

WNP-3 & WNP-5

BEFORE THE

UNITED STATES NUCLEAR REGULATORY COMMISSION

Application of
WASHINGTON PUBLIC POWER SUPPLY SYSTEM)
et al. (WPPSS Nuclear Project No. 3)) Docket Nos. STN-50-508
(WPPSS Nuclear Project No. 5)) STN-50-509

In accordance with the Atomic Energy Act of 1954, as amended, and the rules and regulations issued thereunder WASHINGTON PUBLIC POWER SUPPLY SYSTEM (hereinafter sometimes referred to as "Supply System" or as "WPPSS"), acting for itself and as agent for certain other entities as set forth herein, seeks from the UNITED STATES NUCLEAR REGULATORY COMMISSION (hereinafter referred to as "NRC" or "Commission") (i) 40-year Class 103 licenses to construct and operate nuclear power facilities at its site located in south-eastern Grays Harbor County, State of Washington, near Satsop, along the south bank of the Chehalis River near its confluence with the Satsop River (the facilities will consist of two pressurized water reactors, each with a core power level of 3800 Mwt, officially known as WASHINGTON PUBLIC POWER SUPPLY SYSTEM NUCLEAR PROJECTS NO. 3, and NO. 5 (hereinafter called, collectively, the "Project", or, separately, WNP-3 and WNP-5 respectively)), and (ii) appropriate source, byproduct and special nuclear material licenses for the Project. In support of this application the Supply System provides the following information (references in brackets are to sections or appendices of 10 CFR Part 50, unless otherwise noted).

a. Name of Applicant [Section 50.33 (a)]

The applicant is WASHINGTON PUBLIC POWER SUPPLY SYSTEM, for itself as owner of 70% undivided interest as a tenant in common in WNP-3, and as agent for Pacific Power & Light Company (PP&L), Portland General Electric Company (PGE), Puget Sound Power & Light Company (PSP&L) and the Washington Water Power Company (WWP), all of which will share the remaining 30% interest in WNP-3 as tenants in common in the following undivided proportions: PP&L (10%); PGE (10%); PSP&L (5%); and WWP (5%).

With regard to WNP-5, WASHINGTON PUBLIC POWER SUPPLY SYSTEM is the Applicant for itself as owner of 90% undivided interest as a tenant in common in the facility, and as agent for PACIFIC POWER & LIGHT COMPANY (PP&L) as owner of a 10% undivided interest in WNP-5 as a tenant in common.

b. Address of Applicant [Section 50.33 (b)]

The address of the Supply System is:

3000 George Washington Way
P. O. Box 968
Richland, Washington 99352

The address of Pacific Power & Light Company is:

Public Service Building
920 S.W. Sixth Avenue
Portland, Oregon 97204

The address of Portland General Electric Company is:

121 S.W. Salmon Street
Portland, Oregon 97204

The address of Puget Sound Power & Light Company is:

Puget Power Building
Bellevue, Washington 98009

The address of the Washington Water Power Company is:

E. 1411 Mission Avenue
Spokane, Washington 99202

c. Description of Business Applicant [Section 50.33 (c)]

The Supply System is a joint operating agency and a municipal corporation of the State of Washington organized under Chapter 43.52 of the Revised Code of Washington, as amended. The Supply System is composed of 19 public utility districts of the State of Washington and the cities of Richland, Seattle and Tacoma, Washington. Pursuant to its statutory authority the Supply System is empowered to acquire, construct and operate plants and facilities for the generation and transmission of electric power. The Supply System presently operates (1) the Packwood Lake Hydroelectric Project in Lewis County, Washington, and (2) the Hanford Electric Generating Project, which utilizes by-product steam from the Energy Research and Development Administration's N-Reactor near Richland, Washington. The Supply System has under construction WPPPSS Nuclear Project No. 1 (WNP-1) and is proceeding with site preparation on WPPSS Project No. 4 (WNP-4). Construction of WNP-1 is pursuant to NRC Construction Permit CPPR-134 and WNP-4 site preparation is pursuant to Limited Work Authorizations dated August 1, 1975 and October 3, 1975. WNP-1 and WNP-4 are the subject of a single application. In addition, the Supply System has under construction its WPPSS Nuclear Project No. 2 (WNP-2), formerly known as Hanford No. 2, pursuant to NRC Construction Permit CPPR-93.

Pacific Power & Light Company is an investor-owned electric utility with its principal offices in Portland, Oregon. PP&L owns thirty-three hydroelectric generating plants with a rated capacity of 863,393 kilowatts, six steam-electric plants with a rated capacity of 2,478,452 kilowatts and minor internal combustion generating capacity.

The company also has contracts to purchase power from various public agencies and public utility districts on long term agreements as well as peaking capacity from the Bonneville Power Administration, and expects to purchase non-firm energy from Bonneville to the extent available. PP&L presently operates, inter alia, the Dave Johnson generating station, a coal-fueled 750 MW facility, near Glenrock, Wyoming, and also operates and owns 47-1/2% of the Centralia Project, two coal-fueled 700 MW facilities at Centralia, Washington, which are jointly-owned by PP&L, four publicly-owned and the three other investor-owned utilities which also are owners of WNP-3. PP&L with 66 2/3% ownership and Idaho Power Company presently are developing the Jim Bridger power and coal mining complex in southwestern Wyoming. The Jim Bridger Project will have four 500 MW units, three of which are operating and the last of which is scheduled for service in 1979. PP&L is also a 2-1/2% owner of the Trojan Project together with Portland General Electric Company and the City of Eugene, Oregon. The Trojan Project is a nuclear-fueled 1,100 MW facility near Rainer, Oregon which is in commercial operation. Also, PP&L and Black Hills Power and Light Company are constructing a 330 MW coal-fired facility near Gillette, Wyoming, which is scheduled for commercial operation in May of 1978.

Portland General Electric Company is an investor-owned utility with its principal offices in Portland, Oregon. PGE owns 661 MW of hydroelectric capacity and has long-term purchase contracts for purchase of hydroelectric capacity from Washington State Public Utility Districts which purchases currently total 936 MW. PGE also is a participant in other regional purchase transactions including those involving the Hanford Electric Generating Project and the Columbia Storage Power Exchange (CSPE). CSPE currently provides 274 MW of capacity. PGE owns 67.5% of the nominal 1,100 MW Trojan nuclear plant, as well as 2.5% of the Centralia coal-fired project. In addition, PGE owns 849 MW of combustion turbine capacity to which a 150 MW combined-cycle steam turbine is currently being added. PGE is the constructor and principal owner (80%) of a coal-fired plant scheduled for completion in 1980 at Boardman, Oregon. PGE is also the applicant for a two-1260 MW unit nuclear project planned at Pebble Springs near Arlington, Oregon, and, in addition, is participating in the Skagit nuclear project and Colstrip Nos. 3 and 4 coal-fired units being sponsored by others.

Puget Sound Power & Light Company is an investor-owned electric utility with its principal office in Bellevue, Washington. PSP&L owns and operates hydroelectric and oil-fired generating facilities, with a total net plant capability of approximately 495 megawatts. In addition, PSP&L owns a 7 percent interest in the 1400 megawatt Centralia Project, a coal-fired plant in western Washington operated by Pacific Power & Light Company, and a 50 percent interest in Colstrip Units 1 and 2, two 330 megawatt coal-fired units at Colstrip, Montana, jointly owned by PSP&L and The Montana Power Company. PSP&L also has long-term contracts with several public utility districts to purchase substantial amounts of power from several hydroelectric projects on the Columbia River, as well as a contract with the Bonneville Power Administration under which it is receiving power from Hanford Electric Generating Project and will receive power from WPPSS Nuclear Project No. 1. PSP&L has also purchased power under the Columbia Storage Power Exchange Agreement. PSP&L will own a 40 percent interest in its proposed Skagit Nuclear Power Project, Units 1 and 2, two 1288 megawatt units to be constructed near Sedro Woolley, Washington to come on line in 1984 and 1986. PSP&L will also own a 25 percent interest in the proposed Colstrip Units 3 and 4, two 700 megawatt coal-fired units, and a 20 percent interest in the proposed Portland General Electric Company Pebble Springs Nuclear Plant, Units 1 and 2, two 1240 megawatt units.

The Washington Water Power Company is an investor-owned electric utility with its principal offices in Spokane, Washington. The bulk of the Company's power needs are supplied by Company-owned hydroelectric projects while approximately 22% of its needs are supplied from the output of the Columbia River hydroelectric developments sponsored by the Public Utility Districts. The Company also owns a 15% share of the Centralia Project a two-unit, 700-MW each, coal-fueled facility at Centralia, Washington. The Company has agreed to participate in the proposed Skagit Nuclear Project, sponsored by Puget Sound Power & Light, with a 10% ownership and in the Colstrip Units No. 3 & 4, sponsored by Montana Power Company, with a 15% ownership. The Skagit and Colstrip Projects are currently in the licensing process.

WNP-3 & WNP-5

- d. (1) [Section 50.33 (d) (1)] N. A.
- (2) [Section 50.33 (d) (2)] N. A.
- (3) (i) [Section 50.33 (d) (3) (i)] The Supply System is a municipal corporation and joint operating agency of the State of Washington. The management and control of the Supply System is vested in a Board of Directors made up of one representative from each of its 22 member utilities. An Executive Committee composed of seven members elected by the Board of Directors administers the business of the Supply System between regular quarterly meetings of the Board of Directors. The principal office of the Supply System is located at 3000 George Washington Way, Richland, Washington 99352.

Pacific Power & Light Company is an investor-owned utility incorporated in the State of Maine and maintaining its principal office at Public Service Building, 920 S.W. Sixth Avenue, Portland, Oregon 97204.

Portland General Electric Company is an investor-owned utility incorporated in the State of Oregon and maintaining its principal office at 121 S.W. Salmon Street, Portland, Oregon 97204.

Puget Sound Power & Light is an investor-owned utility incorporated in the State of Washington and maintaining its principal office at Puget Power Building, Bellevue, Washington 98009.

The Washington Water Power Company is an investor-owned utility incorporated in the State of Washington and maintaining its principal office at E. 1411 Mission Avenue, Spokane, Washington 99202.

(ii) [Section 50.33 (d) (ii)] All of the Supply System's directors and officers are citizens of the United States, as are the directors and officers of the four investor-owned utilities.

The names and addresses of the Supply System's Board of Directors are as follows (members of the Executive Committee are designated by an asterisk):

<u>Name</u>	<u>Address</u>
John Goldsbury	200 N. Kellog Kennewick, Washington 99336
R. Keiser	Box 456 Chelan, Washington 98816
Alvin E. Fletcher	P. O. Box 509 Forks, Washington 98331
*Ed Fisher	P. O. Box 1566 Vancouver, Washington 98663
*D. E. Hughes	960 Commerce Avenue Longview, Washington 98632
Howard Prey	Drawer A Orando, Washington 98843
Clair R. Hilderbrandt	P. O. Box 634 Republic, Washington 99166
*Glenn C. Walkley	Route 5, Box 5010 Pasco, Washington 99301
C. K. Jolly	111 Maringo Rd. Ephrata, Washington 98823
*John J. Welch	218 W. 4th Street Cosmopolis, Washington 98537
Harold W. Jenkins	Route 5, Box 25 Ellensburg, Washington 98926
Gerald C. Fenton	Rt. 1, 903 East Allen Street Goldendale, Washington 98620
T. R. Teitzel	368 North Fork Rd. Chehalis, Washington 93532
Edwin W. Taylor	Route 1, Box 575 Shelton, Washington 98584
Quentin Mizer	P. O. Box 472 Raymond, Washington 98577

<u>Name</u>	<u>Address</u>
Lane Bray	P. O. Box 190 Richland, Washington 99352
*Gordon Vickery	1015 3rd Avenue Seattle, Washington 98104
Rolf E. Jemtegaard	Route 1, Box 1850 Washougal, Washington 98671
*W. G. Hulbert, Jr.	P. O. Box 1107 Everett, Washington 98206
*J. D. Cockrell	Dept. of Public Utilities P. O. Box 11007 Tacoma, Washington 98411
C. F. Emerick	P. O. Box 248 Cathlamet, Washington 98612
Stanton H. Cain	P. O. Box C Malott, Washington 98829

The names, titles and addresses of the Supply System's principal officers are as follows:

John Goldsbury President	200 North Kellogg Kennewick, Washington 99336
John J. Welch Vice-President	218 W. 4th Street Cosmopolis, Washington 98357
Edwin W. Taylor Secretary	Route 1, Box 575 Shelton, Washington 98584

The names of administrative staff members of the Supply System are as follows:

<u>Name</u>	<u>Title</u>
N. O. Strand	Managing Director
P. C. Otness	Executive Assistant
R. Q. Quigley	Chief Counsel

<u>Name</u>	<u>Title</u>
J. D. Perko	Assistant Director, Finance & Administration
F. D. McElwee	Assistant Director, Projects
D. L. Renberger	Assistant Director, Gener- ation & Technology

All of the directors and officers of Pacific Power & Light Company are citizens of the United States. The names and addresses of the Board of Directors are as follows:

<u>Name</u>	<u>Address</u>
C. M. Bishop, Jr.	Pendleton Woolen Mills 218 S. W. Jefferson Portland, Oregon 97201
Don C. Frisbee	Pacific Power & Light Company 920 S.W. Sixth Avenue Portland, Oregon 97204
Stanley K. Hathaway	Hathaway, Speight and Kunz 3001 Henderson Drive Cheyenne, Wyoming 82001
Glenn L. Jackson	Pacific Power & Light Company 920 S.W. Sixth Avenue Portland, Oregon 97204
C. Howard Lane	Mt. Hood Radio & Television Broadcasting Corporation 140 S. W. Columbia Portland, Oregon 97204
Conrad F. Lundgren	West Glacier Mercantile Co. West Glacier, Montana 59936
John McGregor	McGregor Feedlot P.O. Box 607 Pasco, Washington 99301

<u>Name</u>	<u>Address</u>
Paul F. Murphy	8019 Sacajawea Way Wilsonville, Oregon 97070
Louis B. Perry	Standard Insurance Company P. O. Box 711 Portland, Oregon 97204
George D. Rives	Rives, Bonyhadi, Drummond & Smith 920 S.W. Sixth Avenue Portland, Oregon 97204
William E. Roberts	B & D Development Company 806 S. W. Broadway Portland, Oregon 97205
Kenneth W. Self	Freightliner Corp. P.O. Box 3849 Portland, Oregon 97208
Donald Sherwood	Sherwood & Roberts, Inc. 106 North Second Avenue Walla Walla, Washington 99362
Howard Vollum	Tektronix, Inc. P. O. Box 500 Beaverton, Oregon 97007
Roy A. Young	Chancellor University of Nebraska-Lincoln Lincoln, Nebraska 68588

The names, titles and addresses of the principal officers of Pacific Power & Light Company are as follows:

<u>Name: Title</u>	<u>Address</u>
Don C. Frisbee Chairman of the Board and President	Pacific Power & Light Company 920 S.W. Sixth Avenue Portland, Oregon 97204
G. E. Drennan, Executive Vice President	Pacific Power & Light Company 920 S.W. Sixth Avenue Portland, Oregon 97204
Allan C. Bartholomew Senior Vice-President	Pacific Power & Light Company 920 S.W. Sixth Avenue Portland, Oregon 97204

<u>Name: Title</u>	<u>Address</u>
John H. Geiger Vice-President Finance	Pacific Power & Light Company 920 S.W. Sixth Avenue Portland, Oregon 97204
Leonard Bennett Corporate Secretary	Pacific Power & Light Company 920 S.W. Sixth Avenue Portland, Oregon 97204

All of the directors and officers of Portland General Electric Company are citizens of the United States. The names and addresses of the Board of Directors are as follows:

<u>Name</u>	<u>Address</u>
Warren W. Braley	9155 S. W. Canyon Road Portland, Oregon 97225
Ernest H. Miller	President, Mortgage Bancorporation P. O. Box 230 Salem, Oregon 97308
Wade Newbegin, Sr.	President, R. M. Wade & Company P. O. Box 8769 Portland, Oregon 97208
Robert W. Roth	President, JANTZEN INC. P. O. Box 3001 Portland, Oregon 97208
Robert H. Short	President Portland General Electric Company 121 S.W. Salmon Street Portland, Oregon 97204
Eberly Thompson	2542 S. W. Hillcrest Drive Portland, Oregon 97201
James J. Walton	330 Candalaria Blvd. South Salem, Oregon 97302
Earl Wantland	President, Tektronix, Inc. P. O. Box 500 Beaverton, Oregon 97005
William E. Love	Chairman Equitable Savings & Loan Association 1300 S.W. 6th Avenue Portland, Oregon 97201
John L. Schwabe	Attorney Souther, Spaulding, Kinsey, Williamson & Schwabe 12th Floor Standard Plaza Building Portland, Oregon 97204

<u>Name</u>	<u>Address</u>
Frank M. Warren	Chairman and Chief Executive Officer, Portland General Electric Co. 121 S.W. Salmon Street Portland, Oregon 97204
William W. Wessinger	Chairman of the Board Blitz-Weinhard Co. 1133 West Burnside Street Portland, Oregon 97209
Robert J. Wilhelm	President, Wilhelm Trucking Co. 3250 N. W. St. Helens Road Portland, Oregon 97210
Ralph E. Williams	Room 333, North Pacific Building 917 S. W. Oak Street Portland, Oregon 97205

The names, titles and addresses of the principal officers of Portland General Electric Company are as follows:

<u>Name: Title</u>	<u>Address</u>
Frank M. Warren Chairman and Chief Executive Officer	121 S.W. Salmon Street Portland, Oregon 97204
Robert H. Short President	121 S.W. Salmon Street Portland, Oregon 97204
Joseph L. Williams Executive Vice President	121 S.W. Salmon Street Portland, Oregon 97204
Hilbert S. Johnson Senior Vice President	121 S.W. Salmon Street Portland, Oregon 97204
Glen E. Bredemeier Vice President	121 S.W. Salmon Street Portland, Oregon 97204
William J. Lindblad Vice President	121 S.W. Salmon Street Portland, Oregon 97204
H. H. Phillips Vice President, Corporate Counsel & Secretary	121 S.W. Salmon Street Portland, Oregon 97204

<u>Name: Title</u>	<u>Address</u>
Estes Snedecor Vice President	121 S.W. Salmon Street Portland, Oregon 97204
F. D. Wieden Vice President	121 S.W. Salmon Street Portland, Oregon 97204
E. F. Wildfong Vice President	121 S.W. Salmon Street Portland, Oregon 97204
J. N. Woodcock Treasurer	121 S.W. Salmon Street Portland, Oregon 97204
J. L. Staines Controller	121 S.W. Salmon Street Portland, Oregon 97204

All of the directors and officers of Puget Sound Power & Light Company are citizens of the United States. The names and addresses of the Board of Directors are as follows:

<u>Name</u>	<u>Address</u>
Ralph M. Davis Chairman	Puget Sound Power & Light Company Puget Power Building Bellevue, Washington 98009
Winston D. Brown	Howard S. Wright Construction Co. **Room 3318 Seattle-First National Bank Bldg. Seattle, Washington 98154
	**Send all mailings to 1201 Shenandoah Drive East Seattle, Washington 98112
John W. Ellis	Puget Sound Power & Light Company Puget Power Building Bellevue, Washington 98009
F. J. Herb	416 Bellingham National Bank Bldg. Bellingham, Washington 98225
J. H. King	Puget Sound Power & Light Company Puget Power Building Bellevue, Washington 98009

<u>Name</u>	<u>Address</u>
Lowell P. Mickelwait	Perkins, Cole, Stone, Olsen & Williams 1900 Washington Building Seattle, Washington 98101
John N. Nordstrom	Nordstrom, Inc. 1501 Fifth Avenue Seattle, Washington 98101
Robert D. O'Brien	PACCAR, Inc. Post Office Box 1518 Bellevue, Washington 98009
Irvine B. Rabel	Star Machinery Company 241 South Lander Street Seattle, Washington 98134
Ralph W. L. Stormans	Ralph's Thriftway Store 1908 East Fourth Avenue Olympia, Washington 98506
R. Kirk Wilson	Thrifty Foods, Inc. P.O. Box 265 Burlington, Washington 98233

The names, titles and addresses of the principal officers of Puget Sound Power & Light Company are as follows:

<u>Name:</u>	<u>Title</u>	<u>Address</u>
John W. Ellis	President and Chief Executive Officer	Puget Power Building Bellevue, Washington 98009
Ralph M. Davis	Chairman of the Board	Puget Power Building Bellevue, Washington 98009
J. H. King	Vice-President-Finance and Treasurer	Puget Power Building Bellevue, Washington 98009
J. Harold Abramson	Vice-President-Administration	Puget Power Building Bellevue, Washington 98009
Robert W. Evans	Vice-President-Divisions and Customer Service	Puget Power Building Bellevue, Washington 98009

<u>Name</u>	<u>Address</u>	
Warren J. Ferguson Vice President-Engineering and Construction	Puget Power Building Bellevue, Washington	98009
Lawrence E. Hall Vice-President-Public Affairs	Puget Power Building Bellevue, Washington	98009
David H. Knight Vice-President-Power Supply	Puget Power Building Bellevue, Washington	98009
Richard F. Whaley Vice-President and Controller	Puget Power Building Bellevue, Washington	98009
Robert C. Wing Vice-President-Corporate Planning	Puget Power Building Bellevue, Washington	98009
Wilbur E. Watson Secretary	Puget Power Building Bellevue, Washington	98009

All of the directors and officers of The Washington Water Power Company are citizens of the United States. The names and addresses of the Board of Directors are as follows:

<u>Name</u>	<u>Address</u>	
Rodney G. Aller	Attorney at Law Lakeville, Connecticut	06039
A. L. Barnes (retired)	General Delivery Hayden Lake, Idaho	83835
Duane B. Hagadone	President, Hagadone Newspapers Hagadone Building Coeur d'Alene, Idaho	83814
Roy J. Johnson (retired)	Riverfalls Towers, Penthouse West 1224 Riverside Avenue Spokane, Washington	99201
W. A. Lowry	E. 1411 Mission Avenue Spokane, Washington	99202
James B. McMonigle	Box 877 Lewiston, Idaho	83501

<u>Name</u>	<u>Address</u>
James A. Poore, Jr.	Poore, McKenzie, Roth, Robinson & Robinson 4th Floor, Silver Bow Block Butte, Montana 59701
W. J. Satre	The Washington Water Power Company E. 1411 Mission Avenue Spokane, Washington 99222
Eugene Thompson	Route #1, Box 56 Moscow, Idaho 83843

The names, titles and addresses of the principal officers of Washington Water Power Company are as follows:

<u>Name: Title</u>	<u>Address</u>
Wendell J. Satre President	E. 1411 Mission Avenue Spokane, Washington 99202
William A. Lowry Executive Vice-President	E. 1411 Mission Avenue Spokane, Washington 99202
Donald M. Oliason Vice-President and General Division Mgr.	E. 1411 Mission Avenue Spokane, Washington 99202
Donald L. Olson Vice-President - Engineering & Construction	E. 1411 Mission Avenue Spokane, Washington 99202
James M. Coombs Vice President - Finance and Treasurer	E. 1411 Mission Avenue Spokane, Washington 99202
Harold W. Harding Vice-President - Power Supply	E. 1411 Mission Avenue Spokane, Washington 99202
Jermiah P. Buckley Vice-President & Secretary	E. 1411 Mission Avenue Spokane, Washington 99202

<u>Name: Title</u>	<u>Address</u>
Reginald J. Clizbe Vice President-Personnel and Administrative Services	E. 1411 Mission Avenue Spokane, Washington 92202
Robert T. McLendon Vice President-Gas Supply	E. 1411 Mission Avenue Spokane, Washington 92202

- d. (3) (iii) [Section 50.33 (d) (3) (iii)] The Supply System, Pacific Power & Light Company, Portland General Electric Company, Puget Sound Power & Light Company, and the Washington Water Power Company are not owned, controlled or dominated by an alien, a foreign corporation, or foreign government.
- d. (4) [Section 50.33 (d) (4)] With regard to WNP-3, the Supply System is acting on its own behalf as owner of 70% undivided interest as a tenant in common in the facility and as agent for Pacific Power & Light Company (PP&L), Portland General Electric Company (PGE), Puget Sound Power & Light Company (PSP&L) and the Washington Water Power Company (WWP), all of which will share a 30% interest in WNP-3 as tenants in common in the following undivided proportions: PP&L (10%); PGE (10%); PSP&L (5%); and WWP (5%).

With regard to WNP-5, the Supply System is acting on its own behalf as owner of 90% undivided interest as a tenant in common in the facility, and as agent for Pacific Power & Light Company (PP&L) as owner of a 10% undivided interest in WNP-5 as a tenant in common.

e. [Section 50.33(e)]

The Supply System for itself and as agent for the other entities as their interests appear herein seeks from the Commission (i) 40-year Class 103 licenses to construct and operate two nuclear power plants, each with a core power level of 3,800 Mwt, at its site located in southeastern Grays Harbor County, State of Washington, along the south bank of the Chehalis River near its confluence with Satsop River, (ii) appropriate source, byproduct and special nuclear material licenses for the Project. The facility will be used to generate electric energy.

The Supply System's 70% share of the WNP-3 output will be sold by the Supply System to 103 consumer-owned utilities in the Pacific Northwest through Net Billing Agreements, described in Exhibit A, which these utilities have executed with the Supply System and the Bonneville Power Administration. These 103 utilities are all statutory preference customers of Bonneville, and consist of 27 municipalities, 29 districts, and 47 cooperatives.

The remaining 30% of the WNP-3 output will be received by Pacific Power & Light Company (10%), Portland General Electric Company (10%), Puget Sound Power & Light Company (5%), and the Washington Water Power Company (5%) in proportion to their respective ownership shares in accordance with the WNP-3 Ownership Agreement as set forth in Exhibit A.

The Supply System's 90% share of the WNP-5 output will be sold by the Supply System to 88 consumer-owned utilities in the Pacific Northwest through Participants' Agreements which these utilities have executed. */ These 88 utilities are all statutory preference customers of Bonneville, and consist of 21 municipalities, 24 districts, and 43 cooperatives.

The remaining 10% of the WNP-5 output will be received by Pacific Power & Light Company in accordance with the ownership agreement set forth in Exhibit H.

The Site Certification Agreement was ratified by the State of Washington and WPPSS on October 27, 1976.

f. [Section 50.33(f) and Appendix C]
Financial Qualifications

WPPSS Nuclear Project No. 3 will be owned by the Supply System and by four investor-owned utilities on a joint ownership basis as tenants in common, with the Supply System owning 70% undivided interest and the four investor-owned utilities owning 30% in the following undivided proportions; Pacific Power & Light Company (10%), Portland General Electric Company (10%), Puget Sound Power & Light Company (5%) and the Washington Water Power Company (5%). **/

WPPSS Nuclear Project No. 5 will be owned by the Supply System and by Pacific Power & Light Company on a joint ownership basis as tenants in common, with the Supply System owning 90% undivided interest and Pacific Power & Light owning the remaining 10% undivided interest.

Each of the utilities to which the Supply System will sell its portion of the output of WNP-3 and WNP-5 by contract agree to ratably reimburse the Supply System for its cost of financing and managing construction and operation of WNP-3 and WNP-5. Each of the privately-owned utilities agrees to pay its ownership share of the costs of constructing and operating WNP-3 and, in the case of Pacific Power & Light Company, WNP-5. Each owner agrees to bear its respective ownership share of all obligations and liabilities of WNP-3 and (for PP&L) WNP-5 as they arise.

*/ Included in Exhibit H is a listing of Participants and their respective shares of the Supply System's 90% share of WNP-5 output. Also included is a typical Participant's Agreement.

**/ Exhibit I contains the 1976 Annual Reports for the Supply System, PP&L, PGE, PSP&L and WWP.

WNP-3 & WNP-5

The Architect-Engineer and the Supply System have estimated that the cost of construction of WNP-3 and WNP-5 will be \$1,050,216,000 and \$1,210,000,000 respectively. These costs have been tabulated below in accordance with the FPC Code of Accounts.

<u>FPC Account</u>	<u>Account Name</u>	<u>WNP-3 Costs (\$1,000)</u>	<u>WNP-5 Costs (\$1,000)</u>
320	Land and Land Rights (1)	\$ 492	\$ -
321	Structures & Improvements	163,900	172,700
322	Reactor Plant Equipment	126,300	139,000
323	Turbine-Generator Units	84,200	86,900
324	Accessory Elect. Equipment	36,900	37,500
325	Misc. Power Plant Equipment	2,200	2,400
	TOTAL NUCLEAR PLANT (2)	\$ 413,992	\$ 438,500
353	Station Equip. & Switch Yard	3,500	2,700
	Owners Direct Cost	55,000	30,000
	Sales Tax (4)	22,705	24,586
	Capitalized Interest During Construction	204,925	272,452
	Financing Expenses	14,570	22,140
	Eng. & Const. Mgmt. (2)	65,100	47,000
	Contingencies (2)	66,808	73,200
	Escalation	165,500	247,900
	Performance	1,000	1,000
<u>Nuclear Fuel</u>			
120	Nuclear Fuel (First Core) (3)	<u>37,116</u>	<u>50,522</u>
	TOTAL ESTIMATED COST	\$ 1,050,216	\$ 1,210,000

Fuel costs are based on purchase of the first fuel core. Cost estimate for WNP-5 assumes 100% WPPSS ownership. All cost estimates are subject to updating.

The Supply System will finance its share of the costs of acquiring and constructing WNP-3 and WNP-5 by issuing short term notes and long term

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- (1) Future land acquisition or land rights will be funded from contingencies.
 - (2) Estimated by the Architect-Engineer.
 - (3) Estimated by the Supply System.
 - (4) Includes sales tax on nuclear fuel.

bonds. It is anticipated that these bonds will be issued in series from time to time as funds to meet the costs of construction are required. Bonds issued by the Supply System and interest thereon will be repaid from Supply System revenues which are to be paid by the 103 utilities participating in WNP-3 and the 88 utilities participating in WNP-5 who are purchasing the Supply System's share of the project, as a portion of the annual costs of the project.

These participating utilities have contracted to pay an agreed percentage of Supply System's costs, including the costs of issuing and repaying the bonds, whether WNP-3 and WNP-5 are operated or not, and regardless of whether power is produced by WNP-3 and WNP-5.

Each of these participating utilities further agrees to assign its percentage share of the output of WNP-3 to the Bonneville Power Administration under Net Billing agreements in return for a credit or offset by Bonneville on amounts otherwise due Bonneville for power and other services furnished to the utilities under other contracts in an amount equal to the amount the utility has paid the Supply System. The sale to the utilities by Supply System and the assignment to Bonneville by the utilities will be on actual cost basis. A form of net billing agreement is set forth in Exhibit A.

Generally similar arrangements, differing however in contractual mechanisms (net billing is not used for WNP-5), are utilized for financing WNP-5. The contractual agreements provide that the 88 utilities participating in the Supply System's share of WNP-5 are directly billed for their respective portions of the WNP-5 net operating cost.

Each of the four investor-owned utilities will finance their ownership shares of WNP-3, and as applicable WNP-5, in the same manner as the balance of their respective construction programs, viz., short term borrowing, sale of equity securities, proceeds from first mortgage bonds, internally generated funds, leases or other executory arrangements and other secured and unsecured transactions or construction financing.

The financial qualifications of the Supply System, with respect to its share of the project, and the four privately-owned utilities, with respect to their shares of WNP-3 and as applicable, WNP-5, to carry out the activities for which the Construction Permits are sought, are set forth in Exhibit B (and the schedules thereto) which is made part of this application by this reference. Exhibit B shows that the Supply System and the other owner or owners possess the funds necessary to cover estimated construction costs and related fuel cycle costs or have reasonable assurance of obtaining the necessary funds, or a combination of the two. Set forth in Exhibits A and B is further information on sources of funds (planned financing arrangements) and the financial statements contemplated for construction permit applications by Appendix C of 10 CFR Part 50.

- g. [Section 50.33(g)] was deleted on April 3, 1969 (34 F. R. 6036).

h. [Section 50.33(h)]

The earliest and latest dates for completion of construction are, for WNP-3, November 1, 1982, and November 1, 1984, respectively, and, for WNP-5, May 1, 1984 and May 1, 1986. The latest dates for completion are specified for purposes of duration of the permits in the event of unforeseen contingencies. It remains essential to the public interest in an adequate reliable supply of power, as shown in sections 1 and 8 of the Environmental Report, that the Project be constructed, licensed and operational at the earliest possible dates. The planned time for fuel loading of WNP-3 and WNP-5 is January 1983 and July 1984, respectively. Commercial Operation is scheduled for July 1983 and January 1985 respectively.

i. [Section 50.33(i)]

The Supply System does not engage in the distribution of power to retail customers. It is authorized among other things, to acquire, construct and operate plants, works, and facilities for the generation and transmission of power to utilities. The Supply System does not have "rates" but is reimbursed for the costs of each project by the participants therein. In any event, as a municipal corporation of the State of Washington, the Supply System is not under the jurisdiction of any regulatory agency having control over "rates and services" of the proposed activity.

The Federal Power Commission, 825 North Capitol Street, N.E., Washington, D. C. 20426, has jurisdiction over the rates and services and/or certain other matters with respect to the four investor-owned utilities, as do or may the following state regulatory agencies, as noted respectively hereinafter:

Pacific Power & Light
Company

- (1) California Public Utilities
Commission
State Building, 350 McAllister St.
San Francisco, California 94102
- (2) Oregon Public Utility Commissioner
300 Labor and Industries Bldg.
Salem, Oregon 97310
- (3) Washington Utilities and
Transportation Commission
Highway-Licenses Building
Olympia, Washington 98504
- (4) Montana Public Service
Commission
1227-11th Avenue
Helena, Montana 59601
- (5) Idaho Public Utilities
Commission
Statehouse
Boise, Idaho 83720

WNP-3 & WNP-5

- | | |
|--------------------------------------|--|
| | (6) Wyoming Public Service
Commission
Cheyenne, Wyoming 82001 |
| Portland General Electric | (1) Oregon Public Utility Commissioner
300 Labor and Industries Bldg.
Salem, Oregon 97310 |
| Puget Sound Power & Light
Company | (1) Washington Utilities and
Transportation Commission
Highway-Licenses Building
Olympia, Washington 98504

(2) Public Service Commission
of Montana
1227 - 11th Avenue
Helena, Montana 59601

(3) Oregon Public Utility Commissioner
300 Labor and Industries Bldg.
Salem, Oregon 97310 |
| Washington Water Power
Company | (1) Washington Utilities &
Transportation Commission
Highway-Licenses Building
Olympia, Washington 98504

(2) Idaho Public Utilities
Commission
Statehouse
Boise, Idaho 83720

(3) Public Service Commission
of Montana
1227 - 11th Avenue
Helena, Montana 59601 |

The municipalities, private utilities, public bodies and cooperatives which are within transmission distance, and authorized to engage in the distribution of electric energy within the area, are described in Exhibit B and in the "Information Requested by The Attorney General For Antitrust Review" which was previously submitted prior to this updated application. As described in Exhibit A, 103 public and consumer-owned utilities have agreed to purchase the Supply System's 70% share of the output of WNP-3, while the four investor-owned utilities will receive the remaining 30% in accordance with their respective ownership share. Similarly, the 88 public and consumer owned utilities will receive the Supply System's 90% share of the output of WNP-5 in accordance with their respective shares, and Pacific Power & Light (PP&L) will receive the remaining 10% of the output.

Amendment 39
April 1977

As required by 10 CFR Section 50.33 (i), a list of publications appropriate to give reasonable notice of the application is set forth below:

Walla Walla Union Bulletin
First & Poplar Streets
Walla Walla, Washington 99362

The Idaho Statesman
P. O. Box 40
Boise, Idaho 83707

Yakima Herald Republic
114 No.4th Street
Yakima, Washington 98907

Seattle Post-Intelligencer
6th & Wall
Seattle, Washington 98121

Daily Journal of Commerce
2014 N. W. 24th Avenue
Portland, Oregon 97210

Aberdeen Daily World
P. O. Box 269
Aberdeen, Washington 98520

Montesano Vidette
P. O. Box 671
Montesano, Washington 98563

Elma Chronicle
P. O. Box 617
Elma, Washington 98541

Siskiyou Daily News
P. O. Box 129
Yreka, California 96067

Star-Tribune
111 S. Jefferson Street
Casper, Wyoming 92601

Seattle Times
P. O. Box 70
Seattle, Washington 98111

Tri-City Herald
P. O. Box 2608
Tri-Cities, Washington 99302

The Oregonian
1320 S. W. Broadway
Portland, Oregon 97201

Spokesman Review
W. 927 Riverside
Spokane, Washington 99253

Daily Journal of Commerce
83 Columbia
Seattle, Washington 98104

Centralia Daily Chronicle
Pearl & Maple
Centralia, Washington 98531

Daily Olympian
P. O. Box 407
Olympia, Washington 98507

Tacoma News Tribune
P. O. Box 11000
Tacoma, Washington 98411

Daily Inter Lake
300 First Avenue W.
Kalispell, Montana 59901

Wyoming State Tribune
110 East 17th Street
Cheyenne, Wyoming 82001

Bellevue Journal American
P. O. Box 310
Bellevue, Washington 98004

The Sandpoint News Bulletin
415 North Second Avenue
Sandpoint, Idaho 83864

The Vancouver Columbian
West 8th and Grant Streets
Vancouver, Washington 98660

The Longview Daily News
P. O. Box 189
Longview, Washington 98632

J. [Section 50.33(j)] and [Section 50.37]

No restricted data or other classified information (defense information) is involved in this application and it is not expected that any will become involved. However, in the event that it does, the applicants will appropriately segregate and safeguard such information and will not permit any individual to have access to Restricted Data until the United States Civil Service Commission shall have made an investigation and report to the NRC on the character, associations and loyalty of such individual, and the NRC shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

k. [Section 50.33(a) and Appendix L]

The information required by 10 CFR Section 50.33(a) and 10 CFR Part 50, Appendix L has been submitted under separate cover entitled "Information Requested By The Attorney General For Antitrust Review."

l. [Section 50.33(f) and Appendix D]

The Environmental Report pursuant to 10 CFR Part 50, Appendix D, (now 10 CFR Part 51) has been submitted.

m. [Section 50.34]

The Preliminary Safety Analysis Report pursuant to 10 CFR Part 50, especially Section 50.34, has been submitted.

n. The Supply System has retained Ebasco Services, Inc. (Ebasco) as Architect-Engineer to design and supervise the construction of the Project. The technical qualifications and description of Ebasco are shown in Exhibit C.

o. The Supply System has also retained R. W. Beck and Associates as Consulting Engineer to review economic feasibility and financial aspects of the Project. The technical qualifications and description of R. W. Beck and Associates are shown in Exhibit D.

p. The nuclear steam supply systems for the Project are to be furnished by Combustion Engineering, Inc. (Combustion). The technical qualifications and description of Combustion are shown Exhibit E.

q. The turbine generators for the Project will be furnished by Westinghouse Electric Company. The technical qualifications and description of Westinghouse Electric Company are shown in Exhibit F.

r. The Supply System employs a Project Engineering Staff consisting of individuals having substantial training and experience in the construction and operation of nuclear facilities. See Chapter 13 of the Preliminary Safety Analysis Report.

s. (10 CFR Part 140). The Supply System will provide and maintain financial protection for public liability and will execute an indemnity agreement with the Commission at the times, on the terms, and in the amounts all as may be required by 10 CFR Part 140.

t. It is requested that all orders, notices, papers and other communications issued by the Commission in connection with this application be mailed and delivered to:

N. O. Strand, Managing Director
Washington Public Power Supply System
3000 George Washington Way, P. O. Box 968
Richland, Washington 99352

and

Joseph B. Knotts, Jr., Esq.
Nicholas S. Reynolds, Esq.
Debevoise and Liberman
700 Shoreham Building
806 15th Street, NW
Washington, D. C. 20005

and

Richard Q. Quigley, Esq.
Washington Public Power Supply System
3000 George Washington Way, P. O. Box 968
Richland, Washington 99352

Amendment 39
April 1977

WHEREFORE, the Supply System prays that the Commission issue (i) 40-year Class 103 licenses authorizing the Supply System to construct and operate the proposed nuclear facilities at its site near Satsop, Gray's Harbor County, Washington and (ii) such byproduct, source, and special nuclear material licenses as may be appropriate for the Project.

STATE OF WASHINGTON)
) ss
COUNTY OF BENTON)

D. L. RENBERGER, being first duly sworn, deposes and says: That he is the ASSISTANT DIRECTOR, GENERATION AND TECHNOLOGY, for the WASHINGTON PUBLIC POWER SUPPLY SYSTEM, the applicant herein, that he is authorized by PACIFIC POWER AND LIGHT COMPANY, PORTLAND GENERAL ELECTRIC COMPANY, PUGET SOUND POWER AND LIGHT COMPANY and THE WASHINGTON WATER POWER COMPANY to submit the foregoing on their behalf; that he has read the foregoing and knows the contents thereof; and believes the same to be true to the best of his knowledge.

