

Washington Public Power Supply System

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July 28, 1982

Mr. H. R. Denton, Director
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

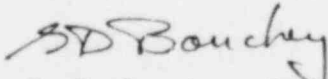
Dear Mr. Denton:

Subject: STATUS REPORT - WNP-4/5

Attached for your information are selected portions of the WNP-4 and WNP-5 Program Director's Monthly Status Report for the second quarter 1982.

Should you have any questions or desire additional information, please contact me.

Very truly yours,



G. D. Bouchey, Deputy Director
Safety & Security

GCS/sm

cc: R Newland
R DeLorenzo

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PROGRAM DIRECTOR'S SUMMARY

This is the third monthly status report for the WNP-4/5 Termination Program. It covers the period of April 1 through April 30, 1982. During that period, the Supply System Board of Directors suspended construction on WNP-1. Because of the potential effect on WNP-4, it will be necessary to review and assess the impact on business actions and management procedures. It will be necessary to factor these potential impacts into the Termination Management Plan as they become visible.

The Supply System Termination Program Office has been working with the Participants' Committee and Pacific Power & Light Company; we have made major progress in establishing oversight functions as provided in the Termination Management Plan. It is anticipated that these relationships will be clearly defined in the month of May and should begin functioning shortly thereafter. The Program Office has also made major strides in the development of an amended Termination Management Plan that is acceptable to all of the affected parties and the amended plan will be presented to the Supply System Board of Directors for their approval. The amended plan will incorporate the suggested modifications in language that have been made by the Participants and Pacific Power & Light, as well as updated financial information to replace Table III. This updated information will be an outgrowth of the FY-1983 budget.

The Termination Program Team has developed a detailed program budget for the Termination Period (Phase I and Phase II). Currently, the budget is being integrated into the total Supply System budget process and will shortly be submitted for internal approval through the Supply System Executive Board, the Participants' Committee and Pacific Power & Light Company. In its preliminary form, there are no new data that would indicate that the termination budget would exceed the originally established Program Budget of \$343 million.

The Rural Electrification Administration has taken action to approve the Termination Loan Agreements for its borrowers. This action clears the way for REA Cooperatives to advance funds to the Termination Program under the Termination Loan Agreements. The Agreements are binding and effective for all parties. Payment of the initial installment of \$4 million is expected by June 1.

In order to track sales of component assets and transfers to other Supply System projects, in compliance with guidelines of the Management Plan for Termination, this report includes a new table to itemize such actions. Although these actions have been limited to date, the list of items found in Table V will necessarily grow as the Program moves further towards its goal.

PROGRAM DIRECTOR'S SUMMARY (continued)

A Termination Program Sales Team has been established for component sales and is formulating the asset disposal requirements of the Termination Program. An extensive inventory evaluation program is underway to facilitate asset identification valuation and probability for disposal.

Updated estimates of costs to preserve the asset and retain the licenses during Phase I are shown below. It should be noted that transition from Phase I to Phase II would not necessarily eliminate all of these costs.

	WNP-4	WNP-5	Total
	(\$ in thousands)		
Monthly Average	\$ 325	\$ 370	\$ 695
Annualized	\$3,900	\$4,440	\$8,340

On April 28, 12 Participants filed a lawsuit against the Supply System in Lewis County Superior Court, seeking a judicial declaration that Participants are not obligated to pay debt service on WNP-4/5 bonds, and are not liable for decommissioning costs until the Supply System renders a final accounting for the Projects. The Supply System has previously taken the position that these assertions are incorrect, and will defend the case on that basis.

At this time, the Termination Program Office believes it is prudent to continue to sell non-essential assets (as defined in the Management Plan) and to preserve the assets and retain the licenses, while continuing those efforts directed toward the sale of the complete plants. As further information becomes available the Program Office will continue to review whether it is prudent to continue efforts to sell the projects as complete units and will make appropriate recommendations to the Participants and PP&L.

