



The Yankee Companies

Maine Yankee Atomic Power Company
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CY-11-041
OMY-11-173
BYR 2011-038

December 21, 2011

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555

Reference:

- (a) License No. DPR-36 (Docket No. 50-309, 72-30 (Maine Yankee)
- (b) License No. DPR-61 (Docket No. 50-213, 72-39) (Connecticut Yankee)
- (c) License No. DPR-3 (Docket No. 50-029, 72-31) (Yankee Atomic)

Re: Foreign Ownership Negation Action Plan and Decommissioning Funding Assurance

On December 6, 2010, Maine Yankee Atomic Power Company ("Maine Yankee"), Connecticut Yankee Atomic Power Company ("Connecticut Yankee"), and Yankee Atomic Electric Company ("Yankee Atomic") (together, the "Yankee Companies"), acting on behalf of Northeast Utilities ("NU") and NSTAR, notified the NRC of a proposed merger of NU and NSTAR and requested Nuclear Regulatory Commission ("NRC") approvals, to the extent required. Notwithstanding that both NU and NSTAR are domestic corporations, the NRC subsequently requested information on all of the owners of the Yankee Companies related to Foreign Ownership, Control or Domination ("FOCD") under 10 C.F.R. § 50.38. On March 16, 2011, the Yankee Companies submitted that information, even though (a) the foreign ownership of the Yankee Companies was unaffected by the proposed NU-NSTAR merger, and (b) the Yankee Companies or their owners had previously advised the NRC of the transactions leading to the present indirect foreign ownership of certain Yankee Company owners, and the NRC had tacitly or explicitly accepted those transactions.

Further, by letter dated May 16, 2011, the Yankee Companies discussed their bases for concluding that the FOCD restrictions of 10 C.F.R. Part 50 do not apply to the Yankee Companies' three licensed Independent Spent Fuel Storage Installations ("ISFSIs"). Alternatively, the Yankee Companies requested an exemption from the requirements of 10 C.F.R. § 50.38, to the extent the requirements are applicable. This filing was the subject of a meeting with the NRC on September 20, 2011, and a follow-up letter from the Yankee

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Companies to the NRC dated October 5, 2011. The present letter provides additional information on FOCD matters.

Separately, in reviewing the proposed NU-NSTAR merger, the NRC requested information from the Yankee Companies regarding decommissioning funding assurance for radiological decontamination of the ISFSIs. By letters dated June 8, 2011, and August 24, 2011, the Yankee Companies described various expenses paid from the Yankee Companies' Qualified Nuclear Decommissioning Trusts ("QNDTs") and the accounting mechanisms employed to control the funds in the QNDTs. The Yankee Companies remain confident that adequate funding will be available in the QNDTs for radiological decommissioning of the ISFSIs, with sufficient accounting mechanisms to identify and control those funds. These accounting mechanisms have been successfully utilized throughout the completed decommissioning at the sites. Nonetheless, as discussed below, to address NRC Staff concerns in this area, the Yankee Companies have evaluated and are adopting additional administrative controls.

Negation Action Plan

The Yankee Companies have been actively participating in an ongoing NRC rulemaking related to security requirements for ISFSIs located at the sites of former power reactors. In connection with this rulemaking process, the Yankee Companies have been invited by the NRC to apply for personal clearances and Facility Clearances under 10 C.F.R. Part 95, to support access, on a need to know basis, to certain classified information related to the security rulemaking. We expect that, in connection with Facility Clearances issued in accordance with the National Industrial Safety Program, the NRC will require certain exclusions of foreign-controlled owner companies, and their directors, officers, and representatives on the Yankee Company Boards of Directors, from access to classified information and special nuclear material. These measures would be taken to avoid Foreign Ownership, Control, or Influence ("FOCI") related to control of classified information and special nuclear material.

In the letter to the NRC dated October 5, 2011, the Yankee Companies noted their intent to further consider FOCD issues. In order to address NRC's interim concerns related to FOCD under 10 C.F.R. § 50.38 and to avoid FOCI and support Facility Clearances under 10 C.F.R. Part 95, the Board of Directors for each of the three companies has determined to adopt certain foreign ownership negation and exclusion actions. The negation actions are outlined in the Attachment to this letter. Resolutions implementing the plan were adopted by the Yankee Companies on December 14, 2011.

The Yankee Companies at this time are not withdrawing the pending request for an exemption from 10 C.F.R. § 50.38, and continue to seek NRC action on that request. The Yankee Companies' applications for Facility Clearances, with additional required forms and supporting information, will be submitted to the appropriate NRC office separately, in the near future.

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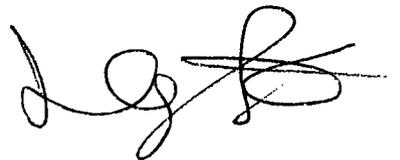
Radiological Decommissioning Controls

Based on current estimates, radiological decommissioning of the three Yankee Company ISFSIs is expected to be relatively small compared to the funds presently available in the QNDTs — approximately \$8-14 million, as shown in the three March 2011 decommissioning funding assurance status reports. Nonetheless, in response to NRC's concerns, to further control these funds each Yankee Company will establish a new account within its QNDT entitled "ISFSI Radiological Decommissioning." Funds required for radiological decommissioning will be transferred (without tax consequences) from existing accounts in the QNDTs to the new accounts, segregating those funds for the purpose of radiological decommissioning.

