

RICHARD J. ...
CARLOS J. WOODHEAD, CALIF.
DUN RITTER, PA.
DAN COATS, IND.
JAMES T. BROWNELL, MO.
(EX OFFICIO)
W. MICHAEL MCCABE
STAFF DIRECTOR

U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON ENERGY CONSERVATION
AND POWER
OF THE
COMMITTEE ON ENERGY AND COMMERCE
WASHINGTON, D.C. 20515

2, cont.

August 19, 1983

Honorable Nunzio J. Palladino
Chairman
Nuclear Regulatory Commission
Washington, D. C. 20555

Dear Mr. Chairman:

On September 14, 1983, the Subcommittee on Energy Conservation and Power will hold a hearing on the subject of financing the completion of power plants owned by the Washington Public Power Supply System (WPPSS). In particular, the hearing will examine the proposed section 317 of H.R. 3363, as reported by the Senate Appropriations Committee. The hearing will be in Room 2322 of the Rayburn House Office Building and will begin at 10:00 a.m.. We request that you or your designee testify at the hearing.

While your detailed written statement for insertion in the hearing record may be of any length you deem appropriate, it should be double-spaced. You are also requested to submit a one page summary of your written statement. Please also submit your responses to the attached questions along with your testimony.

In accordance with Committee rules, witnesses scheduled to testify should deliver a minimum of 25 copies of their written and summary statements to the Subcommittee office no later than 10:00 a.m. on September 9, 1983. Also, please bring an additional 80 copies of your statements to the hearing room by 9:30 a.m. on the day of the hearing for distribution to Members of the Subcommittee, the public and the press. Upon your arrival at the hearing, please give your testimony to the Subcommittee clerk.

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PDR FOIA
COHEN84-603 PDR

Questions for NRC

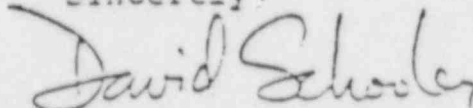
1. There has been considerable discussion about the feasibility of mothballing WPPSS #3.
 - ✓ (a) Please provide the activities required to mothball a plant.
 - (b) What is the role of the NRC in the mothballing process?
 - ✓ (c) What regulations govern? *(See Handbook)*
 - (d) What problems are associated with mothballing plants?
 - ✓ (e) Are other plants either here or abroad currently mothballed?
 - ✓ (f) Have any plants either here or abroad been mothballed, and then brought on line?
2. Please describe the status of WPPSS #2 with respect to licensing. Please also describe any problems currently faced by the plant (structural defects, etc.)
3. It has been stated that WPPSS #3 is "at least 75% complete." Please explain the meaning of "75% complete." How is this determined? What construction is still required? How do such percentages generally relate to costs?

Honorable Nunzio J. Palladino
August 19, 1983
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In order to facilitate questions, an oral presentation summarizing your statement will be dispensed with and Members will be recognized immediately for questions.

If you have any inquiries concerning your appearance before the Subcommittee, please contact David Schooler or Bruce Driver at the Subcommittee office (202-226-2424).

Sincerely,



David Schooler
Chief Counsel

DS:lc

Enclosure

the security necessary to meet BPA's existing obligations with respect to WPPSS 1, 2, and 3.

Utilizing the arrangements contemplated by this provision, construction financing should be available on reasonable terms to enable continuation of construction, particularly on WPPSS 3, which otherwise would be subject to a construction delay occasioned by WPPSS' financing difficulties. The Committee believes that the clarification of the authority of the BPA to enter into such arrangements will provide it with additional flexibility to address the problems facing the region. However, this directive should not be interpreted to be the only clarification of authority -- remedy needed to protect the Federal investment in the Federal base system resources. The Committee is also concerned that this directive might create a climate in the region which might precipitate unwise decisions. Accordingly, as a condition precedent to the BPA entering into any arrangements or agreements to provide security for financing completion of the project pursuant to this provision, an agreement must be reached among BPA and the project owners of WPPSS 3, providing for the schedule upon which WPPSS 3 will be constructed. In negotiating the agreement the BPA shall consider among other relevant factors the need for and marketability of the power. If such a schedule is agreed upon, only then may the BPA exercise such authority.

