



GE Energy

Chris Monetta
General Manager
Environment, Health & Safety

P. O. Box 780 – M/C (A-10)
Wilmington, NC 28402
USA

T 910-675-6280
F 910-362-6280
Chris.Monetta@ge.com

February 23, 2007

U.S. Nuclear Regulatory Commission
Attention: Jack R. Strosnider, Jr.
Director, Office of Nuclear Material Safety and Safeguards
11555 Rockville Pike
Rockville, Maryland 20852

U.S. Nuclear Regulatory Commission
Attention: James E. Dyer
Director, Office of Nuclear Reactor Regulation
11555 Rockville Pike
Rockville, Maryland 20852

Subject: Supplemental Information – Request for NRC Consent to the Transfer of Control of GE Licenses to GE-Hitachi Nuclear Energy Americas, LLC and for Approval of Conforming Amendments

By letter dated January 19, 2007, General Electric Company (GE) requested that the NRC consent to the transfer of control of certain NRC licenses presently held by GE to GE-Hitachi Nuclear Energy Americas, LLC. In a telephone conference on February 13, 2007, the NRC Staff requested certain supplemental information. Proposed responses to the NRC's requests for supplemental information were discussed in a February 20, 2007 telephone conference with the NRC Staff. The purpose of this letter is to provide the requested supplemental information¹ on the docket.

1. The January 19, 2007 letter transmitting the Consent Request stated that there would be a "direct" transfer of control of the affected licenses to GE-Hitachi Nuclear Energy Americas, LLC (the "prospective licensee" hereafter) and also an "indirect" transfer of control to GE-Hitachi Nuclear Energy Holdings, LLC ("GE-H Holdings hereafter). January 19, 2007 Transmittal Letter at p. 2. To clarify, there will only be a single *direct* transfer of control of the NRC licenses to the prospective licensee, which on the day that the transfers and related transactions are completed, will be a wholly owned subsidiary of GE-H Holdings. As such, there will be *no* separate indirect transfer of control to GE-H Holdings.

¹ Other supplemental information was previously provided in a January 25, 2007 letter to the NRC Staff. That letter transmitted an Affirmation of the President and Chief Executive Officer of GE-Hitachi Nuclear Energy Americas, LLC and conforming amendments to the related licenses and certificates of compliance.

Section II of the January 19, 2007 Consent Request (pp. 2-3) provided a "Description of the Transaction." To assist the NRC in its review, we are hereby submitting an updated and simplified description of the transaction. See Attachment 1 to this letter. Attachment 1 replaces Section II of the Consent Request in its entirety.

2. On page 4 of GE's Consent Request, it stated that "certain GE subsidiaries may hold non-voting interests" in GENE-Holding, LLC. The NRC has asked GE to identify the names of those subsidiaries. As noted in the revised Section II, the names of the subsidiaries are: (1) General Electric International, Inc.; (2) General Electric International Operations Company, Inc.; and (3) GE Ionics, Inc. All three companies are wholly-owned by GE and collectively they will hold less than a 10% equity ownership interest in GENE-Holding, LLC. Attachment A to GE's Consent Request has also been revised to include this information. Please substitute Revision 1 to Attachment A for the version contained in GE's January 19, 2007 Consent Request. See Consent Request, Attachment A, Revision 1 (attached).²

3. On page 7 of the Consent Request, we stated that the prospective licensee "will be a single member Delaware limited liability company." The NRC has asked for clarification. This was a reference to the fact that the only member of the prospective licensee LLC is its immediate parent, GE-H Holdings. This is reflected in Consent Request, Attachment A, Revision 1 (attached).

4. In our telephone conferences with the NRC Staff, we discussed matters associated with potential foreign ownership, control or domination of the reactor licenses held at the Vallecitos Nuclear Center, including the position of Mr. Andrew White as President and CEO of the prospective licensee and the proposed Nuclear Oversight Committee (NOC) of the GE-H Holdings Board of Managers. As you know, we had proposed establishing a NOC of the *GE-H Holdings* Board of Managers³ to assist in mitigating potential foreign control or domination of the prospective licensee, as a result of Hitachi's 40% ownership interest. Based on our conversations with the NRC Staff, we are revising our proposal as follows:

- a. First, the Manager of the Vallecitos Nuclear Center will report directly to Mr. Christopher Monetta (who is Vice-President, Reactor Facility Safety and Security of the prospective licensee and a U.S. citizen) with respect to any matters involving nuclear safety or NRC compliance associated with the reactors at Vallecitos. Mr. Monetta, in turn, will report directly to Mr. Thomas Saddlemire, the single Manager of the prospective licensee who, as described on p. 7 of our January 19, 2007 submittal, is also a U.S. citizen. Mr. White will not have authority over Mr. Monetta with respect to matters relating to the safety and security of the Vallecitos reactors. This should allay any concerns with respect to foreign control or domination at the prospective licensee level.

