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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of)	
WASHINGTON PUBLIC POWER SUPPLY SYSTEM, ET AL.)	Docket Nos. STN 50-508
WPPSS Nuclear Projects No. 3 and No. 5)	STN 50-509

AFFIDAVIT OF JIM C. PETERSEN

Jim C. Petersen, having been duly sworn, says:

I am the financial analyst assigned to WPPSS Nuclear Projects No. 3 and No. 5 (WNP-3 and WNP-5). A copy of my professional qualifications was received into evidence following Tr. 2946.

My analysis of the financial qualifications of Washington Public Power Supply System (WPPSS) and of its associated participants to design and construct the subject facilities appears in SER Supplement No. 1, Section 20.0, dated June 1976. The analysis is based on information in (1) the license application, (2) Amendment No. 32 to the license application, dated February 26, 1976, and (3) D. L. Renberger's letter of April 20, 1976 to B. C. Rusche.

Subsequent to the preparation of my analysis, the Applicants provided additional financial information in the following sources: (1) Amendment No. 39 to the license application, dated April 22, 1977; (2) "Testimony

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PDR FOIA
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of James D. Perko Regarding Financial Qualifications" (following Tr. 598); (3) examination of James D. Perko and Harlan R. Kosmata before the ASLB (Tr. 594 - 607); (4) D. L. Renberger's letter of July 12, 1977 to O. D. Parr; and (5) "Affidavit of James D. Perko Regarding Corrections to Financial Qualifications Testimony," dated July 13, 1977.

The additional information includes a detailed explanation of a recent increase in the cost estimates for the facilities. WPPSS will be responsible for the bulk of the increase, which is largely applicable to WNP-5. WPPSS owns a 90 percent interest in WNP-5 and is responsible for 90 percent of all costs of the unit. WPPSS' ability to finance its capital expenditures is well established by its issuance to date of billions of dollars in highly rated revenue bonds and notes. At June 30, 1976, its outstanding revenue bonds and notes totaled \$1.4 billion. The impact of the cost increase on the annual construction budgets of the four associated participants is relatively insignificant.

Based on my review of this additional financial information, I reaffirm my conclusion that Washington Public Power Supply System, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company are financially qualified to design and construct WNP-3 and WNP-5 in proportion to their respective

undivided ownership interests as indicated in Section 20.1 of SER
Supplement No. 1.

Jim C. Petersen
Jim C. Petersen

Subscribed and sworn to before
me this 27th day of July 1977.

Carol J. Durham
Carol J. Durham, Notary Public

State of Maryland
County of Montgomery

My Commission expires: July 1, 1978

MEMO ROUTE SLIP		See me about this. Note and return.	For concurrence. For signature.	For action. For information.
Form AEC-95 (Rev. May 14, 1947) AECM 0240				
(Name and unit)	INITIALS	REMARKS		
Ray Carroll	DATE			
(Name and unit)	INITIALS	REMARKS		
	DATE			
(Name and unit)	INITIALS	REMARKS		
	DATE			
IOM, (Name and unit)	REMARKS			
Lloyd Meyer	Draft copies of WPPSS			
	answer to legal position on Bonds			
	Please call me 7423 when you			
CONF NO.	DATE	how reviewed this.		

USE OTHER SIDE FOR ADDITIONAL REMARKS GPO : 1971 O - 445-469

"Revenue Bonds or Warrants. For the purposes provided in this chapter, an operating agency shall have power to issue revenue bonds or warrants payable from the revenues of the utility properties operated by it. Whenever the Board of a joint operating agency shall deem it advisable to issue bonds or warrants to construct or acquire any public utility or works, plants or facilities or any additions or betterments thereto or extensions thereof it shall provide therefor by resolution, which shall specify and adopt the system or plan proposed and declare the estimated cost thereof as near as may be. Such cost may include funds for working capital, for payment of expenses incurred in the acquisition or construction of the utility and for repayment of advances made to the operating agency by any public utility district or city."

