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October 27, 1989

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

Subject: Waterford SES Unit 3
Docket No. 50-382
License No. NPF-38
Proposed Amendment to the Operating License -
Supplemental Information

Gentlemen:

On August 15, 1989, Louisiana Power & Light Company (LP&L), System Energy Resources, Inc. (System Energy), and Arkansas Power & Light Company (AP&L) submitted to the Nuclear Regulatory Commission proposed license amendments to designate Entergy Operations, Inc. (EOI) as the licensed operator for Waterford Steam Electric Station, Unit 3 (Waterford 3), Grand Gulf Nuclear Station (Grand Gulf) Unit 1, and Arkansas Nuclear One (ANO) Units 1 and 2, respectively. The proposed amendments are intended to establish a new company, to be called EOI, as the system-wide nuclear operating company.

In response to discussions with NRC staff at meetings on October 12 and 19, 1989, LP&L has determined that some supplemental information relating to antitrust considerations, should be provided to the NRC. That information is included in Attachments 1 through 3.

Should you have any questions concerning this information, please call.

Very truly yours,

R.F. Burski
Manager
Nuclear Safety and Regulatory Affairs

RFB/pi
Attachments

cc: Messrs. R.D. Marvin, NRC Region IV
F.J. Hebdon
D.L. Wigginton
E.L. Blake
W.M. Stevenson
NRC Resident Inspectors Office

"AN EQUAL OPPORTUNITY EMPLOYER"

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SUPPLEMENTAL INFORMATION
ANTITRUST

I. DESCRIPTION OF ENTERGY CORPORATION

Entergy Corporation, formerly named Middle South Utilities, Inc., includes retail operating companies (called System Operating Companies), a nuclear generating company, and several subsidiaries representing various support and service functions. There are four System Operating Companies with service areas that cover portions of a four state area. The System Operating Companies are Arkansas Power & Light Company (AP&L), Louisiana Power & Light Company (LP&L), Mississippi Power & Light Company (MP&L), and New Orleans Public Service Inc. (NOPSI).

The nuclear generation company is System Energy Resources, Inc. (System Energy) and is responsible for management and operation of Grand Gulf Nuclear Station. In addition to its management and operations role, System Energy retains its 90% ownership and leasehold interest in Grand Gulf Unit 1. South Mississippi Electric Power Association (SMEPA) which is not affiliated with Entergy Corporation owns the remaining portion of Grand Gulf.

Entergy's three other subsidiary companies are Entergy Services, Inc. (ESI), System Fuels, Inc. (SFI), and Electec, Inc. ESI is the system service company, providing various technical, administrative, and corporate services. SFI is a fuels subsidiary owned by the four System Operating Companies - AP&L, LP&L, MP&L and NOPSI. Electec, Inc. markets the commercial capabilities, expertise, and resources of the system companies.

An organization chart for the current Entergy Corporation is provided as Attachment 3.

II. REASONS FOR PROPOSED CHANGE FROM SYSTEM ENERGY TO EOI AS THE OPERATOR OF THE NUCLEAR UNITS

On July 1, 1988, LP&L and AP&L filed separate applications with the NRC to amend the operating licenses for the Waterford 3 and Arkansas Nuclear One (ANO) facilities in order for System Energy to assume operating responsibility for those facilities. Within the next several months thereafter, other filings were made with state regulators and the Securities and Exchange Commission for approval of this proposed transaction.

As a result of meetings with the consultants and attorneys for the Louisiana Public Service Commission (LPSC) and with the staff of the Arkansas Public Service Commission (APSC), it became apparent that both the LPSC and the APSC preferred that any consolidation of the nuclear operations of the Middle South Electric System (System) be accomplished and managed by a company separate and apart from System Energy. Concern had been expressed at these meetings that since System Energy was subject to regulation by the Federal Energy Regulatory Commission (FERC), consolidation of nuclear operations under System Energy might bring the proposed operating agreements between the individual nuclear operating companies and System Energy under the jurisdiction of the FERC. Additionally, concern was expressed over perceived difficulties relating to System Energy being able to clearly and precisely account for costs if incurred as the owner and operator of Grand Gulf on the one hand and as the operator, on behalf of LP&L and AP&L, of Waterford 3 and ANO on the other.

