

June 6, 2000

Mr. Robert G. Byram  
Senior Vice President  
and Chief Nuclear Officer  
PP&L, Inc.  
2 North Ninth Street  
Allentown, PA 18101

SUBJECT: ORDER APPROVING THE TRANSFER OF LICENSES FOR SUSQUEHANNA STEAM ELECTRIC STATION, UNITS 1 AND 2, TO THE EXTENT HELD BY PP&L, INC., TO PPL SUSQUEHANNA, LLC, AND APPROVING CONFORMING AMENDMENTS (TAC NOS. MA7380 AND MA7383)

Dear Mr. Byram:

The enclosed Order is being issued in response to your application dated December 15, 1999, as supplemented February 7, March 24, April 28, May 4, and May 30, 2000, requesting approval of the transfer of the licenses for the Susquehanna Steam Electric Station, Units 1 and 2, to the extent they are held by PP&L, Inc. (renamed PPL Electric Utilities Corporation), to PPL Susquehanna, LLC, and approval of conforming amendments pursuant to Sections 50.80 and 50.90 of Title 10 of the *Code of Federal Regulations*. The enclosed Order provides consent to the proposed transfers, subject to the conditions described therein. The Order also approves the enclosed conforming license amendments to be issued and made effective at the time the transfers are completed.

Also enclosed are nonproprietary and proprietary versions of our related safety evaluation. The nonproprietary version of the safety evaluation will be placed in the NRC public document room and added to the Agency-wide Documents Access and Management System's Publicly Available Records System (ADAMS PARS) Library. The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,

**/RA/**

Robert G. Schaaf, Project Manager, Section 1  
Project Directorate I  
Division of Licensing Project Management  
Office of Nuclear Reactor Regulation

Docket Nos. 50-387 and 50-388

Enclosures: 1. Order  
2. Conforming Amendments to NPF-14 and NPF-22  
3. Safety Evaluation (nonproprietary)  
4. Safety Evaluation (proprietary)

cc w/encls: See next page

**NOTE: THIS DOCUMENT CONTAINS PROPRIETARY INFORMATION. THIS DOCUMENT BECOMES NONPROPRIETARY UPON REMOVAL OF ENCLOSURE 4.**

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OFFICE	PDI-1/PM	PDI-2/LA	TECH ED	RGEB/BC	IOLB/SC	OGC
NAME	RSchaaf	MO'Brien	BCalure	CCarpenter	DTrimble*	SHom*
DATE	6 / 6 /00	6 / 6 /00	5/16/00	SE dtd 3/11/00	5/18/00	5/31/00
OFFICE	OGC	PDI-1/SC	PDI/D	DLPM/D	NRR/ADPT	NRR/D
NAME	MPSiemien*	MGamberoni*	EAdensam*	JZwolinski*	BSheron*	SCollins*
DATE	6/2/00	6/1/00	6/1/00	6/2/00	6/2/00	6/6/00

DOCUMENT NAME: C:\ORDA7380.WPD

\* See previous concurrence

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ORDER APPROVING THE TRANSFER OF LICENSES FOR SUSQUEHANNA STEAM  
ELECTRIC STATION, UNITS 1 AND 2, DATED June 6, 2000

DISTRIBUTION w/Enclosures 1, 2 & 3

PUBLIC

PD I-1 Reading

SCollins/RZimmerman

BSheron

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PMadden

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CCarpenter

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SHom, OGC

DISTRIBUTION w/Enclosures 1, 2, 3 & 4

RSchaaf

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
PP&L, INC.	)	
	)	Docket Nos. 50-387 and 50-388
ALLEGHENY ELECTRIC	)	
COOPERATIVE, INC.	)	
	)	
(Susquehanna Steam Electric Station,	)	
Units 1 and 2)	)	

ORDER APPROVING TRANSFER OF LICENSES AND CONFORMING AMENDMENTS

I.

PP&L, Inc.<sup>1</sup>, and Allegheny Electric Cooperative, Inc., are the joint owners of the Susquehanna Steam Electric Station, Units 1 and 2 (Susquehanna SES), located in Luzerne, Pennsylvania. They hold Facility Operating Licenses Nos. NPF-14 and NPF-22 issued by the U.S. Nuclear Regulatory Commission (NRC or Commission) on July 17, 1982, and March 23, 1984, respectively, pursuant to Part 50 of Title 10 of the *Code of Federal Regulations* (10 CFR Part 50). Under these licenses, PP&L, Inc. (currently owner of 90 percent of each Susquehanna SES unit) is authorized to possess Susquehanna SES (along with Allegheny

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<sup>1</sup> By letter dated March 24, 2000, PP&L, Inc., informed the Commission that effective February 14, 2000, PP&L, Inc., changed its name to "PPL Electric Utilities Corporation." PP&L, Inc., also informed the Commission of name changes for its parent and an affiliate. No application for license amendments to reflect the name change of PP&L, Inc., was submitted because, according to the licensee, it believed the amount of time for processing such an application would cause it to be approved following a decision on the license transfers and conforming amendments which are the subject of this Order. Notwithstanding the above name change of the PP&L, Inc., entity, since the licenses for the Susquehanna Steam Electric Station, Units 1 and 2, have not been amended to reflect PP&L, Inc.'s new name, PPL Electric Utilities Corporation, references in this Order to this particular licensee will use both its former and current names interchangeably as appropriate in the given context.

Electric Cooperative, Inc., owner of the remaining 10 percent) and to use and operate Susquehanna SES.

## II.

By an application dated December 15, 1999, which was supplemented by submittals dated February 7, March 24, April 28, May 4, and May 30, 2000 (collectively referred to as the application herein), PP&L, Inc., requested approval of the proposed transfer of its rights under the operating licenses for Susquehanna SES to a new, affiliated nuclear generating company, PPL Susquehanna, LLC (PPL Susquehanna). PP&L, Inc., also requested approval of conforming amendments to reflect the transfer.

