

MINUTES OF THE
 WASHINGTON PUBLIC POWER SUPPLY SYSTEM
 SPECIAL EXECUTIVE BOARD MEETING
 SEA-TAC OFFICE, BOARD ROOM
 SEATTLE, WASHINGTON
 APRIL 5, 1982 - 3:00 P.M.

The Special Meeting of the Executive Board of Washington Public Power Supply System was called to order by Chairman Stanton H. Cain at 3:04 p.m. There was a quorum present. An environmental analysis of the April 5, 1982 agenda had been prepared which showed that all items on the agenda were exempt under applicable SEPA guidelines.

ROLL CALL

Stanton H. Cain, Chairman
 Joe Recchi
 Paul J. Nolan
 Donald R. Clayhold
 C. Stanford Olsen
 Howard Richman
 Jack Welch

Board Members Present: R. O. Keiser, Chelan County PUD; Harold F. Nelson, Grant County PUD.

Others Present: Peter T. Jonnson, Ed Mosey, Roy Eiguren, Terry Esvelt, R. E. Ratcliffe, Jim Curtis, J. R. Lewis, Lee Johnson and Stuart Clarke, Bonneville Power Administration; J. A. Hare, Administrative Auditor; Donald F. Petersen, Legislative Budget Committee; Douglas C. Rodruck, Pacific Underwriters; Dean Sundquist, Seattle City Light; Jonathan Ungor, Princeton University; John Wolcott, Snohomish County PUD; Betty George and Brad Jones, Washington PUD Association; E. O. Dietrich, Intex; Clancy Pirtle and Chuck Jones, Teamsters Local 252; Chuck Witt, Laborers Local 374; Eugene Piazza, Stoel, Rives, Boley; Steve Zemke, Don't Bankrupt Washington; Jim Lazar; Sue Blakely; Steve Bates; Bob Lane, Seattle Times; Les Blumenthal, Associated Press; Joe Copeland, The Herald; Sandra McDonough, The Oregonian; James Dullenty, Tri-City Herald; John Gillie, Tacoma News Tribune; George Harris, KING Radio News; and William Boyd, KSTW TV.

Staff Present: A. Squire, G. E. C. Doupe', D. W. Mazur, G. F. Bailey, J. D. Perko, D. A. Thoresen, R. S. Leddick, S. J. Newsom, R. Anderson, R. A. De Lorenzo and S. A. Reese.

MINUTES

The Minutes of the Special Executive Board meeting held on March 12, 1982 were presented for consideration. Chairman Cain pointed out that revised Minutes of this meeting were contained in the Executive Board members' folders. The revised Minutes contained a change which he

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had requested. He pointed out that the change appeared on Page 7 of the Minutes and consisted of the following added sentence: "Chairman Cain responded that Mr. Gendler had not requested to speak and that he had not been aware of Mr. Gendler's desire to comment prior to the vote." Mr. Richman moved that the Minutes be approved as contained in the Board members' folders. Mr. Welch seconded the motion. MOTION CARRIED.

REPORT BY THE DEPUTY MANAGING DIRECTOR

Mr. A. Squire, Deputy Managing Director, reported that R. L. Ferguson, Managing Director, was recuperating from his surgery faster than had been anticipated by the surgeons. Mr. Squire stated that Mr. Ferguson wished to express his appreciation to those who had sent messages of concern during his stay in the hospital.

Mr. Squire called on D. W. Mazur, Director of Projects, to review the recent project events and current status of the three net billed projects. Mr. Mazur stated that WNP-2 was currently 89 percent complete. The fuel load date for WNP-2 is scheduled for September 1983. With respect to systems turnover at WNP-2, Mr. Mazur reported that 37 systems were scheduled to be turned over to the startup group; however, only 10 systems had actually been turned over at this time.

Mr. Mazur reported that WNP-1 was currently 61 percent complete, which is four months ahead of the projected schedule. Fuel load for WNP-1 is targeted for August 1985.

With respect to WNP-3, Mr. Mazur reported that the project was currently 50 percent complete, with a fuel load date targeted for December 1985. This fuel load date is six months ahead of the scheduled fuel load date.

Mr. Mazur then reviewed the manpower at the project sites. The total manpower for the sites were as follows: WNP-2 - 5,200; WNP-1 - 6,720; and WNP-3 - 5,010. Mr. Mazur stated that WNP-3 was presently at their peak manpower figure.

Mr. Mazur reviewed the major milestones for the three projects. At WNP-2, the hydrostatic test of the reactor pressure vessel is scheduled to take place in August 1982. Mr. Mazur also reported that with respect to the potential litigation on the nuclear steam supply system involving the General Electric Company, the Supply System had reached an agreement with General Electric for GE's near-term support, as well as an agreement to preserve the Supply System's rights, notwithstanding the statute of limitations.

With respect to WNP-1, Mr. Mazur reported that the completion of the containment dome concrete is scheduled for May 1982. In addition, the Supply System has been notified that the Nuclear Regulatory Commission will docket the Final Safety Analysis Report on May 10, 1982.

Mr. Mazur reported that at WNP-3, the Reactor Auxiliary Building concrete is scheduled to be completed during April 1982. Mr. Mazur also

reported that Ebasco successfully passed their N-Certificate survey. Mr. Mazur stated that there had been a walkout at the WNP-3 site on Wednesday, March 31. The walkout involved primarily electricians and pipefitters, who were protesting the use of a nonunion subcontractor at an adjacent site where BPA is building a switchyard. The dispute has been resolved with the pipefitters; however, the matter has not yet been resolved with the electricians. Mr. Mazur stated that WNP-3 will lose some productivity during the month of April as a result of the dispute. Following further discussion on Mr. Mazur's report, the next item on the agenda was considered.

SELECTION OF THE COST EFFECTIVENESS STUDY CONSULTANT

Mr. G. F. Bailey, Assistant Director - Technology, pointed out that the Executive Board members' folders contained a letter related to the selection of a cost effectiveness study consultant. Following a review of the activities which had taken place with respect to the selection process, Mr. Bailey reported that the State Finance Committee had met on April 1, 1982. Six consultants had been submitted to the State Finance Committee for their consideration. However, by the time the Committee met, Foster Associates had indicated they no longer wished to be considered. At the meeting on April 1, 1982, the State Finance Committee disqualified National Economic Research Associates, because one of its officers held bonds for WNP-1. In addition, DHR, Inc. was disqualified, because one of its officers, as an individual, held a consulting contract with the Supply System. Mr. Bailey reported that the State Finance Committee staff had noted some difficulty in obtaining information from the International Energy Associates, Ltd. references and therefore decided they had insufficient information to qualify IEAL. As a result, the State Finance Committee approved Applied Economics Associates and International Environmental Consultants, indicating a preference for Applied Economics Associates.

Mr. Bailey reported that the Supply System staff had reviewed and evaluated the proposals submitted by the two consultants. The areas evaluated included the technical approach, the qualification of the firm, the personnel involved and the price offered in the proposal. Following the evaluation, the staff recommended that Applied Economics Associates be selected as the consultant to perform the cost effectiveness study.

Mr. Recchi stated that at the time the resolution was passed by the Executive Board recommending the six consultants, the Board had directed that Applied Economics Associates was to be submitted only if the staff determined that its proposed subcontractor, TERA, was free of conflicts of interest. The specific concern which had been expressed was whether or not TERA had an interest in uranium mining. Mr. Bailey replied that it had been determined that TERA did not have an organizational interest in uranium mining or exploration companies and, further, had no interest in uranium properties. Mr. Clayhold also pointed out that this information was contained in the documentation which had been submitted to the State Finance Committee. Mr. Recchi asked if both of the finalists recognized the time frame under which they must prepare the study in

order to meet the required deadlines. He also asked if these deadlines would correspond with the November election. Mr. Bailey replied that both consultants understood the time restraints and felt that they could conduct the study and publish a final report by August 1, 1982. Completion of the study by August 1, 1982 would allow the matter to appear on the ballot for the November election.

Following further discussion, Mr. Clayhold moved that Resolution 61 be adopted, identifying Applied Economics Associates as the consultant to conduct the cost effectiveness study. Mr. Nolan seconded the motion. EXECUTIVE BOARD RESOLUTION 61 ENTITLED "A RESOLUTION SELECTING A CONSULTANT TO CONDUCT THE COST EFFECTIVENESS STUDY REQUIRED BY INITIATIVE 394" ADOPTED BY UNANIMOUS VOTE.

