

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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SEABROOK TO NORTHEAST UTILITIES

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BRIEFING ON PROPOSED TRANSFER OF PSNH
OWNERSHIP OF SEABROOK TO NORTHEAST UTILITIES

- - - -

PUBLIC MEETING

Nuclear Regulatory Commission
One White Flint North
Rockville, Maryland

Monday, May 11, 1992

The Commission met in open session,
pursuant to notice, at 10:00 a.m., Ivan Selin,
Chairman, presiding.

COMMISSIONERS PRESENT:

- IVAN SELIN, Chairman of the Commission
- KENNETH C. ROGERS, Commissioner
- FORREST J. REMICK, Commissioner
- JAMES R. CURTISS, Commissioner
- E. GAIL de PLANQUE, Commissioner

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STAFF SEATED AT THE COMMISSION TABLE:

SAMUEL J. CHILK, Secretary

WILLIAM C. PARLER, General Counsel

KEN H. RT, Office of the Secretary

JAMES TAYLOR, Executive Director for Operations

THOMAS MURLEY, Director, NRR

THOMAS MARTIN, Administrator, Region I

JAMES PARTLOW, NRR

GORDON EDISON, NRR

NORTHEAST UTILITIES:

WILLIAM ELLIS, Chairman and CEO

BERNARD FOX, President and Chief Operating Officer

JOHN OPEKA, Executive Vice President

PUBLIC SERVICE CO. OF NEW HAMPSHIRE, YANKEE DIVISION:

TED FEIGENBAUM, President and CEO

RICHARD GROSSI, Chairman and CEO, United Illuminating Company and Chairman, Executive Committee, Seabrook Joint Owners

NUCLEAR INFORMATION RESOURCE SERVICE FOR SEACOAST ANTI-POLLUTION LEAGUE (APL):

JEFFREY SOSLAND

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P-R-O-C-E-E-D-I-N-G-S

10:00 a.m.

CHAIRMAN SELIN: Good morning, ladies and gentlemen.

Due to the import of this morning's proceedings, my opening comments will be a bit longer than usual. However, I believe that this introduction is necessary to bring focus to today's meeting.

This morning the Commission will be briefed on the proposed merger of the Public Service Company of New Hampshire and Northeast Utilities. This is an important matter for the Commission to decide and we understand and appreciate the importance of this merger for the utilities involved.

The Commission will hear today from four parties. First, the concerned utilities. Northeast Utilities first and then the Public Service of New Hampshire, from the NRC staff and from the Seabrook Anti-Pollution League, a public interest organization.

The staff's analysis of the proposed acquisition of the Seabrook Station by Northeast Utilities was forwarded to the Commission in SECY-92-099 and SECY-92-156. These papers will constitute an important part of the discussion today. They have already been placed in the public document room and

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1 are available at the sides of the meeting room.

2 Basically, the staff has put before us two
3 license amendment requests. The first concerns the
4 transfer of the management authority for Seabrook to
5 the North Atlantic Energy Service Company or NAESCO,
6 a newly formed subsidiary of Northeast Utilities.

7 The second request concerns the transfer
8 of the ownership shares of the Public Service of New
9 Hampshire to the North Atlantic Energy Company,
10 another newly formed Northeast Utilities subsidiary.

11 If approved by the NRC, Northeast
12 Utilities, through its subsidiaries, Connecticut Light
13 and Power Company and the North Atlantic Energy
14 Company, would own 40 percent of Seabrook.
15 Separately, the North Atlantic Energy Service Company,
16 Northeast Utilities operating subsidiary, would be
17 responsible for day to day operations at the Seabrook
18 plant. Additional oversight would be provided by the
19 Seabrook Joint Owners.

20 A matter of significant concern to the
21 Commission while considering this merger request has
22 been the allegations of intimidation and harassment of
23 employees reporting potential safety concerns against
24 Northeast Utilities in conjunction with its ownership
25 and operation of the Millstone facility. These

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1 concerns were addressed by the NRC via a special
2 review group. The executive summary of the report of
3 this special review group has been publicly released.

4 The Commission and the NRC staff have been
5 concerned with the decline in performance of Millstone
6 plants over the past several years. The Commission is
7 looking forward to hearing from NU's management on the
8 steps being taken to improve the safety performance at
9 the Millstone facility while at the same time
10 acquiring the ownership and operating interest in the
11 Seabrook facility.

