



South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

April 21, 2004  
NOC-AE-04001712  
10 CFR 50.80  
10 CFR 50.90

U. S. Nuclear Regulatory Commission  
Attention: James E. Dyer  
Director, Office of Nuclear Reactor Regulation  
One White Flint North  
11555 Rockville Pike  
Rockville, MD 20852

South Texas Project  
Units 1 and 2  
Docket Nos. STN 50-498 and 50-499  
Application for Consent to Transfer Non-Operating  
Ownership Interest and Conforming License Amendments

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended ("AEA") and 10 CFR 50.80, STP Nuclear Operating Company ("STPNOC"), acting on behalf of current licensee AEP Texas Central Company ("TCC") and prospective licensee Cameco South Texas Project LP ("CSTP"), requests Nuclear Regulatory Commission ("NRC") consent to the transfer of TCC's non-operating ownership interests in South Texas Project Units 1 and 2 (collectively, TCC's ownership interest in "STP") to CSTP.

Under a purchase and sale agreement ("PSA") dated February 27, 2004, TCC's present 25.2% non-operating ownership interest in STP would be purchased by CSTP as described further below and in the attached Application for Consent to Transfer Non-Operating Ownership Interest and Conforming License Amendments ("Application"). The proposed transfer involves no change to any of the other ownership shares in STP. STPNOC, the not-for-profit Texas corporation that is licensed by the NRC to operate STP, will remain the licensee with exclusive operating authority.

As set forth in the Application, CSTP is a Texas limited partnership created to hold the STP non-operating ownership interest being transferred. CSTP is held by a Texas general partner with a 1.0% interest and a Delaware limited partner with a 99.0% interest. Both the general partner and the limited partner are wholly owned subsidiaries of Cameco U.S. Holdings, Inc., a Nevada corporation, which in turn is a wholly owned subsidiary of Cameco Corporation ("Cameco"). Cameco is a diversified nuclear energy company based in Saskatoon, Saskatchewan, Canada.

The information included in the Application demonstrates the financial qualifications of CSTP with respect to the STP ownership interest being acquired as well as CSTP's method for decommissioning funding assurance for that interest. The Application also addresses foreign ownership and control considerations as required by the AEA.

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As noted above, there will be no change in the identity of the licensed operator in connection with the proposed transfer of TCC's ownership interest. CSTP will not control STPNOC and there will be no transfer of control of STPNOC's licenses to operate STP on behalf of the owners.

In connection with the proposed ownership transfer, STPNOC also requests, pursuant to 10 CFR 50.90, NRC approval of conforming amendments to the two STP operating licenses. These license amendments involve no significant hazards consideration.

In summary, the proposed license transfers will be consistent with the requirements set forth in the AEA, NRC regulations, and the relevant NRC licenses and orders. No physical changes will be made to STP and there will be no changes in the plant operator or the day-to-day operation of STP. The proposed license transfers and conforming administrative amendments will not involve any changes to the current STP design or licensing bases, and will not have any adverse impact on the public health and safety or be inimical to the common defense and security. The Application therefore requests that the NRC consent to the license transfers in accordance with 10 CFR 50.80 and approve the conforming administrative amendments pursuant to 10 CFR 50.92 and 10 CFR 2.1315.

The PSA remains subject to the other owners' rights of first refusal through June 1, 2004. If a right of first refusal is exercised, the percentage interest to be purchased by CSTP may change. However, TCC and CSTP are seeking to begin the NRC transfer review process promptly in order to assure timely completion. STPNOC will inform the NRC of any changes to the Application that result from any exercise of a right of first refusal.

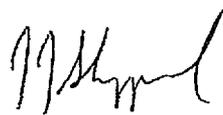
The date of completion of the proposed transfer will depend on the satisfaction of certain conditions precedent, including receipt of all required regulatory approvals from the NRC and other agencies. Consistent with the PSA, TCC and CSTP anticipate closing on the transaction in the second half of 2004 and are seeking to complete the transaction as soon as possible. Accordingly, STPNOC requests that the NRC complete its review on a schedule to permit the issuance of the necessary consent order and the conforming administrative license amendments as promptly as possible, with a target date of September 1, 2004. STPNOC further requests that the NRC's consent be made effective immediately upon issuance, permitting the transfer and implementation of the conforming license amendments at any time within 12 months following the date of issuance by the NRC. STPNOC will inform the NRC of any significant changes in the schedule.

The Application references separately bound Enclosures 5 and 10, which contain information proprietary to CSTP. Proprietary Enclosures 5 and 10 will be submitted directly from CSTP with a request that they be withheld from public disclosure pursuant to 10 CFR 9.17(a)(4) and the policy reflected in 10 CFR 2.390. A non-proprietary version of the financial information in Enclosure 5, suitable for public disclosure, is provided as Enclosure 5(NP) with the Application.

The STPNOC Plant Operations Review Committee has reviewed this license amendment request and recommended its approval, and the STPNOC Independent Review Committee has approved the amendment request. STPNOC has informed the State of Texas in accordance with 10 CFR 50.91(b).

If there are any questions regarding this license transfer request, please contact Scott Head at (361) 972-7136 or me at (361) 972-8757.

Service of any comments, hearing requests, intervention petitions, or other filings should also be made to: David A. Repka at Winston & Strawn LLP, 1400 L Street, N.W., Washington, DC 20005, ([Drepka@winston.com](mailto:Drepka@winston.com)) on behalf of CSTP; Jay E. Silberg, Shaw Pittman LLP, 2300 N Street, N.W., Washington, DC 20037, ([JaySilberg@shawpittman.com](mailto:JaySilberg@shawpittman.com)) on behalf of TCC; and John E. Matthews at Morgan, Lewis and Bockius LLP, 1111 Pennsylvania Ave. N.W., Washington, DC 20004, ([jmatthews@morganlewis.com](mailto:jmatthews@morganlewis.com)) on behalf of STPNOC.



J. J. Sheppard  
President and CEO

jtc/

Enclosure: Application for Consent to Transfer Non-Operating Ownership Interest and Conforming License Amendments

cc:

(paper copy)

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U. S. Nuclear Regulatory Commission  
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Electric Utility Department  
721 Barton Springs Road  
Austin, TX 78704

(electronic copy)

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City Public Service

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Jon C. Wood  
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Jay E. Siebling  
Shaw Pittman

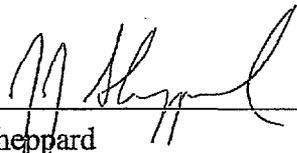
Matias F. Travieso-Diaz  
Shaw Pittman

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
STP Nuclear Operating Company	)	Docket Nos. 50-498
	)	50-499
South Texas Project Units 1 and 2	)	

AFFIRMATION

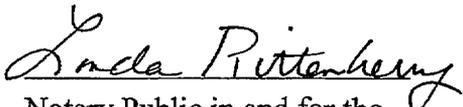
I, J. J. Sheppard, being duly sworn, hereby depose and state that I am President and Chief Executive Officer of STP Nuclear Operating Company (STPNOC); that I am duly authorized to file with the Nuclear Regulatory Commission the attached Application for Consent to Transfer Non-Operating Ownership Interest and Conforming License Amendments; that I am familiar with the content thereof; and that the matters set forth therein with regard to STPNOC are true and correct to the best of my knowledge and belief.

  
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 J. J. Sheppard  
 President and Chief Executive Officer

STATE OF TEXAS                    )  
   )  
 COUNTY OF MATAGORDA        )

Subscribed and sworn to before me, a Notary Public in the State of Texas, this 21<sup>st</sup> day of April, 2004.



