



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED ORGANIZATIONAL AND FINANCIAL RESTRUCTURING

PENNSYLVANIA POWER AND LIGHT COMPANY

SUSQUEHANNA STEAM ELECTRIC STATION, UNITS 1 AND 2

DOCKET NUMBERS 50-387 AND 50-388

1.0 INTRODUCTION

On July 25, 1994, Pennsylvania Power & Light Company (PP&L), pursuant to 10 CFR 50.80, submitted to the Nuclear Regulatory Commission a letter describing a plan to implement a corporate restructuring to result in the creation of a new holding company, PP&L Resources, Inc. (Resources). The overall objective to the change is to improve PP&L's competitive position in the energy market and to increase the company's flexibility in its unregulated energy activities. Currently, PP&L is a co-owner, operator and holder of the NRC operating licenses for the Susquehanna Steam Electric Station Units 1 and 2 (Enclosure 1). After implementation of the proposed restructuring, Resources will be the owner of the outstanding common stock of PP&L and will also indirectly own, through its ownership of PP&L, the license for the nuclear units. However, PP&L will still be the licensee of record for these plants (Enclosure 2). Approval for the restructuring is being sought from the Pennsylvania Public Utility Commission, the Securities and Exchange Commission, the Federal Energy Regulatory Commission, and the Nuclear Regulatory Commission.

2.0 ANTITRUST REVIEW

The corporate restructuring outlined by PP&L in its amendment request dated July 25, 1994, does not appear to present any opportunity for the new owner of the Susquehanna Steam Electric Station (Susquehanna) to exert any undue market power over other power systems in the geographic area served by the Susquehanna facility. The new owner will be a holding company owned and controlled by the existing PP&L shareholders. PP&L stated in its July 25, 1994 letter that

"At the time the restructuring becomes effective, Resources, a Pennsylvania corporation, will become the sole holder of PP&L's common stock, and the current holders of PP&L's common stock will become holders of the common stock of Resources on a share-for-share basis. Therefore, immediately following the restructuring, the common stock of Resources will be owned by the previous holders of PP&L's common stock in the same proportions in which they held PP&L's common stock."

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Therefore, the staff finds that the restructuring, as proposed, will not materially affect the operation or control of Susquehanna nor the bulk power services market(s) served by the Susquehanna facility.

### 3.0 AVAILABLE FUNDS

The submittal states that the proposed restructuring will not reduce the funds available for PP&L to carry out activities under its operating licenses for its two nuclear plants. Specifically, the utility operations of PP&L will remain the primary source of revenue for PP&L and will constitute the majority of Resources' earning power. The Federal Energy Regulatory Commission will still regulate PP&L's wholesale electric rates, and the Pennsylvania Public Utility Commission will also maintain jurisdiction over the licensee's retail electric rates. In addition, the submittal states that the restructuring and any investments made by the new holding company in non-regulated activities "will not affect the ability to meet future capital requirements" for the Susquehanna units. It further states that "no change in the amount of revenues or the ability to obtain the funds necessary to operate Susquehanna will result from the restructuring."

Based on the above information and discussions with the licensee, the staff finds that there will be no change in the amount of revenues, the source of funds, or PP&L's ability to obtain funds necessary to operate and decommission its nuclear plants as a result of the proposed restructuring.

### 4.0 MANAGEMENT OF PP&L UTILITY OPERATIONS

PP&L stated in its application that the proposed restructuring will not change any responsibility for nuclear operations within PP&L and that holding company officer responsibilities will be primarily administrative and financial with no direct effect on the management of the Susquehanna units or PP&L. The staff therefore concludes that there will be no management or organizational changes as a result of the restructuring with regard to responsibility and operation of the Susquehanna site, and that the Senior Vice President Nuclear and his subordinate managers will retain the responsibility of the nuclear operations of the site. Based on the continuity of management described above, the staff finds that the proposed restructuring will not adversely affect the management of PP&L's nuclear plants.

### 5.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

The licensee indicated in its submittal that after restructuring is implemented, Resources, a Pennsylvania corporation, will be the sole holder of PP&L's common stock, and the present holders of PP&L's common stock will become the holders of Resource's common stock on a share-for-share basis. Thus, previous holders of PP&L common stock will own Resources common stock in the same proportion as PP&L common stock was held. Currently, only .36 percent of the total outstanding shares of PP&L are held in foreign accounts.