12 This merger has already been approved by
13 the New Hampshire, Connecticut and Maine public
14 utility commissions, the Vermont Public Service Board,
15 and the Federal Energy Regulatory Commission. The
16 Securities and Exchange Commission is awaiting the NRC
17 decision before they act.

18 Staff evaluation of anti-trust issues for
19 Seabrook and Millstone has also been completed. These
20 evaluations determined that no significant changes
21 will result from the merger.

22 Finally, it's important to understand that
23 the crux of the Commission's interest is whether as a
24 result of this merger Northeast Utilities will have
25 the capabilities, both financially and managerially,

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1 to safely operate the five nuclear plants that would
2 be under your ownership and operational control.

3 Do any of the Commissioners have remarks
4 they'd care to make?

5 If not, the Commission welcomes Northeast
6 Utilities management, Mr. Ellis, Mr. Fox, Mr. Opeka.
7 You may proceed.

8 DOCTOR ELLIS: Thank you, sir.

9 Good morning, Mr. Chairman, Commissioners.
10 My name is Bill Ellis. I'm the Chairman and Chief
11 Executive Officer of Northeast Utilities and with me
12 are Bernie Fox, who is NU's President and Chief
13 Operating Officer, and John Opeka, Executive Vice
14 President for Nuclear at Northeast. The three of us,
15 of course, are available to answer questions you may
16 have.

17 I'd like to spend just a moment
18 summarizing for you Northeast Utilities itself.
19 There's obviously much material available to you and,
20 as you can see from slides, which I hope are available
21 before your eyes this very moment to focus on, the
22 company serves most of Connecticut and a good part of
23 Western Massachusetts in terms of electric service.
24 We have over 1.2 million customers in those
25 territories and we do that work through operating

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1 companies in both of those states.

2 We also, through the Northeast Nuclear
3 Energy Company, operate the Millstone Nuclear Power
4 Station and through the Connecticut Yankee Atomic
5 Power Company we operate the Haddam Neck plant.

6 Northeast Utilities is clearly a nuclear-
7 oriented company. Almost half of our \$6.6 billion in
8 assets is involved in our nuclear facilities. Our
9 operating revenues were \$2.75 billion in 1991. We
10 employ about 8,000 people, of whom 2200 are directly
11 involved in our nuclear operations.

12 (Slide) This next slide allows you to see
13 how we stand with regard to ownership of nuclear
14 facilities in New England. We own some or all of all
15 but one nuclear facilities in New England. It
16 wouldn't surprise you that well over 50 percent and
17 often 60 percent of the power that we generate for our
18 customers has come from nuclear power and that would
19 continue to be the case even after the merger with
20 Public Service of New Hampshire.

21 The capacity factors during the ten year
22 period 1981 to 1990 for the three Millstone units and
23 the Haddam Neck plant were about, we're proud to say,
24 ten percent above industry averages. However, our
25 combined capacity factor in 1991 decreased to about 42

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1 percent. While we are not by any means satisfied with
2 that performance, the lower number in part reflects
3 our total commitment to safety over reliability or
4 efficiency in that conservative decisions were made
5 not to restart several of the units so that we could
6 responsibly address several issues.

7 As one important example, the Millstone
8 Unit's delayed restart to complete an extensive piping
9 inspection program to provide reasonable assurance
10 that no further pipe breaks would occur in the future.

11 Now, let me turn to the question you
12 raised, Mr. Chairman, about NU's financial health and
13 stability. One of the major benefits that the pending
14 merger has brought is further financial stability to
15 the Seabrook project over the last four years. During
16 this time we've been an active financial supporter of
17 the project, going beyond our own four percent share,
18 particularly when other joint owners were unable to
19 provide their own share of funding.

