



**North  
Atlantic**

North Atlantic Energy Service Corporation  
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The Northeast Utilities System

July 1, 2002

Docket No. 50-443

NYN-02069

U. S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, DC 20555-0001

**Seabrook Station**

**Response to NRC Request for Additional Information Regarding the  
Application for Order and Conforming Amendments for License Transfer**

On May 17, 2002, North Atlantic Energy Service Corporation (NAESCO) submitted an Application for Order and Conforming Amendments for License Transfer to the Nuclear Regulatory Commission (NRC). This application requested the NRC's consent to the transfer by NAESCO of its operating authority and by the Selling Owners of Seabrook Station of their respective interests under the operating license for Seabrook Station, Unit 1 to FPLE Seabrook. This application also requested conforming administrative amendments to the license to delete references to NAESCO and the Selling Owners and to authorize FPLE Seabrook to possess, use and operate the unit, and to possess and use related licensed materials under the same conditions and authorizations included in the current license.

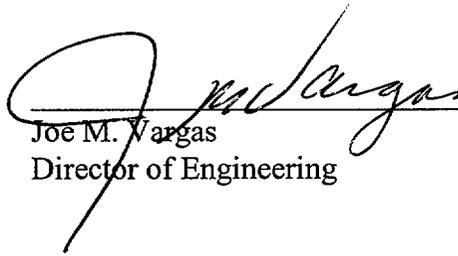
Based upon the NRC review of the application, NAESCO and FPLE Seabrook were requested on June 20, 2002 to provide additional information to assist the NRC in its evaluation of the submittal. NAESCO has provided the FPLE Seabrook responses to the NRC requests in Enclosure 1 to this letter. A sensitivity analysis of the projected income assuming a 10 percent reduction in the price of energy and capacity (Exhibit G-2) is provided in Enclosure 2. A sensitivity analysis of the projected income assuming an 83.9% capacity factor (Exhibit G-3) is provided in Enclosure 3. A decommissioning funding worksheet (Exhibit J-2) assuming a \$200 million initial balance is provided in Enclosure 4.

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Should you require further information regarding this matter, please contact Mr. James M. Peschel, Manager - Regulatory Programs, at (603) 773-7194.

Very truly yours,

NORTH ATLANTIC ENERGY SERVICE CORP.



Joe M. Vargas  
Director of Engineering

cc:

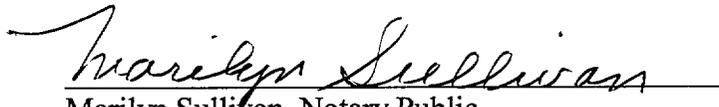
H. J. Miller, NRC Region I Administrator  
R. D. Starkey, NRC Project Manager, Project Directorate I-2  
G.T. Dentel, NRC Senior Resident Inspector

STATE OF NEW HAMPSHIRE

Rockingham, ss.

DATE 7/1/02

Then personally appeared before me, the above-named Joe M. Vargas, being duly sworn, did state that he is the Director of Engineering of the North Atlantic Energy Service Corporation that he is duly authorized to execute and file the foregoing information in the name and on the behalf of North Atlantic Energy Service Corporation and that the statements therein are true to the best of his knowledge and belief.



Marilyn Sullivan, Notary Public

My Commission Expires:

April 17, 2007



**Enclosure 1 to NYN-02069**

## **Responses to the NRC Request for Additional Information**

With reference to the NRC request for information dated June 20, 2002, the following are the FPLE Seabrook and NAESCO responses:

### Request 1:

In order for the staff to determine the sensitivity that any potential changes in revenue might have on net income, please provide the following:

- a. a five year projected Income statement reflecting a ten percent (10%) reduction in the price of electricity. As an example, in Exhibit (3 of the May 17, 2002, application, the energy price of a megawatt hour of electricity in 2003 is stated as \$29.36. Recalculate the projected income statement with the energy price of a megawatt hour of electricity at \$26.42 in 2003. Similar reductions shall be made in the years 2004, 2005, 2006 and 2007; and,
- b. a five year projected income statement reflecting a capacity factor equal to the average historical capacity factor of 83.9% from years 1995 to 2000. The application currently is estimated using an average capacity factor of 92.0%. (As stated on page 13, footnote number 6, of the May17, 2002, application.)

