

March 9, 2001

Mr. R. G. Lizotte
Master Process Owner - Assessment
c/o Mr. David A. Smith
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385-0128

SUBJECT: MILLSTONE NUCLEAR POWER STATION, UNIT NOS. 1, 2, AND 3 - ORDER APPROVING THE TRANSFER OF LICENSES FROM NORTHEAST NUCLEAR ENERGY COMPANY, ET AL., TO DOMINION NUCLEAR CONNECTICUT, INC., AND APPROVING CONFORMING AMENDMENTS (TAC NOS. MA9876, MA9877, AND MA9899)

Dear Mr. Lizotte:

The U.S. Nuclear Regulatory Commission (NRC) staff has completed its review of Northeast Nuclear Energy Company's (NNECO's) application dated August 31, 2000, as supplemented by filings dated October 12 and November 8, 2000, and February 16, 2001. NNECO submitted this application on behalf of itself and on behalf of the selling owners. The application requested approval of the transfer by NNECO and the selling owners of their respective operating and ownership interests and authority under the Title 10 *Code of Federal Regulations (CFR)* Part 50 Facility Operating Licenses for Millstone Nuclear Power Station, Unit Nos. 1, 2, and 3, to Dominion Nuclear Connecticut, Inc. (DNC) pursuant to 10 CFR 50.80. The enclosed Order approves the proposed transfer, subject to the conditions described therein. NNECO also requested approval of conforming amendments pursuant to 10 CFR 50.90 for the Millstone Units 1, 2, and 3 licenses. The Order also approves these conforming license amendments that will be issued and made effective at the time the transfer is completed.

The Order and associated documents may be examined, and/or copied for a fee, at the NRC's Public Document Room, located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, MD, and will be accessible electronically through the Agency-wide Documents Access and Management System's Public Electronic Reading Room link at the NRC Web site <http://www.nrc.gov>.

R. Lizotte

- 2 -

Also enclosed is our related safety evaluation. The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,

/RA/

Daniel S. Collins, Project Manager, Section 2
Project Directorate I
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-245, 50-336,
and 50-423

Enclosures: 1. Order
2. Conforming Amendments
3. Safety Evaluation

cc w/encls: See next page

Millstone Nuclear Power Station
Units 1, 2 and 3

cc:

Ms. L. M. Cuoco
Senior Nuclear Counsel
Northeast Utilities Service Company
P. O. Box 270
Hartford, CT 06141-0270

Edward L. Wilds, Jr., Ph.D.
Director, Division of Radiation
Department of Environmental
Protection
79 Elm Street
Hartford, CT 06106-5127

Mr. Allan Johanson, Assistant Director
Office of Policy and Management
Policy Development and Planning
Division
450 Capitol Avenue - MS 52ERN
P. O. Box 341441
Hartford, CT 06134-1441

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

First Selectmen
Town of Waterford
15 Rope Ferry Road
Waterford, CT 06385

Mr. F. C. Rothen
Vice President - Nuclear Work Services
Northeast Nuclear Energy Company
P.O. Box 128
Waterford, CT 06385

Mr. Charles Brinkman, Manager
Washington Nuclear Operations
ABB Combustion Engineering
12300 Twinbrook Pkwy, Suite 330
Rockville, MD 20852

Mr. R. P. Necci
Vice President - Nuclear Technical Services
c/o Mr. David A. Smith
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Senior Resident Inspector
Millstone Nuclear Power Station
c/o U.S. Nuclear Regulatory Commission
P. O. Box 513
Niantic, CT 06357

Mr. J. T. Carlin
Vice President - Human Services - Nuclear
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Ernest C. Hadley, Esq.
1040 B Main Street
P. O. Box 549
West Wareham, MA 02576

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

Citizens Regulatory Commission
ATTN: Ms. Geri Winslow
P. O. Box 199
Waterford, CT 06385

Ms. Terry Concannon
Co-Chair
Nuclear Energy Advisory Council
41 South Buckboard Lane
Marlborough, CT 06447

Mr. C. J. Schwarz
Master Process Owner - Operate the Asset
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Millstone Nuclear Power Station
Units 1, 2 and 3

cc:

Mr. Evan W. Woollacott
Co-Chair
Nuclear Energy Advisory Council
128 Terry's Plain Road
Simsbury, CT 06070

Mr. D. A. Smith
Process Owner - Regulatory Affairs
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Ms. Nancy Burton
147 Cross Highway
Redding Ridge, CT 00870

Mr. L. J. Olivier
Senior Vice President and
Chief Nuclear Officer - Millstone
Northeast Nuclear Energy Company
P.O. Box 128
Waterford, CT 06385

Deborah Katz, President
Citizens Awareness Network
P.O. Box 83
Shelburne Falls, MA 03170

Attorney Nicholas J. Scobbo, Jr.
Ferriter, Scobbo, Caruso, Rodophele, PC
75 State Street, 7th Floor
Boston, MA 02108-1807

Mr. G. D. Hicks
Master Process Owner - Training
Northeast Nuclear Energy Company
P.O. Box 128
Waterford, CT 06385

Citizens Regulatory Commission
ATTN: Ms. Susan Perry Luxton
180 Great Neck Road
Waterford, CT 06385

Mr. John Buckingham
Department of Public Utility Control
Electric Unit
10 Liberty Square
New Britain, CT 06051

Mr. James Linville, Chief
Division of Reactor Projects Branch 6
Office of the Regional Administrator
475 Allendale Road
King of Prussia, PA 19406-1415

Mr. B. S. Ford
Director - Unit 1 Decommissioning
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Mr. S. E. Scace
Director - Nuclear Oversight and
Regulatory Affairs
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Mr. T. P. White
Manager - Unit 1 Nuclear Oversight
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Mr. W. E. Perks
Director - Unit 1 Operations
Northeast Nuclear Energy Company
P. O. Box 128
Waterford, CT 06385

Also enclosed is our related safety evaluation. The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,

/RA/

Daniel S. Collins, Project Manager, Section 2
 Project Directorate I
 Division of Licensing Project Management
 Office of Nuclear Reactor Regulation

Docket Nos. 50-245, 50-336,
 and 50-423

- Enclosures: 1. Order
 2. Conforming Amendments
 3. Safety Evaluation

cc w/encls: See next page

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* see previous concurrence

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UNITED STATES OF AMERICANUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
NORTHEAST NUCLEAR ENERGY)	Docket Nos. 50-245,
)	50-336,
COMPANY, ET AL.)	50-423
)	
(Millstone Nuclear Power Station)	
Unit Nos. 1, 2, and 3))	

ORDER APPROVING TRANSFER OF LICENSES
AND CONFORMING AMENDMENTS

I.