DISCUSSION RELATING TO BONNEVILLE POWER
ADMINISTRATION'S DRAFT POWER LOAD FORECAST

Peter Johnson, Bonneville Power Administrator, stated that the document which was to be reviewed at this meeting was a draft report of BPA's forecast of electricity consumption in the Pacific Northwest. He continued that the report had been developed during the past several months and had extensive public input. He stated that this forecast was to serve as a planning tool for Bonneville as it fulfills its responsibilities and authority under the Regional Power Act. Mr. Johnson continued that BPA had sought reviews of the forecast by the Regional Planning Council. The Planning Council believes that BPA had erred to the conservative side. Mr. Johnson continued that the forecast clearly showed that Projects 1, 2 and 3 were needed in the region; however, the report also may indicate that there may be short-term surpluses of electricity. He stated that he was not prepared to speculate as to the influence the report would have on the construction schedules for Projects 1, 2 and 3. Mr. Johnson then called on Terry Esvelt for further review of the draft report.

Mr. Esvelt distributed copies of the draft report, as well as an executive summary. He stated that more than 1,900 copies of the draft report had been mailed throughout the region on Friday, April 2, 1982. He pointed out that the forecast had been prepared, utilizing a large number of assumptions and inputs, such as assumptions concerning the economy and population growth, conservation programs and practices, fuel and electricity prices and technical-engineering factors. He stated that in the baseline case, regional employment is expected to grow by an average annual rate of 2.1 percent. He pointed out that two types of conservation were included in the forecast...price-induced conservation and existing government, BPA and utility conservation programs. Following a thorough review of the executive summary, Mr. Recchi referred to Page 3 of the summary, which stated, "This conservation potential is to be analyzed outside the framework of these forecasts in a separate conservation assessment." Mr. Recchi asked who would provide this assessment. Mr. Esvelt replied that this assessment would be provided by Applied Management Sciences. AMS's report is due in draft form in approximately two weeks. The final report will be released by May 15, 1982. Following further discussion, Mr. Esvelt pointed out that this forecast was a draft report and that there would be a public comment period of 60 days.

Mr. Olsen expressed his concern that such a document had been developed by using information from a model developed by the Oak Ridge National Laboratory, but applied to the Pacific Northwest Region. Mr. Recchi asked if adjustments had been made in the Oak Ridge model to reflect conditions in the Pacific Northwest. Mr. Esvelt replied that when using any model, the model must be calibrated to reflect the conditions of a specific region. He stated that 1979 actuals for the Pacific Northwest had been used as the base year in preparing the report. Mr. Clayhold asked what services the National Economic Research Associates were performing. Mr. Esvelt replied that NERA had been hired to conduct an independent assessment of the reasonableness of the forecast report. NERA's report is due by the end of the current week.

Following this report, Mr. Jack Welch, Chairman of the Finance Committee, reported that the Finance Committee had met a number of times since the last meeting of the Executive Board. At these meetings, the Committee had reviewed elements which will control the annual budget and have considered the factors that will control financial planning in the immediate and near-term future. On a cash flow basis, the staff has estimated that the Supply System has funds on hand to cover expenses which will be payable on all three net billed projects until October 1982. However, under present construction schedules, funds on hand will be committed by May 1, 1982; but, unlike the WNP-4 and 5 situation, the net billing agreements, as the Finance Committee reads them, provides that funds will be available to cover commitments accruing after May 1. Mr. Welch stated that the Finance Committee will be discussing this matter with BPA regularly to confirm their understanding of the contracts and to get their instructions on management of commitments. Mr. Welch also stated that the Finance Committee will consider the BPA load forecast information received at this meeting and those comments which will be received by Bonneville.

Mr. Welch reported that the Finance Committee, with the staff of the Supply System, have engaged in analyzing some impacts of various options for construction scheduling and financial planning. Among the considerations are (1) effects of plant deferrals on unemployment in the Grays Harbor County and Tri-Cities areas; (2) effects of deferrals on State tax revenues; (3) additional costs and consumer rate effects as a result of plant deferrals; (4) effects of various results under Initiative 394 on construction schedules and costs; and (5) short-term rate effects of deferring financing for one or more plants. In conclusion, Mr. Welch stated that it is expected that these analyses will help the Supply System and BPA get a more complete picture. It is expected that the Finance Committee will present a report and recommendation concerning this matter at the next Executive Board meeting.

Following this report, Chairman Cain suggested that the Finance Committee review this matter and offer their report and recommendations at the next Executive Board meeting. Mr. Olsen stated that the Supply System was continuing construction at a rate which was consistent with that experienced prior to the release of the draft report. Mr. Olsen referred to a statement made by Mr. Welch which indicated that the Committee would also be considering the BPA load forecast information

received at this meeting. Mr. Olsen suggested that the Finance Committee remove this factor from their consideration. Mr. Olsen stated that anything which is done with respect to the impact of the forecast must be done as directed by BPA.

Following further discussion, Mr. Squire stated that input from BPA, the Participants' Review Board and private owners was exceedingly important. He continued that in the absence of any other instruction, the Supply System was continuing to proceed with the construction of the net billed projects until otherwise directed. Mr. Recchi asked that the Finance Committee furnish information to the Executive Board which was used in their analysis, as well as a listing of possible alternatives, as opposed to just submitting a recommendation to the Executive Board. Mr. Welch assured Mr. Recchi that background information on the analysis, as well as options, would be included in the Finance Committee's report.

REPORT BY THE WNP-4/5 TERMINATION PROGRAM DIRECTOR

R. A. De Lorenzo, Program Director, presented a series of slides illustrating the progress of the WNP-4/5 termination program. The first chart illustrated the cash balances for the termination program for the months of January and February. The cash balance at the end of January was \$10,324,000, while the February cash balance was \$26,763,000. Mr. De Lorenzo pointed out that the termination program has received loan commitments in the amount of \$70,539,000. The second chart presented by Mr. De Lorenzo illustrated actual and planned cumulative disbursements through the end of June 1982. He pointed out that during the month of February, more money than planned had been spent due to the settlement of the Gardinier contract. He stated that the Supply System had been able to save an additional \$150,000, inasmuch as Gardinier had offered a \$150,000 discount for payment of the settlement in one payment rather than two payments.

Mr. De Lorenzo then reviewed the contracts status for Projects 4 and 5. Mr. Recchi asked if the equipment contracts which were identified were owner-furnished equipment. Mr. De Lorenzo replied that the equipment contracts were administered by Ebasco for WNP-5 and reflected procurement of the equivalent of "owner-furnished equipment".

Mr. De Lorenzo presented a viewgraph which identified the monthly costs to stay in Phase 1 of the termination program. He pointed out that these figures reflected an "upper bound" on the costs to preserve the assets and retain the licenses during Phase 1. He stated that transition from Phase 1 to Phase 2 would not eliminate all of these costs. Mr. Clayhold referred to the cash flow forecast which had been released on March 31, 1982. He observed that this forecast indicated that the Supply System's cash on hand would extend further than had been expected. Mr. Clayhold read from the cash flow forecast, which stated: "Based on the reduced requirement for cash for disbursement in the June time frame, it is recommended that sufficient cash be made available via termination loans from the project participants to meet disbursement forecasts and to establish a working capital balance. The implementation

of loans in June 1982 is consistent with the 'management plan' cash flow projections; working capital balance, although never specifically addressed in any cash forecast schedule, is a prudent business practice to guard against unforeseen cash demands." Mr. Clayhold stated that he felt this statement represented a policy decision. He asked if this approach needed to be taken and if so, who would make the final decision. Mr. De Lorenzo replied that this recommendation had been made by the Program Controller in an effort to provide sufficient funds to guard against unforeseen cash demands. He continued that in the case of the settlement with Gardinier, the Supply System had the opportunity to save \$150,000; however, under the current program, there would have been no opportunity to make this type of settlement, due to the cash availability. Mr. Squire added that these types of decisions will be discussed early with the Participants' Committee and others. He also indicated that he intended to be involved in the decision making process at the senior staff level.

Resolution 60 entitled "A RESOLUTION AUTHORIZING IMPLEMENTATION OF 1981 SECURITY LEGISLATION" was presented for consideration. Mr. G. E. C. Doupe', Acting Chief Counsel, stated that during the 1981 legislative session, legislation had been passed which authorized operating agencies to establish a security force and authorized limited law enforcement powers for said security force. He continued that Resolution 60 delegated authority to Supply System staff to carry out the intent of the legislation. Following this discussion, Mr. Clayhold moved that the resolution be adopted. Mr. Olsen seconded the motion. Mr. Clayhold observed that the resolution delegated the authority to implement this legislation to the Director of Safety and Security or the Manager of Security Programs. He asked if this was the manner in which delegations of authority were normally handled. Mr. Doupe' replied that normally, delegations of authority were given to the Managing Director. Following further discussion, Mr. Clayhold withdrew his previous motion for adoption of the resolution; Mr. Olsen withdrew his second.