DATED April 22, 1977

D L Renberger
D. L. RENBERGER

On this day personally appeared before me, D. L. RENBERGER, to me known to be the individual who executed the foregoing instrument and acknowledged that he signed the same as his free act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and seal this 22nd day of April, 1977

[Signature]
Notary Public in and for the State
of Washington
Residing at [Address]

WNP-3 & WNP-5

EXHIBIT H

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

NUCLEAR PROJECT NO. 5

AGREEMENTS

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. Table of Participants and Participants Shares (Final)	H-2
2. Form of Participants Agreements	H-4
3. Agreement, Pacific Power & Light Company and Washington Public Power Supply System (Ownership Agreement)	H-38

NOTE

Exhibit H is added to the License Application by Amendment 39 .

TABLE OF PARTICIPANTS AND PARTICIPANTS' SHARES
(Final)

<u>Districts</u>	<u>Participants'</u> <u>Shares</u>
Public Utility District No. 1 of Benton County, Washington . . . . .	.05080
Central Lincoln People's Utility District . . . . .	.02668
Public Utility District No. 1 of Chelan County, Washington . . . . .	.00642
Public Utility District No. 1 of Clallam County, Washington . . . . .	.01373
Public Utility District No. 1 of Clark County, Washington . . . . .	.09858
Clatskanie People's Utility District . . . . .	.00781
Public Utility District No. 1 of Cowlitz County, Washington . . . . .	.09132
Public Utility District No. 1 of Douglas County, Washington . . . . .	.00011
Public Utility District No. 1 of Franklin County, Washington . . . . .	.02925
Public Utility District No. 2 of Grant County, Washington . . . . .	.00581
Public Utility District No. 1 of Grays Harbor County, Washington . . . . .	.04410
Public Utility District No. 1 of Klickitat County, Washington . . . . .	.00982
Public Utility District No. 1 of Lewis County, Washington . . . . .	.02021
Public Utility District No. 1 of Mason County, Washington . . . . .	.00156
Public Utility District No. 3 of Mason County, Washington . . . . .	.00971
Northern Wasco County People's Utility District . . . . .	.00324
Public Utility District No. 1 of Okanogan County, Washington . . . . .	.00681
Public Utility District No. 2 of Pacific County, Washington . . . . .	.00848
Public Utility District No. 1 of Pend Oreille County, Washington . . . . .	.00402
Public Utility District No. 1 of Skamania County, Washington . . . . .	.00257
Public Utility District No. 1 of Snohomish County, Washington . . . . .	.13051
Tillamook People's Utility District . . . . .	.00781
Vera Irrigation District No. 15 . . . . .	.00257
Public Utility District No. 1 of Wahkiakum County, Washington . . . . .	.00123
 <u>Cities</u>	
City of Bandon, Oregon . . . . .	.00067
City of Blaine, Washington . . . . .	.00067
City of Bonners Ferry, Idaho . . . . .	.00190
City of Burley, Idaho . . . . .	.00190
City of Canby, Oregon . . . . .	.00525
City of Cascade Locks, Oregon . . . . .	.00067
City of Centralia, Washington . . . . .	.00659
City of Drain, Oregon . . . . .	.00067
City of Ellensburg, Washington . . . . .	.00625
City of Heyburn, Idaho . . . . .	.00257
City of Idaho Falls, Washington . . . . .	.00915
Town of McCleary, Washington . . . . .	.00123
City of McMinnville, Oregon . . . . .	.00971
City of Milton-Freewater, Oregon . . . . .	.00056
City of Port Angeles, Washington . . . . .	.00469
City of Richland, Washington . . . . .	.01965

<u>Cities</u>	<u>Participants'</u> <u>Shares</u>
City of Rupert, Idaho . . . . .	.00324
City of Springfield, Oregon . . . . .	.01764
City of Steilacoom . . . . .	.00145
City of Sumas, Washington . . . . .	.00022
City of Tacoma . . . . .	.10695
 <u>Cooperatives</u>	
Alder Mutual Light Company . . . . .	.00011
Benton Rural Electric Association . . . . .	.00670
Big Bend Electric Cooperative, Inc. . . . .	.00514
Blachly-Lane Electric Cooperative Association . . . . .	.00458
Central Electric Cooperative, Inc. . . . .	.00971
Clearwater Power Company . . . . .	.00324
Columbia Basin Electric Cooperative, Inc. . . . .	.00391
Columbia Rural Electric Association, Inc. . . . .	.00647
Consumers Power, Inc. . . . .	.01351
Coos-Curry Electric Cooperative, Inc. . . . .	.00581
Douglas Electric Cooperative, Inc. . . . .	.00514
Elmhurst Mutual Power & Light Company . . . . .	.00581
Fall River Rural Electric Cooperative, Inc. . . . .	.00648
Glacier Electric Cooperative . . . . .	.00179
Hood River Electric Cooperative, Oregon . . . . .	.00301
Idaho County Light & Power Cooperative Association, Inc. . . . .	.00045
Inland Power & Light Company . . . . .	.02244
Kootenai Electric Cooperative, Inc. . . . .	.00647
Lane Electric Cooperative, Inc. . . . .	.00770
Lincoln Electric Cooperative (Washington) . . . . .	.00190
Lost River Electric Cooperative, Inc. . . . .	.00134
Lower Valley Power & Light, Inc. . . . .	.00837
Midstate Electric Cooperative, Inc. . . . .	.00703
Missoula Electric Cooperative, Inc. . . . .	.00581
Nespelem Valley Electric Cooperative, Inc. . . . .	.00045
Northern Lights, Inc. . . . .	.00514
Ohop Mutual Light Company . . . . .	.00089
Okanogan County Electric Cooperative, Inc. . . . .	.00045
Orcas Power and Light Company . . . . .	.00647
Parkland Light & Water Company . . . . .	.00134
Prairie Power Cooperative, Inc. . . . .	.00089
Raft River Rural Electric Cooperative, Inc. . . . .	.00391
Ravelli County Electric Cooperative, Inc. . . . .	.00234
Rural Electric Company . . . . .	.00089
Salem Electric . . . . .	.00458
Salmon River Electric Cooperative, Inc. . . . .	.00084
Tanner Electric . . . . .	.00100
Umatilla Electric Cooperative Association . . . . .	.03573
Unity Light and Power Company . . . . .	.00134
Vigilante Electric Cooperative, Inc. . . . .	.00290
Wasco Electric Cooperative, Inc. . . . .	.00134
Wells Rural Electric Company . . . . .	.00045
West Oregon Electric Cooperative, Inc. . . . .	.00134

4/15/76

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

NUCLEAR PROJECTS NOS. 4 AND 5

PARTICIPANTS' AGREEMENT

TABLE OF CONTENTS

	<u>SECTION</u>	<u>PAGE</u>
1.	Definitions	2
2.	Exhibits	5
3.	Term of Agreement	6
4.	Financing, Design, Construction, Operation and Maintenance of the Projects	6
5.	Sale and Purchase of Participant's Share	7
6.	Payment by the Participant; Sources of Such Payments	8
7.	Provisions Relating to Delivery	9
8.	Budget and Accounting Procedures	9
9.	Fuel	11
10.	Scheduling	13
11.	Insurance	14
12.	Training	14
13.	End of the Projects; Termination Settlement	14
14.	Determination of Costs Associated with Nuclear Projects Nos. 1, 3, 4 and 5	16
15.	Participants' Committee	16
16.	Project Consultant	19

(i)

(H-4)

17. Obligations in the Event of Default	20
18. Replacements, Repairs, Betterments and Capital Additions	21
19. Energy Program	22
20. Uranium Bearing Lands Acquisition	24
21. Modification and Uniformity of Agreements	25
22. Designation of Bonneville	25
23. Approval by Rural Electrification Administrator and other Agencies	25
24. Notices	25
25. Relationship to Other Instruments	26
26. Severability	26
27. Assignment	27

EXHIBIT A - Table of Participants' Preliminary Shares

EXHIBIT B - Description of Plants

EXHIBIT C - Table of Participants and Participants' Shares (to be provided)

EXHIBIT D - Points of Delivery (to be provided)

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

NUCLEAR PROJECTS NOS. 4 AND 5

PARTICIPANTS' AGREEMENT

THIS AGREEMENT is executed by the Washington Public Power Supply System (Supply System), a municipal corporation of the State of Washington, and _____
_____ corporation of the State of _____ (Participant).

WITNESSETH

Supply System is organized under the laws of the State of Washington (rev. Code of Washington, Ch. 43.52) and is authorized by law to construct, acquire, own and operate works, plants, systems and facilities for the generation and/or transmission of electric power and energy and to enter into contracts with public and private organizations for the disposition of electric power and energy produced thereby.

Attached hereto, as Exhibit B, are descriptions of certain generating Plants, sometimes referred to as "Washington Public Power Supply System Nuclear Project No. 4" ("Nuclear Project No. 4") and "Washington Public Power Supply System Nuclear Project No. 5" ("Nuclear Project No. 5"). It is the intent of this Agreement that each of the Participants shall purchase a share of the Project Capability and have a right to purchase a share of the capability of any other generating plants undertaken by Supply System pursuant to this Agreement. Supply System and the Participant have each determined that the construction and operation of the Projects as herein provided will accomplish economies of size and that the sale by Supply System to the Participant of the Participant's Share and the purchase thereof by the Participant as herein provided will be beneficial to the Participant by increasing the amount of firm power and energy which will be available to serve its customers in the future in an efficient, economical and environmentally sound manner. The Participant and Supply System have heretofore entered into an agreement entitled "Washington Power Supply System Nuclear Projects No. 4 and 5 and Skagit Project Agreement for Option to Enter Participants' Agreement, Reservation of Project Capability and Performance of Services" (the "Option and Services Agreement") dated July 22, 1975, under which, among other things, the Participant obtained an option to enter into this Agreement.

Bonneville has indicated that, subject to any limitations imposed by law, it expects to be able to furnish, under separate contract, transmission, scheduling, load factoring, reserves, exchanges and other services available from the Federal Columbia River Power System to enable the Participant to integrate its Participant's Share of Project Capability with power and energy available to the Participant from its own electric system and from Bonneville and other sources.

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Definitions.

The singular of any term defined in this Agreement shall encompass the plural, and the plural the singular, unless the context indicates otherwise.

(a) "Annual Budget" means the budget adopted by Supply System pursuant to Section 8(b) with respect to the Projects and which itemizes the estimated costs of each Project, commencing with (i) the Date of Continuous Operation of the Plant related to such Project, or (ii) July 1, 1988, or (iii) the date one year after the date of termination of a Project as provided in Section 13, whichever is earliest, exclusive of costs of construction as defined in the Bond Resolution, and costs of fuel, applicable to the respective Contract Year, or, in the case of an amended Annual Budget, applicable to the remainder of such Contract Year. The Annual Budget, as amended from time to time, shall make provision for all such Supply System's costs, including accruals and amortizations, resulting from the ownership, operation and maintenance of the Projects, repairs, renewals, replacements, and additions thereto and costs of termination thereof as provided in Section 13, together with the amounts over or under billed in accordance with subsection (b) below. The Annual Budget shall include, but not be limited to, (i) the amounts which Supply System is required under the Bond Resolution to pay in each Contract Year into the various funds provided for in the Bond Resolution from the Revenue Fund, as therein defined, for debt service and all other purposes and (ii) in the event other funds, including proceeds of sale of the Bonds, are not available, amounts necessary to pay the principal of, and interest and premium, if any, on any Development Bonds outstanding. The Annual Budget shall identify the source of all funds proposed to be expended.

(b) "Billing Statement" means the written statement prepared by Supply System and delivered to Participant that shows the amount to be paid, including the cost of fuel, to Supply System by the Participant for the Participant's Share for a Contract Year, or for the remainder of such Contract Year in the case of an amended Billing Statement adopted to reflect an amended Annual Budget, a change in the cost of fuel or a change in the Participant's Share pursuant to Section 17. Such amount shall be the sum of (i) the amount determined by multiplying the Participant's Share by the amount of the Annual Budget or the amended Annual Budget, as the case may be, less any other funds, which shall be specified in the Annual Budget, or an amended Annual Budget, as being payable from sources other than the payments to be made under all Participants' Agreements and (ii) the costs of fuel to be paid by the Participant in accordance with Section 9. At the end of each Contract Year any amount over or under billed during such year shall be reflected in the Annual Budget or Billing Statement, or both as appropriate for the following Contract Year; any amounts over or under billed during the portion of the Contract Year preceding the adoption of an amended Annual Budget shall be reflected in such amended Annual Budget to the extent practicable.

2.

(H-7)

Amendment 39
April 1977

(c) "Bonds" means any bonds, notes or other evidences of indebtedness issued pursuant to the Bond Resolution, including bonds or notes (i) issued to pay the principal of and interest and premium, if any, on the outstanding Development Bonds, or (ii) issued for the purpose of financing or refinancing any debt incurred by Supply System for the purpose of planning, designing, acquiring and constructing either of the Projects.

(d) "Bond Resolution" means the resolution or resolutions adopted by Supply System, as the same may be amended or supplemented, to authorize the Bonds. A copy of the draft dated April 12, 1976, of the first Bond Resolution has been filed with the Participant. The first Bond Resolution to be adopted by the Board of Directors of Supply System shall be substantially in the form and content of said draft Resolution. All Bond Resolutions shall be approved by the Participants' Committee as provided in Section 15.

(e) "Bonneville" means the United States of America, Department of the Interior, acting by and through the Bonneville Power Administration.

(f) "Construction Budget" means the Supply System's construction budget referred to in Section 8(a) and any amended construction budget as therein provided.

(g) "Contract Year" means the 12-month period commencing 2400 hours Pacific Standard Time on June 30 of each year during the term of this contract and ending 2400 hours on the June 30 next following, provided, that the first Contract Year shall commence at 2400 hours Pacific Standard Time on the date immediately preceding (i) the earlier of the Dates of Continuous Operation of any of the Plants or (ii) on July 1, 1988, or (iii) the date one year after the date of termination of a Project as provided in Section 13, whichever is earliest, and the last Contract Year shall end at 2400 hours Pacific Standard Time on the date of termination of this Agreement as provided in Section 3.

(h) "Date of Continuous Operation" as to Nuclear Project No. 4 Plant means (i) the date fixed by Supply System as the point in time when the Plant is ready to be operated and the output scheduled on a commercial basis and (ii) as to Nuclear Project No. 5 Plant means the date fixed by Supply System in conformity with the Ownership Agreement when such Plant is ready to be operated and its output scheduled on a commercial basis.

(i) "Development Bonds" means the \$100,000,000 principal amount of bonds heretofore issued and sold by Supply System pursuant to Resolution No. 767 adopted by the Board of Directors of Supply System on July 24, 1975.

(j) "Elective Capital Additions" means additions and betterments that are neither necessary to achieve design capability nor required by governmental agencies having jurisdiction.

(k) "Federal System" means the Federal Columbia River Power System.

(l) "Minimum Capability" means (i) as to Nuclear Project No. 4 Plant, the minimum electrical generating capability thereof as determined by Supply System and (ii) as to Nuclear Project No. 5 Plant, the minimum electrical generating capability thereof as determined by Supply System in accordance with the Ownership Agreement, in each case to be as near as may be, but not less than, the minimum generating capability for each Plant permitted by the manufacturer's recommendations or by the terms of the United States Nuclear Regulatory Commission ("NRC") operating license, whichever is higher.

(m) "Ownership Agreement" means the agreement between Supply System and Pacific relating to the ownership of Nuclear Project No. 5 which is substantially in the form of a draft, dated April 15, 1976, a copy of which is on file with the Participant.

(n) "Pacific" means the Pacific Power & Light Company.

(o) "Participants" means those entities which are specified in Exhibit C to be attached hereto, pursuant to Section 5, and which enter into a Participants' Agreement.

(p) "Participants' Agreements" mean this Agreement and all other agreements substantially identical to this Agreement entered into by Supply System and the Participants.

(q) "Participants' Committee" means the Committee established pursuant to Section 15.

(r) "Participant's Preliminary Share" means the decimal fraction share of Project Capability set opposite the name of the Participant in Column 1 on Exhibit A or the decimal fraction share inserted in Column 2 on Exhibit A, whichever is the lesser.

(s) "Participant's Share" means the Participant's Preliminary Share adjusted as provided in Sections 5 and 17 of this Agreement.

(t) "Plant" means Nuclear Project No. 4 Plant and Nuclear Project No. 5 Plant described in Exhibit B.

(u) "Projects" means Supply System's ownership interest in the generating plants and related properties described in Exhibit B, as the same may be adjusted pursuant to Sections 16(b), 20 and 22(b) of the Ownership Agreement, which description in any event shall conform to the description of the Projects in the Bond Resolution which authorizes the issuance of Bonds in an amount sufficient to pay the cost of acquiring and constructing the Projects.

(v) "Project Capability" means the amounts of electric power and energy, if any, which the Projects are capable of generating at any particular time (including times when either or both of the Plants are not operable or operating or the operation thereof is suspended, interrupted, interfered with, reduced or curtailed, in each case in whole or in part for any reason whatsoever), less Project station use and losses.

(w) "Project Consultant" means an individual or firm, of national reputation having demonstrated expertise in the field of the matter or item referred to it, appointed among other things, for the resolution of a difference regarding a matter or item referred by Supply System. A different Project Consultant may be appointed for each matter or item referred.

(x) "Prudent Utility Practice" at a particular time means any of the practices, methods and acts, which, in the exercise of reasonable judgment in light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice shall apply not only to functional parts of a Plant but also to appropriate structures, landscaping, painting, signs, lighting, or facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of a Plant. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts. In evaluating whether any matter conforms to Prudent Utility Practice, the parties and any Project Consultant shall take into account (i) the fact that Supply System is a municipal corporation and operating agency under the laws of the State of Washington with the statutory duties and responsibilities thereof and (ii) the objectives to integrate the Project Capability with the generating resources, primarily of the Participants, and, as to Project No. 5, Pacific, including such resources and electric power and energy purchased under contract, and secondarily of the Federal System, and to achieve optimum utilization of the resources and achieve efficient and economical operation of each system, primarily as to the Participants and, as to Project No. 5, Pacific, and secondarily as to the Federal System.

2. Exhibits

Exhibits A through D, inclusive, are by this reference incorporated herein and made a part of this Agreement, namely:

Exhibit A - Table of Participants' Preliminary Shares.

Exhibit B - Description of Plants.

Exhibit C - Table of Participants and Participants' Shares.
(to be added)

Exhibit D - Points of Delivery. (to be added)

3. Term of Agreement.

This Agreement shall be effective upon execution and delivery of Participants' Agreements by Supply System and Participants whose Participants' Preliminary Shares total 1.0 or more. This Agreement shall terminate on the date when both Projects are terminated pursuant to Section 13, the costs of decommissioning as defined in Section 13 have been paid or provided for and the principal of, premium, if any, and interest on all Bonds have been paid or funds set aside for the payment or retirement thereof in accordance with the Bond Resolution.

4. Financing, Design, Construction, Operation and Maintenance of the Projects.

(a) Supply System, in good faith and in accordance with Prudent Utility Practice, shall use its best efforts:

(i) To arrange for the financing of the Projects and the design, acquisition, construction, operation and maintenance of the Plants;

(ii) To obtain, or arrange for obtaining, permits and other rights and regulatory approvals necessary for the financing of the Projects and the design, acquisition, construction, operation and maintenance of the Plants;

(iii) To issue and sell Bonds to finance the costs of construction of the Projects, as such costs are defined in the Bond Resolution, to pay or provide for the payment of the principal, interest, and premium, if any, on the outstanding Development Bonds and, to the extent provided by Section 18, to finance the costs of any capital additions, betterments, renewals, repairs, replacements, or modifications to the Projects, provided, that in each such case Bonds may then be legally issued and sold, and further provided, that no Bonds shall be issued to pay costs of construction of Nuclear Project No. 5 until after November 2, 1976;

(iv) To complete, or arrange for the completion of, all appropriate planning and engineering studies and to construct and acquire, or arrange for the construction and acquisition of, the Plants in accordance with Prudent Utility Practice. Supply System shall use its best efforts to schedule the Date of Continuous Operation of each Plant as near as may be to the date for each Plant set forth below:

Nuclear Project No. 4	March 1982
Nuclear Project No. 5	April 1984

6.

(H-11)

(b) Supply System shall operate and maintain the Plants, or cause the Plants to be operated and maintained, in accordance with Prudent Utility Practice and so as to meet the requirements of government agencies having jurisdiction.

5. Sale and Purchase of Participant's Share.

Supply System hereby sells, and the Participant hereby purchases, its Participant's Share of Project Capability. The Participant's Share shall be the Participant's Preliminary Share; provided that, if the sum of the Participants' Preliminary Shares of the Participants who shall have executed and delivered Participants' Agreements is greater than 1.0, the Participant's Preliminary Share shall be automatically decreased, pro rata with other such Participants' Preliminary Shares so that the total Participants' Shares shall equal 1.0; and further provided that, if the sum of the Participants' Preliminary Shares of the Participants who have executed and delivered Participants' Agreements to Supply System within 90 days after delivery of notice pursuant to Section 3(d) of the Option and Services Agreement is less than 1.0 and the Participant has inserted a decimal fraction share opposite its name in Column 2 on Exhibit A in excess of the amount set forth in Column 1 thereon, the Participant's Preliminary Share shall be automatically increased up to a maximum of such inserted share, the amount of any such increase to be determined by the following formula:

$$\text{Amount of Increase} = (1.0 - X) \cdot \frac{Y}{Z}$$

X = the sum of the Participants' Preliminary Shares of Participants who have executed and delivered a Participants' Agreement.

Y = the amount of the excess of Column 2 over Column 1 for the Participant.

Z = the sum of the Y's for all Participants.

If the sum of the Participants' Preliminary Shares is still less than 1.0, in order to bring the total of such shares to 1.0, Supply System may (i) agree with any Participant to an increase in its Participant's Preliminary Share or (ii) execute Participants' Agreements with any other existing statutory preference customer or direct service customer of Bonneville or any existing electric utility member of the Western Systems Coordinating Council. After execution of the Participants' Agreements on Exhibit C showing the Participants and their Participants' Shares shall be prepared by Supply System and shall be distributed to the Participants forthwith.

The purchase price to be paid for each Contract Year by the Participant to Supply System for its Participant's Share shall be the amount specified in the Billing Statement.

6. Payments by the Participant; Sources of Such Payments.

(a) Not less than 90 days prior to each Contract Year, Supply System shall prepare and deliver to the Participant a Billing Statement showing the amount to be paid by the Participant for such Contract Year. Whenever during a Contract Year the Annual Budget is amended or Participant's Share is changed from that used in the Billing Statement for that Contract Year, or Supply System's determination of the net cost for providing the fuel required to generate the Participant's Annual Energy Availability (as defined in Section 9) for such Contract Year is changed, an amended Billing Statement shall be prepared for the remainder of that Contract Year reflecting such amendment or change and shall be delivered to the Participant.

(b) On or before the 25th day of each month of each Contract Year the Participant shall pay to Supply System the amount specified in the Billing Statement, divided by the number of months in the respective Contract Year, or in the case of an amended Billing Statement, the amount specified in such amended Billing Statement divided by the number of months remaining in such Contract Year.

Amounts due and not paid by the Participant on or before the close of business on the 25th day of the month shall bear an additional charge of two percent of the unpaid amount. Thereafter, a further charge of one percent of the sum of the initial amount remaining unpaid and said additional charge shall be added on the twenty-fifth day of each succeeding month until the initial amount due and the additional charges are paid in full. Remittances received by mail will be accepted without assessment of said charges, provided that the postmark indicates that the payment was mailed on or before such day. If the twenty-fifth day of the month is a Sunday or other nonbusiness day of the Participant, the next following business day shall be the last day on which payment may be mailed without addition of said charges.

In any event the Participant shall pay by the twenty-fifth day of the last month in each Contract Year the difference, if any, between the total amounts paid by Participant to Supply System during that Contract Year and the total amount billed to it by Supply System as herein provided.

(c) No Participant which is a statutory preference customer of Bonneville shall be required to make any payments to Supply System under this Agreement except from the revenues derived by such Participant from the ownership and operation of its electric utility properties. Such Participant covenants and agrees that it will establish, maintain and collect rates or charges for power and energy and other services, facilities and commodities sold, furnished or supplied by it through any of its electric utility properties which shall be adequate to provide revenues sufficient to enable the Participant to make the payments to be made by it to Supply System under this Agreement and to pay all other charges and obligations payable from or constituting a charge and lien upon such revenues.

(d) The Participant shall make the payments to be made to Supply System under this Agreement whether or not any of the Projects are completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of either Project for any reason whatsoever in whole or in part. Such payments shall not be subject to any reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or nonperformance by Supply System or any other Participant or entity under this or any other agreement or instrument, the remedy for any nonperformance being limited to mandamus, specific performance or other legal or equitable remedy.

7. Provisions Relating to Delivery.

Deliveries of electric power and energy for the account of the Participant shall be made to the transmission grid of the Federal System at the respective points of delivery and at the approximate voltage to be agreed upon by Bonneville and Supply System subject to approval of the Participant's Committee. In the absence of such an agreement, deliveries to the Participant shall be at the site of the Plants or at a point of delivery agreed to by Supply System and the Participant. Such electric power and energy shall be in the form of three-phase current, alternating at a frequency of approximately 60 Hertz. Amounts so delivered at such points during each month shall be determined from measurements adjusted for losses, if any, as agreed upon by Supply System and Bonneville, subject to the approval of the Participants' Committee or, in the absence of such an Agreement, by Supply System and the Participant, made by meters installed to record such deliveries at the place and in the circuit agreed upon by Supply System and Bonneville subject to the approval of the Participants' Committee, or, in the absence of such agreement, by Supply System and the Participant, all as may be appropriate. When the points of delivery are so agreed upon pursuant to this Section, Supply System shall prepare and deliver to the Participant an Exhibit D describing such points.

8. Budget and Accounting Procedures.

(a) The Participant hereby approves Supply System's Construction Budgets for Nuclear Projects Nos. 4 and 5, dated October 10, 1975, and October 31, 1975, respectively, a copy of each of which is on file with the Participant. By October 1 of each year until completion of construction of each Project, Supply System shall prepare and deliver to the Participant and the Participants' Committee an amended Construction Budget for each Project, describing the items of construction and the estimated amounts to be expended therefor in each quarter from the succeeding January 1 to estimated date of completion of such Project. Supply System shall deliver amended Construction Budgets to the Participant and the Participants' Committee from time to time to reflect substantial changes in construction schedules, plans, specifications, or costs. Amended Construction Budgets for a succeeding year and amended Construction Budgets for a current year shall become effective with respect to each Project within 30 days, and 15 days, respectively,

after delivery, except for any item disapproved by the Participants' Committee before such time, provided that, with respect to Nuclear Project No. 5, approval by Pacific is also obtained to the extent required by the Ownership Agreement.

A monthly Construction Budget report shall be prepared by Supply System and filed with the Participants' Committee showing by major plant accounts or contracts, the cumulative amounts committed and the expenditures.

(b) At least 90 days prior to the start of the first Contract Year, Supply System shall deliver to the Participant and the Participants' Committee a proposed Annual Budget for the Projects for such Contract Year. Thereafter, on or before April 1 of each Contract Year Supply System shall deliver to the Participant and the Participants' Committee a similar Annual Budget for the next succeeding Contract Year, which budgets shall take into account the cumulative difference between income and expenditures for the prior Contract Year and provide for adjustment, as necessary, of the appropriate working cash fund.

All taxes and payments in lieu of taxes with respect to the Projects imposed and required by law to be paid by Supply System, and which are due and payable in a Contract Year, shall be included in the Annual Budget for that Contract Year as a Project cost. To the extent Supply System is permitted by law to negotiate for payments in lieu of taxes or other negotiated payments to state or local taxing entities, the Annual Budget shall also include, for each Project, the amounts of such negotiated payments; provided, that Supply System shall not agree to any such negotiated payment if in any Contract Year the sum of such negotiated payments and taxes and payments in lieu of taxes imposed by law, applicable to any Project, would exceed the total amount of ad valorem taxes applicable to that Project which Supply System would have paid in that year to such taxing entities if the Project or portion thereof, within the boundaries of each such taxing entity, were subject to ad valorem taxes and its valuation for tax purposes were added to the valuation of the property subject to ad valorem taxes by such taxing entity, but with its millage rate reduced so that the amount of ad valorem taxes raised would be unchanged.

Notwithstanding any other provision of this Agreement, costs may be incurred by Supply System in an emergency or to protect the safety of any of the Projects or the public, and any such costs, not otherwise provided for, shall be added to the Annual Budget as incurred. Promptly after any such addition to the Annual Budget, and prior to expenditures of any other funds not contemplated in the effective Annual Budget, Supply System shall deliver an amended Annual Budget reflecting such additions to the Participant and the Participants' Committee.

The Annual Budget and any amended Annual Budget shall become effective with respect to each Project, within 30 days and 15 days, respectively, after delivery except for any item disapproved by the Participants' Committee prior to such time, provided that with respect to Nuclear Project No. 5, approval by Pacific is also obtained to the extent required by the Ownership Agreement.

(c) Accounting.

Supply System shall keep up-to-date books and records showing all financial transactions and other arrangements made in carrying out the terms of this Agreement. Such books and records shall contain information supporting the allocation of Supply System's indirect costs associated with each Project. The method of allocating or prorating such costs as between the Projects and other activities in which Supply System may have an interest shall be based upon Prudent Utility Practice. Such books and records shall be retained by Supply System for three years and shall be made available for inspection and audit by the Participant and the Participants' Committee at any reasonable time.

All accounts shall be kept so as to permit conversion to the system of accounts prescribed for electric utilities by the Federal Power Commission.

Any contract with any consultant or contractor of Supply System providing for reimbursement of costs or expenses of any kind shall require the keeping and maintenance of books, records, documents, and other evidence pertaining to the charges claimed under such contract to the extent and in such detail as will properly reflect all costs related to this Agreement and shall require such books, records, documents and evidence to be made available to the Participants' Committee at all reasonable times for review and audit for a period of three years after final settlement of the applicable contracts.

9. Fuel.

(a) For each Project, Supply System shall use its best efforts to arrange for Fuel in amounts such that each Participant, acting singly or as a member of a group of Participants, may utilize its Participant's Share of the Project Capability in a manner which such Participant estimates will be best suited to its individual system needs.

(b) As soon as practicable after the Participants' Committee is established, and annually thereafter by each April 1 until the earliest Date of Continuous Operation of either of the Plants, Supply System shall prepare and submit to the Participants' Committee for approval a ten-year Fuel Management Plan ("Fuel Plan") for each Plant. Each year thereafter, the Fuel Plan will be submitted with each Annual Budget beginning with the first such budget. Each Fuel Plan shall be prepared after consideration of the fuel supply arrangements, power generating requirements and other operational aspects of each Plant.

Supply System shall consult with the Participants' Committee and shall prepare the Fuel Plans consistent with Subsection 9(a). Each Fuel Plan shall describe in detail each contemplated action and payment and the dates thereof separately for each Plant, the amount of net energy available from the Projects in each Contract Year (Annual Energy Availability) and, separately for each Plant, core usage, design burnup and estimated fueling dates. It shall include a cash flow analysis of forecasted expenditures and credits for each Plant for each major component of the fuel cycle by years, for the entire ten-year period, and cash flow by months, for the first five years of that period.

Each Participant shall furnish to Supply System, as requested, forecasts of its generating requirements from the Projects. Supply System shall use such forecasts in preparing each Fuel Plan. For the ten-year period of each Fuel Plan the net energy available to the Participants shall, to the extent practicable (i) equal the Participants' forecasted generating requirements for such period, and (ii) be available at times and in amounts sufficient to meet the Participants' forecasted generating requirements from the Projects. Supply System shall amend the Fuel Plan as reasonably required to reflect changes in conditions unforeseen at the time the Fuel Plan was prepared, and shall submit such amended Fuel Plan to the Participants' Committee for approval. Supply System shall arrange to secure fuel and refuel each Plant in a manner which implements the Fuel Plan to the extent reasonably practicable.

(c) The forecasted generation requirements of each Participant shall be at least sufficient to ensure operation of each Plant at Minimum Capability to the Forecast Refueling Date for such Plant; provided, however, that to the extent any Participant has arranged, pursuant to Section 10(d) for the delivery of alternative capacity and energy to the Participants requesting operation, Supply System may order only the amount of fuel for such Project such that the available capacity and energy output from all Projects plus the alternate capacity and energy so arranged for is at least equal to the amount of capacity and energy the requesting Participants are entitled to from the Projects until the Forecast Refueling Date of the respective Plant.

(d) At the time of fueling or refueling of any Plant, Supply System shall submit to the Participants' Committee for approval its determination for that Plant of (i) the next fueling date (Forecast Refueling Date), (ii) the kilowatt-hours of net energy available to each Participant to the Forecast Refueling Date (Energy Entitlement), (iii) the estimated cost per kilowatt-hour of each Participant's Energy Entitlement and (iv) the outage schedules for maintenance to the next refueling date. Supply System shall periodically review such determinations with the Participants' Committee, revise such determinations as necessary and submit them to the Participants' Committee for approval.

(e) Any Participant may require that the Forecast Refueling Date of a Plant be advanced or delayed and/or may use the Energy Entitlement of other Participants if such Participant (i) makes arrangements for delivery of alternative capacity and energy at the Plant point of delivery equivalent to the amount of capacity and energy which would have been available to such other Participants from their Participants' Shares if the Forecast Refueling Date for such Plant had not been advanced or delayed or such Energy Entitlement had not been used by the requiring Participant, or (ii) makes other arrangements acceptable to the affected Participants including, but not limited to, payments for Fuel used and/or making a portion of such requiring Participant's Share of Project Capability available for use by other Participants; provided, that neither the advancing or delaying of such Forecast Refueling Dates nor the use of another Participant's Energy Entitlement shall (i) adversely affect the availability of capacity and energy which any other Participant otherwise would have been entitled from such Project, or (ii) adversely affect any other Participant's costs for such capacity and energy.

(f) No Participant shall be entitled to proceed pursuant to Sections 9(d), 9(e) or 10(d) to the extent so proceeding would be contrary to the rights of Pacific under the Ownership Agreement unless such Participant has made arrangements with Pacific similar to those provided in such Sections.

(g) After reprocessing of a fuel batch removed from the core of a Plant, Supply System shall make and deliver to the Participant, a detailed final accounting for such fuel batch of all costs, payments and energy and for any credits or deficits attributable to any Participant.

(h) Supply System shall include on the Billing Statement for each Contract Year (i) a provisional charge for fuel equal to the estimated net cost to Supply System, included in the current Fuel Plan in accordance with Subsection (b) above, for providing the amount of fuel required to generate the Participant's Annual Energy Availability for such Contract Year, and (ii) any credits or debits attributable to the Participant necessary to adjust the provisional payment for the previous Contract Year to net actual Fuel costs for such year. Such adjustments shall take into account, among other things, the difference between estimated and actual Fuel cost recovery from the reprocessing of any Fuel batch during such year and any difference between the Participant's Annual Energy Availability and Participant's actual energy use from the Projects, but shall not take into account any energy adjustments between Participants made under Sections 9(d), 9(e) and 10(d).

10. Scheduling.

(a) Within the constraints of Section 9 and of this Section 10, each Participant shall be entitled to receive, as scheduled by it, all or any part of its Participant's Share. Supply System promptly shall notify each Participant of any significant change in Project Capability.

13.

(H-18)

Amendment 39
April 1977

(b) By 12:00 noon on each regular working day, each Participant acting singly or as a member of a group of Participants shall submit its hourly schedule for the following day to Supply System except that such schedule shall be submitted for a holiday, Saturday, Sunday, and for the first following regular working day by 12:00 noon on the regular working day immediately preceding. Such hourly schedules may be changed at any time; provided, that if the total requested changes in the level of operation of the Plants require a rate of change of the output of any Plant in excess of the lower of that prescribed either by the manufacturer's warranty or by the NRC operating license, each Participant whose scheduled rate of change is in excess of its Participant's Share of such lower prescribed limit shall be limited proportionately so that the total rate of change of such Plant does not exceed such lower prescribed rate of change for that Plant.

(c) In addition to forecasted refueling outages, Supply System shall schedule generating plant outages and submit them to the Participants' Committee for approval as to the time and duration thereof as far in advance as practicable. Notwithstanding the foregoing, any Plant may be shut down or its operation may be modified by Supply System to meet requirements of the NRC or other governmental agency having jurisdiction or to avoid hazard to the Plant or to any person or property.

(d) Except as otherwise provided herein, each Participant shall schedule energy from the Projects in such a manner that its Energy Entitlement is adequate to maintain its Participant's Share of Minimum Capability until the next Forecast Refueling Date; provided, that a Participant may require that one or more Plants not be operated during any period by arranging for delivery of alternative capacity and energy at such points of delivery to the Participants requesting operation equivalent to the amount of capacity and energy which would have been available to such requesting Participants from their Participants' Shares during such period, and such requesting Participants shall pay the supplying Participant a percentage of the amount of incremental savings which the requesting Participants realize from the displacement of energy from the Projects, which percentage and amount of savings shall be as agreed by the Participants involved; provided further, that requiring non-operation of any Plant will not (i) adversely affect the availability of capacity and energy to which any other Participant otherwise would have been entitled from such Project, or (ii) adversely affect any other Participant's costs for such capacity and energy.

If fulfilling the schedules submitted by the Participants would require operation of the Plants at an operating level below the Minimum Capability of any Plant, Supply System shall immediately notify all Participants. Unless otherwise agreed by the Participants as provided in the preceding paragraph, the Participants whose schedules are greater than their Participants' Shares of such Minimum Capability shall take energy as provided by such schedules, and the other Participants shall adjust their amounts to be taken proportionally to their Participants' Shares in an amount equal to the remainder of such Minimum Capability.

(e) When testing of Plant facilities requires generation, each Participant shall make provision for acceptance of its Participant's Share of such generation. Supply System will notify Participants of test schedules as far in advance as practicable.

(f) Reactive Power Scheduling. The Supply System shall, at the request of a Participant, supply or absorb reactive power, within the capability of a Project, in amounts as may be appropriate to integrate the Participants' Share of such Project into the Federal System or into any other system to which such Project is interconnected.

(g) Deviations. The parties shall hold deviations from schedule to a minimum and shall correct therefor as promptly as possible under conditions approximately equivalent to the conditions under which the deviation occurred. The amounts scheduled for delivery shall be deemed delivered.

(h) The parties shall coordinate their operating plans to the extent practicable so that Plant availability, Plant maintenance schedules and Plant Fuel Plans are consistent with the operating plans of the Participants, and to the extent required by the Ownership Agreement, Pacific.

11. Insurance.

Supply System shall maintain a force, for the benefit of the Projects and the Participants as their respective interests shall appear, as a Project expense, such insurance as will satisfy the requirements of the Bond Resolution and any other applicable statutes, and such other insurance as Supply System may provide with the written concurrence of Participants holding two-thirds or more of the total Participants' Shares. Subject to Section 13, any proceeds of such insurance received by Supply System for loss or damage to any Project shall be applied, to the extent necessary, to the costs or repair of such Project.

12. Training.

Supply System shall carry out a familiarization and training program to maintain adequate staff for the Projects and the expenses thereof shall be part of the direct or indirect costs of construction or costs of operation as appropriate.

13. End of the Projects; Termination Settlement

(a) As to Nuclear Project No. 4:

(i) The Project shall be terminated and Supply System shall cause it to be salvaged, discontinued, decommissioned, and disposed of or sold in whole or in part to the highest bidder(s) or disposed of in such other manner as Supply System and the Participants' Committee may agree when:

14.

(H-20)

Amendment 39
April 1977

(A) Supply System determines that it is unable to construct, operate or proceed as owner of such Project due to financing, licensing, construction or operating conditions or other causes which are beyond its control.

(B) Supply System with the written concurrence of members of the Participants' Committee representing two-thirds or more of the total Participants' Shares of Project Capability determines that such Project is not capable of producing energy consistent with Prudent Utility Practice.

(C) The Participants' Committee directs Supply System to terminate the Project pursuant to Section 18(a).

The date of termination shall be the earliest of the dates of the termination under subsections (A), (B) and (C) above.

(ii) After such termination, Supply System shall undertake the decommissioning of such Project. Supply System shall make monthly accounting statements to the Participant of all costs associated therewith. Such monthly accounting statements shall continue until such Project has been salvaged, discontinued, decommissioned and finally disposed of hereunder, at which time a final accounting statement shall be made by Supply System and such final accounting statement shall be made at the earliest reasonable time. The costs of decommissioning shall include, but shall not be limited to, all of Supply System's costs and liabilities resulting from Supply System's ownership, construction, operation (including cost of fuel), maintenance of and renewals and replacements to such Project and the costs of salvage, discontinuance and disposition or sale thereof.

