

August 16, 1993

Docket No. 50-443
Serial No. SEA-93-014

Mr. Ted C. Feigenbaum
Senior Vice President
and Chief Nuclear Officer
North Atlantic Energy Service Corporation
Post Office Box 300
Seabrook, New Hampshire 03874

Dear Mr. Feigenbaum:

SUBJECT: AMENDMENT NO. 23 TO FACILITY OPERATING LICENSE NPF-86: TRANSFER OF CONTROL OF EUA POWER CORPORATION'S INTEREST IN THE LICENSE (TAC M86421)

The Commission has issued the enclosed Amendment No. 23 to Facility Operating License No. NPF-86 for the Seabrook Station, Unit No. 1, in response to your application dated May 14, 1993. The amendment revises the Seabrook Station, Unit No. 1 operating license to reflect the name change of a joint owner following the indirect transfer of control of EUA Power Corporation's interest in the operating license to Great Bay Power Corporation.

The transfer of any right under the operating license is subject to NRC approval pursuant to 10 CFR 50.80(a). Such approval is given in the enclosed Order Approving Transfer of License, which is being forwarded to the Office of the Federal Register for publication.

A copy of the related Safety Evaluation is also enclosed. The Notice of Issuance will be included in the Commission's biweekly Federal Register notice.

Sincerely,

Original signed by:

Albert W. De Agazio, Sr. Project Manager
Project Directorate I-4
Division of Reactor Projects - I/II
Office of Nuclear Reactor Regulation

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Enclosures:

- 1. Amendment No. 23 to NPF-86
- 2. Order
- 3. Safety Evaluation

cc w/enclosures:

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UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

August 16, 1993

Docket No. 50-443
Serial No. SEA-93-014

Mr. Ted C. Feigenbaum
Senior Vice President
and Chief Nuclear Officer
North Atlantic Energy Service Corporation
Post Office Box 300
Seabrook, New Hampshire 03874

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A copy of the related Safety Evaluation is also enclosed. The Notice of Issuance will be included in the Commission's biweekly Federal Register notice.

Sincerely,

A handwritten signature in cursive script that reads "Albert W. De Agazio, Sr.".

Albert W. De Agazio, Sr. Project Manager
Project Directorate I-4
Division of Reactor Projects - I/II
Office of Nuclear Reactor Regulation

Enclosures:

1. Amendment No. 23 to NPF-86
2. Order
3. Safety Evaluation

cc w/enclosures:
See next page

Mr. Ted C. Feigenbaum

Seabrook Station

cc:

Thomas Dignan, Esq.
John A. Ritsher, Esq.
Ropes and Gray
One International Place
Boston, Massachusetts 02110-2624

Mr. Peter Brann
Assistant Attorney General
State House, Station #6
Augusta, Maine 04333

Resident Inspector
U.S. Nuclear Regulatory Commission
Seabrook Nuclear Power Station
Post Office Box 1149
Seabrook, New Hampshire 03874

Jane Spector
Federal Energy Regulatory Commission
825 North Capital Street, N.E.
Room 8105
Washington, DC 20426

Mr. T. L. Harpster
North Atlantic Energy Service
Corporation
Post Office Box 300
Seabrook, New Hampshire 03874

Town of Exeter
10 Front Street
Exeter, New Hampshire 03823

Gerald Garfield, Esq.
Day, Berry and Howard
City Place
Hartford, Connecticut 06103-3499

Mr. R. M. Kacich
Northeast Utilities Service Company
Post Office Box 270
Hartford, Connecticut 06141-0270

Mr. Robert Sweeney
Bethesda Licensing Office
Suite 610
3 Metro Center
Bethesda, Maryland 20814

Mr. George L. Iverson, Director
New Hampshire Office of Emergency
Management
State Office Park South
107 Pleasant Street
Concord, New Hampshire 03301

