

Washington Public Power Supply System
A JOINT OPERATING AGENCY

P. O. Box 968 3000 GEO. WASHINGTON WAY RICHLAND, WASHINGTON 99352 PHONE (509) 946-9101

May 29, 1975
G01-75-90

Docket Nos. 50-460
50-513

Mr. Angelo Giambusso, Director
Division of Reactor Licensing
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Subject: WPPSS NUCLEAR PROJECTS NO. 1 & 4
SUBMITTAL OF FINANCIAL DATA

Reference: Letter, A. Schwencer, NRC, to JJ Stein, WPPSS,
dated April 30, 1975.

Dear Mr. Giambusso:

The reference requested that the Supply System provide additional financial information in response to 11 staff questions. Twenty-five copies of the responses to these questions are attached.

Unless we hear to the contrary from the NRC, we will update the formal application (i.e., 10 CFR 50.33 and 50.37 information) by June 30, 1975, to incorporate some of the attached information, as appropriate. This would be done by replacement pages to the application. The major revisions would be updating the capital cost estimates, method of financing, and previous bond financing included in Exhibit A, and the submittal of 1974 financial statements for the project participants included in Schedule III of Exhibit A.

Very truly yours,

J. J. STEIN
Managing Director

8409270293 840824
PDR FOIA
COHEN84-603 PDR

JJS:AGH:km

Attachments (25)

cc: DJ Anderson - BPA
JB Knotts - Conner, Hadlock & Knotts
RW Beck Company

STATE OF WASHINGTON)
) ss
COUNTY OF BENTON)

J. J. STEIN, Being first duly sworn, deposes and says: That he is the Managing Director of the WASHINGTON PUBLIC POWER SUPPLY SYSTEM, the applicant herein; that he is authorized to submit the foregoing on behalf of said applicant; that he has read the foregoing and knows the contents thereof; and believes the same to be true to the best of his knowledge.

DATED May 28, 1975

J. J. Stein
J. J. STEIN

On this day personally appeared before me J. J. Stein to me known to be the individual who executed the foregoing instrument and acknowledged that he signed the same as his free act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and seal this 28th day of May 1975.

Reba B. Johnson
Notary Public in and for the State of
Washington 570 Sunpark
Residing at Richland, Wash

WPPSS NUCLEAR PROJECTS NOS. 1 AND 4

SUBMITTAL OF FINANCIAL DATA

MAY, 1975

QUESTION

1. Amendment No.1(dated July 22, 1974) to the license application indicates that the total capital cost of WNP-Unit 1 will be financed by the issuance of WPPSS revenue bonds, with interim financing provided by the issuance of WPPSS revenue notes. It is further indicated that the issuance of the revenue bonds will be based upon the contractual commitments of 104 consumer-owned utilities (the "Participants") and five investor-owned utilities (the "Companies"), to purchase the entire electrical output capability of WNP-Unit 1. Provide us with representative samples of these contracts as well as samples of both the "Net Billing Agreements" to be used with the Companies. By way of updating Amendment No. 1, Exhibit A, "Financial Qualifications", provide the following additional information:

ANSWER

The "Net Billing Agreements" are those with the public agency participants. The agreements with investor owned utilities are called "Exchange Agreements."

Attachments as follows:

- 1-1 WNP No. 1 Sample Project Exchange Agreement
- 1-2 WNP No. 1 Sample Amendatory Agreement No. 1 to Project Exchange Agreement
- 1-3 WNP No. 1 Project Agreement with BPA
- 1-4 WNP No. 1 Net Billing Agreement
- 1-5 WNP No. 4 Option and Services Agreement and Participants Agreement

QUESTION

1. (a) Describe in detail the contractual security provided by the Participants and the Companies as a basis for issuing WPPSS revenue obligations to finance the subject facilities.

ANSWER

There are different forms of security for WNP-1 and WNP-4:

WNP-1 - The annual project budget, including retirement of debt and associated interest, is paid by the Participants and by the five private power Companies.

The exchange agreements provide that each of the five companies will purchase a 6.494 percent share of the project capability beginning July 1, 1980, and ending June 30, 1996. Such share is assigned to Bonneville in exchange for which Bonneville agrees to make available during such period to each company 80,000 kilowatts of capacity and 68,000 average kilowatts of energy (595,680,000 kilowatt hours annually).

The exchange agreements provide that each company will pay the Supply System for its share of project capability during the period of July 1, 1980, through July 30, 1990, an amount determined by applying Bonneville's wholesale rates then in effect to the capacity and energy made available to each company.

For the final six years, i.e., July 1, 1990, through June 30, 1996, each company will pay its share based on the Supply System's estimated costs associated with the project. Monies paid by the Companies are used to reduce the annual project budget after which the balance is paid to WPPSS by the Participants.

The Participants assign their rights to Project output to BPA, for which BPA allows the monies paid to WPPSS by the Participants to apply against Participants' BPA power bills. Thus, the security for WPPSS bonds is the promise to pay by the Companies and ultimately by the Participants. The obligation of the participants and of the Companies to make payments to the Supply System is not dependent on completion or operation of the project as discussed further below and confirmed in the answer to 1(e). In case of default of Company (ies), the non-defaulting Companies are obligated to satisfy the total Company requirement. In the event of a default of a Participant, other Participants agree to automatic set-ups in their billing (by as much as 25 percent) to satisfy the total participant obligations to WPPSS.

It will be seen that the first level of security for repayment of bonds (which will have retired outstanding notes) is the revenues to be derived from operation of the project. Since the Participants and the Companies are obligated to make payments whether or not the project is completed, operable or operating and notwithstanding interruption or curtailment of output, the source of funds for the payment of project costs is not dependent on actual project revenues, but is "insured" on a broad base through the obligation of the 104 public and cooperative entities and, to the extent of their interest, the five utility companies. This is the second level of security. Moreover, it will be seen that there is a third level of security for the financing of the project in the obligation of the federal government, acting through the Bonneville Power Administration, to provide power and credits to the public participants and to provide capacity and energy at no additional cost to the companies (than they pay the Supply System) irrespective of the operation of the project. These arrangements tend to ensure the availability of funds on the part of the Participants and the Companies and make payments to the Supply System. For additional detail on the security to be provided for bonds see Attachment 4-2 at pages 10-11. Although the discussion in Attachment 4-2 applies to WNP-2, similar security will be provided for WNP-1.

||
BPA

In summary, the security for the WPPSS obligations is well diversified and ultimately backed by the U. S. Government. The promise to pay is not dependent upon successful operation of the Project. In the case of the Participants, they are obligated to raise rates to whatever level necessary to meet these obligations, and there is no legal restriction or mandatory review by other agencies to prevent this from occurring. The power received through exchange or net billing by the Companies or the Participants, respectively, is in almost all cases the most economic source available to them. Thus default of this contract does not appear likely.

WNP-4 - WNP-4 will be financed as a portion of a system comprised of the Supply System interest in WNP-4, WNP-5 and Skagit as discussed further below. The primary security to meet debt service of financing sold for this project is backed by Option and Services Agreement for the preliminary financing and by the Participants Agreement, which will replace the Option and Services Agreement about the time of the construction permit for the permanent financing. In either case, the form of the agreement is the same--a promise to pay a specific share of the Project budget, whether or not the Project is completed and not dependent upon any Project output. The Project budget includes debt service. In WNP-4, the Participants are all public utilities, either Public Utility Districts, Municipalities or Cooperatives. They all promise to raise rates to whatever level is necessary to meet their obligations to WPPSS; and they agree to step-ups of their obligations by as much as 25 percent in the event of a default of a utility of their own class (the cooperatives are considered in one class and all others in another class). There is no restriction to limit their rate increase. In almost all cases, even at escalated levels, the power available to the utilities from WNP-4 is the most economic alternative available to meet

load growth; thus, a default is considered highly unlikely. In the event of a default, the non-defaulting utilities have the right to sue for recovery. (For additional information please see Attachment 4-1.)

QUESTION

1. (b) Describe in detail the financing plan for WNP-Unit 4, which was not firmly established at the time Amendment No. 1 was submitted to the Commission.

ANSWER

The financing plan is discussed in part in (a) above. The basic plan is one of selling each public Participant the rights to a specific share of the output of the Project. In return, the Participant promises to pay the same specific share of the annual Project budget, which will include debt service and all fixed and variable Project costs for the year to support operation at a level requested by the Participants. To the extent surplus power is available from the Project, WPPSS will use its best efforts to secure separate contracts for its sale; however, the Participant's obligations are not affected by the success of WPPSS in accomplishing these surplus sales. The basic power sale document is the Participant's Agreement, which will be executed about the time the construction permit is granted. Prior to that, initial financing is supported to a maximum level of \$100 M by the Option Agreement. The Option Agreement gives the signer an option to obtain a share of the Projects output under the Participant's Agreement at least equal to his Final Option Share. Under the Option Agreement a utility has the same absolute obligations to repay the \$100 M authorized as he would in the Participant's Agreement; however, he is not obliged to take a position in the Participant's Agreement. As of May 28, 1975, sufficient participants have signed or have indicated they are in the process of signing to insure subscription of 100% of the project output. The Participant's Agreement replaces the Option Agreement and takes over all financial obligations. (For additional information see Attachment 4-1).

QUESTION

1. (c) Identify the source(s) of short and long-term debt service payments during the period of construction of each unit.

ANSWER

From the proceeds of each short-term debt issue, an amount equal to the total interest to be paid is deposited in a trustee administered interest fund. Short-term principal redemption is provided from the proceeds of long-term debt issues.

From the proceeds of each long-term debt issue, an amount equal to the total interest to be paid from the date of the bonds to the anticipated date of commercial operations is deposited in a trustee administered interest fund.

QUESTION

1. (d) Describe the contractual arrangements between WPPSS and the Participants and Companies, that will provide not only for purchase of the entire electrical output capability of the units but that will also provide adequate funds for debt service and retirement of the WPPSS revenue obligations used to finance WNP-Units 1 and 4.

What assurances does WPPSS have that the Participants and the Companies will have the capability to pay their respective shares of the total capital, interest and operating costs of the facilities in the event these costs escalate above current estimated levels?

ANSWER

This is covered in 1 (a) above.

QUESTION

1. (e) Are the Participants and Companies required to pay their respective portions of the facilities' total costs (including debt service) regardless of the level of power availability from the units? If not, describe the source(s) of funds to make up any difference.

ANSWER

Yes

QUESTION

1. (f) What is the nature and amount of reserves, if any, required to be maintained by WPPSS to provide for debt service charges on revenue bonds? What is the source of funds for the reserves?

ANSWER

The nature and amount of reserves are described in the enclosed draft bond resolutions; attachments 2-1 and 2-2 for WNP No. 1 and 4, respectively.

QUESTION

1. (g) Previously submitted information indicates that WNP-Unit 1 (and presumably WNP-Unit 4) will be financed on a project basis as a separate generating system, as have all construction projects undertaken by WPPSS. If there is to be any deviation from this financing method in the case of WNP-Units 1 and 4, provide details of the financing plan and a detailed statement of sources of funds with underlying assumptions for each year through completion of construction of both units.

ANSWER

WNP-1 will be financed on a project basis as a separate generating system. WNP-4, however, will be part of a system, which can include at least 70 percent of WNP-5 at Satsop, Washington, and up to 15 percent of each of the units 1 and 2 of the Sakgit Nuclear Project sponsored and partly owned by Puget Sound Power and Light. The WPPSS obligation in the projects will be financed as a separate system in the manner described for WNP-1 above. The source of funds is by notes and bonds sold under the Option and Participant's Agreement. The flow of funds will be in one of two increments of \$50 M under the Option Agreement and in increments of \$150 to 200 M in advance of project needs under the Participant's Agreement.

QUESTION

1. (h) Provide any further information that is needed to completely update Exhibit A, "Financial Qualifications", of Amendment No. 1.

ANSWER

See Attachment 1.(h)-1

QUESTION

2. Provide copies of the indenture and/or other documents governing the issuance of long-term debt by WPPSS.

ANSWER

Attachments as follows:

- 2-1 WNP No. 1 draft revenue bond resolution
- 2-2 WNP No. 4 draft revenue bond resolution

It should be noted that while these documents are called drafts, they are in the expected final form.

QUESTION

3. Provide a detailed explanation of all restrictions and constraints on the sale of long and short-term debt. Short-term debt should include notes, bank lines of credit and commercial paper, if any. If interest coverage requirements apply to any class or classes of debt, explain the requirements and provide a calculation of the coverage for the most recent twelve months' period.

ANSWER

All debt issues, both short and long term, are governed by bond or note resolutions. Each resolution contains certain covenants to secure the debt issue. See the following referenced attachments for specific covenants:

1. Attachment 2-1, Article X (WNP No. 1)
2. Attachment 2-2, Article IX (WNP No. 4)
3. Attachment 3-1, Section 12
WNP No. 1 \$77,000,000 Note Resolution

We have no bank lines of credit or commercial paper.

With respect to interest coverage requirements, see answer to question 1 (a) and 1(c) above.

QUESTION

4. Provide copies of Official Statements prepared in connection with the most recent WPPSS bond and note issuances, including issuances specifically related to the financing of WNP-Units 1 and 4. If there are prospective debt issues related to the subject units, provide copies of the preliminary official statements.

Answer

1. \$77,000,000 WNP No. 1 Revenue Notes Series 1974 Official Statement is included in the formal application, i.e., the 10CFR 50.33 and 50.37 information.
2. Attachment 4-1 - Preliminary Official Statement - WNP-4, WNP-5 and Skagit.
3. Attachment 4-2 - Official Statement for \$125,000,000 Revenue Bonds - Series 1975A WNP-2.

QUESTION

5. Provide for each unit the most recent cost estimates grouped as follows: (a) total nuclear production plant costs; (b) transmission, distribution, and general plant costs; and (c) nuclear fuel inventory cost for the first core. Also, complete the attached schedule titled, "Plant Capital Investment Summary", for each unit using the most recent cost estimates.

ANSWER

	<u>WNP No.1</u>	<u>WNP No.4</u>
(a) Total nuclear production plant costs	\$438,422,000	\$435,824,200
(b) Transmission, distribution and general plant costs	\$ 13,464,000	\$ 10,043,400
(c) Nuclear fuel inventory cost for the first core	\$ 44,005,000	\$ 63,060,000

The amounts shown for (a) and (b) above represent direct construction costs. The amounts shown for (c) excludes interest expense.

Attachment 5-1 WNP No. 1 "Plant Capital Investment Summary"
Attachment 5-2 WNP No. 4 "Plant Capital Investment Summary"

QUESTION

6. If nuclear fuel for the facility is to be acquired by lease or other arrangement than purchase, submit copies of the lease or documents relating to the "other arrangement".

ANSWER

Nuclear fuel will be acquired by purchase.

QUESTION

7. Indicate the earliest and latest estimated dates for completion of construction of each unit, if changed from those presently shown.

ANSWER

There are no changes in those dates provided in Amendment No. 1 of the application.

QUESTION

8. Provide copies of WPPSS' financial statements for the most recent twelve months' period. Include the "Statement of Funds" for the subject nuclear units. Also, copies of similar statements for the corresponding twelve months' period ended in the previous year should be submitted. Subsequent to the current submission, continue to submit copies of the WPPSS annual financial statements as required by 10 CFR 50.71(b).

ANSWER

We maintain separate books of account for each project once the project has its own funding. Attachment 8-1, WNP No. 1 balance sheet and statement of funds is the first and most recent financial statement for the Project (fiscal year-end is June 30). WNP No. 4 is presently being accounted for in the WPPSS General Fund set of books. Attachment 8-2, WPPSS General Fund Balance Sheet, includes WNP No. 4 costs through April 30, 1975.

QUESTION

9. Provide for each of the five investor-owned Companies the following information.

(a) Copies of the 1974 Annual Report to Stockholders.

ANSWER

Attachment 9(a)-1

QUESTION

9. (b) Copies of interim financial statements including income and retained earnings statements and balance sheet for the most recent twelve months' period. Copies of similar statements for the corresponding twelve months' period ended in the previous year should also be submitted.

ANSWER

The most recently issued financial statements are the 1974 Annual Reports to Stockholders of the five investor owned companies as supplied in 9(a) above. Statements for the previous twelve months have already been supplied in the 1973 Annual Reports to Stockholders in Amendment number one to the formal application.

QUESTION

9. (c) Copies of the prospectus for the most recent security issue.

ANSWER

Attachment 9(c)-1

QUESTION

10. Provide a 1974 update of the financial and operating summaries of the 104 consumer-owned Participants as presented in Schedule III, Exhibit A, of Amendment No. 1.

ANSWER

Attachment 10-1

QUESTION

11. Indicate the amount of WPPSS' most recent rate relief action and provide copies of the relative rate order(s) establishing the increases. Provide details of the amounts and timing of any prospective WPPSS rate increases. Describe the statutory authority, if any, allowing WPPSS to charge rates to its member utility districts that are sufficient to cover all costs of operation plus a reasonable return on investment.

ANSWER

As set forth in Page 5 of our final application in response to 50.33(i), the Supply System does not have rates but is reimbursed for its costs. Our Project net billing and/or power sales contracts with Participants allow for complete recovery of project costs including debt service. WPPSS is a municipal corporation and joint operating agency of the State of Washington. None of the projects nor the General Fund have any equity. During the construction phase, project costs, including net interest expense and administration and general and overhead, are capitalized.

With respect to operating plants, revenues and expenses are equal, since we are only concerned with cost recovery.

\$25,000,000

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

**A Municipal Corporation and a Joint Operating Agency of the
State of Washington**

**4¼% Washington Public Power Supply System
Nuclear Project No. 1 Revenue Notes, Series 1973**

Dated: February 15, 1973

Due: December 15, 1975

Principal and semi-annual interest (June 15 and December 15, first coupon due June 15, 1973) payable at Morgan Guaranty Trust Company, New York, New York, or Seattle-First National Bank, Seattle, Washington. The Notes will be in coupon form in the single denomination of \$25,000, or any multiple thereof.

Interest exempt, in the opinion of Bond Counsel, from federal income taxation under existing laws and regulations and a specific ruling to be received from the Internal Revenue Service with respect to the Notes. (See statement under the caption "Tax Exemption" herein.)

The Notes are being issued to finance a portion of the cost of acquisition and construction of the Washington Public Power Supply System Nuclear Project No. 1. This Project will be constructed and operated by the Supply System pursuant to an agreement between the Supply System and the Bonneville Power Administration. The Project's entire capability will be sold by the Supply System to certain statutory preference customers and private utility customers of Bonneville and assigned by such customers to Bonneville under Net Billing Agreements and Exchange Agreements, respectively. The Exchange Agreements provide that beginning July 1, 1980, each such private utility will purchase a portion of Project capability and exchange it with Bonneville which will supply a certain amount of power to such utility with payment to be made by the utility to the Supply System. Pursuant to the Net Billing Agreements, the balance of Project capability will be sold to the preference customers who will pay to the Supply System an amount equal to the Project's annual costs, less any amounts received from the private utility customers pursuant to the Exchange Agreements. Each preference customer will assign its share of Project capability to Bonneville which will credit the payments made to the Supply System by such preference customer against billings made by Bonneville to such preference customer for power and certain services. The Net Billing Agreements provide that each such customer is obligated to pay the Supply System whether or not the Project is completed, operable, or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output.

The Notes, together with interest thereon, will be payable from any moneys of the Supply System that may be lawfully applied thereto including revenues of the Project and the proceeds of revenue bonds or refunding notes of the Supply System. Interest on the Notes will be capitalized to maturity.

The Notes are to be issued subject to the approval of legality by Wood Dawson Love & Sabatine, New York, New York, Bond Counsel to the Supply System, and Houghton, Cluck, Coughlin & Riley, Seattle, Washington, Special Counsel to the Supply System. It is expected that the Notes in definitive form will be ready for delivery on or about February 27, 1973.

February 8, 1973

TABLE OF CONTENTS

	<u>PAGE</u>
Purpose of the Notes	3
The Supply System	3
The Project	5
Security for the Notes	5
Estimated Application of Note Proceeds	6
Bonneville Power Administration	7
The Participants and the Companies	8
The Hydro-Thermal Power Program and Power Supply in the Pacific Northwest	9
The Net Billing Agreements	11
The Project Agreement	15
The Resolution	17
Registration of the Notes by State Auditor	20
Trustee	20
Negotiable Instruments	21
Litigation	21
Approval of Legal Proceedings	21
Tax Exemption	21
Miscellaneous	21
Exhibit I — List of Participants	23
Exhibit II — Letter of R. W. Beck and Associates	29
Exhibit III — Form of Net Billing Agreement	39
Exhibit IV — The Project Agreement	65
Exhibit V — Opinions of Wood Dawson Love & Sabatine	80
Exhibit VI — Opinions of Houghton, Cluck, Coughlin & Riley	83
Map	Centerfold

OFFICIAL STATEMENT

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

(A Municipal Corporation and a Joint Operating Agency of the State of Washington)

\$25,000,000 4 $\frac{1}{4}$ % Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1973

February 8, 1973

The purpose of this Official Statement, which includes the cover page hereof, is to set forth information concerning Washington Public Power Supply System (the "Supply System"), its Washington Public Power Supply System Nuclear Project No. 1 (the "Project") and its \$25,000,000 Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1973 (the "Notes"), in connection with the sale by the Supply System of the Notes and for the information of all who may become holders of such Notes. The Notes are to be issued pursuant to the Revised Code of Washington, Chapter 43.52, as amended (the "Act") and Resolution No. 606 (the "Resolution") adopted February 5, 1973 by the Supply System.

PURPOSE OF THE NOTES

The purpose of the Notes is to pay a portion of certain preliminary costs of the Project, including paying at maturity a portion of certain notes previously issued by the Supply System for such purpose and repaying temporary loans from other funds of the Supply System also used for such purpose. The estimated application of the proceeds from the sale of the Notes to pay such costs is set forth herein under "Estimated Application of Note Proceeds".

THE SUPPLY SYSTEM

The Supply System, a municipal corporation and a joint operating agency of the State of Washington, was organized in January, 1957, pursuant to the Act. Its membership is made up of 18 of the operating public utility districts in the State and the Cities of Richland, Seattle and Tacoma, Washington. The Supply System has the authority, among other things, to acquire, construct and operate plants, works and facilities for the generation and transmission of electric power and energy. The Supply System has the power of eminent domain, but it is specifically precluded from the condemnation of any plants, works or facilities owned and operated by any city, public utility district or privately-owned electric utility.

The Supply System presently owns and operates the electric generating and associated facilities on the United States Atomic Energy Commission's Hanford Reservation (the "Hanford Project") with a name plate rating of 860,000 kilowatts which has produced more than 18 billion kilowatt-hours of electric power since startup in April, 1966, and is currently the second largest producer of nuclear generated electricity in the United States; and the Packwood Lake Hydroelectric Project with a name plate rating of 27,500 kva. In 1963, the Supply System issued \$122,000,000 Hanford Project Electric Revenue Bonds, \$70,805,000 of which are presently outstanding. In 1962 and 1965, the Supply System sold \$10,500,000 and \$3,200,000 Packwood Lake Hydroelectric Project Revenue Bonds, of which \$13,181,000 are still outstanding. Both Hanford and Packwood bonds are payable solely from the revenues of the respective systems which they financed.

In addition, the Supply System has begun preliminary construction on a 1,100,000 kilowatt nuclear plant on the Hanford Reservation to be known as Washington Public Power Supply System Nuclear Project No. 2 and has issued \$55,000,000 of notes to finance such work. The Supply System is also planning a 1,200,000 kilowatt nuclear plant at a site yet to be selected to be known as Washington Public Power Supply System Nuclear Project No. 3 and has financed certain preliminary investigations in connection with such plant from a portion of the proceeds of a \$1,500,000 note issue.

The Supply System has its principal office in Richland, Washington. The management and control of the Supply System is vested in a Board of Directors composed of representatives of the 18 member public utility districts and the Cities of Richland, Seattle and Tacoma. Regular meetings of the Board are held quarterly.

An Executive Committee of the Board administers the business of the Supply System between regular meetings of the Board. Members of the Executive Committee are:

- Ed Fischer, Commissioner, Public Utility District No. 1 of Clark County, Chairman
- W. G. Hulbert, Jr., Manager, Public Utility District No. 1 of Snohomish County
- Glenn C. Walkley, Commissioner, Public Utility District No. 1 of Franklin County, Vice Chairman
- E. Victor Rhodes, Commissioner, Public Utility District No. 2 of Pacific County, Secretary
- Gordon Vickery, Superintendent, Seattle City Light, City of Seattle
- A. J. Benedetti, Director of Utilities, City of Tacoma
- D. E. Hughes, Manager of Engineering and Planning, Public Utility District No. 1 of Cowlitz County

The Executive Committee holds regular meetings each month and special meetings as often as the business of the Supply System may require.

Members of the Supply System and their respective representatives on the Board of Directors are as follows:

- Public Utility District No. 1 of Benton County John Goldsbury
- Public Utility District No. 1 of Chelan County..... Kirby Billingsley
- Public Utility District No. 1 of Clallam County..... Alvin E. Fletcher
- Public Utility District No. 1 of Clark County..... Ed Fischer
- Public Utility District No. 1 of Cowlitz County..... D. E. Hughes
- Public Utility District No. 1 of Douglas County..... Howard Prey
- Public Utility District No. 1 of Ferry County..... Thomas F. Kroupa
- Public Utility District No. 1 of Franklin County..... Glenn C. Walkley
- Public Utility District No. 2 of Grant County..... John L. Toevs
- Public Utility District No. 1 of Grays Harbor County..... J. Tannahill
- Public Utility District No. 1 of Kittitas County..... Harold W. Jenkins
- Public Utility District No. 1 of Klickitat County..... Gerald C. Fenton
- Public Utility District No. 1 of Lewis County..... Arnold J. James
- Public Utility District No. 3 of Mason County..... Edwin W. Taylor
- Public Utility District No. 2 of Pacific County..... E. Victor Rhodes
- City of Richland Joseph Shipman
- City of Seattle Gordon Vickery
- Public Utility District No. 1 of Skamania County..... Rolf E. Jemtegaard
- Public Utility District No. 1 of Snohomish County..... W. G. Hulbert, Jr.
- City of Tacoma A. J. Benedetti
- Public Utility District No. 1 of Wahkiakum County..... Francis Longo

The officers of the Supply System elected by the Board are Howard Prey, President; Alvin E. Fletcher, Vice President; and E. Victor Rhodes, Secretary.

The chief administrative officer of the Supply System is J. J. Stein, Managing Director. The principal administrative positions of the Supply System are:

- Managing Director J. J. Stein
- Deputy Managing Director L. L. Humphreys
- Manager Engineering and Construction ... J. R. Church
- Treasurer Elmer A. Landin, Jr.
- Legal Counsel Richard Q. Quigley
- Controller J. T. Bobo
- Auditor C. W. Godfrey

In connection with this Project, the Supply System has engaged R. W. Beck and Associates as consulting engineer ("Consulting Engineer"), United Engineers & Constructors, Inc. as architect-engineer ("Construction Engineer"), The S. M. Stoller Corporation as nuclear fuel consultant, and Blyth Eastman Dillon & Co. Incorporated as financial consultant ("Financial Consultant").

THE PROJECT

The Project will be constructed and operated by the Supply System pursuant to an agreement (the "Project Agreement") between the Supply System and the Bonneville Power Administration ("Bonneville") as part of a Hydro-Thermal Power Program designed to meet the anticipated needs for power in the Pacific Northwest. The following is a general description of the Project; for a more complete description, reference is made to the report of the Consulting Engineer attached as Exhibit II to this Official Statement.

The Atomic Energy Commission (the "AEC") has notified Bonneville and the Supply System that the dual-purpose nuclear reactor owned and operated by the AEC which supplies by-product steam to the two existing generators included in the Hanford Project is now scheduled for shut-down on July 1, 1975. Bonneville has determined that it is not economical for the Supply System to undertake the licensing and operation of the AEC reactor in order to maintain the Hanford Project in operation and has notified the Supply System that it would not approve expenditures for such licensing. Accordingly the Hanford Project as such will cease production of power when the AEC reactor ceases operation. The Supply System has negotiated with all parties to the various agreements concerning the use of the output of the Hanford Project and has received approval to incorporate the existing turbine generators and other useful parts of the Hanford Project as part of the Project.

