

December 18, 1997

John H. O'Neill, Jr., Esq.  
Shaw, Pittman, Potts & Trowbridge  
2300 N Street, NW.  
Washington, DC 20037

SUBJECT: ORDER APPROVING APPLICATION REGARDING THE MERGER AGREEMENT BETWEEN ATLANTIC ENERGY INC., PARENT OF ATLANTIC CITY ELECTRIC COMPANY (ACE) AND DELMARVA POWER AND LIGHT COMPANY (DP&L) AFFECTING LICENSE NO. NPF-57, HOPE CREEK GENERATING STATION (TAC NO. M98618)

Dear Mr. O'Neill:

The enclosed Order responds to the application for approval under 10 CFR 50.80, submitted under cover of your letter of April 30, 1997, concerning the proposed merger of Atlantic Energy, Inc. (the parent holding company of ACE) and DP&L, which would result in the formation of a new holding company, Conectiv, Inc., under which ACE and DP&L would become wholly owned subsidiaries. The staff's safety evaluation in support of the Order is also enclosed.

The Order is being forwarded to the Office of the Federal Register for publication.

Sincerely,  
J. Stolz /s/ for  
Brenda L. Mozafari, Project Manager  
Project Directorate I-2  
Division of Reactor Projects - I/II  
Office of Nuclear Reactor Regulation

Docket No. 50-354

Enclosures: 1. Order  
2. Safety Evaluation

cc w/encls: See next page

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UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

December 18, 1997

John H. O'Neill, Jr., Esq.  
Shaw, Pittman, Potts & Trowbridge  
2300 N Street, NW.  
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SUBJECT: ORDER APPROVING APPLICATION REGARDING THE MERGER AGREEMENT BETWEEN ATLANTIC ENERGY INC., PARENT OF ATLANTIC CITY ELECTRIC COMPANY (ACE) AND DELMARVA POWER AND LIGHT COMPANY (DP&L) AFFECTING LICENSE NO. NPF-57, HOPE CREEK GENERATING STATION (TAC NO. M98618)

Dear Mr. O'Neill:

The enclosed Order responds to the application for approval under 10 CFR 50.80, submitted under cover of your letter of April 30, 1997, concerning the proposed merger of Atlantic Energy, Inc. (the parent holding company of ACE) and DP&L, which would result in the formation of a new holding company, Conectiv, Inc., under which ACE and DP&L would become wholly owned subsidiaries. The staff's safety evaluation in support of the Order is also enclosed.

The Order is being forwarded to the Office of the Federal Register for publication.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brenda L. Mozafari".

Brenda L. Mozafari, Project Manager  
Project Directorate I-2  
Division of Reactor Projects - I/II  
Office of Nuclear Reactor Regulation

Docket No. 50-354

Enclosures: 1. Order  
2. Safety Evaluation

cc w/encls: See next page

Public Service Electric & Gas  
Company

Hope Creek Generating Station

cc:

Jeffrie J. Keenan, Esquire  
Nuclear Business Unit - N21  
P.O. Box 236  
Hancocks Bridge, NJ 08038

Manager - Joint Generation  
Atlantic Energy  
6801 Black Horse Pike  
Pleasantville, NJ 08232-4130

Hope Creek Resident Inspector  
U.S. Nuclear Regulatory Commission  
Drawer 0509  
Hancocks Bridge, NJ 08038

Richard Hartung  
Electric Service Evaluation  
Board of Regulatory Commissioners  
2 Gateway Center, Tenth Floor  
Newark, NJ 07102

Mr. Louis Storz  
Sr. Vice President - Nuclear Operations  
Nuclear Department  
P.O. Box 236  
Hancocks Bridge, NJ 08038

Lower Alloways Creek Township  
c/o Mary O. Henderson, Clerk  
Municipal Building, P.O. Box 157  
Hancocks Bridge, NJ 08038

General Manager - Hope Creek Operations  
Hope Creek Generating Station  
P.O. Box 236  
Hancocks Bridge, NJ 08038

Mr. Elbert Simpson  
Senior Vice President-  
Nuclear Engineering  
Nuclear Department  
P.O. Box 236  
Hancocks Bridge, NJ 08038

Manager - Licensing and Regulation  
Nuclear Business Unit - N21  
P.O. Box 236  
Hancocks Bridge, NJ 08038