(iii) The final accounting statement shall credit to the Participants, and deduct from any amount otherwise chargeable to them, the fair market value of any assets related to any Project then retained by Supply System. If the final accounting statement(s) show that the costs referred to in Subsection (ii) above exceed such credits after application by Supply System of all other funds available for such purpose, the Participant shall pay Supply System a sum determined by multiplying the amount shown to be due in Supply System's final accounting statement(s) by the Participant's Share.

(b) As to Nuclear Project No. 5, subject to the Ownership Agreement, Supply System shall comply with the provisions of Subsections (a) (i), (ii) and (iii) of this Section in substantially the same manner as if the properties and facilities comprising the Plants were wholly owned by Supply System.

(c) Upon termination of all of the Projects, Supply System shall make monthly accounting statements to the Participant until all Bonds have been paid or funds set aside for the payment or retirement thereof in accordance with the Bond Resolution.

14. Determination of Costs Associated With Nuclear Projects Nos. 1, 3, 4 and 5.

Costs solely attributable to the Plants shall be allocated to such Plants and costs solely attributable to Nuclear Projects Nos. 1 and 3 shall not be so allocated.

Costs not solely attributable to the Plants and attributable to both the Plants and Nuclear Projects Nos. 1 or 3 shall be allocated to the Plants on the basis of the proportion of respective benefit to the Plants or, if such proportion is not determinable, on the basis of an equal allocation between the Plants and Nuclear Projects Nos. 1 and 3, respectively.

15. Participants' Committee.

(a) Not more than 30 days after the date of this Agreement, and thereafter not less than 30 nor more than 60 days prior to July 1 of each succeeding third year, the Participants shall form the Participants' Committee, which shall be composed of not less than two nor more than seven members. Supply System shall give each Participant not less than 15 days' notice stating the time and place at which a meeting of representatives of the Participants shall be held for such purpose. Prior to the time of such meeting the Participant shall deliver a notice to Supply System of its designation of the person or entity (the "Representative") and an alternate (to serve in the absence or disability of any such Representative) to cast its vote for its Participants' Committee members. Each Representative shall be entitled to cast a vote equal to the Participants' Shares of the Participant(s) who designate such Representative and more than one Representative may vote for the same person or entity to be a Committee member. The persons or entities, up to seven, who receive the highest votes shall be members of the Committee; provided, where more than three Participants' Committee members are chosen, no person or entity shall serve who is chosen by Representatives entitled to vote an aggregate of less than 3% of the Participants' Shares. Each Participant shall designate a Committee member to represent its Participant's Share. Any vacancy on the Participants' Committee shall be filled by majority vote of the Participants' Shares of the Participants represented by such Committee member.

(b) Meetings of the Participants' Committee shall be held at least quarterly during the construction of the Projects and at least semi-annually thereafter. Committee meetings may be called by Supply System or the Committee Chairman or Committee member(s) representing 20% or more of the Participants' Shares; and timely notice of the time and place of, and agenda for, such meetings shall be given to each Committee member and the Participant. Each member of the Committee, or an alternate designated in writing by him, shall be entitled to a vote equal to the amount of the Participants' Shares represented by him. A Committee Member shall be entitled to separately vote any Participant's Share he represents and shall be obligated to vote as

16.

(H-22)

Amendment 39
April 1977

instructed by such a Participant to the extent of such Participant's Share. Members representing more than 50% of the Participants' Shares shall constitute a quorum. All meetings of the Committee shall be open to attendance by any person authorized by any of the Participants. Except as herein provided, the calling and holding of meetings of the Committee, and all of its other proceedings, including the giving of notices, shall be governed by rules adopted from time to time by members of the Committee entitled to vote two-thirds or more of the Participants' Shares. All actions by the Participants' Committee shall require a vote of members holding more than 50% of the Participant's Shares, except as otherwise provided in this Agreement.

(c) Except in the event of an emergency requiring immediate action, Supply System shall deliver to each member of the Participants' Committee a copy of each of the items listed below (as well as such other items as are required under the Agreement to be approved by the Participants' Committee) relating to each Project together with a statement identifying the general nature of the action proposed to be taken by Supply System thereon (referred to hereinafter as "proposal"). Whenever appropriate, Supply System shall also deliver itemized cost estimates and other details sufficient to support a comprehensive review, including but not limited to, a copy of all supporting reports, analyses, recommendations or other documents pertaining thereto. Copies thereof, or of any other documents relating to agenda items, shall be delivered to the Participant upon its request.

Determination of Minimum Capability.

Construction budgets and changes therein (Section 8(a)).

Award of any contract or approval of any change order, in either case in excess of \$2,000,000, or such other contracts as determined by the Participants' Committee.

Budgets of annual costs and revisions thereof (Section 8(b)).

Fuel Plan, changes therein, and determinations relating thereto (Section 9).

Operating schedules (Section 10).

Insurance coverage, including limits and choice of insurers (Section 11).

Estimates of costs of repair of damage to a Project if in excess of \$5,000,000, recommendation whether to repair in whole or in part or to remove from service and construction budget for repair of Project.

Sales of salvage materials in excess of such minimum amount as is established by the Participants' Committee.

Change of an architect-engineer.

Proposed Bond Resolutions.

Any proposal made by Participants' Committee members representing Participants' Shares voting rights of 20% or more.

Construction or acquisition of Nuclear Project No. 5 pursuant to Section 22(b) of the Ownership Agreement.

Repair of Nuclear Project No. 5 pursuant to Section 16(b) of the Ownership Agreement.

Increase in the Supply System's ownership interest in Nuclear Project No. 5 pursuant to Section 20 of the Ownership Agreement.

(d) With respect to Supply System proposals, unless within 15 days, except as otherwise provided herein, after delivery of such proposal notice is delivered to Supply System by Committee members representing 20% or more of the Participants' Shares stating that they disapprove of a designated proposal, the proposal shall be deemed approved. Any notice of disapproval shall segregate the items in the Supply System proposal so that the exact items of difference are identified; items in the proposal not specifically disapproved shall be deemed approved. Further, such notice of disapproval shall describe in what particular the proposal or item is not consistent with Prudent Utility Practice and recommend what would meet that standard.

(e) Upon receipt by Supply System of disapproval of a Supply System proposal or a proposal by Committee members representing 20% or more of the Participants' Shares or, a proposal by Pacific, pursuant to the Ownership Agreement, Supply System shall call a meeting of the Committee and if appropriate, Pacific, and shall not less than seven days prior to the date of such meeting, deliver a copy of such disapproval or proposals to each Committee member and, if appropriate, Pacific. If at such meeting any Supply System proposal is approved by Committee members representing 80% or more of the Participants' Shares and, if appropriate, by Pacific, the Supply System proposal shall be deemed approved. If such approval is not so obtained, then Supply System, Committee members representing 20% or more of the Participants' Shares or, if appropriate, Pacific may submit one or more proposals to the Project Consultant for review pursuant to Section 16.

(f) Review by the Participants' Committee referred to in Subsection (e) above shall be based solely on whether the proposal is consistent with Prudent Utility Practice.

(g) Supply System shall consider the recommendations of the engineering, accounting, legal and professional personnel engaged by Participants' Committee to monitor and audit the Projects, to make

periodic reports to the Committee and to perform such other reasonable services as may aid the Committee in the performance of its review functions and shall change the reasonable costs of any such services to such Project. Supply System shall pay such expenses and costs from the revenues of such Project or from Bond proceeds.

(h) Supply System shall submit the following additional Matters relating to the Projects to the Participants' Committee for recommendation and may proceed on such Matters only upon approval by Participants holding 80% or more of the Participants' Shares:

Substantial change of the site of a Project in conformity with Section 2.3 of the Bond Resolution.

Substantial change of the type or supplier of a nuclear steam supply system or turbine generators.

Extension of insurance to any additional unit or generating project.

Elective Capital Additions to a Project exceeding \$2,000,000 in any Contract Year.

(i) Supply System shall submit the Matter of a change of the type of steam supply system to the Participants' Committee for recommendation and may proceed on such Matter only upon unanimous approval by Participants.

16. Project Consultant.

(a) The Project Consultant shall be selected by agreement of Supply System, Committee members representing agreement of Supply System, Committee members representing 20% or more of the Participants' Shares and submitting a proposal or a disapproval pursuant to Section 15, and, if appropriate, Pacific. If agreement cannot be reached upon selection of the Project Consultant, within ten days after the meeting referred to in Section 15(e) or such additional time as agreed to by the above, then any such party may request the Chief Judge of the United States District Court for the Western District of Washington to appoint the Project Consultant.

If any Project Consultant so appointed fails, or is unable, to act or serve until a decision is rendered, his successor shall be appointed by agreement as provided herein, or by said Judge, as the case may be, who made the original appointment.

(b) Unless otherwise stipulated in writing by the parties to the proceeding, the Project Consultant shall commence a hearing within ten days after his appointment, shall conduct the proceeding expeditiously and shall render its decision within 30 days after the close of such hearing. The Project Consultant may receive any evidence that in its opinion will enable it to arrive at a fair and correct decision. The Project Consultant shall decide whether the Matter proposed by Supply System is in accordance with Prudent Utility Practice. If the

Project Consultant decides in the affirmative, the Supply System shall proceed as proposed by it. If the Project Consultant determines the Supply System's proposal is not in accordance with Prudent Utility Practice, it shall then consider the proposals of Pacific, if appropriate, and Committee members representing 20% or more of the Participants' Shares in the order designated by Supply System and determine if such proposal is in accordance with Prudent Utility Practice. If the Project Consultant determines any such proposal is in accordance with Prudent Utility Practice, Supply System shall proceed with such proposal and any remaining proposals shall not be considered. If the Project Consultant determines that none of the proposals conform with Prudent Utility Practice, it shall dismiss all proposals.

(c) If any proposal or item referred to the Project Consultant has not been resolved and will affect the continuous operation of the respective Project, Supply System shall continue to operate the Project.

17. Obligations in the Event of Default.

(a) Upon failure of the Participant to make any payment in full when due under this Agreement or to perform any obligation herein, Supply System may make demand upon the Participant, and if said failure is not cured within 10 days from the date of such demand it shall constitute a default at the expiration of such period.

(b) If the Participant in good faith disputes the legal validity of said demand, it shall make such payment or perform such obligation within said 10 day period under protest directed to Supply System. Such protest shall specify the reasons upon which the protest is based.

(c) If the Participant is a municipal corporation, upon default on the part of any other such Participant(s) which is a municipal corporation the Participant's Share shall be automatically increased for the remaining term of this Agreement pro rata with that of other such nondefaulting Participant(s) to the extent that such defaulting Participant(s) fails or refuses for any reason to perform its obligations under its Participants' Agreement, and the Participant's Share of such defaulting Participant(s) shall be reduced correspondingly; provided, that the sum of all such increases for the Participant pursuant to this Subsection shall not exceed, without consent of the Participant, an accumulated maximum of 25% of the Participant's Share.

(d) If the Participant is not a municipal corporation, upon default on the part of any other such Participant(s) which is not a municipal corporation, the Participant's Share shall be automatically increased for the remaining term of this Agreement pro rata with that of other such nondefaulting Participant(s) to the extent that such defaulting Participant(s) fails or refuses for any reason to perform its obligations under its Participants' Agreement, and the Participant's Share of such defaulting Participant(s) shall be reduced correspondingly; provided, that the sum of all such increases for the Participant pursuant to this Subsection shall not exceed, without consent of the Participant, an accumulated maximum of 25% of the Participant's Share.

(e) If the Participant shall fail or refuse to pay any amounts due to Supply System hereunder, the fact that other Participants have assumed the obligation to make such payments shall not relieve the Participant of its liability for such payments, and the Participants assuming such obligation, either individually or as a member of a group, shall have a right to recovery from the Participant. Supply System or any Participant as their interests may appear, jointly or severally, may commence such suits, actions or proceedings, at law or in equity, including suits for specific performance, as may be necessary or appropriate to enforce the obligations of this Agreement against Participants, which obligations shall include reasonable attorneys' fees in all trial and appellate courts.

18. Replacements, Repairs, Betterments and Capital Additions.

(a) Whenever the aggregate costs of (i) betterments or capital additions either necessary to achieve design capability, to improve operating reliability or to reduce unit power costs or required by governmental agencies and (ii) replacements or repairs exceeds \$3,000,000 ("Betterments and Repairs") for any Plant for any Contract Year as estimated by Supply System, relating to a Plant which has become continuously operable, Supply System shall submit to the Participants' Committee its plan, including but not limited to a financing plan and budget of expenditures for each such Betterments and Repairs; provided, that if such estimated aggregate cost of any such Betterments and Repairs exceeds 20 percent of the then depreciated value of the Plant, members of the Participants' Committee representing 80% or more of the Participants' Shares may direct that Supply System proceed to end the Project in accordance with Section 13 and as to Nuclear Project No. 5, the Ownership Agreement. If Supply System and the Participants' Committee cannot agree upon such estimated costs, such estimated costs shall be referred to and determined by the Project Consultant. If the Participants' Committee does not so direct Supply System to proceed to end the Project within 90 days from the date such estimated costs have been so agreed upon or determined, Supply System shall proceed with its plan and budget of expenditures for such Betterments and Repairs. Each such plan and budget, or updated or amended budget, relating thereto shall be submitted to the Participants' Committee and shall become effective at the time and in the manner provided in Section 8.

(b) If in any Contract Year the amounts for costs of construction in the applicable Annual Budget for Betterments and Repairs (less the amount of applicable reserves, if any, as provided in the Bond Resolution plus the proceeds of insurance, if any, available by reason of loss or damage to one or more Projects) exceed by 10% the applicable Annual Budget less such costs, and not including such reserves and insurance proceeds, Supply System in good faith shall use its best efforts to issue and sell Bonds to pay such excess in accordance with Section 4.

19. Energy Program.

(a) Supply System may expend not to exceed Fifty Million Dollars (\$50,000,000) of the proceeds of the Bonds pursuant to Section 6.12 of the Bond Resolution (the "Energy Program Proceeds") for studies and surveys necessary or appropriate to enable the Participants to determine the best method of serving the prospective needs of their customers for power and energy, including planning, engineering, siting, environmental, financial and economic studies and surveys relating to generation and non-generation alternatives, basic data collection, research, resources evaluation and work necessary to comply with the State Environmental Policy Act (Revised Code of Washington, Chapter 43.21C).

(b) Supply System may also expend Energy Program Proceeds for the design and engineering work necessary or appropriate to establish the economic, environmental, regulatory and technical feasibility of a specific energy resource and, incidental thereto, such expenditures may include the necessary costs of options for acquisitions of equipment, fuel and land, or rights thereto, and the costs of preparation, and presentation to proposed participants, of the environmental documents and agreements necessary or appropriate to finance such resource.

(c) Prior to any expenditures of Energy Program Proceeds Supply System shall prepare and deliver to the Participants' Committee a budget describing the items of expenditure and the estimated amounts to be expended therefor in each quarter and shall obtain approval of such budget by Committee members representing 80% or more of the Participants' Shares. Supply System shall prepare, and obtain such approval for, any amended budget necessary to reflect any substantial changes in such expenditures, prior to making such expenditures.

A monthly budget report shall be prepared by Supply System and delivered to the Participants' Committee showing by contract or major account the cumulative amounts committed and the cumulative amounts expended.

(d) Any agreements ("Purchase Agreements") entered into for the purchase and sale of shares of power and energy of any project developed with any Energy Program Proceeds shall contain the requirements that:

(i) In the event that such a project is terminated before proceeds of bonds or notes sold to finance such project are received by Supply System, the purchasers under the Purchase Agreements shall be obligated to pay any amounts expended or committed from Energy Program Proceeds for the project after the effective date of said Purchase Agreements plus the amount of any interest paid or accrued by Supply System on the portion of Energy Program Proceeds expended for a project, such amounts to be due within five years after the date of termination.

(ii) In the event that proceeds of bonds or notes secured by Purchase Agreements for such project are received by Supply System, Supply System shall apply an amount from such bond or note proceeds equal to the amount expended from Energy Program Proceeds for the project plus the amount of any interest paid or accrued by Supply System on the portion of Energy Program Proceeds expended for a project, as provided in Subsection (iii) below.

(iii) Supply System shall expend any amounts paid it under Subsections (i) and (ii) above to reduce the costs of construction or operation of the Projects, or pursuant to and subject to the limitations of this Section or for other proposes permitted by the Bond Resolution.

(e) Supply System covenants and agrees that is will enter into Purchase Agreement for any project developed with Energy Program Proceeds and proceed to issue and sell bonds or notes to finance such projects as soon as reasonably practicable.

(f) Supply System shall reserve or cause to be reserved for each Participant a share (the "Reserved Share") of the power and energy of any project developed with any Energy Program Proceeds. The Reserved Share of the Participant shall be equal to a fraction having (i) a denominator represented by the estimated amount of growth in power and energy requirements for all statutory preference customers of Bonneville for the five year period ending on the June 30 preceding the estimated date of continuous operation of such project and (ii) a numerator represented by the estimated amount of such growth of the Participant. Such estimates shall be provided by each such preference customer, subject to approval by the Participants' Committee.

(g) The Reserved Share of each Participant shall be made available by Supply System under a form of Purchase Agreement which will treat all Participants for whom power and energy are reserved hereunder on equal terms.

(h) Except as otherwise provided in this Section, the form of Purchase Agreement and all other matters reasonably required to implement this Section shall be governed by rules adopted by Supply System and approved by members of the Participants' Committee representing 80% or more of the Participants' Shares.

(i) Supply System shall use its best efforts promptly to secure a written waiver from each of its members to any preference right that the member may have under and pursuant to RCW 43.52.380 to purchase an amount of such reserved capability or output in excess of that provided for in this Agreement. The execution of this Agreement by a Participant who is a member of Supply System constitutes such waiver.

20. Uranium Bearing Lands Acquisition.

(a) Supply System may expend not to exceed \$45,000,000 of the proceeds of the Bonds pursuant to Section 6.13 of the Bond Resolution (the "Uranium Lands Proceeds") for (i) the identification and acquisition of uranium bearing lands, or any rights in or to such lands, including basic data collections, research, resources evaluation and other preliminary studies and work necessary or incidental thereto, and (ii) the design, engineering and other preliminary work or studies necessary or incidental to establish the economic, environmental, regulatory and technical feasibility of the extraction and processing of the uranium resources of such acquired uranium bearing lands, including but not limited to the preparation of necessary and appropriate planning, geological, engineering, mining, environmental, financial, economic and other preliminary surveys and studies, necessary to comply with the State Environmental Policy Act (Revised Code of Washington, Chapter 43.21C) and including any environmental documents and agreements necessary or appropriate to finance such extraction and processing.

(b) Prior to any expenditures of Uranium Lands Proceeds Supply System shall prepare and deliver to the Participants' Committee a budget describing the items of expenditure and the estimated amounts to be expended therefor in each quarter and shall obtain approval of such budget by Committee members representing 80% or more of the Participants' Shares. Supply System shall prepare, and obtain such approval for, any amended budget necessary to reflect any substantial changes in such expenditures, prior to making such expenditures.

A monthly budget report shall be prepared by the Supply System and delivered to the Participants' Committee showing by contract or major account the cumulative amounts committed and the cumulative amounts expended.

(c) Supply System shall make available to the Projects at its cost of development any uranium resources developed with any Uranium Lands Proceeds; provided that, subject to the approval of members of the Participants' Committee representing 80% or more of the Participants' Shares, Supply System, after making such provision as it deems necessary for the Projects, may make available all or any part of such resources, upon such terms and conditions as it may determine, to the Supply System's ownership interest in any of its other existing or future nuclear generating projects, to any system of Supply System relating to nuclear fuel, to Pacific for its ownership share in Nuclear Project No. 5 or to others. In the event of a disposition of uranium resources pursuant to this Section, including to the Projects, Supply System shall charge not less than an appropriate allocation of the amounts expended from the Uranium Lands Acquisition Fund for such resources. Supply System shall deposit in the Uranium Lands Acquisition Fund created pursuant to the Bond Resolution all monies received for such charges and such amounts shall be used by Supply System pursuant to and subject to the limitations of this Section or to reduce the costs of construction or operation of the Projects.

21. Modification and Uniformity of Agreements.

(a) This Agreement shall not be binding upon one of the parties hereto if it is not binding upon the other party hereto, but this Agreement shall not be subject to termination by any party under any circumstances, whether based upon the default of the other party under this Agreement, or any other instrument, or otherwise, except as specifically provided in this Agreement.

(b) This Agreement shall not be amended, modified, or otherwise changed by agreement of the parties in any manner that will impair or adversely affect the security afforded by the provisions of this Agreement for the payment of the principal, interest, the premium, if any, on the Bonds as they respectively become payable as long as any of the Bonds are outstanding and unpaid or funds are not set aside for the payment or retirement thereof in accordance with the Bond Resolution.

(c) If any Participants' Agreement is amended or replaced so that it contains terms and conditions different from those contained in this Agreement, Supply System shall notify the Participant and upon timely request by the Participant shall amend this Agreement to include similar terms and conditions.

22. Designation of Bonneville

The Participant may designate Bonneville as its agent to perform its obligations under Sections 6, 7, 9 and 10 but such designation shall not affect any of Participant's obligations hereunder.

23. Approval by Rural Electrification Administrator and Other Agencies.

If the Participant is a party to an agreement or other instrument pursuant to which approval of this Agreement by the Administrator of the Rural Electrification Administration is required as listed in Exhibit A, this Agreement shall not be binding upon any of the parties until it shall have been approved by him or his delegate. If Participant is a party to any other agreement or instrument pursuant to which approval of this Agreement by any agency is required and Participant so notifies Supply System prior to Supply System's execution of this Agreement, this Agreement shall not be binding upon any of the parties until it shall have been approved by any such agency.

24. Notices.

Any notice, demand, approval, proposal, protest, consent, direction or request provided for in this Agreement to be delivered, given or made to a Participant shall be deemed delivered, given or made on the date delivered in writing, in person or deposited in the United States mail by registered or certified mail, postage prepaid, return receipt requested, addressed to the person and at the address designated

25.

(H-31)

herein or in writing filed with the other Party. Any party may change such designation, at any time and from time to time, by giving notice to the other party as above provided. The address of the Supply System is: Managing Director, Washington Public Power Supply System, P. O. Box 968, Richland, Washington 99352.

25. Relationship to Other Instruments.

It is recognized by the parties hereto that Supply System in the ownership, construction, acquisition and operation of the Plants must comply with the requirements of the Ownership Agreement relating to WPPSS Nuclear Project No. 5, the Bond Resolution, and all licenses, permits and regulatory approvals necessary for such ownership, construction, acquisition and operation, and it is therefore agreed that this Agreement is made, and referrals to or any review or other action by the Participants' Committee hereunder shall be subject to the terms and provisions of the Ownership Agreement, the Bond Resolution and all such licenses, permits, and regulatory approvals.

Except as to the obligations under Sections 6 and 9 of the Option and Services Agreement, this Agreement supersedes such Agreement.

26. Severability.

Notwithstanding the provisions of Sections 19 and 20 or any provision of this Agreement relating to the review, determination, approval, disapproval or other action by the Participants' Committee or Project Consultant, it is, nevertheless, understood and agreed that the essential purpose of the Participant entering into this Agreement is to obtain from the Supply System its Participant's Share in order to serve its customers in the future. Accordingly, if any section, paragraph, clause or provision of this Agreement (including Sections 19 or 20 or any provision of this Agreement relating to any review, determination, approval, disapproval, or any other action, by the Participants' Committee or Project Consultant or its application to any Plant, Project or entity) shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement or its application to any other Plant, Project or entity shall be unaffected by such adjudication and all of the remaining provisions of this Agreement or its application to any other Plant, Project or entity shall remain in full force and effect as though such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein.

The parties agree that any event or condition which may occur which delays or prevents the construction or operation of one of the Plants shall not delay the construction of the other Plant.

26.

(H-32)

Amendment 39
April 1977

27. Assignment.

(a) This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns to this Agreement; provided, however, that neither this Agreement, nor any interest herein, shall be transferred or assigned by Supply System to any entity without consent of Participants representing 80% of the Participants' Shares, or transferred or assigned by the Participant if (i) in the opinion of counsel to Supply System such assignment or transfer would adversely affect the exemption from federal income taxation of the interest on the Bonds to the holders thereof or (ii) Supply System determines such assignment or transfer would adversely affect the operation of the Plants.

(b) No assignment of this Agreement, or any interest herein, by the Participant shall relieve it from any obligations hereunder.

(c) Upon request by the Participant, Supply System will use its best efforts to secure arrangements to dispose of all or any portion of the power and energy, including capability, to which the Participant is entitled under this Agreement, first, to entities in the Pacific Northwest region, and second, to any other entities; Supply System shall credit to the Participant's account any sums received by it pursuant to such arrangements.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this _____ day of _____, 1976.

WASHINGTON PUBLIC POWER
SUPPLY SYSTEM

ATTEST:

_____ By _____
Title _____ Managing Director

(SEAL)

Participant's Name

ATTEST:

_____ By _____
Title _____ Title _____

(SEAL)

TABLE OF PARTICIPANTS' PRELIMINARY SHARES

<u>Districts</u>	<u>Col. 1</u>	<u>Col. 2</u>
Public Utility District No. 1 of Benton County, Washington	.05460	_____
Central Lincoln People's Utility District	.02868	_____
Public Utility District No. 1 of Chelan County, Washington	.00828	_____
Public Utility District No. 1 of Clallam County, Washington	.01476	_____
Public Utility District No. 1 of Clark County, Washington	.10596	_____
Clatskanie People's Utility District	.00840	_____
Public Utility District No. 1 of Cowlitz County, Washington	.09816	_____
Public Utility District No. 1 of Douglas County, Washington	.00012	_____
Public Utility District No. 1 of Franklin County, Washington	.03144	_____
Public Utility District No. 2 of Grant County, Washington	.00624	_____
Public Utility District No. 1 of Grays Harbor County, Washington	.04740	_____
*Public Utility District No. 1 of Klickitat County, Washington	.01056	_____
Public Utility District No. 1 of Lewis County, Washington	.02172	_____
*Public Utility District No. 1 of Mason County, Washington	.00158	_____
Public Utility District No. 3 of Mason County, Washington	.01044	_____
Northern Wasco County People's Utility District	.00348	_____
Public Utility District No. 1 of Okanogan County, Washington	.00732	_____
Public Utility District No. 2 of Pacific County, Washington	.00912	_____
Public Utility District No. 1 of Pend Oreille County, Washington	.00432	_____
Public Utility District No. 1 of Skamania County, Washington	.00276	_____
Public Utility District No. 1 of Snohomish County, Washington	.14028	_____
*Tillamook People's Utility District	.00840	_____
Vera Irrigation District No. 10	.00276	_____
Public Utility District No. 1 of Wahkiakum County, Washington	.00132	_____
 <u>Cities</u>		
City of Bandon, Oregon	.00072	_____
City of Blaine, Washington	.00072	_____
City of Bonners Ferry, Idaho	.00204	_____
City of Burley, Idaho	.00204	_____
City of Canby, Oregon	.00564	_____
City of Cascade Locks, Oregon	.00072	_____
City of Centralia, Washington	.00708	_____
City of Cheney, Washington	.00132	_____
City of Coulee Dam, Washington	.00048	_____
City of Drain, Oregon	.00072	_____
City of Ellensburg, Washington	.00672	_____
City of Heyburn, Idaho	.00276	_____
City of Idaho Falls, Idaho	.00984	_____
Town of McCleary, Washington	.00132	_____
City of McMinnville, Oregon	.01044	_____
City of Milton-Freewater, Oregon	.00072	_____

Exhibit A

(H-34)

Amendment 39
April 1977

WNP-3 & WNP-5

City of Monmouth, Oregon	.00204	_____
City of Port Angeles, Washington	.00504	_____
City of Richland, Washington	.02112	_____
City of Rupert, Idaho	.00348	_____
City of Seattle, Washington	.11928	_____
City of Springfield, Oregon	.01896	_____
City of Steilacoom, Washington	.00156	_____
City of Sumas, Washington	.00024	_____
City of Tacoma, Washington	.11496	_____

Cooperatives

Alder Mutual Light Company	.00012	_____
*Benton Rural Electric Association	.00720	_____
*Big Bend Electric Cooperative, Inc.	.00552	_____
*Blachly-Lane Electric Cooperative Association	.00492	_____
*Central Electric Cooperative, Inc.	.01044	_____
Clearwater Power Company	.00348	_____
*Columbia Basin Electric Cooperative, Inc.	.00420	_____
*Columbia Rural Electric Association, Inc.	.00696	_____
*Consumers Power, Inc.	.01452	_____
*Coos-Curry Electric Cooperative, Inc.	.00624	_____
*Douglas Electric Cooperative, Inc.	.00552	_____
Elmhurst Mutual Power & Light Company	.00624	_____
Fall River Rural Electric Cooperative, Inc.	.00696	_____
Glacier Electric Cooperative	.00192	_____
Hood River Electric Cooperative, Oregon	.00324	_____
*Idaho County Light & Power Cooperative Association, Inc.	.00048	_____
*Inland Power & Light Company	.02412	_____
*Kootenai Electric Cooperative, Inc.	.00696	_____
*Lane Electric Cooperative, Inc.	.00828	_____
*Lincoln Electric Cooperative, Inc. (Montana)	.00048	_____
*Lincoln Electric Cooperative, Inc. (Washington)	.00204	_____
*Lost River Electric Cooperative, Inc.	.00144	_____
*Lower Valley Power & Light, Inc.	.00900	_____
*Midstate Electric Cooperative, Inc.	.00756	_____
*Missoula Electric Cooperative, Inc.	.00624	_____
*Nespelem Valley Electric Cooperative, Inc.	.00048	_____
*Northern Lights, Inc.	.00552	_____
Ohop Mutual Light Company	.00096	_____
*Okanogan County Electric Cooperative, Inc.	.00048	_____
*Orcas Power and Light Company	.00696	_____
Parkland Light & Water Company	.00144	_____
*Prairie Power Cooperative, Inc.	.00096	_____
*Raft River Rural Electric Cooperative, Inc.	.00420	_____
*Ravalli County Electric Cooperative, Inc.	.00252	_____
Rural Electric Company	.00096	_____
Salem Electric	.00492	_____
Salem River Electric Cooperative, Inc.	.00096	_____

*Tanner Electric	.00108	_____
*Umatilla Electric Cooperative Association	.03840	_____
Unity Light and Power Company	.00144	_____
*Vigilante Electric Cooperative, Inc.	.00312	_____
*Wasco Electric Cooperative, Inc.	.00144	_____
*Wells Rural Electric Company	.00048	_____
*West Oregon Electric Cooperative, Inc.	.00144	_____
	1.20000	

*Approval of Agreement by Rural Electrification Administration required.

EXHIBIT B

DESCRIPTION OF PLANTS

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

Nuclear Project No. 4

The Washington Public Power Supply System's Nuclear Project No. 4 comprises a nuclear generating plant and associated facilities having an installed nameplate rating of approximately 1,250 MW. The Project will be located within the United States Energy Resources and Development Administration's Hanford Reservation in Benton County, Washington, about 2.5 miles west of the Columbia River at river mile 352 in Section 3, 4, 33 and 34, Townships 11 North and 12 North, Range 28 East, Willamette Meridian, Benton County, State of Washington, such site being about 0.7 miles east and 0.3 miles north of the Washington Public Power Supply System Nuclear Project No. 2 presently under construction, about 12 miles north of the City of Richland, Washington.

Nuclear Project No. 5

The Washington Public Power Supply System's Nuclear Project No. 5 comprises a nuclear generating plant and associated facilities having an installed nameplate rating of approximately 1,240 MW. The Project will be located in Section 17 of Township 17 North, Range 6 West, Willamette Meridian, Grays Harbor County, State of Washington, about 3 miles south of Satsop, Washington, and about 17 miles east of Aberdeen, Washington.

Exhibit B

(H-37)

WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 5
AGREEMENT
PACIFIC POWER & LIGHT COMPANY
and
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
(Ownership Agreement)

WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECT NO. 5
AGREEMENT
PACIFIC POWER & LIGHT COMPANY
and
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
(Ownership Agreement)

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Recitals	1
1. Definitions	2
2. Ownership and Waiver of Partition	5
3. Approvals of Pacific	6
4. Project Consultant	8
5. Construction Budget	9
6. Construction Payments	10
7. Construction, Licensing, Operation and Maintenance	10
8. Annual Costs -- Budgets	11
9. Operating Trust Account	12
10. Fuel	12
11. Scheduling	14
12. Accounting	15
13. Insurance	16
14. Liabilities; Waiver of Subrogation	16
15. Uncontrollable Forces	17
16. Damages to the Project	17
17. Default	18

18. Elective Capital Additions	19
19. Investment	19
20. Assignments	19
21. Training	20
22. End of Project	20
23. Notices	21
24. Provisions Relating to Delivery	21
25. Personal Covenants; Rule Against Restrictions on Alienation	22
26. Determination of Costs Associated with Project and Project No. 3	22
27. Construction of Agreement	22
28. Additional Documents	22
Exhibit A - Description of Plant Real Property (to be added)	
Exhibit B - Project Description	24

THIS IS AN AGREEMENT between WASHINGTON PUBLIC POWER SUPPLY SYSTEM, a municipal corporation of Washington, herein called Supply System, and PACIFIC POWER & LIGHT COMPANY, a Maine Corporation, herein called Pacific; each individually called Party, and collectively called the Parties.

RECITALS

On September 17, 1973, the Parties, and other investor-owned utility corporations, entered into an Ownership Agreement pursuant to RCW 54.44, as amended, for the undivided ownership of a nuclear plant for the generation of electricity of approximately 1,100 megawatts net electric capacity and related facilities and property, all comprising a project designated as Washington Public Power Supply System Nuclear Project No. 3 (Project No. 3), and for the planning, financing, acquisition, construction, operation and maintenance thereof.

Thereafter, Supply System acquired a site in the State of Washington for such project and has proceeded with the performance of said Ownership Agreement by way of entering into certain contracts relating to Project No. 3, filing applications for required licenses and permits to construct, operate and maintain said project and taking other actions as provided in said Ownership Agreement.

Pursuant to Section 25 of said Ownership Agreement, Supply System has decided to construct and operate, jointly with Pacific, on the Plant Real Property (defined herein), an additional nuclear generating unit consisting of a nuclear plant of approximately 1,240 megawatts net electric capacity and related facilities and property, all comprising a project to be known as the Washington Public Power Supply System Nuclear Project No. 5 (hereinafter called and defined as the Project), under terms and conditions substantially similar to those set forth in said Ownership Agreement.

In order to achieve the economies of scale, the Parties now enter into the following Ownership Agreement (hereinafter called the Project No. 5 Ownership Agreement) pursuant to RCW 54.44, as amended, for the undivided ownership of the Project and for the planning, financing, acquisition, construction, operation and maintenance thereof.

Supply System is organized under the laws of the State of Washington (RCW 43.52) and authorized by law to construct, acquire, operate and maintain works, plants and facilities for the generation and/or transmission of electric power and energy, including capability. Pacific is an investor-owned electric utility corporation subject to regulation by the states of Oregon, Washington, Wyoming, Idaho, Montana and California.

All as hereinafter provided: Each Party shall own a percentage of the Project and shall furnish a like percentage of the money or the value of property for the acquisition and construction thereof, and shall own and control a like percentage of the electrical output thereof. Each Party shall defray its own interest and other payments required to be made or deposited in connection with any financing undertaken by it to pay its percentage of the money furnished or value of property supplied by it for the planning, acquisition, construction and operation of the Project, or any additions or betterments thereto, a uniform method being provided herein for determining and allocating operation and maintenance expense of the Project.

NOW, THEREFORE, the Parties mutually agree as follows:

1. Definitions. The singular of any term in this Agreement shall encompass the plural, and the plural the singular, unless the context indicates otherwise.

(a) "Annual Costs" means all Project costs, except Fuel Costs, included in any budget or revised budget of Annual Costs which has been approved or incurred under Section 8(b), and allocable to (1) Operation and Maintenance Expense Accounts as such accounts are described in the Uniform System of Accounts, (2) elective capital additions made pursuant to Section 18, and (3), beginning on the Date of Continuous Operation, repairs, renewals and replacements necessary to assure design capability, and modifications, betterments and additions required by governmental agencies. Annual Costs shall also include an appropriate allocation of Supply System administrative and general costs. Credits relating to such costs shall be applied to Annual Costs when received.

(b) "Bonneville" means the Bonneville Power Administration, a bureau of the Department of the Interior of the United States of America.

(c) "Contract Year" means the period commencing on the Date of Continuous Operation and ending at 12 midnight on the following June 30, and thereafter means the 12-month period commencing each year at 12 midnight on June 30, except that the last Contract Year shall end on the date of termination of this Agreement.

(d) "Costs of Construction" means all costs allocable to the planning, acquisition and construction of the Project and of making it ready for operation (excluding Fuel Costs and allowance for funds used during construction (interest during construction)), after giving appropriate consideration to credits relating to costs of construction, sales of salvage materials and interest received on monies deposited in the Construction Trust Account referred to in Section 6 hereof. Without limiting the generality of the foregoing such costs shall include:

(1) Preliminary investigation and development costs, engineering, contractors' fees, labor, materials, equipment and supplies, operator and other personnel training, testing, legal costs and all other costs properly allocable to construction.

(2) All costs of insurance obtained pursuant to Section 13(a) hereof and applicable to the period of construction.

(3) All costs relating to injury and damage claims arising out of the construction of the Project less proceeds of insurance maintained in accordance with Section 13(a) hereof.

(4) All Federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with the construction of the Project, except any tax or payment in lieu of taxes assessed or charged directly against any individual Party unless such tax or payment was assessed or charged to the individual Party on behalf of the Project.

(5) The cost of all services, including an allocation of administrative and general expenses, performed by or at the request of Supply System which are directly applicable to Project construction.

(6) An appropriate allocation of administrative and general costs of Supply System applicable to Project construction to the extent such costs are not otherwise chargeable pursuant to this Subsection (d).

(f) "Date of Continuous Operation" means the date fixed by Supply System when the Project is ready to be operated and its output scheduled on a commercial basis.

(g) "Fuel" means nuclear fuel and rights relating thereto.

(h) "Fuel Costs" means all costs attributable to the supply, transportation, storage, processing, installation and reprocessing of Fuel, including all direct labor costs related thereto and an appropriate allocation of administrative and general costs, but excluding allowance for funds used during construction. Credits relating to Fuel shall be applied to Fuel Costs when received.

(i) "Matter" means any subject, or any aspect thereof, arising out of or relating to the interpretation of performance of this Agreement, including any proposal that may be made by a Party.

(j) "Minimum Capability" means the minimum electrical generating capability of the Project determined by Supply System but not less than the minimum generation permitted by the manufacturer's recommendations or by the terms of the NRC operating license, whichever is higher.

(k) "NRC" means the United States Nuclear Regulatory Commission and such successor agencies as shall have responsibility for licensing or regulating nuclear electric generating plants.

(l) "Ownership Share" means the percentage specified in Section 2 or such percentage adjusted pursuant to Sections 16(b) and 22(b).

(m) "Participants" means the entities which have entered into the Participants' Agreements with the Supply System described in Section 4(a).

(n) "Plant Real Property" means real property, or any rights in or to real property, heretofore or hereafter acquired at the site for Project No. 3 and any additional real property or rights in or to such real property which may be acquired as the site for the Project. A description of the Plant Real Property will be attached as Exhibit A when determined pursuant to Section 3(j) (i) of the Project No. 3 Ownership Agreement.

(o) "Project" means the nuclear generating plant and related property known as the Washington Public Power Supply System Nuclear Project No. 5 as described in Exhibit B. Exhibit B may be revised from time to time by mutual agreement of the Parties.

(p) "Project Capability" at any time means the actual net electrical generating capability of the Project at such time.

(q) "Prudent Utility Practice" at a particular time means any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition, Prudent Utility Practice shall apply not only to functional parts of the Project, but also to appropriate structures, landscaping, painting, signs, lighting, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding, and acceptance of the Project. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts. In evaluating whether any Matter conforms to Prudent Utility Practice, Supply System and any Project Consultant chosen pursuant to Section 4 hereof shall take into account:

(i) The fact that Supply System is a municipal corporation and operating agency under the laws of the State of Washington, with prescribed statutory duties and responsibilities; and

(ii) The objectives to integrate the Project Capability with the generating resources, primarily of the Participants and Pacific, including such resources and electric power and energy purchased under contract, and secondarily of the Federal System, and to achieve optimum utilization of the resources and achieve efficient and economical operation of each system, primarily as to the Participants and Pacific and secondarily as to the Federal System.

(r) "Uniform System of Accounts" means the Federal Power Commission Uniform System of Accounts prescribed for public utilities and licenses in effect on January 1, 1970 as amended to September 17, 1973.

2. Ownership and Waiver of Partition. (a) The Project shall be owned by the Parties as tenants in common, with each Party's respective undivided interest being in the following percentage (Ownership Share), except as modified pursuant to Sections 16(b) and 22:

<u>Party</u>	<u>Percentage Ownership Share</u>
Supply System	90%
Pacific	10%

(b) Each Party promptly and with all due diligence shall take all necessary actions and seek all regulatory approvals, licenses and permits necessary to carry out its obligations under this agreement.