The Project will be located on the Hanford Reservation (at the site of the Hanford Project) 30 miles northwest of the City of Richland, and will consist of a pressurized water nuclear-electric generating plant having a nominal capacity of 1,220,000 kilowatts, together with associated facilities to deliver the output to Bonneville's high voltage transmission system in the vicinity of the Project.

The Project will utilize a Babcock and Wilcox pressurized water reactor steam supply system, a new General Electric topping turbine generator and the two existing turbine generator units (as they will be modified) of the Hanford Project.

The Supply System has entered into contracts for certain long delivery items for the plant including the nuclear steam supply system, the topping turbine generator and nuclear fuel. Under its current schedule, the Supply System anticipates (i) receipt of the AEC construction permit in the fall of 1974; (ii) fuel loading in the spring of 1980; and (iii) commercial operation in September, 1980. The Supply System has considered environmental factors relevant to the Project together with the technical and economic matters referred to herein; it has taken the steps required to date to conform with the Washington State Environmental Policy Act of 1971, including the preparation of an environmental impact statement, and will continue to meet the requirements of that Act.

The Supply System expects to adopt a Bond Resolution to provide for the permanent financing of the Project in early 1975. The Construction Engineer and the Supply System have estimated that the cost of construction, exclusive of the initial nuclear core, sales tax, owner's costs, financing costs and interest during construction, will be \$415,300,000. The Consulting Engineer and the Financial Consultant (assuming four bond issues) have estimated the aggregate principal amount of the issues to be \$607,000,000, at an assumed interest rate of 6%.

SECURITY FOR THE NOTES

The Notes, together with interest thereon, shall be payable from any moneys of the Supply System that may be lawfully applied to the payment thereof, including (i) revenues of the Project, including all payments to be made to the Supply System pursuant to certain agreements (the "Net Billing Agreements") described below; and (ii) the proceeds of revenue bonds or refunding notes of the Supply System. Interest on the Notes will be capitalized to maturity.

The Project's entire capability will be sold by the Supply System to 104 statutory preference customers (the "Participants") and 5 private utility customers (the "Companies") of Bonneville, and assigned by such customers to Bonneville pursuant to the Net Billing Agreements and certain agreements (the "Exchange Agreements"), respectively. The Exchange Agreements provide that each Company will purchase 6.494% of the Project capability during the period beginning July 1, 1980 and

ending June 30, 1996 and exchange its share of Project capability with Bonneville which will supply a certain amount of power to the Company with payment to be made by the Company to the Supply System. Pursuant to the Net Billing Agreements the balance of Project capability will be sold to the Participants who will pay to the Supply System an amount equal to the Project's annual costs, less any amounts payable by the Companies pursuant to the Exchange Agreements. Each Participant will assign its share of Project capability to Bonneville which will credit the payments made to the Supply System by such Participant against billings made by Bonneville to such Participant for power and certain services. The Net Billing Agreements provide that the Participants are obligated to pay the Supply System whether or not the Project is completed, operable, or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output.

If for any reason the Supply System is unable to issue and sell revenue bonds or refunding notes to obtain funds to pay the principal of the Notes, together with any interest thereon, when due, or is unable to proceed with the financing of the Project, the Supply System covenants in the Resolution that it will terminate the Project as provided in Section 15 of the Project Agreement and will invoke the provisions of Section 10 of each of the Net Billing Agreements.

The Supply System may terminate the Project pursuant to Section 11(a) or Section 15 of the Project Agreement if it is determined that the Supply System is unable to construct, operate or proceed as owner of the Project due to licensing, financing, or operating conditions or other causes which are beyond its control.

Pursuant to the Resolution and Section 10 of the Net Billing Agreements, upon giving the notice of termination of the Project the Supply System shall make monthly billing statements to the Participants in amounts sufficient to pay the Notes; provided, however, that the maximum monthly amount which can be billed to any Participant, under these circumstances, cannot exceed the ability of Bonneville to allow net billing credits in such month to said Participant in the manner provided in the Net Billing Agreements, taking into account all assignments which can be made pursuant to the Net Billing Agreements.

ESTIMATED APPLICATION OF NOTE PROCEEDS

The proceeds from the sale of the Notes will be applied to the payment of the estimated preliminary costs set forth below. The Supply System estimates that these funds will be sufficient to pay all expenses necessary to obtain a construction permit for the Project from the AEC, to receive site certification from the State of Washington and to pay certain initial construction costs of the Project. The Supply System presently plans to sell a portion of the permanent bonds as soon as practicable after receiving the construction permit and fund the Notes at such time. The Supply System anticipates the issuance of such permit in the fall of 1974.

Estimated Disposition of Proceeds

\$25,000,000 Notes

Initial Construction Costs	\$ 1,000,000
Engineering and Construction Management(1)	17,183,000
Escalation and Contingencies	2,500,000
Sales Tax	50,000
Supply System's Direct Cost	2,253,000
Note Discount and Financing Expenses	386,000
Capitalized Interest(2)	3,010,417
Gross Costs	\$26,382,417
Less: Investment Earnings	1,382,417
Principal Amount of Note Issue	\$25,000,000

(1) Includes both payment of that portion of the principal of and interest on a \$1,500,000 note issue which was used for this purpose and repayment of any temporary loans from other funds of the Supply System used for this purpose.

(2) Assuming an interest rate of 4.25%.

BONNEVILLE POWER ADMINISTRATION

The Bonneville Power Administration, an agency of the U. S. Department of the Interior, was established by the Bonneville Project Act of August 20, 1937, to build transmission facilities and to market power from federal hydroelectric projects in the Pacific Northwest. Such projects now number 26 with an installed capacity of 10,124,900 kilowatts. These projects and authorized new projects and additions at existing projects will have, when completed, an installed capacity of approximately 21,335,900 kilowatts. Bonneville's transmission facilities include nearly 12,000 miles of 115 kv to 500 kv ac and 800 kv dc transmission lines. These transmission facilities together with the hydroelectric projects mentioned above comprise the Federal Columbia River Power System.

Bonneville's revenues from the Federal Columbia River Power System for the past five fiscal years by major classifications of customers were as follows:

Bonneville's Revenues by Major Classification of Customers(1)

Fiscal Year Ended June 30	Preference Customers	Other Electric Utilities	Industrial	Transmission Service and Other	Total
1968.....	\$49,134,719	\$12,515,810	\$39,498,338	\$16,739,045	\$117,887,912
1969.....	55,752,314	16,967,117	46,204,161	18,353,608	137,277,200
1970.....	58,419,581	20,319,033	50,063,203	18,878,209	147,680,026
1971.....	64,078,043	25,120,610	45,418,745	21,060,576	155,677,974
1972.....	69,391,748	37,847,546	45,733,067	23,013,074	175,985,435

(1) From Bonneville Summary Financial Data.

In addition to the federal hydroelectric projects, Bonneville has entered into arrangements for the acquisition of additional power supply and storage. Under a treaty between the United States and Canada and agreements associated with this treaty relating to the development of the Columbia River, Bonneville, acting jointly with the U. S. Army Corps of Engineers as the U. S. entity, has obtained certain rights to 15,500,000 acre-feet of hydro storage on the Columbia River in Canada. The City of Eugene, Oregon, a preference customer of Bonneville, has a 30% ownership share in the capability of the Trojan Nuclear Project (see section herein entitled "The Hydro-Thermal Power Program and Power Supply in the Pacific Northwest"). Bonneville has contracted to obtain through net billing Eugene's share of Trojan's capability and anticipates receiving power and energy therefrom in 1975. Bonneville has also contracted to obtain through net billing 100% of the capability of the Supply System's Nuclear Project No. 2 and anticipates receiving power and energy therefrom in 1977.

Bonneville also transmits over its transmission facilities the major portion of the power from 11 nonfederal projects to various private and public utilities in the Pacific Northwest.

The Federal Columbia River Power System has interconnections with other regions in the United States and Canada. Three high voltage transmission line interconnections (two 500 kv ac, one 800 kv dc) of the Pacific Northwest-Pacific Southwest Intertie have been completed and are now in operation. Two 500 kv ac lines will interconnect the Federal Columbia River Power System with British Columbia, Canada, and several 230 kv ac lines interconnect the eastern portion of the system with utilities in the Mountain States and adjacent Canadian provinces. These interconnections provide, in addition to mutual support in the event of a breakdown or emergency, the means to carry capacity and energy which is surplus to the Pacific Northwest needs to these areas, and conversely to carry surplus capacity and energy from these areas into the Pacific Northwest.

Bonneville Contracts

Bonneville and each of the Participants have entered into one or more contracts requiring payments to Bonneville for the purchase or exchange of power, the operation and maintenance of facilities or the transmission of power over the Federal Columbia River Power System.

Bonneville markets power to 158 customers, including 104 preference customers (public bodies and cooperatives which have preference and priority upon power from the Federal Columbia River Power System pursuant to the Bonneville Project Act, as amended) under the terms of various power sales and exchange contracts. Each of the Participants is a preference customer and is a party to at least one such contract. The power sales contracts generally provide for the sale and delivery of firm power to a Participant in the amount of its requirements for power over and above the generating resources, if any, that the Participant has available to serve its own loads. Bonneville's obligation is effective for the term of the contract unless Bonneville gives the Participant at least five years' prior notice of insufficiency of supply. Bonneville as a policy matter has agreed to give the Participants eight years' notice and an eight year notice provision has been included in all such power sales contracts executed since March 2, 1971. At the end of such notice period Bonneville may restrict its deliveries to an amount which is not less than the amount which Bonneville will be obligated to deliver in fiscal year 1976 or 25,000 average kw, whichever is more.

These power sales contracts are usually for a term of twenty years and contain provisions for a rate review once each five years, the next rate review date being December 20, 1974. In the past Bonneville has replaced its power sales contracts on or prior to their expiration with new power sales contracts.

THE PARTICIPANTS AND THE COMPANIES

The Project has 104 Participants, of which 29 are municipalities, 28 are districts and 47 are cooperatives. The Participants will contract to purchase 67.53% of the Project's capability during the period 1980 to 1996 and 100% of the Project's capability thereafter. The Companies will contract to purchase 32.47% of the Project's capability during the period 1980 to 1996. Exhibit I attached hereto lists each Participant and Company and indicates its share of the Project capability purchased.

Pursuant to the Exchange Agreements, each of the 5 Companies will purchase 6.494% of the Project's capability from the Supply System during the period 1980 to 1996 and exchange such capability with Bonneville for 80 megawatts of capacity and 68 megawatts average annual energy. Payments to the Supply System for the period 1980 to 1990 will be computed under the applicable Bonneville wholesale rate schedule for such capacity and average annual energy. For the period 1990 to 1996, each Company will pay 6.494% of the Fixed Cost and Operation, Maintenance and Other Costs (as defined in the Exchange Agreements), plus payments with respect to fuel costs, certain reserves and transmission costs.

The Participants, all of which are statutory preference customers of Bonneville, currently obtain all or part of their power supply and other services from Bonneville, and, under their power sales and other contracts, will have an estimated net billing capacity which in the aggregate is estimated to be in excess of their share of the Project's estimated annual costs paid to the Supply System. Each Participant's share of such annual costs will be "net billed" (credited) against the billings made by Bonneville to the Participant on a monthly basis under its power sales and other contract(s).

Prior to the sale of the Notes each of the Participants will have executed a Net Billing Agreement, as more fully described below, with the Supply System, and Bonneville.

Under the Net Billing Agreements and the Exchange Agreements, each Participant and each Company assigns its share of the Project's capability to Bonneville, and the entire output of the Project is to be added to and pooled with the other power sources available to Bonneville.

Since the Participants' payments to the Supply System will be net billed, the cost of their share of the power produced by the Project will be borne by Bonneville customers. Bonneville has assured Congress that "any costs or losses to Bonneville under these agreements will be borne by all Bonneville rate payers through rate adjustments, if necessary."

THE HYDRO-THERMAL POWER PROGRAM AND POWER SUPPLY IN THE PACIFIC NORTHWEST

The Joint Power Planning Council, consisting of 108 public and private utilities in the Pacific Northwest and Bonneville, was formed to plan the coordination of existing and future thermal and hydroelectric resources in the Northwest. The major part of the power supply for the Pacific Northwest has historically been from hydroelectric generating resources. However, the remaining hydro projects to be developed in the Northwest will be essentially peaking projects. The area has turned to thermal generation for its base load resources for the future. The combination of hydro peaking and large scale thermal generating plants was found by the Joint Power Planning Council to be the most economic means of providing additional power to meet the area's power requirements. The most economic thermal units are too large for any one of the preference customers to install for its own needs. As a result, the Joint Power Planning Council developed the "Hydro-Thermal Power Program". This program has been endorsed by the current and previous Administrations and by the Congress.

The utility members of the Joint Power Planning Council have concluded that the Hydro-Thermal Power Program will:

1. Best preserve the environment and natural beauties of the Pacific Northwest.
2. Make efficient and economic use of the Federal Columbia River Transmission System.
3. Obtain the economies of scale from large thermal generating plants.
4. Meld the output of large thermal generating plants with that of existing hydro-generating units and the peaking generation units which will be installed at existing dams, to achieve the most economic and reliable power supply to meet the power requirements of the Pacific Northwest.

The first large scale steam electric generating plant built under the Hydro-Thermal Power Program is the Centralia Steam Plant which is jointly owned by Pacific Power & Light Company, The Washington Water Power Company, Portland General Electric Company, Puget Sound Power & Light Company, the Cities of Seattle and Tacoma and the Public Utility Districts of Grays Harbor and Snohomish Counties. The initial installation consists of two 700,000 kilowatt steam electric generating units using coal strip-mined from a nearby coal field for fuel. The first unit was placed in operation in late 1971, and the second unit in late 1972.

The first single-purpose nuclear fueled electric generating plant in the Pacific Northwest, and the second plant in the Hydro-Thermal Power Program, is under construction by the Portland General Electric Company at the Trojan site on the Columbia River downstream from Portland, Oregon. The plant is jointly owned by the Portland General Electric Company, the City of Eugene, Oregon and Pacific Power & Light Company. This plant with a capacity of approximately 1,130,000 kilowatts is scheduled for completion in 1975. The third power installation in the Program is Pacific Power & Light Company's coal-fired units to be installed at the Jim Bridger Plant located near Rock Springs, Wyoming. The first 500,000-kilowatt generating unit at Jim Bridger is not included in the Hydro-Thermal Power Program as its output is to be used outside the Pacific Northwest coordinated system. The second and third units, for use in the coordinated system, are scheduled for operation in late 1975 and late 1976, respectively.

The fourth installation is to be the Supply System's Nuclear Project No. 2, a 1,100,000 kilowatt plant on the Hanford Reservation, which is scheduled for commercial operation in September 1977. Portland General Electric Company is planning a nuclear installation near Boardman, Oregon, to be included as the fifth project under the Hydro-Thermal Power Program for operation in 1980. The sixth plant under this program is to be the Project, which is scheduled for operation in 1980. The Supply System's Nuclear Project No. 3, a 1,200,000 kilowatt plant to be located at a site yet to be selected, is scheduled for initial operation in 1981 as the seventh plant under this program. Preliminary investigations on the Supply System's Nuclear Project No. 3 and the Project have been financed from the proceeds of a \$1,500,000 note issue of the Supply System. It is expected that additional notes will be issued in the future for additional costs on Nuclear Project No. 3.

The present Hydro-Thermal Power Program of thermal generating plants for installation through 1981 is tabulated below:

Thermal Plant Schedule of Hydro-Thermal Power Program

Plant Number	Principal Sponsor	Location	Type	Rated Capacity (Mw)	Scheduled Date of Commercial Operation
1	Pacific Power & Light Company The Washington Water Power Company (Centralia Steam Plant)	Centralia, Washington	Coal-fired	700	(1)
			Coal-fired	700	(1)
2	Portland General Electric Company (Trojan Nuclear Project)	Near St. Helens, Oregon	Nuclear	1,130	July 1975
3	Pacific Power & Light Company (Jim Bridger Plant)	Rock Springs, Wyoming	Coal-fired	500	Sept. 1975
				500	Sept. 1976
4	Washington Public Power Supply System (Nuclear Project No. 2)	Hanford, Washington	Nuclear	1,100	Sept. 1977
5	Portland General Electric Company (Boardman Plant)	Near Boardman, Oregon	Nuclear	1,200	Sept. 1980
6	Washington Public Power Supply System (Nuclear Project No. 1)	Hanford, Washington	Nuclear	1,220	Sept. 1980
7	Washington Public Power Supply System (Nuclear Project No. 3)	Site under consideration	Nuclear	1,200	Sept. 1981

(1) Currently in operation at reduced capacity.

The Joint Power Planning Council is now considering further installations to meet the power requirements of the Pacific Northwest during the 1980s.

In addition to the foregoing major projects in the Pacific Northwest, The Montana Power Company and Puget Sound Power & Light Company are constructing a coal-fired steam electric generating plant at Colstrip, Montana. A portion of the output of this project will be used outside of the Pacific Northwest coordinated system and the balance of the output will be used by Puget Sound Power & Light Company to assist in meeting its needs within the Pacific Northwest. Present plans provide for 350,000 kilowatts to be available to Puget Sound Power & Light Company by 1976. Planning is proceeding on additional 525,000 kilowatt blocks presently scheduled for initial operation in September 1978 and September 1979.

Power Requirements and Resources

Each year the Pacific Northwest Utilities Conference Committee (PNUCC), the committee of Pacific Northwest utilities which has the responsibility for estimating loads and resources, prepares a Long-Range Projection of Power Loads and Resources for Thermal Planning (Long-Range Projection), which presents an analysis of both peak and energy loads and resources available to meet them. The most recent Long-Range Projection is dated March 24, 1972. The estimated resources available to meet projected loads in terms of dependable capacity and firm energy as contained in that analysis are summarized in the following tables. However, recent studies by Bonneville and other PNUCC members indicate that projected area peak and energy loads in the years 1974-75, 1975-76 and 1977-78 will be in excess of the projected peak and energy resources which will be available in the area in such years. The Long-Range Projection dated March 24, 1972 which is summarized in the following tables does not indicate a deficit in such years, or indicates a deficit which is less than the deficits shown in such studies. The resources assumed to be available in the Long-Range Projection are restricted to those plants (1) in operation, or (2) under construction, or (3) those for which substantial funds have been made available for final planning. Accordingly, the projection did not include as assured resources the Boardman Plant of Portland General Electric Company, the Supply System's proposed Nuclear Project No. 3, the Project or the additional units at the Colstrip, Montana plant.

**Firm Loads and Resources
Northwest Power Pool, West Group Area***

Peak Capability—Kilowatts

<u>Year Ending June 30</u>	<u>Estimated Requirements</u>	<u>Estimated Resources</u>	<u>Additional Resources Required (1)(2)(3)</u>	<u>The Project(2)</u>	<u>Balance Of Resources Required(1)</u>
1973	20,269,000	21,088,000	(819,000)	—	(819,000)
1974	21,698,000	22,195,000	(497,000)	—	(497,000)
1975	23,530,000	23,679,000	(149,000)	—	(149,000)
1976	24,376,000	26,219,000	(1,843,000)	—	(1,843,000)
1977	25,496,000	26,989,000	(1,493,000)	—	(1,493,000)
1978	26,818,000	29,035,000	(2,217,000)	—	(2,217,000)
1979	28,122,900	30,982,000	(2,860,000)	—	(2,860,000)
1980	29,698,000	31,070,000	(1,372,000)	—	(1,372,000)
1981	31,404,000	31,053,000	351,000	1,037,000	(686,000)
1982	32,570,000	31,416,000	1,154,000	1,037,000	117,000
1983	34,514,000	31,500,000	3,014,000	1,037,000	1,977,000

Energy Capability—Average Kilowatts

1973	12,938,000	12,962,000	(24,000)	—	(24,000)
1974	13,757,000	13,966,000	(209,000)	—	(209,000)
1975	14,640,000	14,187,000	453,000	—	453,000(4)
1976	14,975,000	15,091,000	(116,000)	—	(116,000)
1977	15,632,000	15,865,000	(233,000)	—	(233,000)
1978	16,443,000	16,550,000	(107,000)	—	(107,000)
1979	17,229,000	16,759,000	470,000	—	470,000
1980	18,066,000	16,889,000	1,177,000	—	1,177,000
1981	19,005,000	16,848,000	2,157,000	672,000	1,485,000
1982	19,731,000	16,912,000	2,819,000	907,000	1,912,000
1983	20,638,000	16,922,000	3,716,000	1,031,000	2,685,000

(1) Parenthesis denotes surplus.

(2) After deducting 15% peaking reserves. Computed using West Group Forecast principles.

(3) Refer to text above.

(4) Does not include Hanford Project operation which will add up to 420,000 avg. kw to West Group resources in the year ending June 30, 1975.

* Area served by the utility members of the Joint Power Planning Council other than The Montana Power Company.

THE NET BILLING AGREEMENTS

Prior to the sale of the Notes, the Supply System, Bonneville and each Participant will enter into a Net Billing Agreement. These Agreements will provide for the assignment to Bonneville by the Participants of the capability of the Project, less the portion sold pursuant to the Exchange Agreements. The Participants will pay the Supply System all costs associated with the Project including all obligations incurred with respect to the Hanford Project after July 1, 1980, including the Supply System's obligations under Resolution 178 (the bond resolution authorizing the bonds for the Hanford Project), less amounts payable from other sources, including amounts payable under the Exchange Agreements. In consideration of such assignment Bonneville will offset or credit the amounts paid by the Participants to the Supply System against amounts owed Bonneville by the Participants for power purchased and certain services under Bonneville Contracts. This system of offsets or credits is termed "net billing". An abbreviated summary of certain provisions of the Net Billing Agreements follows; however, reference should be made to full text of the form of Agreements attached hereto as Exhibit III.

The capitalization of any word or words which is not conventionally capitalized (e.g. Project, Participants) indicates that such words are defined in the Net Billing Agreements (Exhibit III). (The same practice is followed in the summaries of the Project Agreement and Resolution which follow.)

Term of the Agreement

Each Agreement becomes effective upon execution and delivery and will terminate on the date that the Project Agreement terminates except as provided in Section 10(c) and as to accrued obligations and liabilities. Net billing will begin on January 1, 1980, or the date of commercial operation, whichever is earlier, or at some earlier date if the Project is terminated pursuant to Section 15 of the Project Agreement, as hereinafter described.

Although the Net Billing Agreements may be terminated prior to the maturity of any notes or bonds, the obligation of each of the Participants thereunder to pay its proportionate share of debt service on any notes or bonds shall continue until the notes or bonds have been retired, and Bonneville will continue to be obligated to offset or credit these payments against the Participant's Bonneville Contracts.

Ownership and Operation

The Supply System will use its best efforts to arrange for the financing, design, construction, operation and maintenance of the Project.

Sale, Purchase and Assignment

The Supply System will sell and each Participant will purchase its share of the Project Capability and in turn will assign its share of such capability to Bonneville.

Method of Sale and Purchase

The Supply System sells and each Participant purchases its Participant's Share of the Project Capability. The Participant's Share after June 30, 1996 is the Participant's Percentage shown in the last column of Exhibit A to the Net Billing Agreement. In each Contract Year prior to July 1, 1996, it is the percentage specified for such year in said exhibit multiplied by 0.6753. The purchase price to be paid by each Participant in each Contract Year will be the amount specified in the Billing Statement rendered to the Participant by the Supply System. The amount of the Billing Statement is determined by multiplying the Annual Budget or any amended Annual Budget, less any other funds, including payments under the Exchange Agreements, specified in the Annual Budget as being payable from sources other than payments under the Net Billing Agreements, by the Participant's Percentage. The Annual Budget shall provide for all of the Supply System's costs with respect to the Project in the Contract Year, including debt service and all obligations with respect to the Hanford Project, including obligations under Resolution 178. The Participant is obligated to pay the Supply System whether or not the Project is completed, operable, or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output, and such payments shall not be subject to reduction and shall not be conditioned upon the performance or nonperformance by the Supply System or Bonneville or any other Participant under the Net Billing Agreements or any other agreement or instrument.

Assignment

The Participant assigns and Bonneville accepts the assignment of the Participant's Share. In consideration of such assignment, Bonneville will offset or credit the amounts paid by the Participant to the Supply System under the Net Billing Agreement against amounts owed Bonneville for power purchased and certain services under its Bonneville Contracts.

Bonneville is obligated to make the offsets and credits specified in the Net Billing Agreements whether or not the Project is completed, operable, or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output. Such offsets and credits shall not be subject to reduction and shall not be conditioned upon the performance or nonperformance by the Supply System or Bonneville or any other Participant under the Net Billing Agreements or any other agreement or instrument.

Payment

Each Participant is obligated to pay the Supply System on a monthly basis its proportionate share of the Supply System's annual expenses incurred in connection with the operation of the Project as specified in its Billing Statement. Each month's payments will be based on the amount of net billing credit received from Bonneville by the Participant during the preceding month on its Bonneville billings. If the credits received from Bonneville are less than the Participant's share of expenses for a Contract Year, the Participant is nevertheless obligated to pay its proportionate share of such expenses.

Bonneville may enter into net billing agreements with any or all of the Participants in connection with the construction and operation of other thermal generating plants, and has entered into such agreements with most of the Participants in connection with either the Washington Public Power Supply System Nuclear Project No. 2 or the Trojan Project. Pursuant to the Net Billing Agreements, Bonneville will offset the amounts it owes under the Net Billing Agreement and all other net billing agreements which it may have in effect with each Participant against the sum of the amounts that such Participant may owe Bonneville for power and certain services in the proportion that the amount specified in the current Billing Statement bears to the sum of the amounts to be paid by Bonneville under all such agreements for that Contract Year. Each Net Billing Agreement provides that Bonneville and the Participant shall not enter into any agreements providing for payments to the Participant which Bonneville estimates will cause the aggregate of its billings to the Participant to be less than 115 percent of the Bonneville net billing obligations to the Participant under all agreements providing for net billing.

If Bonneville is unable to net bill the amounts to be paid to the Supply System because the dollar obligations due Bonneville from a Participant are, or are expected to be, insufficient to offset Bonneville's dollar obligations to such Participant, Bonneville will endeavor to arrange for a voluntary assignment of such amounts which cannot be net billed and the Participant shall make any such assignment so arranged. The other Participants will have the first right to accept such assignment, pro rata among those exercising such right, before such an assignment is made to a customer who is not one of the Participants. If Bonneville is unable to arrange for such an assignment, the Participant will make such assignment to the other Participants, who are obligated to accept it, pro rata, provided that the sum of such assignments to a Participant shall not, without its consent, exceed either 25% of the Participant's Share of Project Capability or its net billing capability.

Nevertheless, if all or a portion of the Participant's Share is assigned as described above, the Participant will remain liable to pay the purchase price for its Share in accordance with its Agreement as if such assignment had not been made. Such liability of the Participant will be discharged only to the extent that the assignee of all or a portion of the Participant's Share shall pay to the Supply System the purchase price for the Share so assigned.

If assignments cannot be made in amounts sufficient to bring into balance the respective dollar obligation of Bonneville and the Participant and an accumulated balance in favor of the Participant from a previous year is expected by Bonneville to be carried for an additional year, such balance and any subsequent monthly net balances that cannot be net billed will be paid in cash to the Participant by Bonneville, subject to the availability of appropriations for such purpose.

If Bonneville is unable to satisfy its obligation to an affected Participant by net billing, assignment or cash payment and determines that this will continue for a significant period, the affected Participant may direct that all or a portion of the power and energy associated with its share be delivered by the Supply System for the Participant's account at a specified point of delivery either for the expected period of such inability or the remainder of the term of the Net Billing Agreement, whichever is specified by the Participant when it elects to have such power and energy delivered to it. The amount of power and energy delivered will be limited to the amount of the Participant's Share for which payment by Bonneville cannot be made.

Termination

If the Project is ended pursuant to Section 15 of the Project Agreement, as described below, Supply System will give notice of termination of each Net Billing Agreement effective upon the date of termination of the Project Agreement. Supply System shall then terminate all activities relating to construction and operation of the Project and shall undertake the salvage and disposition or sale of the Project as provided in the Project Agreement. After such termination, the Supply System will make monthly accounting statements to Bonneville and each Participant of all costs associated with such termination. The monthly accounting statements will credit against such costs all amounts received by the Supply System from the disposition of Project assets, including amounts payable under the Exchange Agreements. If the monthly accounting statements show that such costs exceed such credits, the Participant will pay its portion of such excess costs to the Supply System. The payments will be made at times and in amounts sufficient to discharge on a current basis the Participant's Percentage of the amount which the Supply System is required to pay into the various funds provided in the Bond Resolution for debt service and all other purposes.

