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5/20/92

Date

Initials



POLICY ISSUE
(Notation Vote)

May 15, 1992

SECY-92-156A

For: The Commissioners

From: James M. Taylor
Executive Director for Operations

Subject: SEABROOK STATION - STATUS OF ACQUISITION BY NORTHEAST UTILITIES

Purpose: To update the Commission on staff and licensee activities since the Commission meeting on May 11, 1992, regarding the proposed transfer of Seabrook operations and partial ownership to Northeast Utilities (NU) and to recommend that the Commission approve the proposed transfer.

Background: In SECY-92-156, the staff recommended that the Commission authorize the staff to approve the transfer of Seabrook management and partial ownership to two newly formed subsidiaries of NU. In conjunction with the transfer, the staff recommended that new license conditions be added to the Seabrook license and that the EDO send letters regarding Millstone performance and the Seabrook transfer to all members of the NU Board of Trustees. (See Enclosures 1 and 2 to SECY-92-156.)

During the May 11, 1992 Commission meeting on the proposed transfer, the Chairman requested that NU management provide the Commission with written commitments that adequate resources to ensure nuclear safety would be provided for the Seabrook, Millstone and Haddam Neck Stations, including those resources necessary to fully implement planned improvements developed in the NU Performance Enhancement Program.

Contact:
Gordon Edison, NRR
504-1448

NOTE: TO BE MADE PUBLICLY AVAILABLE
WHEN THE FINAL SRM IS MADE
AVAILABLE

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Discussion:

On May 13, 1992, NU provided two letters (Enclosures 1 and 2) containing commitments regarding the allocation of resources to the nuclear stations. The staff has reviewed the NU letters and believes that they are responsive to the Commission's request, and indicate that the resources to be applied to improving the safety performance at NU's Connecticut plants will not be reduced until the NRC staff is appraised on a timely basis, of those projected changes and the reasons for those changes. The staff will use these budget plans in monitoring performance at the current NU facilities, including the development and implementation of the PEP. Budget information for Seabrook will be used as a baseline in reviewing any changes to the annual budgets which are to be provided to the staff in accordance with the proposed new license conditions.

Enclosure 3 contains the proposed changes to the new Seabrook license conditions provided in SECY-92-156. The staff has considered unsolicited comments provided by New Hampshire Yankee to clarify the original wording. Additions to the original conditions are underlined and deletions are lined through. The modifications will clarify the licensee's understanding of the requirements and do not represent any change in the staff's original intent.

In the event that the Commission approves the proposed transfer, the staff is preparing the licensing package (Order, license amendments, new license conditions, and safety evaluation) necessary for the staff to formally execute the transfer. This effort will require about 2 weeks to ensure careful review. Should the Commission decide to affirmatively vote on the transfer and also decide to indicate this approval to NU before the May 19, 1992, NU annual stockholders' meeting, the staff proposes that the Director, NRR send the enclosed letter (Enclosure 4) to NU. This letter would emphasize that, while the Commission has authorized the staff to approve the transfer, it does not become effective until the staff has formally issued the appropriate amendments.

Coordination:

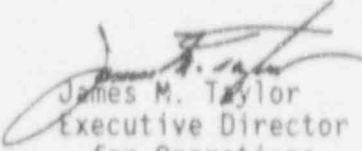
OGC has reviewed this paper and has no legal objection.

Recommendation:

That the Commission:

- (1) Authorize the staff to approve the transfer of Seabrook management and partial ownership to the new subsidiaries of NU.
- (2) Approve the modified Seabrook license conditions (Enclosure 3).

- (3) Approve the dispatch of EDO letters to members of the NU Board of Trustees (Enclosure 2 to SECY-92-156).
- (4) Note that, if desired, Enclosure 4 could be dispatched to indicate the Commission's approval of the transfer pending the staff's completion of the formal licensing package.


James M. Taylor
Executive Director
for Operations

Enclosures:

1. NU Letter dated May 13, 1992
2. NU Letter dated May 13, 1992
3. Modified Seabrook License Conditions
4. Draft Letter to NU

Commissioners' comments or consent should be provided directly to the Office of the Secretary by COB Monday, June 1, 1992.