Further, the Committee intends the BPA to exercise its authority obtained by this amendment in a prudent and businesslike manner. BPA shall not enter into any contractual arrangements pursuant to this provision without due consideration of the effects on the ratepayers of the region, including consideration of the effects of the duration of indebtedness, the interest rate, and the terms upon which such financial agreements are likely to be refinanced if necessary.

The BPA should also take into consideration the following factors prior to making any contractual arrangements pursuant to this provision: (a) the Committee's concern over the effect of the arrangement on the ratepayers of the region as compared to other viable alternatives for the acquisition of power from generating resources; (b) the Committee's expectation that the BPA will not enter into arrangements which will result in financial obligations unreasonably in excess of those which would have otherwise occurred assuming financing by WPPSS; and (c) the Committee's recognition that this provision does not create any authority for BPA to incur liability with respect to WPPSS 4 and 5 and the investor owned utilities' ownership shares of WPPSS 3.

In addition to this financing arrangement, the Committee envisions that BPA would pay directly to WPPSS for BPA's share of the project's capability in the event that any of the existing rebidding agreements are determined to be invalid or unenforceable and BPA elects to affirm its right to the capability in the project by contracting directly with WPPSS.

In order to keep the Committee fully informed of BPA's activities in this regard, new contractual agreements between BPA and the investor owned utilities described in the provision shall be furnished to the Senate and House Appropriations Committees in the form in which they are to be executed at least 10 days prior to their execution. In addition, BPA shall reflect the cost impact of any restructuring which it proposes to enter into pursuant to the provision in any annual, amended or supplemental budget which it is required to submit to Congress.

The Committee adopted this provision upon receipt of requests or expressions of support for action by the Pacific Power Administration, the Governor of the State of Washington, WPPSS, investor owned utilities which own shares of WPPSS 3, and other interested parties.

been heretofore authorized." These resources were defined as "Federal base system resources," for example, "resources acquired by the Administrator under long-term contracts in force on December 5, 1980, the effective date of the Pacific Northwest Electric Power Planning and Conservation Act (Regional Act), 16 U.S.C. 839a(10)(B). As Federal base system resources, these facilities play a critical role in carrying out the purposes of the Regional Act. Under section 2(f) of the Bonneville Project Act and section 9(a) of the Regional Act the Administrator is authorized to "enter into contracts" or to "make expenditures, upon such terms and conditions and in such manner as he may deem necessary," 16 U.S.C. 832a(f); 16 U.S.C. 839(a). These statutory authorities give EPA a variety of alternative means by which it can fulfill its obligations under the existing non-billing agreements and protect the Federal interest in the three non-billed WPPSS projects.

The Washington Public Power Supply System (WPPSS), a municipal corporation, is currently facing difficulties because of its apparent inability to pay when due financial obligations it incurred in constructing two power projects (WPPSS 4 and 5) which are now terminated and in which there is no Federal investment. These difficulties have affected WPPSS' ability to finance WPPSS 1, 2, and 70 percent of 3, which have not been terminated, but are in various stages of construction. The remaining 30 percent of WPPSS 3 is owned by four investor-owned utilities which have separately financed their interest in WPPSS 3. To date, WPPSS has financed the construction of WPPSS 1, 2, and 70 percent of 3 through conventional bond issues secured by EPA's revenues under non-billing agreements. Although additional construction funding for WPPSS 1 is not presently needed as construction on that project has been extended indefinitely, such funding is required for WPPSS 2 and 70 percent of 3, which are approximately 95 and 72 percent complete, respectively.