According to the application, PPL Susquehanna would become the owner of PP&L, Inc.'s ownership interest in both units following approval of the proposed license transfers and assume operational responsibility. No physical changes or change in the day-to-day management and operations of Susquehanna SES are proposed in the application. The proposed transfers do not involve any change with respect to the non-operating ownership interest in Susquehanna SES held by Allegheny Electric Cooperative, Inc.

Approval of the transfers and conforming license amendments was requested pursuant to 10 CFR 50.80 and 50.90. Notice of the request for approval and an opportunity for a hearing was published in the Federal Register on March 3, 2000 (65 FR 11611). No hearing requests or written comments were filed.

Pursuant to 10 CFR 50.80, no license, or any right thereunder, shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission shall give its consent in writing. Upon review of the information submitted in the application and other information before the Commission, the NRC staff has determined that PPL Susquehanna is

qualified to hold the licenses for Susquehanna SES to the same extent the licenses are now held by PP&L, Inc., and that the transfer of the licenses, as previously described, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions described herein. The NRC staff has further found that the application for the proposed license amendments complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I; the facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission; there is reasonable assurance that the activities authorized by the proposed license amendments can be conducted without endangering the health and safety of the public and that such activities will be conducted in compliance with the Commission's regulations; the issuance of the proposed license amendments will not be inimical to the common defense and security or to the health and safety of the public; and the issuance of the proposed license amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations, and all applicable requirements have been satisfied. The foregoing findings are supported by a Safety Evaluation dated June 6, 2000.

### III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§ 2201(b), 2201(i), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the license transfers referenced above are approved, subject to the following conditions:

1. For purposes of ensuring public health and safety, PPL Susquehanna shall provide decommissioning funding assurance, to be held in decommissioning trusts for Susquehanna SES upon transfer of the respective licenses to PPL

Susquehanna, in the amount specified in PP&L, Inc.'s March 29, 1999, "Decommissioning Report of Financial Assurance" as Owner's Decommissioning Fund Totals at December 31, 1998, plus any additional funds added to the accounts since the filing of that report, on the date of transfer. In addition, PPL Susquehanna shall ensure that its contractual arrangements with PPL EnergyPlus, LLC, and the contractual arrangements of PPL EnergyPlus, LLC with PPL Electric Utilities Corporation (PP&L, Inc.) to obtain necessary decommissioning funds for Susquehanna SES through a non-bypassable charge will be maintained until the decommissioning trusts are fully funded, or shall ensure that other mechanisms that provide equivalent assurance of decommissioning funding in accordance with the Commission's regulations are maintained.

2. The decommissioning trust agreements for Susquehanna SES, Units 1 and 2, at the time the license transfers are effected, are subject to the following:
  - a) The trust agreements must be in a form acceptable to the NRC.
  - b) With respect to the decommissioning trust funds, investments in the securities or other obligations of PPL Corporation or its affiliates, successors, or assigns shall be prohibited. Except for investments tied to market indexes or other non-nuclear-sector mutual funds, investments in any entity owning one or more nuclear power plants are prohibited.
  - c) The decommissioning trust agreements for Susquehanna SES, Units 1 and 2, must provide that no disbursements or payments from the trusts shall be made by the trustee unless the trustee has first given the NRC 30-days prior written notice of payment. The decommissioning trust

agreements shall further contain a provision that no disbursements or payments from the trusts shall be made if the trustee receives prior written notice of objection from the Director, Office of Nuclear Reactor Regulation.

- d) The decommissioning trust agreements must provide that the agreements cannot be amended in any material respect without 30-days prior written notification to the Director, Office of Nuclear Reactor Regulation.
  - e) The appropriate section of the decommissioning trust agreements shall state that the trustee, investment advisor, or anyone else directing the investments made in the trusts shall adhere to a “prudent investor” standard, as specified in 18 CFR 35.32(a)(3) of the Federal Energy Regulatory Commission’s regulations.
3. PPL Susquehanna shall not take any action that would cause PPL Corporation or any other direct or indirect parent of PPL Susquehanna to void, cancel, or diminish any applicable commitment to fund an extended plant shutdown as represented in the application.
  4. Before the completion of the transfer of the interests in Susquehanna SES to PPL Susquehanna as previously described herein, PPL Susquehanna shall provide to the Director of the Office of Nuclear Reactor Regulation satisfactory documentary evidence that PPL Susquehanna has obtained the appropriate amount of insurance required of licensees under 10 CFR Part 140 of the Commission’s regulations.
  5. After receipt of all required regulatory approvals of the subject transfer, PP&L,

Inc., shall inform the Director of the Office of Nuclear Reactor Regulation in writing of such receipt, and of the date of closing of the transfer no later than 7 business days prior to the date of closing. Should the transfer not be completed by June 1, 2001, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments for Susquehanna SES that make changes, as indicated in Enclosure 2 to the cover letter forwarding this Order, to conform the licenses to reflect the subject license transfers are approved. Such amendments shall be issued and made effective at the time the proposed license transfers are completed.

This Order is effective upon issuance.

For further details with respect to this Order, see the initial transfer application and request for conforming amendments dated December 15, 1999, supplements dated February 7, March 24, April 28, May 4, and May 30, 2000, and the safety evaluation dated June 6 , 2000, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC. Publically available records will be accessible electronically from the ADAMS Public Library component on the NRC Web site, <http://www.nrc.gov> (the Electronic Reading Room).

Dated at Rockville, Maryland, this 6th day of June 2000.

FOR THE NUCLEAR REGULATORY COMMISSION

*/RA/*

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

PP&L, INC.

