

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)
)
WASHINGTON PUBLIC POWER)
SUPPLY SYSTEM, et al.)
)
(WPPSS Nuclear Projects)
No. 3 and No. 5))

Docket Nos. STN 50-508
STN 50-509

AFFIDAVIT OF JAMES D. PERKO REGARDING CORRECTIONS
TO FINANCIAL QUALIFICATIONS TESTIMONY

At the evidentiary hearings conducted in this proceeding on May 24-25, 1977, I submitted prepared testimony regarding the financial qualifications of the Washington Public Power Supply System ("WPPSS") to design and construct WNP-3 and WNP-5. In reviewing my testimony, I have determined that the testimony contained certain miscalculations.

Attached hereto are substitute pages 12, 13 and 19 which should be incorporated into my prepared testimony at Transcript following p. 598. In my testimony, as of April 30, 1977, the total estimated cost for WPPSS' 70% share of WPPSS Nuclear Project No. 3 ("WNP-3") was accurately stated to be \$970 million. However, the total nuclear production plant costs and total project cost for WNP-3 were erroneously stated. The substitute testimony attached hereto corrects the total nuclear production plant costs and the total estimated cost for WNP-3. The correct total nuclear production plant costs for WNP-3 are \$1,300,766,000, and the total estimated cost for WNP-3 is \$1,385,716,000. Footnotes 1/ on page 12 and 4/ on page 19 have been clarified to accurately reflect the fact that assumptions for financing

expenses were the same for the investor owned utilities as for WPPSS. In addition, the attached substitute testimony provides conforming totals for expenditures (including fuel and owners' costs) for WNP-3 through the year 1984. These updated expenditures reflect the change in total project cost discussed above.

James D. Perko

James D. Perko
Assistant Director
Finance and Administration

Subscribed and sworn to before me
this 13th day of July, 1977.

Leba B. Helgeson

Notary Public in and for the State
of Washington

Residing at Reckland

To finance WNP-3, revenue notes in the amount of \$29,000,000 were sold in November 1973 for preliminary planning and initial construction costs and progress payments. These notes matured and were retired on June 15, 1976.

The Supply System has also issued \$250 million of long-term revenue bonds for the Project. These long-term securities were rated Aaa by Moody's Investor Service, Inc. and AAA by Standard and Poor's Corporation.

These and all subsequent issues are earmarked as being for WNP-3 and proceeds of the sale of securities may be expended for that Project only. Correspondingly, revenues associated with contracts for the sale and purchase of the output of WNP-3 may be applied only to WNP-3 costs, including debt service. An updated estimate of the total costs of WNP-3 (current as of April 30, 1977) is:

	<u>WNP-3</u>	
	<u>WPPSS - 70%</u>	<u>Total Project Cost^{1/}</u>
(a) Total nuclear production plant costs	\$910,536,000	\$1,300,766,000
(b) Transmission and general plant costs	\$ 14,989,000	\$ 21,413,000
(c) Nuclear fuel inventory cost ^{2/} for first core	\$ 44,475,000	\$ 63,537,000
	<hr/>	<hr/>
Total Estimated Cost	\$970,000,000	\$1,385,716,000

^{1/} Assumes that the Companies and WPPSS have the same financing expenses.

^{2/} Nuclear fuel will be purchased rather than leased.

Siting, fuel cycle costs, payments to vendors, and preliminary construction expenditures for WNP-3 through April 30, 1977, exclusive of Companies financing expense, amount to \$124,737,000. The Supply System ownership share is \$89,779,000. Current estimates for WNP-3 expenditures (including fuel and owners' cost) through the year 1984 are as follows:

<u>Year</u>	<u>WPPSS-70%</u>	<u>Total Project Cost</u>
Thru 1976	\$ 74,794,000	\$103,961,000
1977	\$ 60,418,000	\$ 97,748,000
1978	\$124,735,000	\$185,069,000
1979	\$147,652,000	\$213,139,000
1980	\$202,226,000	\$286,669,000
1981	\$234,269,000	\$324,815,000
1982	\$107,287,000	\$147,698,000
1983	\$ 12,468,000	\$ 17,813,000
1984	\$ 6,151,000	8,804,000

To continue financing WNP-3, in addition to the \$250 million revenue bonds already sold, the Supply System will issue approximately \$720 million dollars of its tax exempt revenue bonds in series from time to time during the period of construction. The Supply System plans to issue these bonds in the following approximate amounts and on the following schedule:

	<u>WPPSS 90%</u>	<u>Total Project Cost</u>
(a) Total nuclear production plant costs <u>5/</u>	\$1,539,207,000	\$1,710,233,000
(b) Transmission and general plant costs	\$ 19,271,000	\$ 21,412,000
(c) Nuclear fuel inventory cost <u>6/</u>	\$ 160,183,000	\$ 177,981,000
Total Estimated Cost	\$1,718,661,000	\$1,909,626,000

Siting, fuel cycle costs, payments to vendors and preliminary construction expenditures for WNP-5 through April 30, 1977, exclusive of PP&L financing expense, amount to \$14,202,000. The Supply System's ownership share is \$12,823,000. Current estimates for WNP-5 expenditures (including fuel and owners' cost through the year 1984) are as follows:

<u>Year</u>	<u>WPPSS-90%</u>	<u>Total Project Cost</u>
Thru 1976	\$ 10,261,000	\$ 11,339,000
1977	\$131,228,000	\$148,277,000
1978	\$106,537,000	\$119,894,000
1979	\$142,902,000	\$159,438,000
1980	\$254,777,000	\$282,229,000
1981	\$251,677,000	\$298,019,000
1982	\$363,885,000	\$398,740,000
1983	\$282,080,000	\$304,953,000
1984	\$175,314,000	\$186,737,000

4/ Assumes that Pacific Power and Light and WPPSS have the same financing expenses.