Mr. Doupe' indicated that the resolution could be amended to state: "It is resolved that the Managing Director or his delegee is hereby granted authority to implement Chapter 301, House Bill 304 of the 1981 Washington State Legislature." Mr. Clayhold moved that the resolution be adopted as suggested by Mr. Doupe'. Mr. Olsen seconded the motion for amendment of the resolution. Following further discussion, the question was called for. EXECUTIVE BOARD RESOLUTION 60, AS AMENDED, ADOPTED BY UNANIMOUS VOTE.

APPROVAL OF CLAIM VOUCHERS

Mr. Olsen moved that the following claim vouchers be approved, with the exception of any payments which would reimburse the Bond Fund Trustee for litigation expenses associated with Initiative 394: GENERAL FUND - 117360 through 119033; NUCLEAR PROJECT NO. 1 CONSTRUCTION REVOLVING FUND - #2996 through 3003; NUCLEAR PROJECT NO. 1 CONSTRUCTION FUND - #5194 through 5379; NUCLEAR PROJECT NO. 1 CONSTRUCTION FUEL FUND - #123 through 126; NUCLEAR PROJECT NO. 2 CONSTRUCTION FUND - #14668 through 14985; NUCLEAR PROJECT NO. 2 CONSTRUCTION FUEL FUND - #94 through 95;

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NUCLEAR PROJECT NO. 2 REVENUE FUND - #154; NUCLEAR PROJECT NO. 3 CONSTRUCTION TRUST ACCOUNT - #8592 through 8769; NUCLEAR PROJECT NO. 3 CONSTRUCTION FUND - #465 through 483; NUCLEAR PROJECT NO. 3 CONSTRUCTION FUND - Wire Transfers 7-82 through 10-82. Mr. Olsen requested that in the future, any vouchers which authorized payments for litigation expenses associated with Initiative 394 be brought to the attention of the Executive Board. Mr. Squire agreed that this set of vouchers would be reviewed to determine whether or not it included any payments to the Bond Fund Trustee for litigation expenses related to Initiative 394. He continued that in the future, these payments would be identified and called to the attention of the Executive Board. Following this discussion, Mr. Richman seconded the motion. MOTION CARRIED.

COMMENTS FROM MEMBERS OF THE PUBLIC

Chairman Cain asked for comments from members of the public present. Mr. Clancy Pirttle, Business Agent for Teamsters Local 252, stated that he felt slowing down the construction of Projects 1, 2 and 3 at this time would not be in the best interests of the people of the State of Washington. He suggested that construction efforts on the plant be accelerated rather than slowed down. He stated that the slowdown of the projects would add millions of dollars to the cost of the projects in addition to causing further unemployment for the citizens of the State of Washington. Mr. Pirttle pointed out that the production at WNP-3 was among the highest being experienced at any construction site in the United States. He also pointed out that the region's electrical rates per kilowatt hour were among the lowest in the nation.

Mr. Chuck Witt, Business Agent for the Laborers Local in Aberdeen, stated that he fully supported Projects 1, 2 and 3. He continued that if the Supply System were to slow down construction on these plants, it would cost the ratepayers an additional \$650 million for a one-year deferral. He concluded by stating that he believed the present rate of construction of two percent completion per month could be maintained, and the projects would be brought on-line as scheduled. He stated that for every primary job at the construction sites, four secondary jobs were created.

Jim Lazar requested an opportunity to speak, stating that he was appearing at this Executive Board meeting on his own time and was representing no group or individual other than himself. He expressed his confidence that the cost effectiveness consultant process could now go forward, inasmuch as the Executive Board had selected a responsible consulting firm. With respect to the BPA load forecast, Mr. Lazar stated that he hoped BPA's load forecast proved to be more accurate than their 1979 rate forecast had been. In conclusion, Mr. Lazar urged that each of the Board members and the utilities represented would submit comments to the Bonneville Power Administration to ensure the best forecast possible.

Steve Zemke, representing Don't Bankrupt Washington, stated that the Board was to be commended on the effort they had put forth in selecting the cost effectiveness consultant. Mr. Zemke also stated that he

had not received a response to his letter which he had sent to the Executive Board. This letter had requested public hearings to discuss the subject of bond sales prior to July 1, 1982. Mr. Zemke requested that he receive a response to his letter. Chairman Cain indicated that Mr. Zemke's letter had been taken under advisement.

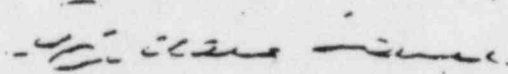
MEETINGS

The next Regular Meeting of the Executive Board is scheduled to be held on April 23, 1982 at 11:00 a.m. in the Sea-Tac Office, Seattle, Washington.

ADJOURNMENT

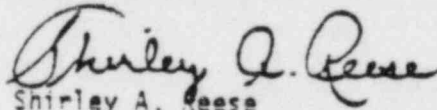
Hearing no objection, Chairman Cain adjourned the Special Executive Board meeting at 4:50 p.m.

Submitted,



G. E. Craig Doupe
Acting Secretary - Executive Board

Prepared by,



Shirley A. Reese
Administrative Assistant - Legal



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

OFFICE OF THE ADMINISTRATOR

April 19, 1982

In reply refer to: AP

Mr. Stanton H. Cain
Chairman, Executive Board
Washington Public Power Supply System
17930 Pacific Highway South
Suite 400
Seattle, Washington 98188

Dear Mr. Cain:

In accordance with my commitment to express my recommendation regarding the construction schedules to be maintained for the WNP 1, 2, and 3 projects, I am hereby notifying you of the conclusions which have been reached. It is necessary that these recommendations be fully understood by you and the members of your Board in the development of the Washington Public Power Supply System's 1983 budget and in the development of a future financing plan. To assist in this understanding, members of my staff and I will be available at the Executive Board meeting of April 19, 1982 to review the factors leading to this recommendation and will be available thereafter to respond to any further inquiries which you or members of your Board may develop.

I am recommending to the Board and staff of the Supply System that:

1. The construction of WNP #2 and WNP #3 proceed at full pace to maintain or improve the existing construction schedules for these projects.
2. The construction completion schedule of WNP #1 be delayed for a period of from 2 to 5 years; and
3. The Board instruct the staff of the Supply System to prepare a budget and financing plan consistent with these recommendations.

This recommendation is the result of careful consideration of many factors and, in view of the significant impact it will have on the region, was not an easy choice. However, I believe that as you and the other members of your Board become more fully acquainted with all of the financing, economic, marketing and load/resource balance studies and investigations which have preceded this recommendation you will share my belief that adherence to the proposal is the prudent action to be taken.

Sincerely,

Administrator

MINUTES OF THE
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
SPECIAL EXECUTIVE BOARD MEETING
SEA-TAC OFFICE, BOARD ROOM
SEATTLE, WASHINGTON
APRIL 19, 1982 - 3:00 P.M.

The Special Meeting of the Executive Board of Washington Public Power Supply System was called to order by Chairman Stanton H. Cain at 3:00 p.m. There was a quorum present. An environmental analysis of the April 19, 1982 agenda had been prepared which showed that all items on the agenda were categorically exempt from procedural compliance with the State Environmental Policy Act.

ROLL CALL

Stanton H. Cain, Chairman
Ed Fischer
Jack Welch
Donald R. Clayhold
C. Stanford Olsen
Howard B. Richman
Paul J. Nolan
Joe Recchi

Others Present: R. O. Keiser, Chehal County PUD; D. Sundquist, Seattle City Light; Peter T. Johnson, E. W. Sienkiewicz, James Curtis, R. L. Eiguren and J. R. Lewis, Bonneville Power Administration; Ray Foleen, Consultant to the WNP-4/5 Participants' Committee; Carolyn Johnson and M. Eiguren; John Gillie, Tacoma News Tribune; Dennis Godfrey, Tri-City Herald; Tom Green, United Press International; Joe Copeland, The Herald; Bob Lane, Seattle Times; Les Blumenthal, Associated Press. (This list is not complete, inasmuch as the attendance book was not circulated to all present.)

Staff Present: A. Squire, D. A. Thoresen, G. E. C. Doupe', P. K. Shen, R. S. Leddick, R. N. Williams, D. A. Neale; J. A. O'Donnell, T. E. Hunt, S. J. Newsom and S. A. Reese.

MINUTES

The Minutes of the Special Executive Board meeting held on April 5, 1982 were presented for consideration. Mr. Nolan moved that the Minutes be approved as distributed. Mr. Richman seconded the motion. MOTION CARRIED.

REPORT BY THE DEPUTY MANAGING DIRECTOR

Mr. A. Squire, Deputy Managing Director, reported that R. L. Ferguson, Managing Director, was recuperating rapidly from his recent surgery and was expected to return to his duties at the Supply System within two weeks.

