

MINUTES OF THE
 WASHINGTON PUBLIC POWER SUPPLY SYSTEM
 REGULAR BOARD OF DIRECTORS' MEETING
 GLENN C. WALKLEY ROOM, MULTIPURPOSE FACILITY
 RICHLAND, WASHINGTON
 APRIL 23, 1982 - 9:00 A.M.

The Regular Meeting of the Board of Directors of Washington Public Power Supply System was called to order by President Cain at 9:00 a.m. There was a quorum present. President Cain stated this was an open public meeting of the Supply System. Mr. G. E. C. Doupe, Acting Chief Counsel, reported that an environmental analysis of the April 23, 1982 Board of Directors' agenda had been prepared which showed that all items on the agenda were categorically exempt from procedural requirements of the State Environmental Protection Act.

ROLL CALL

PUD No. 1 of Benton County	Donald R. Clayhold	Present
PUD No. 1 of Chelan County	Robert O. Keiser	Present
PUD No. 1 of Clallam County	A. E. Fletcher	Present
PUD No. 1 of Clark County	Ed Fischer	Present
PUD No. 1 of Cowlitz County	Howard B. Richman	Present
PUD No. 1 of Douglas County	Howard Prey	Present
PUD No. 1 of Ferry County	William G. Kuehne	Present
PUD No. 1 of Franklin County	Kenneth R. Cochran	Present
PUD No. 2 of Grant County	Harold F. Nelson	Present
PUD No. 1 of Grays Harbor County	Jack Welch	Present
PUD No. 1 of Kittitas County	Roger C. Sparks	Present
PUD No. 1 of Klickitat County	Marion C. Babb	Present
PUD No. 1 of Lewis County	John Kostick	Present
PUD No. 3 of Mason County	Robert C. Olsen	Present
PUD No. 1 of Okanogan County	Stanton H. Cain	Present
PUD No. 2 of Pacific County	John E. Dunsmoor	Present
PUD No. 1 of Skamania County	Parker Knight	Present
PUD No. 1 of Snohomish County	C. Stanford Olsen	Present
PUD No. 1 of Wankiakum County	David L. Myers	Present
City of Ellensburg	Larry Nickel	Present
City of Richland	Thomas Logston	Present
City of Seattle	Joe Recchi	Present
City of Tacoma	Paul J. Nolan	Present

Others Present: Peter T. Johnson, E. Willard, R. Ratcliffe, J. Curtis, Ed Sienkiewicz, J. R. Lewis, Bonneville Power Administration; Ray Foleen, Consultant to the WNP-4/5 Participants' Committee; J. A. Hare, Administrative Auditor; Frank Hensley, Legislative Budget Committee; Francis Coleman, Goldman Sachs; Jim Seagraves, R. W. Beck & Associates; J. P. Laspa, Bechtel Power Corporation; Gordon Culp, Bud Krogh and Robert Marritz, Culp, Dwyer, Guterson & Grader; T. S. Hundal, United Engineers and Constructors, Inc.; Congressman Sid Morrison; Senator Max E. Benitz; Washington State Representatives Shirley Hankins, Ray Isaacson and Doc Hastings; Senator Sue Gould; Glenn Walkley and

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John Goldsbury, past Presidents of the Board of Directors; D. S. Spellm
Puget Power & Light; David De Lorenzo, Hanford High School; Nancy De Loren
Columbia Basin Apartment Association; B. James, Energy Fair 1983; Susan Boot
Pasco City Council; Dean Sundquist, Seattle City Light; William Barn
Okanogan County PUD; Al Pflugrath, Chelan County PUD; Harold Beckemei
E. Roy Mundy and Larry Peterson, Grant County PUD; David Marks, Citize
Donald J. Smith, Kennewick High School; Harry Hurless, Citizen; Sol Rubenste
Information Research International, Ltd.; N. K. Karamtaries, Ernie Dodd, Ja
Guin, Sandy Dodd, Tim Powell, Tori Rouse, Meridee Rouse, Donald Grondin, J
Olsen, John Poyner and Frank Pennington, Citizens; George Garlick, Gari
Enterprises; Eugene Piazza, Stoel, Rives, Boley; M. R. Fox and R. D. Prosse
Washington Voice of Energy; John Searing, Cowlitz County PUD; Mark Nault
Hanford Construction Craft; James Hubenthal, Lewis County PUD; Stewar
Thompson, Sheet Metal Workers Union, Local 242; Sue Blakely, Northwest Fir
Regional Consultants; Dale Snediger, Carpenters Union, Local 1849; Ronal
Smoot, Millwrights Union, Local 1699; George Elgin, IBEW Union, Local 112
Cecil Hendricks, Operating Engineers Union, Local 370; Paul Runyan and Bruc
Boach, Clark County PUD; Brendan O'Brien, Wood & Dawson; Donald Anderson
Kennewick School Superintendent; Sue Watkins, Port of Kennewick; Bill Sebero
Benton County PUD; Harold Matthews, Franklin County PUD; Bob Lane, Seattle
Times; Sandra McDonough, The Oregonian; Rochelle Ogershaha, KREM TV; Dennis
Godfrey, Tri-City Herald; Lisa Stark, KATU TV; Fred Kohout, KVEW TV; Kristie
Mueller, KOIN TV; Steve Taylor, KGW TV; Roger Gaulty, KOMO TV; Merrill Oler,
Tri-City Herald; Roy Musitelli, Yakima Herald Republic. (This list is not
complete, inasmuch as the attendance book was not circulated to all present.)

Staff Present: A. Squire, J. D. Perko, G. E. C. Doupe', R. A. De Lorenzo,
D. A. Thoresen, J. J. Wentz, J. J. Read, D. W. Mazur, D. W. Clement and
S. A. Reese.

President Cain announced that there were an estimated 12,000 supporters
of the Supply System's projects gathered in front of the Multipurpose Facility.
President Cain recessed the Board of Directors' meeting to observe the rally
which was in progress. The Board of Directors' meeting was recessed at
9:02 a.m. The Board of Directors' meeting was reconvened at 9:20 a.m. and
immediately recessed to permit the Executive Board to conduct the business on
their agenda. The Regular Board of Directors' meeting was reconvened at
4:10 p.m.

