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May 17, 1994

Peter B. Bloch, Esq.
Chairman, Atomic Safety
and Licensing Board
U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

David R. Schink
Department of Oceanography
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College Station, Texas 77843

Mr. Glenn O. Bright
Atomic Safety and
Licensing Board
U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

Subj: Washington Public Power Supply System
(WPPSS Nuclear Project No. 1)
Docket No. 50-460-OL

Gentlemen:

This letter supplements our April 18 letter to apprise the Licensing Board and parties of recent action affecting the future of the WNP-1 project.

We advised the Licensing Board and parties in a January 12, 1994 status report that the Bonneville Power Administration ("BPA") had formally recommended to the Washington Public Power Supply System ("Supply System") Board of Directors that the WNP-1 project, and the similarly deferred WNP-3 project, in their current conception, be terminated. In our status report of April 18, 1994, we further informed the Licensing Board and the parties that the Supply System Board would vote in May on whether to formally terminate the WNP-1 and WNP-3 projects. The Board subsequently scheduled a special meeting for May 13, 1994, to vote on this issue.

On May 13, 1994, the Supply System Board voted, consistent with the BPA recommendation, to terminate the WNP-1 project in its current conception. Copies of the Board resolution and press release are attached.

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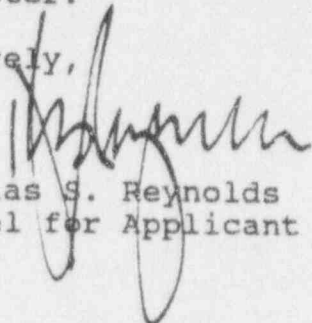
Atomic Safety and Licensing Board
May 17, 1994
Page 2

While the vote will result in termination of certain contract provisions between the Supply System and BPA for the WNP-1 project, neither the Supply System nor BPA contemplates immediate termination of the NRC construction permit or withdrawal of the pending operating license application (the subject of this proceeding). In addition, the vote will have no immediate effect on the Supply System's continued maintenance of WNP-1 in deferred status consistent with the NRC's "Policy Statement on Deferred Plants" (52 Fed. Reg. 38,077 (1987)). BPA has agreed to assure funding for WNP-1 (and WNP-3) to continue the current project preservation programs and to maintain all state and federal permits and licenses in effect at least through January 13, 1995.

During this time, the Supply System plans to continue to study alternatives for completion, use or disposition of the WNP-1 project. As we have previously advised the Licensing Board, one alternative which the Supply System is currently exploring is the potential for completing WNP-1 under new arrangements with the United States Department of Energy ("DOE"), whereby the reactor would be used to dispose of weapons grade plutonium stockpiles through fissioning of mixed oxide fuel.

Because the Supply System intends to continue preserving WNP-1 and to study alternatives for the future of the project, no action is requested of the Licensing Board at this time. We will, of course, keep the Licensing Board apprised of any further developments on this matter.

Sincerely,



Nicholas S. Reynolds
Counsel for Applicant

cc: Service List

BOARD OF DIRECTORS

RESOLUTION NO. 1272

A RESOLUTION TERMINATING NUCLEAR PROJECT
NO. 1

On January 7, 1994, the Bonneville Power Administrator recommended to the Board of Directors of the Supply System that Washington Public Power Supply System Nuclear Project No. 1 (WNP-1) be terminated on the basis that the project is not capable of producing energy consistent with Prudent Utility Practice, as that term is defined in the WNP-1 Project Agreement and the WNP-1 Net Billing Agreements, and the Administrator has since that time formally made such a determination, and

The Managing Director reports that, on April 29, 1982, by Executive Board Resolution No. 71, the Managing Director was directed and authorized to implement an immediate extended construction delay of WNP-1 and that WNP-1 has been in a state of extended construction delay since that time, and

The Managing Director further reports that WNP-1 is approximately 65% complete and that the Construction Permit for WNP-1 has been extended and remains in effect until June 1, 2001, and

The Managing Director further reports that the WNP-1 Net Billing Agreements provide that they shall terminate on the date that the Project Agreement terminates and the WNP-1 Project Agreement provides that the project shall terminate when the Bonneville Power Administrator and the Supply System determine that the project is not capable of producing energy consistent with Prudent Utility Practice, and

2 The Managing Director further reports that the Bonneville Power Administrator has
3 offered to enter into an agreement with the Supply System to assure continued funding to
4 maintain WNP-1 in accordance with the existing preservation program and to maintain all state
5 and federal licenses and permits until January 13, 1995, and

6 The Managing Director further reports that a Declaration of Nonsignificance based on
7 an environmental assessment pursuant to the State Environmental Policy Act has been submitted,
8 which concludes that termination will not have a significant adverse impact on the environment;

