



WASHINGTON PUBLIC POWER SUPPLY SYSTEM

P.O. Box 968 • 3000 George Washington Way • Richland, Washington 99352-0968 • (509) 372-5000

November 4, 1996
GO2-96-219

Docket No. 50-397

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555

Gentlemen:

Subject: **WNP-2, OPERATING LICENSE NPF-21
DECOMMISSIONING TRUST FUND**

Reference: Letter dated July 26, 1990, GC Sorensen (SS) to NRC, "Decommissioning Financial Assurance Certification Report for Docket Number 50-397"

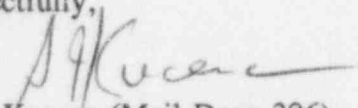
In the reference, the Supply System reported that decommissioning funds were being accumulated in an external sinking fund in accordance with 10 CFR 50.75(e). With that submittal, the Supply System provided a copy of the decommissioning trust fund agreement between the Supply System (Grantor) and the Trustee.

In a meeting on June 25, 1996, we informed NRC Staff of our plans to establish a new external sinking fund executed by the Bonneville Power Administration (BPA). The new trust fund has been established, the existing trust has been terminated, and the money has been transferred to the new trust. The trustee agreement between BPA and the trustee is attached. The trust fund agreement between BPA and the Supply System is also attached.

The new fund remains segregated from Supply System and BPA assets and outside of licensee administrative control. Additionally, the funding levels and adjustments comply with NRC requirements. BPA, ultimately obligated to pay Supply System costs for WNP-2, is Grantor of the new trust. As licensee, the Supply System is responsible for decommissioning cost estimates and preparation of the funding schedule. The Supply System will also be provided with annual reports of the trust fund status.

If you have any questions, please contact me or Mr. Gregory P. Armatrout at (509) 372-5637.

Respectfully,


G. J. Kucera (Mail Drop 396)
Vice President, Administration/CFO

Attachments

cc: LJ Callan, NRC RIV
TG Colburn, NRC
KE Perkins, Jr., NRC RIV WCFO
NRC Sr. Resident Inspector, 927N

NS Reynolds, Winston & Strawn
EJ Brost, BPA/399
DL Williams, BPA/399

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PDR ADOCK 05000397
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7/4/96

TRUSTEE AGREEMENT FOR WNP-2 TRUST FUND

This AGREEMENT ("the Agreement"), entered into this 24th day of July 1996, by the UNITED STATES OF AMERICA ("Government"), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION hereinafter referred to as the "Grantor" and NORWEST BANK MINNESOTA, N.A., hereinafter referred to as the "Trustee":

WHEREAS, the United States Nuclear Regulatory Commission ("NRC"), an agency of the Government, pursuant to the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, has promulgated regulations in Title 10, Chapter I of the Code of Federal Regulations, Part 50 ("10 CFR 50") and these regulations require that a holder of a license issued pursuant to 10 CFR 50 provide reasonable assurance that funds will be available when needed for required decommissioning activities through use of an external trust fund or otherwise; and

WHEREAS, the Washington Public Power Supply System, a municipal corporation and joint operating agency of the State of Washington ("Supply System") is a holder of License Number NPF-21 ("Operating License"), pursuant to 10 CFR 50, for the Washington Public Power Supply System Nuclear Project No. 2 ("WNP-2"), located on the Department of Energy's Hanford Site in the State of Washington; and

WHEREAS, the Grantor is a party to various contracts with the Supply System and pursuant to these contracts has the ultimate obligation for payment of WNP-2 project costs, including decommissioning and site restoration costs; and

WHEREAS, the Supply System and the Grantor, to provide funds for decommissioning and site restoration, have elected to establish an external trust fund to provide reasonable assurance that funds will be available when needed for payment of the required costs of decommissioning and to enable the Supply System to meet its obligations regarding site restoration; and

WHEREAS, the Grantor, acting through its Authorizing Officer, has selected the Trustee to be the trustee under this Agreement, and the Trustee is willing to act as trustee;

NOW, THEREFORE, the Grantor and the Trustee agree as follows:

1. **DEFINITIONS** As used in this Agreement:

- (a) "Authorizing Officer" means the Chief Financial Officer of the Grantor, his successor or his delegated appointee.
- (b) "Cost of Decommissioning " means all costs included in an Annual Budget incurred in connection with WNP-2 decommissioning activities performed to satisfy the requirements of the United States Nuclear Regulatory Commission, as set forth in 10 CFR 50. Such costs include Trust Fund Expenses and any other costs reasonably relating to the above activities.
- (c) "Cost of Site Restoration" means all costs included in an Annual Budget incurred in connection with the planning, preparing or accomplishing of site restoration activities undertaken to transform the WNP-2 site or facilities from their post-termination state to that required by contract and governmental agencies of competent authority. Such activities may include restorations, alterations, modifications, additions, removals, disposals, dismantlement, salvage and improvements to the WNP-2 site or facilities. Such costs include Trust Fund Expenses and any other costs reasonably relating to the above activities.
- (d) "Existing Trust Fund" means the trust agreement presently existing between the Supply System and First Trust Bank for the collection and disbursement of funds for paying the costs of decommissioning and site restoration of WNP-2.
- (e) "Grantor" means the Bonneville Power Administration, an agency of the United States Department of Energy, or any successor entity.

