

June 26, 1975

TO: R. Cioni, NRC

FROM: A. G. Hosler, WPPSS

Jim Bobo informs me that you had some question about the \$150 x 10⁶ for the WNP-1 structures and improvements. I have attached a breakdown of this number by contract. Also attached are breakdowns of other items included in Table 5-1 of the May 1975 financial data.

One reason for our higher than expected cost of structures and improvements might be the size of the General Services Building. The volume of this building is much more than what has been provided for other plants; like 25% larger than the next smallest building we have found.

Alan Hosler

Alan G. Hosler
Licensing Engineer
WPPSS

AGH:km

8409270253 840824
PDR FOIA
COHEN84-603 PDR

Second Paragraph

You have to be careful.

4.27% A-1 Moody
AA S&P

6.05% A-1 Moody
AA S&P

10-8-75

TIME 11:00 AM

To be confirmed

Yes

() No

SUBJECT: WNP-1,4 SAFETY HEARING

FROM

TO

Name A. G. Hostler

Name T. H. Cox

X 788 20

Company or Dept. WPPSS

Company or Dept. NRC

SUBJECT(S) DISCUSSED FINANCING FOR WNP-4

REMARKS I told Tom that I had some information to relate relative to the financing for WNP-4. I emphasized that what I had to say only affects WNP-4-- not WNP-1; also this was more of a status report to aid the Staff in preparing for the Safety Hearing, in particular to aid in the preparation of any testimony.

In order to obtain permanent financing for WNP-4, we need to have the participants' agreements signed and we had hoped to have these agreements signed by the time of the hearing as reported to the Staff in our May 29, 1975, financial information submittal. These agreements are now not expected to be signed until May or June of 1976. The reason, and only reason, for the failure to obtain signed agreements is the requirement to complete secondary environmental impact statements as required by a recent interpretation of the Washington SEPA. These impact statements are to address the local impact of acquiring power to assist in meeting challenges like that recently experienced by Seattle City Light that we had previously made Tom aware of.

I further explained that, until we obtain permanent financing for WNP-4, we are limited to expenditures of \$100 x 10⁶ for WNP-4 and 5 which was obtained under option agreements. Because of the schedule differences, most of this money is available for WNP-4. This dollar limit presents a cash flow problem and also presents a problem of making certain that the \$100 million is sufficient to cover all contracts, etc., including termination charges. Of a particular problem is the ERDA contract for enrichment services which increases from only a few million to over \$25 million upon receipt of a Construction Permit. We hope to meet this week with ERDA to discuss a proposed method of decreasing this liability. I summarized our other efforts to stretch the \$100 million-- like renegotiate the B&W contract.

I explained that the result of all of this was that within a few days we may need to send a letter to the NRC requesting that they defer the review of the financial qualification for WNP-4 for the present time; that is, this matter not be addressed at the Safety Hearing and, therefore, the Construction Permit for WNP-4 be deferred.

I reemphasized that this was all a status report; that things could change, but we believed that with the Staff preparing financial testimony we were not in a position to put off notifying the Staff any longer. Tom said he agreed and wished we had notified him a few weeks ago. I responded that a few weeks ago we had hopes of resolving the problem completely and thereby not be required to

Distribution:
CC: File

COM-BR-DAO

CT 75 4 : 29

October 8, 1975

bring up the problem at all.

I said that if we had a meeting Friday with ERDA we would be glad to meet with the Staff to discuss this problem, and even if the ERDA meeting is not held, we can meet. We will do anything we can to hold to the schedule we are currently on for the Safety Hearing. We still strongly desire to receive the Construction Permit for HIP-1 in 1975.

Tom said he would discuss this with his management and let me know what happens.

