

August 22, 2000

Mr. John F. Groth  
Sr. Vice President and  
Chief Nuclear Officer  
Consolidated Edison Company  
of New York, Inc.  
Broadway and Bleakley Avenue  
Buchanan, NY 10511

Mr. Bruce D. Kenyon  
President and CEO-NNEC  
Northeast Nuclear Energy Company  
P.O. Box 270  
Hartford, CT 06141-0270

SUBJECT: ORDER AND SAFETY EVALUATION REGARDING INDIRECT TRANSFER OF  
LICENSES INVOLVING CONSOLIDATED EDISON, INC., AND NORTHEAST  
UTILITIES (TAC NOS. MA7963, MA7968, MA7969, MA7975, MA7977, AND  
MA7980)

Dear Messrs. Groth and Kenyon:

The enclosed Orders and Safety Evaluation are in response to your letter and application of January 13, 2000, requesting approval of the indirect transfer of licenses held by subsidiaries of Consolidated Edison, Inc., (CEI) and Northeast Utilities (NU) with respect to their interests in Indian Point Nuclear Generating Units 1 and 2; Millstone Nuclear Power Station, Units 1, 2, and 3; and Seabrook Station, Unit 1, to New Consolidated Edison, Inc. (New CEI), pursuant to Section 50.80 of Title 10 of the *Code of Federal Regulations*. The January 13 letter and application were supplemented by a letter dated May 2, 2000, which provided an updated status of the proposed merger and clarification of the original submittal.

CEI and NU propose, with necessary approvals, to merge through two simultaneous mergers: the merger of CEI into New CEI, a Delaware corporation, and the merger of an indirect wholly owned subsidiary of New CEI with NU. New CEI would become the parent corporation to, and sole owner of, Consolidated Edison Company of New York, Inc. (currently a subsidiary of CEI) and NU. The Commission has concluded that this transaction would not affect the qualifications of Consolidated Edison Company of New York, Inc., North Atlantic Energy Corporation, North Atlantic Energy Service Corporation, The Connecticut Light and Power Company, Western Massachusetts Electric Company, Public Service Company of New Hampshire, and Northeast Nuclear Energy Company as holders of their respective licenses and that the indirect transfer of the licenses, to the extent effected by the CEI merger with NU, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto. The Orders are being forwarded to the Office of the Federal Register for publication.

J. Groth and B. Kenyon

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If you have any questions regarding this matter, please contact me at 301-415-3016.

Sincerely,

***/RA/***

Robert M. Pulsifer, Project Manager, Section 2  
Project Directorate I  
Division of Licensing Project Management  
Office of Nuclear Reactor Regulation

Docket Nos. 50-443, 50-003, 50-247  
50-245, 50-336, and 50-423

Enclosures: 1. Millstone Order  
2. Indian Point Order  
3. Seabrook Order  
4. Safety Evaluation

cc w/encls: See next page

J. Groth and B. Kenyon

- 2 -

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Robert M. Pulsifer, Project Manager, Section 2  
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cc w/encls: See next page

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UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
CONSOLIDATED EDISON COMPANY	)	
OF NEW YORK, INC.	)	Docket Nos. 50-003 and 50-247
	)	
	)	
(Indian Point Nuclear Generating	)	
Units 1 and 2)	)	

ORDER APPROVING APPLICATION REGARDING CORPORATE MERGER  
OF CONSOLIDATED EDISON, INC., AND NORTHEAST UTILITIES

I.

Consolidated Edison Company of New York, Inc. (CEI of NY), a subsidiary of Consolidated Edison, Inc. (CEI), holds 100-percent ownership interest in Indian Point Nuclear Generating Units 1 and 2 (Indian Point Units 1 and 2). CEI of NY holds the facility Operating Licenses Nos. DPR-5 and DPR-26 issued by the U.S. Atomic Energy Commission pursuant to Part 50 of Title 10 of the *Code of Federal Regulations* (10 CFR Part 50) on March 26, 1962, for Indian Point Unit 1 and September 28, 1973, for Indian Point Unit 2, respectively. Under these licenses, CEI of NY has the authority to possess and operate Indian Point Units 1 and 2, which are located in Westchester County, New York.