MINUTES

The Minutes of the Special Joint Board of Directors' and Executive Board
meetings held on January 22, 1982 and January 29, 1982, as well as the Minutes
of the Special Board of Directors' meeting held on February 11, 1982, were
presented for consideration. Mr. Kuehne moved that the Minutes be approved as
distributed. Mr. Richman seconded the motion. MOTION CARRIED.

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REPORT BY THE DEPUTY MANAGING DIRECTOR

Mr. A. Squire, Deputy Managing Director, reported that R. L. Ferguson, Managing Director, was recuperating from his recent surgery; and it was anticipated that Mr. Ferguson would return to work part-time in the near future.

REPORT BY THE WNP-4/5 TERMINATION PROGRAM DIRECTOR

Mr. R. A. De Lorenzo, WNP-4/5 Termination Program Director, pointed out that two documents pertaining to the WNP-4/5 Termination Program were included in the Board members' folders. He stated that the Termination Program was proceeding in accordance with the draft Management Plan which had been adopted. He reported that it was estimated that as of the end of June, 1982 the Termination Program would have a positive cash balance. If this were the case, the infusion of loans from the participants would not be required at that time. Following a review of the cumulative disbursements, Mr. De Lorenzo reviewed the contract status at Projects 4 and 5 as of the end of March 1982. He reported that to date, 23 contracts had been terminated at WNP-4, with seven contracts being terminated at WNP-5. Following further review, Mr. De Lorenzo highlighted the major milestones which had been completed in March. He reported that the participants had committed \$70.5 million to the controlled Termination Program for Projects 4 and 5. The major milestones to be completed during the month of April included approval of the final Management Plan, approval of the final Site Termination Plan, preparation of the Fiscal Year 1983 budget and the establishment of a sales team for assets disposal. Mr. De Lorenzo also reported that an agreement with Pacific Power & Light had been reached. The agreement established procedures for the management of termination of WNP-5. He stated that this matter would be addressed later in the meeting by Mr. G. E. C. Doupe', Acting Chief Counsel.

Mr. De Lorenzo turned to the next chart contained in the package entitled "Costs to Preserve Assets and Maintain Licenses in Phase I". He pointed out that this chart represented a revised estimate of the costs to maintain the termination program in Phase I. It was originally estimated that it would cost approximately \$10 million to \$15 million to preserve the assets and licenses in Phase I. As a result of reevaluation, it had been determined that the monthly cost to preserve the assets and maintain the licenses for Projects 4 and 5 is approximately \$695,000 or \$8,340,000 for a one-year period.

Mr. Clayhold referred to the WNP-4/5 cash flow forecast which was included in the Board members' folders. He suggested that in future issues of this forecast, the item entitled "Interest Transfer/Other" be changed to reflect the fact that this included participants' loans. Mr. Keiser asked how long Phase I would be extended. Mr. De Lorenzo replied that figures identified in the costs to preserve the assets and maintain the licenses had been determined by using the period April through December 1982. Mr. Squire pointed out that the reduced figure for costs to preserve the assets and maintain the licenses during Phase I did not reduce the total cost of the Termination Program, only the amount for maintaining the assets and licenses. The

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savings realized in this area of the Termination Program will be transferred for use in other aspects of the Termination Program. Following further discussion, Mr. Clayhold asked what the effects would be on the termination of WNP-4 if action were taken to slow down the construction schedule of WNP-1. Mr. De Lorenzo replied that he shared the same concerns which had been expressed by Don Mazur during the Executive Board meeting.

WNP-4/5 PARTICIPANTS' COMMITTEE REPORT

Mr. Ray Foleen, Consultant to the WNP-4/5 Participants' Committee, stated that much attention was being given to the formation of an Oversight Committee as required in the Termination Plan and the Management Plan. He stated that it was anticipated that this Oversight Committee would be appointed and functioning in the very near future. Mr. Foleen also reported that the Management Plan for the termination of Projects 4 and 5 had not yet been approved by the participants. The Plan has been sent to the participants for review and comment period. Mr. Foleen stated that the election of new Participants' Committee members was to be held on May 12, 1982 in Portland, Oregon at the Jantzen Beach Thunderbird.

The following motion was presented for consideration:

"IT IS MOVED THAT THE MANAGING DIRECTOR OR THE PROGRAM DIRECTOR, WNP-4/5 TERMINATION, BE AUTHORIZED TO EXECUTE THE 'AGREED PROCEDURES WITH PACIFIC POWER & LIGHT FOR MANAGEMENT OF TERMINATION OF WNP-5' ON BEHALF OF THE SUPPLY SYSTEM."

Mr. Doupe' pointed out that the Ownership Agreement did not describe the procedures to be followed upon termination of the project. He continued that Pacific Power & Light has asserted that the Supply System breached the Ownership Agreement by terminating the project, but PP&L has agreed to participate in termination and has paid its ten percent share of termination costs. PP&L has reserved the right to withhold such costs, and the Supply System has asserted that PP&L has no such right. The proposed agreement provides for procedures which are similar to the Participants' Agreements and Agreements to Advance Termination Costs. Mr. Doupe' pointed out that the contract settlement approval has been lowered to \$100,000 with agreement that Pacific Power & Light will be consulted prior to negotiations on such settlement. Also, Pacific Power & Light will approve the Management Plan, future budgets and the Sale of Assets Plan when drafted. He continued that in the event of any dispute, the Supply System and Pacific Power & Light will submit the dispute to either the project consultant under the Ownership Agreement or an arbitrator, depending on the action involved. In addition, both the Supply System and Pacific Power & Light have reserved their rights to resolve differences and the issue of breach of Ownership Agreement at a later date while permitting the Termination Program to go forward.

