

# AmerGen

A PECO Energy/British Energy Company

98 DEC 17 10 10 AM

AmerGen Energy Company, LLC  
965 Chesterbrook Blvd. 83C-3  
Wayne, PA 19087-5691  
Telephone: 610 640 6600  
Fax: 610 640 5611

December 3, 1998

10 CFR § 50.80

BY HAND DELIVERY ON DECEMBER 4, 1998

1920-98-20591

U.S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
Mail Stop O-P1-17  
One White Flint North  
11555 Rockville Pike  
Rockville, MD 20852-2738



Re: Three Mile Island Nuclear Station, Unit 1 (TMI-1)  
Facility Operating License No. DPR-50, Docket No. 50-289  
License Amendment Request No. 278  
Proposed License Transfer and Conforming Administrative License Amendments

Dear Sir/Madam:

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended (the Act), and 10 CFR § 50.80, AmerGen Energy Company, LLC (AmerGen) and GPU Nuclear, Inc. (GPUN), acting for itself and on behalf of Metropolitan Edison Company (Met-Ed), Jersey Central Power & Light Company (JCP&L), and Pennsylvania Electric Company (Penelec), hereby request that the Nuclear Regulatory Commission (NRC) consent to the transfer of Facility Operating License No. DPR-50 for Three Mile Island Nuclear Station, Unit 1 (TMI-1) to AmerGen. This application, which is provided in two white binders (Volume 1 of 2 & Volume 2 of 2), includes confidential information which should be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790. A redacted version of this entire application suitable for public disclosure is being provided separately in two blue binders.

AmerGen and GPUN request that the NRC consent to this transfer and authorize AmerGen to possess, use, and operate TMI-1 under essentially the same conditions and authorizations included in the existing license. No physical changes will be made to the TMI-1 facility as a result of this transfer, and there will be no significant change in the day-to-day operations of TMI-1. AmerGen and GPUN also request NRC approval of administrative amendments to conform the license to reflect the proposed transfer action.

Met-Ed, JCP&L, and Penelec (doing business as, and hereinafter referred to collectively as GPU Energy) are wholly owned public utility subsidiaries of GPU, Inc. (GPU), an electric utility holding company registered under the Public Utility Holding Company Act of 1935. GPU Energy provides retail electric service to residential, industrial, and commercial

9812080013 981203  
PDR ADOCK 05000289  
P PDR

*See attached*  
*2222 Per Tom Colburn*  
*1/1 Prop*  
*1 Non Prop*

U.S. Nuclear Regulatory Commission  
December 3, 1998  
Page 2

consumers in portions of Pennsylvania, New Jersey, and New York. GPU Energy also sells electricity at wholesale and provides access to its transmission facilities through the regional open access transmission tariff administered by PJM Interconnection, LLC (PJM).<sup>1/</sup> GPUN, which is also a wholly owned subsidiary of GPU, is the licensed operator of TMI-1, and the GPU Energy companies are the licensed owners of TMI-1. Following the proposed transfer, AmerGen will become the sole licensed owner and operator of TMI-1.

AmerGen is a limited liability company formed to acquire and operate nuclear power plants in the United States. AmerGen's principal offices are located in Wayne, Pennsylvania. AmerGen is organized under the laws of the State of Delaware pursuant to the AmerGen Limited Liability Company Agreement, dated as of August 18, 1997, as amended, among PECO Energy Company (PECO Energy), a Pennsylvania corporation; British Energy plc (British Energy), a Scottish corporation; and British Energy Inc. (BE Inc.), a Delaware corporation which is a wholly owned subsidiary of British Energy. British Energy is a party to the AmerGen Limited Liability Company Agreement, but only PECO Energy and BE Inc. are members of AmerGen, with each holding a 50% ownership interest in AmerGen.

Both PECO Energy and British Energy have more than twenty years of nuclear operating experience. PECO Energy is a member of the Institute of Nuclear Power Operations (INPO) and is the licensed operator of four nuclear reactors at the Limerick and Peach Bottom nuclear generating stations. PECO Energy also owns 100% of the Limerick units, 42.49% of the Peach Bottom units, and 42.59% of the two Salem nuclear units. British Energy is the owner and operator of fifteen nuclear reactors at eight nuclear operating sites in the United Kingdom, and it participates in the World Association of Nuclear Operators. British Energy generates approximately 21% of the electricity consumed in Great Britain.

The Chairman of the Management Committee of AmerGen is Michael J. Egan, the Chief Financial Officer of PECO Energy. The Chief Executive Officer (CEO) of AmerGen is Dickinson M. Smith, the former Senior Vice President and Chief Nuclear Officer (CNO) of PECO Energy. The President of AmerGen is Dr. Robin Jeffrey, FEng, the Deputy Chairman of British Energy. Gerald R. Rainey, PECO Energy's CNO, will also serve as AmerGen's CNO for TMI-1 and will report directly to Mr. Smith, AmerGen's CEO.