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With respect to recent newspaper articles concerning embezzlement of funds by a Pittsburgh-Des Moines Steel employee at WNP-2, Mr. Squire reported that Sharon Howard, who had been employed by the Pittsburgh-Des Moines Steel Company as a Payroll Supervisor during 1980 through 1982, had been charged with theft in the first degree. A search of the Howard property resulted in the discovery of approximately \$10,000 worth of tools which had been taken from Hanford sites. Mr. Squire continued that apart from the tools which had been taken from the construction sites, the money which was embezzled was that of Pittsburgh-Des Moines Steel Company. He stated that the Supply System is continuing to review the situation, and appropriate action will be taken.

REPORT BY THE BONNEVILLE POWER ADMINISTRATOR

Peter Johnson, Bonneville Power Administrator, opened his remarks by stating that he appreciated the opportunity to discuss matters which were of gravity to the Pacific Northwest. He continued that this issue had to be discussed as a result of extensive analysis of power financing and perceptions as to load growth in the Pacific Northwest. Mr. Johnson distributed copies of a memorandum concerning options relating to completion of Supply System Projects 1, 2 and 3 and an analysis of resource alternatives. Mr. Johnson continued that the Bonneville Power Administration had sought the advice of the Regional Power Planning Council in this matter. In addition, the subject had been discussed with the Executive Board Finance Committee, management of the Supply System, utility leaders, both public and private, as well as experts inside and outside the region. Mr. Johnson stated that he had personally discussed this matter with Governors Spellman and Atiyeh, the Secretary of Energy and several congressmen and senators in Washington, D.C.

Mr. Johnson stated that a series of objectives had been developed in performing the analysis and testing the decision. These objectives were (1) to further the best interests of current and future ratepayers of the region; (2) to minimize the financial risks to and maximize the fiscal integrity of BPA and the region as a whole; (3) to preserve the region's economic ability to deliver the benefits of the Pacific Northwest Electric Power Planning & Conservation Act, including conservation and renewable resource development; (4) to bring greater certainty, stability and predictability to rates and resource decisions; (5) to provide a maximum opportunity for the region's economy to recover and remain prosperous; (6) to identify the most effective strategy for marketing the bonds needed to finance the completion or preservation of the Supply System projects; (7) to maximize the region's flexibility to accommodate change load and economic conditions; and (8) to identify a choice which assures a healthy and positive construction environment within the Supply System in order that maximum efficiencies can be achieved.

Following the review of the objectives, Mr. Johnson read the summary of the analysis of resource alternatives. Mr. Johnson stated that he felt Plants 1, 2 and 3 will be needed in the region. He also pointed out that WNP-1 would be in commercial operation earlier than would WNP-3. In addition, the power from WNP-1 would be less expensive than the

power produced by WNP-3. However, it was believed that WNP-1 could be restarted faster than could WNP-3. He also pointed out that WNP-3 is closer to the major Pacific Northwest load centers than WNP-1, which results in shorter transmission distances. This fact reduces line losses and increases transmission reliability. In addition, Mr. Johnson pointed out that WNP-3 had a 30 percent ownership by private utilities. A decision to extend the construction schedule of WNP-3 would require the agreement of the private owners, and it appeared that the private owners needed power earlier than the Bonneville Power Administration. Mr. Johnson stated that extending construction on WNP-1 would result in a slightly lower BPA rate increase in October 1982.

Mr. Johnson then read his letter addressed to Stanton H. Cain, Chairman of the Executive Board, dated April 19, 1982. A portion of this letter reads as follows:

"I am recommending to the Board and staff of the Supply System that:

- (1) The construction of WNP #2 and WNP #3 proceed at full pace to maintain or improve the existing construction schedules for these projects;
- (2) The construction completion schedule of WNP #1 be delayed for a period of from two to five years; and
- (3) The Board instruct the staff of the Supply System to prepare a budget and financing plan consistent with these recommendations..."

Following the reading of the letter, Chairman Cain recessed the Special Executive Board meeting at 3:20 p.m. The meeting was reconvened at 3:45 p.m.

Mr. Richman stated that on the basis of his understanding, the Supply System was legally obligated, as a result of contractual arrangements, to follow BPA's direction in the schedule of construction for Plants 1, 2 and 3, as well as the size and timing of the bond issues necessary to finance these construction schedules. As a result of this understanding, Mr. Richman asked the following questions of Mr. Johnson: (1) Mr. Richman asked if the directions which had been given to the Supply System were firm directions with no deviations permitted. If alternatives were permitted, what different actions would BPA allow the Supply System to take without the Bonneville Power Administration construing the Supply System as being in breach of contract and therefore subject to litigation. (2) Mr. Richman asked what different scenarios BPA had studied. He asked if BPA had examined continuing all three of the plants. He also asked if BPA had considered shutting down WNP-3 at this time instead of continuing until the November election and then restarting the plant if the election results were positive. He also asked if BPA had considered deferring construction on all three of the plants now under construction. (3) Mr. Richman stated that his next question related to bond issues. He stated that in the past, the bond

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April 19, 1982

sales had been managed by estimating the minimum amount required. The bond brokers were then allowed to test the market to determine whether a larger bond sale could be marketed. If this was the determination of the experts, BPA would then authorize a larger bond sale. He continued that he believed a different situation was now being faced in view of the requirement that such bond sales be approved by the citizens of the State of Washington in accordance with Initiative 394. Mr. Richman asked Mr. Johnson how much discretion he would allow the Supply System's governing bodies in determining the size of the May bond sale without construing the Supply System's actions as a breach of contract.

Mr. Johnson replied that many alternatives had been considered, including the scenarios listed by Mr. Richman. He stated that the recommendation which he had made to the Board concerning the delay of the construction schedule for WNP-1 was the result of BPA's study of these alternatives. Mr. Johnson continued that time was of the essence in making the final decision on his recommendation. He stated that BPA's resources would be made available to the Board to assist them in evaluating the recommendation. With respect to the size of the May bond offering, Mr. Johnson stated that the financial advisors had recommended a bond sale in the range of \$450 million to \$550 million; however, BPA was not prepared to make a financing recommendation to the Board of Directors at this time, inasmuch as flexibility was needed. Mr. Johnson added that there was no intention to accelerate the financing or an attempt to build a reserve fund. He continued that due to a number of circumstances, BPA felt that it would be prudent to finance the Supply System's projects on a commitment basis.

Following this reply, Mr. Richman asked Mr. Johnson whether the Supply System had to follow his direction or if the Supply System could recommend alternatives. Mr. Johnson replied that he was not prepared to say that the Supply System didn't have any alternatives, nor was he prepared to say that there were a lot of alternatives to consider. Therefore, he indicated he would need to take Mr. Richman's question under advisement.

Mr. Fischer suggested that it would be helpful to the Board members if an independent economic study were made on BPA's recommendation prior to the time the Board was asked to make a decision in the matter. Mr. Johnson stated that the Bonneville Power Administration had sought the help and advice of many people in the preparation of their recommendation. He pointed out that time was of the essence, and a decision must be made in order to move forward with a financing in May 1982.

Mr. Recchi referred to the Analysis of Resource Alternatives which had been distributed by the Bonneville Power Administration. In particular, he referenced a statement found on Page 7 of the analysis, which stated: "A decision to extend the construction schedule of WNP #3 would require the agreement of the other owners, and it now appears they may need that power earlier than BPA." Mr. Recchi asked if there was a legal requirement that any decision on WNP-3 would require a concurrence by the private owners. Mr. Johnson replied that the agreement between

the parties provides for an 80 percent approval.¹ Inasmuch as the Supply System holds a 70 percent share of WNP-3, such action would require another 10 percent favorable action on the part of the private utilities. Mr. Recchi asked if there had been any indication on the part of the private utilities that they would provide the additional ten percent approval. Mr. Johnson replied that this question had not been asked.

Mr. Olsen observed that in the past, Bonneville's approval was sought prior to final action on budgets and bond issues. He stated it would now appear that Bonneville was providing their approval prior to being asked for their input. He asked if this could be interpreted as a directive from the Bonneville Power Administration. Mr. Johnson replied that the items contained in his letter were being offered as a recommendation. Mr. Nolan pointed out that BPA's recommendation was the result of a request from the Finance Committee to the Bonneville Power Administration for direction.