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Following this review, Mr. Prey moved that the motion be adopted. Mr. Fletcher seconded the motion. Mr. Foleen observed that the participants had not seen the proposed agreement with Pacific Power & Light. He asked if the agreement contained anything which was significantly different from the proposed responsibilities of the Oversight Committee. Mr. Doupe' replied that an attempt had been made to create parallel arrangements for Pacific Power & Light and the participants. Mr. Foleen expressed his concern that the Oversight Committee may have a greater interest in providing a day-to-day oversight function than what was contained in the agreement with Pacific Power & Light. Mr. Stan Olsen expressed his concern that the proposed agreement had not been reviewed by the Participants' Committee. He suggested that the motion could be amended to include language indicating that authorization to execute the procedures would be subject to concurrence by the Participants' Committee. Mr. Squire indicated that he did not feel this would be acceptable, inasmuch as the Supply System had agreements with both Pacific Power & Light Company and the Participants' Committee. Therefore, the Supply System was working with two different entities. Mr. Squire indicated that he did not feel the agreements between the parties should be subject to the approval of the other party.

Mr. Clayhold asked if the procedures for the agreement with Pacific Power & Light had been agreed upon only recently. Mr. De Lorenzo replied that the final details had been agreed to as late as the day prior to this meeting. He also stated that approval was being requested at this Board of Directors' meeting, inasmuch as there was not another Board meeting scheduled in the near future. Following further discussion, the question was called for. MOTION CARRIED. ROBERT OLSEN VOTED "NO".

ELECTION OF EXECUTIVE COMMITTEE MEMBER FOR CLASSIFICATION NO. 5
(CLARK/KLICKITAT/SKAMANIA) AND ELECTION OF EXECUTIVE BOARD MEMBER

Mr. Doupe' pointed out that the Board members' folders contained letters from Clark County PUD, Klickitat County PUD and Skamania County PUD. Mr. Doupe' explained that when the Executive Board was formed, the existing Executive Committee was transferred to the membership of the Executive Board by resolution. He continued that due to Mr. Fischer's resignation, who represented Classification No. 5, it was Mr. Doupe's opinion that the Board of Directors now had an obligation to elect an Executive Committee member to replace Mr. Fischer from among the three representatives of Classification No. 5. He continued that the Rules of the Board of Directors further provide that the Board members from the classifications shall submit nominations. In the event the Board members representing the utilities in the classification failed to agree, the Board was to elect an Executive Committee member from among those nominees.

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Mr. Doupe' reported that the nominees were as follows: Clark County nominated Paul Runyan; Klickitat and Skamania County PUDs nominated Marion Babb. Inasmuch as there was not agreement among the classifications represented, it would be necessary for the Board of Directors to elect Mr. Fischer replacement to the Executive Committee.

Mr. Fischer requested that he be permitted to remain a member of the Board of Directors until after the election for the Executive Committee member took place. This would permit him the opportunity to participate in the selection of his successor.

President Cain recessed the Board of Directors' meeting at 4:55 p.m. The meeting was reconvened at 5:00 p.m.

Mr. Doupe' stated that during the recess, he had reviewed Mr. Fischer's resignation letter and his attached statement which had been made to the Clark County commissioners. The statement included a motion which had been made to the commissioners and stated: "That Commissioner Ed Fischer be replaced on the Washington Public Power Supply System Board of Directors by Commissioner Paul Runyan and Commissioner Frank Lambert as Alternate and that this action become effective when the Supply System takes action at a special or regular meeting of the full Board of Directors of the Supply System and that in any event, this not be later than April 30, 1982." Mr. Doupe' interpreted this to mean that Mr. Fischer would remain a member of the full Board of Directors until such time as the Board of Directors took action to replace him on the Executive Committee. For this reason, Mr. Fischer would be allowed to vote on his successor to the Executive Committee.

President Cain stated that the two nominations which had been received were Paul Runyan and Marion C. Babb. He asked if there were further nominations. Mr. Nelson moved that the nominations be closed. Mr. Fletcher seconded the motion. **THE NOMINATIONS WERE CLOSED BY UNANIMOUS VOTE.**

C. Stanford Olsen made the following motion:

"IT IS MOVED THAT THE ELECTION OF AN EXECUTIVE COMMITTEE MEMBER FOR CLASSIFICATION NO. 5 AND ELECTION OF AN EXECUTIVE BOARD MEMBER BE HELD BY BALLOT."

Mr. Recchi seconded the motion. **MOTION CARRIED.** Following the casting and polling of the ballots, it was announced that Marion C. Babb had been elected as the Executive Committee member for Classification No. 5 and the Executive Board member.

Board of Directors' Resolution 1219 entitled "A RESOLUTION AUTHORIZING THE EXECUTION OF AMENDATORY AGREEMENT NO. 3 TO THE ADMINISTRATIVE AND OPERATIVE AGREEMENT (CONTRACT NO. 14-03-37099) BETWEEN BONNEVILLE POWER ADMINISTRATION AND WASHINGTON PUBLIC POWER SUPPLY SYSTEM - HANFORD GENERATING PROJECT" was presented for consideration. Mr. Doupe' pointed out that this resolution

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authorized an administrative change in the agreement between the Bonneville Power Administration and the Supply System. Mr. Nolan moved that the resolution be adopted. C. Stanford Olsen seconded the motion. BOARD OF DIRECTORS' RESOLUTION 1219 ADOPTED BY UNANIMOUS VOTE.

DISCUSSION OF ACTION REQUIRED UNDER AMENDED EXECUTIVE BOARD LEGISLATION
(SB 4996)

Mr. Doupe' stated that he had sent a letter, dated April 13, 1982, to the Board of Directors which outlined the changes contained in the new legislation. He stated that a procedure needed to be established to elect the five inside Executive Board members. The Rules of the Executive Board and Board of Directors will need to be substantially revised. Mr. Doupe' reported that the Act had been signed by the Governor on Tuesday, April 20, and goes into effect immediately. The Act also states that the organizational meeting of the restructured Executive Board must be within 60 days after the date the legislation was enacted or on or before June 19, 1982.