Northeast Nuclear Energy Company (NNECO) is a non-owner co-licensee of Facility Operating License No. DPR-21, which authorizes possession and maintenance but not operation of Millstone Nuclear Power Station, Unit 1 (MP1), and the licensed operator and non-owner of Facility Operating License Nos. DPR-65 and NPF-49, which authorize the possession, use, and operation of Millstone Nuclear Power Station, Unit 2 (MP2) and Unit 3 (MP3). The units are owned by various co-licensees as listed below. All three units (the facilities) are located at the licensees' site in New London County, Connecticut.

II.

Under cover of a letter dated August 31, 2000, NNECO submitted an application requesting approval of the proposed transfer of the facility operating licenses to the extent now held by NNECO, the licensed operator and non-owner of the facilities, and the co-licensee selling owners listed below holding ownership interests in the facilities to a new generating company, Dominion Nuclear Connecticut, Inc. (DNC). DNC is an indirect wholly owned subsidiary of Dominion Energy, which is in turn wholly owned by Dominion Resources, Inc.

(DRI). NNECO also requested approval of conforming license amendments to reflect the transfer. Supplemental information was provided by submittals dated October 12 and November 8, 2000, and February 16, 2001. Hereinafter, the August 31, 2000, application and supplemental information will be referred to collectively as the “application.” The conforming amendments would remove NNECO and the transferring owners (listed below) from the facility operating licenses and would add Dominion Nuclear Connecticut, Inc. in its place. After completion of the proposed transfer, DNC will be the sole owner of, and be authorized to maintain, MP1, will be the sole owner and operator of MP2, and will hold a 93.4707% ownership interest in MP3 and will be the sole operator of MP3. Central Vermont Public Service Corporation (Central Vermont), which holds a 1.7303% ownership interest in MP3, and Massachusetts Municipal Wholesale Electric Company (Massachusetts Municipal), which holds a 4.7990% ownership interest in MP3, are the only licensee owners of MP3 that are not involved in the subject license transfers.

The following is a list of the licensees involved in the license transfers that hold ownership interests in MP1, MP2, and MP3, and their respective interests:

MP1 and MP2

The Connecticut Light and Power Company (CL&P)	(81%)
Western Massachusetts Electric Company (WMECO)	(19%)

M3

CL&P	(52.9330%)
WMECO	(12.2385%)
Public Service Co. of New Hampshire	(2.8475%)
The United Illuminating Company	(3.6850%)
New England Power Company	(16.2140%)
Central Maine Power Company	(2.5000%)

Chicopee Municipal Lighting Plant	(1.3500%)
Connecticut Municipal Electric Energy Cooperative	(1.0870%)
Vermont Electric Generation and Transmission Cooperative	(0.3500%)
Fitchburg Gas & Electric Light Company	(0.2170%)
Village of Lyndonville Electric Department	(0.0487%)

NNECO requested approval of the transfer of facility operating licenses and conforming license amendments pursuant to 10 CFR 50.80 and 10 CFR 50.90. The staff published a notice of the request for approval and an opportunity for a hearing in the Federal Register on October 24, 2000 (65 FR 63630). The Commission received no comments or requests for hearing pursuant to the notice.

Under 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 in the application, and relying upon the representations and agreements contained in the application, the NRC staff has determined that DNC is qualified to hold the licenses to the extent proposed in the application, and that the transfer of the licenses to DNC is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions set forth below. 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 amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

The findings set forth above are supported by a safety evaluation dated March 9, 2001.

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 transfer of the licenses as described herein to DNC is approved, subject to the following conditions:

- (1) DNC shall not take any action that would cause DRI or its parent companies to void, cancel, or diminish DNC's commitment to have sufficient funds available to fund an extended shutdown of MP2 and MP3 as represented in the application for approval of the transfer of the licenses for MP2 and MP3.
- (2) The Selling Owners of MP2 and MP3 shall transfer to the DNC decommissioning trusts for MP2 and MP3 at the time the Selling Owners' interests in the Millstone licenses are transferred to DNC, all of the Selling Owners' accumulated decommissioning trust funds for MP2 and MP3. Immediately following such transfer, the amounts in the DNC decommissioning trusts must, with respect to the interests in MP2 and MP3 transferred from the Selling Owners that DNC would then hold, be at a level no less than the formula amounts under 10 CFR § 50.75.
- (3) On the closing date of the transfer of the Selling Owners' interests in MP1 to DNC, DNC shall: 1) obtain from the Selling Owners of MP1 the decommissioning trust fund for MP1

in an amount no less than \$268,300,000; and 2) receive a parent company guarantee pursuant to 10 CFR 50.75(e)(1)(iii)(B) (to be updated annually as required under 10 CFR 50.75(f)(1) and 50.82(a)(8)(iv), unless otherwise approved by the NRC) in an amount which, when combined with the decommissioning trust fund for MP1, equals a total of the site-specific decommissioning funding cost as of the closing date of the transfer as estimated (in year 2000 dollars) in accordance with 10 CFR 50.82 (including the use of a 2 percent annual real rate of return as provided in 10 CFR 50.75(e)(1)(i)).

- (4) The decommissioning trust agreement for MP1, MP2, and MP3 at the time the transfer of the units to DNC is effected and thereafter, are subject to the following conditions:
 - (a) The decommissioning trust agreement must be in a form acceptable to the NRC.
 - (b) With respect to the decommissioning trust funds, investment in the securities or other obligations of DRI or its affiliates, successors, or assigns are 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 agreement must provide that no disbursements or payments from the trusts, other than for ordinary administrative expenses, shall be made by the trustee until the trustee has first given the Director of the Office of Nuclear Reactor Regulation 30 days prior written notice of payment. The decommissioning trust agreement 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 NRC.
 - (d) The decommissioning trust agreement must provide that the agreement cannot be amended in any material respect without 30 days prior written notification to the Director

of the Office of Nuclear Reactor Regulation.

