

July 29, 1996

James R. Bull, Ph.D.
Vice President, Generation and Transmission
MidAmerican Energy Company
One RiverCenter Place
106 East Second Street
Davenport, IA 52801

SUBJECT: ORDER AND SAFETY EVALUATION REGARDING INDIRECT TRANSFER OF
LICENSES (TAC NOS. M95170 AND M95171)

Dear Dr. Bull:

The enclosed Order and Safety Evaluation are in response to your letter of April 4, 1996, requesting approval of the indirect transfer of MidAmerican Energy Company's (MEC) licenses with respect to its 25 percent ownership share of Quad Cities Nuclear Power Station, Units 1 and 2, to MidAmerican Energy Holdings Company (MEHC) pursuant to Section 50.80 of Title 10 of the Code of Federal Regulations. MEC proposes, with necessary approvals, to restructure itself by establishing a holding company (MEHC), which would become the parent corporation to, and sole owner of, MEC. The Commission has concluded that MEC would remain qualified to be the holder of the licenses and that the transfer is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto. The Order is being forwarded to the Office of the Federal Register for publication.

Sincerely,

Original signed by M. D. Lynch
for R. M. Pulsifer

Robert M. Pulsifer, Project Manager
Project Directorate III-2
Division of Reactor Projects - III/IV
Office of Nuclear Reactor Regulation

Docket Nos. 50-254, 50-265

Enclosures:

- Order Approving Indirect Transfer of Licenses
- Safety Evaluation

cc w/encls: See next page

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Quad Cities Nuclear Power Station
Unit Nos. 1 and 2

cc:

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sole owner of, MEC. MEC would continue to remain a 25-percent minority owner and possession-only licensee of the Quad Cities Nuclear Power Station, Units 1 and 2. MEC 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. Upon consummation of the restructuring, common stockholders of MEC would receive one share of stock in MEHC in exchange for each share of MEC stock held. MEC requested the Commission's approval of the indirect license transfers to the extent affected by the proposed corporate restructuring, pursuant to 10 CFR 50.80. Notice of this request for approval was published in the FEDERAL REGISTER on June 14, 1996 (61 FR 30263).

Upon review of the information submitted in MEC's letter of April 4, 1996, and other information before the Commission, the NRC staff has determined that the restructuring, subject to the conditions set forth herein, will not affect the qualifications of MEC as a holder of the license, and is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission. These findings are supported by a Safety Evaluation dated July 29, 1996.

III.

By September 3, 1996, 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: Docketing and Services Branch, or may be delivered to 11545 Rockville Pike, Rockville, Maryland, between 7:45 a.m. and 4:15 p.m. Federal workdays, by the above date. Copies should be also sent to the Office of the General Counsel and the Director, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001; Michael I. Miller, Esquire, Sidley and Austin, One First National Plaza, Chicago, Illinois 60603, attorney for ComEd; and Jack R. Newman, Esquire, Morgan, Lewis and Bockius, LLP, 1800 M Street, NW, Washington, D.C. 20036, attorney for MEC.

IV.

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 consents to the indirect transfers of the licenses held by MEC to the extent affected by the proposed restructuring of MEC subject to the following: (1) MEC 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 MEC 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 one percent (1%) of MEC's consolidated net utility plant, as recorded on MEC's books of account, and (2) should the restructuring of MEC not be completed by

December 31, 1997, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

For further details with respect to this action, see the application for consent concerning the proposed corporate restructuring of MEC dated April 4, 1996, 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 Dixon Public Library, 221 Hennepin Avenue, Dixon, Illinois.

FOR THE NUCLEAR REGULATORY COMMISSION



William T. Russell, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,
this 29th day of July 1996



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
RELATED TO PROPOSED ORGANIZATIONAL AND FINANCIAL RESTRUCTURING
MIDAMERICAN ENERGY COMPANY
QUAD CITIES NUCLEAR POWER STATION, UNITS 1 AND 2
DOCKET NOS. 50-254 AND 50-265

1.0 INTRODUCTION

By letter dated April 4, 1996, MidAmerican Energy Company (MEC or the licensee) submitted an application pursuant to 10 CFR 50.80 for approval of the indirect transfer of licenses to the extent affected by a corporate restructuring and establishment of a holding company. MEC proposes to restructure itself by establishing a holding company, MidAmerican Energy Holdings Company (MEHC), which would become the parent corporation to and sole owner of MEC. MEC would continue to remain a 25-percent minority owner and possession-only licensee of the Quad Cities Nuclear Power Station, Units 1 and 2. MEC 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. Upon consummation of the restructuring, common stockholders of MEC would receive one share of stock in MEHC in exchange for each share of MEC stock held. No direct transfer of the operating licenses or interest in the units will result from the restructuring.

