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SEPTEMBER 14, 1983

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STATEMENT OF  
F. KEVIN BOLAND, SENIOR ASSOCIATE DIRECTOR  
RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE  
HOUSE SUBCOMMITTEE ON ENERGY CONSERVATION AND POWER  
COMMITTEE ON ENERGY AND COMMERCE  
ON THE  
BONNEVILLE POWER ADMINISTRATION'S REPAYMENT  
OF THE FEDERAL INVESTMENT

Chairman and Members of the Subcommittee:

We appreciate the opportunity to testify before you today on work we have recently completed on the Bonneville Power Administration's (Bonneville) repayment of the Federal investment in its power system and to provide answers to your questions. The Federal investment in the Columbia River Power System exceeds \$7 billion of which Bonneville has repaid about \$638 million. Bonneville collects revenues to pay for the costs of operation and maintenance, purchased and exchange power, transmission service, and amortization of the Federal investment. The Federal investment is the lowest category of expense, therefore, if revenues are insufficient to cover all expenses the Federal investment is deferred.

During the past 10 years, Bonneville has repaid little of the Federal investment. In 1965 Bonneville abandoned making fixed annual repayments and began using a repayment study method for determining revenue requirements. Using the repayment study method, Bonneville has experienced a net operating loss in 8 of the past 10 years and has only paid a little over \$43 million on the Federal investment during the past 10 years. In fact, Bonneville has not experienced net operating income since 1976 and is projecting a shortfall again for 1983.

In June 1981, GAO recommended that Bonneville adopt a cost-based (mortgage-type) approach to repayment as an alternative to its current system. Under that approach, repayment would once again be scheduled on an annual basis and form the basis for determining revenue requirements. Bonneville objected to GAO's recommendation.

The repayment issue has also concerned Bonneville's Administrator. In March 1982, he stated actions had been taken to catch up on the repayment by 1985. While Bonneville has raised its power rates since then, it is projecting a net operating loss of about \$121.5 million for fiscal year 1983. However, the Administrator still plans to catch up on repayments by fiscal year 1985. To accomplish this, rates to be effective November 1983 have been designed to recover the cumulative deferral of interest through fiscal year 1982 of \$152 million, the fiscal year 1983 projected deferral of \$83 million plus the regularly scheduled amortization payment for fiscal years 1984-85 of \$226 million for a total of \$461 million. The major reason Bonneville has failed to catch up is that demand was overestimated and consequently revenue estimates did not materialize. For example, between June 1982 and June 1983 Bonneville overestimated average loads by 8.5 percent. FERC also recognized this phenomena stating that Bonneville's overestimation of demand, in spite of information to the contrary, will create pressure on future ratepayers to make up deferred payments on the Federal investment. In its current rate filing, we noted that Bonneville is projecting sales to increase by 9.5 percent by operating year 1985. If Bonneville's estimates of power sales do not materialize as they have not in the past a revenue shortfall could occur again.

Because of Bonneville's repayment performance over the past 10 years we continue to believe that a cost-based (mortgage-type) repayment approach is needed to facilitate timely and equitable repayment of the Federal investment.

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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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Chairman and Members of the Subcommittee:

We appreciate the opportunity to testify today on work we have recently completed on the Bonneville Power Administration's (Bonneville) repayment of the Federal investment in its power system and to provide answers to your questions. Our answers are attached to this statement.

In a report to be issued shortly, we describe the current status of Bonneville's repayment of the Federal investment in the Federal Columbia River Power System. The report discloses that Bonneville has repaid little of the Federal investment over the past 10 years and recommends improvements that Bonneville needs to implement to facilitate timely and equitable repayment of the Federal investment.