- (e) The appropriate section of the decommissioning trust agreement 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.
- (5) DNC shall take all necessary steps to ensure that the decommissioning trusts are maintained in accordance with the application for approval of the transfer of the MP1, MP2, and MP3 licenses and the requirements of this Order approving the transfer, and consistent with the safety evaluation supporting this Order.
- (6) Before the completion of the transfer of MP1, MP2, and MP3, to it, DNC shall provide the Director of the Office of Nuclear Reactor Regulation, satisfactory documentary evidence that DNC has obtained the appropriate amount of financial insurance required of licensees under 10 CFR Part 140, and the property insurance required of licensees under 10 CFR 50.54(w) of the Commission's regulations.
- (7) After receipt of all required regulatory approvals of the transfer of MP1, MP2, and MP3, DNC shall inform the Director of the Office of Nuclear Reactor Regulation, in writing, of such receipt within 5 business days, and of the date of the closing of the transfer no later than 7 business days prior to the date of the closing. Should the transfer of the licenses not be completed by March 9, 2002, this Order shall become null and void; however, upon written application and for good cause shown, the date may be extended in writing.

IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments 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. The 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 application dated August 31, 2000, and supplemental submittals dated October 12 and November 8, 2000, and February 16, 2001, and the safety evaluation dated March 9, 2001, which are available for public inspection at the Commission's Public Document Room, located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, Maryland, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (<http://www.nrc.gov>).

Dated at Rockville, Maryland this 9th day of March 2001.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

NORTHEAST NUCLEAR ENERGY COMPANY, ET AL.

DOCKET NO. 50-245

MILLSTONE NUCLEAR POWER STATION, UNIT 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-21

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for amendment filed by Northeast Nuclear Energy Company (on its own behalf and on behalf of the selling owners) and Dominion Nuclear Connecticut, Inc. dated August 31, 2000, as supplemented October 12 and November 8, 2000, and February 16, 2001, 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;
 - 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, the license is hereby amended as indicated in the attachment to this license amendment.
3. The license amendment is effective as of its date of issuance and shall be implemented within 60 days of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. DPR-21

DOCKET NO. 50-245

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

Remove

Insert

Facility Operating License Pages 1 through 4

Facility Operating License Pages 1 through 4

Facility Operating License Page 5*

4.0-1

4.0-1

5.0-7

5.0-7

B 3.2-1

B 3.2-1

* No substantive changes - included for conformity.

NORTHEAST NUCLEAR ENERGY COMPANY, ET AL.

DOCKET NO. 50-336

MILLSTONE NUCLEAR POWER STATION, UNIT NO. 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-65

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for amendment filed by Northeast Nuclear Energy Company (on its own behalf and on behalf of the selling owners) and Dominion Nuclear Connecticut, Inc. dated August 31, 2000, as supplemented October 12 and November 8, 2000, and February 16, 2001, 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;
 - 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, the license is hereby amended as indicated in the attachment to this license amendment.
3. The license amendment is effective as of its date of issuance and shall be implemented within 60 days of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. DPR-65

DOCKET NO. 50-336

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

Remove

Facility Operating License Pages 1 through 5

Appendix B

5-2

Insert

Facility Operating License Pages 1 through 5

Facility Operating License Page 6

Facility Operating License Page 7*

Appendix B

5-2

* No substantive changes - included for conformity.

NORTHEAST NUCLEAR ENERGY COMPANY, ET AL.

DOCKET NO. 50-423

MILLSTONE NUCLEAR POWER STATION, UNIT NO. 3

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. NPF-49

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for amendment filed by Northeast Nuclear Energy Company (on its own behalf and on behalf of the selling owners) and Dominion Nuclear Connecticut, Inc. dated August 31, 2000, as supplemented October 12 and November 8, 2000, and February 16, 2001, 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;
 - 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, the Facility Operating License No. NPF-49 is hereby amended as indicated in the attachment to this license amendment.

3. The license amendment is effective as of its date of issuance and shall be implemented within 60 days of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. NPF-49

DOCKET NO. 50-423

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

Facility Operating License Pages 1 through 3

Facility Operating License Page 8

Appendix C

Insert

Facility Operating Licenses Pages 1 through 3
Facility Operating License Page 3a
Facility Operating License Page 8
Facility Operating License Page 9*
Appendix C

* No substantiative changes - included for conformity.

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

TRANSFER OF FACILITY OPERATING LICENSES

FROM NORTHEAST NUCLEAR, ET AL.

TO DOMINION NUCLEAR CONNECTICUT, INC.

MILLSTONE NUCLEAR POWER STATION, UNIT NOS. 1, 2, AND 3

DOCKET NOS. 50-245, 50-336, AND 50-423

1.0 INTRODUCTION

By application dated August 31, 2000, as supplemented on October 12 and November 8, 2000, and February 16, 2001, (hereafter referred to as the application), Northeast Nuclear Energy Company (NNECO) requested the U.S. Nuclear Regulatory Commission's (NRC) consent to the transfer of Facility Operating Licenses DPR-21 for Millstone Nuclear Power Station, Unit No. 1 (MP1), DPR-65 for Millstone Nuclear Power Station, Unit No. 2 (MP2), and NPF-49 for Millstone Nuclear Power Station, Unit No. 3 (MP3). The application was filed by NNECO on its own behalf and on behalf of the Selling Owners of interest in MP1, MP2, and MP3, and Dominion Nuclear Connecticut, Inc., (DNC). Pursuant to Title 10 of the *Code of Federal Regulations* (CFR), Section 50.80 (10 CFR 50.80), no license shall be transferred, directly or indirectly, through the 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 that the transfer is otherwise consistent with applicable provisions of law, regulations, and Orders of the Commission. The supplemental information provided by filings dated October 12 and November 8, 2000, and February 16, 2001, provided clarifying information and did not expand the scope of the application as originally published in the *Federal Register*.

The application seeks to transfer the operating licenses for MP1, MP2, and MP3 from NNECO to DNC, and to transfer the ownership interests from certain owners (known as the Selling Owners listed later in this Safety Evaluation) to DNC. The application also requests conforming amendments to the licenses to delete references to NNECO and the Selling Owners and to authorize DNC to possess, use, and operate the Millstone units, and to possess and use related licensed materials, under the same conditions and authorizations included in the current licenses.

2.0 BACKGROUND

DNC is an indirect, wholly owned subsidiary of Dominion Energy (DE), which, in turn, is wholly owned by Dominion Resources, Inc., (DRI). DRI is among the largest fully integrated natural gas and electric power providers in the United States. Virginia Power, which is the licensed owner and operator of the North Anna Power Station, Units 1 & 2, and Surry Power Station,

Units 1 & 2, is also a subsidiary of DRI.