MEC indicates that the reason for the sale is --

"...to create an organizational structure that will have greater flexibility for MidAmerican and enhanced capability to address the changes associated with operating in a more competitive market place. Such changes include changing customer demands and expectations, competition from non-traditional energy suppliers and expanding energy markets. MidAmerican also believes that a holding company structure will permit it and its affiliates to better respond to new growth opportunities while maintaining the strength of MidAmerican's utility operations."
[Prospectus dated March 18, 1996, page 28, attached to MEC's application dated April 4, 1996.]

Pursuant to 10 CFR 50.80, no license for a production or utilization facility, or any right thereunder, shall be transferred, assigned, or in any manner disposed of, either voluntarily or involuntarily, directly or indirectly, through transfer of control of the license to any person, unless the

ENCLOSURE 2

Commission gives its consent in writing. The Commission may approve the indirect transfer of a license, through transfer of control of the license, after notice to interested persons (61 FR 30263). Such action is contingent upon the Commission's determination that the proposed transferee is qualified to be the holder of the license and the transfer of such control is otherwise consistent with the applicable provisions of law, regulations, and orders of the Commission.

An Environmental Assessment was published in the Federal Register on July 29, 1996 (61 FR 39481) in which the staff found that there were no radiological nor non-radiological environmental impacts resulting from the proposed action.

2.0 MANAGEMENT OF MEC UTILITY OPERATION

MEC stated in its letter that the proposed reorganization will have no effect on the management of MEC's utility operations. The holding company structure retains the utility as a discrete and wholly separate entity that will function in the same fashion as it did before restructuring. MEC's management will continue to make its own decisions with regard to utility planning, operation, financial requirements, purchasing, and sales.

On the basis of the continuity of management described herein, the staff finds that the proposed restructuring will not adversely affect MEC's management of the nuclear plants.

3.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

The licensee stated in its letter of April 4, 1996, that on the date of the restructuring, MEHC will become the sole holder of MEC outstanding common stock, and the current holders of MEC common stock will become holders of the common stock of MEHC on a share-for-share basis. Therefore, following the restructuring, the common stock of MEHC will be owned by the previous holders of MEC common stock in the same proportion in which they held MEC common stock. The licensee states that the planned restructuring will not result in ownership, control, or domination of MidAmerican by a foreign corporation or a foreign government, nor is it presently so dominated or controlled.

On the basis of this discussion, the staff finds that the proposed restructuring will not result in MEC's being owned, controlled, or dominated by a foreign government.

4.0 FINANCIAL QUALIFICATION ANALYSIS

MEC indicates that it will remain an "electric utility" as defined in 10 CFR 50.2. That is, MEC will continue to be engaged in the generation, transmission, and distribution of electricity and will remain subject to the rate regulatory authority of the Illinois Commerce Commission, the Iowa Utilities Board, and the Federal Energy Regulatory Commission. [MEC letter dated April 4, 1996, page 2.] On the basis of the information submitted in MEC's application, the staff finds that there will be no near-term substantive

change in MEC's financial ability to contribute appropriately to the operations and decommissioning of the Quad Cities units as a result of the proposed restructuring. Thus, pursuant to 10 CFR 50.33(f), MEC is exempt from further financial qualifications review as an electric utility.

However, in view of the NRC's concern that restructuring can lead to a diminution of the assets necessary for the safe operation and decommissioning of a licensee's nuclear power plant, the NRC has conditioned in its Order Approving Indirect Transfer of Licensees, dated July 29, 1996, that MEC inform the Commission in the following manner:

MEC will 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 MEC 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 one percent (1%) of MEC's consolidated net utility plant, as recorded on MEC's books of account.

The staff believes that this requirement, as a condition to the NRC's consent to the proposed restructuring, will enable the NRC to ensure that MEC will continue to maintain adequate resources to safely operate and decommission its share of the Quad Cities Nuclear Power Station, Units 1 and 2.

In view of the foregoing information, the staff concludes that MEC's proposed restructuring will not adversely affect its financial qualifications with respect to the Quad Cities units and that the proposed restructuring should be approved.

5.0 CONCLUSION

On the basis of these determinations, the staff concludes that the proposed corporate restructuring and establishment of a holding company --

- (1) will not reduce funds available to MEC to conduct activities under its licenses;
- (2) will not adversely affect the management of the MEC utility operations;
- (3) will not result in MEC's becoming owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government;
- (4) will not affect the financial qualifications of MEC as holder of the licenses of Quad Cities Nuclear Power Station, Units 1 and 2, with respect to its 25-percent ownership interest; and
- (5) is otherwise consistent with the applicable provisions of the law, regulations, and orders issued by the Commission pursuant thereto.

Principal Contributors: R. Wood
R. Pulsifer

Dated: July 29, 1996