Washington Public Power Supply System
A JOINT OPERATING AGENCY

P.O. BOX 968 3001 FIFTH AVE. RICHLAND, WASHINGTON 99352 TELEPHONE (509) 946-9681

ATTACHMENT 3

April 25, 1973

Mr. Abraham Braitman, Chief
Office of Antitrust and Indemnity
Directorate of Licensing
U. S. Atomic Energy Commission
Washington, D. C. 20545

Subject: WASHINGTON PUBLIC POWER SUPPLY SYSTEM
WPPSS NUCLEAR PROJECT NO. 1
ANTITRUST REVIEW FOR WNP-1

Reference: Letter, Directorate of Licensing to J. J. Stein, April 3, 1973.

Dear Mr. Braitman:

The reference letter requested information for antitrust review in response to Item 9 of Appendix L to 10 CFR 50. Item 9 requests information on "non-affiliated" electric utility systems with peak loads smaller than applicant's which serve either at wholesale or retail adjacent to areas served by the applicant.

In view of the special circumstances of the Washington Public Power Supply System (WPPSS) and WPPSS Nuclear Project No. 1 in particular, as well as the unique nature of Pacific Northwest Power planning in general, most of the twenty Items (including No. 9) in 10 CFR 50 Appendix L would not appear to be directly applicable, nor would an attempted literal response appear to meet the needs of the antitrust review.

WPPSS is a municipal corporation of the State of Washington which is engaged in the generation of electric energy. WPPSS does not engage in distribution or retail operations. The proposed WPPSS Nuclear Project No. 1 is plant number 6 of the Hydro-Thermal program, a coordinated planning effort by four Northwest investor owned utilities, 104 public and consumer owned agencies, and the Bonneville Power Administration, all acting as the Joint Power Planning Council.

8407L20528 XA

WPPSS Nuclear Project No. 1 will be owned by the WPPSS, comprised of 21 public and consumer owned agencies of the State of Washington. The project's capability was offered to all utilities in the Northwest which participate in the Joint Power Planning Council and is being purchased by 104 public and consumer owned agencies through "net billing" agreements and by 5 investor owned companies through "exchange" agreements.

With this background, Mr. Joseph B. Knotts, Jr., counsel for the Supply System, contacted your office and, in turn, the Department of Justice, for clarification and guidance as to appropriate responses.

The Justice Department's reply, which is attached (attachment A), suggests that our response to Item 9 be limited, pending further notice, to a map showing all non-affiliated systems. In accordance with that suggestion, which we understand is agreeable to your office, we are submitting the following information to facilitate the antitrust review:

Letter Attachment	Subject	Description
A	Justice Department Letter to Mr. Knotts, 4/12/73	Suggested approach for submitting information requested by 10 CFR 50 Appendix L
B	Tabulation of Non-Affiliated Utilities	A tabulation of utilities in the Pacific Northwest not participating in the Project and their power source
C	Service Area Map - Non-Affiliated Utilities	Service area map of Northwest utilities not participating in the Project
D	Official Statment - $25,000,000 in Revenue Notes for WPPSS Nuclear Project No. 1	1) Description of WPPSS 2) Description of Proj[illegible] participants 3) Map of Service Areas of Project Participants 4) Copies of major contracts associat[illegible] with the Project 5) Financial and load-resource data for project participan[illegible] 6) Regional (West Grou[illegible] load-resources forecast

If further information is needed, please let us know.

Very truly yours,

J. J. Stein

J. J. STEIN
Managing Director

JJS:DLR:mdm

Attachment

STATE OF WASHINGTON)
) ss
COUNTY OF BENTON   )

On this day personally appeared before me J. J. STEIN to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 25th day of April, 1973.

Notary Public in and for
the State of Washington,
County of Benton

ATTACHMENT A

APR 1 0 1973

UNIT STATES DEPARTMENT OF JUSTICE

WASHINGTON, D.C. 20530

Address Reply to the
Division Indicated
and Refer to Initials and Number

TEK:JJS
60-415-0

April 12, 1973

Joseph Knotts, Esquire
Suite 1050
1747 Pennsylvania Avenue, N. W.
Washington, D. C. 20006

Dear Mr. Knotts:

As attorney for Washington Public Power Supply System you have inquired whether the System, in connection with a forthcoming application to the Atomic Energy Commission, must furnish the data specified in each of the twenty items of Information Requested by the Attorney General for Antitrust Review. The System is reportedly a municipal corporation and joint operating agency of the State of Washington, composed of approximately 18 public utility districts and the cities of Richland and Seattle. The power to be produced by the proposed nuclear unit will reportedly be made available to the foregoing entities and to numerous other public utilities in the Pacific Northwest.

Because of the broad ownership of the proposed nuclear unit and the even broader access to power from the proposed unit, you question whether there is need in this instance for all of the information which is customarily required for antitrust review of AEC applications. You also note that, under the usual information requirements, each of the entities composing the System will be required to submit a certain amount of information, and inquire whether this is deemed necessary.

We have reviewed this matter in the light of the points you have raised, the circumstances attending the System's ownership and operations, and our previous experience in connection with the application submitted by the System with respect to the Hanford No. 2 Nuclear Unit.

ATTACHMENT A

Our conclusion is that the System should submit the information specified in the 20 items pertaining to antitrust review, subject to the following modifications.

Item 8 - Submission of this data may be deferred, pending notice from the Department that it is needed.

Item 9 - A map showing all non-affiliated systems may be submitted in lieu of the list. Submission of other data may be deferred, pending further notice.

Items 11 and 12 - Data relative to the System only need be furnished. Submission of data on the entities comprising the System may be deferred, pending further notice.

Item 15 - Submission of this data may be deferred, pending further notice.

Item 20 - Submission of this data may be deferred, pending further notice.

We trust the foregoing modifications will enable the System to expedite preparation of its application.

Sincerely yours,

THOMAS E. KAUPER
Assistant Attorney General
Antitrust Division

Joseph J. Saunders

By: Joseph J. Saunders
Chief, Public Counsel and
Legislative Section

ATTACHMENT B

Tabulation of Non-Affiliated Utilities

The following list includes those investor-owned utilities that are not participants in the Project:

