

EXH 3683 DATE 3-20-85
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OFFICE OF
THE ADMINISTRATOR
In reply refer to
XORS

United States Department of the Interior

BONNEVILLE POWER ADMINISTRATION
P.O. Box 3621, PORTLAND, OREGON 97208

MAR 13 1975

February 28, 1975

To: All BPA Preference Customers
Subject: Option Agreement for WPPSS Nuclear Projects
Nos. 4 and 5 and Skagit Project

NO ATTACHMENTS
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Gentlemen:

The Public Power Council (PPC), Washington Public Power Supply System (Supply System), and Bonneville have developed the enclosed drafts.

These agreements will enable the Supply System to obtain interim financing to continue its activities related to the Supply System's Nuclear Projects Nos. 4 and 5 and the Skagit Project pending completion of the agreements relating to Phase 2 of the Hydro-Thermal Power Program.

Two agreements are enclosed for review and comment: (1) Agreement for Option to Enter Participants' Agreements, Reservation of Project Capability and Performance of Services (Option Agreement), (2) Washington Public Power Supply System Nuclear Projects Nos. 4 and 5 and Skagit Project Participants' Agreement (Participants' Agreement), which is Exhibit A to the Option Agreement. These agreements are in substantially final form.

The Option Agreement provides for the purchase of an option share of the capability of the Projects in accordance with the Participants' Agreement. Each Option Participant will have the right to purchase a share of the capability as indicated in Exhibit B to the Option Agreement as well as the right to pick up a ratable share of Project capability which is not sold to other Option Participants.

The Option Agreement was prepared at the request of the PPC's Executive Committee. On February 21 the Executive Committee unanimously approved the terms of the enclosed draft and recommended that all 110 Northwest consumer-owned utilities be offered the opportunity to participate in the Option Agreement. Bonneville and the Supply System have also approved the agreement and concur in this recommendation.

NOTE: See memo 1/2 of Summary

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Letter to all BPA preference customers, Subj: Option Agreement for WPPSS Nuclear Projects Nos. 4 and 5 and Skagit Project

The Option Agreement is necessary to permit the utilities, the PPC and Bonneville to complete, as a package, the other essential agreements of the Phase 2 power program, while permitting the Supply System to continue work on the generating projects to meet the public agencies and federal load requirements in the 1982-83 through 1987-88 period.

Until now the Supply System's expenses related to the Projects have been met from the proceeds of a \$17.5 million note issue backed by Supply System members. The Supply System now estimates these funds will run out in June. Thus if the Supply System is to continue its work related to the Projects it must obtain additional financing in June. To accommodate this date we have adopted the following schedule related to the mailing and execution of the enclosed Option Agreement:

- | | | |
|---------------------|---|---|
| February 28 | - | Drafts of Option Agreement and Participants' Agreement mailed to all Participants for review and comment. |
| March 7 | - | Copies of Supply System Development Bond Resolution mailed to all Participants for comment. |
| March 17 | - | (1) deadline for comments regarding Option Agreement; (2) tentative schedule forwarded by Option Participant to BPA Area or District Office regarding adoption of appropriate resolutions or ordinances and date of signing the Option Agreement by the Option Participant. |
| March 18 through 20 | | Review by PPC, Bonneville and Supply System of Option Participants' comments and redrafting of Option Agreements as appropriate. |
| March 21 | - | Signature drafts of Option Agreement mailed to each Option Participant along with appropriate resolution |

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Letter to all BPA preference customers, Subj: Option Agreement for WPPSS Nuclear Projects Nos. 4 and 5 and Skagit Project

- or ordinance forms and related documentation.
- March 24 - Deadline for comments by Option Participants on Development Bond Resolution.
- April 1 - Development Bond Resolution in substantially final form mailed to each Option Participant.
- April 1 through May 15 - Adoption of appropriate resolution or ordinance by each Option Participant and execution and delivery of the Option Agreement by the Option Participants.
- June 2 - Supply System executes Option Agreement and calls for bids on bonds backed by Option Agreement.
- Mid-June - Supply System opens bids and awards bonds.
- Late June - Deliver bonds backed by Option Agreement and receive bond proceeds.

