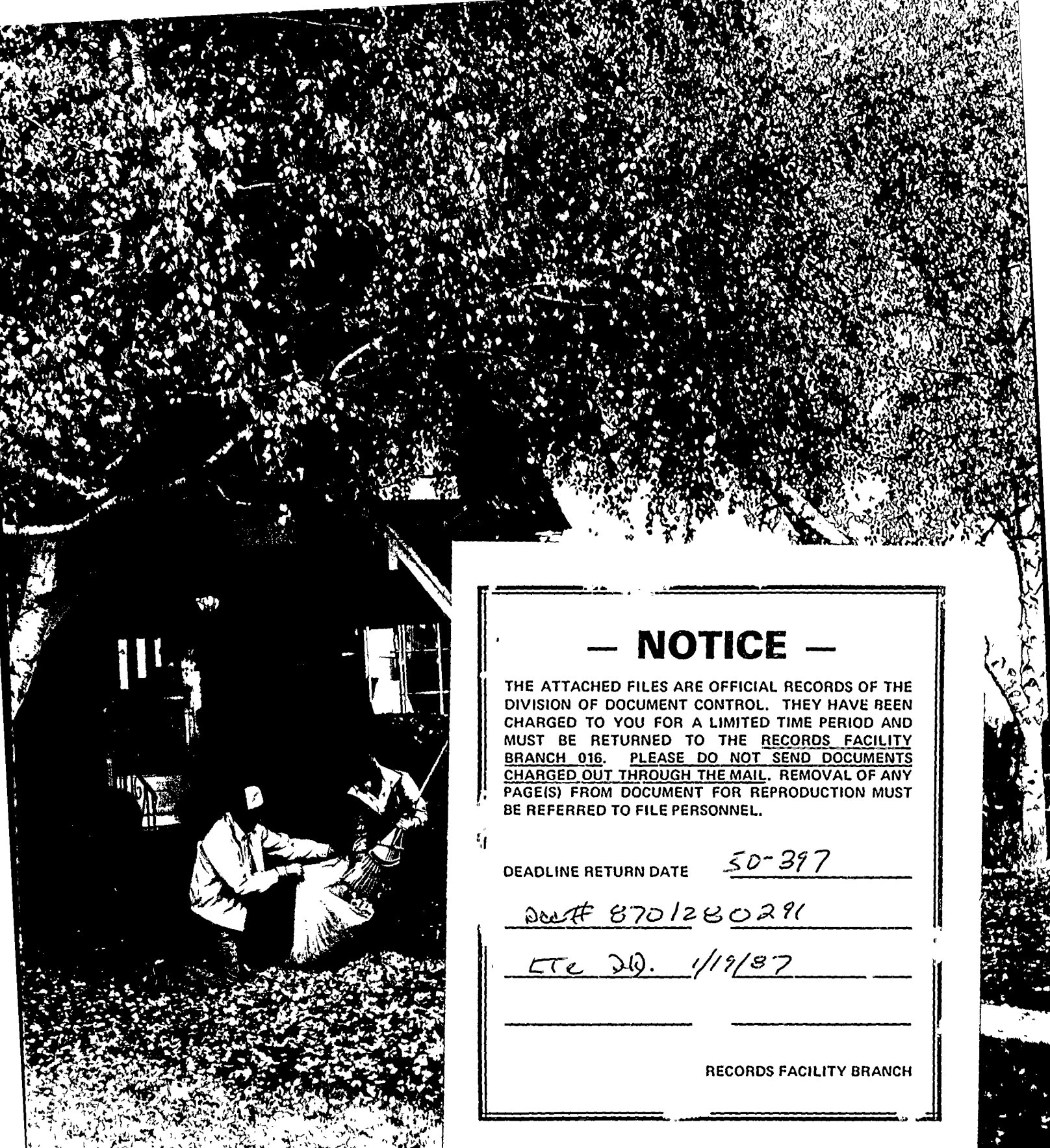

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On the cover:
As a member of a large family of public utilities, the Washington Public Power Supply System plays a vital role in the Pacific Northwest's energy supply. Since 1957, employees like Senior Buyer Penney Enyeart and retiree Glenn Quinley have helped meet the energy needs of eight million public utility customers served by the Bonneville Power Administration.

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Corporate Headquarters,
Richland, Washington

Carl M. Halvorson
Executive Board Chairman

In Fiscal Year 1986, important events happening in the world around us continued to directly impact the operation and the future of the Supply System. The historic Tax Reform Act of 1986, the nuclear power plant accident at Chernobyl, and the collapse of petroleum prices all had a direct bearing on the Supply System.

Through it all the Supply System Executive Board exercised its stewardship over an $8 billion public investment in three operating plants and two deferred nuclear construction projects, while steadily working on pending legal matters, including those resulting from the default in 1983 on bonds for WNP-4 and WNP-5.

Much of its efforts concentrated on a major Supply System goal of refinancing a portion of the outstanding bonds for WNP-1, 2, and 3. Pacific Northwest ratepayers could save hundreds of millions of dollars if the higher interest bonds could be rolled over with lower interest rate securities. That is why the Supply System had such a keen interest in the Tax Reform Act passed by Congress in 1986. The bill, as finally enacted, contains many new restrictions on issuing tax-free bonds. Under the new law, the Supply System can issue tax exempt bonds for completing construction on WNP-1 and WNP-3 and for current refunding of WNP-2 bonds. However, advance refunding with tax exempt securities, plus current refunding of WNP-1 and WNP-3 bonds, is not covered in the language of the bill. The Supply System will have to wait until next year to try to get revised legislation passed in Congress to allow refunding of Plant 2 bonds.

Of course, current legal difficulties must be resolved before we can regain a credit rating and refinance this debt. During the fiscal year, important progress was made toward this goal when the U. S. Supreme Court declined to review the so-called "Springfield III" lawsuit, affirming the authority of utilities participating in WNP-1, 2, and 3 to enter into the net-billing agreements with the Bonneville Power Administration.

Other legal successes came in several cases where the Supply System has taken the lead in seeking to obtain monetary damages from some contractors associated with constructing the plants. The most important resulted in a $25 million settlement—the largest in state

history—from six major electrical firms accused of engaging in a national conspiracy to rig bids.

The nuclear accident at Chernobyl in the Soviet Union also had direct repercussions on the Supply System, some unfavorable but others possibly favorable to our operations. The accident threw a spotlight on the Department of Energy's N-Reactor at Hanford, because of perceived similarities in design with the Russian reactor, and raised the question of how long it would be allowed to continue to operate. This is important to the Supply System because N-Reactor supplies steam to the 860-megawatt Hanford Generating Project.

The Chernobyl accident created federal interest in possibly acquiring WNP-1 as a replacement for N-Reactor. The Supply System is cooperating with the technical and institutional studies currently underway to determine the feasibility of converting one of the projects to nuclear materials for national defense. While it is too early to predict an outcome, the Executive Board remains fully cognizant of the responsibilities and legal obligations it has to the ratepayers of the Northwest and to the holders of Supply System bonds.

In the worldwide energy picture, the dramatic fall in oil and natural gas prices strained the budget of the Bonneville Power Administration. The resulting budget shortfall in turn has resulted in pressure to reduce costs by terminating one or both of the Supply System's deferred projects.

The Executive Board remains convinced that both projects should be preserved as the most cost-effective means of meeting the region's future energy needs. At the same time, the board is determined to reduce the cost of preserving these plants to as low as is consistent with maintaining the construction permits and licensability.

During the year, we have taken several steps to reduce preservation costs to the absolute "rock bottom." The current fiscal year budget calls for annual expenditures of $11.3 million at WNP-1 and $16.7 million at WNP-3. We plan to reduce these costs further—to about $15 million for both plants during the next 18 months.

Meanwhile, the Supply System continues to meet its financial commitments to the holders of bonds for WNP-1, 2, and 3. At the same time, we are actively participating in finding a solution to the problems resulting from the WNP-4/5 default that is fair to both the ratepayers and the people who invested in our securities.

LETTER FROM THE MANAGING DIRECTOR

Donald W. Mazur
Managing Director

I am proud of the Supply System's many accomplishments in FY 1986. We lived up to our regional responsibilities by safely and reliably generating 7 billion kilowatt-hours of reasonably priced electric power, while remaining sensitive to public concerns by keeping spending well under budget.

The continued safe and efficient operation of our three power plants is due to the skills and attitudes of the plant operators, technicians, and support people. These qualities are most evident at Plant 2, which completed its first full year of commercial operation in December 1985 after producing more than five billion kilowatt-hours of electricity.

Our experience operating a commercial nuclear power plant has been a mixture of successes and some disappointments. The biggest success was completing two 100-day periods of uninterrupted operation— one of many and longer periods of smooth power production in the years to come. Our biggest disappointment was the inability to run at full power much of the year because of vibrations in one of the plant's two reactor recirculation pumps. Despite that setback, the plant ran solidly at 72-percent of capacity, proving to be a reliable source of electric power during the cold winter months.

We fixed that problem during last spring's scheduled two-month maintenance and refueling outage, returning to full 1,100-megawatt production in June. This complex outage, which included our first refueling, was completed under a tight 45-day schedule. Its successful completion, including the replacement of one-fifth of the fuel core, required extensive advance planning and is a tribute to the skill and dedication of the more than 800 plant and contractor people involved.

Maintaining this high level of competence is a continuing effort. We have an extensive operator training program that was accredited this year by the National Academy for Nuclear Training, an arm of the Institute of Nuclear Power Operations. I was pleased to award certificates of achievement this year to the first graduates of this program and I look forward to next year when our remaining training programs are accredited.

We realize that an organization must look out for the safety of its own employees if it is to be trusted with the safety of the general public. That's why the Supply System has implemented an extensive

and ambitious program to minimize on-the-job radiation exposure, to our own and to contractor employees. We have set, and are meeting, a goal of accumulating no more than 230 man-rem of radiation for all our employees. Radiation exposure industry-wide is on the decline and we plan to stay ahead of the trend. Considering that the workers in an average nuclear power plant of Plant 2's class accumulate about 800 man-rem of radiation exposure a year, this is a very challenging goal.

The Supply System this year also instituted a "Fitness for Duty" program for all employees to help ensure they work in an atmosphere free of alcohol and drugs and to assure the public that our plants are operated by sound and steady hands. We believe our program is fair, effective and sensitive to the concerns of individual employees.