Commission Staff Office comments, if any, should be submitted to the Commissioners Friday, May 22, 1992, with an information copy to the Office of the Secretary. If the paper is of such a nature that it requires additional review and comment, the Commissioners and the Secretariat should be apprised of when comments may be expected.

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PO BOX 270
 HARTFORD CONNECTICUT 06141-0270
 (203) 665-8000

May 13, 1992

Docket Nos. 50-213

50-245

50-336

50-423

B14142

Mr. James M. Taylor
 Executive Director for Operations
 U.S. Nuclear Regulatory Commission
 Washington, DC 20545

Dear Mr. Taylor:

Haddam Neck Plant
 Millstone Nuclear Power Station
 Proposed Acquisition of
Public Service Company of New Hampshire

On May 11, 1992, senior management from Northeast Utilities (NU), New Hampshire Yankee, and the Executive Committee of the Joint Owners of the Seabrook Station were provided an opportunity to brief the Commission, in conjunction with the NRC Staff, on the proposed acquisition of Public Service Company of New Hampshire (PSNH) by NU and the two pending amendments to the Seabrook operating license related to this matter. In light of questions that arose during the course of the briefing, we are providing with this letter the specific financial data that were requested, and are reaffirming our commitment to provide whatever resources are necessary to achieve and sustain operational excellence at the Seabrook, Haddam Neck, and Millstone facilities.

FINANCIAL AND BUDGETARY DATA

Attached to this letter are actual, budgeted, and forecasted cost data for the Millstone Station, the Haddam Neck Plant, and the Seabrook Station. Capital cost and operation and maintenance (O&M) cost data are provided by site. Actual expenditures for capital and O&M are provided for the three most recently completed calendar years, 1989, 1990, and 1991. It should be noted that actual

Enclosure 1

Mr. James M. Taylor
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expenditure data are not provided for Seabrook Station for 1989 since the unit did not begin full power operation until the summer of 1990. For each of the three stations, the approved 1992 capital and O&M budgets are provided. Similarly, for calendar years 1993, 1994, and 1995, capital and O&M projections for each of the three stations are included. In reviewing this information, you will observe variations from year-to-year, some of which are rather significant. One example of such variation occurs as a result of the replacement of the Millstone Unit No. 2 steam generators, which is planned to commence at the end of this month. Footnotes to the data are provided to explain why some of these variations occur. We call your attention to the fact that the accounting data for the three stations are prepared on substantially different bases that would make direct comparisons among the stations very difficult to accomplish.

NU PERFORMANCE ENHANCEMENT PROGRAM

You will recall that in the fall of 1991, we authorized the addition of nearly \$10 million per year to our annual O&M budgets for the upcoming five-year period; this included the addition of approximately 200 personnel to our nuclear organization. Subsequent to that initial resource commitment, we commenced the formulation of our Performance Enhancement Program (PEP), which is currently in its second phase. Phase I involved data validation and determination of the root causes of our performance decline. We remain on schedule to complete Phase II (action plans and schedules) next month, and hereby reaffirm our previous commitment to make the results of Phase II available to you promptly after their completion. A report summarizing these results will be provided to the Staff on the docket, and we plan to continue our dialogue with the Staff to finalize a meeting date to discuss the action plans, resource additions and other relevant points in greater detail. The purpose of these activities will be to ensure that the PEP is acceptable to the NRC.

This letter will confirm that Northeast Utilities is fully committed to implementing the Phase II plans, and will apply whatever resources are necessary to return to our former level of operational excellence. While the principal motivation for the PEP stems from the performance decline at Millstone, the PEP is equally applicable to our Haddam Neck facility and the corporate-based support organization.

We anticipate that the O&M budgets for the Millstone and Haddam Neck Plants presented in the attachment will increase as a result of the PEP. We hope that it was clear from our meeting, and we wish to reaffirm by this letter, that the resources necessary to implement the PEP will be provided. Our current internal review is focused on integrating the various recommendations so that a well-

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managed and effective product results. We anticipate providing periodic updates to the Staff on our implementation progress (Phase III), and will of course be prepared to respond to any particular needs or questions you may have.

