



proposed merger appears to be otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission. Accordingly, the staff has no basis to object to the proposed merger.

Sincerely,

Original signed by  
Samuel J. Collins

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Docket No. 50-305

Enclosure: Safety Evaluation

cc: See next page

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M. Marchi

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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED CORPORATE RESTRUCTURING

WISCONSIN POWER & LIGHT COMPANY

KEWAUNEE NUCLEAR POWER PLANT

DOCKET NO. 50-305

1.0 INTRODUCTION

By letter dated October 1, 1996, Wisconsin Power & Light Company (WPL), through its counsel, Morgan, Lewis, and Bockius LLP, advised the NRC of a merger agreement between WPL's parent company, WPL Holdings, Inc. (WPLH), IES Industries Inc. (IESI), and Interstate Power Corporation (IPC). WPL is a 41-percent nonoperating owner of the Kewaunee Nuclear Power Plant, a single-unit nuclear power facility, and will remain such after the proposed merger is completed. Under the merger agreement, IESI will merge into WPLH, with WPLH remaining as the surviving entity. In addition, IPC will become a subsidiary of WPLH. WPLH will also change its name to Interstate Energy Corporation (IEC). Upon consummation of the restructuring, current stockholders of IESI, WPLH, and IPC would be entitled to exchange their shares for shares of IEC pursuant to a formula stipulated in the merger agreement. Also, the WPLH (IEC) Board of Directors would be expanded to include new directors from IESI and IPC.

In a letter to stockholders dated July 23, 1996, WPLH indicated that WPLH, IESI, and IPC believe that the merger offers significant strategic and financial benefits, partially including (1) maintenance of competitive rates that will improve the combined entity's ability to meet the challenges of the increasingly competitive environment in the utility industry, (2) reduced operating costs resulting from integration of corporate and administrative functions, (3) reduced electric production costs through the joint dispatch of systems, (4) greater purchasing power for goods and services, (5) more efficient pursuit of diversification into non-utility areas, (6) increased customer diversity and geographic diversity of service territories, and (7) expanded management resources and ability to select leadership from a larger and more diverse management pool (WPL letter of October 1, 1996, with attached WPLH letter to stockholders, p. 8).

In addition to advising the NRC of the merger agreement, WPL requested the Commission's consent in connection with the proposed merger to the extent required by Section 184 of the Atomic Energy Act (the Act) pertaining to license transfers.

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## 2.0 EVALUATION

The staff has performed a threshold review to determine whether the proposed restructuring will result in a direct or indirect transfer of the license held by WPL, thereby requiring NRC's approval pursuant to 10 CFR 50.80 which implements Section 184 of the Act for Part 50 licenses. On the basis of this review, the NRC staff has concluded that the implementation of the merger agreement will not result in a transfer, direct or indirect, of the Kewaunee license as held by WPL requiring NRC's approval. Consequently, the staff believes that the license transfer provisions of 10 CFR 50.80 are not applicable to this situation. Nevertheless, the staff has reviewed several aspects of the transactions as follows:

### 2.1 Financial Qualifications

On the basis of the information provided in WPL's submittal, the staff finds that there will be no near-term substantive change in WPL's financial ability to contribute appropriately to the operations and decommissioning of the Kewaunee facility as a result of the proposed merger. Furthermore, to provide additional assurance of the availability of funds for decommissioning, WPL stated in its letter of October 1, 1996 (Exhibit B, pp. 13-14) that it would:

provide the Director of Nuclear Reactor Regulation a copy of its application to any other regulatory agency, at the time it is filed, to transfer (excluding grants of a security interest or liens) from WPL to Interstate [Energy Corporation] or any other corporate affiliate, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding 1 percent of WPL's consolidated net utility plant as recorded on its books of account.

Finally, WPL would remain an "electric utility" as defined in 10 CFR 50.2, engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale, the cost of which is recovered through rates established by the Wisconsin Public Service Commission and the Federal Energy Regulatory Commission. Thus, pursuant to 10 CFR 50.33(f), WPL is exempt from further financial qualifications review as an electric utility.

### 2.2 Antitrust

The antitrust review provisions of Section 105c of the Act apply to applications to construct or operate a facility licensed under Section 103 of the Act. The submittal of October 1, 1996, indicated that WPL will continue to be the licensee with respect to its ownership share in the facility notwithstanding the merger. Thus, an application for, and the issuance of a license is not involved here. Moreover, the Kewaunee nuclear facility was licensed before 1970 under Section 104b of the Act. Accordingly, the antitrust review procedures under Section 105c of the Act do not apply in connection with the merger as it relates to the Kewaunee facility.

### 2.3 Foreign Ownership

WPL states in its submittal, "Following the proposed business combination and transfer, Interstate [Energy Corporation] will not be owned, controlled, or dominated by any alien, foreign corporation, or foreign government. WPL is not acting as an agent or representative of any other person in this request for a license transfer" (WPL letter of October 1, 1996, Exhibit B, p. 11). The staff does not know or have reason to believe that WPL or IEC is or will be owned, controlled, or dominated by any alien, foreign corporation, or foreign government.

### 3.0 CONCLUSIONS

In view of the foregoing, the staff concludes that the proposed merger involving WPL's parent company, WPLH, and IESI and IPC, will not effect a transfer, direct or indirect, of the operating license for the Kewaunee facility requiring NRC's approval. Furthermore, the staff has concluded that the merger will not adversely affect WPL's financial qualifications with respect to the operation and decommissioning of the Kewaunee facility. Also, there does not appear to be any problematic antitrust or foreign ownership issues related to the Kewaunee license that would result from the proposed merger. Thus, the proposed merger will not affect the qualifications of WPL as holder of the license, and the transactions otherwise appear to be consistent with applicable provisions of law, regulations, and orders issued by the Commission. Accordingly, the staff has no basis to object to the proposed merger.

Principal Contributor: R. Wood

Date: July 30, 1997