

May 25, 2001

Mr. Robert G. Byram
Senior Vice President
and Chief Nuclear Officer
PPL Susquehanna, LLC
2 North Ninth Street
Allentown, PA 18101

SUBJECT: ORDER APPROVING APPLICATION REGARDING PROPOSED CORPORATE
RESTRUCTURING - SUSQUEHANNA STEAM ELECTRIC STATION, UNITS 1
AND 2 (TAC NOS. MB1372 AND MB1373)

Dear Mr. Byram:

The enclosed Order and supporting safety evaluation are in response to your letter and application dated March 6, 2001, pursuant to Section 50.80 of Title 10 of the *Code of Federal Regulations*. PPL Susquehanna, LLC (PPL Susquehanna), requested approval of the indirect transfer of the Facility Operating Licenses Nos. NPF-14 and NPF-22 for the Susquehanna Steam Electric Station, Units 1 and 2, to the extent held by PPL Susquehanna, that would occur in connection with a proposed corporate restructuring of PPL Susquehanna's parent organization. Under this restructuring, the holder of the licenses, PPL Susquehanna, will become a wholly owned, indirect subsidiary of PPL Energy Supply, LLC, a new, wholly owned, indirect subsidiary of PPL Corporation, the ultimate parent of PPL Susquehanna. The March 6, 2001, letter and application were supplemented by letter dated April 4, 2001. The Order is being forwarded to the Office of the Federal Register for publication.

If you have any questions regarding this matter, please contact me at 301-415-1312.

Sincerely,

/RA/

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

Docket Nos. 50-387 and 50-388

Enclosures: 1. Order
2. Safety Evaluation

cc w/encls: See next page

Susquehanna Steam Electric Station,
Units 1 & 2

Bryan A. Snapp, Esq
Assoc. General Counsel
PPL Services Corporation
2 North Ninth Street GENTW3
Allentown, PA 18101-1179

Rocco R. Sgarro
Supervisor-Nuclear Licensing
PPL Susquehanna, LLC
2 North Ninth Street GENA61
Allentown, PA 18101-1179

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

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

PPL Susquehanna, LLC
Nuclear Records
Attn: G. DallaPalu
2 North Ninth Street GENA62
Allentown, PA 18101-1179

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

Regional Administrator, Region 1
U.S. Nuclear Regulatory Commission
475 Allendale Road
King of Prussia, PA 19406

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

Herbert D. Woodeshick
Special Office of the President
PPL Susquehanna, LLC
Rural Route 1, Box 1797
Berwick, PA 18603-0035

George T. Jones
Vice President-Nuclear
Engineering & Support
PPL Susquehanna, LLC
2 North Ninth Street, GENA61
Allentown, PA 18101-1179

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

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

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 Senior Vice President
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Docket Nos. 50-387 and 50-388

Enclosures: 1. Order
 2. Safety Evaluation

cc w/encls: See next page

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ACCESSION NO. ML011220249

* See previous concurrence.

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ORDER APPROVING APPLICATION REGARDING PROPOSED CORPORATE
RESTRUCTURING - SUSQUEHANNA STEAM ELECTRIC STATION, UNITS 1 AND 2
DATED:

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S. Hom

G. Hill (2)

ACRS

SECY

JShea, EDO

D. Florek, RGN-I

UNITED STATES OF AMERICA

NUCLEAR REGULATORY COMMISSION

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

ORDER APPROVING APPLICATION REGARDING
PROPOSED CORPORATE RESTRUCTURING

I.

PPL Susquehanna, LLC (PPL Susquehanna or the licensee), owns 90 percent and Allegheny Electric Cooperative, Inc., owns 10 percent of the Susquehanna Steam Electric Station (SSES), Units 1 and 2, located in Luzerne County, Pennsylvania. PPL Susquehanna exclusively operates the facility.

PPL Susquehanna is a wholly owned, direct subsidiary of PPL Generation, LLC, which is a wholly owned, direct subsidiary of PPL Energy Funding Corporation. PPL Energy Funding Corporation is a wholly owned, direct subsidiary of PPL Corporation, the ultimate parent of PPL Susquehanna. PPL Susquehanna and Allegheny Electric Cooperative, Inc., jointly hold Facility Operating Licenses Nos. NPF-14 for SSES Unit 1 and NPF-22 for SSES Unit 2, issued by the U.S. Nuclear Regulatory Commission (NRC or the Commission) pursuant to Part 50 of Title 10 of the *Code of Federal Regulations* (10 CFR Part 50) on July 17, 1982, and March 23, 1984, respectively.

II.