ALLEGHENY ELECTRIC COOPERATIVE, INC.

DOCKET NO. 50-387

SUSQUEHANNA STEAM ELECTRIC STATION, UNIT NO. 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.  
License No. NPF-14

1. The Nuclear Regulatory Commission (the Commission) has found that:
  - A. The application for amendment filed by PP&L, Inc. (the licensee), dated December 15, 1999, as supplemented February 7, March 24, April 28, May 4, and May 30, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
  - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
  - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
  - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
  - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, Facility Operating License No. NPF-14, including attachments and appendices thereto, is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Attachment: Changes to the License, Attachment 1, Appendix B, and Appendix C of Facility  
Operating License NPF-14

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. \_\_\_\_\_

FACILITY OPERATING LICENSE NO. NPF-14

DOCKET NO. 50-387

Replace the following pages of the Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

<u>Remove Pages</u>	<u>Insert Pages</u>
1	1
2	2
3	3
4	4
4a	-
5	5
6	6
7	7
8	8
9	9
9a	-
10	10
11	11
11a	-
12	12
12a	-
13	13
-	14
-	15

Replace the following page of Attachment 1 to the Facility Operating License with the attached revised page. The revised page is identified by amendment number and contains marginal lines indicating the areas of change.

<u>Remove Page</u>	<u>Insert Page</u>
2	2

Replace the following page of Appendix B to the Facility Operating License with the attached revised page. The revised page is identified by amendment number and contains marginal lines indicating the areas of change.

<u>Remove Page</u>	<u>Insert Page</u>
Cover Page	Cover Page

Replace the following page of Appendix C to the Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

<u>Remove Page</u>	<u>Insert Pages</u>
1	1
-	2

PP&L, INC.

ALLEGHENY ELECTRIC COOPERATIVE, INC.

DOCKET NO. 50-388

SUSQUEHANNA STEAM ELECTRIC STATION, UNIT NO. 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.  
License No. NPF-22

1. The Nuclear Regulatory Commission (the Commission) has found that:
  - A. The application for amendment filed by PP&L, Inc. (the licensee), dated December 15, 1999, as supplemented February 7, March 24, April 28, May 4, and May 30, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
  - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
  - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
  - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
  - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, Facility Operating License No. NPF-22, including attachments and appendices thereto, is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Attachment: Changes to the License, Attachment 2, Appendix B, and Appendix C of Facility  
Operating License NPF-22

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. \_\_\_\_\_

FACILITY OPERATING LICENSE NO. NPF-22

DOCKET NO. 50-388

Replace the following pages of the Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Pages

1  
2  
3  
4  
4a  
5  
6  
7  
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9

Insert Pages

1  
2  
3  
4  
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9

Replace the following page of Attachment 2 to the Facility Operating License with the attached revised page. The revised page is identified by amendment number and contains marginal lines indicating the areas of change.

Remove Page

1

Insert Page

1

Replace the following page of Appendix B to the Facility Operating License with the attached revised page. The revised page is identified by amendment number and contains marginal lines indicating the areas of change.

Remove Page

Cover Page

Insert Page

Cover Page

Replace the following page of Appendix C to the Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Page

1  
-

Insert Pages

1  
2

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED TRANSFER OF LICENSES

TO THE EXTENT HELD BY PP&L, INC.,

TO PPL SUSQUEHANNA, LLC

SUSQUEHANNA STEAM ELECTRIC STATION, UNITS 1 AND 2

DOCKET NOS. 50-387 AND 50-388

1.0 INTRODUCTION

By application dated December 15, 1999, as supplemented by submittals dated February 7, March 24, April 28, May 4, and May 30, 2000, PP&L Inc., informed the U.S. Nuclear Regulatory Commission (NRC) of a planned corporate restructuring that will involve the transfer of PP&L, Inc.'s 90-percent ownership interest in and licensed operating authority for Susquehanna Steam Electric Station (Susquehanna SES), Units 1 and 2, to a new affiliated nuclear generating company, PPL Susquehanna, LLC (PPL Susquehanna). The application requested the NRC's consent under 10 CFR 50.80 to the transfer of the facility operating licenses for Susquehanna SES, to the extent held by PP&L, Inc., to PPL Susquehanna, LLC, and also requested approval of conforming license amendments pursuant to 10 CFR 50.90. The planned restructuring and proposed transfer of licenses does not involve Allegheny Electric Cooperative, Inc., the other owner of the units and co-holder of the licenses for Susquehanna SES.

Notice of the application and February 7, 2000, supplement was published in the Federal Register on March 3, 2000 (65 FR 11611). No hearing requests or written comments were filed pursuant to such notice. The March 24, April 28, May 4, and May 30, 2000, supplemental letters provided updated information regarding changes in the names of certain companies and corporate officers referenced in the application, revised the conforming license amendment requests to more accurately reflect the proposed transfer, and provided clarifying information regarding the technical qualifications of PPL Susquehanna. This information did not expand the scope of the application as noticed.

The application states that the proposed restructuring is "part of a planned corporate realignment by PP&L Resources [the parent of PP&L, Inc.] designed to enable it to respond effectively to the deregulation of the electric utility industry." PPL Susquehanna is being "created as a new, wholly owned subsidiary of PPL Generation, LLC (PPL Generation), which will be a wholly owned subsidiary of PPL Energy Funding Corporation which in turn will be a wholly owned subsidiary of PP&L Resources, the current parent of PP&L, Inc. As a result of the proposed transfers, PPL Susquehanna will become the owner of PP&L, Inc.'s current

**NOTE: Redaction of proprietary information is denoted by brackets ([ ]).**

ownership share of Susquehanna SES and will assume operational responsibility for the facility. In addition, PP&L, Inc., will transfer its non-nuclear generating units to other limited liability companies owned by PPL Generation.”