The Federal investment in the Columbia River Power System exceeds \$7 billion. Federal law requires Bonneville to repay this investment over a period of years. The Bonneville Project Act of 1937 (16 U.S.C. 832f) requires that power rates be drawn to include the "amortization of the capital investment over a reasonable period of years." Subsequent legislation, including the 1974

Federal Columbia River Transmission System Act (16 U.S.C. 838g) and the 1980 Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. 839e), requires Bonneville to repay the Federal investment and set electric power rates at the lowest possible level consistent with sound business practices. However, the Transmission Act also provides that Bonneville apply revenues to pay for the costs of operation and maintenance, purchased and exchange power, and transmission service before paying the amortization of the Federal investment. The Federal investment is the lowest category of expense, therefore, if revenues are insufficient to cover all expenses the Federal investment is deferred.

During the past 10 years, Bonneville has repaid little of the Federal investment in the Columbia River Power System. Bonneville began repaying the Federal investment in 1939 using a cost-based approach to determining revenue needs which incorporated a fixed annual repayment schedule. Using the fixed repayment schedule, Bonneville repaid about \$364 million through 1965. Because of pressure to raise power rates to meet fixed annual payments, Bonneville adopted in 1965 a repayment study method for determining revenue requirements. Under the repayment study method, all that is required is that Bonneville repay the Federal investment within the project's scheduled life. Using the repayment study method, Bonneville has experienced a net operating loss in 8 of the past 10 years and has only paid a little over \$43 million on the Federal investment during the past 10 years. In fact, Bonneville has not experienced net operating income since 1976 and is projecting a shortfall again for 1983.

A previous GAO study<sup>1</sup> and other studies have recognized Bonneville's repayment problem. Our June 1981 report recommended Bonneville adopt a cost-based (mortgage-type) approach to repayment as an alternative to its current system. Under that approach, repayment would once again be scheduled on an annual basis and form the basis for determining revenue requirements.

Other studies and analyses have suggested the need for changes to facilitate timely and equitable repayment of the Federal investment. In 1981, DOE's Office of Power Marketing Coordination encouraged Bonneville to explore a cost accounting amortization method as an alternative to the current method. A Price Waterhouse study in 1981 recommended that Bonneville should collect revenues needed to systematically reduce the Federal investment on an annual basis. In June 1983 the Federal Energy Regulatory Commission (FERC), which reviews and approves Bonneville's rates, stated that "Bonneville's repayment of the Federal investment is substantially lagging." FERC also pointed out that when Bonneville is unable to collect sufficient revenues in a given year, it does not make those up in the following years, but spreads them over the remaining term left in the repayment period. FERC stated that the ultimate result of this practice is to generate a "bow wave" whereby Bonneville would have to overprice power in the future to make up deficiencies which could make such power economically unmarketable.

The repayment issue has also concerned Bonneville's Administrator. In March 1982, he stated actions had been taken to catch

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<sup>1</sup>"Policies Governing the Bonneville Power Administration's Repayment of Federal Investments Need Revision," (EMD-81-94), June 16, 1981.

up on the repayment by 1985. While Bonneville has raised its power rates since then, it is projecting a net operating loss of about \$121.5 million for fiscal year 1983. The Administrator still plans to catch up on repayments by fiscal year 1985. To accomplish this, rates to be effective November 1983 have been designed to recover the cumulative deferral of interest through fiscal year 1982 of \$152 million, the fiscal year 1983 projected deferral of \$83 million plus the regularly scheduled amortization payments for fiscal years 1984-85 of \$226 million for a total of \$461 million.

The major reason the Administrator's March 1982 catch-up plan failed was that Bonneville overestimated demand and consequently revenue estimates did not materialize. For example, between June 1982 and June 1983 Bonneville overestimated average loads by 8.5 percent. FERC also recognized this phenomena stating that Bonneville's overestimation of demand in spite of information to the contrary will create pressure on future ratepayers to make up deferred payments on the Federal investment. In its current rate filing, we noted that Bonneville is projecting sales to increase by 9.5 percent by operating year 1985. If Bonneville's estimates of power sales do not materialize as they have not in the past a revenue shortfall could occur again.