Mr. Olsen referred to Mr. Johnson's previous statement that the energy resources of Projects 1, 2 and 3 would be needed in the future. He asked if BPA had investigated the option of completing all three plants and letting Projects 1 and 3 sit idle until such time as their output was required. He asked if serious consideration had been given to marketing the energy outside the region. Mr. Johnson replied that these options had been given careful consideration. However, to have proceeded with the financing for all three Projects would have forced a larger increase on the ratepayers of the region. Mr. E. W. Sienkiewicz, Bonneville Power Administration, added that it was BPA's judgment that it would be more economical to construct two plants rather than all three. Following further discussion, Mr. Clayhold asked if the private owners had been asked if they would approve a construction slowdown at WNP-3. Mr. Johnson replied that he had discussed the subject with them, and the private owners had made it clear that it was their desire to proceed with construction of WNP-3 on schedule. Mr. Clayhold also asked if the bankers had given any indication that the bond sale could not be issued for more than \$550 million. Mr. Johnson replied that the financing which had been discussed was between the figures of \$550 million and \$650 million.

Mr. Recchi stated that he felt moving to a commitment basis was a prudent decision. He asked if any analysis had been made on the funding which would be required if the Supply System continued on a cash basis. Mr. Jim Curtis, Bonneville Power Administration, replied that the review indicated that the Supply System would have sufficient cash on hand to carry the Supply System to mid-October. The additional bond sale would carry the Supply System through mid-March 1983. Mr. Recchi observed that in the event the electorate did not approve a bond sale in November, there would not be sufficient funds on hand to meet commitments. Mr. Curtis replied that this was a correct interpretation of the situation.

1. Secretary's Note: The Ownership Agreement requires approval by ownership shares of more than 80 percent.

Mr. Olsen observed that the Regional Power Planning Council had a responsibility for balancing forecasts and resources in mid 1983. He continued that the action which was being proposed by the Bonneville Power Administration would have an impact on the options which were available to the Regional Council. Mr. Olsen asked how extensively BPA had discussed this matter with the Regional Council and the reaction received from the Council. Mr. Johnson replied that Projects 1, 2 and 3 were memorialized by the Regional Power Act. These projects had been acquired, and it was necessary to manage them successfully. For this reason, the subject had been discussed with the Regional Council. Their advice was not to be afraid to take a bold and wise action. The recommended choice would leave the region a modest surplus of energy.

Mr. Fischer again suggested that an independent study be made of the Bonneville recommendation. He suggested that if a firm, such as R. W. Beck & Associates, were to make such an independent study, all parties would be satisfied and confident in the final decision. Mr. Fischer asked Win Petersen the time period which would be required to make such a study. Mr. Petersen replied that he felt it would take a substantial period of time to duplicate the efforts which had been undertaken by the Bonneville Power Administration. He stated that he did not believe adequate time was available to make a complete, independent study. However, he stated it would be possible to examine the methodology and assumptions which were used within a relatively short period of time.

Following further discussion, Mr. Recchi asked Mr. Squire if he saw significant operational problems as a result of deferring construction at WNP-1. Mr. Squire replied that some disadvantages did exist. He stated that effective management teams had been developed at WNP-1. Asking these teams to move from the Hanford area to the Satsop site could result in the loss of the employees. In addition, Mr. Squire pointed out that the deferral of construction at WNP-1 would have a serious impact on the morale of the employees. In addition, the Supply System would lose employees who possess critical skills which are difficult to replace.

Mr. Richman endorsed Mr. Fischer's previous suggestion concerning the use of a consultant to review the methodology and assumptions used in the BPA recommendation. Following a considerable amount of discussion on this suggestion, Mr. Clayhold asked Mr. Johnson what BPA would do if the Board proposed other action than the BPA recommendation. Mr. Johnson replied that it was BPA's desire that the Supply System Board have an opportunity to review BPA's recommendation and to have the benefit of input from the BPA staff. He continued that it would take a positive decision by both BPA and the Supply System Board to move forward on a plan. Mr. Clayhold also asked how the carrying charges were paid for once a plant has been put into an extended construction delay. He asked if these expenses would need to be part of a future financing program. Mr. Johnson replied that there were adequate funds to extend the construction schedule and to maintain a staff of 275 people. Mr. Curtis added that the debt service on the bonds already issued was included in the BPA rate base for 1983. Following further discussion,

Chairman Cain asked if the Participants' Review Board had to concur in the action to extend the construction schedule for either Projects 1 or 3. Mr. G. E. C. Doupe', Acting Chief Counsel, replied that action was required by the Participants' Review Board. However, this action could be taken after the Executive Board acted.

Following this discussion, Mr. Richman made the following motion:

"IT IS MOVED THAT R. W. BECK & ASSOCIATES REVIEW THE ASSUMPTIONS AND METHODOLOGY USED IN THE DEVELOPMENT OF THE BPA REPORT AND RECOMMENDATION AND THAT R. W. BECK & ASSOCIATES REPORT BACK TO THE EXECUTIVE BOARD WITHIN ONE WEEK."

Chairman Cain observed that inasmuch as this was a Special Meeting of the Executive Board and the published agenda did not contain an item related to Mr. Richman's motion, the motion would be out of order. However, Chairman Cain indicated that staff should ask R. W. Beck & Associates to supply the Board members with the information requested by Mr. Richman. Mr. Richman withdrew his motion.

Mr. Nolan urged that the Executive Board make a decision in this matter in a timely fashion, so as to provide direction to the staff for the preparation of the budget documents which are required. Mr. Squire added that when he and Peter Johnson were in New York discussing this matter with the rating agencies, it was emphasized by the bankers that April 26, 1982 was the date by which instructions were needed for preparation of the documents for the next bond sale. Mr. Squire suggested that the Board not delay in arriving at a decision in this matter. He stated that the staff would instruct R. W. Beck & Associates to study the methodology and assumptions used in the preparation of the Bonneville Power Administration report and recommendation. He stated that the staff would appreciate specific guidance from the Board as to the development of the effort, realizing that R. W. Beck & Associates would not be able to provide an in-depth review due to the short period of time available. Mr. Richman reviewed the tentative schedule for the next bond offering and asked why this time schedule could not be extended for an additional week in order that the Board would have more time to review the BPA recommendation. Mr. Squire replied that there was a possibility that other actions could be taken relating to the bond sale which would require additional time. Therefore, it was not desirable to extend the bond sale schedule. Following further discussion, Mr. Olsen stated that before he could take action on BPA's recommendation, he would need something more firm and positive from the Bonneville Power Administration. He continued that he felt this was a political decision rather than a rational decision.

Several members of the public expressed their support for continuation of construction at WNP-1 or the Supply System's projects, in general. These expressions of support were received from Glenn Lee, Acting President of Tri-City Nuclear Industrial Council; Sam Volpentest, past Vice President of the Tri-City Nuclear Industrial Council; Senator King Lysen, Washington State Senate; James Worthington, Southeastern

Washington Building Trades Council; Don Tuttle, Plumbers and Steamfitters Union, Local 898; Bob Dilger, Executive Secretary, Washington State Building Trades Council; Jerry Dennis, Sheet Metal Workers Union, Local 242; Bob Schrekengost; Bill Stillman; Forrest Sower; Bill Crook; Nancy De Lorenzo; Dick Hickman; Maryanne Kelly; Steve Washburn; L. Garrett; Clarence Purdie; and Chuck Hainan.

Matt Dillon, Vice President of FUSE, stated that the ratepayers of Snohomish County were opposed to any future bond sales by the Supply System until the public had a right to vote as provided by Initiative 394.

Bernice Harper, irate ratepayer from Grays Harbor, stated that Grays Harbor County PUD commissioners were instructed at a recent meeting not to go forward with any future bond issues without a vote of the people. Ms. Harper urged the Executive Board to motnball WNP-3 and to continue construction on WNP-1.

Mr. Welch, Chairman of the Executive Board Finance Committee, reported that a number of meetings had been held with staff to review the proposed contract actions contained on this meeting's agenda. Mr. Welch requested, in view of the consideration of BPA's recommendation, that consideration of Resolutions 62, 63, 64 and 65 be deferred until the next meeting of the Executive Board.

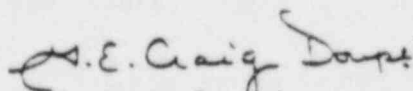
MEETINGS

Chairman Cain stated that a Regular Board of Directors' meeting would be held in Richland on April 23, 1982 at 9:00 a.m. A Special Executive Board meeting will also be held in Richland on April 23, 1982 at 9:00 a.m.

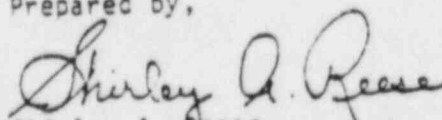
ADJOURNMENT

Hearing no objection, Chairman Cain adjourned the Special Executive Board meeting at 6:00 p.m.