### Response:

A five year projected Income statement reflecting a ten percent (10%) reduction in the price of electricity is provided in Enclosure 2. A five-year projected income statement reflecting a capacity factor equal to the average historical capacity factor of 83.9% is provided in Enclosure 3.

### Request 2:

Assuming the figures in a projected income statement and projected opening balance sheet correspond to the applicant's purchase of the entire 88.2% interest in Seabrook (proposed to be sold) and, if in the event some of the proposed transferors do not close on the sale of their respective interests, would the applicant adjust the figures in such a projected income statement and projected opening balance sheet pro rata to the total resulting percent ownership actually being transferred, without regard otherwise to the particular sellers involved in the actual transfer? (In other words is a 1% ownership equal to another 1% ownership?)

Response:

If FPLE Seabrook were to acquire less than 88.232% interest contemplated by the transaction, the "Operating revenue" and "Operating expense" shown in Exhibit G would be reduced in direct proportion to the reduction in acquired ownership interest.

"Other (income) expense" can also be reasonably extrapolated down to the ownership interest transferred at an initial closing on a straight line basis. While the "Decommissioning fund earnings" reported as part of "Other (income) expense" could be affected slightly by differences in the decommissioning fund balances of individual Sellers, it is expected that the Decommissioning fund earnings for sale of less than the full interest will be at least equal to those earnings in Exhibit G reduced on a pro-rata basis, and that in any event any difference would be immaterially small.

Under all circumstances, the decommissioning fund closing amount for any group of Sellers participating in any closing will exceed those Sellers' combined pro rata share of the minimum NRC decommissioning funding requirement and will also exceed \$200 million multiplied by the ratio of the combined interest transferred at such closing to the total 88.23% contemplated by the transaction.

Request 3:

Please re-calculate Exhibit J, of the May 17, 2002, application reflecting an opening balance of \$200,000,000, in order to be consistent with the claim on page 15, that the amount of decommissioning funds to be transferred at time of closing "will not be less than \$200 million?"

Response:

A re-calculation of the decommissioning funding worksheet (Exhibit J-2) assuming a \$200 million initial balance is provided in Enclosure 4.

**Enclosure 2 to NYN-02069**

**EXHIBIT G-2**  
**FPLE SEABROOK PROJECTED INCOME STATEMENT (for 88.23% of Plant)**  
**(Sensitivity Analysis Assuming 10 Percent Reduction in Price of Energy and Capacity)**

| \$000s                        | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Operating revenue (Note 1)    | \$227,516   | \$265,707   | \$262,133   | \$260,538   | \$275,912   |
| Operating expense             |             |             |             |             |             |
| O&M                           | \$92,642    | \$88,230    | \$83,819    | \$83,819    | \$83,819    |
| Refueling outage              | 22,058      | 0           | 19,411      | 19,411      | 0           |
| Nuclear fuel amortization     | 27,123      | 29,772      | 28,343      | 28,343      | 30,427      |
| Waste disposal / DOE D&D fee  | 8,220       | 8,969       | 8,564       | 8,564       | 9,154       |
| A&G                           | 22,058      | 22,058      | 21,175      | 21,175      | 21,175      |
| Property taxes                | 16,323      | 16,323      | 16,323      | 16,323      | 16,323      |
| Unit 2 preserve and protect   | 309         | 309         | 309         | 309         | 309         |
| Depreciation                  | 10,338      | 10,563      | 10,789      | 11,014      | 11,239      |
| Decommissioning (Note 2)      | 21,549      | 22,741      | 24,020      | 25,389      | 26,857      |
| Total                         | \$220,617   | \$198,965   | \$212,751   | \$214,346   | \$199,302   |
| Operating income              | \$6,899     | \$66,742    | \$49,382    | \$46,191    | \$76,609    |
| Other (income) expense        |             |             |             |             |             |
| Decommissioning fund earnings | (\$10,875)  | (\$12,298)  | (\$13,815)  | (\$15,481)  | (\$17,176)  |
| Interest expense              | 29,282      | 29,539      | 28,223      | 27,280      | 26,416      |
| Total                         | \$18,407    | \$17,242    | \$14,408    | \$11,799    | \$9,240     |
| Income before income taxes    | (\$11,508)  | \$49,500    | \$34,973    | \$34,392    | \$67,370    |
| Income taxes                  | (4,664)     | 20,060      | 14,173      | 13,937      | 27,302      |
| Net income                    | (\$6,844)   | \$29,440    | \$20,800    | \$20,455    | \$40,068    |