During the fiscal year the Supply System, with excellent cooperation from local, state and federal officials, continued to demonstrate that it is prepared to deal with any emergency. In our annual emergency exercise, these diverse agencies came together in a joint effort that won the praise of both the Federal Emergency Management Agency and the Nuclear Regulatory Commission.

While Plant 2 gets much of our attention, I cannot fail to mention the contributions made by the people who work at our two other operating plants, the Packwood Lake Hydroelectric Project and the Hanford Generating Project, as well as those who are stewards of our deferred construction projects, WNP-1 and WNP-3.

In the past year, we saluted the Hanford Generating Project on its 20th anniversary as the electric power generating arm of the federally owned N-Reactor at Hanford. The "Heck-of-a-Good Plant" celebration commemorated the years of consistent and reliable production of electric power since HGP went into operation on April 8, 1966. Since then, the 43 people who work at the Hanford Generating Project have maintained an enviable record of having the plant available to generate electricity 99 percent of the time when steam was available from the nearby N-Reactor. Many of these people have been part of the Supply System family from the start of operation.

The Supply System finished FY 1986 on a solid operational footing. We have the people and organization to meet our prime objective—supplying the people of the Pacific Northwest with low-cost, reliable power. I expect to see great strides made in the coming year toward our goal of becoming one of the nation's top operating utilities.

Jack Baker's small farm was part of a vast desert before abundant irrigation water and inexpensive electricity transformed Washington state's Columbia Basin into productive farmland.

When Jack Baker visited Washington a few years ago to apply for a job at the state's only commercial nuclear power plant, he fell in love with the area. His free time is now spent raising a family on a small farm just 12 miles from Plant 2 while his days are committed to his job as assistant plant manager.

The Supply System has been operating electric generating plants for over 20 years, but Plant 2 has been in commercial operation only since 1984. Yet, due to the technical and administrative skills of a dedicated team of individuals, its record is a successful one.

Baker, with his 12 years of operating experience, was one of the few on the plant staff who had been through a major maintenance and refueling outage when the first one was tackled last spring. They faced several formidable tasks: rebuilding a troublesome reactor recirculation pump that limited plant output to 72-percent power; preventive maintenance on the turbine-generator; removing the first spent fuel assemblies from the reactor and refueling it, and completing hundreds of corrective maintenance and surveillance tasks.

The work was finished within the 45-day schedule, allowing Plant 2 to return to full 1,100-megawatt operation. This accomplishment cannot be attributed to a long operating history at an established plant, but rather to the individual dedication to quality of the Plant 2 staff.

The plant's first operating cycle ended with a notable record of two back-to-back, 100-day generation runs. Now that the plant is in reliable continuous generation, the challenge is to fine-tune procedures and operating practices while continuing to supply the Bonneville Power Administration with dependable power at the lowest possible cost.

Plant 2 continues to run solidly, supplying the people of the Pacific Northwest with reliable electric power, while the plant staff prepares for next spring's maintenance and refueling outage.

"Our people have the resources and capabilities to meet the Supply System's goal of being in the top 10 percent of operating nuclear utilities," Baker said. "Now it's a matter of effort, desire and commitment. If our employees bring the values they live by at home and in the community to jobs they truly enjoy, we can't help but succeed."

Yvonne Derrer volunteers her free time to share her expertise on energy issues with area students.

Educating others is a big part of Yvonne Derrer's life, both on the job and away from the work place. The senior training specialist devotes much of her free time to working with students in the community, educating them on energy issues. At work she joins 43 other professionals who have trained a plant operations staff that is known in the nuclear industry as one of the most experienced and knowledgeable in the nation.

Training programs ensure that Plant 2 workers have the necessary qualifications and skills to protect the public safety through safe and reliable operation. Workers are trained in the varied areas of health physics and chemistry, decontamination, maintenance, safety, first aid, fire protection, emergency procedures and security. Whatever the area, the Supply System's training programs are designed to produce talented, competent and motivated people to operate Plant 2 at the highest standards of safety and reliability.

A specially designed, state-of-the-art training facility located near Plant 2 contains sophisticated training aids, including a computerized control-room simulator. This simulator, a duplicate of the Plant 2 control room, allows operators to hone their skills in routine operating procedures and to learn to deal with abnormal events and simulated accidents. The Supply System employs six rotating shifts of reactor operators to meet the requirements of 24-hours-a-day, seven-days-a-week operations. Plant operators spend one week of every six in rigorous training, continually increasing their level of knowledge.

Derrer and her fellow instructors complement on-the-job experience with training programs based on an analysis of the job tasks. This performance-based training, conducted on a continual basis, keeps employees abreast of new concepts and changing job practices. It is a concept that has had a measurable impact in the workplace.

"I believe training just for the sake of training is totally ineffective," Derrer says. "But if a trainer can analyze the tasks required and develop an interesting program based on the individual's level of knowledge, you can make the difference between satisfactory and superior performance."

Fred Klauss led his "Tri-City Express" soccer team to an undefeated season and the state finals by coaching cooperation and teamwork.

When Fred Klauss is on the field coaching, he is part of a team effort where the players must support each other if they are to succeed. He demonstrates that same commitment to team work in his job as emergency planner, where he is the liaison between Plant 2 and community agencies.

Being prepared for a potentially serious accident at Plant 2 is a responsibility the Supply System shares with local, state and federal government. Law enforcement agencies and community volunteer agencies, such as the American Red Cross, are also involved. This responsibility requires teamwork and cooperation to ensure that an accident can be handled without harm to the public.

The Nuclear Regulatory Commission and the Federal Emergency Management Agency continue to give the Supply System good marks for timely notification of the public and for successful recovery operation in annual emergency exercises. These simulated emergencies bring together more than 600 employees and representatives of outside agencies into one cohesive, effective organization.

The objective is clear: protect the health and safety of the public. It is through the commitment and enthusiasm of the individual participants that this objective has been met.

Members of the Supply System's emergency planning organization bring these qualities into the community as they carry out their broad community responsibilities. They help with local agencies to develop procedures to respond to an emergency, train their staff and offer other assistance as needed. Meeting with residents living within 10 miles of Plant 2 to educate them on plant operations and supply them with special radios that automatically activate in an emergency is another responsibility of the emergency planning staff. They also fulfill their responsibility to recreational users of the Columbia River by maintaining a sophisticated siren system to warn fishermen and boaters of an emergency at the plant.

"The people of this community place their trust in us, just as they trust their elected government officials," Klauss said. "Our job is to live up to this trust by working with local leaders to be prepared at any given time, on any day, to rally together as a team to effectively handle any emergency."

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Executive Board
Washington Public Power Supply System
Richland, Washington

We have examined the individual financial statements, as listed in the financial statements section of the table of contents, of Washington Public Power Supply System's Nuclear Plant No. 2, Hanford Generating Project, Packwood Lake Hydroelectric Project, Nuclear Project No. 1, Nuclear Project No. 3, Nuclear Projects No.'s 4 and 5, and the Internal Service Fund for the year ended June 30, 1986. Our examinations were 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.

As discussed in Note E to the financial statements, Washington Public Power Supply System Nuclear Project No. 3 is negotiating with its contractors and suppliers to settle contract claims associated with extended construction delays of that project. Due to the nature of the settlement process, the ultimate amounts of such costs are not fully determinable at the present time.

As discussed in Note E to the financial statements, Washington Public Power Supply System Nuclear Projects No.'s 1 and 3 are involved in disputes concerning costs shared with Washington Public Power Supply System Nuclear Projects No.'s 4 and 5. Additionally, disputes arising from the extended construction delay of Nuclear Project No. 3 have been tentatively settled; however, such settlement is subject to approval by the Court. The ultimate amount of additional costs, if any, to be borne by Nuclear Projects No.'s 1 and 3 due to these matters are not determinable at the present time.

As discussed in Note E to the financial statements, creditors of Nuclear Projects No.'s 4 and 5 have threatened to attempt to obtain payment from assets or funds held by other projects of the Supply System or the revenues pledged thereto. Supply System management is of the opinion that creditor claims can only be realized from the assets, funds or revenues of the projects to which such claims relate. If it is found that creditors are not limited to payment of their claims from the project to which such claims relate, it will have a material adverse impact on the Supply System.

As explained in Note D, participants agreements pertaining to Washington Public Power Supply System Nuclear Projects No.'s 4 and 5 have been held to be invalid. Therefore, the Supply System is unable to recover the costs of Nuclear Projects No.'s 4 and 5 from the participants and has reduced such costs to their estimated recoverable values in the accompanying balance sheets. The ultimate recovery of such estimated amounts cannot presently be determined. In addition, as further discussed in Note D, accrued liabilities have been reflected in the accompanying balance sheets for estimated contract settlement and termination costs. Due to the nature of the settlement process, the ultimate amounts owing to creditors are not fully determinable at the present time. In addition, as explained in Note E, there are various other matters of litigation for which the outcome is not presently known.

In view of the significance of the matters discussed in the preceding paragraphs, we are unable to express, and we do not express, an opinion of the financial statements of the Supply System's Nuclear Plant No. 2, Hanford Generating Project, Packwood Lake Hydroelectric Project, Nuclear Project No. 1, Nuclear Project No. 3, Nuclear Projects No.'s 4 and 5, and the Internal Service Fund referred to above.