15.2(2) Authorizations for Issuing Bonds

As previously indicated in the Revised Code of Washington State, (RCW 43.52.3411), the Board of a joint operating agency is authorized to issue revenue bonds and is directed by law to "provide therefor, by resolution, which shall specify and adopt the system or plan proposed and declare the estimated cost thereof as near as may be". On December 4, 1970, the Board of Directors of Washington Public Power Supply System adopted Resolution No. 537 entitled, "A Resolution Providing a Plan and System for the Acquisition and Construction by Washington Public Power Supply System of a Utility System Constituting the Washington Public Power Supply System Nuclear Project No. 2, and Providing for the Issuance

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*this was not
officially received
by AEC thru proper
channels.*

QUESTION 15.2 (Jan. 20, 1972)

Provide evidence as to: (1) the authority upon which WPPSS relies for its issuance of bonds (or long-term financing) for this project, (2) the authorizations required for issuance of these bonds, (3) whether the authorizations have been obtained, (4) existing assurance and indications that the necessary authorizations can be obtained, (5) whether voter approval is necessary to issue the bonds, and (6) any formalities to be completed before the bonds will be ready for issue.

ANSWER

15.2(1) Authority to Issue Bonds:

Washington Public Power Supply System is a municipal corporation of the State of Washington. The authority of the Supply System to issue bonds was originally granted by the Washington State Legislature pursuant to Chapter 295, §6, laws of 1957, and further, pursuant to Chapter 8, §43.52.3341, laws of 1965. The specific provision authorizing the issuance of such bond is found in the Revised Code of Washington 43.52.3441, which reads as follows:

"Revenue Bonds or Warrants. For the purposes provided in this chapter, an operating agency shall have power to issue revenue bonds or warrants payable from the revenues of the utility properties operated by it. Whenever the Board of a joint operating agency shall deem it advisable to issue bonds or warrants to construct or acquire any public utility or works, plants or facilities or any additions or betterments thereto or extensions thereof it shall provide therefor by resolution, which shall specify and adopt the system or plan proposed and declare the estimated cost thereof as near as may be. Such cost may include funds for working capital, for payment of expenses incurred in the acquisition or construction of the utility and for repayment of advances made to the operating agency by any public utility district or city."

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HANFORD NO. 2

AMENDMENT NO. 2

of Revenue Notes for said Purposes". (See Schedule 1 of Construction Permit Application, p. 15). By this resolution the Board of Directors authorized the issuance and sale of \$15,000,000 in revenue notes, dated January 1, 1971, and to be redeemed and paid prior to July 1, 1974. Additional revenue notes are expected to be issued in December 1972.

Resolution No. 537 meets the requirements of the statute, in that it adopts and specifies the plan and system for the acquisition and construction of the nuclear electric generating project identified therein as Washington Public Power Supply System Nuclear Project No. 2. Section 3 of Resolution No. 537 describes the project and the system to be acquired. Section 4 thereof sets forth the estimated cost of the project, as required by the statute. The bond resolution which is expected to be adopted in 1973, will provide an updated plan and system in support of permanent financing.

In addition, the Supply System is required by Washington law (RCW 43.52.360) to obtain the approval of the legislative bodies of a majority of the members thereof. Prior to the adoption of Resolution No. 537, the Supply System obtained the formal approval of the legislative bodies of all of its members.

15.2 (3) Status of Authorizations

At the time of execution of the Net Billing Agreements (See Exhibit III, Schedule 1, Construction Permit Application) with each of the 94 Participants and the Bonneville Power Administrator, and the Project Agreement, (See Exhibit IV, Schedule 1, Construction Permit Application), between the Supply System and the Bonneville Power Administrator, it was understood that a long term revenue bond financing resolution would be adopted by the Supply System shortly after the issuance of the Construction Permit by the Atomic Energy Commission. This fact was recognized in Section 18 of the Net Billing Agreements, which provides that the Agreements shall be subject to the provisions of a "Project Bond Resolution". The Project Bond Resolution was defined as the resolution, or resolutions, adopted or supplemented by the Supply System to authorize the "Project Bonds".

Further, at the time the Net Billing Agreements were submitted to each of the Participants for execution, the Bonneville Power Administrator, by letter dated November 2, 1970, stated as follows:

"In consideration of your execution of the subject Net Billing Agreement, and the exercise of BPA's rights under Section 18 of the Project Agreement (Contract No. 14-03-19121) between BPA and the Supply System, which reserves the right of approval of the Project Bond Resolution, except as noted above Bonneville will not approve any resolution which varies substantially in terms and provisions from the proposed resolution which is enclosed."