(c) So long as the Project, or any part thereof as originally constructed, reconstructed or added to, is used or useful for the generation of electric power and energy, or to the end of the period permitted by applicable law, whichever first occurs, the Parties waive the right to partition whether by partition in kind or sale and division of the proceeds thereof and agree that during said time they will not resort to any action at law or in equity to partition and further that for said time they waive the benefit of all laws that may now or hereafter authorize such partition of the properties comprising the Project.

(d) The duties, obligations and liabilities of the Parties are intended to be several and not joint or collective, and none of the Parties shall be jointly or severally liable for the acts, omissions, or obligations of any of the other Parties. No provision of this agreement shall be construed to create an association, joint venture, partnership, or impose a partnership duty, obligation or liability, on or with regard to any one or more of the Parties. No Party shall have a right or power to bind any other Party without its or their express written consent, except as expressly provided in this agreement.

(e) Each Party and its designees shall have the right to go upon and into the Project at any time subject to the rules and regulations of public authorities having jurisdiction thereof and to the necessity of efficient and safe construction and operation of the Project, but Supply System shall have possession and control of the Project for all the Parties.

(f) In order to provide unified management of the Project, Pacific authorizes and designates Supply System, and Supply System agrees to act, as its agent, to construct, operate and maintain the Project under the terms of this Agreement. The Parties agree that such agency relationship shall not be changed without unanimous written consent of the Parties.

(g) In construction and operation of the Project, each Party shall act without compensation other than reimbursement of costs and expenses as provided herein.

3. Approvals of Pacific. (a) Supply System shall keep Pacific informed of all significant Matters with respect to planning, construction, operation or maintenance of the Project (including without limitation, plans, specifications, engineering studies, environmental documents, budgets, Fuel Plans, estimates and schedules) and when practicable, in time for Pacific to comment thereon before decisions are made, and shall confer with Pacific during the development of any of Supply System's proposals regarding such Matters when practicable to do so. Upon request of Pacific, Supply System shall furnish or make available to it, with reasonable promptness and at reasonable times, any and all other information relating to the planning, construction, operation or maintenance of the Project.

The Parties shall meet regularly, but not less often than once in each calendar quarter.

(b) Supply System shall submit each of the Matters listed below to Pacific for approval; provided that, no approval by Pacific under this Agreement shall be required as to any Matters relating to the Project which are the same as to Project No. 3 and approved by the Committee established by, and pursuant to the provisions or such Matters as are determined by the Special Board under Section 4 of such Agreement.

Determination of Minimum Capability (Section 1(j)).

Construction budgets and changes therein (Section 5).

Any increase in the working fund in the Construction Trust Account (Section 6(b)).

Budgets of Annual Costs (Section 8(a)) and revisions thereof (Section 8(b)).

Any increase in the working fund in the Operating Trust Account (Section 9(b)).

Fuel Plan, changes therein and determinations relating thereto as provided in Section 10.

Scheduled outages as provided in Section 11(c).

Insurance coverage, including limits and choice of insurers (Section 13).

Estimate of cost of repair or damage to the Project (Section 16(a)) if in excess of \$1,000,000, and estimate of the value of the Project without repair (Section 16(b)).

Sales of salvage materials in excess of such minimum amount as is agreed to by the Parties.

Determination of appropriate administrative and general allocations for Annual Costs, Costs of Construction and Fuel Costs.

(c) All proposals of Supply System relating to Matters regarding the planning, construction, operation or maintenance of the Project submitted to Pacific under any provisions of this Agreement shall include itemized cost estimates and other detail sufficient to support a comprehensive review, including, but not limited to, a copy of all supporting reports, analyses, recommendations or other documents pertaining thereto.

(d) If any Matter submitted to Pacific under subsection (b) above is not approved within 30 days after the original submittal to Pacific, or within such longer time as the Parties may agree to, then Pacific shall specify in a written statement its reasons for declining approval, and shall also state therein what alternative is acceptable to it. Such statement shall be submitted to the Supply System within 10 days after expiration of such 30-day period or such longer period as the Parties may agree to.

Immediately after receipt from Pacific of the written statement pursuant to the preceding paragraph, Supply System may refer the disputed Matter to the Project Consultant for a decision pursuant to Section 4 of this Agreement. If Supply System elects not to do so and does not submit an alternative proposal, or if pursuant to Section 8(b) Supply System continues to operate the Project without an approved budget of Annual Costs, Pacific may refer such matter to the Project Consultant for decision pursuant to Section 4.

(e) Supply System shall submit the following Matters to Pacific and shall not proceed without the approval of Pacific:

- (i) Change in site of the Project.
- (ii) Change in type of steam supply system.
- (iii) Change in method of heat disposition.
- (iv) Award of contracts for changed type or supplier of steam supply system and turbine generators.
- (v) Change of architect-engineer.
- (vi) Elective capital additions to the Project.
- (vii) Change of construction manager.

Pacific hereby approves: (i) the site of the Project described in Exhibit B hereto, (ii) the selection of Ebasco Services, Incorporated as architect-engineer and construction manager for the Project, (iii) the award of the contracts for the nuclear steam supply

system and the turbine-generators to Combustion Engineering Co. and Westinghouse Electric Co., respectively, and all other contracts listed as awarded in the initial Construction Budget delivered to Pacific pursuant to Section 5; and (iv) the selection of evaporative cooling towers as the method of heat disposition.

4. Project Consultant. (a) Except as otherwise provided in this Agreement, either Party (the "notifying Party") may refer any Matter which fails to receive the required approval of Pacific to a Project Consultant for decision by serving notice on the other Party. Such notice shall specify in reasonable detail the Matter to be submitted to the Project Consultant and the Party's position on the Matter. Within ten (10) days after such notice is given the other Party shall deliver a notice to the notifying Party stating its position on the Matter to be submitted and within five days thereafter Supply System and Pacific shall agree to such consultant.

If any proposal submitted by Supply System to Pacific or the Participants' Committee or submitted by Pacific or by the Participants' Committee to Supply System pertains to a matter which requires both the approval of the Participants' Committee and Pacific, and if the proposal is not approved by Supply System, Pacific and the Participants' Committee, and the Participants' Agreements and this Agreement provide for the appointment of a project consultant to resolve such matters, then the procedure for the resolution of the matter shall be that set forth in Sections 15 and 16 of the Participants' Agreements and this procedure shall supersede the procedure set forth in Subsections (b), (c) and (d) of this Section.

As used in this subsection, "Participants' Agreements" means the agreements to which Supply System is a party and containing provisions substantially in the form of Sections 15 and 16 of the agreements entitled "Washington Public Power Supply System Nuclear Projects Nos. 4 and 5 Participants' Agreement" (a draft of which dated April 15, 1976, is on file with Pacific) and "Participants' Committee" means the committee established pursuant to Section 15 of said agreements.

(b) If Supply System and Pacific fail to agree upon the appointment of the Project Consultant within the time specified above, any Party, after three days' notice to the other Party, may apply to the Chief Judge of the United States District Court for the Western District of Washington, for appointment by him of the Project Consultant. Such judge shall be requested to appoint an individual of national reputation having demonstrated expertise in the field of the Matter submitted to the Project Consultant.

(c) If any Project Consultant so appointed fails, or is unable, to act or serve until his decision is rendered, his successor shall be appointed by the Parties or by said Judge, as the case may be, who made the original appointment.

(d) Unless otherwise stipulated in writing by the Parties, the Project Consultant shall commence a hearing within ten days after its appointment, shall conduct the proceeding expeditiously and render its decision within thirty days after the close of such hearing. The Project Consultant may receive any evidence that in its opinion will enable it to arrive at a fair and correct decision. The Project Consultant shall decide whether the Matter proposed by Supply System is in accordance with Prudent Utility Practice. If the Project Consultant decides in the affirmative, Supply System shall proceed as proposed by it; if in the negative, Supply System shall not so proceed. The decision of the Project Consultant shall be final and conclusive.

(e) Pacific may submit any proposal to Supply System which conforms with Prudent Utility Practice and the requirements imposed on Supply System under Subsection 3(c) by serving a copy of it on Supply System. Within 15 days after receipt of such proposal, Supply System may submit one or more written alternative proposals. Such an alternative proposal may be that the Project continue to be constructed, operated and maintained, as the case may be, as previously planned; failure of Supply System to submit a written proposal to Pacific or to the Project Consultant shall be treated for all purposes of this section 4(e) as if Supply System had submitted a written alternative proposal to such effect.

If the Parties do not agree on a proposal within sixty days, any Party may submit its proposal to a Project Consultant to be appointed pursuant to Sections 4(a) and (b). Such Consultant shall then consider Supply System's proposal and determine if its proposal is in accordance with Prudent Utility Practice. If the Project Consultant so determines Supply System shall proceed accordingly and Pacific's proposal shall be dismissed. If such Consultant determines Supply System's proposal is not in accordance with Prudent Utility Practice it shall then consider the proposal of Pacific and determine if such proposal is in accordance with Prudent Utility Practice. If the Project Consultant determines such proposal is in accordance with Prudent Utility Practice, Supply System shall proceed with the proposal. If the Project Consultant determines that none of the proposals conform with Prudent Utility Practice, it shall dismiss all proposals.

(f) The costs of the proceeding hereunder, including compensation for the Project Consultant and the reasonable costs incurred by each Party in connection with the proceeding, shall be Costs of Construction or Annual Costs, as appropriate.

5. Construction Budget. An initial budget effective January 1, 1976, setting forth the preliminary estimate of amounts expected to be expended for Costs of Construction in each month for calendar year 1976 and each quarter thereafter to the completion of construction has been submitted by Supply System to Pacific with an estimated cash flow schedule for each of said months and quarters; said initial budget and schedule are hereby approved. By October 1 of each year until completion of construction, Supply System shall submit to Pacific for approval

an updated budget and cash flow schedule, supported by detail adequate for the purpose of comprehensive review, describing the items of Costs of Construction and of the amounts expected to be expended therefor in each month during the next twenty-four months and each quarter thereafter until completion of construction. Construction budget and cash flow schedules shall be changed by Supply System from time to time as necessary to reflect substantial changes in construction schedules, plans, specifications or costs, and when so changed shall be submitted to Pacific for approval.

6. Construction Payments. (a) Supply System shall establish a separate trust account (Construction Trust Account) in a bank located in the State of Washington and having qualifications meeting all requirements imposed upon depositories for any of the Parties. Moneys for Costs of Construction of the Project shall be deposited therein and, except as provided in Section 19, Supply System shall withdraw and apply funds therefrom only as necessary to pay Costs of Construction.

(b) Upon the date of execution and delivery of this Agreement each Party shall pay into the Construction Trust Account its Ownership Share of a working fund of \$100,000 and Pacific shall pay to Supply System Pacific's Ownership Share of the Costs of Construction, Fuel Costs and allowance for funds used during construction, and incurred by Supply System to such date. If Supply System proposes any larger amount of such working fund it shall submit its proposal to Pacific for approval. Thereafter each Party shall continue to maintain its Ownership Share of such fund in the amount stated, or in such larger amount as may be approved by the Parties.

(c) Except as otherwise agreed to by the Parties, Supply System will, at least seven days prior to the date set for a meeting of Supply System's Board of Directors or Executive Committee, give Pacific a schedule of the Costs of Construction and reimbursement of the working fund expected to be paid on the Monday following such meeting if held on Friday, or on the next business day if such meeting is held on any other day, and each Party shall deposit its Ownership Share of the amounts to be paid in the Construction Trust Account on the day of such payment, whether or not such amounts are specified in the budget.

(d) Upon completion of the Project, acceptance thereof by Supply System and settlement of all the obligations relating to construction, Supply System shall close the Construction Trust Account and distribute to Pacific its Ownership Share of any balance remaining.

7. Construction, Licensing, Operation and Maintenance. (a) Supply System shall take whatever action is necessary or appropriate to seek and obtain all licenses, permits and other rights and regulatory approvals necessary for the construction, operation and maintenance of the Project, on behalf of itself and Pacific.

(b) Supply System shall prosecute construction of the Project in accordance with Prudent Utility Practice, NRC licensing requirements, any applicable Federal or state laws and regulations thereunder, and plans and specifications for the Project prepared or recommended by the Project architect-engineer and so as to schedule the Date of Continuous Operation as near as may be to April 1984.

(c) Supply System shall operate and maintain the Project in accordance with Prudent Utility Practice, giving due consideration to the recommendations of Pacific and the manufacturer's warranty requirements.

(d) Supply System shall operate and maintain the Project in such a manner as to meet the requirements of the NRC and other government agencies having jurisdiction in any given Matter, to safeguard the health and safety of persons and safety of property, and, as necessary in the normal course of business, to assure the continued operation and maintenance of the Project.

(e) Supply System shall award contracts for the construction, operation and maintenance of the Project in a manner designed to result in the least over-all cost consistent with standards of high quality. Contracts may be lump sum or unit price, and may also contain incentive and liquidated damages clauses. Supply System shall advertise for bids and award contracts or reject all bids after appropriate evaluation and review in accordance with applicable laws of the State of Washington; provided, however, that prior to making commitments thereon Supply System shall submit to Pacific for approval each proposed contract award or change order, in either case, for any amount in excess of \$500,000.

8. Annual Costs -- Budgets. (a) At least four months prior to the expected Date of Continuous Operation, Supply System shall submit to Pacific for approval a budget of the Annual Costs, except Fuel Costs, but including administrative and general expenses relating to operation and Fuel, for each month from the expected Date of Continuous Operation to the end of the next succeeding Contract Year. Thereafter, by April 1 of each year, Supply System shall submit to Pacific for approval a similar budget for the next two succeeding Contract Years, which budget shall take into account the cumulative difference between payments into and expenditures from the Operating Trust Account established pursuant to Section 9 hereof up to the preceding April 1 and provide for restoration, as necessary, of the working fund. Each budget of Annual Costs shall be supported by detail adequate for the purpose of comprehensive review and shall show, among other things, staffing allocations and services of the Parties and Capital Additions.

(b) The effective budget of Annual Costs shall be changed as necessary to reflect changed circumstances, and when such changed circumstances become known, and prior to expenditure of any funds not contemplated in the effective budget of Annual Costs (except as otherwise provided hereafter in this subsection), Supply System shall submit promptly a revised budget to Pacific for approval. Unbudgeted expenditure made by Supply System in an emergency or to protect the safety of persons or property shall be Annual Costs as incurred. Other expenditures necessary in the normal course of business for the continued safe operation and maintenance of the Project, which are made by Supply System prior to Pacific's approval of a budget of Annual Costs, or a revision thereof, shall be Annual Costs as incurred.

9. Operating Trust Account. (a) Supply System shall establish a separate trust account (Operating Trust Account) in a bank located in the State of Washington and having qualifications meeting all requirements imposed upon a depository for any of the Parties. Each Party shall deposit therein its payments on account of Fuel Costs determined pursuant to Section 10(e) in funds available for withdrawal by 10:30 a.m. on the business day payments are to be made by Supply System for Fuel Costs.

(b) Prior to the Date of Continuous Operation each Party shall deposit in such Account its Ownership Share of a working fund in the amount of \$50,000. If either Party proposes any different amount it shall submit its proposal to the other Party for approval. All moneys received by Supply System under the terms of this Agreement, except Costs of Construction and receipts related to Construction, shall be deposited in such Account.

(c) At the request of Supply System, each Party shall deposit as required in the Operating Trust Account such Party's Ownership Share of the portion of Annual Costs to be paid by Supply System.

10. Fuel. (a) Supply System shall arrange for Fuel in amounts so that each Party may utilize its Ownership Share of the Project in a manner which such Party estimates will be best suited to its individual system needs. Except, as otherwise provided by Fuel Plans approved by Pacific and subject to approval by Supply System, Pacific may arrange for Fuel in amounts sufficient to enable it to utilize its Ownership Share of the Project.

(b) Pacific hereby approves the ten-year Fuel management plan, dated July 18, 1975, a copy of which is on file with Pacific. By April 1 of each year until the Date of Continuous Operation, Supply System shall prepare and submit to Pacific for approval a ten-year Fuel management plan (Fuel Plan). Each year thereafter, the Fuel Plan shall be submitted with each budget of Annual Costs beginning with the first such budget. Each Fuel Plan shall be prepared after consideration of the Fuel supply arrangements, power generating requirements and other operations aspects of the Project.

Supply System shall consult with Pacific, and shall prepare the Fuel Plan consistent with Subsection 10(a). Each Fuel Plan shall describe in detail each contemplated action and payment and the dates thereof, as well as core usage and design burnup, and estimated fueling dates. It shall include a cash flow analysis of forecasted expenditures and credits for each Party for each major component of the Fuel cycle by years, for the entire period, and cash flow by months, for the first five years of the period.

Pacific shall furnish to Supply System, as requested, forecasts of its generation requirements from the Project. Supply System shall use such forecasts in preparing each Fuel Plan. Supply System shall amend the Fuel Plan as reasonably required to reflect changes in conditions unforeseen at the time the Fuel Plan was prepared, and shall submit such amended Fuel Plan to Pacific for approval. Supply System shall secure Fuel and refuel the Project in a manner which implements the Fuel Plan to the extent reasonably practicable.

(c) The forecasted generation requirements of each party shall be at least sufficient to insure operation at Minimum Capability to the Forecast Refueling Date unless a Party has arranged, pursuant to Subsection 11(d) for the delivery of alternative capacity and energy to the Party requesting operation.

(d) At the time of each fueling, Supply System shall submit to Pacific for approval its determination of (i) the next fueling date (Forecast Refueling Date), (ii) the kilowatt-hours of net energy available to each Party to the Forecast Refueling Date (Energy Entitlement), (iii) the cost per kilowatt-hour of its Energy Entitlement, and (iv) the outage schedule for maintenance. Each Party's Energy Entitlement shall equal as nearly as practicable such Party's forecasted generation requirements. Supply System shall periodically review such determinations with Pacific, revise such determinations as necessary and submit them to Pacific for approval.

(e) Each Party shall pay its share of the amounts of Fuel Costs as appropriate to the Fuel Plan and at the time required by Section 9(a).

Each Party shall have the right to make whatever arrangements it may desire, whether by lease, security transaction, or otherwise, for the discharge of its Fuel payment obligation so long as such arrangements do not impair the rights of any other Party. Supply System shall disburse each payment relating to Fuel, when due, from the Operating Trust Account.

(f) Each Party shall receive appropriate net Fuel recovery credits, as determined by Supply System.

(g) Any Party may require that the Forecast Refueling Date be advanced or delayed and/or may use the Energy Entitlement of the other Party if such Party (1) makes arrangement for delivery of alternative capacity and energy at the Project point of delivery equivalent to the

amount of capacity and energy which would have been available to the other Party from its Ownership Share of Project Capability if the Forecast Refueling Date had not been advanced or delayed or such Energy Entitlement had not been used by the requiring Party, or (2) makes other arrangements acceptable to the affected Party, including, but not limited to, payments for Fuel used or making a portion of such Party's Ownership Share of Project Capability available for use by such other Party; provided, however, that neither the advancing or delaying of the Forecast Refueling Date nor the use of the other Party's Energy Entitlement shall (i) adversely affect the availability of capacity and energy to which the other Party otherwise would have been entitled from the Project, or (ii) adversely affect the other Party's costs for such capacity and energy.

(h) After reprocessing of a Fuel batch removed from the core, Supply System shall make a detailed final accounting of all costs, payments and energy allocable to Pacific. Such final accounting shall stipulate any credits or deficits due Pacific, including any provisional settlements made. Supply System shall submit such data to Pacific for approval, after which the Parties will settle accounts within 30 days or as otherwise agreed.

11. Scheduling. (a) Within the constraints of Section 10 and this Section 11 each Party shall be entitled to receive, as scheduled by it, all or any part of its Ownership Share of the Project Capability. Supply System's dispatcher promptly shall notify Pacific of any significant change in Project Capability.

(b) By 4:00 p.m. on each regular working day, Pacific shall submit its hourly schedule for the following day to Supply System's dispatcher except that Pacific shall submit its hourly schedule for a holiday, Saturday, Sunday, and for the first following regular working day by 4:00 p.m. on the regular working day immediately preceding. Pacific may make changes therein at any time; provided, however, that if the total requested changes in the level of operation of the generating plant requires a rate of change in excess of that prescribed either by the manufacturer's warranty or in the NRC operating license, each Party whose scheduled rate of change is in excess of its Ownership Share of the prescribed limit shall be limited proportionately so that the total rate of change does not exceed the prescribed rate of change.

(c) Supply System shall schedule generating plant outages other than fueling outages and submit same to Pacific for approval as to the time and duration thereof as far in advance as practicable. Notwithstanding the foregoing, Supply System may shut the generating plant down to meet the requirements of NRC or other governmental agencies having jurisdiction or to avoid hazard to the Project or to any person or property.

(d) Except as otherwise provided herein, each Party shall schedule energy from the Project in such a manner that its Energy Entitlement is adequate to maintain such Party's Ownership Share of Minimum Capability until the next Forecast Refueling Date; provided, however, that a Party may require that the Project not be operated during any period by arranging for delivery of alternative capacity and energy at the Project point of delivery to the Party requesting operation equivalent to the amount of capacity and energy which would have been available to such Party for its Ownership Share of Project Capability during such period, and such requesting Party shall pay the supplying Party a percentage of the amount of incremental savings which the requesting Party realizes from the displacement of energy from the Project, which percentage and amount of savings shall be as agreed by the Parties involved; provided further that requiring non-operation of the Project will not (i) adversely affect the availability of capacity and energy to which the other Party otherwise would have been entitled from the Project, or (ii) adversely affect the other Party's costs for such capacity and energy.

If fulfilling the schedules submitted by Pacific would require operation of the Project at an operating level below the Minimum Capability, Supply System's dispatcher shall immediately notify Pacific. Unless otherwise agreed by the Parties as provided in the preceding paragraph, the Party whose schedule is greater than its Ownership Share of such Minimum Capability shall take energy as provided by such schedules, and the other Party shall schedule and take the remainder of such Minimum Capability.

(e) When testing of plant facilities requires generation, each Party shall make provision for acceptance of its Ownership Share of such generation. Supply System will notify Pacific of test schedules as far in advance as practicable.

(f) Supply System shall arrange for Project station use and losses, provided that if Supply System cannot do so Pacific shall arrange for its Ownership Share of such energy to be delivered to the Project.

12. Accounting. (a) Supply System shall keep up-to-date books and records showing all financial transactions and other arrangements in carrying out the terms of this Agreement. Such books and records shall contain information supporting the allocation of Supply System's indirect costs associated with the Project. Such books and records shall be retained by Supply System for ten years or such longer period as either Party is required to keep such records by any regulatory agency having jurisdiction and shall be made available for inspection and audit by Pacific at any reasonable time.

Any contract with any consultant or contractor of Supply System providing for reimbursement of costs or expenses of any kind shall require the keeping and maintenance of books, records, documents, and other evidence pertaining to the costs and expenses incurred or claimed under such contract to the extent and in such detail as will properly reflect

all costs related to this Agreement and shall require such books, records, documents and evidence to be made available to Pacific at all reasonable times for review and audit for a period of three years after final settlement of the applicable contracts. Pacific shall have the right to examine and copy all plans, specifications, bids and contracts relating to the Project.

(b) All accounts shall be kept so as to permit conversion to the system of accounts prescribed for electric utilities by the Federal Power Commission. The allocation of costs by Supply System between costs of Construction and Annual Costs pursuant to this Agreement shall be binding on the Parties for purposes of this Agreement, but the manner in which accounts are kept pursuant to this Agreement is not intended to be determinative of the manner in which they are treated in the books of account of the Parties.

(c) Supply System shall by the 15th of each month supply to Pacific a complete, itemized account of all deposits in and withdrawals from the trust accounts during the previous month, together with an itemization of the basis for reimbursement made to Supply System from such accounts during such month. Supply System shall cause all books and records to be audited promptly by independent Certified Public Accountants of national reputation acceptable to Pacific at approximately annual intervals and at such time as such accounts are closed. Copies of such audits shall be supplied to Pacific.

13. Insurance. (a) Supply System shall procure at the earliest practicable time and thereafter maintain in force for the benefit of the Parties as named insured and with losses payable to the Parties as their respective interests shall appear, such insurance coverage for the construction, operation, maintenance and repair of the Projects as Pacific may approve pursuant to Section 3(b), but not less than shall be required under the contract executed with the Project architect-engineer, and not less than will satisfy the requirements of the Atomic Energy Act of 1954 (as amended), (including all NRC regulations in effect from time to time thereunder), and conform to Prudent Utility Practice.

(b) Pacific may request additional insurance to the extent available, and Supply System shall purchase such requested insurance at the expense of Pacific. The proceeds from such requested insurance shall be disbursed as directed by Pacific.

14. Liabilities; Waiver of Subrogation. (a) Each of the Parties releases the other Party, its agents and employees from any claim for loss or damage, including consequential loss or damage, arising out of the construction, operation, maintenance, reconstruction, and repair of the Project due to negligence, including gross negligence, but not any claim for loss or damage resulting from breach of any contract relating to the Project, including this Agreement, or for willful or wanton misconduct.

(b) Any loss, cost, liability, damage and expense to the Parties or any Party, other than damages to any Party resulting from loss of use and occupancy of the Project or any part thereof, resulting from the construction, operation, maintenance, reconstruction or repair of the Project and based upon injury to or death of persons or damage to or loss of Project property and property of other parties, to the extent not covered by collectible insurance, shall be charged to Cost of Construction or Annual Costs, whichever may be appropriate.

(c) Each Party shall cause its insurers to waive any rights of subrogation against the other Party, its agents and employees, for losses, costs, damages or expenses arising out of the construction, operation, maintenance, reconstruction or repair of the Project.

15. Uncontrollable Forces. No Party shall be considered to be in default in the performance of any of the obligations hereunder, other than obligations of any Party to pay its Ownership Share of costs and expenses, if failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces" shall mean any cause beyond the control of the Party affected and which, by the exercise of reasonable diligence, the Party is unable to overcome, and shall include but not be limited to an act of God, fire, flood, explosion, strike, sabotage, an act of the public enemy, civil or military authority, including court orders, injunctions, and orders of government agencies with proper jurisdiction prohibiting acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements, failure of equipment, or inability to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers. Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved. Any Party rendered unable to fulfill any obligation by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch.

16. Damage to the Project. (a) If the Project suffers damage resulting from causes other than ordinary wear, tear or deterioration to the extent that Supply System's estimate of the cost of repair is less than 20% of the then depreciated value of the Project, and if the Parties do not unanimously agree that the Project shall be ended pursuant to Section 22, Supply System shall promptly submit a revised construction budget or budget of Annual Costs, as appropriate, and shall proceed to repair the Project, and each Party shall pay as budgeted, into the appropriate trust account, its Ownership Share of the cost of such repair.

(b) If the Project suffers damage to the extent that Supply System's estimate of the cost of repair exceeds 20% of the then depreciated value of the Project, Supply System shall determine the estimated fair market value of the Project if it is then terminated without repair. Thereafter, each Party which, within 60 days gives notice in writing to

17.

(H-57)

Amendment 39
April 1977

the other Party of its desire that the Project be repaired, shall pay into the appropriate trust account, as budgeted in a revised budget, that part of the total cost of repair in the proportion that its Ownership Share bears to the total of the Ownership Shares of all Parties giving such notice. If only one of the Parties has given such notice, the Ownership Share of the other Party shall be reduced at the end of each month thereafter to the extent determined by the following formula:

$$S_r = S_o \left[\frac{V}{V + C} \right]$$

where

V = Estimated fair market value of the Project if it is terminated without repair

C = Actual expenditures for Repair

S_o = Ownership Share prior to loss

S_r = Reduced Ownership Share

At the same time, the amount of such reduction shall be added to the Ownership Share of the Party giving such notice.

(c) If the Project suffers damage to the extent that Supply System's estimated cost of repair exceeds 20% of the then depreciated value of the Project and no Party gives the notice provided in Section 16(b), the Project shall be ended pursuant to Section 22.

(d) For the purposes of this Section 16, the depreciated value of the Project at any time shall be based on the original cost of the Project, plus additions and less retirements, depreciated on a straight-line basis using a composite life of 35 years.

(e) Supply System shall submit each of the estimates referred to in this Section to Pacific for its approval pursuant to Section 3(b).

17. Default. (a) Upon failure of a Party to make any payment when due, or to perform any obligation herein, the other Party may make written demand upon said Party, and if said failure is not cured within 10 days from the date of such demand it shall constitute a default at the expiration of such period.

(b) If a Party in good faith disputes the legal validity of said written demand, it shall make such payment or perform such obligation within said 10 day period under written protest directed to the other Party. Such protest shall be in writing and shall specify the reasons upon which the protest is based. Payments not made by the defaulting Party pursuant to said written demand may be advanced by the other Party and, if so advanced, shall bear interest until paid, at the highest lawful rate. Upon resolution of such dispute, then any payments advanced or made between the Parties, as in this Section provided, shall be adjusted appropriately.

(c) In addition to the rights granted in this Section 17, the nondefaulting Party may take any action, in law or equity, including an action for specific performance, to enforce this Agreement and to recover for any loss, damage or payment advances, including attorneys' fees in all trial and appellate courts and collection costs incurred by reason of such default.

18. Elective Capital Additions. Renewals and replacements not necessary to assure design capability, and betterments and additions not required by governmental agencies, shall be made after the Date of Continuous Operation only upon unanimous approval of the Parties.

19. Investment. Supply System shall use its best efforts to invest funds in the Construction Trust Account or in the Operating Trust Account in legally issued obligations of the United States or the State of Washington, or in other obligations in which Supply System is authorized to invest. The net proceeds for such investments shall be deposited in the accounts from which they came and credited to the Parties in their respective Ownership Shares.

20. Assignments. This Agreement shall be binding upon and shall inure to the benefit of successors and assigns of the Parties; provided, however, that no transfer or assignment of other than all of a Party's interest in the Project and under this Agreement to a single entity shall operate to give the assignee or transferee the status or rights of a Party hereunder. Except as provided in Section 16 of this Agreement, the undivided interest (or a portion thereof) of any Party in the Project, the property, real or personal, related thereto, and under this Agreement may be transferred and assigned as set out below but not otherwise; provided that so long as Supply System retains its Ownership Share in the Project, no interest, except as a security interest, in the Project shall be sold or assigned pursuant to Subsections (b) through (f) in this Section to an entity not authorized by RCW 54.44, as amended, to participate and enter into agreements with an operating agency for the undivided ownership of common facilities:

(a) To any mortgagee, trustee, or secured Party, as security for bonds or other indebtedness of such Party, present or future; such mortgagee, trustee or secured Party may realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title and interests of such Party;

(b) To any corporation or other entity acquiring all or substantially all the property of the Party making the transfer;

(c) To any corporation or entity into which or with which the Party making the transfer may be merged or consolidated;

(d) To any corporation or entity, the stock or ownership of which is wholly owned by the Party making the transfer;

(e) To any corporation or entity in a single transaction constituting a sale and lease back to the transferor or assignor;

(f) To any other person, provided that the Party shall first offer to transfer or assign such interest to the other Party in the amount of and on terms and conditions not less advantageous than those which it is willing to accept for a transfer or assignment to such other person. Such offer shall remain open for a reasonable period but not less than three months.

(g) Transfer or assignment shall not relieve a Party of any obligation hereunder except to the extent agreed to in writing by the other Party. Any interest or assignment permitted by subsections (b) through (f) of this section 20 is expressly conditioned upon the transferee or assignee assuming the obligations of the transferring or assigning Party under this Agreement.

21. Training. Supply System shall carry out a familiarization and training program to maintain adequate staffing in connection with the construction, operation and maintenance of the Project and the expenses thereof shall be part of the Costs of Construction or Annual Costs as appropriate. Pacific shall be entitled to have employees present at the Project for purposes of training, subject to reasonable rules to be established by Supply System. Any increase in the Costs of Construction of Annual Costs resulting from such training shall be borne by Pacific.

22. End of Project. (a) When the Project can no longer be made capable of producing electricity consistent with Prudent Utility Practice or the requirements of governmental agencies having jurisdiction or is no longer licensed by the NRC, or when the Project is ended pursuant to Section 16, Supply System shall sell for removal all salable parts of the Project exclusive of Fuel to the highest bidders. After deducting all costs of ending the Project, including, without limiting the generality of the foregoing, the cost of decommissioning, razing all structures and disposing of the debris and meeting all applicable requirements of law, Supply System shall close the appropriate trust accounts and, if there are net proceeds, distribute to each Party its Ownership Share of such proceeds. Supply System shall liquidate the Fuel, and after making all required payments and receiving all due receipts, shall disburse the proceeds to the Parties as their interests appear. In the event such costs of ending the Project exceed available funds, each Party shall pay its Ownership Share of such excess as incurred.

(b) (i) If one of the Parties is rendered incapable of proceeding with its obligations hereunder by reason of one or more of the conditions listed below, which condition is beyond the ability of such party to remedy by reasonable means within a reasonable time, the other Party may, within ninety (90) days after notice by a Party of the occurrence of the condition, elect to proceed with the Project without the disabled

Party; provided, however, that if such disabled Party is proceeding with all due diligence to remove such disability, the election shall not be made until 90 days after final order or other final disposition of the matter; provided further, that if delay would cause substantial additional costs to be incurred if the election were so postponed, the electing Party may proceed as necessary to avoid or minimize delay, preserving the rights of the disabled Party until final order or other final disposition. The conditions are:

1. Inability to finance.
2. Failure to obtain necessary legal authorization, including regulatory approvals.

(ii) Upon the election for any of the reasons set forth in (i) above, the Party so electing shall promptly reimburse the non-electing Party for its Cost of Construction, Fuel Costs and allowance for funds used during construction, if any incurred hereunder; provided, however, that such reimbursement shall not occur with regard to the disabled Party until final order or other final disposition in the Matter confirming the disability. Upon such reimbursement, the non-electing Party's interest in the Project and in this Agreement, and any related rights or interest acquired by them hereunder, shall forthwith vest in the electing Party.

23. Notices. Any notice, demand, approval or request or other item provided for in this Agreement to be served, given or made in connection therewith shall be deemed properly served, given or made when given in person or deposited in the U.S. mail, registered or certified mail, postage prepaid, addressed to the person and at the address designated in writing by the respective Party, as the case may be. Either Party may at any time, and from time to time, change its designation of the person to whom notice shall be given by giving notice to the other Party as hereinabove provided.

24. Provisions Relating to Delivery. Deliveries of electric power and energy to the Parties shall be made at the point of delivery and at the approximate voltage described below. Such electric power and energy shall be in the form of three-phase current, alternating at a frequency of approximately 60 hertz. Amounts delivered at such point during each month shall be determined from measurements made by the meters, adjusted for losses as agreed upon by the Parties, installed to record such deliveries at the place and in the circuits hereinafter specified:

PROJECT POINT OF DELIVERY:

Location: the point agreed upon by the Parties where the 230 kv or higher voltage facilities of the Project and those of Bonneville or of a Party are connected; or, in the absence of such agreement, at the Project site;

Voltage: 230 kv or higher;

Metering: in the circuits over which such electric power and energy will flow;

Adjustment: for losses between the point of metering and the point of delivery.

25. Personal Covenants; Rule Against Restrictions on Alienation.

(a) Except for the Parties' mutual waiver of the right to partition set forth in Subsection 2(c), all of the covenants and conditions herein shall be personal to the respective Parties and not covenants running with the land and shall be binding upon any Party which acquires any right, title or interest of any Party in or to the Project or under this Agreement, by assignment or in any other way.

(b) If the duration of any term or condition of this Agreement shall be subject to the rule against restrictions on alienation or to a similar or related rule, then the effectiveness of such term or condition shall not extend beyond (i) the maximum period of time permitted under such rule or (ii) the specific applicable period of time expressed in this Agreement, whichever is shorter. For purposes of applying the rule against restrictions on alienation, or any similar or related rule, the measuring lives in being shall be those of the officers and members of the Board of Directors of Supply System listed by name on page 2 of the Official Statement dated February 4, 1976, and relating to Supply System's Nuclear Project No. 1 Revenue Bonds, Series 1976A, a copy of which is on file with the Parties, together with all such listed persons' children who are living on the date of execution of this Agreement. As used in this paragraph, the word "children" shall have its generally accepted meaning of descendants of the first degree.

26. Determination of Costs Associated With Project and Project No. 3. Costs solely attributable to the Project shall be charged to the Project and costs solely attributable to Project No. 3 shall not be so charged.

Costs attributable to both the Project and Project No. 3 shall be charged to the Project on the basis of the proportion of respective benefits to the Project or, if such proportion is not determinable, on the basis of an equal allocation between the Project and Project No. 3.

27. Construction of Agreement. This Agreement shall be construed in accordance with the law of the State of Washington.

28. Additional Documents. Each Party, upon request by the other Party shall make, execute and deliver any and all documents reasonably required to implement the terms of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed this 14 day of July, 1976.

(SEAL)

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

By /s/ J. J. Stein
Managing Director

ATTEST:

Secretary President

(SEAL)

PACIFIC POWER & LIGHT COMPANY

By /s/ Don C. Frisbee
(Title) press

ATTEST:

/s/ Gerald K. Drummond
(Title) Ass't Sec'y

WASHINGTON PUBLIC POWER SUPPLY SYSTEM

NUCLEAR PROJECT NO. 5

The Washington Public Power Supply System's Nuclear Project No. 5 is expected to have a net electrical plant capability of approximately 1,240 MW.

It will be located on a site in Township 17 North, Range 6 West, Willamette Meridian, Grays Harbor County, State of Washington, about three miles south of the community of Satsop, Washington, and about 17 miles east of the City of Aberdeen, Washington, such site to be described more particularly in Exhibit A.

The plant and associated facilities will include the site referred to, a nuclear steam supply system, fuel and reactor coolant system with all related containment structures, safety features, instrumentation, control and auxiliary systems; turbine-generator, condensers and circulating water cooling systems, facilities and piping; electrical and mechanical systems and other related equipment and facilities; electrical facilities required to deliver the output of the Project to the point of delivery described in Section 24; and other structures, shops, warehouses, construction facilities, offices, equipment or facilities required in the construction, maintenance and operation of the Project.

EXHIBIT B

24.

(H-64)

WNP-3 & WNP-5

EXHIBIT I

1976 ANNUAL REPORTS
FOR
WASHINGTON PUBLIC POWER SUPPLY SYSTEM
PACIFIC POWER & LIGHT COMPANY
PORTLAND GENERAL ELECTRIC
PUGET SOUND POWER & LIGHT COMPANY
THE WASHINGTON WATER POWER COMPANY

Amendment 39
April 1977

WNP-3 AND WNP-5
LICENSE APPLICATION
AMENDMENT NO. 39
INSTRUCTION SHEET

The following page removals insertions should be made to incorporate Amendment No. 39 into the License Application.

Removed (Existing Pages)

Title Page

1 through 22

-

-

Insert (New Pages)

Title Page

1 through 26

Exhibit H, 64 Pages

Exhibit I, Cover Sheet
5 Annual Reports

WPPSS NUCLEAR PROJECTS

NOS. ³~~7~~ AND ⁵~~A~~

SUBMITTAL OF FINANCIAL DATA

FEBRUARY, 1976

Vol. I.

ATTACHMENT 1-1

WNP NO. 3

PLANT CAPITAL INVESTMENT SUMMARY

ATTACHMENT FOR ITEM NO. 1

PLANT CAPITAL INVESTMENT

SUMMARY

BASIC DATA

Name of plant	WPPSS Nuclear Project No. 3	Cost basis: at start of construction
Net capacity	1,240 MW(e)	
Reactor type	PWR	
Location	Satsop, Washington	Type of cooling
		Run of river _____
<u>Design and construction period</u>		Natural draft _____
		cooling towers _____ X
Month, year NSSS order placed	6/73	Mechanical draft _____
Month, year of commercial operation	3/82	cooling towers _____
Length of workweek	40 hours	Other (describe) _____
Interest rate, interest during construction	7.5	single? or compound? simple

COST SUMMARY

<u>Account Number</u>	<u>Account Title</u>	<u>Total Cost</u> (thousand dollars)
-----------------------	----------------------	---

DIRECT COSTS

20	Land and land rights.....	\$ 3,500
<u>PHYSICAL PLANT</u>		
21	Structures and site facilities.....	180,263
22	Reactor plant equipment.....	1,928
23	Turbine plant equipment.....	128,772
24	Electric plant equipment.....	46,193
25	Misc. plant equipment.....	24,789
	Subtotal.....	\$ 514,455
	Spare parts allowance.....	3,526
	Contingency allowance.....	52,181
	Subtotal.....	\$ 570,162

INDIRECT COSTS

91	Construction facilities, equip't, and services.....	\$ 17,280
92	Engineering and const. mg't. services...	68,484
93	Other costs.....	83,596
94	Interest during construction.....	271,042
	Subtotal.....	\$ 440,402
	Start of construction cost.....	\$ 169,200
	Escalation during construction (7 yr.)	169,200
	** Total plant capital investment (\$ 961'000)	\$ 1,191,353 ~

*Excludes initial core fuel

** Total plant capital investment (\$ 961'000)

\$ 1,191,353 ~

Notes: 1. Escalation rates for site labor, site material, and for land are 8%, 6%, and 8% respectively.