II.

Pursuant to Section 184 of the Atomic Energy Act of 1954 (the Act), as amended, and 10 CFR 50.80, CEI of NY and North Atlantic Energy Service Corporation and Northeast Nuclear Energy Company, subsidiaries of Northeast Utilities (NU), jointly filed an application dated January 13, 2000, as supplemented by a letter dated May 2, 2000 (collectively herein

referred to as the application), requesting the Commission's approval of the indirect transfer of the licenses for the Indian Point units in connection with the proposed corporate mergers involving CEI and NU. The applicants informed the Commission that CEI and NU were in the process of implementing a corporate merger in which CEI and NU will be combined through two simultaneous mergers: the merger of CEI into New CEI, a Delaware corporation, and the merger of an indirect, wholly owned subsidiary of New CEI with NU. New CEI would become the parent corporation to, and sole owner of, CEI of NY and NU. CEI of NY would continue to remain a 100-percent owner and possession licensee as well as the operator of Indian Point Units 1 and 2. The NU indirect interests in the Millstone Nuclear Power Station Units 1, 2, and 3 and the Seabrook Station Unit 1 will be the subject of separate orders. CEI of NY would remain an "electric utility" as defined in 10 CFR 50.2 engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale. No physical changes to the facilities or operational changes are being proposed in the application. Notice of this request for approval was published in the Federal Register on April 7, 2000 (65 FR 18378). No hearing requests were received concerning Indian Point Units 1 and 2.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives 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 the corporate merger will not affect the qualifications of CEI of NY as the holder of the Indian Point Units 1 and 2 licenses referenced above, and that the indirect transfer of the licenses, to the extent effected by the merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the

Commission subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated August 22, 2000.

III.

Accordingly, pursuant to Sections 161b, 161i, 161o, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§ 2201(b), 2201(i), 2201(o), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the application regarding the indirect license transfers referenced above is approved subject to the following conditions: (1) CEI of NY shall provide the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from CEI of NY to its proposed parent or to any other affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding ten percent (10%) of CEI of NY's consolidated net utility plant, as recorded on CEI of NY's books of accounts, and (2) should the corporate merger of CEI and NU not be completed by December 31, 2001, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

For further details with respect to this action, see the initial application dated January 13, 2000, the supplemental letter dated May 2, 2000, and the Safety Evaluation dated August 22, 2000, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and accessible

electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site  
(<http://www.NRC.gov>).

FOR THE NUCLEAR REGULATORY COMMISSION

*/RA/*

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,  
this 22nd day of August 2000.

UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
THE CONNECTICUT LIGHT AND POWER	)	
COMPANY, WESTERN MASSACHUSETTS	)	Docket Nos. 50-245, 50-336, and 50-423
ELECTRIC COMPANY, PUBLIC SERVICE	)	
COMPANY OF NEW HAMPSHIRE, AND	)	
NORTHEAST NUCLEAR ENERGY	)	
COMPANY	)	
	)	
(Millstone Nuclear Power Station,	)	
Units 1, 2, and 3)	)	

ORDER APPROVING APPLICATION REGARDING CORPORATE MERGER OF CONSOLIDATED EDISON, INC. AND NORTHEAST UTILITIES

I.

The Connecticut Light and Power Company (CL&P) holds 81-percent ownership interest in Millstone Nuclear Power Station (Millstone) Units 1 and 2, and 52.9330-percent ownership interest in Millstone Unit 3; Western Massachusetts Electric Company (WMECO) holds 19-percent ownership in Millstone Units 1 and 2, and 12.2385-percent ownership in Millstone Unit 3; and Public Service Company of New Hampshire (PSNH) holds 2.8475-percent ownership in Millstone, Unit 3. CL&P, WMECO, and PSNH are subsidiaries of Northeast Utilities (NU). Ten other investor-owned and municipal entities unaffiliated with NU hold the remaining ownership interests in Millstone Unit 3.