Pursuant to 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission shall give its consent in writing. Such action is contingent upon the Commission’s determination that the transferee is qualified to hold the license and the transfer is otherwise consistent with applicable provisions of law, regulations, and orders of the Commission.

The staff notes that PP&L, Inc., which was formerly known as Pennsylvania Power & Light Company, has informed the NRC in the March 24, 2000, supplement that PP&L, Inc., was renamed PPL Electric Utilities Corporation and PP&L Resources, Inc., the ultimate parent of PP&L, Inc., was renamed to PPL Corporation effective February 14, 2000. PP&L, Inc., indicated that for timing reasons it did not request amendments to the licenses to reflect this name change. Since the licenses show PP&L, Inc., as the relevant co-licensee, this safety evaluation will refer to PP&L, Inc., as the holder of the licenses requested to be transferred, notwithstanding PP&L, Inc.’s name change to PPL Electric Utilities Corporation. This safety evaluation will refer to PPL Corporation as the ultimate parent of PP&L, Inc., and PPL Susquehanna.

## 2.0 FINANCIAL QUALIFICATIONS ANALYSIS

Pursuant to 10 CFR 50.33(f), an electric utility would not be required here to demonstrate its financial qualifications. However, the staff does not agree with the assertion in the application that PPL Susquehanna will meet the definition of an electric utility as defined in 10 CFR 50.2. As stated in 10 CFR 50.2, an electric utility is “any entity that generates or distributes electricity and which recovers the cost of this electricity, either directly or indirectly, through rates established by the entity itself or by a separate regulatory authority.” PPL Susquehanna will sell electricity to its utility affiliates and will market electricity pursuant to rate tariffs approved by the Federal Energy Regulatory Commission (FERC). However, as described below, the power sold to its affiliates is not fully subject to rate regulation. After the Power Sales Agreement with PPL EnergyPlus, LLC, expires at the end of 2009, PPL Susquehanna will sell power on the open market at market-based rates.

Although the NRC staff finds that PPL Susquehanna does not qualify as an “electric utility” under 10 CFR 50.2, the NRC staff finds that PPL Susquehanna meets the financial qualifications requirements for a non-electric utility pursuant to 10 CFR 50.33(f).

PPL Susquehanna, as both a newly formed entity and a non-electric utility applying to own and to operate nuclear power plants, is subject to a more detailed financial qualifications review by the NRC than an established electric utility. Specifically, PPL Susquehanna must meet the requirements of 10 CFR 50.33(f) by providing information that shows the following:

- (1) As a non-electric utility applicant for multiple operating licenses, it possesses or has reasonable assurance of obtaining the funds necessary to cover estimated operating costs for the period of the licenses. It must submit estimated total annual operating costs for the first 5 years of facility operations and indicate the source of funds to cover these costs.

(2) As a newly formed entity organized primarily for the purpose of operating nuclear power plants, it must show (a) the legal and financial relationships it has or proposes to have with its stockholders or owners; (b) its financial ability to meet any contractual obligation to the entity that it has incurred or proposes to incur; and (c) any information considered necessary by the Commission to enable it to determine the applicant's financial qualification.

Also, 10 CFR 50.33(k)(1) requires that PPL Susquehanna provide information as described in 10 CFR 50.75 indicating reasonable assurance that funds will be available to decommission the facilities. PPL Susquehanna's proposals for decommissioning funding assurance are discussed in Section 3.0 of this evaluation.

The application states that PPL Susquehanna's revenues from sales of power and energy will be sufficient to cover its projected operating costs. Attachment 6 to the application is a draft power sales agreement between PPL Susquehanna and PPL EnergyPlus, LLC, which will purchase all the energy and power from the Susquehanna SES through December 31, 2009, at a price of [ ]. PPL EnergyPlus, LLC, the power marketing subsidiary of PPL Energy Funding Corporation, will market to PP&L, Inc., (PPL Electric Utilities Corporation) the energy it purchases from PPL Susquehanna and other generating facilities owned by PPL Generation. As described below, PPL Susquehanna has sufficiently demonstrated its financial qualifications to meet the requirements of 10 CFR 50.33(f) for non-electric utility licensees. Specifically, PPL Susquehanna has demonstrated that it will possess, or will have reasonable assurance of obtaining, the funds necessary to cover the estimated operating costs for the period of the facility licenses in accordance with 10 CFR 50.33(f)(2). To make this showing, section 50.33(f)(2) states "The applicant shall submit estimates for total annual operating costs for each of the first five years of operation of the facility. The applicant shall also indicate the source(s) of funds to cover these costs."

The application contained a Projected Income Statement for PPL Susquehanna operations from January 1, 2000, through December 31, 2004. The Projected Income Statement is included in Attachments 4 and 4A of the December 15, 1999, application. Attachment 4A is a separate proprietary Addendum to the application. PP&L, Inc., has requested that Attachment 4A be withheld from public disclosure pursuant to 10 CFR 2.790 because Attachment 4A contains confidential commercial and financial information.

In accordance with the NRC Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance (NUREG-1557, Rev. 1), the Susquehanna Projected Income Statement provides the estimated total annual operating costs for the facilities to be owned by PPL Susquehanna. The source of funds to cover the operating expenses will be the operating revenues. The Projected Income Statement shows that the anticipated revenues from sales of capacity and energy by PPL Susquehanna provides reasonable assurance of adequate funds to meet its ongoing operating expenses. The projected revenues from the sale of electricity from the nuclear units are expected to provide sufficient income to cover the total operating costs of Susquehanna SES.