  
 \_\_\_\_\_  
 Notary Public in and for the  
 State of Texas

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of )  
)  
STP Nuclear Operating Company )  
South Texas Project )  
Units 1 and 2 )

Docket Nos. 50-498  
50-499

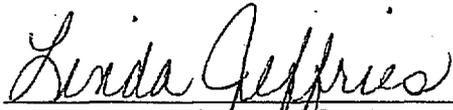
AFFIRMATION

I, Robert P. Powers, being duly sworn, hereby depose and state that I am Executive Vice President for Generation of American Electric Power Company and an Officer of AEP Texas Central Company, that I am duly authorized to file with the Nuclear Regulatory Commission the attached Application for Consent to Transfer Non-operating Ownership Interests and Conforming License Amendments; that I am familiar with the content thereof; and that the matters set forth therein with regard to AEP Texas Central Company are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Robert P. Powers

STATE OF OHIO  
FRANKLIN COUNTY

Subscribed and sworn to before me, a Notary Public in the State of Ohio, this 20 day of April, 2004.

  
\_\_\_\_\_  
A Notary Public in and for the  
State of Ohio  
My Appointment expires 10/29/06



LINDA JEFFRIES  
Notary Public, State of Ohio  
My Commission Expires 10-29-06

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of )  
 )  
STP Nuclear Operating Company ) Docket Nos. 50-498  
South Texas Project ) 50-499  
Units 1 and 2 )

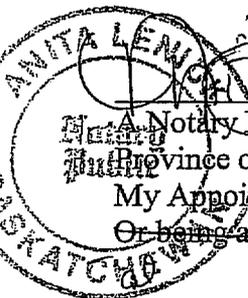
STATUTORY DECLARATION

I, Sean Quinn, being duly sworn, hereby depose and state the following:

1. That I am a Director of Cameco Texas Inc., the General Partner of Cameco South Texas Project LP.
2. That I am duly authorized to file with the Nuclear Regulatory Commission the attached Application for Consent to Transfer Non-Operating Ownership Interest and Conforming License Amendments.
3. That I am familiar with the content thereof and that the matters set forth therein with regard to Cameco South Texas Project LP are true and correct to the best of my knowledge and belief.

SWORN BEFORE ME at the City of  
Saskatoon, in the Province of  
Saskatchewan, this 21 day of April, 2004

  
Sean Quinn

  
  
A Notary Public in and for the  
Province of Saskatchewan  
My Appointment expires Mar 31, 2006  
Or being a Solicitor -

**APPLICATION FOR CONSENT TO TRANSFER NON-OPERATING  
OWNERSHIP INTEREST AND CONFORMING LICENSE AMENDMENTS**

## APPLICATION FOR CONSENT TO TRANSFER NON-OPERATING OWNERSHIP INTEREST AND CONFORMING LICENSE AMENDMENTS

### I. Introduction/Overview

AEP Texas Central Company ("TCC") presently holds 25.2% non-operating ownership interests in South Texas Project Units 1 and 2 (collectively, TCC's ownership interest in "STP") and is a licensee authorized by the NRC to possess its interest in STP. Under a purchase and sale agreement ("PSA") dated February 27, 2004, TCC's interest in STP will be purchased by Cameco South Texas Project LP ("CSTP"), a Texas limited partnership described further below. Under Section 184 of the Atomic Energy Act ("AEA") and 10 C.F.R. § 50.80, the proposed transaction involves the direct transfer of TCC's licenses to CSTP and requires prior NRC consent. Accordingly, this Application seeks the necessary consent.

The proposed license transfers involve only TCC's ownership interest, and do not affect the remaining 74.8% interest in each unit of the facility, collectively held by Texas Genco, LP, and two Texas municipally-owned utilities: the City of San Antonio acting by and through the City Public Service Board, and the City of Austin (doing business as Austin Energy). These owners hold a right of first refusal with respect to the purchase of TCC's ownership interest by CSTP. Notice of whether a right of first refusal will be exercised must be provided by June 1, 2004. Because an exercise of these rights could be made for any portion of TCC's 25.2% ownership interest, the percentage interest to be acquired by CSTP could change. The parties will advise the NRC promptly of any changes necessary to this Application as a result of an exercise of these rights.

The proposed license transfers do not change the identity of the licensed operator. STP Nuclear Operating Company ("STPNOC"), the not-for-profit Texas operator that is licensed by the NRC to operate STP, will remain the licensee with exclusive operating authority. CSTP will not acquire control of STPNOC's licenses to operate the units on behalf of the owners.

In connection with the proposed license transfers, the parties also request, pursuant to 10 C.F.R. § 50.90, conforming amendments to the two facility operating licenses. These amendments would simply replace TCC with CSTP as a non-operating owner. Proposed mark-ups of the two licenses are included as Enclosures 1 and 2 to this Application. These license amendments involve no significant hazards consideration, as confirmed by the evaluation in Enclosure 3.

In summary, the proposed license transfers will be consistent with the requirements set forth in the AEA, NRC regulations, and the relevant NRC licenses and orders. No physical changes will be made to STP and there will be no changes in the plant operator or the day-to-day operation of STP. The proposed license transfers and conforming administrative amendments will not involve any changes to the current STP design or licensing bases, and will not have any adverse impact on the public health and safety nor be inimical to the common

defense and security. This Application therefore requests that the NRC consent to the transfers in accordance with 10 C.F.R. § 50.80 and approve the conforming administrative amendments pursuant to 10 C.F.R. § 50.92 and 10 C.F.R. § 2.1315.

## **II. Statement of Purpose of the License Transfers and the Nature of the Transaction Making the Transfers Desirable**

STPNOC, TCC and CSTP are requesting this license transfer consent to support the purchase of TCC's 25.2% non-operating ownership interest in STP by CSTP. CSTP will take in kind and market its pro rata share of the electricity generated by STP.

## **III. General Information Regarding Transferee**

The information required to be included in an application for the transfer of a license pursuant to 10 C.F.R. § 50.80 is set forth below. This information demonstrates that the requested transfers comply with the requirements of the AEA and applicable NRC regulations.

### **A. Name and Address**

The name and registered office of the transferee/proposed licensee currently is:

Cameco South Texas Project LP  
1201 Main Street, Suite 1150  
Houston, Texas 77002

### **B. Description of Business**

CSTP is a Texas limited partnership formed to hold the ownership interest in STP. CSTP will be principally engaged in the business of managing the interest in STP and selling its share of the electricity generated by STP.

### **C. Organization and Management**

CSTP is a Texas limited partnership. As such, it will not have directors or officers. The interest in CSTP will be held by two partners: Cameco Texas Inc., a Texas corporation and General Partner with a 1.0% interest in CSTP, and Cameco Generation Holdings LLC, a Delaware limited liability corporation and Limited Partner with a 99.0% interest in CSTP.

As is discussed further below, STPNOC will continue to operate STP on behalf of the owners. CSTP, which will be a non-operating minority owner, will be managed by its General Partner, Cameco Texas Inc. As is also discussed below, Cameco Texas Inc. will be managed by a Board of Directors. A majority of the Board of Directors will be U.S. citizens.

In addition, the Board of Directors of Cameco Texas Inc. will establish a Special Nuclear Committee. This Committee will be comprised of one or more Board members with

expertise in nuclear operations, safety, or regulatory matters. The Committee member(s) will all be U.S. citizens and a majority will be independent of CSTP, Cameco Texas Inc., and all of their corporate siblings and parents (i.e., they will not otherwise be a director, officer, or employee of CSTP, Cameco Texas Inc., or any of their corporate siblings or parents). This Committee will have the responsibility and exclusive authority on behalf of Cameco Texas Inc. and CSTP to take any action ordered by the NRC or court of competent jurisdiction relating to nuclear safety or regulatory compliance. The Committee will also have the responsibility and exclusive authority to ensure that the business and activities of CSTP with respect to the STP license are at all times consistent with the protection of the public health and safety and the common defense and security of the United States.

The registered office and other information for the General Partner, Cameco Texas Inc., currently is as follows:

Cameco Texas Inc.  
1201 Main Street, Suite 1150  
Houston, Texas 77002

Directors:

John Britt (U.S. citizen)  
Scott Melbye (U.S. citizen)  
Sean Quinn (Canadian citizen)

Special Nuclear Committee:

To be determined

Officers:

To be determined

The registered office and other information for the Limited Partner, Cameco Generation Holdings LLC, currently is as follows:

Cameco Generation Holdings LLC  
1209 Orange Street  
Wilmington, Delaware 19801

Board of Managers:

John Britt (U.S. citizen)  
Scott Melbye (U.S. citizen)  
Sean Quinn (Canadian citizen)

Officers:

None required, but may be designated at a later date.