Please notify your BPA Area or District Office if the above schedule will not allow your board or commission to take action by May 20 so that special arrangements can be made.

For your convenience we have attached to this letter a summary of the arrangements related to the Option Agreement.

We urge your prompt legal and management review of the agreements in order to answer and accommodate questions and suggestions prior to preparing the signature copies of the Option Agreement. Delays in execution of this agreement could jeopardize the already tight Supply System Project schedules.

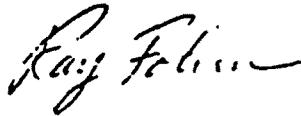
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Letter to all BPA preference customers, Subj: Option Agreement for WPPSS Nuclear Projects Nos. 4 and 5 and Skagit Project

Please direct your questions and comments regarding the agreements or the status of Phase 2 of the Hydro-Thermal Power Program to your BPA Area or District Office. They will be coordinating the execution of these agreements and the related documentation with you in a similar manner to that used for the execution of the Net Billing Agreements.

Sincerely yours,



ACTING Administrator

Enclosures
Option Agreement
Participants' Agreement
Summary

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S U M M A R Y

The purpose of this summary is to help you better understand the arrangements related to the Option Agreement and what it means to each consumer-owned utility.

Supply System Nuclear Project No. 4 is a twin to Project No. 1 being constructed on the Hanford Reservation and Nuclear Project No. 5 is a twin to No. 3 being constructed in Grays Harbor County near Satsop, Washington. The Skagit Project, consisting of two units, will be constructed by the Puget Sound Power & Light Company in northwestern Washington. These Projects are all scheduled to begin continuous operation during the 1982-83 through the 1987-88 period to meet regional load requirements.

We estimate that the public agency and federal system load requirements during this period will require about 2600 megawatts of additional generating capability to meet projected firm loads. One scheme that offers the 2600 megawatts and the arrangements previously discussed by the PPC Executive Committee was for the Supply System to own 100 percent of the No. 4 unit; 70 percent of the No. 5 unit and 15 percent of the Skagit Project. Several other combinations of that arrangement have been under discussion. However, the Option Agreement precludes Supply System ownership of more than the equivalent of 15 percent in two units of Skagit Project and more than 2600 megawatts total.

The members of the Supply System have been providing the backing for the initial investigation costs for these regional projects. This backing is in the form of underwriting \$17.5 million in short-term notes already issued by the Supply System. By June, additional financing will be required to meet the planned construction schedule. Since Phase 2 contracts have not been completed, the PPC requested that an agreement be prepared which would enable the Supply System to keep the Projects on the schedule required by the consumer-owned utilities and provide security for up to \$100 million in interim financing by Supply System. The \$100 million will cover the Supply System's cash flow requirements and potential contract penalty payments through March 1976. The actual amount of bonds outstanding at any time from June through March 1976, secured by the Option Agreement, would be predicated upon cash flow requirements of the Supply System and the completion date of the Phase 2 agreements. The \$17.5 million in notes would be retired from proceeds available from financing secured by the Option Agreement.

Under the Option Agreement, each Participant receives the right to participate in the Projects in proportion to its estimated load growth during the period 1982-83 through 1987-88. This load growth



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SUMMARY
Page-2

is reflected in the tabulation of Option Participants' shares listed in Exhibit B of the Option Agreement and is based on the load confirmation data furnished by your utility to BPA.

The amount of participation in the final Participants' Agreement can be less than the amount signed for in the Option Agreement at the utility's option. However, the ability to increase participation would depend on another utility's reducing its share.

For the right of participation in the Option Agreement, the Participant will be contingently liable for the interim financing in the event permanent financing is not available.