Bonneville's Approval and Project Consultant

If any proposal or item subject to approval by Bonneville is disapproved by Bonneville and an alternative proposal or item is suggested by Bonneville, Supply System shall adopt such suggestion or within seven days after receipt of such disapproval, shall appoint a Project Consultant acceptable to Bonneville to review the proposal or item. Proposals or items found by the Project Consultant to be consistent with Prudent Utility Practice shall become immediately effective. Proposals or items found by the Project Consultant to be inconsistent with Prudent Utility Practice shall be modified to conform to the recommendation of the Project Consultant or as the parties otherwise agree and shall become effective as and when modified. If any proposal or item referred to the Project Consultant has not been resolved and will affect the continuous operation of the Project, Supply System shall continue to operate the Project and may proceed with the item as proposed by Supply System, or as proposed by Bonneville, or as modified by mutual agreement of Supply System and Bonneville. If the Supply System proceeds with the item as proposed by it, and the item is determined by the Project Consultant to be inconsistent with Prudent Utility Practice, Supply System shall bear any net increase in the cost of construction or operation of the Project resulting from such item without charge to the Project to the extent such item is found by the Project Consultant to be inconsistent with Prudent Utility Practice.

Event of Default

The Participant's Share of the Project Capability purchased by the Participant from the Supply System and assigned to Bonneville under the Agreement will be automatically increased for the remaining term of the Agreement pro rata with that of other nondefaulting Participants if, and to the extent that, one or more of the Participants is unable, fails, or refuses for any reason to perform its obligations under its Net Billing Agreement; provided however, that the sum of such increases for each Participant, without its consent, may not exceed an accumulated maximum of 25% of its Participant's Share nor shall any such increase cause the estimate of the payments to be made by the Participant to the Supply System to exceed the estimate of Bonneville's billings to the Participant for power and certain services during the period of such increase.

Participant's Rate Covenant

No Participant will be required to make payments to the Supply System under its Net Billing Agreement except from revenues derived from the ownership and operation of its electric utility properties and from payments by Bonneville under such Agreement. The Participant covenants that it will establish, maintain and collect rates or charges for power and energy and other services, facilities and commodities sold, furnished or supplied by it through any of its electric utility properties which shall be adequate to provide revenues sufficient to enable the Participant to make the payments to Supply System pursuant to

its Net Billing Agreement and to pay all other charges and obligations payable from or constituting a charge and lien upon such revenues.

Exhibits

The Exhibits described below are an integral part of the Net Billing Agreements and are attached to the form of Net Billing Agreement appended to this Official Statement as Exhibit III.

Exhibit A — A list of the Participants and their respective Participant's Percentages.

Exhibit B — Description of the Project.

Exhibit C — Contractual provision required by Statute or Executive Order. Under the provisions of Executive Order 11246 of September 24, 1965 and the Rules and Regulations and relevant Orders of the Secretary of Labor thereunder, the Supply System has been granted by the Director, Office of Federal Contract Compliance, U. S. Department of Labor, a limited exemption from the cancellation, termination, and suspension provisions contained in Section 3(f) of Exhibit C to the Net Billing Agreements in the event of non-compliance with the Equal Opportunity clause contained in said Agreements.

THE PROJECT AGREEMENT

Prior to the sale of the Notes the Supply System and Bonneville will enter into the Project Agreement. That Agreement, among other things, provides standards for the design, licensing, financing, construction, fueling, operation and maintenance of the Project, and for the making of any replacements, repairs or capital additions thereto. An abbreviated summary of some of the provisions of the Project Agreement follows; however, reference should be made to the full text of the Agreement attached hereto as Exhibit IV.

Term

The Agreement becomes effective upon its execution and delivery and will terminate when the Project is terminated as provided in Section 15 of the Agreement.

Section 15 provides that the Project shall terminate and the Supply System shall cause the Project to be salvaged, discontinued, decommissioned and disposed of or sold in whole or in part to the highest bidder or bidders, or disposed of in such other manner as the parties may agree when:

(a) Supply System determines it is unable to construct, operate, or proceed as owner of the Project due to licensing, financing, or operating conditions or other causes which are beyond its control.

(b) The parties determine the Project is not capable of producing energy consistent with Prudent Utility Practice or, if the parties disagree, the Project Consultant so determines, or

(c) Bonneville directs the end of Project pursuant to the provisions of Section 11(a), which provides that if the estimated cost of a replacement or repair or capital addition required by a governmental agency after the Date of Commercial Operation exceeds 20 percent of the then depreciated value of the Project, Bonneville may direct that the Supply System end the Project in accordance with Section 15.

Design, Licensing and Construction of the Project

The Supply System agrees among other things (i) to perform its duties and exercise its rights in accordance with Prudent Utility Practice; (ii) to use its best efforts to obtain all licenses, permits and other rights and regulatory approvals necessary for the ownership, construction, and operation of the Project;

(iii) to construct the Project in accordance with Prudent Utility Practice; and (iv) to use its best efforts to schedule the Date of Commercial Operation as near as possible to September 1, 1980.

In the Agreement "Prudent Utility Practice" at a particular time means any of the practices, methods and acts, including those engaged in or approved by a significant proportion of the electrical utility industry prior to such time, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. In evaluating whether any act or proposal conforms to Prudent Utility Practice, Bonneville and the Supply System and any Project Consultant shall take into account the fact that the Supply System is a municipal corporation with statutory duties and responsibilities, and the objective to integrate the entire Project Capability with the generating resources of the Federal Columbia River Power System in order to achieve optimum utilization of the resources of that system taken as a whole and to achieve efficient and economical operation of that system.

Financing

The Supply System shall use its best efforts to issue and sell Bonds to finance the cost of the Project and the completion thereof, as such costs are defined in the Bond Resolution, and to finance the cost of any capital additions, renewals, repairs, replacements or modifications to the Project; provided, however, that such Bonds may then be legally issued and sold.

Prior to its adoption, the Bond Resolution shall be subject to the approval of Bonneville.

Budget

Both the Construction Budgets and the Annual Budgets and any revision thereof are to be submitted to Bonneville and are subject to its approval. In the absence of any objection by Bonneville a budget will become effective within 30 days after submittal, in the case of the Construction and Annual Budgets, and within 7 days, in the case of any revision thereof.

All accounts shall be kept so as to permit conversion to the applicable system of accounts prescribed for electric utilities by the Federal Power Commission.

Operation and Maintenance

The Supply System shall operate and maintain the Project in accordance with Prudent Utility Practice and in accordance with the requirements of the Atomic Energy Commission and other government agencies having jurisdiction.

Exhibits

The Exhibits described below are an integral part of the Project Agreement and are attached to the copy of the Project Agreement appended to this Official Statement as Exhibit IV.

Exhibit A—Description of the Project.

Exhibit B—Contractual provisions required by Statute or Executive Order. Under the provisions of Executive Order 11246 of September 24, 1965 and the Rules and Regulations and relevant Orders of the Secretary of Labor thereunder, the Supply System has been granted by the Director, Office of Federal Contract Compliance, U. S. Department of Labor, a limited exemption from the cancellation, termination, and suspension provisions contained in Section 3(f) of Exhibit B to the Project Agreement in the event of non-compliance with the Equal Opportunity clause contained in said Agreement.

THE RESOLUTION

The following is a summary of certain provisions of the Resolution authorizing the issuance of the Notes and does not purport to be complete. Reference should be made to the Resolution for full and complete information about the Notes. Copies of the Resolution are available on request either at the office of the Supply System in Richland, Washington, or Blyth Eastman Dillon & Co. Incorporated, Seattle, Washington, or New York, New York.

Use of the Proceeds

The Resolution authorizes the issuance of Twenty-five Million Dollars (\$25,000,000) principal amount of revenue notes of the System designated "Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1973" for the purpose of paying a part of the cost of acquiring and constructing the Project and placing it into operation, including the cost of acquiring land and rights in land, acquiring nuclear fuel, preliminary work and expenses incurred in connection with the Project, engineering and other professional services, making site and other studies and surveys for the Project, obtaining necessary permits, licenses and approvals, preparing detailed plans and specifications for the construction of the Project, paying the portion of the principal of an outstanding \$1,500,000 note issue which was expended for the Project and the interest thereon, the expenses of issuing and selling the Notes and the fees and charges of the paying agents, trustee and depositaries appointed pursuant to the Resolution, and paying interest on the Notes from their date to the date of maturity thereof.

Description of the Notes

The Notes are to be issued in the form of coupon notes in a single denomination of \$25,000 or any multiple thereof, (as may be requested by the purchaser or purchasers), numbered from 1 upwards, and dated February 15, 1973. They will bear interest at such rate as is determined by the Board at the time of sale thereof, will be payable as to interest on June 15, 1973 and semi-annually on each December 15 and June 15 thereafter, and shall mature on December 15, 1975.

Sources from Which Notes Payable

The Notes, together with the interest thereon, will be payable from any monies of the Supply System that may be lawfully applied to the payment thereof, including revenues of the Project and the proceeds of the Supply System's revenue bonds or refunding notes.

Creation of Funds and Accounts

The Resolution authorizes the creation of two special funds of the Supply System: one, known as the "Nuclear Project No. 1, 1973 Preliminary Construction Fund" (the "1973 Preliminary Construction Fund"), will be held in trust and administered by the Supply System, and the other, known as the "Nuclear Project No. 1, 1973 Note Interest Fund" (the "1973 Note Interest Fund"), will be held in trust and administered by the Nuclear Project No. 1, 1973 Note Interest Fund Trustee (the "1973 Note Interest Fund Trustee"). The Supply System will appoint one of the Paying Agents for the Notes as 1973 Note Interest Fund Trustee.

Disposition of the Proceeds of the Notes

From the proceeds of the sale of the Notes there shall be deposited:

1. With the paying agent for \$1,500,000 principal amount of notes heretofore issued by the Supply System, the sum of \$1,000,000 to be used to pay principal of and interest on said notes, being the amount thereof allocable to the Project.

2. With the 1973 Note Interest Fund Trustee for credit to the 1973 Note Interest Fund an amount equal to the interest to accrue on the Notes from the date thereof to December 15, 1975, which shall be used to pay interest on the Notes during such period.

3. With the Supply System for credit to the 1973 Preliminary Construction Fund the balance of such Note proceeds, which will be applied for the purposes noted above under the title "Use of the Proceeds".

Monies in the 1973 Note Interest Fund will be used solely for the purpose of paying interest on the Notes. On or before the fourteenth (14th) day of the month in which an installment of interest falls due on the Notes, the 1973 Note Interest Fund Trustee will transfer from the 1973 Note Interest Fund to the Paying Agents an amount which, together with any monies theretofore received or held by the Paying Agents for the purpose, will be sufficient to pay the installment of interest then falling due on the Notes. If at any time monies in the 1973 Note Interest Fund and other available monies are inadequate for payment of interest, the Supply System will transfer from the 1973 Preliminary Construction Fund to the 1973 Note Interest Fund any additional amounts of money required.

All monies held or set aside by the Supply System in the 1973 Preliminary Construction Fund will, until invested or applied as provided in the Resolution, be deposited by the Supply System for the account of the 1973 Preliminary Construction Fund in such depository or depositories (hereinafter referred to as the "Construction Fund Depository" or "Construction Fund Depositories") as the Supply System may appoint. Each Construction Fund Depository will be a state bank or trust company or national banking association located in the State of Washington and qualified under the laws of said State to receive deposits of public monies, having a capital stock and surplus in excess of seven million five hundred thousand dollars (\$7,500,000). All monies so deposited shall be continuously secured for the benefit of the Supply System and the holders of the Notes to the extent permitted by applicable state or federal laws for the securing of deposits of public monies.

Investment of Monies Held in Funds

Monies held for the credit of the 1973 Preliminary Construction Fund are to be invested by the Construction Fund Depositories at the direction of the Supply System in the following:

- (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;
- (ii) obligations of the Federal National Mortgage Association and obligations issued or guaranteed by the Government National Mortgage Association;
- (iii) obligations issued by the Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, the Export-Import Bank of the United States, and Federal Land Banks;
- (iv) Public Housing Bonds or Project Notes issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions to be paid by the United States of America, or any agency thereof.

Monies held for the credit of the 1973 Note Interest Fund are to be invested by the 1973 Note Interest Fund Trustee in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

Monies in the 1973 Preliminary Construction Fund may be invested by the Construction Fund Depositories, at the direction of the Supply System, in bank time deposits evidenced by certificates of deposit issued by any bank, trust company, or national banking association located in the State of Washington

which is a member of the Federal Reserve System and which has capital stock and surplus of at least \$7,500,000. Such time deposits will mature not later than the time when the funds invested are required for the purpose intended and will be secured at all times in the manner provided by the laws of the State of Washington, provided, that the funds invested in bank time deposits issued by any one bank, trust company, or national banking association will not exceed at any one time 50% of the total of the capital stock and surplus of such bank, trust company or national banking association.

All interest earned by reason of investment of monies in either fund shall accrue to the 1973 Preliminary Construction Fund. In the event monies that are invested are needed in the 1973 Preliminary Construction Fund or 1973 Note Interest Fund to meet obligations for which funds are not otherwise available, then the Supply System shall sell or present for redemption any part of the investments to the extent required to provide the necessary funds.

Particular Covenants of the System

According to other provisions of the Resolution the Supply System covenants and agrees with the purchasers and holders of the Notes as follows:

A. The Supply System will pay the principal of and interest on each and every Note issued by the Supply System pursuant to the Resolution on the dates and at the places provided for in the Notes from any monies of the Supply System that may be lawfully applied to the payment thereof, including revenues of the Project and the proceeds of revenue bonds or refunding notes of the Supply System.

B. So long as any of the Notes issued pursuant to the provisions of the Resolution are outstanding and unpaid, the Supply System will not, (i) voluntarily consent to or permit any rescission of, nor will it consent to any amendment to, nor otherwise take any action under or in connection with any of the Net Billing Agreements or Exchange Agreements which will reduce the payments provided for therein or which will release any party thereto from its obligations therein, or which will in any manner impair or adversely affect the rights of the Supply System or of the Noteholders, and the Supply System will perform all of its obligations under the Net Billings Agreements and Exchange Agreements and take such action and proceedings as shall be necessary to protect and safeguard the security for the payment of the Notes afforded by the provisions of the Net Billing Agreements and Exchange Agreements; or (ii) voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or modification of, nor otherwise take any action under or in connection with the Project Agreement which will in any manner impair or adversely affect the rights of the Supply System or of the holders from time to time of the Notes. The Supply System will perform all of its obligations under the Project Agreement and will take such actions and proceedings as shall be necessary to protect and safeguard the security for the payment of the Notes afforded by the provisions of the Project Agreement.

C. The Supply System will proceed as promptly as is reasonably possible and practicable to obtain all necessary permits, licenses and approvals, to prepare detailed plans and specifications for the construction of the Project and to do other necessary preliminary work so that the construction of the Project can be commenced and financing of such construction provided for through the sale of revenue bonds of the Supply System.

D. As soon as it is reasonably practicable the Supply System will issue and sell its revenue bonds or refunding notes for the purpose of providing funds to pay the cost of construction of the Project, which cost shall include, among other things, the payment of the principal and interest not paid from the principal of the Notes authorized pursuant to the Resolution. If for any reason the Supply System is unable to issue and sell bonds or refunding notes to obtain funds to pay the principal of the Notes when due, or is unable to proceed with the financing of the Project for any reason,

the Supply System will terminate the Project as provided in sub-paragraph (a) of Section 15 of the Project Agreement and will invoke the provisions of Section 10 of each of the Net Billing Agreements. Thereafter the System shall in each month make monthly accounting statements under the Net Billing Agreements which shall show as the amounts due from the Participants in such month the maximum amount which can be stated therein for payment by the Participants in such month without causing the amount due from any Participant to exceed the ability of the Administrator to allow net billing credits to said Participant in such month in the manner provided in the Net Billing Agreements, taking into account all assignments which can be made pursuant to said Section, and shall deposit the amount so collected into a special fund which is created to provide for the payment of the principal of and interest on the Notes and any additional notes hereafter issued to pay costs of acquiring and constructing the Project.

E. The System reserves the right to issue additional notes to pay a part of the cost of acquiring and constructing the Project payable on a parity with the Notes from the proceeds of revenue bonds or notes or any other monies available therefor, including revenues of the Project.

Severability

If any one or more provisions of the Resolution shall be declared by any court of competent jurisdiction to be contrary to law, then the affected provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of the Resolution or the Notes issued thereunder.

REGISTRATION OF THE NOTES BY STATE AUDITOR

The Notes will be registered by the State Auditor of the State of Washington, and a certificate of such registration signed by the State Auditor or a Deputy State Auditor will be endorsed upon each Note in accordance with the provisions of Section 54.24.070 of the Revised Code of Washington, made applicable to the Supply System by the Revised Code of Washington, Section 43.52.3411. Such section provides, in part, that any revenue obligations after having been so registered and bearing such certificate, shall be held in every action, suit, or proceeding in which their validity is or may be brought into question prima facie valid and binding obligations in accordance with their terms.

TRUSTEE

The Supply System has appointed Seattle-First National Bank, Seattle, Washington to serve as the 1973 Note Interest Fund Trustee.

NEGOTIABLE INSTRUMENTS

The Notes and interest coupons attached thereto are negotiable instruments in accordance with the provisions of Section 54.24.120 of the Revised Code of Washington.

LITIGATION

There is no litigation pending, nor to the knowledge of the Supply System, any threatened, questioning the corporate existence of the Supply System, or the title of the officers of the Supply System to their respective offices, or the validity of the Notes, or the power and authority of the Supply System to issue the Notes, or the validity of the Net Billing Agreements, the Exchange Agreements, the Project Agreement, or any other proceeding taken or contract entered into by the Supply System, which is in any way related to the Project, or the power and authority of the Supply System to fix, charge and collect rates for the sale of power, energy and capability from the Project as provided in the Resolution.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the Net Billing Agreements, the Exchange Agreements, the Project Agreement and the authorization and issuance of the Notes are subject to the approval of Messrs. Wood Dawson Love & Sabatine, Bond Counsel to the Supply System, and Messrs. Houghton, Cluck, Coughlin & Riley, Special Counsel to the Supply System. Copies of the opinions they propose to render are appended hereto as Exhibits V and VI.

TAX EXEMPTION

In the opinion of the above named Counsel, the interest on the Notes will be exempt from Federal income taxes under existing laws and regulations and a specific ruling issued by the Internal Revenue Service, which ruling has been applied for and must be received prior to delivery of the Notes.

MISCELLANEOUS

The references, excerpts, and summaries contained herein of the Net Billing Agreements, the Project Agreement, the Exchange Agreements, and the Resolution, do not purport to be complete statements of the provisions of such documents and reference should be made to such documents for a full and complete statement of all matters relating to the Notes, the basic agreements securing the Notes and the rights and obligations of the holders thereof. Copies of the form of the Exchange Agreements are available upon request at the office of the Supply System in Richland, Washington.

The authorizations, agreements and covenants of the Supply System are set forth in the Resolution, and neither this Official Statement nor any advertisement of the Notes are to be construed as a contract with the holders of the Notes. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so identified, are intended merely as such and not as representations of fact.

All of the information relative to the Pacific Northwest, Bonneville, Joint Power Planning Council and Pacific Northwest Utilities Conference Committee, have been taken from sources deemed to be reliable but are not guaranteed as to completeness or accuracy.

The delivery of this Official Statement has been duly authorized by the Supply System.

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

By /s/ E. VICTOR RHODES
Secretary

Dated February 8, 1973

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EXHIBIT I

The Participants and Companies, their customers and gross revenues, estimated Bonneville billings for power and certain services and Participant's and Company's Shares

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

Nuclear Project No. 1

Columns (1) and (2) in the following table show the number of customers and the gross revenues of each Participant and Company for fiscal 1971.

Columns (3), (4) and (5) show the percentage of the Project's capability that has been purchased by each Participant and Company and assigned to Bonneville.

Column (6) shows the amount of the billings for power and certain services, after deducting any amounts previously committed under other net billing or exchange agreements, that Bonneville estimates each Participant will be obligated to pay in the year 1981-1982.

Based upon an estimated average annual cost of \$63,743,000, using a 6% interest rate on the permanent financing, Column (7) shows the annual Project costs as they are allocated to each Participant to be offset or credited against the billings to the Participant shown in Column (6) and as allocated to each Company.

(1)

(2)

Fiscal 1971 Statistics

Participant	Fiscal 1971 Statistics	
	Customers	Revenues
City of Albion, Idaho	129	\$ 23,974
City of Bandon, Oregon	1,528	359,638
Public Utility District No. 1 of Benton County, Washington	14,660	4,298,840
Benton Rural Electric Association, Inc.	4,704	1,129,546
Big Bend Electric Cooperative, Inc.	4,162	1,700,664
Blachly-Lane County Cooperative Electric Association	1,697	696,345
City of Blaine, Washington	1,110	213,618
City of Bonners Ferry, Idaho	1,565	312,511
City of Burley, Idaho	3,142	725,506
City of Canby, Oregon	1,751	365,589
City of Cascade Locks, Oregon	553	154,102
Central Electric Cooperative, Inc.	4,085	1,046,776
City of Centralia, Washington	6,125	1,050,609
Central Lincoln Peoples' Utility District	16,578	5,893,171
Public Utility District No. 1 of Chelan County, Washington	18,429	5,285,371
City of Cheney, Washington	2,382	591,242
Public Utility District No. 1 of Clallam County, Washington	8,708	2,367,150
Public Utility District No. 1 of Clark County, Washington	50,083	12,900,355
Clatskanie Peoples Utility District	2,364	1,961,856
Clearwater Power Company	5,217	1,302,874
Columbia Basin Electric Cooperative, Inc.	2,918	975,702
Columbia Power Cooperative Association, Inc.	1,213	423,654
Columbia Rural Electric Association, Inc.	1,816	732,015
Consolidated Irrigation District No. 19	1	4,409
Consumers Power, Inc.	8,329	2,483
Coos-Curry Electric Cooperative, Inc.	7,489	2,089
City of Coulee Dam, Washington	524	162,389
Public Utility District No. 1 of Cowlitz County, Washington	27,708	8,850,406
City of Declo, Idaho	100	18,229
Public Utility District No. 1 of Douglas County, Washington	6,999	1,944,441
Douglas Electric Cooperative, Inc.	4,702	1,069,193
City of Drain, Oregon	550	176,106
The East End Mutual Electric Co., Ltd.	297	50,120
City of Ellensburg, Washington	5,001	1,049,037
City of Eugene, Oregon	44,595	13,290,553
Fall River Rural Electric Cooperative, Inc.	3,898	855,604
Farmers Electric Co., Ltd.	183	18,079
Public Utility District No. 1 of Ferry County, Washington	1,455	437,514
Flathead Electric Cooperative, Inc.	262	715,334
City of Forest Grove, Oregon	3,917	899,465
Public Utility District No. 1 of Franklin County, Washington	9,643	2,745,511
Public Utility District No. 2 of Grant County, Washington	19,177	6,183,230
Public Utility District No. 1 of Grays Harbor County, Washington	27,481	5,989,605
Harney Electric Cooperative, Inc.	1,459	800,133
City of Heyburn, Idaho	632	360,198
Hood River Electric Cooperative of Hood River County, Oregon	2,050	594,436
Idaho County Light & Power Cooperative Association, Inc.	1,483	333,372
City of Idaho Falls, Idaho	12,939	3,033,982
Inland Power & Light Company	10,897	2,553,719
Public Utility District No. 1 of Kittitas County, Washington	1,104	276,517
Public Utility District No. 1 of Klickitat County, Washington	5,634	1,513,044
Kootenai Electric Cooperative, Inc.	4,018	803,721
Lane Electric Cooperative, Inc.	6,995	1,771,532
Public Utility District No. 1 of Lewis County, Washington	14,571	3,206,393

(A) Shares vary slightly each year between 1982 and 1986.

(B) Estimated total Bonneville billings less estimated credits by Bonneville applicable to purchases of Participants' shares of capability from the Supply System's Nuclear Project No. 2 and from the City of Eugene, Oregon's 30% share of the Trojan Nuclear Project. Billings are based upon current Bonneville estimates of power requirements and current Bonneville rates increased by 40%.

(3)			(6)	(7)
Share of Project Capability(A)			1981-1982	Share of Estimated Annual Costs(C)
1981-1982	1986-1996	Thereafter	Estimated Bonneville Billings(B)	Share of Estimated Annual Costs(C)
0.003	0.003	0.004	\$ 8,400	\$ 2,700
0.071	0.112	0.166	193,700	56,800
2.724	3.353	4.965	4,626,500	2,183,700
0.271	0.208	0.308	560,400	217,100
0.026	0.121	0.179	470,100	21,100
0.140	0.158	0.234	388,600	112,600
0.070	0.074	0.109	131,800	56,300
0.064	0.078	0.115	123,500	50,900
0.061	0.121	0.179	258,300	49,300
0.105	0.200	0.296	235,500	84,400
0.032	0.050	0.074	73,900	25,400
0.450	0.312	0.462	825,200	361,100
0.112	0.201	0.298	329,800	89,900
2.089	2.815	4.169	4,223,600	1,674,300
0.565	0.338	0.501	614,000	452,600
0.326	0.345	0.511	526,600	261,500
0.559	0.781	1.157	1,128,800	447,700
10.907	9.883	14.635	14,248,900	8,743,600
0.372	0.414	0.613	1,491,500	298,300
0.219	0.185	0.274	516,100	175,400
0.078	0.109	0.161	308,200	62,800
0.028	0.028	0.042	90,700	22,200
0.481	0.419	0.621	882,300	386,000
0.006	0.003	0.005	7,800	4,900
0.634	0.721	1.068	1,510,200	508,300
0.174	0.252	0.373	715,900	139,700
0.024	0.032	0.048	65,600	19,500
5.631	4.983	7.379	6,652,300	4,514,200
0.010	0.018	0.026	17,200	8,100
0.034	0.030	0.044	64,400	27,600
0.231	0.223	0.331	583,100	185,100
0.039	0.065	0.096	119,200	30,900
0.010	0.007	0.011	23,600	8,100
0.441	0.527	0.780	793,000	353,500
0.046	0.041	0.061	6,246,300	36,800
0.036	0.127	0.188	160,600	28,700
0.005	0.003	0.005	18,600	3,800
0.076	0.071	0.105	135,100	60,600
0.118	0.083	0.123	266,300	94,700
0.012	0.317	0.470	404,100	9,700
0.679	0.898	1.330	1,431,500	544,000
0.548	0.328	0.486	596,500	439,600
2.337	1.862	2.758	4,994,400	1,873,000
0.020	0.071	0.105	221,100	15,700
0.068	0.113	0.167	215,800	54,700
0.123	0.151	0.224	368,400	98,500
0.024	0.032	0.047	84,100	19,500
0.274	0.613	0.908	959,400	219,800
0.752	0.581	0.860	1,386,400	603,000
0.136	0.161	0.238	219,000	109,300
0.334	0.349	0.517	662,800	268,000
0.182	0.143	0.212	360,900	145,600
0.301	0.363	0.537	952,600	241,400
0.713	0.862	1.276	1,446,100	571,600

Based upon estimated average annual costs assuming level debt service and a 6% interest rate on permanent financing. Costs could be different if debt service is not on a level basis. Costs are based upon 1972 costs of labor and materials escalated to 1981.

