

November 5, 1999

10 CFR § 50.80
10 CFR § 50.92

1940-99-20570

BY HAND DELIVERY

U.S. Nuclear Regulatory Commission
ATTN: Samuel J. Collins, Director, Office of Nuclear Reactor Regulation
Mail Stop O-5 B7
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

Re: Oyster Creek Nuclear Generating Station
Facility Operating License No. DPR-16
Docket No. 50-219
Application for Order and Conforming Administrative Amendments For License Transfer

Dear Mr. Collins:

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 on its own behalf and on behalf of Jersey Central Power & Light Company (JCP&L)—hereby request that the Nuclear Regulatory Commission (NRC) consent to the transfer of Facility Operating License No. DPR-16 for the Oyster Creek Nuclear Generating Station (Oyster Creek), and JCP&L's 100% ownership interest in Oyster Creek, to AmerGen.

Through the attached Application for Order and Conforming Administrative Amendments for License Transfer (Application), the parties ask the NRC to consent to this transfer and authorize AmerGen to possess, use, and operate Oyster Creek under essentially the same conditions and authorizations included in the existing NRC license for JCP&L and GPUN for this plant. No physical changes will be made to Oyster Creek as a result of this transfer, and there will be no significant change in the day-to-day operation of the plant. The parties also ask NRC to approve certain conforming administrative amendments to the Oyster Creek license to reflect the proposed transfer.

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JCP&L, doing business as "GPU Energy," is licensed by the NRC to possess its 100% ownership interest in Oyster Creek. JCP&L is a wholly owned public utility subsidiary of GPU, Inc. (GPU), an electric utility holding company registered under the Public Utility Holding Company Act of 1935. GPUN, the licensed operator of Oyster Creek, is also a wholly owned subsidiary of GPU. Following the proposed transfer, AmerGen will become the sole licensed owner and operator of Oyster Creek.

AmerGen is a limited liability company formed by PECO Energy Company (PECO Energy), British Energy, plc (British Energy) and British Energy, Inc. (BE Inc.) to acquire and operate nuclear power plants in the United States. AmerGen is owned 50% each by PECO Energy and BE Inc. The NRC recently approved the transfer of Facility Operating License DPR-50 for Three Mile Island, Unit 1, to AmerGen. See *GPU Nuclear, Inc., et al. (Three Mile Island, Unit No. 1), Order Approving Transfer of License And Conforming Amendment, 64 FR 19202 (April 19, 1999); Safety Evaluation by the Office of NRR, Transfer of Facility Operating License from GPUN, Inc., et al. to AmerGen, (Three Mile Island, Unit No. 1), Docket No. 50-289 (April 12, 1999).*

In connection with the ongoing restructuring of the electric utility industry in the United States, and the State of New Jersey in particular, GPU has decided to substantially withdraw from the energy generation business, including nuclear generation, and sell Oyster Creek. On October 15, 1999, GPUN, JCP&L, and AmerGen executed the Oyster Creek Purchase and Sale Agreement (the Oyster Creek Agreement). Under this agreement, JCP&L and GPUN will transfer their respective ownership and operating interests in Oyster Creek to AmerGen. The parties also executed, or will execute, certain ancillary agreements in connection with the Oyster Creek Agreement including an Interconnection Agreement and a Power Purchase Agreement. In accordance with the Oyster Creek Agreement, the closing of the transaction will take place on the Closing Date, as defined in the Oyster Creek Agreement, once all conditions precedent are satisfied and all required regulatory approvals are obtained.