Because of these concerns, it was decided to change the proposed nuclear consolidation by creating a new company, to be called Entergy Operations, Inc. (EOI), to operate Waterford 3, ANO and Grand Gulf Unit 1. This proposed organization is described in Attachment 3. Since EOI would not be regulated by the FERC, no filings would be made with the FERC for approval of the nuclear consolidation, and questions regarding the jurisdiction of the FERC over the operating agreements should not arise. Furthermore, accounting for cost should be simpler since, unlike what would have been the case with System Energy EOI would only operate the three nuclear facilities, and its accounting system would be limited to its undertakings as the operator.

III. ANTITRUST CONSIDERATIONS

Under the proposed license amendments, the entity licensed "to possess, use and operate" Grand Gulf Unit 1 will be changed from System Energy to EOI. This change reflects EOI's assumption of operating responsibility for -- but not ownership of -- the facility. Similarly, EOI will be designated as the entity responsible for designing and constructing Grand Gulf Unit 2. System Energy and SMEPA will remain owners of the two units and therefore will remain licensed "to possess" Grand Gulf Unit 1. The antitrust conditions on both licenses will remain applicable to MP&L and System Energy.

Similarly, under the proposed license amendments, the entity licensed "to possess, use and operate" Waterford 3 will be changed from LP&L to EOI. This change reflects EOI's assumption of operating responsibility for -- but not ownership of -- the facility. LP&L will remain the owner of the unit and therefore will remain licensed "to possess" Waterford 3. The antitrust conditions on the license will remain applicable to LP&L.

There are no antitrust license conditions applicable to either AP&L or ANO Units 1 and 2.

Operating Agreements between AP&L and EOI, LP&L and EOI, and System Energy and EOI stipulate that EOI shall operate the nuclear facilities as agent for the owners. Under these proposed operating agreements, the owners of the nuclear facilities will retain significant oversight and control over costs and operations. However, EOI, as the agent-operator of the units, will have sole authority to make decisions relating to public health and safety. In no event, however, will EOI own, control or be entitled to power or energy from the nuclear facilities. Moreover, the proposed nuclear consolidation will not change or impact the way the System makes and implements decisions regarding bulk power sales or purchases or the marketing of power.

Decisions as to buying and selling bulk power are made on a system-wide, coordinated basis under an agreement among AP&L, LP&L, MP&L, NOPSI and ESI, called the System Agreement. The System Agreement is administered by a committee called the Operating Committee made up of representatives from each of the companies who are parties to the System Agreement. The System Agreement provides, among other things, for coordination on a system-wide basis of construction and operation of generation and transmission facilities, of bulk power purchases and sales, and of energy dispatch.

Furthermore, under agency agreements among the same parties that are parties to the System Agreement, ESI acts as agent for LP&L, AP&L, MP&L and NOPSI (jointly referred to as the System Operating Companies) to contract in their name and on their behalf to sell and purchase bulk power. Although the Operating Committee makes decisions pursuant to the System Agreement regarding the sale and marketing of bulk power, and ESI, at the direction of the Operating Committee makes most sales and purchases of bulk power in the System, as agent for the System Operating Companies, the contracts for the sale of power are in the names of and are the legal responsibility of the appropriate System Operating Companies. Therefore, contracts, for instance, for sale of power within the service areas of a System Operating Company, are made between that System Operating Company, either directly or by its agent, ESI, and the entity purchasing power or energy. The System Operating Companies are the responsible contracting parties because the System Operating Companies are the entities that own and control the power. Moreover, because the System Operating Companies own or have been allocated all power produced by Waterford 3, ANO and Grand Gulf, EOI, as agent/operator of the units, could not make decisions affecting the operation of the nuclear units independent of the owners, unless such decisions are required for operational or safety considerations.

Specifically as to Grand Gulf, under an agreement called the Unit Power Sales Agreement, all of System Energy's power and energy from Grand Gulf Unit 1 has been allocated to the system Operating Companies, and this power and energy, for all purposes, is owned and controlled by the System Operating Companies. Accordingly, System Energy has no rights in any power and energy from Grand Gulf Unit 1 and has no control over the sale by the System Operating Companies of their allocated share of power and energy from the unit. Since System Energy has no rights in or control over power and energy from Grand Gulf Unit 1, EOI, as System Energy's agent to operate the unit, likewise could have no rights in or control over power and energy from Grand Gulf Unit 1.