Both Cameco Texas Inc. and Cameco Generation Holdings LLC are wholly owned by Cameco U.S. Holdings, Inc., a Nevada corporation. The registered office and other information for the U.S. holding company currently is as follows:

Cameco U.S. Holdings, Inc.  
6121 Lakeside Drive, Suite 260  
Reno, Nevada 89511

Directors:

Fletcher Newton (U.S. citizen)  
Stephen Collings (U.S. citizen)  
David Petroff (Canadian citizen)

Officers:

President - Fletcher Newton  
Senior Vice President, Operations and Secretary - Stephen Collings  
Controller and Treasurer - Rick Townley (U.S. citizen)

Cameco U.S. Holdings, Inc. is a wholly owned subsidiary of Cameco Corporation ("Cameco"). Cameco is a diversified nuclear energy company based in Saskatoon, Saskatchewan, Canada. Among other things, Cameco is the world's largest supplier of combined uranium and conversion services, with assets in both Canada and the United States. Cameco also holds an interest in a partnership (Bruce Power) that generates electricity from nuclear power in Ontario, Canada. Cameco is a publicly traded company, with shares trading on the New York and Toronto stock exchanges. Further information on Cameco is provided below and in enclosures to this Application.

An organization diagram that illustrates the ownership structure of CSTP is provided in Enclosure 4 to this Application.

**IV. Information on NRC Regulatory Issues****A. Technical Qualifications**

There will be no physical changes to the management or operation of STP, no changes to the design or licensing bases, and no change to the licensed operator in connection with the proposed license transfers. STPNOC will also remain the licensee with exclusive authority to operate STP. STPNOC specifically acts on behalf of the owners in all matters related to NRC licensing of STP, has the authority to operate STP in accordance with the NRC operating licenses and applicable laws and regulatory requirements, and has sole authority, as the

operator under the NRC licenses, to make all decisions to protect public health and safety as required by the operating licenses and applicable laws and regulations.

STPNOC will continue to operate STP on behalf of the owners in accordance with the STP Participation Agreement among the owners and the Operating Agreement among STPNOC and the owners. CSTP will participate in the owners' direction of STPNOC in accordance with those agreements, with pro rata representation on the STPNOC Board of Directors and with certain commercial oversight rights and responsibilities.<sup>1</sup> The scope of participation and oversight will not change from that presently provided for TCC and the other owners under the agreements. As such, CSTP will have no direct authority or control with respect to operational safety or regulatory compliance matters.

## **B. Financial Qualifications**

### *1. Operating Costs*

CSTP will not be an "electric utility" as defined by NRC regulations. Accordingly, NRC regulations<sup>2</sup> and guidance<sup>3</sup> require estimates for total annual operating expenses for STP apportioned to CSTP for the first five years following acquisition of the ownership interest, as well as information on the source(s) of funds to cover those operating expenses.

CSTP will acquire a 25.2% ownership interest in each of the STP units. CSTP will be entitled to a pro rata share of the plant output (the share being approximately 630 MWe of net generating capacity) and will be obligated to STPNOC for a pro rata share of the plant operating expenses.

CSTP's revenues will derive from the sale of its share of the STP output on electricity markets at market prices. A projected income statement for CSTP for the five-year period from January 1, 2005 to December 31, 2009 will be provided in Enclosure 5, submitted under separate cover from CSTP. (Enclosure 5 is proprietary to CSTP; Enclosure 5(NP), attached hereto, is a redacted, non-proprietary version suitable for public disclosure.<sup>4</sup>) The projected income statement is based on projected market prices also shown in Enclosure 5. The projected income statement also shows anticipated operating expenses associated with STP.

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<sup>1</sup> The participation interest in STPNOC to be acquired by CSTP is not controlling, and therefore, there will be no transfer of control of STPNOC's licenses to operate STP on behalf of the owners. If the NRC concludes that such transfer of a participation interest in STPNOC also requires prior NRC consent to an indirect license transfer, such consent is hereby requested.

<sup>2</sup> 10 C.F.R. § 50.33(f)(2).

<sup>3</sup> NUREG-1577, Rev. 1, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance" (March 1999).

<sup>4</sup> A copy of the affidavit being submitted by CSTP regarding proprietary treatment of Enclosure 5 is also attached hereto as Enclosure 6.

Upon completion of this transaction, the acquired interests in STP will be the only generation assets held by CSTP.

NRC guidance specifies that, for a non-electric utility, assurance also should be provided that the licensee will have the ability to fund its share of fixed operating expenses during a plant outage of six months. (Fixed operating expenses generally exclude fuel costs and refueling outage costs.) Projected operating expenses are shown in Enclosure 5. In the event of a shutdown of STP, CSTP would cover operating expenses through retained earnings or cash assets, as available. In addition, at the closing of the purchase, CSTP will establish an additional financial assurance up to \$40 million (U.S. dollars), in the form of a guarantee from the parent Cameco for obligations of CSTP arising under the STP Participation and Operating Agreements. (The financial assurance amount is based on approximately six months operations and maintenance costs, as shown in Enclosure 5.) STPNOC will be able to call on funds from this source, as needed, to meet expenses and obligations to safely maintain the plant and meet NRC regulatory requirements. This funding assurance will, if necessary, also meet any obligations associated with nuclear liability premiums, including CSTP's share of retrospective premiums pursuant to 10 C.F.R. § 140.21, and required nuclear property insurance.

To support this additional funding assurance, Enclosure 7 provides financial information on the parent company, Cameco. This includes Cameco's Annual Report for 2003 as filed with the Securities Exchange Commission and Cameco's Annual Information Form for the year ended December 31, 2003. These documents demonstrate Cameco to be a robust company with the ability to meet the additional funding obligation to STPNOC. The Annual Report for 2003 shows operating revenues for the year ended December 31, 2003 (in Canadian dollars) of almost \$827 million; net earnings of \$204.6 million; total assets of over \$3.3 billion; and cash assets of over \$84 million. Cameco also has access to credit markets with current unsecured bond ratings as follows:

Agency	Rating
Moody's	Baal
Standard & Poor's	BBB+

In summary, CSTP will have sufficient anticipated revenues from sales of electricity to pay anticipated STP operating expenses. Additional financial assurance will be provided by Cameco. Cameco's substantial revenues, income, and assets provide ample assurance that it is financially qualified to meet its obligation under the \$40 million funding commitment described above. This financial strength is further augmented by the strong investment grade rating that Cameco has received from independent rating agencies.

## *2. Decommissioning Funding Assurance*

The transfer of TCC's ownership interest to CSTP will not reduce the financial assurance for decommissioning the units at the end of the operating life. TCC currently provides decommissioning funding assurance for its share of STP by maintaining external nuclear decommissioning trust funds in accordance with 10 C.F.R. § 50.75(e)(1)(ii). These funds are

sinking funds, with contributions made periodically based on collections from an established regulatory charge mechanism described further below. As shown in the most recent decommissioning funding status report for STP, filed with the NRC in accordance with 10 C.F.R. § 50.75(f)(1),<sup>5</sup> the amount accumulated in the fund at the end of 2003 exceeds the amount needed to be collected by that date to be consistent with NRC formulas in 10 C.F.R. § 50.75(c).<sup>6</sup>

Under the PSA between TCC and CSTP, all funds accumulated in the TCC nuclear decommissioning trust funds as of the date of closing will be transferred to new external nuclear decommissioning trust funds established by CSTP. These trust funds will be consistent with NRC requirements of 10 C.F.R. § 50.75(e)(1)(ii) for the external sinking fund assurance method. Periodic contributions to CSTP's nuclear decommissioning trust funds will continue based on collections from a non-bypassable charge mechanism consistent with NRC requirements in 10 C.F.R. § 50.75(e)(1)(ii)(B).

