

September 18, 1989

Docket No. 50-382

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Mr. J. G. Dewease
Senior Vice President - Nuclear Operations
Louisiana Power and Light Company
Post Office Box 60340
New Orleans, Louisiana 70160

Dear Mr. Dewease:

SUBJECT: ISSUANCE OF AMENDMENT NO. 57 TO FACILITY OPERATING LICENSE
NPF-38 - WATERFORD STEAM ELECTRIC STATION, UNIT 3
(TAC NO. 73047)

The Commission has issued the enclosed Amendment No. 57 to Facility Operating License No. NPF-38 for the Waterford Steam Electric Station, Unit 3. The amendment consists of additions to the license condition in response to your application dated May 1, 1989.

The amendment adds a license condition which will allow the sale and leaseback of an individual ownership interest in the Waterford Steam Electric Station, Unit No. 3.

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

Sincerely,

/s/

David L. Wigginton, Project Manager
Project Directorate IV
Division of Reactor Projects - III,
IV, V and Special Projects
Office of Nuclear Reactor Regulation

Enclosures:

1. Amendment No. 57 to NPF-38
2. Safety Evaluation

cc w/enclosures:

See next page

LTR NAME: W3 AMENDMENT

*See previous concurrences:

PD4/LA*	PD4/PM* <i>NW</i>	OGC-Rockville*	PD4/D*
PNoonan	DWigginton:bj		FHebdon
08/24/89	08/22/89	08/15/89	09/18/89
	09/18/89		

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

September 18, 1989

Docket No. 50-382

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Senior Vice President - Nuclear Operations
Louisiana Power and Light Company
Post Office Box 60340
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Sincerely,

A handwritten signature in dark ink, appearing to read "D. Wigginton".

David L. Wigginton, Project Manager
Project Directorate IV
Division of Reactor Projects - III,
IV, V and Special Projects
Office of Nuclear Reactor Regulation

Enclosures:

1. Amendment No. 57 to NPF-38
2. Safety Evaluation

cc w/enclosures:
See next page

Mr. Jerrold G. Dewease
Louisiana Power & Light Company

Waterford 3

cc:

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

LOUISIANA POWER AND LIGHT COMPANY

DOCKET NO. 50-382

WATERFORD STEAM ELECTRIC STATION, UNIT 3

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No. 57
License No. NPF-38

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for amendment by Louisiana Power and Light Company (the licensee) dated May 1, 1989, 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.

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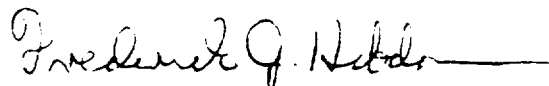
2. Accordingly, Facility Operating License No. NPF-38 is amended by the addition of the following license condition:

2.B.(6)

- (a) to transfer any portion of its 100% undivided ownership interest (up to and inclusive of \$515 million of aggregate appraised value) in the facility to equity investors, and at the same time lease back from such equity investors, such interests sold in the facility and receive from such equity investors, consistent with LP&L's leases, the right to use and enjoy the benefits of the undivided ownership interests sold in the facility. The terms of the leases are for approximately 27 1/2 years subject to right of renewal. Such sale and leaseback transactions are subject to the condition that the equity investors and anyone else who may acquire an interest under this transaction(s) are prohibited from exercising directly or indirectly any control over (i) the facility, (ii) power or energy produced by the facility, or (iii) the licensee of the facility. Further, any rights acquired under this authorization may be exercised only in compliance with and subject to the requirements and restrictions of this operating license, the Atomic Energy Act of 1954, as amended, and the NRC's regulations. For purposes of this condition, the limitations of 10 CFR 50.81, as now in effect and as they may be subsequently amended, are fully applicable to the equity investors and any successors in interest to the equity investors, as long as the license for the facility remains in effect.
- (b) (or its designee) to notify the NRC in writing prior to any change in (i) the terms or conditions of any lease agreements executed as part of the above authorized financial transactions, (ii) any facility operating agreement involving a licensee that is in effect now or will be in effect in the future, or (iii) the existing property insurance coverages for the facility, that would materially alter the representations and conditions, set forth in the staff's Safety Evaluation enclosed to the NRC letter dated September 18, 1989. In addition, LP&L or its designee is required to notify the NRC of any action by equity investors or successors in interest to LP&L that may have an effect on the operation of the facility.