Labor escalation 8% compounded

Material escalation 6% compounded

ATTACHMENT 1-2

WNP NO. 5

PLANT CAPITAL INVESTMENT SUMMARY

ATTACHMENT FOR ITEM NO. 1

PLANT CAPITAL INVESTMENT

SUMMARY

BASIC DATA

Name of plant	WPPSS NUCLEAR PROJECT NO. 5	Cost basis: <u>Start of construction</u>
Net capacity	1,240 MW(e)	
Reactor type	PWR	
Location	Satsop, Washington	Type of cooling:
		Run of river _____
<u>Design and construction period</u>		Natural draft _____
Month, year NSSS order placed	10/74	cooling towers _____ X
Month, year of commercial operation	9/83	Mechanical draft cooling towers _____
Length of workweek	40 HOURS	Other (describe) _____
Interest rate, interest during construction	7.5	simple? or compound: simple

COST SUMMARY

<u>Account Number</u>	<u>Account Title</u>	<u>Total Cost</u> (thousand dollars)
-----------------------	----------------------	---

DIRECT COSTS

20	Land and land rights.....	\$ - 0 -
	<u>PHYSICAL PLANT</u>	
21	Structures and site facilities.....	153,672
22	Reactor plant equipment.....	140,151
23	Turbine plant equipment.....	129,762
24	Electric plant equipment.....	42,516
25	Misc. plant equipment.....	21,220
	Subtotal.....	\$ 487,221
	Spare parts allowance.....	2,412
	Contingency allowance.....	51,851
	Subtotal.....	\$ 541,484

INDIRECT COSTS

91	Construction facilities, equip't, and services.....	\$ 5,038
92	Engineering and const. mg't. services...	31,450
93	Other costs.....	79,491
94	Interest during construction.....	299,648
	Subtotal.....	\$ 415,627
	Start of construction cost.....	\$ 2,375
	Escalation during construction (1 yr.)	227,600

**Excludes initial core fuel ** total plant capital investment (\$ 959,100) \$ 1,188,719 ~

Costs include escalation rates for site labor, site materials, and for purchased

Labor escalation: 8% compounded
Material escalation: 6% compounded

ATTACHMENT 5-1

CALCULATIONS OF NET EARNINGS OF
INVESTOR-OWNED UTILITIES

Puget Sound Power & Light Company

INDENTURE COVERAGE
12 MONTHS ENDED DECEMBER 31, 1975

- (1) The net earnings for the 12 months ended December 31, 1975, available for interest, are computed as follows:

Operating revenues derived from the trust estate	<u>\$161,735,154</u>
Operating expenses applicable to the trust estate:	
O & M Expense	78,734,197
Depreciation	14,816,414
Taxes other than FIT	<u>17,284,090</u>
Total Expense	<u>110,834,701</u>
Operating income	50,900,453
Net earnings from other than Trust Estate (10% limit)	<u>5,655,600</u>
Net earnings available for interest	<u>\$ 56,556,053</u>
Annual interest charges on bonded indebtedness	<u>\$ 23,375,200</u>
Indenture coverage	<u>2.42</u>

- (2) The annual interest charges on bonded indebtedness are computed as follows:

\$30,000,000 principal amount of First Mortgage Bonds, 10-3/4% Series due 1983	\$ 3,225,000
\$25,000,000 principal amount of First Mortgage Bonds, 3-1/2% Series due 1984	875,000
\$30,000,000 principal amount of First Mortgage Bonds, 10.45% Series due 1985	3,150,000
\$30,000,000 principal amount of First Mortgage Bonds, 4-1/8% Series due 1988	1,237,500
\$15,000,000 principal amount of First Mortgage Bonds, 4-5/8% Series due 1991	693,750
\$40,000,000 principal amount of First Mortgage Bonds, 4-5/8% Series due 1993	1,850,000
\$15,000,000 principal amount of First Mortgage Bonds, 4-3/4% Series due 1994	712,500
\$20,000,000 principal amount of First Mortgage Bonds, 5-1/4 Series due 1996	1,050,000
\$20,000,000 principal amount of First Mortgage Bonds, 6-5/8% Series due 1997	1,325,000
\$20,000,000 principal amount of First Mortgage Bonds, 7-1/2 Series due 1999	1,500,000
\$29,700,000 principal amount of First Mortgage Bonds, 9-1/2% Series due 2000	2,821,500
\$30,000,000 principal amount of First Mortgage Bonds, 7-3/4 Series due 2002	2,325,000
\$30,000,000 principal amount of First Mortgage Bonds, 8-3/4 Series due 2004	<u>2,600,000</u>
	<u>\$ 23,375,200</u>

(3) Additional First Mortgage Bond Coverage for the
12 months ended December 31, 1975

Earnings available for indenture coverage	<u>\$56,556,059</u>
Interest to maintain two times coverage (line 1+ 2)	<u>28,278,029</u>
Annual interest on current FMB	<u>23,375,250</u>
Available interest	<u>4,902,779</u>
Principle available at 10%	<u>\$49,000,000</u> approx.

PORTLAND GENERAL ELECTRIC CO.

TIMES INTEREST EARNED FOR THE
TWELVE MONTHS ENDED NOVEMBER 30,
1975, BASED ON THE INDENTURE AGREEMENT,
AND A CALCULATION SHOWING THE
ADDITIONAL BONDING CAPACITY AT NOVEMBER 30, 1975
(\$000's)

Gross Operating Revenues	\$174,351
Other Operating Income-Allowance for Funds Used During Construction	<u>21,699</u>
Total Operating Income and Revenues	<u>196,050</u>
Operating Expenses and Taxes (Exclusive of Income Taxes):	
Operation	79,275
Maintenance	7,099
Depreciation	13,725
Taxes other than income taxes	<u>16,657</u>
Total Operating Expenses and Taxes (Exclusive of Income Taxes)	<u>116,756</u>
Net Earnings Available for Interest	<u>\$ 79,294</u>
Annual Interest Charges on Bonded Indebtedness at November 30, 1975	<u>\$ 29,615</u>
Times Interest Earned	<u>2.68</u>
Additional Bonding Capacity at November 30, 1975 assuming a 10-1/2% Interest Rate (1)	<u>\$ 25,500</u>

(1) For each 1/8% change in interest rate,
the additional bonding capacity will
change approximately \$1,100.

Cross reference ques. 7.d. - same coverage as most recent net earnings certificate

THE WASHINGTON WATER POWER COMPANY

Net Earnings Calculations

<u>NET EARNINGS TESTS - 12/31:</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>
1. Under Mortgage and Deed of Trust dated 6-1-39 as Supplemented			
Net Earnings (as defined)	41,309,741	37,656,865	33,740,406
Annual Mortgage Interest Requirement	13,238,875	10,895,125	10,895,125
Times Earned	3.12	3.46	3.10
2. Under Debenture Agreements Dated 5/1/53, 1/1/58, 3/1/65 and 4/1/71			
Adjusted Net Earnings (as defined)	36,825,040	34,588,549	31,095,255
Annual Debt Interest Requirement	15,850,322	15,891,510	14,255,595
Times Earned	2.32	2.18	2.18
3. Bonds issuable at 12/31	35,501,785		

PACIFIC POWER & LIGHT COMPANY

A net earnings certificate dated January 26, 1976 is attached. Based upon an assumed 10% interest rate, Pacific could issue another \$51.5 million of bonds;

PACIFIC POWER & LIGHT COMPANY

PUBLIC SERVICE BUILDING
PORTLAND, OREGON 97204

NET EARNING CERTIFICATE

Re Application No. 249 B-29

(Under Sections 7, 27, 28(6) and 121 of
Pacific Power & Light Company's
Mortgage and Deed of Trust)

The undersigned, John H. Geiger, a Vice President of Pacific Power & Light Company (hereinafter called the Company), the corporation that executed its Mortgage and Deed of Trust, dated as of July 1, 1947, to Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York) and Oliver R. Brooks (R. E. Sparrow, successor), as Trustees as heretofore amended and supplemented (hereinafter called the Mortgage), and Karl Hoffmann, the Treasurer of the Company and an accountant (the period covered by this Certificate not being a period covered by annual reports required to be filed by the Company within the purview of the fourth paragraph of Section 7 of the Mortgage), HEREBY CERTIFY as follows:

(A) That the Adjusted Net Earnings of the Company for a period of 12 consecutive calendar months within the 15 calendar months immediately preceding the first day of the month in which the Application for the authentication and delivery under the Mortgage of bonds now applied for is made, viz: for the 12 consecutive calendar months ended October 31, 1975, were as follows:

(1) Its operating revenues, with the principal divisions thereof:

Electric	\$256,169,215.08
Steam Heating	2,549,239.58
Water	<u>2,346,991.79</u>

Total Operating Revenues

\$261,065,446.45

(2) Its operating expenses, with the principal divisions thereof, including, but without limitation, all expenses and accruals for repairs and maintenance and all appropriations out of income for property retirement not only in respect of the Mortgaged and Pledged Property but also in respect of all other property owned by the Company - (in lieu of including herein the amounts actually appropriated out of income for depreciation and retirement of the Mortgaged and Pledged Property used primarily and principally in the electric, gas, steam and/or water utility business and of the automotive equipment of the Company used in the operation of such property, there has been included herein an amount for each full calendar month

included in said period of 12 consecutive calendar months equal to (i) one-twelfth of \$1,150,000, plus (ii) one-twelfth of 2-1/4% of the gross charges to plant account for additions to the depreciable property (other than additions consisting of property owned by Northwestern Electric Company on April 30, 1947, and acquired by the Company prior to July 1, 1947) included in the Mortgaged and Pledged Property, used primarily and principally in the electric, gas, steam and/or water utility business, made subsequently to April 30, 1947, and prior to the beginning of the calendar year within which such calendar month is included, less (iii) one-twelfth of 2-1/4% of the gross credits to plant account of the Company for retirement of depreciable property, used primarily and principally in the electric, gas, steam and/or water utility business, made subsequently to April 30, 1947, and prior to the beginning of the calendar year within which such calendar month is included, and less (iv) one-twelfth of 2-1/4% of the gross credits to the plant account of Northwestern Electric Company for retirement of depreciable property used primarily and principally in the electric, gas, steam and/or water utility business, made subsequently to April 30, 1947 (other than gross credits to the plant account of Northwestern Electric Company for retirement of depreciable property acquired by the Company prior to July 1, 1947), in each case, excluding from plant account any amounts included in utility plant acquisition adjustment accounts or utility plant adjustment accounts or in any accounts for similar purposes):

Electric:

Power Purchased	\$28,931,999.13
Other Production	32,117,922.60
Transmission and Distribution	12,232,995.42
Customer & Sales Promotion	10,464,851.49
Administrative and General	18,538,554.14
Maintenance	21,966,215.97

Other Utilities

4,355,612.89

An amount for depreciation and retirement of the Mortgaged and Pledged Property used primarily and principally in the electric, gas, steam and/or water utility business and of the Company's automotive equipment used in the operation of such property calculated as set forth above less expenses (\$146,757.29) included in preceding items for retirement

of automotive equipment (in lieu of the amounts actually appropriated out of income for such purposes) \$27,084,227.74

Appropriation out of income for retirement of other property owned by the Company

None

Taxes other than income

22,960,225.33

Total of such Operating Expenses

\$178,652,604.71

- (3) The amount remaining after deducting item (2) from item (1) above 82,412,841.74
- (4) its rental expenses for plants or systems not otherwise deducted herein from revenues or from other income None
- (5) The balance remaining after deducting item (4) from (3) above 82,412,841.74
- (6) its rental revenues from plants or systems not otherwise included herein in revenues, or in other income (net) None
- (7) The sum of items (5) and (6) above 82,412,841.74
- (8) Its other income (net) 39,205,959.82
- (9) The sum of items (7) and (8) above 121,618,801.56
- (10) The amount, if any, by which the aggregate of (a) such other income (net), and (b) that portion of the amount stated in item (7) above which, in the opinion of the signers, is directly derived from the operations of property (other than paving, grading and other improvements to, under or upon public highways, bridges, parks or other public properties of analogous character) not subject to the Lien of the Mortgage, at the date hereof, exceeds 15% of item (9) above - (to the extent that item (7) above includes revenues from the operation of property not subject to the Lien of the Mortgage, there has been included in this calculation such reasonable interdepartmental or interproperty revenues and expenses between the Mortgaged and Pledged Property and the property not subject to the Lien of the Mortgage as has been allocated to such respective properties by the Company). The amount of this item (10) was None

- (11) The Adjusted Net Earnings of the Company for said Period of 12 consecutive calendar months ended October 31, 1975, (being the amount remaining after deducting Item (10) from Item (9) above) \$121,618,801.56
- (B) That the Annual Interest Requirements, being the interest requirements for 12 months are as follows:
- (i) Upon all bonds Outstanding under the Mortgage at the date hereof, except any for the refunding of which the bonds applied for are to be issued 48,145,668.75
- (ii) Upon all bonds now applied for in pending applications including the Application in connection with which this Certificate is made, viz:
- Upon \$75,000,000 principal amount of the first Mortgage Bonds, 10% Series due January 1, 2006 7,500,000.00
- (iii) Upon all Qualified Lien Bonds which will be Outstanding immediately after the authentication of the Bonds now applied for in pending applications, including the Application in connection with which this Certificate is made, viz:
- Rawlins Electric Company
Upon \$124,000.00 principal amount of First Mortgage Bonds, 6% Series due 1977 \$ 7,440.00
- (iv) Upon the principal amount of all other indebtedness (except indebtedness of \$None for the payment of which the bonds applied for are to be issued and indebtedness for the purchase, payment or redemption of which moneys in the necessary amount have been deposited with or are held by the Corporate Trustee or the trustee or other holder of a Qualified Lien or lien prior to the Lien of the Mortgage, as amended and supplemented, upon property subject to the Lien of the Mortgage, with irrevocable direction so to apply the same, any notice required therefore having been given or having been provided for to the satisfaction of the Corporate Trustee),

outstanding in the hands of the public on the date hereof and secured by a lien prior to the Lien of the Mortgage, as amended and supplemented, upon property subject to the Lien of the Mortgage, as amended and supplemented, to the extent said indebtedness has been assumed by the Company or the Company customarily pays the interest upon the principal thereof

None

Total of such Annual Interest Requirements

\$55,653,108.75

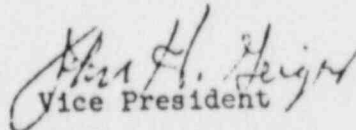
- (C) That \$121,618,801.56, the Adjusted Net Earnings of the Company for the 12 consecutive months ended October 31, 1975, item (11) above, is at least equivalent to twice \$55,653,108.75 such Annual Interest Requirements, item (B) above;
- (D) That the persons making this Certificate have read, as required by the provisions of Section 121 of the Mortgage, the covenants and conditions contained in the Mortgage, with respect to compliance with which this Certificate is made;

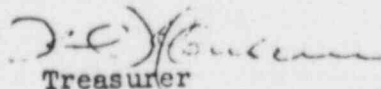
That the statements made herein are based either on their own personal knowledge or on information, data and reports furnished to them by the Officers, Counsel, department heads or employees of the Company who have knowledge of the pertinent facts involved;

That, in the opinion of the persons making this Certificate, they have made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenants and conditions have been complied with; and

That, in the opinion of the persons making this Certificate, such conditions and covenants have been complied with.

WITNESS our hands this 28th day of January, 1976.


Vice President


Treasurer

ATTACHMENT 7(a)-1

RATE DEVELOPMENTS

Puget Sound Power & Light Company

ATTACHMENT FOR NUMBER 7a

RATE DEVELOPMENTS**

<u>Granted*</u>	<u>Electric</u>	<u>Gas</u>	<u>Steam</u>
Annual amount - test year basis (000's)	22,877		
Percent increase	19.92%		
Effective date	Nov. 1, 1974		
Rate of return on rate base authorized	8.5%		
Rate of return on common equity authorized	11.63%		
 <u>Revenue Effect (000's)</u>			
Amount received in year granted - see note			
Amount received in subsequent year	24,733		
 <u>Pending Requests</u>			
Amount (000's)	36,485		
Percent increase	23.5%		
Date filed	Jan. 2, 1976		
Date by which decision must be issued	Nov. 1, 1976		
Rate of return on rate base requested	9.3% - 9.4%		
Rate of return on common equity requested	13.0%		

* Provide copies of latest rate order.

** Provide copies of the submitted testimony of the staff and company in the last rate relief action or pending rate relief request.

Note:

Interim effective February 9, 1974	8,399
General effective November 11, 1974	2,564

ATTACHMENT FOR NUMBER 7 a
PORTLAND GENERAL ELECTRIC

RATE DEVELOPMENTS**

	All Electric	Gas	Steam
<u>Granted*</u>			
Annual amount - test year basis (000's)	\$39,593		
Percent increase	24.7%		
Effective date (1)	Sept. 26, 1975		
Rate of return on rate base authorized (2)	9.08%		
Rate of return on common equity authorized	13.3%		

Revenue Effect (000's)

Amount received in year granted	\$16,400
Amount received in subsequent year	\$41,277

Pending Requests

Amount (000's)	\$42,203
Percent increase	20%
Date filed	Nov. 26, 1975
Date by which decision must be issued	June 23, 1976
Rate of return on rate base requested	9.567%
Rate of return on common equity requested	13.3%

*Provide copies of latest rate order.

**Provide copies of the submitted testimony of the staff and company in the last rate relief action or pending rate relief request.

(1) The Commissioner, by order dated April 2, 1975, granted the Company interim relief to the extent of a 10% increase effective with billings on and after April 4, 1975 for service rendered on and after March 12, 1975. On September 26, 1975, the Commissioner granted the Company a rate increase of 24.7% (including the 10% interim relief granted in April) effective for service rendered on and after September 30, 1975.

(2) Rate of return on total capital investment.

WASHINGTON WATER POWER COMPANY

ATTACHMENT FOR NUMBER 7a

RATE DEVELOPMENTS** - WASHINGTON

	Electric	Gas
<u>Granted*</u>		
Annual amount - test year basis (000's)	2,217	1,338
Percent increase	6.37%	4.51%
Effective date	8-5-75	8-1-75
Rate of return on rate base authorized	8.4%	8.4%
Rate of return on common equity authorized	12.75%	12.75%

Revenue Effect (000's)

Amount received in year granted (Oct 1/3)	739	446
Amount received in subsequent year	---	---

Pending Requests

- None at 1-31-76

Amount (000's)
Percent increase
Date filed
Date by which decision must be issued
Rate of return on rate base requested
Rate of return on common equity requested

*Provide copies of latest rate order.

**Provide copies of the submitted testimony of the staff and company in the last rate relief action or pending rate relief request.

WASHINGTON WATER POWER COMPANY

ATTACHMENT FOR NUMBER 7a

RATE DEVELOPMENTS** - IDAHO

	Electric	Gas
<u>Granted*</u>		
Annual amount - test year basis (000's)	607	643
Percent increase	2.93%	4.24%
Effective date	8-13-75	8-13-75
Rate of return on rate base authorized	8.4%	8.4%
Rate of return on common equity authorized	12.75%	12.75%

Revenue Effect (000's)

Amount received in year granted (Est 1/3)	202	214
Amount received in subsequent year	---	---

Pending Requests

None at 1-31-76

Amount (000's)
 Percent increase
 Date filed
 Date by which decision must be issued
 Rate of return on rate base requested
 Rate of return on common equity requested.

*Provide copies of latest rate order.

**Provide copies of the submitted testimony of the staff and company in the last rate relief action or pending rate relief request.

BY F. LAPEZ
VICE PRES
FINANCE

April 21, 1976

Mr. Anthony Bournia
Project Manager
Nuclear Regulatory Commission
7920 Norfolk Avenue
Bethesda, Maryland 20852

Re: WNP Nos. 3 and 5

Dear Mr. Bournia:

Confirming our conference telephone call among us and Messrs. Peterson, Thoresen and Sorenson, the attached summary should be sufficient to analyze regulatory response to Pacific's requests for rate increases.

Yours very truly,



Robert F. Lapz
Assistant to the
Vice President-Finance

RFL:ss

enclosure

cc: Messrs. Geiger
Stiles
Thoresen WPPSS

RATE DEVELOPMENTS**
 Since December 31, 1974

Electric Gas Steam

Granted*

Annual amount - test year basis (000's)	(1)	
Percent increase	(1)	
Effective date	(1)	
Rate of return on rate base authorized	(2)	8.78%
Rate of return on common equity authorized	(2)	13.50%

Revenue Effect (000's)

Amount received in year granted	(1)
Amount received in subsequent year	(1)

Pending Requests

Amount (000's)		\$6,100
Percent increase		NA
Date filed		NA
Date by which decision must be issued		NA
Rate of return on rate base requested	(2)	9.02%
Rate of return on common equity requested	(2)	14.51%

Company will not provide

*Provide copies of latest rate order.

**Provide copies of the submitted testimony of the staff and company in the last rate relief action or pending rate relief request.

(1) On September 3, November 12, November 20, 1974 and March 25, 1975, Pacific increased its retail electric rates in the states of Oregon, Idaho, Washington and California, respectively in the aggregate annual amount of approximately \$34.5 million.

On August 13 and September 30, 1975, Pacific further increased its retail rates in Oregon and Washington in the aggregate amount of approximately \$20.25 million

(2) Most recent among six states.

C

ATTACHMENT 7(b)-1

INVESTOR-OWNED ANNUAL REPORT TO STOCKHOLDERS

C

C

Puget Sound Power & Light Company
Annual Report for the Year 1974



Comparative Highlights

Financial Results*	1974	1973	Increase	
			Amount	Percent
Operating Revenues (thousands)	\$142,393	\$116,902	\$25,491	21.8
Net Income for Common Stock (thousands)	\$ 18,071	\$ 12,894	\$ 5,177	40.2
Earnings per Share of Common Stock (1)	\$4.03	\$2.94	\$1.09	37.1
Dividends per Share of Common Stock	\$1.98	\$1.98	—	—
Gross Additions to Utility Plant (thousands) (2)	\$ 98,795	\$ 63,060	\$35,735	56.7
Funds Provided from Operations (thousands)	\$ 36,806	\$ 29,287	\$ 7,519	25.7
Common Shareholders' Equity (thousands)	\$166,059	\$144,028	\$22,031	15.3
Shares of Common Stock Outstanding (year end)	4,997,852	4,385,050	612,802	14.0
Operating Results				
Kilowatt-Hour Sales (thousands)	11,771,365*	9,319,957*	2,451,408*	26.3*
Average Annual KWH Use per Residential Customer	13,856	13,863	(7)	(0.1)
Number of Customers (year end)	408,856	398,743	10,113	2.5
Peak Load-Kilowatts	2,057,500	2,076,800	(19,300)	(0.9)
Capability at Time of Peak Load-Kilowatts	2,379,000	2,283,000	96,000	4.2

(1) Based on an average of 4,453,216* shares outstanding in 1974 and 4,379,882* in 1973, assuming no conversion of preference stock.

(2) Includes allowance for funds used during construction.

*Audit procedures applied, see Auditors' Report.

Table of Contents

	Page		Page
Highlights — Financial and Operating Results	Inside Cover	Financial Statements:	
President's Letter	2	Balance Sheets	18, 19
Service Area Economics	4	Statements of Income	20
Earnings Increase	4	Statements of Earnings	
Conservation of Electricity	6	Reinvested in the Business	21
Construction Program	C	Statements of Changes in Financial Position	22
Power Sales	6	Notes to Financial Statements	23-26
Power Resources	8	Auditors' Report	27
Rate Increase	10	Fiscal Agents	27
Customer Relations	10	Historical Summary of Operations and Statistical Record	28, 29
Employee Relations	12	Management's Discussion and Analysis of the Summary of Operations	29
Financing Program	12		
Service Area Map	14, 15		
Officers and Directors of the Company	16, 17		

Form 10-K — A copy is available, upon request, of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K. Copies of the Form 10-K may be obtained without charge by writing John H. King, Vice President-Finance and Treasurer, Puget Sound Power & Light Company, Puget Power Building, Bellevue, Washington 98009.

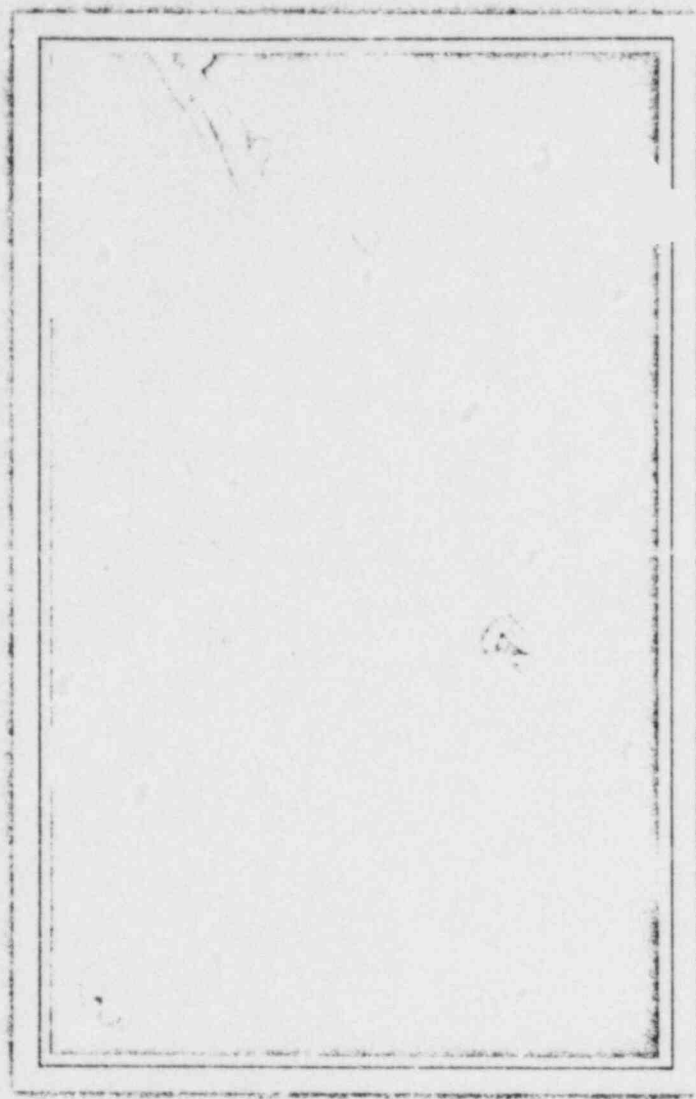
Financial Brochure — A booklet covering the Company's financial and operating statistical data for the 10-year period 1964-74 is also available upon request.

Common Stock — The Company's common stock \$10 par value is listed on the New York Stock Exchange — Symbol PSD — 4,997,852 shares were outstanding as of December 31, 1974. Common stock price ranges and dividends per share on a quarterly basis for the last two years can be found on page 29.

Annual Meeting — The Annual Meeting of Shareholders of the Company will be held beginning at 10 a.m. on May 13, 1975 in the auditorium of the Puget Power Building in Bellevue, Washington.

Quarterly Report — Quarterly Reports are issued in February, May, August and November to all shareholders. Comments by management on important events and financial data on a comparative basis are a part of each report.

This annual report has been prepared for the information of shareholders and employees of the Puget Sound Power & Light Company and is not intended to be used in connection with any sale, offer for sale, or solicitation of an offer to buy any securities.



To Our Shareholders and Employees

I am very pleased to report substantial improvements in revenues, energy sales, net income and earnings in 1974. Gross revenues were up 21.8%* and kilowatt-hour sales up 26.3%* over 1973. Net income was \$21,385,631*, an increase of \$5,923,042* or 38.3%*. Earnings were \$4.03* per share in 1974 compared to \$2.94* for 1973. Throughout the year, management expressed confidence that the slight downward dip earnings had taken in 1973 -- a year of relatively poor hydro conditions -- would be reversed in 1974.

The two principal reasons for this marked improvement were, first, the impact of a rate increase which the Company was granted in two steps during the year by the Washington Utilities and Transportation Commission, which accounted for \$11.3 million of the revenue increase. The full rate increase was in effect only during the last two months of 1974 so we expect it to have a significant effect on 1975 results. Our basic residential rate averaged 1.44* cents per kilowatt-hour in 1974, about one-half the national average.

Second, the Company sold a substantial amount of surplus energy to utilities outside the Pacific Northwest region in 1974 because of the favorable hydro situation in the region throughout much of 1974. The utilities in the Northwest were able to sell this surplus energy principally to Southwestern utilities to displace a portion of their higher cost oil and natural gas fuels used for electric generation.

The reservoirs of the Northwest again are about normal and with average accumulations of snow in the mountains the hydro outlook for 1975 is very good. We expect to continue to sell surplus energy outside the region this year to the mutual benefit of both areas.

The improvement in revenues and earnings was achieved before an expected return to more normal customer consumption patterns. The energy curtailment program in our region in the winter season of 1973-74 caused by severe water shortages, followed immediately by the oil embargo and the national energy conservation program, resulted in a sharp reduction in our load growth pattern. The Company anticipates a gradual return to more normal load growth trends.

Our 1975 construction expenditures are estimated at \$90.7 million, compared to \$94.4 million* in 1974. Almost two-thirds of this year's anticipated expenditures will be used for generating projects as the region continues the transition from an almost completely hydro-based system to a mixed hydro-thermal system. About \$43.5 million will be spent on the coal-fired project at Colstrip, Montana, where Puget Power, in partnership with other Northwest utilities, is building two generating units and planning two others. About \$16 million is expected to be spent in 1975 on the Skagit Nuclear Power Project.

** Audit procedures applied, see Auditors' Report.*

The economy of our service area appears to have been affected less by the recent downturn than that of the country as a whole. Washington's employment growth in 1974 was well above the national average and for the first time in several years unemployment in the region is below the national average. The state's per capita personal income is also considerably above the average of the nation.

Two major projects will have a substantial favorable impact on the economy of the area for several years. First is the trans-Alaska oil pipeline, now under construction, for which the Puget Sound region serves as the principal staging area. Many of the families of construction workers and numerous construction-related industries are locating in this region.

Second is the construction of the Trident submarine base in Kitsap County in the western portion of our service area. The \$600 million defense project will employ about 7,000 people this year, and it is expected that the development will induce a permanent population increase in the area of about 27,000.

Port cities on Puget Sound are experiencing their busiest years. The value of imports through Washington ports was up about 65% for the year, while the value of exports was up about 25% over 1973. Puget Sound ports have become known as the Gateway to Alaska and the Pacific Rim.

Notwithstanding the high cost of new generating sources, the Company will for many years enjoy the advantage of having substantial amounts of hydroelectric power available to insulate its overall power supply from some of the cost escalation. The years ahead will pose severe challenges for this Company and for the electric utility industry generally. However, management is confident that the Company will continue to grow and prosper and that our relative economic position in the industry will continue to improve.

March, 1975

Sincerely, For the Board of Directors

Ralph M. Davis

Ralph M. Davis, *President*



Summary of the Year

Service Area Economics

Puget Power provides electric service to over one million people residing principally in the western portion of the State of Washington — an area of the state which has experienced steady, consistent economic growth for more than a decade. The Company's service area covers about 3,200 square miles, in part or all of eight counties in the Puget Sound region of western Washington, and a portion of Kittitas County in central Washington.

The service area has a diversified economic base, but the primary activities include manufacturing, lumber, shipping and those related to national defense establishments. Major industries include the manufacture of commercial aircraft and aerospace components, ships, freight cars, trucks and logging equipment; oil refining; production of lumber, pulp, paper and other wood products; chemicals; light metals, steel and iron products; cement; and the processing of food goods. Numerous international companies (like The Boeing Company, Weyerhaeuser Company, PACCAR Inc), national companies (like the Alyeska Pipeline Company which is constructing the Alaska oil pipeline), and regional headquarters offices (including regional branches of the Federal government) are located in the service area.

Puget Power's service area is suburban and rural in nature. The Company does not serve the major cities of Seattle, Tacoma or Everett. The Company serves Bellevue, the state's fourth largest city and the location of Puget Power's corporate headquarters. Other cities the Company serves include Olympia, Bellingham, Bremerton, Renton, Kent, Puyallup and Mount Vernon. At the close of 1974 Puget Power served over 403,850 customers, an increase of more than 10,100 or 2.5% for the year. Electric energy consumption per residential customer remained about the same for 1974 at approximately 13,860 kilowatt-hours.

About 51.1%* of the Company's total operating revenues for 1974 came from residential customers, 25.4%* from commercial, 10.6%* from industrial, and the remaining 12.9%* from other sales, principally sales to other utilities. Residential customers continue to rely on electricity

for their major appliances. About 94% of the residential customers added last year use electricity for cooking while 91% have electric water heating. With the supplies of fossil fuels diminishing and the price increasing, 68% of the new residential customers added in 1974 are heating their dwellings electrically.

Earnings Increase

Earnings showed a substantial increase during 1974. Earnings per share for 1974 were \$4.03* on 4,483,216* average common shares outstanding, compared to \$2.94* per share for 1973 on 4,379,882* average shares. Assuming full conversion of the Company's convertible preference stock to shares of common stock during that period, earnings would have been \$3.88* per share for 1974 compared to \$2.89* for 1973.

Operating revenues rose to \$142,393,229*, up \$25,491,238* or 21.8% over the \$116,901,991* a year earlier. An interim rate increase and a general rate increase along with the sale of surplus energy to other utilities were the main contributing factors to the increasing revenues. Aided by the sale of surplus energy, the Company sold about 11.8 billion* kilowatt-hours of electricity last year, a 26.3%* increase over 1973. Net income for the year 1974 was \$21,385,631*, an increase of \$5,923,042* or 38.3%* over the \$15,462,589* for 1973. After provision for dividends on preferred and convertible preference stock, the remainder for common stock was \$18,071,397* last year. That is an increase of \$5,177,292* or 40.2%* over the \$12,894,105* for 1973.

The Company was granted an interim rate increase effective February 9, 1974 which remained in effect until November 1, 1974 when the general rate increase was made effective by the Washington Utilities and Transportation Commission. The rate increases accounted for about \$11.3 million of the 1974 revenues. However, the improvement in earnings and revenues was accomplished primarily before the impact of the full general increase, which was effective only the last two months of 1974. It should have a significant effect on 1975 results.

*Audit procedures applied, see Auditors' Report.



Conservation of Electricity

The wise and efficient use of electricity continues to reflect the Company's position on conservation. Conservation measures by residential, commercial and industrial customers in the winter of 1973-74 are credited with assisting Pacific Northwest utilities, including Puget Power, to get through last year's peak season with the lowest reservoir levels in the region's history.

The reservoirs behind the region's major hydroelectric projects returned to normal levels during 1974 and indications are that they will have sufficient storage for normal generation this year. Therefore, an on-going conservation program is not as critical at this time. Wasteful consumption of electric energy is still to be discouraged. Our new rates contain energy and peak conservation incentives for all customers.

The Company remains concerned about peak load conservation encouraging customers to be particularly conscious of their electric energy usage during the 5 p.m. to 8 p.m. hours of the winter months. Reduced usage at peak load times results in a reduction of the required capacity of generation, transmission and distribution facilities which has a long-range benefit to both the Company and its customers.

The current shortages and price escalation in petroleum and natural gas have had an effect on the choice of energy forms in our area. Admittedly, electric rates are going up, but not as rapidly as those for petroleum and gas fuels. This has resulted in a growing preference for electricity in new construction and heightened interest in conversions to electric space heating, in addition to a high percentage of electric energy use in other applications. New residential space heating was about 50% electric in the early 1970's, but rose to about 68% last year. Commercial buildings are also turning more to electricity for space conditioning.

The Company is directing much of its effort at insuring that new business reflects quality space heating installations. Loads which minimize waste and inefficiency and give the customer the best value for his energy dollar are being achieved. Company personnel are advising cus-

tomers to insulate properly, to extract and recycle heating energy from artificial lighting and solar gain, and to provide efficient load management through proper control systems and maintenance.

This will continue to represent the Company's policy as it goes to a hydrothermal based system. Most of the thermal generation the Company adds in the next decade will use either coal or nuclear fuels, both of which are in far more sufficient supply than either petroleum or natural gas.

Construction Program

The Company expects to spend \$90.7 million for construction purposes in 1975, excluding allowance for funds used during construction, compared with \$94.4 million* in 1974. Almost \$60 million of this year's total will be for generating facilities.

Continued construction on Units 1 and 2 at Colstrip, Montana will require the expenditure of \$41.1 million in 1975. Continued planning and preliminary studies into proposed Units 3 and 4 at Colstrip will cost an estimated \$2.4 million this year. It is expected that about \$16 million will be spent on the Skagit Nuclear Project in 1975. The expenditures will be in engineering and design, licensing fees, nuclear fuel enrichment and initial costs relating to preliminary construction.

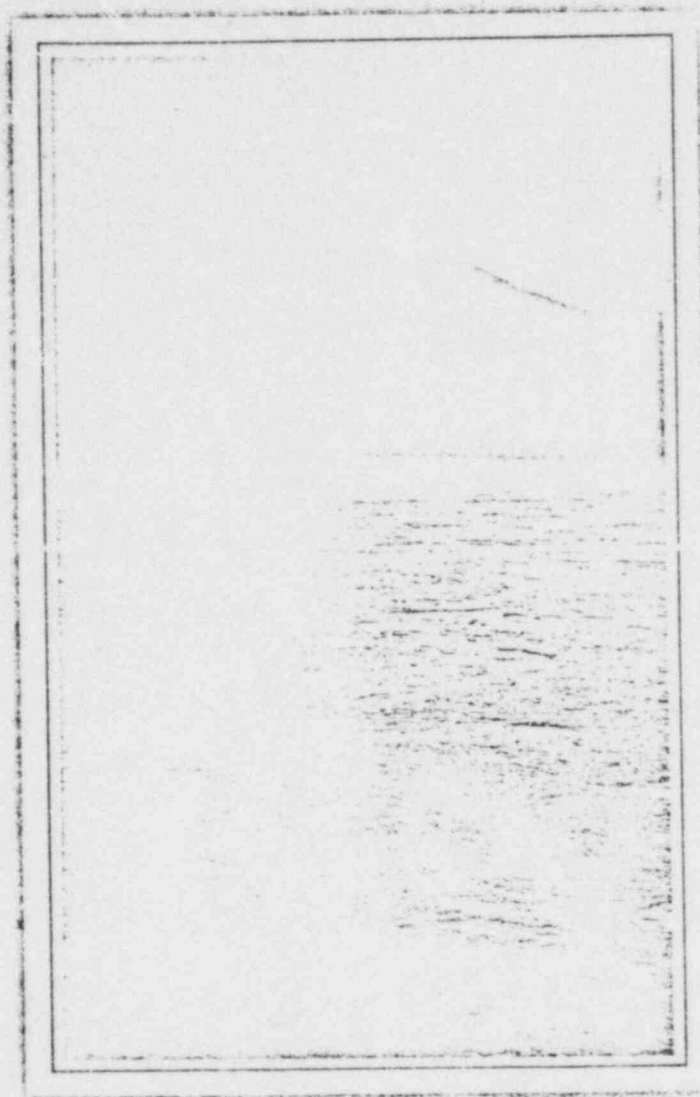
The Company has also budgeted about \$30.2 million in 1975 for additions to the transmission and distribution system and for other facilities related to customer service.

Power Sales

Kilowatt-hour sales for 1974 were about 11.8 billion*, a 26.3%* increase over 1973. The substantial increase is due principally to the sale of surplus energy to other utilities outside the region. Because of abundant supplies of hydroelectric power in the spring and summer of the year, the Company was able to sell considerable amounts of electric energy to utilities in other areas (principally the Southwest) which rely heavily on fossil-fueled generating plants.

Without these large sales of surplus energy the Company's kilowatt-hour sales growth would have been only about 1%*.

*Audit procedures applied, see Auditors' Report.



Reduced load growth from levels the Company has traditionally experienced in the last decade can be attributed to a continued tendency to conserve electric energy and the particularly mild weather the region experienced in 1974. Average annual consumption of electric energy by residential customers remained virtually the same in 1974 as in 1973 after an all-time high was achieved in 1972. Even with the Company's last rate increase, the average residential rate is still about one-half the national average. With hydroelectric generation serving as the base for the region, rates should continue to run considerably below those in most of the nation.

Load growth of about 6% a year is expected during this decade.

Power Resources

The Company has relied on hydroelectric power for the bulk of its generation needs for many years. Over 97% of the Company's 1974 energy requirements were supplied by hydroelectric generation. About 90% of that generation came from five hydro projects on the mid-Columbia River with which the Company has long-term contracts at a cost of about three mills per kilowatt-hour. The balance came from the Company's own generation, which is also primarily hydroelectric.

