

August 28, 1997

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Mr. Lee Liu
Chairman of the Board and
Chief Executive Officer
IES Utilities Inc.
200 First Street, SE
P.O. Box 351
Cedar Rapids, IA 52406-0351

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**SUBJECT: ORDER APPROVING APPLICATION REGARDING MERGER AGREEMENT
BETWEEN IES INDUSTRIES INC., WPL HOLDINGS, INC., AND INTERSTATE
POWER CORPORATION AFFECTING LICENSE NO. DPR-49, DUANE ARNOLD
ENERGY CENTER (TAC NO. M96747)**

Dear Mr. Liu:

The enclosed Order is in response to an application dated September 27, 1996, from IES Utilities Inc. (IESU) requesting approval, pursuant to Section 50.80 of Title 10 of the *Code of Federal Regulations*, of the indirect transfer of Facility Operating License No. DPR-49, issued to IESU, Central Iowa Power Cooperative, and Corn Belt Power Cooperative, the licensees for the Duane Arnold Energy Center.

The proposed indirect transfer is a result of a proposed merger between IES Industries Inc. (the parent company for IESU), WPL Holdings, Inc., and Interstate Power Corporation. The merger would result in the formation of a new holding company, Interstate Energy Corporation, for IESU. The staff's Safety Evaluation in support of the Order is also enclosed.

The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,
Original Signed By
Glenn B. Kelly, Senior Project Manager
Project Directorate III-3
Division of Reactor Projects III/IV
Office of Nuclear Reactor Regulation

Docket No. 50-331
Enclosures: 1. Order
2. Safety Evaluation
cc w/encls: See next page



DOCUMENT NAME: G:\DUANEARN\LIC_XFR.ORD_REVO *SEE PREVIOUS CONCURRENCE

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DATE	08/18/97		08/22/97	08/18/97	08/22/97

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August 28, 1997

Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, and to Alvin H. Gutterman, Morgan, Lewis and Bockius LLP, 1800 M Street, NW., Washington, DC 20036-5869, attorney for IESU.

For further details with respect to this action, see the application dated September 27, 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 Cedar Rapids Public Library, 500 First Street, SE, Cedar Rapids, IA 52401.

FOR THE NUCLEAR REGULATORY COMMISSION

Original Signed By

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,
this 28th day of August, 1997

*SEE PREVIOUS CONCURRENCE

OFFICE	PD33:LA	C	Tech Ed		PD33:PM	C	BC:PGEB		OGC	
NAME	CBoyle		BCalure*		GKelly		DMatthews*		SHom*	
DATE	08/18/97		06/19/97		08/16/97		07/16/97		07/31/97	
OFFICE	D:PD33	C	D:DRP		ADPR:NRR	C	D:NRR			
NAME	GMarcus		Roe		RZimmerman		SCollins			
DATE	08/18/97		08/22/97		08/26/97		08/26/97			



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

August 28, 1997

Mr. Lee Liu
Chairman of the Board and
Chief Executive Officer
IES Utilities Inc.
200 First Street, SE
P.O. Box 351
Cedar Rapids, IA 52406-0351

**SUBJECT: ORDER APPROVING APPLICATION REGARDING MERGER AGREEMENT
BETWEEN IES INDUSTRIES INC., WPL HOLDINGS, INC., AND INTERSTATE
POWER CORPORATION AFFECTING LICENSE NO. DPR-49, DUANE ARNOLD
ENERGY CENTER (TAC NO. M96747)**

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The proposed indirect transfer would be a result of a proposed merger between IES Industries Inc. (the parent company for IESU), WPL Holdings, Inc., and Interstate Power Corporation. The merger would result in the formation of a new holding company, Interstate Energy Corporation, for IESU. The staff's Safety Evaluation in support of the Order is also enclosed.

The Order is being forwarded to the Office of the Federal Register for publication.

Sincerely,

A handwritten signature in cursive script that reads "Glenn B. Kelly".

Glenn B. Kelly, Senior Project Manager
Project Directorate III-3
Division of Reactor Projects III/IV
Office of Nuclear Reactor Regulation

Docket No. 50-331

Enclosures: 1. Order
2. Safety Evaluation

cc w/encls: See next page

Lee Liu
IES Utilities Inc.