On October 12, 1997, GPU announced its intention to begin the process of divesting its generation assets through an auction process (Divestiture Process). GPU's initiation of the Divestiture Process reflected GPU's desire to concentrate on its core business of delivering electricity to customers rather than using resources to expand generation capability enough to be a successful competitor in the merchant generation business. GPU's decision to divest was

---

<sup>1/</sup> See *Pennsylvania-New Jersey-Maryland Interconnection*, 81 FERC ¶ 61,257 (1997).

## U.S. Nuclear Regulatory Commission

December 3, 1998

Page 3

also made in response to several other factors: (a) the ongoing restructuring of the electric utility industry in the United States, including recent decisions and orders by the Federal Energy Regulatory Commission promoting competition at the wholesale level and open access to transmission facilities; (b) restructuring legislation in Pennsylvania and orders of the Pennsylvania Public Utility Commission (PaPUC) requiring the unbundling of different utility functions and the transition to full competition at the retail level; and (c) similar guidance contained in the Findings and Recommendations For Restructuring the Electric Utility Industry in New Jersey, issued by the New Jersey Board of Public Utilities. GPU's Divestiture Process has received widespread support from the parties participating in the retail restructuring proceedings for GPU Energy in Pennsylvania and New Jersey.

The sale of TMI-1 is part of the Divestiture Process, and the PaPUC has stated its approval of this sale of TMI-1, pursuant to a Final Order dated October 20, 1998 approving a Joint Petition for Settlement dated September 23, 1998. As of October 15, 1998, GPU Energy, GPUN, and AmerGen executed the TMI-1 Asset Purchase Agreement, under which GPU Energy and GPUN will transfer their interests in TMI-1 to AmerGen.<sup>2/</sup> In accordance with the TMI-1 Asset Purchase Agreement, the closing of the transaction will take place on the Closing Date, as defined in the TMI-1 Asset Purchase Agreement, once all conditions precedent are satisfied and regulatory approvals are obtained. On and after the Closing Date, the following events will occur pursuant to the Asset Purchase Agreement, the Interconnection Agreement, and the Power Purchase Agreement: (a) AmerGen will assume title to TMI-1 (including all real estate, buildings, equipment, spare parts, fixtures, inventory, documents, records, assignable contracts, other property necessary for the operation and maintenance of TMI-1 and all used and spent nuclear fuel and other licensed materials at TMI-1, but excluding certain switchyard and transmission facilities and certain other property and equipment, e.g., TMI-2, on the TMI site being retained by GPU Energy) and assume all responsibility for the operation, maintenance, and eventual decommissioning of TMI-1; (b) GPUN's approximately 700 employees located at TMI-1 involved in the operation and maintenance of TMI-1 will become employees of AmerGen and continue to perform these functions for AmerGen; (c) AmerGen will have the right to offer to employ selected GPUN corporate support staff located at its Parsippany, New Jersey offices; (d) AmerGen will obtain interconnection services for TMI-1 from Met-Ed and will obtain transmission and power services through PJM; (e) GPU Energy will purchase from AmerGen capacity and energy from TMI-1 from the Closing Date until December 31, 2001; and (f) GPU Energy will have made or will make additional deposits to the TMI-1 decommissioning trust funds so that these funds total approximately \$311-320 million (depending upon the actual Closing Date), which is adequate to fully fund the radiological decommissioning of TMI-1 when expected real growth in earnings is credited.

---

2/ Met-Ed, JCP&L and Penelec currently hold ownership interests of 50%, 25% and 25%, respectively, in TMI-1 as tenants-in-common.

U.S. Nuclear Regulatory Commission  
December 3, 1998  
Page 4

Subject to certain adjustments, GPU Energy and GPUN's consideration for the sale of TMI-1 will be AmerGen's payment of \$23 million at closing; AmerGen's payment of approximately \$77 million in nuclear fuel payments over five years; and AmerGen's possible additional payments from 2002 through 2010 based upon the market price of electricity.

GPU Energy is not selling the Three Mile Island Nuclear Station, Unit 2 (TMI-2). However, AmerGen, GPUN and GPU Energy have entered into a separate agreement for AmerGen to provide certain support services to GPUN with respect to TMI-2, including Post-Defueling Monitored Storage services. GPU Energy will continue to own TMI-2, and GPUN will remain responsible for the monitored storage and eventual decommissioning of TMI-2. There will be no transfer of the TMI-2 license.