Currently, the Company is entitled to purchase portions of the power output of the mid-Columbia River projects as follows:

Current Annual Amount Purchasable (Approximately)

Project	% of Output	Kilowatts	Contract Expiration Date
Rock Island	87.1%	217,000	2012
Rocky Reach	59.7%	766,000	2011
Wells	50.3%	424,000	2018
Priest Rapids	14.5%	150,000	2005
Wanapum	16.9%	152,000	2009

Subject to certain rights of withdrawal by the project owners under the provisions of the long-term power purchase contracts

Expansion of the Rock Island Project through the addition of eight generating units was begun last summer by the Chelan County Public Utility District. The additional units will be operational in 1977-78 and will produce about 410,000 kilowatts of capacity and 150,000 kilowatts of aver-

age energy. Puget Power has contracted on a cost-of-service basis for the entire output of the additional units until the year 2012, which may be reduced up to 10% per year, beginning in the year 2000, to 50%.

Puget Power is now receiving about 160,000 kilowatts of energy as the result of the construction of storage reservoirs in Canada which now provide an additional 15.5 million acre-feet of storage on the upper Columbia River. In addition, the Company has contracted for 17.5% of both capacity and average energy (240,000 kilowatts and 130,000 kilowatts, respectively, in 1975) of Canada's share of the power resulting from such storage. The Company has assigned a portion of the power to other utilities, but in April 1975 will withdraw 84,200 kilowatts of capacity and 45,100 kilowatts of average energy. The Company has contracted with other utilities for Columbia Storage Power Exchange power of 300,200 kilowatts of capacity and 160,900 kilowatts of average energy effective April 1975 subject to rights of withdrawal. Some utilities have withdrawn their shares of this power effective April 1976 while other utilities cannot withdraw their shares until after March 1978 and March 1979.

The 330,000 kilowatt, coal-fired first unit at Colstrip, Montana, is expected to be in operation this year. Puget Power and The Montana Power Company are jointly constructing the first unit and a second unit of comparable capacity scheduled to be operational in late 1976. Each utility will own 50% of the output of the two units which will use coal mined at the project site by Western Energy Company, a Montana Power subsidiary.

Puget Power, Montana Power, Washington Water Power, Pacific Power & Light and Portland General Electric have an application before the State of Montana to construct two additional generating units at Colstrip. Puget Power would have a 25% share of the output of the two proposed units which would have a combined capacity of 1,400,000 kilowatts. In January 1975, the Montana Department of Natural Resources and Conservation recommended denial of a permit for construction of the two additional units. However, the Montana Board of Natural Resources and



Conservation has scheduled additional public hearings and may either grant the permit or accept the Department's recommendation.

Plans are proceeding to construct a two unit nuclear generating project in Skagit County in the northern portion of the Company's service area. Scheduled completion of the two units has been revised so that Unit 1 is planned to be operational in mid-1982 and Unit 2 tentatively in mid-1985. Each unit will have a capacity of 1,266,000 kilowatts. Ownership arrangements are being completed with other agencies with Puget Power currently owning 50% of the project, Pacific Power & Light 20%, Washington Public Power Supply System 15%, Washington Water Power 5%, and the balance unallocated. Zoning approval was obtained from Skagit County in the spring of 1974 and application was immediately made to the State Thermal Power Plant Site Evaluation Council. Hearings by that agency are to be scheduled this spring with a decision to be made by the Governor of the State of Washington this summer. The Atomic Energy Commission, since changed to the Nuclear Regulatory Commission (NRC), docketed the Company's application for a construction permit and a limited work authorization last fall. Later they also docketed the Preliminary Safety Analysis Report and the Environmental Report. The Commission issued a Draft Environmental Impact Statement in January 1975 on the project. The NRC will also be conducting hearings this spring. The Company plans to begin limited site preparation work late this year with actual construction to begin in the summer of 1976.

The Company has contracted for a 5% undivided share of the output of the Washington Public Power Supply System's Nuclear Project No. 3 to be built in Grays Harbor County, Washington. Puget Power's share of the 1,240,000 kilowatt output amounts to about 62,000 kilowatts. The project is scheduled to be in operation in late 1982.

The 67,500 kilowatt Whitehorn Combustion Turbine Station was available for use in December 1974 for standby and peaking availability. It is located near Ferndale in Whatcom County, not far from the Canadian border.

Rate Increase

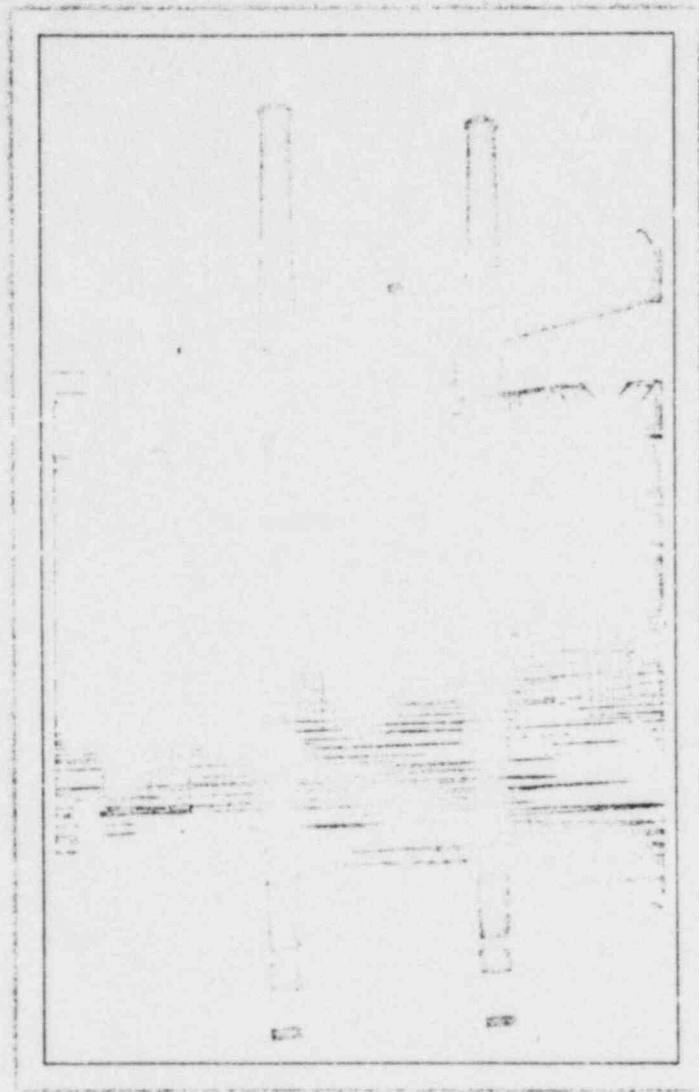
The Washington Utilities and Transportation Commission granted the Company a general rate increase of 20% or about \$22.9 million in increased annual revenues effective November 1, 1974. Of that total about \$12 million in increased annual revenues had already been allowed the Company through the interim increase which had been in effect since February 9, 1974. The amount of the increase is based on the 12-month test period ended June 30, 1973. The \$22.9 million that was granted represented about 98% of the total the Company had requested.

The effect of the interim and general increases contributed to the improved earnings and revenues the Company experienced in 1974. The rate increases resulted in about \$11.3 million in added revenues for the year. However, the impact of the full general increase was felt only in the last two months of 1974. It should have a significant effect on 1975 results. As part of this rate increase the Commission granted the Company an allowable rate of return of 8.5%.

Puget Power was directed by the Commission to impose a five percent conservation surcharge on electric power delivered to non-residential customers beginning November 1 and running through February 28, 1975. The Commission established the surcharge as a research "tool" to provide information on the effect of price on demand for electric energy. Further, the purpose of the surcharge is to emphasize the need to constructively limit energy use wherever possible, especially during the period of high winter usage, by providing an economic incentive to eliminate wasteful energy consumption. The Commission stated that all consumers, but especially non-residential consumers, can reduce their electric energy consumption significantly without adversely affecting comfort, safety or productivity. The Commission has indicated that it may direct the Company to refund all revenues realized from the surcharge. The amount of revenue from the surcharge in 1974 was about \$340,000.

Customer Relations

The Company for many years has taken an



active interest in the communities in which it serves. Employees are encouraged to become involved in activities in the areas where they live and work. Maintaining favorable relations with our customers is an important part of business.

Company representatives make frequent appearances in schools and service clubs and before civic and community organizations. The Company's plans to construct a nuclear generating project have brought an interest in presentations on aspects of that subject. More than 200 presentations have been made before groups in the general area of the Skagit Nuclear Project. In addition, the Company has opened an information center near the project site with displays, exhibits and literature relative to the project and to nuclear power. This temporary facility will ultimately be replaced with a permanent structure on the site after construction starts.

Employee Relations

The Company experienced its first authorized strike by the International Brotherhood of Electrical Workers, Local 77, the bargaining agent for about 1,350 employees, during 1974. The Local has represented union employees of the Company since 1936. Employees affected left their jobs May 1 and returned July 1. Supervisory and management personnel maintained the Company's operations throughout the strike.

As part of the terms of the new two-year agreement between the Company and Local 77, all union employees were given an 11.16% general wage increase for the first year. The new contract provided for certain work rule changes.

The two-year contract is effective through March 31, 1976. A new general wage increase will be the only item under consideration for the second year of the contract.

The Company offers an extensive list of benefit programs to all employees. The programs are reviewed regularly and updated. These benefit programs include medical and dental care insurance, group life insurance, a non-contributory retirement plan, an investment plan, vacations, sick leave and holidays.

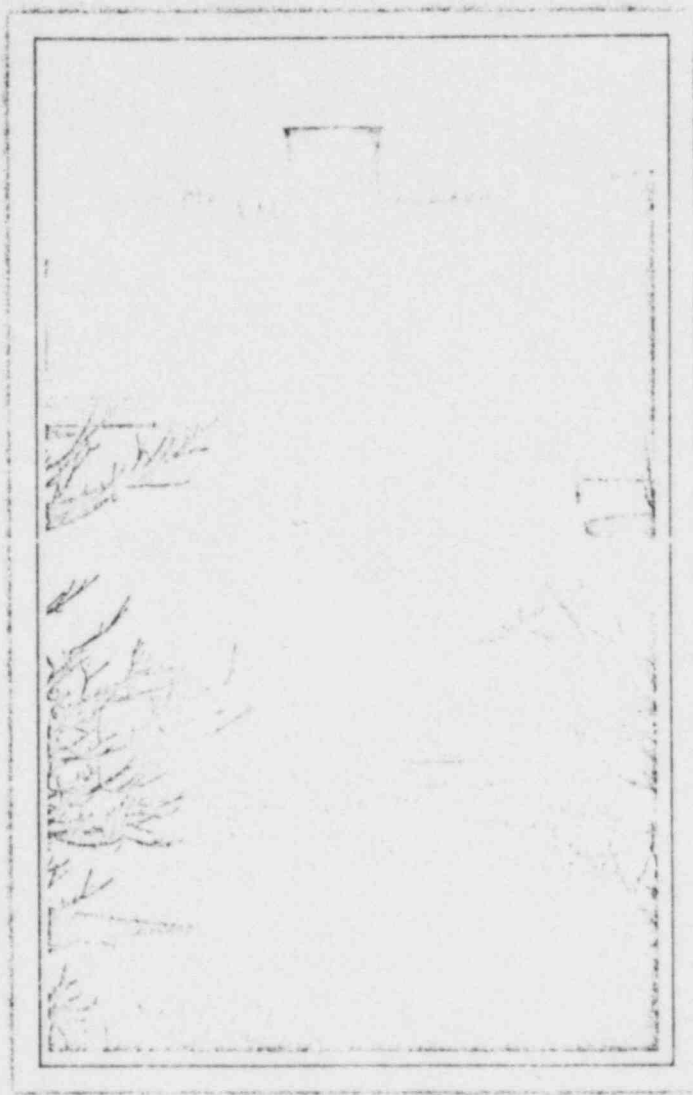
**Audit procedures applied, see Auditors' Report.*

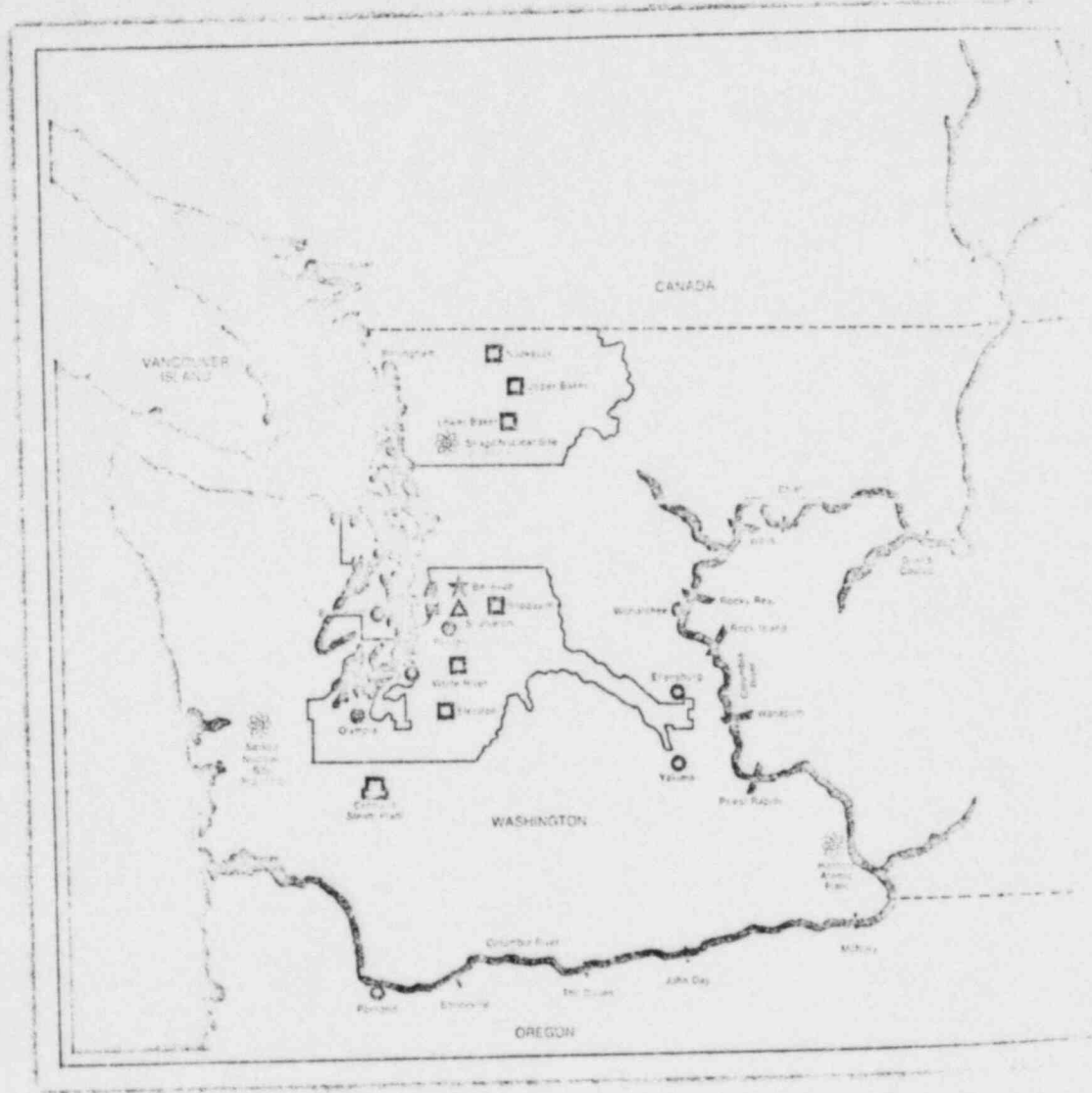
Financing Program

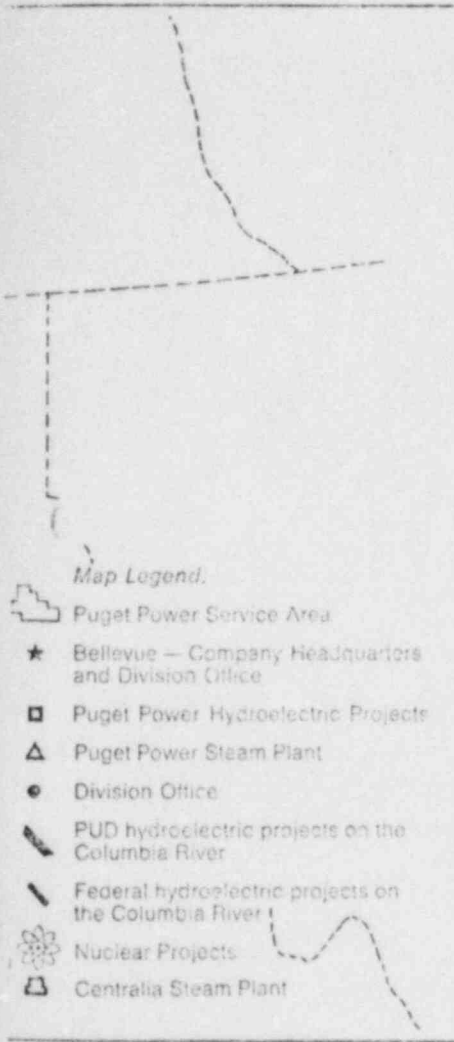
Three financings were accomplished by the Company during 1974. In March, \$30 million* of 8 $\frac{3}{4}$ %* first mortgage bonds were sold. In November an additional \$30 million* of first mortgage bonds were sold at an interest rate of 10 $\frac{3}{4}$ %*. Also in November, the Company sold 600,000* shares of common stock at \$21.50* per share, providing over \$12 million*. Proceeds were used to pay off outstanding bank loans incurred for construction purposes.

A first mortgage bond offering, a preferred stock sale, and a common stock sale are planned for 1975.










The Company has negotiated a new credit agreement with 22 banks which provides for a maximum commitment by the banks of \$75 million. This agreement will be effective April 1, 1975. The agreement provides for interest on borrowings at 114% of the prime rate for commercial bank loans in effect at Seattle-First National Bank at the time of each borrowing adjusted each calendar quarter. The agreement also provides for a fee of one-half of 1% per annum on the unused commitment. It is informally understood that the Company will maintain compensating balances on a yearly average basis equal to 7 $\frac{1}{2}$ % of the total line of credit.

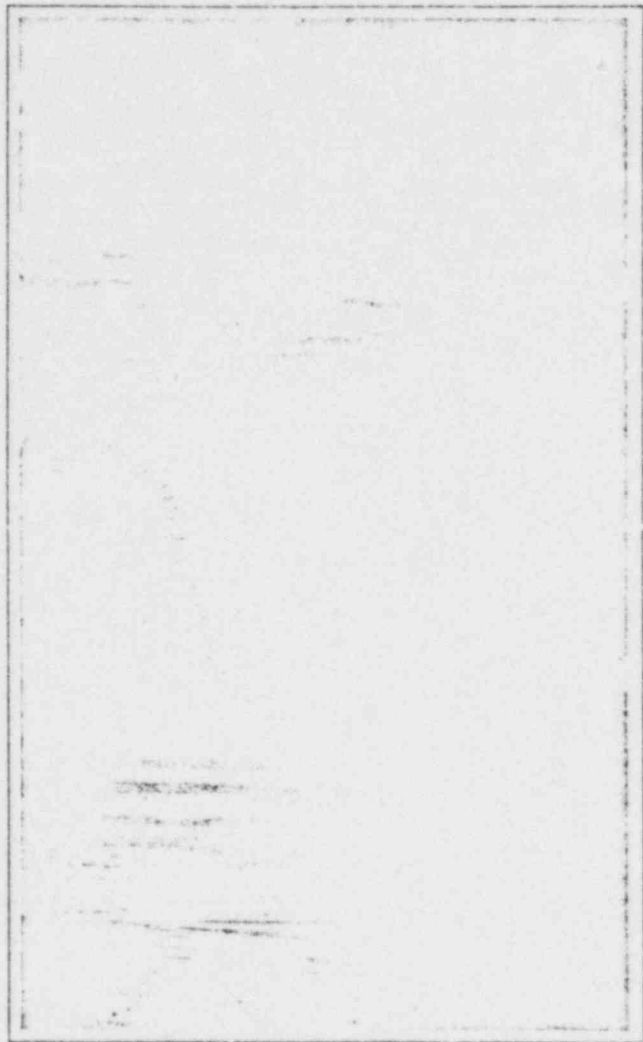






Map Legend.

-  Puget Power Service Area
-  Bellevue — Company Headquarters and Division Office
-  Puget Power Hydroelectric Projects
-  Puget Power Steam Plant
-  Division Office
-  PUD hydroelectric projects on the Columbia River
-  Federal hydroelectric projects on the Columbia River
-  Nuclear Projects
-  Centralia Steam Plant



Officers

RALPH M. DAVIS (17 years)

President and Chief Executive Officer

JOHN W. ELLIS (4 years)

Executive Vice President — (Principal Operating Officer — Operations, Engineering, Construction, Sales, Contracts, Marketing and Divisions)

JOHN H. KING (18 years)

Vice President — Finance and Treasurer — (Principal Financial Officer — Finance, Financial Planning and Auditing)

J. HAROLD ABRAMSON (44 years)

Vice President — Administration — (Industrial Relations, Purchasing, Stores, Buildings, Fleet Operations and Customer Information Systems)

WARREN J. FERGUSON (2 years)

Vice President — Major Projects — (Planning, Development and Construction of all new generating facilities)

LAWRENCE E. HALL (17 years)

Vice President — Public Affairs — (Government Relations, Community Affairs and Area Development)

DAVID H. KNIGHT (27 years)

Vice President — Power Supply — (Production, System Operations, Planning and Communications)

RICHARD F. WHALEY (33 years)

Vice President and Controller — (Accounting, Insurance and Taxes)

ROBERT C. WING (13 years)

Vice President — (Computer Services, Real Estate and Public Use Facilities)

WILBUR E. WATSON (13 years)

Secretary — (Corporate Secretarial Activities and Share Owner Records)

(Note: Length of service with Company is next to name.)

†Elected Executive Vice President May 8, 1973. Partner in the law firm of Purkins, Cole, Stone, Olson & Williams and Chief Legal Counsel for Puget Power from 1962 until March 1970 when he was elected Vice President of the Company.

Directors

WINSTON D. BROWN††

Chairman of the Board (Retired)

Howard S. Wright Construction Co., Seattle, Washington
(Building construction.)

RALPH M. DAVIS

President and Chief Executive Officer

Puget Sound Power & Light Company, Bellevue, Washington

JOHN W. ELLIS

Executive Vice President

Puget Sound Power & Light Company, Bellevue, Washington

FRANCIS J. HERB††

Chairman of the Board

The Bellingham National Bank, Bellingham, Washington

JOHN H. KING

Vice President

Puget Sound Power & Light Company, Bellevue, Washington

LOWELL P. MICKELWAIT

Director Emeritus

The Boeing Company, Seattle, Washington
(Manufacturer of aerospace and diversified products.)

ROBERT D. O'BRIEN

Chairman of the Board

PACCAR Inc., Bellevue, Washington
(Manufacturer of heavy equipment.)

IRVINE B. RABEL

Chairman of the Board

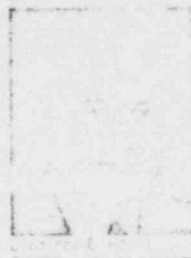
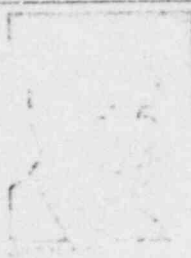
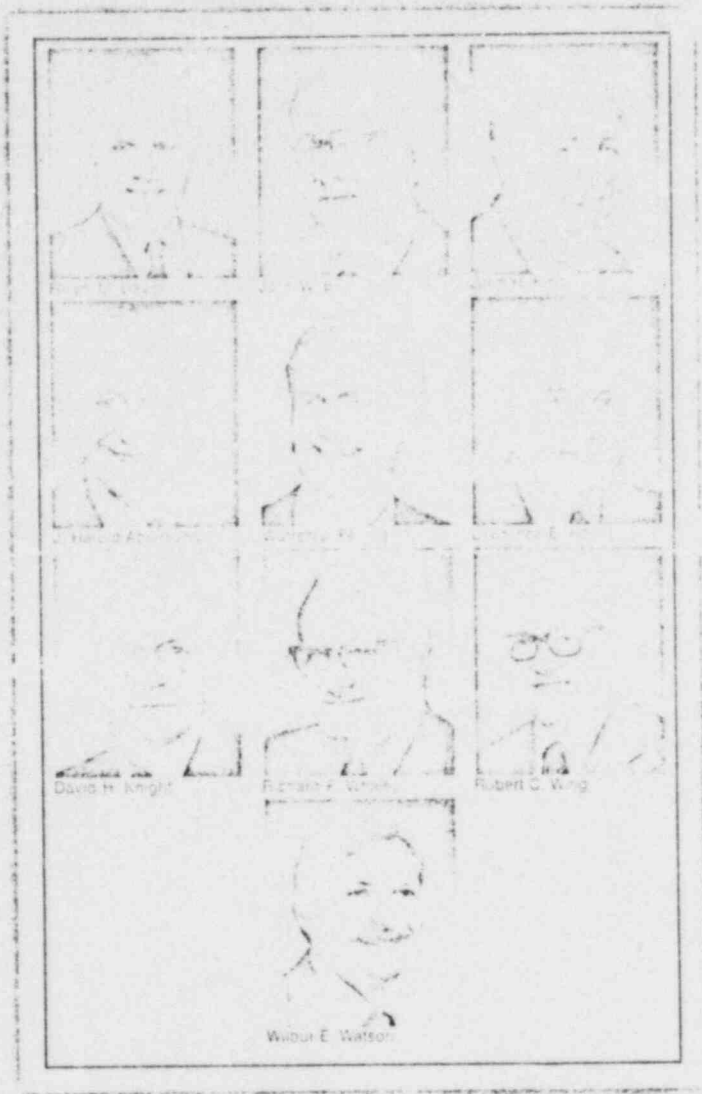
Star Machinery Company, Seattle, Washington
(Industrial machinery distributor.)

RALPH W. L. STORMANS††

Chairman of the Board

Associated Grocers, Inc., and President of Ralph's Thriftway Stores, Olympia, Washington

††Audit Committee Member



David H. Knight



Stanley A. White



Robert C. Wing



Walter E. Watson

Balance Sheets

Assets

	December 31 <u>1974</u>	December 31 <u>1973</u>
	(Thousands of Dollars)	
UTILITY PLANT (Notes 1, 2, 8 and 14):		
Electric plant, at original cost	\$672,269	\$576,912
Less accumulated depreciation	92,766	81,074
Net utility plant	<u>579,503</u>	<u>495,838</u>
 OTHER PROPERTY AND INVESTMENTS:		
Nonutility property, at cost	879	796
Investment in and advances to subsidiaries (Note 1)	2,843	2,700
Other investments, at cost	880	1,465
Total other property and investments	<u>4,602</u>	<u>4,961</u>
 CURRENT ASSETS:		
Cash (Note 9)	3,701	1,294
Accounts receivable (Note 1)	17,904	13,172
Materials and supplies, at average cost	9,433	5,596
Current portion of deferred income taxes (Note 1)	900	—
Prepayments	1,326	1,195
Total current assets	<u>33,264</u>	<u>21,257</u>
 DEFERRED CHARGES:		
Advance under power contract	906	937
Unamortized debt expense	1,069	772
Accumulated income taxes (Note 1)	829	703
Thermal plant feasibility costs	—	707
Prepaid power costs	—	2,573
Other	1,104	1,524
Total deferred charges	<u>3,908</u>	<u>7,216</u>
	<u>\$621,277</u>	<u>\$529,272</u>

The accompanying notes are a part of the financial statements.

Liabilities and Capital

	December 31 1974	December 31 1973
	(Thousands of Dollars)	
CAPITALIZATION:		
Shareholders' investment:		
Common stock (Notes 6 and 13)	\$ 49,979	\$ 43,850
Additional paid-in capital (Notes 7 and 13)	34,689	26,976
Earnings reinvested in the business (Note 3)	81,391	73,202
Total common equity	166,059	144,028
Preferred stock (Note 4)	37,122	39,345
Convertible preference stock (Note 5)	14,814	14,814
Total shareholders' investment	217,995	198,187
Long-term debt (Note 8)	318,749	256,116
Total capitalization	536,744	454,303
NOTES PAYABLE TO BANKS (Note 9)	30,500	41,000
CURRENT LIABILITIES:		
Commercial paper	15,700	6,000
Accounts payable	4,704	4,679
Accrued expenses:		
Taxes	12,457	9,649
Salaries and wages	1,667	1,547
Interest	4,226	2,175
Other	2,441	653
Total current liabilities	41,195	24,703
DEFERRED TAX CREDITS (Note 1):		
Accumulated investment tax credits	3,754	2,449
Accumulated income tax credits	1,223	833
Total deferred tax credits	4,977	3,282
OTHER DEFERRED CREDITS:		
Customer advances for construction (Note 1)	3,213	2,942
Other	2,572	1,230
Total other deferred credits	5,785	4,172
ACCUMULATED PROVISION FOR SELF-INSURANCE	2,076	1,812
COMMITMENTS AND CONTINGENCIES (Notes 2 and 11)		
	<u>\$621,277</u>	<u>\$529,272</u>

Statements of Income

	Years Ended December 31	
	1974	1973
	(Thousands of Dollars)	
OPERATING REVENUES (Note 1).....	<u>\$142,393</u>	<u>\$116,902</u>
OPERATING EXPENSES:		
Operation:		
Purchased and interchanged power — net	32,163	25,582
Other	26,024	23,148
Maintenance	6,401	6,140
Depreciation (Note 1)	13,850	12,331
Taxes other than Federal income taxes	17,042	14,861
Federal income taxes (Notes 1 and 10):		
Payable currently	7,335	2,958
Deferred investment tax credits	1,305	919
Deferred — other	(637)	269
Total operating expenses	<u>103,483</u>	<u>86,205</u>
OPERATING INCOME	<u>38,910</u>	<u>30,697</u>
OTHER INCOME — NET:		
Allowance for funds used during construction (Note 1)	4,423	1,899
Miscellaneous — net	1,795	1,414
Total other income — net	<u>6,218</u>	<u>3,313</u>
INCOME BEFORE INTEREST CHARGES	<u>45,128</u>	<u>34,010</u>
INTEREST CHARGES:		
Interest and amortization on long-term debt	18,723	15,670
Other	5,020	2,877
Total interest charges	<u>23,743</u>	<u>18,547</u>
NET INCOME	<u>21,385</u>	<u>15,463</u> 2,042
LESS DIVIDEND ACCRUALS:		
Preferred stock	2,240	1,495
Convertible preference stock	1,074	1,074
Total dividend accruals	<u>3,314</u>	<u>2,569</u>
NET INCOME FOR COMMON STOCK	<u>\$ 18,071</u>	<u>\$ 12,894</u>
COMMON SHARES — WEIGHTED AVERAGE:		
Outstanding	4,483,216	4,379,882
Assuming full conversion of preference stock	4,932,140	4,828,806
EARNINGS PER COMMON SHARE (Note 1):		
Assuming no conversion of preference stock	\$4.03	\$2.94
Assuming full conversion	\$3.88	\$2.89

The accompanying notes are a part of the financial statements.

Statements of Earnings Reinvested in the Business

	Years Ended December 31	
	1974	1973
	(Thousands of Dollars)	
BALANCE AT BEGINNING OF YEAR.....	\$ 73,202	\$ 68,778
NET INCOME	21,335	15,463
Total.....	<u>94,587</u>	<u>84,241</u>
DEDUCTIONS:		
Cash dividends paid:		
Preferred stock	2,307	1,294
Convertible preference stock	1,074	1,074
Common stock†	8,693	8,671
Expenses relating to issuance of equity securities:		
8% Preferred stock, 150,000 shares	248	—
Common stock, 600,000 shares	874	—
Total deductions	<u>13,196</u>	<u>11,039</u>
BALANCE AT END OF YEAR (Note 3).....	<u>\$ 81,391</u>	<u>\$ 73,202</u>

†1974 and 1973, \$1.98 per share.

The accompanying notes are a part of the financial statements.

Statements of Changes in Financial Position

	Years Ended December 31	
	<u>1974</u>	<u>1973</u>
	(Thousands of Dollars)	
Funds Provided by Operations:		
Net income	\$ 21,385	\$ 15,463
Add (deduct) items not affecting working capital in the current period:		
Depreciation, including amounts charged to other expense accounts	14,751	13,131
Equity portion of allowance for funds used during construction	(1,701)	(730)
Deferred investment tax credits and income taxes — net	1,568	1,185
Other	803	238
Total from Operations	<u>36,806</u>	<u>17,287</u>
Other Funds Provided (Applied):		
Issuance of first mortgage bonds	60,000	—
Issuance of equity securities	13,183	15,263
Increase (decrease) in notes payable to banks	(10,500)	25,000
Proceeds of pollution control bonds — net	3,852	2,738
Additions to utility plant — net of equity portion of allowance for funds used during construction	(97,094)	(62,330)
(Increase) decrease in prepaid power costs	2,573	(2,573)
Payment of dividends	(12,074)	(11,039)
Reacquired securities	(2,152)	(569)
Miscellaneous — net	920	1,343
Decrease in working capital	<u>\$ (4,486)</u>	<u>\$ (2,860)</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	\$ 2,407	\$ (2,880)
Accounts receivable	4,732	724
Materials and supplies	3,837	1,453
Current portion of deferred income taxes	900	—
Prepayments	131	399
(Increase) decrease in current liabilities:		
Commercial paper and accounts payable	(9,725)	(3,649)
Accrued expenses and other	(6,768)	1,093
	<u>\$ (4,486)</u>	<u>\$ (2,860)</u>

The accompanying notes are a part of the financial statements.

Notes to Financial Statements

1) **SUMMARY OF ACCOUNTING POLICIES** -- The Company's accounting policies conform to generally accepted accounting principles and to accounting requirements of regulatory authorities. Significant policies are described below.

Utility Plant -- Utility plant includes taxes incurred and allowances for funds used during construction. It is the general policy of the Company to charge the cost of maintenance and repairs to operating expenses and other appropriate accounts. The cost of renewals and betterments is charged to appropriate utility plant accounts, except the cost of minor replacements which is charged to maintenance expense. The original cost of operating property retired or otherwise disposed of and the cost of removal, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, accumulated depreciation is charged only with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Investment in Subsidiaries -- The investment in subsidiaries is stated on an equity basis. The assets, revenues, earnings, and earnings reinvested in the business of the subsidiaries are not material in relation to those of the Company.

Accounts Receivable and Operating Revenues -- The Company bills its customers on a monthly and bi-monthly cyclical basis. Accounts receivable and operating revenues include only amounts billed. They do not include an estimated accrual for service between the last cyclical billing and the end of the year.

Customer Advances for Construction -- Customer advances for construction may be refunded in whole or in part or may be transferred to utility plant. Such credits represent amounts paid by customers and others toward utility plant improvements, principally underground distribution facilities.

Depreciation and Amortization -- The Company provides for depreciation on a straight-line basis for all depreciable property, except for 15.6% of such property (principally hydro-electric production property) which is depreciated on a 6 percent compound-interest method.

The annual depreciation provisions recorded in the Company's accounts were equivalent to the following percentages of the original cost of depreciable utility plant:

	1974	1973
Straight-line method (%)	3.1	3.0
Compound interest method (%)	.85	.81

Federal Income Taxes -- In computing depreciation for Federal income tax purposes, the Company uses depreciation methods and estimated asset lives which differ from those used in its financial statements. In addition, the allowance for funds used during construction and certain taxes during construction are treated differently for income tax and financial statement purposes. Principally as a result of these factors, the Company's effective tax rate varies from the statutory Federal income tax rate (see Note 1C).

The Company normalizes, with the approval of the Washington Utilities and Transportation Commission, the tax effects of (1) liberalized and asset depreciation range depreciation on production property additions after 1969 and 1970, respectively; (2) job development investment credits; (3) the provision for self-insurance in excess of deductible losses; and (4) certain accrued property taxes.

Allowance for Funds Used During Construction -- The allowance for funds used during construction represents the estimated portion of interest and equity costs of capital funds which are applicable to utility plant while under construction. The composite rate used by the Company to capitalize the cost of funds devoted to construction was 7.8% for 1974 and 1973.

Earnings per Common Share -- Earnings per common share are computed as follows: Earnings per common share assuming no conversion of preference stock: the net income for common stock is divided by the weighted average number of common shares outstanding.

Earnings per common share assuming full conversion: the aggregate of the net income for common stock plus the dividends accrued on convertible preference stock is divided by the aggregate of the weighted average number of common shares outstanding plus the number of shares that would be outstanding if the convertible preference stock were fully converted.

2) **UTILITY PLANT EXPENDITURES** -- Expenditures for utility plant during 1975 are expected to approximate \$90,700,000. The Company's construction program for the years 1976 through 1977, subject to continuing review and adjustment, is estimated at \$304,300,000. Certain purchase commitments have been made in connection with the construction program.

3) EARNINGS REINVESTED IN THE BUSINESS – Earnings reinvested in the business unrestricted as to payment of cash dividends on common stock amount to approximately \$51,100,000 at December 31, 1974 under provisions of the most restrictive covenants applicable to the preferred and preference stocks and long-term debt.

4) PREFERRED STOCK, \$100 PAR VALUE – 1,000,000 SHARES AUTHORIZED:

	Number of Shares		
	4.84%	4.70%	8%
Authorized for each series.....	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Outstanding, January 1, 1974.....	120,012	123,437	150,000
Acquired for sinking fund during 1974.....	4,407	820	17,000
Outstanding, December 31, 1974.....	<u>115,605</u>	<u>122,617</u>	<u>133,000</u>
Available for future sinking fund requirements.....	<u>7,395</u>	<u>6,383</u>	<u>17,000</u>

The preferred stock may be redeemed by the Company at the following redemption prices per share plus accrued dividends:

- 4.84% Series – \$103 prior to May 15, 1977 and \$102 thereafter.
- 4.70% Series – \$102 prior to May 15, 1979 and \$101 thereafter.
- 8% Series – \$108, \$105 and \$103 prior to February 15, 1978, 1983 and 1988, respectively, and \$101 thereafter.

The Company is required to deposit funds annually in a sinking fund sufficient to redeem the following number of shares of each series at \$100 per share plus accrued dividends: 4.84% series and 4.70% series, 3,000 shares each; 8% series, 4,000 shares from 1975 through 1984 and 5,000, 6,000 and 1,000 shares through 1989, 2003 and 2004, respectively. These requirements may be satisfied by delivery of reacquired shares.

5) CONVERTIBLE PREFERENCE STOCK, \$50 PAR VALUE – 700,000 SHARES AUTHORIZED:

	Shares
	7.25%
Authorized for the 7.25% series.....	<u>300,000</u>
Outstanding January 1, and December 31, 1974.....	<u>296,290</u>

The convertible preference stock may be redeemed at par plus accrued dividends.

The Company must keep available for conversion of its preference stock 448,924 shares of its authorized and unissued \$10 par value common stock, based on conversion values for preference stock and common stock of \$50 and \$33, respectively.

6) COMMON STOCK, \$10 PAR VALUE:

	Shares
Authorized.....	<u>6,000,000</u>
Outstanding January 1, 1974.....	4,385,050
Issued to trustee of employee investment plan.....	12,802
Sold to public.....	600,000
Outstanding December 31, 1974.....	<u>4,997,852</u>

7) ADDITIONAL PAID IN CAPITAL:

	(Thousands of Dollars)
Balance January 1, 1974.....	\$26,976
Excess of proceeds over par value of common stock issued to trustee of employee investment plan.....	156
Excess of proceeds over par value of common stock issued to the public.....	6,900
Excess of par value over cost of preferred stock reacquired for annual sinking fund requirements.....	657
Balance December 31, 1974.....	<u>\$34,689</u>

8) LONG-TERM DEBT, AT DECEMBER 31, 1974:

	Outstanding (Thousands of Dollars)
First Mortgage bonds:	
10¾% series, due 1983.....	\$ 30,000
3½% series, due 1964.....	25,000
4½% series, due 1958.....	30,000
4¾% series, due 1991.....	15,000
4½% series, due 1993.....	40,000
4¾% series, due 1994.....	15,000
5½% series, due 1996.....	20,000
6½% series, due 1997.....	20,000
7½% series, due 1999.....	20,000
9½% series, due 2000.....	29,700
7¾% series, due 2002.....	30,000

Notes to Financial Statements (Continued)

8 3/4% series, due 2004	\$ 30,000
Total First Mortgage bonds	304,700
Debentures, 5 1/4%, due 1983	8,486
5.90% pollution control revenue bonds, series 1973, due 1998 (\$20,000,000 net of funds on deposit with trustee of \$13,409,000)	6,591
Notes payable	525
	<u>320,302</u>
Less unamortized discount — net of premium	1,553
Total	<u>\$318,749</u>

The effective interest cost approximates the coupon rate during the life of the bonds.