Specifically, Section 39.205 of the Texas Utilities Code provides that, after January 1, 2002, costs associated with nuclear decommissioning obligations shall continue to be subject to cost-of-service rate regulation and will be included as a non-bypassable charge to retail customers. Pursuant to that statutory provision and in accordance with an October 5, 2001 order issued by the Public Utility Commission of Texas ("PUCT") in Docket No. 22352, TCC's share of STP decommissioning charges is collected from Texas ratepayers through a non-bypassable charge that is included in TCC's base rates. On February 19, 2003, the PUCT issued an order in Docket No. 26844<sup>7</sup> clarifying that TCC's collection of decommissioning charges in its base rates is for the benefit of the owner of TCC's interest in STP and its successor, who is obligated to contribute the decommissioning charges collected by TCC into the owner's decommissioning trust. On November 3, 2003, TCC initiated a rate proceeding to remove the decommissioning charges from its base rates and establish a separate rider for those charges ("Rider NDC"). A PUCT order approving Rider NDC is expected in mid-2004.

Accordingly, from and after closing, TCC will contribute to CSTP's nuclear decommissioning trust funds the decommissioning charges collected by TCC and its successors from Texas ratepayers through the non-bypassable charge mechanism. These decommissioning charges collected by TCC must be remitted weekly following collection to CSTP's nuclear decommissioning trusts pursuant to a form of Decommissioning Funds Collection Agreement between TCC and CSTP to be entered into at the closing.<sup>8</sup> This Agreement is expected to be

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<sup>5</sup> F.H. Mallen to NRC (Document Control Desk), Docket Nos. STN 50-498, STN 50-499, "Decommissioning Funding Status Report - 2003," dated March 29, 2004. A copy is provided as Enclosure 8 to this Application. See Attachment 2 to that report.

<sup>6</sup> The NRC formulas in 10 C.F.R. § 50.75(c) include only the amounts necessary for radiological decommissioning as defined in 10 C.F.R. § 50.2.

<sup>7</sup> A copy of PUCT's order in Docket No. 26844 is provided as Enclosure 9 to this Application.

<sup>8</sup> A copy of the form of the Decommissioning Funds Collection Agreement, as included in the PSA, is provided as Enclosure 10 to this Application. Enclosure 10 is proprietary and is being submitted under separate cover.

subject to PUCT approval pursuant to proposed PUCT Substantive Rule § 25.303<sup>9</sup> that the PUCT is expected to adopt in the near future. Pursuant to the Texas Utilities Code and as contemplated under the PSA, the form of Decommissioning Funds Collection Agreement, and proposed PUCT Substantive Rule § 25.303, after the transfer to CSTP, decommissioning costs relating to STP will continue to be subject to cost-of-service rate regulation by the PUCT.

### 3. *Spent Fuel Contracts and Spent Fuel Management*

CSTP will assume title to and financial responsibility for spent nuclear fuel at STP to the same extent as presently held by TCC. TCC will assign or convey to CSTP the rights and obligations under the Standard Contract with the Department of Energy ("DOE"), including any claims of TCC related to or pertaining to DOE defaults under the Standard Contract, accrued prior to, on or after the closing date, whether relating to periods prior to, on or after the closing date, and all other rights of TCC against DOE with respect to, arising out of, or in connection with STP.

Funding for management of spent nuclear fuel will be provided through operating revenues and the decommissioning funding mechanism described above.

### 4. *Nuclear Insurance*

STPNOC will continue to maintain the financial protection required by 10 C.F.R. Part 140 and the property insurance required by 10 C.F.R. § 50.54(w). STPNOC will in due course request modified Price-Anderson indemnity agreements and will make the necessary changes to nuclear liability and property coverages to reflect CSTP as an additional named insured.

CSTP will assume a pro rata responsibility with respect to retrospective liability in accordance with 10 C.F.R. § 140.21. The financial information discussed above supports the ability of CSTP to meet its share of the maximum annual retrospective liability.

## **C. Foreign Ownership and Control**

Sections 103.d and 104.d of the AEA, 42 U.S.C. §§ 2133.d, 2134.d, provide that the NRC may not issue a license for a production or utilization facility (e.g., a power plant) "to an alien or any corporation or other entity if the Commission knows or has reason to believe it is owned, controlled, or dominated by any foreign corporation, or a foreign government." In addition, the same statutory provisions direct that "no license may be issued to any person within the United States if, in the opinion of the Commission, the issuance of the license to such person would be inimical to the common defense and security or to the health and safety of the public." These foreign ownership and control provisions are implemented in NRC regulations at 10 C.F.R. § 50.38. Foreign ownership and control considerations must be addressed in a license application or license transfer application. See 10 C.F.R. § 50.33(d)(3).

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<sup>9</sup> A copy of the current draft of proposed PUCT Substantive Rule § 25.303 is provided as Enclosure 11 to this Application.

Following the proposed license transfers described in this Application, CSTP will be a licensee under the NRC licenses for STP. As discussed above, CSTP is a Texas limited partnership. The interests in the partnership are held by two wholly owned U.S. subsidiaries of a Nevada holding company, in turn wholly owned by Cameco. Cameco is a Canadian corporation. The NRC licensee, CSTP, will therefore be a domestic entity with a "foreign great-grandparent." The licensee, however, will hold only a minority, non-operating interest in the plant.

The NRC has provided regulatory guidance in a Standard Review Plan on foreign ownership and control issues ("SRP").<sup>10</sup> The SRP, in Section 3.2, provides that a domestic applicant that is wholly owned by a foreign parent is not precluded from acquiring an interest in a nuclear power plant where, as here, the domestic applicant with a foreign parent is seeking to acquire less than a 100% interest. The SRP states that "further consideration" by the NRC is required, including:

- the extent of the proposed partial ownership of the reactor;
- whether the applicant is seeking operating authority;
- whether the applicant has interlocking directors or officers (and other, non-specified "details" concerning the affected companies);
- whether the applicant would have any access to restricted data; and
- details concerning ownership of the foreign parent company.

As explained above, CSTP will acquire a non-controlling 25.2% ownership interest in STP. CSTP will not be licensed to operate the facility. Indeed, under the STP Operating Agreement, STPNOC will continue to have full control over operations and capital improvements to STP, and will continue to have sole authority to make all decisions to protect public health and safety as required by the operating license and applicable laws and regulations.

In addition, CSTP will implement the following actions to mitigate any potential for foreign control over nuclear power plant management and operations, to prevent release of any restricted information, and to broadly assure that approval of the license transfers will not be inimical to common defense and security:

- The management of CSTP will be by the directors and officers of the General Partner, Cameco Texas Inc., a Texas corporation. A majority of the directors and officers of Cameco Texas Inc. will be U.S. citizens.
- The Board of Directors of Cameco Texas Inc. will establish a Special Nuclear Committee. This Committee will be comprised of one or more Board members with expertise in nuclear operations, safety, or regulatory matters. The Committee member(s) will all

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<sup>10</sup> See SECY-99-165, "Final Standard Review Plan Regarding Foreign Ownership, Control, or Domination of Applicants for Reactor Licenses" (June 30, 1999).

be U.S. citizens and a majority will be independent of Cameco and its subsidiaries (*i.e.*, not otherwise a director, officer, or employee of Cameco or any of its subsidiaries). This Committee will have the responsibility and exclusive authority on behalf of Cameco Texas Inc. and CSTP to take any action ordered by the NRC or court of competent jurisdiction relating to nuclear safety or regulatory compliance. The Committee will also have the responsibility and exclusive authority to ensure that the business and activities of CSTP with respect to STP are at all times consistent with the protection of the public health and safety and the common defense and security of the United States.

- A majority of the officers or managers of Cameco Generation Holdings LLC, the domestic Limited Partner in CSTP, and a majority of the officers and directors of Cameco U.S. Holdings, Inc., the domestic company holding the ownership of the partners, will be U.S. citizens.
- It is not anticipated that Restricted Data or classified information (*i.e.*, classified at a level more stringent than safeguards information) will be involved in the operation of STP. Nonetheless, the STP Participation and Operating Agreements give minority owners such as CSTP no access to, or right to possess, any special nuclear material or Restricted Data. In addition, procedures will be implemented with the operating licensee, STPNOC, to ensure that any Restricted Data or classified information that might become involved in the operation of STP is not released to CSTP. Procedures will also be developed to assure that in the event Restricted Data or any other classified information does become available to CSTP, such information will not be shared with Cameco (the ultimate, foreign parent).
- Safeguards information or other non-public information related to physical security at STP will continue to be shared only on a "need to know" basis under applicable procedures established and implemented by STPNOC.