Duane Arnold Energy Center

cc:

Jack Newman, Esquire
Kathleen H. Shea, Esquire
Morgan, Lewis, & Bockius
1800 M Street, NW.
Washington, DC 20036-5869

Chairman, Linn County
Board of Supervisors
Cedar Rapids, IA 52406

IES Utilities Inc.
ATTN: Gary Van Middlesworth
Plant Superintendent, Nuclear
3277 DAEC Road
Palo, IA 52324

John F. Franz, Jr.
Vice President, Nuclear
Duane Arnold Energy Center
3277 DAEC Road
Palo, IA 52324

Ken Peveler
Manager, Nuclear Licensing
Duane Arnold Energy Center
3277 DAEC Road
Palo, IA 52324

U.S. Nuclear Regulatory Commission
Resident Inspector's Office
Rural Route #1
Palo, IA 52324

Regional Administrator, RIII
U.S. Nuclear Regulatory Commission
801 Warrenville Road
Lisle, IL 60532-4531

Parween Baig
Utilities Division
Iowa Department of Commerce
Lucas Office Building, 5th floor
Des Moines, IA 50319

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)
IES UTILITIES INC.) Docket No. 50-331
(Duane Arnold Energy Center))

ORDER APPROVING APPLICATION REGARDING
MERGER AGREEMENT BETWEEN
IES INDUSTRIES INC., WPL HOLDINGS, INC.,
AND INTERSTATE POWER CORPORATION

I.

IES Utilities Inc. (IESU) is a wholly owned subsidiary of IES Industries Inc. (IESI). IESU is the operator and a 70-percent owner of the Duane Arnold Energy Center (DAEC). IESU and the minority owners, Central Iowa Power Cooperative and Corn Belt Power Cooperative, hold Facility Operating License DPR-49 issued by the U.S. Atomic Energy Commission pursuant to Part 50 of Title 10 of the Code of Federal Regulations (10 CFR Part 50) on February 22, 1974. IESU has authority to possess, use, and operate the facility, and the minority owners have the authority to possess the facility. DAEC is located in Linn County, Iowa.

II.

By letter dated September 27, 1996, IESU informed the U.S. Nuclear Regulatory Commission (the Commission) of a proposed merger of IESI, WPL Holdings, Inc. (WPLH), and Interstate Power Corporation (IPC). Under the merger agreement, IESI will merge with and into WPLH, of which IESU would become a wholly owned subsidiary, and IPC will become a subsidiary of WPLH. In addition, WPLH will be renamed Interstate Energy Corporation (IEC). IESU will remain the holder of its license for DAEC. Furthermore,

current stockholders of IESI and IPC will become stockholders of IEC, in addition to current WPLH stockholders, pursuant to a formula stipulated in the merger agreement. IESU requested the Commission's approval, pursuant to 10 CFR 50.80, regarding the proposed transactions to the extent they effect an indirect transfer of control of the DAEC license. On February 26, 1997, a notice of consideration of approval of application regarding corporate restructuring was published in the FEDERAL REGISTER (62 FR 8783). An Environmental Assessment and Finding of No Significant Impact was published in the FEDERAL REGISTER on May 5, 1997 (62 FR 24515).

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives its consent in writing. Upon review of the information submitted in the letter of September 27, 1996, and other information before the Commission, the NRC staff has determined that the proposed merger will not affect the qualifications of IESU as a holder of the license, and that the transfer of control of the license, to the extent effected by the proposed merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated August 28, 1997.

III.

Accordingly, pursuant to Sections 161b, 161i, 161o, and 184 of the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§ 2201(b), 2201(i), 2201(o), and 2234, and 10 CFR 50.80, IT IS HEREBY ORDERED that the Commission approves the application regarding the merger agreement between IESI, WPLH, and IPC subject to the following:

- (1) IESU 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 IESU to its parent or to any other affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding 10 percent of IESU's consolidated net utility plant, as recorded on IESU's books of account; and (2) should the merger not be completed by June 30, 1998, this Order shall become null and void unless, upon application and for good cause shown, this date is extended.

This Order is effective upon issuance.

IV.

By October 6, 1997, 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 such person's 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.

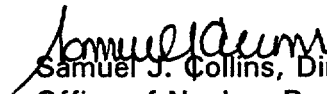
The issue to be considered at any such hearing shall be whether this Order should be sustained.

Any request for a hearing must be filed with the Secretary of the Commission, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, Attention: Rulemakings and Adjudications Staff, or may be delivered to the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, by the above date. Copies also should be sent to the Office of the General Counsel and to the Director, Office of

Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, and to Alvin H. Gutterman, Morgan, Lewis and Bockius LLP, 1800 M Street, NW., Washington, DC 20036-5869, attorney for IESU.

For further details with respect to this action, see the application dated September 27, 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 Cedar Rapids Public Library, 500 First Street, SE, Cedar Rapids, IA 52401.