CL&P and WMECO are holders of Facility Operating License No. DPR-21 issued by the Atomic Energy Commission pursuant to 10 CFR Part 50 on October 7, 1970, for Millstone Unit 1 and Facility Operating License No. DPR-65 issued by the Nuclear Regulatory Commission (NRC) pursuant to 10 CFR Part 50 on September 26, 1975, for Millstone Unit 2. CL&P, WMECO, and PSNH (with the other co-owners of Millstone Unit 3) are holders of Facility

Operating License No. NPF-49 issued by the NRC pursuant to 10 CFR Part 50 on January 31, 1986, for Millstone Unit 3. Under these licenses, Northeast Nuclear Energy Company (NNEC), an affiliate of NU, has the authority to operate Millstone Units 1, 2, and 3, and is a co-holder of the respective licenses in this regard. Millstone is located in New London County, Connecticut.

## II.

Pursuant to Section 184 of the Atomic Energy Act of 1954 (the Act), as amended, and 10 CFR 50.80, NNEC and North Atlantic Energy Service Corporation, on behalf of the NU subsidiary licensees of the Millstone units, and Consolidated Edison Company of New York, Inc. (CEI of NY), a subsidiary of Consolidated Edison, Inc. (CEI), jointly filed an application dated January 13, 2000, as supplemented by letter dated May 2, 2000 (collectively herein referred to as the application), requesting the Commission's approval of the indirect transfer of the licenses for the Millstone units to the extent held by CL&P, PSNH, WMECO, and NNEC in connection with the proposed corporate mergers involving CEI and NU. The applicants informed the Commission that CEI and NU were in the process of implementing a corporate merger in which CEI and NU will be combined through two simultaneous mergers: the merger of CEI into New CEI, a Delaware corporation, and the merger of an indirect, wholly owned subsidiary of New CEI with NU. New CEI would become the parent corporation to, and sole owner of, CEI of NY and NU. CL&P, WMECO, PSNH, and NNEC, will remain subsidiaries of NU. CL&P, WMECO, and PSNH would continue to hold their respective ownership interests in and possession-only licenses for Millstone Units 1, 2, and 3. The indirect CEI interest in Indian Point Units 1 and 2 and the indirect NU interest in Seabrook Station Unit 1, will be the subject of separate orders. NNEC will remain the operator of Millstone Units 1, 2, and 3. The NU

subsidiary owners would each remain an “electric utility” as defined in 10 CFR 50.2, engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale. No physical changes to the facilities or operational changes are being proposed in the application. Notice of this request for approval was published in the Federal Register on April 7, 2000 (65 FR 18381). Pursuant to the notice, a petition for leave to intervene and request for hearing regarding the proposed indirect transfer of the licenses for the Millstone units has been received from the Connecticut Coalition Against Millstone and the Long Island Coalition Against Millstone and the matter is currently pending before the Commission.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives 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 the corporate merger will not affect the qualifications of WMECO, CL&P, PSNH, and NNEC as holders of the licenses referenced above, and that the indirect transfer of the licenses, to the extent effected by the merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated August 22, 2000.

### III.

Accordingly, pursuant to Sections 161b, 161i, 161o, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§ 2201(b), 2201(i), 2201(o), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the application regarding the indirect license transfers referenced above is approved subject to the following conditions: (1) CL&P, WMECO, and PSNH, as applicable, shall provide the Director of the Office of Nuclear Reactor Regulation a copy of any

application, at the time it is filed, to transfer (excluding grants of security interests or liens) from CL&P, WMECO, or PSNH, respectively, to its proposed direct or indirect parent or to any other affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding ten percent (10%) of the subject licensee's consolidated net utility plant, as recorded in the licensee's books of account, and (2) should the corporate merger of CEI and NU not be completed by December 31, 2001, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

For further details with respect to this action, see the initial application dated January 13, 2000, the supplemental letter dated May 2, 2000, and the Safety Evaluation dated August 22, 2000, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (<http://www.NRC.gov>).