It is important that utilities under the "25,000 average kilowatt load" participate in the Option Agreement to help insure that sufficient energy will be available in the Phase 2 period to serve the Phase 1 commitments of BPA. The load growth of the under "25,000 average kilowatt load utilities" will be provided through BPA's ability to exchange its services of wheeling, load molding, reserves, etc., for Phase 2 energy from the Projects. If Phase 2 energy is unavailable from these Projects then BPA may not have the sufficient energy to meet its firm load obligations. Participation by these utilities "under the 25,000 average kilowatt load utilities" is consistent with the Phase 2 Hydro-Thermal Power Program principles developed in December 1973. Participation in the Participants' Agreement is not mandatory for any utility that has executed the Option Agreement.

The Option Agreement and the Participants' Agreement, which is attached thereto as Exhibit A, are in substantially final form. However, the Supply System, the PPC and Bonneville expect to review the provisions of the sections entitled "Fuel" and "Participant's Committee" once the Supply System's ownership interests in the WPPSS No. 5 and Skagit Projects is resolved. A section similar to section 18 of the Participants' Agreement will be added to the Option Agreement.

Supply System's bond counsel is currently redrafting a proposed Development Bond Resolution to back up the \$100 million bond issue secured by the Option Agreements. As soon as it is available Supply System will mail copies to each Option Participant for review and comment. This Resolution parallels the Note Resolutions for preliminary financing issued under the Net Billing Agreements for the WPPSS Nuclear Projects Nos. 1, 2 and 3. Supply System's bond counsel is also working on a draft of Bond Resolution for a permanent financing of the Projects under the Participants' Agreement. This Resolution will be offered to each Option Participant for timely comment before the Participants' Agreement is mailed to the Option Participants for signature.

NOT ATTACHED

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ATTACHMENT 2/28/15

TABLE OF OPTION PARTICIPANTS AND OPTION PARTICIPANTS' SHARES

<u>Participant</u>	<u>Participant's Share</u>
Alder Mutual Light Company	0.00010
City of Bandon, Oregon	0.00070
Public Utility District No. 1 of Benton County, Washington	0.05450
*Benton Rural Electric Association	0.00730
*Big Bend Electric Cooperative, Inc.	0.00560
*Blachly-Lane County Cooperative Electric Association	0.00490
The City of Blaine, Washington	0.00070
The City of Bonners Ferry, Idaho	0.00210
City of Burley, Idaho	0.00210
The City of Canby, Oregon	0.00560
City of Cascade Locks, Oregon	0.00070
*Central Electric Cooperative, Inc.	0.01050
The City of Centralia, Washington	0.00700
The Central Lincoln Peoples' Utility District	0.02870
Public Utility District No. 1 of Chelan County, Washington	0.00800
The City of Cheney, Washington	0.00140
Public Utility District No. 1 of Clallam County, Washington	0.01470
Public Utility District No. 1 of Clark County, Washington	0.10550
Clatskanie Peoples' Utility District	0.00840
Clearwater Power Company	0.00350
*Columbia Basin Electric Cooperative, Inc.	0.00420
*Columbia Power Cooperative Association, Inc.	0.00140
*Columbia Rural Electric Association, Inc.	0.00700
*Consumers Power, Inc.	0.01470
*Coos-Curry Electric Cooperative, Inc.	0.00630
City of Coulee Dam, Washington	0.00070
Public Utility District No. 1 of Cowlitz County, Washington	0.09780
Public Utility District No. 1 of Douglas County, Washington	0.00010
*Douglas Electric Cooperative, Inc.	0.00560
The City of Drain, Oregon	0.00070