Participant	Fiscal 1971 Statistics	
	Customers	Revenue*
Lincoln Electric Cooperative, Inc. (Montana)	1,708	\$ 50
Lincoln Electric Cooperative (Washington)	1,459	574,886
Lost River Electric Cooperative, Inc.	1,245	274,739
Lower Valley Power & Light, Inc.	5,759	1,470,957
Public Utility District No. 1 of Mason County, Washington	2,216	378,683
Public Utility District No. 3 of Mason County, Washington	11,075	2,584,581
Town of McCleary, Washington	607	201,860
City of McMinnville, Oregon	5,274	1,538,975
Midstate Electric Cooperative, Inc.	3,183	863,281
City of Milton-Freewater, Oregon	3,200	618,027
City of Minidoka, Idaho	50	8,979
Missoula Electric Cooperative, Inc.	3,185	687,819
City of Monmouth, Oregon	1,873	707,634
Nespelem Valley Electric Cooperative, Inc.	969	257,563
Northern Lights, Inc.	5,304	1,074,018
Northern Wasco County People's Utility District	2,367	495,466
Okanogan County Electric Cooperative, Inc.	872	168,436
Public Utility District No. 1 of Okanogan County, Washington	10,418	2,672,146
Orcas Power and Light Company	2,954	823,074
Public Utility District No. 2 of Pacific County, Washington	10,434	1,792,213
Public Utility District No. 1 of Pend Oreille County, Washington ..	2,651	788,308
City of Port Angeles, Washington	6,573	1,788,238
Prairie Power Cooperative, Inc.	305	68,043
Raft River Rural Electric Cooperative, Inc.	1,658	913,261
Ravalli County Electric Cooperative, Inc.	1,831	491,281
City of Richland, Washington	8,797	2,394,804
Riverside Electric Company, Ltd.	185	33,709
City of Rupert, Idaho	1,924	477,681
Rural Electric Company	1,861	379,254
Salem Electric	6,344	1,231,328
Salmon River Electric Cooperative, Inc.	1,122	28
City of Seattle, Washington	255,176	56,383,136
Public Utility District No. 1 of Skamania County, Washington	2,454	665,957
Public Utility District No. 1 of Snohomish County, Washington	100,858	22,776,210
South Side Electric Lines, Inc.	336	94,796
City of Springfield, Oregon	5,315	1,321,075
Town of Sumas, Washington	316	69,547
Surprise Valley Electrification Corporation	2,577	705,164
City of Tacoma, Washington	81,386	28,475,191
Tanner Electric	627	144,649
Tillamook Peoples' Utility District	11,517	2,566,536
Umatilla Electric Cooperative Association	3,793	1,023,967
Unity Light and Power Company	873	211,828
Vera Irrigation District No. 15	3,015	553,617
Vigilante Electric Cooperative, Inc.	2,755	666,850
Public Utility District No. 1 of Wahkiakum County, Washington ..	1,940	370,573
Wasco Electric Cooperative, Inc.	2,019	624,664
Wells Rural Electric Company	1,309	661,463
West Oregon Electric Cooperative, Inc.	2,408	599,202
Public Utility District No. 1 of Whatcom County, Washington	1	253,022
Total Participants (104)	975,090	\$253,507,983
Company		
The Montana Power Company	179,204	57,713,257
Pacific Power & Light Company	480,383	171,679,000
Portland General Electric Company	358,279	104,918,573
Puget Sound Power & Light Company	367,741	94,101,000
The Washington Water Power Company	172,294	52,577,948
Total Companies(5)	1,557,901	\$480,989,649
Total Participants and Companies	2,532,991	\$734,497,632

(A) Shares vary slightly each year between 1982 and 1986.

(B) Estimated total Bonneville billings less estimated credits by Bonneville applicable to purchase of Participant's shares of capability from the Supply System's Nuclear Project No. 2 and from the City of Eugene, Oregon's 30% share of the Trojan Nuclear Project. Billings are based upon current Bonneville estimates of power requirements and current Bonneville rates increased by 40%.

(3)	(4)	(5)	(6) 1981-1982		(7)
			Estimated Bonneville Billings(B)	Share of Estimated Annual Costs(C)	
Share of Project Capability(A)					
1981-1982	1986-1996	Thereafter			
0.070	0.059	0.087	\$ 166,400	\$ 55,800	
0.052	0.038	0.056	131,000	41,700	
0.025	0.038	0.056	89,500	20,000	
0.196	0.180	0.266	496,500	157,000	
0.109	0.126	0.186	190,200	87,700	
1.003	0.987	1.462	1,562,800	803,900	
0.028	0.047	0.069	95,400	22,200	
0.313	0.608	0.900	868,800	251,200	
0.190	0.227	0.336	508,400	152,100	
0.113	0.161	0.238	416,800	90,900	
0.001	0.001	0.001	2,400	500	
0.149	0.113	0.168	288,500	119,100	
0.221	0.458	0.679	477,900	177,000	
0.047	0.040	0.059	106,100	37,400	
0.186	0.158	0.234	383,500	148,900	
0.111	0.166	0.246	280,500	89,300	
0.012	0.026	0.038	67,900	9,200	
0.192	0.174	0.257	439,500	153,700	
0.219	0.237	0.351	502,900	175,400	
0.564	0.679	1.006	1,064,200	452,000	
0.059	0.037	0.055	64,800	47,100	
0.277	0.449	0.665	973,000	221,900	
0.010	0.005	0.007	19,900	8,100	
0.124	0.151	0.224	402,900	99,100	
0.165	0.132	0.195	313,000	132,100	
0.761	1.230	1.821	1,632,400	610,100	
0.010	0.005	0.007	19,500	8,100	
0.047	0.083	0.123	148,900	37,900	
0.160	0.140	0.208	295,900	128,300	
0.358	0.447	0.662	959,100	286,900	
0.023	0.031	0.046	78,100	18,400	
8.942	5.811	8.605	11,989,700	7,168,300	
0.156	0.217	0.321	330,200	125,000	
13.465	13.225	19.584	23,155,300	10,793,600	
0.029	0.022	0.032	61,300	23,300	
0.030	0.186	0.275	306,700	24,400	
0.008	0.014	0.021	22,500	6,500	
0.035	0.033	0.049	136,200	28,100	
3.144	4.032	5.971	6,461,800	2,519,900	
0.030	0.034	0.050	75,800	24,400	
0.351	0.650	0.963	1,086,600	281,000	
0.621	0.673	0.997	1,484,600	497,500	
0.099	0.076	0.122	195,000	79,600	
0.196	0.313	0.464	418,100	157,000	
0.024	0.028	0.042	113,000	18,900	
0.118	0.155	0.229	226,700	94,700	
0.081	0.078	0.116	250,800	65,000	
0.127	0.069	0.102	179,200	101,800	
0.083	0.082	0.121	230,100	66,600	
0.425	0.261	0.387	498,700	341,000	
<u>67.530</u>	<u>67.530</u>	<u>100.000</u>	<u>\$124,207,700</u>	<u>\$54,133,000</u>	
6.494	6.494	0.000	NA	1,922,000	
6.494	6.494	0.000	NA	1,922,000	
6.494	6.494	0.000	NA	1,922,000	
6.494	6.494	0.000	NA	1,922,000	
6.494	6.494	0.000	NA	1,922,000	
<u>32.470</u>	<u>32.470</u>	<u>0.000</u>	<u>\$ NA</u>	<u>\$ 9,610,000</u>	
<u>100.000</u>	<u>100.000</u>	<u>100.000</u>	<u>\$ NA</u>	<u>\$63,743,000</u>	

Based upon estimated average annual costs assuming level debt service and a 6% interest rate on permanent financing. Costs could be different if debt service is not on a level basis. Costs are based upon 1972 costs of labor and materials escalated to 1981.

NOTE: NA means not applicable.

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EXHIBIT II

R. W. BECK AND ASSOCIATES

ANALYTICAL AND CONSULTING ENGINEERS

PLANNING
DESIGN
RATES
ANALYSES
EVALUATIONS
MANAGEMENT

200 TOWER BUILDING
SEATTLE, WASHINGTON 98101
TELEPHONE 206-422-5000

SEATTLE, WASHINGTON
DENVER, COLORADO
PHOENIX, ARIZONA
ORLANDO, FLORIDA
COLUMBUS, NEBRASKA
BOSTON, MASSACHUSETTS

FILE NO. SS-1118-NF1-TA

January 31, 1973

Board of Directors
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
Richland, Washington

Gentlemen:

Subject: Summary Engineering Report
 Washington Public Power Supply System
 Nuclear Project No. 1

Presented herewith is a summary of our analyses, investigations and studies with respect to the proposal by the Washington Public Power Supply System (the "Supply System") to issue \$25,000,000 of its Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1973 (the "Notes") for the purpose of paying certain initial costs of acquiring and constructing a nuclear-fueled electric generating plant of approximately 1,220,000 kilowatts and related facilities to be known as Washington Public Power Supply System Nuclear Project No. 1 (the "Project") and placing it into operation. The Notes will mature on December 15, 1975.

The present program provides that the Notes will be retired from the proceeds of bonds issued to provide permanent financing of the Project. The costs to be financed from the proceeds of the Notes include the cost of preliminary work and expenses incurred in connection with the Project such as (a) engineering and other professional services, (b) obtaining permits, licenses and approvals, (c) preparing detailed plans and specifications for the Project, (d) payment of certain preliminary costs for equipment, (e) other costs associated therewith and (f) payment of the portion of the principal of and interest on a \$1,500,000 note issue which is allocable to the Project (generally referred to collectively herein as "Initial Work").

The Initial Work to be financed by the proceeds from the Notes will be that which is necessary to obtain a certification of the site for the Project by the Washington State Thermal Power Plant Site Evaluation Council, to obtain a construction permit from the United States Atomic Energy Commission (the "AEC") and, in general, to accomplish any other work to be undertaken prior to the issuance of long-term bonds to finance the actual construction of the Project.

The Supply System is a municipal corporation and a joint operating agency organized under the laws of the State of Washington and has 21 members consisting of 18 public utility districts and 3 municipalities, all located within the State of Washington. The Supply System owns and operates the Packwood Lake Hydroelectric Project of 27,500 kva of nameplate capacity located in Lewis County, Washington, and the steam-electric generating plant with a capacity of approximately 860,000 kilowatts located in Benton County, Washington, known as the Hanford Project. Steam is provided to this latter project from a nuclear reactor owned and operated by the AEC on its Hanford Reservation near Richland, Washington. The Supply System issued \$13,700,000 of Packwood Lake Hydroelectric Project

Revenue Bonds, Series of 1962 and 1965, to finance construction of the Packwood Lake Hydroelectric Project and \$122,000,000 of Hanford Project Electric Revenue Bonds, Series of 1963, to finance construction of the Hanford Project. Each of these projects is a separate utility system and the revenues of each are respectively pledged to the separate systems.

The Supply System has preliminary construction underway on a 1,100,000 kilowatt nuclear power plant on the Hanford Reservation of the AEC, approximately 12 miles north of the City of Richland, Washington to be known as Washington Public Power Supply System Nuclear Project No. 2. It has issued \$55,000,000 of revenue notes for the purpose of financing initial work on this project.

Present plans call for the Washington Public Power Supply System Nuclear Project No. 2 to be operated as a separate utility system with revenues of such project pledged to such separate system.

Hanford Project

The AEC has notified the Supply System that the nuclear production reactor (the "NPR") owned and operated by the AEC on its Hanford Reservation which provides steam to the Supply System's Hanford Project will cease operation on July 1, 1975. The Bonneville Power Administration ("Bonneville"), has determined that it is not economical for the Supply System to undertake the licensing and operation of the NPR in order to maintain the Hanford Project in operation and has notified the Supply System that it would not approve expenditures for such licensing. Accordingly the Hanford Project, as such, will cease production of power when the NPR ceases operation.

The Supply System will enter into an agreement with the AEC which discharges the Supply System's obligations to AEC relative to the operation of the NPR for Hanford Project purposes after June 30, 1975.

The Net Billing Agreements (hereinafter described) which will be executed by the 71 public agency and cooperative participants in the Hanford Project contain a provision which approves the use by the Supply System of the turbine-generators and other useful parts of the Hanford Project as a part of the Project. The Exchange Agreements (hereinafter described) which will be executed by the 5 investor-owned utilities which are participants in the Hanford Project contain similar provisions.

The annual cost of the Project includes, as one of its elements, all of the annual costs of the Hanford Project, beginning on July 1, 1980, including the debt service on the Hanford Project bonds. The existing Hanford Project exchange agreements will remain in effect. So long as all annual costs of the Hanford Project are paid by the Project, however, no billings are contemplated under those exchange agreements.

Supply System's Resolution No. 178, which provided for the issuance of Hanford Project Electric Revenue Bonds, Series of 1963, will remain in effect.

Proposal

The Supply System is proposing to construct the Project at the site of its Hanford Project. The Project, to be known as Washington Public Power Supply System Nuclear Project No. 1, will consist of a modern commercial power reactor to provide steam, a new turbine generating unit and the two existing turbine generating units included in the Hanford Project. The Supply System has entered into contracts for certain long-delivery items for the Project and is proceeding with engineering and investigations necessary to obtain a construction permit. The Project is scheduled for commercial operation in September 1980.

The Supply System proposes to finance the Initial Work through issuance of \$25,000,000 of Notes to mature on December 15, 1975. These Notes will be retired from proceeds of the long-term bonds expected to be issued to finance construction of the Project, or from any other funds available to the Supply System. The Supply System expects to issue the long-term bonds in several series, beginning shortly after the receipt of a Construction Permit for the Project from the AEC.

Present plans call for the Project to be operated as a separate system with revenues of the Project pledged to such separate system.

Description of the Project

The Project will be located about 140 miles east-southeast of Seattle, Washington, on the Hanford Reservation of the AEC, approximately 30 miles northwest of Richland, Washington and 47 miles east of Yakima, Washington.

The Project will consist of a Babcock and Wilcox pressurized water nuclear steam supply system rated at 3,600 megawatts thermal, including control system and primary coolant tubes with steam generators, radwaste system, service systems, containment building and other auxiliary structures. Steam will be fed from this source to a new topping turbine and generator housed in an extension to the existing turbine generator building. Interconnecting piping will tie in to the existing low-pressure turbine complex which will be modified by the addition of extra stages of blades. After driving the turbine, steam will be exhausted into a condenser. Methods of cooling the condenser are still under study. The Project will have a net electrical output of approximately 1,220,000 kilowatts. Power will be delivered from the Project into the BPA transmission grid in the vicinity of the Project.

Permits and Licenses

Prior to construction of the Project, the Supply System must obtain site certification by the Washington State Thermal Power Plant Site Evaluation Council and a construction permit by the AEC.

Construction Program

The Supply System has employed the firm of United Engineers & Constructors, Inc. ("UE&C") as Architect-Engineer to design and supervise construction of the Project.

The construction schedule as prepared for the Project by UE&C calls for continuation of design of the Project by UE&C and for the design of major components of the Project by equipment suppliers until receipt of the AEC Construction Permit, expected by the fall of 1974. Work will be accelerated following receipt of the Construction Permit.

Erection of the containment vessel for the reactor system is scheduled to start in July 1975. The reactor vessel is scheduled for delivery in July 1977 and the new topping turbine and generator for delivery in October 1977. Certain of the project components are expected to be available for pre-operational testing in 1978 and 1979. Fuel loading is scheduled for the spring of 1980. Initial criticality is scheduled for the summer of 1980, with commercial operation scheduled for September 1980.

Contractual commitments totaling approximately \$82,603,662 have been entered into by the Supply System. The following table shows the progress in awarding major contracts for the Project.

Washington Public Power Supply System

Nuclear Project No. 1

Contracts Awarded as of January 1, 1973

<u>Contractor</u>	<u>Item</u>	<u>Contract Award Date</u>	<u>Contract Amount</u>
General Electric	Topping Turbine Generator and Modifications	11-22-72	\$21,990,124
Babcock & Wilcox	Nuclear Steam Supply System	11-22-72	50,504,065(1)
Kerr-McGee Corp.	Initial Core Uranium Supply	12- 6-72	10,109,473
			<u>\$82,603,662</u>

(1) Includes \$7,604,065 for fabrication of the fuel for the initial core.

Initial Financing Program

The proceeds of the Notes are designed to provide funds necessary to meet the foregoing construction schedule to the winter of 1974-1975. The Architect-Engineer estimates that the AEC Construction Permit will be issued by that time. Interest on the Notes will be capitalized to maturity.

The estimated disposition of the proceeds of the \$25,000,000 of Notes based on an assumed interest rate of 4.25% is given in the following table.

Estimated Disposition of Proceeds

\$25,000,000 Notes

Initial Construction Costs	\$ 1,000,000
Engineering and Construction Management(1)	17,183,000
Escalation and Contingencies	2,500,000
Sales Tax	50,000
Supply System's Direct Cost	2,253,000
Note Discount and Other Financing Expenses	386,000
Capitalized Interest(2)	3,010,417
Gross Costs	\$26,382,417
Less: Investment Earnings	1,382,417
Principal Amount of Note Issue	<u>\$25,000,000</u>

(1) Includes both payment of that portion of the principal of and interest on a \$1,500,000 note issue which was used for this purpose and repayment of any temporary loans from other funds of the Supply System used for this purpose.

(2) Assuming an interest rate of 4.25%.

The Project Agreement between the Supply System and Bonneville provides that the Project shall terminate when the Supply System determines it is unable to construct, operate or proceed as owner of the Project due to licensing, financing or operating conditions or other causes which are beyond its control. In the event that the Supply System terminates the Project, the Net Billing Agreements will provide the mechanism by which the Supply System's obligations will be discharged. We estimate that under current Bonneville rates there would be in excess of \$55,000,000 of net billing capability available to the Participants during the calendar year 1975.

Permanent Financing Program

The current Supply System program anticipates that permanent financing will be initiated in the winter of 1974-1975 through the issuance of long-term bonds to be retired from revenues of the Project. These bonds are proposed to be issued to provide funds to retire the Notes and to pay the balance of the costs associated with the construction of the Project and placing it into operation. The Supply System proposes to issue the bonds in several series.

Construction costs have been estimated by UE&C to total \$415,300,000 including engineering and construction management and escalation and contingencies to a 1980 operating date but exclusive of nuclear fuel, sales tax, owner's costs, financing costs and interest during construction.

The Supply System has entered into a contract with the AEC which provides for payment of \$5,400,000 for the AEC's costs of deactivating the NPR. The Supply System proposes to make the payment from funds available from the issuance of revenue bonds or from other funds if available.

The current program provides that funds necessary to provide one-half year's interest in a reserve account in the bond fund, working capital, an initial reserve and contingency fund and a contingency

fuel fund will be funded under the Net Billing Agreements in advance of the expected date of commercial operation.

Based on the foregoing and further assuming permanent financing through the sale of four issues of bonds of approximately equal size, the first of which is assumed to be sold about January 1, 1975, the estimated total amount of bonds to be issued to finance the Project, assuming a 6% interest rate for the bonds, is shown in the following tabulation:

Estimated Permanent Financing Required(1)
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
Nuclear Project No. 1

Structures and Improvements	\$ 79,500,000
Reactor Plant Equipment	115,200,000
Turbo Generating Plant	49,500,000
Accessory Electric Equipment	23,800,000
Miscellaneous Power Plant Equipment	4,900,000
Station Equipment	1,000,000
Other	4,000,000
Subtotal(2)	<u>\$277,900,000</u>
Escalation and Contingencies(2)	113,350,000
Nuclear Fuel(3)	33,168,000
Sales Tax(2)	21,221,000
Engineering and Construction Management(2)	24,050,000
Owner's Direct Cost(3)	21,932,000
Payment to AEC(4)	5,400,000
Special Consultants(2)	2,000,000
Bond Discount and Other Financing Expenses(5)	15,559,000
Capitalized Interest During Construction(6)	122,997,000
Gross Requirement:	<u>\$637,577,000</u>
Less: Estimated Income from Temporary Investments(7)	30,577,000
Net Requirement	<u><u>\$607,000,000</u></u>

- (1) Based on 6% interest rate on the Bonds.
- (2) Based on estimates by United Engineers & Constructors, Inc.
- (3) As estimated by the System, excludes sales tax on nuclear fuel.
- (4) A portion of this payment may be obtained from other funds.
- (5) Includes costs of issuance of the Notes.
- (6) Includes interest on the Notes at 4.25%.
- (7) Includes investment income from temporary investment of the proceeds of the Notes.

In addition to the foregoing amounts to be obtained through issuance of bonds, present planning contemplates that amounts to be paid by the Participants during the period beginning January 1, 1980 and extending to September 1, 1980 under the Net Billing Agreements will be as follows:

Reserve Account in Bond Fund	\$18,210,000
Working Capital	3,000,000
Reserve and Contingency Fund	3,000,000
Contingency Fuel Fund	7,000,000(1)
Total	<u><u>\$31,210,000</u></u>

- (1) Estimated amount to be provided from advanced net billing to permit leveling of annual fuel costs in the event of a critical period of power supply.

Project Output

The Project is estimated by UE&C to have a nominal net peaking capability of 1,220,000 kilowatts. Operating at an 85% annual plant factor, it would be capable of producing about 9,000,000,000 kilowatt-hours annually. During a critical period of power supply in the Pacific Northwest caused by water shortage, it is expected that the Project would be called upon to produce the full amount of energy that it is capable of producing. During other periods, however, there will be times when surplus water will be available to generate power at existing hydroelectric projects thereby permitting a reduction in the total amount of energy produced at the thermal-electric projects to be constructed under the Hydro-Thermal Power Program, including the Project.

Studies prepared by Bonneville indicate that the average output required from the Project will be in the order of 750,000 to 850,000 average kilowatts. Annual generation would therefore average between 6,500,000,000 and 7,500,000,000 kilowatt-hours.

Annual Cost

The proposed bond resolution for the Project provides that the Supply System will make payments to the Hanford Project revenue fund in amounts sufficient to enable the Supply System to pay from the Hanford Project revenue fund all of the obligations of the Supply System payable from moneys in such fund beginning July 1, 1980, or a later date if the AEC has not discontinued dual purpose operation of the NPR by that date.

Present plans call for the AEC to discontinue such dual purpose operation on June 30, 1975, substantially before the 1980 date.

The amounts to be paid by the Supply System to the Hanford Project revenue fund are estimated to average approximately \$4,056,000 per year for the period July 1, 1980 through June 30, 1990 and approximately \$1,101,000 per year for the period July 1, 1990 through June 30, 1996. No payments are expected after that date.

Preliminary estimates of the remainder of the annual costs have been prepared based on an assumed interest rate of 6% on the bonds proposed to be issued to finance the Project, and further based on 1972 costs of labor and materials escalated to 1981-1982 cost levels, adjusted to eliminate special costs due to start-up.

Assuming generation of 6,500,000,000 kilowatt-hours annually, the estimated average remainder of annual costs of the Project are as follows:

Fixed Costs:	
Interest and Amortization(1)	\$41,867,000
Payments to Reserve and Contingency Fund	4,187,000
Insurance	2,000,000
Operation and Maintenance (Fixed)	4,369,000
Administrative and General Expenses	1,377,000
Subtotal	<u>\$53,800,000</u>
Less: Surplus of Prior Year's Payment to Reserve and Contingency Fund(2)	2,987,000
Total Fixed Costs	<u>\$50,813,000</u>
Variable Costs:	
Fuel Cost	\$ 8,476,000
Operation and Maintenance (Variable)	650,000
Taxes	1,300,000
Total Variable Costs	<u>\$10,426,000</u>
Total Remainder of Annual Costs	<u>\$61,239,000</u>
Less: Interest Earnings on Reserve Funds(3)	1,552,000
Net Remainder of Annual Costs	<u><u>\$59,687,000</u></u>

(1) Based on level debt service and a 35-year amortization.

(2) Computed as follows:

Payment to Reserve and Contingency Fund	\$4,187,000
Less: Amount Required for Renewals, Replacements and Additions	1,200,000
Net Surplus	<u>\$2,987,000</u>

(3) Computed on the basis of 5.5% interest earnings.

Sale of Power

The output of the Project will be purchased by 104 statutory preference customers of Bonneville (the "Participants") and by 5 investor-owned utilities (the "Companies"). Prior to the sale of the Notes each of the 104 Participants, the Supply System and Bonneville will execute Net Billing Agreements which will provide for the purchase of specified shares of the output of the Project by each Participant. Concurrently the 5 Companies, the Supply System and Bonneville will execute Exchange Agreements providing for the purchase of the remaining shares of the output of the Project. The percentage shares of the output of the Project purchased by each class of Participant (Utility Districts, Municipalities and Cooperatives) and by the Companies for the period 1980 to 2015 are shown in the following table:

	Percentage Shares	
	1980 to 1996	1996 to 2015(1)
Utility Districts	44.030*	64.869
Municipalities	16.080*	24.145
Cooperatives	7.420*	10.986
Subtotal	67.530	100.000
Companies	32.470	—
Total	100.000	100.000

*Averages for period.

(1) Estimated final maturity of long-term bonds.

Net Billing Agreements

The Net Billing Agreements provide that the Participants pay the Supply System the total annual cost of the Project less the amounts received from the Companies under their Exchange Agreements. Included in the annual costs are the payments to the Hanford Project. The Participants, in turn, assign their interest in the output of the Project to Bonneville. Bonneville pays the Participants, in the form of credits on their power bills from Bonneville, amounts equal to the Participants' payments to the Supply System. Assuming generation of 6,500,000,000 kilowatt-hours annually, the estimated average annual payments by the Participants to the Supply System for the periods 1980-1990, 1990-1996 and 1996-2015 based on 1972 cost of labor and materials escalated to 1981-1982 cost levels are shown on the following table:

Estimated Average Annual Cost(1)

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

Nuclear Project No. 1

	Period		
	1980-1990	1990-1996	1996-2015
Payments to Hanford Project	\$ 4,056,000	\$ 1,101,000	\$ —
Remainder of Net Annual Costs	59,687,000	59,687,000	59,687,000
Total Net Annual Costs	\$63,743,000	\$60,788,000	\$59,687,000
Net Annual Costs per Kwh (6,500,000,000 Kwh)(2)	9.81 mills	9.35 mills	9.18 mills
Payments from Companies	\$ 9,610,000	\$22,945,000	\$ —
Balance from Participants	\$54,133,000	\$37,843,000	\$59,687,000

(1) Based on level debt service and a 35-year amortization.

(2) Net annual cost per kwh assuming annual generation of 9,000,000,000 kwh is estimated to average as follows:

1980-1990	7.53 mills
1990-1996	7.20 mills
1996-2015	7.08 mills

Exchange Agreements

The Exchange Agreements provide that the Companies will each purchase a 6.494% share of Project Capability beginning July 1, 1980 and ending June 30, 1996. Such share is assigned to Bonneville in exchange for which Bonneville agrees to make available to each Company 80,000 kilowatts of capacity and 68,000 average kilowatts of energy (595,680,000 kilowatt-hours annually).

The Agreements provide that each Company will pay the Supply System for its share of Project Capability during the period July 1, 1980 through June 30, 1990 an amount determined by applying Bonneville's wholesale rates then in effect to the capacity and energy made available to each Company.

We estimate that payments to be made by each Company annually during the period July 1, 1980 through June 30, 1990 will be \$1,922,000 or a total of \$9,610,000 for all 5 Companies, using a projected 40% increase in Bonneville rates prior to 1980. The Bonneville Administrator has stated that the anticipated increase based on current estimates will be approximately 50% by 1980.

For the period beginning July 1, 1990 and extending through June 30, 1996 each Company will pay for its share based on the Supply System costs associated with the Project. We estimate that annual payments during this period will average \$4,589,000 for each Company or a total of \$22,945,000 based on estimated 1982 levels of labor and material costs.

Project Agreement

Prior to the sale of the Notes, the Supply System and Bonneville will enter into a Project Agreement which, among other things, will provide standards for the design, construction and operation of the Project. An abbreviated summary of some of the provisions of the Project Agreement is included in the Official Statement to which this letter will be attached. Reference should be made to the full text of the Agreement for all of its provisions.

Conclusions

Based on our studies and analyses of the Supply System proposal to construct a nuclear-fueled steam-electric generating project of approximately 1,220,000 kw in the vicinity of Richland, Washington, we are of the opinion that:

1. The output of the Project is required to meet the load growth of the utility systems of the Pacific Northwest under the Hydro-Thermal Power Program and can readily be absorbed by the Participants and the Companies when the Project is scheduled for initial operation.
2. The Supply System's program for financing the Initial Work is sound and provides a sound basis for proceeding with the Project prior to permanent financing.
3. The Net Billing Agreements to be executed by the Supply System, each Participant and Bonneville and the Exchange Agreements to be executed by the Supply System, each Company and Bonneville together with the Project Agreement to be executed by the Supply System and Bonneville provide a sound foundation for proceeding with the Project.
4. The estimated cost of the output of the Project is reasonable and comparable to costs expected from similar projects to be developed within the same time frame.