FOR THE NUCLEAR REGULATORY COMMISSION

*/RA/*

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,  
this 22nd day of August 2000.

UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	Docket No. 50-443
CONNECTICUT LIGHT AND POWER	)	
COMPANY, NORTH ATLANTIC ENERGY	)	
CORPORATION, AND NORTH ATLANTIC	)	
ENERGY SERVICE CORPORATION	)	
	)	
(Seabrook Station, Unit 1)	)	

ORDER APPROVING APPLICATION REGARDING CORPORATE MERGER OF CONSOLIDATED EDISON, INC, AND NORTHEAST UTILITIES

I.

The Connecticut Light and Power Company (CL&P) holds 4.05985-percent ownership interest in Seabrook Station, Unit 1, and North Atlantic Energy Corporation (NAEC) holds 35.98201-percent ownership interest in Seabrook Station, Unit 1. CL&P and NAEC are subsidiaries of Northeast Utilities (NU). Nine other investor-owned and municipal entities unaffiliated with NU are holders of the remaining ownership interests in Seabrook Station, Unit 1.

CL&P and NAEC with the other co-owners of Seabrook Station, Unit 1 are holders of Facility Operating License No. NPF-86 issued by the NRC pursuant to 10 CFR Part 50 on March 15, 1990 for Seabrook Station, Unit 1. Under this license, North Atlantic Energy Service Corporation (NAESC), also a subsidiary of NU, has the authority to operate Seabrook Station, Unit 1, and is co-holder of the license in this regard. Seabrook Station is located in Rockingham County, New Hampshire.

II.

Pursuant to Section 184 of the Atomic Energy Act of 1954 (the Act), as amended, and 10 CFR 50.80, Northeast Nuclear Energy Company and NAESC, on behalf of the NU subsidiary licensees of the Seabrook unit, and Consolidated Edison Company of New York, Inc. (CEI of NY), a subsidiary of Consolidated Edison, Inc. (CEI), jointly filed an application dated January 13, 2000, as supplemented by letter dated May 2, 2000 (collectively herein referred to as the application), requesting the Commission's approval of the indirect transfer of the license for the Seabrook unit, to the extent held by CL&P, NAEC, and NAESC, in connection with proposed corporate mergers involving CEI and NU. The applicants informed the Commission that CEI and NU were in the process of implementing a corporate merger in which CEI and NU will be combined through two simultaneous mergers: the merger of CEI into New CEI, a Delaware corporation, and the merger of an indirect, wholly owned subsidiary of New CEI with NU. New CEI would become the parent corporation to, and sole owner of, CEI of NY and NU. CL&P, NAEC, and NAESC will remain subsidiaries of NU. CL&P and NAEC would continue to hold their respective ownership interests in and possession-only license for Seabrook Station, Unit 1. The indirect CEI interest in Indian Point Units 1 and 2 and the indirect NU interest in Millstone Units 1, 2, and 3 will be the subject of separate orders. NAESC will remain the operator of Seabrook Station, Unit 1. The NU subsidiary owners would each remain an "electric utility" as defined in 10 CFR 50.2, engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale. No physical changes to the facility or operational changes are being proposed in the application. Notice of this request for approval was published in the Federal Register on April 7, 2000 (65 FR 18380). No hearing requests concerning Seabrook, Unit 1, were received.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives 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 the corporate merger will not affect the qualifications of CL&P, NAEC, and NAESC as holders of the license referenced above, and that the indirect transfer of the license, to the extent effected by the merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated August 22, 2000.

