

August 9, 2012

EA-2011-284

Mr. Wayne Norton  
Chief Nuclear Officer  
Connecticut Yankee Atomic Power  
Company  
362 Injun Hollow Road  
East Hampton, CT 06424-3099

SUBJECT: RESPONSE TO CONNECTICUT YANKEE ATOMIC POWER COMPANY,  
HADDAM NECK PLANT - DISPUTED NOTICE OF VIOLATION  
05000213 (TAC L24565)

Dear Mr. Norton,

This letter provides the results of the U.S. Nuclear Regulatory Commission's (NRC or Commission) review of your letter, dated February 23, 2012 (ADAMS Accession No. ML120), regarding the Notice of Violation (NOV) (NOV EA-2011-284, dated January 27, 2012 (ADAMS Accession No. ML120300184)). In your letter, you disagreed that the cited violation of Title 10 of the *Code of Federal Regulations* (10 CFR) 50.38, "Ineligibility of Certain Applicants," had occurred. The NRC has reviewed your letter and applicable supporting documentation, and it has determined that NOV EA-2011- 284 occurred as stated for the reasons stated below.

Connecticut Yankee Atomic Power Company (Connecticut Yankee) is the licensee for the Haddam Neck Plant and currently holds a 10 CFR Part 50 possession only license. Under 10 CFR 72, Subpart K, "General License for Storage of Spent Fuel at Power Reactor Sites," Connecticut Yankee is authorized to store spent fuel. Connecticut Yankee states that the Haddam Neck Independent Spent Fuel Storage Installation (ISFSI) is not a production or utilization facility and, therefore, does not fall within the provisions of the Atomic Energy Act that govern 10 CFR Part 50 licensees. In particular, you state that the statutory prohibition on foreign ownership, control or domination (FOCD) derives from the sections governing 10 CFR Part 50 licensees, therefore, the FOCD provisions do not apply to the Connecticut Yankee license. Connecticut Yankee notes in its letter that 10 CFR Part 72 has no explicit prohibition on foreign ownership control or domination (FOCD). Connecticut Yankee states that its 10 CFR Part 50 licensee does not allow operation of a production or utilization facility.

The staff has determined that the Connecticut Yankee proposal to apply the license transfer analysis of 10 CFR 50.80 to the FOCD restrictions of 10 CFR 50.38 is not appropriate. Connecticut Yankee's letter did not acknowledge that as a 10 CFR Part 50 licensee it must comply with all the requirements of 10 CFR Part 50 as currently written. That Connecticut Yankee is no longer authorized to operate an electric power production facility does not relieve it of the applicable 10 CFR Part 50 license requirements, including the FOCD requirements of 10 CFR 50.38. Connecticut Yankee also states that the FOCD prohibitions of 10 CFR 50.38 cannot arise without a finding of transfer of control of the 10 CFR Part 50 license under

10 CFR 50.80. Connecticut Yankee makes two statements in support of its position. First, it says that no foreign entity holds a majority or controlling interest in Connecticut Yankee. Second, it says the NRC reviewed and allowed a foreign interest, National Grid, to acquire an interest in Connecticut Yankee, but concluded that the acquisition was not a transfer of control of the license.

Transfer of control of the license is not a necessary condition to make a determination that a foreign interest may have obtained FOCD of a licensee. With respect to the amount of ownership required to find FOCD, the NRC's Final Standard Review Plan "Foreign Ownership, Control, or Domination," dated June 1999, (FOCD SRP) does not provide a specific threshold above which it would be conclusive that a licensee is controlled by foreign interests (64 FR 52357-52359). The NRC's FOCD evaluation considers the totality of the facts on a case-by-case basis. Section 3.2 of the FOCD SRP states, "An applicant is considered to be foreign owned, controlled, or dominated whenever a foreign interest has the "power," direct or indirect, whether or not exercised, to direct or decide matters affecting the management or operations of the applicant" (64 FR 52355- 52358). Moreover, FOCD can arise due to foreign entities or persons with voting rights, financial arrangements, or management positions such as directors, officers, or executive personnel in the licensee's organization. Based on its review of the totality of facts presented, the NRC determined that Connecticut Yankee violated 10 CFR 50.38 when it failed to implement a negation action plan that would negate the ability of foreign interests to exercise ownership, control or domination over Connecticut Yankee.