EOI, will operate the System's nuclear units as agent for the owners. For this and other reasons stated above, the antitrust obligations of the owners of the nuclear facilities (and in the case of Grand Gulf, MP&L), under applicable facility operating licenses and the Atomic Energy Act, will not be affected by the proposed consolidation. Furthermore, under NRC's statutory antitrust enforcement authority, if existing antitrust license conditions are not met, the NRC is empowered to take enforcement action against the licensees subject to those conditions, regardless of whether the action complained of is that of the licensee or its agent, EOI. Moreover, it is legally unnecessary to make EOI subject to the antitrust conditions to enforce licensees' commitments in this area. A licensees' docketed commitments with respect to antitrust considerations are enforceable by the NRC if those commitments have been determined by the Staff to be a necessary consideration in its licensing decision. It need not impose the commitments in license conditions.

In sum, the proposed license amendments do not propose to change in any way any existing antitrust license conditions, the licensees subject to those license conditions, or the entities entitled to benefit from the power produced from the nuclear facilities. Furthermore, in the future, a licensee, both as a practical and legal matter, would not be free to unilaterally change, reduce or eliminate existing antitrust license conditions or antitrust review commitments without the potential for an NRC enforcement action. Therefore, the amendments need not include new antitrust conditions applicable to EOI.

(See also letter dated October 26, 1989, from Joseph B. Knotts, counsel to System Energy and AP&L, to Joseph Rutberg, Office of General Counsel, NRC).

IV. ENTERGY CORPORATION COMMITTEE FUNCTIONS

Three Entergy Corporation system-wide committees are described below:

1. The System Executive Management Group (SEMG) is the principal advisory body to the Chairman of Entergy Corporation. SEMG includes a Chairman and seven Senior Vice Presidents. The group reviews issues which have system-wide implications. By policy, all decisions that impact more than one Entergy Company are made from a system-wide perspective. SEMG members include:
 - ° Edwin Lupberger, Chairman and President of Entergy Corporation, is also Chairman of System Energy, ESI, Electec, and System Fuels and will be Chairman of EOI.
 - ° James M. Cain, Senior Vice President - System Executive Louisiana Division of Entergy Corporation and ESI and is Chairman and CEO of LP&L and President and CEO of NOPSI.
 - ° William Cavanaugh, III, Senior Vice President - System Executive Nuclear, of Entergy Corporation and ESI and is President and CEO of System Energy. Will be President and CEO of EOI.
 - ° John L. Cowan, Senior Vice President - System Executive Finance, of Entergy Corporation and ESI and is Chief Financial Officer of Entergy Corporation.
 - ° Jerry G. Jackson, Senior Vice President - System Executive Legal and External Affairs, of Entergy Corporation and ESI.
 - ° Jack L. King, Senior Vice President - System Executive Operations, of Entergy Corporation and ESI and Chairman of the Operating Committee.
 - ° Jerry L. Maulden, Senior Vice President - System Executive Arkansas, Mississippi, and Missouri Division, of Entergy Corporation and ESI and is Chairman and CEO of AP&L and MP&L.
 - ° Donald E. Meiners, Senior Vice President - System Executive Services Division, of Entergy Corporation and is President and CEO of ESI.
2. The Nuclear Management Committee (NMC) assists in formulating and implementing policies, action and strategies for Entergy's nuclear program to attain and maintain "Best in the Industry" level of performance. NMC uses the team approach to identify areas for improvement. W. Cavanaugh, III is permanent Chairman. Members include Senior Nuclear Executives from AP&L, LP&L, System Energy, representative from ESI and Consultants.

3. The Operating Committee (OC) administers the System Agreement, which establishes guidelines and rules for the sale, transmission, and dispatch of power across the System. The OC also coordinates bulk power sales. Jack L. King is Chairman and members include Senior Management from AP&L, LP&L/NOPSI, MP&L and ESI.

