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February 15, 1995

Morton Margulies, Esquire
Chairman, Atomic Safety and
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U.S. Nuclear Regulatory
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Washington, D.C. 20555

Adm. Judge Frederick J. Shon
Atomic Safety and Licensing
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U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

Adm. Judge Richard F. Foster
Atomic Safety and Licensing
Board
U.S. Nuclear Regulatory
Commission
Washington, D.C. 20555

Re: Washington Public Power Supply System
(WPPSS Nuclear Project No. 3)
Docket No. 50-580-OL

Gentlemen:

As you are aware, the Washington Public Power Supply System ("Supply System") Nuclear Project No. 3 ("WNP-3") is currently in deferred status in accordance with the Commission's Policy Statement on Deferred Plants (52 Fed. Reg. 38077 (1987)). This proceeding has been in abeyance in view of the construction deferral. In keeping with our obligation to apprise the Licensing Board and parties of new information potentially relevant to this proceeding, we are providing in this letter an update to the status of the WNP-3 project.

Previously, in my correspondence of May 17, 1994, I advised the Licensing Board and parties that the Supply System Board voted on May 13, 1994, to formally terminate the WNP-3 project (along with the similarly deferred WNP-1 project), at least in its current conception. This involved the termination of certain contract provisions related to the project between the Supply System and the Bonneville Power Administration ("BPA"). However, at that time BPA expressly agreed to assure funding for WNP-3 (and WNP-1) to continue project preservation programs and to maintain all state and federal permits and licenses (including the NRC construction permits) in effect at least through January 13, 1995.

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In the time since May 1994, the Supply System has studied alternatives for the WNP-3 project. The Supply System also offered the project for sale to any interested party. As of the present date, no new owner or alternative use for the project has been identified.

Further, as described in the attached correspondence from the Supply System's Managing Director to the NRC's Executive Director for Operations,^{1/} on January 26, 1995, in accordance with Post-Termination Agreements with BPA, the Supply System Executive Board approved amended Fiscal Year ("FY") 1995 Budgets and related Asset Disposition Plans for WNP-3 and WNP-1. Under these plans, budgets and resources for continued preservation of WNP-3 and WNP-1 will be reduced in a phased approach. As a result, the project preservation and maintenance programs at WNP-3 have been significantly reduced and re-directed to maximizing preservation of assets. This involves concentrating available resources on preserving equipment for re-sale.

As also described in the attached correspondence, the Supply System is moving forward with development of a Site Restoration Plan that encompasses the WNP-3/WNP-5 site. (WNP-3 shares a site with the previously cancelled WNP-5 project.) This Site Restoration Plan is being prepared to meet the requirements of the State of Washington Energy Facility Site Evaluation Council ("EFSEC"). It will call for demolition of structures and restoration of the site to a level satisfying EFSEC requirements.

At bottom, the recent action of the Executive Board has initiated a process that includes restoration planning and contractor selection. In parallel with this process, and prior to commencement of restoration, however, the Supply System intends to maintain federal and state licenses (including the NRC construction permit) in effect. This will maximize the value of the project and equipment and incidentally hold open the possibility of alternative uses for the project -- at least for the short term. Because the Supply System intends for the immediate future to continue to maintain the state and federal licenses in effect for WNP-3, no action is requested of the Licensing Board at this time. At such time as the Supply System is prepared to move forward on a firm schedule with demolition and site restoration, the Supply System will take necessary steps to withdraw the operating license application and to terminate this proceeding.


^{1/} W.G. Council, Managing Director, Washington Public Power Supply System, to Mr. James Taylor, Executive Director for Operations, Nuclear Regulatory Commission, dated February 3, 1995.

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We will keep the Licensing Board apprised of any further developments on this matter.

Sincerely,


for Nicholas S. Reynolds
Counsel for Applicant

Enclosure

cc: Service List



WASHINGTON PUBLIC POWER SUPPLY SYSTEM

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February 3, 1995

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GO1-95-0004

GO3-95-0026

Docket Nos. 50-460 and 50-508

Mr. James M. Taylor
Executive Director for Operations
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Mr. Taylor:

Subject: **TERMINATION OF WASHINGTON PUBLIC POWER SUPPLY SYSTEM
NUCLEAR PROJECTS NOS. 1 AND 3**

In a letter of May 20, 1994, I informed you that the Washington Public Power Supply System ("Supply System") Board of Directors voted on May 13, 1994, to formally terminate the partially completed, and previously deferred, Supply System Nuclear Projects Nos. 1 ("WNP-1") and 3 ("WNP-3"), at least in their current concept. This action resulted in termination of contract provisions between the Supply System and the Bonneville Power Administration ("BPA") for the two projects.

At that time, BPA agreed to assure funding, at least through January 13, 1995, for WNP-1 and WNP-3 project preservation programs and maintenance of all state and federal permits and licenses in effect. This allowed the Supply System to study possible alternatives for completion, use, or disposition of the projects, while maintaining them in a deferred status consistent with the NRC's "Policy Statement on Deferred Plants" (52 Fed. Reg. 38,077 (1987)).