MANAGEMENT COMMITMENT

Referring now to the attached data, the 1992 capital and O&M budgets represent the budgets approved by Northeast Utilities in the case of the Millstone Station, by the Connecticut Yankee Atomic Power Company in the case of the Haddam Neck Plant, and by the Seabrook Joint Owners in the case of the Seabrook Station. For calendar years 1993-1995, the data represent current projections, but these projections have not yet been formally approved in the regular course of business by the respective companies nor, in the case of Seabrook, by the Joint Owners. As noted previously, we anticipate that the PEP efforts will cause an increase in the O&M budgets for Millstone and Haddam Neck.

As stated at the Commission briefing, our management attention is firmly focused on restoring our former levels of operational excellence at Millstone, and the resources required to do that will be provided. If any significant changes are made to the budgets or forecasts for calendar years 1992-1995, we will keep you apprised on a timely basis, and provide an explanation for any such changes. As examples, the budget may be increased to reflect some new NRC requirement, or may be decreased if a refueling outage currently projected for one year is postponed to the following calendar year. In this latter case, the decrease in one year would essentially be offset by an increase of a comparable amount in the subsequent year.

With respect to the Seabrook Station, the 1992 capital and O&M budgets have been approved by the Joint Owners. For calendar years 1993-1995, the forecasts have been presented to the Joint Owners, but they have not been approved in the regular course of business. While the Joint Owners are the decision-making body for Seabrook resource levels, and while the NU companies will own only 40% of the ownership shares, we can assure you that our approach to the Seabrook O&M and capital budgets will be motivated by the same pursuit of operational excellence that characterizes the budget process for our four Connecticut plants. Again, if any significant changes are made to the Seabrook 1992 budget or 1993-1995 forecasts, we will so apprise you on a timely basis, and provide an explanation for any such changes.

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In summary, we commit to:

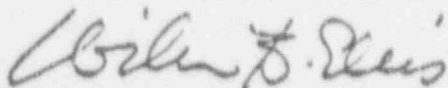
- Complete Phase II of the PEP in June 1992.
- Summarize the results in a docketed letter to you promptly after it is completed.
- Ensure that the PEP is acceptable to the NRC.
- Authorize the addition of any resources necessary to implement the PEP.
- Provide periodic updates to the Staff on the progress of PEP implementation.
- Keep the NRC Staff apprised on a timely basis of any significant changes in the O&M and capital budgets and projections presented in the attachment for calendar years 1992-1995, including an explanation for any such changes.

With respect to the last point noted above, it will be the responsibility of the respective licensees to apprise the NRC Staff. This will be accomplished through normal channels (i.e., the Executive Vice President - Nuclear for the two Connecticut Stations, and the Senior Vice President and Chief Nuclear Officer of NAESCO for the Seabrook facility).

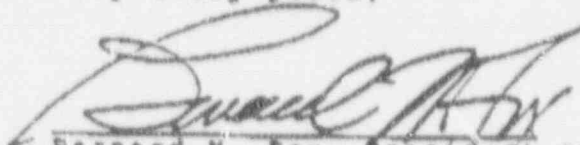
We have reviewed this letter with Mr. Feigenbaum and Mr. Grossi, Chairman of the Executive Committee of the Seabrook Joint Owners, and both concur with this commitment to the NRC.

We hope that this letter is responsive to the discussion that occurred during the Commission briefing on May 11, 1992, and is sufficient to allow the NRC to act promptly and favorably on the two pending license amendment requests. Should you require any additional information, we will, of course, be available to respond.

Very truly yours,



William B. Ellis, Chairman
and Chief Executive Officer



Bernard M. Fox, President and
Chief Operating Officer

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ATTACHMENT

MILLSTONE NUCLEAR POWER STATION
HADDAM NECK PLANT
SEABROOK STATION

COST DATA

May 1992

5/13/92

Northeast Utilities								
Nuclear Engineering & Operations (NE&O) and Connecticut Yankee								
O&M EXPENDITURES (1)								
(\$ Millions)								
		Actuals		Budget	Forecasts			
		1989	1990	1991	1992	1993	1994	1995
NE&O	(2)	223.0	212.0	260.0	261.9	287.0	303.5	276.7
Connecticut Yankee		61.1	51.0	63.4	44.7	70.2	73.4	48.3
CAPITAL EXPENDITURES								
(\$ Millions)								
		Actuals		Budget	Forecasts			
		1989	1990	1991	1992	1993	1994 (4)	1995 (4)
Millstone Station		44.1	50.3	52.9	172.2 (3)	56.6	27.0	27.0
Connecticut Yankee		29.7	9.6	3.9	14.1	16.7	17.1	12.5