Aside from discussing Bonneville's current repayment status, our report also addresses a repayment policy change Bonneville made in 1972 to repay its highest interest bearing debt first rather than repaying a portion on each increment of debt as it was incurred. This policy change was made to minimize Bonneville's costs and help offset projected revenue deficits. Under this policy, interest paid by Bonneville on the Federal investment is

applied to the highest interest projects first, thus, allowing the low interest investment projects (some at 3 percent) to remain outstanding. Bonneville's practice of repaying highest cost debt first has the effect of reducing its interest expenses, which keeps power rates in the Northwest lower. It also reduces the amount of money Bonneville must return to the Treasury. However, Treasury borrowings are increased, usually at interest rates higher than those paid by Bonneville.

This highest interest first policy has also caught the attention of others. The Chief of the U.S. Army Corps of Engineers stated in 1979 that "\* \* \* this policy is improper. We feel that this procedure results in a subsidization of power users by the general taxpayer \* \* \*." In a 1980 Presidential Audit Report Price Waterhouse stated

"\* \* \* the U.S. Treasury is not relieved of the higher financing costs of newer money as it must redeem the older and lower interest bearing bonds and notes first as they become due. The difference between the higher U.S. Treasury financing costs and the lower financing costs repaid by power users is made up by general tax revenues."

Bonneville believes the highest interest first policy reflects sound business principles since prudent management dictates minimizing expenses. While this practice is a sound business principle from Bonneville's viewpoint, it does not follow that it is in the broad public interest because it results in higher cost to the Federal Treasury.

Mr. Chairman, my statement to this point has focused on Bonneville's repayment status as well as our past and current work relating to this matter. Before concluding, I would like to point out that Bonneville objected to our recommendation in 1981 that it adopt a mortgage-type repayment approach and continues to object to such a change. Bonneville's basic arguments against change appear to be that revenue shortfalls could still occur and a fixed type repayment system would reduce its flexibility to deal with changing conditions.

We believe a fixed type repayment system is practicable and can provide the desired flexibility while providing the discipline needed to ensure adequate rates and recovery of costs. This is evidenced by a requirement which the Congress placed on the Tennessee Valley Authority (TVA) for repayments to the Treasury. TVA received self-financing authority in 1959 and at that time the Congress put TVA on a fixed repayment schedule to repay \$1 billion of the Federal investment in the TVA system. TVA was to pay \$10 million the first 5 years, \$15 million for the next 5 years, and \$20 million thereafter until the \$1 billion was repaid--a period of about 54 years. Included in TVA's repayment requirement is a provision for deferral of up to 2-years in case of drought, poor business conditions, emergency replacements or other factors beyond the control of the agency. TVA, however, has never missed a repayment since 1959 even though it has suffered low water years and over the past few years steadily increasing rates and less than anticipated demand.

Given Bonneville's repayment performance over the last 10 years, we continue to believe that a more systematic approach such

as TVA's is needed to facilitate timely and equitable repayment of the Federal investment.

This concludes my prepared statement. I will be pleased to respond to any questions you may have.



QUESTION 1a:

Please describe BPA's record with respect to payments to the Federal Treasury.

ANSWER:

The Federal Government will have invested about \$7.9 billion in the Federal Columbia River Power System by the end of fiscal year 1983. Bonneville, through various statutes, is required to set rates to recover all expenses at the lowest possible level consistent with sound business practices. Bonneville applies annual revenues to expenses in the order of operation and maintenance, purchased and exchange power, transmission service, and any amortization of Federal investment. If revenues in a single year are insufficient to repay the Federal investment that amount is deferred and included in subsequent determinations of the total outstanding investment to be amortized over the remaining life of the project. Bonneville, to date, has repaid \$638 million of the Federal investment over its 46-year history. In the past 10 years, however, Bonneville has repaid \$43 million as shown by the following table.