MAJOR MILESTONES

COMPLETED IN APRIL:

- PREPARATION OF FY '83 BUDGET.
- ESTABLISHMENT OF SALES TEAM FOR ASSET DISPOSAL.
- IDENTIFICATION OF COST TO STAY IN PHASE I.
- INVENTORY VALUE ASSESSMENT PROGRAM INITIATED.

TO BE COMPLETED IN MAY:

- APPROVAL OF "FINAL" MANAGEMENT PLAN.
- APPROVAL OF "FINAL" SITE TERMINATION PLANS.
- PREPARATION OF "DRAFT" ASSET DISPOSITION PLAN.
- REVISE GUIDELINES FOR CONTRACT TERMINATION SETTLEMENTS.
- REA APPROVAL OF PARTICIPANTS LOANS*.
- INITIAL BILLING OF PARTICIPANTS FOR TERMINATION LOANS.*
- COMPLETION AND INTERNAL APPROVAL OF FY '83 BUDGET.

CRITICAL ITEMS

- POTENTIAL IMPACT ON WNP-4 COMMERCIAL ACTIONS DUE TO EXTENDED CONSTRUCTION DELAY OF WNP-1.
- LAWSUIT FILED BY 12 PARTICIPANTS CHALLENGING OBLIGATIONS UNDER PARTICIPANTS AGREEMENT.

*THESE MILESTONES HAD BEEN COMPLETED PRIOR TO PUBLICATION OF THIS REPORT.

PROGRAM DIRECTOR'S SUMMARY

This is the fourth monthly status report for the WNP-4/5 Termination Program. It covers the period May 1 through May 31, 1982.

The Program Office has completed and received internal approval for an amended Termination Program budget. This budget creates a clear financial baseline for the entire termination period against which the Program finances can be measured. Following Supply System internal reviews, the budget will be submitted to the Participants' Committee, Pacific Power & Light Company and the Supply System Board of Directors for action. The extensive internal review process has resulted in changes in cost categories and cash flow, but nothing indicates that the termination budget would exceed the originally established \$343 million baseline.

During the month of May, the oversight role of PP&L has been firmly established through execution of the Agreed Procedures for Management and Termination of WNP-5. PP&L and the Supply System have implemented these procedures in accomplishing the goals of the Program. Also, the new Participants' Committee has been elected to interface with the Supply System. Subsequently, the Participants' Committee appointed an Oversight Committee that will provide the appropriate review, inspection and approval actions identified in the Participants' Agreements to Advance Termination Costs.

During May, invoices for the June 1 and June 15 termination loan installments were sent to the 42 Participants who had previously agreed to advance loans to fund the Termination Program. As of June 14, 1982, 33 Participants had advanced \$3,918,229.70 toward the total June 1 billing of \$4,045,000. Eight utilities have advised the Supply System that they do not intend to meet their contractual obligation to pay the June invoices. The Supply System has taken legal action to enforce the Advance Loan Agreements in each case.

The Supply System and/or the Participants are currently involved in several separate lawsuits. These are listed below, and are described briefly in a special separate section entitled WNP-4/5 Litigation.

PROGRAM DIRECTOR'S SUMMARY (continued)

1. Springfield 1 — Several Plaintiffs vs. the Supply System and Oregon utilities
2. Springfield 2 — Springfield, Or. vs. the Supply System
3. Lewis County — Several Participant Plaintiffs vs. the Supply System, Participants and others
4. Chemical Bank — Chemical Bank vs. the Supply System and all Participants
5. Termination Cost Loan Agreements — The Supply System vs. 8 Participants
6. Western Nuclear — The Supply System vs. Western Nuclear Corp.

At this time, the Termination Program Office believes it is prudent to continue to sell non-essential assets (as defined in the Management Plan) and to preserve the assets and retain the licenses, while continuing those efforts directed toward the sale of the complete plants. As further information becomes available, the Program Office will continue to review whether it is prudent to continue efforts to sell the projects as complete units and will make appropriate recommendations to the Participants and Pacific Power & Light.