Ernst & Whinney

Seattle, Washington
September 12, 1986

BALANCE SHEETS

As of June 30, 1986
Dollars in thousands

ASSETS	NUCLEAR PLANT NO. 2	HANFORD GENERATING PROJECT	PACKWOOD LAKE PROJECT	NUCLEAR PROJECT NO. 1	NUCLEAR PROJECT NO. 3	NUCLEAR PROJECTS NO.'S 4/5	INTERNAL SERVICE FUND
CURRENT ASSETS—OPERATING FUND							
Cash and investments	$ 22,565	$ 5,336	$ 1,059	$ 13,827	$ 9,125	$	$ 3,706
Accounts receivable	479						252
Accounts receivable—antitrust settlement	6,397						
Inventories	14,002	351					979
Prepaid and other Assets	395	360	28				741
Due from participants	1,612	139	232	564	542		
Due from other projects and internal service fund		404					7,660
Due from other funds	44,114	1,210	32	28,840	26,556		
	89,564	7,800	1,351	43,231	36,223		13,338
RESTRICTED ASSETS Notes B and C							
Special funds							
Cash and investments	43,758	3,293	300	132,689	30,560	6,573	
Receivable from joint owners					8,939	237	
Due from other projects and internal service fund				9,361	126	17,069	
Accounts receivable—antitrust settlement				4,312	5,644	298	
Prepaid and other assets				1,317	417	580	
Due from other funds—net				155	14,599		
	43,758	3,293	300	147,834	60,285	24,757	
Revenue fund cash						161	
Accounts receivable						3,852	
Chemical Bank fund accounts						17,044 *	
Debt service funds cash and investments	114,965	7,270	654	228,932	179,752	98,285 *	
	158,723	10,563	954	376,766	240,037	144,099	
UTILITY PLANT AND EQUIPMENT Note B							
In service	3,236,608	67,639	12,371	11,243		1,340	16,461
Improvements to U.S. government facilities		16,544					
Less allowance for depreciation and amortization	(173,365)	(59,092)	(5,803)	(1,252)		(1,340)	(9,823)
	3,063,243	25,091	6,568	9,991		-0-	6,638
Construction work in progress	16,230						
Construction work in progress—deferred plants				2,227,501	2,398,100		
Costs of terminated plants						2,912,131	
Nuclear fuel and prepaid enrichment services	104,310			257,838	51,030		
Less amount charged to joint owners					(617,026)	(87,567)	
Less allowance for estimated unrecoverable cost						(2,817,154)	
	3,183,783	25,091	6,568	2,495,330	1,832,104	7,410	
OTHER ASSETS AND DEFERRED CHARGES							
Unbilled reimbursable costs			2,677				
Unamortized debt expense	3,296	104	20	3,375	2,464		
TOTAL ASSETS	$3,435,366	$43,558	$11,570	$2,918,702	$2,110,828	$151,509	$19,976

** Assets under control of Chemical Bank*

LIABILITIES	NUCLEAR PLANT NO. 2	HANFORD GENERATING PROJECT	PACKWOOD LAKE PROJECT	NUCLEAR PROJECT NO. 1	NUCLEAR PROJECT NO. 3	NUCLEAR PROJECTS NO.'S 4/5	INTERNAL SERVICE FUND
CURRENT LIABILITIES—OPERATING FUND							
Accounts payable and accrued expenses	$ 21,208	$ 3,925	$ 63	$ 69	$	$	$ 9,793
Amounts withheld from contractors	3,443						
Advance payments from participants	1,703			2,737	1,789		
Due to other projects and internal service fund	2,671			296			
Amounts due power purchasers	57,539	375	1,173	36,975	16,835		
Amounts due other funds				155	14,599		
	86,564	4,300	1,236	40,232	33,223		9,793
LIABILITIES—PAYABLE FROM RESTRICTED ASSETS Notes B and C							
Special funds							
Accounts payable and accrued expenses	1,439			7,639	12,725	26,997	
Amounts withheld from contractors				3,386	8,837	6,572	
Due to other projects and internal service fund				590	16,770	8,021	
Due to other funds—net	39,319	793	20	23,278	18,954		
	40,758	793	20	34,893	57,286	41,590	
Debt service funds							
Accrued interest payable		332	124	103,837	82,678	608,730	
Due to other funds—net	4,795	418	11	5,562	7,602		
	4,795	750	135	109,399	90,280	608,730	
Chemical Bank fund accounts							
Accounts payable and accrued expenses						477	
	45,553	1,543	155	144,292	147,566	650,797	
DEBT IN DEFAULT, CURRENTLY PAYABLE							
Revenue bonds payable						2,250,000	
Subordinated revenue notes						67,866	
						2,317,866	
LONG—TERM DEBT Note C							
Revenue bonds payable	2,258,700	30,840	10,159	2,124,415	1,590,360		
Less unamortized discount on bonds—net	(66,719)	(574)	(78)	(50,861)	(37,324)		
	2,191,981	30,266	10,081	2,073,554	1,553,036		
OTHER LIABILITIES AND DEFERRED CREDITS							
Unearned revenue	1,068,020	4,734					
Costs reimbursed under net billing				657,624	374,003		
Deferred gain on redemption of revenue bonds		1,315	98				
Due to other projects							6,303
Advances and other	43,248	1,400		3,000	3,000		3,880
	1,111,268	7,449	98	660,624	377,003		10,183
TOTAL LIABILITIES	3,435,366	43,558	11,570	2,918,702	2,110,828	2,968,663	19,976
Deficiency in assets						(2,817,154)	
TOTAL LIABILITIES AND DEFICIENCY IN ASSETS	$3,435,366	$43,558	$11,570	$2,918,702	$2,110,828	$ 151,509	$19,976

STATEMENTS OF OPERATIONS

For the year ended June 30, 1986
Dollars in thousands

	NUCLEAR PLANT NO. 2	HANFORD GENERATING PROJECT	PACKWOOD LAKE PROJECT
OPERATING REVENUES	$421,471	$36,000	$933
OPERATING EXPENSES			
Nuclear fuel	20,468		
Waste disposal	4,166		
Decommissioning	888		
Reactor availability		26,129	
Depreciation and amortization	103,713	2,430	262
Operations and maintenance	74,485	3,013	485
Administrative and general	20,026	808	88
Taxes	1,555	3,900	2
	225,301	36,280	837
NET OPERATING REVENUE/(LOSS)	196,170	(280)	96
OTHER INCOME AND EXPENSE			
Investment income	21,538	1,361	285
Interest expense and discount amortization	(217,708)	(1,081)	(381)
NET REVENUE	$ -0-	$ -0-	$ -0-

STATEMENT OF CHANGES IN DEFICIENCY IN ASSETS

For the year ended June 30, 1986
Dollars in thousands

	NUCLEAR PROJECTS NO.'S 4/5
BALANCE AT JULY 1, 1985	$2,622,739
ADDITIONS/(DEDUCTIONS)	
Interest Expense	198,084
Net increase in costs related to terminated nuclear projects	16,624
Administrative costs associated with asset disposition	3,210
Received from asset sales	(7,900)
Investment income	(10,233)
Decrease/(increase) in recoverable value estimates	(5,370)
BALANCE AT JUNE 30, 1986	$2,817,154

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the year ended June 30, 1986
Dollars in thousands

OPERATING PROJECTS	*NUCLEAR PLANT NO. 2*	*HANFORD GENERATING PROJECT*	*PACKWOOD LAKE PROJECT*
SOURCE OF FUNDS			
Operations—Net revenue	$ -0-	$ -0-	$ -0-
Items not affecting working capital			
Depreciation and amortization	126,874	2,497	266
Increase/(decrease) in costs reimbursable from power purchasers	(49,592)	1,643	57
Less gain on redemption of revenue bonds		(129)	(146)
Total from Operations	77,282	4,011	177
TOTAL SOURCE OF FUNDS	$ 77,282	$4,011	$177
USE OF FUNDS			
Construction and capital	11,534	5	
Fuel	42,453		
Net improvements		754	
Cost of revenue bonds purchased and retired	23,295	3,240	164
Increase (decrease) in restricted assets		12	13
	77,282	4,011	177
Changes in working capital			
Cash and investments	10,840	1,687	(544)
Receivables and other	(7,048)	(2,519)	35
Payables and other	(3,792)	832	509
Net increase in working capital	-0-	-0-	-0-
TOTAL USE OF FUNDS	$ 77,282	$4,011	$177

NON-OPERATING PROJECTS	*NUCLEAR PROJECT NO. 1*	*NUCLEAR PROJECT NO. 3*	*NUCLEAR PROJECTS NO.'S 4/5*
SOURCE OF FUNDS			
Collected under net billing	$235,125	$162,059	$
Interest income	26,851	15,287	10,216
Charged to joint owners		8,336	(1,235)
Net decrease in restricted funds			194,894
Received from sale of fuel	1,288		
Revaluation of investments	3	59	17
Reduction of estimated cost of termination			5,912
Asset sales			7,900
Other			447
TOTAL SOURCE OF FUNDS	$263,267	$185,741	$218,151
USE OF FUNDS			
Construction costs	14,203	24,011	
Interest expense	207,674	165,357	198,084
Nuclear fuel	370	57	
Financing, trustee and paying agent expenses	(19)	(121)	16,857
Bonds redeemed	9,785	6,175	
Due to participants	(357)	(10,093)	
Net transfers to Hanford Generating Project	29,045		
Net increase in restricted funds	2,566	355	
Administrative costs associated with asset disposition			3,210
TOTAL USE OF FUNDS	$263,267	$185,741	$218,151

OUTSTANDING LONG—TERM DEBT

Dollars in thousands

	SERIES	DATE OF SALE	EFFECTIVE INTEREST RATE	OFFERING PRICES	COUPON RATE	SERIAL OR TERM MATURITIES	JUNE 30, 1986
NUCLEAR PLANT NO. 2							
Revenue Bonds	1973	6-26-73	5.66%	(A)	5.00—5.10%	7-1-87/1991	$ 13,600
				100	5.70	7-1-2012	124,400
							138,000
Revenue Bonds	1974	7-23-74	7.21	(A)	6.50—6.90	7-1-87/1994	18,000
				100	7.00	7-1-1999	15,000
				100	7.375	7-1-2012	37,000
							70,000
Revenue Bonds	1974A	11-26-74	7.67	(A)	7.20	7-1-87/1994	15,500
(excludes $2,500,000 due				100	7.40	7-1-1999	15,000
July 1, 1986)				100	7.75	7-1-2012	78,000
							108,500
Revenue Bonds	1975A	3-6-75	6.71	(A)	6.60	7-1-87/1994	14,300
(excludes $4,300,000 due				100	6.60	7-1-1999	15,000
July 1, 1986)				100	6.875	7-1-2012	78,000
							107,300
Revenue Bonds	1976	6-3-76	6.63	(A)	5.40—6.25	7-1-87/1998	22,765
(excludes $1,190,000 due				99.25	6.625	7-1-2006	42,300
July 1, 1986)				100	6.75	7-1-2012	49,860
							114,925
Revenue Bonds	1976A	11-18-76	5.87	(A)	5.50—5.875	7-1-87/2002	80,045
(excludes $3,095,000 due				100	6.00	7-1-2007	44,815
July 1, 1986)				99.50	6.00	7-1-2012	60,990
							185,850
Revenue Bonds	1978	7-11-78	6.71	(A)	5.50—6.60	7-1-87/2000	58,075
(excludes $2,355,000 due				100	6.80	7-1-2006	45,520
July 1, 1986)				100	6.875	7-1-2012	66,230
							169,825
Revenue Bonds	1979	3-13-79	6.49	(A)	5.50—6.00	7-1-87/1999	51,100
(excludes $2,635,000 due				100	6.40	7-1-2004	33,490
July 1, 1986)				100	6.75	7-1-2012	83,605
							168,195
Revenue Bonds	1979A	10-17-79	7.69	(A)	6.60—7.30	7-1-87/1999	36,375
(excludes $1,900,000 due				100	7.60	7-1-2004	23,050
July 1, 1986)				100	7.75	7-1-2012	57,000
							116,425
Revenue Bonds	1980	10-21-80	9.36	(A)	8.90—10.90	7-1-87/1997	33,530
(excludes $1,700,000 due				100	9.30	7-1-2001	23,735
July 1, 1986)				100	9.60	7-1-2006	46,070
				(A)	9.25	7-1-2011	75,045
				(A)	8.25	7-1-2012	19,920
							198,300
Revenue Bonds	1981A	9-4-81	12.44	100	14.375	7-1-2001	30,000
				57.895	8.25	7-1-2003	100,000
				99	14.50	7-1-2006	30,000
				100	13.25	7-1-2012	50,000
							210,000
Revenue Bonds	1982A	2-11-82	14.76	100	10.00—13.75	7-1-87/1996	31,725
(excludes $1,610,000 due				100	14.50	7-1-2002	51,665
July 1, 1986)				99.25	14.75	7-1-2012	215,000
							298,390

