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January 18, 2000

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555-0001

Re: Application of Montaup Electric Company and New England
Power Company for Transfer of Licenses and Ownership Interests
(Millstone Unit No. 3 et al.), Docket No. 50-423 et al.

Dear Sirs:

The purpose of this letter is to provide updated information concerning the above-captioned license transfer application. On June 15, 1999, Montaup Electric Company ("Montaup") and New England Power ("NEP") filed a joint application ("Application") with the Nuclear Regulatory Commission ("NRC" or "Commission") requesting approval under 10 CFR 50.80 of transfers of Montaup's ownership interests in Millstone Unit No. 3 and Seabrook Unit 1, plus stockholder interests in the Yankee Companies.¹ These transfers would result from the merger of the parent company of Montaup, Eastern Utilities Associates ("EUA"), with the parent company of NEP, New England Electric Service ("NEES"). The specific transfers are as follows:

1. The merger of EUA and NEES will change the parent company of Montaup from EUA to NEES. This will result in an indirect transfer of control from EUA to NEES requiring NRC approval under 10 CFR 50.80.

¹ The term "Yankee Companies" as used herein means Vermont Yankee Nuclear Power Corporation, Yankee Atomic Electric Company, Maine Yankee Atomic Power Company, and Connecticut Yankee Power Company. Each company owns and is the licensee for a nuclear plant in New England.

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2. In addition to its merger with EUA, NEES has agreed to merge with the National Grid Group, plc ("National Grid"). NEP filed an application with the NRC on March 15, 1999 requesting approval under 10 CFR 50.80 of the indirect transfer of control of the Millstone Unit 3 and Seabrook Unit 1 ownership shares held by NEP that would result from the National Grid merger (hereinafter referred to as the "National Grid Transfer"). Because National Grid will become the parent company of NEES upon conclusion of the merger, it will also become the parent company of Montaup once EUA and NEES merge. Montaup and NEP thus requested NRC approval under 10 CFR 50.80 of this indirect transfer of control as well.
3. After consummation of the EUA-NEES merger, Montaup will be consolidated into NEP. As a result, Montaup's 4.0% share of Millstone Unit 3 and 2.9 % share of Seabrook Unit 1 would be directly transferred to NEP, which is also an existing minority, non-operating licensee of the same plants. In addition, Montaup's stockholder interests in the Yankee Companies will be transferred to NEP.

The surviving entities from these mergers will be: (1) National Grid - the ultimate parent company; (2) NEES - a wholly owned subsidiary of National Grid - or its successor; and (3) NEP - a wholly owned subsidiary of NEES that will be the non-operator owner of the various nuclear generation assets.

Two actions have recently occurred that affect the proposed transfers here. First, Montaup has now completed the sale of its interest in Seabrook Unit 1 to Little Bay Power Corporation ("Little Bay"), with the result that the transfer of Montaup's share of Seabrook Unit 1 to NEP is no longer needed as part of the present Application. At the time the Application was submitted, Montaup had pending before the NRC in Docket No. 50-443 a request to transfer its interest in Seabrook Unit 1 to Little Bay. Accordingly, in the present Application, the proposed transfer to NEP of Montaup's share of Seabrook Unit 1 was made on a conditional basis in the event that the merger between the parent companies of Montaup and NEP were completed before the conclusion of Montaup's transfer to Little Bay. See Application at 1, n. 3. The transfer of Montaup's interest in Seabrook Unit 1 to Little Bay was approved by the NRC in an order dated April 26, 1999, and that transaction closed on November 19, 1999. As a result, Montaup no longer possesses any interest in Seabrook Unit 1, and therefore no transfer of any Montaup share of Seabrook Unit 1 to NEP is needed as part of the present Application.

Second, as a result of the resolution of issues in connection with the National Grid Transfer, the Negotiation Action Plan described in the June 15, 1999 Application (at 19-22) has been clarified and strengthened. Following the Commission's publication of notice of NEP's application related to the National Grid Transfer, three co-owners of

Millstone Unit 3 and Seabrook Unit 1 filed petitions to intervene and requests for hearing. By Memorandum and Order dated October 21, 1999, the Commission set certain issues for hearing.² Thereafter, the parties engaged in settlement discussions and achieved a resolution of all issues. On November 4, 1999, the parties submitted a Notice of Withdrawal of Petitions for Leave to Intervene and for Hearing, and Joint Motion to Terminate Proceeding ("Joint Motion"). In the Joint Motion, the parties described the resolution of all issues and jointly requested that the hearing be terminated. Consequently, the Commission entered an Order (CLI-99-28) terminating the proceeding on November 19, 1999. Subsequently, on December 10, 1999, the NRC's Office of Nuclear Reactor Regulation ("NRR") issued an order approving the National Grid Transfer. In the accompanying safety evaluation, the NRR Staff concluded that the enhanced Negation Action Plan provides "adequate mitigating steps to ensure that NEP will not be owned, controlled, or dominated by an alien, foreign corporation, or foreign government for the purposes of the AEA and the NRC's regulations." Safety Evaluation at 8.