Based on the above discussion, the staff finds that the proposed restructuring will not result in PP&L being owned, controlled, or dominated by foreign interests.

## 6.0 FINANCIAL QUALIFICATIONS ANALYSIS

PP&L is the operator and 90 percent owner of the two-unit Susquehanna nuclear station. PP&L earned net income of over \$348 million on operating revenues of approximately \$2.7 billion in 1993. PP&L achieved similar results in 1992 and 1991. PP&L's common stockholder equity exceeded \$2.4 billion. This represented approximately 42.4 percent of total capitalization as compared to 48.7 percent capitalization from long-term debt. Such a capitalization ratio indicates reasonable financial health in that PP&L is not obligated to make overly burdensome interest payments on its debt. Similarly, PP&L's "times-interest-earned" ratio is a healthy 3.5, which indicates that it has an adequate cushion of pre-tax earnings to pay interest obligations. PP&L had total plant assets net of depreciation in 1993 of nearly \$7 billion. PP&L's latest rating in Value Line (June 17, 1994, p.187) indicates healthy "B++" financial strength. Similarly, the most recent rating by Moody's in its Public Utility News Reports (April 12, 1994) of PP&L's long-term bonds was "A2", which is a good rating indicating sound investment quality and protection for long-term bond investors. In summary, PP&L is financially sound. The proposed restructuring should not adversely affect PP&L's financial health, but rather should improve PP&L's ability to maintain its financial health in an increasingly competitive environment.

In its application to the NRC dated July 25, 1994, PP&L has indicated its commitment to "inform the Director, NRR, 60 days prior to a transfer (excluding grants of security interests or liens) from PP&L to [PP&L] Resources of facilities for the production, transmission or distribution of electric energy having a depreciated book value exceeding one percent (1%) of PP&L's consolidated net utility plant, as recorded on PP&L's books of account." The staff believes this commitment, together with PP&L's recent and projected strong financial performance, provides reasonable assurance that PP&L will continue to maintain adequate resources to operate and decommission its Susquehanna facility safely. Therefore, the staff concludes that PP&L's proposed restructuring will not adversely affect its financial qualifications with respect to the Susquehanna facility.