(A) Various prices

	SERIES	DATE OF SALE	EFFECTIVE INTEREST RATE	OFFERING PRICES	COUPON RATE	SERIAL OR TERM MATURITIES	JUNE 30, 1986
Revenue Bonds	1982B	5-20-82	13.82%	100	9.75—13.00%	7-1-87/1996	$ 37,390
(excludes $2,010,000 due July 1, 1986)				100	13.875	7-1-2012	139,320
							176,710
Revenue Bonds	1982C	5-20-82	13.89	100	13.50	7-1-2002	56,960
				100	13.875	7-1-2012	139,320
							196,280
							$2,258,700
HANFORD GENERATING PROJECT							
Revenue Bonds	1963	5-8-63	3.26	(A)	3.10	9-1-1986	$ 3,255
(includes $3,255,000 due within one year at June 30, 1986)				98	3.25	9-1-1996	27,585
							$ 30,840
PACKWOOD LAKE PROJECT							
Revenue Bonds	1962	3-20-62	3.66	99.425	3.625	3-1-2012	$ 7,684
(includes $180,000 due within one year at June 30, 1986)	1965	11-4-65	3.76	100.5	3.75	3-1-2012	2,475
							$ 10,159
NUCLEAR PROJECT NO. 1							
Revenue Bonds	1975	9-18-75	7.73	(A)	6.10—7.40	7-1-86/2000	$ 36,400
(includes $1,400,000 due July 1, 1986)				100	7.70	7-1-2010	58,300
				100	7.75	7-1-2017	74,700
							169,400
Revenue Bonds	1976A	2-4-76	6.84	(A)	6.00—6.25	7-1-86/1998	30,285
(includes $1,575,000 due July 1, 1986)				100	6.90	7-1-2010	66,485
				100	7.00	7-1-2017	76,495
							173,265
Revenue Bonds	1976B	8-31-76	6.37	(A)	5.00—5.90	7-1-86/1998	33,755
(includes $1,845,000 due July 1, 1986)				100	6.50	7-1-2010	66,940
				99.50	6.50	7-1-2017	71,235
							171,930
Revenue Bonds	1978A	3-21-78	5.69	(A)	5.00—5.50	7-1-86/2002	59,960
(includes $2,325,000 due July 1, 1986)				100	5.80	7-1-2010	50,920
				100	5.875	7-1-2017	64,810
							175,690
Revenue Bonds	1978B	12-5-78	6.61	(A)	5.50—6.00	7-1-86/1998	34,910
(includes $1,875,000 due July 1, 1986)				100	6.35	7-1-2003	22,305
				100	6.60	7-1-2009	38,190
				99.50	6.80	7-1-2017	81,150
							176,555
Revenue Bonds	1979	6-19-79	6.64	(A)	6.00	7-1-86/1998	26,960
(includes $1,335,000 due July 1, 1986)				100	6.40	7-1-2003	18,560
				100	6.70	7-1-2009	32,370
				100	6.80	7-1-2017	69,685
							147,575
Revenue Bonds	1980A	8-5-80	8.87	(A)	7.00—10.00	7-1-86/1995	55,500
(includes $4,500,000 due July 1, 1986)				100	9.00	7-1-2002	37,000
				100	9.20	7-1-2005	16,950
				99.00	9.25	7-1-2013	70,550
				(A)	7.75	7-1-2017	30,000
							210,000

(continued)

OUTSTANDING LONG—TERM DEBT

Dollars in thousands

	SERIES	DATE OF SALE	EFFECTIVE INTEREST RATE	OFFERING PRICES	COUPON RATE	SERIAL OR TERM MATURITIES	JUNE 30, 1986
Revenue Bonds	1981A	4-13-81	11.30%	(A)	11.30—13.00%	7-1-96/2003	28,580
				100	11.625	7-1-2012	91,420
							120,000
Revenue Bonds	1981B	4-13-81	11.30	(A)	10.00	7-1-2016	40,000
Revenue Bonds	1981C	4-13-81	10.29	100	10.25	7-1-2015	40,000
Revenue Bonds	1981D	9-4-81	14.78	100	14.375	7-1-2001	20,000
				57.895	8.25	7-1-2003	30,000
				100	15.00	7-1-2017	265,000
							315,000
Revenue Bonds	1982A	2-11-82	14.79	100	10.50—13.75	7-1-88/1996	29,355
				100	14.50	7-1-2002	50,645
				99.25	14.75	7-1-2017	305,000
							385,000
							$2,124,415
NUCLEAR PROJECT NO. 3							
Revenue Bonds	1975	12-3-75	7.87	(A)	5.85—7.25	7-1-86/1998	$ 23,240
(includes $1,115,000 due				100	7.875	7-1-2010	52,695
July 1, 1986)				100	7.875	7-1-2018	71,160
							147,095
Revenue Bonds	1976	4-13-76	6.48	(A)	5.50—6.00	7-1-86/1998	17,140
(includes $910,000 due				99.625	6.50	7-1-2010	35,100
July 1, 1986)				100	6.60	7-1-2018	45,295
							97,535
Revenue Bonds	1977	9-12-77	5.71	(A)	5.00—5.50	7-1-86/2000	56,685
(includes $2,725,000 due				99.50	5.70	7-1-2009	63,535
July 1, 1986)				99.50	5.80	7-1-2018	107,160
							227,380
Revenue Bonds	1978	9-12-78	6.27	(A)	5.90—6.00	7-1-86/2004	64,735
(includes $1,780,000 due				100	6.375	7-1-2010	42,985
July 1, 1986)				99	6.40	7-1-2018	90,630
							198,350
Revenue Bonds	1981A	2-11-81	10.80	(A)	9.50—12.50	7-1-87/2001	64,375
				100	11.125	7-1-2005	40,535
				99.50	11.125	7-1-2010	80,310
				88.50	9.75	7-1-2017	18,950
				88.50	9.75	7-1-2018	20,830
							225,000
Revenue Bonds	1981B	9-4-81	14.80	57.895	8.25	7-1-2003	20,000
				99	14.50	7-1-2006	20,000
				100	15.00	7-1-2018	185,000
							225,000
Revenue Bonds	1982A	2-11-82	14.83	100	10.50—13.75	7-1-88/1996	6,055
				100	14.50	7-1-2002	10,445
				99.25	14.75	7-1-2018	148,500
							165,000
Revenue Bonds	1982B	5-20-82	13.95	100	10.50—13.00	7-1-88/1996	9,195
				99.50	13.875	7-1-2018	280,925
							290,120
Revenue Bonds	1982C	5-20-82	13.63	100	13.50	7-1-2002	14,880
							$1,590,360

(A) Various Prices

Note A—Organization

The Washington Public Power Supply System was organized in 1957 as a municipal corporation and joint operating agency of the State of Washington. It is empowered to acquire, construct and operate facilities for the generation and transmission of electric power. On June 30, 1986, its membership consisted of 13 public utility districts and three municipalities that own and operate electric systems within the state of Washington.

The Supply System constructed and is operating Nuclear Plant No. 2, the Hanford Generating Project and the Packwood Lake Hydroelectric Project. The Supply System's Nuclear Project No. 1 is in the fifth year of an extended construction delay, Nuclear Project No. 3 is in the fourth year of an extended construction delay, and Nuclear Projects No.'s 4 and 5 were terminated on January 22, 1982.

Nuclear Plant No. 2 and Nuclear Projects No.'s 1 and 4 are wholly owned by the Supply System. Nuclear Project No. 3 is jointly owned by the Supply System (70 percent) and four investor-owned utilities (30 percent). Nuclear Project No. 5 is jointly owned by the Supply System (90 percent) and one investor-owned utility (10 percent). Each joint owner is responsible for its own financing costs and share of the costs of construction, operation and termination and is entitled to its ownership share of the projects' operating capability.

The Supply System is currently unable to obtain additional financing through the sale of bonds due to pending litigation. Project maintenance costs for Nuclear Project No. 1 are funded by proceeds from bonds sold during February 1982. Project maintenance costs for the Supply System's 70 percent share of Nuclear Project No. 3 and debt service for Nuclear Projects No.'s 1 and 3 are funded by payments under the net-billing agreements.

Note B—Summary of Significant Accounting Policies

The Supply System has adopted accounting policies and practices that are in accordance with generally accepted accounting principles applicable to the utility industry. Separate books of account are maintained for each project except for Nuclear Projects No.'s 4 and 5, which are accounted for as a single entity. In addition, the Supply System maintains an internal service fund for payment and accounting of payrolls, administrative and general expenses, and certain common goods and services procurred for the projects on a cost-reimbursable basis.

Restricted Assets

In accordance with project bond resolutions and related agreements, separate restricted funds must be established for each of the projects. The assets held in these funds are restricted for specific uses including construction, termination, debt service and other special reserve requirements.

Cash and investments in the Operating Fund of Nuclear Plant No. 2 and in Special Funds of Nuclear Projects No.'s 1, 3, 4 and 5 include $22,199,817 retained in escrow for contractors as of June 30, 1986.

