned but independent subsidiary company to build new power plants been referred to in any formal filing with the SEC, or in any form 10-K, or in any security prospectus, filed by any of the applicants, to date? If so, please identify each such document. If not, please explain why no such reference has been made, even though such a plan was under consideration.

ANSWER:

INTERROGATORY NO. 10: Please explain why the applicants are requesting an exception from the Public Utility Holding Company Act with respect to their proposal to form a jointly

owned but independent subsidiary company to build new power plants, and identify all documents which contain or reflect such explanation.

ANSWER:

REQUEST FOR PRODUCTION NO. 1: Please produce for inspection and copying at the offices of plaintiffs' counsel, all documents identified or described in your answers to the foregoing interrogatories.

DATED this 25 day of June, 1979.

ROGER M. LEED

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A.P. photo

ng pylon at a news conference in Washing-

government said today.

The May increase was a large decline from the 0.9 per cent wholesale price rise in April, and increases of 1 per cent or more in each of the first three months of the year.

The Labor Department report offered evidence that the national at wholesale fell nearly 7 per cent, the first decline after five consecutive months of large increases.

"It's bound to have some effect at the retail level," said John Early, chief of the Labor Department's division of industrial prices. "Most food changes pass through very rapidly."

per cent in May, for an increase of nearly 12 per cent in the past three months.

The government has been eager to see prices at both wholesale and retail levels start dropping from their present rates which, if continued, would put inflation over 10 per cent for the year.

June 7, 1979 The Seattle Times

Private utilities seeking exemption from federal act

by DEAN KATZ
Times Washington bureau

WASHINGTON — Northwest private utilities quietly are lobbying Congress and the executive branch for authority to form a subsidiary company that would be exempt from federal regulations aimed at protecting consumers and utility stockholders.

If they succeed, it would be the first time Congress ever has granted a legislative exemption to the Public Utility Holding Company Act, passed in 1935.

Indications are that the Bonneville Power Administration, which supports the exemption, has in at least one instance issued misleading information on the subject to members of Congress.

The private utilities say the exemption is necessary to permit them to form a jointly owned independent subsidiary company that could build new electrical-generating plants in the Northwest.

The utilities contend the exemption would help them get low-cost financing which would mean lower rates for consumers.

But the American Public Power Association (A.P.P.A.) has questioned whether there might be other motives behind the utilities' push for the exemption — such as more control over the Northwest's energy resources.

THE A.P.P.A. fears that formation of a major new utility company, owned by existing private utilities, could put more pressure on public utilities. And it says it thinks the private utilities don't need the exemption to form a subsidiary company anyway.

Supporters of the exemption insist nothing is sinister about their motives and contend the Holding Company Act is not applicable to the kind of activity they are planning.

The Justice Department previously has indicated opposition to the exemption but is reviewing its position.

The Securities and Exchange Commission, which administers the Holding Company Act, has come out in support of the exemption, although it also said recently that "the commission takes no position on whether the creation of an electrical-generation company under the conditions proposed in the bill would be in the public interest."

The "bill" is the Northwest regional-power bill, which contains

(Continued on A 10.)

Pane of treatment

Patient facing window charges

by MARJORIE JONES
Times staff reporter

A Seattle woman faces a criminal charge in federal court because she damaged federal property while under treatment for

"The question is whether people should be free to hit people, hurt people or break windows," he said.

When asked about the effect of a criminal record for the patient,

program. Since the program was started six months ago, the administrator said, the incidence of patients hitting staff, other patients and similar behavior has dropped "phenomenally."

SEATTLE CORRESPONDENCE

Private utilities say exemption from law would save money

POOR ORIGINAL

(Continued from Page 1.)

the legislative exemption. That bill is pending in Congress.

Andrew MacDonald, assistant chief counsel for the S.E.C., said the Holding Company Act was passed after disclosure in the 1920s of "a lot of questionable practices that were detrimental" to ratepayers and stockholders of private utilities.

The abuses included instances in which holding companies, with very small investments, were controlling "far-flung utility empires," MacDonald said. Ratepayers were "gouged" and stockholders in some cases were "screwed," he said.