3. This license amendment is effective as of its date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION



Frederick J. Hebdon, Director
Project Directorate IV
Division of Reactor Projects - III,
IV, V and Special Projects
Office of Nuclear Reactor Regulation

Date of Issuance: September 18, 1989



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

RELATED TO AMENDMENT NO. 57 TO

FACILITY OPERATING LICENSE NO. NPF-38

LOUISIANA POWER AND LIGHT COMPANY

WATERFORD STEAM ELECTRIC STATION, UNIT 3

DOCKET NO. 50-382

1.0 INTRODUCTION

By application dated May 1, 1989, Louisiana Power and Light Company (LP&L or the licensee) requested changes to the license for Waterford Steam Electric Station, Unit 3. The proposed changes would add License Condition 2.B.(6) to allow the sale and leaseback of an individual ownership interest in the Waterford Steam Electric Station, Unit No. 3

2.0 DISCUSSION AND EVALUATION

Financial Considerations

NRC has previously approved sale/leaseback transactions for Palo Verde 1, Perry 1, Beaver Valley 2 and Grand Gulf 1. LP&L states that the proposed transaction for Waterford 3 is similar in all material respects to the previously approved transactions. The proposed sale/leaseback, like the previous transactions, is a capital refinancing vehicle for the plant's owner, LP&L, whereby it may refund a substantial amount of high cost securities in return for lease payments over a period of years. The sale/leaseback is supposed to (1) moderate both LP&L's revenue requirements and rate increases for LP&L's ultimate customers; and (2) provide substantial tax benefits to the investors, mainly in the form of accelerated depreciation. It is important to NRC that the investors are merely passive providers of capital, and have no authority or control over plant operation; that is retained exclusively by the licensee, LP&L.

From a financial standpoint, NRC is concerned mainly about the continuity of the source of funds to carry out the licensed activity. In this case, as in the previous transactions, the source of funds remains constant. It is the revenue generated by LP&L's sale of electricity. Under rates established by the Federal Energy Regulatory Commission and the Louisiana Public Service Commission, LP&L's retail and wholesale customers will continue (after the sale/leaseback, as before) to provide the funds required for the safe operation and maintenance and eventual decommissioning of Waterford 3.

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In conclusion, the sale/leaseback does not affect the source of funds for carrying out the licensed activity and for complying with NRC requirements. Accordingly, there are no financial qualifications concerns that impact on NRC's approval of the proposed sale/leaseback transaction.

Antitrust Considerations

NRC reviews license amendment applications to determine whether or not the amendment would impact any existing antitrust license conditions, or change conditions or activities under the license that would create or maintain inconsistencies with the antitrust laws. From the data submitted by the licensee, LP&L, the proposed amendment appears to do neither of these.

License amendments that involve change in ownership, specifically new owners, are of particular concern to NRC in the context of its antitrust review responsibilities. It is important for NRC to be aware of the identity of owners of the nuclear facility in question so that an assessment can be made regarding the manner in which the facility will be used by any new owner in a particular bulk power services market. Owners and potential owners that possess the ability to control various aspects of the bulk power services market, i.e., those with market power, are reviewed by NRC in an effort to ensure that the addition of the nuclear facility to their generation and transmission mix will not adversely impact the competitive process. Specifically, NRC is charged with preventing the creation or maintenance of activities that may be inconsistent with the antitrust laws.

The NRC concludes that the proposed License Condition 2.B.(6) will ensure that any new equity investor resulting from the proposed sale and leaseback transaction(s) for Waterford 3 will be sufficiently divorced from the operations of the plant that a formal antitrust review will not be required. This conclusion is based on the fact that any new owner resulting from these transactions will not have any direct or indirect control over (1) Waterford 3, (2) the power or energy produced by Waterford 3, or (3) the Waterford 3 licensee.

LP&L has attempted to structure its sale/leaseback proposal in a manner that will not change competitive forces at work in the Louisiana bulk power services market. License Condition 2.B.(6) assures that the competitive status quo will not be affected by any new equity investors choosing to purchase an ownership interest in Waterford 3.

3. LICENSE CONDITION

The licensee has proposed a license condition in the May 1, 1989 submittal. During the course of the staff's review, changes were proposed and discussed with the licensee. Our review takes into account the possibility that other licensees may be authorized to operate the facility, although no approval for such operation is granted here. However, the license condition has been

changed to recognize this possibility in the future without the licensee having to make additional changes. These changes to the license condition have been agreed to by the licensee but do not change the staff's findings in the notice issued on May 17, 1989 (54 FR 21309) or in the notice on antitrust issued on June 2, 1989 (54 FR 23723).

4.0 CONTACT WITH STATE OFFICIAL

The NRC staff made a proposed determination of no significant hazards consideration and so advised the Administrator, Nuclear Energy Division, Office of Environmental Affairs, State of Louisiana. No comments were received. In addition, no comments were received on antitrust matters.

5.0 ENVIRONMENTAL CONSIDERATION

The amendment relates to changes in recordkeeping, reporting, or administrative procedures or requirements. The Commission has previously issued a proposed finding that this amendment involves no significant hazards consideration and there has been no public comment on such finding. Accordingly, the amendment meets the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(10). Pursuant to 10 CFR 51.22(b), no environmental impacts statement or environmental assessment need be prepared in connection with the issuance of this amendment.

6.0 CONCLUSION

Based upon its evaluation of the proposed changes to the Waterford 3 Technical Specifications, the staff has concluded that: there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, and such activities will be conducted in compliance with the Commission's regulations and the issuance of the amendment will not be inimical to the common defense and security or to the health and safety of the public. The staff, therefore, concludes that the proposed changes are acceptable, and are hereby incorporated into the Waterford 3 license.

Dated: September 18, 1989

Principal Contributors: W. Lambe
J. Petersen
D. Wigginton