Since May 1994, the Supply System has studied alternatives for the projects, including the concept of completion of WNP-1 to burn mixed-oxide fuel made from the Department of Energy's weapons grade plutonium stockpile.^{1/} The Supply System also offered the WNP-1 and WNP-3 projects for sale to any interested party. As of the present date, no new owner or alternative use for these projects has been identified.

^{1/} This concept is discussed in the U.S. Department of Energy Plutonium Disposition Study, Technical Review Committee Report, July 2, 1993 (two volumes). See also "Notice of Intent to Prepare a Programmatic Environmental Impact Statement for Storage and Disposition of Weapons-Usable Fissile Materials," U.S. Department of Energy, 59 Fed. Reg. 31985 (June 21, 1994).

Mr. James M. Taylor

TERMINATION OF NUCLEAR PROJECTS NOS. 1 AND 3

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The Supply System and BPA previously executed WNP-1 and WNP-3 Post-Termination Agreements, effective June 14, 1994. The Post-Termination Agreements required the Supply System to prepare amended budgets for each of the two projects, to prepare Project Disposition Plans, and to commence asset disposition activities after January 13, 1995, in the event that the projects had not been redefined or sold in their entirety as NRC-licensed facilities prior to that date. Accordingly, on January 26, 1995, the Supply System Executive Board approved amended Fiscal Year ("FY") 1995 Budgets and the related Asset Disposition Plans for WNP-1 and WNP-3. The WNP-1 and WNP-3 amended FY-95 Budgets provide for the transition of the WNP-1 and WNP-3 projects from Plant Preservation Programs (i.e., "Deferred Status") to Termination Programs (albeit on different schedules).

Under these plans, budgets and resources for continued preservation of WNP-1 and WNP-3 will be reduced in a phased approach that maximizes preservation of assets. At WNP-3, the project preservation and maintenance program commitments, effective immediately, will be significantly reduced and re-directed to that end. The Supply System will concentrate its resources primarily on preserving the equipment for re-sale by maintaining storage environments. Maintenance will no longer be focused on equipment types (e.g., maintaining manufacturers' recommendations) or on ultimate licensability of the project.

At WNP-1, storage environments will be preserved and maintenance of equipment by type will continue, although the latter often on a reduced frequency. Because commencement of demolition and asset sales at the WNP-1 site at Hanford are dependent upon lessons learned at WNP-3, qualification of code equipment will be maintained longer at WNP-1. One incidental benefit of this plan, in addition to cost effectiveness, is that the viability (including licensing viability) of the WNP-1 project as a nuclear unit is maintained for a period of time into the future.

In parallel with the Asset Disposition Plans, the Supply System has also been developing a revised comprehensive Site Restoration Plan for WNP-1 and WNP-3, as well as for the previously terminated Supply System Nuclear Project Nos. 4 ("WNP-4") and 5 ("WNP-5"). The Site Restoration Plan is being prepared to meet the requirements of the State of Washington Energy Facility Site Evaluation Council ("EFSEC") and is expected to be submitted to EFSEC in the near future. The Site Restoration Plan will call for demolition of structures and restoration of the sites to a level satisfying EFSEC requirements. Initial restoration will occur at the WNP-3/5 site.

The Supply System has begun an approximately six month process which includes the reduced staffing and disposition of assets at WNP-3, as described above, and selection of a contractor for the demolition and site restoration activities at WNP-3/5. Work will begin at WNP-3/5 as soon as a contractor can be selected and mobilized.

Mr. James M. Taylor

TERMINATION OF NUCLEAR PROJECTS NOS. 1 AND 3

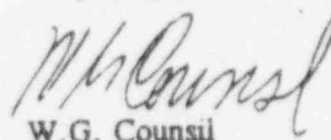
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Site restoration at the WNP-1/4 site will not begin until after experience has been gained at WNP-3/5 and confidence in the demolition process has been established. There is, thus far, no schedule for demolition at WNP-1/4. As previously described, preservation will continue on the WNP-1 project to the extent possible to maximize value of the assets, and incidently will preserve the WNP-1 project for possible alternative uses.

In view of all of the above, from the perspective of the Deferred Plant Policy Statement, both the WNP-1 and WNP-3 projects are being transitioned towards final termination status. However, the Construction Permits ("CPs") remain in effect and, in order to maximize the value of the projects and the equipment prior to site restoration, the Supply System is not yet requesting their termination. The Supply System will retain the CP for each project until the commencement of site restoration. For WNP-3 this could begin later this year. For WNP-1 this will occur on a later schedule still to be determined.

We will keep you apprised of further developments on this subject, and intend to provide for your information a copy of the revised Site Restoration Plan when finalized and submitted to EFSEC. Should you have any questions or desire further information, the Supply System point of contact for this matter is Mr. D.W. Coleman, (509) 377-4342.

Very truly yours,


W.G. Counsel
Managing Director
(Mail Drop 387)

cc: WT Russell - Director, NRR
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