

AFFIDAVIT OF NRC STAFF
ON
FINANCIAL QUALIFICATIONS
FOR
WNP-4
(Docket No. 50-513)
by
Jim C. Petersen

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)
WASHINGTON PUBLIC POWER SUPPLY SYSTEM) Docket No. 50-513
(WPPSS Nuclear Project No. 4))
)

AFFIDAVIT OF JIM C. PETERSEN

I, Jim C. Petersen, having been duly sworn, state that:

I am the financial analyst assigned to WNP-4. A copy of my professional qualifications is attacheu.

I. BACKGROUND

The evidentiary hearings on radiological health and safety issues were conducted on November 11-13, 1975. At that time, the Applicant, Washington Public Power Supply System, ("WPPSS") requested that consideration of its financial qualifications to design and construct WPPSS Nuclear Project No. 4 ("WNP-4") be deferred to a later time. (Applicant's Exhibit 17). In the Matter of Washington Public Power Supply System (WPPSS Nuclear Projects No. 1 and No. 4), LBP-75-72, NRCI-75/12, 922, 927. At that time, the Applicant planned that the entire capability of WNP-4 would be purchased by publicly and cooperatively-owned utilities through the execution of Participants' Agreements. Participants' Agreements are the second of a two step procedure under which participants commit to purchase a portion of the capability of WNP-4. The first step is the execution of option agreements under which potential participants obtain

an option to purchase capability. The second step is the execution of Participants' Agreements under which participants commit to purchase capability. Option agreements for WNP-4 had been executed, but the execution of Participants' Agreements was delayed pending completion of the secondary environmental impact statements, required by the Washington State Environmental Policy Act ("SEPA"), R. C. W. § 43.21C. (Tr. 825-29). NRCI-75/12, 922, 927, n. 10; 928.

The Applicant estimated that the secondary SEPA statements would be completed in approximately four-six months and that execution of the Participants' Agreements would follow thereafter in due course. NRCI-75/12, 922, 928.

Although findings of fact and conclusions of law made by the Atomic Safety and Licensing Board ("Board") in its Initial Decision (NRCI-75/12, 922: December 22, 1975) related to both WPPSS Nuclear Project No. 1 ("WNP-1") and WNP-4, the findings and conclusions with respect to financial qualifications related only to WNP-1. This result recognized the Applicant's request that consideration of its financial qualifications with respect to WNP-4 be deferred. See n. 28, NRCI-75/12, 943.

In its Initial Decision (NRCI-75/12, 928), the Board stated that it wished to be kept informed on this matter and that it would receive additional evidence from the parties with a view toward supplementing its Initial Decision at a suitable time with appropriate findings relating to the

Applicant's financial qualifications to design and construct WNP-4.

II. ANALYSIS AND CONCLUSION

In Supplement No. 2 (dated August 8, 1975) to its Safety Evaluation Report, the NRC Staff concluded that WPPSS was financially qualified to design and construct WNP-1 and WNP-4. By letter of October 22, 1975, WPPSS informed the NRC Staff of a delay in the signing of Participants' Agreements (contracts to purchase a certain percentage of the capability of the facility) with the participants in WNP-4. As noted above, the Applicant indicated that the delay was due to the requirement for completion of secondary environmental impact statements pursuant to SEPA. The Applicant estimated that the secondary SEPA statements would be completed in six (6) months, with execution of the Participants' Agreements to follow. (Applicant's Exhibit 17.) This development did not affect the financing plan or the NRC Staff's conclusion regarding WNP-1, which is being financed independently of WNP-4.

The Staff modified its financial evaluation with regard to WNP-4 in its Supplemental Testimony presented at the hearing of the Atomic Safety and Licensing Board on November 11, 1975 (Richard W. Cioni, following Tr. 746). The NRC Staff stated that it could conclude that the Applicant is financially qualified to design and construct WNP-4, if the Applicant obtained the signed Participants' Agreements. (Tr. 841).