- (f) "Market Value" means the bid quotation price of investments. The sources of the bid quotation prices shall be determined by the Authorizing Officer and provided in writing to the Trustee.
- (g) "NRC" means the United States Nuclear Regulatory Commission or any successor to such entity.
- (h) "Sub-account" means one of the two accounts within the Trust Fund established to segregate funds for the Cost of Decommissioning from the funds for the Cost of Site Restoration.
- (i) "Supply System" means the Washington Public Power Supply System or any successor to such entity.
- (j) "Trustee" means Norwest Bank Minnesota, N.A. or any successor to such entity as selected by the Grantor that is capable of performing trust responsibilities.
- (k) "Trust Fund" means the WNP-2 Decommissioning and Site Restoration Trust Fund created by this Agreement. The Trust Fund shall be segregated into two separate sub-accounts, one for the Cost of Decommissioning and one for the Cost of Site Restoration.
- (l) "Trust Fund Agreement" means the agreement between Bonneville and the Supply System, dated April 18, 1996, Contract No. 96MS95254, defining the duties and responsibilities of Bonneville and the Supply System relating to the Trust Fund.
- (m) "Trust Fund Expenses" means all lawful taxes of any kind that may be assessed or levied against or in respect to the Trust Fund and all expenses approved by Bonneville and incurred by the Trustee in connection with this Agreement, including but not limited to brokerage commissions, fees for management, legal or audit services and Trustee compensation, to the extent not otherwise paid or caused to be paid by Bonneville.

- (n) "Trust Investment Policy" means the written policy as established by the Grantor, and revised from time to time, for determining the types of investments authorized to be purchased, sold, or exchanged by the Trustee.
- (o) "Value of the Trust Fund" means, as of the last business day of a calendar year, or any other such day that may be selected by the Authorizing Officer, the sum of (1) all cash and cash equivalent assets held in the Trust Fund as of such date, and (2) without duplication the Market Value of all securities held in the Trust Fund as of such date.

2. ESTABLISHMENT OF TRUST FUND

The Grantor and the Trustee hereby create the Trust Fund to satisfy: (a) the Supply System's obligation under 10 CFR 50 to provide reasonable assurance that funds will be available when needed for decommissioning activities; and (b) the Grantor's contractual obligation to fund decommissioning and site restoration activities. The Trust Fund is established with the Trustee as a special and irrevocable trust solely to provide for payment of the Cost of Decommissioning and the Cost of Site Restoration and for Trust Fund Expenses, pursuant to Section 7, that are associated with the administration of the Trust Fund. The Trust Fund is to be held in the custody of the Trustee and accounted for separate and apart from other funds of the Trustee and from funds of the Grantor. The Trustee is to establish a separate Sub-account for the Cost of Decommissioning and a separate Sub-account for the Cost of Site Restoration. So long as the Grantor is not in default hereunder, the Grantor and Trustee agree and intend that only the Grantor shall have the right to take any action to implement the terms of the Trust Fund created hereby; and that no other party shall have any rights in any portion of this Trust Fund for any purpose, including, without limitation, satisfaction of any debt of the Grantor.

3. ASSETS CONSTITUTING THE TRUST FUND

- (a) The Trust Fund shall include all payments by or caused to be made by the Grantor and all amounts that shall be transferred by the Supply System from the Existing Trust Fund to the Trustee, to be invested pursuant to the Trust Investment Policy, together with all earnings thereon, less any payments or distributions made by the Trustee pursuant to this Agreement.

The Trust Fund shall be held by the Trustee, IN TRUST, as hereinafter provided.

- (b) The Trustee shall not be responsible nor shall it undertake any responsibility for the amount of, or adequacy of, the Trust Fund or for collection of any amounts from the Grantor.

4. DISBURSEMENTS FROM THE TRUST FUND

- (a) The Trustee shall make disbursements from the applicable Sub-account in accordance with the written instructions from the Grantor provided, however, that for expenditures other than those incurred pursuant to Section 7, the Grantor's instructions are accompanied by a certificate in the form of Attachment A, duly executed by the Supply System, attesting that: (1) the disbursement of funds is for (A) a Cost of Decommissioning or (B) a Cost of Site Restoration; or (2) the conditions for termination of the Trust Fund under Section 14 (a) have been satisfied.
- (b) No disbursement shall be made from the Cost of Decommissioning Sub-account for any purpose other than payment of a Cost of Decommissioning, unless and until the Grantor delivers to the Trustee a certificate duly executed by the Supply System stating that the conditions for termination of the Trust Fund under Section 14 (a) have been satisfied.