² In addition, please note that asterisks on the final corporate structure chart (p. A-2) have been relocated to make it clearer that, as stated in GE's January 19, 2007 submittal: (a) GE will hold a 100% voting interest in its immediate subsidiary, GENE-Holding, LLC; and (b) the planned subsidiary that will be the future applicant for a uranium enrichment facility license will be a subsidiary of GE-Hitachi Nuclear Energy Americas, LLC.

³ The charter of the NOC, set forth in Appendix F to the January 19, 2007 letter, erroneously referred to the NOC as a committee of the prospective licensee's Board of Managers. It was intended to be a committee of GE-H Holdings's Board of Managers.

- b. We are also withdrawing the proposal to form a NOC of the GE-H Holdings Board of Managers. The prospective licensee will exercise full control over all nuclear safety and NRC compliance matters. In addition, the GE-H Holdings Board of Managers' rules of governance will preclude Hitachi from exercising any control over such matters.⁴ Accordingly, we are withdrawing Attachment F to the January 19, 2007 letter.
5. The NRC Staff requested the names of any Hitachi-owned companies in the ownership chain of the prospective licensee. Those companies are Hitachi, Ltd and Hitachi America, Ltd. Consent Request, Attachment A has been revised accordingly (attached).
6. The NRC asked the prospective licensee to clarify that it accepts its non-delegable responsibility, as an NRC licensee under applicable statutory and regulatory requirements, to ensure sufficient funds are available for decommissioning of the licensed facilities and activities. This confirms that the prospective licensee accepts such responsibility. We note, however, that GE is retaining liability for all decommissioning costs accrued as of the day of transfer.
7. The NRC asked for a confirmation that Hitachi is not assuming any responsibility or liability for providing decommissioning funding assurance. This letter confirms that neither Hitachi, Ltd. nor Hitachi America, Ltd. is assuming any such responsibility or liability.
8. The NRC requested additional information with respect to the basis for the decommissioning cost estimates for the licensed facilities and activities. The additional requested information, based upon the guidance set forth in NUREG-1747, Volume 3 "Consolidated NMSS Decommissioning Guidance, Financial Assurance, Recordkeeping and Timeliness" will be provided separately. The updated information will be current as of December 31, 2006.
9. Finally, the NRC requested that the Pro Forma submitted by the prospective licensee (Consent Request, Attachment E) be revised to reflect the prospective licensee's decommissioning funding liability. A revised, non-proprietary version of Consent Request, Attachment E is attached to replace the version submitted with the January 19, 2007 letter. A revised proprietary version is being provided under separate cover.

⁴ The Formation Agreement between GE and Hitachi, Ltd. will contain provisions ensuring that the Hitachi members of the GE-H Holdings Board of Managers cannot exercise control over GE-H Holdings' actions related to NRC licensed activities. In particular: (1) the presence of GE-H Holdings Board members representing greater than 50% of the total ownership interests will be required to constitute a quorum; (2) and for most decisions, the affirmative vote of Board members representing greater than 50% of the total ownership interests is required for the Board to act. In addition, a single member present at a Board meeting may vote *all* of the voting power of that entity. Since Hitachi will hold only a 40% interest in GE-H Holdings, it cannot exercise control. (Certain types of Board decisions do require unanimous consent, but these do not relate to nuclear safety or NRC compliance matters.)

February 23, 2007
Christopher Monetta, GE to NRC
Page 4 of 4

If the NRC requires additional information concerning this request, please contact Mr. Christopher J. Monetta at 910-675-6280 or at chris.monetta@ge.com.

Sincerely,



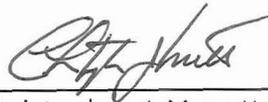
Christopher J. Monetta
General Manager,
Environment, Health and Safety
GE Energy, Nuclear
and Vice President, Reactor Facility Safety and Security for
GE-Hitachi Nuclear Energy Americas, LLC

CC: Mary Adams, NMSS
Robert Pierson, NMSS
Christopher Regan, NMSS
Steven Hom, OGC
Jason Zorn, OGC
Marvin Mendonca, NRR

Enclosures: Attachment 1 – Revised Description of the Transaction
Consent Request, Attachment A, Revision 1
Consent Request, Attachment E, Revision 1 (Non-proprietary)

AFFIRMATION

I, Christopher J. Monetta, being duly sworn, hereby depose and state that I am General Manager, Environment, Safety and Health GE Energy, Nuclear and Vice President, Reactor Facility Safety and Security of GE-Hitachi Nuclear Energy Americas, LLC; that I am familiar with the contents of the attached letter dated February 23, 2007; and that the matters set forth therein are true and correct to the best of my knowledge and belief.