**Note 1)** Revenue projections based on estimated generation and 10/2001 PIRA price projection as follows:

|                                    | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Generation (gwh) (88.23% of plant) | 7,985       | 8,765       | 8,344       | 8,344       | 8,958       |
| Energy price - \$/mwh              | \$26.43     | \$27.81     | \$28.08     | \$27.56     | \$27.05     |
| Capacity - \$/kw/yr                | \$16.13     | \$21.47     | \$27.14     | \$29.83     | \$32.78     |

**Note 2)** Represents estimated book decommissioning expense based on SFAS 143, Accounting for Asset Retirement Obligations.

**Enclosure 3 to NYN-02069**

**EXHIBIT G-3**  
**FPLE SEABROOK PROJECTED INCOME STATEMENT (for 88.23% of Plant)**  
**(Sensitivity Analysis Assuming 83.9% Capacity Factor)**

| \$000s                        | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Operating revenue (Note 1)    | \$222,758   | \$257,865   | \$247,182   | \$242,824   | \$257,010   |
| Operating expense             |             |             |             |             |             |
| O&M                           | \$92,642    | \$88,230    | \$83,819    | \$83,819    | \$83,819    |
| Refueling outage              | 22,058      | 0           | 19,411      | 19,411      | 0           |
| Nuclear fuel amortization     | 27,123      | 29,772      | 28,343      | 28,343      | 30,427      |
| Waste disposal / DOE D&D fee  | 8,220       | 8,969       | 8,564       | 8,564       | 9,154       |
| A&G                           | 22,058      | 22,058      | 21,175      | 21,175      | 21,175      |
| Property taxes                | 16,323      | 16,323      | 16,323      | 16,323      | 16,323      |
| Unit 2 preserve and protect   | 309         | 309         | 309         | 309         | 309         |
| Depreciation                  | 10,338      | 10,563      | 10,789      | 11,014      | 11,239      |
| Decommissioning (Note 2)      | 21,549      | 22,741      | 24,020      | 25,389      | 26,857      |
| Total                         | \$220,617   | \$198,965   | \$212,751   | \$214,346   | \$199,302   |
| Operating income              | \$2,140     | \$58,901    | \$34,431    | \$28,478    | \$57,707    |
| Other (income) expense        |             |             |             |             |             |
| Decommissioning fund earnings | (\$10,875)  | (\$12,298)  | (\$13,815)  | (\$15,481)  | (\$17,176)  |
| Interest expense              | 29,282      | 29,638      | 28,488      | 27,861      | 27,378      |
| Total                         | \$18,407    | \$17,341    | \$14,673    | \$12,380    | \$10,202    |
| Income before income taxes    | (\$16,266)  | \$41,560    | \$19,758    | \$16,097    | \$47,506    |
| Income taxes                  | (6,592)     | 16,842      | 8,007       | 6,523       | 19,252      |
| Net income                    | (\$9,674)   | \$24,718    | \$11,751    | \$9,574     | \$28,254    |

**Note 1)** Revenue projections based on estimated generation and 10/2001 PIRA price projection as follows:

|                                    | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Generation (gwh) (88.23% of plant) | 7,168       | 7,948       | 7,527       | 7,527       | 8,141       |
| Energy price - \$/mwh              | \$29.36     | \$30.90     | \$31.21     | \$30.63     | \$30.06     |
| Capacity - \$/kw/yr                | \$12.00     | \$12.00     | \$12.00     | \$12.00     | \$12.00     |

**Note 2)** Represents estimated book decommissioning expense based on SFAS 143, Accounting for Asset Retirement Obligations.