WPPSS does not believe that it can raise the funds required to complete WPPSS 2 and 3 through conventional bond issues. The Committee recognizes that EPA will directly fund some or all of the costs of completing WPPSS 2 or 3 from current revenues under its existing authorities. It is not anticipated that the use of payments from ratepayers for costs of construction of WPPSS 3 would increase substantially from those budgeted for the preservation costs of that plant by the Administrator in the EPA's June 22, 1982 supplemental budget submitted to the Committee.

This provision directs an additional method for construction financing for either WPPSS 2 or 3 through the formation of a new entity, established pursuant to State law, that would issue bonds, notes or other evidences of indebtedness, the proceeds of which would be used to complete construction of these projects. The entity on which lenders would rely for repayment of funds provided to the new entity would be a contract between the new entity and EPA. This contract would commit EPA to pay the principal, interest, and related costs on the new borrowings directly to the new entity, in full, at the time of their maturity.

This arrangement has several benefits. First, an entity other than WPPSS, such as the issuer of the financing, could be the issuer of the financing. Second, the construction funds raised by the new entity could be paid by the entity under appropriate contractual arrangements, providing any attempt by WPPSS or others to levy on or attach such funds. Such arrangements may be made between the issuer and the lender, WPPSS, EPA, and others on these projects or between the issuer and WPPSS. These arrangements must assure that such funds are used for project construction and related costs. Third, direct payment would eliminate lenders' concern over the authority of state courts to make payments (for example, the participations under the non-billing agreements).

The Committee intends that this provision would not detract or supplant the Administrator's authority, rights or obligations under the existing non-billing agreements, other contractual arrangements or provisions of law, related to these three projects. Instead this provision creates an additional method available to the Administrator to provide

1 values; provides opportunities for public review and discus-
 2 sion of the tracts; and completes all necessary environmental
 3 assessments of such sales.

4 SEC. 517. In the manner described in the Senate com-
 5 mittee report, the Administrator of the Bonneville Power Ad-
 6 ministration, in addition to making payments from rates for
 7 the cost of construction, may enter into contractual agree-
 8 ments pursuant to his authority under sections 832c(),
 9 833(a), 838(b) of title 16, U.S.C. and this Act, to pay, or
 10 secure payment of, costs associated with the Federal base
 11 system resources as defined in section 832a(10)(B) of said
 12 title by paying such costs directly to an appropriate entity or
 13 entities, the primary obligees of such entity or entities, or
 14 their trustees.

Passed the House of Representatives June 28, 1988.

Attest:

§ 317 Sec. 314. Provides certain restrictions placed on the revenue branch
 pertaining to the disposal of public lands.

Sec. 315. Provides a limitation of a 14 percent increase above the
 1982 level for standard level user charges as billed to the Department
 and agencies by the General Services Administration.

§ 317 Sec. 317. The Committee, through section 314 of the bill and the
 provisions contained in this report, imposes specific directions on the
 Bonneville Power Administration (BPA), a Federal power marketing
 agency. BPA does not receive appropriations because it is a wholly self-
 financed entity under the provision of the Federal Columbia River
 Transmission System Act of 1974 (Transmission Act, 16 U.S.C. 331-
 331K). BPA's debt are guaranteed by its parent, not by the
 U.S. Treasury or the U.S. taxpayer. However, in section 317 of the
 Transmission Act, BPA expenditures are subject to "specific ceilings
 and limitations" * * * included in appropriations acts" 16 U.S.C.
 331(c). This provision is a specific ceiling and limitation of this type.

Federal power marketing agencies have authority under the Flood
 Control Act of 1944 to acquire resources by any means. The Public
 Works Appropriations Act of 1972 specifically affirmed BPA's authority
 to acquire the plant capability of 67755 I. I. and 30 percent of 3. This
 authority was affirmed in the Transmission Act of 1974 which au-
 thorized BPA to expend funds for the "purchase of electric power, in-
 cluding the enhancement of plant capability" * * * if such purchase was

Ed Christensen Chief Hearing Counsel

Joe Putberg - ELD - Asst. Chief Hearing.