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended, and 10 CFR 50.80, PPL Susquehanna filed an application dated March 6, 2001, which was supplemented by a submittal dated April 4, 2001 (collectively herein referred to as the application), requesting the Commission's consent to the indirect transfer of the SSES Units 1 and 2 licenses, to the extent held by PPL Susquehanna, in connection with the proposed corporate restructuring of PPL Susquehanna's parent organization involving the addition of PPL Energy Supply, LLC, as an intermediary, indirect parent of PPL Susquehanna. The application does not involve Allegheny Electric Cooperative, Inc.

Upon completion of the restructuring, PPL Energy Supply, LLC, will become a wholly owned, direct subsidiary of PPL Energy Funding Corporation and the direct parent of PPL Generation, LLC. PPL Susquehanna, therefore, will become an indirect wholly owned subsidiary of PPL Energy Supply, LLC. No physical changes to the SSES facilities or operational changes are proposed in the application. PPL Susquehanna, the SSES Units 1 and 2 licensee authorized to operate and maintain the facility, and PPL Susquehanna and Allegheny Electric Cooperative, Inc., the licensed owners of SSES Units 1 and 2, will continue to be so following the restructuring. No direct transfer of the license will result from the planned restructuring. Notice of this request for approval was published in the *Federal Register* on April 25, 2001 (66 FR 20839). No hearing requests or written comments 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 proposed restructuring of PPL

Susquehanna's parent organization described above will not affect the qualifications of PPL Susquehanna as a holder of the SSES Units 1 and 2 licenses, and that the indirect transfer of the licenses, to the extent effected by the restructuring, is otherwise consistent with applicable provision of laws, regulations, and orders issued by the Commission subject to the conditions set forth herein. These findings are supported by a safety evaluation dated May 25, 2001.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§ 2201(b), 2201(i), 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 condition:

Should the corporate restructuring described above not be completed by June 1, 2002, this Order shall become null and void, provided, however, upon application and for good cause shown, such date may be extended.

This Order is effective upon issuance.

IV.

For further details with respect to this Order, see the initial application dated March 6, 2001, the supplemental submittal dated April 4, 2001, and the safety evaluation dated May 25, 2001, which are available for inspection at the Commission's Public Document

Room, U.S. Nuclear Regulatory Commission, One White Flint North, Room O-1 F21, 11555 Rockville Pike, Rockville, MD 20852-2738, 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 25th day of May 2001.

FOR THE NUCLEAR REGULATORY COMMISSION

David B. Matthews, Acting Director
Office of Nuclear Reactor Regulation

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED INDIRECT TRANSFER OF OPERATING LICENSES

PROPOSED CORPORATE RESTRUCTURING BY

FORMATION OF INTERMEDIATE PARENT COMPANY

SUSQUEHANNA STEAM ELECTRIC STATION, UNITS 1 AND 2

DOCKET NOS. 50-387 AND 50-388

1.0 INTRODUCTION

On June 6, 2000, the Nuclear Regulatory Commission (NRC) issued an Order approving the direct transfer of the facility operating licenses to the extent then held by PP&L, Inc.¹, for Susquehanna Steam Electric Station (SSES), Units 1 and 2, from PP&L, Inc., to PPL Susquehanna, LLC (PPL Susquehanna). The Order and accompanying safety evaluation (SE) were in response to an application from PP&L, Inc., dated December 15, 1999, as supplemented February 7, March 24, April 28, May 4, and May 30, 2000. In regard to that transfer, PP&L, Inc.'s, 90-percent ownership interest in and licensed operating authority for SSES Units 1 and 2, were transferred to a new affiliated nuclear generating company, PPL Susquehanna, LLC. The transfer was described in the application as "part of a planned corporate realignment by PP&L Resources [then the parent of PP&L, Inc.] designed to enable it to respond effectively to the deregulation of the electric utility industry." PPL Susquehanna was "created as a new, wholly owned subsidiary of PPL Generation, LLC (PPL Generation), which in turn [is] a wholly owned subsidiary of PPL Energy Funding Corporation which in turn [is] a wholly owned subsidiary of PP&L Resources [now named PPL Corporation], the parent company of PP&L, Inc." The transfer of the licenses as held by PP&L, Inc., to PPL Susquehanna, LLC, occurred on July 1, 2000.

By letters dated March 6 and April 4, 2001 (March 6 application as supplemented), PPL Susquehanna informed the NRC of a proposed change to the internal corporate structure of PPL Corporation, which will result in a new entity, PPL Energy Supply, LLC (PPL Energy Supply), becoming an intermediary, indirect parent company of PPL Susquehanna. PPL Corporation will remain PPL Susquehanna's ultimate parent company. The NRC staff has determined that this proposed change would effect indirect license transfers and is thus subject to the provisions of 10 CFR 50.80. More specifically, the staff has determined that the indirect transfer, the circumstances of which are more fully described below, will result by reason of the creation of a new, intermediary, indirect parent of PPL Susquehanna, which could exercise

¹PP&L, Inc., changed its name to PPL Electric Utilities Corporation during the time the Order was being prepared, but herein is referred to as PP&L, Inc.

control over PPL Susquehanna and thus the licenses. PPL Susquehanna requested NRC consent under 10 CFR 50.80 as necessary.

