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EI-11

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BPA - WPPSS Relationship

In the early years of the BPA - WPPSS relationship, BPA exercised close control over WPPSS activities and decisions related to the Hanford Generating Project (HGP). The Hanford Generating Project Administrative and Operative Agreements, which are still in effect, set forth BPA's approval authority for the project in great detail. NRC regulations on the owner's responsibilities and accountabilities for design and construction of nuclear power plants dictated a change in basic philosophy for the "net-billed" projects, WNP-1, 2, and 3, and for the "not net-billed" projects, WNP-4 and 5. WPPSS's responsibility for day-to-day activities of these projects was greatly expanded. As a result, WPPSS has increased its staff to about 500 construction and operating workers. Although BPA maintains an interest in anything affecting efficient construction and operation of WPPSS projects, BPA's direct approval authority now covers only significant contracts and budget items. Any unresolved disagreements between BPA and WPPSS must be referred to a Project Consultant to determine whether the action proposed is consistent with prudent utility practice. The contractual foundation for the BPA - WPPSS relationship for the net-billed projects is set forth in the project agreements. The HGP relationship is covered in the Administrative and Operating Agreements. The role of BPA, based on those agreements, is described below.

Division of Engineering and Construction

Projects Manager's Office - This group under David J. Anderson, Projects Manager, is BPA's primary liaison with WPPSS for the net-billed thermal projects during design and construction. The Projects Manager's Office, acting as BPA's management representative, reviews and approves the more important aspects of these projects. The Projects Manager keeps both BPA and WPPSS's managers informed on significant policy, management and engineering considerations, transmission planning, and project status changes affecting the other entity.

The Projects Manager's Office seeks the support of BPA technical and managerial resources to:

1. Fulfill the administrative obligations under the project agreements, and
2. Assist WPPSS in getting thermal projects on line in a timely and cost effective manner.

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Persons in the Projects Manager's Office are in contact daily with WPPSS project personnel. This close contact has been improved by the establishment of BPA's Richland Office. BPA now can make more informed budget and contract decisions, help identify problems early when those problems may affect project costs and schedules, and then make BPA technical and managerial expertise available to WPPSS to help find solutions.

The Projects Manager's Office often enlists the aid of experienced technicians and managers in the Division of Engineering and Construction. For example, the Thermal Engineering Section has been asked routinely to comment on: (1) the design status of major system elements, and (2) on progress being made to solve specific engineering problems. The Branch of Control Engineering and the Branch of System Engineering contribute to WPPSS specifications development and to PSAR and PSAR developments; they support WPPSS at various hearings for plant licensing. The Branch of Construction helps plan transmission facilities. The Branch of Laboratories helps develop specifications and analyzes specific problems on turbine-generator windings.

The Projects Manager's Office has also called upon the services of other BPA Divisions to assist WPPSS. The Division of Management Services reviews WPPSS financial and contract management activities and offers recommendations. The Regional Solicitor's Office supports Projects Manager's Office in working on WPPSS contracts.

In summary, the liaison effort of the Projects Manager's Staff covers a broad range of activities in substantial detail. BPA's role is supportive only. It is designed to further the approval of contracts and significant budget items and to detect potentially significant impacts early so BPA can help alleviate them, thereby reducing the risk of a serious dispute.

Division of Power Management

Thermal Projects Coordinator - Richard C. Nyland, Special Assistant to Power Manager, coordinates all planning, operational, and functional activities of the Division related to thermal projects. He is specifically responsible for: (1) Hanford NPR and all net-billed project operations; (2) thermal plant operating committees; (3) net-billing of the thermal projects, official statement reviews, and operating budgets; and (4) work with the Regional Solicitor's Office and WPPSS on project financing.

The Thermal Power Section (TPS) in the Branch of Power Resources works closely with the WPPSS Fuel and Technical Studies Staff on all matters related to nuclear fuel and operating characteristics on the net-billed projects.