X 28664

Telecom 9-19-83

WPPSS

What would be the legal status of new-financing entity? Would it be an NRC licensee?

New entity would issue bonds to complete WPPSS 2 & 3. It appears that it is an owner, not a creditor, and therefore would have to be licensed by NRC.

Called Joe 9-20, a.m. w/c book. Give him my opinion. He agrees.

Senate Shelves Attempt To Rescue Power System

By Helen Dewar

Washington Post Staff Writer

The Senate yesterday shelved an effort to help rescue the financially troubled Washington Public Power Supply System in the Pacific Northwest as it moved toward a showdown on the controversial coal-leasing practices of Interior Secretary James G. Watt.

Faced with filibuster threats, proponents of a rescue plan for the default-plagued electrical power system, known as "Whoops" after its abbreviation, WPPSS, agreed to lay the plan aside temporarily so that action could proceed on a \$7.6 billion Interior Department appropriations bill.

The bill had been held up for two months by Sen. Howard M. Metzenbaum (D-Ohio), who charged that a WPPSS rider championed by Sen. James A. McClure (R-Idaho), chairman of the Appropriations subcommittee with jurisdiction over the bill,

amounted to an indirect federal bailout that could cost the U.S. Treasury as much as \$1 billion.

McClure denied the charge, saying that the proposal simply would expedite financing to complete two power plants not involved in a recent WPPSS bond default and that he would pursue the plan.

Still pending before the Interior bill can be passed is a proposal by Sen. Dale Bumpers (D-Ark.) and other Democrats to prohibit coal-leasing until a special commission reviews Watt's leasing practices and Congress can decide whether to allow resumption of leasing.

The House has approved such a moratorium, while the Senate rejected it, 51 to 48.

The House yesterday gutted more than one-third of a \$10.8 billion spending bill for the federal judiciary system and the Commerce, Justice and State departments, and sent the leftovers to the Senate, 228 to 142.

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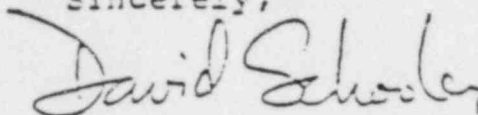
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If you have any inquiries concerning your appearance before the Subcommittee, please contact David Schooler or Bruce Driver at the Subcommittee office (202-226-2424).

Sincerely,

A handwritten signature in cursive script that reads "David Schooler".

David Schooler
Chief Counsel

DS:lc

Enclosure

Questions for NRC

There has been considerable discussion about the feasibility of mothballing WPPSS #3.

- (a) please provide the activities required to mothball a plant.
- (b) What is the role of the NRC in the mothballing process?
- (c) What regulations govern? (Don't know)
- (d) What problems are associated with mothballing plants?
- (e) Are other plants either here or abroad currently mothballed?
- (f) Have any plants either here or abroad been mothballed, and then brought on line?

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 9 839(a), 836i(b) of title 16, U.S.C. and this Act, to pay, or
 10 secure payment of, costs associated with the Federal base
 11 system resources as defined in section 839a(10)(F) of said
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 13 entities, the primary obligees of such entity or entities, or
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 and agencies by the General Services Administration.

§ 317

Sec. 317. The Committee, through section 316 of the bill and the
 provisions contained in this report, imposes specific directives on the
 Bonneville Power Administration (BPA), a Federal power marketing
 agency. BPA does not receive appropriations because it is a wholly self-
 financed entity under the provision of the Federal Columbia River
 Transmission System Act of 1974 (Transmission Act), 16 U.S.C. 831-
 831K. BPA's costs are, therefore, borne by its customers, not by the
 U.S. Treasury or the U.S. taxpayer. However, under section 316(b) of the
 Transmission Act, BPA expenditures are subject to "specific directives
 and limitations" . . . included in appropriations acts." 16 U.S.C.
 8316(b). This provision is a specific directive and limitation of this type.