CSTP will implement these mitigation measures until such time as it seeks specific approval from the NRC, and receives such approval, to amend or eliminate these measures (if for example, the NRC can determine that they are not necessary to meet statutory requirements or to protect the common defense and security of the United States).

In considering this application, it is also relevant that Cameco has significant connections to the United States. Cameco is a publicly traded company, with shares widely held. Cameco owns significant U.S. assets and derives substantial revenues from U.S. sales. For example, Cameco in 2003 specifically derived approximately 62.5% of revenues from uranium

sales from U.S. sales and 47.1% of revenues from uranium hexafluoride conversion sales from U.S. sales.

In addition to the mitigation measures described above, and Cameco's close connections to the U.S. markets, substantial weight should be given to the fact that Cameco is a corporate citizen of Canada and, as such, its interest in STP (indirectly through the 25.2% interest of its U.S. subsidiary, CSTP) does not pose any national defense or security risk. The non-proliferation credentials of Canada are well established, as is Canada's important foreign policy relationship with the United States. Among other things, Canada supports the International Atomic Energy Agency ("IAEA") safeguards, is a member of the Nuclear Suppliers Group, and is a signatory to numerous international treaties and conventions relative to non-proliferation and nuclear safety, including the Treaty on Non-Proliferation of Nuclear Weapons, the Convention on Early Notification of a Nuclear Accident, and the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency. Moreover, Canada entered into an Agreement for Cooperation on Civil Uses of Atomic Energy with the United States in 1955.

Additionally, Cameco is a responsible global company committed to non-proliferation, as evidenced by its commitment to the high-enriched uranium ("HEU") agreement between the U.S. and Russia. Specifically, as a result of a 1994 agreement between the U.S. and Russia to reduce the number of nuclear weapons, additional supplies of uranium have been available to the market. Under the 20-year agreement, weapons-grade HEU is blended down in Russia to low-enriched uranium ("LEU") capable of being used in western world nuclear power plants. Cameco, together with three other companies, has an agreement to purchase a certain portion of the uranium feed component of the Russian LEU and sells that component to customers.

Past NRC precedent also provides support for the conclusion that indirect ownership of a minority interest does not constitute impermissible foreign ownership or control within the intent of the AEA. In *Commonwealth Edison Co. (Zion Station, Units 1 & 2)*, 4 AEC 231 (1969), the AEC stated that the foreign control issue should be "given an orientation toward safeguarding the national defense and security." 3 AEC at 101. The Commission's experience with foreign ownership questions has reflected this guidance. In 1973, the Commission approved the transfer of six nuclear facilities, including the Barnwell reprocessing plant (subject to AEA Section 103) and three TRIGA reactors (subject to AEA Section 104) from domestic entities to General Atomic Company ("GA"). GA, a California partnership, had two equal partners, Gulf Oil Corporation ("Gulf") and Scallop Nuclear, Inc. ("Scallop"). Scallop's ultimate parent was Royal Dutch/Shell, a Dutch and British joint venture. In approving the transfer, the AEC imposed certain conditions on the licensees, which focused on "control," rather than ownership alone.<sup>11</sup> These conditions included the following:

- the president and officers of the partnership with responsibility for control of, and any employees with custody of special nuclear material, would be U.S. citizens;

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<sup>11</sup> See Letter to Senator Alan Simpson, from NRC, dated September 22, 1983.

- a separate department of GA would be responsible for special nuclear material and would report to the president;
- the president would be charged with responsibility and exclusive authority for ensuring that the business and activities of the partnership would be conducted at all times in a manner consistent with the common defense and security of the United States.

In the early 1980s, the NRC approved an acquisition in which a Section 104 licensee was to become the wholly owned subsidiary of a company that in turn would be wholly owned by a Panamanian corporation. Licensee Babcock & Wilcox ("B&W") was and would remain owned by parent McDermott, Inc. ("McDermott"). However, the larger McDermott corporation was to undergo a reorganization such that McDermott would become wholly owned by McDermott International, where the latter was organized under the laws of Panama. Based largely on certain B&W representations, the Commission concluded that B&W would continue, post-reorganization, to qualify for a facility license. However, to ensure compliance with AEA Section 104.d, the Commission amended B&W's license to add conditions nearly identical to those required in the GA example discussed above.<sup>12</sup> This case involved 100% ownership of an *operating* license, a situation involving a far more significant interest in a licensed facility than what is at issue here, which involves merely passive, indirect ownership of a minority share of the facility.

More recently, in 1999, New England Power Company ("NEP"), holder of a 9.9% ownership interest in Seabrook Station Unit 1, submitted an application requesting approval of the transfer of control of the license, to the extent held by NEP, regarding a change in economic ownership of its parent, New England Electric System ("NEES"). NEES was acquired by National Grid, a public limited company incorporated under the laws of England and Wales. Immediately after the change in ownership, NEES was merged into a corporation named NEES Holdings, Inc., which would be a wholly owned indirect subsidiary of National Grid, with NEP being a subsidiary of NEES Holdings, Inc., and thus also a subsidiary of National Grid.

Following its review of the transaction, the NRC Staff concluded that there would be interlocking directors among the boards of National Grid, NEES Holdings, Inc., and NEP, and that National Grid is a public limited company owned by a diverse group of stockholders, many of whom would be citizens of various foreign nations. To counter any potential foreign ownership, control or domination that would exist under these circumstances, NEP therefore prepared a "negation plan."

The negation plan principally focused on the creation of a Special Nuclear Committee ("Committee") of the NEP Board of Directors. The Committee would consist of at least three NEP Board members who are U.S. citizens elected to the Committee by the full NEP Board, with a majority of the Committee's members being independent directors (that is, directors who were not current or past employees of NEP or any affiliated companies, including National Grid and its subsidiaries). The Committee would have sole discretion to act on behalf

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<sup>12</sup> See Letter to J. MacMillan, B&W, from W. Dircks, NRC (Dec. 17, 1982).

of NEP in all matters related to the operation, maintenance, contribution of capital, decommissioning, fuel cycle, and other matters relating to Seabrook and the other nuclear facilities in which NEP has an interest (e.g., Millstone Unit 3). The NRC Staff found that the Committee was "effectively designed to have primary authority over nuclear issues of NEP such that foreign interests will not be able to control NEP within the meaning of the AEA and NRC regulations."<sup>13</sup> NEP also agreed that all Board members and officers would be U.S. citizens as long as NEP is a licensee for Seabrook or Millstone 3. Taken as a whole, the NRC Staff found that the negation plan constituted adequate protection to prevent NEP from being in violation of the AEA's foreign control prohibition, subject to two license conditions, as follows:

- No later than the time the proposed merger with National Grid is consummated, NEP shall establish and make operational a Special Nuclear Committee, as described in the application, having the composition, authority, responsibilities, and obligations specified in the application, provided, however, the Special Nuclear Committee may also have exclusive authority on behalf of NEP over taking any action which is ordered by the NRC or any other agency or court of competent jurisdiction. No material changes with respect to the Special Nuclear Committee may be made without the prior written consent of the Director, Office of Nuclear Reactor Regulation. The foregoing provisions may be modified by the Commission upon application and for good cause shown.
- The Special Nuclear Committee shall have the responsibility and exclusive authority to ensure, and shall ensure, that the business and activities of NEP with respect to the Seabrook license are at all times conducted in a manner consistent with the protection of the public health and safety and common defense and security of the United States.<sup>14</sup>

Also in 1999, PacifiCorp, holder of a 2.5% ownership interest in the Trojan Nuclear Plant, requested approval of an indirect transfer of the license, in connection with a proposed change in the ownership of PacifiCorp. The transfer related specifically to a proposed

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<sup>13</sup> See "Safety Evaluation by the Office of Nuclear Reactor Regulation, Proposed Merger of New England Electric System and the National Grid Group PLC, Seabrook Station, Unit 1, Docket No. 50-443," at 8 (December 10, 1999). The NRC also accepted two exceptions to these matters, in which the full NEP Board of Directors would be authorized to act on behalf of NEP, after consultation with the Committee. These were: (1) the right to vote on whether to close a facility and to begin its decommissioning, and whether to seek relicensing; and (2) the right to decide to sell, lease, or otherwise dispose of NEP's interest in a facility. *Id.* at 8-9.