### III.

Accordingly, pursuant to Sections 161b, 161i, 161o, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§ 2201(b), 2201(i), 2201(o), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the application regarding the indirect license transfer referenced above is approved subject to the following conditions: (1) CL&P and NAEC as applicable, shall provide the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from CL&P or NAEC respectively, to its proposed direct or indirect parent or to any other affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding ten percent (10%) of the subject licensee's consolidated net utility plant, as recorded in the licensee's books of account and (2) should the corporate merger of CEI and NU not be completed by December 31, 2001, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

For further details with respect to this action, see the initial application dated January 13, 2000, the supplemental letter dated May 2, 2000, and the Safety Evaluation dated August 22, 2000, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (<http://www.NRC.gov>).

FOR THE NUCLEAR REGULATORY COMMISSION

*/RA/*

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,  
this 22nd day of August 2000.

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED INDIRECT TRANSFER OF THE LICENSES FOR

INDIAN POINT NUCLEAR GENERATING UNITS 1 & 2, DOCKET NOS. 50-003 & 50-247

MILLSTONE NUCLEAR POWER STATION, UNITS 1, 2, & 3, DOCKET NOS. 50-245, 50-336, & 50-423

SEABROOK STATION, UNIT 1, DOCKET NO. 50-443,

CONCERNING THE MERGER

BETWEEN CONSOLIDATED EDISON, INC., AND NORTHEAST UTILITIES

1.0 INTRODUCTION

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended (AEA), and Section 50.80 of Title 10 of the Code of Federal Regulations, Northeast Nuclear Energy Company (NNEC) and North Atlantic Energy Service Corporation (NAESC), subsidiaries of Northeast Utilities (NU) and agents for the NU subsidiary licensees of the Millstone and Seabrook units, and Consolidated Edison Company of New York, Inc. (CEI of NY), a subsidiary of Consolidated Edison, Inc. (CEI), by an application dated January 13, 2000, supplemented by a submittal dated May 2, 2000 (collectively referred to hereafter as the application), requested that the U.S. Nuclear Regulatory Commission (NRC) consent, to the extent required, to the indirect transfer of control of the following operating licenses as held by CEI of NY, NNEC, NAESC, North Atlantic Energy Corporation (NAEC), The Connecticut Light and Power Company (CL&P), Western Massachusetts Electric Company (WMECO), and Public Service Company of New Hampshire (PSNH):

DPR-5	Indian Point Nuclear Generating, Unit 1 (Indian Point Unit 1)
DPR-26	Indian Point Nuclear Generating, Unit 2 (Indian Point Unit 2)
DPR-21	Millstone Nuclear Power Station, Unit 1 (Millstone Unit 1)
DPR-65	Millstone Nuclear Power Station, Unit 2 (Millstone Unit 2)
NPF-46	Millstone Nuclear Power Station, Unit 3 (Millstone Unit 3)
NPF-86	Seabrook Station, Unit 1 (Seabrook)

The May 2 supplement provided clarifying information and did not expand the scope of the transfer approval request as noticed in the Federal Register.

The indirect transfer will occur pursuant to the proposed merger of CEI and NU pursuant to the terms and conditions of a merger agreement dated October 13, 1999. The companies intending to merge are the parent corporations of the operating license holders of the units being discussed. Assuming all required regulatory and shareholder approvals are obtained, CEI and NU anticipate consummating the merger in late summer 2000.

Through its subsidiaries and affiliates, CEI provides service to more than 3 million electric customers in New York City, Westchester, Rockland, and Orange Counties in the State of New York, and adjacent sections of New Jersey and Pennsylvania.

NU is a public utility holding company for a number of companies comprising the Northeast Utilities System. Through its subsidiaries and affiliates, NU provides electric service to 1.7 million customers in Connecticut, New Hampshire, and Massachusetts.