MAJOR MILESTONES

Completed in May:

- Preparation of "Draft" Asset Disposition Plan
- REA Approval of Termination Loans
- Initial Billings of Participants for Termination Loans
- Completion and Internal Approval of Amended Program Budget

To Be Complete in June:

- Approval of "Final" Management Plan
- Approval of "Final" Site Termination Plans
- Revised Guidelines for Contract Termination Settlements
- Participant and Pacific Action on Amended Program Budget

CRITICAL ITEMS

- Non-payment of termination loans has caused the Supply System to file court actions against eight Participants who previously had contracted to provide loans through the Participants' Agreement to Advance Termination Costs.

PROGRAM DIRECTOR'S SUMMARY

This is the fifth monthly status report for the WNP-4/5 Termination Program. It covers the period June 1 through June 30, 1982.

During the month of June, considerable progress has been made in defining the oversight role of the Participants. Following the establishment of the Participants' Oversight Committee on May 27, 1982, weekly meetings have been held with the Committee; Committee members and their consultants have visited each site to become acquainted with key personnel and relevant business practices. The Oversight Committee and the Program Office worked together to ensure adequate notification, information flow, approval of Supply System actions, and selection of an arbitrator, as required under the Advance Loan Agreements.

The oversight role of Pacific Power & Light which was established in May, has been working well. The Program Office has conducted briefing sessions at the Satop site, Richland and Portland, and PP&L has expressed satisfaction with the availability of relevant information.

The Program Office held separate discussions with the Oversight Committee, the Participants' Committee and Pacific Power & Light Company regarding the Termination Program Budget. Based on these discussions, a Preliminary Termination Budget has been mailed to these parties in July 1982. The Program office has worked with R. W. Eeck and Associates to revise the study of individual Participants' monthly cash flow requirements for the period of June 1982 through June 1985 such that these estimates are compatible with the Preliminary Budget. The net effect of the Preliminary Budget is a general deferral of mid- and late-1982 expenditures from the preliminary financial baseline established in January. There is no indication that the Termination Budget will exceed the originally established \$343 million baseline.

During June, payments for June 1 and June 15 invoices for termination loan installments totaled \$7.789 million. Eight utilities who had signed termination loan agreements refused to make payments and were named in legal action by the Supply System to enforce those agreements. Two of those utilities (Rural Electric Company and Unity Light and Power Company) have since agreed to make payments. The action for the remaining six has now been transferred to King County Superior Court.

The status of other lawsuits is as follows: (Refer to the May Monthly Report for a description and summary of the nature of these actions).

PROGRAM DIRECTOR'S SUMMARY (continued)

Springfield 1: Trial is scheduled for September. The Oregon Supreme Court has been asked to rule whether all 88 Participants should be joined.

Springfield 2: This case was removed to federal court (District of Oregon) on June 11, 1982.

Lewis County: This case is now referred to as *Columbia REA, et al versus Supply System, et al*; the Plaintiffs have asked that any Participants who are nominally named as Defendants be permitted to designate themselves as Plaintiffs and five Participants have done so. This action will now be decided in King County.

Chemical Bank: Both this case and the Columbia REA case have been pre-assigned to Judge Joseph Coleman in King County. A first management meeting of the parties with Judge Coleman was held July 12, and July 26 was set as the date for hearing several motions to stay or dismiss these cases.

Ellensburg Ratepayers: This case may be transferred to King County and litigated along with other cases there since some of the Plaintiffs' theories are similar to the Columbia REA case.

Western Nuclear: No significant change.

The Termination Program Office continues to believe it is prudent to sell non-critical assets (as defined in the Management Plan) and to preserve all other assets and retain the licenses, while continuing efforts directed toward the sale of the complete plants. The Program Office is working with the Participants' Committee, the Oversight Committee and PP&L to establish programs to delegate the proper authority to facilitate the sales effort for non-critical assets.

MAJOR MILESTONES

Completed in June:

- Updated Management Plan issued to the Oversight Committee
- Revised Guidelines for Contract Termination Settlements

To Be Completed in July:

- Participant and Pacific review and comment on Preliminary Program Budget
- Execution of contract with Sales Consultant
- Approval of Revision of Exhibit B, Termination Loan Agreement