20 Furthermore, our financial health is
21 improving. Our major subsidiaries have bond ratings
22 that range from BBB to A- and very recently Fitch
23 Investors upgraded the bond ratings of our CL&P
24 subsidiary to A-. They specifically noted improved
25 financial performance in cash earnings. NU's stock is

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1 currently trading at approximately 155 percent of
2 book. The five year cash projection for the company
3 is, on average, over 150 percent of the forecasted
4 construction expenditures that we see. And
5 importantly, recently we sold a large issue of NU
6 common stock at a very good price, further reinforcing
7 NU's reputation for having a strong financial outlook.
8 And some of you --

9 CHAIRMAN SELIN: Excuse me, Doctor Ellis.

10 DOCTOR ELLIS: I beg your pardon, sir.

11 CHAIRMAN SELIN: Does that mean that today
12 you're in the financial position to affect the merger
13 if it were, say, approved today?

14 DOCTOR ELLIS: Yes, sir. There is a bond
15 financing that's necessary for one of the subsidiaries
16 that's expected and there should be no difficulty with
17 that. But from an equity point of view, we are all
18 but there. We have some short-term debt, a few tens
19 of millions to take down at the last minute and that's
20 about it.

21 Some of you may have read about a so-
22 called \$728 million budget gap in the new media. If
23 you would allow me, I'd like to put this in some
24 perspective for you. Some media have inaccurately
25 portrayed this figure as expected operating losses and

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1 that is just not the case. This number which comes
2 from a five year -- which is a five year cumulative
3 value was published in our internal business plan, a
4 plan we try to maintain and update so that all
5 management employees of the company, of course, are up
6 to date on what our challenges are in the business and
7 a copy of that plan was made available to the NRC
8 staff shortly after it was published.

9 The number that was reported represents
10 nothing more than a target, a size of a challenge that
11 during the period 1992 to 1996 we must deal with in
12 order to have the very happy result of healthy returns
13 as well as competitive rates.

14 I'd imagine that a great many other New
15 England utilities are dealing with similar financial
16 challenges as a result of the recession and I happen
17 to know of a couple who are dealing with it in quite
18 the same aggressive fashion that we are. The
19 projection does not suggest that we'll be unable to
20 recover our cost of operations from our ratepayers.
21 It has no affect on our commitment to ensure the
22 safety of the Seabrook plant. Similarly, this
23 analysis does not suggest that anything less than the
24 full complement of resources that are needed to
25 achieve operational excellence at Millstone will be

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1 provided.

2 Our goal is to reduce or eliminate the
3 gap, just as we have successfully closed such gaps in
4 the past by relying on a combination of several
5 factors, including potentially, early fossil plant
6 retirements of our more expensive and older fossil
7 units, earning extra returns from development and
8 implementation and oversight of conversation load
9 management programs, increasing capacity sales,
10 supporting state-initiated economic development
11 efforts, consolidation of our field operations and a
12 number of other measures. With a PSNH affiliation in
13 place, we expect NU's financial condition to further
14 improve as the financial benefits from economies of
15 scale and other factors are realized.

16 CHAIRMAN SELIN: Doctor Ellis, may I --

17 DOCTOR ELLIS: Yes, sir.

18 CHAIRMAN SELIN: I have a question to
19 ask --

20 DOCTOR ELLIS: Please.

21 CHAIRMAN SELIN: -- and this seems an
22 appropriate point. You know I've been concerned about
23 the adequacy of resources in nuclear operations. As
24 you pointed out, the press report misquoted me. It's
25 not a question about whether Northeast Utilities has

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1 the total amount of resources to do the job, but what
2 are your intentions for allocating these resources to
3 the issues of question to the Commission.

4 In particular, the utility has published
5 reports that you would hope to get as much as ten
6 percent economies in generating costs by combining
7 some of the overhead operations to deal with Seabrook
8 with your other four operating plants. Obviously
9 we're in favor of whatever efficiencies can be
10 achieved. But we are concerned that those savings not
11 be taken in advance and that some fair amount of
12 resources be kept in the company until you have
13 demonstrated that operations at Seabrook will continue
14 to be at their current quite good level and that
15 operations at Millstone will continue to improve.

16 So, with that long introduction, would you
17 care to tell us what your plans are for the savings
18 that you might generate or you might achieve in
19 reducing these generating costs? In particular, what
20 your plans are for allocating resources both to
21 Seabrook and to Millstone.

22 DOCTOR ELLIS: Mr. Chairman, I will call
23 on Mr. Opeka to help me with this, if I may, but let
24 me say in the overall that the levels of operational
25 resources for Seabrook, I think those levels have

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1 already been worked out and you see in place that we
2 can rely upon for the long-term future in the
3 operation of that plant without their being any
4 changes certainly on an operational or plant
5 operations basis.