Respectfully submitted,
R. W. BECK AND ASSOCIATES

Table 1

**WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1 PARTICIPANTS AND COMPANIES**

Summary of Financial Statistical Data for 1971

STATISTICS	Districts(1)	Municipalities	Cooperatives	Companies	Total
Customers:					
Residential	331,663	406,813	111,950	1,366,009	2,216,435
Total	383,541	457,034	134,515	1,557,901	2,532,991
Kilowatt-hour Sales (000)	13,218,496	14,171,585	2,955,515	42,234,306	72,579,902
Kilowatt-hour Purchases (000):					
Bonneville (Hanford Project Exchange) ..	1,648,534	1,145,272	431,559	2,109,709	* 335,074
Bonneville	11,577,342	4,412,550	2,924,321	9,690,575	28,504,788
Other	759,403	497,147	23,718	18,047,104	19,327,372
Total Kilowatt-hour Purchases (000)	13,985,279	6,054,969	3,379,598	29,847,388	55,267,234
Kilowatt-hours Generated (000)	3,761	9,312,154	4,484	18,291,674	27,612,073
Total Kilowatt-hour Requirement (000)	13,989,040	15,367,123	3,384,082	48,139,062	80,879,307
Peak Demands—Kilowatts	2,823,302	2,959,174	1,238,416	6,926,100	13,946,992
INCOME AND OPERATING STATEMENT					
Income:					
Total Operating Revenues	\$ 99,755,125	\$116,772,495	\$ 36,980,363	\$ 480,989,649	\$ 734,497,632
Other Income (Non-operating)	2,823,717	2,828,175	580,590	16,291,232	22,523,814
Total Income	\$102,578,842	\$119,600,670	\$ 37,561,053	\$ 497,280,881	\$ 757,021,446
Operating Expenses:					
Purchased Power:					
Bonneville (Hanford Project Exchange) \$	5,375,159	\$ 2,941,376	\$ 1,384,892	\$ 4,364,718	\$ 14,066,145
Bonneville	34,277,608	12,730,475	9,106,547	20,606,721	76,721,351
Other	2,334,858	2,693,688	211,099	54,035,003	59,274,648
Total Purchased Power Expense	\$ 41,987,625	\$ 18,365,539	\$ 10,702,538	\$ 79,006,442	\$ 150,062,144
Generating Expense	94,278	6,956,023	20,127	16,176,449	23,246,887
Total Power Supply Expense ...	\$ 42,081,903	\$ 25,321,562	\$ 10,722,675	\$ 95,182,891	\$ 173,309,031
Other Expense (including Depreciation and Taxes)	37,108,491	69,153,202	19,765,211	262,961,657	388,988,561
Total Operating Expense	\$ 79,190,394	\$ 94,474,764	\$ 30,487,886	\$ 358,144,548	\$ 562,297,592
CONDENSED BALANCE SHEET					
Assets:					
Net Utility Plant	\$302,394,916	\$703,709,314	\$163,603,331	\$2,444,991,984	\$3,614,699,545
Other Property and Investments	30,911,428	22,980,761	8,598,201	55,236,378	117,726,768
Current Assets	43,021,819	62,471,873	15,694,760	112,413,093	233,601,545
Deferred Debits	8,154,497	11,997,672	1,014,410	26,728,216	47,894,795
Total Assets	\$384,482,660	\$801,159,620	\$188,910,702	\$2,639,369,671	\$4,013,922,653
Liabilities:					
Long-term Debt	\$125,992,238	\$423,148,884	\$140,146,798	\$1,405,940,065	\$2,095,227,985
Current Liabilities	21,081,885	27,426,476	4,144,995	169,656,584	222,309,940
Deferred Credits	3,629,726	894,619	604,636	12,763,507	17,892,488
Reserves	1,149,328	6,792,614	76,798	58,102,147	66,120,887
Contributions in Aid of Construction ...	6,883,792	10,646,620	5,170,339	27,284,591	49,985,342
Retained Earnings (Capital Stock)	225,745,691	332,250,407	38,767,136	965,622,777	1,562,386,011
Total Liabilities	\$384,482,660	\$801,159,620	\$188,910,702	\$2,639,369,671	\$4,013,922,653

(1) Public Utility Districts, Peoples Utility Districts, and 2 Irrigation Districts.

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**EXHIBIT III
FORM OF NET BILLING AGREEMENT**

Contract No.

**WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1**

AGREEMENT

executed by the

**UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR**

acting by and through the

BONNEVILLE POWER ADMINISTRATOR

and

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

and

**(THE PARTICIPANT)
(Net Billing Agreement)**

INDEX TO SECTIONS

SECTION	<u>PAGE</u>
1. Definition and Explanation of Terms	42
2. Exhibits	45
3. Term of Agreement	45
4. Financing, Design, Construction, Operation and Maintenance of the Project	45
5. Sale, Purchase, and Assignment of Participant's Share	45
6. Payment by the Participant	45
7. Payment by the Administrator	46
8. Scheduling	48
9. Participant's right to Use Project Capability	48
10. Termination Settlements	49
11. Provisions Relating to Delivery	50
12. Obligations in the Event of Default	50
13. Sources of Participant's Payments	50
14. Modification and Uniformity of Agreement	50
15. Hanford Exchange Agreement	51
16. Assignment of Agreement	51
17. Approval by Rural Electrification Administrator	51
18. Participants' Review Board	51
19. Applicability of Other Instruments	53
Exhibit A (Table of Participants and Participant's Percentage)	55
Exhibit B (Project Characteristics)	61
Exhibit C (Provisions Required by Statute or Executive Order)	62

This AGREEMENT, executed _____, 1973, by the UNITED STATES OF AMERICA (hereinafter called "the Government"), Department of the Interior, acting by and through the BONNEVILLE POWER ADMINISTRATOR (hereinafter called "the Administrator"), and WASHINGTON PUBLIC POWER SUPPLY SYSTEM (hereinafter called "Supply System"), a municipal corporation of the State of Washington, and (Participant's Name) a corporation of the State of _____ (Participant),

WITNESSETH:

WHEREAS Supply System has constructed the Hanford Project which includes Generating Facilities with an electrical capability of 860 megawatts that are operated in conjunction with byproduct steam from the New Production Reactor (NPR) of the Atomic Energy Commission (AEC) on the Hanford Reservation; and

WHEREAS the AEC has notified Supply System of its intention to discontinue dual purpose operation of the NPR and Supply System, the Administrator and the Participants, being all the parties to the Hanford Exchange Agreements, have agreed that Supply System shall construct a nuclear steam supply facility and additional generating facilities which can be used in conjunction with the Generating Facilities; and

WHEREAS Supply System, the Administrator and 76 utility participants have executed Hanford Exchange Agreements which provide for the purchase of Project Output from the Hanford Project by the Participants and the exchange of such Project Output with the Administrator for firm electric power and energy; and

WHEREAS Supply System proposes to design, finance, construct, operate and maintain the Project; and

WHEREAS the Participant proposes to purchase the Participant's Share from Supply System for assignment to the Administrator hereunder, and the Administrator proposes to acquire such Participant's Share; and

WHEREAS Supply System and the Participant have each determined that the sale by Supply System to the Participant of the Participant's Share and assignment thereof to the Administrator as herein provided will be beneficial to it by reducing the cost of and increasing the amounts of firm power and energy which will be available to serve its members or customers in the future; and

WHEREAS the Administrator has determined that the acquisition of the Participant's Share as herein provided will assist in attaining the objectives of the Bonneville Project Act and other statutes which pertain to the disposition of electric power and energy from Government projects in the Pacific Northwest by enabling the Government to make optimum use of the Federal Columbia River Power System, and that the integration of the capability of the Project with the generating resources of the Federal Columbia River Power System as provided herein will enable the Administrator to make available additional firm power and energy to meet the needs of his customers; and

WHEREAS the construction of the Project is a part of the Hydro Thermal Power Program for the Pacific Northwest and this agreement is one of a series of agreements implementing such program; and

WHEREAS the Administrator will pool electric power and energy acquired hereunder with other electric power available to the Administrator from the Federal Columbia River Power System so that any costs or losses associated with acquiring such electric power and energy will be borne by the Administrator's ratepayers through rate adjustments if necessary; and

WHEREAS the Administrator and the Participant are parties to agreements which require payments by the Participant to the Administrator which may be used to offset payments by the Administrator to the Participant hereunder under a net billing procedure; and

WHEREAS Supply System and the Administrator propose to enter into the Project Agreement simultaneously with this agreement which will provide among other things for relationships between Supply System and the Administrator with respect to Project construction, operation, maintenance and budgets; and

WHEREAS the Administrator and Supply System propose to enter into agreements with the other Participants containing terms and conditions substantially identical to those specified herein; and

WHEREAS the Administrator, Supply System, The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company expect to enter into Project Exchange Agreements simultaneously with this agreement, which among other things provide for the purchase of Project Capability from the Project and the exchange of such Project Capability for firm power from the Administrator; and

WHEREAS Supply System is organized under the laws of the State of Washington (Rev. Code of Washington, Ch. 43.52) and is authorized by law to construct, acquire and operate works, plants, and facilities for the generation and/or transmission of electric power and energy and to enter into contracts with the Administrator and public and private organizations for the disposition and distribution of electric power and energy produced thereby; and

WHEREAS the Administrator is authorized pursuant to law to dispose of electric power and energy generated at various federal hydroelectric projects in the Pacific Northwest and to enter into related agreements;

NOW THEREFORE, the parties hereto mutually agree as follows:

1. *Definition and Explanation of Terms.*

(a) "Annual Budget" means the budget adopted by Supply System not less than 45 days prior to the beginning of each Contract Year which itemizes the projected costs of the Project applicable to such Contract Year, or, in the case of an amended Annual Budget, applicable to the remainder of such Contract Year. The Annual Budget, as amended from time to time, shall make provision for all such Supply System's costs, including (1) all obligations of Supply System incurred with respect to the Hanford Project, including its obligations under Supply System Resolution No. 178 and the Bond Resolution, and (2) accruals and amortizations, resulting from the ownership, operation (including cost of fuel), and maintenance of the Project and repairs, renewals, replacements, and additions to the Project, including, but not limited to, the amounts which Supply System is required under the Bond Resolution to pay in each Contract Year into the various funds provided for in the Bond Resolution for debt service and all other purposes and shall include the source of funds proposed to be used; *provided, however*, that the Annual Budget for any portion of a Contract Year prior to the Date of Commercial Operation or September 1, 1980, whichever occurs first, shall include only such amounts as may be agreed upon by Supply System and the Administrator.

All taxes imposed and required by law to be paid, and which are due and payable in a Contract Year, shall be included in the Annual Budget for that Contract Year as a Project Cost. To the extent Supply System is permitted by law to negotiate for payments in lieu of taxes or other negotiated payments to state or local taxing entities, the Annual Budget shall also include the amounts of such negotiated payments; *provided, however*, that Supply System shall not agree to such a negotiated payment if in any Contract Year the sum of such negotiated payments to such taxing

entities and taxes imposed by law by such taxing entities would exceed the total amount of ad valorem taxes that Supply System would have paid in that year to such taxing entities if the Project or portion thereof, within the boundaries of each such taxing entity, were subject to ad valorem taxes and its valuation for tax purposes were added to the valuation of the property subject to ad valorem taxes by such taxing entity, but with its millage rate reduced so that the amount of ad valorem taxes raised would be unchanged.

(b) "Billing Statement" means the written statement prepared by Supply System that shows the amount to be paid to Supply System by the Participant for the Participant's Share for a Contract Year or, in the case of an amended Billing Statement, for the remainder of such Contract Year. Such amount shall be determined as to the Participant by multiplying the amount of the Annual Budget or the amended Annual Budget, as the case may be, less any other funds (including but not limited to amounts payable under the Project Exchange Agreements) which shall be specified in the Annual Budget as being payable from sources other than the payments to be made under the Net Billing Agreements, by the Participant's Percentage. At the end of each Contract Year any amount over or under billed during such year will be reflected in the Billing Statement for the following Contract Year.

(c) "Bonds" means any bond, bonds or other evidences of indebtedness issued in connection with the Project pursuant to the Bond Resolution (1) to finance or refinance Supply System's costs associated with planning, designing, financing, acquiring and constructing the Project pursuant to the Bond Resolution, and (2) for any other purpose related to the Project authorized thereby.

(d) "Bond Resolution" means the resolution or resolutions adopted or supplemented by Supply System, as the same may be amended or supplemented, to authorize the Bonds.

(e) "Contract Year" (1) means the period commencing on the Date of Commercial Operation, or on January 1, 1980, whichever occurs first, and ending at 12 p.m. on the following June 30, and (2) thereafter means the 12-month period commencing each year at 12 p.m. on June 30, except that the last Contract Year shall end on the date of termination of this Agreement.

(f) "Date of Commercial Operation" means the date fixed pursuant to section 1(f) of the Project Agreement.

(g) "Generating Facilities" means the Hanford Project powerhouse with two turbine generator units with a combined nameplate rating of 860 megawatts, related auxiliary equipment, transformation and transmission facilities.

(h) "Hanford Exchange Agreements" means the Exchange Agreements (Contracts No. 14-03-35345 through 14-03-35363 and 14-03-35569 through 14-03-35625, inclusively) executed by 76 utility participants, Supply System and the Administrator providing for the purchase of Project Output from the Hanford Project by the Participants and the exchange of such Project Output with the Administrator for firm power and energy.

(i) "Hanford Project" means the works, plant and facilities constructed by Supply System for the generation and transmission of electric power and energy in conjunction with the Atomic Energy Commission's New Production Reactor pursuant to Supply System's Resolution No. 178.

(j) "Net Billing Agreements" means this agreement and all other agreements for the Project similar to this agreement entered into by Supply System, the Administrator and each of the Participants (Contracts No. 14-03-39217 through 14-03-39320, inclusive).

(k) "Participants" means those entities which are specified in Exhibit A or which become assignees of all or part of a Participant's Share pursuant to sections 7(b) or 16.



WASHINGTON

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NEVADA

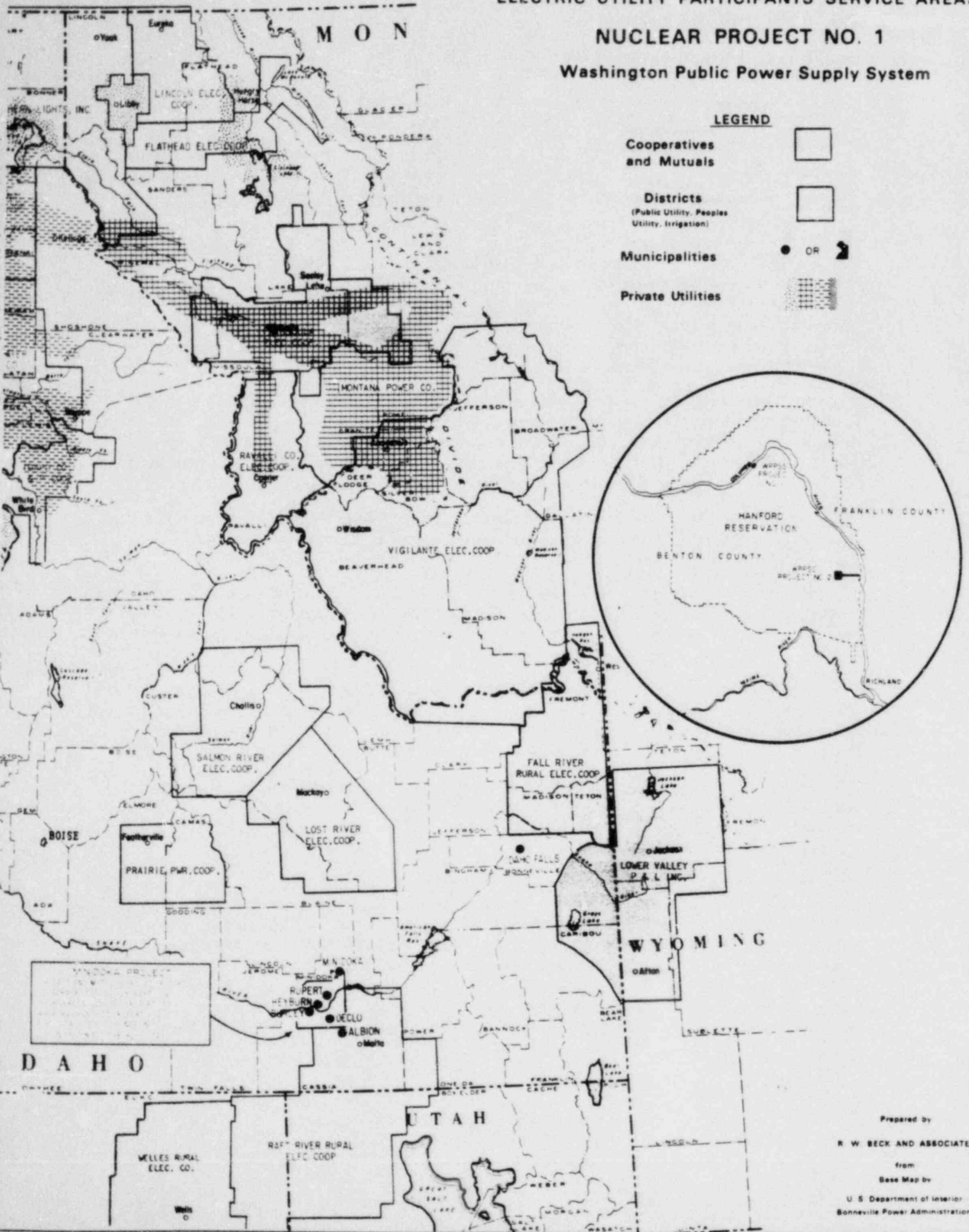
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MASON
MC CLEARY
Abandon
GRAY HARBOR
THURSTON
CENTRALIA
LEWIS CO. PUD
PACIFIC CO. PUD
WALKER CO. PUD
SLATKANE PUD
TILLAMOOK
TILLAMOOK PUD
PORTLAND
HOOD RIVER ELEC. COOP.
PORTLAND GENERAL ELECTRIC CO. PUD
MC MINNVILLE
CONSUMERS POWER INCORPORATED
EUGENE
EUGENE
DOUGLAS ELEC. COOP.
DOUGLAS
ELTON
ROSEBURG
DOUGLAS
MIDSTATE ELEC. COOP.
WASCO
WASCO ELEC. COOP.
COLUMBIA POWER COOP. ASSN.
ST. VERNON
JOHN DAY
BURNS
HARNEY
HARNEY ELEC. COOP.
FRANCHISE
SURPRISE VALLEY ELEC. COOP.
LAWRENCE
SPOKANE
CHERBY
FRANKLIN
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BENTON ELEC. PUD
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WASCO
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COLUMBIA
MORROW
UMATILLA
UMATILLA
VALHEUR
BAXTER
MONUMENT
ST. VERNON
JOHN DAY
BURNS
HARNEY
FRANCHISE
SURPRISE VALLEY
LAWRENCE
HUMBOLDT
McDermitt

ELECTRIC UTILITY PARTICIPANTS SERVICE AREAS

NUCLEAR PROJECT NO. 1

Washington Public Power Supply System



Prepared by
R. W. BECK AND ASSOCIATES
from
Base Map by
U. S. Department of Interior
Bonneville Power Administration

(l) "Participant's Percentage" means the decimal fraction for the Participant specified in Exhibit A adjusted pro rata for increases or decreases in the Participant's Share under the proviso in subsection (m) below.

(m) "Participant's Share" means the decimal fraction share of Project Capability purchased by the Participant hereunder determined as follows:

(1) During the period beginning on the date of execution of this agreement and ending at 12 p.m. on June 30, 1996, such fraction shall be the Participant's Percentage specified in Exhibit A multiplied by 0.67530.

(2) During the period beginning at 12 p.m. on June 30, 1996, and continuing for the remainder of the term hereof, the Participant's Share shall be the Participant's Percentage specified in Exhibit A;

provided, however, that the decimal fractions determined in (1) or (2) above shall (1) during any period in which a decimal fraction share is assigned to the Participant pursuant to sections 7(b), 7(f), or 12 hereof or pursuant to section 7(b) in the other Net Billing Agreements, be increased by the decimal fraction share or shares so assigned, and (2) be decreased by any reductions under section 12 hereof or under an assignment by the Participant under section 7(b) hereof during any period in which such reductions or assignments are in effect.

(n) "Project" means the nuclear generating plant and related property as described in Exhibit B. Exhibit B shall be revised from time to time by mutual agreement of Supply System and the Administrator, after consultation with the Participant, but in any event shall conform to the description of the Project in the Bond Resolution which authorizes the issuance of Bonds in an amount sufficient to pay the costs of acquiring and constructing the Project.

(o) "Project Agreement" means the agreement for financing construction, ownership and operation of the Project, as the same may be amended, executed by Supply System and the Administrator (Contract No. 14-03-39211).

(p) "Project Capability" means the actual electrical generating capability, if any, of the Project at any particular time (including times when the Project is not operable or operating or the operation thereof is suspended, interrupted, interfered with, reduced or curtailed, in each case in whole or in part), less Project station use and losses.

(q) "Project Consultant" means an individual or firm, of national reputation having demonstrated expertise in the field of the matter or item referred to it, appointed among other things, for the resolution of a difference regarding a matter or item referred by Supply System. A different Project Consultant may be appointed for each matter or item referred.

(r) "Project Exchange Agreements" means the agreements entered into by Supply System, the Administrator and each of The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company (Contracts No. 14-03-39212 through No. 14-03-39216, inclusive).

(s) "Prudent Utility Practice" at a particular time means any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice shall apply not only to functional parts of the Project but also to appropriate structures, landscaping, painting, signs, lighting, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the

Project. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts. In evaluating whether any matter conforms to Prudent Utility Practice, the parties and any Project Consultant shall take into account (1) the fact that Supply System is a municipal corporation and operating agency under the laws of the State of Washington with the statutory duties and responsibilities thereof and (2) the objective to integrate the entire Project Capability with the generating resources of the Federal Columbia River Power System to achieve optimum utilization of the resources of that system taken as a whole, and to achieve efficient and economical operation of that system. Any practice, method or act which pursuant to the Project Agreement is determined to be Prudent Utility Practice shall be deemed to be Prudent Utility Practice hereunder.

2. *Exhibits.* Exhibits A through C are by this reference incorporated herein and made a part of this agreement. Supply System and the Participant shall each be the "Contractor" as that term is used in Exhibit C.

3. *Term of Agreement.* This agreement shall be effective upon execution and delivery and, except as provided in section 10(c) and except as to accrued obligations and liabilities, shall terminate on the date the Project Agreement terminates.

4. *Financing, Design, Construction, Operation and Maintenance of the Project.* Supply System, in good faith and in accordance with the Project Agreement and Prudent Utility Practice, shall use its best efforts to arrange for financing, design, construction, operation and maintenance of the Project.

5. *Sale, Purchase and Assignment of Participant's Share.*

(a) *Sale of Participant's Share.* Supply System hereby sells, and the Participant hereby purchases, the Participant's Share. The purchase price to be paid for each Contract Year by the Participant to Supply System for the Participant's Share shall be the amount specified in the Billing Statement. The Participant shall make the payments to be made to Supply System under sections 5, 6 and 10, whether or not the Project is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output, and such payments shall not be subject to any reduction whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance by Supply System or the Administrator or any other Participant under this or any other agreement or instrument.

(b) *Assignment of Participant's Share to the Administrator.* The Participant hereby assigns and the Administrator hereby accepts the assignment of the Participant's Share. In consideration of such assignment, the Administrator shall provide to the Participant the payments, offsets, and credits specified in section 7 and section 10 in the manner provided therein, whether or not the Project is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project output. Such payments, offsets, or credits to be made by the Administrator under this agreement shall not be reduced by offset or otherwise, except as specifically provided in section 7, and shall not be conditioned upon the performance or nonperformance by Supply System, the Participant or any Participant under this or any other agreement or instrument.

6. *Payment by the Participant.*

(a) Not less than 45 days prior to each Contract Year, or whenever the Annual Budget for such Contract Year is amended, Supply System shall prepare and deliver to the Participant and the Administrator a Billing Statement showing the amount to be paid by the Participant for such Contract Year.

Whenever during a Contract Year the Participant's Percentage changes from that used in preparing the Billing Statement for that Contract Year an amended Billing Statement shall be prepared for the remainder of that Contract Year reflecting such change and shall be submitted to the Participant and the Administrator.

(b) The Participant shall pay to Supply System each Contract Year the amount specified in the Billing Statement submitted under subsection (a) above. Such payments shall be made as specified below.

The Participant shall pay to Supply System each month in a Contract Year the amount by which the net billing credits and cash payments theretofore received from the Administrator by the Participant for that Contract Year under section 7 exceed the sum of the Participant's previous payments to Supply System for that Contract Year until the amount of the Billing Statement has been paid; *provided, however*, that in any event the Participant shall pay by the end of the last month in that Contract Year the amount by which the amount in the Billing Statement exceeds the total of the monthly amounts previously paid to Supply System by the Participant in such Contract Year.

Each such payment shall be made on or before the thirtieth day after (1) the date on each of the Administrator's bills to the Participant which reflects a credit to the Participant for such Contract Year pursuant to section 7(a) or (2) the date that payment is received from the Administrator pursuant to section 7(c). Amounts due and not paid by the Participant on or before the close of business of such thirtieth day shall bear an additional charge of two percent of the unpaid amount. Thereafter, a further charge of one-half percent of the initial amount remaining unpaid shall be added on the last day of each succeeding 30-day period until the amount due is paid in full. Remittances received by mail will be accepted without assessment of the delayed payment charges referred to above provided the postmark indicates the payment was mailed on or before the thirtieth day after the date of the bill. If the thirtieth day after the date of the bill is a Sunday or other non-business day of the Participant, the next following business day shall be the last day on which payment may be mailed without addition of the delayed payment charge.

(c) In the event that Supply System bears any cost under section 10(e) of the Project Agreement the Participant will pay to Supply System an amount equal to the amount of such cost multiplied by the Participant's Percentage, in addition to the payments specified in section 6(b) hereof. Payments under this section 6(c) shall be made within 30 days from the date of mailing of the statement stating the amount of the payments.

7. Payment by the Administrator.

(a) For each Contract Year, the Administrator shall pay to the Participant an amount equal to that set forth in the Billing Statement for that Contract Year. The Administrator's payments shall be effected by means of credits against the Administrator's monthly billings to the Participant under the Participant's Bonneville Contracts, as follows:

(1) *For Contract Years in which this is the only agreement requiring the Administrator to make payments to the Participant:* In the month preceding each such Contract Year the Administrator shall allow a billing credit in the form of an offset to the Participant in the full amount of the Administrator's billings in that month under the Participant's Bonneville Contracts. A billing credit computed in the same manner shall be allowed in each of the succeeding months (except the last) in that Contract Year until the full amount owed by the Administrator for that Contract Year has been offset against the Administrator's billings to the Participant.

(2) *For Contract Years in which there are two or more agreements requiring the Administrator to make payments to the Participant:* In the month preceding each such Contract Year and in each of the succeeding months (except the last) in that Contract Year the Partici-

part's billing credits under this agreement shall be offset in the manner specified in (1) above against the payments due from the Administrator under all agreements of the Participant requiring the Administrator to make payments to the Participant, in the proportion that the amount specified in the Billing Statement bears to the sum of the amounts to be paid by the Administrator under all such agreements for that Contract Year.

The total offsets allowed to the Participant hereunder for a Contract Year shall not exceed the sum of (1) the amount specified in the Billing Statement for that year and, (2) any amount paid by the Participant for a prior Contract Year which remains unpaid by the Administrator to the Participant under this agreement.

"Participant's Bonneville Contracts" as used in this section means all contracts or agreements between the Participant and the Administrator which require payments by the Participant to the Administrator for sale and exchange of electric power and energy, operation and maintenance of facilities, use of transmission facilities, and emergency and standby power.