5. TRUST MANAGEMENT

- (a) All assets, including principal and earnings, held in the Trust Fund shall be invested, reinvested, exchanged or sold by the Trustee in accordance with instructions provided by the Authorizing Officer.
- (b) The Trustee shall exercise its investment duties pursuant to the most recent Trust Investment Policy provided by the Authorizing Officer. Unless otherwise directed by the Authorizing Officer, the Trustee shall, to the extent possible, keep Trust Funds fully invested at all times.

- (c) The Grantor may revise the Trust Investment Policy from time to time. Any and all such revisions during the term hereof shall constitute a part of the directions to the Trustee.
- (d) All principal and earnings received from the investment of amounts in the Sub-accounts shall be retained in such Sub-accounts and be reinvested and applied to payment of the Cost of Decommissioning or the Cost of Site Restoration as provided herein. The Trustee shall maintain such records as are necessary to reflect each Sub-account separately on its books from the other Sub-account.
- (e) The Trustee shall transfer funds from the Sub-account for the Cost of Site Restoration to the Sub-account for the Cost of Decommissioning upon direction of the Grantor. The Trustee shall not transfer funds from the Sub-account for the Cost of Decommissioning to the Sub-account for the Cost of Site Restoration until the Trustee receives notification under Section 14(a).
- (f) During the term of this Agreement, the Trustee shall give the Grantor full access, during Trustee's normal business hours, to all books and records relating to the Trust Fund, and shall provide the Grantor with all such information regarding the Trust Fund as the Grantor may reasonably request.
- (g) The Trustee shall discharge its duties in good faith and with the degree of care, skill and diligence under the circumstances then prevailing which a prudent person, acting in a like manner and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims.

6. EXPRESS POWERS OF TRUSTEE

Without in any way limiting the powers and discretion conferred upon the Trustee by the other provisions of this Agreement, or by law, the Trustee is expressly authorized and empowered:

- (a) To receive and hold all assets delivered to it by the Grantor and all earnings derived from those assets in the Trust Fund;

- (b) To invest such assets as provided by the terms of this Agreement and as set forth in the Trust Investment Policy;
- (c) To sell, exchange, convey, transfer or otherwise dispose of any property held by it as necessary for the prudent management of the Trust Fund, in accordance with the terms of this Agreement;
- (d) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted; and
- (e) To compromise or otherwise adjust all claims in favor of or against the Trust Fund provided that such adjustment does not compromise the purpose of the Trust Fund.

7. TRUST FUND EXPENSES

All Trust Fund Expenses, to the extent not otherwise paid or caused to be paid by the Grantor, shall be paid as follows:

- (a) Trust Fund Expenses attributable to a particular Sub-account shall be paid from the applicable Sub-account in the amount attributable to that Sub-account.
- (b) Trust Fund Expenses not attributable to a particular Sub-account shall be paid from each Sub-account in an amount proportionate to the level that assets in each Sub-account bear to the total assets in the Trust Fund

8. REPORTS BY TRUSTEE

(a) Annual Valuation

Within thirty (30) days following the end of each calendar year, commencing with the calendar year in which the Trust Fund is first established, the Trustee shall provide to the Grantor, a written accounting of the status of the Trust Fund by Sub-account. Said accounting shall include:

- (1) An inventory and statement of the Value of the Trust Fund. All securities in the Trust Fund shall be valued at the Market Value as of December 31, of the previous year;
- (2) An accounting of all receipts and disbursements, including Trust Fund Expenses, for the year ending December 31; and
- (3) Such other information as the Grantor may request be included in such an accounting.

(b) Monthly Statement

The Trustee will provide to the Grantor, by the 15th day of each subsequent month, written statements of account, including at a minimum:

- (1) The beginning and ending previous month's Trust Fund balances for each Sub-account;
- (2) All current month Trust Fund transactions and Trust Fund Expenses;
- (3) An inventory of all Trust Fund investments; and
- (4) Such other information as the Grantor may request be included in such statements.

9. INDEPENDENT AUDIT

To provide reasonable assurance to the NRC and the Supply System that the Grantor and the Trust Fund are in compliance with all NRC Regulations regarding decommissioning funds, the Grantor shall cause to be conducted audits of the Trust Fund including all transactions, all Trust Fund Expenses, including Trustee management fees and administrative expenses, the accuracy of market valuations and other information representing the status of the Trust Fund Sub-accounts as presented by the Trustee.

Such audit reports shall contain, in addition to an analysis of the Trust Fund and the transactions relating thereto, a certification by the auditor that all payments

from the Trust Fund were made pursuant to the terms of Sections 4, 7, and 10 of this Agreement.