Christopher J. Monetta
General Manager, Environment,
Health and Safety
GE Energy, Nuclear
and Vice President, Reactor Facility Safety and Security
for GE-Hitachi Nuclear Energy Americas, LLC

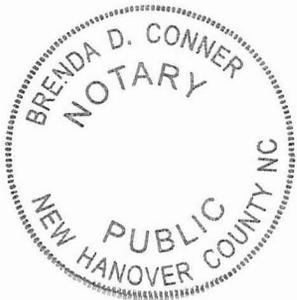
STATE OF NORTH CAROLINA)

COUNTY OF NEW HANOVER)

Subscribed and sworn to me, a Notary Public, in and for the State of North Carolina,
this 23rd day of February, 2007.



Notary Public in and for the
State of North Carolina



II. DESCRIPTION OF THE TRANSACTION

Under the proposed transaction, GE will contribute certain of its nuclear businesses and operations in the United States to a newly-formed Delaware limited liability company, GE-Hitachi Nuclear Energy Americas, LLC (the prospective licensee hereafter). The following wholly-owned GE subsidiaries will also contribute businesses to the prospective licensee: General Electric International, Inc., General Electric International Operations, Inc., and GE Ionics, Inc. After these transactions are completed, GE-Hitachi Nuclear Energy Holdings, LLC will hold a 100% ownership interest in the prospective licensee. Ultimately, it is planned that GENE Holding, LLC will hold a 60% interest in GE-Hitachi Nuclear Energy Holdings, LLC, and Hitachi America, Ltd, a New York corporation with its principal place of business in Tarrytown, New York, will hold a 40% interest in GE-Hitachi Nuclear Energy Holdings, LLC. (The sale of a 40% interest in GE-Hitachi Nuclear Energy Holdings, LLC to Hitachi America, Ltd. may occur simultaneously with, or within some period of days or weeks after, the transfer of control of licenses to GE-Hitachi Nuclear Energy Americas, LLC. As discussed in our January 19, 2007 transmittal letter at p. 2, the acquisition of the 40% indirect ownership interest will not involve any direct or indirect transfer of control of the NRC licenses.) Thus, there will only be a direct transfer of control of the licenses from GE to the prospective licensee. Diagrams displaying the current corporate structure and the final corporate structure are provided as Attachment A to this consent request.⁵

⁵ Attachment A shows only those corporate entities that are relevant to the transfer of control of the NRC licenses. It does not show GE's other U.S. subsidiaries or related restructurings occurring in Canada and Japan.

In addition, GE has advised the NRC that it is undertaking efforts toward the licensing of a new uranium enrichment facility based on the SILEX technology. Letter, Robert E. Brown to Jack R. Strosnider (October 11, 2006.) Since there is no existing license associated with the planned uranium enrichment facility, it is beyond the scope of this consent request. However, as part of the overall transaction, GE intends to create an additional new Delaware LLC, to be the applicant for and holder of the uranium enrichment facility license and the sensitive nuclear enrichment technology associated with that license. Any issues associated with the transfer of uranium enrichment technology to that entity will be addressed separately as part of that license application.