Additional information pertaining to the proposed transfer of TMI-1 and AmerGen's qualifications, including the information required under 10 CFR § 50.80, is provided in Appendix A. (Exhibits 5 and 6 to Appendix A contain certain financial projections that constitute proprietary commercial and financial information which should be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790. Versions of these exhibits suitable for public disclosure are being provided as Exhibit 5R and Exhibit 6R.) Appendix B contains a mark-up of the TMI-1 license and the relevant portions of the TMI-1 technical specifications, reflecting the conforming administrative amendments associated with the license transfer. Appendix C contains a safety evaluation of the conforming administrative amendments, which confirms the generic finding in 10 CFR § 2.1315(a) that such conforming administrative amendments to the license of a utilization facility involve no significant hazards consideration. Copies of the Asset Purchase Agreement and its Exhibits are included in a separately bound Appendix D. (Designated information in this Appendix D is proprietary commercial and financial information which should be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790. A version suitable for public disclosure is provided as Appendix DR.) The Asset Purchase Agreement also incorporates numerous voluminous schedules and ancillary agreements totaling thousands of pages which are not included in Appendix D. Copies of these additional documents will be made available for review upon request.

AmerGen and GPUN believe that the information contained in these appendices demonstrates that: (1) AmerGen will possess the requisite technical and financial qualifications to own and operate TMI-1; (2) AmerGen will not be owned, controlled, or dominated by an alien, foreign corporation or foreign government, within the meaning of Section 104d of the Act; (3) the proposed transfer and conforming administrative amendments do not raise any significant safety issues; and (4) the proposed transfer does not require antitrust review by the NRC. As discussed in greater detail in Appendix A, the proposed transfer and conforming administrative amendments will involve certain organizational and administrative changes, but will not involve any other change to TMI-1's current licensing basis. The proposed transfer will not

U.S. Nuclear Regulatory Commission  
December 3, 1998  
Page 5

involve any reduction in the commitments in its quality assurance plan, or any reduction in the effectiveness of the emergency and security plans for TMI-1.

In summary, the proposed transfer will be consistent with the requirements set forth in the Act, NRC regulations, and the relevant NRC license and orders, and it will neither have any adverse impact on the public health and safety nor be inimical to the common defense and security. AmerGen and GPUN therefore respectfully request that the Commission consent to the transfer in accordance with 10 CFR § 50.80 and approve the conforming administrative amendments pursuant to 10 CFR § 50.92.

The Closing Date of the sale of TMI-1 is dependent upon the receipt of all required regulatory approvals and will occur promptly after receipt of the necessary approvals. The specific closing terms set forth in Asset Purchase Agreement are based upon a closing which takes place following the refueling outage now scheduled for September/October 1999, and these terms will be subject to certain adjustments in the event that the closing occurs prior to the refueling outage. Thus, the parties have agreed in Section 6.1(e) to negotiate the administrative details and adjustments to the closing terms which would apply in the event of an earlier closing. It is the parties' desire to close at the earliest practicable date following receipt of all required regulatory approvals. Therefore, AmerGen and GPUN request that the NRC review this request on a schedule that will permit the issuance of NRC consent to the license transfer, and approval of the conforming administrative license amendments, as promptly as possible, and in any event before April 15, 1999. Such consent should be immediately effective upon issuance, and it should consent to the transfer occurring at any time through December 31, 1999, or such later date as may be permitted by the NRC. AmerGen and GPUN will keep the NRC informed if there are any significant changes in the status of the other required approvals or other developments that have an impact on this schedule.

If NRC requires additional information concerning this license transfer request, please contact David J. Distel of GPUN at (973) 316-7955. Service upon the applicants of comments, hearing requests, intervention petitions, or other pleadings, if applicable, should be made to David R. Lewis, counsel for GPUN, at Shaw Pittman Potts & Trowbridge, 2300 N Street, N.W., Washington, DC 20037-1128 (tel: 202-663-8474; fax: 202-663-8007; e-mail: david\_lewis@shawpittman.com) and Kevin P. Gallen, counsel for AmerGen, at Morgan, Lewis & Bockius LLP, 1800 M Street, NW, Washington, DC 20036-5869 (tel: 202-467-7462; fax: 202-467-7176; e-mail: gall7462@mlb.com).

U.S. Nuclear Regulatory Commission  
December 3, 1998  
Page 6

Sincerely,



Dickinson M. Smith  
AmerGen Energy Company, LLC

---

T. Gary Broughton  
GPU Nuclear, Inc.

- Encl. (1) Affirmation of Dickinson M. Smith  
(2) Affirmation of T. Gary Broughton  
(3) 10 CFR § 2.790 Affidavit of Dickinson M. Smith  
(4) Certificate of Service for TMI-1 License Amendment Request No. 278  
(5) Appendices A - DR

cc: Administrator, Region I  
TMI Senior Resident Inspector  
TMI-1 Senior Project Manager  
File No. 98152