<sup>14</sup> In addition, as in the case here, NEP's 9.9% minority ownership interest did not give NEP any rights to control the operation of the facility, nor to have access to, or possession of, any special nuclear material or Restricted Data. In light of this, the NRC Staff found a reasonable basis to conclude that there would be no threat to the common defense and security.

merger under which PacifiCorp would remain a domestic corporation but become an indirect wholly owned subsidiary of ScottishPower plc, a public limited company incorporated under the laws of Scotland. ScottishPower plc would become a subsidiary of New ScottishPower plc, a public limited company also incorporated in Scotland, to be registered as a public utility holding company. PacifiCorp implemented a negation plan substantively similar to that of NEP in the example discussed above. As in the NEP case, the NRC Staff concluded that the license transfer would not violate the AEA prohibitions pertaining to foreign ownership, control or domination, provided that PacifiCorp be subject to two license conditions similar to those imposed upon NEP.<sup>15</sup>

Accordingly, based on the facts of this matter and the proposed mitigation measures, and, to the extent necessary, license conditions similar to those applied in the NEP and PacifiCorp cases and consistent with CSTP's similar proposal as specifically discussed above, the NRC can and should conclude that the proposed transfer of the non-operating, minority interest in STP will not result in foreign ownership and control of the license and will not be inimical to the common defense and security of the United States.

#### **D. Antitrust Review**

The NRC has determined that antitrust reviews of post-operating license transfer applications are neither required nor authorized by the AEA, and therefore no antitrust information is required in connection with this Application.<sup>16</sup>

#### **E. Restricted Data and Classified Nuclear Security Information**

This Application does not contain any Restricted Data or other classified defense information, and it is not expected that any such information will become involved in the operation of STP. Consistent with the controls discussed above in connection with foreign ownership and control and as provided in 10 C.F.R. § 50.37, CSTP will not permit any individual to have access to Restricted Data or National Security Information until the individual has been approved for such access under the provisions of 10 C.F.R. § 25.

#### **F. Environmental Considerations**

The proposed license transfers and conforming license amendments meet the categorical exclusion criterion of 10 C.F.R. § 51.22(c)(21), in that this Application does no more than request the approval of a direct transfer of the NRC licenses and the associated amendments

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<sup>15</sup> See "Safety Evaluation by the Office of Nuclear Reactor Regulation, Proposed Merger of PacifiCorp and ScottishPower plc, Trojan Nuclear Plant, Docket No. 50-344" (November 10, 1999).

<sup>16</sup> Final Rule, Antitrust Review Authority: Clarification, 65 Fed. Reg. 44,649 (July 19, 2000); see also *Kansas Gas and Electric Co.* (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441 (June 18, 1999).

of the licenses. Accordingly, the NRC may appropriately determine that an environmental assessment is not required.

## V. Other Regulatory Approvals

The principal regulatory approvals needed to complete the proposed transfer of ownership are as follows:

In connection with the transfer of nuclear decommissioning trust funds from TCC to CSTP, CSTP will seek certain private letter rulings from the Internal Revenue Service to assure tax efficient treatment of transfer of the funds.

CSTP will also require Federal Energy Regulatory Commission ("FERC") approval of its application for determination of Exempt Wholesale Generator status under Section 32 of the Public Utility Holding Company Act of 1935, as amended. TCC will also request FERC approval for the sale of jurisdictional assets pursuant to Section 203 of the Federal Power Act.

CSTP and TCC will jointly file notifications with the Federal Trade Commission and the Department of Justice that are required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act"), and applicable rules and regulations. Any information required will be supplied with a goal towards the termination or expiration of the HSR Act waiting period at the earliest possible time after the date of filing.

If the PUCT adopts proposed Substantive Rule § 25.303, the Decommissioning Funds Collection Agreement between CSTP and TCC would be subject to review and approval by the PUCT.

## VI. Schedule

TCC and CSTP are seeking to complete the proposed transaction promptly, consistent with receipt of all required regulatory approvals. The parties to the transaction anticipate closing as soon as possible during the second half of calendar 2004. Accordingly, they request that the NRC complete its review and issue the transfer consent and conforming license amendments expeditiously, with a target date of September 1, 2004. This date would be consistent with the NRC's stated objective of completing uncontested license transfer reviews in three to four months.<sup>17</sup>

TCC and CSTP request and expect that, consistent with past NRC practice, the NRC's consent will be effective immediately upon issuance and will permit the transfers, and implementation of the conforming license amendments, at any time within twelve months following the date of issuance by the NRC.

The parties will inform the NRC of any significant changes in the schedule.

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<sup>17</sup> See, e.g., 63 Fed. Reg. 66,721, 66,727 col. 3 (Dec. 3 1998).

## VII. Conclusions

For the foregoing reasons, the proposed license transfers will not: (1) have any adverse impact on the operation of STP; (2) affect the managerial, technical or financial qualifications of the licensed operator of the facility; (3) impair any licensee's financial qualifications; (4) result in foreign ownership, control or domination over any NRC licensee; or (5) require any additional NRC reviews. In conclusion, the proposed transfers will not be inimical to the common defense and security or result in any undue risk to public health and safety, and will be consistent with the requirements of the AEA and the NRC regulations.

Accordingly, and based on the foregoing information, STPNOC, TCC and CSTP respectfully request that the NRC issue (1) an Order approving the transfer of TCC's ownership interest in STP to CSTP, and (2) the associated conforming administrative license amendments to Facility Operating License Nos. NPF-76 and NPF-80.

**List of Enclosures**

- Enclosure 1: Marked-up Pages for Proposed Conforming Changes to Unit 1 License
- Enclosure 2: Marked-up Pages for Proposed Conforming Changes to Unit 2 License
- Enclosure 3: No Significant Hazards Consideration Determination
- Enclosure 4: Cameco South Texas Project LP (CTSP) Corporate Structure
- Enclosure 5: Projected Income Statement for CSTP (Proprietary - under separate cover)
- Enclosure 5NP: Projected Income Statement for CSTP (Non-Proprietary)
- Enclosure 6: Declaration Regarding Proprietary Information
- Enclosure 7: Financial Information for Cameco Corporation
- Annual Report for 2003
  - Annual Information Form for year ended December 31, 2003
- Enclosure 8: Decommissioning Funding Status Report (March 29, 2004)
- Enclosure 9: Order in PUCT Docket No. 26844
- Enclosure 10: Decommissioning Funds Collection Agreement (Proprietary - under separate cover)
- Enclosure 11: Proposed PUCT Substantive Rule § 25.303

**ENCLOSURE 1**

**MARKED-UP PAGES FOR PROPOSED  
CONFORMING CHANGES TO UNIT 1 LICENSE**

TEXAS GENCO, LP

CITY PUBLIC SERVICE BOARD OF SAN ANTONIO

AEP TEXAS CENTRAL COMPANY GAMEDCO SOUTH TEXAS PROJECT LP

CITY OF AUSTIN, TEXAS

STP NUCLEAR OPERATING COMPANY

DOCKET NO. 50-498

SOUTH TEXAS PROJECT, UNIT 1

FACILITY OPERATING LICENSE

License No. NPF-76

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
  - A. The application for a license filed by STP Nuclear Operating Company (STPNOC)\*, acting on behalf of itself and for Texas Genco, LP, the City Public Service Board of San Antonio (CPS), AEP Texas Central Company Gamedco South Texas Project LP (CSTP), and City of Austin, Texas (COA) (the "Owners") complies with the standards and requirements of the Atomic Energy Act of 1954, as of 1954 as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I, and all required notifications to other agencies or bodies have been duly made;
  - B. Construction of the South Texas Project, Unit 1, (the facility) has been substantially completed in conformity with Construction Permit No. CPPR-128 and the application, as amended, the provisions of the Act, and the regulations of the Commission;
  - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D. below);
  - D. There is reasonable assurance: (i) that the activities authorized by this operating license 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 set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D. below);