Mr. Leon R. Eliason  
Chief Nuclear Officer & President-  
Nuclear Business Unit  
Public Service Electric and Gas  
Company  
Post Office Box 236  
Hancocks Bridge, NJ 08038

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

Dr. Jill Lipoti, Asst. Director  
Radiation Protection Programs  
NJ Department of Environmental  
Protection and Energy  
CN 415  
Trenton, NJ 08625-0415

James E. Franklin, II, Esq.  
Sr. V.P. and General Counsel  
Atlantic City Electric Company  
6801 Blackhorse Pike  
Egg Harbor Township, NJ 08234-4130

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
ATLANTIC CITY ELECTRIC COMPANY	)	Docket No. 50-354
	)	
(Hope Creek Generating Station)	)	

ORDER APPROVING APPLICATION REGARDING  
MERGER AGREEMENT BETWEEN  
ATLANTIC ENERGY, INC. (PARENT OF ATLANTIC CITY ELECTRIC COMPANY)  
AND  
DELMARVA POWER AND LIGHT COMPANY

I.

Atlantic City Electric Company (ACE) and Public Service Electric and Gas Company (PSE&G) are co-holders of Facility Operating License No. NPF-57, issued by the U.S. Nuclear Regulatory Commission (NRC or Commission) pursuant to Part 50 of Title 10 of the Code of Federal Regulations (10 CFR Part 50) for operation of the Hope Creek Generating Station (Hope Creek). Under the license, PSE&G is authorized to possess, use, and operate the facility, and ACE is authorized to possess the facility. Hope Creek is located in Salem County, New Jersey.

II.

By application filed by ACE under cover of a letter dated April 30, 1997, from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge, attorney for ACE, supplemented by letter dated November 7, 1997, ACE requested the Commission's approval, pursuant to 10 CFR 50.80, of the indirect transfer of the license, to the extent held by ACE, that would result from the consummation of a merger agreement between Atlantic Energy, Inc. (parent of ACE) and Delmarva Power and Light Company (DP&L). Under the merger agreement, Atlantic Energy, Inc. and DP&L would form a new holding company, Conectiv, Inc., under which ACE and DP&L would become wholly owned subsidiaries. No direct transfer of the license would occur. PSE&G is not involved in the merger.

A Notice of Consideration of Approval of Application Regarding Proposed Corporate Restructuring was published in the Federal Register on December 8, 1997 (62 FR 64600), and an Environmental Assessment and Finding of No Significant Impact was published in the Federal Register on December 8, 1997 (62 FR 64603).

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 letter and application of April 30, 1997, and supplement dated November 7, 1997, the NRC staff has determined that the proposed merger of Atlantic Energy, Inc. and DP&L will not affect the qualifications of ACE as a holder of the license, and that the transfer of control of the license for Hope Creek, to the extent effected by the proposed merger, is otherwise

consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions stated herein. These findings are supported by a safety evaluation dated December 18, 1997.

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 Commission approves the application regarding the proposed merger of Atlantic Energy, Inc. and DP&L subject to the following conditions: (1) ACE 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 ACE 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 10 percent (10%) of ACE's consolidated net utility plant, as recorded on ACE's books of account; and (2) should the merger of Atlantic Energy, Inc. and DP&L, as described herein, not be completed by December 31, 1998, this Order shall become null and void, provided, however, on application and for good cause shown, such date is extended.

This Order is effective upon issuance.

IV.

By January 23, 1998 , any person adversely affected by this Order may file a request for a hearing with respect to issuance of the Order. Any person requesting a hearing shall set forth with particularity how that interest is adversely affected by this Order and shall address the criteria set forth in 10 CFR 2.714(d).

If a hearing is to be held, the Commission will issue an order designating the time and place of such hearing.

The issue to be considered at any such hearing shall be whether this Order should be sustained.

Any request for a hearing must be filed with the Secretary of the Commission, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, Attention: Rulemakings and Adjudications Staff, or may be delivered to the Commission's Public Document Room, The Gelman Building, 2120 L Street, NW., Washington, DC by the above date. Copies should be also sent to the Office of the General Counsel and to the Director, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, and to John H. O'Neill, Jr., Shaw, Pittman, Potts & Trowbridge, 2300 N Street, NW., Washington, DC, 20037, attorney for ACE.