## 7.0 CONCLUSION

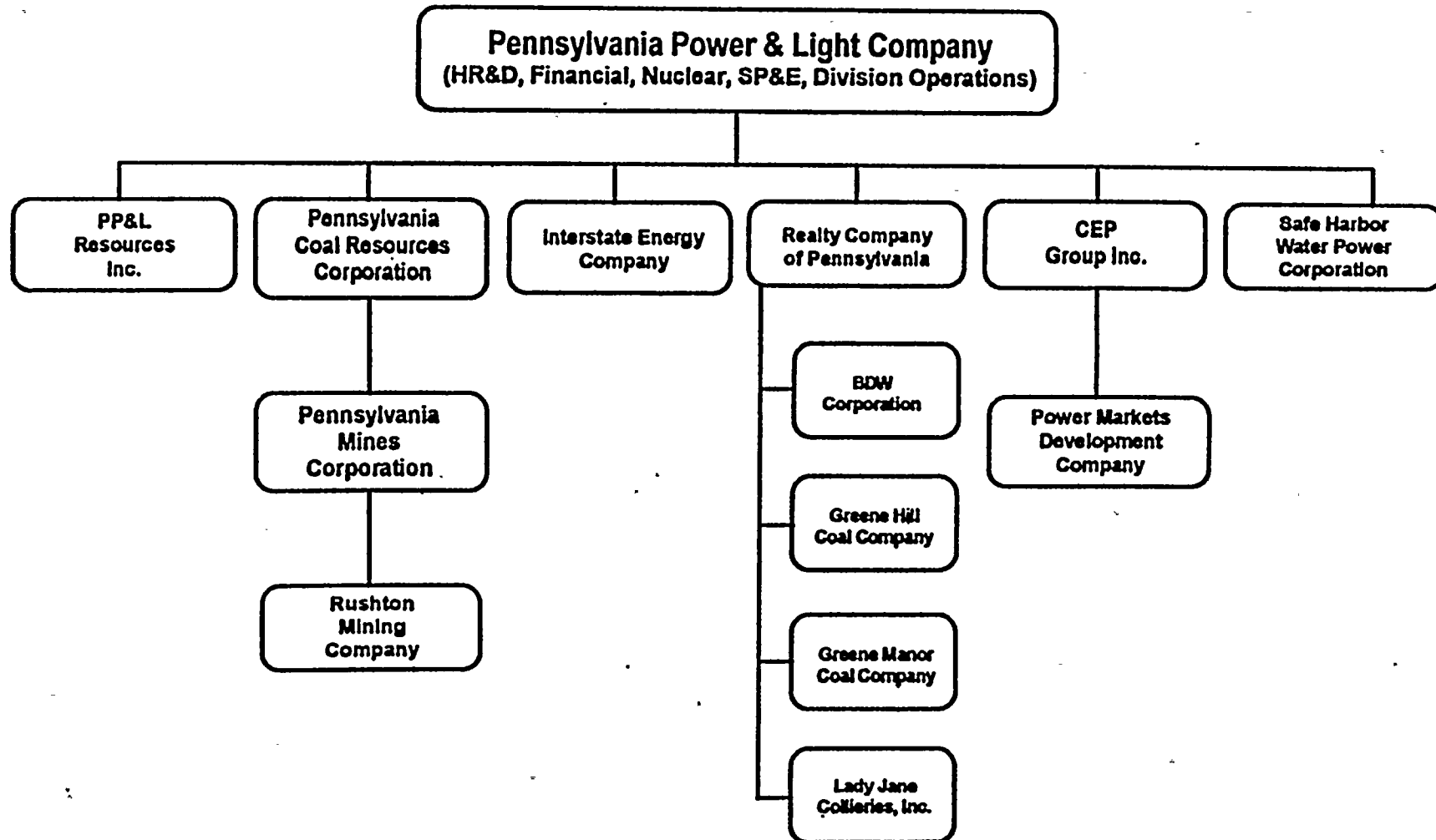
Based on the above determinations, the staff concludes:

1. that the proposed action will not affect the qualifications of PP&L as the holder of the licenses for Susquehanna Steam Electric Station Units 1 and 2 and;
2. that the proposed action is otherwise consistent with the applicable provisions of the law, regulations, and other requirements issued by the Commission pursuant thereto.