If the auditor is unable to certify the accuracy of information presented by the Trustee, the Trustee shall cease all investing and disbursement activity until the Grantor and Trustee have met to reconcile issues raised by the audit and Grantor has decided on a course of action.

10. TRUSTEE COMPENSATION

The Trustee shall be entitled to reasonable fees for its services and expenses as agreed upon, in writing, between the Grantor and Trustee. Trustee's compensation may be amended from time to time as mutually agreed upon by the Trustee and Grantor.

The Trustee shall submit invoices to the Grantor at least quarterly. Such invoices shall include separate amounts for necessary and reasonable fees and administrative expenses, if applicable. Invoices shall be accompanied by adequate substantiating documentation. Within 30 days of receipt of such invoices and substantiating documentation, the Grantor shall pay, cause to be paid or shall authorize the Trustee to make disbursement therefor from the Trust Fund as specified in Section 4 or 7.

11. SUCCESSOR TRUSTEE

Upon 90-days' written notice to the Grantor, the Trustee may resign, provided that no such resignation shall take effect until a successor Trustee is appointed. If for any reason the Grantor cannot or does not act in the event of the resignation of the Trustee, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee. Such court may thereupon, after receiving such petition, appoint a successor Trustee.

The Grantor may replace the Trustee, upon 30 day's written notice to the Trustee and the Supply System, provided no such replacement shall be effective until the Grantor has appointed a successor Trustee and such successor Trustee accepts the appointment.

A successor Trustee shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon the successor Trustee's acceptance of the appointment, the Trustee shall assign and transfer to the successor Trustee the cash and investment securities then constituting the Trust Fund. Should the Trustee resign or be replaced for any reason, an independent audit of the Trust Fund, pursuant to the terms of Section 9 herein, shall be conducted prior to the appointment of any successor Trustee. The successor Trustee shall specify the date on which it assumes administration of the Trust Fund in writing sent to the Grantor, the Supply System, and the present Trustee by certified mail at least 15 days before such change becomes effective.

12. INSTRUCTIONS TO THE TRUSTEE

All oral or faxed orders, requests, and instructions by the Grantor to the Trustee shall be promptly confirmed in writing and signed by the Authorizing Officer. The Trustee shall be fully protected in acting without inquiry in accordance with the Grantor's orders, requests, and instructions. The Trustee shall also be fully protected in acting in accordance with written Grantor orders, requests and instructions pursuant to Section 4(a). To the extent provided by law, the Trustee shall have the right to assume, in the absence of written notice to the contrary, that no event constituting a change or a termination of the authority of any person to act on behalf of the Grantor hereunder has occurred. The Trustee shall have no duty to act in the absence of such orders, requests, and instructions from the Grantor, except as provided for herein.

13. AMENDMENT OF AGREEMENT

Unless otherwise provided herein, this Agreement shall be amended by an instrument in writing executed by the Grantor and the Trustee, with concurrence by the Supply System as set forth in section 7(b) of the Trust Fund Agreement.

14. IRREVOCABILITY AND TERMINATION

- (a) Subject to the rights of the parties to amend this Agreement as provided by Section 13, this Agreement is irrevocable and shall continue until terminated. This Agreement shall terminate pursuant to this subsection 14(a) upon written notice to the Trustee by the Grantor and upon delivery to the Trustee of a certificate duly executed by the Supply System stating that the Supply System is no longer obligated under NRC rules and regulations to maintain an external trust fund for decommissioning. Upon termination of this Agreement pursuant to this subsection 14 (a), the Trust Fund herein established shall terminate and all assets in the Trust Fund shall be disbursed in accordance with instructions from the Grantor.
- (b) In the event that (1) this Agreement is invalidated by a court of competent jurisdiction; or (2) it is determined for any reason that Bonneville is unauthorized or Bonneville determines it is imprudent to (i) make direct payments into the Trust Fund or (ii) direct the Trustee to invest in equity securities; Bonneville shall consult with, and seek concurrence and certification from, the Supply System regarding the transfer of assets to a successor trust with similar purposes or immediately take steps to remedy the situation in a manner consistent with the NRC requirements of decommissioning. If necessary, Bonneville may terminate this Agreement and direct the Trustee to transfer Trust Fund assets to a successor trust.

15. LIABILITY OF TRUSTEE

- (a) The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct or that of its employees or agents. The Trustee shall not be liable for any loss resulting from any investment made pursuant to the terms and provisions of this Agreement. The Trustee shall have no lien, security interest or right of set-off whatsoever upon any of the moneys or investments in the Trust Fund for the payment of fees and expenses for services rendered by the Trustee under this Agreement.