The CEI/NU merger agreement of October 13, 1999, provides for the combination of CEI and NU to occur through two simultaneous mergers: the merger of CEI into New CEI, a Delaware corporation, and the merger of an indirect, wholly owned subsidiary of New CEI with NU. Upon completion of all the related merger transactions, New CEI will own all the assets of CEI, and NU will be a wholly owned subsidiary of New CEI. The utility subsidiaries of CEI and NU, including the operating license holders of the affected nuclear units, will retain their individual names and identities and continue to serve their respective service territories, such that:

- (1) After the consummation of the merger transactions, the direct corporate parents of each of the licensed operators of the nuclear units will remain effectively the same, and such licensees will continue to exercise direct control over licensed activities at their nuclear facilities.
- (2) The subsidiary of CEI, CEI of NY, and subsidiaries of NU will continue to hold their respective NRC licenses to own their respective interests in and or operate Indian Point Units 1 & 2, Millstone Units 1, 2, & 3, and Seabrook nuclear plants.
- (3) No change in the management or operation of any of the affected nuclear units will result from this merger.
- (4) CEI of NY and the subsidiaries of NU that own interests in the plants will each continue to be an "electric utility" as provided in 10 CFR 50.2, and will continue to be subject to regulation by cognizant State public utility commissions and the Federal Energy Regulatory Commission (FERC) after the proposed merger.

## 2.0 BACKGROUND

CEI of NY is the holder of NRC Facility Operating Licenses Nos. DPR-5, dated March 26, 1962, and DPR-26, dated September 28, 1973. The operating licenses authorize CEI of NY to possess the Indian Point Units 1 & 2, respectively, and to use and operate Indian Point Units 1 & 2 in accordance with the conditions and requirements set forth in the respective operating licenses. CEI of NY is the sole license holder and operator for Indian Point Units 1 & 2.

NU subsidiaries CL&P and WMECO are the holders of NRC Facility Operating Licenses Nos. DPR-21, dated October 7, 1970, and DPR-65, dated September 26, 1975. Under the operating licenses, CL&P and WMECO are authorized to own but not operate Millstone Units 1 & 2, respectively, and NU's subsidiary NNEC is authorized to operate Millstone Units 1 & 2 in accordance with the conditions and requirements set forth in the respective operating licenses.

CL&P, WMECO, and another NU subsidiary, PSNH, together with 10 other investor-owned and municipal entities unaffiliated with NU, are the holders of NRC Facility License No. NPF-49, dated January 31, 1986. Under the operating license CL&P, WMECO, and PSNH are authorized to possess but not operate Millstone Unit 3 and NNEC is authorized to operate Millstone Unit 3 in accordance with the operating license conditions and requirements.

NU subsidiaries CL&P and NAEC, together with nine other investor-owned and municipal entities unaffiliated with NU, are the holders of NRC Facility Operating License No. NPF-86, dated March 15, 1990. Under the operating license, CL&P and NAEC are authorized to possess but not operate Seabrook and another NU subsidiary, NAESC, is authorized to operate Seabrook in accordance with the conditions and requirements set forth in the operating license.

CL&P, WMECO, and PSNH are wholly owned subsidiaries of NU. The primary business of these three companies is the transmission, distribution, and generation of electric energy in the States of Connecticut, Massachusetts, and New Hampshire, respectively. CL&P has ownership interests in the Seabrook unit as well as in each of the Millstone units, WMECO has ownership interests in each of the Millstone units, and PSNH has an ownership interest in Millstone Unit 3.

NAEC is a wholly owned, special-purpose operating subsidiary of NU that owns a 35.98 percent interest in Seabrook and sells its share of the capacity and output from Seabrook to PSNH under two life-of-unit, full-cost recovery contracts. NNEC and NAESC are wholly owned subsidiaries of NU. They act as agents for NU-affiliated companies and other New England entities in operating the Millstone and Seabrook nuclear units, respectively, but have no ownership interests.