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

Office of the Attorney General
One Ashburton Place
20th Floor
Boston, Massachusetts 02108

Board of Selectmen
Town of Amesbury
Town Hall
Amesbury, Massachusetts 01913

Mr. Jack Dolan
Federal Emergency Management Agency
Region I
J.W. McCormack Post Office &
Courthouse Building, Room 442
Boston, Massachusetts 02109

Mr. David Rodham, Director
Massachusetts Civil Defense Agency
400 Worcester Road
Post Office Box 1496
Framingham, Massachusetts 01701-0317
ATTN: James Muckerheide

John P. Arnold, Attorney General
G. Dana Bisbee, Associate Attorney
General
Attorney General's Office
25 Capitol Street
Concord, New Hampshire 03301

Mark N. Polebaum,
Esquire, Hale and Dorr
60 State Street,
Boston, Massachusetts 02109



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

NORTH ATLANTIC ENERGY SERVICE CORPORATION, ET AL.*

DOCKET NO. 50-443

SEABROOK STATION, UNIT NO. 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No. 23
License No. NPF-86

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for amendment by North Atlantic Energy Service Corporation, et al. (the licensee), dated May 14, 1993, 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.

*North Atlantic Energy Service Corporation (NAESCO) is authorized to act as agent for the: North Atlantic Energy Corporation, Canal Electric Company, The Connecticut Light and Power Company, EUA Power Corporation, Hudson Light & Power Department, Massachusetts Municipal Wholesale Electric Company, Montaup Electric Company, New England Power Company, New Hampshire Electric Cooperative, Inc., Taunton Municipal Light Plant, The United Illuminating Company, and Vermont Electric Generation and Transmission Cooperative, Inc., and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

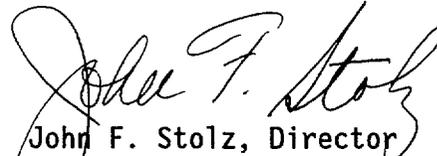
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2. Accordingly, the footnote to page 1* of Facility Operating License No. NPF-86 is hereby amended to read as follows:

*North Atlantic Energy Service Company (NAESCO) is authorized to act as agent for the: North Atlantic Energy Company, Canal Electric Company, The Connecticut Light and Power Company, Great Bay Power Corporation, Hudson Light & Power Department, Massachusetts Municipal Wholesale Electric Company, Montaup Electric Company, New England Power Company, New Hampshire Electric Cooperative, Inc., Taunton Municipal Light Plant, The United Illuminating Company, and Vermont Electric Generation and Transmission Cooperative, Inc., and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

3. This license amendment is effective as of the date of its issuance to be implemented by February 15, 1994.

FOR THE NUCLEAR REGULATORY COMMISSION



John F. Stolz, Director
Project Directorate I-4
Division of Reactor Projects - I/II
Office of Nuclear Reactor Regulation

Attachment:
Page 1 of Facility Operating License NPF-86

Date of Issuance: August 16, 1993

*Page 1 is attached, for convenience, for the composite license to reflect this change.



UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D. C. 20555-0001

NORTH ATLANTIC ENERGY SERVICE COMPANY, ET AL.*

DOCKET NO. 50-443

SEABROOK STATION, UNIT NO. 1

FACILITY OPERATING LICENSE

License No. NPF-86

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for a license filed by the Public Service Company of New Hampshire, acting for itself and as agent and representative of the utilities listed in the footnote below, and for the North Atlantic Energy Service Company (NAESCO), all of whom are hereafter referred to as licensees, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I; and all required notifications to other agencies or bodies have been duly made;
 - B. Construction of the Seabrook Station, Unit No. 1 (the facility) has been substantially completed in conformity with Construction Permit No. CPPR-135 and the application, as amended, the provisions of the Act, and the regulations of the Commission;
 - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D below);
 - D. There is reasonable assurance: (i) that the activities authorized by this operating license 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 set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D below);
 - E. North Atlantic Energy Service Company is technically qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;