"P. A. 98-28", a comprehensive electric restructuring act in the State of Connecticut, requires The Connecticut Light and Power Company (CL&P) and the United Illuminating Company (UIL) to divest all of their generating assets, including their ownership interests in MP1, MP2, and MP3. The Connecticut Department of Public Utility Control conducted an auction for the sale of MP1, MP2, and MP3. Certain other co-owners of MP1, MP2, and MP3 consented to participate in the auction to divest their interests as well.

Pursuant to this process, DRI, NNECO, and the Selling Owners have entered into purchase and sale agreements under which NNECO and Selling Owners will transfer their respective operating and ownership interests in MP1, MP2, and MP3 to DNC, as DRI's assignee. Under the terms of the Purchase and Sale Agreements, DRI may assign the agreements to an affiliate, which is then considered the Buyer under the agreements. DRI will assign the agreements to DNC prior to, or simultaneous with, the closing. This transaction is part of the ongoing restructuring of the electric utility industry throughout the United States, which is intended to foster greater competition in the electricity generation market.

MP2 is an 875 MWe (net) pressurized water reactor consisting of a Combustion Engineering nuclear steam supply system, a General Electric turbine generator, and associated equipment. MP3 is a 1154 MWe (net) pressurized water reactor consisting of a Westinghouse nuclear steam supply system, a General Electric turbine generator, and associated equipment. MP1 is a permanently shut down and defueled General Electric boiling water reactor which is currently being decommissioned. MP1 and MP2 are licensed under section 104b of the Atomic Energy Act, as amended (the Act); MP3 is licensed under section 103 of the Act. The Station is located in the town of Waterford, 3.2 miles west-southwest of New London, in New London County, Connecticut, and is on the north shore of the Long Island Sound.

The following is a list of the licensees involved in the license transfer who hold ownership interests in MP1, MP2, and MP3, and their respective interests:

MP1 and MP2

The Connecticut Light and Power Company	81.00%
Western Massachusetts Electric Company	19.00%

MP3

The Connecticut Light and Power Company	52.9330%
Western Massachusetts Electric Company	12.2385%
Public Service Company of New Hampshire	2.8475%
The United Illuminating Company	3.6850%
New England Power Company	16.2140%
Central Maine Power Company	2.5000%
Chicopee Municipal Lighting Plant	1.3500%
Connecticut Municipal Electric Energy Cooperative	1.0870%
Vermont Electric Generation and Transmission Cooperative	0.3500%
Fitchburg Gas & Electric Light Company	0.2170%
Village of Lyndonville Electric Department	0.0487%

Central Vermont Public Service Corporation, which holds a 1.7303% ownership interest in MP3, and Massachusetts Municipal Wholesale Electric Company, which holds a 4.7990% ownership interest in MP3, are not involved in the license transfers.

All of the owners other than the Central Vermont Public Service Corporation and the Massachusetts Municipal Wholesale Electric Company are participating in the sale and are conveying their ownership interests to DNC.

According to the application, and subject to NRC approval, DNC will assume title to the facility including all equipment, spare parts, fixtures, inventory, and other property necessary for the operation and maintenance of MP2 and MP3, and the maintenance and decommissioning of MP1, but not including transmission and distribution assets. DNC will take title to all spent nuclear fuel and other licensed materials at the units as well as nuclear fuel procured for MP2 and MP3. DNC will also assume all responsibility for the operation, maintenance, and eventual decommissioning of the three units. The assets to be transferred will include all records and documents necessary for operation, maintenance, and decommissioning of the three units, including all documents comprising the current licensing basis of the three units. The transmission and distribution assets on the site will continue to be owned by the Connecticut Light and Power Company and will be operated under an Interconnection Agreement between Connecticut Light and Power Company and DNC which will assure compliance with NRC requirements. DNC will own the real property on which the transmission and distribution assets are located and will grant the Connecticut Light and Power Company appropriate easements for their operation and maintenance.

On December 14, 2000, NNECO notified the NRC, in accordance with 10 CFR 50.72(b)(2)(vi), that two spent fuel pins from MP1 are currently unaccounted for. By letter dated February 16, 2001, NNECO and DNC clarified that these pins are included in the assets to be acquired by DNC under the Purchase and Sale Agreement associated with this License Transfer. Accordingly, DNC would be considered to be the entity licensed by the NRC to possess these fuel pins, unless it is later determined that these fuel pins had been previously transferred to an entity that is appropriately licensed by the NRC to receive and possess them. Furthermore, NNECO and the current unit 1 owners have indemnified DNC against costs or liabilities that may arise from the missing fuel pins.

3.0 FINANCIAL QUALIFICATIONS

Title 10 of the *Code of Federal Regulations*, Section 50.2 states 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 a separate regulatory authority.” Pursuant to 10 CFR 50.33(f), an electric utility is not required to demonstrate its financial qualifications.

DNC does not qualify as an “electric utility” as defined in 10 CFR 50.2. Thus, DNC must meet the financial qualifications requirements for a non-electric utility pursuant to 10 CFR 50.33(f). DNC, as both a newly formed entity and a non-electric utility applying to own and operate nuclear power plants, is subject to a more detailed financial qualifications review by the NRC than an established electric utility. Specifically, DNC 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 operating licenses, it possesses, or has reasonable assurance of obtaining, the funds necessary to cover estimated operating costs for the period of the licenses. Also, it must submit estimated total annual operating costs for the first 5 years of facility operation and indicate the source(s) of funds to cover these costs.
2. As a newly formed entity organized primarily for the purpose of operating a nuclear power plant, it must show (a) the legal and financial relationship it has or proposes to have with its stockholders or owners; (b) its financial ability to meet any contractual obligation to any entity which they have incurred or proposed to incur; and (c) any other information considered necessary by the Commission to enable it to determine the applicant's financial qualification.

Additionally, 10 CFR 50.33(k)(1) requires that DNC provide information described in 10 CFR 50.75 indicating reasonable assurance that funds will be available to decommission the facilities. DNC's proposals for decommissioning funding assurances are discussed in Section 4.0 of this Safety Evaluation.