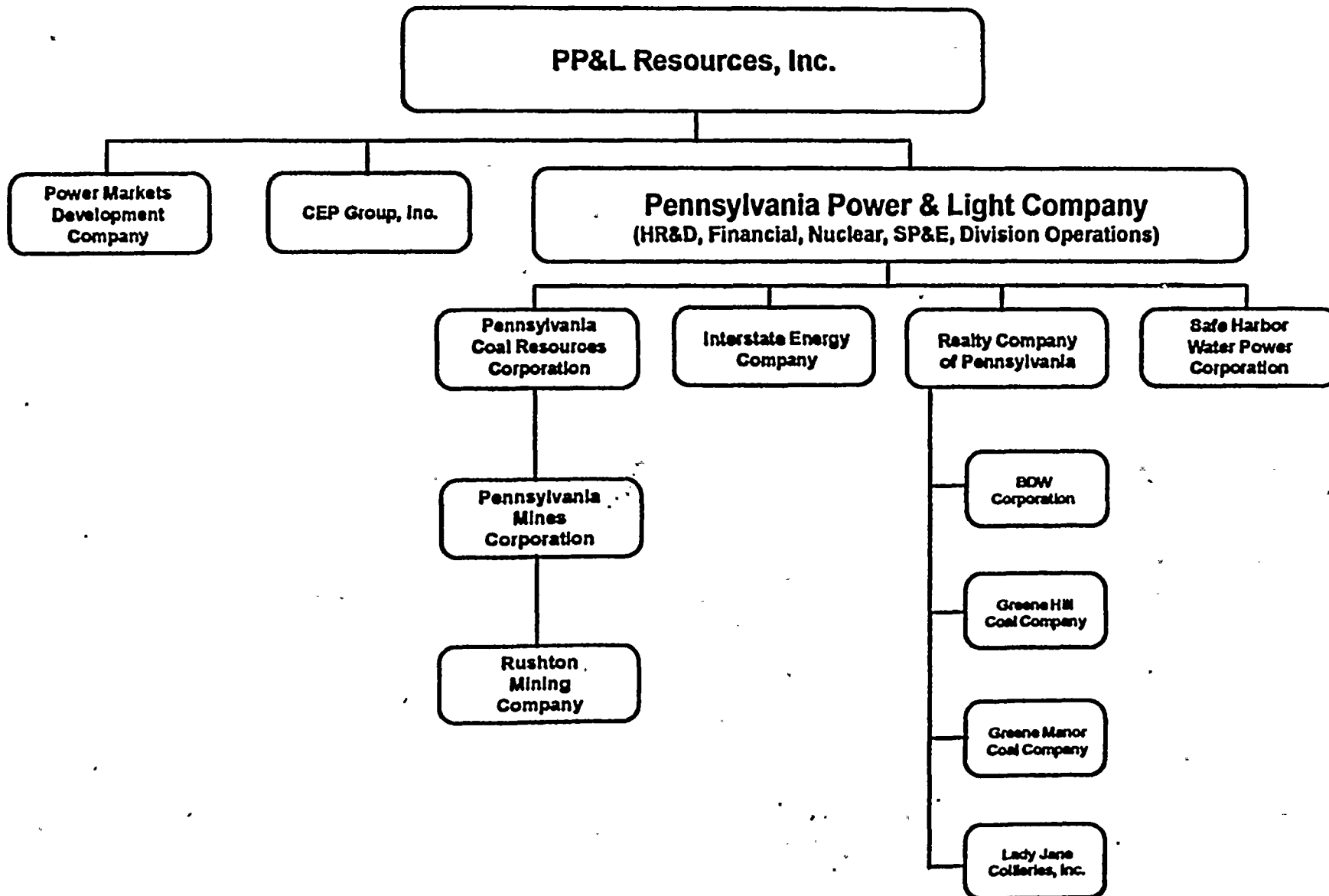
Principal Contributors: W. Lambe  
R. Wood  
C. Poslusny

Date: December 29, 1994

# CURRENT CORPORATE STRUCTURE



# HOLDING COMPANY STRUCTURE



conforming to 49 CFR 1152.28(a)(2), must be filed by October 3, 1994, and petitions to reopen must be filed by October 7, 1994.

ADDRESSES: Send pleadings referring to Docket No. AB-402 (Sub-No. 2X) to: (1) Office of the Secretary, Case Control Branch, Interstate Commerce Commission, Washington, DC 20423; and (2) Janet H. Gilbert, Assistant General Counsel, Wisconsin Central Ltd., P.O. Box 5062, Rosemont, IL 60017-5062.

FOR FURTHER INFORMATION CONTACT: Joseph H. Dettmar, (202) 927-5660. [TDD for hearing impaired: (202) 927-5721.]

**SUPPLEMENTARY INFORMATION:** Additional information is contained in the Commission's decision. To purchase a copy of the full decision, write to, call, or pick up in person from: Dynamic Concepts, Inc., Room 2229, Interstate Commerce Commission Building, Washington, DC 20423. Telephone: (202) 289-4357/4359. [Assistance for the hearing impaired is available through TDD services: (202) 927-5721.]

Decided: August 29, 1994.

By the Commission, Chairman McDonald, Vice Chairman Phillips, and Commissioners Simmons and Morgan, Vernon A. Williams,

Acting Secretary.

[FR Doc. 94-22465 Filed 9-9-94; 8:45 am]

BILLING CODE 7035-01-P

## NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

### Notice of Meeting

Pursuant to section 10(a)(2) of the Federal Advisory Committee Act (Pub. L. 92-463), as amended, notice is hereby given that a meeting of the National Council on the Arts will be held on September 22, 1994 from 10:30 a.m. to 6:00 p.m. in Room 527, at the Nancy Hanks Center, 1100 Pennsylvania Avenue, NW, Washington, DC 20506.

This meeting will be open to the public on a space available basis. The topic of discussion will be long-range planning for the agency.

Interested persons may attend this meeting as observers. Seating space for observers is limited. If you plan to attend this meeting or wish further information about it, please contact Cheryl Christie of the Public Affairs Office at 202/682-5570.

