

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20545

File
18
Washington Public
Power Supply
System

Docket Nos. 50-460
and 50-513

OCT 15 1975

Voss A. Moore, Assistant Director for Light Water Reactors-2, RL
WASHINGTON PUBLIC POWER SUPPLY SYSTEM: NUCLEAR PROJECTS NOS. 1 AND 4

As requested by Tom Cox, enclosed is the updated testimony of Dick Cioni of my staff regarding the financial qualifications of Washington Public Power Supply System to design and construct the subject facilities. The testimony is for the WNP 1 and 4 Rad Safety Hearing scheduled for November 11, 1975.

Donald J. Skovholt
Assistant Director for Quality
Assurance and Operations
Division of Reactor Licensing

Enclosure:
As stated

cc: A. Schwencer
T. Cox
E. Goulbourne
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P. Fine
J. Petersen

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FINANCIAL QUALIFICATIONS

The Financial Analysis Staff prepared testimony in July 1975 for the August Supplement to the SER, which concluded that WPPSS is financially qualified to design and construct WWP-1 and WWP-4. The staff has updated its review of the financial condition of the applicant and determined that there have been no financial developments to alter its favorable conclusion for WWP-1.

On October 8, 1975, we were informed by WPPSS of a delay in signing participation agreements (contracts to purchase a certain percentage of the capability of the facility) with the participants for WWP-4. This is the result of intervention under a Washington State Environmental Protection Act, which apparently requires individual utilities participating in projects of this nature to file environmental impact statements prior to entering into participation agreements. WPPSS has decided that the Participants could be subject to suit under the provisions of the Act if they signed participation agreements in WWP-4 at this time. Accordingly, WPPSS will sponsor the preparation of environmental impact statements for the participants in WWP-4. WPPSS estimates the May-June 1976 time period for completion of the filing of the environmental impact statements and the execution of participation agreements between WPPSS and the respective participants.

Additionally, in order to obtain permanent financing for WWP-4, WPPSS is required to have signed participation agreements covering the capability of the facility. Thus, WPPSS has slipped its present plans to sell revenue bonds and will drastically limit current expenditures for WWP-4 until May or June of 1976. WPPSS has a financial limitation on expenditures of \$100

million total for WNP-4 and WNP-5. The \$100 million has been obtained by the issuance of revenue bonds secured by option agreements. The option agreements give the signer an option to obtain a specific share of the facility capability by signing a participation agreement and provide an interim vehicle for initial project financing to a maximum level of \$100 million prior to the execution of participation agreements. WPPSS has submitted an application for WNP-5 which is pending. Because of the schedule differences between WNP-4 and WNP-5, most of this money is available for WNP-4, but it is not certain at this time if it will be sufficient to cover all commitments. One significant cost item is the Energy Research and Development Administration enrichment services contract which increases from a few million to over \$25 million upon receipt of a construction permit for WNP-4.

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.

Question: Is it possible to find financial qualifications based on reasonable assurance without obtaining the signed participation agreements.

Answer: Yes.

7.04 July, 1975