9 NOW, THEREFORE, the Board of Directors of the Washington Public Power Supply
10 System hereby finds and determines (1) that WNP-1 is not capable of producing energy
11 consistent with Prudent Utility Practice, and that WNP-1 should be terminated within the
12 meaning of and pursuant to the provisions of the Project Agreement and the Net Billing
13 Agreements, and (2) that the Bonneville Power Administrator has offered to agree to assure
14 funding to continue the existing preservation programs, including the maintenance of all state
15 and federal licenses and permits, until January 13, 1995, or such other date that may be mutually
16 agreed upon by Bonneville and the Supply System, and (3) that termination of WNP-1 will not
17 have any significant adverse impact on the environment.
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20 Based upon the foregoing findings, the Board of Directors resolves:

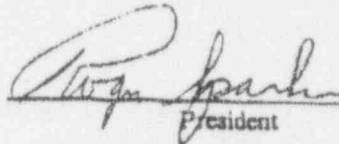
21 IT IS RESOLVED that WNP-1 is hereby terminated, and
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25 BOARD OF DIRECTORS
26 RESOLUTION NO. 1272 - 2
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2 IT IS FURTHER RESOLVED that the Board of Directors recommends to the Executive
3 Board that it proceed with termination activities as defined in the Net Billing Agreements and
4 the Project Agreement, including but not limited to the preparation of a termination plan, sale
5 of fuel, termination of existing construction contracts, marketing of the project in whole or in
6 part, and restoration of the project sites to the level required by the appropriate regulatory
7 agencies, and

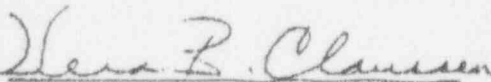
8 IT IS FURTHER RESOLVED that the Board of Directors recommends to the Executive
9 Board that the Supply System enter into an agreement with the Bonneville Power Administrator
10 to provide continued funding for the existing preservation programs, including the maintenance
11 of all federal and state licenses and permits until January 13, 1995, or such other date as may
12 be mutually agreed upon by Bonneville and the Supply System.
13

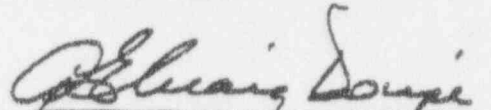
14 ADOPTED by the Board of Directors of Washington Public Power Supply System this
15 13th day of May, 1994.
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19 President

20 ATTEST:

APPROVED AS TO FORM
AND LEGALITY:

21
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23 Secretary

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25 Counsel

26 BOARD OF DIRECTORS
27 RESOLUTION NO. 1272 - 3
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BOARD OF DIRECTORS

RESOLUTION NO. 1273

A RESOLUTION REQUESTING THE WNP-3 OWNERS
COMMITTEE TO DECLARE THE END OF NUCLEAR
PROJECT NO. 3 AND TERMINATING NUCLEAR
PROJECT NO. 3

On January 7, 1994, the Bonneville Power Administrator recommended to the Board of Directors of the Supply System that Washington Public Power Supply System Nuclear Project No. 3 (WNP-3) be terminated on the basis that the project is not capable of producing electricity consistent with Prudent Utility Practice, as that term is defined in the WNP-3 Ownership Agreement and the WNP-3 Net Billing Agreements, and the Administrator has since that time formally made such a determination, and

The Managing Director reports that, on July 8, 1983, by Executive Board Resolution No. 152, the Managing Director was directed and authorized to implement an immediate extended construction delay of WNP-3 and that WNP-3 has been in a state of extended construction delay since that time, and

The Managing Director further reports that WNP-3 is approximately 75% complete and that the Construction Permit for WNP-3 has been extended and remains in effect until July 1999, and

The Managing Director further reports that the WNP-3 Project Agreement provides that it shall terminate when the WNP-3 Net Billing Agreements terminate and that the WNP-3 Net Billing Agreements provide that they shall terminate on the date of written notice by the Supply System that the Project Owners have invoked the End of Project procedure in the WNP-3 Ownership Agreement, which procedure provide for the end of the project when the Project can no longer be made capable of producing electricity consistent with Prudent Utility Practice, and

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2 The Managing Director further reports that the Bonneville Power Administrator has
3 offered to enter into an agreement with the Supply System to assure continued funding to
4 maintain WNP-3 in accordance with the existing preservation program and to maintain all state
5 and federal licenses and permits until January 13, 1995, and

6
7 The Managing Director further reports that a Declaration of Nonsignificance based on
8 an environmental assessment pursuant to the State Environmental Policy Act has been submitted,
9 which concludes that termination will not have a significant adverse impact on the environment;

10 NOW, THEREFORE, the Board of Directors of the Washington Public Power Supply
11 System hereby finds and determines (1) that WNP-3 is not capable of producing electricity
12 consistent with Prudent Utility Practice, and that WNP-3 should be terminated within the
13 meaning of and pursuant to the provisions of the Ownership Agreement, the Project Agreement
14 and the Net Billing Agreements, (2) that the Bonneville Power Administrator has offered to
15 agree to assure funding to continue the existing preservation programs, including the
16 maintenance of all state and federal licenses and permits, until January 13, 1995, or such other
17 date that may be mutually agreed upon by Bonneville and the Supply System, and (3) that
18 termination of WNP-3 will not have any significant adverse impact on the environment.
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20 Based upon the foregoing findings, the Board of Directors resolves:

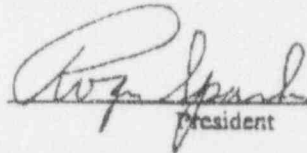
21 IT IS RESOLVED that the Supply System representative to the WNP-3 Owners
22 Committee is hereby requested to propose to the Committee that the End of Project provisions
23 of the Ownership Agreement be invoked, and that, upon the vote of the Committee to terminate
24 the Project, WNP-3 is hereby terminated and ended, and
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28 BOARD OF DIRECTORS
29 RESOLUTION NO. 1273 - 2
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2 IT IS FURTHER RESOLVED that the Board of Directors recommends to the Executive
3 Board that it proceed with termination activities as defined in the Net Billing Agreements and
4 the Project Agreement, including but not limited to the preparation of a termination plan, sale
5 of fuel, termination of existing construction contracts, marketing of the project in whole or in
6 part, and restoration of the project sites to the level required by the appropriate regulatory
7 agencies, and

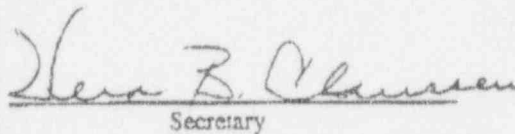
8 IT IS FURTHER RESOLVED that the Board of Directors recommends to the Executive
9 Board that the Supply System enter into an agreement with the Bonneville Power Administrator
10 to provide continued funding for the existing preservation programs, including the maintenance
11 of all federal and state licenses and permits until January 13, 1995, or such other date as may
12 be mutually agreed upon by Bonneville and the Supply System.

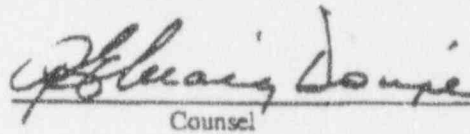
13 ADOPTED by the Board of Directors of Washington Public Power Supply System this
14 13th day of May, 1994.
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17 
18 _____
19 President

20 ATTEST:

21 APPROVED AS TO FORM
22 AND LEGALITY:

23 
24 _____
25 Secretary

26 
27 _____
28 Counsel

29 BOARD OF DIRECTORS
30 RESOLUTION NO. 1273 - 3
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32

NEWS

P. O. Box 968 • Richland, Washington 99352-0968 • (509) 372-5000

FOR IMMEDIATE RELEASE - May 13, 1994
Susan Senner, Public Affairs Officer
Mary H. Ace, Information Specialist

Release No. 94-26
Page 1 of 2

SUPPLY SYSTEM BOARD OF DIRECTORS VOTES TO TERMINATE WNP-1 AND -3

RICHLAND—After 75 minutes of discussion and comments, the Washington Public Power Supply System Board of Directors at a meeting here today voted in favor of terminating the Supply System's partially complete nuclear projects, WNP-1 and -3.

In a nine to four vote, Board members agreed to terminate certain provisions of contracts between the Supply System and the Bonneville Power Administration (BPA) for the two projects and abandon the possibility of the Supply System completing either of the projects as commercial nuclear power plants for BPA. The termination resolutions contain a provision for BPA to enter into an agreement with the Supply System to continue to preserve the plants until at least Jan. 13, 1995, or a date mutually agreed upon by the Supply System and the BPA, to allow for exploration of new missions for the plants.

While termination signifies the end of certain contractual and financial agreements associated with the projects, the Supply System's ability to continue net billing for ongoing debt service and termination costs from BPA will not be affected. Supply System and Bonneville officials stressed that this decision to terminate will not change Bonneville's obligation to pay all future debt service on the bonds issued for the projects.

(more)

Page 2 of 2

Today's action by the Board of Directors was prompted by BPA, which reported to the Board in January 1994, that the need for new electrical generating resources the size of WNP-1 and -3, which require large capital investments to complete, is unlikely. The generating capacities of WNP-1 and -3 are 1,250 and 1,240 net megawatts, respectively.

BPA Administrator Randy Hardy has agreed to continue funding preservation of the projects until January 1995. It is anticipated that by January 1995, the federal government may have made preliminary decisions concerning disposition of U.S. weapons grade plutonium that may affect Supply System projects.

The Supply System announced in January 1994, a proposed concept involving the Department of Energy and the use of WNP-1 and the Supply System's operating Plant 2 to dispose of the nation's plutonium stockpiles by fissioning surplus weapons plutonium in these reactors.

With termination, the Supply System has several options to maximize any potential returns on the projects, including selling the projects intact to an independent power producer, disposing of project equipment through an asset sales program, or restarting the projects under a new set of agreements with another customer, such as the Department of Energy.

Construction of WNP-1 near Richland, WA, was halted in April 1982, when the project was 65-percent complete. Construction of the 75-percent complete WNP-3 near Elma, WA, was stopped in July 1983. In recent years, combined preservation costs for both projects has been \$10.5 million a year.

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For additional information: (509) 372-5659