Current Assets and Current Liabilities

Current assets and liabilities in the accompanying balance sheets exclude current maturities on revenue bonds and accrued interest because debt service funds are provided for their payment.

Investments

Investments include United States government and government agencies securities. Investments are stated at cost or amortized cost, as appropriate, and include accrued interest.

Investments held in the Bond Fund Reserve Accounts (included in Debt Service Funds) and Reserve and Contingency Funds (included in Special Funds) are stated at the lower of amortized cost or market as provided by bond resolutions.

The market value of investments (including accrued interest) approximates the carrying value.

Investment Income

Investment income consists of interest earned on investments and gains or losses resulting from the sale of investments. Investment income relating to operating plants is recorded as a credit to operating costs. With

respect to Nuclear Projects No.'s 1 and 3, income earned on any construction funds is recorded as a credit to Construction Work in Progress-Deferred Plants, shown on the balance sheet, and income earned on all other funds is treated as a reduction of funding required under the net-billing agreements. Investment income relating to Nuclear Projects No.'s 4 and 5 is credited to Costs of Terminated Plants, shown on the balance sheet.

Capitalization of Construction Costs and Expenses

During the normal construction phase of a project it is the Supply System's policy to capitalize all costs relating to the project, including interest (net of interest income), general and administrative expense, amortized financing expense and certain other expenses. Interest expense (net) during construction is allocated to nuclear fuel and plant based on cumulative cash utilization. General and administrative expenses and overhead expenses are allocated to projects primarily on the basis of direct usage or direct salary cost. Financing expense applicable to each project is amortized by the straight-line method over the period of each respective bond issue, to project capital cost or operating cost, as appropriate, during plant construction or operations.

As of July 1, 1984, the Supply System discontinued capitalizing interest expense (net) applicable to Nuclear Projects No.'s 1 and 3 because of the extended delay of these projects. The interest expense, which is funded by payments under net-billing agreements, will not be capitalized during the delay. Such net interest expense totaled $189,719,354 and $150,080,085 for Nuclear Projects No.'s 1 and 3, respectively, for the year ended June 30, 1986.

Utility Plant and Equipment—Depreciation and Amortization

Buildings and equipment are depreciated by the straight-line method over their estimated useful lives.

Improvements to U.S. government-owned facilities are being amortized over the period covered by the contract for dual-purpose operation of the U.S. Department of Energy's New Production Reactor.

Revenues

During the construction phase of a project, money received under net-billing agreements and utilized to fund debt service or other project expenditures is normally recorded as Unearned Revenues on the balance sheet and is amortized to Revenues over the operating life of the project. However, money received under Nuclear Projects No.'s 1 and 3 net-billing agreements is classified as Costs Reimbursed Under Net Billing because of uncertainty as to when these projects will be operational, as explained in Note E.

For Nuclear Plant No. 2, Hanford Generating Project and Packwood Lake Hydroelectric Project, the difference between cumulative operating costs, including depreciation and amortization, and cumulative payments, including debt service, is reflected as Unearned Revenue or Unbilled Reimbursable Costs, as appropriate.

In accordance with covenants of bond resolutions, the Supply System is authorized to recover actual cash requirements for operations and debt service for each project over the life of the project. Accordingly, the Supply System records revenues equal to operating costs for each period. No income or loss is realized, and no equity is accumulated.

Nuclear Fuel Cost

Nuclear Plant No. 2 capitalized nuclear fuel cost is amortized to nuclear fuel operating expense on the basis of quantity of heat produced for electric generation. Current period nuclear fuel operating expense also includes a charge for future spent nuclear fuel storage and disposal to be provided by the Department of Energy in accordance with the Nuclear Waste Policy Act of 1982. Such charge is based on one mill per kilowatt-hour of energy generated.

Decommissioning

Estimated Nuclear Plant No. 2 decommissioning costs are being currently funded under the sinking-fund method. Monthly payments are made into a sinking fund which, with accumulated interest, will be adequate to fund decommissioning costs at the end of the 40-year plant operating life. Sinking-fund requirements are currently based on estimated decommissioning costs of $114 million (1982 dollars). Payments to the decommissioning fund for Nuclear Plant No. 2 for fiscal year 1986 aggregated $888,000.

Cost Related to Construction and Termination of Nuclear Power Plants

For Nuclear Projects No.'s 4 and 5, the costs of construction through January 22, 1982, the date of termination, and the costs of termination and other related costs subsequent to that date are shown at their estimated net realizable value in the accompanying balance sheets as of June 30, 1986, based on Supply System staff estimates. The amount estimated for unrecoverable costs ($2,817,153,800) has been reflected as Allowance for Estimated Unrecoverable Cost and as Deficiency in Assets in the accompanying balance sheets.

Retirement Plan

The Supply System participates in the Washington State Public Employees' Retirement System that provides retirement benefits to eligible employees. The cost of the plan to the Supply System is determined by the retirement system's board. The actuarially computed value of pension benefits exceeds the fund assets for the retirement system. However, because the retirement system is a multi-employer system, the amount of any excess that relates to the Supply System is not available. The Supply System's required contribution was $4,579,454 during the period ended June 30, 1986.

Note C—Long-Term Debt

Except for Nuclear Projects No.'s 4 and 5, which were financed together as one utility system, all Supply System projects are financed separately. The revenue bonds issued for each project are payable solely from the revenues of that project.

Outstanding revenue bonds of the various projects as of June 30, 1985, are presented on pages 20 through 22.

Security—Agreements and Contracts

Project participants have purchased the Supply System's ownership share of project capability of Nuclear Plant No. 2, the Hanford Generating Project, and Nuclear Projects No.'s 1 and 3. The U.S. Department of Energy, acting by and through BPA, has in turn acquired the entire capability from the project participants under various net-billing and exchange agreements. BPA is obligated to pay the participants and the participants are obligated to pay the Supply System their pro rata share of the total annual costs of the projects, including debt service on the bonds, whether or not the projects are completed, operable or operating and notwithstanding the suspension, reduction or curtailment of the projects' output. See Note E for a discussion of the Hanford Generating Project and its relationship to Nuclear Project No. 1.

In connection with the issuance of the generating facilities revenue bonds for Nuclear Projects No.'s 4 and 5, the Supply System pledged the revenues to be derived under participants' agreements with 88 utilities operating principally in the Pacific Northwest. The participants' agreements provided that each participant pay its respective share of annual costs, including debt service on the bonds, whether or not the projects were completed, operable, or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the projects' output. Payments from the participants for Nuclear Projects No.'s 4 and 5 termination costs and debt service were due beginning on January 25, 1983. Payments due under the participants' agreements have not been forthcoming (see Note D) and an event of default, as defined in the bond resolution, occurred on July 22, 1983, and is continuing.

In connection with the issuance of the Nuclear Projects No.'s 4 and 5 subordinated revenue notes ($60,000,000 due July 1, 1984, and $7,865,502 due June 30, 1983), the Supply System pledged to set aside money for payment of such obligations from funds to be accumulated in the Revenue Fund. Payments under the participants' agreements to be accumulated in the Revenue Fund were not made and therefore the subordinated revenue notes were not paid. See Note D for a discussion of default on Nuclear Projects No.'s 4 and 5 subordinated revenue notes.

Note D—Termination of Nuclear Projects No.'s 4 and 5 and Default Under Bond Resolution

On January 22, 1982, the Supply System's Nuclear Projects No.'s 4 and 5 were terminated. Construction was 24 and 16 percent complete, respectively, at the time.

The participants' agreements (discussed in Note C under Security) provided that each participant pay its respective share of the debt service on the bonds and termination costs beginning January 25, 1983. Payments due under the participants' agreements were not made pending a judicial determination of the participants' authority and obligation to pay. On June 15, 1983, and again on November 6, 1984, the Washington State Supreme Court ruled that Washington municipal utilities did not have statutory authority to enter into the participants' agreements and, thus, that those agreements are invalid as to the cities and public utility districts of the state of Washington, which collectively hold approximately 68 percent of the participants' shares of Nuclear Projects No.'s 4 and 5. In addition, on November 6, 1984, the Washington State Supreme Court also ruled that, because of the invalidity of the participants' agreements entered into by the Washington municipal utilities, all of the remaining participants' agreements are unenforceable as well. Chemical Bank and the Supply System petitioned the U.S. Supreme Court for grant of a writ of certiorari by which the state court decision might be reviewed by that court. Grant of the writ was denied by the U.S. Supreme Court on April 29, 1985.

On July 22, 1983, the Supply System acknowledged that it could not meet all Nuclear Projects No.'s 4 and 5 obligations as they became due. This admission represented an event of default under the Nuclear Projects No.'s 4 and 5 bond resolution.

On July 25, 1983, Chemical Bank, as bond fund trustee, demanded that all remaining project funds be transfered to a special account. Under Section 11.4 of the Nuclear Projects No.'s 4 and 5 bond resolution, Chemical Bank, as bond fund trustee, or a duly constituted bondholders' committee is entitled, to the extent permitted by law, to take possession of the business and properties of Nuclear Projects No.'s 4 and 5. At present, the Supply System is continuing to manage the contract termination and asset disposal activities. Chemical Bank disburses the funds for payment of Nuclear Projects No.'s 4 and 5 termination activities in accordance with the payment priorities established in the bond resolution. Since total obligations currently exceed available cash and revenues, certain lower priority obligations (as defined in the bond resolution) are not being paid.

On August 18, 1983, Chemical Bank declared the principal of all Nuclear Projects No.'s 4 and 5 revenue bonds and interest accrued thereon to be due and payable immediately.

Since the participants' agreements have been held to be invalid, the assets of Nuclear Projects No.'s 4 and 5 have been reduced to their estimated net recoverable value, resulting in a deficiency in assets. Such recoverable value is based on Supply System staff estimates. However, the ultimate recoverability cannot presently be determined.

The Supply System's current estimate of termination costs ($26,764,478), including costs of contract settlements and other termination costs, has been accrued as Accounts Payable and Accrued Expenses in the accompanying balance sheets. Although management of the Supply System is satisfied that its estimates are reasonable, the final settlement for termination costs and the cost of dismantling the projects cannot be determined at this time. Certain physical assets of Nuclear Projects No.'s 4 and 5 are being maintained for a period to maximize their sales value upon disposal. Supply System management plans to continue the asset disposal activities through at least June 1987.