Thus, the Administrator has covenanted not to permit any alteration or amendment of the Project Bond Resolution without prior written consent of all of the Participants. The Project Bond Resolution was reviewed by each of the Participants at the time of the execution of the Net Billing Agreements. The Board of Directors of the Supply System, in approving the execution of the Net Billing Agreements, was also apprised of the Project Bond Resolution. The Bonneville Power

Administrator, as indicated above, has by virtue of his letter dated November 2, 1970, approved such Project Bond Resolution. This resolution cannot be altered or amended by the Supply System at the time of its adoption without the consent of the Bonneville Power Administrator and the Participants. Thus the Project Bond Resolution has been approved, although it has not and will not be adopted until the issuance of the Construction Permit. Clicker or Egg

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the AEC The Supply System is bound by the Project Agreement with Bonneville Power Administration, Section 5 thereof, to "use its best efforts to issue and sell Project Bonds to finance the cost of the project and the completion thereof". Pursuant to this agreement, the Supply System covenants and agrees to take all actions necessary to complete the planning, financing and construction of the project. Further, pursuant to Section 4 of the Net Billing Agreement, the Supply System covenants with each of the Participants to "use its best efforts to arrange for the financing, design, construction, operation and maintenance of the project". These are the basic undertakings of the Supply System which commit it to pursue the course of action authorized by the statute to issue and sell its revenue bonds at the appropriate time to finance the construction of the project. Since interest rates and the interest of potential bond purchasers are sensitive to the authority of the public agency (such as the Supply System) to actually undertake the construction of such a project, it would not be prudent to adopt the Project Bond Resolution authorizing the issuance and sale of long-term revenue bonds until a date subsequent to the issuance of the Permit by the Atomic Energy Commission.

15.2(e) Indications that Authorizations can be Obtained

On January 4, 1971, the Supply System entered into an agreement with 95 consumer owned utilities in the Pacific Northwest region. These agreements designated "Net Billing Agreements" provide the details of marketing and financing arrangements for the Project. The response to Question 15.3 provides additional evidence of bond marketability.

15.2(5) Need for Voter Approval

No voter approval is required for the issuance of revenue bonds required for the financing of project construction.

15.2(6) Formalities Before Bond Issue

Other than the adoption of a resolution specifically authorizing the issuance of revenue bonds to finance the construction of the Project, no further formalities or steps remain to be completed prior to the issuance of such revenue bonds. The Net Billing Agreements described above, together with the Project Agreement between the Bonneville Power Administrator and Washington Public Power Supply System, a copy of which is contained in the Official Statement (Schedule I of the Application), provide the details of the financing and marketing arrangements necessary for the Project. The Supply System has previously issued and sold revenue bonds in the amount of \$122,000,000 in connection with the financing and construction of the Hanford Nuclear Generating Plant, constructed in connection with the New Production Reactor of the Atomic Energy Commission at the Hanford Project. In addition, revenue bonds have previously been issued and sold for the financing of the Packwood Lake Hydroelectric Project under similar circumstances.

"Based on this review, our conclusion that WPPSS is financially qualified to design and construct the proposed facility is made contingent on WPPSS providing by resolution for issuance of bonds, essentially in the amounts stated in the application, to finance the proposed project. Such a resolution, as required by Washington State Law, has not yet been made."

The above statement is in response to WPPSS' answer to question 15.2(3) Status of Authorizations, which states that, "no authorization has yet been obtained in the form of an appropriate resolution for issuance and sale of additional revenue bonds to finance the construction of the project."

In the answer to 15.2(1), Authority to Issue Bonds, the Supply System supplied AEC with the applicable provisions of Washington law, that is RCW 43.52.3341, which provides for the adoption of the "system or plan proposed". The Supply System has, in fact, already adopted Resolution No. 537, which not only authorizes the issuance of revenue notes for the purpose of preliminary costs of the project, but importantly, also meets the requirements of the statute: it adopts and specifies the plan and system for the acquisition and construction of the nuclear electric generating project identified therein as Washington Public Power Supply System Nuclear Project No. 2. Section 3 of Resolution No. 537 describes the project and the system to be acquired. Section 4 thereof sets forth the estimated cost of the project, as required by the statute.

At the time of execution of the Net Billing Agreements with each of the 94 Participants and the Bonneville Power Administrator, and the Project Agreement between the Supply System and the Bonneville Power Administrator, it was understood that a long term revenue bond financing resolution would be adopted by the Supply System shortly

after the issuance of the Construction Permit by the Atomic Energy Commission. This was recognized in Section 18 of the Net Billing Agreements, which provides that the Agreements shall be subject to the provisions of a "Project Bond Resolution". The Project Bond Resolution was defined as the resolution, or resolutions, adopted or supplemented by the Supply System to authorize the "Project Bonds".