In contrast, the previous determinations of transfer of control of the Haddam Neck ISFSI license under 10 CFR 50.80 did not examine the totality of facts with respect to FOCD, since the totality of facts did not become apparent until the NRC's review of the indirect license transfer application submitted on December 6, 2010. The NRC's review identified an apparent violation of the requirements in 10 CFR 50.38 due to a series of incremental ownership changes that resulted in Connecticut Yankee being owned, controlled, or dominated by two foreign corporations – Iberdrola, based in Spain (6 percent); and National Grid, based in the United Kingdom (19.5 percent).

In addition, Connecticut Yankee states that the indirect foreign ownership of minority shareholders in Connecticut Yankee does not equate to FOCD. The NRC agrees that the FOCD evaluation is not a simple review of ownership percentages. As previously stated, the Commission's FOCD SRP explains that the FOCD determination considers the totality of facts on a case-by-case basis. This was the subject of the meeting held on September 20, 2011, in Rockville, Maryland, with representatives of Maine Yankee Atomic Power Company, Connecticut Yankee, Yankee Atomic Electric Company, and Northeast Utilities, (together referred to as the "Yankee Companies"). The organization and governance of the Yankee Companies were discussed at the meeting. According to the Yankee Companies representatives, after completing decommissioning of the reactor facilities, Connecticut Yankee changed its bylaws to support weighted voting, where the number of directors was appointed based on the percentage of stock ownership, and that per the Connecticut statutes on corporate structuring, Connecticut Yankee included a provision for unanimous vote of shareholders to support the weighted voting structure, and unanimous consent provisions for Connecticut Yankee would apply to proposed changes to certain sections of the bylaws. Several directors represented foreign interests, and had the power, whether or not exercised, to participate in Board decisions regarding nuclear safety and security.

Connecticut Yankee states that the NOV does not identify any safety or security issue in which a foreign entity exerted actual control over Connecticut Yankee with respect to safety or security. However, asserting that actual FOCD was not exercised during that period is not relevant. The FOCD SRP states, "An applicant is considered to be foreign owned, controlled, or dominated whenever a foreign interest has the "power," direct or indirect, *whether or not exercised*, to direct or decide matters affecting the management or operations of the applicant." [Emphasis added]. FOCD SRP Section 4.2 directs the staff to consider whether the foreign interest has the ability to appoint managers. Finally, the regulatory standard is based upon a review of the totality of facts and circumstances which may require negation measures. Upon review of the information provided, the NRC has concluded that, in fact, foreign interests have that power. Since Connecticut Yankee is a 10 CFR Part 50 licensee, it is required to comply with all of the requirements of 10 CFR Part 50. Based on information provided, the staff finds that Connecticut Yankee was subject to FOCD and thus required a negation action plan during the period cited for in the NOV.

Separately, the NRC continues to review Connecticut Yankee's request, dated May 16, 2011, (ADAMS Accession No. ML11139A088) for an exemption to 10 CFR 50.38. The NRC will notify you the results of the staff's evaluation when it is completed.

If you have any questions, please contact me at (301) 492-3338 or John Goshen of my staff, at (301) 492-3325.

Sincerely,

**/RA/**

Douglas W. Weaver, Deputy Director  
Division of Spent Fuel Storage and Transportation  
Office of Nuclear Material Safety  
and Safeguards

Docket Nos.: 50-213, 72-39  
License No: DPR-61

TAC No.: L24565

cc: Haddam Neck Plant Service List

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If you have any questions, please contact me at (301) 492-3305 or John Goshen of my staff, at (301) 492-3325.

Sincerely,

**/RA/**

Douglas W. Weaver, Deputy Director  
 Division of Spent Fuel Storage and Transportation  
 Office of Nuclear Material Safety  
 and Safeguards

Docket Nos.: 50-213, 72-39  
 License No: DPR-61

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**ADAMS:**

File location: G:\SFST\Northeast Utilities\NOV Jan 2012\Response to contestations\NRC response to CY 2 23 12 letter.docx

cc: Haddam Neck Plant Service List           **ADAMS P8 Accession No.: ML12226A479**

OFC	NMSS/SFST	NMSS/SFST	NMSS	NMSS/SFST	NMSS/SFST
NAME	WWheatley	JGoshen	KMattern	MWaters	DWeaver
DATE	6/ 02 /2012	6/ 19 /2012	6/ 21 /12	8/1 /2012	8/9/2012
OFC	NRR	NRR	OGC	OE	
NAME	JSimpson	CRegan	CSafford	JWray	
DATE	6/ 19 /2012	6/ 19 /2012	6/ 27 /2012	6/ 21 /2012	

**OFFICIAL RECORD COPY**

Haddam Neck Plant Service List

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