(b) If for any Contract Year, the Administrator determines that the dollar obligations due the Administrator from the Participant, referred to in subsection (a) above, are or are expected to be insufficient to offset the Administrator's dollar obligations to such Participant under subsection (a) above, and, in the opinion of the Administrator and the Participant, are expected to remain insufficient for a significant period, the Administrator shall use his best efforts to arrange for assignment of all or a portion of the Participant's Share and the associated benefits and obligations (subject to the prior assignment of the Participant's Share to the Administrator hereunder) to another customer or customers of the Administrator for all or a portion of the remaining term of this agreement to the extent required to eliminate the insufficiency, and the Participant shall make the assignment so arranged. The other Participants shall have first right to accept such assignment, pro rata among those exercising such right, before an assignment is made to a customer who is not one of the Participants. If the Administrator is unable to arrange for such assignment, the Participant shall make such assignment to other Participants pro rata pursuant to the counterparts of subsection (f) of this section in the other Net Billing Agreements.

(c) If (1) assignments under subsection (b) above cannot be made in amounts sufficient to bring into balance the respective dollar obligations of the Administrator and (2) an accumulated balance in favor of the Participant from a previous Contract Year is expected by the Administrator to be carried for an additional Contract Year, such balance and any subsequent monthly net balances that cannot be net billed shall be paid in cash to the Participant by the Administrator, subject to the availability of appropriations for such purposes.

(d) The Administrator and the Participant shall not enter into any agreements providing for payments to the Participant which the Administrator estimates will cause the aggregate of his billings to the Participant to be less than 115 percent of the Administrator's net billing obligations to the Participant under all agreements providing for net billing.

(e) If all or a portion of the Participant's Share is assigned under this section 7, the Participant shall nevertheless remain liable to Supply System to pay the purchase price for the Participant's Share in accordance with section 5(a) as if such assignment had not been made, and such liability of the Participant shall be discharged only to the extent that the assignee of the portion of the Participant's Share so assigned shall pay to Supply System the purchase price for the portion of the Participant's Share so assigned in accordance with the provisions of this agreement. Supply System may commence such suits, actions or proceedings, at law or in equity, including suits for specific performance, as may be necessary or appropriate to enforce the obligations of the Participant with respect to such liability.

(f) If assignments pursuant to section 7(b) of the other Net Billing Agreements cannot be made in amounts sufficient to balance dollar obligations of the Administrator and any other Partici-

pant, the Participant shall accept on a pro rata basis with other Participants assignment of a portion of such other Participant's Share, to the extent required to eliminate such insufficiency; *provided, however,* that the sum of such assignments to the Participant under this subsection shall not without the consent of the Participant exceed an accumulated maximum of 25 percent of the Participant's Share specified in Section 1(m)(2), nor shall any such assignment under this subsection cause the estimate of the payments to be made by the Participant to Supply System under this agreement to exceed the estimate of the Administrator's billings to the Participant for each Contract Year during the period of such assignment, both such estimates to be made by the Administrator.

(g) The estimates by the Administrator under this agreement of billing credits and of payments to be made by the Participant and the Administrator giving rise to such billing credits shall be conclusive.

8. *Scheduling.* Prior to 4 p.m. on each work day beginning on the day preceding the Date of Commercial Operation (work day meaning a day which the Administrator and Supply System observe as a regular work day) the Administrator shall notify Supply System of the amounts of energy from the Participant's Share he will require for each hour of the following day or days; *provided, however,* that the Administrator may during any hour request delivery of other amounts of such energy. Supply System's dispatcher, within the capability of the Participant's Share and in accordance with Prudent Utility Practice, shall schedule for delivery to the Administrator at the point of delivery specified in section 11 for each hour in the term hereof the amounts of energy so requested by the Administrator.

9. *Participant's Right to Use Project Capability.*

(a) If the Administrator is unable to satisfy his obligation to the Participant by net billing, assignment or cash payment under section 7, and determines, in consultation with the Participant, that this inability will continue for a significant period, the Participant may direct that all or a portion of the energy associated with the Participant's Share be delivered by Supply System for the Participant's account at the point of delivery specified in section 11, for either the expected period of such inability or the remainder of the term hereof, whichever is specified by the Participant when it elects to have such energy delivered to it. The amount of such delivery shall be limited to the amount of the Participant's Share for which payment cannot be made, at the time the Participant elects to have such delivery made to it, by net billing with the Participant or assignees or by direct payment by the Administrator hereunder. The Participant's obligations to assign its Participant's Share to the Administrator and the Administrator's obligations to acquire such share and make payments to the Participant under this agreement shall then be appropriately modified. The Administrator's prior obligations to the Participant not previously liquidated pursuant to the terms of section 7 shall be preserved until satisfied.

(b) If the Participant elects to withdraw all or a portion of its Participant's Share as provided in this section, the Administrator will transmit such share to any point(s) of delivery on the Federal Columbia River Power System designated by the Participant where the Administrator determines such share can be made available, will supply station service and losses related to such share during shutdown of the Project, and will provide forced-outage reserves for such share, under the same terms and conditions as provided in contracts for similar service then being offered to other utilities in the Pacific Northwest owning interests in large thermal projects.

(c) Upon withdrawal of any portion of the Participant's Share under this section, the Participant shall schedule such portion in the same manner as provided for the Administrator in section 8, and the Administrator's rights under section 8 shall be correspondingly reduced.

Whenever the Participant schedules any portion of its Participant's Share, the Participant and the Administrator shall (1) schedule at least their respective proportionate shares of the minimum capability of the Project as determined by Supply System unless all Participants with similar obligations to schedule and the Administrator agree to a shutdown of the Project; *provided, however,* that the Administrator may, at his election, require shutdown of the Project if he supplies

through exchange arrangements the power and energy the Participant otherwise would schedule from the Project during such period of shutdown, and (2) supply to the Supply System all necessary forecasts of their generation requirements from the Project for ensuing periods as necessary to enable Supply System to prepare the fuel management plan pursuant to section 8 of the Project Agreement.

10. *Termination Settlements.*

(a) If the Project is ended pursuant to section 15 of the Project Agreement, Supply System shall give notice of termination of this agreement effective upon the date of termination of the Project Agreement. Supply System shall terminate all activities related to construction and operation of the Project and shall undertake the salvage, discontinuance, decommissioning, and disposition or sale of the Project, as provided in the Project Agreement. After such termination, Supply System shall provide monthly accounting statements to the Administrator and the Participant of all costs associated therewith. Such monthly accounting statements shall continue until all Bonds have been paid or funds set aside for the payment or retirement thereof in accordance with the Bond Resolution or the final disposition of the Project, whichever is later, at which time a final accounting statement shall be prepared by Supply System at the earliest reasonable time. Such costs of salvage, discontinuance, decommissioning, and disposition or sale shall include, but shall not be limited to, all of Supply System's accrued costs and liabilities resulting from Supply System's ownership, construction, operation (including cost of fuel) and maintenance of and renewals and replacements to the Project, all other Supply System costs resulting from its ownership of the Project and the salvage, discontinuance, decommissioning, and disposition or sale thereof, and all amounts which Supply System is required under the Bond Resolution to pay in each year into the various funds provided in the Bond Resolution for debt service and all other purposes until the date that all of the Bonds have been paid or funds set aside for the payment or retirement thereof in accordance with the Bond Resolution.

The monthly accounting statements shall credit against such costs all amounts received by Supply System from the disposition of Project assets, including but not limited to amounts payable under the Project Exchange Agreements. The final accounting statement shall credit the fair market value of any assets related to the Project then retained by Supply System. If the monthly or final accounting statements show that such costs exceed such credits, the Participant shall pay Supply System at times reasonably agreed upon the sum determined by multiplying the amounts shown to be due in the monthly and final accounting statements by the decimal fraction then used in expressing the Participant's Percentage. In any case such payments shall be made at times and in amounts sufficient to cover on a current basis the Participant's Percentage of the amount which Supply System is required under the Bond Resolution to pay in each year into the various funds provided in the Bond Resolution for debt service and all other purposes. If the final accounting statement shows that such credits exceed such costs, Supply System shall pay at times reasonably agreed upon an amount determined by multiplying such excess by the Participant's Percentage, such amounts to be divided between the Administrator and the Participant as their interests may appear. Such excess credits shall bear interest from the date of such final accounting statement to the date of payment, at the average of the annual interest rates for each month during such time for three-to-five year issues, United States Government securities (taxable), Money Market Rates, as published by the Board of Governors of the Federal Reserve System in the "Federal Reserve Bulletin" or equivalent publication or the maximum rate lawfully payable by Supply System, whichever is less.

(b) To the extent of the Participant's Share then assigned to the Administrator, the Administrator shall pay the Participant the amounts, if any, paid by the Participant to the Supply System pursuant to this section. Such amounts shall be paid in the manner specified in section 7 and at such times as the parties agree upon.

(c) The provisions of this section 10 and the provisions of sections 5(a) and 5(b) describing the circumstances under which payments are to be made in this section 10 and the provisions of section 13 shall remain in effect notwithstanding termination of this agreement pursuant to section 3.

11. *Provisions Relating to Delivery.* Deliveries of electric power and energy to the Administrator shall be made at the point of delivery and at the approximate voltage described below. Such electric power and energy shall be in the form of three-phase current, alternating at a frequency of approximately 60 Hertz. Amounts so delivered at such point during each month shall be determined from measurements made by the Government's meters, adjusted for losses as agreed upon by the parties hereto, installed to record such deliveries at the place and in the circuits hereinafter specified:

PROJECT POINT OF DELIVERY:

Location: the point in the Vantage substation where the 500 kv facilities of the Government and the Project are connected;

Voltage: 500 kv;

Metering: in the 500 kv circuits at the Project over which such electric power and energy will flow;

Adjustment: for losses between the point of metering and point of delivery.

12. *Obligations in the Event of Default.* The Participant's Share purchased by the Participant from Supply System and assigned by the Participant to the Administrator under this agreement shall be automatically increased for the remaining term of this agreement pro rata with that of other nondefaulting Participants if, and to the extent that, one or more of the Participants is unable, or fails or refuses for any reason, to perform its obligations under its Net Billing Agreement, and the Participant's Share of the defaulting Participant shall be reduced correspondingly; *provided, however,* that the sum of such increases for the Participant pursuant to this subsection shall not, without consent of the Participant, exceed an accumulated maximum of 25 percent of the Participant's Share specified in section 1(m)(2), nor shall any such increase under this subsection cause the estimate of the payments to be made by the Participant to Supply System under this agreement to exceed the estimate of the Administrator's billings to the Participant during the period of such increase, which estimates shall be made by the Administrator and shall be conclusive.

If the Participant shall fail or refuse to pay any amounts due to Supply System hereunder, the fact that the other Participants have assumed the obligation to make such payments shall not relieve the Participant of its liability for such payments, and the Participants assuming such obligation, either individually or as a member of a group, shall have a right of recovery from the Participant. Supply System or any Participant as their interests may appear, jointly or severally, may commence such suits, actions or proceedings, at law or in equity, including suits for specific performance, as may be necessary or appropriate to enforce the obligations of this agreement against the Participant under this subsection.

13. *Sources of Participant's Payments.* The Participant shall not be required to make the payments to Supply System under this agreement except from the revenues derived by the Participant from the ownership and operation of its electric utility properties and from payments by the Administrator under this agreement.

The Participant covenants and agrees that it will establish, maintain and collect rates or charges for power and energy and other services, facilities and commodities sold, furnished or supplied by it through any of its electric utility properties which shall be adequate to provide revenues sufficient to enable the Participant to make the payments to be made by it to Supply System under this agreement and to pay all other charges and obligations payable from or constituting a charge and lien upon such revenues.

14. *Modification and Uniformity of Agreement.*

(a) This agreement shall not be binding upon any of the parties hereto if it is not binding upon all of the parties hereto, but this agreement shall not be subject to termination by any party under any circumstances, whether based upon the default of any other party under this agreement, or any other instrument, or otherwise, except as specifically provided in this agreement.

(b) This agreement shall not be amended, modified, or otherwise changed by agreement of the parties in any manner that will impair or adversely affect the security afforded by the provisions of this agreement for the payment of the principal, interest, and premium, if any, on the Bonds as they respectively become payable so long as any of the Bonds are outstanding and unpaid or funds are not set aside for the payment or retirement thereof in accordance with the Bond Resolution.

(c) If any Net Billing Agreement is amended or replaced so that it contains terms and conditions different from those contained in this agreement, the Administrator shall notify the Participant and upon timely request by the Participant shall amend this agreement to include similar terms and conditions.

15. *Hanford Exchange Agreement.*

(a) If the Participant is a party to a Hanford Exchange Agreement, the parties hereto agree (i) to the use and employment of the Generating Facilities by Supply System for the purposes and in the manner prescribed in the Bond Resolution, (ii) that the electric power and energy to be produced by the Project, including the electric power and energy to be produced by the Generating Facilities, shall be disposed of to the parties, in the quantities, for the periods and under the terms and conditions prescribed in the Net Billing Agreements and the Project Exchange Agreements, and (iii) that the execution and delivery of this agreement does not affect, limit, modify, alter, release, or discharge their respective rights and obligations under such Hanford Exchange Agreements, or reduce the Participant's obligations to make payments thereunder in the event that sufficient moneys to make such payments are not otherwise available in accordance with the Net Billing Agreements and the Project Exchange Agreements.

(b) Supply System shall transfer to the appropriate funds and accounts under Supply System Resolution No. 178 from the revenues received from the sale of Project Capability amounts sufficient so that no payments by the Participants under the Hanford Exchange Agreements are due under section 5(e) of such Agreements.

16. *Assignment of Agreement.* This agreement shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this agreement; *provided, however,* that except as provided in sections 7, 9 and 12 hereof, neither this agreement nor any interest therein shall be transferred or assigned by any one of the parties hereto except with the mutual consent in writing of the other two parties hereto, to any other entity except the United States or an agency thereof. Such consent will not be unreasonably withheld. No assignment or transfer of this agreement shall relieve the parties of any obligation hereunder.

17. *Approval by Rural Electrification Administrator.* If the Participant is a party to an agreement or other instrument pursuant to which approval of this agreement by the Administrator of the Rural Electrification Administration is required as listed in Exhibit A, this agreement shall not be binding upon any of the parties until it shall have been approved by him or his delegate.

18. *Participants' Review Board.*

(a) *Composition; election.* Not more than 30 days after the execution of this agreement, and thereafter not less than 60 days prior to the commencement of each Contract Year and at such other times prior to June 30, 1980 as the Participants' Review Board may determine, the Participants shall elect a Participants' Review Board consisting of nine members. Supply System shall give each Participant not less than 15 days' written notice stating the time and place at which a meeting of representatives of the Participants shall be held for the purpose of holding such election. Each Participant shall designate the person and an alternate (to serve in the absence or disability of such

person), to cast its vote(s) for Board members by written notice filed with Supply System. The vote cast in behalf of each Participant shall be proportional to its Participant's Share. Any vacancy on the Board shall be filled by vote of the remaining Board members pending the next Board election.

(b) *Board meetings; voting; and rules.* Meetings of the Participants' Review Board shall be held at least quarterly during the construction of the Project and at least semi-annually thereafter. Timely written notice of the time and place of such meeting shall be given to the parties. Each member of the Board shall be entitled to one vote, to be cast in person and not by proxy. A majority of the Board shall constitute a quorum, and the majority of those present shall be necessary and sufficient for the adoption of any motion or resolution except as otherwise provided in subsection (e) below. All meetings of the Board shall be open to attendance by any person authorized by any of the Participants. Except as herein provided, the calling and holding of meetings of the Board, and all of its other proceedings, shall be governed by rules adopted from time to time by two-thirds of the entire membership of the Board which rules may provide that the Board shall have the right to appoint persons of technical, legal, auditing or other special qualifications to committees to carry out reviews and investigations.

(c) Except in the event of an emergency requiring immediate action, copies of all proposed Construction and Annual Budgets and fuel management plans, including amendments thereto, and plans for refinancing the Project shall be submitted by Supply System to the Participants' Review Board within a reasonable time, prior to the time such proposed budgets and plans are to be adopted by Supply System. Such copies shall be submitted to the Participant upon its request.

(d) Except in the event of an emergency requiring immediate action, all bids, bid evaluations and proposed contract awards for amounts in excess of \$500,000 shall be submitted to the Participants' Review Board at least seven days prior to award.

(e) Supply System will consider the recommendations of the Participants' Review Board, giving due regard to utilizing the Project consistent with Prudent Utility Practice and the Supply System's statutory duties. Written recommendation may be made to Supply System whenever such recommendation is approved by the majority of the members of the Participants' Review Board. Such written recommendations shall be forwarded to Supply System within a reasonable time along with supporting data, which time shall not exceed the comparable time, if any, prescribed in the Project Agreement. Supply System shall take action on such recommendations within a reasonable time for adoption, modification or rejection. Supply System, upon taking action, shall notify the Participants' Review Board promptly of such action, and, if it modifies or rejects a recommendation, shall give the reason therefor.

(f) If Supply System modifies or rejects a written recommendation of the Participants' Review Board concerning a matter submitted for review under subsections (c) or (d) above, the Participants' Review Board may refer the matter to the Project Consultant in the manner described in section 10 of the Project Agreement for his written decision and his decision shall be binding upon the parties. Pending any decision by the Project Consultant under this subsection, Supply System shall proceed in accordance with the Project Agreement. Nothing in this subsection shall affect the procedure for the settlement of any dispute between the Administrator and the Supply System under this agreement or the Project Agreement.

(g) Except as specifically provided in section 10(e) of the Project Agreement, Supply System shall not proceed with any item as proposed by it and not concurred in by the Administrator without approval of the Participants' Review Board.

(h) Supply System shall not, without the consent of the Administrator and the Participants' Review Board, cause the insurance on the Project to be extended to any additional units or generating projects or to lapse to permit the extension of such coverage.

19. *Applicability of Other Instruments.* It is recognized by the parties hereto that Supply System in the ownership, construction and operation of the Project must comply with the requirements of the Bond Resolution and all licenses, permits, and regulatory approvals necessary for such ownership, construction and operation, and it is, therefore, agreed that this agreement is made, and referrals to the Project Consultant hereunder shall be, subject to the terms and provisions of the Bond Resolution and all such licenses, permits, and regulatory approvals.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts.

UNITED STATES OF AMERICA
Department of the Interior

(SEAL)

By
Bonneville Power Administrator

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

(SEAL)

By

Title

ATTEST:

By

Title

(SEAL)

(THE PARTICIPANT'S NAME)

By

Title

ATTEST:

By

Title

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EXHIBIT A
(WPPSS No.1)

TABLE OF PARTICIPANTS AND PARTICIPANT'S PERCENTAGE

<u>Participant</u>	<u>Reference</u>
City of Albion, Idaho	Albion
City of Bandon, Oregon	Bandon
Public Utility District No. 1 of Benton County, Washington	Benton PUD
*Benton Rural Electric Association	Benton REA
*Big Bend Electric Cooperative, Inc.	Big Bend
*Blachly-Lane County Cooperative Electric Association	Blachly-Lane
The City of Blaine, Washington	Blaine
The City of Bonners Ferry, Washington	Bonners Ferry
City of Burley, Idaho	Burley
The City of Canby, Oregon	Canby
City of Cascade Locks, Oregon	Cascade Locks
*Central Electric Cooperative, Inc.	Central Elec.
The City of Centralia, Washington	Centralia
The Central Lincoln Peoples' Utility District	Central Linc.
Public Utility District No. 1 of Chelan County, Washington	Chelan
The City of Cheney, Washington	Cheney
Public Utility District No. 1 of Clallam County, Washington	Clallam
Public Utility District No. 1 of Clark County, Washington	Clark
Clatskanie Peoples' Utility District	Clatskanie
*Clearwater Power Company	Clearwater
*Columbia Basin Electric Cooperative, Inc.	Columbia Basin
*Columbia Power Cooperative Association, Inc.	Columbia Power
*Columbia Rural Electric Association, Inc.	Columbia Rural
Consolidated Irrigation District No. 19	Cons. Irrig.
*Consumers Power, Inc.	Consumers
*Coos-Curry Electric Cooperative, Inc.	Coos-Curry
City of Coulee Dam, Washington	Coulee Dam
Public Utility District No. 1 of Cowlitz County, Washington	Cowlitz
The City of Declo, Idaho	Declo
Public Utility District No. 1 of Douglas County, Washington	Douglas PUD
*Douglas Electric Cooperative, Inc.	Douglas Elec.
The City of Drain, Oregon	Drain
East End Mutual Electric Co., Ltd.	East End
The City of Ellensburg, Washington	Ellensburg
The City of Eugene, Oregon	Eugene
*Fall River Rural Electric Cooperative, Inc.	Fall River
Farmers Electric Co., Ltd.	Farmers
Public Utility District No. 1 of Ferry County, Washington	Ferry
*Flathead Electric Cooperative, Inc.	Flathead
The City of Forest Grove, Oregon	Forest Grove
Public Utility District No. 1 of Franklin County, Washington	Franklin
Public Utility District No. 2 of Grant County, Washington	Grant
Public Utility District No. 1 of Grays Harbor County, Washington	Grays Harbor
*Harney Electric Cooperative, Inc.	Harney
City of Heyburn, Idaho	Heyburn

*Approval of Agreement by Rural Electrification Administration required.

Participant

Reference

Hood River Electric Cooperative of Hood River County, Oregon	Hood River
*Idaho County Light & Power Cooperative Association, Inc.	Idaho Co.
City of Idaho Falls, Idaho	Idaho Falls
*Inland Power & Light Company	Inland
*Public Utility District No. 1 of Kittitas County, Washington	Kittitas
*Public Utility District No. 1 of Klickitat County, Washington	Klickitat
*Kootenai Electric Cooperative, Inc.	Kootenai
*Lane County Electric Cooperative, Inc.	Lane
Public Utility District No. 1 of Lewis County, Washington	Lewis
*Lincoln Electric Cooperative, Inc. (Montana)	Lincoln (M)
*Lincoln Electric Cooperative, Inc. (Washington)	Lincoln (W)
*Lost River Electric Cooperative, Inc.	Lost River
*Lower Valley Power & Light, Inc.	Lower Valley
*Public Utility District No. 1 of Mason County, Washington	Mason 1
Public Utility District No. 3 of Mason County, Washington	Mason 3
Town of McCleary, Washington	McCleary
City of McMinnville, Oregon	McMinnville
*Midstate Electric Cooperative, Inc.	Midstate
City of Milton-Freewater, Oregon	Milton-F.
City of Minidoka, Idaho	Minidoka
*Missoula Electric Cooperative, Inc.	Missoula
City of Monmouth, Oregon	Monmouth
*Nespelem Valley Electric Cooperative, Inc.	Nespelem
*Northern Lights, Inc.	Northern Lts.
Northern Wasco County People's Utility District	Northern Wasco
*Okanogan County Electric Cooperative, Inc.	Okanogan Elec.
Public Utility District No. 1 of Okanogan County, Washington	Okanogan PUD
*Orcas Power and Light Company	Orcas
Public Utility District No. 2 of Pacific County, Washington	Pacific
Public Utility District No. 1 of Pend Oreille County, Washington	Pend Oreille
City of Port Angeles, Washington	Port Angeles
*Prairie Power Cooperative, Inc.	Prairie
*Raft River Rural Electric Cooperative, Inc.	Raft River
*Ravalli County Electric Cooperative, Inc.	Ravalli
City of Richland, Washington	Richland
Riverside Electric Company, Ltd.	Riverside
City of Rupert, Idaho	Rupert
Rural Electric Company	Rural
Salem Electric	Salem
*Salmon River Electric Cooperative, Inc.	Salmon
City of Seattle, Washington	Seattle
Public Utility District No. 1 of Skamania County, Washington	Skamania
Public Utility District No. 1 of Snohomish County, Washington	Snohomish
South Side Electric Lines, Inc.	South Side
The City of Springfield, Oregon	Springfield

*Approval of Agreement by Rural Electrification Administration required.

Participant

Reference

The Town of Sumas, Washington	Sumas
* Surprise Valley Electrification Corporation	Surprise V.
City of Tacoma, Washington	Tacoma
* Tanner Electric	Tanner
* Tillamook Peoples' Utility District	Tillamook
* Umatilla Electric Cooperative Association	Umatilla
Unity Light and Power Company	Unity
Vera Irrigation District No. 15	Vera
* Vigilante Electric Cooperative, Inc.	Vigilante
Public Utility District No. 1 of Wahkiakum County, Washington	Wahkiakum
* Wasco Electric Cooperative, Inc.	Wasco
* Wells Rural Electric Company	Wells
* West Oregon Electric Cooperative, Inc.	West Oregon
Public Utility District No. 1 of Whatcom County, Washington	Whatcom

* Approval of Agreement by Rural Electrification Administration required.

Upon prior written notice to Supply System, the Administrator and all of the other Participants, this Exhibit A may be amended from time to time upon mutual agreement of two or more Participants so as to provide revised Participants' Percentages for such Participants so long as the aggregate of the increases in Participants' Percentages is equal to the aggregate of the decreases in Participants' Percentages; *provided, however*, that the sum of any such decreases for any Participant pursuant to this paragraph shall not exceed an accumulated maximum of 25 percent of the Participant's Percentage specified in this Exhibit on the date of execution of this agreement nor shall any such increase under this paragraph cause the estimate of the payments to be made by a Participant to Supply System under this agreement to exceed 86.95 percent of the estimate of the Administrator's billings to such Participant during the period of such increase, which estimates shall be made by the Administrator and shall be conclusive; *provided, further*, that any such increase or decrease shall not affect or impair the tax exempt status of the Bonds. The Administrator shall then prepare a revised Exhibit A which shall be substituted for this Exhibit A and become a part of this agreement.

PARTICIPANT	PARTICIPANT'S PERCENTAGE							
	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Albion	0.00004	0.00004	0.00005	0.00007	0.00006	0.00006	0.00005	0.00004
Bandon	0.00089	0.00089	0.00105	0.00152	0.00162	0.00165	0.00170	0.00166
Benton PUD	0.03529	0.03529	0.04034	0.04808	0.04979	0.04816	0.04806	0.04965
Benton REA	0.00427	0.00427	0.00401	0.00374	0.00354	0.00336	0.00322	0.00308
Big Bend	0.00006	0.00006	0.00039	0.00252	0.00242	0.00232	0.00225	0.00179
Blachly-Lane	0.00197	0.00197	0.00208	0.00198	0.00208	0.00217	0.00225	0.00234
Blaine	0.00087	0.00087	0.00104	0.00134	0.00124	0.00119	0.00118	0.00109
Bonners Ferry	0.00080	0.00080	0.00094	0.00125	0.00126	0.00121	0.00120	0.00115
Burley	0.00069	0.00069	0.00091	0.00228	0.00228	0.00217	0.00212	0.00179
Canby	0.00111	0.00111	0.00156	0.00189	0.00223	0.00244	0.00267	0.00296
Cascade Locks	0.00039	0.00039	0.00047	0.00057	0.00063	0.00067	0.00071	0.00074
Central Elec.	0.00697	0.00697	0.00667	0.00566	0.00553	0.00519	0.00483	0.00462
Centralia	0.00125	0.00125	0.00166	0.00318	0.00328	0.00320	0.00321	0.00298
Central Linc.	0.02654	0.02654	0.03093	0.03740	0.03967	0.04010	0.04125	0.04169
Chelan	0.00826	0.00826	0.00836	0.00701	0.00650	0.00573	0.00521	0.00501
Cheney	0.00426	0.00426	0.00483	0.00554	0.00556	0.00530	0.00522	0.00511
Clallam	0.00676	0.00676	0.00827	0.01163	0.01202	0.01177	0.01185	0.01157
Clark	0.14704	0.14704	0.16152	0.15907	0.15855	0.14940	0.14583	0.14635
Clatskanie	0.00383	0.00383	0.00551	0.00882	0.00845	0.00773	0.00726	0.00613
Clearwater	0.00339	0.00339	0.00324	0.00336	0.00319	0.00303	0.00291	0.00274
Columbia Basin	0.00106	0.00106	0.00116	0.00183	0.00180	0.00177	0.00175	0.00161
Columbia Power	0.00041	0.00041	0.00041	0.00048	0.00047	0.00046	0.00045	0.00042
Columbia Rural	0.00717	0.00717	0.00713	0.00633	0.00622	0.00612	0.00607	0.00621
Cons. Irrig.	0.00009	0.00009	0.00009	0.00008	0.00007	0.00006	0.00006	0.00005
Consumers	0.00918	0.00918	0.00939	0.00791	0.00858	0.00925	0.00980	0.01068
Coos-Curry	0.00238	0.00238	0.00258	0.00420	0.00415	0.00410	0.00406	0.00373
Coulee Dam	0.00029	0.00029	0.00036	0.00061	0.00060	0.00056	0.00054	0.00048
Cowlitz	0.08027	0.08027	0.08339	0.08218	0.08196	0.07692	0.07507	0.07379
Decio	0.00011	0.00011	0.00015	0.00020	0.00022	0.00023	0.00024	0.00026
Douglas PUD	0.00057	0.00057	0.00051	0.00051	0.00051	0.00051	0.00044	0.00044
Douglas Elec.	0.00358	0.00358	0.00342	0.00295	0.00303	0.00314	0.00322	0.00331
Drain	0.00046	0.00046	0.00057	0.00099	0.00103	0.00102	0.00103	0.00096
East End	0.00017	0.00017	0.00015	0.00015	0.00014	0.00013	0.00012	0.00011
Ellensburg	0.00557	0.00557	0.00653	0.00823	0.00836	0.00806	0.00801	0.00780
Eugene	0.00054	0.00054	0.00068	0.00073	0.00075	0.00071	0.00060	0.00061

(1) Participant's Percentages will remain the same as 1986-87 for remaining Contract Years in the term hereof.