On and after the Closing Date, the following events will occur pursuant to the Oyster Creek Agreement, the Interconnection Agreement, and the Power Purchase Agreement:

- (a) AmerGen will assume JCP&L's right, title, and interest in and to Oyster Creek, except as specified in the Oyster Creek Agreement—including buildings, machinery, equipment, spare parts, fixtures, inventory, documents, records, assignable contracts, new, used and spent nuclear fuel, other NRC licensed materials at Oyster Creek, and other property necessary for its operation and

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maintenance—and assume GPUN's responsibility for the operation, maintenance, and eventual decommissioning of the plant;

- (b) AmerGen will offer employment to the bulk of the GPUN personnel working at Oyster Creek, will assume the existing Collective Bargaining Agreement for the transferred union employees, and will have the opportunity to offer employment to selected GPUN corporate support staff located at its Parsippany, New Jersey offices;
- (c) AmerGen has entered into an Interconnection Agreement with JCP&L, will obtain transmission services through PJM Interconnection, LLC, and will have contracted for back-up power to the site consistent with NRC requirements;
- (d) JCP&L will purchase 100% of Oyster Creek's capacity and energy from AmerGen from the Closing Date until March 31, 2003;
- (e) JCP&L will have made or will make additional cash deposits to the Oyster Creek decommissioning trust funds such that the fair market value after transfer will be \$430 million, subject to certain adjustments, e.g., if the closing date is other than March 31, 2000. In any event, AmerGen will assure that the fair market value of the funds, net of taxes and expenses, will be no less than \$400 million, which substantially exceeds the NRC's minimum requirements for decommissioning funding; and
- (f) JCP&L will fund the upcoming Oyster Creek refueling outage (Fall 2000) including the cost of re-load fuel, and AmerGen will reimburse JCP&L for these costs—subject to a cap—in nine equal annual installments starting on the first anniversary of the Closing.

AmerGen believes that the information contained in this Application demonstrates that AmerGen possesses the requisite technical and financial qualifications to own and operate Oyster Creek. As discussed in the Application, the proposed transfer and conforming administrative amendments will involve certain organizational and administrative changes, but will not involve any other change to Oyster Creek's current licensing basis. AmerGen does not anticipate any reduction in the commitments in the quality assurance plan, or any reduction in the effectiveness of the emergency and security plans for Oyster Creek as a result of the transfer.

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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 will neither have any adverse impact on the public health and safety nor be inimical to the common defense and security. AmerGen, JCP&L 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 Oyster Creek is dependent upon the receipt of all required regulatory approvals, and will occur promptly after receipt of the necessary approvals. It is the parties' desire to close at the earliest practicable date following receipt of all required regulatory approvals. Therefore, AmerGen, JCP&L and GPUN request that the NRC review this Application 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 March 1, 2000. Such consent should be immediately effective upon issuance, and should permit the transfer and the implementation date of the conforming amendments to occur up to one year after issuance, or such later date as the NRC may permit. The parties 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.

The Application includes a proprietary, separately bound Addendum with Enclosures 3A and 5A of the Application, because these Enclosures contain confidential commercial or financial information. AmerGen requests that these Enclosures be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790, as described in the Affidavit of Gerald R. Rainey provided in Enclosure 12 to the Application. Non-Proprietary versions of these documents suitable for public disclosure are provided as Enclosures 3 and 5 to the Application.

If NRC requires additional information concerning these license transfer requests, please contact Ron Zak, Senior Engineer, GPU Nuclear Corporation, One Upper Pond Road, Parsippany, NJ 07054. Service upon the applicants of comments, hearing requests, intervention petitions, or other pleadings, if applicable, should be made to David R. Lewis, counsel for JCP&L and 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, N.W., Washington, DC 20036-5869 (tel: 202-467-7462; fax: 202-467-7176; e-mail: kpgallen@mlb.com).

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Sincerely,


Gerald R. Rainey
AmerGen Energy Company, LLC

T. Gary Broughton
GPU Nuclear, Inc.

Encl. (1) Application

cc: Document Control Desk, NRC (3 copies)
Hubert J. Miller, Regional Administrator, Region I, NRC
Laura Dudes, Oyster Creek, Senior Resident Inspector, NRC
Helen N. Pastis, Oyster Creek Project Manager, NRC
Sheri Peterson, Section Chief PD-1, Section 1, NRR
Mr. Kent Tosch, Director, Bureau of Nuclear Engineering, NJ DEP (non-proprietary
version only)