EXHIBIT B

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East End Mutual Electric Co., Ltd.	0.00070
The City of Ellensburg, Washington	0.00670
Elmhurst Mutual Power & Light Company	0.00630
Fall River Rural Electric Cooperative, Inc.	0.00700
Farmers Electric Co., Ltd.	0.00070
*Public Utility District No. 1 of Ferry County, Washington	0.00070
*Flathead Electric Cooperative, Inc.	0.00420
The City of Forest Grove, Oregon	0.00770
Public Utility District No. 1 of Franklin County, Washington	0.00840
Glacier Electric Cooperative, Inc.	0.01260
Public Utility District No. 1 of Grays Harbor County, Washington	0.04720
*Harney Electric Cooperative, Inc.	0.00280
City of Heyburn, Idaho	0.00280
Hood River Electric Cooperative of Hood River County, Oregon	0.00420
*Idaho County Light & Power Cooperative Association, Inc.	0.00070
City of Idaho Falls, Idaho	0.00980
*Inland Power & Light Company	0.02450
*Public Utility District No. 1 of Kittitas County, Washington	0.00280
*Public Utility District No. 1 of Klickitat County, Washington	0.00490
*Kootenai Electric Cooperative, Inc.	0.00700
*Lane County Electric Cooperative, Inc.	0.00840
Public Utility District No. 1 of Lewis County, Washington	0.02170
*Lincoln Electric Cooperative, Inc. (Montana)	0.00070
*Lincoln Electric Cooperative, Inc. (Washington)	0.00280
*Lost River Electric Cooperative, Inc.	0.00210
*Lower Valley Power & Light, Inc.	0.00910
*Public Utility District No. 1 of Mason County, Washington	0.00170
Public Utility District No. 3 of Mason County, Washington	0.01050
Town of McCleary, Washington	0.00140
City of McMinnville, Oregon	0.01050
*Midstate Electric Cooperative, Inc.	0.00770
City of Milton-Freewater, Oregon	0.00280
*Missoula Electric Cooperative, Inc.	0.00630
City of Monmouth, Oregon	0.00210
*Nespelem Valley Electric Cooperative, Inc.	0.00070

*Northern Lights, Inc.	0.00560
Northern Wasco County People's Utility District	0.00350
Ohop Mutual Light Company	0.00140
*Okanogan County Electric Cooperative, Inc.	0.00070
Public Utility District No. 1 of Okanogan County, Washington	0.01470
*Orcas Power and Light Company	0.00700
Public Utility District No. 2 of Pacific County, Washington	0.00910
Parkland Light & Water Company	0.00210
Public Utility District No. 1 of Pend Oreille County, Washington	0.00420
City of Port Angeles, Washington	0.00490
*Prairie Power Cooperative, Inc.	0.00140
*Raft River Rural Electric Cooperative, Inc.	0.00420
*Ravalli County Electric Cooperative, Inc.	0.00750
City of Richland, Washington	0.02100
City of Rupert, Idaho	0.00350
Rural Electric Company	0.00140
Salmon Electric	0.00490
*Salmon River Electric Cooperative, Inc.	0.00140
City of Seattle, Washington	0.11880
Public Utility District No. 1 of Skamania County, Washington	0.00280
Public Utility District No. 1 of Snohomish County, Washington	0.13980
South Side Electric Lines, Inc.	0.00070
The City of Springfield, Oregon	0.01890
Town of Steilacoom, Washington	0.00150
The Town of Sumas, Washington	0.00020
*Surprise Valley Electrification Corporation	0.00350
City of Tacoma, Washington	0.11460
*Tanner Electric	0.00100
*Tillamook Peoples' Utility District	0.00840
*Umatilla Electric Cooperative Association	0.01890
Unity Light and Power Company	0.00210
Vera Irrigation District No. 15	0.00280
*Vigilante Electric Cooperative, Inc.	0.00420
Public Utility District No. 1 of Wahkiakum County, Washington	0.00140
*Wasco Electric Cooperative, Inc.	0.00210

*Wells Rural Electric Company
*West Oregon Electric Cooperative, Inc.
Public Utility District No. 1 of Whatcom County, Washington

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*Approval of Agreement by Rural Electrification Administration required.