6 Further, we are committed to see to it
7 that whatever resources are needed at Seabrook or at
8 Millstone, as you know we have made very clear, will
9 be provided as soon as it is obvious that they are
10 needed and would be useful for the excellent operation
11 of the plants.

12 Mr. Opeka?

13 MR. OPEKA: Mr. Chairman, when we -- four
14 years ago when we started getting involved in the
15 takeover or the merger of PSNH, we had planned to
16 structure the Seabrook organization very similar to
17 what we have at the three Millstone plants and
18 Connecticut Yankee where you have a large engineering
19 force at our corporate office that would provide the
20 engineering support for the plants. During the last
21 couple of years though in having discussions with
22 Seabrook, and also meeting your requirement that the
23 merger and the operation transfer of Seabrook be done
24 in essentially a bumpless fashion, we worked with
25 Seabrook personnel and came up with a different

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1 organizational structure which is basically the same
2 as what they have right there now, which is that they
3 would have essentially a stand-alone organization with
4 their engineering forces there. They rely on Yankee
5 Atomic for outside engineering support.

6 But in addition, with your approval, then
7 the Northeast Utilities Services Company, which
8 provides engineering and technical support to the four
9 existing plants, would also be available to provide
10 support to Seabrook if we can provide that support
11 best and at the least cost.

12 So, right now we do not see a major change
13 in the organization at Seabrook. In fact, one
14 significant thing is that Ed Feigenbaum, who is the
15 President right there and also the Chief Nuclear
16 Officer, will remain the chief nuclear officer while
17 I will be the Chief Nuclear Officer of the three
18 Millstone plants and Connecticut Yankee. That's
19 probably the most significant difference. What we
20 will do it --

21 CHAIRMAN SELIN: It's not the
22 organization, it's the resources that I'm concerned
23 about. For instance, where would this projected
24 saving come from, this ten percent? If I don't have
25 the figures right, please correct me.

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1 MR. OPEKA: I'm not sure if it's ten
2 percent. But one of the things that happened when we
3 sat down with the Seabrook organization to determine
4 what is the best organization, they came up with
5 changes and reductions in their work force as they
6 were going from a plant in a construction phase to a
7 plant in operations. They've made a number of those
8 changes already, particularly by reducing the use of
9 outside contractors.

10 CHAIRMAN SELIN: So these are changes not
11 to do with the change in the management structure, but
12 just a natural evolution of the --

13 MR. OPEKA: Right. That's right. And one
14 of the things that we want to concentrate on is to
15 provide support through their organization mostly in
16 the administrative and general areas where we could
17 provide certain benefits to them in the human
18 resources area where essentially they can get the same
19 output at lesser cost, but it won't affect the
20 technical and overall operation of the plant.

21 CHAIRMAN SELIN: Okay. Why don't we come
22 back to this topic a little bit later. But clearly
23 it's a major question of interest that you not take
24 the savings preemptively, that the Northeast
25 Utilities' improvements in performance be seen before

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1 cuts are made. In particular, that the history that
2 turned up in the SRG report of managers not feeling
3 they had the resources at the time to carry out steps
4 that they thought should be carried out and not be
5 repeated at Millstone.

6 DOCTOR ELLIS: And I think, Mr. Chairman,
7 that as Mr. Opeka has pointed out, there should be a
8 cause for a good deal of confidence for stability at
9 Seabrook since so much of whatever changes in
10 operating expenditures there have already been
11 achieved, committed to and I think the organization is
12 well used to it and doing very well in operating at
13 these levels, as you well know.

14 One of the questions, in fact, that we're
15 aware you do have an interest in is what it is that we
16 are doing to see to it that the high level of
17 performance that Seabrook has been able to achieve in
18 the last couple of years won't be hurt in the overall
19 and not only in some narrow areas.

20 The first thing I'd like to do in
21 answering that is to emphasize that we at NU very
22 deeply respect -- because we know how hard it is to be
23 good, we respect and value the achievements there at
24 New Hampshire Yankee in the first years of operation,
25 and obviously in no way would we take any action that

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1 would do anything to adversely affect that operation.