Federal power marketing agencies have authority under the Flood
 Control Act of 1944 to acquire resources by net billings. The Public
 Works Appropriations Act of 1971 specifically affirmed BPA's authority
 to acquire the plant capability of WPPSS 1, 2, and 10 percent of 3. This
 acquisition was affirmed in the Transmission Act of 1974 which au-
 thorized BPA to expend funds for the "purchase of electric power, (in-
 cluding the entitlement of plant capability) . . . if such purchase has

the security necessary to meet BPA's existing obligations with respect to WPPSS 1, 2, and 3.

Utilizing the arrangements contemplated by this provision, construction financing should be available on reasonable terms to enable continuation of construction, particularly on WPPSS 3, which otherwise would be subject to a construction delay occasioned by WPPSS' financing difficulties. The Committee believes that the clarification of the authority of the BPA to enter into such arrangements will provide it with additional flexibility to address the problems facing the region. However, this directive should not be interpreted to be the only clarification of authority or remedy needed to protect the Federal investment in the Federal base system resources. The Committee is also concerned that this directive might create a climate in the region which might precipitate unwise decisions. Accordingly, as a condition precedent to the BPA entering into any arrangements or agreements to provide security for financing completion of the projects pursuant to this provision, an agreement must be reached among BPA and the project owners of WPPSS 3, providing for the schedule upon which WPPSS 3 will be constructed. In negotiating the agreement the BPA shall consider among other relevant factors the need for and marketability of the power. If such a schedule is agreed upon, only then may the BPA exercise such authority.

Further, the Committee intends the BPA to exercise its authority directed by this amendment in a prudent and business-like manner. BPA shall not enter into any contractual arrangements pursuant to this provision without due consideration of the effects on the ratepayers of the region, including consideration of the effects of the duration of indebtedness, the interest rate, and the terms upon which such financial agreements are likely to be refinanced if necessary.

The BPA should also take into consideration the following factors prior to making any contractual arrangements pursuant to this provision: (a) the Committee's concern over the effect of the arrangement on the ratepayers of the region as compared to other viable alternatives for the acquisition of power from generating resources; (b) the Committee's expectation that the BPA will not enter into arrangements which will result in financial obligations unreasonably in excess of those which would have otherwise occurred assuming financing by WPPSS; and (c) the Committee's recognition that this provision does not create any authority for BPA to incur liability with respect to WPPSS 4 and 5 and the investor owned utilities' ownership shares of WPPSS 3.

In addition to this financing arrangement, the Committee envisions that BPA would pay directly to WPPSS for EPA's share of the projects' capability in the event that any of the existing non-billing agreements are determined to be invalid or unenforceable and EPA elects to affirm its right to the capability in the projects by contracting directly with WPPSS.

In order to keep the Committee fully informed of EPA's activities in this regard, new contractual agreements between EPA and the new entity or entities designated in the provision shall be furnished to the Senate and House Appropriations Committees in the form in which they are to be executed at least 10 days prior to their execution. In addition, BPA shall reflect the cost impacts of any undertaking which it proposes to enter into pursuant to the provision in any annual, amended or supplemental budget which it is required to submit to Congress.

The Committee adopted this provision upon receipt of requests or expressions of support for action by the Bonneville Power Administration, the Governor of the State of Washington, WPPSS, investor owned utilities which own shares of WPPSS 3, and other interested parties.

been heretofore authorized." These resources were defined as "Federal base system resources," for example, "resources acquired by the Administrator under long-term contracts in force on" December 5, 1980, the effective date of the Pacific Northwest Electric Power Planning and Conservation Act (Regional Act), 16 U.S.C. §152a(10)(B). As Federal base system resources, these facilities play a critical role in carrying out the purposes of the Regional Act. Under section 2(f) of the Bonneville Project Act and section 9(a) of the Regional Act, the Administrator is authorized to "enter into contracts" or to "make expenditures, upon such terms and conditions and in such manner as he may deem necessary," 16 U.S.C. §152a(7); 16 U.S.C. §191(a). These statutory authorities give EPA a variety of alternative means by which it can fulfill its obligations under the existing net-billing agreements and protect the Federal interest in the three net-billed WPPSS projects.