(1) California Pacific Utilities Company

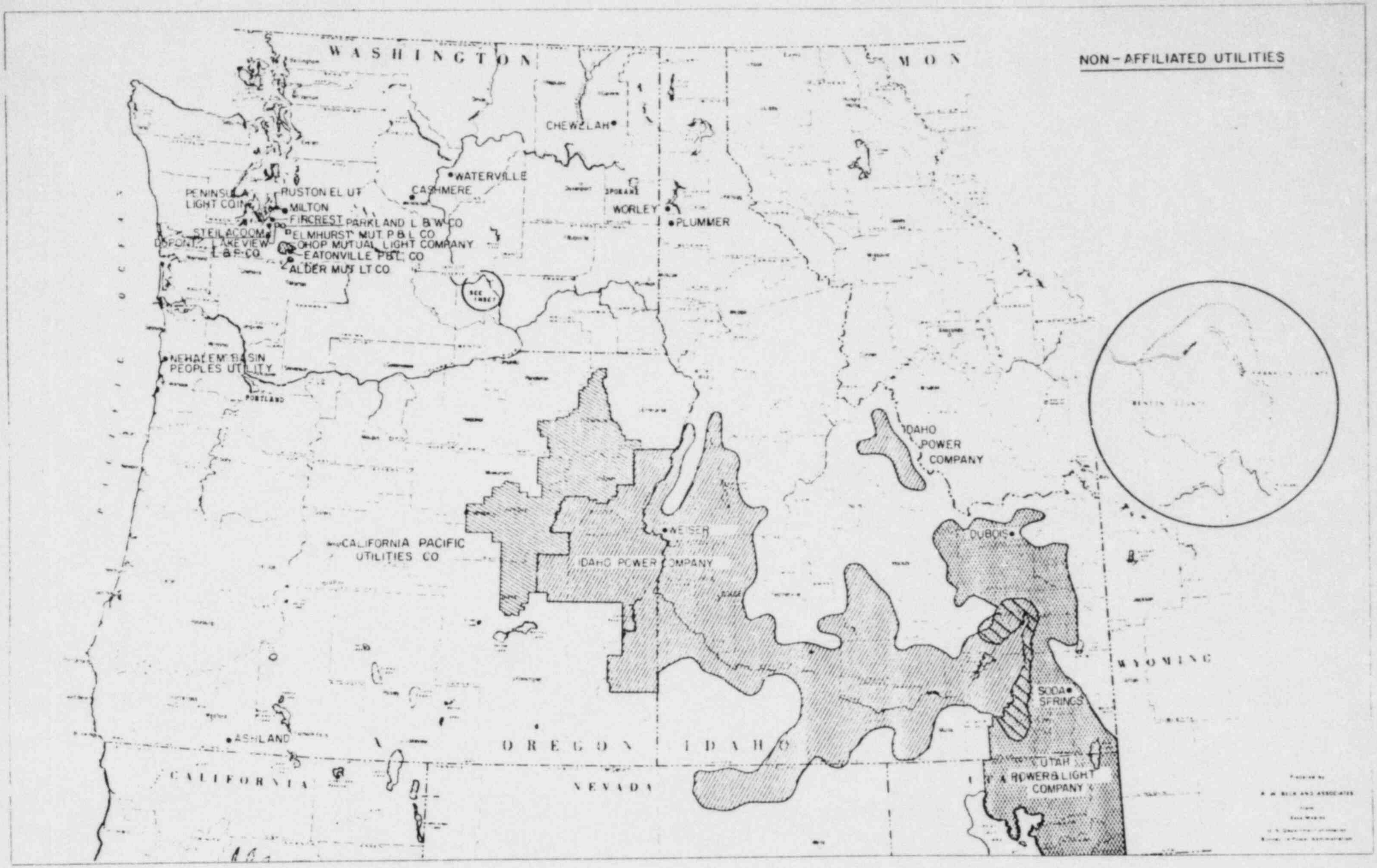
(2) Idaho Power Company

(3) Utah Power and Light Company

The list on the following pages shows the other utilities that are not Bonneville Power Administration Utility customers and are not participants in the Project. The list also indicates the utility from which each of the non-participant utilities receive either all or a portion of their bulk power supply. As may be seen in the table, only three utilities, the cities of Dubois, Soda Springs, and the City of Weiser, Idaho, buy their power from non-participants in the Project.

Utility	Utility's Source of Power
1. City of Dubois, Idaho	Utah Power and Light Company
2. Village of Plummer, Idaho	Washington Water Power Company
3. City of Soda Springs, Idaho	Utah Power and Light Company
4. City of Weiser, Idaho	Idaho Power Company
5. City of Worley, Idaho	Washington Water Power Company
6. City of Ashland, Oregon	Pacific Power & Light Company
7. Nehalem Basin Peoples Utility District	West Oregon Electric Cooperative, Inc.
8. Alder Mutual Light Company	City of Tacoma, Washington
9. Cashmere Water, Sewer and Light Company	Chelan County PUD, Washington
10. City of Chewelah, Washington	Washington Water Power Company
11. Eatonville Power and Light Company	City of Tacoma, Washington
12. Elmhurst Mutual Power and Light Company	City of Tacoma, Washington
13. Town of Fircrest	City of Tacoma, Washington
14. Lakeview Light and Power Company	City of Tacoma, Washington
15. Town of Milton, Washington	City of Tacoma, Washington
16. Modern Electric Water Company	Washington Water Power Company
17. Ohop Mutual Light Company	City of Tacoma, Washington
18. Parkland Light and Water Company	City of Tacoma, Washington
19. Peninsula Light Company, Inc.	City of Tacoma, Washington

	Utility	Utility's Source of Power
20.	Preston Electric Utility	City of Tacoma, Washington
21.	Town of Steilacoom, Washington	City of Tacoma, Washington
22.	Town of W[illegible], Washington	Douglas County PUD, Washington


NON-AFFILIATED UTILITIES
WASHINGTON
MON
CHEWELAH
WATERVILLE
CASHMERE
PENINSULA LIGHT CO INC
RUSTON EL UT
MILTON
FIRCREST
PARKLAND L B W CO
WORLEY
PLUMMER
STEILACOOM
ELMHURST MUT. P & L CO
LAKEVIEW L & P CO
OHOP MUTUAL LIGHT COMPANY
EATONVILLE P & L CO
ALDER MUT LT CO
NEHALEM BASIN PEOPLES UTILITY
PORTLAND
IDAHO POWER COMPANY
CALIFORNIA PACIFIC UTILITIES CO
WEISER
IDAHO POWER COMPANY
DUBOIS
WYOMING
SODA SPRINGS
OREGON
IDAHO
ASHLAND
CALIFORNIA
NEVADA
UTAH POWER & LIGHT COMPANY

International

The merchandise trade deficit widened to $4.8 billion in April, even though the price of imported oil fell to the lowest level in over three years, the Commerce Department reported. It said the nation's oil bill will probably be lower this year than last, but the overall trade deficit will still rise to a record of nearly $80 billion. [37.] Bonn's trade deficit contracted sharply in April. [41.]

Today's Columns

Medicare will no longer be the principal health insurer for the working elderly, under a provision of the 1982 tax law. Over-65 employees will now get their principal coverage under their employer's health plan, giving many a better deal. Your Money. [36.]

Magnetic bacteria can be useful in such processes as fermentation, immunology and the retention of drugs in the body, according to a New Hampshire microbiologist. He was granted a patent for a method of developing a pure culture of such bacteria. Patents. [36.]

Index

N.Y. Times 5-28-83

Northwest Utility Halts Another Nuclear Project

Special to The New York Times

SEATTLE, May 27 — The Washington Public Power Supply System will lay off nearly 1,400 craftsmen and begin to "demobilize and preserve" yet another of its nuclear projects on Monday because of a lack of financing. The action leaves only one of five scheduled nuclear plants in its $24 billion program.

The power system's executive board took the action today on the 74 percent completed project, known as Unit No. 3, after its investment advisers said they could not float $963 million in bonds necessary to complete the project. Board members said the power system's looming default Tuesday on $2.25 billion in bonds sold to construct two now-terminated nuclear units had made it impossible to secure additional financing.

Financing Is Sought

Over the next 30 days, the power system will continue to seek financing. If it is not forthcoming, it will take the final step to preserve the plant for three years and lay off another 540 workers. A year ago, the power system also mothballed for financial reasons a 60 percent completed unit, known as Unit No. 1.

Immediately after the announcement that the No. 3 plant would be mothballed for three years, traders dropped the price they were willing to pay for the power system's bonds by one to two points. Light trading occurred at the lower level and then trading quickly came to a standstill.

"The street did not panic because they were already aware of the problems," one bond trader said.