- (b) So long as the Trustee complies fully with the terms of this Agreement, the Trustee shall not be liable for any deficiencies in the amounts necessary to pay the Cost of Decommissioning or the Cost of Site Restoration. The Trustee may rely on any statement which may be contained in a certificate, notice, request, direction, order or other paper or document signed by the Authorizing Officer.
- (c) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee.
- (d) The Trustee shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by the Grantor of any of its obligations with respect to this Agreement or activities related thereto.
- (e) The Trustee may, from time to time, consult with Grantor's counsel with respect to any question arising as to the construction of this Agreement or any action to be taken hereunder. The Trustee shall be fully protected, to the extent permitted by law, in acting on the advice of Grantor's counsel.

16. INDEMNIFICATION OF TRUSTEE

The Grantor hereby agrees to indemnify the Trustee and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expense, fee, or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Trustee under this Agreement. In connection therewith, the Grantor also agrees to indemnify the Trustee against any and all expenses, including attorney's fees and the cost of defending any action, suit or proceeding or resisting any claim, including appellate proceedings. The provisions of this section shall not apply in the case of the Trustee's own negligence or willful misconduct or that of its employees or agents.

17. APPLICABLE LAW

This Agreement shall be interpreted, governed by, and construed under the laws of the State of Minnesota without reference to its conflict of laws provisions, except to the extent found to be governed by Federal law.

18. **INTERPRETATION AND SEVERABILITY**

As used in this Agreement, words in the singular include the plural and words in the plural include the singular. The descriptive headings for each section of this Agreement shall not affect the interpretation or the legal efficacy of this Agreement. If any provision of this Agreement is finally determined to be invalid by a court of competent jurisdiction, such provision shall be construed to be severable from and shall not affect the remaining provisions which will remain valid and enforceable.

19. **NOTICES**

Any notices to be given or to be served upon any Party hereto in connection with this Agreement must be in writing (including telecopy or similar writing) and may be delivered personally when delivered at the address specified below, may be telecopied when such telecopy is transmitted to the telecopy number specified below and its receipt is acknowledged or may be sent by certified or registered mail at the address specified below provided, that if so mailed, such notice shall be deemed to have been given and received 72 hours after a registered or certified letter containing such notice postage prepaid, is deposited in the United States mail. Such notice shall be given to the Parties at their following respective addresses or telecopy numbers or at such other address or telecopy number as either Party may hereafter designate to the other Party in writing.

If to Grantor :

Attention: Robert Mealey - FPD

Telephone No.: (503) 230-5389

Telecopier No.: (503) 230-4690

If to the Trustee:

Attention: Brian Crevoiserat

Telephone No.: (612) 667-8400

Telecopier No.: (612) 667-6075

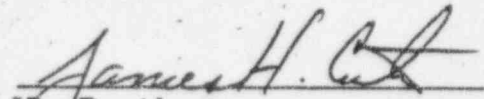
20. ENTIRETY OF AGREEMENT

This Agreement contains all the agreements and understandings among the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the respective officers duly authorized.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By


Vice President,
Financial Services Group

Name James H. Curtis

Date

7/3/96

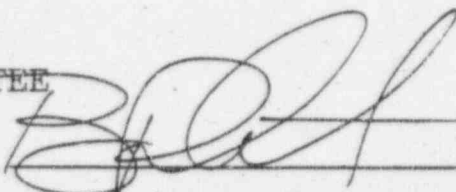
TRUSTEE

By

Name

Title

Date


Brian P. Crevoiserat
Vice President
7/16/96

ATTACHMENT A
DISBURSEMENT CERTIFICATE

Bonneville Power Administration
905 N.E. 11th Avenue
Portland, OR 97232

Attention: Authorizing Officer

I, _____, Chief Executive Officer of the Washington Public Power Supply System (Supply System), do hereby attest to the occurrence of either of the following events (applicable item(s) checked):

☐ Funds are required to pay:

☐ a Cost of Decommissioning in the amount of \$_____;

☐ a Cost of Site Restoration in the amount of \$_____; or

☐ Conditions for termination of the Trust Fund have been satisfied and therefore all funds may be disbursed.

If withdrawal of funds is required for a Cost of Decommissioning, I certify to the following:

1. The Supply System is authorized to expend decommissioning funds for activities related to decommissioning of its WNP-2 facility located at the Department of Energy's Hanford Site in the State of Washington.

2. The proposed expenditure is in accordance with rules and regulations provided by the United States Nuclear Regulatory Commission (NRC), or its successor.