*North Atlantic Energy Service Company (NAESCO) is authorized to act as agent for the: North Atlantic Energy Company, Canal Electric Company, The Connecticut Light and Power Company, Great Bay Power Corporation, Hudson Light & Power Department, Massachusetts Municipal Wholesale Electric Company, Montaup Electric Company, New England Power Company, New Hampshire Electric Cooperative, Inc., Taunton Municipal Light Plant, The United Illuminating Company, and Vermont Electric Generation and Transmission Cooperative, Inc., and has exclusive responsibility and control over the physical construction, operation and maintenance of the facility.

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
NORTH ATLANTIC ENERGY SERVICE CORPORATION (Seabrook Station, Unit No. 1))	Docket No. 50-443 (License No. NPF-86)
)	
)	

ORDER APPROVING TRANSFER OF LICENSE

I.

EUA Power Corporation is the holder of a 12.1324 - percent ownership share in Seabrook Station, Unit No. 1. Its interest in Seabrook Station, Unit No. 1, is governed by License No. NPF 86 issued by the U.S. Nuclear Regulatory Commission (NRC), pursuant to Part 50 of Title 10 of the Code of Federal Regulations (10 CFR), on March 15, 1990, in Docket No. 50-443. Under this license, only North Atlantic Energy Service Corporation (NAESCO), acting as agent and representative of 12 joint owners listed in the license, has the authority to operate Seabrook Station, Unit No. 1. Seabrook Station, Unit No. 1, is located in Rockingham County, New Hampshire.

II.

By letter of May 14, 1993, from its counsel, Ropes & Grey, NAESCO requested an amendment to License No. NPF-86, to reflect the transfer of control of EUA Power Corporation's 12.1324 - percent ownership share in Seabrook Station, Unit No. 1, to Great Bay Power Corporation. Great Bay Power Corporation is the surviving entity emerging from the bankruptcy proceedings of EUA Power Corporation.

The transfer of any right under License No. NPF-86 is subject to the NRC's approval pursuant to 10 CFR 50.80(a). On the basis of information provided in the May 14, 1993, letter from Ropes & Grey and other information before the Commission, the NRC staff has determined that Great Bay Power Corporation is qualified to be a holder of License No. NPF-86 and that the license transfer is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC 2201 et seq., and 10 CFR Part 50.80, IT IS HEREBY ORDERED that the transfer of control of EUA Power Corporation's 12.1324 - percent ownership share in Seabrook Station, Unit No. 1, through bankruptcy proceedings, with Great Bay Power Corporation emerging as the surviving entity, is approved subject to the following: (1) should the transfer not be completed by February 15, 1994, this order will be null and void, and (2) on application and for good cause shown, this order may be extended for a short period beyond February 15, 1994.

FOR THE NUCLEAR REGULATORY COMMISSION

Original signed by:

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland
this 16th day of August 1993.

*SEE PREVIOUS CONCURRENCE

OFFICE:	LA:PDI-4*	PM:PDI-4*	D:PDI-4*	TECH ED*	OGC*	AD:PDI*
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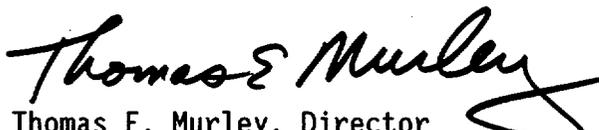
OFFICE:	ILPB:PMAS (acting)*	D:DRPE*	D:ADPR 8/12 #6	D:NRR
NAME:	JGrant	SVarga	JPartlow	TMurley
DATE:	8/11/93	8/12/93	8/12/93	8/16/93

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FOR THE NUCLEAR REGULATORY COMMISSION


Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland
this 16th day of August 1993.



