



NRC-00-040

**Wisconsin Public Service Corporation**  
(a subsidiary of WPS Resources Corporation)  
Kewaunee Nuclear Power Plant  
North 490, Highway 42  
Kewaunee, WI 54216-9511  
920-388-2560

May 19, 2000

10 CFR 50.80

Document Control Desk  
U.S. Nuclear Regulatory Commission  
Mail Station P1-37  
Washington, D.C. 20555

Ladies/Gentlemen:

Docket 50-305  
Operating License DPR-43  
Kewaunee Nuclear Power Plant  
Receipt of Regulatory Approvals for Transfer of Operating Authority

By letter dated May 15, 2000, the Nuclear Regulatory Commission issued an Order approving the transfer of operating authority under Facility Operating License No. DPR-43, held by Wisconsin Public Service Corporation, Wisconsin Power and Light Company, and Madison Gas and Electric Company for the Kewaunee Nuclear Power Plant, to Nuclear Management Company, LLC. The Order also approved conforming license amendments, which will be issued and made effective at the time the transfer is completed.

The Order approved the proposed transfer subject to two conditions. The first condition requires Wisconsin Public Service Corporation to inform the Director of the Office of Nuclear Reaction Regulation, in writing, within five business days after the receipt of all required regulatory approvals of the transfer of operating authority to Nuclear Management Company, LLC, and of the date of the transfer no later than 7 business days prior to the transfer. The purpose of this letter is to comply with the first part of this Order condition.

On March 31, 2000, as required by applicable Wisconsin Statutes, the Public Service Commission of Wisconsin approved the Nuclear Power Plant Operating Services Agreement between Wisconsin Public Service Corporation and Nuclear Management Company, LLC. A copy of the Order issued by the Public Service Commission of Wisconsin is attached for your information.

No additional regulatory authorities are required to approve the transfer of operating authority from Wisconsin Public Service Corporation to Nuclear Management Company, LLC. Therefore, all regulatory approvals required to consummate the transfer of operating authority for Kewaunee Nuclear Power Plant to Nuclear Management Company, LLC have been received by Wisconsin Public Service Corporation, as of the date of the Nuclear Regulatory Commission's Order of May 15, 2000.

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If you have any questions or require additional information, please contact Mr. Tom Webb at (920) 388-8537.

Sincerely,



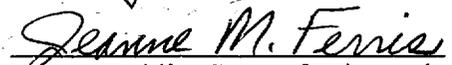
Mark L. Marchi  
Vice President-Nuclear

GOR

Attachment

cc - US NRC Director, Office of Nuclear Reactor Regulation  
US NRC - Region III  
US NRC Senior Resident Inspector  
US NRC Project Manager  
Electric Division, PSCW

Subscribed and Sworn to  
Before Me This 19<sup>th</sup> Day  
of May 2000

  
Notary Public, State of Wisconsin

My Commission Expires:  
June 8, 2003

ATTACHMENT

Letter from Mark L. Marchi (WPSC)

To

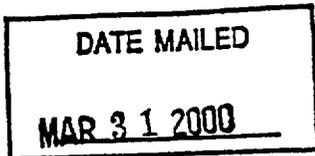
Document Control Desk (NRC)

Dated

May 19, 2000

Public Service Commission of Wisconsin  
Docket 05-AE-101 Order  
Dated March 30, 2000

Application for Approval of Services Agreement Between Wisconsin  
Electric Power Company, Wisconsin Public Service Corporation, and  
Nuclear Management Company, LLC



BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application for Approval of Services Agreement Between Wisconsin Electric Power Company, Wisconsin Public Service Corporation, and Nuclear Management Company, LLC 05-AE-101

**Order**

On November 24, 1999, Wisconsin Electric Power Company (WEPCO) and Wisconsin Public Service Corporation (WPSC) each requested approval of a Services Agreement with Nuclear Management Company, LLC (NMC), 700 First Street, Hudson, Wisconsin. A supplement to the filing was made on February 28, 2000.

WEC Nuclear Corporation (WEC-N), WPS Nuclear Corporation (WPS-N), and Northern States Power Company (NSP) formed NMC on February 25, 1999<sup>1</sup>. WEC-N and WEPCO are wholly owned subsidiaries of Wisconsin Energy Corporation (WEC). WPS-N and WPSC are wholly owned subsidiaries of WPS Resources Corporation (WPSR).

NMC is therefore a nonutility affiliate of each of the applicants, as defined in Wis. Stat. § 196.795(1)(j). WEPCO and NMC, and WPSC and NMC, are each affiliated interests as defined in Wis. Stat. § 196.52.

WEPCO and WPSC have each requested approval of a Nuclear Power Plant Operating Services Agreement (NPPOSA) with NMC. These agreements are identical in all material aspects<sup>2</sup>. The NPPOSA for WEPCO and WPSC are Attachments A and B to this order.

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<sup>1</sup> Alliant Energy Corporation became a member of the NMC on November 23, 1999.

<sup>2</sup> Exhibit 1 to the WPSC application includes some terminology variances pertinent to the Kewaunee facility.