2 Our approach thus far has been gradual,
3 it's been careful and it's been very thoughtful. We
4 have worked very closely with Ted Feigenbaum and the
5 entire staff there to assure that when the transition
6 occurs it does so without a bump, without a hiccup.
7 We clearly have significant incentive to preserve the
8 achievements that have been gained at Seabrook. It's
9 a smooth running and a very safety oriented
10 organization. In fact, what we plan to do further is
11 to work with Ted to identify those elements that he's
12 considered to be important in achieving what he's
13 achieved so that we see to it that we sustain them and
14 reinforce them and preserve them.

15 Equally important, Northeast Utilities, as
16 I've said, is prepared to maintain and even to add
17 resources as it's necessary and whenever it's
18 necessary to continue with the excellent safety and
19 operational performance at that station.

20 I'd also like to spend just a minute
21 discussing the nuclear program in general terms at
22 Northeast Utilities, because you obviously refer to
23 that in the course of evaluating the appropriateness
24 of our being involved in the operation of Seabrook.

25 Our first priority has been and always

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1 will be nuclear safety. We recognize that the
2 Millstone SALP ratings, including the results that we
3 received just this last week, have declined. As we
4 have said openly throughout the period during which
5 this decline was being recognized, we are absolutely
6 not satisfied with this performance. As a result of
7 the performance concerns that have been identified and
8 that were identified earlier, our nuclear organization
9 formed four self-assessment task forces way back in
10 the summer of 1991 whose job it was to address the
11 prime areas of concern in great detail. The output
12 from these task forces has resulted in a series of
13 recommendations that already have been and are being
14 implemented. In addition, in October of 1991, we
15 authorized an increase of approximately 200 percent in
16 our nuclear staff as part of additional expenditures
17 in the budget and \$10 million to go along with that.
18 We recently restructured our nuclear organization, and
19 this has already begun to yield important benefits
20 such as a decidedly shorter chain of command.

21 CHAIRMAN SELIN: So I remember \$10 million
22 per -- was that for the station or for each of the
23 units?

24 DOCTOR ELLIS: For the entire station for
25 the year 1992. Then, as time allows us to add the 200

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1 people, to do so at the earliest possible date.

2 The shorter chain of command, by the way,
3 has been very helpful to us in enhancing teamwork and
4 getting our communications improved. We are
5 proceeding not only with diligence but with the help
6 of an outside consultant to develop and implement what
7 we'd call our performance enhancement program.

8 Now, the success of our nuclear program,
9 and importantly that restoration of the excellent
10 levels of performance that we've enjoyed in the past,
11 are the objective, the key objective of these efforts
12 and we're committed to seeing them through in the same
13 spirit in which we initiated them. The first phase of
14 the enhancement program has been completed and that
15 root causes have been determined and shared with the
16 NRC staff during our March 27 meeting at the Region I
17 offices. After action plans for that program are
18 finalized, we'll provide the staff with the results of
19 that in June. We're making a sincere and very
20 aggressive effort to critically self-evaluate our
21 performance, to learn from that effort the underlying
22 causes of the decline in our performance and to
23 structure a plan that will include the resources that
24 are necessary for that improvement.

25 In the overall process --

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1 CHAIRMAN SELIN: When would that plan
2 expect -- would you expect to have that plan
3 available?

4 DOCTOR ELLIS: In June, sir. Yes, sir.
5 We'd planned to present that --

6 CHAIRMAN SELIN: Including the resources
7 for the next several years?

8 DOCTOR ELLIS: Yes, sir, with outlines of
9 the resources piece by piece throughout the plan.
10 Whatever work we are doing there, all the while we're
11 doing the best we can to see to it that the NRC staff
12 is kept up to date on what we believe is a very timely
13 matter.

14 Now, another question that I understand
15 would be on your minds is that what steps has NU taken
16 or will we take to ensure that if the merger is
17 approved our Seabrook obligations and the burden of
18 that plant won't interfere with the need to stay
19 attentive to improvements needed at Millstone. The
20 first answer to this question is our management
21 commitment to safety and our commitment to
22 improvement. But second, we've learned some painful
23 lessons from our recent performance at Millstone and
24 this experience has, without any question, refocused
25 our attention. Third, we've delivered a message to

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1 our nuclear work force directly and without any
2 ambiguity that nuclear safety through excellence in
3 operations is our top priority. Lastly, although Ted
4 Feigenbaum and the Seabrook team will report to John
5 Opeka after the merger, Ted will remain the Chief
6 Nuclear Officer for Seabrook. As a result, the NU
7 nuclear organization will not be adversely affected by
8 the merger and will remain focused on our four plants
9 in Connecticut.