Notes:

1. The actual and budgeted nuclear operations and maintenance (O&M) expenses for Millstone and Connecticut Yankee do not include Administrative and General (A&G) costs. Historically, A&G costs specifically associated with the Millstone Station have been in the range of \$60 million per year in 1992 dollars, and in the range of \$20 million per year in 1992 dollars for the Haddam Neck Plant (Connecticut Yankee).
2. NE&O expenditures include all O&M costs for Millstone Station, as well as corporate office services costs for the Haddam Neck Plant.
3. The 1992 Capital Budget includes \$123.3 million for the Millstone Unit 2 Steam Generator Replacement Project.
4. The capital forecast for the years 1994 and 1995 does not presently include any large capital projects that may be approved in the future period.

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		Seabrook Station (\$ Millions)					
		Actuals		Budget	Forecasts		
		1990	1991	1992	1993	1994	1995
O&M	(1)	71.6	162.4	146.7 (2)	119.2	138.9	144.6
Capital	(3)	4.0	18.9	18.5	22.8	26.2	23.6

Notes:

- Expenses include those costs associated with Operations and Maintenance, and Administrative and General (A&G) costs.
- 1992 O&M reflects an authorized \$9.0 million budget increase in April 1992, including \$7.5 million to support revised scope of Second Refueling Outage scheduled for September 1992. A portion of the increase reflects additional costs for Erosion/Corrosion Program expenditures reflecting the lessons learned at Millstone.
- Capital expenses include \$21.0 million for installation of the Condensate Polishing Facility and \$15.4 million for the replacement of the Main Plant Computer.

NORTHEAST UTILITIES

THE CONNECTICUT, NEW HAMPSHIRE AND VERMONT
WATER SUPPLY COMPANIES
WATER AND SEWERAGE DEPARTMENT
WATER AND SEWERAGE DEPARTMENT
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Mr. James M. Taylor
Executive Director for Operations
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Mr. Taylor:

Haddam Neck Plant
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Earlier today, the Staff indicated that additional information pertaining to the outage schedules on which the O&M expenditures and budgets were based for all five plants would be helpful. Additionally, the Staff requested a dollar estimate of typical outage costs. This information is provided below.

¹ William B. Ellis and Bernard M. Fox letter to James M. Taylor, "Haddam Neck Plant, Millstone Nuclear Power Station, Proposed Acquisition of Public Service Company of New Hampshire," dated May 13, 1992.

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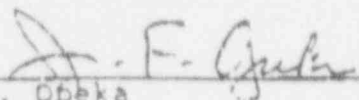
	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Haddam Neck	X		X		X	X	
Millstone 1	X		X		X		X
Millstone 2	X	X		X		X	
Millstone 3	X		X		X	X	
Seabrook			X	X		X	X

An "X" denotes the start² of a refueling outage in that calendar year.

For the period of 1992 through 1995, the typical cost of a 60-day refueling outage is approximately \$20 million.

We hope that this letter is responsive to the NRC Staff request and is sufficient to allow the NRC to act promptly and favorably on the two pending license amendment requests. Should you require any additional information, we will of course be available to respond.

Very truly yours,


 J. F. Opeka
 Executive Vice President, I. C. & S.

² The year in which the refueling outage started is shown. Some refueling outages extend over two calendar years, and the actual, budgeted or forecasted value reflects this fact where applicable.