For further details with respect to this action, see the application filed by ACE under cover of a letter dated April 30, 1997, from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge, as supplemented by a letter dated November 7, 1997, and the safety evaluation dated December 18, 1997, which are available for public inspection at the Commission's Public Document Room, The Gelman Building, 2120 L Street, NW., Washington, DC, and at the

Local public document room at the Pennsville Public Library, 190 South Broadway, Pennsville, NJ.

Dated at Rockville, Maryland, this 18th day of December 1997.

FOR THE NUCLEAR REGULATORY COMMISSION

/s/

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

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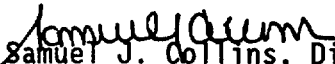
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Dated at Rockville, Maryland, this 18th day of December 1997.

FOR THE NUCLEAR REGULATORY COMMISSION

  
Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED MERGER OF ATLANTIC ENERGY, INC. AND

DELMARVA POWER AND LIGHT COMPANY

HOPE CREEK GENERATING STATION

DOCKET NO. 50-354

1.0 BACKGROUND

Under cover of a letter dated April 30, 1997, as supplemented by a letter dated November 7, 1997, from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge, Atlantic City Electric Company (ACE) submitted an application for approval under 10 CFR 50.80, in connection with a proposed merger between Atlantic Energy, Inc. (AEI), which is the parent holding company of ACE, and Delmarva Power & Light Company (DP&L). A new holding company will result from this merger named Conectiv, Inc. (Conectiv). Under the merger agreement, all of AEI's subsidiaries (including ACE) and DP&L will become wholly owned subsidiaries of Conectiv, and AEI will cease to exist. Current holders of AEI and DP&L common stock would become holders of Conectiv common stock pursuant to a formula stipulated in the merger agreement.

ACE is a 5-percent owner of the Hope Creek Generating Station (HCGS), a single-unit facility. Public Service Electric & Gas Company (PSE&G) owns the remaining 95 percent. The proposed merger does not involve PSE&G, which is the licensed operator of HCGS. The proposed merger will result in the indirect transfer of control of the interest held by ACE (but not PSE&G's interest) in HCGS's operating license to the proposed new holding company, Conectiv. Accordingly, under the provisions of 10 CFR 50.80, Commission approval is required.

In the application for approval dated April 30, 1997, the applicant states on page 10:

The purpose of the proposed Merger is to achieve benefits for the shareholders, customers and communities served by ACE and DP&L that would otherwise not be achievable if they were to remain as separate companies. The expected savings related to the Merger are approximately \$500 million over the next ten years (1998 to

2007). The savings will come principally from elimination of duplicative activities, increased scale, improved purchasing power, improved operating efficiencies, lower capital costs and, to the extent practicable, by combining the companies' work forces.

## 2.0 FINANCIAL AND TECHNICAL QUALIFICATIONS

On the basis of information submitted in the application, the staff finds that there will be no near-term substantive change in the financial ability of ACE to contribute appropriately to the operations and decommissioning of HCGS as a result of the proposed merger. ACE is, and would remain after the merger, an "electric utility" as defined in 10 CFR 50.2, engaged in the generation and distribution of electricity, the cost of which is recovered through rates established by the New Jersey Board of Public Utilities and the Federal Energy Regulatory Commission. Thus, pursuant to 10 CFR 50.33(f), ACE, as an electric utility, is exempt from further financial qualifications review.

However, in view of the NRC's concern that restructuring can lead to a diminution of assets necessary for the safe operation and decommissioning of a licensee's nuclear power plant, the NRC has sought to obtain commitments from its licensees that initiate restructuring actions not to transfer significant assets from the licensee without notifying the NRC. ACE has agreed:

to 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 a security interest or liens) from ACE 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 10 percent (10%) of ACE's consolidated net utility plant, as recorded on ACE's books of account.

See letter from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge to the NRC, dated November 7, 1997. This commitment, incorporated as a condition to the NRC's consent to the indirect license transfer to the extent effected by the proposed merger and restructuring, will assist the NRC in assuring that ACE will continue to maintain adequate resources to contribute to the safe operation and decommissioning of HCGS.

With respect to technical qualifications, the proposed merger will not effect any change in the technical qualifications of the licensed operator, PSE&G, and will not effect any change in the responsibilities and obligations of PSE&G or ACE as set forth in the license.