Chief Executive Officer of the Supply System

(Date)

cc:
Nuclear Regulatory Commission

**TRUST FUND AGREEMENT
BETWEEN
BONNEVILLE POWER ADMINISTRATION
AND
WASHINGTON PUBLIC POWER SUPPLY SYSTEM**

This AGREEMENT, executed September 19, 1996, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and the WASHINGTON PUBLIC POWER SUPPLY SYSTEM (Supply System), a municipal corporation of the State of Washington; hereinafter sometimes referred to singly as "Party" and in the plural as "Parties";

WITNESSETH:

WHEREAS, the Supply System is organized under the laws of the State of Washington (Revised Code of Washington, Ch. 43.52) and is authorized by law to construct, acquire and operate works, plants and facilities for the generation and transmission of electric power and energy and to enter into contracts with Bonneville for the disposition and distribution of electric power and energy produced thereby; and

WHEREAS, Bonneville is authorized by law to dispose of electric power and energy generated at various Federal hydroelectric projects in the Pacific Northwest, or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services and to enter into agreements to carry out such authority; and

WHEREAS, the Supply System has constructed and is operating the Washington Public Power Supply System Nuclear Project No. 2 ("WNP-2") which is licensed by the United States Nuclear Regulatory Commission ("NRC"), an agency of the Government; and

WHEREAS, the Parties hereto have entered into the Net Billing Agreements, an example of which is attached hereto as Exhibit A, and the Project Agreement, attached hereto as Exhibit B, under which certain public utility districts, municipalities, and rural electric cooperatives (collectively, the "Participants") are obligated to pay WNP-2 costs, including costs of decommissioning and site restoration as defined herein below and Bonneville is obligated to reimburse the Participants for such payments of costs through net billing or cash payment to the Participant; and

WHEREAS, the Supply System and Bonneville, to provide reasonable assurance that funds will be available when needed for the required costs of decommissioning and to enable the Supply System to meet its obligations regarding site restoration, have agreed that Bonneville will establish an external irrevocable WNP-2 decommissioning and site restoration trust fund ("Trust Fund") with separate sub-accounts for decommissioning and site restoration costs; and

WHEREAS, Bonneville will assume the Supply System's obligations to fund for decommissioning at least in the amount required by NRC regulations and will assure that such obligations are met on a continuing basis; and

WHEREAS, the Parties hereto find it appropriate and mutually beneficial to enter into an agreement to authorize direct payments by Bonneville into the Trust Fund pursuant to Bonneville's obligation under the Net Billing Agreements and the Project Agreement to fund the costs of decommissioning and site restoration of WNP-2; and

WHEREAS, this Agreement is not intended to change or circumvent any existing right or responsibility of the parties, except that Bonneville will assume the responsibility for directly funding the Trust Fund and maintaining the investment policy that will guide the trustee's activities; and

WHEREAS, a trust agreement presently exists between the Supply System and First Trust for the collection and disbursement of funds ("Existing Trust Fund") for paying the costs of decommissioning and site restoration of those facilities identified in the License Number NPF-21 ("Operating License"); and

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

1. TERM OF AGREEMENT

This Agreement shall become effective upon execution and delivery, and shall terminate upon the final settlement of all obligations and other liabilities associated with WNP-2.

2. DEFINITIONS

- (a) "Annual Budget" means the annual budget as defined in the Project Agreement attached as Exhibit B.
- (b) "Authorizing Officer" means, unless otherwise determined by Bonneville, the Chief Financial Officer of Bonneville, his successor or his delegated appointee.
- (c) "Cost of Decommissioning " means all costs included in an Annual Budget incurred in connection with WNP-2 decommissioning activities performed to satisfy the requirements of the United States Nuclear Regulatory Commission, as set forth in 10 CFR 50. Such costs include Trust Fund Expenses and any other costs reasonably relating to the above activities.
- (d) "Cost of Site Restoration" means all costs included in an Annual Budget incurred in connection with the planning, preparing or accomplishing of site restoration activities undertaken to transform the WNP-2 site or facilities from their post-termination state to that required by contract and governmental agencies of competent authority. Such activities may include restorations, alterations, modifications, additions, removals, disposals, dismantlement, salvage and improvements to the WNP-2 site or facilities. Such costs include Trust Fund Expenses and any other costs reasonably relating to the above activities.
- (e) "Existing Trust Fund" means the trust agreement presently existing between the Supply System and First Trust Bank for the collection and disbursement

of funds for paying the costs of decommissioning and site restoration of WNP-2.