The applicants state that “the purpose of this application is to describe the proposed merger transaction between CEI and NU pursuant to a merger agreement dated October 13, 1999, and to the extent required by Section 184 of the Atomic Energy Act, as amended, and 10 CFR 50.80, to seek the Commission’s consent to any transfer of control of the operating license[s] for the referenced nuclear units that the Commission may deem associated with the merger.” The CEI and NU merger agreement of October 13, 1999, provides for the combination of CEI and NU to occur through two simultaneous mergers: the merger of CEI into New CEI, a Delaware corporation, and the merger of an indirect wholly owned subsidiary of New CEI with NU. Upon the completion of all the related merger transactions, New CEI will own all the assets of CEI (substantially all of which is the stock of its subsidiaries, including CEI of NY), and NU will be a wholly owned subsidiary of New CEI. (The related merger transactions are described in more detail in the merger agreement of October 13, 1999, which was appended to and filed with the application as an exhibit.)

### 3.0 FINANCIAL QUALIFICATIONS ANALYSIS

Pursuant to 10 CFR 50.33(f), an electric utility is not required to demonstrate its financial qualifications. Section 50.2 of 10 CFR states, in part, that 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 separate regulatory authority.” After the proposed merger, as described in the initial January 13, 2000 application on pages 12 and 13, CEI of NY and the NU subsidiaries occupying an ownership and/or operational role with

respect to the affected nuclear plants, which owners are responsible for all expenses incurred in operating the facilities, will continue to recover their costs through rates established by applicable State public utility commissions and by FERC. Therefore, the NRC staff finds that CEI of NY and the NU subsidiaries occupying an ownership role with respect to the affected nuclear plants will continue to meet the definition of “electric utility” set forth in 10 CFR 50.2. Accordingly, their financial qualifications are presumed by 10 CFR 50.33(f) and no specific demonstration of financial qualifications is required.

However, in view of the NRC’s concern that certain corporate restructurings can lead to a diminution of assets necessary for the safe operation and decommissioning of a licensee’s nuclear power plant, the NRC practice is to condition license transfers involving new parent companies upon a requirement that the licensee not transfer significant assets from the licensee to an affiliate without first notifying the NRC.

This requirement assists the NRC in ensuring that a licensee will continue to maintain adequate resources to contribute to the safe operation and decommissioning of its facility. Thus, approval of the application should be conditioned to require the following:

CEI of NY, CL&P, WMECO, PSNH, and NAEC, as applicable, shall provide to the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from, respectively, CEI of NY, CL&P, WMECO, PSNH, or NAEC, to its proposed direct or indirect parent, or to any other affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding ten percent (10%) of such licensee’s consolidated net utility plant, as recorded on its books of account.

In consideration of the above information, the staff finds that the proposed merger will not affect CEI of NY’s, CL&P’s, WMECO’s, PSNH’s, or NAEC’s, financial qualifications as holders of their respective Indian Point Units 1 and 2, Millstone Units 1, 2, and 3, and Seabrook Unit 1 licenses.

#### 4.0 DECOMMISSIONING FUNDING ASSURANCE

Decommissioning funding reports have been filed with the NRC pursuant to 10 CFR 50.75(b) for Indian Point Units 1 & 2, Millstone Units 1, 2, & 3, and Seabrook. As described in those reports, each CEI and NU subsidiary licensee is providing financial assurance for decommissioning its respective ownership interest in the affected nuclear plant(s) in accordance with NRC requirements through external nuclear decommissioning trusts into which deposits are made at least annually. After the proposed merger, the applicable New CEI and NU subsidiaries will remain responsible for the decommissioning liabilities associated with their respective nuclear plant ownership interests and will continue to fund their respective decommissioning trusts in accordance with applicable regulations. Thus, no change in current decommissioning funding practices will occur as a result of the proposed merger. Because there will be no change to the current decommissioning funding practices, the staff concludes that the proposed merger will not have any adverse impact on or affect CEI of NY’s decommissioning funding assurance for Indian Point Units 1 and 2; CL&P’s and WMECO’s decommissioning funding assurance for Millstone Units 1 and 2, CL&P’s, WMECO’s, and PSNH’s decommissioning funding assurance for Millstone Unit 3; and CL&P’s and NAEC’s decommissioning funding assurance for Seabrook Station Unit 1.