The TPS each year reviews the WPPSS Updated Ten-Year Fuel Plan for each project.

BPA also reviews and comments on WPPSS's drafts of specifications for each component of the nuclear fuel cycle when WPPSS is ready to contract for uranium supply, conversion, enrichment, fabrication, spent fuel shipping, reprocessing, etc.

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WPPSS is encouraged to send copies of all its correspondence related to fuel to BPA so BPA can be knowledgeable and effective on WPPSS fuel matters.

As is the practice of the Projects Manager, Mr. Nyland often calls upon other BPA organizations, in particular the Solicitor's Office, the Financial Systems Staff, and the Thermal Engineering Staff. In these cases, Mr. Nyland is the focal point through which all efforts and correspondence are communicated.

Division of Management Services

The Division of Management Services helps the Projects Manager and the Thermal Projects Coordinator with ADP, personnel, and especially with contract claims, planning, and financial management subjects.

The Financial Systems Staff assists the Projects Manager and Thermal Projects Coordinator by: analyzing, preparing, reviewing, advising, or managing such budget, accounting, contractual, and audit details and tasks as are associated with BPA's participation in WPPSS's projects. This staff has also made special cost studies: it played a key role in developing the draft report on cost sharing at dual sites. This staff's comments, recommendations, and management audit services to the Projects Manager and Thermal Projects Coordinator have been of considerable value.

The Contracts Analysis Section gives expert assistance to the Projects Manager and WPPSS in the areas of construction contracting and claims, including analyses of the contract clauses and their relationship to contract administration, the type of personnel and skills that would be required, and the placement of expertise within the System so as to accomplish management objectives.

The Contracts Analysis Section, through the Projects Manager's Office expects to participate with WPPSS in WPPSS's defense of construction claims.

Division of Operation and Maintenance

Two Area Offices--Walla Walla and Seattle--also works with the Supply System. Their involvement, where appropriate, extends to contractual arrangements for construction; operation and maintenance of transmission facilities; and transfer, transmission, and construction power agreements. In addition the two Area Offices participate in BPA's overall efforts, including environmental, to integrate new thermal projects into the Federal transmission system.

Regional Solicitor's Office

At BPA's request, the Solicitor's Office interfaces with WPPSS's legal staff in four areas: financing, contract form and administration, environmental, and litigation. BPA's role in financing is active and essential since BPA has provided the basic security for bonds issued to finance the WPPSS "Phase 1" nuclear projects. Any material required to document this security

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or proposed changes in the security agreements (net-billing, project or exchange) originates within BPA. The interface on construction contracts, environmental actions, and litigation is advisory.

The Solicitor's Staff, with its long experience in contracts for construction, materials and services, and related litigation, provides--through the Projects Manager's and Thermal Coordinator's Offices--important advice and assistance to the Supply System both as to policy and implementation. The Solicitor's Staff may advise WPPSS in any area where its experience or knowledge can serve to reduce project costs.

Thermal Projects Coordination Committee

This Committee, which consists of BPA employees with engineering, financial, and legal backgrounds, supports the Projects Manager and the Thermal Projects Coordinator. The Committee meets formally as needed to discuss and initiate whatever policy studies and actions are necessary to attain efficient construction and operation of those thermal projects in which BPA has a financial or fiduciary interest. Through its membership, the Committee can draw on broad resources.

The Committee may initiate special efforts, such as that of the BPA task force to assist WPPSS on the development of procurement policy and procedures for project construction. The meetings, often attended by the Participants Review Board chairman, provide a forum that keeps the Review Board informal on thermal project activities.

To be truly effective, the relationship between BPA and WPPSS must continue to be based upon mutual trust and confidence. Personal relationships should be professional and objective. The mutual goal of both organizations is to bring projects on line in the most efficient and timely manner possible.

Original Signed By
DAVID J. ANDERSON

DJAnderson:dc

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cc:

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copy sent to H.D. Hurless - recognizing Bob Reed's efforts on the paper.