However, the action was greeted by whoops and cheers by rate-payer activists who popped champagne corks and toasted the phasing down of Unit 3.

Bonds on Unit No. 3 are 70 percent backed by the Bonneville Power Administration, a Federal agency that markets 50 percent of the electricity consumed in the Northwest. Four of the region's largest investor-owned utilities own 30 percent of the project. Bonneville is backing 100 percent of the bonds on mothballed Unit 1 and also of the 98 percent completed Unit 2 for which fuel will be delivered next week. By comparison, 88 Northwest utilities have backed bonds on the abandoned units.

Peter Johnson, Bonneville adminis-

Continued on Page 44

The Kaiser Steel Corporation, the nation's 10th-largest steel producer, yesterday announced an agreement in principle for the company to be purchased by a group led by Irwin L. Jacobs of Minneapolis for $271.4 million.

On May 12, the Kaiser board had rejected an offer from the Jacobs group valued at more than $255 million. Mr. Jacobs then said he would begin a proxy fight to oust Kaiser directors.

Under the acquisition, Kaiser's common stockholders would receive $19.50, one share of a newly created nonvoting series A preferred having a redemption or liquidation value of $10, and one share of a newly created nonvoting series B preferred having a redemption or liquidation value of $15.

Kaiser's common stock closed yesterday at $35.875, down 12½ cents, on the New York Stock Exchange.

Detroit Ba

By JOHN HOLUSHA

Special to The New York Times

DETROIT, May 27 — To help reduce the cost gap between Japanese and American automobiles, Detroit is scrambling to automate its factories, increase quality and improve labor relations.

But auto executives say that more efficient plants are only part of the answer to the cost gap. Also important, they say, are the advantages that the Japanese companies enjoy from an undervalued yen and tax forgiveness on exported products.

The cost gap was put at $1,000 to $1,500 a car by a Federal Government study in 1980. Subsequent Government studies have put the gap at $1,500 to $2,000 on a typical subcompact car. This cost disadvantage, more than any other factor, has cast an ominous cloud over the American auto industry, once considered the most productive in the world.

Philip Caldwell, chairman of the Ford Motor Company, describes the situation this way: "Using the landed cost advantage number of $2,000, as we see it, the yen is about $700, the tax burden is about $600 and the balance of it is everything else. So if you call it one-third, one-third, one-third, then I would say two-thirds of the problem is wrapped up in areas which only governments can do something about."

Mr. Caldwell's contentions, if not his exact breakdown of the amounts involved, are supported by other auto industry executives and those in related fields.

Lee L. Morgan, chairman of the

...nter Quotations

FRIDAY, MAY 27, 1983

Utility Halts Plant

Continued From First Business Page

trator, predicts that the four private utilities will sue to prevent Unit 3 preservation. G. Eldon Drennan, the chairman of Pacific Power and Light Company of Portland, Ore., for example, said this week in a letter to the power system that it considers its failure to obtain financing a breach of its ownership agreement.

Analysts view the preservation with caution. "But construction on Unit 3 has a better chance of restarting than on Unit 1 because of Unit 3's 30 percent bond backing by investor-owned utilities," said Eileen Austen, vice president of municipal research for Drexel Burnham Lambert, a brokerage house.

But Mr. Johnson will not discuss whether Unit 3 at some point will be terminated. "That subject is not even justifiable for thought, let alone for consideration," he said in an interview.

Many analysts, however, also question the need for Unit 3. The Northwest is in the throes of an electricity surplus that is expected to continue into the mid-1980's. It is unlikely the region will need power from Unit 3 in 1986 if the reactor were completed on schedule, Mr. Johnson said. The only power buyers in view are Southwest Utilities but they are not willing to pay only 30 mills per kilowatt-hour. Yet Unit 3's fully allocated costs are 60 to 70 mills. Mr. Johnson questions whether it "is prudent" to run a plant in which "we would not be recovering our costs."

The Bonneville administrator said that if his agency was forced to finance construction of Unit 3, Bonneville would need to raise rates regionwide by 20 percent. This would also have an impact on Bonneville's financial stability. Bonneville is highly leveraged, with 87 percent of its revenues currently going to pay fixed costs, including interest financing on the $6.2 billion in bonds sold so far on Units 1, 2 and 3.

Although the power system officially will be in default on the bond debt for Units 4 and 5 on Tuesday, Judge H. Joseph Coleman of King County Superior Court issued a written order today restraining bondholders and Chemical Bank, bondholder trustee, from declaring the power system in default pending the settlement of some legal questions. This prevents bondholders from demanding that that power system pay overdue debt within 60 days and from accelerating the total $2.25 billion debt and making it due and payable Aug. 30.

The Seafirst Corporation, Unit 3 bond trustee, said it was inappropriate for them to comment on the Unit 3's preservation at this time.

Franc F... Sharpe...

By PAUL LEW...

Special to The New York ...

PARIS, May 27 — The F... sank to a new low agains... States dollar today on th... economic summit confere...

The decline is likely to ... expected quarrel over U... economic policy at Wi... Va., this weekend, banke... mats say, encouraging ... François Mitterrand to co... high American interest ra... strong dollar they produc... ously hurting prospects fo... throughout the world.

All European leaders ... dollar is overvalued at p... are worried by the depress... has on their economies by ... the cost of imports invoice... and worsening inflation.

Open Policy Attack

But President Mitterran... further than any of the ot... meeting participants by ... tacking the Reagan Admir... monetary policy, demandi... United States intervene on ... change markets to reduce t... value and summon an int... conference to set new fixed ... rates between the world's ... rencies.

In Paris, the dollar w... seven and a half francs fo... time ever, reaching 7.5265 ... 7.4775 yesterday. Stre... against other European cur... well, it again broke throug... chologically important 2.50-... rier in Frankfurt to rea... marks, its highest level s... November. In Zurich, th... reached 2.0831 Swiss francs, ... yesterday's 2.0730.

Foreign exchange trad... tributed the franc's decline ... tainty in the face of the sum... ference, where currency va... be a major issue. Their lack ... dence in the franc appeared t... the market's belief that P... Reagan would not make any ... ful concessions to the Fre... mands at the conference.

Painful Economic Dilemma

"There is no sign that the ... States wants to depress the dol... ficially, that's why people w... dollar now," said a dealer wit... Lyonnais, the big French state ... bank. The dollar's strength ... President Mitterrand in part ... the exceptionally weak franc ... created now confronts his S... Government with a painful ec... dilemma.

Either the Socialists must s... troduce unpopular new au...

Nakasone Backs Rea...

Your Money Matters

If WPPSS Defaults on Its Tax-Exempt Bonds, You, as an Investor, Should Know What to Do

By LYNN ASINOF
Staff Reporter of THE WALL STREET JOURNAL

Eva Spelman and her husband bought $40,000 of Washington Public Power Supply System revenue bonds three years ago. Today, the supply system is teetering on the brink of default, and the bonds are worth a mere $13,000. The Spelmans fear that by January, WPPSS won't be able to make its interest payments.

Faced with that grim prospect, Mrs. Spelman says she doesn't know whether she should sue, try to organize a bondholders' group or just sit tight. "I'm worried that we are going to lose our money," she says, explaining that no one seems to know what to do.

One reason for her confusion is that nothing the size of the potential WPPSS default has ever happened before. Municipal bonds have been considered the safest possible investment. Defaults are few, bankruptcies even fewer. As a result, investors rarely have bothered to worry about what they should do if their municipal bonds stopped paying interest.