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
RELATED TO AMENDMENT NO. 23 TO FACILITY OPERATING LICENSE NO. NPF-86
NORTH ATLANTIC ENERGY SERVICE CORPORATION
SEABROOK STATION, UNIT NO. 1
DOCKET NO. 50-443

1.0 INTRODUCTION

By letter dated May 14, 1993, (Ref. 1), North Atlantic Energy Service Corporation (North Atlantic/the licensee) proposed an amendment to the License for the Seabrook Station, Unit 1 (Seabrook). The proposed change would transfer control of EUA Power Corporation's interest in the operating license to Great Bay Power Corporation.

2.0 DISCUSSION

EUA Power Corporation (EUAP) owns 12.1324% of the Seabrook Nuclear Station. In the last several years, EUAP has experienced serious financial problems, resulting primarily from a combination of EUAP's high-interest cost of capital to finance its share of Seabrook and a drop in electricity demand in the New England region which in turn caused the sales price of bulk electricity to decrease. Because of these adverse financial circumstances, EUAP realized net losses of \$74.3 million in 1990, \$19.8 million in 1991, and \$0.1 million in 1992. (See "Fourth Amended Disclosure Statement For Bondholders' Committee -- Fifth Amended Plan of Reorganization Dated December 21, 1992" (Disclosure Statement), p.9.) As a result of its financial difficulties, EUAP voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code on February 28, 1991.

Bankruptcy Proceeding

In summary, the proposed bankruptcy settlement with bondholders and other creditors has or is expected to result in the following:

- (1) As of February 5, 1993, EUAP became completely separate from its former parent company, Eastern Utility Associates (EUA). As part of this devolution, EUA gave EUAP \$20 million in cash and waived \$42 million in claims it had against EUAP. EUAP also paid off Chapter 11 loans from certain other Seabrook owners. EUA will continue to guarantee EUAP's share of Seabrook decommissioning costs up to \$10 million. (See "Request for Commission Consent to the Indirect Transfer of Control of

EUA Power Corporation's Interest in the Operating License and For a License Amendment to Reflect the Related Change in Name of the Licensee" (Request for Consent), May 14, 1993, pp. 6-7.)

- (2) The holders of EUAP bonds have agreed to forgive or convert \$330 million of liabilities to equity in the reorganized company (Request for Consent, p. 10). The new total value of EUAP's share of Seabrook will be \$130 million as equity capital (Request for Consent, p. 7).
- (3) EUAP's only debt is intended to be a \$45 million credit facility that will be drawn upon as needed to cover projected operating losses over the next 3 to 6 years. If EUAP draws upon the total credit facility, debt would comprise 25% of EUAP's capital structure. However, EUAP's owners project that the debt portion of capital is not likely to exceed 15%. EUAP's reorganization is contingent upon securing the \$45 million credit facility (Request for Consent, pp. 7-12).
- (4) Upon final approval of the proposed reorganization, EUAP will change its name to Great Bay Power Corporation (GBP). Based on the current bondholders of record of EUAP, who would become equity holders of GBP, GBP's owners will be domestic corporations and pension funds.

Current and projected electricity supply and demand in the New England region

EUAP's representatives project that the New England electricity supply/demand situation will shift from relatively large electricity surpluses to a slight power shortfall by 1997. The projection is based on a forecast by NEPOOL, which is primarily responsible for electricity planning in the region. (See "NEPOOL Forecast Report of Capacity, Energy, Loads and Transmission 1993-2008", April 1, 1993.) NEPOOL projects that regional reserve margins will decline to approximately 16.4% by 1997. Many electricity analysts believe the 16.4% reserve margin is insufficient to ensure adequate reliability of electricity supply. NEPOOL projects that demand will exceed capacity by the year 2004.