But MacDonald said the Northwest's private utilities aren't planning to engage in the practices of the 1920s and therefore were not intended to come under the regulation of the Holding Company Act.

The A.P.P.A. argues that Congress passed the law for a reason and no legislative exemptions should be granted. If an administrative exemption can't be obtained, then the private utilities simply should have to comply with the act, the association says.

THE S.E.C. has flip-flopped on whether it would be possible to grant the private utilities an administrative exemption from the holding-company act.

In a letter last September to Representative John Dingell, Michigan Democrat and chairman of the House subcommittee on energy and power, the S.E.C. said "it appears that one or more of the existing provisions of the act provide exemptive authority to this commission" as an alternative to a legislative exemption.

In a subsequent memorandum this year to Dingell, the S.E.C. reiterated that position, although it indicated it preferred legislative action.

Tied to the private utilities' push for a legislative exemption from the Holding Company Act is another provision in the regional-power bill that would give the Bonneville Power Administration authority to guarantee the purchase of electricity from new utility plants, whether publicly or privately financed.

By forming a jointly owned but independent subsidiary company to build new power plants, in conjunction with the B.P.A.-purchase authority, the private utilities say they could issue bonds, rather than stock, for most or all of the money needed for construction.

Because such bonds would have a lower interest rate, the private utilities contend they would be able to save money and pass the savings on to ratepayers.

Under language the S.E.C. has proposed for the legislative exemption, the private utilities would be able to form a jointly owned generating subsidiary only

BUT MacDONALD said most of the private utilities that would form the jointly-owned subsidiary company now could receive an administrative exemption without much difficulty, and without the need for legislation.

He said private utilities which might have a problem obtaining an administrative exemption are the Pacific Power and Light Co. and, to a lesser extent, the Washington Water Power Co.

Other companies which could be involved in forming a generating subsidiary include the Puget Sound Power & Light Co., the Idaho Power Co., the Montana Power Co. and the Portland General Electric Co.

The Bonneville Power Administration, in an apparently misleading statement to members of Congress, said that "although exemptions are permitted under PUHCA (the Holding Company Act) on a case-by-case basis, the exemptions are not applicable to the Northwest I.O.U.s (investor-owned private utilities)."

Harvey Spigal, head of the B.P.A. contract-negotiation section and author of the statement, said, "I can't remember why I wrote that."

Later, Spigal said questions about his statement "are going to cause me to look and check to see if it should be modified. If we made an error at some point we will try to correct it." He said he based the statement in general on information from the S.E.C. "and some familiarity with the utility business."

The B.P.A. statement, part of a report on the regional-power bill, also mentioned that the S.E.C. "has recommended that Congress grant the exemption."

But it failed to note that the S.E.C. did not take a position on whether creating the kind of company sought by the private utilities would be in the public interest.

Alex Radin, executive director of the A.P.P.A., said of the proposed legislative exemption: "There may be more to this than meets the eye. There is a tremendous potential for abuse." He said the utility companies' efforts are "part of a long-time campaign to create something like this."

FOUR NORTHWEST utilities tried unsuccessfully in the 1950s to obtain a legislative exemption from the Holding Company Act in order to form a jointly owned subsidiary to build hydroelectric generating facilities. In that case, Cary said, the utilities would have used the power themselves rather than selling it to the B.P.A.

The S.E.C. opposed that exemption, saying "the corporate organization, control and financing of a project of this type create the possibility of evils against which the act is designed to guard," the A.P.P.A. said in a recent report.

The S.E.C. said then that the

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Because such bonds would have a lower interest rate, the private utilities contend they would be able to save money and pass the savings on to ratepayers.

Under language the S.E.C. has proposed for the legislative exemption, the private utilities would be able to form a jointly owned generating subsidiary only if the sale of power would be "primarily" to the B.P.A.

THE POWER THEN would be distributed throughout the region to public and private utilities and some industrial users served by the B.P.A.