PARTICIPANT	PARTICIPANT'S PERCENTAGE							
	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Fall River	0.00012	0.00012	0.00053	0.00119	0.00137	0.00154	0.00171	0.00188
Farmers	0.00008	0.00008	0.00007	0.00010	0.00009	0.00008	0.00007	0.00005
Ferry	0.00103	0.00103	0.00112	0.00134	0.00130	0.00120	0.00114	0.00105
Flathead	0.00172	0.00172	0.00175	0.00170	0.00156	0.00144	0.00135	0.00123
Forest Grove	0.00019	0.00019	0.00018	0.00082	0.00211	0.00360	0.00416	0.00470
Franklin	0.00846	0.00846	0.01005	0.01446	0.01468	0.01413	0.01401	0.01330
Grant	0.00802	0.00802	0.00812	0.00681	0.00630	0.00556	0.00506	0.00486
Grays Harbor	0.04776	0.04776	0.03460	0.02358	0.02553	0.02597	0.02696	0.02758
Harney	0.00007	0.00007	0.00029	0.00125	0.00124	0.00123	0.00122	0.00105
Heyburn	0.00081	0.00081	0.00101	0.00200	0.00201	0.00192	0.00189	0.00167
Hood River	0.00175	0.00175	0.00182	0.00208	0.00214	0.00219	0.00224	0.00224
Idaho Co.	0.00032	0.00032	0.00036	0.00053	0.00052	0.00051	0.00050	0.00047
Idaho Falls	0.00258	0.00258	0.00406	0.00922	0.00967	0.00958	0.00974	0.00908
Inland	0.01181	0.01181	0.01114	0.00970	0.00931	0.00893	0.00866	0.00860
Kittitas	0.00173	0.00173	0.00202	0.00237	0.00243	0.00236	0.00237	0.00238
Klickitat	0.00442	0.00442	0.00495	0.00653	0.00617	0.00580	0.00562	0.00517
Kootenai	0.00285	0.00285	0.00269	0.00246	0.00235	0.00225	0.00217	0.00212
Lane	0.00433	0.00433	0.00446	0.00533	0.00538	0.00545	0.00550	0.00537
Lewis	0.00913	0.00913	0.01056	0.01443	0.01449	0.01381	0.01356	0.01276
Lincoln (M)	0.00107	0.00107	0.00103	0.00107	0.00102	0.00097	0.00093	0.00087
Lincoln (W)	0.00077	0.00077	0.00077	0.00056	0.00055	0.00054	0.00053	0.00056
Lost River	0.00030	0.00030	0.00037	0.00057	0.00058	0.00058	0.00058	0.00056
Lower Valley	0.00297	0.00297	0.00290	0.00321	0.00307	0.00294	0.00284	0.00266
Mason 1	0.00140	0.00140	0.00162	0.00198	0.00200	0.00192	0.00190	0.00186
Mason 3	0.01337	0.01337	0.01485	0.01641	0.01630	0.01541	0.01501	0.01462
McCleary	0.00033	0.00033	0.00041	0.00086	0.00086	0.00081	0.00080	0.00069
McMinnville	0.00148	0.00148	0.00464	0.00742	0.00816	0.00845	0.00887	0.00900
Midstate	0.00272	0.00272	0.00281	0.00282	0.00296	0.00311	0.00324	0.00336
Milton-F.	0.00031	0.00031	0.00168	0.00183	0.00221	0.00263	0.00190	0.00238
Minidoka	0.00002	0.00002	0.00001	0.00002	0.00001	0.00001	0.00001	0.00001
Missoula	0.00229	0.00229	0.00220	0.00197	0.00187	0.00179	0.00172	0.00168
Monmouth	0.00230	0.00230	0.00327	0.00407	0.00489	0.00546	0.00607	0.00679
Nespelem	0.00071	0.00071	0.00069	0.00070	0.00067	0.00064	0.00062	0.00059
Northern Lts.	0.00282	0.00282	0.00275	0.00262	0.00253	0.00245	0.00238	0.00234
Northern Wasco	0.00145	0.00145	0.00165	0.00164	0.00190	0.00210	0.00228	0.00246

(1) Participant's Percentages will remain the same as 1986-87 for remaining Contract Years in the term hereof.

PARTICIPANT'S PERCENTAGE

<u>PARTICIPANT</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
Okanogan Elec.	0.00011	0.00011	0.00017	0.00044	0.00041	0.00041	0.00041	0.00038
Okanogan PUL	0.00280	0.00280	0.00284	0.00440	0.00408	0.00360	0.00327	0.00257
Orcas	0.00309	0.00309	0.00324	0.00348	0.00348	0.00347	0.00349	0.00351
Pacific	0.00713	0.00713	0.00835	0.01088	0.01101	0.01057	0.01046	0.01006
Pend Oreille	0.00087	0.00087	0.00087	0.00074	0.00069	0.00062	0.00057	0.00055
Port Angeles	0.00339	0.00339	0.00410	0.00872	0.00862	0.00810	0.00784	0.00665
Prairie	0.00016	0.00016	0.00015	0.00012	0.00011	0.00009	0.00008	0.00007
Raft River	0.00169	0.00169	0.00183	0.00255	0.00249	0.00244	0.00240	0.00224
Ravalli	0.00252	0.00252	0.00244	0.00217	0.00209	0.00202	0.00197	0.00195
Richland	0.00874	0.00874	0.01127	0.01710	0.01801	0.01796	0.01837	0.01821
Riverside	0.00016	0.00016	0.00015	0.00012	0.00010	0.00009	0.00008	0.00007
Rupert	0.00054	0.00054	0.00070	0.00140	0.00142	0.00137	0.00136	0.00123
Rural	0.00241	0.00241	0.00237	0.00212	0.00208	0.00205	0.00204	0.00208
Salem	0.00483	0.00483	0.00530	0.00490	0.00535	0.00577	0.00612	0.00662
Salmon	0.00030	0.00030	0.00034	0.00050	0.00049	0.00049	0.00049	0.00046
Seattle	0.13782	0.13782	0.13242	0.11291	0.09887	0.09232	0.08835	0.08605
Skamania	0.00191	0.00191	0.00231	0.00337	0.00345	0.00335	0.00335	0.00321
Snohomish	0.20845	0.20845	0.19939	0.18996	0.18591	0.19445	0.19711	0.19584
South Side	0.00047	0.00047	0.00043	0.00041	0.00038	0.00036	0.00034	0.00032
Springfield	0.00013	0.00013	0.00045	0.00168	0.00208	0.00233	0.00258	0.00275
Sumas	0.00009	0.00009	0.00012	0.00021	0.00022	0.00022	0.00022	0.00021
Surprise V.	0.00056	0.00056	0.00052	0.00078	0.00071	0.00065	0.00060	0.00049
Tacoma	0.07356	0.07356	0.04655	0.01912	0.02684	0.04477	0.05078	0.05971
Tanner	0.00043	0.00043	0.00045	0.00052	0.00051	0.00051	0.00050	0.00050
Tillamook	0.00414	0.00414	0.00519	0.00862	0.00929	0.00954	0.00990	0.00963
Umatilla	0.00918	0.00918	0.00919	0.00711	0.00789	0.00863	0.00913	0.00997
Unity	0.00157	0.00157	0.00147	0.00133	0.00126	0.00120	0.00115	0.00112
Vera	0.00226	0.00226	0.00290	0.00438	0.00460	0.00458	0.00468	0.00464
Vigilante	0.00037	0.00037	0.00035	0.00065	0.00060	0.00055	0.00051	0.00042
Wahkiakum	0.00145	0.00145	0.00175	0.00234	0.00241	0.00234	0.00235	0.00229
Wasco	0.00125	0.00125	0.00120	0.00129	0.00126	0.00125	0.00123	0.00116
Wells	0.00214	0.00214	0.00188	0.00129	0.00118	0.00109	0.00102	0.00102
West Oregon	0.00127	0.00127	0.00123	0.00114	0.00115	0.00118	0.00119	0.00121
Whatcom	0.00619	0.00619	0.00630	0.00531	0.00494	0.00438	0.00401	0.00387

(1) Participant's Percentages will remain the same as 1986-87 for remaining Contract Years in the term hereof.

EXHIBIT A
(WPPSS No. 1) (1)

EXHIBIT B

WASHINGTON PUBLIC POWER SUPPLY SYSTEM NUCLEAR PROJECT NO. 1

Description of Project

The Washington Public Power Supply System's Nuclear Project No. 1 is expected to have a net electrical plant capability of approximately 1230 MW.

A new pressurized water reactor nuclear steam supply system similar to other reactors now under construction will replace the NPR as a steam source. It will include, but not be limited to, a nuclear reactor, fuel, control systems, primary coolant loops with steam generators, engineered safeguard systems, radwaste system, service systems, containment building and other auxiliary facilities.

Steam will be fed from this new reactor to a new topping turbine and generator with a nameplate rating of approximately 400 MW housed in an extension of the existing turbine-generator building of the Generating Facilities. New piping will transmit low pressure exhaust steam from the new topping turbine to the existing low pressure turbine complex which is a part of the Generating Facilities. The existing turbines may be modified, including the addition of extra stages of blades; and such modifications, additions and alterations to the condensers, cooling system, feedwater heaters, feedwater pumps, instrumentation, control systems, auxiliary startup power facilities and other components of the Generating Facilities will be made as shall be required to operate the topping turbine and to utilize exhaust steam from the topping turbine.

PROVISIONS REQUIRED BY STATUTE OR EXECUTIVE ORDER

1. *Contract Work Hours and Safety Standards.*

This contract, to the extent that it is of a character specified in the Contract Work Hours and Safety Standards Act (Public Law 87-581, 76 Stat. 357-360, as amended) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. C. 35-45), is subject to the following provisions and to all other provisions and exceptions of said Contract Work Hours and Safety Standards Act.

(a) No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work, to work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) In the event of any violation of the provisions of subsection (a), the Contractor and any subcontractor responsible for such violation shall be liable to any affected employee for his unpaid wages. In addition, such Contractor or subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the provisions of subsection (a), in the sum of \$10 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of forty hours in a workweek without payment of the required overtime wages.

(c) The Administrator may withhold, or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor, the full amount of wages required by this contract and such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for liquidated damages as provided in subsection (b).

(d) No contractor or subcontractor contracting for any part of the contract work shall require any laborer or mechanic employed in the performance of the contract to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health or safety, as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation based on proceedings pursuant to section 553 of title 5, United States Code, provided that such proceedings include a hearing of the nature authorized by said section.

(e) The Contractor shall require the foregoing subsections (a), (b), (c), (d) and this subsection (e) to be inserted in all subcontracts.

(f) The Contractor shall keep and maintain for a period of three (3) years from the completion of this contract the information required by 29 CFR § 516.2(a). Such material shall be made available for inspection by authorized representatives of the Government, upon their request, at reasonable times during the normal work day.

2. *Convict Labor.*

The Contractor shall not employ any person undergoing sentence of imprisonment at hard labor.

3. *Equal Opportunity.*

Unless exempted pursuant to the provisions of Executive Order 11246 of September 24, 1965 and the rules, regulations and relevant orders of the Secretary of Labor thereunder, during the performance of this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Administrator setting forth the provisions of this equal opportunity clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Administrator, advising the labor union or worker's representative of the Contractor's commitments under this equal opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Administrator and the Secretary of Labor for purposes of investigations to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Contractor's noncompliance with the equal opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Administrator may direct as a means of enforcing such provisions including sanctions for noncompliance; *provided, however*, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Administrator, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

4. *Interest of Member of Congress.*

No Member of or Delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom. Nothing, however, herein contained shall be construed to extend to such contract if made with a corporation for its general benefit.

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EXHIBIT IV

Contract No. 14-03-39211

**WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1**

AGREEMENT

executed by the

**UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR**

acting by and through the

BONNEVILLE POWER ADMINISTRATOR

and

**WASHINGTON PUBLIC POWER SUPPLY SYSTEM
(Project Agreement)**

INDEX TO SECTIONS

SECTION	<u>PAGE</u>
1. Definition and Explanation of Terms	68
2. Exhibits	69
3. Term of Agreement	69
4. Design, Licensing and Construction of the Project	69
5. Financing of the Project	70
6. Budget and Accounting Procedures	71
7. Operation and Maintenance of the Project	72
8. Fuel	72
9. Permits	73
10. Administrator's Approval and Project Consultant	73
11. Replacements, Repairs and Capital Additions	74
12. Insurance	75
13. Inspection of Project Facilities	75
14. Training	75
15. End of the Project	75
16. Assignment of Agreement	76
17. Applicability of Other Instruments	76
Exhibit A (Project Characteristics)	77
Exhibit B (Provisions Required by Statute or Executive Order)	78

This **AGREEMENT**, executed _____, 1973, by the UNITED STATES OF AMERICA (Government), Department of the Interior, acting by and through the BONNEVILLE POWER ADMINISTRATOR (Administrator), and WASHINGTON PUBLIC POWER SUPPLY SYSTEM (Supply System), a municipal corporation of the State of Washington,

WITNESSETH:

WHEREAS Supply System has constructed the Hanford Project which includes the Generating Facilities having a generating capability of 860 megawatts which are operated in conjunction with by-product steam from the New Production Reactor (NPR) of the Atomic Energy Commission (AEC) on the Hanford Reservation; and

WHEREAS the AEC has notified Supply System of its intention to discontinue dual purpose operation of the NPR and Supply System, the Administrator and the Participants, being all the parties to the Hanford Exchange Agreements, have agreed that Supply System shall construct a nuclear steam supply facility and additional generating facilities which can be used in conjunction with the Generating Facilities; and

WHEREAS Supply System proposes to design, finance, construct, operate, and maintain the Project; and

WHEREAS, the Administrator has determined that acquisition of the Project Capability as herein provided will assist in attaining the objectives of the Bonneville Project Act, and other statutes pertaining to the disposition of electric power and energy from Government projects in the Pacific Northwest by enabling the Government to make optimum use of the Federal Columbia River Power System, and that the integration of the capability of the Project with the generating resources of the Federal Columbia River Power System as provided herein will enable the Administrator to make available additional firm power and energy to meet the needs of his customers; and

WHEREAS the construction of the Project is a part of the Hydro Thermal Power Program for the Pacific Northwest and this agreement is one of a series of agreements implementing such program; and

WHEREAS Supply System expects to enter into certain contracts for the financing, planning, engineering, construction and operation of the Project; and

WHEREAS Supply System, the Administrator, and the Participants are parties to Net Billing Agreements under which Supply System sells a portion of Project Capability to the Participants and under which the Administrator will acquire Project Capability from the Participants; and

WHEREAS Supply System, the Administrator, and each of The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company are parties to Project Exchange Agreements under which Supply System sells a portion of Project Capability to such companies and the companies exchange such Project Capability with the Administrator for electric power and energy from the Federal Columbia River Power System; and

WHEREAS Supply System is organized under the laws of the State of Washington (Rev. Code of Washington, Ch. 43.52) and is authorized by law to construct, acquire and operate works, plants, and facilities for the generation and/or transmission of electric power and energy and to enter into contracts with the Administrator and public and private organizations for the disposition and distribution of electric energy produced thereby; and

WHEREAS the Administrator is authorized pursuant to law to dispose of electric power and energy generated at various federal hydroelectric projects in the Pacific Northwest and to enter into related agreements;

NOW, THEREFORE, the parties do hereby mutually agree as follows:

1. *Definition and Explanation of Terms.*

(a) "Annual Budget" means the budget adopted by Supply System not less than 45 days prior to the beginning of each Contract Year which itemizes the projected costs of the Project applicable to such Contract Year, or, in the case of an amended Annual Budget, applicable to the remainder of such Contract Year. The Annual Budget, as amended from time to time, shall make provision for all such Supply System's costs, including (1) all obligations of Supply System incurred with respect to the Hanford Project, including its obligations under Supply System's Resolution No. 178 and the Bond Resolution and (2) accruals and amortizations, resulting from the ownership, operation (including cost of fuel), and maintenance of the Project and repairs, renewals, replacements, and additions to the Project, including, but not limited to, the amounts which Supply System is required under the Bond Resolution to pay in each Contract Year into the various funds provided for in the Bond Resolution for debt service and all other purposes and shall include the source of funds proposed to be used; *provided, however*, that the Annual Budget for any portion of a Contract Year prior to the Date of Commercial Operation or September 1, 1980, whichever occurs first, shall include only such amounts as may be agreed upon by Supply System and the Administrator.

(b) "Bonds" means any bond, bonds, or other evidences of indebtedness issued in connection with the Project pursuant to the Bond Resolution (1) to finance or refinance Supply System's costs associated with planning, designing, financing, acquiring and constructing the Project pursuant to the Bond Resolution and (2) for any other purpose related to the Project authorized thereby.

(c) "Bond Resolution" means the resolution or resolutions adopted or supplemented by Supply System, as the same may be amended or supplemented, to authorize the Bonds.

(d) "Construction Budget" means the budget adopted by Supply System which sets forth an estimated schedule of construction expenditures and itemizes all costs related to ownership, design, planning, construction and financing of the Project, as well as any revision or updating thereof during the course of construction.

(e) "Contract Year" (1) means the period commencing on the Date of Commercial Operation, or on January 1, 1980, whichever occurs first, and ending at 12 p.m. on the following June 30, and (2) thereafter means the 12-month period commencing each year at 12 p.m. on June 30, except that the last Contract Year shall end on the date of termination of this agreement.

(f) "Date of Commercial Operation" means the date fixed by the parties as the point in time when the project is ready to be operated on a commercial basis pursuant to schedules agreed to by the Administrator and Supply System.

(g) "Generating Facilities" means the Hanford Project power house with two turbine generator units with a combined nameplate rating of 860 megawatts, related auxiliary equipment, transformation and transmission facilities.

(h) "Hanford Exchange Agreements" means the Exchange Agreements (Contracts No. 14-03-35345 through 14-03-35363 and 14-03-35569 through 14-03-35625, inclusively) executed by 76 utility participants, Supply System and the Administrator providing for the purchase of Project Output from the Hanford Project by the Participants and the exchange of such Project Output with the Administrator for firm power and energy.

(i) "Hanford Project" means the works, plants and facilities constructed by the Supply System for the generation and transmission of electric power and energy in conjunction with the Atomic Energy Commission's New Production Reactor pursuant to Supply System's Resolution No. 178.

(j) "Net Billing Agreements" means the agreements for the Project entered into by Supply System, the Administrator and each of the Participants (designated as Contracts No. 14-03-39217 through 14-03-39320, inclusive).

(k) "Participants" means those entities which are specified in Exhibit A of the Net Billing Agreements, or which become assignees of all or part of any Participant's Share pursuant to the Net Billing Agreements.

(l) "Project" means the nuclear generating plant and related properties as described in Exhibit A. Exhibit A may be revised from time to time by mutual agreement of the parties, but in any event shall conform to the description of the Project in the Bond Resolution which authorizes the issuance of Bonds in an amount sufficient to pay the costs of acquiring and constructing the Project.

(m) "Project Capability" means the actual electrical generating capability, if any, of the Project at any particular time (including times when the Project is not operable or operating or the operation thereof is suspended, interrupted, interfered with, reduced or curtailed, in each case in whole or in part), less Project station use and losses.

(n) "Project Consultant" means an individual or firm, of national reputation having demonstrated expertise in the field of the matter or item referred to it, appointed among other things, for the resolution of a difference regarding a matter or item referred by Supply System. A different Project Consultant may be appointed for each matter or item referred.

(o) "Project Exchange Agreements" means the agreements entered into by Supply System, the Administrator and each of The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and The Washington Water Power Company (Contracts No. 14-03-39212 through 14-03-39216, inclusive).

(p) "Prudent Utility Practice" at a particular time means any of the practices, methods, and acts, which, in the exercise of reasonable judgment in light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice shall apply not only to functional parts of the Project but also to appropriate structures, landscaping, painting, signs, lighting, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts. In evaluating whether any matter conforms to Prudent Utility Practice, the parties and any Project Consultant shall take into account (1) the fact that Supply System is a municipal corporation and operating agency under the laws of the State of Washington with the statutory duties and responsibilities thereof and (2) the objective to integrate the entire Project Capability with the generating resources of the Federal Columbia River Power System to achieve optimum utilization of the resources of that system taken as a whole, and to achieve efficient and economical operation of that system.

2. *Exhibits.* Exhibits A and B are by this reference incorporated herein and made a part of this agreement. Supply System shall be the Contractor as that term is used in Exhibit B.

3. *Term of Agreement.* This agreement shall be effective upon execution and delivery and shall terminate when the Project terminates as provided in section 15.

4. *Design, Licensing and Construction of the Project.*

(a) Supply System shall perform its duties and exercise its rights under this agreement in accordance with Prudent Utility Practice.

(b) Supply System shall seek and use its best efforts to obtain all licenses, permits and other rights and regulatory approvals necessary for the ownership, construction, and operation of the Project.

(c) Supply System shall complete all appropriate planning and engineering studies and construct the Project in accordance with Prudent Utility Practice. Supply System shall use its best efforts to schedule the Date of Commercial Operation to be, as near as may be, September 1, 1980.

(d) Supply System shall keep the Administrator informed of all matters Supply System deems significant with respect to planning, engineering studies and construction of the Project, where practicable in time for the Administrator to comment thereon before decisions are made. Upon request by the Administrator, Supply System shall furnish or make available to the Administrator with reasonable promptness, and at reasonable times, copies of proposed plans, specifications, invitations for bids and contracts and all certificates delivered to Supply System by any engineer or architect in connection with such construction, and all bids, papers, records and accounts relating to construction or operation of the Project.

(e) Supply System shall award separate contracts for readily separable parts of the work to the extent consistent with construction of the Project at the least overall cost and the high quality required. Construction contracts may be lump sum or unit price, and may also contain incentive and liquidated damages clauses. Supply System shall advertise for bids among qualified contractors and award the contract after appropriate evaluation and review to the lowest responsible bidder, or reject all bids. All bids, bid evaluations, and proposed contract awards for amounts in excess of \$500,000 shall be submitted to the Administrator prior to contract award. If the Administrator disapproves the proposed award, the matter will be referred to the Project Consultant as provided in section 10.

(f) The Administrator may, at his option and at Government expense, maintain a representative at the Project site during the construction of the Project. Such representative shall have no authority regarding administration or inspection of the Project construction.

(g) Notwithstanding any other provisions of this agreement, the selection of the (1) type and specifications for the nuclear steam supply system, (2) method of cooling, (3) specifications for the additional turbine-generator, and (4) architect-engineer shall be made only after approval by the Administrator.

(h) The Administrator shall have the right to purchase upon reasonable terms and conditions energy produced during any test operation of the generating unit of the Project, upon reasonable notice to Supply System of his intention to do so, given prior to the commencement of such test operation. If the Administrator does not exercise such right, he shall accept delivery into the Federal Columbia River Power System and, upon reasonable terms and conditions, shall deliver any such energy not purchased by him to Supply System or its assignee at mutually agreed points.

5. *Financing of the Project.*

(a) Supply System shall, in good faith and with due diligence, use its best efforts to issue and sell Bonds to finance the costs of the Project and the completion thereof, as such costs are defined in the Bond Resolution and, subject to the provisions of section 11(c), to finance the costs of any capital additions, renewals, repairs, replacements, or modifications to the Project; *provided, however*, that in each such case such Bonds may then be legally issued and sold.

Supply System may, after submitting its financing proposal to the Administrator, or shall, whenever requested by the Administrator, adopt proceedings to authorize the issuance and sale of additional Bonds to refund outstanding Bonds prior to maturity in accordance with the Bond Resolution; *provided, however*, that if in the judgment of Supply System or the Administrator no substantial benefits or economies will be achieved by such refunding the matter shall be referred to the Project Consultant as provided in section 10.

(b) Notwithstanding any other provisions of this agreement, the Bond Resolution shall be subject to the approval of the Administrator.

6. Budget and Accounting Procedures.

(a) *Construction Budget.* The Administrator has heretofore reviewed Supply System's Construction Budget in connection with the Project. By October 1 of each year until completion of construction of the Project Supply System shall prepare and submit to the Administrator an updated Construction Budget describing the items of construction and the estimated amounts to be expended therefor in each quarter from the succeeding January 1 to estimated date of Project completion. Supply System shall submit revised Construction Budgets to the Administrator from time to time to reflect substantial changes in construction schedules, plans, specifications, or costs. Updated Construction Budgets for the succeeding calendar year and revised Construction Budgets for the current calendar year shall become effective unless disapproved by the Administrator within 30 days, and seven days, respectively, after submittal. Any item disapproved shall be referred to the Project Consultant as provided in section 10.

A monthly Construction Budget report shall be prepared by Supply System and filed with the Administrator showing by major plant accounts or contracts, the cumulative amounts committed and the cumulative expenditures to date of each such report.

(b) *Annual Budget.* At least 90 days prior to the expected Date of Commercial Operation, Supply System shall submit to the Administrator a proposed Annual Budget for the period from the expected Date of Commercial Operation to the next succeeding July 1, and if the Date of Commercial Operation occurs subsequent to April 1 in a calendar year, a similar Annual Budget for the next succeeding Contract Year. Thereafter, on or before April 1 of each year Supply System shall submit to the Administrator a similar Annual Budget for the next succeeding Contract Year, which budget shall take into account the cumulative difference between total moneys received and expenditures for the prior Contract Year and provide for adjustment, as necessary, of the appropriate working cash fund.

All taxes imposed and required by law to be paid, and which are due and payable in a Contract Year, shall be included in the Annual Budget for that Contract Year as a Project Cost. To the extent Supply System is permitted by law to negotiate for payments in lieu of taxes or other negotiated payments to state or local taxing entities, the Annual Budget shall also include the amounts of such negotiated payments; *provided, however,* that Supply System shall not agree to such negotiated payment if in any Contract Year the sum of such negotiated payments to such taxing entities and taxes imposed by law by such taxing entities would exceed the total amount of ad valorem taxes that Supply System would have paid in that year to such taxing entities if the Project or portion thereof, within the boundaries of each such taxing entity, were subject to ad valorem taxes and its valuation for tax purposes were added to the valuation of the property subject to ad valorem taxes by such taxing entity, but with its millage rate reduced so that the amount of ad valorem taxes raised would be unchanged.

Notwithstanding any other provision of this agreement, costs incurred by Supply System in an emergency or to protect the safety of the Project or the public shall be added to the Annual Budget as incurred. Promptly after any such occurrence, and prior to expenditures of any other funds not contemplated in the effective Annual Budget, Supply System shall submit a revised Annual Budget to the Administrator.

The Annual Budget and revised Annual Budget shall become effective unless disapproved by the Administrator within 30 days and seven days, respectively, after submittal. Any item disapproved shall be referred to the Project Consultant as provided in section 10.

(c) *Accounting.* Supply System shall keep up-to-date books and records showing all financial transactions and other arrangements made in carrying out the terms of this agreement. Such books and records shall contain information supporting the allocation of Supply System's indirect costs associated with the Project, and the method of allocating or prorating costs or expenses as between the Project and other activities in which Supply System may have an interest shall be based upon

Prudent Utility Practice. Such books and records shall be retained by Supply System for three years and shall be made available for inspection and audit by the Administrator at any reasonable time.