Based on the NEPOOL projections and other sources of information, a consultant to EUAP's creditors has calculated that GBP's break-even price for Seabrook electricity in 1993 is 3.21 cents per kilowatt-hour (kwh). (See report by Michael Schnitzer of Putnam, Hayes and Bartlett, Inc. (Consultant Report), July 10, 1992). Projected break-even costs for Seabrook power would rise to 4.4¢/kwh in 1995. These figures assume an average Seabrook capacity factor from 1993 to 1995 of 72.75%. Seabrook's average capacity factor has been about 80%, since commercial operations began in 1990.

The Consultant Report also contains an evaluation of likely costs for bulk power from New England facilities using competing fuels. A coal unit (Bridgeport Harbor Station Unit 3) is projected to have generating costs rise from 4.1¢/kwh in 1993 to 7.8¢/kwh in 2005. A residual oil unit (New Haven Harbor Station Unit 1) is projected to have generating costs rise from 6.2¢/kwh in 1996 to 11¢/kwh in 2006.

Using these assumptions of supply costs and market prices for bulk power as benchmarks, the author of the Consultant Report then evaluated the effect of various electricity sales prices and generating costs on GBP's financial statements. The report contains an analysis of three scenarios. Each scenario assumed different spot market and long-term contract prices for electrical power, to calculate GBP's expected net income on a yearly basis. For the worst case scenario, GBP's yearly net income becomes positive in 1999, with a yearly net income of \$17 million by the year 2002.

The NRC staff believes these scenarios are conservative, based on the NEPOOL study and other developments including:

- (1) EUAP signing a contract with UNITIL Power Corporation (UNITIL) for supplying 10MW of power per year for 17.5 years at 5¢/kwh. Over the term of the contract, the price of power will escalate at slightly less than the rate of inflation.
- (2) EUAP signing a marketing agreement with UNITIL to sell long-term contracts for the remaining 130MW of Seabrook power.

The author of the Consultant Report concluded that the contracts with UNITIL indicate a firming of the bulk power sales market in New England, and that GBP would be financially viable, based on projected supply costs and market prices.

3.0 EVALUATION

The staff, in making its evaluation, has applied the criteria and review areas required by 10 CFR 50.80 "Transfer of Licenses" as appropriate. The transfer of interest from EUAP to GBP does not alter the managing agent North Atlantic.

Financial Considerations

If the current plan to reorganize EUAP as GBP is adopted, most of EUAP's debt in the form of bonds will be converted to equity. The only debt contemplated will be a credit facility with a maximum projected value of \$45 million. Even if the full credit facility is used, GBP's capital structure would comprise no more than 25% debt. A 75% equity portion of total capital compares favorably to the 40% to 50% equity portion that most electric utilities maintain.

Based on the projections, GBP would be earning a return on the \$130 million projected equity as high as 18+% by 2002. This would be well above the current industry norm of 12% to 13% for financially healthy electric utilities.

GBP's financial health will ultimately depend on its ability to sell Seabrook power at a higher price than it must pay to produce it. The bankruptcy settlement will eliminate substantial debt and, as a result, will reduce future interest payment obligations. Therefore, GBP's cost for Seabrook power will be significantly reduced. GBP's projected break-even point is

sufficiently low that it has reasonable assurance of turning a profit over the longer-term based on credible electricity demand and price forecasts. EUAP's contract with UNITIL is evidence that future prices will rise well above GBP's break-even point. The applicant's assumptions on the sales price of Seabrook power and on Seabrook's projected average capacity factor appear appropriately conservative.

In its submissions to the NRC, the applicant did not consider the effect of possible increased Seabrook costs on GBP's financial health. For example, decommissioning cost projections may not include some costs that other licensees have assumed in their own projections. However, even if decommissioning costs were to double, for example, and thus require GBP to double its annual trust contributions, the long-term effect on GBP's financial health would not be severe. For example, in the Consultant Report's worst-case scenario, in 1999 net income would drop from \$8.2 million to \$7.1 million (excluding income tax effects). Shorter-term net losses would increase, but would not come close to exhausting the \$45 million credit facility. EUA's guarantee of \$10 million in GBP's share of decommissioning costs would at least partially mitigate any shortfall in GBP's decommissioning funds.