2.0 BACKGROUND

The March 6 application as supplemented states that “the formation of PPL Energy Supply is necessary to facilitate certain financing arrangements in order to more effectively organize and conduct the generation business and certain other businesses currently owned by PPL Energy Funding. It is anticipated that PPL Energy Supply will obtain an investment-grade securities rating on its senior unsecured debt, which will be used to the advantage of its various directly and indirectly owned subsidiaries, including PPL Susquehanna. PPL Energy Supply has the same address, organization and management as PPL Energy Funding. It will hold its interest in PPL Generation in the same manner that PPL Energy Funding currently owns such interest in PPL Generation and its various subsidiaries, including PPL Susquehanna. PPL Energy Supply will be a direct, wholly-owned subsidiary of PPL Energy Funding. It is a limited liability company organized under the laws of the State of Delaware, formed to become the direct parent company of certain of the current subsidiaries of PPL Energy Funding (e.g., PPL Generation, PPL Global, LLC and PPL EnergyPlus, LLC).”

3.0 FINANCIAL QUALIFICATIONS ANALYSIS

The March 6 application as supplemented states that there will be no change to PPL Susquehanna’s financial qualifications as a result of the proposed establishment of the new intermediate parent company. PPL Susquehanna’s current arrangements for the sale of energy from the SSES units to PPL EnergyPlus will not be affected by the proposed transaction. PPL Susquehanna further states that the \$130 million funding commitment to PPL Susquehanna from PPL Corporation (see the SE dated June 6, 2000, supporting the June 6, 2000, Order referenced above) will remain in effect and not be affected by the insertion of the new intermediate parent company. In consideration of the foregoing, the NRC staff concludes that the proposed restructuring of PPL Susquehanna’s parent organization will not affect the financial qualifications of PPL Susquehanna.

4.0 DECOMMISSIONING FUNDING ASSURANCE

The March 6 application as supplemented states that the establishment of PPL Energy Supply will not result in any changes to existing decommissioning funding arrangements. The existing funding arrangements were found to be acceptable as documented in the NRC staff’s June 6, 2000, SE. Thus, the NRC staff concludes that the proposed restructuring will not affect the decommissioning funding arrangements of PPL Susquehanna.

5.0 TECHNICAL QUALIFICATIONS

The April 4, 2001, submittal states that “PPL Susquehanna will continue to be the plant operator, and the technical qualifications of PPL Susquehanna will not be affected by the proposed indirect transfer.” No physical changes to the plant, no changes to the day-to-day operations onsite, and no changes to the management or personnel at PPL Susquehanna will occur as part of the establishment of the new indirect parent. Therefore, the NRC staff concludes that the proposed restructuring will not affect the technical qualifications of PPL

Susquehanna as holder of the authority under the SSES licenses to maintain and operate the facility.

6.0 ANTITRUST REVIEW

The Atomic Energy Act does not require or authorize antitrust reviews of post-operating license transfer applications. Kansas Gas and Electric Co., et al. (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441, 468 (1999). Therefore, since the transfer application postdates the issuance of the operating licenses for SSES Units 1 and 2, no antitrust review is required or authorized.

7.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

The March 6 application as supplemented gives the names of the members of the Board of Managers and the principal officers of PPL Energy Supply and states that all are U.S. citizens. PPL Energy Supply is a Delaware corporation doing business in Pennsylvania. The application states that "neither PPL Corporation nor PPL Susquehanna is currently owned, controlled or dominated by an alien, a foreign corporation or a foreign government, and the formation of PPL Energy Supply as an intermediary holding company will not have any impact on this status." The NRC staff does not know or have reason to believe that PPL Susquehanna will be owned, controlled, or dominated by foreign interests following the proposed restructuring.

8.0 ENVIRONMENTAL CONSIDERATION

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 restructuring of PPL Susquehanna's parent organization by the establishment of PPL Energy Supply as a new indirect parent of PPL Susquehanna will not affect the qualifications of PPL Susquehanna as a holder of the SSES Units 1 and 2 licenses, and that the indirect transfer of the licenses, to the extent effected by the restructuring, is otherwise consistent with applicable provisions of laws, regulations, and orders issued by the Commission pursuant thereto.

Principal Contributor: M. Davis

Date: May 25, 2001