(REVISED)

MODIFIED SEABROOK LICENSE CONDITIONS

- A. For a period of three years from the date of issuance of the NRC license amendment approving the transfer of management authority to NAESCO, the licensee shall inform the Director, NRR, at least 60 days in advance, of any change in the senior site official for the Seabrook facility, or in the principal duties of such official, unless such change is due to unforeseen circumstances. In such circumstances, the licensee shall inform the Director, NRR, of such change as soon as it can reasonably do so.
- B. For a period of three years from the date of issuance of the NRC license amendment approving the transfer of management authority to NAESCO, the Joint Owners ~~Executive Committee~~ shall provide to the Director, NRR, promptly any report of the Oversight Committee or any report of the Operator or of any contractor or consultant which has been provided to the Joint Owners relating to: ~~any indication or discussion of plant design, equipment or personnel performance or plant operations that could have potentially adverse effects on facility safety; any changes to the employee concerns program that could have adverse effects on facility safety; employee harassment or intimidation or discrimination; any indication or discussion of any aspect of changes to any compensation incentive program that~~ which could have potentially adverse effects on facility safety; and any changes to the annual operations and maintenance and capital expenditure budgets. These reporting requirements are in addition to other requirements of NRC regulations.
- C. The oversight reports in B. shall be followed promptly by a report to the Director, NRR, by the Operator, reflecting the Operator's assessment of such report and proposed corrective action, if any. Submission of the Operator's assessment and proposed corrective action shall not delay submission of the report called for by license condition B. A review and assessment of the Operator's report by the ~~Executive Committee~~ Joint Owners shall be provided to the Director, NRR, together with ~~its~~ any corrective actions and disposition of the Operator's report.
- D. For a period of three years from the date of issuance of the NRC license amendment approving the transfer of management authority to NAESCO, the licensee shall inform the Director, NRR, of any changes to certain sections of the Joint Ownership Agreement and the Managing Agent Operating Agreement. These sections are: Sections 3.c, 7.a, 7.e, 8, 10, 11 and 16.b, as described in Appendix 1 of the July 19, 1990 settlement agreement between NU Settlement Agreement Dated as of July 19, 1990 Between Northeast Utilities Service Company and New England Power Company.

Enclosure 3

DRAFT

Mr. William B. Ellis
Chief Executive Officer
Chairman of the Board
Northeast Utilities
P. O. Box 270
Hartford, CT 06141-0270

Dear Mr. Ellis,

As you are aware, the NRC staff has recommended that the Commission approve amendments to the Seabrook Nuclear Generating Station license authorizing the transfer of operations and partial ownership of Seabrook from the Public Service Company of New Hampshire to newly formed subsidiaries of the Northeast Utilities Company. During the Commission meeting on the proposed transfer on May 11, 1992, you were asked to provide the Commission with written assurances that adequate financial resources would be provided for nuclear operations at Seabrook as well as at the Millstone and Haddam Neck facilities. The Commission has received the requested plans and commitments. These plans and commitments appear to be responsive to the Commission request, and indicate that the resources projected to be applied to improving the safety performance of NU's Connecticut nuclear plants will not be reduced until the NRC Staff is apprised, on a timely basis, of those projected changes and the reason for those changes. Moreover, you committed to:

- Complete Phase II of the PEP in June 1992.
- Summarize the results in a docketed letter to the NRC promptly after it is completed.
- Ensure that the PEP is acceptable to the NRC.
- Authorize the addition of any resources necessary to implement the PEP.

Enclosure 4

- Provide periodic updates to the Staff on the progress of PEP implementation.
- Keep the NRC Staff apprised on a timely basis of any significant changes in the O&M and capital budgets and projections presented in the attachment for calendar years 1992-1995, including an explanation for any such changes.

We find these commitments to be acceptable.

Based upon a review of the NRC staff recommendations and the information provided by Northeast Utilities, the Public Service Company of New Hampshire and the Seabrook Joint Owners, the Commission has authorized the staff to issue the necessary licensing documents to approve the Seabrook transfer, including the license conditions enclosed with this letter. The staff is now preparing the necessary formal documentation, and it is emphasized that the transfer does not become effective until the staff has issued the appropriate amendments to the Seabrook license. We expect to complete this action within the next several weeks.

Sincerely,

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Enclosure:
Modified Seabrook License Conditions

cc: T. C. Feigenbaum, NHY
R. J. Grossi, Seabrook
Joint Owners