In conformity with 10 CFR 50.75(f)(1), which states that “plants involved in merger or acquisitions shall submit this report annually,” the respective CEI and NU subsidiary licensees submitted decommissioning funding reports on March 29, 2000, for Seabrook Station Unit 1, on March 30, 2000, for Millstone Units 1, 2, and 3, and on March 31, 2000 for Indian Point Units 1 and 2. The NRC staff verified the calculations provided by the applicants in the above-referenced reports and has confirmed that, as of December 31, 1999, the decommissioning trust funds associated with the respective ownership interests of each CEI and NU subsidiary in these plants are funded in accordance with the NRC’s regulations.

## 5.0 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 (1999). Therefore, since the transfer application postdates the issuance of the operating licenses for Indian Point Units 1 & 2, Millstone Units 1, 2, & 3, and Seabrook, no antitrust review is required or authorized.

## 6.0 TECHNICAL QUALIFICATIONS

The applicants have stated in their submittals of January 13 and May 2, 2000, that the technical qualifications of the plant operators will be undiminished by the merger since the current nuclear organizations and personnel will continue to be responsible for the operation and maintenance of the affected nuclear facilities after the merger. Therefore, according to the applicants, the merger will leave fully intact the technical support and operational capabilities of the three nuclear operating organizations to carry out their respective license obligations for the nuclear units involved in this merger fully intact.

The staff concludes that the proposed merger will not affect the technical qualifications of the licensed plant operators for Millstone Units 1, 2, and 3, Indian Point Units 1 and 2, and Seabrook Station, Unit 1.

## 7.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

CEI of NY is, and after the merger will remain, a corporation organized and existing under the laws of the State of New York. All of CEI of NY’s officers are citizens of the United States. All directors and officers of CEI are also citizens of the United States.

NU is, and will remain after the merger, a business trust organized and existing, under the laws of the Commonwealth of Massachusetts. All of NU’s trustees and officers are citizens of the United States.

Upon completion of the merger, the former holders of CEI and NU common stock will together own all of the outstanding shares of common stock of New CEI. The merger agreement contemplates that four members of the New CEI Board of Directors will be recommended by NU and that the remaining directors will be designated by CEI. The merger agreement provides that Eugene R. McGrath (Chairman, President, and Chief Executive Officer of CEI) will be Chairman and Chief Executive Officer of New CEI. Michael G. Morris (Chairman and Chief Executive Officer of NU) will become President of New CEI. Neither CEI nor NU has designated the Board of Directors of New CEI; however, all members of the New CEI Board will

be U.S. citizens. The application states that once the Board members have been nominated their names will be provided to the Commission.

According to the application, following the proposed merger neither New CEI nor NU will be owned, controlled or dominated, directly or indirectly, by an alien, foreign corporation or foreign government. The NRC staff does not know or have reason to believe otherwise.

#### 8.0 ENVIRONMENTAL CONSIDERATIONS

The subject application is for approval of the indirect transfer of licenses issued by the NRC. Accordingly, the action involved meets 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 application.

#### 9.0 CONCLUSION

In view of the foregoing, the NRC staff concludes that the proposed merger of CEI and NU will not affect the qualifications of CEI of NY, CL&P, WMECO, PSNH, NNEC, NAESC, and NAEC as holders of their respective licenses, and that the indirect transfer of the licenses, to the extent effected by the proposed merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto, subject to the condition discussed earlier in the safety evaluation regarding significant asset transfers.

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