**SUSQUEHANNA SES  
PROJECTED INCOME STATEMENT (\$1000)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>Assumptions:</b>					
Price Projection (\$/Mwh)	[				]
Plant Capacity Factor	[				]
<b>Revenues:</b>					
Revenue from Sales	[				]
Reservation Charge	[	_____	_____	_____	_____]
<b>Total:</b>	[				]
<b>Expenses:</b>					
Fuel Expense	[				]
Spent Fuel D&D (Decontamination & Disposal)	[				]
Decommissioning	[				]
Direct O&M (90%) (Operations & Maintenance)	[				]
Intercompany Charges	[				]
Taxes (Non Income)	[				]
Depreciation	[	_____	_____	_____	_____]
<b>Total:</b>	[				]
<b>Income before Taxes:</b>	[				]
<b>Income Taxes:</b>	[	_____	_____	_____	_____]
<b>Net Income (Loss):</b>	[				]

The staff found that projections of operating expenses are consistent with historical operating costs. However, the staff concluded that one line item required more extensive review: the projected revenues from 2000-2004 as stated in the income statements. Projected revenues are the product of expected megawatt-hour sales multiplied by PP&L, Inc.'s market price assumptions as stated in the Attachment 4A Income Statement Market Price and Capacity Factor Assumptions. Projected revenues and net income are adequate to cover PPL Susquehanna's expected expenses and to provide the parent companies with favorable returns on their expected investment in PP&L, Inc. However, in a competitive market, the possibility exists that prices, capacity factors, revenue, and net income levels could be significantly lower than anticipated by PP&L, Inc., during some portions of the 5-year projection period and that this could mean less funding would be available for nuclear unit operations.

The staff analysis focuses on how sensitive the PPL Susquehanna revenue forecasts are to lower market prices for the purpose of establishing a projected market price "floor" below which it would begin to have difficulty covering its nuclear operating expenses by relying on revenues. This is done to determine the average annual simple growth rate for the market price which would produce virtually zero net income (or break even level) over the period from 2000 to 2004, and the growth rate is compared to the higher average annual growth rate in the market

prices in PPL Susquehanna's forecast. If a combination of lower prices, capacity factors, revenue or net income levels was to persist for an extended period, PPL Susquehanna or its parent companies might decide to continue operating the nuclear units without profits or, at a certain point, to cease operations permanently at one or both of the nuclear units.

The fixed market price of [ ] from the closing date through December 31, 2009, is specified in the Power Sales Agreement between PPL Susquehanna and PPL EnergyPlus, LLC, which is included as Attachment 6 to the December 15, 1999, application.

The next step in the staff's analysis was to try to determine how reasonable or probable the various growth rates might be for the foreseeable future. Forecasts of electric rates in competitive markets are subject to many unknown factors that make such predictions highly speculative at best, but the reasonableness of various growth rates may be assessed by considering various factors that could provide some indication of future electricity prices. For example, recent trends in electricity prices could allow some inferences as to how such prices might continue to change in the more competitive future environment expected in the electric power industry.

Data on U.S. retail electricity prices from the Energy Information Administration indicate that the overall price (all sales categories) has declined from its highest level in 1993 (at 6.93 cents per kWh) to 6.88 cents per kWh by 1997. The average retail price for the industrial category declined from 4.85 cents per kWh in 1993 to 4.56 cents per kWh in 1997. Considering this downward trend in retail prices and increasing competition in the electric power industry, the general trend of electricity prices at the retail level is likely to continue downward in the near term.

However, it is difficult to predict the direction of prices likely to be paid for PPL Susquehanna's power in its market area. PPL Susquehanna will probably be selling power primarily at market-based prices after the expiration of the Power Sales Agreement at the end of the year 2009, and these prices will be a mix of competitively determined retail and wholesale prices. Also, trends in retail and wholesale electricity prices vary from one region to another, so PPL Susquehanna's prices within its market area may not follow national trends. Thus, the recent downward trend in national retail prices may not necessarily produce a significant downward influence on prices for the Susquehanna SES units.

The North American Electric Reliability Council (NERC) projects that capacity margins will decline substantially in the Mid-Atlantic Area Council (MAAC) region in which the Susquehanna nuclear units operate between 1998 and 2007. (See NERC's Reliability Assessment 1998-2007, October 1998, page 11.) The 17.1-percent capacity margin in 1998 in the MAAC region will decline to 5.1 percent in 2007, according to the NERC forecast. NERC concludes that lower capacity margins can diminish the ability of the bulk electric supply systems to respond to higher than projected demand for electricity caused by extreme weather or unforeseen outages. Actual demand growth rates, driven by a strong economy, are much higher than current projections. This trend would tend to cause market prices of electricity to increase, other factors remaining equal, and suggests that PP&L, Inc.'s price projections are reasonable.

After reviewing several forecasts of U.S. electricity prices and other relevant information (such as a forecast of regional capacity margins), the staff concludes that attempting to forecast the

growth rate, or even the direction of change, for market-based prices in the PPL Susquehanna market area is too speculative to be useful for its contingency analysis. But the staff's most important conclusion from this analysis is that, even if prices for power were to change at an average annual rate much lower than that anticipated by PP&L, Inc., this does not preclude PPL Susquehanna from operating and maintaining the Susquehanna nuclear units in a manner that would protect the public health and safety.

The staff has concluded that the projected income statement shows that the anticipated revenues from sales of capacity and energy from Susquehanna SES provide reasonable assurance of an adequate source of funds to meet PPL Susquehanna's ongoing operating expenses.

The December 15, 1999, application states that PPL Susquehanna anticipates that its parent companies will make adequate contributions to it, on an ongoing basis, so that adequate funding is available for ongoing operation and maintenance costs, even in the unlikely event of an extended shutdown of the units. An additional financial arrangement, in the form of a letter agreement included as Attachment 7 to the application, formalizes the commitment between PPL Corporation and PPL Susquehanna and provides additional assurance that sufficient funds will be available to fund a simultaneous 6-month outage of both Susquehanna units. Pursuant to this funding commitment, up to \$130 million is available at any time the Board of Managers of PPL Susquehanna determines that in order to protect public health and safety and/or to comply with NRC requirements, it needs to draw upon the funding commitment.