DNC is an indirect, wholly owned subsidiary of DE, which is a wholly owned subsidiary of DRI. DNC is owned directly by Dominion Nuclear Marketing I, Inc., Dominion Nuclear Marketing II, Inc., and Dominion Nuclear Marketing III, LLC, which collectively own 100 percent of DNC's stock. Dominion Nuclear Marketing I, Inc., and Dominion Nuclear Marketing II, Inc., are, in turn, direct, wholly owned subsidiaries of DE. Dominion Nuclear Marketing III, LLC, is owned by Dominion Nuclear, Inc., and Dominion Nuclear Holdings, Inc., collectively. Dominion Nuclear Holdings, Inc., is wholly owned by Dominion Nuclear, Inc. According to DNC, this corporate structure has been established for marketing and business alignment purposes and does not affect the financial qualifications of DNC. This corporate structure and relationship was outlined in Exhibit D of the August 31, 2000, application.

DRI has entered into an agreement with DNC to make funding of up to \$150 million available to DNC to provide added assurance that DNC will have sufficient funds available to meet its operating expenses for MP2 and MP3. Under the terms of the agreement (Exhibit E of the August 31, 2000, application), DNC has the right to obtain such funds from DRI as DNC determines are necessary to protect public health and safety, meet NRC requirements, meet ongoing operational expenses, or to maintain MP2 and MP3 safely. This agreement will not terminate until both MP2 and MP3 permanently cease operations, and may not be modified or amended without 30 days prior written notice to the NRC.

The NRC staff notes that the application states that DRI is the largest fully integrated natural gas and electric power provider in the United States with over \$24 billion in assets, over \$8 billion in annual revenue, and over \$2 billion in annual operating cash flow. DRI's Annual Reports for the last 5 years were provided as Exhibit F of the August 31, 2000, application. The application also states that, through its wholly owned subsidiaries, DRI serves more than 2.1 million retail electric customers and 1.9 million gas customers; operates in excess of 6,000 miles of electric transmission lines and over 7,600 miles of gas lines throughout the Northeast and Mid-Atlantic regions of the country; and, produces more than 20,000 megawatts of electricity by operating fossil, hydroelectric, and nuclear units.

In a manner consistent with 10 CFR 50.33(f) and the Standard Review Plan on Power Reactor

Licensee Financial Qualifications and Decommissioning Funding Assurance (NUREG-1577, Rev. 1), projected income statements for the first full 5-year period from 2002 to 2006 were provided in the application. The revenues include sales of electricity and capacity under power purchase agreements covering the Connecticut Light and Power Company and the Western Massachusetts Electric Company's current entitlement (100% of MP2 generation and 65% of MP3 generation) through December 31, 2001, and Central Maine Power's entitlement (2.5% of MP3 generation) through February 28, 2002. The remainder of the revenues are from sales at market-based rates, which have been "conservatively" estimated using the market price forecasts approved by the Connecticut Department of Public Utility Control in its July 7, 1999, decision on the Application of The Connecticut Light and Power Company for Calculation of Stranded Costs (Docket No. 99-02-05). The operating expenses included in DNC's Projected Income Statement are based on a projected financial summary prepared by NNECO in connection with the auction overseen by the Connecticut Department of Public Utility Control. The DNC's Projected Income Statements show that the anticipated revenues from sales of capacity and energy by DNC provide reasonable assurance of adequate funds to meet DNC's ongoing operating expenses.

DNC'S (SUMMARY OF) PROJECTED INCOME STATEMENT(\$000's)*

	<u>FY 2001</u> <u>Apr - Dec</u>	<u>FY 2002</u> <u>Full Year</u>	<u>FY 2003</u> <u>Full Year</u>	<u>FY 2004</u> <u>Full Year</u>	<u>FY 2005</u> <u>Full Year</u>	<u>FY 2006</u> <u>Full Year</u>	<u>Jan - Mar</u>
Total Revenue:	\$378,006	\$470,839	\$564,073	\$583,949	\$596,554	\$596,554	\$160,352
Total Operating Expense:	\$320,050	\$398,475	\$362,350	\$372,315	\$382,554	\$382,554	\$98,268
Income B/f Taxes & Interest:	\$57,957	\$72,364	\$201,723	\$211,634	\$214,001	\$214,001	\$62,083
Taxes & Interest:	\$49,050	\$66,328	\$117,564	\$121,221	\$121,920	\$121,920	\$33,831
Net Income:	\$8,907	\$6,036	\$84,159	\$90,413	\$92,081	\$92,081	\$28,252

* Subject to rounding

The staff conducted a review regarding the projected revenues in the Projected Income Statement for the 2001-2006 forecast period. Projected revenues are the product of expected megawatt-hour sales and DNC's market price assumptions as stated in the supporting schedules of the statement. The projected revenues and net income stated in the application are adequate to cover expected MP2 and MP3 expenses and provide DNC with favorable returns on their expected investment in the facility. A stability factor supporting DNC's pricing structure is the contracts with the Connecticut Light and Power Company and the Western Massachusetts Electric Company (100% of MP2 generation and 65% of MP3 generation) through December 31, 2001. However, for that portion of MP2 and MP3 output being sold in a competitive market, the possibility exists that prices, revenue, and net income levels could be significantly lower than anticipated by DNC during some portion of the 5-year projection period,

and that this could result in less funding being available for MP2 and MP3 operations.

The staff's independent analysis focused on the sensitivity of the DNC revenue forecasts to lower market prices for the purpose of establishing a projected market price "floor" below which DNC would begin to have difficulty covering its nuclear operating expenses by relying on MP2 and MP3 revenues. This was done by determining the average MP2 and MP3 market price per kilowatt-hour (kWh) that would produce virtually zero net income (or break even level) over the forecast period, and this price was compared to the market prices in DNC's forecast. If DNC was to experience this lower (or floor) level of prices for an extended period, then DNC, or its owners, might decide to continue operating MP2 and MP3 without profits or, at a certain point, to cease MP2 and MP3 operations permanently.

The staff assessed how reasonable or probable these changes in rates may be for the period 2001-2006. Forecasts of electric rates in competitive markets are subject to many factors that make such predictions speculative; however, 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 can allow inferences on how the prices may continue to change in the more competitive environment expected in the electric power industry.

Data on United States 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 6.81 cents per kWh by 1998. The average retail price for the industrial category declined from 4.85 cents per kWh in 1993 to 4.52 cents per kWh in 1998. Considering this recent 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 at a decreasing rate.