The Washington Public Power Supply System (WPPSS), a municipal corporation, is currently facing difficulties because of its apparent inability to pay when due financial obligations it incurred in constructing two power projects (WPPSS 4 and 5) which are now terminated and in which there is no Federal investment. These difficulties have affected WPPSS ability to finance WPPSS 1, 2, and 70 percent of 3, which have not been terminated, but are in various stages of construction. The remaining 30 percent of WPPSS 3 is owned by four investor-owned utilities which have separately financed their interest in WPPSS 3. To date, WPPSS has financed the construction of WPPSS 1, 2, and 70 percent of 3 through conventional bond issues secured by EPA's revenues under net-billing agreements. Although additional construction funding for WPPSS 1 is not presently needed as construction on that project has been extended indefinitely, such funding is required for WPPSS 2 and 70 percent of 3, which are approximately 98 and 78 percent complete, respectively.

WPPSS does not believe that it can raise the funds required to complete WPPSS 2 and 3 through conventional bond issues. The Committee recognizes that EPA will directly fund some or all of the costs of completing WPPSS 2 or 3 from current revenues under its existing authorities. It is not anticipated that the use of payments from rates for costs of construction of WPPSS 3 would increase substantially from those budgeted for the preservation costs of that plant by the Administrator in the EPA's June 11, 1981 supplemental budget submitted to the Committee.

This provision directs an additional method for construction financing for either WPPSS 2 or 3 through the formation of a new entity, established pursuant to State law, that would issue bonds, notes or other evidences of indebtedness, the proceeds of which would be used to continue construction of these projects. The security on which lenders would rely for repayment of funds provided to the new entity would be a contract between the new entity and EPA. This contract would require EPA to pay the principal, interest, and related costs on the new borrowings directly to the new entity, its obligees or their assigns.

This arrangement has several benefits. First, an entirely new entity rather than WPPSS, could be the issuer of the financing instrument. Second, the construction funds raised by the new entity could be paid by the entity under appropriate contractual arrangements, providing an amount by WPPSS' creditors to levy on or attach such funds. Such arrangements may be made between the entity and the suppliers, contractors, laborers, and others on these projects or between the entity and WPPSS. These arrangements must assure that such funds are not for project construction and related costs. Third, direct payment would minimize lenders' concerns over the authority of bond parties to make payments (for example, the participants under the net-billing agreements).

The Committee intends that this provision would not disturb or to plant the Administrator's authority, rights or obligations under existing net-billing agreements, other contractual arrangements or provisions of law, related to these three projects. Indeed, this provision is merely an additional method available to the Administrator to pay



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

9-13-83

~~Jerry~~
~~Deal~~

→ Wayne Fyfe

Attached is the background
I received today on tomorrow's
hearing where Jack Martin is
testifying.

Jim

①

WASHINGTON--The Nuclear Regulatory Commission staff has proposed a \$20,000 fine against Consumers Power for letting an employee enter "in an unauthorized manner" a guarded area of its Palisades nuclear power plant. A Consumers Power spokesman said the utility will pay the fine. Wall Street Journal, 9/6.

WHITE PLAINS, NY--An early morning surprise test of communications part of the emergency response plan for the Indian Point reactors was declared a success by Westchester County Executive Andrew O'Rourke. He said more "odd hour" drills will be held. New York Times, 9/4.

The New York Times carried an article, 9/4, on the Atomic Safety and Licensing Appeal Board ordering a reopening of licensing hearings on Three Mile Island to examine falsification of leak rate data before the 1979 accident.

Mark Potts of the Washington Post writes that the 1979 Three Mile Island accident was a boon for the simulator business and the Link Simulation Systems division of Singer Co. Power-plant simulators account for about half the business of the Silver Spring, MD, Link division, which also produces a variety of simulators for the military. 9/5.