Submitted,


G. E. Craig Doude
Acting Secretary - Executive Board

Prepared by,


Shirley A. Reese
Administrative Assistant - Legal

~~CONFIDENTIAL~~



Attachment I

Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

OFFICE OF THE ADMINISTRATOR

In reply refer to: AP

April 23, 1982

Mr. John J. Welch, Chairman
Finance Committee
Washington Public Power Supply System
3000 George Washington Way
Richland, Washington 99352

Dear Mr. Welch:

On April 19, 1982, at the meeting of the Washington Public Power Supply System Executive Board, Howard Richman of your committee posed a question to me regarding the implication of the recommendation I made to that group. I responded that I would take your question under advisement and provide an answer to you at an early date. I will now express my intention as fully and completely as time will permit.

As you are aware, my recommendation was prompted by a request of the Finance Committee of the Board and by the insistence of the Supply System's bond underwriters that a decision on the financing program was essential no later than April 26, 1982, to enable proceeding with the scheduled May bond sale. To add further impetus to the completion of the studies and investigations necessary to develop my recommendation I was advised that on a commitment basis existing funds available to the Supply System were only sufficient to cover commitments made prior to May 1, 1982, with no additional source of funds for commitments thereafter available in the absence of a bond sale in May.

To be both responsive and responsible to these requests, I asked the staff of Bonneville Power Administration, together with outside consultants, to explore in all possible depth the financing, marketing, economics, load/resource balance, and contractual considerations pertinent to all reasonable options. These options included consideration of proceeding with all three of the net-billed projects on the current schedules, putting one or two of the projects in an extended contract delay mode, and extending the contract schedules for all three of the projects. Because of my sincere conviction that these projects are needed in the region and will be brought on line at the appropriate time to meet regional needs, the option of termination of any of the projects was not considered viable.

Mr. John J. Welch
Page 2
April 23, 1982

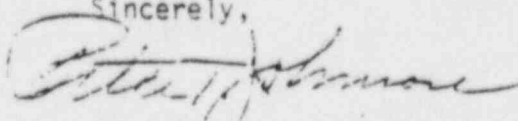
The results of this large volume of work forced the conclusion that maintaining the existing contract schedules on WNP-2 and one of the other plants while extending the contract schedule on the remaining plant was the only prudent course of action in the light of all of the circumstances. Because of the advanced state of construction of the WNP-2 project, it was apparent that this plant must be completed on the present schedule and that the financing plan assure the investors that this project will, in fact, be completed and become an operating resource for the benefit of the region.

The selection of the WNP-1 project as the project to be delayed pending identification of both the financial markets and the means of accessing those markets was dictated by many factors, including, among others, the fact that the delay of either WNP-1 or WNP-3 would result in some reduction of the size of the BPA 1983 rate increase with some margin favoring delay of WNP-1; the proximity of WNP-3 to the region's major load centers providing increased transmission reliability and significant reduction of transmission losses; the delay of WNP-1 results in a greater reduction of surplus in both amount and timing, the circumstance of joint ownership of the WNP-3 project (70% WPPSS/BPA and 30% others) so that the output will be shared between Bonneville and the other joint owners; the enhanced opportunity for a more expeditious restart of WNP-1 because of the geography and the pool of technical skills within the Hanford Reservation area; and, perhaps most importantly, neither WPPSS nor BPA can require the other 30% owners to forego construction without substantial legal and financial risk to WPPSS and BPA.

In the absence of expeditious acceptance of this recommendation so that financing for a May bond sale can be accomplished, the alternative of being without funding with which to go forward with any of the net-billed projects appears inevitable. The avoidance of this wholly unacceptable alternative must be accomplished.

To the list of "objectives" set forth on Page 2 of Bonneville's Analysis of Resource Alternatives of April 19, 1982, should be added a reference to maintain maximum flexibility in order to assure the region an ability to accommodate changing conditions. I sincerely believe that the program outlined in my recommendation best meets the "objectives" and is the only prudent course of action at this time. I could not, in good conscience, approve a budget presentation or a financing plan inconsistent with this program. I again urge you and the other members of the board to embrace this plan and to instruct the staff to proceed accordingly.

Sincerely,



Administrator

Attachment J

PRESENTATION OF ALTERNATIVES

APRIL 26, 1982

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INTRODUCTION

At the request of the Supply System Executive Board (Mr. Clayhold's motion on April 23, 1982), staff has completed an evaluation of possible alternatives to Peter Johnson's recommendation concerning future financing of WNP-1, 2 and 3.

As a result of staff efforts, five selected alternatives are presented herein for the Executive Board Finance Committee's consideration. Other alternatives and supporting information are also included.

CHANGED CIRCUMSTANCES

Subsequent to BPA's recommendation on the future financing of WNP-1, 2 and 3, certain circumstances have changed which are the basis for the Supply System staff's study of possible alternatives. These changed circumstances are as follows:

1. A short-term slowdown in construction on WNP-1 and 3 is possible with little risk to the target (early completion) schedule.
 - 10% Cash Flow Reduction Through November 1, 1982
2. Sale of WNP-1 surplus nuclear fuel assets.
 - Equivalent to \$100 million bond issue.
3. Increased underwriters commitment.
 - \$700 Million

MAJOR ASSUMPTIONS/QUALIFICATIONS

1. Each option provides for full funding of WNP-2 through completion. (Contingency funding for WNP-2 from FY-83 BPA revenues in the amount of up to \$200 million.)
2. No option provides for production of WNP-1 and/or WNP-3 beyond November 1, 1982. However, adequate funds would be available to cover commitments (as of November 1, 1982) and fund project(s) in a shutdown mode through September 30, 1983.
3. Bond issue size for each option is adequate to fund WNP-1 and 3 cash requirements for each project under the stated condition through September 30, 1983 (end of BPA fiscal year).
4. Funding beyond September 30, 1983 would require additional bond sales or BPA revenues.
5. Base document for full production and 10-20% reduction in cash requirements is the current issue of the rolling 12-month cash flow forecast, dated April 12, 1982.
6. Base document for construction deferral cash requirements is primarily WNP-1 and 3 "Extended Construction Delay" Study, dated March 1982.
7. 10-20% cash flow reduction is achieved through estimated manpower decreases (rapid turndown over two weeks) as follows:

		<u>Manual</u>	<u>Nonmanual</u>	<u>Total</u>
WNP-1	10%	600	200	800
	20%	1,200	400	1,600
WNP-3	10%	550	150	700
	15%	750	250	1,000

8. Interest/financing assumptions of May sale are:
 - Interest - 15%
 - Discount - 3%
 - Financing - 0.5%
 - Reserves - Maximum 6 Months Interest
9. Options 6, 9 and 10 assume contingency funding for WNP-2 from BPA revenues in the amount of up to \$200 million in FY-83, and for WNP-1 from anticipated sale of nuclear fuel assets in the amount of \$100 million.
10. As of September 30, 1983, following a shutdown of WNP-1 and/or WNP-3, cash will not be available to cover commitments (estimated to be approximately \$35 million for WNP-3 and \$15 million for WNP-1) and preservation of assets costs incurred beyond this date.

11. Adequate funds will be available under all options to allow a controlled and orderly construction shutdown.
12. Funding production of WNP-1 and/or WNP-3 beyond November 1, 1982 requires voter approval or other positive disposition of I-394 and subsequent bond sale.

DEFINITION OF OPTIONS

(\$ in Millions)

<u>Option</u>	<u>Project</u>	<u>Conditions</u>	<u>May Bond Issue</u>
1 (BPA)	1	Defer on May 1, 1982	\$ 0
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$145)	425
	3	Full Production to Nov. 1, 1982 then Defer/Bonds	215
			<u>\$640</u>
2	1	10% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds	\$205
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	10% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds	175
			<u>\$750</u>
3	1	20% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds	\$170
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	15% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds	160
			<u>\$700</u>
4	1	Full Production to Nov. 1, 1982 then Defer/Bonds	\$235
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	Defer on May 1, 1982	25
			<u>\$630</u>
5 (Garlick)	1	Full Production to Nov. 1, 1982 then Defer/Bonds	\$235
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	Full Production to Nov. 1, 1982 then Defer/Bonds	215
			<u>\$820</u>
6	1	Full Production to Nov. 1, 1982 then Defer/Bonds; Nuclear Fuel Sale (\$100)	\$135
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	Full Production to Nov. 1, 1982 then Defer/Bonds	215
			<u>\$720</u>
7 (Clayhold)	1	Full Production to August 1, 1982 then Defer/Bonds	\$155
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	Full Production to Nov. 1, 1982 then Defer/Bonds	215
			<u>\$740</u>

DEFINITION OF OPTIONS (Cont'd)
(\$ in Millions)