In August 1983 Chemical Bank filed a lawsuit in U.S. District Court, Western District of Washington, which is now pending against the Supply System, all participants in Nuclear Projects No.'s 4 and 5, Supply System member utilities and certain directors, BPA and other individuals. The lawsuit alleges violations of federal and state securities statutes, fraud, misrepresentation, bad faith, negligence, and unjust enrichment, and seeks money damages, rescission and restitution. This suit is currently in the discovery phase. Depositions began in January 1985 and are expected to continue through mid-1987. The court has set a trial date of September 1, 1988.

In addition, numerous lawsuits have been filed against the Supply System and numerous other individuals and entities by individuals purporting to represent classes of

bondholders. The lawsuits allege violations of federal and state securities statutes, negligent misrepresentation, common law fraud and deceit, gross negligence, and breach of contract, and seek monetary damages for losses allegedly sustained by the purported classes. These cases have been transferred to the U.S. District Court, Western District of Washington, and most have been consolidated for pretrial purposes. All of these cases are in the discovery phase of litigation.

Another lawsuit, *Haberman v. Washington Public Power Supply System* has been filed against the Supply System and others in a state court of the state of Washington by a number of Nuclear Projects No.'s 4 and 5 bondholders alleging substantially the same allegations as have been urged in the federal cases. Following oral decisions of the court on July 26, 1985, and, upon motions for reconsideration, on October 7, 1985, all claims in the action against the Supply System have been dismissed. The court also indicated that it would stay the action pending disposition of comparable state law claims in the federal actions. The court's rulings have been appealed by the bondholders to the Washington State Supreme Court.

The lawsuits described in the three preceding paragraphs seek to recover the bondholders' investment in the principal amount of $2.25 billion, plus unspecified damages, plus interest, costs and attorneys' fees.

The Supply System cannot predict the outcome of the above litigation.

Pursuant to state law and resolutions of the Supply System's Executive Board, the Supply System has agreed to indemnify its directors for certain of the acts which have been alleged in the complaint. The Supply System is obligated for associated costs (including legal defense costs) to the extent such costs are not covered by directors and officers insurance.

In a suit filed in September 1985, the excess carrier of directors and officers liability insurance for the Supply System seeks an adjudication that it has no liability as a result of the alleged failure of the Supply System to disclose facts known to it which, if known to the insurer, would have resulted in its not issuing the policy. The primary carrier is currently paying costs of defense of the Supply System's directors in the securities litigation, and the excess carrier agreed in June 1986 to pay such defense costs when the primary coverage is exhausted. Trial in this action will not occur until the securities litigation is resolved. Although this suit is not for money damages, it could have a serious financial impact on the Supply System.

Note E—Commitments and Contingencies

Hanford Generating Project and its Relationship to Nuclear Project No. 1

The U.S. Department of Energy (DOE) owns and operates the New Production Reactor (NPR), which provides by-product steam to the Hanford Generating Project. The Supply System's current agreement with the DOE provides for the continuation of this dual-purpose operation of the reactor through June 1993. In accordance with certain other project agreements, the operating costs of the project will be offset by payments from certain public and investor-owned utilities in return for the power generated. Public participants currently receive 72 percent of the power, and two investor-owned utilities receive 28 percent.

Total Hanford Generating Project revenues were $36 million during the year ended June 30, 1986, compared to $67.8 million for the previous year. The decrease in revenues relates to reduced power generation which resulted from a lower availability of steam provided by the DOE.

The Washington State Department of Revenue has assessed a manufacturers business tax and public utility tax on the value of Hanford Generating Project electrical energy sold to out-of-state participants and to BPA for resale to out-of-state, investor-owned utilities and direct service industries. The potential tax liability, which totals $3.9 million for the period July 1, 1980, through June 30, 1986, has been recognized and is reflected in the Hanford Generating Project financial statements as of June 30, 1986. However, the Supply System believes that assessment of this tax is inappropriate and has protested the assessment. The

Washington State Department of Revenue is currently reviewing this matter.

It was initially intended that Nuclear Project No. 1 be constructed next to the Hanford Generating Project to provide the energy source to operate the project when the DOE ceased operation of the New Production Reactor. To allow for construction of Nuclear Project No. 1, it would have been necessary to shut down the Hanford Generating Project on October 31, 1977. Because studies at that time indicated that generating resources in the Pacific Northwest would be inadequate in the late 1970s and early 1980s, the Supply System and BPA determined that the Hanford Generating Project should be kept available for power production. Therefore, the Nuclear Project No. 1 net-billing, exchange and project agreements were amended to provide for the separation of Nuclear Project No. 1 from the Hanford Generating Project. The amended agreements provide that Hanford Generating Project costs, to the extent not otherwise provided for, be treated as Nuclear Project No. 1 costs with HGP having a first claim on the revenues of that project.

The amended agreements provide for the payment of all debt service costs, net of investment income, of the Hanford Generating Project by Nuclear Project No. 1 participants, beginning July 1, 1980, regardless of continued operation of the reactor. If the reactor ceases operations, revenues to the Hanford Generating Project arising from these payments will nevertheless be recorded each year thereafter in amounts that will result in full realization of the carrying value of the plant.

The U.S. government has an option to acquire ownership of the Hanford Generating Project upon congressional approval. If the government exercises its option, it must assume all rights and obligations of the project, including the obligation to pay all revenue bonds.

Nuclear Projects No.'s 1 and 3—Construction Delay

On April 29, 1982, the Supply System, upon the recommendation of BPA, approved an extended construction delay of Nuclear Project No. 1, and on July 8, 1983, the Supply System, also upon the recommendation of BPA, approved an extended construction delay of Nuclear Project No. 3. During the construction delay, the Supply System will endeavor to preserve plant assets and maintain project licenses.

On January 23, 1986, the Northwest Power Planning Council (Council) released its 1986 Northwest Conservation and Electric Power Plan (Plan.) In the Plan, the Council indicated that Nuclear Projects No.'s 1 and 3 are cost effective. However, the Council did not include Nuclear Projects No.'s 1 and 3 in its resource portfolio citing legal and other uncertainties. The Council does view Nuclear Projects No.'s 1 and 3 as energy options for the future after the current uncertainties are removed.

On March 21, 1986, BPA released its 1986 Resource Strategy. In the 1986 Resource Strategy, BPA recommended that a) the technical program, which would allow cost-effective earned-value work to continue, be delayed until the need for the projects is better known; b) spending on preservation be reduced to a minimum level by late 1988; c) BPA should not include funds for construction restart for Nuclear Projects No.'s 1 and 3 in its budget for fiscal years 1988 and 1989; and d) BPA should perform a new comprehensive review and analysis of possible future courses of action for Nuclear Projects No.'s 1 and 3 as part of BPA's 1987 and 1988 Resource Strategy.

The Supply System is currently unable to predict when Nuclear Projects No.'s 1 and 3 will be completed. However, BPA has recommended that for the Supply System's fiscal year 1987 financial planning process, the Supply System assume a restart of construction of one unit in 1994 and restart of construction of the other unit in 1996. BPA further stated there is approximately a one-in-three chance that restart of construction would be needed during or before 1992 for one unit and approximately a one-in-four chance that restart of construction would be needed during or before 1992 for the second unit to meet regional load growth. However, consistent with its recommendations to assume a 1994 restart, BPA has included funding in its budget for fiscal years 1991 and 1992 for preconstruction engineering.

The U.S. Department of Energy is studying acquisition of all or a part of Nuclear Project No. 1 for completion as a strategic material production facility. Whether such

an acquisition will occur, what the timing might be, and what form it might take are unknown. Any such acquisition would require payment of just compensation to the Supply System for assets acquired. Payment of all outstanding Nuclear Project No. 1 obligations, including debt service on outstanding bonds, would continue to be made pursuant to the Nuclear Project No. 1 net-billing agreements.

The Supply System's current estimate of costs to settle terminated and delayed contracts for Nuclear Project No. 3 is $4,944,226, and these costs have been accrued as Accounts Payable and Accrued Expenses in the accompanying balance sheet. The Supply System's management is satisfied that this estimate is reasonable. However, final settlement costs cannot be determined at this time.

Nuclear Projects No.'s 4 and 5 Subordinated Revenue Notes

In conjunction with the mothballing of Nuclear Projects No.'s 4 and 5, certain project participants, investor-owned utilities and industrial customers of BPA agreed to loan Nuclear Projects No.'s 4 and 5 funds to underwrite a program to preserve the assets of those projects. These loans, called bridge loans, consisted of $60 million in subordinated revenue notes, bearing a stated maturity date of July 1, 1984, and bearing interest to due date at a rate of 15 percent.

Subsequently, when a decision was made to terminate Nuclear Projects No.'s 4 and 5, a number of project participants agreed to loan Nuclear Projects No.'s 4 and 5 funds designed to assist in avoiding an uncontrolled termination of the projects. These loans, called termination loans, consisted of $7,865,502 in subordinated revenue notes bearing a stated maturity date of June 30, 1983, and bearing interest to due date at a rate of 15 percent.

Because Projects No.'s 4 and 5 do not have sufficient funds to underwrite payment of the subordinated revenue notes, they have not been redeemed.

Sixteen participants and investor-owned utilities filed lawsuits against the Supply System for payment of the notes, with Chemical Bank named as codefendant in several of them; one case was dismissed. In 13 cases, summary judgments have been rendered against the Supply System, and, in certain cases, the judgements stated that the obligation to pay the notes was not restricted to the funds of Nuclear Projects No.'s 4 and 5. Some of these cases were subsequently appealed to the Washington State Supreme Court and on September 5, 1985, the Court upheld previous rulings that the Supply System must repay the bridge and termination loans, but ruled that repayment must be made only from funds of Nuclear Projects No.'s 4 and 5. Plaintiff's motions for reconsideration were denied, and modified judgments, restricted in collectibility, have been entered as to all plaintiffs except the three investor-owned utility lenders.

In the *BPA v. Supply System, et al* case, these lenders have moved for summary judgment on their bridge loans and for the right to set off a bridge loan judgment against any cost-sharing obligation to Nuclear Projects No.'s 4 and 5. Responses were due October 1, 1986.

Nuclear Project No. 5 Ownership Agreement

Under the terms of the ownership agreement with Pacific Power and Light Company (Pacific), Pacific is obligated to fund its respective ownership share of Nuclear Project No. 5 termination costs beginning January 25, 1983, and continuing until all costs of termination have been paid. Ten percent of the funds received from the sale of Nuclear Project No. 5 assets reduce Pacific's obligation for termination costs.