- (f) "Funding Schedule" means the schedule to accumulate funds for the Cost of Decommissioning and the Cost of Site Restoration, attached hereto as Exhibit D, as may be revised from time to time, by the Supply System in coordination with Bonneville. The schedule shall be based on estimates of the Cost of Decommissioning and Cost of Site Restoration, and shall reflect the projected annual balances in the Sub-accounts, and the annual contributions and earnings' assumptions necessary to meet those balances. At a minimum, the schedule applicable to Cost of Decommissioning shall coincide with the then-current NRC minimum funding requirements and the schedule for the Cost of Site Restoration shall coincide with any applicable state or Federal minimum funding requirements.
- (g) "Net Billing Agreements" means the agreements, an example of which is attached hereto as Exhibit A, entered into among the Supply System, Bonneville and each WNP-2 Participant under which Bonneville is ultimately obligated to pay WNP-2 costs, including costs of decommissioning and site restoration.
- (h) "NRC" means the United States Nuclear Regulatory Commission or any successor to such entity.
- (i) "Project Agreement" means the agreement, attached hereto as Exhibit B, entered into between Bonneville and the Supply System which provides for the roles and responsibilities of the parties pertaining to WNP-2.
- (j) "Sub-account" means one of the two accounts within the Trust Fund established to segregate funds for the Cost of Decommissioning from the funds for the Cost of Site Restoration for WNP-2.
- (k) "Trustee Agreement" means the agreement between Bonneville and NORWEST Bank Minnesota dated July 4, 1996, Contract No. 96MS95255, establishing the Trust Fund and providing for collection and disbursement of funds for paying the costs of decommissioning and site restoration of WNP-2.

- (l) "Trust Fund" means an irrevocable WNP-2 decommissioning and site restoration trust fund, with separate sub-accounts for decommissioning and site restoration costs.
- (m) "Trust Fund Expenses" means all lawful taxes of any kind that may be assessed or levied against or in respect to the Trust Fund and all expenses approved by Bonneville and incurred by the trustee in connection with the Trustee Agreement, including but not limited to brokerage commissions, fees for management, legal or audit services and trustee compensation, to the extent not otherwise paid or caused to be paid by Bonneville.
- (n) All references to "annual" or "years" shall be deemed to refer to the Supply System fiscal year, currently July 1 through June 30, unless otherwise stated.
- (o) The terms "investment value" and "actual balance" shall be deemed to refer to market value.

3. EXHIBITS

Exhibits A, B, C, and D are hereby made a part of this Agreement, but the expiration or termination of Exhibits A or B, in whole or in part, shall not affect the term of this Agreement as stated in Section 1 herein, or any other provision of this Agreement. Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed thereto in Exhibits A or B.

4. DUTIES OF AND PAYMENTS BY BONNEVILLE

- (a) Compliance with NRC Requirements.

It is recognized by the parties hereto that the effect of the Project Agreement is to give Bonneville the right to disapprove for cause budgets submitted by the Supply System. Notwithstanding the above, Bonneville will so act with respect to budgets submitted by the Supply System that the Supply System's obligations as an NRC licensee shall be fulfilled.

(b) Payments to the Trust Fund.

Unless otherwise agreed by Bonneville and the Supply System, the total amount proposed in the Annual Budget for the appropriate Sub-accounts shall be the amounts established in the then current Funding Schedule. Bonneville within a reasonable time after the WNP-2 Annual Budget, or if applicable, amended budget, becomes final, shall pay or cause to be paid directly to the appropriate Sub-account the amount included therefore in such budget. Bonneville shall make or cause to be made such payments at least annually, commencing in the Supply System's fiscal year 1996, but in no case shall Bonneville provide such payments later than the last day of each Supply System fiscal year.

(c) Cost of Decommissioning and Cost of Site Restoration.

Bonneville shall cause to be paid, from the appropriate Sub-account or otherwise, the Cost of Decommissioning and the Cost of Site Restoration certified by the Supply System to be due and appropriate.

(d) Investment Policy.

Bonneville has provided the Supply System with a copy of its current Trust Investment Policy for determining the types of investments to be purchased, sold, or exchanged by the trustee. Prior to Bonneville's revision of the Trust Investment Policy, Bonneville shall provide the Supply System a copy for its review and comment.

(e) Information.

Bonneville shall, within a reasonable time period, provide the Supply System information it requests concerning the Trust Fund. Bonneville shall provide the Supply System copies of amendments to the Trustee Agreement, reports of Trust Fund audits, monthly statements and annual valuations of the Trust Fund investments. Bonneville shall, if requested by the Supply System, cause to be conducted an annual audit of the Trust Fund. Bonneville shall provide written notice to the Supply System of any change in trustee.

