

Priority, please

~~11-28-83~~
11-30-83

(6)

On diskette.

Please include Saltzman on
conurrence.

final
to typing
11-30-83, p.m.

Sent to Bill,
11-30-83, p.m.

MEMORANDUM FOR: William D. Travers
Technical Assistant
Office of the Executive Director
for Operations

THRU: Darrel A. Nash, Section Leader
Licensee Relations Section
Office of State Programs

FROM: Jim C. Petersen
Senior Licensee Relations Analyst
Office of State Programs

SUBJECT: WPPSS' ASSURANCE OF FUNDING WNP-2 OPERATING AND DECOMMISSIONING
COSTS

Subsequent to our telephone conversation late last week, I reconfirmed the following information with James Perko, Treasurer of WPPSS. The following is consistent with our financial qualifications analysis (copy enclosed) regarding WNP-2 operation that was issued just prior (February 1982) to the NRC rule change that eliminated such reviews of utility applicants (47 FR 13750; March 31, 1982) (copy enclosed).

There are three levels of assurance that WNP-2 operating costs and eventual decommissioning costs will be fully funded. The first level of assurance is provided by the revenues that will be collected from ratepayers who use electricity generated by the plant. The second level of assurance is evidenced by the Net Billing Agreements between WPPSS and the utility

8409270341 840824
PDR FOIA PDR
COHEN84-603

participants. These contracts, to which BPA is also a party, provide that each participating utility will pay its share of all WNP-2 costs regardless of whether or not WNP-2 is completed, operable or operating. The utilities are the municipal, cooperative and public utility district systems that have contracted with WPPSS and BPA to provide financial backing to construction and operation of the unit in exchange for the unit's capacity. The third level of funding assurance is provided by BPA's obligation, through such contracts, to make up any deficiencies in WNP-2 project costs not provided by the participating utilities.

We provided the above information to Jack Martin, Region V Administrator, as background (copy enclosed) for his testimony before the House Energy and Commerce Committee on September 14, 1983. As discussed in that background material, WPPSS has expressed its intention to buy property insurance on WNP-2 of at least \$568 million, the current minimum total coverage required under NRC regulations (see 10 CFR 50.54(w) in the enclosed rule change). WPPSS is also looking into legal and constitutional questions pertaining to its ability to purchase additional property insurance on the unit, above the minimum required.

This insurance would provide funds to clean up and restore WNP-2 after an accident.

The overall WNP-2 operating budget was approved in spring 1983 by WPPSS, BPA and the participating utilities. In accordance with the approved budget, WPPSS has established and made an initial deposit into a sinking fund that is to provide for eventual decommissioning expenses. Provisions for contributions to the fund are covered by the Net Billing Agreements

discussed above. Funding will be provided out of the participating utilities' revenues and invested in interest bearing accounts.

Jim C. Petersen
Senior Licensee Relations Analyst
Office of State Programs

Subject: WPPSS: WNP-2

Concur:

Petersen / Wood / Nash / Saltzman

5



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

11-30-83

Bill Travers
Office of the EDO
MNBB 6209

Bill:

While I'm waiting on typing, here
is an advance copy of my suggestions
for the letter to Jim Weaver.

Jim Peterson
X29883

Priority Please

Draft
Peterson

(p. 1)

To: Bill Travers

From: Jim Peterson

Subject: Suggested insert to response letter to Cong. Jim Weaver

Delete Third Paragraph

Substitute second sentence of second paragraph:

For reasons identified in the following paragraphs it is expected that WNP-2 operating costs and eventual decommissioning costs will be ^{fully} covered by ratepayer revenues. In addition, in a recent letter dated August 2, 1983, --- [pickup existing third sentence here.]

Suggest reinstating third paragraph as follows:

~~However~~ The NRC staff ~~has~~ completed a financial review for an operating license for WNP-2 in March 1982, which was published in the staff's Safety Evaluation Report. A copy of that evaluation is enclosed. The staff concluded (in accordance with 10 CFR 50.33(f)) that WPPSS had demonstrated reasonable assurance that it could obtain the funds necessary to cover estimated operating costs and decommissioning costs of the plant. We did not update this formal review because, on March 31, 1982, the Federal Register published a Commission rule change eliminating its financial qualification reviews of electric utilities constructing and operating nuclear power plants (47 FR 13750).

Suggest the following new fourth paragraph:

In light of WPPSS' financial difficulties the staff has kept abreast of financial arrangements for WNP-2.

There are three levels of assurance that WNP-2 operating costs and eventual decommissioning costs will be fully funded. ^{as noted above} The first level of assurance is provided by the revenues that will be collected from ratepayers who use

Bill Travers

(p.2)

electricity generated by the plant. The second level of assurance is evidenced by ~~the Net Billing Agreements between WPPSS and the utility~~

contracts between WPPSS, the utility participants, and BPA which provide that

each participating utility will pay its share of all WNP-2 costs regardless of whether or not WNP-2 is completed, operable or operating. ~~[The utilities are the municipal, cooperative and public utility district systems that have contracted with WPPSS and BPA to provide financial backing to construction and operation of the unit in exchange for the unit's capacity.]~~

The third level of funding assurance is provided by BPA's obligation, through such contracts, to make up any deficiencies in WNP-2 project costs not provided by the participating utilities.

The overall WNP-2 operating budget was approved in spring 1983 by WPPSS, BPA and the participating utilities. In accordance with the approved budget, WPPSS has established and made an initial deposit into ^{an interest-bearing} a sinking fund that is to provide for eventual decommissioning expenses. *The decommissioning fund is provided from the participating utilities' revenues.*

Suggest the following new fifth paragraph:

With respect to costs that might arise from an accident after the plant goes into operation,

to p.3

WPPSS has expressed its intention to buy property insurance on WNP-2 of at least \$568 million, the current minimum total coverage required under NRC regulations (10 CFR 50.54(w)).

WPPSS is also looking into legal and constitutional questions pertaining to its ability to purchase additional property insurance on the unit, above the minimum required.

In case of liability arising from injury to a member of the public, WPPSS would be covered by ~~the~~ provisions of the Price-Anderson Act.