Bonneville Operating and Repayment History<sup>1</sup>

<u>Fiscal</u> <u>years</u>	<u>Net oper-</u> <u>ating in-</u> <u>come (loss)</u>	<u>Cumulative</u> <u>plant in</u> <u>service</u>	<u>Repayment</u> <u>Annual</u>	<u>Cumulative</u>	<u>Repayment</u> <u>as % of</u> <u>investment</u>
----- (000 omitted) -----					
1939-65	\$202,791	1,802,230	363,694	363,694	20.2
1966-72	151,364	3,131,054	231,313	595,007	19.0
1973	(24,055)	3,563,570	1,424	596,431	16.7
1974	(37,859)	3,680,337	-0-	596,431	16.2
1975	22,318	4,007,868	21,875	618,306	15.4
1976	67,126	4,705,129	3,347	621,653	13.2
1977	(49,933)	5,114,022	6,807	628,460	12.3
1978	(17,064)	5,533,230	7,131	635,591	11.5
1979	(69,949)	5,754,800	940	636,531	11.1
1980	(59,490)	6,009,790	75	636,606	10.6
1981	(5,891)	6,432,585	1,703	638,309	9.9
1982	(129,456)	7,030,110	-0-	638,309	9.1
1983 <sup>2</sup>	(126,038)	7,876,863	-0-	638,309	8.1

<sup>1</sup>Net of Teton Dam costs.

<sup>2</sup>Projected.

The Federal Energy Regulatory Commission in a recent approval of Bonneville's rates estimated that Bonneville is between \$400 million and \$1.4 billion behind in repaying the Federal investment. The above range stems from which particular amortization method is assumed--the higher amount assumes straight line repayment while the smaller assumes a compound interest amortization method.

In addition to falling behind on the investment amortization, Bonneville has also fallen behind on its interest payments on the Federal investment. Through fiscal 1982 Bonneville had accumulated unpaid interest of \$152 million which, according to Department of Energy policy, must be repaid before any payments can be made to amortize the Federal investment.

QUESTION 1b:

Do you agree with FERC that the BPA is following a course which has resulted in a "bow wave" of unpaid investment costs?

ANSWER:

As long as Bonneville continues to defer amortization payments under its existing repayment system, FERC's "bow wave" scenario could potentially occur. This would result by Bonneville continuing to not make yearly payments to the Treasury, and then, instead of trying to make up this amount in the next year, stretching the deferred amount out over the remainder of the repayment period. If repayment deferrals continue over several years, there will be an increasing amount of both unpaid investment and annual payments--i.e., a "bow wave" which at some theoretical point, will have to be recovered in Bonneville's rates. The ultimate question is will Bonneville have to raise rates by such an amount so as to make its power economically unattractive thereby further depressing demand and consequently revenues.

QUESTION 1c:

Are such practices threatening the ability of BPA to repay its Federal obligations?

ANSWER:

As long as Bonneville continues to defer repayments on the Federal investment, the risk to the Treasury, of not being repaid is increased. The specific practice which makes this scenario more likely is Bonneville's current method of repayment--the repayment study method. All this method requires is for Bonneville to repay a Federal investment within the project's scheduled life. When payments are not made they are added to outstanding investment to be paid over the life of the investment.

While Bonneville continues to state they are striving to gain the revenues needed to make the Federal payments, they are still coming up short. For example, in reaction to the 1980-82 shortfalls, the Bonneville Administrator raised rates intending to generate sufficient revenues to cover expenses, amortize the Federal investment and catch up on past deferrals. However, Bonneville has already lowered its revenue estimate for fiscal 1983 from \$2.2 billion to \$1.88 billion, which will result in another deferral and falling further behind in repaying the Federal investment.

In order to make-up these revenue shortfalls Bonneville believes it has set rates sufficient to create revenues to catch up by 1985. Bonneville's success in achieving its forecasted revenues is highly dependent on the accuracy of forecasted electricity sales. In its Revenue Forecast Study, March 1983, Bonneville predicted that its total revenues would rise to \$2.815 billion by operating year (July to June) 1985, or a 36 percent increase over fiscal year 1983. Over the same period, forecasted power sales increase from 12,609 average MW to 13,802 average MW, a 9.5 percent increase.

