



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

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
RELATED TO AMENDMENT NO. 159 TO FACILITY OPERATING LICENSE NO. DPR-29
AND AMENDMENT NO. 155 TO FACILITY OPERATING LICENSE NO. DPR-30

COMMONWEALTH EDISON COMPANY

AND

IOWA-ILLINOIS GAS AND ELECTRIC COMPANY

QUAD CITIES NUCLEAR POWER STATION, UNITS 1 AND 2

DOCKET NOS. 50-254 AND 50-265

1.0 INTRODUCTION

By letter dated November 21, 1994, Iowa-Illinois Gas and Electric Company (IIGEC) requested approval under 10 CFR 50.80 to transfer control of 25 percent of Quad Cities Nuclear Power Station, Units 1 and 2. Approval of the transfer of ownership in accordance with 10 CFR 50.80, was given in the Order Approving Transfer of Licenses issued June 28, 1995, supported by a Safety Evaluation issued June 20, 1995. In a letter dated August 8, 1995, MidAmerican Energy Company (MidAmerican) states that the merger became effective on July 1, 1995.

IIGEC, Midwest Resources, Inc. (Midwest Resources), Midwest Power Systems, Inc., and MidAmerican proposed to merge, with MidAmerican becoming the surviving company. As such, MidAmerican has taken over IIGEC's 25 percent ownership of Quad Cities Nuclear Power Station, Units 1 and 2. Operational control and majority ownership of the Quad Cities facility continues to be exercised by the Commonwealth Edison Company (ComEd) and was not altered by the merger. Both IIGEC and Midwest Resources were electric utilities engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale. MidAmerican was created by IIGEC and Midwest Resources to effectuate their merger and at its inception had no assets and was not engaged in the electric utility business. However, upon completion of the merger, MidAmerican became an electric utility engaged in these activities. Upon consummation of the merger, current stockholders of IIGEC and Midwest Resources received shares of MidAmerican stock.

By letter dated February 23, 1995, ComEd proposed to amend Facility Operating License Nos. DRP-29 and DRP-30. The proposed amendments would change the name of IIGEC to MidAmerican to reflect the merger.

2.0 EVALUATION

On June 20, 1995, the NRC issued its "Safety Evaluation Regarding Transfer of Control of 25 Percent of Quad Cities Nuclear Power Station," in support of the "Order Approving Transfer of Licenses," which was issued on June 28, 1995. Sections 2.1, 2.2, and 2.3 of this evaluation are based on that evaluation in support of this amendment request.

2.1 Financial Qualifications

Pursuant to 10 CFR 50.80(a), "No license for a production or utilization facility, or any right thereunder, shall be transferred ... through transfer of control of the license to any person, unless the Commission shall give its consent in writing." Further, § 50.80(b) provides that the NRC shall evaluate the qualifications of the transferee, among other issues.

As indicated in "Moody's Public Utility Reports" (December 13, 1994, p. 3809), IIGEC earned a net income of almost \$52 million on operating revenues of approximately \$423 million for the 9 months ending September 30, 1994. Similar results were achieved for analogous periods in 1992 and 1993. Common stockholder equity exceeded \$510 million. This represented approximately 43 percent of total capitalization as compared to approximately 53 percent capitalization from long-term debt. Such a capitalization ratio indicates reasonable financial health in that IIGEC is not obligated to make overly burdensome interest payments on its debt. Similarly, IIGEC's "times-interest-earned" ratio is 2.7, which indicates that it has an adequate cushion of pre-tax earning to pay interest obligations. They had total plant assets net of depreciation by September 30, 1994, of over \$935 million. Their rating in "Value Line" (January 13, 1995, p. 718) indicates healthy "B++" financial strength. Similarly, the most recent rating by Moody's of IIGEC's long-term bonds was "AA3," which is an excellent rating indicating sound investment quality and protection for long-term bond investors. In summary, prior to the merger, the staff concluded that IIGEC was financially sound.

As indicated in "Moody's Public Utility Reports" (November 22, 1994, p. 3849), Midwest Resources earned net income of nearly \$37 million on operating revenues of over \$590 million for the 6 months ending June 30, 1994. Midwest Resources achieved similar results for analogous periods in 1992 and 1993. Midwest Resources' common stockholder equity exceeded \$695 million. This represented approximately 45.5 percent of total capitalization as compared to approximately 49.5 percent capitalization from long-term debt. Similarly, Midwest Resources' "times-interest-earned" ratio is 3.1. For the reasons indicated for IIGEC, these are healthy ratios. Midwest Resources had total plant assets net of depreciation by June 30, 1994, of over \$1.6 billion. Midwest Resources' rating in "Value Line" (January 13, 1995, p. 724) indicates healthy "B++" financial strength. Similarly, the most recent rating by Moody's of the long-term bonds of Midwest Resources' subsidiary, Midwest Power Systems, Inc., was "A2," which is a very good rating indicating sound investment quality and protection for long-term bond investors. In summary,

prior to the merger, the staff concluded that Midwest Resources was financially sound.