<u>Option</u>	<u>Project</u>	<u>Conditions</u>	<u>May Bond Issue</u>
8 (BPA Mod.)	1	20% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds	\$170
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$145)	425
	3	Full Production to Nov. 1, 1982 then Defer/Bonds	215
			<u>\$810</u>
9	1	10% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds; Nuclear Fuel Sale (\$100)	\$105
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	10% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds	175
			<u>\$650</u>
10	1	10% Cash Flow Reduction to Nov. 1, 1982 then Defer/Bonds; Nuclear Fuel Sale (\$100)	\$105
	2	Full Production to Completion; FY-83 BPA Revenues Funding (\$200)	370
	3	Full Production to Nov. 1, 1982 then Defer/Bonds	215
			<u>\$690</u>

EVALUATION OF SELECTED ALTERNATIVES

(\$ In Billions)

Criteria	Option:	1	2	6	9	10
	Description:	BPA Proposal	90% Cash Flow on #1 & #3 Until 11/82	Full Construction on #1 & #3 Until 11/82	90% Cash Flow on #1 & #3 Until 11/82	Full Construction #3 & 90% Cash Flow on #1 Until 11/82
	Contingency Funding: Issue Size:	\$145 \$640	\$200 \$750	\$300 \$720	\$300 \$650	\$300 \$690
<u>Basic Requirements (Go/No Go)</u>						
1. No BPA Rate Increase Greater Than 73%		Go	Go	Go	Go	Go
2. Acceptable Bonding Level and Viable Financial Plan		Go	Go	Go	Go	Go
3. Minimize Contractual Problems Which Could Jeopardize the Projects (IOU Support)		Go	Go	Go	Go	Go
Initial Decision		Go	Go	Go	Go	Go
<u>Secondary Objectives</u>						
1. Best Interest of Current and Future Ratepayers - BPA Load Forecast		+++	+++	+++	+++	+++
2. Minimize Financial Risk to BPA and the Region		+++	+	+	+++	++
3. Preserve Region's Ability to Deliver the Benefits of the Regional Act		+++	++	++	++	++
4. Bring Stability to Rates and Resource Decisions		+++	++	++	++	++
5. Provide Maximum Opportunity for Region's Economy to Recover		+	+++	+++	+++	+++
6. Maximize Region's Flexibility to Accommodate Changing Load		+	+++	+++	+++	+++
7. Assure a Healthy Construction Environment within the Supply System for Maximum Efficiency		+	+++	+++	+++	+++
8. Optimum Strategy for Dealing with 1-374		+	+++	+++	+++	+++
9. Minimize Impact on Estimate at Completion (EAC)		+	++	+++	++	+++
10. Minimize Schedule Impact		+	+++	+++	+++	+++

Legend: + Partially Meets Objective
 ++ Better Meets Objective
 +++ Best Meets Objective (Relative to Other Alternatives)

DRAFT

Goldman, Sachs & Co.
Merrill Lynch White Weld Capital Markets Group
Salomon Brothers Inc.
Smith Barney, Harris Upham & Co., Incorporated

April 26, 1982

Alexander Squire, Acting Managing Director
Washington Public Power Supply System
Richland, Washington

You have asked the core managers whether a financing plan that would provide sufficient funds to meet all commitments on the continued construction of Projects Nos. 1 and 3 on a reduced cash flow basis until a November referendum and to pay for a subsequent deferral of these projects, if necessary, as well as to complete the construction of Project No. 2 would be considered a credible plan.

It is the position of the core managers that such a financing plan would be credible from a marketing perspective. Furthermore, an initial offering size in the \$700 million range is not unreasonable under current market conditions and circumstances and the market acceptance for an issue in this range would not differ substantially from the previously discussed \$550 million to \$650 million range.

We would be pleased to meet with you and discuss this matter further if you should so desire.

Very truly yours,

NUCLEAR FUEL ANALYSIS

(Business Sensitive - Not Included in this Document)

REASONS FOR CONTINUING*
CONSTRUCTION ON WNP-1

- Preserves options while allowing time for:
 - Additional data to be developed.
 - . BPA Final Load Forecast
 - . Draft Report of Regional Power Council
 - Other alternatives to be explored with IOU's.
- Reduces risk of only WNP-2 surviving an I-394 November vote.
 - WNP- 1 and 3 on ballot rather than just WNP-3 is better strategy.
- Reduces risk to WNP-4 termination cost and entire WNP-4/5 Termination Plan.
- Most credible from financial marketing position (underwriter's view).
- Defers immediate impact on region and State economy.

*At least to November 1982.

BONNEVILLE OCTOBER 1982 RATE EFFECT

Two test cases were compared to Bonneville's initial rate proposal for FY-1983. The first case is on the high end of the options considered and includes a \$820 million sale in June 1982 and subsequent issues for the funding of all three projects through September 1983. This case showed a reduction of approximately \$42 million over the initial BPA rate proposal. The second case included a June issue of \$705 million and sufficient issues to support the temporary 10% construction slowdown on WNP-1 and 3 and \$100 million fuel sale. This case showed a reduction of approximately \$67 million over the initial BPA rate proposal.

BPA Costs for Plants Nos. 1, 2 and 3
Cumulative for FY-1982/83

(\$ in Millions)

	<u>Initial BPA</u> <u>Rate Proposal</u> (1)	<u>Case 1</u> (2)	<u>Case 2</u> (3)
Cumulative Costs	\$1,126.5	\$1,084.7	\$1,059.9
Revenue Impacts	\$ -0-	\$ (41.8)	\$ (66.6)
Rate Increase	73%	70%	69%

Based on the test cases analyzed, the rate increase can be expected to range between 68% and 70% for the selected alternatives studied (\$640 - \$750 May bond sale range).

In addition, the difference between Alternative 1 (BPA Proposal) and Alternatives 9 and 10 is expected to be no more than 2 mils (10%) for the BPA FY-84.

Notes:

- (1) 73% proposed rate increase in October 1982 (FY-83).
- (2) \$820 million June 1982 sale and a total of \$2,015 million through FY-1983.
- (3) \$705 million June 1982 sale and a total of \$1,845 million through FY-1983.

OPTIMUM FINANCING PLANS
AT ALTERNATIVE BOND ISSUE LEVELS
(\$ in Millions)




Range of Bond Issue	Option/Bond Issue Size									
	1*	2*	3	4	5	6*	7	8	9*	10*
< \$650	\$640	\$750	\$700	\$630	\$820	\$720	\$740	\$810	\$650	\$690
\$650 - \$700	(2)		(2)	(2)					(1)	(1)
\$700 - \$800		(2)				(1)	(3)			
> \$800					(1)			(2)		

() = Optimum Financing Plan

*Selected Alternatives

COMPARISON OF OPTIONS

CONSIDERATIONS	OPTIONS									
	1	2	3	4	5	6	7	8	9	10
	SIZE OF BOND SALE (\$ MILLIONS)									
	640	750	700	630	820	720	740	810	650	690
SIZE OF BOND SALE	Problem	OK	Problem	Problem	Problem	OK	OK	Problem	Problem	Problem
FINANCING PLAN & VIABILITY	Problem	OK	Problem	Problem	Problem	OK	OK	Problem	Problem	Problem
I-394	Problem	OK	OK	Problem	OK	OK	Problem	OK	OK	OK
I.O.U. ASPECT WNP-3	Problem	OK	Problem	Problem	Problem	Problem	Problem	Problem	OK	Problem
REGIONAL POWER COUNCIL	Problem	Problem	Problem	Problem	Problem	Problem	Problem	Problem	Problem	Problem
ESTIMATE AT COMPLETE IMPACT	OK	Problem	Problem	OK	Problem	Problem	OK	OK	Problem	Problem
OCT. '82 BPA RATE INCREASE	Problem	OK	OK	Problem	Problem	OK	OK	Problem	Problem	OK
OFFICIAL PROJECT SCHEDULE	OK	Problem	Problem	OK	Problem	Problem	OK	OK	Problem	Problem
MINIMUM ECONOMIC IMPACT	Problem	Problem	OK	Problem	Problem	Problem	Problem	OK	Problem	Problem
POSITIVE CONSTRUCTION ENVIRONMENT	Problem	Problem	OK	Problem	Problem	Problem	Problem	OK	Problem	Problem

-  PROBLEM
-  CONCERN
-  OK

CRITERIA FOR EVALUATING CONSIDERATIONS

1. Size of Bond Sale

<\$700 - OK
\$700-\$750 - Concern
\$750> - Problem

2. Financing Plan and Viability

Identical to Bond Sale

3. I-394

WNP-2 Not a Concern for Any Strategy
WNP-1 Alone on Ballot - OK
WNP-3 Alone on Ballot - Problem
WNP-1 and 3 on Ballot - Concern

4. IOU Aspect - WNP-3

Meet Target Schedule - OK
Lose Target Schedule, Meet Official Schedule - Concern
Lose Official Schedule - Problem

5. Regional Power Council

Good Flexibility to Respond to Draft RPC Plan - OK
Poor Flexibility to Respond to Draft RPC Plan - Problem