The funding commitment will remain in effect until fuel has been removed from the units after PPL Susquehanna has determined to permanently cease operations of Susquehanna SES or the NRC has given its prior written consent to the discontinuance of the funding arrangements contemplated by the letter agreement. PPL Corporation maintains the right to demand that PPL Susquehanna permanently cease Susquehanna SES operations rather than using funds available under the commitment for continued operations. PPL Susquehanna has the right to continue to obtain funds necessary for the safe and orderly shutdown of Susquehanna SES and to continue to safely maintain the units until fuel has been permanently removed from the reactors.

PPL Susquehanna does not anticipate ever having to draw upon the commitments. But if PPL Susquehanna is forced to draw upon the funding agreement, which would require specific findings and a vote by the PPL Susquehanna Board of Managers, PPL Susquehanna maintains in the application that it will exercise care to ensure that it either maintains funds, or holds in reserve the right to draw upon funds, sufficient to assure that it would be able to fund the transition to a safe shutdown of its operating units. PPL Susquehanna will inform the NRC in writing at any time that it draws upon the funding commitment.

The staff finds that PP&L, Inc., has provided reasonable assurance that PPL Susquehanna will be able to obtain adequate funding to own PP&L Inc.'s 90-percent share of the Susquehanna SES and to operate both units and to cover estimated operating costs for the period of the current licenses, and has provided sufficient documentation of specific legal and financial relationships that support this conclusion. However, to ensure that adequate funds are available as might be necessary to fund an extended plant shutdown, the commitment stated in the application that PPL Corporation will have sufficient cash flow from operations to fund one or more extended shutdowns should be made the subject of a condition of the Order approving

the license transfers and the licenses for Susquehanna SES, Units 1 and 2, essentially as follows:

PPL Susquehanna shall not take any action that would cause PPL Corporation or any other direct or indirect parent of PPL Susquehanna to void, cancel, or diminish any applicable commitment to fund an extended plant shutdown as represented in the application for approval of the transfer of the respective licenses for the Susquehanna SES, Units 1 and 2, to PPL Susquehanna.

### 3.0 DECOMMISSIONING FUNDING ASSURANCE

The NRC has determined that the requirements to provide assurance of decommissioning funding and provision of an adequate amount of decommissioning funding are necessary to ensure the adequate protection of public health and safety.

Section 10 CFR 50.33(k) requires that an application for an operating license for a utilization facility contain information indicating how reasonable assurance will be provided that funds will be available to decommission the facility.

PP&L, Inc., as a rate-regulated electric utility, currently maintains Nuclear Decommissioning Trusts for its share of interests in the Susquehanna units. The Nuclear Decommissioning Trusts utilize the external sinking fund financial assurance mechanism provided in 10 CFR 50.75(e)(1)(ii). On March 29, 1999, PP&L, Inc., submitted information to the NRC regarding the status of the Nuclear Decommissioning Trusts. These existing Nuclear Decommissioning Trusts will be transferred to PPL Susquehanna, which will continue to utilize the external sinking fund method, with periodic deposits to be made to the funds over the remaining operating life of the units.

Pursuant to the restructuring legislation in Pennsylvania, the Pennsylvania Public Utilities Commission has authorized PP&L, Inc., to recover the decommissioning costs for its interests in the Susquehanna units pursuant to non-bypassable charge mechanisms. Following the transfer, PP&L, Inc. (renamed PPL Electric Utilities Corporation), will continue to recover these costs through these mechanisms and will be contractually obligated to pay these amounts to PPL Susquehanna. The staff has reviewed the terms of the non-bypassable charge and has concluded that it, plus funds accumulated in the decommissioning trust so far and earnings on current and future accumulated amounts, will be sufficient to fully fund PPL Susquehanna's proposed ownership share of the Susquehanna SES. Thus, PPL Susquehanna will have a source of dedicated revenues for decommissioning the Susquehanna units that is a "non-bypassable charge" within the meaning of 10 CFR 50.75(e)(1)(ii)(B).

The staff concludes that reasonable assurance of decommissioning funding will be provided by the method proposed in the December 15, 1999, application. The staff's conclusion regarding the proposed method for providing reasonable assurance of decommissioning funding does not preclude using other methods permitted by NRC regulations, provided the alternative mechanisms provide equivalent assurance of decommissioning funding. Such alternative methods, if any, would be required to be reported by the licensee and evaluated by the staff in accordance with 10 CFR 50.75. The order approving the license transfers for Susquehanna SES should contain the following condition as should the licenses, to detail the basis of the

staff's finding that decommissioning funding will be acceptable, and the specific continued obligations of PPL Susquehanna:

For purposes of ensuring public health and safety, PPL Susquehanna shall provide decommissioning funding assurance, to be held in decommissioning trust(s) for Susquehanna SES, Units 1 and 2, upon transfer of the respective licenses to PPL Susquehanna, in the amount specified in PP&L, Inc.'s, March 29, 1999, "Decommissioning Report of Financial Assurance" as Owner's Decommissioning Fund Totals at December 31, 1998, plus any additional funds added to the account since the filing of that report, on the date of transfer. In addition, PPL Susquehanna will ensure that its contractual arrangements with PPL EnergyPlus, LLC, and the contractual arrangements of PPL EnergyPlus, LLC with PPL Electric Utilities Corporation to obtain necessary decommissioning funds for Susquehanna SES through a non-bypassable charge will be maintained until the decommissioning trust is fully funded, or will ensure that other mechanisms that provide equivalent assurance of decommissioning funding in accordance with the Commission's regulations are maintained.