5/ Including net interest during construction, owners' costs, and allowance for escalation and contingencies.

6/ Nuclear fuel will be purchased rather than leased; inventory cost includes capitalized first core and reload fuel.

TO: Mr Anthony BARNIA
 Proj. Mgr. WNP 3/5

THIS INFORMATION IS NOT TO BE CONSIDERED A FORECAST

Applicant Washington Public Power Supply Nuclear Plant WNP No. 3
 Participant The Washington Water Power Company (SW)
 Source of Funds for System-Wide Construction Expenditures During Period
 of Construction of Subject Nuclear Power Plant
 (millions of dollars)

	Construction Years of Subject Nuclear Power plant (1)								
	1976	1977	1978	1979	1980	1981	1982	19__	19__
<u>Security issues and other funds</u>									
Common stock	\$ 12.0	\$ -0-	\$ 23.0	\$ 24.0	\$ 15.0	\$ 15.0	\$ -0-		
Preferred stock	-0-	15.0	15.0	-0-	20.0	-0-	15.0		
Long-term debt	30.0	30.0	62.1	40.0	60.0	30.0	30.0		
Notes payable	(7.0)	9.0	(9.0)	29.0	(29.0)	-0-	-0-		
Contributions from parent-net	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Other funds	(4.4)	4.6	(4.8)	2.0	3.9	(.8)	2.8		
Total	30.6	58.6	86.3	95.0	69.9	44.2	42.2		
<u>Internal funds</u>									
Net income	18.0	20.4	24.0	26.7	34.0	38.1	43.8		
Less:									
Preferred dividends	-0-	-0-	1.4	2.7	2.7	4.5	5.2		
Common dividends	11.4	13.2	15.6	17.6	22.3	24.7	28.5		
Retained earnings	6.6	7.2	7.0	6.0	9.0	8.9	10.1		
Deferred taxes	-0-	-0-	-0-	-0-	-0-	-0-	-0-		
Invest. tax cred. (deferred)	1.9	1.4	2.4	3.0	1.9	1.6	1.6		
Depreciation & amort.	9.6	10.5	11.3	12.0	14.3	17.2	20.1		
Less: AFDC	1.8	.6	.3	.0	.4	.5	.6		
Total	16.3	19.7	20.4	21.0	24.8	27.2	31.2		
TOTAL FUNDS	\$ 46.9	\$ 78.3	\$ 106.7	\$ 117.0	\$ 94.7	\$ 71.4	\$ 73.4		
<u>Construction Expenditures (2)</u>									
Nuclear power plants	\$ 9.8	\$ 20.5	\$ 34.1	\$ 37.0	\$ 35.7	\$ 31.6	\$ 30.4		
Other	37.1	57.8	72.6	80.0	59.0	39.8	43.0		
Total Const. Exp's.	\$ 46.9	\$ 78.3	\$ 106.7	\$ 117.0	\$ 94.7	\$ 71.4	\$ 73.4		
Subject nuclear plant	\$ 5.7	\$ 8.2	\$ 13.6	\$ 10.0	\$ 7.2	\$ 1.8	\$ -0-		
Interest Coverage	2.1	2.2	2.2	2.2	2.4	2.4	2.4		

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(2) Exclusive of AFDC (allowance for funds used during construction)

(1) First five years (1976-1980) based on five year financial model data. Last two years projected manually on a consistent basis

TO MR. ANTHONY BOWENIA, NC

501 492-7391 7371

From: G. S. ...
DATE: 5/5

2 Pgs

THE WASHINGTON WATER POWER COMPANY

Assumptions for Source of Funds Statement

- (a) Rate of Return on Average Common Equity - 14.5-15.0%
- (b) Preferred Stock Dividend Rate - 9%
- (c) Growth Rates: Sales of general business kw/hr are estimated to increase about 5% per year during the forecast period. As you know, kw/hr sales to other utilities are subject to resource availability and market conditions and therefore are not trendable.

Electric and gas revenues included within the forecast are a result of the general business kw/hr/therm sale trends and include elements of rate relief which were programmed throughout the forecast as needed. The basis of rate relief was the debt/equity ratios and composite debt cost prevailing at that point in time and the return on common equity as previously mentioned.

Operating expenses subject to inflation were escalated at 10% in 1976, decreasing to 7% in 1977 and finally to 6% for the balance of the forecast. Items such as power and gas purchased are generally regulated by contract and are not subject to escalation.

- (d) Common stock price/earnings ratio or market/book ratio with respect to the projected common stock offerings: This forecast assumes that market and book values of common stock are approximately equal, but on an increasing annual rate of about 5%. No price/earnings ratio was used for projected common offerings.
- (e) Common stock dividend payout ratio: a target of 65% was assumed.
- (f) Target capital structure: a target goal of 60% debt, 30% common equity and 10% preferred has been assumed.
- (g) Interest coverage requirements: Our most restrictive indenture requirement states that annual interest requirements must be at least twice any 12 consecutive months pre-tax gross earnings. Considering the rate relief programmed in the forecast, our results have allowed us to exceed the two times interest coverage test under the indenture. We have not made an SEC coverage test.
- (h) An interest rate of 9% was assumed on all projected mortgage bond issues. For short term bank loans, a rate of 7 1/2% was utilized.

MR. ANTHONY BOWENIA - Project Management