For the past 10 years Bonneville has overestimated electricity sales. In addition, the extent of deviation between actual and forecasted sales has been increasing with the 1980-81 operating year forecast being over 15 percent greater than actual sales for non- and small generating public utilities.

While Bonneville made changes in its forecasting methodology in 1982 in response to this problem, it does not appear that they have solved the demand overestimation problem. Between June 1982 and June 1983 Bonneville overestimated average loads by 8.5 percent. Bonneville's estimates for other load categories, such as peak and industrial loads, were also high. If this degree of overestimation continues, Bonneville's forecasted 9.5 percent increase in power sales over a 2 year period time may not occur, again leaving Bonneville with a revenue shortfall.

QUESTION 2:

What steps are necessary to ensure that BPA repays the Federal investment and that the Federal government is not paying for the WPPSS plants or other BPA investments? Does FERC have adequate authority in this area?

ANSWER:

To facilitate Bonneville's repayment of the Federal investment, we recommended, in a 1981 report to the Secretary of Energy,<sup>1</sup> that Bonneville change its method of repayment from its current repayment study method to a cost-based method. Our recent follow up work indicates that conditions have worsened since 1981 and our prior recommendation is still valid. While there is no way to assure that revenues will always be sufficient to cover all costs, (see answer to question 3) Bonneville in adopting a cost-based (mortgage type) repayment could better ensure that repayments are made on a timely and equitable basis. In a similar example, in 1959 the Congress required the Tennessee Valley Authority to annually repay a fixed sum towards offsetting their Federal investment.

We have not analyzed FERC's authority to determine whether it is adequate to ensure repayment of the Federal investment. The statute states the FERC is authorized to review BPA's rates and to confirm and approve them. BPA's rates are approved if it finds, among other things, that the rates are sufficient to assure repayment of the Federal investment over a reasonable number of years after first meetings the Administrator's total system costs. FERC can reject rates that it finds insufficient, but it cannot change the rates. BPA's rates do not become effective until FERC approves them.

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<sup>1</sup>"Policies Governing the Bonneville Power Administration's Payment of Federal Investments Need Revision," EMD-81-94, June 16, 1981.

QUESTION 3:

The FERC order also criticized BPA for knowingly excluding the costs of WPPSS #3 in proposing a 5-year rate structure. What statutory requirements would be necessary to enforce the intent of section 317 of the pending appropriations bill to ensure that the costs are paid for by BPA rates, and not the U.S. Treasury?

ANSWER:

Because forecasting future expenses and revenues is an inexact undertaking, there is no way to assure that revenues will be sufficient to cover all obligations, i.e., that no portion of the costs will ever be paid for out of U.S. Treasury funds--either directly by appropriations or indirectly by BPA's deferring repayments on the Federal investment. There are a number of safeguards, however, available to the Congress.

One such safeguard would be to amend section 317 to provide that any obligation entered into pursuant to that section be secured solely by BPA's revenues and not by the full faith and credit of the United States. This type of amendment was suggested by the Deputy Secretary of the Treasury in an August 1, 1983 letter to the Chairman of the Subcommittee on Interior and Related Agencies, Senate Committee on Appropriations. Treasury's proposed amendment incorporates by reference section 6(j) of the Pacific Northwest Electric Power Planning and Conservation Act, 16 U.S.C. § 839d(j), providing that BPA's contractual obligations are not secured by the full faith and credit of the United States.

The Congress also could require BPA to make fixed, annual repayments on the Federal investment, much as TVA is required to do. 16 U.S.C. § 831n-4(e). In addition, the Congress could specifically provide that no payment could be made on any section 317 obligation unless a repayment on some specified portion of the Federal investment had been made that fiscal year. This would assure that in the event actual revenues fall short of forecasted revenue, BPA would not defer repayment on the Federal investment in favor of payments on the section 317 obligation.



QUESTION 4:

How will section 317 affect the ability of BPA to repay the Federal investment?