However, it is difficult to predict the direction of prices likely to be paid for MP2 and MP3 power in its market area. Thus, the recent downward trend in United States retail prices may not necessarily produce a significant downward influence on MP2 and MP3 market prices. The North American Electric Reliability Council (NERC) projects that capacity margins will decline in the Northeast Power Coordination Council (NPCC) region, the region in which MP2 and MP3 operate, from 1999 to 2008. The 14.4% capacity margin in 1999 in the NPCC-US region is forecast to decline to 6.6 percent by 2008. (See NERC's Reliability Assessment 1999-2008, May 2000, page 14.) This trend would tend to cause market prices of electricity to increase, other factors being equal.

After reviewing several forecasts of United States 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 MP2 and MP3 market area is too speculative to be useful for its contingency analysis. Nevertheless, the staff concludes from its independent analysis that, even if prices for MP2 and MP3 power were to change at an average annual rate much lower than that anticipated by DNC, it does not preclude DNC from operating and maintaining MP2 and MP3 in a manner that would protect public health and safety.

The staff concludes that the projected income statement shows that the anticipated revenues from sales of capacity and energy from MP2 and DNC's interest in MP3 provide reasonable

assurance of an adequate source of funds to meet its ongoing operating expenses.

Based on the foregoing, and the information provided in the application, DNC has shown 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). However, to provide additional assurance that funds will be available as might be necessary to fund an extended plant shutdown, the following commitment stated in the application that DNC will have sufficient cash flow from operations to fund one or more extended shutdowns, is to be made a condition of approval of the Order approving the license transfers as well as a license condition for the MP2 and MP3 units:

DNC shall not take any action that would cause DRI or its parent companies to void, cancel, or diminish DNC's commitment to have sufficient funds available to fund an extended plant shutdown as represented in the application for approval of the transfer of the licenses for MP2 and MP3.

4.0 DECOMMISSIONING FUNDING ASSURANCE

4.1 Amount of Decommissioning Funds

Pursuant to 10 CFR 50.75(b), each power reactor licensee must certify that it will provide decommissioning funding assurance in an amount that may be more, but not less, than the amount determined under the formula in 10 CFR 50.75(c)(1) and (2). These formulas are based on the size and type of the reactor and on cost escalation factors for labor, energy, and low-level waste (LLW) disposal costs. The LLW disposal cost factor is to be derived from the latest version of NUREG-1307, "Report on Waste Burial Charges," which is currently Revision 9. Revision 9 allows licensees a variety of methods by which they may estimate costs of LLW disposal, including disposition by waste vendors. In Exhibit L of the application, DNC provided a worksheet reflecting the remaining decommissioning funding that will be required for MP1 after the transfer, and in Exhibit K of the application, DNC calculated the required decommissioning funding for MP2 and MP3 using the formulas in 10 CFR 50.75(c) and information in NUREG-1307, Revision 9. The NRC staff verified the calculations provided in the application and accepts these amounts as accurate.

The application states that the qualified and non-qualified decommissioning funds for each of the Selling Owners will be transferred to DNC at closing. Assuming a closing date of April 1, 2001, these funds will have an aggregate net cash value of \$268.3 million for MP1, \$252.9 million for MP2, and \$246.8 million for MP3 on an after-tax basis after transfer to DNC. These funds will be held in an external trust fund segregated from DNC's other assets and outside its administrative control. The trustee will manage investment of the funds in accordance with applicable requirements and license conditions.

The application states that the net after-tax cash value of the decommissioning funds for MP2 and MP3 that will be transferred to DNC at closing exceeds the NRC decommissioning funding requirements established by 10 CFR 50.75(c). When the 2% annual real rate of return is credited through the term of the licenses, as permitted by 10 CFR 50.75(e)(1)(i), the credited value of the prepaid funds transferred to DNC will exceed \$338 million for MP2 and \$402 million for MP3, both in excess of the NRC formula amount requirements of approximately \$299 million and \$317 million for MP2 and MP3, respectively.

Because MP1 is a permanently shut down unit in the process of being decommissioned, its decommissioning funding requirements are established on the basis of a site-specific estimate rather than by formula, consistent with NRC regulations. Prior to transfer of the license, a certain amount of decommissioning work will already have been completed for MP1. The Purchase and Sale Agreement requires that MP1 be placed in a “cold and dark” condition prior to the closing, as defined in Section 13 of the Purchase and Sale Agreement. The cost of the remaining decommissioning activities after MP1 is placed in a “cold and dark” condition is estimated to be \$504.5 million. This estimate is based on a site-specific study prepared by TLG, Inc., and includes amounts for spent fuel storage during the SAFSTOR period. The estimate for the cost of completing decommissioning is derived by taking TLG’s site-specific study and subtracting the cost of placing MP1 in a “cold and dark” condition, and costs related to an independent spent fuel storage installation which will not be pursued. The worksheet provided as Exhibit L reflects that, when earnings on fund balances, at an assumed 2% real rate, and withdrawals are considered over the decommissioning period, decommissioning funding assurance of \$293 million is required to meet the site-specific estimate. The application states that, since the MP1 funds that will be transferred to DNC will have a net cash value of \$268 million, additional decommissioning funding assurance of approximately \$26 million will be provided. DNC will provide this additional funding assurance by parent guarantee, as permitted by 10 CFR 50.75(e)(1)(iii). Exhibit M provides a worksheet demonstrating compliance with the NRC’s financial test for parent guarantees, in accordance with 10 CFR 50.75(e)(1)(iii)(C) and 10 CFR Part 30, Appendix A. DNC has chosen to demonstrate compliance using the test in section II.A.2 of the Appendix. A copy of the draft parent guarantee is provided as Exhibit N of the August 31, 2000, application.

4.1.1 NRC Staff’s Conclusion on Amount of Decommissioning Funds

The NRC staff concludes that DNC has complied with the requirements of 10 CFR 50.75(b) with respect to the amount of decommissioning funding it must certify that it will provide. With respect to MP2 and MP3, the amount that the Selling Owners propose to have placed in DNC’s decommissioning trust funds, combined with earnings on the trust fund calculated at a real rate of 2% annually, is greater than the approximately \$299 million and \$317 million that is required for MP2 and MP3, respectively, under the generic formulas in 10 CFR 50.75(c). With respect to MP1, the amount that the Selling Owners propose to have placed in DNC’s decommissioning trust fund, factoring in a 2% annual real rate of return, in combination with a parent guarantee pursuant to 10 CFR 50.75(e)(1)(iii) in the amount of \$26 million, will equal or exceed the site-specific post-transfer decommissioning cost estimate for MP1 and provide reasonable assurance of adequate decommissioning funding. The form or provisions of the parent company guarantee while the guarantee is in effect should be consistent with NRC regulatory guidance applicable during such time.