10 Now, let me address again what I believe
11 is an important --

12 CHAIRMAN SELIN: I'm sorry. Would you
13 repeat that last sentence, Doctor Ellis?

14 DOCTOR ELLIS: Yes, sir. As a result, the
15 NU nuclear organization will not be adversely affected
16 by the merger and will remain focused on our four
17 plants in Connecticut.

18 Now, let me again address what I believe
19 is an important concern of the NRC as directly as I
20 know how. That is our commitment to Seabrook. The
21 Seabrook operation and maintenance organizations and
22 the on-site technical support staff that are needed to
23 ensure Seabrook's continued performance at a high
24 quality level will remain essentially unchanged. Our
25 faith in this approach has certainly been reinforced

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1 by the performance of the Seabrook Station since
commercial operations.

3 As I believe you are aware, the Joint
4 Owners have general oversight responsibility for
5 policy making, for planning, financial, legal and
6 significant operational decisions related to Seabrook
7 which don't involve day to day operation of the plant.
8 I understand that Mr. Grossi later in this hour will
9 report to you more on the activities of the Joint
10 Owners in this respect. But what I'd like to
11 emphasize to you is that the Joint Owners control the
12 budget and resources for Seabrook and not Northeast
13 Utilities.

14 Further, to my earlier comments about
15 sustaining and enhancing operational performance at
16 Seabrook, what NU does bring to Seabrook is increased
17 resources and experience from our existing service
18 company and operating companies. This will enable
19 Seabrook to tap into our large pool of commercial
20 nuclear operating experience. All Seabrook employees
21 will become Northeast Utility System employees at the
22 time of the merger. Continuity and consistency with
23 the existing New Hampshire Yankee procedures will also
24 be maintained, and all operational matters will
25 continue to be handled by the Seabrook Station on site

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1 staff under Ted Feigenbaum, who will be the senior on-
2 site NAESCO officer and its chief nuclear officer.
3 These matters include maintenance, timing, security,
4 purchasing and ensuring conformance with the operating
5 license, with NRC regulations and with other necessary
6 regulatory requirements.

7 With the impending merger, informal
8 contacts and consultations between our two
9 organizations on technical and licensing issues have
10 already been increased. There have been numerous
11 formal exchanges such as attendance at each other's
12 safety review committee meetings and we're finding
13 this kind of free flow of information and willingness
14 to make the expenditures of time and resources that
15 such cooperation demands can be expected to increase
16 when the merger is consummated. Working within the
17 same umbrella organization, the five nuclear units
18 that will be part of the NU system will have the
19 procedures and other mechanisms needed to share
20 resources and information much more easily.

21 The bottom line is that after NU assumes
22 responsibility for Seabrook's operations, safe
23 operation of that plant will remain the top priority
24 for all of us, whatever it takes. Maintaining NU's
25 tradition of a strong safety ethic, of integrity, of

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1 honesty and openness is our overall objective. The
2 management commitment to improve our performance at
3 Millstone will not be diminished and will not
4 adversely affect or be adversely affected by Seabrook
5 operations or resources.

6 Let me emphasize once again that the
7 necessary resources will be provided to assure the
8 safe operation of Seabrook as well as our present
9 nuclear units.

10 In summary, NU is committed to excellence
11 in nuclear operations. We know that the public
12 demands this. Our own nuclear tradition and safety
13 ethic demands it. Our business interest demands it
14 and our course is definitely fixed on this.

15 I thank you for your attention. I'd be
16 happy to answer any further questions you have.

17 CHAIRMAN SELIN: Doctor Ellis, my own
18 personal interest is not so much what will happen at
19 Seabrook. I'm reasonably comfortable that you've made
20 arrangements to keep the operations going there,
21 although we'll look into that. It's more the
22 possibility that the commitments that Northeast
23 Utilities has made could conceivably redound in a
24 negative sense on Millstone and that's the trend of
25 the questions that I'r going to ask you.