ANSWER

As stated in question number 1, repayments of the Federal investment are subservient to all of Bonneville's other expenses. Therefore, Bonneville's payments of debt on the WPPSS plants have priority in getting paid over payments of the Federal investment in the Columbia River Power System. In other words, if Bonneville does not have enough money to pay its debts, then the Treasury does not get paid. In three of the last four years Bonneville has not paid the Treasury all the interest due on the Federal investment. Bonneville has deferred \$271.6 million. Thus, it would logically seem that any additional debt Bonneville incurs under this legislation would have priority in payment before the Federal Treasury.

QUESTION 5:

It has been suggested by BPA and others that section 317 merely clarifies existing BPA authorities. Do you agree? If not, to what extent does section 317 change or expand existing authorities?

ANSWER:

It is not clear whether section 317 is intended to establish new or expanded authority or to merely confirm a particular exercise of present authority. The bill provides that the BPA Administrator "may enter into contractual arrangements pursuant to his authority under sections 832a(f), 839f(a), 838i(b) of title 16, U.S.C. and this Act \* \* \*." This language does not indicate whether the intent is to establish a new type of contracting authority under the Department of Interior Appropriations Act, viz., "this Act"; to allow BPA to use its present authority to enter into contractual arrangements it otherwise would not be able to enter into; or, to confirm that, subject to applicable statutory restrictions, BPA's present contracting authority may allow it to enter into the arrangements identified in the bill.

The Senate Appropriations Committee report does not resolve this ambiguity. On the one hand, the Committee report describes the bill language as no more than a "clarification of the authority of the BPA to enter into [the arrangements contemplated by section 317]." S. Rep. No. 98-184, pp. 115, 116. It also lists present BPA authorities, including the contracting authority, and explains that these authorities "give BPA a

variety of alternative means by which it can fulfill its obligations under the existing net-billing agreements and protect the Federal interest in the three net-billed WPPSS projects." Id. at 114. The Committee identifies as one of these alternatives the direct funding from current revenues of some or all of the costs of completing WPPSS 2 or 3.<sup>1/</sup>

On the other hand, the Committee also describes section 317 as providing "an additional method for construction financing." Id. at 115. This suggests that section 317 may provide BPA new or expanded authority.

Furthermore, it is difficult to reconcile the way section 317 is structured with the idea that it purports only to confirm that BPA may enter into the arrangements identified in the bill. Present contracting authority allows the Administrator to contract "in such manner as he may deem necessary." 16 U.S.C. § 832a(f); see also 16 U.S.C. § 839f(a). Similarly, section 317 provides permissive authority to contract, but "in the manner described in the Senate Committee report." The Senate Committee report, however, states that the bill imposes specific directives on BPA. S. Rep. No. 98-184 at 114. The

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<sup>1/</sup> In our August 2, 1983 decision, B-210929, we concluded that BPA could fund directly from current revenues some or all of the costs of completing WPPSS 2 under then-existing statutory and contractual authority. We recognized that the basic legal issues were not unique to project 2.

report also notes that the bill "directs an additional method for construction financing for either WPPSS 2 or 3." Id. at 115. At another point, it states that "the Committee intends the BPA to exercise its authority directed by this amendment in a prudent and business-like manner." Id. at 116 (emphasis added). If the intent of section 317 is to direct the BPA Administrator to participate in the construction financing arrangement described in the Senate Committee report, subject only to the Administrator making the findings described therein, then the section would appear to have changed the Administrator's broad discretion with respect to the construction financing arrangements contemplated by section 317.

QUESTION 6.1(a):

Please provide the activities required to mothball a plant.

ANSWER:

There are two terms commonly used in regard to the slow down of nuclear powerplant construction--deferral and mothball. Each of these terms need to be defined before answering the specific question. Generally, a slow down in construction called a "deferral" is where engineering work continues and the site is maintained in a status where construction could resume in minimum time. All actions are aimed at finishing the plant some time in the near future. When a plant is "mothballed", all engineering work is halted and all efforts are aimed at simply preserving the project. In this case it may take up to a year to get full construction resumed. In effect, when a plant is mothballed the utility simply walks away from the project not knowing when or if construction will resume.