Further, at the time the Net Billing Agreements were submitted to each of the Participants for execution, the Bonneville Power Administrator, by letter dated November 2, 1970, a copy of which is attached to this memorandum, states to Participants as follows:

"In consideration of your execution of the subject Net Billing Agreement, and the exercise of BPA's rights under Section 18 of the Project Agreement (Contract No. 14-03-19121) between BPA and the Supply System, which reserves the right of approval of the Project Bond Resolution, except as noted above Bonneville will not approve any resolution which varies substantially in terms and provisions from the proposed resolution which is enclosed."

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Thus, the Administrator has covenanted not to permit any alteration or amendment of the Project Bond Resolution without prior written consent of all of the Participants. The Project Bond Resolution was reviewed by each of the Participants at the time of the execution of the Net Billing Agreements. The Board of Directors of the Supply System, in approving the execution of the Net Billing Agreements, was also apprised of the Project Bond Resolution. The Bonneville Power Administrator, as indicated above, has by virtue of his letter dated November 2, 1970, approved such Project Bond Resolution. This resolution cannot be altered or amended by the Supply System at this time of its adoption without the consent of the Bonneville Power Administrator and the Participants, therefore, it would be incorrect to say that no Project Bond Resolution has yet been approved, although it has not and will not be formally adopted until the issuance of the Construction Permit.

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The Supply System is bound by the Project Agreement with Bonneville Power Administration, Section 5 thereof, to "use its best efforts to issue and sell Project Bonds to finance the cost of the project and the completion thereof." Pursuant to this agreement, the Supply System covenants and agrees to take all actions necessary to complete the planning, financing and construction of the project. Further, pursuant to Section 4 of the Net Billing Agreement, the Supply System covenants with each of the Participants to "use its best efforts to arrange for the financing, design, construction, operation and maintenance of the project". These are the basic undertakings of the Supply System which commit it to pursue the course of action authorized by the statute to issue and sell its revenue bonds at the appropriate time to finance the construction of the project. Since interest rates and the interest of potential bond purchasers are

sensitive to the authority of the public agency (such as the Supply System) to actually undertake the construction of such a project, it would not be prudent to adopt the Project Bond Resolution authorizing the issuance and sale of long term revenue bonds until a date subsequent to the issuance of the Permit by the Atomic Energy Commission.

For the foregoing reasons, we believe that the statement in Section 17 of the Staff Safety Evaluation quoted above can and should be modified to state in effect that WPPSS is financially qualified on the reasonable assumption that the approved resolution will be adopted and the bonds sold substantially as planned. If necessary and deemed appropriate, a reporting requirement as to the adoption of the long term financing resolution and bond issuance and sales could be imposed.



BONNEVILLE POWER ADMINISTRATION

PORTLAND, OREGON 97208

November 2, 1970

Mr. Alan H. Jones, General Manager
City of McMinnville
Water & Light Department
130 N. Baker Street
McMinnville, Oregon 97128

In reply refer to:
PCC

Subject: Washington Public Power Supply System Nuclear Project No. 2
Net Billing Agreement No. 14-03-19177

Dear Mr. Jones:

Enclosed for execution are six copies of the subject Net Billing Agreement. If the Agreement is satisfactory, please have sufficient copies of it signed to provide one copy for Bonneville, one copy for the Supply System, and as many more as you require for your own needs.

In addition to the signed copies of the Agreement you should return to Bonneville copies of the following documents:

- a. Six copies of the Resolution authorizing execution and delivery of the subject Net Billing Agreement and six original signed copies of Resolution Certificate (Revised forms enclosed).
- b. Six undated original signed copies of Opinion of Counsel signed by your attorney. (Revised form enclosed.)
- c. One signed copy of the Escrow Letter. (Revised form enclosed.)

We have enclosed a copy of the proposed Note Resolution and proposed Bond Resolution which the Supply System has prepared to support its financing of the Project. It is expected that the Note Resolution will be adopted by the Supply System this year in order to obtain financing of preliminary expenses related, among other things, to obtaining a construction permit from the AEC and site approval from the State of Washington.

The Bond Resolution provides for permanent financing of the Project. The Supply System presently expects to adopt this Resolution soon after the construction permit is obtained from the AEC now estimated to occur in late 1972. The present draft of proposed Bond Resolution provides for capitalization of certain Reserve Accounts. Bonneville and the Supply System now expect to fund the Reserve Account in the Bond Fund (Resolution Sec. 6.2, para. D), Reserve and Contingency Fund (Resolution Sec. 6.5), Working Capital (Resolution Sec. 6.6), and Contingency Fuel Fund (not presently in the Resolution) from amounts to be net billed in the period beginning January 1, 1977 and ending September 1, 1977. The Supply System expects to revise the Bond Resolution to provide this change.