All accounts shall be kept so as to permit conversion to the applicable system of accounts prescribed for electric utilities by the Federal Power Commission.

Any contract with any consultant or contractor of Supply System providing for reimbursement of costs or expenses of any kind shall require the keeping and maintenance of books, records, documents, and other evidence pertaining to the costs and expenses incurred or claimed under such contract to the extent and in such detail as will properly reflect all costs related to this agreement and shall require such books, records, documents and evidence to be made available to the Administrator at all reasonable times for review and audit for a period of three years after final settlement of the applicable contracts.

(d) All moneys received on account of the Project which are surplus to a current year's operating and capital expenses and Bond Resolution requirements shall be invested by Supply System in accordance with the Bond Resolution until such surplus moneys can be appropriately applied in a future Contract Year.

7. Operation and Maintenance of the Project.

(a) Supply System shall operate and maintain the Project in accordance with Prudent Utility Practice, so as to meet the requirements of the Atomic Energy Commission, and other government agencies having jurisdiction and the applicable requirements of bond resolutions.

(b) During any hour in which the Project does not generate power for station use and losses to the high voltage terminals of the Project substation, the Administrator shall furnish such power, except for amounts others are obligated to supply under the Project Exchange Agreements and Net Billing Agreements to the Supply System at the point of delivery specified in section 11 of the Net Billing Agreements; *provided, however*, that deliveries of such power may be interrupted or reduced in the case of system emergencies, or in order to make repairs, replacements or necessary additions to or perform maintenance on that portion of the Federal Columbia River Power System necessary to provide such power.

8. Fuel.

(a) At least 60 days prior to the anticipated date of award of the initial fuel contracts, Supply System shall submit the proposed provisions of such contracts to the Administrator. Within 180 days after the date of award of such contracts, and annually thereafter until the Date of Commercial Operation, Supply System shall prepare and submit a fuel management plan (Plan) to the Administrator. Each year after the Date of Commercial Operation, the Plan shall be submitted at the same time the Annual Budget is submitted pursuant to section 6(b). Supply System shall amend the Plan as reasonably required to reflect changes in conditions unforeseen at the time the Plan was prepared.

Supply System shall consult with the Administrator in the preparation of the initial and each subsequent Plan. The Administrator shall furnish Supply System all necessary forecasts of the generation requirements of the Project. Such forecasts shall indicate the manner in which the Project is to be operated to integrate and coordinate the Project with hydroelectric and other thermal resources available to the Administrator. Supply System shall rely upon such forecasts in preparing the Plan.

The Plan shall cover a period of at least the next succeeding ten years. It shall include a cash flow analysis of forecasted expenditures and credits for each major component of the fuel cycle, by years, for the entire period, and cash flow by months, for the first five years of the period. The Plan shall also include, but shall not be limited to, forecasts of the dates and details of fueling out-

ages, contracts for each component of the fuel cycle, shipments and any licenses or permits required therefor and any other pertinent actions.

Each Plan, (including the provisions of the initial fuel contracts,) any changes therein, and costs relating thereto shall become effective unless disapproved by the Administrator within 30 days after submittal; *provided, however,* that whenever in his judgment it is practical to do so the Administrator shall notify Supply System in writing within ten days after each such submittal of his approval or disapproval. Any matter or item disapproved shall be referred to the Project Consultant as provided in section 10.

(b) At the time of each fueling, Supply System shall prepare in consultation with the Administrator and furnish to the Administrator its best estimate of the kilowatt-hours of net energy available from the Project to the next scheduled fueling date and the estimated fixed and variable unit cost per net kilowatt-hour and furnish to the Administrator such other data as may be requested by the Administrator. Supply System shall review the data with the Administrator at least monthly and revise such data as necessary.

9. *Permits.* Subject to any regulations of the Atomic Energy Commission pertaining to the Project, if by the terms of this agreement any equipment or facility of either party is, or is to be, located on the property of the other, a permit to install, test, maintain, inspect, replace, and repair during the term of this agreement and to remove at the expiration of said term such equipment and facility, together with the right of ingress to and egress from the location thereof at all reasonable times in such term, is hereby granted by the other party.

10. *Administrator's Approval and Project Consultant.*

(a) All proposals of Supply System, including but not limited to, budgets, plans, actions, activities, or matters submitted to the Administrator under any provisions of this agreement shall include itemized cost estimates and other detail sufficient to support a comprehensive review, including but not limited to, a copy of all supporting reports, analyses, recommendations, or other documents pertaining thereto. If the Administrator does not disapprove the proposal within the time specified, or if no time is specified, within seven days after receipt, the proposal shall be deemed approved. Any proposal disapproved shall be segregated so that exact items of difference are identified and shall become effective immediately as to items not disapproved.

(b) Except as provided in sections 4(g), 5(b), 11(b), and the third paragraph of section 6(b), disapproval by the Administrator shall be given in writing and shall be based solely on whether the proposal or item is consistent with Prudent Utility Practice. Such disapproval shall describe in what particular the proposal or item is not consistent with Prudent Utility Practice and shall at the same time recommend what would meet that standard.

When any proposal or item is so disapproved by the Administrator, Supply System shall adopt the suggestion of the Administrator or within seven days after receipt of such disapproval, shall appoint a Project Consultant acceptable to the Administrator to review the proposal or item in the manner described in this section. If the parties shall not agree upon the selection of the Project Consultant, Supply System shall promptly request the Chief Judge of the United States District Court for the Western District of Washington to appoint the Project Consultant.

(c) The Project Consultant shall consider all written arguments and factual materials which have been submitted to it by either party within the ten days following its appointment, and as promptly as possible after the expiration of such period, make a written determination as to whether the proposal or item disapproved by the Administrator referred to it by Supply System would or would not have been consistent with Prudent Utility Practice. If the Project Consultant determines that the proposal or item referred to it was not consistent with Prudent Utility Practice it shall, at the same time, recommend what would, under the same circumstances, have met such test.

Proposals or items found by the Project Consultant to be consistent with Prudent Utility Practice shall become immediately effective. Proposals or items found by the Project Consultant to be inconsistent with Prudent Utility Practice shall be modified to conform to the recommendation of the Project Consultant or as the parties otherwise agree and shall become effective as and when modified.

(d) All costs incurred by Supply System for or by reason of employing a Project Consultant under this agreement and the Net Billing Agreements shall be a cost of the Project.

(e) If any proposal or item referred to the Project Consultant has not been resolved and will affect the continuous operation of the Project, Supply System shall continue to operate the Project. Supply System may proceed with the item, (1) as proposed by it, or (2) as proposed by the Administrator, or (3) as modified by mutual agreement by Supply System and the Administrator prior to the time such item affects operation of the Project; *provided, however*, that if Supply System proceeds with the item as proposed by it and that item is determined by the Project Consultant to be inconsistent with Prudent Utility Practice, Supply System shall bear any net increase in the cost of construction or operation of the Project resulting from such item without charge to the Project to the extent such item was inconsistent with what the Project Consultant determined would under such circumstances have met such test. Notwithstanding other provisions of this section 10(e), whenever a proposal has been referred to the Project Consultant, Supply System shall operate in accordance with Supply System's proposals until such proposal has been resolved by the Project Consultant, whenever Supply System determines that the Administrator's proposals would create an immediate danger to the safe operation of the Project.

(f) The Administrator's approval or failure to disapprove any plan, proposal or item pursuant to the terms of this agreement shall not render the Government, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from ownership, design, construction, operation, or maintenance of the Project.

(g) The word "item" as used in this section means the item described including the cost specified therefor.

11. *Replacements, Repairs and Capital Additions.*

(a) After the Date of Commercial Operation Supply System shall submit its plan, including but not limited to a financing plan, and budget of expenditures to the Administrator for each replacement, repair, or betterment relating thereto, or capital addition required by governmental agencies, each as related to the Project and having a cost, as estimated by Supply System, in excess of \$3,000,000; *provided, however*, that if the estimated cost of any such replacement, repair, or betterment relating thereto, or capital addition required by governmental agencies, exceeds 20 percent of the then depreciated value of the Project, the Administrator may direct that Supply System end the Project in accordance with section 15. If the parties cannot agree upon such estimated costs, such estimated costs shall be referred to and determined by the Project Consultant. If the Administrator does not so direct within 90 days from the date such estimated cost has been so agreed upon or determined, Supply System shall proceed with its plan and budget of expenditures for such replacement, repair, or betterment relating thereto, or capital addition required by such governmental agency. Each such plan and budget or updated or revised budget relating thereto shall be submitted to the Administrator and shall become effective at the time and in the manner provided in section 6(a).

(b) Notwithstanding any other provisions of this agreement, Supply System shall not expend or obligate, without prior approval of the Administrator, moneys exceeding \$50,000 in any Contract Year for capital additions to the Project unless such capital additions are required by governmental agencies.

(c) If in any Contract Year the amounts in the Annual Budget for renewals, repairs, replacements, and betterments and for capital additions necessary to achieve design capability or required

by governmental agencies (Amounts for Extraordinary Costs), whether or not such amounts are costs of operation or costs of construction, exceed the amount of reserves, if any, maintained for such purpose pursuant to the Bond Resolution plus the proceeds of insurance, if any, available by reason of loss or damage to the Project, by the lessor of:

(1) an amount of \$3,000,000 or

(2) an amount by which the amount of the Administrator's estimate of the total of the Administrator's net billing credits available in such Contract Year to the Participants pursuant to section 7(a) of the Net Billing Agreements and the amounts of such reserves and insurance proceeds, if any, exceeds the Annual Budget for such Contract Year exclusive of Amounts for Extraordinary Costs,

Supply System shall, in good faith, use its best efforts to issue and sell Bonds to pay such excess in accordance with section 5(a).

12. Insurance.

(a) Supply System shall maintain in force, for the benefit of the Project, the Administrator, Supply System, and the Participants as their respective interests shall appear, as a Project expense, such insurance as will satisfy the requirements of the Bond Resolution, the Atomic Energy Act of 1954 as amended, other insurance required by applicable statutes, and such other insurance as the parties agree. Subject to section 11 any proceeds of such insurance received by the Supply System for loss or damage to the Project shall be used to repair the Project. Supply System shall not, without the consent of the Administrator and the Participants' Review Board as established pursuant to section 17 of the Net Billing Agreements, cause the insurance on the Project to be extended to any additional units or generating projects or to lapse to permit the extension of such coverage.

(b) The Administrator may request additional insurance to the extent available, and Supply System shall purchase such requested insurance at the Administrator's expense. The proceeds from such requested insurance shall be disbursed as directed by the Administrator.

13. Inspection of Project Facilities. The Administrator may, but shall not be obligated to, inspect the Project at any reasonable time, but such inspection, or failure to inspect, shall not render the Government, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defect in the Project.

14. Training. Supply System shall carry out a familiarization and training program to maintain adequate staff for the Project and the expenses thereof shall be part of the direct or indirect costs of construction or costs of operation as appropriate.

15. End of the Project. The Project shall terminate and Supply System shall cause the Project to be salvaged, discontinued, decommissioned, and disposed of or sold in whole or in part to the highest bidder(s) or disposed of in such other manner as the parties may agree when

(a) Supply System determines it is unable to construct, operate, or proceed as owner of the Project due to licensing, financing, or operating conditions or other causes which are beyond its control.

(b) the parties determine the Project is not capable of producing energy consistent with Prudent Utility Practice or, if the parties disagree, the Project Consultant so determines, or

(c) the Administrator directs end of Project as provided in section 11(a).

The date of termination shall be the earliest of the date of the determination under subsections (a) or (b) above or the date of direction under subsection (c) above.

16. *Assignment of Agreement.* This agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the parties to this agreement; *provided, however,* that neither this agreement, nor any interest therein shall be transferred or assigned by (a) Supply System to any entity other than the United States or an agency thereof, without written consent of the Administrator, or (b) the Administrator to any party other than the United States, or an agency thereof, without written consent of Supply System.

17. *Applicability of Other Instruments.* It is recognized by the parties hereto that Supply System in the ownership, construction and operation of the Project must comply with the requirements of the Bond Resolution and all licenses, permits and regulatory approvals necessary for such ownership, construction and operation, and it is, therefore, agreed that this agreement is made, and referrals to the Project Consultant hereunder shall be, subject to the terms and provisions of the Bond Resolution and all such licenses, permits, and regulatory approvals.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts.

UNITED STATES OF AMERICA
Department of the Interior

(SEAL)

By
Bonneville Power Administrator

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

(SEAL)

By
Title

ATTEST:

By
Title

PROJECT CHARACTERISTICS
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1

The Washington Public Power Supply System's Nuclear Project No. 1 is expected to have a net electrical plant capability of approximately 1230 MW.

A new pressurized water reactor nuclear steam supply system similar to other reactors now under construction will replace the NPR as a steam source. It will include, but not be limited to, a nuclear reactor, fuel, control systems, primary coolant loops with steam generators, engineered safeguard systems, radwaste system, service systems, containment building and other auxiliary facilities.

Steam will be fed from this new reactor to a new topping turbine and generator with a nameplate rating of approximately 400 MW housed in an extension of the existing turbine-generator building of the Generating Facilities. New piping will transmit low pressure exhaust steam from the new topping turbine to the existing low pressure turbine complex which is a part of the Generating Facilities. The existing turbines may be modified, including the addition of extra stages of blades; and such modifications, additions and alteration to the condensers, cooling system, feedwater heaters, feedwater pumps, instrumentation, control systems, auxiliary startup power facilities and other components of the Generating Facilities will be made as shall be required to operate the topping turbine and to utilize exhaust steam from the topping turbine.

PROVISIONS REQUIRED BY STATUTE OR EXECUTIVE ORDER

1. *Contract Work Hours and Safety Standards.*

This contract, to the extent that it is of a character specified in the Contract Work Hours and Safety Standards Act (Public Law 87-581, 76 Stat. 357-360, as amended) and is not covered by the Walsh-Healey Public Contracts Act (41 U.S.C. 35-45), is subject to the following provisions and to all other provisions and exceptions of said Contract Work Hours and Safety Standards Act.

(a) No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work, to work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) In the event of any violation of the provisions of subsection (a), the Contractor and any subcontractor responsible for such violation shall be liable to any affected employee for his unpaid wages. In addition, such Contractor or subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the provisions of subsection (a), in the sum of \$10 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of forty hours in a workweek without payment of the required overtime wages.

(c) The Administrator may withhold, or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor, the full amount of wages required by this contract and such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for liquidated damages as provided in subsection (b).

(d) No contractor or subcontractor contracting for any part of the contract work shall require any laborer or mechanic employed in the performance of the contract to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health or safety, as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation based on proceedings pursuant to section 553 of title 5, United States Code, provided that such proceedings include a hearing of the nature authorized by said section.

(e) The Contractor shall require the foregoing subsections (a), (b), (c), (d) and this subsection (e) to be inserted in all subcontracts.

(f) The Contractor shall keep and maintain for a period of three (3) years from the completion of this contract the information required by 29 CFR §516.2(a). Such material shall be made available for inspection by authorized representatives of the Government, upon their request, at reasonable times during the normal work day.

2. *Convict Labor.* The Contractor shall not employ any person undergoing sentence of imprisonment at hard labor.

3. *Equal Opportunity.* Unless exempted pursuant to the provisions of Executive Order 11246 of September 24, 1965 and the rules, regulations and relevant orders of the Secretary of Labor thereunder, during the performance of this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action

to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Administrator setting forth the provisions of this equal opportunity clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Administrator, advising the labor union or worker's representative of the Contractor's commitments under this equal opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the Administrator and the Secretary of Labor for purposes of investigations to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Contractor's noncompliance with the equal opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the Administrator may direct as a means of enforcing such provisions including sanctions for noncompliance; *provided, however*, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Administrator, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

4. *Interest of Member of Congress.* No Member of or Delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom. Nothing, however, herein contained shall be construed to extend to such contract if made with a corporation for its general benefit.

EXHIBIT V

WOOD DAWSON LOVE & SABATINE

ATTORNEYS AND COUNSELLORS AT LAW

TELEPHONE 212 422-0450
CABLE ADDRESS: WOODDAW

DAVID M. WOOD (1892-1960)
JOHN B. DAWSON
LEROY LOVE
LEO E. SABATINE
BRENDAN O'BRIEN
—
EDWARD J. MCCORMICK
SAMUEL I. HELLMAN
JEREMIAH J. SPIRES

48 WALL STREET
NEW YORK, N. Y. 10005

Board of Directors

WASHINGTON PUBLIC POWER SUPPLY SYSTEM
395 Fifth Avenue
Richland, Washington

DEAR SIRs:

**WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1 REVENUE NOTES, SERIES 1973,
\$25,000,000**

At your request we have examined into the validity of an issue of \$25,000,000 Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1973, of Washington Public Power Supply System (the "System"), a municipal corporation of the State of Washington. Said notes are issuable in coupon form, are dated February 15, 1973, mature without option of prior redemption on December 15, 1975, are of the denomination of \$ _____ each, numbered 1 to _____, inclusive, and bear interest at the rate of _____ per centum per annum, payable semi-annually June 15 and December 15. Said notes recite that they are issued under and pursuant to Resolution No. _____, adopted by the Board of Directors of the System on the _____th day of February, 1973 (the "Note Resolution"), and under the authority of and in full compliance with the Constitution and statutes of the State of Washington, including Titles 43 and 54 of the Revised Code of Washington, and proceedings of the Board of Directors of the System duly adopted, for the purpose of paying a part of the cost of acquiring and constructing the Project (as such Project is defined in the Note Resolution).

We have examined the Constitution and statutes of the State of Washington, and certified copies of proceedings of the Board of Directors of the System authorizing the issuance of said notes, including the Note Resolution, and other proofs relating to the issuance of said notes, also an executed note of said issue.

In our opinion the Note Resolution has been duly adopted, the provisions thereof are valid and binding upon the System and said notes have been duly authorized and issued in accordance with the Constitution and statutes of the State of Washington, and constitute valid and legally binding obligations of the System, payable from any moneys of the System that may be lawfully applied to the payment thereof, including revenues of the Project, as the Project is defined in the Note Resolution, and the proceeds of revenue bonds or refunding notes of the System.

It is also our opinion that the interest on said notes is exempt from taxation by the United States of America under existing laws and regulations and a specific ruling issued by the Internal Revenue Service with respect to the notes.

Very truly yours,

WOOD DAWSON LOVE & SABATINE

WOOD DAWSON LOVE & SABATINE
ATTORNEYS AND COUNSELLORS AT LAW

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SAMUEL I. HELLMAN
JEREMIAH J. SPIRES

48 WALL STREET
NEW YORK, N. Y. 10005

Board of Directors

WASHINGTON PUBLIC POWER SUPPLY SYSTEM
395 Fifth Avenue
Richland, Washington

DEAR SIRs:

WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1 REVENUE NOTES, SERIES 1973,
\$25,000,000

Under date of _____, 1973, we rendered an opinion approving the validity of the above notes (the "Notes") issued pursuant to a resolution adopted by the Board of Directors of the Washington Public Power Supply System (the "System") on _____, 1973 (the "Note Resolution").

We have examined into the validity of the Project Agreement (Contract No. 14-03-39211), dated _____, 1973, between the United States of America, Department of the Interior, acting by and through the Bonneville Power Administrator, and Washington Public Power Supply System, referred to on page _____ of the Official Statement of the System, dated _____, 1973, relating to the Notes. With respect to the authorization, execution and delivery of said agreement, we have examined certified copies of proceedings of the Board of Directors of the System authorizing the execution and delivery of said agreement, and such other documents, proceedings and matters relating to the authorization, execution and delivery of said agreement by each of the parties thereto as we deemed relevant. In our opinion, said agreement has been duly authorized, executed and delivered by each of the parties thereto and constitutes a valid and binding agreement enforceable in accordance with its terms.

We have also examined into the validity of _____ of the Net Billing Agreements, referred to on page _____ of said Official Statement, among the United States of America, Department of the Interior, acting by and through the Bonneville Power Administrator, the System, and certain of the Participants referred to in Exhibit I of said Official Statement, which _____ agreements provide for the purchase and assignment of an aggregate of not less than _____ % of the capability of the Project, as such Project is defined in the Note Resolution, in any Contract Year (as defined in the Net Billing Agreements) during the period ending June 30, 1986, _____ % of said capability in the period beginning July 1, 1986 to and including June 30, 1996, and _____ % of said capability in each twelve month period thereafter. With respect to the authorization, execution and delivery of said _____ Net Billing Agreements, we have examined certified copies of proceedings of the System and of the Participants which are parties thereto, authorizing the execution and delivery of said _____ Net Billing Agreements, and such other documents, proceedings and matters relating to the authorization, execution and delivery of said _____ Net Billing Agreements by each of the parties thereto as we deemed relevant. In our opinion, each of said _____ Net Billing Agreements has been duly authorized, executed and delivered by each of the parties thereto and constitutes a valid and binding agreement, enforceable in accordance with its terms.

We have also examined into the validity of the five Exchange Agreements referred to on page of said Official Statement, among the United States of America, Department of the Interior, acting by and through the Bonneville Power Administrator, the System and each of The Montana Power Company, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company and The Washington Water Power Company, which five agreements provide for the purchase by said Companies and exchange of an aggregate of 32.470% of the capability of the Project during the period beginning July 1, 1980, and ending on June 30, 1996. With respect to the authorization, execution and delivery of said Exchange Agreements, we have examined certified copies of proceedings of the System and of the Companies which are parties thereto, authorizing the execution and delivery of said Exchange Agreements, and such other documents, proceedings and matters relating to the authorization, execution and delivery of said Exchange Agreements by each of the parties thereto as we deemed relevant. In our opinion, each of said Exchange Agreements has been duly authorized, executed and delivered by each of the parties thereto and constitutes a valid and binding agreement, enforceable in accordance with its terms.

In rendering this opinion, we have relied upon the opinion of counsel for each of the Participants and aforesaid Companies that the Net Billing Agreement or Exchange Agreement to which such Participant or Company is a party has been duly executed and delivered by said Participant or Company and is not in conflict with, or in violation of, and will not be a breach of, or constitute a default under, the terms and conditions of any other agreement or commitment by which such Participant or Company is bound.

Very truly yours,

WOOD DAWSON LOVE & SABATINE

EXHIBIT VI

LAW OFFICES OF

HOUGHTON, CLUCK, COUGHLIN & RILEY

320 CENTRAL BUILDING

SEATTLE, WASHINGTON 98104

TELEPHONE
623-6501

ROLLA V. HOUGHTON (1970)
JACK R. CLUCK
PAUL COUGHLIN
JOHN W. RILEY
EMIL P. SCHUBAT
DAVID SKELLENGER
BERTRAM L. METZGER, JR.
JOEL HAGGARD
WILLIAM N. MATHIAS, III

Board of Directors

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

395 Fifth Avenue

Richland, Washington

DEAR SIRs:

**WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1 REVENUE NOTES, SERIES 1973,
\$25,000,000**

At your request we have examined into the validity of an issue of \$25,000,000 Washington Public Power Supply System Nuclear Project No. 1 Revenue Notes, Series 1973, of Washington Public Power Supply System (the "System"), a municipal corporation of the State of Washington. Said notes are issuable in coupon form, are dated February 15, 1973, mature without option of prior redemption December 15, 1975, are of the denomination of \$ each, numbered 1 to , inclusive, and bear interest at the rate of per centum per annum, payable semi-annually June 15 and December 15. Said notes recite that they are issued under and pursuant to Resolution No. , adopted by the Board of Directors of the System on the day of February, 1973 (the "Note Resolution"), and under the authority of and in full compliance with the Constitution and statutes of the State of Washington, including Titles 43 and 54 of the Revised Code of Washington, and proceedings of the Board of Directors of the System duly adopted, for the purpose of paying a part of the cost of acquiring and constructing the Project (as such Project is defined in the Note Resolution).

We have examined the Constitution and statutes of the State of Washington, and certified copies of proceedings of the Board of Directors of the System authorizing the issuance of said notes, including the Note Resolution, and other proofs relating to the issuance of said notes, also an executed note of said issue.

In our opinion the Note Resolution has been duly adopted, the provisions thereof are valid and binding upon the System and said notes have been duly authorized and issued in accordance with the Constitution and statutes of the State of Washington, and constitute valid and legally binding obligations of the System, payable from any moneys of the System that may be lawfully applied to the payment thereof, including revenues of the Project, as the Project is defined in the Note Resolution, and the proceeds of revenue bonds or refunding notes of the System.

It is also our opinion that the interest on said notes is exempt from taxation by the United States of America under existing laws and regulations and a specific ruling issued by the Internal Revenue Service with respect to the notes.

Very truly yours,

HOUGHTON, CLUCK, COUGHLIN & RILEY

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Board of Directors
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395 Fifth Avenue
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DEAR SIRs:

**WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 1 REVENUE NOTES, SERIES 1973,
\$25,000,000**

Under date of _____, 1973, we rendered an opinion approving the validity of the above notes (the "Notes") issued pursuant to a resolution adopted by the Board of Directors of the Washington Public Power Supply System (the "System") on _____, 1973 (the "Note Resolution").

We have examined into the validity of the Project Agreement (Contract No. 14-03-39211), dated _____, 1973, between the United States of America, Department of the Interior, acting by and through the Bonneville Power Administrator, and Washington Public Power Supply System, referred to on page _____ of the Official Statement of the System, dated _____, 1973, relating to the Notes. With respect to the authorization, execution and delivery of said agreement, we have examined certified copies of proceedings of the Board of Directors of the System authorizing the execution and delivery of said agreement, and such other documents, proceedings and matters relating to the authorization, execution and delivery of said agreement by each of the parties thereto as we deemed relevant. In our opinion said agreement has been duly authorized, executed and delivered by each of the parties thereto and constitutes a valid and binding agreement enforceable in accordance with its terms.

We have also examined into the validity of _____ of the Net Billing Agreements, referred to on page _____ of said Official Statement, among the United States of America, Department of the Interior, acting by and through the Bonneville Power Administrator, the System, and certain of the Participants referred to in Exhibit I of said Official Statement, which _____ agreements provide for the purchase and assignment of an aggregate of not less than _____ % of the capability of the Project, as such Project is defined in the Note Resolution, in any Contract Year (as defined in the Net Billing Agreements) during the period ending June 30, 1986 _____ % of said capability in the period beginning July 1, 1986 to and including June 30, 1996 and _____ % of said capability in each twelve month period thereafter. With respect to the authorization, execution and delivery of said _____ Net Billing Agreements, we have examined certified copies of proceedings of the System and of the Participants which are parties thereto, authorizing the execution and delivery of said _____ Net Billing Agreements, and such other documents, proceedings and matters relating to the authorization, execution and delivery of said _____ Net Billing Agreements by each of the parties thereto as we deemed relevant. In our opinion, each of said _____ Net Billing Agreements has been duly authorized, executed and delivered by each of the parties thereto and constitutes a valid and binding agreement, enforceable in accordance with its terms.

We have also examined into the validity of the five Exchange Agreements referred to on page _____ of said Official Statement, among the United States of America, Department of the Interior, acting by and through the Bonneville Power Administrator, the System and each of The Montana Power Company,

Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company and The Washington Water Power Company, which five agreements provide for the purchase by said companies and exchange of an aggregate of 32.470% of the capability of the Project during the period beginning July 1, 1980, and ending on June 30, 1996. With respect to the authorization, execution and delivery of said Exchange Agreements, we have examined certified copies of proceedings of the System and of the companies which are parties thereto, authorizing the execution and delivery of said Exchange Agreements, and such other documents, proceedings and matters relating to the authorization, execution and delivery of said Exchange Agreements by each of the parties thereto as we deemed relevant. In our opinion, each of said Exchange Agreements has been duly authorized, executed and delivered by each of the parties thereto and constitutes a valid and binding agreement, enforceable in accordance with its terms.

In rendering this opinion, we have relied upon the opinion of counsel for each of the Participants and aforesaid companies, that the Net Billing Agreement or Exchange Agreement to which such Participant or Company is a party has been duly executed and delivered by said Participant or company and is not in conflict with, or in violation of, and will not be a breach of, or constitute a default under, the terms and conditions of any other agreement or commitment by which such Participant or company is bound.

Very truly yours,

HOUGHTON, CLUCK, COUGHLIN & RILEY