6. Estimate at Complete Impact

WNP-2 OK in All Cases
No Threat for WNP-1 or WNP-3 - OK
Threat for WNP-1 or WNP-3 - Concern
Threat for WNP-1 and WNP-3 - Problem

7. October 1982 BPA Rate Increase

Identical to Bond Sale

8. Official Project Schedule

No Threat to WNP-2 Target Schedule
WNP-1 and 3 Meet Target Schedule - OK
WNP-1 and/or 3 Target Schedule Threat - Concern
WNP-1 and/or 3 Official Schedule Threat - Problem

9. Minimum Economic Impact

Full Production on All Three Plants - OK
10% Reduction on WNP-1 and/or 3 - OK
20% Reduction on WNP-1 and/or 3 - Concern
Shutdown of WNP-1 and/or 3 - Problem

10. Positive Construction Environment

Three Plants Full Production - OK
Either WNP-1 and/or 3 10% Reduction - OK
Either WNP-1 and/or 3 20% Reduction - Concern
Either WNP-1 and/or 3 Shutdown - Problem

EXECUTIVE BOARD

RESOLUTION NO. 71

A RESOLUTION DIRECTING A FINANCING AND
CONSTRUCTION PROGRAM FOR PROJECTS 1,
2 AND 3 AND AN EXTENDED CONSTRUCTION
DELAY FOR PROJECT 1

On April 19, 1982, the Bonneville Power Administrator recommended to the Board and staff of the Supply System that:

1. The construction of Projects 2 and 3 proceed at full pace to maintain or improve the existing construction schedules for these projects,
2. The construction completion schedule of Project 1 be delayed for a period of up to five years; and
3. The Board instruct the staff of the Supply System to prepare a budget and financing plan consistent with these recommendations.

The Administrator's recommendation does not provide for a bond sale for Project 1 at this time.

On April 23, 1982, the Administrator notified the Executive Board by letter that he would not approve a financing plan inconsistent with that program.

The Managing Director, at the request of the Executive Board, prepared and presented alternatives to the Administrator's recommendation to the Finance Committee of the Executive Board and to the Bonneville Power Administration.

On April 29, 1982, the Administrator notified the Executive Board by letter that he would not approve any of the alternatives presented or a financing plan or bond resolution which was inconsistent with the original recommendation.

1 The Bond Resolutions for the Projects require the Supply
2 System to complete construction of the Projects at the earliest
3 practical time, subject to the Project Agreements.

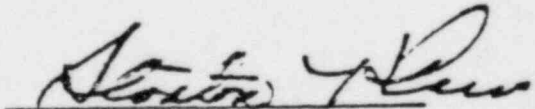
4 Pursuant to the Project Agreements, the Administrator
5 has a right of approval of bond resolutions for the Projects,
6 and his exercise of that right is not subject to review by a
7 project consultant.

8 The Managing Director has reported that without a bond
9 sale for Project 1, the Supply System will have insufficient
10 funds to pay project commitments and that no other source of
11 funds is available and an immediate extended construction de-
12 lay is necessary to preserve the assets of Project 1; NOW,
13 THEREFORE,

14 IT IS RESOLVED that the Managing Director is directed
15 and authorized to implement an immediate extended construction
16 delay of Project 1 consistent with the Administrator's recommen-
17 dation and good business practice, and to prepare and submit
18 amended budgets and a financing plan for the Projects for
19 review and approval by the Executive Board and the Board of
20 Directors, and

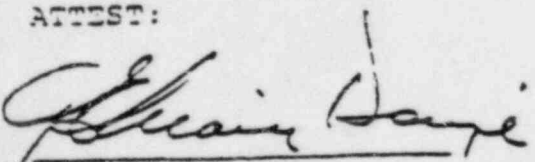
21 IT IS FURTHER RESOLVED that the Executive Board recommends
22 to the Board of Directors that the Board of Directors concur
23 in this action by passing a resolution in a form substantially
24 similar to this Resolution No. 71.

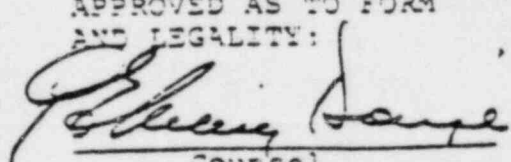
25 ADOPTED by the Executive Board of Washington Public Power
26 Supply System this 29th day of April, 1982.

27
28 
29 Chairman

30 ATTEST:

APPROVED AS TO FORM
AND LEGALITY:

31 
32 Secretary


Counsel



Attachment K

Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

OFFICE OF THE ADMINISTRATOR

April 29, 1982

In reply refer to: A

Mr. Stanton H. Cain
President, Board of Directors
Washington Public Power Supply System
P.O. Box C
Malott, WA 98829

Dear Mr. Cain,

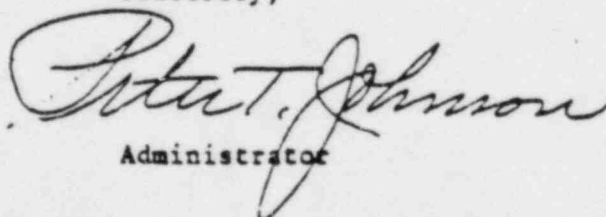
I have reviewed with the staff of the Bonneville Power Administration each of the alternatives to my recommendation of April 19, 1982, which have been presented to me. In addition, I have taken into account the many public statements included in your Board meeting of April 28, 1982.

All of the alternatives incorporate one, two, or three of the following basic concepts designed to either temporarily reduce costs or to add capital:

1. Temporarily reduce cash flow by a slowdown in construction with little risk to the target schedule;
2. Increase available capital by the sale of certain nuclear fuel assets; and
3. Further increase capital by an increase in the size of the proposed May bond sale.

After full consideration of these alternatives in the light of the criteria and objectives described in my letter of April 19, 1982, I am of the opinion that the public interest is better served by adherence to the recommendation made in said letter. I, therefore, must advise you and the members of your Board that I could not in good conscience approve moving forward on the basis of any of the alternatives presented or a financing plan or bond resolution which was inconsistent with the original recommendation. For the purpose of achieving the best balance of the many factors concerning us all, I again urge the Board to embrace the BPA recommendation and to instruct the Supply System staff to take the necessary steps to implement that recommendation. We look forward to working with you and your staff in this effort.

Sincerely,


Administrator

BOARD OF DIRECTORS

RESOLUTION NO. 1221

A RESOLUTION DIRECTING A FINANCING AND CONSTRUCTION PROGRAM FOR PROJECTS 1, 2 AND 3 AND AN EXTENDED CONSTRUCTION DELAY FOR PROJECT 1

On April 19, 1982, the Bonneville Power Administrator recommended to the Board and staff of the Supply System that:

1. The construction of Projects 2 and 3 proceed at full pace to maintain or improve the existing construction schedules for these projects,
2. The construction completion schedule of Project 1 be delayed for a period of up to five years; and
3. The Board instruct the staff of the Supply System to prepare a budget and financing plan consistent with these recommendations.

The Administrator's recommendation does not provide for a bond sale for Project 1 at this time.

On April 23, 1982, the Administrator notified the Executive Board by letter that he would not approve a financing plan inconsistent with that program.

The Managing Director, at the request of the Executive Board, prepared and presented alternatives to the Administrator's recommendation to the Finance Committee of the Executive Board and to the Bonneville Power Administration.

On April 29, 1982, the Administrator notified the Executive Board by letter that he would not approve any of the alternatives presented or a financing plan or bond resolution which was inconsistent with the original recommendation.

1 The Bond Resolutions for the Projects require the Supply
2 System to complete construction of the Projects at the earliest
3 practical time, subject to the Project Agreements.

4 Pursuant to the Project Agreements, the Administrator
5 has a right of approval of bond resolutions for the Projects,
6 and his exercise of that right is not subject to review by a
7 project consultant.

8 The Managing Director has reported that without a bond
9 sale for Project 1, the Supply System will have insufficient
10 funds to pay project commitments and that no other source of
11 funds is available and an immediate extended construction de-
12 lay is necessary to preserve the assets of Project 1, and

13 The Executive Board has recommended that the Board of
14 Directors concur in Resolution No. 71 of the Executive Board
15 directing the Managing Director to take actions consistent
16 with the Administrator's recommendation; NOW, THEREFORE,

17 IT IS RESOLVED that the Board of Directors concurs in
18 the action of the Executive Board contained in Executive
19 Board Resolution No. 71.

20 ADOPTED by the Board of Directors of Washington Public
21 Power Supply System this 20th day of April, 1982.

22
23 Stanton Wilson
24 President

25 ATTEST:

26 Janni Bell
27 Secretary

28 APPROVED AS TO FORM
29 AND LEGALITY:

30 Bruce Soupe
31 Counsel

0628