Section 18 of the Net Billing Agreement provides that the Agreement is subject, among other things, to the Project Bond Resolution. In consideration of your execution of the subject Net Billing Agreement, in the exercise of BPA's rights under section 18 of the Project Agreement (Contract No. 14-03-19121) between BPA and the Supply System, which reserves right of approval of the Project Bond Resolution, except as noted above Bonneville will not approve any resolution which varies substantially in terms and provisions from the proposed resolution which is enclosed.

As you are probably aware the Supply System has determined with Bonneville's concurrence that the Project operational date of September 1977 can best be met with a site located on the Hanford reservation. The total fund requirement for the financing of the Project including Project reserve funds is approximately \$411 million. The estimated annual operating cost of the Project in an average water year is \$43,166,000.

In order to meet present schedules, the agreement and associated documentation should be executed and returned to your Bonneville district or area office prior to December 1, 1970. Bonneville and the Supply System then expect to complete execution of the agreement. The execution date on page 2 of the Net Billing Agreement will be filled in by Bonneville and we will return fully executed copies when available.

If we can be of assistance or furnish information regarding these procedures or the agreements, please contact your area or district office.

Sincerely,

S/ H. R. RICHMOND

Administrator

Enclosures

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SELECTED COMPOSITE FINANCIAL RATIOS
FOR CLASS A & B ELECTRIC UTILITIES

Statistics of Privately Owned Electric Utilities)

(dollars in millions)
Calendar Year Ended December 31

1967

Long-term debt					521.5	
Utility plant (net)					934.2	
Ratio - debt to fixed plant						
Utility plant (net)					934.2	
Capitalization						
Ratio of net plant to capitalization						
Stockholders' equity						
Total assets					1,118.4	
Proprietary ratio						
Earnings available to common equity						
Common equity						
Rate of earnings on common equity						
Net income						
Stockholders' equity						
Rate of earnings on stockholders' equity						
Net income before interest						
Liabilities and capital					1,118.4	
Rate of earnings on total investment						
Net income before interest						
Interest on long-term debt						
No. of times fixed charges earned						
Net income					206.8	
Total revenues						
Net income ratio						
Total utility operating expenses					162.3	
Total utility operating revenues					198.1	
Operating ratio						
Utility plant (gross)						
Utility operating revenues						
Ratio of plant investment to revenues						
Earnings Per Share						
Capitalization:	Amount	% of Total	Amount	% of Total	Amount	% of Total
Long-term debt					521.5	
Preferred stock					400.0	
Common stock & surplus						
Total						

Moodys' Bond Ratings:

Dun & Bradstreet Credit Ratings:

BALANCE SHEET

36

Dollars in Millions

Calendar Year Ended December 31

6/30/70
4/30/71
(Dollars in Millions)

6/30/70
4/30/71
(Dollars in Thousands)

Total utility plant	82.4	82.4	12,209	12,209
Reserve for depreciation	16.2	13.0	1,551	1,800
Net utility plant	72.2	69.4	10,658	10,409
Investments & Funds				
Current Assets				
Other Assets				
Total Assets	96.8	94.2	13,605	13,609
Current liabilities	1.6	3	75	75
Other Liabilities	17.1	20.9	709	710
Subtotal Liabilities	18.7	21.2	784	785
Long term debt	78.1	73.0	13,210	13,181
Preferred Stock				
Common Stock				
Retained Earnings				
Capitalization	78.1	73.0	13,210	13,181
Liabilities and Capital	96.8	94.2	13,605	13,609

INCOME STATEMENT

Total Operating Revenue	6.3	9.5	864	850
Depreciation	2.8	2.8	261	261
Other Operating Expenses	1.9	5.3	175	200
Total Operating Expenses	4.7	8.1	439	461
Operating Inc.	1.6	1.4	425	395
Int. Chgd. Const.				
Other	1.0	1.0	59	87
Total Other Inc.	1.0	1.0	59	87
-Income Before Int. Chgs.	2.6	2.4	484	482
Int. on long-term debt	2.5	2.4	484	482
Other	1			
Total Inc. Ded.	2.6	2.4	484	482
Net income for Yr.	0	0	0	0
Dividends on Prfd.				
Net Inc. Avail. Common				
Common Dividend				
Retained in Business				
Add: Depreciation				
Deferred Income Tax				
Internally Generated Funds				