Following some discussion regarding the actions necessary to revise the Rules of the Board of Directors, C. Stanford Olsen, Chairman of the Ad Hoc Search Committee, reported that the Search Committee had held meetings to discuss the selection of candidates for the outside Executive Board members. The legislation states that the members of the Executive Board shall conduct their business in a manner which is in the best interests of all ratepayers affected by the joint operating agency and its projects. With this in mind, Mr. Olsen suggested that ballots be cast by the Board of Directors which contained spaces for five names to be inserted. The five Board members receiving the most votes would then be elected to the Executive Board. Mr. Nelson voiced his reluctance to elect the Executive Board based strictly on a democratic vote. He stated that he felt consideration should be given to the percentage of financial interest of the members. Mr. Clayhold urged that the election of the five inside members be held as soon as possible so that the candidates for the outside positions would have this information when considering whether or not they wished to serve on the Executive Board. Following further discussion, President Cain pointed out that the Search Committee consisted of C. Stanford Olsen, Paul Nolan, Marion Babb, Howard Richman and Harold Nelson.

Board of Directors' Resolution 1218 entitled "A RESOLUTION APPROVING A QUARTERLY REPORT OF CHANGE ORDERS - WASHINGTON PUBLIC POWER SUPPLY SYSTEM NUCLEAR PROJECTS 4 AND 5" was presented for consideration. Mr. Fletcher moved that the resolution be adopted. Mr. Kuehne seconded the motion. BOARD OF DIRECTORS' RESOLUTION 1218 ADOPTED BY UNANIMOUS VOTE.

Board of Directors' Resolution 1220 entitled "A RESOLUTION APPROVING A QUARTERLY REPORT OF CONTRACT AWARDS - WASHINGTON PUBLIC POWER SUPPLY SYSTEM" was presented for consideration. Mr. Welch moved that the resolution be adopted. Mr. Babb seconded the motion. BOARD OF DIRECTORS' RESOLUTION 1220 ADOPTED BY UNANIMOUS VOTE.

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CLAIM VOUCHERS

Mr. C. Stanford Olsen moved that the following claim vouchers be approved, provided that none of the claim vouchers were for the payment of litigation costs associated with Initiative 394: HANFORD GENERATING PROJECT REVENUE FUND - #14540 through 14706; NUCLEAR PROJECT NO. 5 CONSTRUCTION TRUST ACCOUNT - #5509 through 5595; NUCLEAR PROJECTS 4/5 CONSTRUCTION FUND - #7178 through 7404; NUCLEAR PROJECTS 4/5 CONSTRUCTION FUND - Wire Transfers 11-82 through 14-82; PACKWOOD LAKE REVENUE FUND - #5392 through 5432. Mr. Cochrane seconded the motion. Following assurances from the staff that this claim voucher listing did not contain items related to the payment of these costs, the question was called for. MOTION CARRIED.

President Cain recessed the Regular Board of Directors' meeting at 5:35 p.m., stating that the meeting would be reconvened at 2:00 p.m. on April 28, 1982 in the Lopez Room, Seattle Center, Seattle, Washington. The Notice of Adjournment which was posted at the meeting place is attached hereto and made a part of these Minutes.

WEDNESDAY, APRIL 28, 1982

The Regular Board of Directors' meeting was reconvened at 2:00 p.m. on Wednesday, April 28, 1982. There was a quorum present. President Cain stated this was a continuation of the Regular Board of Directors' meeting scheduled for April 23, 1982.

At the time the meeting was reconvened, the following were in attendance:

ROLL CALL

PUD No. 1 of Benton County	Donald R. Clayhold	Present
PUD No. 1 of Chelan County	Robert O. Keiser	Present
PUD No. 1 of Clallam County	A. E. Fletcher	Present
PUD No. 1 of Clark County	Paul Runyan	Present
PUD No. 1 of Cowlitz County	Howard B. Richman	Present
PUD No. 1 of Douglas County	Howard Prey	Present
PUD No. 1 of Ferry County	Kenneth Coyle (Alt.)	Present
PUD No. 1 of Franklin County	Kenneth R. Cochrane	Present
PUD No. 2 of Grant County	Harold F. Nelson	Present
PUD No. 1 of Grays Harbor County	Jack Welch	Present
PUD No. 1 of Kittitas County	Roger C. Sparks	Present
PUD No. 1 of Klickitat County	Marion C. Babb	Present
PUD No. 1 of Lewis County	John Kostick	Present
PUD No. 3 of Mason County	Robert C. Olsen	Present
PUD No. 1 of Okanogan County	Stanton H. Cain	Present
PUD No. 2 of Pacific County	John E. Dunsmoor	Absent
PUD No. 1 of Skamania County	Parker Knight	Present
PUD No. 1 of Snohomish County	C. Stanford Olsen	Present
PUD No. 1 of Wankiakum County	David L. Myers	Present

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City of Ellensburg	Larry Nickel	Present
City of Richland	Thomas Logston	Present
City of Seattle	Joe Recchi	Present
City of Tacoma	Paul J. Nolan	Present

Others Present: Peter T. Johnson, Bonneville Power Administrator. (This list is not complete, inasmuch as the attendance book was not circulated to all present. It is estimated that there were approximately 500 citizens in attendance at the meeting.) There were an estimated 3,000 supporters of the Supply System's projects gathered outside of the meeting room at the Seattle Center.

Staff Present: A. Squire, D. A. Thoresen, G. E. C. Doupe' and S. A. Reese.