Pacific has stated to the Supply System that it considers the termination of Nuclear Project No. 5 to be a breach of the Nuclear Project No. 5 ownership agreement and has reserved its rights to pursue appropriate remedies with respect to such breach. On June 16, 1983, Pacific advised the Supply System that, due to the Washington State Supreme Court ruling that certain participants' agreements were invalid (as described in Note D) and other related actions by the Supply System, Pacific would no longer fund 10 percent of the Nuclear Project No. 5 termination costs.

It is the position of the Supply System that the termination of Nuclear Project No. 5 does not constitute a breach of the Nuclear Project No. 5 ownership agreement and that Pacific is responsible under the Nuclear Project No. 5 ownership agreement for payment of its

10 percent share of the costs of termination of such project.

Pacific has made payments prior to June 16, 1983, under the Nuclear Project No. 5 ownership agreement pursuant to reservations of rights to its potential claim to sue the Supply System for damages for failure to complete the project. Pacific's claim would presumably be about $150,000,000—its investment in the project. Such a claim could be a general claim against the assets of the Supply System.

Inter-Project Claims and Claims Against General Assets

As discussed above, Nuclear Projects No.'s 4 and 5 are currently unable to meet Nuclear Projects No.'s 4 and 5 debts as they become due. Creditors have threatened to attempt to obtain payment from assets or funds held for the benefit of other projects of the Supply System or the revenues pledged thereto. Such creditors include those described in the Notes to Financial Statements and others who may in the future assert claims against the Supply System and/or its projects.

Bond counsel to the Supply System are of the opinion that neither holders of bonds issued to finance the construction of Supply System's Nuclear Projects No.'s 4 and 5, nor creditors of the Supply System whose claims arose from the furnishing of goods or services with respect to Nuclear Projects No.'s 4 and 5, will be able to realize upon revenues or funds held in trust for Supply System Nuclear Projects No.'s 1, 2 and 3 or for holders of bonds issued by the Supply System to finance construction of such projects except to the extent they might obtain rights through a valid exercise of the sovereign police power of the state of Washington or of the constitutional powers of the United States of America, or by a voluntary bankruptcy of the Supply System.

Bond counsel also are of the opinion, based upon *Lampson Universal Rigging, Inc. v. Washington Public Power Supply System* (Supreme Court of Washington, Case No. 51619-7, March 20, 1986), that a court should hold that neither holders of bonds issued to finance the construction of the Supply System's Nuclear Projects No.'s 4 and 5, nor creditors of the Supply System whose claims arose from the furnishing of goods or services with respect to Nuclear Projects No.'s 4 and 5, will be able to realize upon the assets of Supply System Nuclear Projects No.'s 1, 2 and 3 that are necessary for the purposes of such projects or the Supply System, except to the extent they might obtain rights through a valid exercise of the sovereign police power of the state of Washington or of the constitutional powers of the United States of America, or by a voluntary bankruptcy of the Supply System.

Bond counsel's opinion as to the ability of bondholders or other creditors to realize upon assets of Supply System Nuclear Projects No.'s 1, 2 and 3 is limited to those assets located within the state of Washington, or as to which a court would apply the law of the state of Washington, and the opinion excludes assets that are not necessary for the purposes of Supply System Nuclear Projects No.'s 1, 2 and 3 or the Supply System. Bond counsel is not able to determine at this time how a court of a state other than the state of Washington would treat assets of Supply System Nuclear Projects No.'s 1, 2 and 3 located outside the state of Washington, if such court were to apply the law of a state other than the state of Washington.

Bond counsel has not undertaken an investigation of the issues discussed above with respect to the Packwood Lake Hydroelectric Project or Hanford Generating Project. However, they believe that upon full investigation the same opinions could be rendered with respect to assets of the Packwood Lake Hydroelectric Project and Hanford Generating Project and revenues or funds held in trust or relating to such projects or for the holders of bonds issued by the Supply System to finance the construction of such projects.

Supply System management is of the opinion that creditor claims can only be realized from the assets, funds or revenues of the projects to which such claims relate. The Supply System will utilize all legal remedies to defend its position. If it is found that creditors are not limited to payment of their claims from the project to which such claims relate, it will have a material adverse impact on the Supply System.

Shared Costs

The termination of Nuclear Projects No.'s 4 and 5 creates an uncertainty as to how certain common services and facilities are to be shared with Nuclear Proj-

ects No.'s 1 and 3, respectively. In August 1982, the participants of Nuclear Projects No.'s 4 and 5 presented a claim to Nuclear Projects No.'s 1 and 3 to reimburse Nuclear Projects No.'s 4 and 5 for a portion of the costs of shared services and facilities paid by the projects before July 1, 1981. The claim requested immediate payment of $75,000,000 and $86,000,000 plus interest from Nuclear Projects No.'s 1 and 3, respectively, plus amounts that may be determined in the future. The claim is based on a method of calculating shared costs that is different from the method adopted by the Supply System.

The Supply System has reviewed its cost-sharing policy from inception of the projects to determine if costs were allocated properly. As of June 30, 1986, about $17,793,952 plus interest is due Nuclear Project No. 5 from Nuclear Project No. 3; about $8,019,686 plus interest is due Nuclear Project No. 1 from Nuclear Project No. 4; and about $162,975 plus interest is due Nuclear Project No. 4 from Nuclear Plant No. 2 for shared costs. These amounts (excluding accrued interest) have been recorded in the accompanying balance sheets as of June 30, 1986. The results of the aforementioned review are subject to audit by BPA and the investor-owned utilities in Nuclear Projects No.'s 3 and 5. Because of the preliminary nature of the aforementioned findings, the uncertainty over the shared cost policies adopted by the Supply System, and since the matter of proper allocation of shared costs is currently in litigation (as described below), the ultimate allocation, collectibility, and payment of shared costs is uncertain.

On October 26, 1982, the Supply System filed a legal action against BPA, the four investor-owned utilities who are joint owners of Nuclear Project No. 3, the participants of Nuclear Projects No.'s 4 and 5 (the court has since allowed Chemical Bank to intervene in this suit) and the construction fund trustee for Nuclear Project No. 1 seeking a judicial determination of past and future shared costs among Nuclear Projects No.'s 1 and 4 and Nuclear Projects No.'s 3 and 5. (The court has since restructured the case as *BPA v. Supply System, et al.*, wherein BPA is now the plaintiff and the Supply System and other aforementioned parties are defendants.) Although the lawsuit does not specify the amounts of money that the parties believe should be reallocated, the method used to calculate the aforementioned claim is an issue in the lawsuit. The case has been stayed since 1983.

On September 2, 1986, pursuant to an order partially lifting the stay, BPA, the four investor-owned utilities, and certain project participants of Nuclear Projects No.'s 1 and 3 moved for an order dismissing Chemical Bank's claims against them or, in the alternative, for summary judgment. Responses are due October 1, 1986.

Nuclear Project No. 3 Claims

In July and August 1983, the four investor-owned utilities who own 30 percent of Nuclear Project No. 3 filed claims against BPA, the Supply System and Nuclear Project No. 3 participants arising out of the extended construction delay at Nuclear Project No. 3. The claims were filed in the action entitled *BPA v. Supply System* (See "Shared Costs"). Included are claims for injunctive and declaratory relief, damages, rescission of the Nuclear Project No. 3 ownership agreement and recovery of the total amount of payments made under the agreement to date. In October 1983, BPA amended its complaint to resolve the Nuclear Project No. 3 dispute.

In November 1984, the court issued an interlocutory order on the parties' cross-motions for summary judgment holding that the Supply System and BPA violated the terms of their contracts by not continuing construction and including the costs in an annual budget to be paid through net-billing. The court reserved for trial the issues of whether the contracts were materially breached and whether the investor-owned utilities remain obligated to pay further Nuclear Project No. 3 costs. The judge on this case subsequently excused himself from the case. On May 16, 1985, the newly appointed judge vacated all of the original judge's prior rulings including the summary judgment ruling made in November 1984.

The new judge allowed the parties to renew their prior motions without additional briefing. All of the parties requested the court to reconsider their previous motions including the cross-motions for summary judgment. On July 10, 1985, the new judge reestablished all of the original judge's previous rulings except the motions on summary judgment regarding breach of the contracts.

Final agreements permitting settlement of the construc-

tion delay claims were executed by the Supply System on September 13, 1985, and by BPA and the investor-owned utilities on September 17, 1985. Pursuant to those agreements the parties exchanged covenants not to sue and asked the court to enter an order of dismissal of their delay claims. The court has not yet ruled on this matter.

BPA described the settlement as follows: BPA and the four utilities would enter into an agreement to exchange energy; BPA would exchange an amount of power to be determined by the performance of four surrogate nuclear plants similar in design to Nuclear Project No. 3; If these plants perform as expected, BPA could exchange to the utilities about 193 average megawatts of energy each year. In return, the utilities would provide BPA: 1) payments equal to about $700 million (present value) over the life of the agreement based on the costs of operating and maintaining the surrogate plants (or Nuclear Project No. 3 if it is operated); 2) the opportunity to use their combustion turbines if needed; and 3) the opportunity to complete, operate and use their 372-megawatt share of Nuclear Project No. 3 if it is later determined to be both needed and cost effective.

A number of the Nuclear Project 3 participants oppose the settlement and have filed supplemental pleadings asserting challenges to the settlement agreements and have also filed complaints for direct review in the Ninth Circuit Court of Appeals invoking that court's "original" jurisdiction under the Northwest Regional Power Act. Certain participants have also filed amended pleadings asserting mothballing claims unrelated to the settlement.

The parties signing the settlement agreements filed motions in the district court to dismiss the claims attacking the settlement agreements for lack of jurisdiction, lack of indispensable party, and motions for summary judgment. On July 3, 1986, the court granted BPA's motion to dismiss the settlement claims for lack of jurisdiction for the reason that jurisdiction more properly lies in the Ninth Circuit. Certain settlement claims against the IOUs and mothballing claims not related to the settlement remain pending in the district court but further proceedings were stayed on July 3, 1986, pending a resolution by the Ninth Circuit of the claims under its original jurisdiction. Cost sharing issues were allowed to proceed on a limited basis.