For our discussion we will consider the WNP-3 status as a deferral rather than a mothball. All actions taken by the Supply System indicate construction will resume and, in fact, its management plan for the construction delay states that all actions will be taken so as not to foreclose restart of construction within 3 to 6 months.

The major activity needed to defer construction of a nuclear powerplant is to decide the manpower level and amount of work that will be accomplished during the deferral. For example, in July 1983 there were a total of 1,770 workers at WNP-3. The level of employment will drop to 505 by June 1984.

Another major activity is a review of all contracts to determine which ones should be honored and which should be cancelled. In the case of WNP-3, the supply system has put its contracts into three categories (1) contracts that should be completed, (2) those to be partially completed and/or suspended, and (3) those that should be cancelled.

When a powerplant is deferred, the utility must also be concerned about whether it needs an extension of the NRC construction permit. While the NRC does not require any specific construction activities to be completed by a specific time, the entire project must be completed by the expiration date of the permit. If that expiration date occurs during the deferral period an extension will be needed. In the case of WNP-3, the construction permit expires on January 1, 1985. The Supply System plans to initiate application of an extension of the construction permit.

QUESTION 6.1(b):

What is the role of the NRC in the mothballing process?

ANSWER:

To our knowledge, the only role of the NRC in the deferral or mothballing process is to act on any applications for an extension of the construction permit. NRC has usually granted such extensions on the basis that the construction delay is due to factors beyond the control of the licensee such as labor problems, changing regulatory climate, and adverse economic conditions.

QUESTION 6.1(c):

What regulations govern?

ANSWER:

To our knowledge, NRC has no specific regulations governing deferrals or mothballs. These plants, if eventually completed, must meet the same final licensing standards as a non-deferred plant.



QUESTION 6.1(d):

What problems are associated with mothballing plants?

ANSWER:

One problem associated with the deferral or mothball of a nuclear powerplant is to decide when to resume construction. The utility must make an assessment of when the power will be needed and how long it will take to get construction up to full speed. In addition, determinations must be made to analyze the cost involved with building a plant in future years rather than in near future years. Another problem is that each year of deferral adds costs that are in addition to actual plant construction such as equipment maintenance and maintaining a service force. Another problem that could occur is that equipment may degrade when left exposed to weather and not used. Other equipment may have to be replaced or refurbished before construction resumes.

QUESTION 6.1(e):

Are other plants either here or abroad currently mothballed?

ANSWER:

While we are aware that several nuclear plants have been deferred or mothballed, we do not have any information on specifically how many.

QUESTION 6.1(f):

Have any plants either here or abroad been mothballed, and then brought of line?

ANSWER:

We have no information on this question.

QUESTION 7:

Does section 317 permit BPA to use its borrowing authority to pay its contractual obligations to the entity?

ANSWER:

Section 317 does not address BPA's authority to borrow by issuing securities to the Secretary of the Treasury. Section 13 of the Federal Columbia River Transmission System Act, Pub. L. No. 93-454, 88 Stat. 1380, 16 U.S.C. § 838k(a) (Transmission Act), authorizes the BPA Administrator to issue and sell to the Secretary of the Treasury bonds, notes, and other evidences of indebtedness in order to, among other things, "implement the Administrator's authority under the Pacific Northwest Electric Power Planning and Conservation Act" (Regional Act). To avoid questions on whether defraying costs associated with financing arrangements entered into pursuant to section 317 implements the Administrator's authority under the Regional Act, and thus permits the Administrator to meet these obligations by borrowing funds, the Congress may wish to specifically provide either that the Administrator may or that he may not apply to the purposes of section 317 any funds derived from the issuance of bonds to the Secretary of the Treasury pursuant to section 13k(a) of the Transmission Act.