President Cain updated the Board members on the chronology of events leading to this meeting. He stated that an urgent need existed to determine the construction schedules for the net billed projects. This decision would allow financing to proceed for the Supply System's projects under construction. He continued that for the purposes of making a decision in this matter, the Board had convened on Friday, April 23, 1982. However, the Board was prevented from acting on this matter because of an injunction issued by the Benton County Superior Court which stated that the Board could not act to slow down construction on Project 1 as recommended by Peter Johnson, the Bonneville Power Administrator. President Cain then explained the contractual obligations which existed between the Supply System and the Bonneville Power Administration. He stated that under the Project Agreements, BPA has the authority to approve financing and construction budgets. President Cain continued that prior to April 19, the Executive Board Finance Committee asked the Bonneville Power Administration to make a recommendation concerning future financing of the net billed projects. On April 19, the Bonneville Power Administrator recommended an extended construction delay of Nuclear Project 1. On April 23, the Finance Committee received a letter from the Administrator which answered questions previously posed by Board members regarding the BPA recommendation. These questions were discussed by the Board on April 23, 1982. President Cain pointed out that this meeting was a continuation of the discussions held on April 23.

President Cain stated that he had been advised by counsel that the injunction had been lifted and that a reconsideration motion had been heard in Benton County Superior Court on the morning of this meeting; however, that motion was denied. President Cain continued that a decision must be made quickly by the Bonneville Power Administration and the members of the Board. He pointed out that this decision would have an effect on an eight-state region in the Pacific Northwest. He stated that the Board was meeting at this time to allow additional public comment prior to making that decision.

President Cain then called on Jack Welch, Chairman of the Executive Board Finance Committee, for comments relating to this issue. Mr. Welch stated that at the April 23, 1982 Board meeting, a motion had been passed which directed

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the staff to develop possible options to the construction and financing proposals which were recommended by the Bonneville Power Administration and to present these options to the Finance Committee. The staff started immediately to prepare such options and worked throughout the weekend. The staff produced working papers which showed several variations regarding the management of the net billed projects. The alternatives had been reviewed by the Finance Committee and the Bonneville Power Administrator. Mr. Welch stated that many people had appeared at this meeting to present public comment. He requested that these comments be heard prior to the Board taking action in this matter.

The Board of Directors then heard public comments during the next two and one-half hour period from a number of interested individuals. The following citizens presented their views and support of the Supply System's projects: John Poyner, Richland Mayor Pro Tem; Charlie Silvernail, Business Manager, IBEW Local 77; Mark Naulty, Pipefitter at WNP-1; Chuck Keenan, Director, Western Environmental Trade Association; Michael Hartfield, Northwest Council for Adequate Electricity; John Boland, Concerned Citizen of the Northwest; Jay Maidment, Operations Research Consultant; State Representatives Shirley Hankins and Ray Isaacson; Senator Max Benitz; Sue Watkins, Port of Kennewick; Bill Sebero, Benton County Commissioner; Neal Shulman, Richland City Manager; Sheila Renberger, Kennewick City Council; Dr. Tom Ables; Dan Ashburn, Northwest Energy Coalition; Kelly Grubb and Charles Witt, Laborers Local 374; Steve Lattin, Port of Grays Harbor, Grays Harbor Opportunities 80's and Grays Harbor Chamber of Commerce; Russell Peters, Secretary, Pierce County Building Trades Council; Clancy Pirtel, Teamsters Union; James Myton, Tacoma Plumbers and Steamfitters Local; William Grostick, President, Pierce County Building Trades Council; Claude Oliver, Benton County Treasurer; Harold Matthews, Franklin County Commissioner; Jay Holman, Port of Benton; Bill Sarver, Teamsters Union; Bob Dilger, Executive Secretary, Washington State Building Trades and Construction Trades Council; Peter Peloquin, Concerned Citizen; Jerry Dennis, Business Manager, Sheet Metal Workers Union Local 242; P. J. Bence, Supervisor, Future Generation of Washingtonians; Judy Bell, Housewife and Working Mother; Ernie Dodd, Electrician; and Stella M. Sonner, Senior Citizen of Kennewick.

Marc Sullivan, Don't Bankrupt Washington; Senator King Lysen; Mark Reis, Director, Northwest Conservation Act Coalition; Davis Straub, Seattle Light Brigade; and Aubrey O. Dodd, Jr., Businessman - North Seattle offered their suggestions on how the Board of Directors could deal with the decisions which must be made with regard to this issue.

Following this public comment period, President Cain recessed the Regular Board of Directors' meeting at 4:50 p.m., stating that the meeting would be reconvened at 2:00 p.m. on April 29, 1982 in the Board Room, Sea-Tac Office, Seattle, Washington. The Notice of Adjournment which was posted at the meeting place is attached hereto and made a part of these Minutes.

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THURSDAY, APRIL 29, 1982

The continuation of the Regular Board of Directors' meeting was called to order by President Cain at 2:05 p.m. There was a quorum present.

At the time the meeting reconvened, the following were in attendance:

ROLL CALL

PUD No. 1 of Benton County	Donald R. Clayhold	Present
PUD No. 1 of Chelan County	Robert O. Keiser	Present
PUD No. 1 of Clallam County	A. E. Fletcher	Present
PUD No. 1 of Clark County	Paul Runyan	Present
PUD No. 1 of Cowlitz County	Howard B. Richman	Present
PUD No. 1 of Douglas County	Howard Prey	Present
PUD No. 1 of Ferry County	Kenneth Coyle (Alt.)	Present
PUD No. 1 of Franklin County	Kenneth R. Cochrane	Present
PUD No. 2 of Grant County	Harold F. Nelson	Present
PUD No. 1 of Grays Harbor County	Jack Welch	Present
PUD No. 1 of Kittitas County	Roger C. Sparks	Present
PUD No. 1 of Klickitat County	Marion C. Babb	Present
PUD No. 1 of Lewis County	John Kostick	Present
PUD No. 3 of Mason County	Robert C. Olsen	Present
PUD No. 1 of Okanogan County	Stanton H. Cain	Present
PUD No. 2 of Pacific County	John E. Dunsmoor	Absent
PUD No. 1 of Skamania County	Parker Knight	Present
PUD No. 1 of Snohomish County	C. Stanford Olsen	Present
PUD No. 1 of Wankiakum County	David L. Myers	Present
City of Ellensburg	Larry Nickel	Present
City of Richland	Thomas Logston	Present
City of Seattle	Joe Recchi	Present
City of Tacoma	Paul J. Nolan	Present

Others Present: Peter T. Johnson, Bonneville Power Administration; and Dr. Bergen Patterson, Citizen. (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' and S. A. Reese.