But with WPPSS problems following a few short years after New York City's financial crisis, more people are starting to pay attention to the rights and remedies available to holders of troubled tax-exempt bonds.

These rights and remedies don't come into play until there is a default, usually caused by a failure to pay interest or principal. The terms of these rights are set forth in the issue's bond resolution, and they vary from one bond issue to the next.

A Possible Speedup

On paper, these remedies seem potent. One, for example, enables a set percentage of bondholders—usually 25%—to accelerate the debt owed all bondholders so that all interest and principal becomes due immediately.

But experts are quick to point out that such actions actually may do little to help investors get their money. That's because tax-exempt bond issuers usually have special legal protection that prevents investors from seizing property, since such a seizure might disrupt operations of a municipality. As a result, investors may get a judgment in court, but if the issuer doesn't have the money, investors won't get paid.

"You can't simply attach a police car or a hydroelectric facility or any other asset the municipality might have," explains James E. Spiotto, a specialist in municipal default and a partner with the Chicago law firm of Chapman & Cutler.

This basic rule applies whether default involves a general-obligation bond backed by the taxing powers of the municipality or a revenue bond, which is backed only by revenues from a specific operation such as a water system.

But the rule doesn't apply if the tax-exempt bonds have been issued to benefit private enterprise, as in the case of industrial development bonds. Here, the bonds are backed by the company that benefits from the funds. Buildings, land and equipment can be seized in the event of a default and sold to pay bondholders.

Buying & Borrowing

Here are some recent figures on financial trends affecting consumers and individual investors

—DOW JONES INDUSTRIALS—
Closing: 1196.11. Year earlier: 809.74.

—MOODY'S CORPORATE YIELDS—
Average for Aa-rated bonds:
12.21%. Year earlier: 15.13%.

—FEDERAL HOME LOAN BANK—
Average effective conventional mortgage rate on new homes:
13%. Year earlier: 17.28%.
Average price on new homes:
$86,400. Year earlier: $96,500.

—BANK MONEY MARKET DEPOSITS—
Rates for accounts with minimum balance of $2,500:
At one major commercial bank: 8.8%.
At one major savings & loan association: 8.5%.

Mr. Spiotto says that, in a default, investors should consider the possible repercussion of any action they might take, since some of the remedies available to bondholders can make a bad situation worse. Acceleration of the debt, for example, may do little for bondholders if the bond issuer hasn't the money to pay it. But the additional pressure might force the issuer into bankruptcy, thus creating a new set of problems.

Seeking Solutions

And while it may take only one-fourth of all bondholders to accelerate the debt, it can take twice that number to cancel the acceleration. And, Mr. Spiotto says, it can be difficult to obtain the agreement of 50% of bondholders in a widely held bond issue.

"So often, people forget that they are seeking a resolution of the problem, not a judgment," Mr. Spiotto says, noting that historically most holders of troubled bonds eventually have been paid. Their payments may have come late, and their interest may have been reduced, but few, he says, have lost all their investment.

Bond experts seem to agree that the investor's first step after a default is to get information. Mr. Spiotto recommends that you first contact the bond trustee—typically a bank—which can act to make sure that the issuer lives up to its agreements.

"Ask the trustee what the status is and what actions it intends to take," Mr. Spiotto says. He also recommends contacting the municipality or agency that issued the bonds "to see what information they have on the situation."

Bondholders can defer to the wisdom of the trustee and let that institution decide the best way to proceed. Or they can form a bondholders' committee, which can direct the actions of the trustees if it has the back- [illegible]

Chemical Bank, the trustee in the WPPSS case, says bondholders haven't yet banded together. But John J. Fleming, a vice president in the corporate trust department, says he welcomes such a move. "We'd rather have bondholders involved," he says. "We always like to see people interested in their investments."

Nothing Generated

The trustee, either by itself or at the direction of the bondholders' committee, may be able to take control of the purse strings if it wants. In the WPPSS case, for example, the trustee could demand that the supply system turn over all funds currently in its possession for the affected power plants, No. 4 and No. 5, plus any income the two canceled plants might have generated. These funds would first be used to pay expenses of the trustee and the bondholders' committee, then to cover debts for the two power plants, and finally to pay principal and interest.

But since the No. 4 and 5 plants never were built, there isn't any revenue being produced. And the limited funds still in the bank aren't sufficient to cover interest and principal payments after July 1.

Other legal remedies are available. Both the trustee and the individual bondholders could sue for unpaid principal and interest. But even if they won in court, they might not get any money.

The reason, according to Mr. Spiotto: "People can resign." And that, he says, is exactly what happened when a court ordered a levee district in Louisiana to raise taxes to cover bond payments. The board of the levee district resigned en masse, leaving the district without anyone authorized to raise taxes. And since the court couldn't force those vacancies to be filled, it had no way of enforcing its order.

But the bond issuer isn't the only potential target of bondholder lawsuits. In the WPPSS case, investors already have started suing underwriters, bond attorneys, engineers and other people involved in the preparation of the initial bond offering prospectuses. These suits charge that the bond documents included false and misleading information, causing bondholders to invest their money without full knowledge of potential problems.

Some Wall Street lawyers say these lawsuits are premature since default hasn't occurred and since investors have yet to lose either principal or interest.

"Clearly the litigation has started in anticipation of a possible loss," says Jack Nusbaum, a partner with the New York law firm of Willkie, Farr & Gallagher, which recently became bond counsel to WPPSS. "They want to get in sooner rather than later to protect their rights."

Despite the difficulties involved with invoking bondholders' rights and remedies, many lawyers stress that they can be used as effective bargaining tools. No issuer of tax-exempt bonds is eager to leave a default uncured and thus risk being closed out of the bond market. "Ultimately, resolutions usually are worked out," Mr. Spiotto says.

Bondholders' rights and remedies get more hazy if a municipal default turns into a bankruptcy. While a municipality can't be forced into bankruptcy, it can voluntarily seek the protection of Chapter 9 of the U.S. Bankruptcy Code so that it can reorganize its debt. The rules here are set by a federal bankruptcy judge, who may or may not follow provisions of the bond resolution.

"When you get into bankruptcy, it isn't clear what the rights of the bondholders are," says Robert Amdursky, a partner at Willkie, Farr & Gallagher. He says few municipal bankruptcies have been filed since Chapter 9 went into effect in 1979, so legal precedent is lacking in this area. "None of us knows what would happen because it hasn't happened before."

Mr. Spiotto, however, says that in case of a bankruptcy, investors should file a "proof of claim" with the court to establish themselves as creditors and to guarantee notification of all developments.

Of course, investors who want to avoid these long and complex procedures may decide simply to sell their bonds and take a loss. That's what Charles Churchill of Brookline, Mass., did a few weeks ago, taking a $4,000 loss on WPPSS No. 3 bonds with a face value of $30,000.

Fearful that problems plaguing the No. 4 and No. 5 plants would spill over into the partially completed No. 3 plant Mr. Churchill ignored the advice of his broker and sold his bonds just a month after purchasing them. "I want the income," he says of his decision. "Even though, ultimately, the bondholders might come out OK, I couldn't afford a two- or three-year hiatus."

TUESDAY, JUNE 14, 1983

THE WALL STREET JOURNAL.

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REGIONS

Parking Violators . . . Changes In Population . . . State Worries

By Eugene Carlson
Staff Reporter of The Wall Street Journal

HERE'S HOW ONE CITY is earning millions of dollars by getting tough on parking violators. The city is Boston, where drivers in past years sent more parking tickets to the trash can than to the municipal courts.

