

# PUGET SOUND POWER & LIGHT COMPANY

PUGET POWER BUILDING - (206) 454-6363  
BELLEVUE, WASHINGTON 98009

July 16, 1982  
PLN-263

Mr. W. H. Regan, Jr., Chief  
Siting Analysis Branch  
Division of Engineering  
Office of Nuclear Reactor Regulation  
U. S. Nuclear Regulatory Commission  
Washington, D. C. 20555

Dear Mr. Regan:

Puget Sound Power & Light Company  
Skagit/Hanford Nuclear Project, Units 1 & 2  
Docket Nos. 50-522 and 50-523  
Need-For-Power Issue

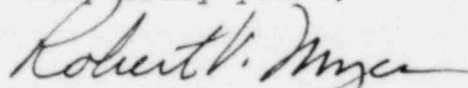
This is in response to your letter dated June 24, 1982, to Mr. Frank A. Spangenberg regarding the need-for-power issue.

We remain convinced that the Skagit/Hanford Nuclear Project (S/HNP) should be available as a resource option for the future, and that a demonstration of need can be made. We are currently developing a revised need-for-power section for our Application for Site Certification/Environmental Report, which we plan to file during the latter part of August. That amendment will address all available forecasts and will utilize an approach that we believe will be consistent with the draft Regional Power Plan when it is issued later this year. We, therefore, believe that the Final Environmental Statement can and should be issued this Fall, following your review of the updated information.

Our application has been under review since 1974. We believe there is considerable merit to concluding that review in a timely manner, which would include issuance of the FES in the timeframe suggested and the conduct of other activities leading to commencement of the environmental hearings in April, 1983.

We plan to discuss these matters with you at the meeting scheduled for July 21, 1982. In addition, we are enclosing our specific responses to the questions set forth in your June 24 letter.

Very truly yours,



Robert V. Myers  
Vice President  
Generation Resources

3001

8207220397 820716  
PDR ADOCK 05000522  
A PDR

Enclosure

ATTACHMENT TO PLN-263

July 16, 1982

Question 1:

Is the Applicant going to depend on a guarantee of the Bonneville Power Administration acquisition of power from the Skagit/Hanford Project before proceeding with construction?

Response:

Not necessarily. Selling the output of the S/HNP to the Bonneville Power Administration under the provisions of the Regional Power Act may be one option available to the Applicants. The resulting assured revenue stream from Bonneville would presumably make financing of the Project easier and less expensive than if the Applicants pursued conventional financing methods. There are drawbacks to such a sale, however. The seriousness of such drawbacks will depend on future circumstances. An example of such a drawback would be that the Applicants would have to rely on other resources to meet their load requirements. A likely candidate would be long-term power supply contracts from Bonneville, but presently there is no assurance this would be less expensive than retaining the Project output to meet load. Depending on legislative, regulatory, economic and tax developments, there could be mechanisms available to the Applicants to finance the Project on reasonable terms without selling the output to Bonneville and taking power supply contracts from Bonneville in return. Therefore, it is not the Applicants' position that acquisition by Bonneville of the Project output is currently a condition to proceeding with construction.

Question 2:

If the answer to the previous question is negative, what would the decision to construct the Project be based on?

Response:

The decision to proceed with the construction of the S/HNP, as we have stated in other forums throughout the region, will be based upon a number of considerations. The ultimate decision is, of course, one of need for the S/HNP and economics. Among the factors we have identified as affecting the economics of the Project are an improved regulatory climate which will introduce certainty into the construction and operation of the Project -- both with respect to the time to construct and the extent and nature of changes which might be imposed upon the Project during its construction and subsequent operation.

The financial and economic climates which exist at the time the decision is made obviously have significant impacts. A period of high inflation and interest rates, such as we experienced over the past few years, will have a substantial and negative impact on the relative economics of capital intensive nuclear projects. On the other hand, the controlled inflation rates and lower interest rates we experienced in the early 70's might prove very favorable to a nuclear project.

In addition, the labor climate which exists at the time this decision is made, and the type of labor agreement that can be reached, will have an economic impact and affect the decision. An environment where frequent work stoppages, wildcat strikes and labor difficulties can occur can greatly increase the economic uncertainty associated with a project of any type, but particularly can impact nuclear power projects.

The need-for-power considerations influencing a decision to construct the Project are discussed in the response to Question 3.

Question 3:

What forecast will need-for-power for the Project be based on?

Response:

In April 1983, the Regional Power Council, created by the Pacific Northwest Electric Power Planning and Conservation Act, 94 Stat. 2697, will publish a regional conservation and electric power plan. It is anticipated this plan will contain a range of electric demand forecasts for the region that will provide significant planning information. While the regional plan is not likely to identify each individual planned generating resource, it is expected it will, as a minimum, define a low and high average annual growth rate through the year 2000, which will assist utilities and the region in determining the type and timing of resources to be constructed and the range of years during which resources will be needed.

In addition to the Regional Council's plan, the four utilities sponsoring the S/HNP will review their own forecasts to assess the need for the S/HNP.

Thus, to the extent the S/HNP will be available as one of the regional resources for meeting regional needs in the future, the Regional Council's plan will be significant in determining need. To the extent the S/HNP is needed to meet loads of the sponsoring utilities, their forecasts will be significant.

Question 4:

What is the Applicants' current position on the possibility of acquisition of Washington Public Power Supply System Units 4 and 5?

Response:

At this time it is not possible to determine whether the Applicants should undertake acquisition of WPPSS Units 4 and 5. Many important economic, contractual, licensing and operating factors must be considered. Among these are how the purchase price would be determined, how the price would be paid, and how the nuclear steam supply system and associated equipment for the S/HNP Unit 1 would be disposed of; what warranties would be obtained, whether the current architect-engineer would be retained, and how construction errors discovered after purchase would be handled; how the status of the units would be determined at time of purchase, what problems would be associated with transferring licenses, and what unresolved problems would be assumed; and the potential problems in sharing facilities and the site.

In addition to these factors, the future power needs in the region will be a significant factor. Should we experience a high rate of growth, the WPPSS units may well be needed in addition to the S/HNP.

The Applicants do not believe it will be feasible to resolve these matters and make a decision on the possible acquisition of WPPSS Units 4 and 5 until after issuance of construction permits for the S/HNP.

In our view, both WPPSS Units 4 and 5 and the two S/HNP units should be among the resource options available in the future to meet regional power needs. The question of the proper mix of generating resources and the time when each will be needed are questions that can only be answered in the future, as some of the uncertainties now present are resolved and the economy enters a period of growth.

What is important now is the addition of the S/HNP units to the resource options available to the region, through issuance of construction permits on a timely basis.