FOR THE NUCLEAR REGULATORY COMMISSION


Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,
this 28th day of August, 1997



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

RELATED TO THE INDIRECT TRANSFER OF CONTROL OF

LICENSE NO. DPR-49 FOR THE DUANE ARNOLD ENERGY CENTER

DOCKET NO. 50-331

1.0 BACKGROUND

On September 27, 1996, IES Utilities Inc. (IESU) submitted an application for approval under 10 CFR 50.80 regarding a merger between IES Industries Inc. (IESI), parent of IESU, WPL Holdings, Inc. (WPLH), and Interstate Power Company (IPC). IESU, now a wholly owned subsidiary of IESI, will become a wholly owned subsidiary of WPLH as a result of the merger. IESU is the operator and a 70-percent owner of the Duane Arnold Energy Center (DAEC), a single-unit nuclear power facility, and will remain such after the proposed merger is completed. The proposed merger will be accomplished by the merger of IESI with and into WPLH. IPC will merge into a newly created subsidiary of WPLH. WPLH will then change its name to Interstate Energy Corporation (IEC). Upon consummation of the restructuring, current stockholders of IESI and IPC would become stockholders of IEC in addition to current WPLH stockholders pursuant to a formula stipulated in the merger agreement.

In a letter to stockholders dated July 23, 1996, IESI indicated that WPLH, IESI, and IPC believe that the merger offers significant strategic and financial benefits, including the following: (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 nonutility areas; (6) increased customer diversity and geographic diversity of service territories; and (7) expanded management resources and the ability to select leadership from a larger and more diverse management pool. (See IESU letter of September 27, 1996, with attached IESI letter to stockholders, p. 9.)

2.0 FINANCIAL AND TECHNICAL QUALIFICATIONS

On the basis of information provided in IESU's application, the staff finds that there will be no near-term substantive change in IESU's financial ability to contribute appropriately to the operations and decommissioning of the DAEC facility as a result of the proposed merger. IESU also 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 Iowa Utilities Board and the Federal Energy Regulatory Commission. Thus, pursuant to 10 CFR 50.33(f), IESU is exempt from further financial qualifications review as an electric utility.

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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 sought to obtain commitments from its licensees that initiate restructuring actions not to transfer significant assets from the licensee without notifying the NRC. IESU has agreed --

to provide the Director of Nuclear Reactor Regulation a copy of its application to any regulatory agency, at the time it is filed, to transfer (excluding grants of a security interest or liens) from IES[U] 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 ten percent (10%) of the consolidated net utility plant on IES[U]'s books of account. (See IESU letter of September 27, 1996, Exhibit A, pp. 7-8.)

The staff believes that this commitment, modified to clarify the abbreviations used in this evaluation, as a condition to the NRC's approval of the application regarding the proposed merger, will enable the NRC to ensure that IESU will continue to maintain adequate resources to contribute to the safe operation and decommissioning of the DAEC facility.

With respect to technical qualifications, IESU will continue to be the licensed operator of the facility. The technical qualifications of IESU will be unchanged by the merger.

3.0 ANTITRUST

Section 105c of the Atomic Energy Act of 1954, as amended (the Act), requires the Commission to conduct an antitrust review in connection with an application for a license to construct or operate a utilization or production facility under section 103 of the Act. Here, although WPLH, to be renamed IEC, may become the holding company for IESU as a result of the merger, and thus may indirectly acquire control of the license for DAEC, IESU's application does not indicate that IEC will be performing activities for which a license is needed. Since approval of the application would not involve the issuance of a license, the procedures under Section 105c do not apply, including the making of any "significant changes" determination. Furthermore, the DAEC facility was licensed before 1970 under Section 104b of the Act, not Section 103. An antitrust review by the staff in regard to the proposed merger, accordingly, is not applicable.

4.0 FOREIGN OWNERSHIP

IESU states in its application, "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. [IES] Industries is not acting as an agent or representative of any other person in this request for a license transfer." (See IESU letter of September 27, 1996, Exhibit A, p. 6.) The NRC staff does not know or have reason to believe IESU will be owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government as a result of the proposed merger.

5.0 CONCLUSIONS

In view of the foregoing, the staff concludes that the proposed restructuring of IESU's parent company, IESI, through a merger with WPLH and IPC, will not adversely affect IESU's financial or technical qualifications with respect to the operation and decommissioning of the DAEC facility. Also, there do not appear to be any problematic antitrust or foreign ownership issues requiring further consideration related to the DAEC license that would result from the proposed merger. Thus, the proposed merger will not affect the qualifications of IESU as holder of the license, and the transfer of control of the license, to the extent effected by the proposed merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission. Accordingly, the NRC should approve the application regarding the proposed merger.

Principal Contributors: R. Wood
M. Davis

Date: August 28, 1997