And why not? Something like half of the 6,000 two-decade-old parking meters in downtown Boston were continually out of service. Because parking violations were part of the criminal code, scofflaws could tie up matters interminably by asking for a court hearing and, in extreme cases, a jury trial.

"A system designed not to work," says Lowell Richards III, deputy mayor for fiscal affairs. Worse, the city could see parking fines drying up. Collections dropped from $4.5 million in fiscal year 1978 to $4.1 million in fiscal 1981. By then, only 10% of parking tickets were being paid. "I'll be honest. Our whole ticketing process was something of a joke, and deservedly so," says Traffic and Parking Commissioner John Vitagliano.

The turnaround started in 1981, largely with methods proven elsewhere. The first step was to decriminalize parking violations, moving them out of the courts and into the city bureaucracy. An amnesty was declared on tickets written before 1974.

BOSTON PAID $3.2 million to Datacom Systems Corp. of New York for a computerized parking-ticket system similar to those the company runs in Detroit, Philadelphia, and Washington, D.C. The system is tied to the Massachusetts Registry of Motor Vehicles. As of six weeks ago, no one with an unpaid ticket can get a driver's license or vehicle registration renewed. That puts the renewals of about 296,000 drivers and vehicle owners on hold.

The city replaced all 6,000 parking meters with sturdier models and added 1,000 more. Drivers who get parking citations now receive an official letter a few days later urging them to pay promptly. "It's to let them know we know they've been ticketed," Mr. Richards says.

Finally, there's been a big, and conspicuous, increase in use of the "Denver boot," a viselike device that clamps onto a car's wheel, immobilizing the vehicle. Five or more tickets unpaid for more than 21 days can get a car booted, and Boston police in recent weeks have been clamping on more than 100 a day. It costs $36, plus all the unpaid fines to get the boot removed.

For visual impact and to let passersby know the city is serious about scofflaws, parking tickets are printed on shocking orange paper and boots are painted fluorescent yellow.

All the effort looks worthwhile when the money is counted. Parking meter collections have doubled to $4 million from $2 million annually. In one year revenue from fines and other parking enforcement leapt to $22.1 million from [illegible] million. Deputy Mayor Richards estimates the take at about $30 million next year.

"It was easy pickings," he says.

●

MORE EVIDENCE that the [illegible] from the north [illegible]

[illegible]

Donnelley [illegible] figure how local population has changed in the three years since the 1980 census. It used [illegible] changes in telephone directories and in automobile registrations, as a data base covering 87% of U.S. households. Instead of cities or states, Donnelley used the Commerce Department's "economic areas," which are the nation's 183 largest metro areas plus their surrounding counties.

Twenty-one of these economic areas have had population growth greater than 7% in the past three years. The national population increase was 2.9%. Where were the high-growth areas? Eight were in Texas, five in Florida, three in California, two in Nevada and one each in Colorado, Utah and Wyoming.

Donnelley estimates that 24 of the 183 areas have fewer residents now than in 1980. Six are in Indiana, five in Iowa and three in Ohio. Kentucky, Michigan and South Dakota have two population-losing areas each.

The economic area with the biggest population gain since 1980, according to Donnelley: Las Vegas, up 12.9%. The biggest loser: Aberdeen, S.D., down 1.8%.

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WHAT'S THE BIGGEST PROBLEM facing state governments in the late 1980s? Probably not unemployment, shrinking budgets and the related economic ills that dominate today's headlines. A lot of governors and statehouse aides think that natural resource issues—energy, water and toxic waste, to name a few—will be the most worrisome problems for state officials in the last half of the decade.

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Got an Oil Spill? This Law Professor Says Chicken Feathers Might Help

By Bryan Burrough
Staff Reporter of The Wall Street Journal

[illegible] is convinced chicken feathers can solve one of the world's stickiest problems—oil spills.

So Mr. [illegible] bought 28 tons of white North Carolina chicken feathers and has hired 16 workers to stuff the feathers into [illegible] pillows.

[illegible]

"[illegible] in wetlands," he says. "Why not use these feathers to soak up the oil?"

To test his theory, Mr. [illegible] in 1978 began a series of experiments. First he dumped five pounds of crude oil into the ocean, then he scattered feathers on the mess—only to watch the feathers fly away in the wind. Another time, he discharged feathers from the ventilation system of a [illegible] onto a 50-pound spill. The feathers clogged the [illegible], and the boat overheated, stalled and limped back to port.

Tests Totaling $250,000

[illegible]

Cleaning the Mississippi

[illegible]

INSIDE:

POLAND SEEKS a 20-year term to pay its debts, page 28

TRAK AUTO'S market success is questioned, page 50

NATURAL GAS pipeline concerns are in turmoil, back page

WPPSS Woes Hurting Bonds In Washington

By [illegible]
Staff Reporter of The Wall Street Journal

Some people in Washington state are worried about the problems of having an [illegible] neighbor.

The financial troubles of the Washington Public Power Supply System, a group of five nuclear generating plants in the state, are affecting Washington municipalities that want to raise money—whether or not they have any part in the project.

WPPSS, often called "Whoops," is the largest issuer of municipal bonds in the nation. [illegible]

[illegible]

Comparisons With WPPSS

[illegible]

Voters Also Affected

[illegible]

Tra[illegible] Of[illegible]

[illegible]

TUESDAY, JUNE 14, 1983

THE WALL STREET JOURNAL.

REGIONS

Parking Violators . . . Changes In Population . . . State Worries

By [illegible]

Staff Reporter of The Wall Street Journal

HERE'S HOW ONE CITY is earning millions of dollars by getting tough on parking violators. The city is Boston, where drivers in past years sent more parking tickets to the trash can than to the municipal courts.

And why not? Something like half of the [illegible] parking meters in downtown Boston were continually out of service. Because parking violations were part of the criminal code, scofflaws could tie up matters interminably by asking for a court hearing and, in extreme cases, a jury trial.

"A system designed not to work," says Lowell Richards III, deputy mayor for fiscal affairs. Worse, the city could see parking fines drying up. Collections dropped from $6.5 million in fiscal year 1979 to $4.1 million in fiscal 1981. By then, only 10% of parking tickets were being paid. "I'll be honest, our whole ticketing process was something of a joke, and deservedly so," says Traffic and Parking Commissioner John Vitagliano.

The turnaround started in 1981, largely with methods proven elsewhere. The first step was to decriminalize parking violations, moving them out of the courts and into the city bureaucracy. An amnesty was declared on tickets written before 1978.

BOSTON PAID $1.2 million to Datacom Systems Corp. of New York for a computerized parking-ticket system similar to those the company runs in Detroit, Philadelphia and Washington, D.C. The system is tied to the Massachusetts Registry of Motor Vehicles. As of six weeks ago, no one with an unpaid ticket can get a driver's license or vehicle registration renewed. That puts the renewals of about 296,000 drivers and vehicle owners on hold.

The city replaced all 6,000 parking meters with sturdier meters and added [illegible] more. Drivers who get parking citations now receive an official letter a few days later urging them to pay promptly. "It's to let them know we know they've been ticketed," Mr. Richards says.

Finally, there's been a big, and conspicuous, increase in use of the "Denver boot," a viselike device that clamps onto a car's wheel, immobilizing the vehicle. Five or more tickets unpaid for more than 21 days can get a car booted, and Boston police in recent weeks have been clamping on more than 100 a day. It costs $50, plus all the unpaid fines to get the boot removed.