President Cain called on Mr. Welch, Chairman of the Executive Board Finance Committee, for a report. Mr. Welch reviewed the history of the issue which was being discussed. He stated that at the direction of the Executive Board, the staff had prepared a number of options and alternatives to the Bonneville Power Administration proposal. The Finance Committee considered these proposals and reviewed them with the staff of the Bonneville Power Administration. A response to these alternatives had been received in the form of a letter addressed to Stanton H. Cain. Mr. Welch called on Mr. A. Squire, Deputy Managing Director, to provide a general summary of the options which were presented to the Finance Committee and the Bonneville Power Administration.

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Mr. Squire reported that the basic approach which had been taken was directed at how the Supply System could reduce the required cash flow for Projects 1 and 3 between this time period and the early part of November and to maximize funding. He said that during the review, it was determined that the cash flow requirements for the five months between May 1 and November 1 could be reduced by ten percent without prejudice to the target schedules. It was determined that a 20 percent cash flow reduction at WNP-1 would not only prejudice the target schedules, but also the official schedule for WNP-1. It was determined that a 15 percent cash flow reduction at WNP-3 could be accomplished without prejudice to the target schedule. A reduction of cash flow at WNP-2 was not considered due to the overriding importance of completing Project 2. Mr. Squire continued that the investment bankers had been contacted and had indicated that a bond offering in the area of \$700 million could be accomplished. Other possible sources of funding were examined, including selling approximately \$100 million of uranium oxide. Following a review of 15 possible alternatives, these alternatives were reduced to the two most preferred alternatives.

Mr. Squire then reviewed the two preferred alternatives which had been discussed with the Finance Committee and the Bonneville Power Administration. One alternative provided for construction at the present rate for Projects 1 and 3 until November 1, 1982. This alternative would require a bond sale of \$720 million and would include BPA funding of \$200 million, as well as \$100 million from fuel sales. The other alternative provided for 90 percent of the present cash flow on Projects 1 and 3 until November 1982. This alternative provided for a bond offering of \$750 million and contemplated funding in the amount of \$200 million to be received from BPA.

Following further discussion, President Cain read the letter which had been received from Peter Johnson, Bonneville Power Administrator, dated April 29, 1982. The letter stated, in part, as follows:

"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 target schedules; (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..."

Peter Johnson, Bonneville Power Administrator, stated that the alternatives had been reviewed and that he admired the creativeness of the ideas contained in the alternatives. He stated that he wanted to compliment the staff on the creativeness of the ideas set forth; however, he stated that he did not feel these alternatives represented good fiscal financing. For these reasons, he felt that it was not prudent to waver from his previous recommendation. Mr. Sparks stated that he appreciated the examination which had occurred with respect to the recommendation to slow down the construction at WNP-1. He expressed his concern that construction at WNP-1 would be slowed down too fast. Mr. Johnson replied that one of the insistences the Bonneville Power Administration had made was that the construction slowdown at WNP-1 be done in a reasonable, prudent manner. He continued that it was necessary to reduce the staffing level to a point where the Project could be preserved and re-started in the shortest possible time period.

Mr. Squire stated that if additional funding was not to be raised for WNP-1 and if the decision was made to slow down construction on May 1, 1982, the Supply System's analysis indicated that there were sufficient funds available to permit an orderly slowdown of construction activities. Following further review of the actions which would be necessary to accomplish an orderly construction slowdown, Mr. Recchi asked Peter Johnson if he would authorize any funding which was necessary to carry out an orderly construction slowdown. Mr. Johnson replied that it was his understanding that adequate funds were available to carry the project through November 1, 1983 in an extended construction delay mode. Following that date, the necessary maintenance costs could be paid out of the revenues of Bonneville Power Administration. He added that it is contemplated that engineering and other analyses will be performed which would add value to the resource. He continued that he felt it would be appropriate to go forward with financing for these types of activities. Mr. Recchi asked if money was available to continue with engineering at the project. Mr. Squire replied that money was available for some engineering. He continued that it would be necessary to make a detailed review of the engineering which needed to be continued and that which could be discontinued. He indicated that a question existed as to how much of the engineering would need to be reexamined or redone following a construction delay of up to five years.

April 23, 1982

In summary, Mr. Squire stated that the funds available would allow for an orderly slowdown of WNP-1 and would maintain the project in a maintenance level until November 1983. Mr. Johnson added that this type of construction slowdown activity was being experienced across the country due to the change in load forecasts. He urged that the Supply System seek the advice and counsel from others who have had a similar experience so that the best procedure could be developed to save the resource and so the resource could be restarted at the least cost in the shortest possible time. He continued that he felt this resource was one which was needed in the region.

Mr. Nelson stated that the Board of Directors had received a briefing from D. W. Mazur, Director of Projects, on April 23, 1982 concerning the problems and related costs on a rampdown and subsequent ramp-up of the project. Mr. Nelson asked if it would be economically viable to complete the project if it were to be slowed down for two or more years. If it was not economically viable, the Supply System would have a 60 percent completed project which could not be finished, due to the fact it was no longer economically viable. Mr. Johnson responded that BPA had made an economic analysis on this subject. On a present value basis, it was believed that the actual additional cost of ramping down and ramping back up would be approximately \$250 million to \$300 million. This would be the only additional cost above the cost of the project which could not be recovered. This additional cost would not render the resource to be cost ineffective.

Mr. Cochrane asked what Mr. Johnson felt the possibility would be of completing No. 3 if WNP-1 was placed in an extended construction slowdown. Mr. Johnson replied that the Bonneville Power Administration had purchased the output of Projects 1, 2 and 3 and he felt them to be economical, viable resources which would be needed in the future to serve the needs of the region. Mr. Johnson stated that it was his hope that at some future time, Projects 4 and 5 would also be determined to be viable resources for the region and could be acquired by the Bonneville Power Administration.