One congressional source questioned whether the private utilities are seeking the legislation as a means of removing themselves from direct liability — through formation of a jointly owned subsidiary — in the event there are problems in construction or operation of nuclear-power or other generating plants.

John Cary, attorney for Puget Sound Power & Light, said "it's not really clear yet to what extent the private utilities would be responsible in the event their subsidiary had problems."

The A.P.P.A., in a position paper on the subject, raised a question about subsidiary companies now owned by private utilities which develop and supply fuel, primarily coal.

If the private utilities join to form a generating subsidiary and decide to build a coal-fired generating plant, it is likely the coal would come from one or more of the subsidiaries owned by the same private utilities, Cary said.

The A.P.P.A. said "there is a clear potential for excessive charges to consumers resulting from arrangements between the coal subsidiaries of the Pacific Northwest (utilities) and their proposed generating subsidiaries."

"It is this type of transaction, along with the potential for large holding companies to dominate the energy field, which the Public Utility Holding Company Act was designed to address and prevent."

Cary said any such transactions between a coal subsidiary and a generating subsidiary could be scrutinized in rate reviews by state utilities commissions and the Federal Energy Regulatory Commission.

In the case of the Northwest private utilities, the Holding Company Act now would apply if they were to acquire 10 per cent or more of the stock in another utility company, such as the jointly owned generating subsidiary they are proposing.

part of a continuing campaign to create something like this."

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The S.E.C. opposed that exemption, saying "the corporate organization, control and financing of a project of this type create the possibility of evils against which the act is designed to guard," the A.P.P.A. said in a recent report.

The S.E.C. said then that the absence of a legislative exemption would not necessarily prevent the private-utility companies from joining to build hydroelectric plants "except to the extent that the sponsors would be unwilling to undertake compliance" with the Holding Company Act, the report said.

MacDonald, who wrote the S.E.C.'s present position papers on the subject, said he is not familiar with the previous exemption sought by the Northwest private utilities — but he said the 1950s "were the good old days of militancy in the S.E.C."

With or without a legislative or administrative exemption, it would be possible now for private utilities to join and form an independent subsidiary company to build nuclear or coal-fired power plants.

But if one or more of the utilities could not get an exemption, it would have to comply with the Public Utility Holding Company Act.

The Pacific Power and Light Co., in particular, fears that it would have to divest some of its holdings in that case, MacDonald said.

Cary said the basic problem with forming a holding company is "the pervasive system of regulation by the S.E.C." He said a secondary consideration is whether any of the private utilities would have to divest themselves of any interests in order to comply with the act.

Cary and MacDonald both said they are convinced there would be adequate protection under existing law and through the proposed legislative exemption to protect consumers and stockholders in the Northwest.

The A.P.P.A. disputes that contention.

Public-employe leaders to meet

A three-day regional leadership conference of the American Federation of State, County & Municipal Employes will begin tomorrow in the Washington Plaza Hotel.

Jerry Wurf, president of the union, and Grace Hartman, president of the Canadian Union of Public Employes, will speak

(Walt Evans is on jury duty. His column will resume Sunday.)

N.B.A.C

FREDERICK & NELSON
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Please send me the following:

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	Small mug	$6
	Large mug	$12

Name
Address
City State Zip
( ) Payment enclosed ( ) Charge Acct. No.
Add 5.4% sales tax on Washington orders. Outside our delivery area for shipping and handling. Inside our delivery area there is $1 charge on orders under $10.

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RELATED CORRESPONDENCE

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING APPEAL BOARD

In the Matter of	)	
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PUGET SOUND POWER & LIGHT COMPANY, et al.,	)	DOCKET NOS. STN 50-522 50-523
	)	
	)	
(Skagit Nuclear Power Project, Units 1 and 2)	)	
	)	
	)	

CERTIFICATE OF SERVICE

I hereby certify that copies of:

INTERROGATORIES AND REQUESTS FOR PRODUCTION TO PUGET SOUND POWER AND LIGHT CO. AND OTHER APPLICANTS dated June 25, 1979, have been served on the following by depositing the same in the United States mail, postage prepaid, on this 25th day of June, 1979.

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2027 047

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By _____
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