### 3.0 ANTITRUST

The antitrust provisions of Section 105c of the Atomic Energy Act apply to an application for a license to construct or operate a facility licensed under Section 103 of the Act. Although Connectiv may become the holding company of ACE, a licensee for HCGS, i.e., may indirectly acquire control of the license, it will not be performing activities for which a license is needed. Since approval of the application would not involve the issuance of a license, the procedures under Section 105c do not apply, including the making of any "significant changes" determination.

### 4.0 FOREIGN OWNERSHIP

The application states that for ACE, after the proposed merger, ACE will not "be owned, controlled or dominated by any alien, foreign corporation or foreign government." Also, it states that ACE is not "acting as an agent or representative of any other person in this request for consent to the indirect transfer of control of the license." (See page 5 of the application dated April 30, 1997.) The staff does not know or have reason to believe that ACE will be owned, controlled, or dominated by any alien, foreign corporation, or foreign government as a result of the proposed merger.

### 5.0 CONCLUSIONS

In view of the foregoing, the staff concludes that the proposed merger of AEI and DP&L resulting in the formation of a new holding company, Conectiv, will not adversely affect the financial or technical qualifications of ACE with respect to the operation and decommissioning of the HCGS facility. Also, there do not appear to be any problematic antitrust or foreign ownership considerations related to the HCGS license that would result from the proposed merger. Thus, the proposed merger will not affect the qualifications of ACE as a holder of the license, and the transfer of control of the license, to the extent effected by the proposed merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission. Accordingly, with the condition discussed above relating to significant asset transfers, the NRC should approve the application regarding the proposed merger.

Principal Contributor: A. McKeigney

Date: December 18, 1997

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Advance Copy  
per: D. McCulloch

UNITED STATES NUCLEAR REGULATORY COMMISSION  
PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
ATLANTIC CITY ELECTRIC COMPANY  
DOCKET NO. 50-354  
HOPE CREEK GENERATING STATION  
ENVIRONMENTAL ASSESSMENT AND FINDING OF  
NO SIGNIFICANT IMPACT

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The U.S. Nuclear Regulatory Commission (the Commission) is considering approval, by issuance of an order, under 10 CFR 50.80 of the indirect transfer of control of Atlantic City Electric Company's (ACE) interests in the Hope Creek Generating Station (HCGS) license to the extent effected by a proposed merger of Atlantic Energy, Inc. (the parent holding company of ACE) and Delmarva Power & Light Company (DP&L), resulting in the formation of a new holding company, Conectiv, Inc. ACE is co-holder of Facility Operating License No. NPF-57, along with Public Service Electric and Gas Company (PSE&G), issued for operation of the HCGS, located in Lower Alloways Creek Township, Salem County, New Jersey.

ENVIRONMENTAL ASSESSMENT

Identification of the Proposed Action:

The proposed action would consent to the indirect transfer of the interest in HCGS to the extent effected by the proposed merger of Atlantic Energy, Inc. and DP&L, resulting in the formation of a new holding company, Conectiv, Inc., under which ACE and DP&L would become wholly owned subsidiaries. ACE would continue to be a co-licensee of HCGS, and no direct transfer of the license would occur. PSE&G is not involved in the proposed merger.

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The proposed action is in accordance with an application filed by ACE under cover of a letter dated April 30, 1997, from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge, Counsel for ACE and DP&L.

The Need for the Proposed Action:

The proposed action is required to enable the proposed merger and restructuring of Atlantic Energy, Inc., ACE, and DP&L to occur to the extent an indirect transfer of the license will be effected by the merger and restructuring.

Environmental Impacts of the Proposed Action:

The Commission has completed its evaluation of the proposed action and concludes that there will be no physical or operational changes as a result of the proposed action. The corporate merger and restructuring will not affect the qualifications or organizational affiliation of the personnel who operate the facilities, as PSE&G, not involved in the merger, will continue to be responsible for the operation of HCGS.

The change will not increase the probability or consequences of accidents, no changes are being made in the types of any effluents that may be released offsite, and there is no significant increase in the allowable individual or cumulative occupational radiation exposure. Accordingly, the Commission concludes that there are no significant radiological environmental impacts associated with the proposed action.

With regard to potential nonradiological impacts, the proposed action will not affect nonradiological plant effluents and will have no other environmental impact. Accordingly, the Commission concludes that there are no

significant nonradiological environmental impacts associated with the proposed action.