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\* STPNOC is authorized to act for Texas Genco, LP, the City Public Service Board of San Antonio, AEP Texas Central Company Gamedco South Texas Project LP, and City of Austin, Texas and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

Amendment No. 93, 142, 155

SOUTH TEXAS LICENSE

-2-

- E. STPNOC is technically qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;
  - F. The Owners have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;
  - G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;
  - H. After weighing the environmental, economic, technical and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of this Facility Operating License No. NPF-76, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and
  - I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.
2. Based on the foregoing findings, and approval by the Nuclear Regulatory Commission at a meeting on March 21, 1988, the License for Fuel Loading and Low Power Testing, License No. NPF-71 issued on August 21, 1987 is superseded by Facility Operating License NPF-76, hereby issued to STPNOC, Texas Genco, LP, City Public Service Board of San Antonio, ~~AEP Texas Central Company Cameco South Texas Project LP~~, and City of Austin, Texas (the licensees) to read as follows:
- A. This license applies to the South Texas Project, Unit 1, a pressurized water reactor, and associated equipment (the facility) owned by Texas Genco, LP, City Public Service Board of San Antonio, ~~AEP Texas Central Company Cameco South Texas Project LP~~ and City of Austin, Texas and operated by STPNOC. The facility is located in Matagorda County, Texas, west of the Colorado River, 8 miles north-northwest of the town of Matagorda and about 89 miles southwest of Houston and is described in the licensees' Final Safety Analysis Report, as supplemented and amended, and in the licensees' Environmental Report, as supplemented and amended.
  - B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

SOUTH TEXAS LICENSE

-3-

- (1) STPNOC pursuant to Section 103 of the Act and 10 CFR Part 50, to possess, use and operate the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
  - (2) Texas Genco, LP, the City Public Service Board of San Antonio (CPS), ~~AEP Texas Central Company Cameco South Texas Project LP~~, and the City of Austin, Texas (COA), pursuant to the Act and 10 CFR Part 50, to possess the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
  - (3) STPNOC, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
  - (4) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
  - (5) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
  - (6) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility authorized herein.
- C. This license shall be deemed to contain and is subject to the conditions specified in the Commission's regulations set forth in 10 CFR Chapter I and is subject to all applicable provisions of the Act and to the rules, regulations and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:

(1) Maximum Power Level

STPNOC is authorized to operate the facility at reactor core power levels not in excess of 3,853 megawatts thermal (100% power) in accordance with the conditions specified herein.

**ENCLOSURE 2**

**MARKED-UP PAGES FOR PROPOSED  
CONFORMING CHANGES TO UNIT 2 LICENSE**

TEXAS GENCO, LP

CITY PUBLIC SERVICE BOARD OF SAN ANTONIO

~~AEP TEXAS CENTRAL COMPANY/AMECO SOUTH TEXAS PROJECT LP~~

CITY OF AUSTIN, TEXAS

STP NUCLEAR OPERATING COMPANY

DOCKET NO. 50-499

SOUTH TEXAS PROJECT, UNIT 2

FACILITY OPERATING LICENSE

License No. NPF-80

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
  - A. The application for a license filed by STP Nuclear Operating Company (STPNOC)\*, acting on behalf of itself and for Texas Genco, LP, the City Public Service Board of San Antonio (CPS), ~~AEP Texas Central Company/AMECO South Texas Project LP (CSTP)~~, and City of Austin, Texas (COA) (the "Owners") complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I, and all required notifications to other agencies or bodies have been duly made;
  - B. Construction of the South Texas Project, Unit 2, (the facility) has been substantially completed in conformity with Construction Permit No. CPPR-129 and the application, as amended, the provisions of the Act, and the regulations of the Commission;
  - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D. below);
  - D. There is reasonable assurance: (i) that the activities authorized by this operating license 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 set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D. below);

\*STPNOC is authorized to act for Texas Genco, LP, the City Public Service Board of San Antonio, ~~AEP Texas Central Company/AMECO South Texas Project LP~~, City of Austin, Texas and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

Amendment No. 80 130, 143

-2-

- E. STPNOC is technically qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;
  - F. The Owners have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;
  - G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;
  - H. After weighing the environmental, economic, technical and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of this Facility Operating License No. NPF-80, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and
  - I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.
2. Based on the foregoing findings, and approval by the Nuclear Regulatory Commission at a meeting on March 28, 1989, the License for Fuel Loading and Low Power Testing, License No. NPF-78 issued on December, 16 1988 is superseded by Facility Operating License NPF-80, hereby issued to STPNOC, Texas Genco, LP, City Public Service Board of San Antonio, ~~AEP Texas Central Company Cameco South Texas Project LP~~, and City of Austin, Texas (the licensees) to read as follows:
- A. This license applies to the South Texas Project, Unit 2, a pressurized water reactor, and associated equipment (the facility) owned by Texas Genco, LP, City Public Service Board of San Antonio, ~~AEP Texas Central Company Cameco South Texas Project LP~~ and City of Austin, Texas and operated by STPNOC. The facility is located in Matagorda County, Texas, west of the Colorado River, 8 miles north-northwest of the town of Matagorda and about 89 miles southwest of Houston and is described in the licensees' Final Safety Analysis Report, as supplemented and amended, and in the licensees' Environmental Report, as supplemented and amended.
  - B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

-3-

- (1) STPNOC pursuant to Section 103 of the Act and 10 CFR Part 50, to possess, use and operate the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
  - (2) Texas Genco, LP, the City Public Service Board of San Antonio (CPS), ~~AEP Texas Central Company, Cameco South Texas Project LP~~, and the City of Austin, Texas (COA), pursuant to the Act and 10 CFR Part 50, to possess the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
  - (3) STPNOC, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
  - (4) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
  - (5) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
  - (6) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility authorized herein.
- C. This license shall be deemed to contain and is subject to the conditions specified in the Commission's regulations set forth in 10 CFR Chapter I and is subject to all applicable provisions of the Act and to the rules, regulations and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:
- (1) Maximum Power Level  
  
STPNOC is authorized to operate the facility at reactor core power levels not in excess of 3853 megawatts thermal (100% power) in accordance with the conditions specified herein.

**ENCLOSURE 3**

**NO SIGNIFICANT HAZARDS CONSIDERATION DETERMINATION**

## No Significant Hazards Consideration Determination

### Description of the Change

The transfer of the 25.2% ownership interest in South Texas project, Units 1 and 2 ("STP") by AEP Texas Central Company to Cameco South Texas Project LP ("CSTP"), a Texas limited partnership, involves minor conforming changes to the operating licenses for the STP units to reflect the new co-owner. CSTP will be licensed to possess (own) but not operate the units. Consistent with the generic determination in 10 C.F.R. § 2.1315(a), these administrative license amendments involve no significant hazards consideration.

1. The conforming amendments do not involve a significant increase in the probability or consequences of an accident previously evaluated.

The amendments do not involve any change in the design, configuration, or operation of the nuclear plant. All Limiting Conditions for Operation, Limiting Safety System Settings and Safety Limits specified in the Technical Specifications remain unchanged. Also, the Physical Security Plans and related plans, the Operator Training and Requalification Programs, the Quality Assurance Programs, and the Emergency Plans are not being materially changed by the proposed license transfers and amendments.

STP Nuclear Operating Company ("STPNOC") will continue to be the licensed operator of the units. The technical qualifications of STPNOC to carry out its exclusive responsibilities under the operating licenses, as amended, will remain unchanged. Personnel engaged in operation, maintenance, engineering, assessment, training, and other related services are not changed. The STPNOC officers and executives currently responsible for the overall safe operation of the nuclear plants will continue in that same capacity.