For visual impact and to let passersby know the city is serious about scofflaws, parking tickets are printed on shocking orange paper and boots are painted fluorescent yellow.

All the effort looks worthwhile when the money is counted. Parking meter collections have doubled to $4 million from $2 million annually. In one year revenue from fines and other parking enforcement leapt to $22.1 million from [illegible] million. Deputy Mayor Richards estimates the take at about $30 million next year.

"It was easy pickings," he says.

●

SOME EXPERTS [illegible]

[illegible]

Twenty-one of these economic areas have had population growth greater than 7% in the past three years. The national population increase was 2.4%. Where were the high-growth areas? Eight were in Texas, five in Florida, three in California, two in Nevada and one each in Colorado, Utah and Wyoming.

Donnelley estimates that 24 of the 183 areas have fewer residents now than in 1980. Six are in Indiana, five in Iowa, and three in Ohio. Kentucky, Michigan and South Dakota have two population-losing areas each.

The economic area with the biggest population gain since 1980, according to Donnelley: Las Vegas, up 12.9%. The biggest loser: Aberdeen, S.D., down 1.9%.

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By [illegible]

Staff Reporter of The Wall Street Journal

[illegible]

Testing the Mississippi

[illegible]

Tests Totaling $250,000

[illegible]

INSIDE:

WPPSS Woes Hurting Bonds In Washington

By [illegible]

Staff Reporter of The Wall Street Journal

Some people in Washington state are learning about the problems of having an unpopular neighbor.

The financial troubles of the Washington Public Power Supply System, a group of five nuclear generating plants in the state, are affecting Washington municipalities that want to raise money—whether or not they have any part in the project.

WPPSS, often called "Whoops," is the largest issuer of municipal bonds in the nation. One of its generating units is near completion, one has been mothballed, and construction on another may soon be stopped. The other two were canceled in 1982, leaving investors with $2.25 billion in bonds whose interest WPPSS can't pay. While courts consider who must pick up the tab, the possibility of default hangs over the project and hurts the rest of the state.

"We have nothing to do with Whoops, except that we buy power from it," says [illegible], treasurer of the Port of Tacoma. "But we have to pay higher interest to borrow just because we're associated with it geographically."

Some expert the port's experience to become more common. The port recently sold $20 million in bonds to raise money to build new shipping facilities. It was forced to offer a higher priced deal than it had hoped for. Even so, a Seattle bond dealer says an order for $1 million of the port's bonds was canceled when the buyer found they had the name "Tacoma" on them.

Comparisons With WPPSS

[illegible]

Voters Also Affected

The WPPSS troubles have also affected voters, who often must approve bond issues. Last month, the [illegible] school district, which has a WPPSS site within its borders, asked voters to approve a $12 million bond issue so it could replace the district's [illegible]-year-old high school. The bond issue was defeated. Superintendent [illegible] says a telephone survey of voters taken after the election found WPPSS was a major factor.

"There's a growing distrust about bonds in general," he says. [illegible]

[illegible]

Time - 6-27-83

Going Down

WPPSS heads toward default

With its hard-luck history, the Washington Public Power Supply System (WPPSS) has richly earned the unhappy nickname of Whoops. Construction on three of the five units in the state system's massive nuclear-power project has either been postponed or canceled, and a fourth unit is endangered. Last week things got even worse. The Washington State Supreme Court unexpectedly ruled that nearly 30 public utilities did not have to pay their share of the $2.25 billion owed WPPSS for building costs. The decision pushed the system a step closer to the ultimate whoops!—the largest municipal default in history.

Donald Mazur, managing director of WPPSS, called the court decision "devastating." He said he still expected work on the last fully active power project, which is 97% completed, to be finished in September. But $149 million more is needed, and the money is nowhere in sight.

The local utilities had agreed to help finance construction of nuclear plants 4 and 5 under contracts that obligated them to pay for the reactors whether or not they produced electricity. When work stopped more than a year ago because of escalating costs and an inability to get more financing, the utilities refused to pay and declared the agreements invalid. The state supreme court went along. It ruled that the utilities did not have the authority to enter into the accords in the first place, because they were putting their ratepayers at risk for the construction costs.

WPPSS is now $8.3 billion in debt and has no visible source of income. A Washington State judge temporarily saved it from default on May 31, when it failed to make a $15.6 million monthly interest payment, by issuing a temporary injunction. But after last week's court ruling, Washington State Senator Al Williams conceded: "Default is now pretty much assured, and bankruptcy is more likely." Barely enough money is being held in a reserve account to pay interest charges of $93.7 million that come due July 1. After that, the cash will be gone.

A failure by WPPSS would severely rattle the $400 billion municipal-bond market by driving down prices and raising borrowing costs for state and local governments. It would be particularly rough on the Pacific Northwest. Says Tim Kerr, deputy treasurer of Washington State: "We will see some very high interest rates."

It would seem that only the Federal Government can save WPPSS now, but there has been little movement toward a Chrysler-style bailout. Congressman George V. Hansen of Idaho has introduced a bill to raise $5 billion to buy back the bonds and pay off bondholders. But the bill is not given a chance of consideration until WPPSS actually defaults. Since that could happen as early as this week, Hansen may not have long to wait. ■

Wash Post 6-16-83

Court Ruling Puts WPPSS At the Brink

By Les Blumenthal
Associated Press

SEATTLE, June 15—The Washington Public Power Supply System was left without a means of paying off the $2.25 billion debt for two terminated nuclear power plants today and the largest default in the history of the municipal bond market seemed all but assured.

The state Supreme Court, in a 7-to-2 decision, overturned a lower court ruling and held that public utility districts and municipal utilities in Washington state had neither the express nor implied legal authority to enter into agreements to pay for the plants being built by WPPSS.

The Washington public utilities, which were among 88 Northwest public utilities that sponsored the two plants, together are responsible for more than two-thirds of the bond debt.

Courts in Idaho and Oregon have ruled that utilities in those states are not obliged to pay their share of the bond debt on the plants. Those cases are on appeal.

A default is "very close," said Washington Gov. John Spellman.

The decision sent ripples throughout the municipal bond market, which ended the day mixed after an initial slump.

But bonds for WPPSS projects No. 1, 2 and 3 fell about 4 points, and bonds for projects No. 4 and 5—the terminated plants—fell more than 15 points.

The movement of a point is equivalent to a $10 change in the price of a bond with a $1,000 face value.

"This is a devastating decision," said Don Mazur, new managing director of WPPSS, which was building the plants for the utilities and had sold the bonds to finance their construction.

All that is standing between the supply system and default now is a state court restraining order preventing bondholders from forcing the issue.

"I see no regional solution at this time without some federal intervention," Spellman said. But Rep. Al Swift (D-Wash.) predicted there was

See WPPSS, D14, Col. 3

WPPSS Verging on Default

WPPSS, From D12

little chance for congressional assistance unless it becomes a national problem.

The suit to force payment by the Washington utilities was brought more than a year ago by Chemical Bank of New York, the trustee for bonds sold to finance construction of the two abandoned plants.

"Chemical Bank has not yet seen the decision but is surprised and dismayed at the reported results," said Brian McGirl, a bank spokesman.

McGirl said the bank would ask the state Supreme Court to reconsider its decision and planned to amend its suit in the lower court to assert "fraud and contract claims for the full amount" of the bonds against members of the supply system and supply system directors, the utilities and their commissioners, and certain attorneys.