The Company is required to make annual sinking and improvement fund payments to the trustee equal to one percent of the aggregate principal amount of each series of first mortgage bonds outstanding, as provided in the respective indentures, except for the 10 3/4% series, due 1983, which has no sinking fund provision. The aggregate amount of such requirements for 1975 is \$2,447,000 and for each of the years 1976 through 1979 is \$2,747,000. This requirement may be met by the substitution of certain credits as provided in the mortgage.

The Company is also required to make an annual sinking fund payment sufficient to redeem (at special redemption prices not to exceed 100.75 percent of principal) \$375,000 principal amount of debentures on November 1 of each year through 1982. This requirement may be satisfied by delivery of reacquired debentures. At December 31, 1974, \$859,000 of reacquired debentures were available to meet future sinking fund requirements.

Substantially all properties of the Company are subject to the lien of the first mortgage bonds.

9) NOTES PAYABLE TO BANKS — Notes payable to banks represent borrowings under a credit agreement with twenty-one banks, which provides for a maximum commitment by the banks of \$50,000,000 with interest on borrowings at 100% of the prime rate. The agreement also provides for a fee of 1/4 of 1% per annum on the unused commitment. The borrowings carry an average interest rate of 12% at December 31, 1974 and mature April 1, 1975. It is informally understood that the Company will maintain compensating balances on a yearly average basis equal to 5% of the total line of credit based on monthly bank statement balances. The normal delay in check clearances through the depository banks substantially meets this compensating balance requirement. On April 1, 1975 loans outstanding under the agreement will be refinanced with notes due April 1, 1976 under a new credit agreement completed in March 1975 (see page 12).

The Company has a supplemental credit agreement with five banks providing for an additional credit line of \$5,000,000 with interest on borrowings at 107% of the prime rate. This credit line expires March 31, 1975. The Company has informally agreed to maintain compensating balances equal to 15% of this supplemental line.

10) FEDERAL INCOME TAXES — The Company's effective Federal income tax rate was 27.2% for 1974 and 21.1% for 1973. The difference between these effective rates and the 48% Federal income tax statutory rate comprises:

	1974	1973
Items on which the tax effect has not been deferred in accordance with regulatory requirements:		
Depreciation expense deducted for income tax purposes in excess of depreciation expense included in the financial statements, net of liberalized depreciation treated as a timing difference	11.1%	16.4%
Allowance for funds used during construction included as income in the financial statements and excluded from taxable income	7.2	4.7
Certain taxes included in the cost of utility plant in the financial statements and deducted for income tax purposes	2.7	3.5
Other	(0.2)	2.3
	<u>20.8%</u>	<u>26.9%</u>

11) CONTINGENCIES — By complaint filed in the United States District Court dated July 18, 1972, the Muckleshoot Indian Tribe has sued the Company for \$45,000,000 for diversion and conversion of water from the White-Stuck River, and for an injunction

Notes to Financial Statements (Continued)

against further diversions. In the opinion of general counsel, the Company has substantial defenses in this litigation and there is little likelihood of significant recovery against the Company.

The Montana Department of Natural Resources and Conservation has recommended the denial of the application for a construction permit for two additional generating units at Colstrip, Montana, in which the Company is to have a 25% interest. Hearings are to be held in connection with the application. In the event the application is ultimately denied, the Company may have to charge operations with cancellation charges of approximately \$1,600,000 and construction expenditures of \$2,400,000 incurred to date. Should any such charges to operations be necessary the Company will request the approval of the Washington Utilities and Transportation Commission to amortize the charges over a period of years.

12) EMPLOYEE PENSION PLAN — The Company has a noncontributory pension plan covering substantially all of its employees. The total cost of this plan for 1974 and 1973 was \$2,300,000 and \$1,800,000, respectively, including approximately \$725,000 and \$587,000, respectively, charged to construction. Effective January 1, 1974 the plan was amended to increase plan benefits which had no material effect on net income. Unfunded prior service costs are being amortized over a period of approximately thirty years. The Company's policy is to fund pension cost accrued. At December 31, 1974, unfunded past service costs were approximately \$10,392,000. The actuarially computed value of vested benefits exceeds by approximately \$8,600,000 the value (based primarily on market) of the pension fund.

13) EMPLOYEE INVESTMENT PLAN — The Company has a qualified employee investment plan under which prescribed payroll deductions as designated by the employees are deposited monthly with a trustee and are used to purchase a diversified investment portfolio. The Company makes a monthly contribution to the trust fund equal to 35% of the basic contribution of each participating employee. The basic contribution is limited to 6% of the employee's regular earnings. Under the investment plan agreement, all Company contributions are used by the trustee to purchase common stock directly from the Company at a value established by sales at specified dates on the New York Stock Exchange.

During 1974 and 1973 the Company contributed approximately \$240,000 and \$253,000, respectively, in cash to the plan and the trustee purchased from such contributions 12,802 and 9,706 shares, respectively, of common stock. Proceeds from such sales were credited to the common stock and additional paid-in capital accounts on the books of the Company.

14) RESTATEMENTS — In accordance with regulatory requirements effective January 1, 1974, contributions in aid of construction have been reclassified as a reduction of the cost of utility plant. Utility plant as of December 31, 1973 has been restated to reflect this change resulting in a reduction of \$12,954,000. Previously such contributions were shown separately among the liabilities.

Auditors' Report

To the shareholders of Puget Sound Power & Light Company

We have examined the balance sheet of Puget Sound Power & Light Company as of December 31, 1974 and the related statements of income, earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported on the financial statements of the Company for the year 1973.

In our opinion, the aforementioned financial statements present fairly the financial position of Puget Sound Power & Light Company at December 31, 1974 and 1973, and its results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

In addition, we have read certain historical accounting information included in the nonfinancial statement sections of this annual report, as identified therein; have compared it to data taken from the audited financial statements; have subjected it to audit procedures; have verified its mathematical accuracy. In our opinion, such data is fairly stated in relation to the audited financial statements taken as a whole.

COOPERS & LYBRAND

February 12, 1975, except as to Note 9 with respect to which the date of this report is March 25, 1975.

Seattle, Washington

Fiscal Agents

Common Stock: Transfer Agents, The Chase Manhattan Bank, N.A., New York, and Rainier National Bank, Seattle; Registrars, Irving Trust Company, New York, and Pacific National Bank of Washington, Seattle.

Convertible Preference Stock: Transfer Agents, The Chase Manhattan Bank, N.A., New York, and Rainier National Bank, Seattle; Registrars, Irving Trust Company, New York, and Pacific National Bank of Washington, Seattle.

Preferred Stock: 4.84% and 4.70% series: Transfer Agent, Rainier National Bank, Seattle; Registrar, Pacific National Bank of Washington, Seattle. 8% series: Transfer Agents and Registrars, Manufacturers Hanover Trust Company, New York, and Rainier National Bank, Seattle.

First Mortgage Bonds: Trustee and Registrar, The First National Bank of Boston, Boston.

Debentures: Trustee and Registrar, Continental Illinois National Bank and Trust Company, Chicago.

1971	1970	1969	1964
\$ 54,432	\$ 49,897	\$ 47,025	\$ 30,783
26,222	24,023	21,906	13,883
8,986	8,884	8,520	6,018
461	3,876	3,448	2,247
94,101	86,682	80,899	52,931
45,274	41,703	39,820	27,219
10,467	8,585	7,860	4,375
10,851	10,889	10,052	6,480
1,692	450	771	952
68,284	61,627	58,453	39,026
25,817	25,055	22,446	13,905
1,914	1,090	723	747
27,731	26,145	23,169	14,652
13,868	13,100	11,441	6,279
13,863	13,045	11,728	8,373
2,333	2,366	1,454	1,370
<u>\$ 11,530</u>	<u>\$ 10,679</u>	<u>\$ 10,274</u>	<u>\$ 7,003</u>
4,112,676	3,953,799	3,953,501	3,593,501
\$2.80	\$2.70	\$2.60	\$1.95
\$2.76	\$2.67	\$2.59	—
\$1.82	\$1.76	\$1.70	\$1.60
65.0%	65.2%	65.4%	82.1%
1,404	1,250	1,238	1,136
7,608	7,165	7,153	4,172
(177)	(226)	(701)	(626)
8,833	8,189	7,690	4,682
(806)	(782)	(749)	(594)
8,027	7,407	6,941	4,088
4,557	4,164	3,928	2,460
1,722	1,545	1,392	737
1,506	1,492	1,449	760
242	206	172	131
8,027	7,407	6,941	4,088
367,741	354,752	339,560	258,940
13,711	13,042	12,910	10,556
\$163.77	\$156.28	\$154.67	\$132.09
1.19¢	1.20¢	1.20¢	1.25¢
1,850	1,711	1,613	1,139
2,186	1,896	1,807	1,372
56.3%	58.7%	55.9%	53.9%
6.5	6.9	7.8	11.8
3.8	3.9	4.3	—
33.4	30.5	32.0	34.3
100.0%	100.0%	100.0%	100.0%
1,665	1,679	1,724	1,564

MANAGEMENTS' DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS FOR THE YEARS 1974 AND 1973

The interim and general rate increase accounted for about \$11.3 million of the increase in operating revenues for 1974. The general rate increase was in effect only during the last two months of 1974 and is expected to increase revenues for 1975. Increased sales to other utilities accounted for an additional \$11.1 million of increased 1974 operating revenues. Although the Company expects to sell power to other utilities in the future, the amount of such sales depends primarily on the availability of power in excess of the Company's requirements.

The increase in operation and maintenance expenses for 1974 is due to increased purchased power costs and to inflationary factors resulting in increased wage rates and material and supply costs.

The increase in depreciation expense for 1974 and 1973 is due to increased depreciable electric plant and to an increase in depreciation rates in 1974.

Taxes other than Federal income taxes increased in 1974 and 1973 due to increased revenues, property valuations and salaries and wages upon which the other taxes are based, together with increased tax rates.

Federal income taxes were significantly higher in 1974 primarily due to the increase in taxable income.

The increases in other income for 1974 and 1973 were due to 1) increases in the allowance for funds used during construction which is attributable to higher levels of construction expenditures and 2) an increase in interest income from funds invested by the trustee of the 5.90% pollution control bonds.

The higher interest charges in 1974 and 1973 are due to higher levels of short term debt as well as higher short term interest rates and to the issuance of additional bonds in 1972, 1973 and 1974 at interest rates in excess of prior average rates.

Earnings Per Common Share and Operating Revenues by Quarter for 1974 and 1973

	1974		1973	
	Earnings per common share (Thousands of Dollars)	Operating revenues (Thousands of Dollars)	Earnings per common share (Thousands of Dollars)	Operating revenues (Thousands of Dollars)
First Quarter	\$1.48	\$ 37,888	\$1.42	\$ 34,698
Second Quarter	1.15	36,517	.71	29,153
Third Quarter	.54	33,751	.23	24,533
Fourth Quarter	.86	34,737	.58	29,288
For the Year	\$4.03*	\$142,393*	\$2.94*	\$116,900*

*Based upon average common shares outstanding assuming no conversion of preference stock.

Common Stock Price Ranges and Dividends Per Share by Quarter for 1974 and 1973

	1974		Dividends Per Share
	Price Range High	Price Range Low	
First Quarter	28½	25½	\$.49½
Second Quarter	25½	19¼	.49½
Third Quarter	21½	18½	.49½
Fourth Quarter	21½	18¼	.49½
	1973		Dividends Per Share
	Price Range High	Price Range Low	
First Quarter	34½	30¼	\$.49½
Second Quarter	31½	29½	.49½
Third Quarter	29½	26½	.49½
Fourth Quarter	29	23½	.49½

To Our Fellow
Shareholders
And Employees

Dear Shareholders and Employees:

I am pleased to announce that our company has achieved a significant milestone in its growth and development. This success is a result of the hard work and dedication of our entire team, and we are grateful for your continued support and investment.

Over the past year, we have focused on expanding our product offerings and strengthening our market presence. Our efforts have resulted in a steady increase in revenue and a growing customer base. We are confident that these achievements will continue to drive our long-term success.

As we look ahead, we remain committed to innovation and excellence. We will continue to invest in research and development, and we will strive to provide our customers with the highest quality products and services. We also remain dedicated to our employees, and we will continue to provide them with the resources and support they need to thrive.

Thank you for your faith in our company and for your ongoing support. We are excited about the future and the potential of our business, and we look forward to continuing our journey together.

Very truly yours,
[Signature]

STATEMENT OF FINANCIAL RESULTS

REVENUES AND EARNINGS

	1974	Change from 1973
Operating Revenues	\$110,093,000	\$17,000,000
Net Income	\$ 14,351,000	\$ 705,000
Earnings per share of Common Stock (based on 6,705,744 average shares outstanding during year)	2.11	+ 7 cents
Earnings per share of Common Stock (based on 6,815,077 total shares outstanding)	2.11	+ 9 cents
DIVIDENDS PAID		
Common Stock	\$ 10,156,000	\$ 487,000
Per share of Common Stock	1.49	+ 5 cents
CAPITALIZATION		
Debt	\$262,499,000	\$14,228,250
Common Equity	137,237,000	+ 4,589,000
Total	\$399,736,000	\$18,808,000

The shadows at day's end dramatize the Clark Tower, a dominant structure on the 1914 World's Fair site in Spokane, Washington, where the city is cast in contemplative quiet. EXPO '74 had a quite different impact on Spokane and the Inland Empire of the Pacific Northwest. Emerging from the World's Fair is the spirit of a new vitality in the region. This resurgence provides another dimension to the region's economic stewards: agriculture, mining, and forestry. Professionals and industry are seeking the Inland Empire as an island of prosperity. In all efforts to build and stabilize the area, The Washington Water Power Company is an eager partner.

(Continued from Front Cover)

for a general electric rate increase in both the states of Washington and Idaho. The Company takes pride that in the past 14 years, through efficiency gains and other factors, we were able to make five separate reductions in the cost of electricity to our customers. However, your Company was forced to yield to the dramatic inflationary spiral of 1973 and 1974. The continuing pressure of increased operating costs, burgeoning interest rates, and need for capital to meet construction requirements, left your Company no alternative but to file in January, 1974, a proposed rate increase with the Washington Utilities and Transportation Commission and with the Idaho Public Utilities Commission. To meet current and future energy demands, your Company must generate additional revenue to maintain its financial integrity and to continue to attract investor capital at the lowest available cost.



Company directors Roy J. Johnson, Spokane, Washington, and James B. McMongle, Lewiston, Idaho, examine the system-control console in the Company's Power Supply Department.

The proposal made to the Washington Utilities and Transportation Commission and to the Idaho Public Utilities Commission would have increased system-wide gross electric operating revenue by \$5,000,000, or approximately 10 per cent.

In August, 1974, the Idaho Commission issued its order granting the increase as filed, subject to a 30-day waiting period. The Company, in line with its policy of uniform electrical

rates throughout its service area, deferred the increase in the state of Idaho in anticipation of an early, favorable order from the Washington Commission.



King Cole, President of EXPO '74, Kinsey M. Robinson, Chairman of the Board of the Company, and Robert S. Beatty, Resident Manager for Standard Oil, pay a visit to the Energy Pavilion, one of the feature attractions of EXPO '74. Mr. Robinson was an active member of the Executive Committee of the Board of Directors for EXPO '74.

On November 1, 1974, the Washington Commission issued an order allowing the Company an increase of about 7 per cent of additional annual gross revenue in Washington. An increase in excess of \$3,000,000 had been requested. Approximately \$2,400,000 was approved. The Commission also ordered the Company to combine and modify the residential rate schedules and to add a 5 per cent surcharge to billings for commercial and industrial accounts during the months of November, December, January, and February.

The Commission, justifying the surcharge, stated, "The purpose of the surcharge is to emphasize the need to limit energy use wherever possible, especially during the period of winter peak demand." The Commission further stated that the results of the surcharge would be evaluated. From such evaluation could stem continuation of a like surcharge for future periods, extension of the surcharge to include residential customers, or abandonment of all surcharges. The latter decision



This magnificent home for the performing arts, built along the Spokane River, is one of the residual benefits to Spokane from EXPO '74.

could result in refunds to the customers involved.

The Company made a counter proposal to the Commission involving the residential rate schedule and application of the surcharge to certain rate schedules. The proposal was accepted. The new electric rates became effective in Washington on November 19, 1974.

The electric rate increase in Idaho, as originally applied for, became effective November 13, 1974. It will increase gross revenue by \$1,604,000



J. P. Buckley, Company Secretary, looks on as journeyman Tom J. Solbrack explains a piece of automotive gear to director Eugene Thompson, Moscow, Idaho.

annually. Electric rates will now vary between the two states.

• In late November, both the Washington and Idaho Commissions issued orders permitting the Company to pass along certain increases in the price of natural gas. These "tracking" increases allow pipeline price increases to flow through to our customers. The increases reflected the net effect of five separate rate adjustments. In Washington the new rates also include the cost of the state gas excise tax. Effective dates of the increases, purposely delayed to give our customers the benefit of a refund received from our former supplier, El Paso Natural Gas Company, were December 3 in Washington and December 6 in Idaho.

The natural gas rate increases will add \$35.00 to \$40.00 a year to the average residential heating bill. The entire amount of the increase to all



Company Treasurer James M. Coombs, receives a departmental visit from directors James A. Poore, Jr., Butte, Montana, and Rodney G. Allur, Lakeville, Connecticut.

classes of customers is designed to offset the costs associated with the higher price of gas purchased from our pipeline supplier, Northwest Pipeline Corporation. In a little more than one year, the price of gas delivered to our pipeline supplier from Canada has more than tripled. Since October of 1973, the price has risen from 32 cents to \$1.00 a thousand cubic feet. Canada is the source of about 70 per cent of the gas supplying the Pacific Northwest.

Rates for steam heating service were increased in March and December, 1974, to yield approximately \$290,000 and \$550,000, respectively, on an annual basis. These increases were primarily for increased fuel and labor costs.

The Company filed for a water rate increase in January, 1975. The proposed increase would generate approximately \$197,000 of additional revenue in Washington on an annual basis.

The Federal Power Commission, on February 4, 1974, accepted for filing a new wholesale tariff based on four new contracts between your Company and certain wholesale electric customers. Contracts with Modern Electric Water Company of Spokane County, Washington; the city of Chewelah, Washington; the city of Plummer, Idaho; and with Citizens Utilities Company for resale in portions of Shoshone County, Idaho, increased our wholesale electric power

rate by approximately 25 per cent. Preceding contracts with these wholesale customers had been in effect for up to 20 years, with no increase in rates during that period. The new rates will increase the Company's annual revenues about \$203,000.

Gross operating revenue increased \$17,099,867 during 1974 to a new high of \$110,098,432. The impact of the recently granted rate increases is not fully reflected in these figures. Earnings per share based on at-the-close shares amounted to \$2.11, as compared with \$2.04 during 1973.

The Board of Directors increased the quarterly dividend payable December 13, 1974 to 38 cents per share. This increase in the quarterly dividend of one cent a share to an annual rate of \$1.52 is the second increase made during the current year. Your Board of Directors had previously increased the dividend to one cent a share on a quarterly basis effective with the dividend payable March 15, 1974. This increase marks the twelfth consecutive year in which the dividend has been raised. Dividends have been paid on outstanding shares of Common Stock without interruption, since 1890.

On May 10, 1974, the shareholders of Columbia Gas Company and The Washington Water Power Company voted on a plan of merger, dated November 2, 1973. The merger agreement, which was to become effective with an affirmative vote of not less than two-thirds of the outstanding shares of both corporations, received a favorable vote of 75 per cent of the outstanding shares of Washington Water Power and 99 per cent of the outstanding shares of Columbia.

Shareholders of Columbia Gas Company received one share of Water Power's Common Stock for each 16.3 shares of Common Stock of Columbia.

Through this merger the Company acquired about 1,400 natural gas customers in Ritzville, Endicott, Warden, Connell, Goldendale, and Stevenson, Washington. All employees of


Columbia Gas Company were retained by the Company.

Also approved at the Company's annual meeting was an amendment to the Employees' Stock Purchase Plan authorizing future issuance of 150,000 shares of Common Stock which may be offered to employees. At the present time, more than 65 per cent of the regular full-time employees own stock in the Company.

On June 25, 1974, the Company entered into a credit agreement with

Bonds and 400,000 shares of Common Stock. The proceeds available to the Company from this sale were used to prepay \$27,000,000 of unsecured promissory notes due December 1, 1975, with the remainder available to finance the Company's construction program.

The much-needed 2,770,000 kilowatt hydroelectric project on the Middle Snake River at the Mountain Sheep-Pleasant Valley sites survived 1974 congressional attempts to



eight service area banks under which a maximum aggregate amount of \$35,000,000 may be outstanding. This revolving line of credit is available for borrowing by the Company from October 1, 1974 to September 30, 1975. Notes issued under this agreement mature on December 1, 1975, and bear interest at the prime commercial loan rate of Seattle-First National Bank during the life of the notes. An initial borrowing of \$18,000,000 was used for the prepayment of notes outstanding under a prior credit agreement. The remainder is available for construction purposes. On December 31, 1974, \$27,000,000 was outstanding under the credit agreement.

In February of 1975, the Company sold \$25,000,000 of First Mortgage

The Retirement Committee of the Retirement Plan for Washington Water Power Company employees consists of director Arthur L. Barnes, Spokane, Washington; Company President Wendell J. Satre; and Alan P. O'Kelly, attorney, Spokane, Washington.

block it by setting aside national recreation or park land areas. The project, sponsored jointly by Pacific Northwest Power Company and Washington Public Power Supply System, has wide support in the region, as indicated by public opinion surveys and testimony at hearings.

The case is still before the Federal Power Commission, which has scheduled the filing by its staff of a final environmental impact statement for comment and additional hearing. A decision is not anticipated before 1976.

Production at the Centralia mine, operated by your Company's wholly-owned subsidiary, Washington Irrigation & Development Company, has improved substantially. Installation of a Bradford rotary breaker, in June, effects preliminary separation of waste material from coal and increases coal-handling capability.

There are many problems in the mining operation. We are working in a highly fractured area. Clay seams complicate separation of coal and residual material. As a result, the contract delivery deficiency from mine to plant was approximately 322,000 tons at December 31, 1974.

Contract payments received, applicable to this deficiency, have been deferred until the coal is actually delivered.

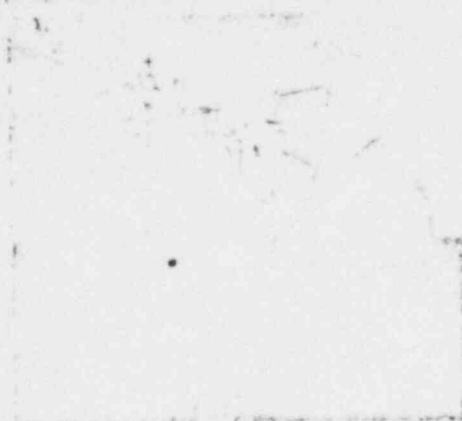
The statement of income, elsewhere in this report, shows a loss in equity in earnings of subsidiary companies for 1974. A 35 per cent increase in the price of coal sold to the steam generating plant, effective February 1, 1975, will result in a marked improvement in income from our Centralia operation.

In 1974 the Company resisted the initial requests by union-represented employees, considering the requests excessive and contributive to the inflationary spiral. As a result, the Company was struck for the first time in its history. After six weeks, the strike ended with a new three-year contract. Striking employees generally departed themselves in a dignified manner. Customer inconvenience was minimal because of extraordinary effort of nonmanual employees.

Much of our report so far has considered high prices, high interest costs, and the immediate need for increasing rates for utility services. We do not believe that any request made to regulatory authorities for such increases has been unrealistic or excessive. We believe our customers have benefited for more than 20 years from the Company's foresight in twice doubling our hydro-generating capacity during the 1950's, a time of relatively low construction

costs and low interest rates.

We appreciate that pressures on the poor, the elderly, and the thrifty have built up social tensions. We still consider that our utility services, particularly electric energy, are the greatest bargains available to customers on our system. We intend to continue to provide service at the lowest practicable cost consistent with good business practices and appropriate returns to the investors in



Director Busse B. Hagadone, publisher, Coeur d'Alene Idaho, shows the interior of a newspaper printing room to Arthur C. Needham, Coeur d'Alene Division marketing supervisor.

our Company. Realistically, we all may have to make adjustments in our life style because the era of cheap energy may be gone forever. Regulators of our industry must recognize that appropriate price increases now are necessary and in the best long-term interests of our customers and our Nation.

Your Company should enjoy another successful year in 1975. As always, it will depend in large measure on the efforts of the Company's employees whose response has been so commendable over the years.

Chairman of the Board
Chief Executive Officer

President

The Washington Water Power Company is dedicated to providing long-term, reliable power to meet growing customer demands. Because our present power supply is predominantly hydroelectric, our customers enjoy low electric rates. Our commitment is to the community, by protecting the environment; to customers, by providing low-cost service with high reliability; and to stockholders, by maintaining efficient operations and paying appropriate dividends.

The Company has joined other utilities and agencies in the Pacific Northwest, in a long-term coordination agreement extending until 2003. This agreement provides for the coordinated operation of most of the power plants and reservoirs in the area. The Company also participates in an intercompany pool agreement with six other investor-owned utilities of the Northwest. This agreement provides for operation and planning coordination among the generating and transmitting utilities. Participation by other utilities is invited. The resulting coordinated operation has firmed up thousands of kilowatts of otherwise secondary power in the Northwest.

The Company also participates in an area Hydro-Thermal Power Program. This joint effort of Pacific Northwest electric utilities forecasts the facilities needed to meet the region's changing electric requirements.

The Centralia Steam Electric Generating Plant, a 1,400,000 kilowatt coal-fired project, was the first thermal plant constructed under this program. Our Company was one of the two sponsoring utilities.

Last winter Phase II of the Hydro-Thermal Power Program was adopted to meet area needs through 1990. Phase II provides for (1) the area utilities to construct generating facilities to meet the area's energy requirements, and (2) the Bonneville Power Administration to provide transmission facilities and additional peaking at existing federal hydro plants. BPA will exchange transmis-

sion and peaking services for generation to meet their requirements.

The in-service dates of the two coal-fired units at the Centralia plant were advanced from the original schedule by two years to provide for the area's energy needs under the Hydro-Thermal Power Program. Because the energy was not needed by The Washington Water Power Company for several years, our share has been assigned to others until needed. The Bonneville Power Administration and the Bureau of Reclamation received the entire output of the plant and paid all the plant costs through March, 1974. The arrangement with the United States Bureau of Reclamation (Central Valley Project) continues through 1981. Of its unassigned portion, the Company is using a small amount for its own load requirements. It has made short-term arrangements for disposition of the remainder through 1977.

The Washington Irrigation & Development Company, a wholly-owned subsidiary of the Company, manages the surface mining operations of the coal field for the Centralia steam plant. Coal production for 1974, reached 4,000,000 tons, despite a strike by the Operating Engineers for more than one month.

Additional electrostatic precipitators were added to the power plant during 1974 at a cost of approximately \$40,000,000. This cost, as with other capital plant costs, was shared by the eight utilities participating in the plant, on the basis of the share of power which each is entitled to receive. Although these additions corrected the emission problem, the plant cannot yet operate up to full design capacity of 1,400,000 kilowatts. However, it has been certified to operate at 1,267,000 kilowatts. Modifications are now being studied to enable the plant to operate at its full rated capacity.

Reclamation of the area after coal removal is proceeding as planned. Seventy thousand Douglas fir trees have been planted on 80 acres of reclaimed land. In addition, 300 acres



The Noxon Rapids hydroelectric project, largest of the Company's power producers, spills water past its four 107,500 kw generators. The dam is on the Clark Fork River in Montana, 20 miles from the Idaho state line.

have been prepared for seeding in the continuing soil reclamation, and water-quality programs developed for this area.

The Washington Water Power Company continues its quest of power supplies to meet future customer demands. We are planning the installation of an additional 125,000 kilowatt hydro unit at the Company's Noxon Rapids hydroelectric plant on the Clark Fork River. Primary purpose of this unit is to provide a peaking resource. This unit is scheduled to be in service by November, 1977.



The control room of the Centralia Steam Electric Generating Plant at Centralia, Washington, is the nerve center for operations. The plant has a design generating capacity of 1,400,000 kilowatts of electricity. The power is generated from coal, surface mined in nearby fields.

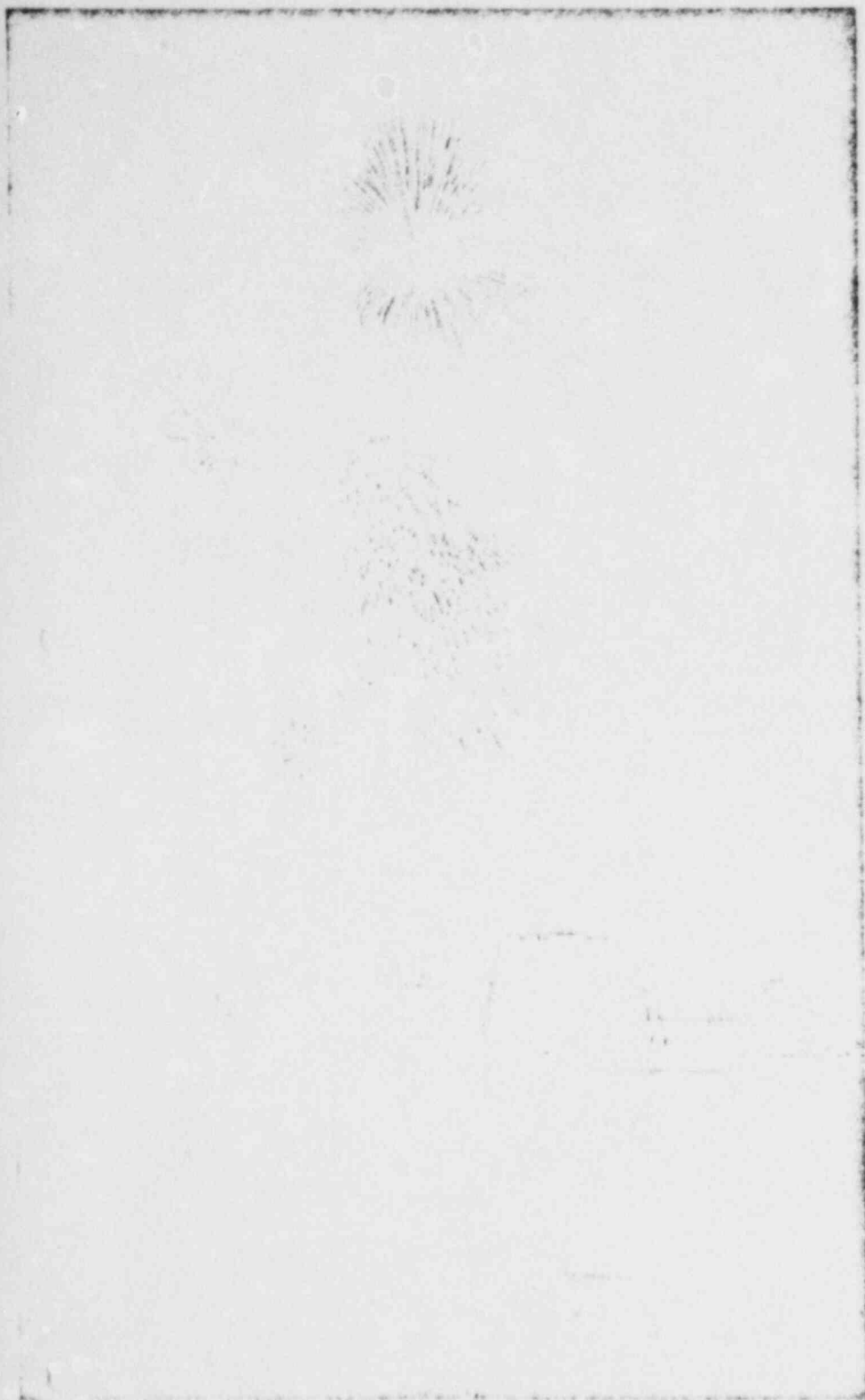
The Company is a participant in the construction of two 700,000 kilowatt coal-fired units at Colstrip, Montana, with four other private utilities. Water Power will have a 15 per cent share in the output of the two units, currently scheduled for operation in 1979 and 1980. The Company is seeking alternate power sources in the event that these units are delayed.

The Company is also participating in three nuclear plants, with a five per cent share in their output. The first, "WNP #3," scheduled for 1981,

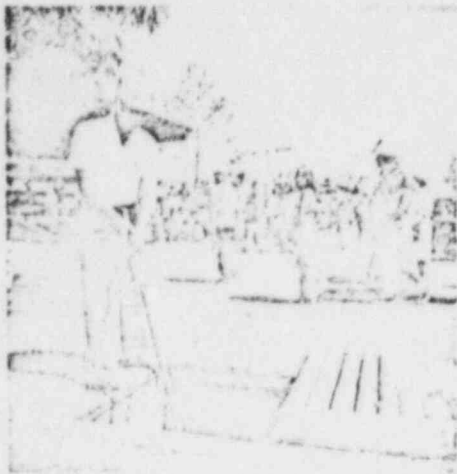
is a 1,240,000 kilowatt plant sponsored by the Washington Public Power Supply System. The second project is being developed by Puget Sound Power & Light Company in Skagit County, Washington, and will have two units, each rated at 1,288,000 kilowatts. Production dates are 1982 and 1985.

While planning for the future, The Washington Water Power Company has been able to maintain an ample supply of electrical energy for its customers during 1974. Sixty-four per cent of demand was met by electricity generated at our own facilities. Twenty per cent was obtained through long-term partnership-type contractual agreements for the purchase of firm power from public utility districts' Columbia River projects. Sixteen per cent was provided by firm purchases or exchange arrangements with other utilities. The Washington Water Power Company enjoys a favorable position in meeting its load requirements because of its diversified sources of power generation, both currently and in the future.

Because of the critical water conditions during the summer and fall of 1973 in the Pacific Northwest area, all customers were asked to voluntarily conserve electrical energy. The drought ended in November, 1973, with heavy precipitation, and in the spring and summer of 1974, all reservoirs were refilled by one of the highest snowpacks on record. Customers continued to conserve, especially during the first part of 1974. As a result of this condition and the added national emphasis on conservation of all types of energy, the Company's loads for 1974 were below those which were previously estimated. During the past year the Company had a 2.5 per cent growth in electric use. This was considerably more than some of the utilities have experienced in the United States due to the favorable economic conditions in our service area.



Illuminated by the nightly fireworks display which closed the daily activities at EXPO '74 in the Spokane downtown area through which the Spokane River flows and tumbles. In the foreground is a permanent attraction, the Pacific Northwest Indian Center. The Center is a newly-founded institution near the Gonzaga University campus. It contains a display of art and artifacts of Western heritage. The Center is one of a growing number of attractions making Spokane a magnet to travelers.



Electric, natural gas, and steam heat services were provided to buildings on the 100-acre World's Fair site by the Company. All services were underground and in keeping with the fair's environmental theme.

Acquiring and selling energy products is the primary purpose of The Washington Water Power Company.

Income from electric sales represents 67.7 per cent of total revenues. Natural gas produces 30.5 per cent. District steam service to downtown Spokane yields 1.2 per cent. This central steam service contributes to "clean air," since individual business buildings can dispense with their own boiler plants. Water service produces 0.6 per cent of the Company's revenues.

In 1974 electric service was provided to 188,178 customers, including 4,607 added during the year, an increase of 2.5 per cent.

Although the average residential customer conserved an estimated 3 per cent, his net average usage actually increased 190 kwh over 1973 to 12,857 kwh. Total residential kwh consumption increased 4.1 per cent. This overall gain, even in the face of conservation, is due to a growing number of customers and the increasing selection of electricity for space heating. In 1974, 23 per cent more residential electric heat installations were added than in 1973.

After 12 full months of conservation practices, the combined electric consumption of commercial and industrial customers increased 1.5 per cent, considerably less than in previous years.

The Company's customer service representatives advise energy users on the value and cost of America's energy resources. Wise and efficient energy use is advocated through paid advertising, news and public media, speeches, and customer contacts.

Accurate and explicit information helps the consumer establish his own energy management program. Particular emphasis is placed on home insulation techniques.

A specialized representative will inspect any customer's home to recommend the appropriate insulation required to save energy. The Company also publishes insulation information, specific appliance consumption data, and suggestions on efficient use.

The most obvious indication of the effectiveness of these conservation efforts is shown by the 6.5 per cent drop in natural gas use in 1974 by the average residential customer. Natural gas is sold to 69,541 customers, including 3,447 added in 1974, an increase of 5.2 per cent.

The Company's working relationship with customers requires concentration on changing needs and energy uses. This expertise requires knowledge in home economics, farm-energy applications, residential, commercial and industrial requirements, and other specific techniques such as highway lighting.

The Washington State University's agricultural research department has been commissioned to determine potential food-plant benefits from



Over 400 job skills are represented in the positions of The Washington Water Power Company.

the warm water discharge from a thermal electric power plant. The Company also is testing two electric panel trucks, using them in work formerly done by gasoline-powered vehicles. The Company believes that electric transport will increase.

The Company also participates in research activities of the Illuminating Engineering Research Institute. The Institute is concerned with developing maximum energy efficiency in a myriad of lighting applications.



During 1974 the Company continued to meet the natural gas needs of its firm customers while satisfying a relatively high level of interruptible customer requirements. However, the shortage of gas from British Columbia, Canada, continued during 1974, and added materially to the problem of maintaining adequate service. The deficiency for the Pacific Northwest averaged about 160 million cubic feet per day during December. This shortage of Canadian gas resulted in reduced deliveries from the Northwest Pipeline Corporation, the Company's sole pipeline gas supplier. Much of the Company's share of the pipeline gas deficiency was offset, however, by utilizing the Company's full entitlement to deliveries from the jointly-owned Jackson Prairie Underground Gas Storage Project.

The Canadian gas supply deficiency continues to be of serious concern to the Company. The problem stems from water encroachment into high-productivity wells in the major gas producing areas of northern British Columbia. To eliminate the problem, gas producers will be required to make substantial investments in additional gas wells and exploratory drilling. The Company believes that an adequate wellhead price for the gas producers in British Columbia is vital in order that reme-

A network of dependable natural gas lines provides service to WAP customers. The picture shows the installation of a 6" distribution line to increase reliability of service to Company customers in the growing Spokane Valley.

dial work can be accomplished and the deficiency eliminated.

The Company, and the other two joint owners of the Jackson Prairie Underground Gas Storage Project, agreed to increase the underground storage deliverability of the Project to 300 million cubic feet per day in 1975. Additional gas was injected in the summer of 1974 to bring gas-in-storage to 21.3 billion cubic feet. The peak day deliverability for the 1974-75 winter was 240 million cubic feet per day. On the peak day in January, 1974, the Company met approximately one-third of its total system load with gas withdrawn from the Jackson Prairie Underground Gas Storage Project. During the 1974-75 winter the Company has satisfied up to 40 per cent of its peak day load with underground storage gas, further indicating the importance of the facility to the Company and its customers.

Three additional wells were drilled in 1974 into a deeper storage formation that is being investigated. This preliminary geological evaluation indicates that this deeper zone has the potential to store as much gas as the

upper zones now being developed.

On January 31, 1974, the El Paso Natural Gas Company sold its Northwest Division to Northwest Pipeline Corporation, following sixteen years of litigation initiated by the Department of Justice of the United States. Your Company is working with our new supplier on a number of supply projects in addition to the jointly-owned Jackson Prairie Underground Gas Storage Project.

tion program for natural gas in the Rocky Mountain region. Four wells had been drilled by year's end. While all four of these wells had shows of natural gas, none of the first three were considered to have commercial quantities of gas. All three were plugged. The fourth well has encouraging indications of gas in commercial quantities, and casing pipe was set in late December. During February, 1975, the well was completed

Company construction activities continued at a high rate during the year.

Improvements and additions were completed on generation, transmission and distribution facilities: the natural gas system, the steam heat plant service for Spokane's central business district, and on several small Company-owned water systems. A budget of \$27,119,000 was expended on these operations.

A new underground 110,000 volt transmission line was installed to bring a supply to the Post Street substation in downtown Spokane. The installation is our first application of oil-filled, high-voltage cable. The new supply provides greater capacity and reliability to the growing load in the downtown area.

Nearly 100 per cent reliability was achieved in total services to EXCO '74. The single electrical outage was caused by the construction activities of others. All unnecessary and obsolete materials will now be removed. The permanent backbone systems will remain to serve the ultimate requirements of the riverfront park.

Substantial relocations of electric distribution and transmission lines, substation equipment, and natural gas facilities were completed in the Lewiston-Clarkston area before reservoir impoundment began behind the Lower Granite project of the U. S. Army Corps of Engineers. The requirements for continuous service from old facilities, while constructing new facilities, were met with minimal inconvenience to our customers.

Company practice of encouraging underground electric distribution lines in new residential areas showed positive results. Obviously, developers feel that undergrounding of electrical facilities is an asset in the competitive realty market.

Approximately 350,000 feet of gas mains and services were installed. Polyethylene pipe was used in most of these installations.