Alternatives to the Proposed Action:

Since the Commission has concluded there is no measurable environmental impact associated with the proposed action, any alternatives with equal or greater environmental impact need not be evaluated. As an alternative to the proposed action, the staff considered denial of the proposed action. Denial of the application would result in no change in current environmental impacts. The environmental impacts of the proposed action and the alternative action are similar.

Alternative Use of Resources:

This action does not involve the use of any resources not previously considered in the "Final Environmental Statement Related to the Operation of the Hope Creek Generating Station," NUREG-1074, December 1984.

Agencies and Persons Consulted:

In accordance with its stated policy, on October 21, 1997, the staff consulted with the New Jersey State official, Mr. R. Pinney of the State of New Jersey, Department of Environmental Protection, regarding the environmental impact of the proposed action. The State official had no comments.

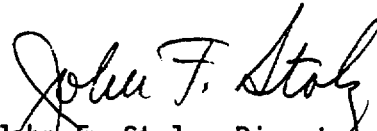
FINDING OF NO SIGNIFICANT IMPACT

Based upon the environmental assessment, the Commission concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the Commission has determined not to prepare an environmental impact statement for the proposed action.

For further details with respect to the proposed action, see the application filed by ACE under cover of a letter dated April 30, 1997, as supplemented November 7, 1997, from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge (Counsel for ACE and DP&L), which is available for public inspection at the Commission's Public Document Room, The Gelman Building, 2120 L Street, NW., Washington, DC, and at the local public document room located at the Pennsville Public Library, 190 S. Broadway, Pennsville, New Jersey.

Dated at Rockville, Maryland, this 2nd day of December 1997.

FOR THE NUCLEAR REGULATORY COMMISSION



John F. Stolz, Director  
Project Directorate I-2  
Division of Reactor Projects - I/II  
Office of Nuclear Reactor Regulation



12/2/57

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PER: D. McCollach

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UNITED STATES NUCLEAR REGULATORY COMMISSION

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

ATLANTIC CITY ELECTRIC COMPANY

HOPE CREEK GENERATING STATION

DOCKET NO. 50-354

NOTICE OF CONSIDERATION OF APPROVAL OF APPLICATION

REGARDING PROPOSED CORPORATE RESTRUCTURING

Notice is hereby given that the U.S. Nuclear Regulatory Commission (the Commission) is considering approval, by issuance of an order, under 10 CFR 50.80, of the indirect transfer of control of Atlantic City Electric Company's (ACE) interest in the Hope Creek Generating Station (HCGS) license to the extent effected by a proposed merger of Atlantic Energy, Inc. (the parent holding company of ACE) and Delmarva Power & Light Company (DP&L), resulting in the formation of a new holding company, Conectiv, Inc., under which ACE and DP&L would become wholly owned subsidiaries. Atlantic Energy, Inc. will cease to exist. Public Service Electric and Gas Company, not involved in the merger, is co-holder of Facility Operating License No. NPF-57, along with ACE, issued for operation of the HCGS, located in Lower Alloways Creek Township, Salem County, New Jersey. An application filed by ACE under cover of a letter dated April 30, 1997, from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge, Counsel for ACE and DP&L, informed the Commission of the proposed corporate restructuring.

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According to the proposed plan, there will be no significant change in ownership, management, or sources of funds for operation, maintenance, or decommissioning of the HCGS due to the corporate restructuring. ACE will continue to hold the license, and no direct transfer of the license will occur.

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Pursuant to 10 CFR 50.80, the Commission may approve the transfer of control of a license after appropriate notice to interested persons. Such approval is contingent upon the Commission's determination that the holder of the license following the transfer is qualified to hold the license and that the transfer is otherwise consistent with applicable provisions of law, regulations, and orders of the Commission.

For further details with respect to the proposed action, see the application filed by ACE under cover of a letter dated April 30, 1997, as supplemented November 7, 1997, from John H. O'Neill, Jr., of Shaw, Pittman, Potts & Trowbridge (Counsel for ACE and DP&L), which is available for public inspection at the Commission's Public Document Room, The Gelman Building, 2120 L Street, NW., Washington, DC, and at the local public document room located at the Pennsville Public Library, 190 S. Broadway, Pennsville, New Jersey.

Dated at Rockville, Maryland, this 2nd day of December 1997.

FOR THE NUCLEAR REGULATORY COMMISSION

  
John F. Stolz, Director  
Project Directorate I-2  
Division of Reactor Projects - I/II  
Office of Nuclear Reactor Regulation