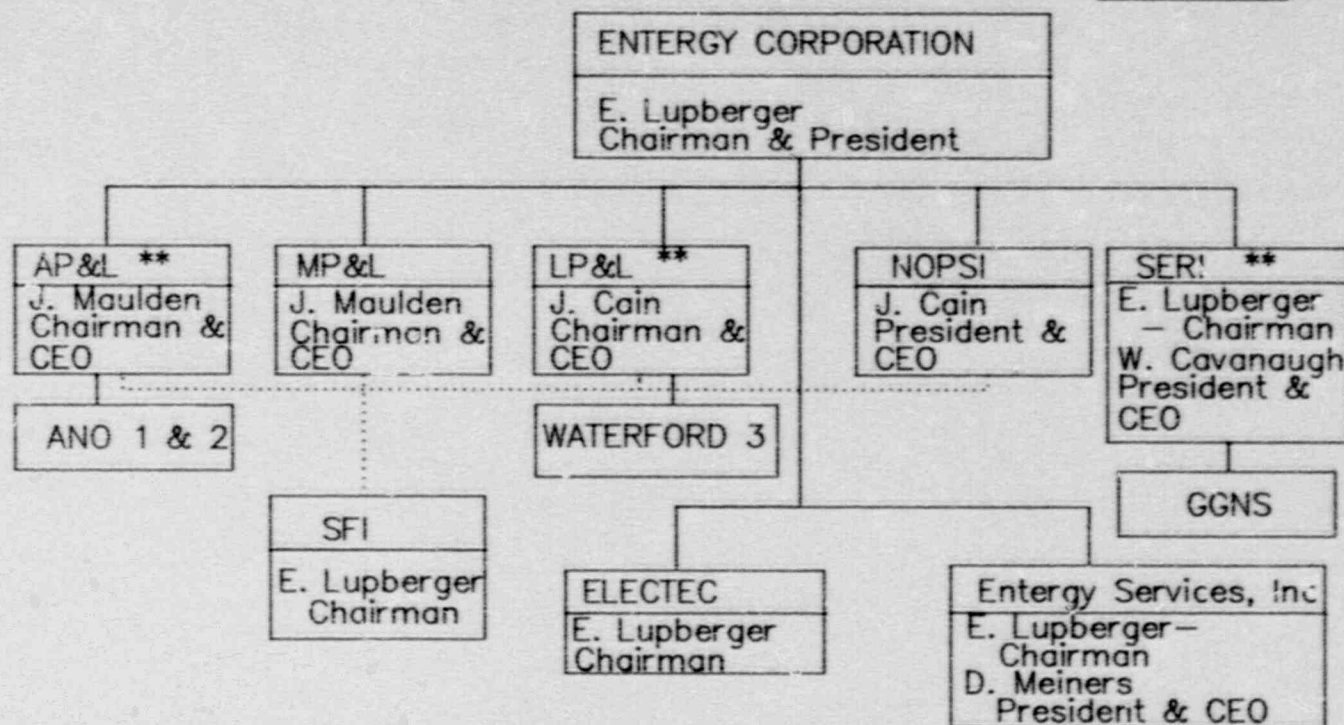
V. ADDITIONAL INFORMATION

SE&I and EOI will be interrelated to the extent that the President and CEO of System Energy also will be the President and CEO of EOI. Certain other officers of System Energy will be officers of EOI.

VI. SCHEDULE

Subject to the receipt of other necessary regulatory approvals, AP&L, LP&L and System Energy have proposed issuance of the operating license amendments by December 31, 1989. All other necessary regulatory approvals are anticipated before December 31, 1989. This schedule supports the formation of EOI and transfer of nuclear organization employees from AP&L, LP&L and System Energy at the beginning of the corporation fiscal year on January 1, 1990.

AP&L, LP&L and System Energy all operate, and EOI will operate, on a calendar fiscal year. If consolidation is implemented later than January 1, 1990, it could be more complicated and costly from an accounting, budgeting and administrative (e.g., employee withholding tax) perspective.