Therefore, the proposed amendments do not involve an increase in the probability or consequences of an accident previously analyzed.

2. The conforming amendments do not create the possibility of a new or different kind of accident from any accident previously evaluated.

The amendments do not involve any change in the design, configuration, or operation of the nuclear plant. The current plant design and design bases will remain the same. The current plant safety analyses, therefore, remain complete and accurate in addressing the design basis events and in analyzing plant response and consequences.

The Limiting Conditions for Operations, Limiting Safety System Settings and Safety Limits specified in the Technical Specifications are not affected by the

change. As such, the plant conditions for which the design basis accident analyses were performed remain valid.

The amendments do not introduce a new mode of plant operation or new accident precursors, do not involve any physical alternations to plant configurations, or make changes to system set points that could initiate a new or different kind of accident.

Therefore, the proposed amendments do not create the possibility of a new or different kind of accident from any accident previously evaluated.

3. The conforming amendments do not involve a significant reduction in a margin of safety.

The amendments do not involve a change in the design, configuration, or operation of the nuclear plants. The change does not affect either the way in which the plant structures, systems, and components perform their safety function or their design and licensing bases.

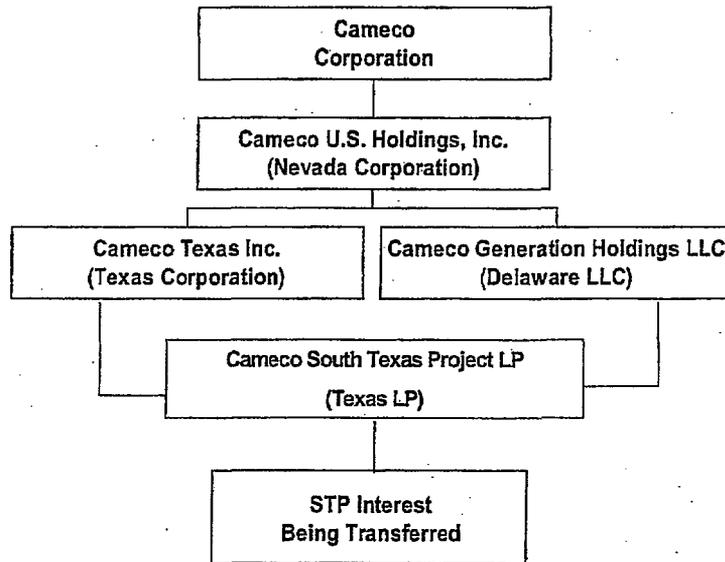
Plant safety margins are established through Limiting Conditions for Operation, Limiting Safety System Settings and Safety Limits specified in the Technical Specifications. Because there is no change to the physical design of the plant, there is no change to any of these margins.

Therefore, the proposed amendments do not involve a significant reduction in a margin of safety.

**ENCLOSURE 4**

**CAMECO SOUTH TEXAS PROJECT LP (CSTP)  
CORPORATE STRUCTURE**

## Cameco South Texas Project LP (CSTP) Corporate Structure



**ENCLOSURE 5(NP)**

**PROJECTED INCOME STATEMENT FOR CSTP  
(NON-PROPRIETARY)**

**CSTP PROJECTED INCOME STATEMENT**  
 (millions US\$)

(1)	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Operating Revenues</b>					
STP Related (2)					
Other Generation					
Decommissioning Tariff Transfer (3)					
Total Operating Revenues					
<b>Operating Expenses</b>					
Purchased Power (4)					
Fuel (amortization, D&D and spent fuel)					
Operation & Maintenance (5)					
Decommissioning Fund Expense (3)					
Property Taxes and Sales Taxes (6, 7)					
Oversight, QSE and Marketing Costs (8)					
Depreciation & Amortization PPE					
Administrative & Other					
Total Operating Expenses					
<b>Income Before Income Taxes</b>					
<b>Income Taxes</b>					
<b>Net Income (Loss)</b>					

## NOTES

- (1) Year 1 is 2005 for all sheets. Assumed escalation at 2% per year
- (2) Revenues based on the Selling Price and Total Sales (GWh) from next page
- (3) The Decommissioning Trust Funds will continue to be funded in the from a regulated tariff and an IRS PLR for for tax treatment. Shown here as revenue and expense to CSTP.
- (4) Based on the Purchases from next page.
- (5) STPNOC O&M includes the STPNOC A&G cost.
- (6) Property related taxes including the donation paid to the Palacious ISD.
- (7) This sales tax is related to O&M only.
- (8) Cost for the oversight group, QSE and marketing services.

**KEY ASSUMPTIONS**

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Generation (GWh)					
Nuclear (9)					
Other Generation					
Purchases (10)					
Total Supply (GWh)					
Total Sales (GWh)					
Selling Price (\$/MWh)					
Total Generation Revenues (US\$ Millions)					
Nuclear Capacity Factor % (11)					

(9) Note all generation numbers are forecast as at the ERCOT meter

(10) The purchase numbers are based on the non-planned generation losses built into the generation plan.

(11) Uses the rated capacity of the Units (1250.6 NMWe).

**ENCLOSURE 6**

**DECLARATION REGARDING PROPRIETARY INFORMATION**

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of: )  
 )  
STP Nuclear Operating Company ) Docket Nos. 50-498  
South Texas Project ) 50-499  
Units 1 and 2 )

DECLARATION REGARDING PROPRIETARY INFORMATION

I, Sean Quinn, General Counsel of Cameco Corporation, on behalf of Cameco South Texas Project LP ("CSTP"), do hereby affirm and state:

1. I am authorized to execute this affidavit on behalf of CSTP.
2. CSTP is providing information in support of this Application for Consent to Transfer Non-Operating Ownership Interest and Conforming License Amendments. Enclosure 5 contains CSTP's financial projections related to the ownership and operation of STP. Enclosure 10 is the Form of the Decommissioning Agreement between CSTP and AEP Texas Central Company ("TCC"), which is included as part (Exhibit G) of the purchase and sale agreement dated as of February 27, 2004, between TCC and CSTP. These documents constitute proprietary commercial and financial information that should be held in confidence by the NRC pursuant to the policy reflected in 10 C.F.R. §§ 2.390(a)(4) and 9.17(a)(4), because:
  - i. This information is and has been held in confidence by CSTP and by CSTP's ultimate parent company, Cameco Corporation.
  - ii. This information is of a type that is customarily held in confidence, and there is a rational basis for doing so because: Enclosure 5 contains sensitive financial information concerning projected revenues and

operating expenses of CSTP and its successors and affiliates; and Enclosure 10 includes commercial terms and conditions related to the purchase and sale of a nuclear asset — TCC's interest in South Texas Project, Units 1 and 2.

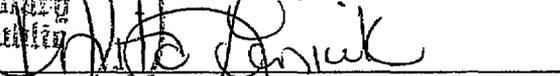
- iii. This information is being transmitted to the NRC in confidence.
- iv. This information is not available in public sources and could not be gathered readily from other publicly available information.
- v. Public disclosure of this information is likely to create substantial harm to the competitive position of CSTP and its parent, successors, and affiliates by disclosing negotiated commercial terms and internal financial projections.

3. Accordingly, CSTP requests that the designated documents be withheld from public disclosure pursuant to the policy reflected in 10 C.F.R. §§ 2.390(a)(4) and 9.17(a)(4).

  
 Sean Quinn  
 General Counsel

CITY OF SASKATOON )  
 )  
 PROVINCE OF SASKATCHEWAN )

SWORN BEFORE ME at the City of  
 Saskatoon, in the Province of  
 Saskatchewan, this 31 day of April, 2004

  
 A Notary Public in and for the

Province of Saskatchewan  
 My Appointment expires Mar 31, 2006

Or being a Solicitor  
 al

**ENCLOSURE 7**

**FINANCIAL INFORMATION FOR CAMECO CORPORATION**

**ANNUAL REPORT FOR 2003**