5. DUTIES OF THE SUPPLY SYSTEM

- (a) In conjunction with the establishment of the Trust Fund or as soon as possible thereafter and upon notice to and in the absence of objection from the NRC, the Supply System shall, with Bonneville's concurrence, terminate the Existing Trust Fund and direct the trustee to transfer all funds in the Existing Trust Fund to the Sub-account for the Cost of Decommissioning. The Supply System shall advise the NRC of the termination of the Existing Trust Fund and transfer of funds to the Trust Fund. The Supply System shall use its best efforts to accomplish the above while remaining in full compliance with the NRC's financial assurance requirement for WNP-2 decommissioning.
- (b) At least 30 days prior to any authorized disbursement from the Trust Fund, other than for Trust Fund Expenses, the Supply System shall provide Bonneville and the NRC with a certificate in the form of Exhibit C, duly executed by the Supply System, attesting that: (1) the disbursement of funds is for (A) a Cost of Decommissioning or (B) a Cost of Site Restoration; or (2) the conditions for termination of the Trust Fund under Section 12 (a) have been satisfied.
- (c) The Supply System, in coordination with Bonneville, shall, as it may determine necessary: (1) update the estimated Cost of Decommissioning (including assumptions for cost escalation) and cash flow requirements to provide for the NRC minimum requirements; (2) update the estimated Cost of Site Restoration (including assumptions for cost escalation) and cash flow requirements; (3) obtain from Bonneville information on the Sub-account balances and projected Trust Fund earnings; and (4) issue a revised Funding Schedule. The Supply System shall revise the Funding Schedule any time the actual balance of either of the Sub-accounts differs from the projected balance and/or funding requirement by more than 5 percent over any consecutive four-year period.
- (d) The Supply System shall include in each Annual Budget, or amended Annual Budget, the required fiscal year Trust Fund contribution and/or

amounts required for the funding of the Cost of Decommissioning and Cost of Site Restoration.

- (e) The Supply System shall retain all responsibility for the conduct of decommissioning and site restoration.
- (f) After the termination of WNP-2, the Supply System shall continue to prepare Annual Budgets covering expenses associated with termination as therein defined and submit same for Bonneville review. The procedures, including timing and criteria for Bonneville review and dispute resolution, will be as set forth for in the Project Agreement.

6. NET BILLING REDUCTIONS

Each Annual Budget or amended Annual Budget shall show Bonneville as the funding source for those amounts to be paid by Bonneville into the Trust Fund pursuant to Section 4 of this Agreement and such amounts shall not be included in the Participants' Billing Statements. Such amounts shall constitute "funds" which shall be specified in the Annual Budget as being payable from sources other than the payments to be made under the Net Billing Agreements, as provided in Section 1(b) of the Net Billing Agreements.

7. AMENDMENT OF THE TRUST FUND AND TRUSTEE AGREEMENTS

- (a) No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties.
- (b) Bonneville and the trustee shall have the right to amend the Trustee Agreement. Bonneville agrees, however, that it will not propose or agree to an amendment of such Trustee Agreement that may adversely affect the Supply System's obligations as an NRC licensee or its ability to comply with NRC requirements without first consulting with the Supply System and obtaining its concurrence.

8. ENFORCEMENT RIGHTS OF THE SUPPLY SYSTEM

The Supply System shall be entitled to enforce the terms of this Agreement in accordance with the terms of the Project Agreement, specifically the dispute resolution provisions as provided for in section 10. In the context of those provisions, actions necessary to assure compliance with NRC regulations, including requirements related to decommissioning funding, shall in all instances be deemed "Prudent Utility Practice."

9. ASSIGNMENT

Neither Party shall have the right to assign its rights and obligations hereunder without obtaining the express written consent of the other Party.

10. SUCCESSORS

Unless other wise agreed, if there is an assignment of rights and obligations pursuant to Section 9, this agreement shall be binding upon and enforceable against all successors and assigns.

11. APPLICABLE LAW

This Agreement shall be interpreted, governed by, and construed under the laws of the State of Washington, except to the extent found to be governed by Federal law.

12. TERMINATION OR INVALIDATION

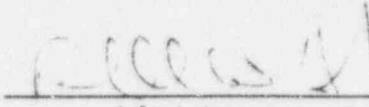
(a) Subject to the requirements of subsection (b), Bonneville may terminate the Trust Fund only upon receipt of a certificate duly executed by the Supply System stating that the Supply System is no longer obligated under NRC rules and regulations to provide reasonable assurance that funds will be available when needed for the required Costs of Decommissioning.

(b) In the event that: (1) the Trustee Agreement is invalidated by a court of competent jurisdiction; or (2) it is determined for any reason that Bonneville is unauthorized or Bonneville determines it is imprudent to (i) make direct payments into the Trust Fund or (ii) direct the trustee to invest in equity securities; Bonneville shall consult with and seek

concurrence and certification from the Supply System regarding the transfer of assets to a successor trust with similar purposes or immediately take steps to remedy the situation in a manner consistent with the NRC requirements of decommissioning. If necessary, Bonneville may terminate the Trustee Agreement and the Parties may direct the trustee to transfer Trust Fund assets to a successor trust or other mutually agreed upon instrument which satisfies NRC requirements.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

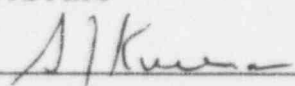
UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By 
Administrator

Name Randall W. Hardy

Date 9/19/96

WASHINGTON PUBLIC POWER
SUPPLY SYSTEM

By 

Title Vice President, Administration/CFO

Name G.J. Kucera

Date 9/13/96