Mr. Recchi asked what the investment community's reaction would be to the fact that the Supply System had made a determination to proceed with construction on two plants, rather than three. He asked if this announcement would cause concern in the investment community and result in a higher interest rate on future bond sales. Mr. Johnson replied that construction slowdowns of this type were becoming more common throughout the country. When discussing this matter with the investment community, Mr. Johnson stated that he had been told by the investment bankers to do what was prudent and responsible. Following further discussion, Mr. Nelson pointed out that within two months, the restructured Executive Board would be assuming the responsibilities of the present Board of Directors and Executive Board. Mr. Nelson stated that it appeared to him that by taking action on this matter at this time, the Board would be drastically changing the Supply System's program. C. Stanford Olsen pointed out that one option which is available to the Board of Directors was no action; however, if this option were chosen, the Supply System would not

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have sufficient funds to operate for the next 60-day period after which time the restructured Executive Board would assume their responsibilities. He stated that he felt it was necessary to make a decision at the present time due to the financial obligations facing the Supply System.

Robert Olsen stated that he felt construction should be continued on Project 1 due to the fact that this project was closer to completion and therefore, its power would be more economical than Project 3. He continued that by postponing the completion of WNP-1, the Supply System would also be postponing receiving revenue from the project. He continued that Plant No. 1 was welcomed in the Tri-City area but, by contrast, Plant No. 3 was disliked and unwanted by a majority of the residents in the Satsop area. Mr. Olsen urged that the nuclear plants be kept in one location--the Tri-Cities--because this is where the nuclear plants were accepted, desired, understood and closely safeguarded. If this were the case, there would be no need to ship or handle potentially hazardous material or ship nuclear waste material into Western Washington. Mr. Olsen continued that no plant which had ever been curtailed or mothballed in the United States had ever been restarted.

Robert Olsen then discussed the subject of the ownership of the plants and the fact that WNP-1 was 100 percent publicly owned, while WNP-3 had a 30 percent ownership by the private utilities. The fact that WNP-3 was partially owned by the private utilities had been one of the reasons expressed for considering the extended construction delay for Project 1 due to the difficulty in curtailing the construction on WNP-3. Mr. Olsen asked why the private utilities couldn't be offered 30 percent ownership of WNP-1. Mr. Olsen stated that he felt the matter of selling 30 percent of WNP-1 to the privates could be negotiated. Following further comments, Mr. Olsen urged the Board to exercise their best independent and intelligent judgment in arriving at a decision at this meeting. Regardless of the decision which was made, the Board will have met their responsibilities. Mr. Olsen concluded by stating that "the rest of it is then up to BPA".

Mr. Logston stated that he was totally opposed to a construction delay of WNP-1, inasmuch as there was a serious question as to the validity of the BPA power forecast. He stated that many public officials and others in private industry have openly criticized the BPA forecast as being extremely conservative. Mr. Logston stated that he felt the need for power was not decreasing, but increasing. He stated that he would not be a party to any action that would require the State of Washington and the Pacific Northwest to turn away future industry because of a lack of power. He continued that he would not be a party to creating economic chaos in the State by placing thousands of construction workers out of work. He also stated that he would not be a party to supporting an unfounded and unwarranted political recommendation from the Bonneville Power Administration. Mr. Logston continued that WNP-1 was now over 60 percent complete, coming in under budget and on schedule. He stated that a delay which would result in major cost increases would do nothing more than increase electrical rates for the future and play into the hands of the

antinuclear advocates who are constantly criticizing the Supply System for what they perceive to be cost overruns. Mr. Logston stated that the people of the Pacific Northwest needed the power which would be generated by WNP-1, the ratepayers of the Pacific Northwest needed the savings which would result if WNP-1 was finished on schedule, and the citizens of the State of Washington needed the economic stability which would be lost if the project was delayed. Following further remarks, Mr. Logston urged the Board not to vote as a result of political pressure.

Mr. Recchi asked for input from legal counsel as to the ownership of Project 3 and the arrangements which would be necessary for the transfer which had been suggested by Robert Olsen. Mr. Rob Marritz, Culp, Dwyer, Guterson & Grader, replied that such an arrangement would be very difficult to accomplish, inasmuch as the net billing agreements require that in order to assign an interest in any of the plants, the consent of the participants would have to be secured. Therefore, all of the parties to the project would have to agree to the assignment. Even if such an agreement were secured, the arrangements for such a transfer of ownership would be very complex.

Mr. Welch delivered a number of letters which he had received from individuals in the Grays Harbor area. He continued that two of the letters were from the City Councils of the Cities of Elma and Montesano. The letters represented the citizens of those areas and expressed a strong desire for the continuation of construction of Project 3.

Considerable discussion followed concerning the adoption of Executive Board Resolution 71 which directed a financing and construction program for Projects 1, 2 and 3 and an extended construction delay for Project 1. A summary of this discussion is included in the Executive Board Minutes of April 29, 1982.

Board of Directors' Resolution 1221 entitled "A RESOLUTION DIRECTING A FINANCING AND CONSTRUCTION PROGRAM FOR PROJECTS 1, 2 AND 3 AND AN EXTENDED CONSTRUCTION DELAY FOR PROJECT 1" was presented for consideration. C. Stanford Olsen moved that the resolution be adopted, reflecting the same amendment which had been made to Executive Board Resolution 71. This amendment caused the resolution to read: "The construction completion schedule of Project 1 be delayed for a period of up to five years." Mr. Welch seconded the motion. Frank Lambert, Clark County PUD, stated that he felt the Executive Board should not have voted for the slowdown of construction of Project 1. He continued that the Board's responsibility was to operate within the standard of prudent utility practice. He stated that he believed this standard had been violated. He indicated that the decision should have been based on a test of cost effectiveness of slowing down the construction of this project. He stated that by taking this action, the Executive Board had precluded the public from the opportunity of voting on the issue under Initiative 394. He continued that he did not believe all of the alternatives had been considered. He stated that it appeared that every time the Board took action, it was done at the

urging of someone. Mr. Lambert stated that he believed this was deliberate and planned so that the Board would not have an opportunity to make the proper deliberations before arriving at a decision. Mr. Lambert stated that he felt it would be more cost effective to slow down the construction on WNP-3 than it would be to slow down construction on WNP-1. Mr. Lambert stated that the Board of Directors' responsibility was to make the decision that was best for their ratepayers, not the decision which was best for BPA, Initiative 394 or the private utilities.