ENTERGY CORPORATION — CURRENT

Nuclear Mgmt. Committee
W. Cavanaugh — Chairman
AP&L
LP&L
SERI
ESI

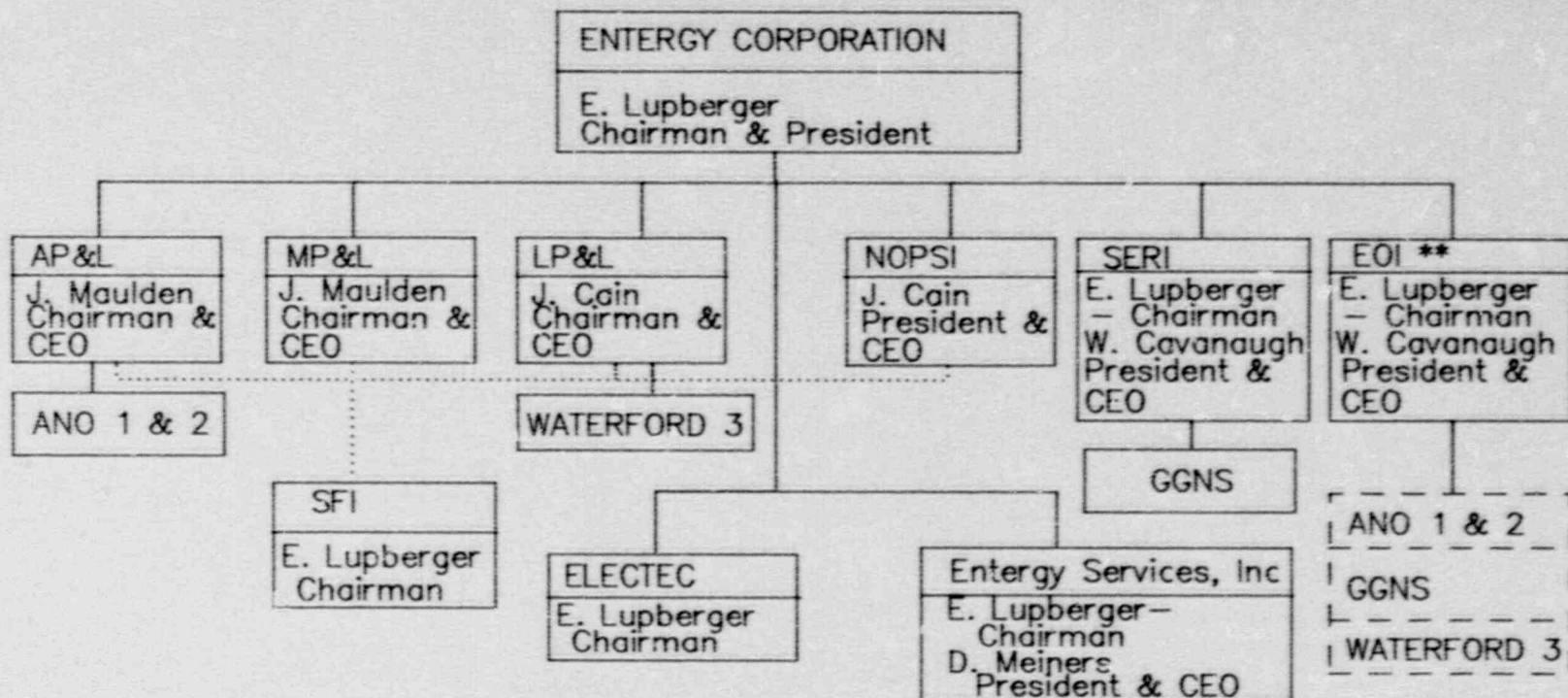
ENTERGY CORPORATION SR.VP—SYSTEM EXECUTIVE
J. Cain — Louisiana Div.*
W. Cavanaugh — Nuclear* (Chairman — NMC)
J. Cowan — Finance*
J. Jackson — Legal & External Affairs*
J. King — Operations* (Chairman — Operating Committee)
J. Maulden — Arkansas, Mississippi & Missouri Div.*
D. Meiners — Services Div.

System Operating Committee
J. King — Chairman
MP&L
LP&L/NOPSI
AP&L
ESI

*Senior Vice President — System Executive of Entergy Services, Inc.
 **Responsibility for operations and nuclear safety
 ...SFI is Wholly owned subsidiary of AP&L, MP&L, LP&L and NOPSI.

ENTERGY CORPORATION – PROPOSED

10-26-89



Nuclear Mgmt. Committee
W. Cavanaugh – Chairman
AP&L
LP&L
SERI
ESI

ENTERGY CORPORATION SR.VP–SYSTEM EXECUTIVE
J. Cain – Louisiana Div.*
W. Cavanaugh – Nuclear* (Chairman – NMC)
J. Cowan – Finance*
J. Jackson – Legal & External Affairs*
J. King – Operations* (Chairman – Operating Committee)
J. Maulden – Arkansas, Mississippi & Missouri Div.*
D. Meiners – Services Div.

System Operating Committee
J. King – Chairman
MP&L
LP&L/NOPSI
AP&L
ESI

*Senior Vice President – System Executive of Entergy Services, Inc.
 **Responsibility for operations and nuclear safety
 ...SFI is Wholly owned subsidiary of AP&L, MP&L, LP&L and NOPSI.