The following concluding paragraph of the NRC Staff's Supplemental Testimony summarized the rationale underlying the Staff's modified position:

"Based on the preceding analysis and a change in the original assumption that WNP-4 participation agreements would be signed by the time of the hearings, as reported by WPPSS in its May 1975 financial information submittal, we have determined that the applicant has not provided sufficient evidence at this time to demonstrate to the Commission their financial qualifications to carry out the design and construction activities for WNP-4 pursuant to 10 CFR 50.33(f). However, the foundation for this evaluation is solely that the applicant failed to obtain signed participation agreements which are necessary to obtain permanent financing for WNP-4 due to a recent interpretation of the Washington State Environmental Protection Act requiring WPPSS participants to file environmental impact statements. Over its long past history, WPPSS has issued revenue bonds, rated "AAA" by Moody's, based on similar contractual arrangements to permanently finance its other projects. When the applicant obtains the signed participation agreements, we feel submittal of such information will be sufficient for the Financial Analysis Staff to find the Applicant financially qualified to design and construct WNP-4."

(Cioni, following Tr. 746, p.2.)

By letter of July 23, 1976, WPPSS informed the NRC Staff that Participants' Agreements had been fully executed with 88 public and cooperative utilities for 100 percent of the output of WNP-4. This was the only condition remaining to be met prior to the issuance of a favorable NRC Staff conclusion with respect to WPPSS's financial qualifications.

By letter of July 19, 1976, WPPSS indicated that its updated estimate of the total cost of WNP-4 was \$1,095.0 million. This compares with the Applicant's earlier estimate of \$1,009.0 million, as presented in the August 1975 SER Supplement. The relative amount of the cost estimate increase is not unusual for this type of project and is relatively insignificant. Therefore, it does not affect our analysis or

conclusion with respect to the Applicant's financial qualifications.

The above analysis is based on (1) the prior record, (2) the letter of July 19, 1976, submitted by WPPSS to the NRC staff, (3) the letter of July 23, 1976, submitted by WPPSS to the NRC Staff, and (4) the testimony of James T. Bobo filed on August 5, 1976, with respect to Applicant's financial qualifications. We are aware of no other information which would affect our conclusion regarding the financial qualifications of WPPSS to design and construct WNP-4.

Accordingly, we conclude that based on WPPSS's project financing method, it has reasonable assurance of obtaining the funds necessary to design and construct WNP-4, and to cover related fuel cycle costs for WNP-4.

Jim C. Petersen
Jim C. Petersen

Subscribed and sworn to before
me this 6th day of August, 1976.

Carol A. Durham
Notary Public

My Commission Expires July 1, 1978.

JIM C. PETERSEN
PROFESSIONAL QUALIFICATIONS
OFFICE OF ASSISTANT DIRECTOR
FOR QUALITY ASSURANCE AND OPERATIONS
DIVISION OF PROJECT MANAGEMENT

I am a Financial Analyst on the staff of the Division of Project Management, U. S. Nuclear Regulatory Commission. I am responsible for reviewing and evaluating the financial qualifications of nuclear facility license applicants to pursue the proposed activities under the license, primarily the construction and operation of nuclear power plants. In this regard, I have prepared financial qualifications analyses for inclusion in the Staff's Safety Evaluations and for presentation as evidence on the record of the Atomic Safety and Licensing Board's safety hearings. I have served as a Staff witness before the Atomic Safety and Licensing Board in several proceedings. My work also involves keeping abreast of developments in the money and capital markets and the electric utility industry.

I received a Bachelor of Science in Business Administration degree (awarded cum laude) with a major in Accounting from the University of Denver in 1968. I have continued my formal education through college and university courses in finance, math, economics and computer science and through several intensive short courses. I am a member of Beta Gamma Sigma, the national business administration honorary, and Beta Alpha Psi, the national accounting honorary. The latter organization presented me with its award for outstanding service.

From 1968 through 1973, I was employed in a number of assignments on the staff of the Controller of the Atomic Energy Commission at Germantown, Maryland. These assignments included reviewing, designing and implementing accounting systems and procedures for AEC offices and AEC contractors. I also assisted in the financial review of nuclear facility license applicants during the period when that function was performed by independent staff members of the AEC Office of the Controller. That function was subsequently transferred in its entirety to the NRC. In January of 1974, I joined the regulatory staff and assumed responsibilities in the financial qualifications review of nuclear facility license applicants.