SEATTLE--A U.S. District Court judge has banned the use of the acronym WPPSS from his court. "I want the jury to hear only 'supply system,'" said the judge, who is hearing pretrial proceedings on lawsuits stemming from Washington Public Power Supply Systems' \$2.25 billion default. Baltimore Sun, 9/4.

Hearing Notes

2,250,000
1,000,000,000
\$2,000 premium
yr. \$1 million coverage

S.1701 - Assurances
immediate resumption of
WPPSS 3 units. (9)

10:05 am - 3 mcs present
O. Atiger - opening stmt. - opposed
Mrs. Scholer, Comm. Maj. Counsel.

Son of WPPSS

Wyden, Oregon - opening stmt. - WPPSS for withdrawal
WPPSS 3

- ① NRC - needs status of WPPSS 2 & 3 & what is a withdrawal plant.
- ② Ratepayers of Pacific NW - impact
- ③ What if \$1 billion is insufficient to complete WPPSS-3

~~Al Swift~~ Al Swift, Wash
Is this solution comprehensive
have Commission - results needed
Regional Power Commission

regulation is supported unanimously by investor-owned of
region; opposed unanimously by municipally owned

Adtl. hearing in October.

Sid Morison - 3 WPPSS plants are in his District.
This is not a federal bailout.
This addtl. aid will save money. ~~This is an answer.~~

Chapler - here to support Morison
colleague of Swift.

Mr. Bo

growth rate 1-2 percent not enough to justify
costs of new thermal plants ^(WPPSS 3) We are now
exporting low cost hydro power to the South.

Healey - Admin supports S 317 provided all
costs are borne by Pac NW ratepayers - bill needs
clarification to assume this.

Martin - ^{possibility} withholding #3 - objectives from NRC
① protect & preserve Equip;
② preserve const. records.

Some midw. plants have been - we have experience.

WPPSS3 higher than 75% because design costs
not incl. in 75% figure.

Boled - GAO - report on BPA
for FY'83 \$125M operating loss - revenue shortfall
demanded overestimated; revenue projections did not
materialize → GAO concern is that federal investment be
repaid.

MC Weaver - arrived

Wyden - Oregon
FERC - harke - limited jurisdiction - approves BPA's.

GAO - S.1701 - 317 would be locked by BPA & could
~~not~~ borrow directly from Treasury.

Treasury said there could be no direct borrowing from
~~the~~ Treasury ~~of~~ on FFB.

Swift - Wash

NRC - withholding - effect on ratepayer - no studies.

GAO - studies - no effect on ratepayer of withheld plants -

Martin - emphasized preserving ^{construction} records for track record
on restarting construction of previously withheld
plants - analogy to Braidwood. Loss of
project ~~return~~ & project management.

Cong.

Weaver - addressed harke - surplus NW power is being
sold to Calif at very low rates. Net revenues of
BPA could drop if WPPSS is built, operated and
NW does not need power.

Treasury would not let a fed agency default.

Would new financing org. need an NRC license.

bcc:

T. Novak, NRR

J. Martin, Reg. V.

J. Del Medico, OCA

Joe Putberg

Ed Fay

Ottiger - raised ques. about liability of taxpayers passed Treasury to get a Justice Dept opinion - ~~Arbit~~ can admin. support ~~the~~ bill without Justice opinion

honke ^{Ottiger, Wyden} - FERC - has review authority over BPA rates, limited & contained. - BPA is bid \$780 m to \$1.4 B in its repayments to U.S. Treasury. TVA is doing a much better job of this keeping current.

Swift - NW should pay just debts & should be done by ratepayers.

Ottiger - WPPSS 3 debt would be paid off by ratepayers? If power is needed. ~~Is~~ Is this plant cost effective or should we sail off building a new plant that may not be needed.