To reflect DNC’s commitment for decommissioning funds as stated in the application, the NRC staff concludes that the following should be conditions of approval of the transfer and added to the license conditions:

- (1) The Selling Owners of MP2 and MP3 shall transfer to the DNC decommissioning trusts for MP2, and MP3 at the time the Selling Owners’ interests in the Millstone licenses are transferred to DNC, all of the Selling Owners’ accumulated decommissioning trust funds for MP2 and MP3. Immediately following such transfer, the amounts in the DNC decommissioning trusts must, with respect to

the interests in MP2 and MP3 transferred from the Selling Owners that DNC would then hold, be at a level no less than the formula amounts under 10 CFR § 50.75.

- (2) On the closing date of the transfer of the Selling Owners' interests in MP1 to DNC, DNC shall: 1) obtain from the Selling Owners of MP1 the decommissioning trust fund for MP1 in an amount no less than \$268,300,000; and 2) receive a parent company guarantee pursuant to 10 CFR 50.75(e)(1)(iii)(B) (to be updated annually as required under 10 CFR 50.75(f)(1) and 50.82(a)(8)(iv), unless otherwise approved by the NRC) in an amount which, when combined with the decommissioning trust fund for MP1, equals a total of the site-specific decommissioning funding cost as of the closing date of the transfer as estimated (in year 2000 dollars) in accordance with 10 CFR 50.82 (including the use of a 2 percent annual real rate of return as provided in 10 CFR 50.75(e)(1)(i)).

4.2 Decommissioning Funding Assurance Mechanism

Pursuant to 10 CFR 50.75(b), a reactor licensee is required to provide decommissioning funding assurance by one or more of the methods described in 10 CFR 50.75(e), determined to be acceptable by the NRC. The NRC has determined that the requirements to provide assurance of decommissioning funding are necessary to ensure the adequate protection of public health and safety. DNC has selected the prepayment method, coupled with an external trust fund, as provided for in 10 CFR 50.75(e)(1)(i), for all of the decommissioning funding for MP2 and MP3 and most of the decommissioning funding for MP1. As noted previously, DNC will provide the remaining assurance of decommissioning funding for MP1 by parent guarantee, as provided for in 10 CFR 50.75(e)(1)(iii). The decommissioning trust funds will be transferred to DNC at closing.

DNC will not be regulated by the Connecticut Department of Public Utility Control, or any other rate regulator, with the result that there will be no rate regulatory oversight over the terms and provisions of the decommissioning trust fund. Consequently, the NRC staff concludes that, to provide additional assurance regarding the trust itself, the following provisions shall be made conditions to approving the transfer of the licenses for MP1, MP2, and MP3 and incorporated into the licenses as conforming conditions.

- (a) The decommissioning trust agreement must be in a form acceptable to the NRC.
- (b) With respect to the decommissioning trust funds, investment in the securities or other obligations of DRI and its affiliates or subsidiaries, successors, or assigns are 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 agreement must provide that no disbursements or payments from the trusts, other than for ordinary administrative expenses, shall be made by the trustee until the trustee has first given the Director of the Office of Nuclear Reactor Regulation 30

days prior written notice of payment. The decommissioning trust agreement 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 NRC.

- (d) The decommissioning trust agreement must provide that the agreement can not be amended in any material respect without 30 days prior written notification to the Director of the Office of Nuclear Reactor Regulation.
- (e) The appropriate section of the decommissioning trust agreement 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.

4.2.1 NRC Staff's Conclusion on the Decommissioning Funding Assurance Mechanism

The NRC staff concludes that, given the considerations discussed above and subject to the trust agreement containing provisions as previously discussed, DNC's proposed decommissioning funding assurance mechanism meets the requirements of 10 CFR 50.75(e). The NRC staff further concludes that in order to ensure that the decommissioning trust is maintained consistent with the staff's action on the application, the following should be included as a condition of the transfer approval and as a condition in the licenses:

DNC shall take all necessary steps to ensure that the decommissioning trusts are maintained in accordance with the application for approval of the transfer of the MP1, MP2, and MP3, licenses and the requirements of this Order approving the transfer, and consistent with the safety evaluation supporting this Order.

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 Generation Station Unit 1), CLI-99-19, 49 NRC 441,446, slip op. (June 18, 1999)]. Therefore, since the transfer applications postdate the issuance of the operating licenses for MP1, MP2, and MP3, no antitrust review is required or authorized.

6.0 TECHNICAL QUALIFICATIONS

6.1 Basis and Guidance for NRC Evaluation

The staff used the following regulations and guidance in making its evaluation: 10 CFR 50.40(b), "Common Standards;" 10 CFR 50.80, "Transfer of Licenses;" Standard Review Plan (SRP) NUREG-0800, Section 13.1.1, "Management and Technical Support Organization;" SRP, Sections 13.1.2-13.1.3, "Operating Organization;" and ANSI N18.1-1971, "Selection and Training of Nuclear Power Plant Personnel," as endorsed by Regulatory Guide 1.8, Revision 2, "Qualification and Training of Personnel for Nuclear Power Plants," April 1997.

The overall purpose of this review is to ensure that DNC's organization for management, technical support, and operations is sufficient for safe plant operation.

6.2 Evaluation: Management and Technical Support Organization

The staff reviewed the NNECO submittal to determine the acceptability of the corporate management and technical support organization for the proposed transfer using the applicable acceptance criteria contained in Standard Review Plan, Chapter 13, "Conduct of Operations," Section 13.1.1, "Management and Technical Support Organization."

The application indicates that substantially all of the existing management and technical support personnel are expected to become DNC employees after the license transfer. Thus, according to the application, the plant staff, including the senior managers, will remain essentially unchanged by the transfer. Similarly, the application states that, other than possible realignment of administrative and support services (such as accounting, business services, information technology) it is expected that the organizational structure, including lines of authority and communication, at and below the Millstone Senior Vice President's position will not be changed by the transfer. The application states that above this level the only expected change is that the Millstone Senior Vice President's position will report to the DNC Senior Vice President, who will report to the President and Chief Operating Officer, who in turn will report to the Chief Executive Officer. The application states that if DNC determines that any other senior management changes will be made contemporaneously with the transfer, DNC will ensure that any new managers meet all existing qualifications requirements and will inform the NRC and provide the NRC with a resume of the new manager prior to the license transfer.