A series of 13 suits also has been filed by bondholders that allege violation of federal securities laws and that the ability of WPPSS to complete and finance the plants was "misrepresented."

Chemical Bank had planned to issue WPPSS a "notice of default" earlier this month after the supply system failed to make a payment into a bond reserve fund. Such a notice would have given the supply system 90 days to make the payment, after which default could have been declared and the supply system headed for bankruptcy or receivership.

WPPSS's only assets are its three remaining nuclear power plants, of which one is nearing completion, another has been mothballed for as long as five years and construction has been halted on a third.

The two abandoned plants, one at Satsop, west of Olympia, and the other at the Hanford nuclear reservation, were terminated more than a year ago after WPPSS was unable to borrow money to continue construction and questions were raised about whether the power from the plants would be needed.

WPPSS has already borrowed $2.25 billion, which, when interest is added, leaves the region's ratepayers with a $7 billion debt over 30 years.

As ratepayers realized they would have to pay for two "dry holes," they rose in revolt and the utilities in turn looked for a way of avoiding payment.

Special correspondent Laura Parker also contributed to this report.

Wash. Post 6-17-83

Chemical Will Press For WPPSS Default

By Nancy L. Ross
Washington Post Staff Writer

Chemical Bank intends to press ahead with plans to declare Washington Public Power Supply System in default, Vice President John J. Fleming said yesterday.

As a first step, the bank, which is trustee for $2.25 billion in bonds sold to finance the now-abandoned WPPSS fourth and fifth nuclear power plants, will soon ask a lower court judge to remove his May 27 stay against default. The stay was declared pending a decision by the Washington Supreme Court.

The high court ruled Wednesday that public utilities did not have to pay for their share of projects numbers 4 and 5 because the utilities did not have the legal authority to enter into agreements to pay for the plants built by WPPSS. In a separate action, the bank will ask the court to reconsider its verdict and will amend its suit in lower court to allege "fraud and contract claims for the full amount" against the utilities and the lawyers advising them.

With the lower court stay removed, Chemical can proceed with the default process. It will notify WPPSS that $15.6 million in interest payments is due in 90 days. In the likely event that WPPSS cannot pay, Chemical has the right to accelerate the notes, making the entire $2.25 billion due immediately.

The bank would then have to go to court to try to collect whatever it can for the bondholders. It does not have the legal right to force WPPSS into bankruptcy, but the supply system could throw itself on the protection of the court under Chapter 9 of the bankruptcy laws.

"We are considering bankrupcty, default and other options," Don Mazur, WPPSS managing director, said yesterday. "I don't think there is a solution other than federal help."

Chemical plans to make interest payments July 1 to bondholders with funds WPPSS has on reserve. However, that is expected to be the last payment. If Chemical wins its suit against the utilities, it may be

See WPPSS, F2, Col. 1

Bank to Seek WPPSS Default

WPPSS, From F1

able to acquire some of their liquid assets to pay off bondholders. But legal action of this type could take considerable time.

Meanwhile, a small portion of the bonds, $76.4 million, is insured by American Municipal Bond Assurance Corp. However, that company, a subsidiary of the ailing Baldwin-United, has not yet set aside any reserves for repayment.

The total amount outstanding for all WPPSS bonds is $8.4 billion. Should there be more defaults, WPPSS would go down in history as the largest municipal bond default ever.

Though $8.4 billion is only a small fraction of the total bond market, a default of this magnitude would have severe repercussions, according to Howard Sitzer, vice president for municipal bond research at Thomson McKinnon. He estimates that bond issuers might have to offer wary buyers an additional half percentage point of interest, a move that could drive up the costs of public financing by hundreds of millions of dollars.

Whoops Woes

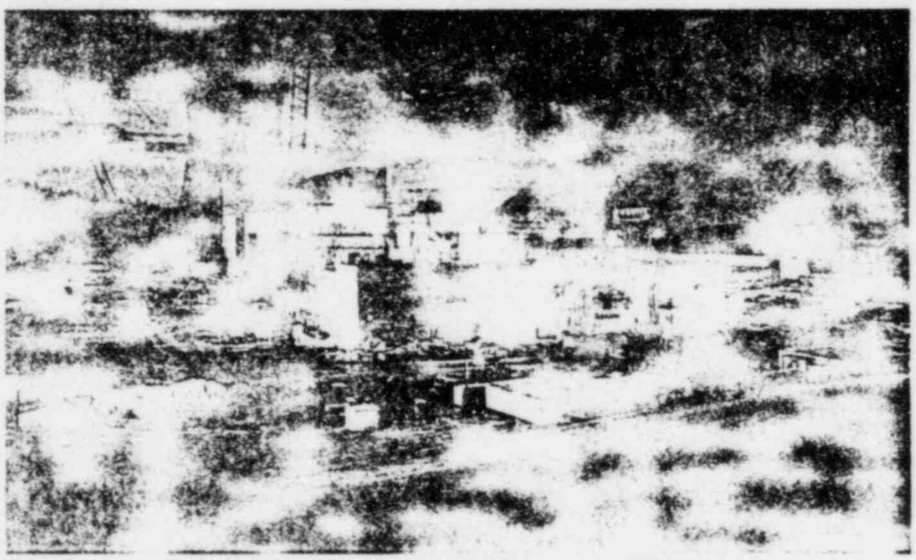
A $2.25 billion default looms

The U.S. nuclear power industry has suffered many setbacks, one of the worst being the accident at Three Mile Island. But none is potentially more costly than the financial tragedy unfolding in Washington State. Next week the Washington Public Power Supply System is expected to fail to make a $15.6 million monthly debt-service payment to Chemical Bank on bonds worth $2.25 billion. The securities were issued starting in 1976 to pay for two nuclear power plants that have already been scrapped. A default would likely endanger completion of three other unfinished WPPSS plants on which $6.1 billion is owed. Moreover, the uncertainty that it would create could shake the very foundations of the municipal bond market and lead to huge losses for big and small investors alike. Says Robert Adler, a Shearson/American Express vice president: "Small, medium and large investors will all be hurt—all the way across the country."

On Wall Street, the WPPSS (nicknamed Whoops) situation is being compared to the near default by New York City in 1975. Investment bankers are hoping for the best, but some expect the worst. Says David Jones, an economist with the brokerage firm of Aubrey G. Lanston: "This situation is another Mount St. Helens waiting to happen."

WPPSS's troubles are the result of more than a decade of misjudgments. In the early 1970s, when it appeared that the demand for electricity would outrun supply, WPPSS started construction on three nuclear plants and later added two more. The agency, though, was unable to cope with such enormous projects, and deadlines began slipping and expenses ballooning. By 1982 the total cost of the development had leaped to $23.8 billion, more than five times the original estimate. The first plant is not scheduled for completion until 1984, seven years later than expected. Making the situation even worse, energy demand has been falling for several years, so not all the plants are needed. By last year, building had halted on Plants 4 and 5, which were financed by the bonds. Since then work has been slowed on two other plants as well, and the project's construction fund is nearly exhausted.

Utilities in the Pacific Northwest, which agreed to use power from Plants 4 and 5 and were supposed to help finance the project, are now pushing it toward default. They signed contracts, known as take-or-pay agreements, that obligated them to pay for the reactors whether or not they generate any electricity. Now the utilities claim, among other things, that the contracts are unenforceable and that they were misled by official projections about future energy shortages. Most of the utilities have stopped payments to WPPSS, and by the end of June, 88 utilities will owe it $62.4 million.