"Value Line" viewed the proposed merger positively. Although a finding regarding the financial qualifications of MidAmerican since it is an electric utility may not be required, the staff believes that because the merging companies' service territories fit together well and because the merger will provide opportunities for cost-cutting from economies of scale, the resultant new company will likely be financially stronger than its predecessors.

The NRC staff believed and continues to believe that the strong prospect for continued financial health provides reasonable assurance that MidAmerican will continue to maintain adequate resources to operate and decommission and otherwise fund its 25 percent share of the Quad Cities facility safely.

2.2 Management and Technical Qualifications

The transfer of ownership interest from IIGEC to MidAmerican did not alter in any manner the management agent status of ComEd.

2.3 Foreign Control

Prior to the merger, Midwest Resources, owned all outstanding shares of Midwest Power Systems, Inc. Also 50 percent of the outstanding stock of MidAmerican was owned by IIGEC and 50 percent was owned by Midwest Resources. Midwest Resources and IIGEC stock was traded on the New York Stock Exchange. IIGEC asserted that all directors of IIGEC, MidAmerican and Midwest Resources are citizens of the United States of America and that all directors of the new MidAmerican company whom they anticipated will come from the merged organizations will also be citizens of the United States. IIGEC also asserted that MidAmerican was not owned, controlled or dominated by an alien, a foreign corporation or a foreign government nor will it be so upon consummation of the merger. Therefore, staff concluded that the transfer of IIGEC's ownership of the Quad Cities facility would not result in foreign control of Quad Cities.

2.4 Transfer of License

Approval of the transfer of ownership was given in the Order Approving Transfer of Licenses issued June 28, 1995, supported by a Safety Evaluation issued June 20, 1995, and the merger became effective on July 1, 1995.

2.5 Conclusion

With the approval of the transfer of license by the Order dated June 28, 1995, and the merger becoming effective July 1, 1995, the staff approves the proposed changes to Quad Cities Nuclear Power Station, Units 1 and 2 operating licenses to reflect the transfer of the IIGEC's 25 percent undivided ownership to MidAmerican.

3.0 STATE CONSULTATION

In accordance with the Commission's regulations, the Illinois State official was notified of the proposed issuance of the amendments. The State official had no comments.

4.0 ENVIRONMENTAL CONSIDERATION

Pursuant to 10 CFR 51.21, 51.32, and 51.35, an environmental assessment and finding of no significant impact was published in the Federal Register on March 27, 1995 (60 FR 15799). Accordingly, based upon the environmental assessment, the NRC staff has determined that the issuance of the amendment will not have a significant impact on the quality of the human environment.

5.0 CONCLUSION

The Commission has concluded, based on the considerations discussed above, that: (1) there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of the amendments will not be inimical to the common defense and security or to the health and safety of the public.

Principal Contributors: R. Wood
R. Pulsifer

Date: September 11, 1995



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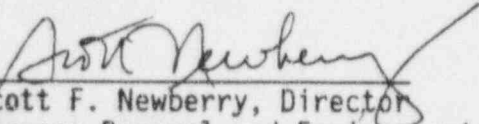
Docket Nos. 50-254
and 50-265

AMENDMENT TO INDEMNITY AGREEMENT NO. B-47
AMENDMENT NO. 14

Effective September 11, 1995, Indemnity Agreement No. B-47, between Commonwealth Edison Company, Iowa-Illinois Gas and Electric Company, and the Atomic Energy Commission, dated October 30, 1970, as amended, is hereby further amended as follows:

Delete the name "Iowa-Illinois Gas and Electric Company" wherever it appears in the indemnity agreement and substitute the name "MidAmerican Energy Company."

FOR THE U.S. NUCLEAR REGULATORY COMMISSION


Scott F. Newberry, Director
License Renewal and Environmental Review
Project Directorate
Division of Reactor Program Management
Office of Nuclear Reactor Regulation

Accepted _____, 1995

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By: _____
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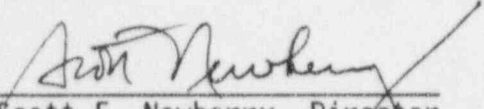
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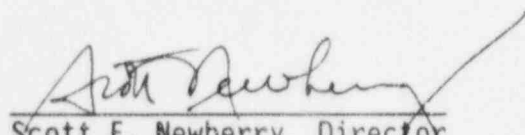
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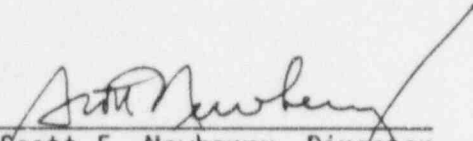
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