In addition, in light of PPL Susquehanna being an unregulated utility not subject to traditional state controls on decommissioning funding, the following conditions must also be incorporated as conditions of approval as well as license conditions essentially as follows:

The decommissioning trust agreements for Susquehanna SES, Units 1 and 2, at the time the license transfers are effected, are subject to the following:

- (a) The decommissioning trust agreements must be in a form acceptable to the NRC.
- (b) With respect to the decommissioning trust funds, investments in the securities or other obligations of PPL Corporation or its affiliates, successors, or assigns shall be prohibited. Except for investments tied to market indexes or other non-nuclear-sector mutual funds, investments in any entity owning one or more nuclear power plants are prohibited.
- (c) The decommissioning trust agreements must provide that no disbursements or payments from the trusts shall be made by the trustee until the trustee has first given the NRC 30-days prior written notice of payment. The decommissioning trust agreements shall further contain a provision that no disbursements or payments from the trusts shall be made if the trustee receives prior written notice of objection from the Director, Office of Nuclear Reactor Regulation.
- (d) The decommissioning trust agreements must provide that the agreements cannot be amended in any material respect without 30-days prior written notification to the Director, Office of Nuclear Reactor Regulation.
- (e) The appropriate section of the decommissioning trust agreements shall state that the trustee, investment advisor, or anyone else directing the investments made in the trusts shall adhere to a "prudent investor" standard, as specified in 18 CFR 35.32(a)(3) of the Federal Energy Regulatory Commission's regulations.

Based on the above, the staff finds PPL Susquehanna will provide reasonable assurance of decommissioning funding.

#### 4.0 TECHNICAL QUALIFICATIONS

PPL Susquehanna is to become the licensed operator of Susquehanna SES upon completion of the transfer. The existing nuclear organizations, regarding which the staff is aware of no deficiencies, will remain essentially intact, even though some current PP&L, Inc., employees who do not become employees of PPL Susquehanna may become employees of PPL Generation. Existing PP&L, Inc., support organizations that support Susquehanna SES operations that are not assigned to PPL Susquehanna may become part of PPL Generation, PPL Corporation or another subsidiary of PPL Corporation. To the extent such support organizations are transferred to a company other than PPL Susquehanna, appropriate service agreements will be in place to govern the provision of such services to PPL Susquehanna, with PPL Susquehanna having final decision making authority over such services. PPL Susquehanna will have final decision making authority over services provided under major vendor contracts also, notwithstanding that such contracts may, in some cases, be assigned from PP&L, Inc., to an affiliate other than PPL Susquehanna. PP&L, Inc., states that it will also transfer to PPL Susquehanna all the assets related to operation of the units, such as design records, procedures, blueprints, manuals, and operating records.

The initial operating organization was determined to be acceptable by the initial licensing review. Subsequent safety-related changes to the operating organization were required to be evaluated with an appropriate methodology. The staff is aware of no deficiencies with the existing PP&L, Inc., operating organization. The application, which does not propose any changes to the technical specifications or final safety analysis report concerning any matters related to plant operations, states that the technical qualifications of PPL Susquehanna to carry out its prospective responsibilities under the existing operating licenses for Susquehanna SES, Units 1 and 2, will remain (i.e., be) the same as those of the current licensee. The staff, therefore, in consideration of all of the above, concludes that PPL Susquehanna will be technically qualified to operate the Susquehanna SES facilities.

#### 5.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

PPL Corporation, the ultimate parent of PPL Susquehanna, is headquartered in Pennsylvania. Its board of directors and all of its principal officers, except for one who is a Canadian citizen, are U.S. citizens.

The December 15, 1999, application stated: "PPL Susquehanna will be a limited liability company organized under the laws of the State of Delaware, formed to acquire the interests in Susquehanna SES presently owned by PP&L, Inc., and to operate Susquehanna SES. PPL Susquehanna will be a wholly owned subsidiary of PPL Generation, a wholly owned subsidiary of PPL Energy Funding Corporation, which in turn will be a wholly owned subsidiary of [PPL Corporation]." PPL Susquehanna is located in Pennsylvania. The Board of Managers and principal officers of PPL Susquehanna are all U.S. citizens. The application also stated: "Following the proposed transfer, PPL Susquehanna will not be owned, controlled or dominated by an alien, a foreign corporation or a foreign government." The NRC staff does not know or have reason to believe otherwise.

## 6.0 INSURANCE

The provisions of the Price-Anderson Act (Section 170 of the AEA) and the Commission's regulations at 10 CFR Part 140 require that PPL Susquehanna be added to the current indemnity agreement for Susquehanna SES. In accordance with the Price-Anderson Act, PPL Susquehanna will also be required to provide primary insurance and participate in the secondary retrospective insurance pool. These requirements can be met by purchasing insurance policies from the nuclear liability insurance pool, American Nuclear Insurers. PPL Susquehanna will also be required to maintain property insurance as specified in 10 CFR 50.54(w). The information provided in the application concerning financial qualifications demonstrates that PPL Susquehanna will be able to pay its share of the \$10 million per unit annual insurance premium, in accordance with 10 CFR 140.21(e)-(f).

Consistent with NRC practice, the staff will require PPL Susquehanna to provide satisfactory documentary evidence that PPL Susquehanna has obtained the appropriate amount of insurance required of licensees under 10 CFR Part 140 of the Commission's regulations, prior to the issuance of the amended licenses reflecting PPL Susquehanna as the operating licensee and co-possessor of the facility. Because the issuance of the amended licenses is directly tied to the consummation of the proposed transfers, the order approving the transfer of Susquehanna SES, Units 1 and 2, will be conditioned as follows:

Before the completion of the transfer of the interests in Susquehanna SES, Units 1 and 2, to PPL Susquehanna as previously described herein, PPL Susquehanna shall provide to the Director of the Office of Nuclear Reactor Regulation satisfactory documentary evidence that PPL Susquehanna has obtained the appropriate amount of insurance required of licensees under 10 CFR Part 140 of the Commission's regulations.