Two of [illegible]y completed nuclear power units at the troubled WPPSS install[illegible]

If the debt-service payment is not made, it [illegible] become the biggest municipal bankruptcy

WPPSS's woes have made consumers in Washington State furious. Since bills for the nuclear plants started coming due, the average residential electric rates have gone up about 80%. Some irate ratepayers urged that WPPSS file for bankruptcy so that its debt payments can be eased.

Congressman George V. Hansen of Idaho has been preparing legislation for a federal bailout of Whoops. The Federal Reserve is watching the situation, but neither the Reagan Administration nor Congress seems inclined to consider a rescue operation.

If WPPSS does not make its debt-service payment on May 31, it will have 90 days to find the money. If it cannot come up with funds, then Chemical Bank, as bond fund trustee, or the lenders will be able to declare the bonds immediately due. Such an action would doom the entire project and push WPPSS into receivership, making it the biggest municipal bankruptcy in U.S. history. ■

Spin-Off

Time to form a new company

Time Inc. is best known as a communications company that publishes magazines and books and owns Home Box Office, the largest U.S. pay cable-television service. Since the early '50s, the company has also been in the forest-products business. It entered the field almost by accident, purchasing half [illegible] lion acres of prime East Texas timber[illegible] as part of a long-term drive to find secure paper supplies for its magazines. The forest-products unit grew into a major producer of pulp and paperboard, although it never manufactured paper for the publications. In 1973 Time Inc. acquired Temple Industries, a large Texas producer of building products, and in 1978 it added Inland Container Corp., an Indianapolis-based manufacturer of containers and containerboard.

Now Time Inc. is leaving forest products. Last week, at the company's annual shareholders meeting, President J. Richard Munro announced a plan to form a separate company by splitting off the forest-products operations from the firm's other businesses. If stockholders approve the plan, which would give them shares in the new forest-products company, at a special meeting later this year, the move could be completed by year's end.

The spin-off should make it easier for each company to satisfy its own considerable capital needs. Said Munro: "At the moment, we inevitably have a continuing tug-of-war between widely different needs that have to be evaluated from distinctly different perspectives."

Time Inc. has made several major investments in communications during the past few years. In addition to its magazines, books and HBO, Time Inc. owns American Television & Communications Corp., one of the largest U.S. cable-TV companies. HBO last year joined with CBS and Columbia Pictures to form a new movie studio, Tri-Star Pictures. Last month the company launched its eighth magazine, TV-CABLE WEEK, which will provide system-specific listings for both cable and broadcast TV. Time Inc. is also experimenting with a teletext service for cable television. Time's teletext will be the official information service for the heads of government at this week's economic summit in Williamsburg, Va.

The forest-products firm, which will have its headquarters in Diboll, Texas, will be a major U.S. corporation on its own. Last year that part of Time Inc. accounted for $1.1 billion, or 32% of the company's $3.6 billion in revenues. If it had been an independent company, the forest-products operation would have ranked 270 on the FORTUNE 500 list. Munro said in announcing the proposal that separation means that the "major parts of Time Inc. can become greater than the whole." ■

WSJ
Mon., 6-13-83

WPPSS' Plan for Loan Faces Uphill Battle As Bonneville, Banks Question Proposal

By a WALL STREET JOURNAL Staff Reporter

SEATTLE – Washington Public Power Supply System faces an uphill battle trying to arrange the $960 million credit line it has decided to seek from major commercial banks.

WPPSS wants to secure the credit with a promise of repayment by the federal Bonneville Power Administration, but Bonneville has misgivings about such a guarantee. In addition, commercial banks appear less than enthusiastic about WPPSS' proposed borrowing.

WPPSS, construction arm of Washington state's public utility districts, needs the money to continue work on its No. 3 nuclear power project, which is about 74% complete. Normally, WPPSS finances its construction projects by issuing revenue bonds, but uncertainties raised by lawsuits on two other projects have made it impossible to issue more bonds for project No. 3. As a result, WPPSS has decided to seek money from commercial banks.

Convertible Credit Line

WPPSS wants guarantees from Bonneville because Bonneville has contracted to market 70% of the power from the plant. Bonneville previously guaranteed that bonds issued for the plant would be repaid from power-sales revenue. The remaining 30% of the plant's electricity would go to four investor-owned utilities, which hold a 30% interest in the project and are financing their share separately.

Eventually WPPSS hopes to refinance the bank borrowing with a bond issue, but that can't be ensured. So to make the loan attractive, WPPSS wants backing from Bonneville, the big federal marketer of electricity.

But Bonneville is concerned about some aspects of the plan. "I'm not prepared to say we would accept it," says Bonneville deputy administrator Robert E. Ratcliffe.

When WPPSS issues bonds, they usually are for repayment over as many as 40 years, but WPPSS envisions receiving from banks a three-year credit line that can be converted to five-year notes for a maximum of eight years. "We understand that commercial banks don't normally consider anything longer than about eight years," says Louis H. Winnard, chairman of WPPSS' executive board's audit, legal and finance committee.

But that would mean that Bonneville, the loan's backer, could have to repay the entire $960 million face amount at the end of eight years. Bonneville would have to collect such funds from its power-sales revenue, so "that causes us some concern," says Mr. Ratcliffe. "What that could do to our rates makes us very uncomfortable. If you can't roll over or refinance that, as a consequence it's too costly."

But Mr. Ratcliffe says Bonneville isn't rejecting the proposal until WPPSS has had a chance to present it to banks. Details won't be worked out until WPPSS and the banks try to negotiate a loan, "and I think we've got to have more details," he says. "We're eager to find out if there are some sources that can be tapped. The major thrust of this exercise is seeing the interest of some of the major banks."

WPPSS plans to send letters to a handful of major banks today, asking if they would be interested in lending, said James D. Perko, WPPSS chief financial officer and treasurer. He said WPPSS hasn't contacted banks about the proposal. But Mr. Ratcliffe says, "I've been told there have been some contacts and the banks are sufficiently interested to talk."

Bankers' Reactions

But bankers apparently haven't expressed any enthusiasm about the proposal. "I wouldn't recommend this bank to lend them money," said the utilities specialist at a major Midwest bank. "I think they're going to have a real hard time of it."

The bankers fear that the Washington utility can't offer sufficient collateral to protect lenders if WPPSS were unable to repay. "They need to come up with security for the credit line in the event of bankruptcy," said one banker. "We certainly don't want to be stuck with a nuclear power plant."

In San Francisco, Crocker National Corp., and Wells Fargo & Co. said they haven't been approached by WPPSS and wouldn't comment on whether they might extend credit to WPPSS. BankAmerica Corp. also wouldn't comment.

WPPSS' executive board voted May 27 to suspend construction on plant No. 3 for three years if it can't obtain additional funds. It ordered an immediate construction slowdown, but said that for 30 days activity should continue at a level that would allow a full resumption. Since May 27, WPPSS has laid off 1,350 of the project's 3,380 workers.

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ROUTING AND TRANSMITTAL SLIP

Date 6/14/83

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Jim Petersen, SP.		
2. AR 5037		
3.		
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Comment	Investigate	Signature
Coordination	Justify	

REMARKS Re: WNP-1 CP Extension

Attached staff and intervenor responses to the ASLB give various schedules for future filings and hearings on WNP-1 C.P. extension hearings. I will appreciate your comments (informal) and preferences as soon as possible.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

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