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1 The first is, has Northeast Utilities made
2 any representations to any of the public utility
3 commissions or to your own board of directors about
4 savings that will come out of the merger that you
5 would not have had absent the merger? I'm not talking
6 about 1992 or 1993 compared to 91 because, as Mr.
7 Opeka said, there's a reduction in construction, et
8 cetera, but what savings you would obtain from the
9 merger that would not otherwise obtain if Public
10 Service of New Hampshire continued separate from
11 Northeast Utilities.

12 DOCTOR ELLIS: Yes, sir, we certainly
13 have, to the public, to regulatory bodies and to our
14 own board. In fact, that's the value that allows this
15 bankruptcy to be solved and everybody come out of it
16 with fairly decent rates as well as healthy companies.

17 CHAIRMAN SELIN: Could you describe these
18 commitments in terms of effects on rates or savings
19 reduction of losses or increased profit for the
20 corporation? Have you been that specific about what
21 the commitments were?

22 DOCTOR ELLIS: Well, in the first place,
23 increased profits should come from just the good
24 wholesome operation of a very fine market in New
25 Hampshire, if I may say that. The company itself --

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1 CHAIRMAN SELIN: Whether there's a merger
2 or not?

3 DOCTOR ELLIS: Well, the company would
4 enjoy the sales, as we find the original PSNH company
5 had such financing that was so burdensome that it
6 could not enjoy a prospect for profitability without
7 going through bankruptcy.

8 CHAIRMAN SELIN: So, one of the basis for
9 savings is not reduction in operating cost but
10 reduction in financing cost?

11 DOCTOR ELLIS: For Public Service New
12 Hampshire, yes, sir. The burden they could not bear
13 is now more bearable, but primarily because the action
14 of the bankruptcy court. But in order to bring value
15 into the merger that made that bankruptcy solution
16 much more feasible than it otherwise would have meant
17 savings through combined operations were necessary.
18 We, in fact, have talked about those. A good part of
19 those savings, not the majority but a good part of
20 them were to flow from the Seabrook and Northeast
21 Utilities' merger. But as Mr. Opeka has already
22 indicated, shortly after our closer affiliation with
23 the Seabrook Station after getting far down the road
24 towards the merger, we have become quite confident
25 that the nature of the savings and the reorganizations

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1 and the sharing of services that would be necessary
2 are for the most part already in place so that those
3 savings are in hand through this earlier affiliation,
4 not waiting for the actual merger to take place.

5 The rest of the dollars come, very
6 importantly, through just making better use of all of
7 our facilities. Not just nuclear at all, but our
8 fossil-fired plants, coal-fired plants. Since New
9 Hampshire is a winter peaking company and we are more
10 of a summer peaking company, just the improvement in
11 the load factors and the savings through need pool are
12 very significant.

13 There are obviously savings just in
14 combining our companies in non-nuclear arenas. We
15 have far more people in functions and resources that
16 are involved in non-nuclear activities than we do in
17 nuclear. So, the savings there are very significant.
18 They come from economies of scale, but they also have
19 come very importantly so far by Northeast Utilities
20 adopting some of the more austere approaches that the
21 non-nuclear part of PSNH had had to apply for the last
22 ten years in order to survive, so that those savings
23 have been very significant. They are piling up and
24 they are coming through just as we had committed to
25 them.

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1 CHAIRMAN SELIN: Before the merger?

2 DOCTOR ELLIS: Before the merger.

3 CHAIRMAN SELIN: Are you proposing any
4 specific reductions in nuclear O&M, nuclear
5 engineering, nuclear investment, corporate support for
6 the nuclear activities as a result of this merger?

7 DOCTOR ELLIS: I'll let Mr. Opeka answer.

8 MR. OPEKA: No, we are not. Seabrook has
9 a five year budget that has been reviewed by the Joint
10 Owners and has been approved. It reflects the
11 transition of the merger and it's there. We're not
12 planning on making -- suggesting any changes to that.
13 We can but it still has to be approved by the Joint
14 Owners because even though with the merger we're only
15 going to have 40 percent of the ownership and it takes
16 51 percent to approve any budget change.

17 CHAIRMAN SELIN: What about within
18 Northeast Utilities itself? Have you found places in
19 your corporate support or in your engineering support
20 or in any other nuclear related activities that you're
21 planning on making reductions in anticipation of the
22 merger?