In docket 05-AE-100, the Commission approved service agreements and employee lease agreements that allowed the NMC to provide certain nuclear power plant services to its members using utility resources and employees. Under the NPPOSA, the NMC will be using its own employees, as well as some utility employees, to provide a broader range of services than previously approved. The NPPOSA is structured to provide these services to the member utilities at the NMC's cost, including a return on and of capital.

When the NPPOSA becomes effective, it will replace the service agreements approved in docket 05-AE-100<sup>3</sup>. The lease agreements approved in that docket will remain in effect until the non-represented employees are transferred to the NMC. This may occur at the end of 2000, according to the supplemental filing made on February 28, 2000.

Under section 2.1(a) of the NPPOSA, the NMC has the authority to take all actions necessary to obtain or maintain any licenses or permits required by any regulatory body relating to the plant, as defined in the NPPOSA. Under section 6.1 of the NPPOSA, if any work performed by the NMC is not completed in a manner consistent with the standard of good utility practice, as defined in the NPPOSA, any reperformance of the service will be at the sole expense of the contracting member. This practice is inconsistent with general industry practice where a contractor is typically liable for rework expenses equal to the value of the contract work being performed. The parties have stated that this practice is, at this time, reasonable as the cost of carrying such insurance is expected to be greater than the cost of rework charged to member utilities.

Section 3.4 of the NPPOSA and Section 8 of Exhibit B indicate that the contracting owners agree to provide to the NMC such services as communications access and support,

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<sup>3</sup> Dated September 4, 1999.

transportation support, payroll and personnel assistance, and may also include services relating to accounting, engineering, environmental and land management of the site. Although not stated in this new agreement, any services provided to the NMC by WEPCO or WPSC and which benefit more than just the providing utility should be priced at the greater of the utility's fully allocated cost (including a reasonable return)<sup>4</sup> or the fair market value.

Section I of Exhibit A requires the NMC to develop and maintain written guidelines to govern the methods and procedures for charging and allocating costs. The NMC is also required to subject transactions to internal auditing procedures on a periodic basis for compliance with NPPOSA, guidelines and orders and rules established by regulatory agencies. Copies of any written guidelines or internal audits findings by the NMC should be provided to the Commission to aid in monitoring affiliated interest concerns.

This application is approved subject to the following conditions:

1. Any subsequent changes to either NPPOSA (Attachment A or B) including exhibit B shall be approved by the Commission before becoming effective.
2. Copies of any written guidelines that are developed, or findings from internal audits required by Section I of Exhibit A, shall be provided to the Commission within 30 days of development or completion.
3. The employee lease agreement (Attachment C)<sup>5</sup> shall remain in effect until the covered employees are transferred to direct employment with the NMC. WEPCO and WPSC shall notify the Commission of the effective date of transfer and the termination of this agreement.

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<sup>4</sup> The return should be based on each utility's authorized pre-tax return.

<sup>5</sup> Although the attached agreement is for WEPCO, the agreement with WPSC is identical.

4. NMC shall notify Commission staff within 15 days after entering into the first agreement to provide services to each non-member. A copy of the contract shall be provided within 30 days.
5. Any services provided to the NMC by WEPCO or WPSC and which benefit more than just the providing utility shall be priced at the greater of the utility's fully allocated cost (including the authorized pre-tax return) or the fair market value.
6. The fully allocated costs process used for member companies will also be applied to services to non-member companies.
7. Liability for the provision of services to non-member companies will be born by NMC and none of the cost will be born by member utilities.
8. The utility and NMC will prepare their billings in sufficient detail to enable Commission staff to perform a detailed review of costs and for the Commission to determine which costs are appropriate for inclusion in utility rates. Such items as start-up costs, administrative oversight costs, costs from resources obtained from other utilities, and costs that have been disallowed in a rate case shall be listed separately.
9. NMC shall provide an annual reconciliation of the costs incurred either by NMC and/or billed to NMC by each utility to the charges billed to each utility, retained by NMC, or billed to third parties (detailed by the categories noted above) to the Commission by April 1 each year.
10. The NMC shall fulfill the requirements of any order point that is outstanding and applicable to any of the member utilities at the time of issuance of this order and is affected by the terms of the NPPOSA.

11. At such time as the NMC offers contract services to non-member utilities, the NMC shall perform an analysis to determine whether it would be cost effective to obtain rework insurance for its member utilities compared to the historic cost of rework charged to the member utilities. The NMC shall supply a copy of the final analysis to the Commission within 15 days of the analysis being completed.

12. If the NMC is terminated by the member utilities, any costs incurred to reassign nuclear licenses and re-staff the plants shall not be born by utility ratepayers without specific Commission review and approval.

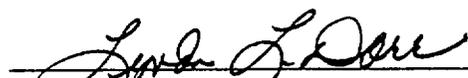
13. The Commission shall have full access to the books and records of the NMC.

14. Approval of this agreement is not a determination by the Commission that the charges are just and reasonable.

15. As authorized in Wis. Stat. §§ 196.02, 196.52, and 196.795, this order is expressly conditioned upon the reserve power of the Commission to revise and amend its terms and conditions to protect and promote the public interest.

Dated at Madison, Wisconsin, March 30, 2000

By the Commission:

  
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Lynda L. Dorr  
Secretary to the Commission

LLD:DCB:bap:G:\Order\Pending\05-AE-101

See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98