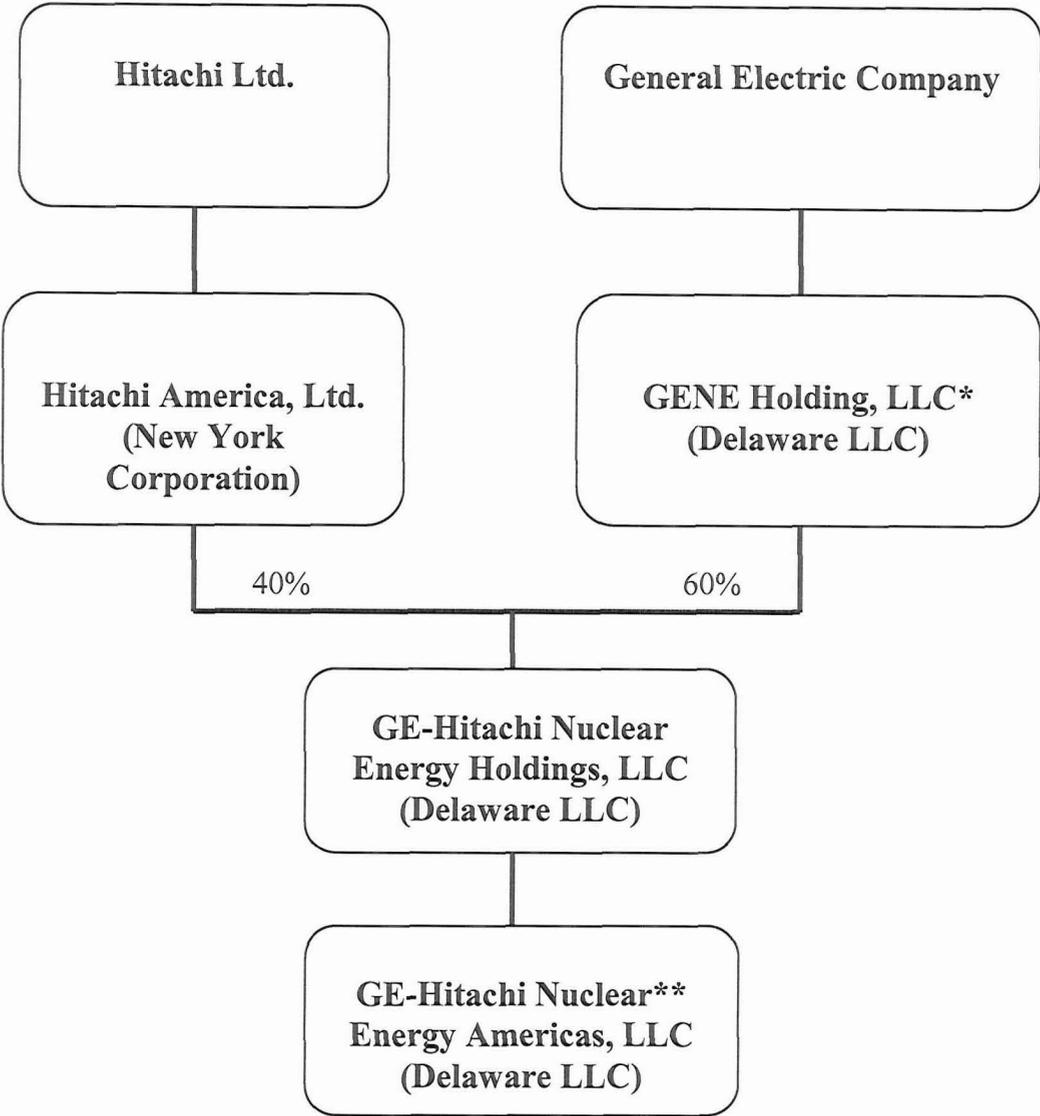
Description of the Transaction

Current Corporate Structure

General Electric Company *

*All affected NRC licenses are held by General Electric Company.

Final Corporate Structure



* GE will hold 100% of the voting interests in this entity. Certain GE subsidiaries that contribute assets to the new company will have non-voting interests in this entity. Those subsidiaries are: (1) General Electric International, Inc.; (2) General Electric International Operations, Inc.; and (3) GE Ionics, Inc. Collectively, those three companies, all of which are wholly-owned by GE, will hold less than a 10% equity ownership interest in GENE-Holdings, LLC.

** A separate subsidiary will be the applicant for, and holder of, the planned uranium enrichment facility license. Issues associated with the transfer of uranium enrichment technology to that entity will be addressed separately as part of the license application for that facility.

Five Year *Pro Forma*
&
Projected Opening Balance Sheet

(Non-Proprietary Version)

GE-Hitachi Nuclear Energy Americas, LLC

Pro Forma Income Statements

For the years ended December 31, 2007 through 2011

\$ in Millions	2007	2008	2009	2010	2011
Sales					
Costs and expenses:					
Cost of sales					
Depreciation and amortization					
Other costs and expenses					
Interest Expense					
Total costs and expenses					
Earnings Before Income Taxes					
Income Taxes					
Net Earnings					

GE-Hitachi Nuclear Energy Americas, LLC
Pro Forma Balance Sheet

\$ in Millions

Cash	
Trade receivables	
Inventory	
Property, plant, and equipment, net	
Deferred charges	
Deferred taxes	
Licenses and other intangible assets	
All other assets	
Total Assets	<hr/> <hr/>
Accounts payable, principally trade accounts	
Other costs and expenses accrued	
Income taxes payable	
All other liabilities ⁶	
Borrowings	<hr/>
Total Liabilities	
Equity	<hr/>
Total Liabilities and Equity	<hr/> <hr/>

⁶ GE-Hitachi Nuclear Energy Americas, LLC recognizes that as an NRC licensee it has responsibility to the NRC and liability under its licensees for decommissioning its licensed facilities. However, in addition to providing a parent company guarantee of these obligations, GE is retaining liability for all decommissioning liabilities accrued as of the day of the transfer. The liability of the licensee and offsetting receivable from GE are therefore not reflected in the *pro forma* opening balance sheet.