AGH:km

cc: JJ Stein
LL Humphreys
NO Strand
DL Renberger
RA Chitwood
CL Fies
SL Engstrom
JP Thomas
CB Organ
CE Love
HR Kosmata ← *Financial Analyst*
LL Grumme
AG Hosler (4)
JK Knotts - Conner, Hadlock & Knotts
Eng. Files (4)

10-8-75

TIME → L. JIKOVHOLT

SUBJECT: WNP-1,4 SAFETY HEARING

To be confirmed () Yes () No

FROM

TO

Name A. G. Hosier

Name T. H. Cox

X7886

10-8-75

Company or Dept. WPPSS

Company or Dept. NRC

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WPPSS-BR-DAO

10-8-75 4:29

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- NO Strand
- DL Renberger
- RA Chitwood
- CL Fies
- SL Engstrom
- JP Thomas
- CB Organ
- CE Love
- HR Kosmata ← *Financial Analyst*
- LL Grumme
- AG Hasler (4)
- JK Knotts - Conner, Hadlock & Knotts
- Eng. Files (4)

WPPSS-365

Agreement needed on N-plant bonds

8-26-75

By **JERRY PUGNETTI**
TNT City Hall Writer

Northwest public utilities, including Tacoma City Light, must agree by mid-1976 to underwrite a future bond issue of more than \$100 million to assure construction of two proposed nuclear power plants.

Officials of Washington Public Power Supply System, which is proposing the plants, said Monday the plants may be delayed or cancelled if the 93 participating utilities do not commit themselves by that time.

Tacoma Utilities Director Aldo J. Benedetti said he is optimistic Tacoma City Light and other utilities will agree to back the bond issues by that time.

The authority for City

Light, which has backed earlier WPPSS bond issues, to underwrite the future issue would come from the Utility Board and ultimately the City Council.

THE PROPOSED facilities include a \$1.2 billion plant at Satsop in Grays Harbor County and a \$1 billion plant at Hanford in Eastern Washington.

City Light already has backed 11 per cent of a \$100 million bond issue last month by WPPSS to finance the remaining preliminary work on the plants.

Any future bond issues would apply to actual construction of the plants.

Under the agreement, City Light would be entitled to buy 11 per cent of the 1.24 million kilowatts that would

be produced by both plants.

TACOMA'S UTILITY would not be obligated to pay any money unless the plants are not built. Then it would be liable for its share of the bond issue.

"When you have invested \$100 million in order to realize the benefit of that investment, the plants must be completed," said Benedetti, who sits on the WPPSS executive committee.

"There is no question about the need for the plants in order to meet the area power load."

If the plants are not built, Benedetti said, the Northwest would face a power shortage by the 1980s. Any delays in the plant construction would escalate costs substantially, he added.

D.

tax-Exempts

Comment

The effect of President Ford's speech on municipal interest rates was predictable. Yield indices moved higher at the end of last week, reversing a three-week downward trend which continued into the beginning of last week. This came at a time when the prime rate of major banks continued downward from 8% to 7.75%, and some fell further, to 7.50% on Friday. The Federal funds rate also dipped.

A \$36 million offering by the Chicago Building Commission was cancelled because of the possible adverse effects of the President's speech on the municipal market. MAC and DC bonds traded down at the end of last week. There was little action in New York City bonds, and no new competitive issues of large or medium-sized issues of New York local issues were reported.

The high-quality-bond market continued to function smoothly. West Virginia bonds sold at a net interest cost of 8.18%, and only about 5% of the \$50 million issue was underwritten on Friday afternoon. Atlanta, Georgia, will pay only 13.13% on its \$8.0 million bonds, which is more than one hundred basis points below the Bond Buyer Index. For its next bond offering, Atlanta paid only 31 basis points less than the Bond Buyer Index.

Next week's volume of competitive issues totals \$403.1 million, featuring \$100 million by the Commonwealth of Pennsylvania on Thursday.

New Issue

City of Tampa, Florida

The City of Tampa will offer for bids on November 6, 1975, \$19,000,000 special obligation excise tax bonds, Series B, and \$30,000,000 Tampa Waterworks System revenue bonds, Series A. Excise tax bonds are due October 1, 1976, and callable beginning in 1985 at 103. Waterworks revenue bonds are due September 1, 1977-2000, and are also callable beginning in 1985 at 103.