The specific enhancements made to the Negation Action Plan were as follows:

- NEP clarified the instances in which decisions related to Seabrook Unit 1 and Millstone Unit 3 would be made by the full NEP Board of Directors rather than the Special Nuclear Committee ("SNC") of the Board.³ Specifically, NEP clarified that "the decision on whether [the full] NEP [Board] would vote to either decommission or restart [Seabrook Unit 1 or Millstone Unit 3] is limited to only the very rare circumstances in which the plant has been shut down, and the repairs and others actions required to restart would require significant sums." Joint Motion at 10. "Once the owners have decided whether to support full repair or decommissioning . . . the decision-making process will reside with the NEP Nuclear Committee [i.e., the SNC]." Joint Motion at 11. NEP also assured

² In the Matters of North Atlantic Energy Service Corp. (Seabrook Station, Unit 1) and Northeast Nuclear Energy Co. (Millstone Station, Unit 3), Docket Nos. 50-443-LT-2 and 50-423-LT, Memorandum and Order, CLI-99-27, dated October 21, 1999.

³ As described in the Application (at 19-22), all members of the Special Nuclear Committee would be U.S. citizens, and except for certain rights reserved to the full NEP Board, the SNC would have sole discretion and authority for the operation and decommissioning of Seabrook Unit 1, Millstone Unit 3 and other facilities in which NEP has an ownership interest. The current SNC members include L. Joseph Callan, former Executive Director for Operations at the NRC and Philip R. Sharp, a former 10-term Congressman from Indiana. The final member of the three-member committee will be an internal NEP employee.

the intervenor co-owners that "its reservation to the full NEP Board of the authority to make decisions concerning compliance with law was not intended to give NEP any right to take any discretionary action, but merely to do precisely what the government authorities require." Joint Motion at 11.

- Further NEP committed that, following the NEES/National Grid merger, its Board of Directors and corporate officers will be composed solely of United States citizens for so long as NEP remains a licensee of Millstone 3 and Seabrook Unit 1. Joint Motion at 10 and 12.
- NEP also confirmed that it would remain the licensee for Seabrook Unit 1 and Millstone Unit 3 following the indirect transfer of upstream ownership of NEES. Joint Motion at 12.⁴

With respect to the anticipated schedule, NEP requests that the NRC review the present Application on a schedule that will permit the issuance of NRC consent to the license transfers, and approval of the conforming administrative license amendments, as promptly as possible and, in any event, before February 25, 2000. There are several reasons why it is important to obtain approval on or before this date. First, as is its custom, the Securities and Exchange Commission will wait until all other regulatory approvals have been received before providing its final approval. Because the merger agreement between NEES and EUA may be terminated by either party if closing has not occurred by April 30, 2000, early NRC approval will help assure this situation does not arise. Second, under a settlement agreement in Massachusetts (soon to be approved), customers will be entitled to an annual \$10 million rate reduction through February 2005 (a settlement with a similar structure is being negotiated in Rhode Island). However, the settlement does not go into effect until both the EUA and the National Grid mergers are completed. Finally, the Hart-Scott-Rodino antitrust approval received by the Department of Justice expires on April 28, 2000. Accordingly, continued NRC Staff efforts to assure the most prompt review and approval of the license transfers requests would be greatly appreciated.

⁴ The Joint Motion also provided additional information to resolve the issues raised by the intervenor co-owners regarding NEP's qualifications to meet its financial obligations to Seabrook Unit 1 and Millstone 3. Joint Motion at 4-8.

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As a final matter, we would like to inform you that James S. Robinson has accepted a new position as Vice President, Transmission Customer Services, effective February 1, 2000. On that same date, Cynthia A. Arcate will replace Mr. Robinson as Vice President, Generation Investments. This situation reflects a change in the company officers listed in Exhibit G of the above-captioned Application.

Again, we appreciate your prompt attention to this matter. If you have any questions about the updated information, please contact me or Ms. Arcate at (508) 389-2019.

Sincerely,

Handwritten signature of Perry D. Robinson, with the initials "ldh" written at the end of the signature.

Perry D. Robinson
Counsel for New England Power Company

PDR:mcf

cc: J. Nakoski
V. Nerses
L. Cuoco
M. Murphy
T. Dignan
T. Callendrello

References:

1. In the Matters of North Atlantic Energy Service Corp. (Seabrook Station, Unit 1) and Northeast Nuclear Energy Co. (Millstone Station, Unit 3), Docket Nos. 50-443-LT-2 and 50-423-LT, Memorandum and Order, CLI-99-27, dated October 21, 1999.
2. Notice of Withdrawal of Petitions for Leave to Intervene and for Hearing, and Joint Motion to Terminate Proceeding, Docket Nos. 50-443-LT-2 and 50-423-LT, filed November 4, 1999.