Similarly, GBP could face higher capital additions costs for Seabrook than anticipated in the Consultant Report's projections. For example, if Seabrook's steam generators needed to be replaced after several years of operation, the cost could be \$200 million, based on costs at other large pressurized water reactors facing similar replacements. GBP's share of this expense would be about \$25 million. If this cost had to be treated as a 1-year expense, GBP would sustain a substantial loss in any of the years covered by the Consultant Report (i.e., through 2002). However, it is more likely that capital costs of this magnitude would be amortized over the remaining projected life of the facility. If this approach were taken, the effect on the finances of GBP in any one year would not be severe. That is, net income in any year would likely be reduced by \$1 million to \$2 million, but would not threaten the financial viability of GBP.

The assumptions made by applicant's representatives concerning the current and future selling price and costs associated with Seabrook electricity are credible, reasonable, and generally comprehensive. In the areas of decommissioning and capital additions costs, the effects of future cost increases on GBP's financial health should not be severe. Further, the proposed bankruptcy settlement removes serious financial uncertainty from a 12.1324% Seabrook owner and the other Seabrook owners who have assumed responsibility for EUAP's unmet financial obligations.

The staff believes that EUAP's representatives have demonstrated reasonable assurance that GBP will be financially qualified to possess its 12.1324% share of the Seabrook plant.

Management and Technical Qualifications

The transfer of interest from EUA Power Corporation to Great Bay Power Corporation does not alter the managing agent North Atlantic Energy Service Corporation. The conclusion reached in the safety evaluation for License Amendment Number 10 issued May 29, 1992, that the operating organization is acceptable, is still valid.

Evaluation of the management and technical qualifications was conducted in accordance with the criteria set forth in NUREG-0800, "Standard Review Plan" (SRP) Section 13.1.1, "Management and Technical Support Organization," and Section 13.1.2-13.1.3, "Operating Organization."

Antitrust

Great Bay Power Corporation has no existing electrical generating capacity and will acquire rights to a total generating capacity of less than 200MW. In accordance with 10 CFR 50.33a(a)(3), the staff did not require information for an antitrust review because the staff believes the acquisition will have a negligible effect on competition.

Foreign Control

The largest share holders of Great Bay Power Corporation will be domestic corporations and pension funds. Great Bay Power Corporation will be a 12.1324% minority joint owner of Seabrook. Therefore, this amendment will not result in foreign control of Seabrook.

4.0 STATE CONSULTATION

In accordance with the Commission's regulations, the New Hampshire and Massachusetts State officials were notified of the proposed issuance of the amendment. The State officials had no comments.

5.0 ENVIRONMENTAL CONSIDERATION

Pursuant to 10 CFR 51.21, 51.32, and 51.35, an environmental assessment and finding of no significant impact was published in the Federal Register on August 4, 1993 (58 FR 41525). In this finding, the staff determined that issuance of this amendment will not have a significant effect on the quality of the human environment.

7.0 CONCLUSION

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 amendment will not be inimical to the common defense and security or to the health and safety of the public.

8.0 REFERENCES

- (1) Ritsher, John A., "Request for Commission Consent to the Indirect Transfer of Control of EUA Power Corporation's Interest in the Operating License and for a License Amendment to Reflect the Related Change in the Name of the Licensee," Letter to USNRC from Ropes & Gray counsel for North Atlantic Energy Service Corporation, May 14, 1993.
- (2) "Seabrook Station Final Safety Analysis Report," Public Service Company of New Hampshire, New Hampshire Yankee Division.
- (3) "Standard Review Plan for the Review of Safety Analysis Reports for Nuclear Power Plants, LWR Edition, NUREG-0800, July, 1981.

Principal Contributors:

R. Wood
A. De Agazio
N. Dudley

Date: August 16, 1993