If you need special accommodations due to a disability, please contact the Special Constituencies,

Endowment for the Arts, 1100 Pennsylvania Avenue, NW,

Washington, DC 20506, 202/682-5532; TTY 202/682-5496, at least seven (7) days prior to the meeting.

Yvonne M. Sabine,  
Director, Office of Panel Operations, National Endowment for the Arts.

[FR Doc. 94-22396 Filed 9-9-94; 8:45 am]

BILLING CODE 7537-01-M

## NUCLEAR REGULATORY COMMISSION

[Docket Nos. 50-387 and 50-388]

Pennsylvania Power & Light Company, Allegheny Electric Cooperative, Inc.; Susquehanna Steam Electric Station, Units 1 and 2

Notice is hereby given that the United States Nuclear Regulatory Commission (the Commission) is considering approval under 10 CFR 50.80 of the proposed corporate restructuring of Pennsylvania Power & Light Company (PP&L), the co-owner and licensee of the Susquehanna Steam Electric Station, Units 1 and 2 (Susquehanna). By letter dated July 25, 1994, Robert G. Byram, Senior Vice President-Nuclear of PP&L, informed the Commission that the Board of Directors has proposed a corporate restructuring plan to be presented at the annual meeting of shareholders scheduled for April 26, 1995. If a majority of the shareholders approve the plan, PP&L will become a wholly-owned subsidiary of a new holding company named PP&L Resources, Inc. (Resources). PP&L would remain as holder of the licenses for the aforementioned facilities. If the plan is approved, the common stock of PP&L will be converted on a share-for-share basis into common stock of the holding company, and there will be no effect upon the management, operation, and financing of the PP&L nuclear facilities.

Pursuant to 10 CFR 50.80, the Commission may approve the transfer of control of a license, after notice to interested persons. Such action is contingent upon the Commission's determination that the holder of the license and the transfer of such control is otherwise consistent with applicable provisions of law, regulations, and orders of the Commission.

Dated at Rockville, Maryland, this 1st day of September 1994.

Mohan C. Thadani,

Acting Director, Project Directorate 1-2, Division of Reactor Projects-1/II, Office of Nuclear Reactor Regulation.

[FR Doc. 94-22483 Filed 9-9-94; 8:45 am]

BILLING CODE 7590-01-M

## OFFICE OF PERSONNEL MANAGEMENT

Federal Prevailing Rate Advisory Committee; Open Committee Meeting

According to the provisions of section 10 of the Federal Advisory Committee Act (Pub. L. 92-463), notice is hereby given that meetings of the Federal Prevailing Rate Advisory Committee will be held on—

Thursday, September 22, 1994

Thursday, October 6, 1994

Thursday, October 20, 1994

Thursday, November 3, 1994

Thursday, November 17, 1994

Thursday, December 1, 1994

Thursday, December 15, 1994

The meetings will start at 10:45 a.m. and will be held in Room 5A06A, Office of Personnel Management Building, 1900 E Street, NW, Washington, DC.

The Federal Prevailing Rate Advisory Committee is composed of a Chairman, five representatives from labor unions holding exclusive bargaining rights for Federal blue-collar employees, and five representatives from Federal agencies. Entitlement to membership on the Committee is provided for in 5 U.S.C. 5348.

The Committee's primary responsibility is to review the Prevailing Rate System and other matters pertinent to establishing prevailing rates under subchapter IV, Chapter 53, 5 U.S.C., as amended, and from time to time advise the Office of Personnel Management.

These scheduled meetings will start in opening session with both labor and management representatives attending. During the meeting either the labor members or the management members may caucus separately with the Chairman to devise strategy and formulate positions. Premature disclosure of the matters discussed in these caucuses would unacceptably impair the ability of the Committee to reach a consensus on the matters being considered and would disrupt substantially the disposition of its business. Therefore, these caucuses will be closed to the public because of a determination made by the Director of the Office of Personnel Management under the provisions of section 10(d) of the Federal Advisory Committee Act (Pub. L. 92-463) and 5 U.S.C. 552b(c)(9)(B). These caucuses may, depending on the issues involved, constitute a substantial portion of the meeting.

Annually, the Committee publishes for the Office of Personnel Management, the President, and Congress a comprehensive report to pay issues discussed, concluded recommendations.