## 7.0 ANTITRUST REVIEW

The Atomic Energy Act does not require or authorize antitrust reviews of post-operating license transfer applications. [Kansas Gas and Electric Co., et al. (Wolf Creek Generating Station Unit 1), CLI-99-19, 49 NRC 441, 468 (1999)]. Therefore, since the transfer application post-dates the issuance of the Susquehanna SES operating licenses, no antitrust review is required or authorized. There are no existing antitrust license conditions. Therefore, there is no issue as to whether to transfer antitrust license conditions.

## 8.0 CONFORMING AMENDMENTS

### 8.1 Introduction

As previously discussed herein, PP&L requested approval of conforming license amendments for Susquehanna SES, Units 1 and 2, to conform the operating licenses for each of the units to reflect the proposed license transfers. Specifically, Facility Operating Licenses Nos. NPF-14 and NPF-22 would be revised to replace references to PP&L, Inc., with the new proposed licensee, PPL Susquehanna, or with "the operating licensee" for certain historical references contained in the licenses. Also, an explanatory footnote is to be added to address the use of the term "operating licensee."

Supplemental information received after the initial Federal Register notice of the request for approval did not affect the applicability of the Commission's generic no significant hazards consideration determination set forth in 10 CFR 2.1315.

## 8.2 Evaluation

The proposed conforming amendments for Susquehanna SES, Units 1 and 2, do no more than accurately reflect the proposed license transfers, involve no safety questions and are administrative in nature. The NRC staff finds that the proposed amendments are acceptable.

## 8.3 State Consultation

In accordance with the Commission's regulations, the Pennsylvania State Official was notified of the proposed issuance of the amendments for Susquehanna SES, Units 1 and 2. The State official had no comments.

## 8.4 Conclusion With Respect To The Conforming Amendments

The Commission has concluded, based on the considerations discussed herein, that (1) there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of the amendments will not be inimical to the common defense and security or to the health and safety of the public.

## 9.0 ENVIRONMENTAL CONSIDERATION

The subject applications are for approval of the transfer of licenses issued by the NRC and approval of conforming amendments. Accordingly, the actions involved meet the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the applications.

## 10.0 CONCLUSIONS

In view of the foregoing information, the NRC staff concludes that with the appropriate conditions discussed above, PPL Susquehanna is financially qualified to own Susquehanna SES, Units 1 and 2, as proposed in the application and is technically qualified to operate Susquehanna SES, Units 1 and 2. In addition, the staff concludes that there are no problematic foreign ownership, insurance, or antitrust considerations that arise from the proposed transfers.

Accordingly, the staff concludes that PPL Susquehanna is qualified to hold the licenses for Susquehanna SES, Units 1 and 2, to the extent now held by PP&L, Inc., and that the transfer of the respective licenses, as described herein, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto, subject to the conditions addressed in this safety evaluation.

Principal Contributors: M. Davis  
R. Schaaf

Date: June 6, 2000

## NONPROPRIETARY ENCLOSURE RECIPIENTS

Susquehanna Steam Electric Station,  
Units 1 & 2

cc w/Enclosures 1, 2, and 3

PP&L, Inc.  
Nuclear Records (w/enclosure)  
Attn: G. DallaPalu  
2 North Ninth Street, GENA62  
Allentown, PA 18101-1179

George T. Jones  
Vice President-Nuclear Engineering  
& Support  
PP&L, Inc.  
2 North Ninth Street, GENA61  
Allentown, PA 18101-1179

Senior Resident Inspector  
U.S. Nuclear Regulatory Commission  
P.O. Box 35, NUCSA4  
Berwick, PA 18603-0035

Director-Bureau of Radiation  
Protection  
Pennsylvania Department of  
Environmental Resources  
P.O. Box 8469  
Harrisburg, PA 17105-8469

Richard W. Osborne  
Allegheny Electric Cooperative, Inc.  
212 Locust Street  
P.O. Box 1266  
Harrisburg, PA 17108-1266

Board of Supervisors  
Salem Township  
P.O. Box 405  
Berwick, PA 18603-0035

Regional Administrator, Region I  
U.S. Nuclear Regulatory Commission  
475 Allendale Road  
King of Prussia, PA 19406

Bryce L. Shriver  
Vice President-Nuclear Site Operations  
Susquehanna Steam Electric Station  
PP&L, Inc.  
Box 467, NUCSA4  
Berwick, PA 18603-0035

Herbert D. Woodeshick  
Special Office of the President  
PP&L, Inc.  
Rural Route 1, Box 1797  
Berwick, PA 18603-0035

Dr. Judith Johnsrud  
National Energy Committee  
Sierra Club  
433 Orlando Avenue  
State College, PA 16803

## PROPRIETARY ENCLOSURE RECIPIENTS

Susquehanna Steam Electric Station,  
Units 1 &2

cc w/Enclosures 1, 2, 3, and 4

Bryan A. Snapp, Esq.  
Assoc. General Counsel  
PP&L, Inc.  
2 North Ninth Street, GENTW3  
Allentown, PA 18101-1179

John E. Matthews  
Morgan, Lewis & Bockius LLP  
1800 M Street, NW.  
Washington, DC 20036-5869

Terry L. Harpster  
Manager - Nuclear Licensing  
PP&L, Inc.  
2 North Ninth Street, GENA61  
Allentown, PA 18101-1179