The parties who signed the settlement agreements also filed motions in the Ninth Circuit cases to dismiss some of the claims of the Nuclear Project No. 3 participants for lack of jurisdiction. The motions have not yet been resolved. Subsequent to the court's resolution of the motions regarding jurisdiction, the Ninth Circuit will resolve some or all of the challenges to the settlement agreement.

In the absence of a settlement and if the IOUs were to prevail in their request for an order granting them the right to rescind the Project Ownership Agreement and a right to recover payments made thereunder, the Supply System could face a loss contingency of some $2 billion, plus possible termination of the project.

Net-Billing Agreements

The parties to the net-billing agreements are BPA, the Supply System, and the participants. The agreements provide that BPA is obligated to pay the participants, and the participants are obligated to pay the Supply System their pro rata shares of the total annual costs of the projects, including debt service on the bonds, whether or not the projects are completed, operable, or operating, and notwithstanding the suspension, reduction, or curtailment of the projects' output. However, the agreements also provide that they shall not be binding on any of the aforementioned parties if they are not binding on all the parties.

On November 15, 1982, the city of Springfield, Oregon, filed a complaint against the Supply System, BPA, the investor-owned utilities owning 30 percent of Nuclear Project No. 3, and all other parties to the net-billing agreements pertaining to Supply System Nuclear Plant No. 2 and Nuclear Projects No.'s 1 and 3. The complaint alleged that the Lane County Circuit Court's decision in *DeFazio v. Washington Public Power Supply System* had created controversy and uncertainty about the contractual obligations of Oregon public participants and their authority under Oregon law to enter into the net-billing agreements. It also alleged that members of Oregon public utility boards are exposed to personal liability for any payments of public money not authorized by law. The complainant sought a declaratory judg-

ment that it and other Oregon public participants had legal authority to enter into the net-billing agreements, or if they did not, that BPA is liable to make contract payments. In their responses to the complaint, BPA and the Supply System asked for a declaration that all signatories to the net-billing agreements had legal authority to enter into them. Springfield ratepayers who were parties to *DeFazio* intervened in the action claiming that the plaintiff did not have authority to enter into the net-billing agreements under Oregon law.

On May 16, 1983, the U.S. District Court of Oregon entered a judgment declaring that all parties to the net-billing agreements had legal authority to enter into them. Its decision was appealed by intervenors and two utilities to the Ninth Circuit Court of Appeals. On February 4, 1985, the Court of Appeals affirmed the judgment of the district court. The court subsequently denied the appellant's petition for rehearing. On January 13, 1986, the United States Supreme Court denied the intervenor's petition for certiorari, ending proceedings in the case.

Securities and Exchange Commission Investigation

The Securities and Exchange Commission has for more than 30 months been conducting a preliminary inquiry into allegations of securities violations by the Supply System and others. In January of 1984, the commission opened a formal investigation as to these allegations. Documents have been produced to the commission pursuant to subpoena, and the commission staff has taken depositions of numerous individuals, including present and former Supply System personnel. Further production of documentary and testimonial materials to the commission is anticipated. As the investigation remains in a stage of information gathering, it is too early to predict what further action the commission may take.

Liability Insurance

The Price-Anderson Act currently limits the public liability claims that could arise from a nuclear incident to $665 million. The Supply System has purchased the maximum available private insurance of $160 million and the excess of $505 million of coverage is insured by secondary financial protection. Under secondary financial protection, coverage would be funded by a mandatory program of retrospective premiums assessed against all owners of licensed reactors. In the event of nuclear incidents at facilities covered under the Price-Anderson Act, the Supply System could be assessed up to $5 million per incident but not more than $10 million in a calendar year.

The Supply System is self-insured for automobile, general liability and directors and officers insurance.

Antitrust Litigation

On August 16, 1983, the Supply System filed a lawsuit against nine corporations engaged in the electrical contracting business. The Supply System sought treble damages and attorneys' fees under the antitrust and racketeering laws, charging that defendants had engaged in bid-rigging.

The Supply System recently reached settlement with all defendants and stipulated orders of dismissal have been filed with respect to all of the defendants. The settlements total $23,123,292 in cash payments and construction claims releases. The cash proceeds, $20,464,200, will be paid over the course of the next 10 years.

Net credits relating to these settlements are appropriately reflected in the balance sheets as of June 30, 1986, as follows: Nuclear Project No. 1: $5,949,282; Nuclear Project No. 2: $6,396,583; Nuclear Project No. 3: $5,644,043, and Nuclear Projects No.'s 4 and 5: $1,319,174.

Other Litigation and Commitments

The Supply System is involved in various claims, legal actions and contractual commitments not mentioned above as both a plaintiff and a defendant and in certain claims and contracts arising in the normal course of business for a large construction program. Although some suits, claims and commitments are significant in amount, final disposition is not determinable. In the opinion of management, the outcome of any such litigation, claims or commitments will not have a material adverse effect on the financial positions of the projects. The estimated cost of the projects may either be increased or decreased as a result of the outcome of these matters.

STATEMENT OF DEBT SERVICE REQUIREMENTS

Dollars in thousands

FISCAL YEAR	NUCLEAR PLANT NO. 2*			HANFORD GENERATING PROJECT			PACKWOOD LAKE PROJECT		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
1987	$ 24,925	$ 213,399	$ 238,324	$ 3,255	$ 913	$ 4,168	$ 180	$ 371	$ 551
1988	26,645	211,686	238,331	3,360	806	4,166	190	365	555
1989	28,510	209,818	238,328	3,485	693	4,178	195	358	553
1990	30,555	207,778	238,333	3,455	580	4,035	265	351	616
1991	32,800	205,540	238,340	5,065	425	5,490	275	341	616
1992	35,260	203,080	238,340	5,585	246	5,831	290	331	621
1993	37,980	200,383	238,363	5,835	58	5,893	300	320	620
1994	40,950	197,445	238,395	800	4	804	315	309	624
1995	44,225	194,227	238,452				330	298	628
1996	47,825	190,678	238,503				340	286	626
1997	65,575	186,769	252,344				360	273	633
1998	71,955	180,399	252,354				380	260	640
1999	79,330	173,291	252,621				400	246	646
2000	85,795	166,572	252,367				465	232	697
2001	93,290	159,093	252,383				490	215	705
2002	101,635	150,766	252,401				515	197	712
2003	93,055	141,479	234,534				540	178	718
2004	97,375	133,671	231,046				565	158	723
2005	106,765	124,280	231,045				590	138	728
2006	117,225	113,821	231,046				615	116	731
2007	128,850	102,201	231,051				640	94	734
2008	141,675	89,370	231,045				665	70	735
2009	155,940	75,104	231,044				690	46	736
2010	171,820	59,226	231,046				359	21	380
2011	189,510	41,538	231,048				150	8	158
2012	209,230	21,814	231,044				55	2	57
2013									
2014									
2015									
2016									
2017									
2018									
	$2,258,700	$3,953,428	$6,212,128	$30,840	$3,725	$34,565	$10,159	$5,584	$15,743

**Excludes payments of bond principal and interest made on July 1, 1986*

FISCAL YEAR	NUCLEAR PROJECT NO. 1 * PRINCIPAL	INTEREST	TOTAL	NUCLEAR PROJECT NO. 3 * PRINCIPAL	INTEREST	TOTAL	NUCLEAR PROJECTS NO'S. 4/5 PRINCIPAL	TOTAL
1987	$ 15,470	$ 206,652	$ 222,122	$ 8,925	$ 165,001	$ 173,926	$2,317,866	$2,317,866
1988	18,055	205,729	223,784	10,555	164,368	174,923		
1989	18,970	204,564	223,534	11,315	163,579	174,894		
1990	21,465	203,320	224,785	12,145	162,760	174,905		
1991	22,560	201,877	224,437	13,050	161,901	174,951		
1992	23,755	200,326	224,081	14,045	160,961	175,006		
1993	25,560	198,647	224,207	15,125	159,932	175,057		
1994	26,985	196,784	223,769	16,310	158,798	175,108		
1995	28,550	194,767	223,317	17,615	157,546	175,161		
1996	30,745	192,580	223,325	19,045	156,163	175,208		
1997	38,080	190,049	228,129	22,595	154,637	177,232		
1998	41,565	186,562	228,127	24,605	152,628	177,233		
1999	45,455	182,673	228,128	26,810	150,427	177,237	*Refer to Note D— Termination of Nuclear Projects No.'s 4 and 5 and Default Under Bond Resolution, page 25 and Note E— Commitments and Contingencies, page 27.*	
2000	49,465	178,663	228,128	29,020	148,218	177,238		
2001	53,920	174,204	228,124	31,475	145,773	177,248		
2002	58,885	169,242	228,127	34,180	143,068	177,248		
2003	51,135	163,703	214,838	37,095	140,057	177,152		
2004	55,430	159,406	214,836	42,730	136,746	179,476		
2005	60,600	154,237	214,837	45,995	132,503	178,498		
2006	66,320	148,515	214,835	49,615	127,908	177,523		
2007	72,665	142,171	214,836	49,675	122,946	172,621		
2008	79,705	135,131	214,836	54,485	118,136	172,621		
2009	87,525	127,313	214,838	59,810	112,810	172,620		
2010	96,220	118,618	214,838	65,710	106,909	172,619		
2011	105,855	108,983	214,838	72,265	100,355	172,620		
2012	116,610	98,229	214,839	80,365	92,250	172,615		
2013	128,635	86,204	214,839	89,490	83,126	172,616		
2014	142,155	72,680	214,835	99,770	72,846	172,616		
2015	157,820	57,014	214,834	111,370	61,252	172,622		
2016	175,395	39,441	214,836	124,455	48,165	172,620		
2017	194,005	20,831	214,836	139,235	33,382	172,617		
2018				154,950	17,665	172,615		
	$2,109,560	$4,719,115	$6,828,675	$1,583,830	$4,012,816	$5,596,646	$2,317,866	$2,317,866

The Supply System operates two visitor centers for the public, one at Plant 2, about 12 miles north of Richland, and another in Elma, Washington, near the WNP-3 project. Displays in the visitor centers illustrate how plant design, construction and operation have been planned with the public's well-being in mind.

The Plant 2 Visitors Center offers a videotape "arm-chair" tour of the plant as well as information on nuclear power issues such as radiation, nuclear waste and plant operator training.

Tours of the WNP-3 construction site are offered by appointment by calling (206) 482-4428, ext. 5052. Tours of the WNP-1 site are available by appointment by calling (509) 372-5408.