The new ISFSI Radiological Decommissioning Accounts will be assigned to one of the current QNDT investment managers, subject to the same investment controls as for the balance of the accounts in the funds. The purpose of the new accounts will be clearly established in the QNDT Statement of Investment Policy and Objectives. On an annual basis, the trustee for the QNDTs will produce certified trust statements for the ISFSI Radiological Decommissioning accounts, confirming funding assurance and continued segregation of funds for the defined objective.

Should you have any questions about this letter or the Negation Action Plan, please contact me or Joe Fay at (207) 350-0300.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Norton', with a stylized flourish at the end.

Wayne Norton
CEO and President of Yankee Atomic
and Connecticut Yankee
Chief Nuclear Officer of Maine Yankee

ATTACHMENT

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NEGATION ACTION PLAN

The following actions will be implemented to negate any potential for foreign ownership of shares of the Yankee Companies by certain foreign-controlled sponsor companies to cause foreign control, domination or influence over the Yankee Companies' decision-making on matters implicating public health and safety, security, or access to classified information.

1. Each Yankee Company will adopt board resolutions addressing the following:
 - Access to classified or safeguards information, and to special nuclear material, related to the Yankee Independent Spent Fuel Storage Installations shall be controlled, respectively, by the Yankee Companies under the direction and control of the President and Chief Nuclear Officer ("CEO") of Connecticut Yankee, the President and CEO of Yankee Atomic, and the Chief Nuclear Officer ("CNO") of Maine Yankee. This officer (or officers) shall assure that classified and safeguards information and special nuclear material in the custody of Yankee Company is accessed only by individuals who possess the appropriate access authorization and need. Furthermore, this officer shall assure that classified information received from a federal agency is not disclosed to any other federal agency unless specifically authorized by the agency that has classification jurisdiction.
 - Decisions related to the safety and security of special nuclear material, and related to access to classified and safeguards information and to special nuclear material, are the sole responsibility of Yankee Atomic as an NRC licensee. The responsibility for these matters shall be specifically delegated by the Board of Directors to the President and CEO of Yankee Atomic, the President and CEO of Connecticut Yankee, and the CNO of Maine Yankee. This officer (or officers) shall make all decisions related to safety and security matters (including, but not limited to, decisions related to access to classified and safeguards information and to special nuclear material) in accordance with NRC license obligations and consistent with the public health and safety and common defense and security of the United States.
 - Directors and officers of the Yankee Companies who are representatives of foreign-controlled owner companies shall be excluded from, shall not require, and shall not have access to classified or safeguards information and/or special nuclear material.

- The foreign-controlled sponsor companies, and their directors and officers, shall not require and shall not be provided and shall not have access to classified information related to the Yankee facilities, and shall not require and shall not have access to or custody of special nuclear material related to the Yankee facility.
 - The directors and officers of any foreign-controlled owner, shall not be permitted to hold positions, and shall be excluded from holding positions, at a Yankee Company that would enable them to control the policies and practices of the company in its performance of activities licensed by the NRC under 10 C.F.R. Part 50 or 10 C.F.R. Part 95.
2. Each Yankee Company will adopt by board resolution the following governance restrictions:
 - The Chairman of the Board shall at all times be a U.S. citizen.
 - The President and CEO of Yankee Atomic, the President and CEO of Connecticut Yankee, and the CNO of Maine Yankee shall at all times be U.S. citizens and shall obtain an appropriate security clearance.
 - Each Yankee Company shall designate a Facility Security Officer who is a U.S. citizen and who will obtain a personal clearance for classified access (*see* 10 C.F.R. 95.17(a)(4)).
 3. Each Yankee Company will notify NRC of any changes related to foreign ownership of Yankee Companies or changes to Yankee Company bylaws related to decision-making on safety or security issues.
 4. The President and CEO of Yankee Atomic, the President and CEO of Connecticut Yankee, and the CNO of Maine Yankee will execute a certification (or certifications) acknowledging his or her special duties with respect to protection of classified and safeguards information and public health and safety and common defense and security relative to special nuclear material. The certification(s) will also acknowledge a duty to report any FOCD/FOCI issue to the NRC.
 5. Individual directors and officers of the Yankee Companies who have been granted access to classified information, if any, will execute certifications acknowledging their special duties with respect to public health and safety and security relative to classified information and special nuclear material.
 6. Individual directors and officers of the Yankee Companies who are representatives of the foreign-controlled sponsors will execute certifications of their understanding of their obligations with respect to exclusion from access to security information (whether classified or safeguards information), with respect to compliance with NRC requirements generally, and with respect to obligations related to FOCD/FOCI.