The application indicates that the functions, responsibilities, and reporting relationships of the off-site organizations to the sites will remain clear and unambiguous. The application has described the proposed DNC organization for managing and its means for providing technical support to the staff at the nuclear facilities involved in the license transfer. The corporate level management and technical support structure will be free of ambiguous assignments of primary responsibility. The breadth and level of experience and availability of personnel will be sufficient to implement the responsibility for technical support for operation of the nuclear facilities. The staff has concluded that DNC meets the criteria described in SRP Section 13.1.1, "Management and Technical Support Organization," will have an acceptable organization and adequate resources to provide off-site technical support for the operation of the facilities under both normal and off-normal conditions and, therefore, the management and technical support organization will be acceptable for the facilities covered by the application.

6.3 Evaluation: Operating Organization

The staff reviewed the NNECO submittal to determine the acceptability of the operating organization. The application indicates that because NNECO's existing organization is being transferred into DNC, the technical qualifications of the on-site organization for MP1, MP2, and MP3 will be essentially unchanged. The initial operating organizations for all of the affected facilities were determined to be acceptable by the initial licensing reviews. Subsequent safety-related changes to the operating organizations were required to have been evaluated with an appropriate methodology. The staff is aware of no deficiencies in any of the subject operating organizations. Based on the retention of the existing on-site nuclear organizations and essentially all existing employees, the staff concludes that the organizational structure at the Millstone sites will continue to meet the criteria described in SRP Section 13.1.2-13.1.3,

“Operating Organization.” Therefore, the NRC staff concludes that DNC’s proposed on-site organizations for operation, maintenance, and decommissioning activities at MP1, MP2, and MP3 will be acceptable.

6.4 Conclusions

NNECO has described the corporate level management and technical support organization and the onsite operating organizations responsible for the operation and maintenance of MP1, MP2, and MP3 after the license transfer. The staff concludes that DNC will have an acceptable corporate organization, onsite organization, and adequate resources to provide technical support for the safe operation of Millstone Station under both normal and off-normal conditions after the license transfer.

The staff concludes that the proposed operating organizations meet the relevant requirements for technical qualifications of 10 CFR 50.40(b) and 10 CFR 50.80 and, therefore, are acceptable. Accordingly, the staff finds that DNC will be technically qualified to hold the licenses proposed to be transferred.

7.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

Sections 103d and 104d of the Atomic Energy Act prohibit the Commission from issuing a license for a nuclear power plant to “any corporation or other entity if the Commission knows or has reason to believe it is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government.” The Commission’s regulations at 10 CFR 50.38 contain virtually identical language to implement this prohibition.

The application reflects that DNC is a U.S. corporation formed under the laws of Delaware and that its principal place of business is Connecticut. Based on the application, the sole director and principal officers of DNC are all U.S. citizens.

The application states that “Dominion Nuclear Connecticut is not owned, controlled or dominated by an alien, a foreign corporation, or a foreign government.” The NRC staff does not know or have any reason to believe otherwise.

8.0 NUCLEAR INSURANCE AND INDEMNITY

The provisions of the Price-Anderson Act (Section 170 of the AEA) and the Commission’s regulations at 10 CFR Part 140 require that DNC be added to the current indemnity agreement for MP1, MP2, and MP3. In accordance with the Price-Anderson Act, DNC will also be required to provide primary insurance and participate in the secondary retrospective insurance pool. DNC 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 DNC will be able to pay a maximum aggregate annual assessment of \$10 million per unit annual insurance premium, in accordance with 10 CFR 140.21(e)-(f).

Consistent with NRC practice, the staff will require DNC to provide satisfactory documentary evidence that DNC 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 DNC as the operating licensee and possessor of the facilities. Because the issuance of the amended licenses is directly tied to the consummation of the proposed transfers, the orders approving the transfers will be conditioned essentially as follows:

Before the completion of the transfer of MP1, MP2, and MP3 to it, DNC shall provide the Director of the Office of Nuclear Reactor Regulation satisfactory documentary evidence that DNC has obtained the appropriate amount of financial insurance required of licensees under 10 CFR Part 140, and the property insurance required of licensees under 10 CFR 50.54(w) of the Commission's regulations.

9.0 CONFORMING AMENDMENT

9.1 Introduction

The applicants have requested approval of proposed conforming amendments to the operating licenses for MP1, MP2, and MP3. The requested changes simply replace references to NNECO and the selling owners in the operating licenses with references to DNC to reflect the proposed license transfers. No physical or operating changes to the facilities are requested. Supplemental information received that was not the subject of the initial Federal Register notice did not affect the applicability of the Commission's generic no significant hazards consideration determination set forth in 10 CFR 2.1315.

9.2 Discussion

The changes to be made to the MP1, MP2, and MP3 operating licenses, and the changes to be made to the MP1 and MP2 Technical Specifications do no more than accurately reflect the approved transfer actions, which are subject to certain conditions set forth in the orders approving the transfers, and that were identified and discussed earlier in this safety evaluation. The amendments involve no safety questions and are administrative in nature. Accordingly, the proposed amendments are acceptable.

9.3 State Consultation

In accordance with the Commission's regulations, the Connecticut State official was notified of the proposed issuance of the amendment. The State official had no comments.

9.4 Conclusion With Respect to the Conforming Amendments

The Commission has concluded, based on the considerations discussed above, 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.

10.0 ENVIRONMENTAL CONSIDERATION

The subject NNECO application is for approval of a transfer of operating 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 this application.

11.0 CONCLUSION

In view of the foregoing discussion, the NRC staff concludes that DNC is financially and technically qualified to own (to the extent now owned by the Selling Owners), operate, and decommission MP2 and MP3; and to own and decommission MP1. Also, the NRC staff concludes that the transfer would involve no problematic antitrust or foreign ownership considerations.

Thus, the staff has determined that DNC is qualified to be the holder of the licenses as now held by NNECO and the Selling Owners for MP1, MP2, and MP3, and that the transfers of the licenses to DNC are otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto, with the conditions described elsewhere in this safety evaluation.

Principal Contributors: M. Dusaniwskyj
R. Pelton
D. Collins

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