Wyden - who in govt. is calling shots on BPA repayment practices? Akeley said DOE.

honke ^{financing} ^{new entity} Martin - ownership interest - promised followup specifics

Joe Putberg - OELD - new owner would have to be licensed ^{as new joint} by owner.

Asally - Treasury

Regional witness' ~~test~~ ~~is~~ record because of time constraints.

Federal Witnesses depart, except Del Medico

Financial Witness - Things really heated up.

Eileen Austin - WPPSS does not have ability to ~~or~~ ~~obtain~~ ~~more~~ ~~Board~~ ~~funding~~. Questioned ~~firmly~~ ~~for~~ ~~viability~~ & ~~continued~~ ~~existence~~ ~~of~~ ~~entity~~.

Spiotto - World WPPSS over 2 & 3

Cochran - Counsel ~~to~~ Klein

Fraser - Boardholders of 5 plate should be protected. Proposed by leaves a lot to ~~the~~ ~~interpretation~~ ~~of~~ ~~the~~ ~~court~~.
interpretation.

5.17.01 - Austin ques. survivability of WPPSS as ^{as financial & operating entity} ~~an~~ ~~entity~~ ~~under~~ ~~siege~~. Very sensitive to lawsuits underway.

All financial witness were reserved in answers, expressing extreme sensitivity to lawsuits underway, many of which are post-issuance or defedats in such suits. Expressed extreme concern over unsettled nature of —

Ottoge asked is there a chance to defend creditors

of Units 4 & 5

Spiotto - yes but 2 operating units (Ottogi, if cost effective) could already overall for ~~units~~

Dingell arrived - much troubled by fate of 445 bondholders

Spiotto - objective ^{you} is to protect assets of Units 1, 2, & 3. Unit 1, 2, 3 + F. have pledge ~~of~~ of assets & revenue for those units. Creditors of 1, 2, & 3 have those rights.

Graham - Super deems rank ahead of fed. gov't's super proposed from ~~congress~~

Dingell - ~~con~~ is affected by fact that this committee wrote legislation to bail out Penn Central. Very concerned about fed govt passing legislation that might alter the rights & claims of creditors.

Tucker Act

Graham - Commitment to advance funds would be contingent on various classes of creditors being protected.

Ottogi
Tucker Act - Inadequate BPA revenues - ~~then~~ creditors could assert claims in this situation.

Howard - new entity needs at least Baa rating for financing to be successful - bonds will be taxable (11-13 percent for planning purposes)

McClure - Contract

Unit 3 - restant costs. Jan - Feb '84

Fresser - provides bond insurance on units 1, 2, 3, 4 & 5.

Will probably see if new entity is formed that in any way diminishes the rights of any bondholders on any unit.

Graham - If this legislation is passed, does not feel that judicial review or approval of the way it is necessary.

Sparotto - looks for repayment from BPA

If WPPSS goes bankrupt, they cannot proceed with any construction.

Swift sees last 2 1/2 hrs. of testimony as a mountain of ifs.

Wydor - taxpayers unions are likely to sue.

Ottiger - Fed. Govt. could be ultimate guarantor (thru BPA) of new financing. Likened project to Clide River. Federal taxpayers will be holding bill.

Diggell - New financing scheme depends on BPA revenues.

Craborn - someone must protect creditors

Ottenger - Who is going to lend money to org. that
~~has~~ just suffered largest municipal default
in history.

Leward - } Defied value of exploring financing
Graham - } arrangement to determine if valid & feasible.

~~Steph Steph~~ vague & loaded
Dingell - legislation proposed is slipshod; ~~up to the~~
with open question.

Leward - ok, but this is a start

Dingell - glad to work, better to possible solutions.

Wyden - constituents fear energy bill will exceed
ratepayers. Natl. Taxpayers Union will
likely sue.

Weaver - Agrees with associates -

~~Steph~~ - This is a device, Mr. Graham,
to allow BPA to borrow money.

Ante - if this is all that is passed, we will
be back here asking for addtl. legislation
to require WPPSS, bondholders, ratepayers.