The excise tax bonds now being issued are subordinate bonds issued under the 1957 Ordinance, currently outstanding in the amount of \$15,260,000. Debt service and redemption premium, if any, on these junior lien and any additional parity bonds issued is payable from all revenues derived from the utilities service tax, subject only to the extent of the net proceeds from the sale of bonds or the net proceeds from the pledge to pay debt service and reserve requirements on outstanding senior lien bonds. The City has covenanted that additional bonds may be issued under the provisions of the 1957 Ordinance. Additional parity junior lien bonds may be issued if the preceding year's utility service taxes less minimum debt service on outstanding senior lien bonds is at least 135% of maximum debt service on outstanding and additional parity bonds. Bond proceeds of \$10,000,000 will be used to fund \$3,810,000 in outstanding bonds and for construction of public buildings, fire department facilities, street and storm sewer projects. Utilities service taxes are levied on purchases of electricity, metered bottled gas, water service and local telephone service. Tax revenues have steadily increased over the years, from \$3,995,955 in 1966 to \$9,116,130 in 1974.

Estimated maximum debt service of \$3,594,763 in 1978 on excise tax obligations is covered by 1974 revenues 2.54 times.

MOODY'S MUNICIPAL BOND YIELD AVERAGES

	Oct. 30	Oct. 23	Oct. 16	Oct. 9	Monthly- Oct. Sept.	—1974-75— High Low	
Composite.....	7.36	7.18	7.32	7.52	7.40	7.29	7.62 5.16
Aaa.....	6.60	6.44	6.60	6.80	6.67	6.60	6.92 4.90
Aa.....	7.02	6.85	7.00	7.20	7.08	7.00	7.32 5.00
A.....	7.82	7.64	7.76	7.96	7.85	7.70	8.05 5.25
Baa.....	8.00	7.80	7.92	8.12	8.01	7.85	8.20 5.45
Ten-Year							
Aaa.....	5.81	5.75	5.80	5.90	5.84	5.81	6.15 4.15
Aa.....	5.96	5.90	5.95	6.03	5.98	5.91	6.25 4.25

For explanation of construction of the averages, see page 1709 of January 27, 1975, BOND SURVEY.

The \$30,000,000 waterworks system revenue bonds are secured by a pledge of revenues of the system, subject to the prior payment of current expenses, debt service on outstanding senior lien bonds, deposits to the 1948 reserve account, depreciation reserve fund and a deficiency make up pledge to the City's sewer revenue system. The system currently has \$18,295,000 senior lien obligations issued pursuant to the 1948 Resolution; the City has covenanted not to issue any additional obligations under this resolution, although additional junior lien parity bonds may be issued. In order to meet increasing water demands of the City, bond proceeds will be used for construction of the Morris Bridge Well Field and Treatment Plant, including transmission mains to the City. In the past, the City has been reluctant to raise water rates, but a substantially increased schedule will go into effect January 2, 1976.

Rates are covenanted to produce revenues, less operating and maintenance costs, amounting to at least 120% of aggregate debt service requirements for the next fiscal year. Net revenues for 1974 of \$3,465,000 cover maximum debt service of \$4,176,903 in 1977 by 0.83 times. Estimated net revenues for 1976, under the new rate schedule, provide coverage of 1.73 times.

Located approximately midway down the Florida Peninsula on the western coast, Tampa is primarily a commercial and service center for an important gulf coast metropolitan area. Convenient to such tourist attractions as Disney World, Cypress Gardens, Busch Gardens, and Gulf Beaches, Tampa has a diversified economy and is not as dependent on resort activity as are many Florida communities. Principal manufacturing lines include food and kindred products, printing and publishing, fabricated metal products and tobacco products. The City provides an important trade function as reflected in 1972 retail sales per capita of \$4,304 at 3,416 retail establishments. Key economic indicators are slightly below Florida State urban medians with moderate population growth in the City. The Port of Tampa and Tampa International Airport provide the City with excellent transportation facilities. Due partly to diversity, the economies of Tampa and Hillsborough County have not been as sensitive to the economic slowdown in Florida especially as related to the construction industry. Hillsborough County has extensive phosphate mines, a diversified agricultural base including citrus products and is a major producer of tropical fish.

In consideration of the increased water rate schedule to be effective January 2, 1976, sound operating history and management, and the system's long-range prospects in an expanding Tampa economy, Tampa Waterworks System junior lien revenue bonds are rated **Con. (A)**. Steadily increasing utility tax revenues providing strong coverage, a moderate City debt burden of 3.6% and the well-being of the Tampa economy are contributing factors to the provisional **A 1** rating on Tampa's junior lien excise tax bonds.