**Enclosure 4 to NYN-02069**

**EXHIBIT J-2**

**Decommissioning Funding Worksheet for Seabrook Unit 1  
(Calculation Assuming Minimum \$200 Million Initial Balance)**

|   |                              |                     |                 |                           |
|---|------------------------------|---------------------|-----------------|---------------------------|
| <b>Minimum Balance at Transaction Closing</b>               |                              |                     |                 | \$200,000,000             |
| Seabrook Unit 1 License Expiration Year                     |                              |                     |                 | 2026                      |
| <b>Year</b>   | <b>Beginning<br/>Balance</b> | <b>Growth<br/>%</b> | <b>Earnings</b> | <b>Ending<br/>Balance</b> |
| 2003  | \$200,000,000                | 2                   | \$4,000,000     | \$204,000,000             |
| 2004  | \$204,000,000                | 2                   | \$4,080,000     | \$208,080,000             |
| 2005  | \$208,080,000                | 2                   | \$4,161,600     | \$212,241,600             |
| 2006  | \$212,241,600                | 2                   | \$4,244,832     | \$216,486,432             |
| 2007  | \$216,486,432                | 2                   | \$4,329,729     | \$220,816,161             |
| 2008  | \$220,816,161                | 2                   | \$4,416,323     | \$225,232,484             |
| 2009  | \$225,232,484                | 2                   | \$4,504,650     | \$229,737,134             |
| 2010  | \$229,737,134                | 2                   | \$4,594,743     | \$234,331,876             |
| 2011  | \$234,331,876                | 2                   | \$4,686,638     | \$239,018,514             |
| 2012  | \$239,018,514                | 2                   | \$4,780,370     | \$243,798,884             |
| 2013  | \$243,798,884                | 2                   | \$4,875,978     | \$248,674,862             |
| 2014  | \$248,674,862                | 2                   | \$4,973,497     | \$253,648,359             |
| 2015  | \$253,648,359                | 2                   | \$5,072,967     | \$258,721,326             |
| 2016  | \$258,721,326                | 2                   | \$5,174,427     | \$263,895,753             |
| 2017  | \$263,895,753                | 2                   | \$5,277,915     | \$269,173,668             |
| 2018  | \$269,173,668                | 2                   | \$5,383,473     | \$274,557,141             |
| 2019  | \$274,557,141                | 2                   | \$5,491,143     | \$280,048,284             |
| 2020  | \$280,048,284                | 2                   | \$5,600,966     | \$285,649,250             |
| 2021  | \$285,649,250                | 2                   | \$5,712,985     | \$291,362,235             |
| 2022  | \$291,362,235                | 2                   | \$5,827,245     | \$297,189,479             |
| 2023  | \$297,189,479                | 2                   | \$5,943,790     | \$303,133,269             |
| 2024  | \$303,133,269                | 2                   | \$6,062,665     | \$309,195,934             |
| 2025  | \$309,195,934                | 2                   | \$6,183,919     | \$315,379,853             |
| 2026*   | \$315,379,853                | 2                   | \$5,519,147     | \$320,899,000             |
| * 10.5 months   |                              |                     |                 |                           |
| <b>Ending Balance for 2026</b>                              |                              |                     |                 | \$ 320,899,000            |
| <b>NRC Requirement for Seabrook Unit 1 (88.23%)</b>         |                              |                     |                 | \$ 299,810,000            |
| <b>Credited Value of Funds in Excess of NRC Requirement</b> |                              |                     |                 | <u>\$ 21,089,000</u>      |