Mr. Welch stated that he felt adoption of this resolution was in the best interests of the ratepayers of the region. Mr. Welch pointed out that before a decision was made in this matter, the Finance Committee had contacted the private owners of WNP-3 to secure their reaction to the possible construction slowdown at Project 3. The owners replied that they would not accept such a decision and that they would exercise their rights under the Project Agreements. This action would result in an approximate delay of up to 100 days. Such a delay would jeopardize further financing of all three projects and could therefore result in closing down all three of the projects, rather than only WNP-1. Such an action would certainly not be in the best interests of the ratepayers, because it would add more cost to the projects.

Mr. Nelson stated that the issue before the full Board of Directors concerned the future financing of WNP-3, as well as the construction schedule for WNP-1. He stated that with this in mind, he felt the Board should concur with the action taken by the Executive Board.

Mr. Cochrane stated that he believed all five of the projects should be completed, inasmuch as all indications pointed to the need for power.

Mr. Myers stated that Wahkiakum County PUD was opposed to slowing down construction on WNP-1, because they were not convinced that such action would be cost effective in the long run for their retail customers. He continued that it was suspected that the BPA recommendation was made on other grounds, such as investor-owned utility or direct service industry politics or BPA budget considerations. Mr. Myers reiterated Wahkiakum's protest regarding the timing of BPA's recommendation, inasmuch as this timing effectively destroyed the utilities' policy options. He concluded by stating that considering the forcefulness of BPA's rejection of the alternatives, as well as their control over the net billed plant finances and the need to reach a decision immediately to avoid jeopardizing the bond sale, Wahkiakum reluctantly acceded to the Bonneville Power Administration recommendation.

Mr. Fletcher stated that he considered the Bonneville Power Administration recommendation to be a directive. He considered that in consideration of the impacts which would result from a contrary decision by the Board of Directors, he, too, supported the resolution.

Mr. Knight stated that due to the reasons previously stated, he felt that Skamania County PUD had no alternative but to support the BPA recommendation.

Mr. Sparks stated that the major points to consider in this decision were (1) the unemployment which would result in the Richland area and the State of Washington; (2) the ability to preserve the assets of WNP-1 and to restart construction on the project when desired; (3) the ability to finance continued rapid construction and its impact upon ratepayers; and (4) the effect that this decision may have on the election to be held under Initiative 334. Mr. Sparks stated that the need for power had not been a part of his decision making process, because the BPA analysis clearly showed that all options were so equal that no clear economic choice could be made. However, the unemployment which would be caused by the construction slowdown weighed very heavily upon him until it was pointed out to him that the workers themselves had stopped construction on the plants for approximately five months in 1980. The economic fallout of that stoppage was, in part, why the Supply System was facing its present difficulties. He stated that the staff reports and personal questioning of BPA representatives had satisfied him that the preservation of WNP-1 assets and subsequent future startup was possible. Thereafter, future financing and Initiative 394 became the driving factors in his decision. He continued that the Supply System is perceived by the public as an organization building plants at any cost. Any decision to continue business as usual in the face of the Bonneville Power Administration recommendation would reinforce this view and would increase the likelihood of a bond issue being defeated at the November election. In addition, the ratepayers will continue to be subjected to severe rate increases as a result of the termination of Projects 4 and 5 and the cost of interest payments on the net oiled plants. In view of these facts, Mr. Sparks stated that his decision was to concur with the BPA recommendation. He stated that he concluded the Projects 2 and 3 remained necessary in terms of the need for power. In addition, the projects remained cost effective in terms of alternative sources of electricity and remained prudent in terms of the legal commitment to the investor-owned utilities. He stated that WNP-1 would be his choice to continue if it were not for the fact that the Supply System was contractually obligated to the investor-owned utilities on Project 3.

Mr. Runyan stated that Clark County PUD believed that Projects 1, 2 and 3 should be completed on schedule. He stated that it was his hope WNP-1 would be placed back on schedule very shortly.

Following these comments, the question was called for. BOARD OF DIRECTORS' RESOLUTION 1221, AS PREVIOUSLY AMENDED, ADOPTED BY MAJORITY VOTE. 16 "YES" VOTES; 5 "NO" VOTES; 1 ABSTENTION.

COMMENTS FROM MEMBERS OF THE PUBLIC

Abdul Aziz offered to buy or help finance the continued construction of WNP-1. Following a review of his background and financial security, the next item on the agenda was considered.

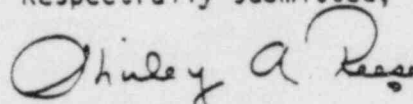
MEETINGS

President Cain announced that a Joint Meeting of the Board of Directors and Executive Board would be held on May 6, 1982 at 1:30 p.m. in the Sea-Tac Office, Seattle, Washington.

ADJOURNMENT

Hearing no objection, President Cain adjourned the Regular Board of Directors' meeting at 4:45 p.m.

Respectfully submitted,



Shirley A. Reese
Administrative Assistant - Legal

Attachments


Washington Public Power Supply System

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NOTICE OF ADJOURNMENT
OF
REGULAR MEETING OF BOARD OF DIRECTORS
OF
WASHINGTON PUBLIC POWER SUPPLY SYSTEM

Notice is hereby given that the Regular Meeting of the Board of Directors of Washington Public Power Supply System scheduled for 9:00 a.m. on April 23, 1982 is adjourned to 2:00 p.m. on April 28, 1982 in the Lopez Room, Seattle Center, Seattle, Washington.

Dated this 23rd day of April, 1982.


Secretary

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