

EXH 4083 DATE 3-21-85
WITNESS Foley

PEX 4083

1) [unclear]
2) [unclear]
3) [unclear]

Lehman Brothers Kuhn Loeb
Incorporated

One William Street
New York, N.Y. 10004

October 4, 1979

Mr. Thomas V. Wagenhoffer
Assistant to the Administrator-Thermal
Projects
Department of Energy
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208

Dear Tom:

It has taken some time to respond to your request for
some views on the pricing of the WPPSS direct obligation bonds.
Enclosed is a memorandum prepared by Dick Zanard which comes
up with a valid approach to this obtuse problem.

Let me know if you want anything more.

With kindest regards,

Sincerely,

Jerome S. Katzin

cc
Stoliffe
Foley
Curtis

RECEIVED
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Thermal Projects

cta
Enc.

BDL033

When this routing is completed, it is to be placed in the routing slip of this document being filed.

October 2, 1979

Memo to: Mr. J. S. Katzin ✓

From: R. J. Zanard

Re: Bonneville Power Admin.

Several weeks ago you asked if we could come up with any statistical information about pricing the last WPPSS 4&5 sale in August. Specifically you wanted to know whether we could demonstrate that the issue was priced like a "Baa/BBB" rather than an "A" bond.

We have not been able to uncover any large issuers of electric revenue bonds with "Baa/BBB" ratings. However, even if there were such issuers they would have to have gargantuan appetites for capital and be involved almost entirely with nuclear generation in order to make a valid comparison.

Nevertheless we have put together two comparisons which demonstrate clearly that WPPSS 4 and 5 bonds require a higher yield than comparably rated bonds. Table I compares the secondary market yields of the 6/28/79 WPPSS term bond issue with the MMWEC term bonds sold on 8/15. Despite a slightly higher rating by Moody's the WPPSS bonds traded over a four day period at yields of 14 to 2½ basis points higher.

Table II is a comparison of term bonds issued by eight electric revenue systems. All of the bonds are "A" rated with plus or minus variations. Once again the WPPSS term bonds are the cheapest of the lot.



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Secondary Trading Levels

Ratings Moody's S&P	Issue/Sale Date/Original Terms	8/28		8/29		8/30		8/31	
		Price	Yield	Price	Yield	Price	Yield	Price	Yield
A1/A+	WPPSS Series 1979 B (No. 4 and 5) August 28, 1979								
	7.60% due 2010 @ 100	99 1/2	7.64%	99	7.68%	99	7.68%	99	7.68%
	7 5/8 due 2018 @ 99	99	7.71	98 7/8	7.72	99 1/8	7.70	99 1/8	7.70
A/A	Mass. Mun. Wholesale Elec. 1979 Series A August 15, 1979								
	7.10% due 2001 @ 100	96 1/2	7.43	96 1/4	7.45	96 1/4	7.45	96 1/4	7.45
	7.20 due 2008 @ 99 3/4	96 1/2	7.50	96 1/2	7.50	96 5/8	7.47	96 5/8	7.47

Bond Buyer Index (20-bond index published every Thursday)

8/09	6.13%
8/16	6.16
8/23	6.23
8/30	6.36

Table 1

10/2/79

BDL 033

NOTICE: It has been brought to your attention that the quality of the information is to be the quality of the information being provided.

Comparison of Selected Electric Revenue Term Bond Yields

	<u>Maturity</u>	<u>Term Bond Size (\$ millions)</u>	<u>Rating: Moody's S&P</u>	<u>Ratio Nuclear/Yossil Generation</u>	<u>Yield to Maturity (2)</u>
Municipal Electric Authority of Georgia 7% Power Revenue Bonds, Series D	2015	\$ 64.7	A A+	N 47% P 53	7.20%
Grand River Dam Authority 7.40% Revenue Bonds 1978 Series	2008	273.0	A A-	P 100% (1)	7.22
Heartland Consumers Power District 7% Electric Systems Revenue Bonds Series 1979	2016	77.9	A A+	P 100%	7.20
Massachusetts Municipal Wholesale Electric Co. 7.20% Power Supply Systems Revenue Bonds 1979 Series A	2008	67.4	A A+	N 47% P 53	7.70
Nebraska Public Power District 7.10% Power Supply System Revenue Bonds, 1978 Series A	2017	129.0	A1 A+	N 49% P 51	7.25
North Carolina Municipal Power Agency No. 1 7 3/8% Catawba Electric Revenue Bonds, Series 1979	2020	109.9	A A+	N 100%	7.35
Texas Municipal Power Agency 7% Revenue Bonds, Series 1979	2012	170.6	A A+	N 26% P 74	7.25
VPPSS 7 5/8% Revenue Bonds, Series 1979B Nuclear Projects Nos. 4 and 5	2018	72.5	A1 A+	N 96% P 4 (1)	7.82

(1) Hydro
(2) Based on 10/2/79 prices