Northwest Pipeline Corporation has been certified to build, and is now constructing, a 150 million cubic-feet-per-day liquefied natural gas plant. Your Company will take approximately 14 per cent of the capacity from this new facility when it becomes available in 1976.

The Company is also working with Northwest Pipeline Corporation and regional gas distributors on a curtailment plan in the event that pipeline shortages threaten high-priority firm loads. A proposed Interim Curtailment Plan is pending approval of the Federal Power Commission.

An application was filed with the Federal Power Commission, by the Company's pipeline supplier, to consolidate the former Columbia Gas Company's service agreement with the Company's combined system gas supply contract. Approval is expected in early 1975.

On April 1, 1974, the Company and two other gas distribution companies initiated a Joint Venture explora-

A new service center for the Company's Lewis-Clark Division was placed in operation during 1974. Company facilities in all major operating centers are designed as functional parts of the community.

and tested and found to be a commercially producible gas well.

ENVIRONMENTAL AFFAIRS



A major maintenance project of a utility is caring for generation equipment. One such job during 1974 was rewinding the coils of a generator at the Company's Noxon Rapids project. Work schedules often extended into evening hours.

Hydroelectric plants of The Washington Water Power Company operate in a background of 200,000 acres of beautiful mountain lakes and reservoirs. The Company cooperates with the state fish and game departments of Washington, Idaho, and Montana, in developing high-quality fishing in these waters. Research and development programs to improve fishing continue on a year-to-year basis.

Especially noteworthy in 1974 was the fishery work in Idaho in connection with our Cabinet Gorge project on the Clark Fork River which flows into Pend Oreille Lake. Nationally famous angling in north Idaho's Pend Oreille Lake depends upon productive spawning areas. The lake's huge kamloops rainbow trout, up to 40 pounds, affords fishing unique in the United States. Catches of kokanee or landlocked sockeye salmon often reach 400,000 annually.

The Company is working with Idaho State to help perpetuate this high-quality fishing. Spawning channels producing hundreds of thousands of trout and kokanee have been constructed.

Three large campgrounds on the

Noxon and Cabinet Dam reservoirs, and a picnic area on Long Lake are filled to near capacity throughout the summer seasons. The Company cooperated with state and Federal agencies in the development of these campgrounds.

The Company has spent more than \$8,000,000 as its 15 per cent share of a some \$50,000,000 expenditure at the Centralia Steam Electric plant on air and water pollution prevention facilities. At Centralia, the Company's land rehabilitation program which follows the mining of the coal, includes grading, terracing, planting trees, shrubs and grass, and controlling water quality. Costs are \$507 per acre. The Company is confident that this restoration of mined lands will re-establish game and bird habitat, marketable timber, and agriculture.

The importance of the aesthetic appearance of the Company's physical plant is recognized through a policy of continuing facility improvement and beautification. Landscaping and architectural improvements have been made in storage areas and substations. Wooden poles are being replaced with low-profile steel structures. Decorative lighting is being installed at substations. The Company feels that these developments contribute significantly to the environmental quality of the region.

Nowhere are the effects of inflation more apparent than in the dramatic rise in the value of Company inventory, which increased \$1,590,639 from \$2,681,803 at the close of business in 1973 to \$4,272,442 at the end of 1974.

Price increases, material shortages, shipping delays, and the long lead time for ordering are primary reasons for the higher dollar value of inventory.

The cost of such everyday requirements as wooden poles and most crossarms increased nearly 80 per cent. Certain kinds of conductor increased 150 per cent. Gasoline increased 42 per cent. Fuel oil for the steam heat plant and the turbine generator increased 125 per cent. Price increases on other items ranged from a few percentage points to double and triple their 1973 levels.

Shortages and the long delays in receiving shipments, required earlier ordering in larger volumes to avoid costly construction delays.

In recognition of this growing problem, revised ordering, and warehousing and scheduling procedures were put into effect. A strong attempt was made before both state regulatory commissions to include the dollar value of material and supplies in the Company's rate base. Unfortunately, the commissions refused to recognize inventory as an element of rate base.

The energy situation and the seller's market condition affected the Purchasing and Stores operation in other ways. The Federal mandatory fuel allocation program required a change in long-established procurement procedures.

Scarcity of materials necessitated closer coordination with the ordering departments, more contacts with a greater number of vendors, and more precise scheduling of construction projects. These efforts, combined with the efficiency of a newly expanded and redesigned storage facility, will enable us to meet the demands of material management for future growth in a changing market.



Two electric cars were purchased by the Company last year, to be used for utility service. One of these was displayed at the Energy Fair during the World's Fair.


The Company has completed the second year of a five-year Affirmative Action Program to increase placement and upward mobility of minorities and women in the work force. Audits by agents of the Equal Employment Opportunity Commission indicate that we are making a steady progress toward the goals which were earlier established. We will continue efforts to insure that the Company remains, in fact, an Equal Opportunity Employer.

During the year, the Company continued to build or remodel its offices and operating facilities. A 6,000 square foot office and service center was built in Othello, Washington. A modern and efficient 26,000 square foot service center was provided for the Lewis-Clark Division in Charlestown, Washington. For the first time since it was built in 1958, the Spokane Central Operating Facility is being expanded. The building modifications and an additional 18,000 square feet of space will lead to more convenient and efficient operation. Both were necessitated by Company growth.

An improved Company safety program has been recognized nationally.



The trademark of service in a utility is the friendly smile which greets customers.



Despite economic downturns nationwide, Spokane and the Inland Pacific Northwest service area continue to show economic vitality. Contrary to a growing trend in other parts of the Nation to discourage industrial and economic development, your Company continues to encourage economic development consistent with energy resources and with the needs of the area and desires of our citizens.

Sparked by EXPO '74, a World's Fair dedicated to the environment, the Greater Spokane Region has opposed the trend of recession and taken steps forward in its economy. A new skyline has resulted in downtown Spokane because of EXPO and other commercial building projects which pumped \$425,000,000 into the economy. The EXPO site remains as a 100-acre downtown riverfront park—a valued legacy of the Fair.

Other signs of progress are revealed in the stalwarts of the region's economy: lumbering, mining, and agriculture.

Area wood-products operations have continued to expand. New products and new facilities have stimulated the expenditure of more than \$20,000,000.

The north Idaho mining industry has worked to capacity this past year, generating one of the best profit years in the history of the industry.

The agricultural picture has never been brighter in the region. Record

prices were paid for wheat and peas. There is constantly growing production in the food processing industry.

The Company-owned Spokane Industrial Park continues to operate at 100 per cent capacity. Almost 4,000 persons are employed in the 78 diversified industries, with businesses ranging from steel foundries to sophisticated electronics. Continuing demands for space require planning for the 200 undeveloped acres of the Park.

Filling of the reservoir in 1975 with the completion of Lower Granite Dam, 24 miles below Lewiston, Idaho, will create two inland seaports at Lewiston, Idaho, and Clarkston, Washington. The result will be a 400-mile, slack-water transportation system to Pacific Coast ports, and an economic benefit to the area.

Installation of natural gas service lines requires a number of special skills of WWP employees.

through a safety award presented by the American Gas Association. We remain in compliance with the National Occupational Safety and Health Act.

More economical and efficient applications for the computer are actively sought. An example is the newly developed domestic gas meter performance control program, which will contribute more than \$1 million in savings in the next 10 years. Customer billing computer programs have been extensively modified so that authorized changes in tariff rates can be put into effect without delay.

Adequate automotive fuels were available for Company operations during the year. However, both for improved efficiency and greater future reliability, underground fuel tanks were installed at several district and division locations.

A site near the Company's Monroe Street power project was dedicated to public use last year. Named "Huntington Park" in honor of an early Company president, the pleasant area demonstrates WWP's active participation in environmental improvements.

Does the Company have the resources to meet the current needs of its customers for electric power?

Yes, the Company is meeting these needs, and anticipates being able to do so through the 1977-78 operating year. We are doing this through electric power generated at our own facilities, power available through long-term partnership-type contractual agreements with other utilities, and the purchase of lesser amounts of firm power from other utilities. However, future demands can be forecast and we must develop the means to meet these needs with new electric power sources.

By what means does the Company anticipate meeting these future demands?

In the immediate future, we will utilize all our hydroelectric facilities to their fullest capability, plus exercising our contractual entitlements to our 15 per cent ownership of the Centralia Steam Electric Generating Plant. Beyond that, however, the Company will foresee and plan its participation in generating plants developed in partnership with other utilities. Specific plans for such participation can be found in the Power Supply section of this report.

Do the same principles hold true for the supply of natural gas to WWP customers?

The situation is quite different as it relates to natural gas supply. While our ability to supply electric customers depends on our own ownership or participation by contract in generation facilities, our natural gas supply is contingent upon deliveries from our pipeline supplier, the Northwest Piping Corporation, Northwest. In turn, it must receive its supply from natural gas fields either in the Southwestern United States or in Canada. Last year, Canadian governmental authorities demonstrated an inclination to act in an arbitrary manner concerning both the amount of natural gas that would be allowed to flow to the United States, and the price to be charged for this natural gas. This has resulted in "flow-through" increases in the cost of natural gas to our customers. A more explicit accounting of this situation may be found in the Gas Supply section of this report. In general, however, we would say it is our earnest belief that natural gas will remain in adequate supply to serve firm customers, and at a price comparable with other fossil fuels.

Does the Company coordinate its operations with other utilities in the region?

Very definitely. The operation of the Intercompany Pool is of current specific interest. The ICP, as it is called, maintains its operating headquarters in The Washington Water Power Company's offices in Spokane. In addition to WWP, other participating companies are Portland General Electric Company, Puget Sound Power & Light Company, Pacific Power & Light Company, Idaho Power Company, The Montana Power Company, and the Utah Power & Light Company. The Intercompany Pool has been in operation since 1947. Through its representatives, it coordinates the operation of individual generation and transmission facilities of each company. The Intercompany Pool was reorganized in 1974, and is entering into an expanded phase of operation, which includes both long- and short-range planning. As a result of the Intercompany Pool organization, more efficient and economic operation is available to each company, to the benefit of all customers.

Another association of value to the consumers is the Northwest Power Pool. This voluntary association consists of investor-owned utilities of the region, public-owned utility districts and municipal systems which have generating facilities. Bureau of Reclamation, Corps of Engineers, Bonneville Power Administration, and British Columbia Hydro and Power Authority. In operation, the Northwest Power Pool provides a framework in which interconnected systems can coordinate their operations.

Kirby M. Johnson
Chairman of The Board and
Chief Executive Officer

Walter J. Rabe
President

For almost 20 years, VWP and several other utilities have been seeking a license to develop the Middle Snake River for hydroelectric power production. Do you still believe this is a feasible program, and do you see any chance that this proposal will ever become a reality?

While it has been a long, uphill, and expensive struggle, the applicants are still firmly convinced they will be relicensed to build a hydroelectric project at this highly desirable location. It continues to be feasible, and it would have less impact on ecology than any alternative.

Use of renewable water resource is still the most economical method of producing energy.

In the past few years, preservationists have made their opposition felt, and they have gained certain commitments of support from congressional legislators. However, public opinion has been increasing in favor of development. Concerned citizens are aware of energy shortages and the disastrous expense to the region and the Nation in utilizing dwindling supplies of irreplaceable and higher-cost oil and coal as alternatives. The real hope of prompt construction of the Middle Snake River project is to remove it from the political arena.

Is the Company taking part in any programs to develop new and alternate sources of energy?

Yes, it is. It would be too costly for the Company, and most other utilities, to attempt such efforts individually. This would lead to wasteful duplication of effort. Consequently, the Company has joined with 500 utilities, public and private, to fund the Electric Power Research Institute. During 1974, The Washington Water Power Company contributed \$393,355 as its share toward this coordinated program to develop a new technology which will help meet future electric energy needs in environmentally and economically satisfactory ways. The Institute now is engaged in 265 research projects, costing \$153 million of EPRI funds.

On a local basis, the Company participates with nearby colleges and universities to fund and direct several individual projects. For instance, we have joined with other utilities to fund a power professorship at Washington State University in order to train young men and women in electric power engineering. We believe that we can best accomplish research projects by working in concert with the organizations, such as educational institutions, which are equipped and staffed to do these jobs.

How does the Company work toward environmental planning in its power production programs?

Environmental planning is an integral part of all power production projects just as is engineering or financing. Work on environmental phases of a project begins in the preliminary stages with the regulatory agencies responsible for these areas, and continues through to project completion. This process, however, is becoming increasingly difficult. As growth in energy consumption continues, public concern for environmental preservation also grows, and this is accompanied by ever-increasing regulations and more restrictive standards. And in some cases these regulations are established with little or no regard for cost and with doubtful social benefits. For example, millions are being spent on sulfur removal equipment at power plants on unproven systems.

At the Centralia plant, for instance, the inability of emission control systems to perform in accordance with existing state standards resulted in the generating units operating at much less than capacity for three years. As a result, the already high economic burden of the cost of air quality equipment was compounded by the inability of the project to generate electricity at the plant's capacity.

Revisions must be made in the law to encourage air quality control measures which consider individual plant characteristics. Dependable emission control equipment, as it is developed, will continue to result in increasing costs of energy to our customers.

Rodney G. Allen
Attorney at Law
Lakeside, Connecticut

Arthur L. Barnes
Director, Erb Hardware Co., Lewiston, Idaho
Spokane, Washington

Duane B. Hagadone
President
Hagadone Newspapers
Coeur d'Alene, Idaho

Roy J. Johnson
Real Estate and Investments
Spokane, Washington

James B. McMonigle
J. B. McMonigle, E. At. Investments
President, T. & H. Rentals, Inc.
Lewiston, Idaho

James A. Poore, Jr.
Attorney at Law
Poore, McKenzie, Roth, Robinson
& Robinson
Butte, Montana

Kinsey M. Robinson
Chairman of the Board and
Chief Executive Officer
Spokane, Washington

Wendell J. Satre
President
Spokane, Washington

Eugene Thompson
Agriculture and Real Estate
Moscow, Idaho

General Offices of the Company
E. 1411 Mission Avenue
Spokane, Washington 99202

The purpose of this report is to give shareholders and employees information concerning the Company, and it is not to be used in connection with any sale or offer for sale, or solicitation of an offer to buy, securities of the Company.

The 1974 Financial and Operating Supplement may be obtained upon request.

The annual meeting of the shareholders of The Washington Water Power Company will be held May 9, 1975, in the auditorium of the Company's general office building in Spokane, Washington. All shareholders are cordially invited to attend. Material for this 1974 Annual Report was prepared by the departments involved, at the direction of the office of the Secretary. All design and production was provided by employees of the Company and by local printers and agencies.

Kinsey M. Robinson
Chairman of the Board
and Chief Executive Officer

Wendell J. Satre
President

Donald M. Olsson
Vice President and General Division Manager

William A. Lowry
Vice President

Harold W. Harding
Vice President—Power Supply

Jeremiah P. Buckley
Vice President and Secretary

Don J. E. Olson
Assistant Vice President—
Engineering and Construction

Robert T. McLendon
Assistant Vice President—Gas Supply

James M. Coombe
Treasurer

Robert L. Stronge
Assistant Secretary

Lauritz O. Falk
Assistant Secretary

Henry E. Odean
Assistant Treasurer

Herbert R. Reinhardt
Assistant Treasurer

Old National Bank of Washington
West 428 Riverside Avenue
Spokane, Washington 99201

Registrar and Transfer Company
34 Exchange Place
Jersey City, New Jersey 07302

Office of the Company
P. O. Box 3727
Spokane, Washington 99202

First National City Bank
111 Wall Street
New York, New York 10015

**At a meeting of your Board of Directors on February 26, 1975, Mr. Kinsey M. Robinson requested that the Board of Directors approve his retirement, as of February 26, 1975, as Chairman of the Board and Chief Executive Officer and as a member of the Board of Directors.*

The Board reluctantly approved his retirement, and passed a resolution expressing their appreciation for Mr. Robinson's dedication and accomplishments, and the great contribution he has made to the Company, the community, and the utility industry.

Mr. W. J. Satre, President of the Company since 1971, was elected to the office of President and Chairman of the Board.

Mr. William A. Lowry, a vice president since 1973, was elected Executive Vice President and was appointed to the Board of Directors to fill the vacancy created by Mr. Robinson's retirement. Mr. Lowry has been an employee of the Company since 1939.

STEAM HEATING... 1.2¢

ELECTRIC... 67.7¢

WATER... 0.6¢

GAS... 30.5¢

WHERE IT CAME FROM...

WHERE IT WENT...

WATER
SUPPLY... 1.1¢

RENTED BUSINESS... 2.0¢

GAS INDUSTRY... 11.2¢

COMMON
DIVIDENDS... 9.2¢

EMPLOYEES
WAGE, ETC... 5.0¢

GOOD
SOURCES
EXPENSE... 12.4¢

INTEREST... 12.0¢

UNRECORDED... 2.0¢

TAXES... 1.0¢

THE WASHINGTON WATER SUPPLY COMPANY

DECEMBER 31, 1974 AND 1973

	1974	1973
UTILITY PLANT		
Electric.....	\$386,675,085	\$307,277,222
Gas.....	68,263,179	59,745,042
Other.....	12,972,918	12,317,674
Construction work in progress.....	8,515,514	6,741,107
Total	471,440,674	446,363,011
Accumulated depreciation and amortization.....	87,975,479	59,324,743
With plant in place	383,465,195	387,038,268
INVESTMENTS		
Subsidiary companies.....	15,690,230	14,907,477
Other.....	560,200	1,171,346
Total investments	16,250,430	16,078,823
CURRENT ASSETS		
Cash in banks and working funds.....	475,780	521,689
Receivables:		
Customers—WT.....	9,438,903	8,432,717
Other.....	2,528,863	1,780,777
Materials and supplies (overage cost).....	4,272,442	3,621,577
Other.....	379,574	244,133
Total current assets	16,905,558	13,602,783
DEFERRED DEBITS		
Unamortized debt expense.....	1,659,135	1,764,269
Preliminary survey and investigation charges.....	940,606	873,015
Other.....	825,759	1,060,022
Total deferred debits	3,425,500	3,697,306
TOTAL	\$420,092,666	\$396,111,843

See Notes to Financial Statements.

	<u>1974</u>	<u>1973</u>
LONG-TERM DEBT (Note 2)	\$262,498,573	\$248,270,801
COMMON STOCK—No par; authorized, 10,000,000 shares, outstanding —1974, 6,615,077 shares, 1973, 6,769,535 shares (Note 3).....	111,701,939	110,794,876
RETAINED EARNINGS	21,199,164	16,979,140
ACCUMULATED AMOUNT INVESTED IN THE BUSINESS EQUIVALENT TO REDUCTIONS IN FEDERAL INCOME TAXES RESULTING FROM ACCELERATED AMORTIZA- TION (RECORDED AS RETAINED EARNINGS—RE- STRICTED FOR FUTURE FEDERAL INCOME TAXES IN ACCOUNTS MAINTAINED PURSUANT TO STATE REGU- LATORY REQUIREMENTS)	4,336,417	4,279,157
CURRENT LIABILITIES:		
Currently maturing long-term debt	658,000	580,000
Accounts payable	5,091,162	2,816,128
Payable to subsidiary companies	1,236,537	
Taxes accrued	6,556,943	6,207,243
Interest accrued	2,570,537	2,507,871
Other	1,321,822	1,310,079
Total current liabilities	17,444,991	15,461,321
DEFERRED CREDITS:		
Investment tax credits	1,162,778	1,191,553
Other	1,708,824	460,602
Total deferred credits	2,871,602	1,652,155
CONTRIBUTIONS IN AID OF CONSTRUCTION		1,218,018
TOTAL	\$420,052,083	\$390,281,814

See Notes to Financial Statements

THE WASHINGTON WATER POWER COMPANY

Consolidated Statement of Earnings and Retained Earnings

For the Years Ended December 31, 1974 and 1973

	1974	1973
OPERATING REVENUES:		
Electric	\$74,532,739	\$65,166,750
Gas	33,595,386	26,424,089
Other	1,959,307	1,407,750
Total operating revenues	<u>110,087,432</u>	<u>92,998,589</u>
OPERATING REVENUE DEDUCTIONS:		
Operating expenses	58,428,481	45,808,048
Federal and state income taxes	8,856,070	4,730,557
Overseas	752,125	251,100
Depreciation	8,357,629	7,778,245
Total operating revenue deductions	<u>76,394,305</u>	<u>60,768,250</u>
OPERATING INCOME	<u>33,693,127</u>	<u>32,230,339</u>
OTHER INCOME (DEDUCTIONS):		
Allowance for funds used during construction	700,795	465,518
Equity in earnings (net) of subsidiary companies	(463,200)	575,750
Other— net	5,932	115,407
Total other income (deductions)— net	<u>243,527</u>	<u>1,156,675</u>
INTEREST CHARGES:		
Interest on long-term debt	14,812,051	13,124,831
Other	122,666	169,619
Total interest charges	<u>14,934,727</u>	<u>13,294,450</u>
INCOME BEFORE THE FOLLOWING ITEM	<u>13,001,927</u>	<u>13,102,564</u>
TRANSFER — From accumulated amount invested in the business equipment to reductions in Federal income taxes resulting from accelerated depreciation	<u>542,040</u>	<u>542,040</u>
NET INCOME AVAILABLE FOR DIVIDENDS AND OTHER CORPORATE PURPOSES	<u>14,350,812</u>	<u>13,645,737</u>
\$2.11 a share in 1974; \$2.04 in 1973— based on average shares.		
DEDUCT — Cash dividends	<u>(10,135,761)</u>	<u>(9,649,001)</u>
\$1.49 a share in 1974; \$1.44 in 1973.		
RETAINED EARNINGS, JANUARY 1	16,984,113	12,987,450
RETAINED EARNINGS, DECEMBER 31	<u>\$31,199,164</u>	<u>\$16,994,113</u>

\$— Net of Federal income taxes.

THE WASHINGTON WATER POWER COMPANY

STATEMENT OF THE CHANGES IN FINANCIAL POSITION

For the Years Ended December 31, 1974 and 1973

	1974	1973
SOURCE OF FUNDS:		
From operations:		
Net income.....	\$14,350,812	\$13,645,737
Depreciation and amortization.....	8,796,996	8,046,513
Investment tax credit adjustments—net.....	(33,378)	121,207
Advance for fuel oil used during construction.....	(700,740)	(48,500)
Undistributed (earnings) losses of subsidiary companies.....	405,208	(575,727)
Non-cash income transfers.....	(542,040)	(542,040)
Total from operations.....	22,276,858	20,070,174
From other sources:		
Bank borrowings.....	27,500,000	18,000,000
Sale of land.....	—	20,000,000
Sale of common stock.....	247,503	5,411,707
Issuance of common stock in Columbia Gas Company merger.....	650,700	—
Changes in other working capital components—net.....	686,496	(2,733,543)
Changes in other non-current asset/liability items—net.....	600,083	(572,427)
TOTAL FUNDS PROVIDED.....	\$57,480,552	\$60,333,556
APPLICATION OF FUNDS:		
Redemption of bank borrowings.....	\$18,000,000	\$21,000,000
Construction expenditures.....	26,473,388	24,466,219
Cash dividends.....	10,135,761	9,649,054
Investments in subsidiary companies.....	1,300,000	4,611,252
Acquisition of Columbia Gas Company (primarily net utility plant).....	855,403	—
Redemption of debentures.....	656,000	607,000
TOTAL FUNDS APPLIED.....	\$57,420,552	\$60,333,556

Continued on Page 10

DECEMBER 31, 1974 AND 1973

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SYSTEM OF ACCOUNTS—

The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the Federal Power Commission (FPC) and adopted by the appropriate State regulatory commissions.

UTILITY PLANT—

The cost of additions to utility plant, including an allowance for funds used during construction, and replacements of units of property and betterments, is capitalized. Maintenance and repairs of property and replacements determined to be less than units of property are charged to operating expenses. Costs of depreciable units of property retired plus costs of removal less salvage are charged to accumulated depreciation.

DEPRECIATION—

Depreciation provisions are computed by a method of depreciation accounting utilizing rates for electric hydro production of 35 and 40 percent for the first and second 25-year rates are applied to provide for retirements of properties at the expiration of their service lives. The rate includes annuity and interest components, in which the interest component for electric hydro production plants is six per cent and for other property is zero per cent. Depreciation of transportation equipment is provided on the basis of miles or hours of operation. The ratio of depreciation provisions to average depreciable property was 1.94% in 1974 and 1.89% in 1973.

SUBSIDIARIES—

The Company accounts for its investments in subsidiary companies on the equity method, whereby earnings or losses of subsidiaries are reflected in other income and added to or deducted from the cost of investments in the balance sheet.

RETIREMENT PLAN—

The Company has a Trusteed Retirement Plan covering its regular full-time employees. Pension costs are computed on the basis of accepted actuarial methods and include current service costs and amortizations of prior service costs over 15 years. The costs of the plan (\$960,000 in 1974 and \$946,000 in 1973) are borne by the Company. The Company's policy is to fund payments with assets.

INCOME TAXES—

Provisions for income taxes are based generally on income and expense as reported for financial statement purposes adjusted principally for the allowance for funds used during construction, certain expenses capitalized, and the excess of tax depreciation (computed primarily on accelerated methods) over book depreciation. In accordance with requirements of regulatory authorities having jurisdiction over rates, the Company's tax provisions reflect the current tax reductions arising from such timing differences.

Investment tax credits are accumulated for on the "flow-through" method whereby credits on new productive facilities are amortized over a five-year period and credits on other plant placed in service are credited to Federal income tax expense currently. Such credits for 1974 and 1973 resulted in a reduction of Federal income tax expense of \$850,000 in 1974 and \$632,000 in 1973.

The Company and its subsidiaries file consolidated Federal income tax returns. Expenses are charged to the Fund which is the beneficiary of their operations and investments.

During a 60-month period ending February 1958, provisions for Federal income taxes were effect an accelerated amortization for tax purposes only of 65% of the 25-year period under the Cabinet Corps Hydroelectric Project. Accounting for the resultant reductions in Federal income taxes was as prescribed by an order of the Washington Utilities and Transportation Commission. The order provided that during the 60-month period the reduction in taxes was to be segregated from net income and accumulated in an account entitled "Retained Earnings Restricted" and that the amount so accumulated be transferred (\$542,040 annually) to retained earnings over the following 25-year period, during which period and continuing throughout the life of the property, Federal income taxes are expected to be greater than they would have been if accelerated amortization had not been claimed.

1974 RECLASSIFICATIONS

In 1974, pursuant to FPC instructions, amounts received from customers for electric construction, formerly classified as Contributions in Aid of Construction, have been applied as a reduction of related plant amortization. The reclassification was completed with regard to long-term debt.

2. LONG-TERM DEBT

First to Maturity	December 31	
	1974	1973
3 1/2% Series due 1967	\$ 20,970,000	\$ 20,950,000
4 1/2% Series due 1967	20,000,000	20,000,000
4 1/2% Series due 1968	20,000,000	20,000,000
4 1/2% Series due 1968	15,000,000	15,000,000
4 1/2% Series due 1969	15,000,000	15,000,000
4 1/2% Series due 1974	30,000,000	30,000,000
6 1/2% Series due 1975	10,000,000	10,000,000
6 1/2% Series due 1980	20,000,000	20,000,000
9 1/2% Series due 2000	20,000,000	20,000,000
7 1/2% Series due 2000	20,000,000	20,000,000
Total	<u>207,970,000</u>	<u>207,950,000</u>
Sinking fund debentures:		
4 1/2% due 1967	3,156,000	3,156,000
4 1/2% due 1968	6,212,000	6,212,000
4 1/2% due 1969	3,156,000	3,156,000
6 1/2% due 1981	15,000,000	15,000,000
Total	<u>27,524,000</u>	<u>27,524,000</u>

Notes payable

Due November 1, 1974		12,000,000
Due December 1, 1974	27,500,000	
Total	<u>27,500,000</u>	<u>12,000,000</u>

The above information is derived from the financial statements of The Washington Water Power Company as of December 31, 1974 and 1973 and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

3. COMMON STOCK

In 1973 the Company sold 250,000 shares of its no-par common stock for \$8,112,500. In 1974, 32,988 shares were issued to acquire Columbia Gas Company which was merged into the Company.

Under the Company's Employees' Stock Purchase Plan, 12,554 shares were issued during 1974 and 14,725 in 1973 at \$19.95 a share. At December 31, 1974, 3,157 shares are yet to be issued at \$19.95 a share. On May 10, 1974 the Company's shareholders approved an amendment to the Plan providing that a maximum number of 150,000 shares may subsequently be issued.

HASKINS & SULLS
Certified Public Accountants, Inc.

2100 Seattle First National Bank Building
Seattle, Washington 98104

The Washington Water Power Company:

We have examined the balance sheet of The Washington Water Power Company as of December 31, 1974 and 1973 and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Company at December 31, 1974 and 1973 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

January 21, 1975

	1974	1973	1972	1971	1970
OPERATING REVENUES:					
Electric	\$ 74,523	\$ 65,167	\$ 55,616	\$ 52,576	\$ 50,677
Gas	33,593	26,424	25,808	23,033	20,191
Other	1,959	1,408	1,428	1,376	1,400
Total operating revenues	110,075	92,999	82,854	76,985	72,268
OPERATING REVENUE DEDUCTIONS:					
Operating expenses	58,426	45,899	40,075	34,806	32,504
Federal and state income taxes	5,866	4,731	5,115	5,638	5,600
Other taxes	9,001	9,350	8,335	7,817	7,100
Depreciation	8,363	7,778	6,445	6,300	6,100
Total operating revenue deductions	81,656	67,758	60,020	54,771	51,304
OPERATING INCOME	28,442	25,240	22,834	22,214	20,964
OTHER INCOME (DEDUCTIONS):					
Allowance for funds used during construction	701	461	2,040	1,471	1,000
Earnings in subsidiaries and equity companies	145	570	—	—	—
Other	6	116	(604)	(450)	—
Total other income (deductions)—net	202	1,157	1,546	1,021	1,000
TOTAL INVESTMENT INCOME	11,917	13,514	12,210	11,500	10,964
INCOME BEFORE THE FOLLOWING TAX:	13,839	19,104	12,233	11,500	10,964
TAXES* —Amounts reported pursuant to Section 1371 of the Internal Revenue Code					
Income tax	500	510	511	511	511
RET Earnings AVAILABLE FOR DIVIDENDS AND OTHER CORPORATE PURPOSES	\$ 13,339	\$ 18,594	\$ 11,722	\$ 10,989	\$ 10,453
Earnings per Share (Average Shares)	\$ 2.11	\$ 2.97	\$ 1.85	\$ 1.82	\$ 1.70
Dividends per Share (Average Shares)	\$ 1.40	\$ 2.00	\$ 1.10	\$ 1.00	\$ 0.90
Dividends per Share	\$ 1.40	\$ 1.44	\$ 1.33	\$ 1.33	\$ 1.33
Gross Utility Plant:					
Electric	\$394,719	\$373,816	\$354,595	\$341,739	\$337,000
Gas	63,544	60,167	57,803	54,403	51,700
Other	13,145	12,331	11,379	10,497	9,600
Total	\$471,408	\$446,314	\$423,777	\$406,639	\$398,300
Average Number of Customers:					
Residential	169,173	165,671	173,617	172,356	169,000
Commercial	4,673	4,747	4,704	4,744	4,700
Other	3,930	2,956	1,760	1,451	1,300
Total	177,776	173,374	180,081	178,551	175,000
Electric Residential Service Averages:					
Number of Customers	166,558	162,328	157,206	151,640	149,000
Annual Use Per Customer (Kwh)	12,857	12,667	12,498	11,900	11,200
Revenue Per Kwh (in cents)	1.21	1.19	1.19	1.21	1.20
Gas Residential Service Averages:					
Number of Customers	61,803	59,938	55,510	51,870	47,000
Revenue Per Customer (in cents)	15.78	13.50	13.12	13.04	12.20
Employees as of December 31	1,315	1,100	1,100	1,100	1,100

* Includes income tax expense on other activities.

1969	1968	1967	1966	1965
48,849	\$ 47,037	\$ 46,468	\$ 42,234	\$ 39,738
18,930	17,215	14,027	11,896	11,193
1,204	1,109	1,030	1,057	1,036
68,992	65,361	61,525	55,187	51,957
30,474	28,906	27,917	23,876	22,842
6,544	6,252	4,461	3,670	2,872
7,091	6,794	6,539	6,175	5,848
5,199	5,075	4,853	4,547	4,230
43,308	47,027	43,770	38,268	35,852
19,684	18,334	17,755	16,919	16,115
403	463	40	96	99
(245)	(361)	(572)	(433)	(816)
158	102	(332)	(337)	(716)
5,833	9,200	8,824	8,534	7,853
10,008	9,236	8,560	8,045	7,477
57	512	512	547	512
10,551	\$ 9,778	\$ 9,141	\$ 8,590	\$ 8,019
170	\$ 1.69	\$ 1.58	\$ 1.48	\$ 1.39
170	\$ 1.69	\$ 1.58	\$ 1.43	\$ 1.39
128	\$ 1.21	\$ 1.18	\$ 1.12	\$ 1.08
303,339	\$291,778	\$284,456	\$273,504	\$275,469
50,438	47,017	42,603	38,545	33,224
16,007	9,534	9,070	8,781	8,257
333,784	338,329	336,129	326,830	316,950
163,324	160,511	156,484	154,213	152,086
3,952	3,681	3,400	3,333	3,150
1,486	1,732	2,802	1,120	1,035
5,438	5,413	6,202	4,443	4,185
142,806	139,881	136,337	134,029	132,071
11,129	10,413	9,952	9,851	9,735
1.29	1.33	1.36	1.36	1.36
43,016	38,766	34,900	31,731	28,656
12.19	12.28	12.35	12.45	12.38
16,835	\$ 16,106	\$ 15,382	\$ 14,852	\$ 14,412
1.12	1.02	1.04	1.10	1.03

STATEMENT OF THE BOARD OF DIRECTORS OF THE COMPANY

The improvement in revenues for the periods ending subsequent to December 31, 1972 is attributable to increased electric sales for resale, increased natural gas rates to offset the increased cost of purchased natural gas, and system growth.

Inflationary factors and increases in purchased natural gas rates resulted in increased operating expenses for the twelve months ended December 31, 1974. Increased operating expenses in 1973 resulted primarily from placing the Central Steam Electric Plant in service.

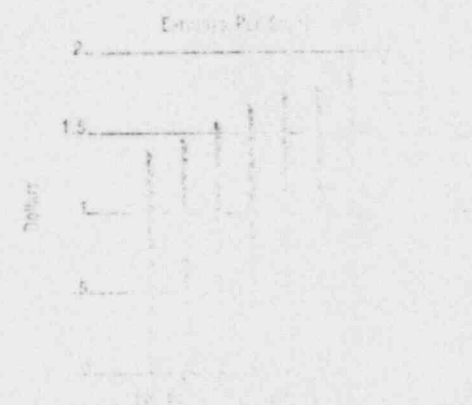
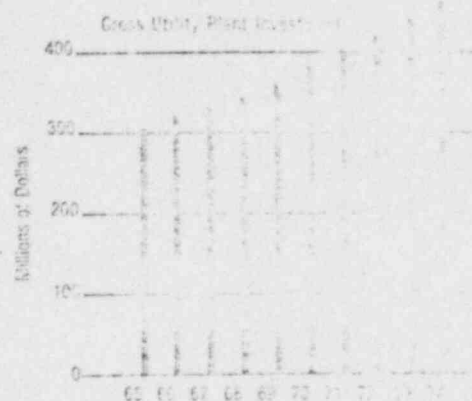
Credits to income for allowance for funds used during construction are primarily the result of construction related to the Company's one-third ownership in an underground gas storage project at Chisholm which was placed in service in 1970 and the Company's 15% ownership in the Central Steam Electric Generating Plant which was placed in service December 31, 1972.

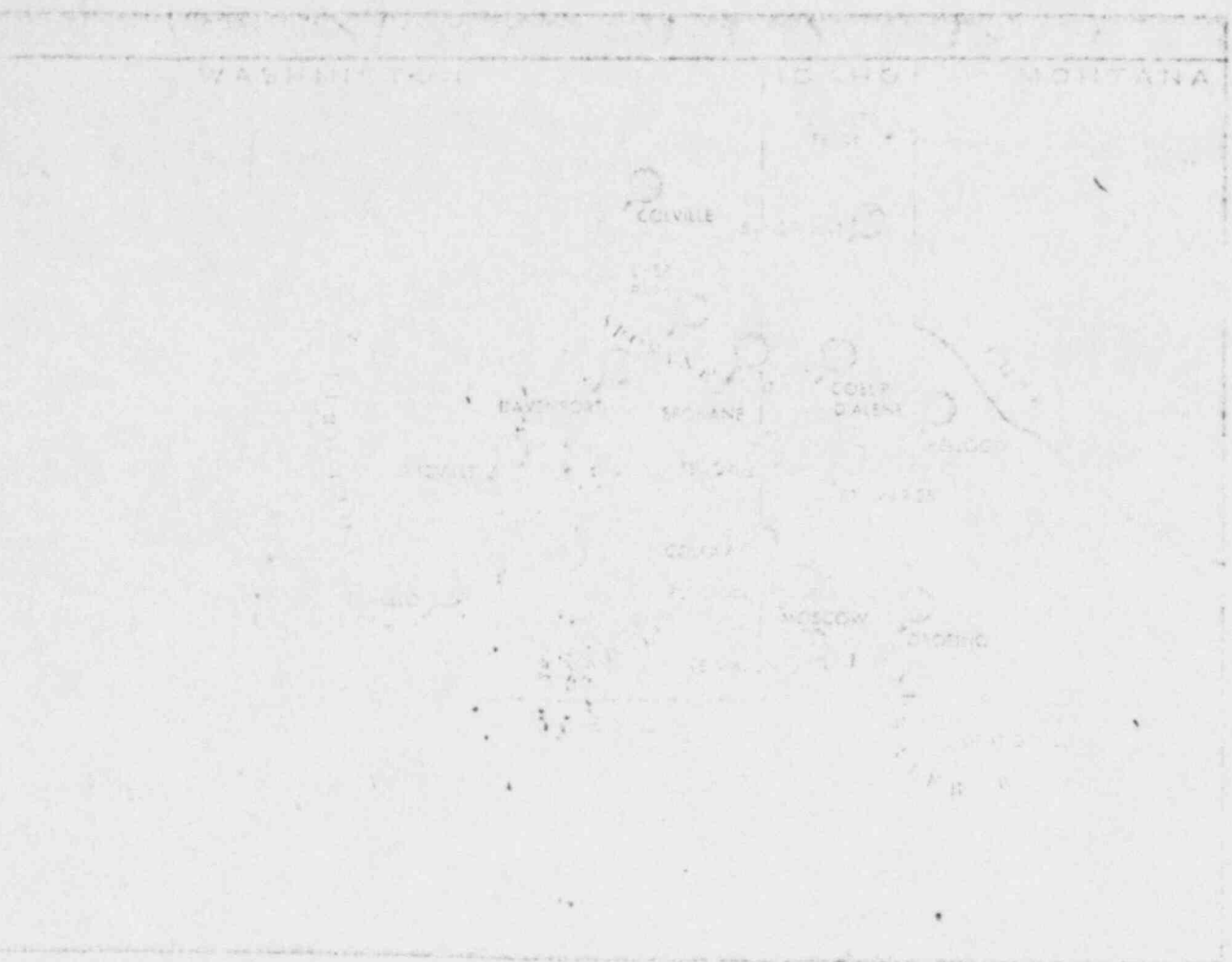
Interest charges in 1974 increased due to increased interest rates on and higher levels of bank borrowings.

The Company has paid no dividends, without interest, on outstanding shares of its Common Stock since 1959 and has increased the total dividend for each of its past twelve years. On December 13, 1974, the dividend was raised to its present rate of 38 cents per share (annual) which represents a total of \$1.52 per share for the entire fiscal year and the prices of the Company's Common Stock on the New York Stock Exchange for the periods indicated were as follows:

		Dividends Per Share	Price Range	
			High	Low
1973	1st Quarter	0.36	22 1/2	20 1/2
	2nd Quarter	0.36	22 1/2	20 1/2
	3rd Quarter	0.36	21 1/2	19 1/2
	4th Quarter	0.36	20 1/2	17 1/2
1974	1st Quarter	0.37	21	19
	2nd Quarter	0.37	20 1/2	17 1/2
	3rd Quarter	0.37	18	15 1/2
	4th Quarter	0.38	17 1/2	15 1/2

The Common Stock of the Company is listed on the New York, Pacific and Stock Exchange.





THE WASHINGTON WATER POWER COMPANY SERVICE AREA

The service area of The Washington Water Power Company comprises 26,000 square miles in Washington State and the northern portion of the State of Idaho. Population of this area is estimated at 550,000.

- Electricity and natural gas service; WWP Division and District offices.
- Natural gas service only.
- Centralia Steam Electric Generating Plant.
- Jackson Prairie Underground Gas Storage Area.