23 MR. OPEKA: In the nuclear area,
24 definitely not. In fact, we just added, like you
25 said, 200 people and \$10 million. We're in the second

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1 phase of the performance enhancement program which I
2 believe will result in the addition of even additional
3 resources.

4 CHAIRMAN SELIN: Commissioner -- you'll
5 stay around for the whole meeting this morning, it's
6 fair to assume?

7 DOCTOR ELLIS: Yes, definitely.

8 CHAIRMAN SELIN: So, if we have questions
9 for you at the end, we can --

10 Commissioner Curtiss?

11 COMMISSIONER CURTISS: I do have a couple
12 of questions to follow up on questions the Chairman
13 raised.

14 If I recall correctly, the bankruptcy
15 disposition plan required you to achieve certain
16 synergies in the merger, as a result of the merger,
17 and the number that sticks in my mind was on the order
18 of \$300 million that would be achieved. Just a
19 follow-up on the answers to the Chairman's questions.
20 Your five year budget for Seabrook has been
21 established and will not be changed. Does the five
22 year budget reflect a reduction in what you'll commit
23 to Seabrook in O&M or staffing levels?

24 MR. OPEKA: Yes, it does, but it reflects
25 the reduction in essentially contractor personnel more

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1 than permanent as the plan goes from a construction
2 phase to an operational phase. The dollars associated
3 with that five year budget were used by our financial
4 people to come up with a change in the synergy savings
5 to support that \$300 million figure.

6 COMMISSIONER CURTISS: Okay. How much of
7 the synergies that you are expected to achieve had
8 already been achieved in dollar terms with what you've
9 got in place today?

10 MR. OPEKA: Well, when we talk about the
11 synergy savings, we're talking about the whole plan,
12 not just Seabrook. I don't have that figure.

13 DOCTOR ELLIS: Well, just deal with
14 Seabrook, if you would, and then we'll cover the other
15 matters.

16 MR. OPEKA: Well, with the Seabrook part,
17 the fact that the budget that they're using now is
18 substantially less than what was projected three years
19 ago, savings are already being achieved. I don't have
20 the specific numbers though.

21 DOCTOR ELLIS: And in fact, in my summary,
22 what I believe Mr. Opeka is saying is that in the
23 nuclear area and at Seabrook, those savings are
24 already there. In the other, the non-nuclear arenas,
25 it varies. We rushed forward to try to get whatever

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1 savings we could as early as possible merely through
2 the affiliation. But there are a number of savings,
3 for example those that would come through need pool
4 and the power dispatch exchange, that until it's an
5 official merger you can't get. But we know how to get
6 them and it's really a matter of just making it happen
7 after the merger.

8 COMMISSIONER CURTISS: Let me rephrase
9 what I think I've heard and see if it's what I have
10 heard. The synergies that you're expected to achieve
11 in the nuclear arena, staffing, O&M expenses, that
12 sort of thing, have already been achieved to date and
13 there are no further savings that you anticipate in
14 order to achieve those synergies. What's left to be
15 achieved are the synergies in the non-nuclear area?

16 MR. OPEKA: Right. We don't have to
17 achieve any additional savings in this nuclear area,
18 but one of the areas that we'll be working with with
19 the Seabrook organization is to try to come up with
20 savings in a non-technical operational area, in the
21 A&G area. There are opportunities there.

22 COMMISSIONER CURTISS: Okay. Second --

23 CHAIRMAN SELIN: What area is this?

24 MR. OPEKA: The administrative and general
25 area, like human resources, payroll, accounting, those

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1 areas. But those changes have to be approved by the
2 Joint Owners. So, whatever we recommend has to still
3 be approved by Joint Owners.

4 COMMISSIONER CURTISS: Just a second and
5 final question. You indicated that there won't be any
6 significant organizational impact at Seabrook, that
7 what we see today is essentially the operation as it
8 will continue under the merger, if the merger is
9 approved. Focusing on the area that has been a
10 particular interest and concern to the Commission at
11 Millstone, I&H, based upon what you experienced at
12 Millstone, are there any plans that you have or
13 thoughts that you have about how you would approach
14 the employee concern question at the Seabrook Station,
15 leave things just as they are, bolster the program to
16 ensure that some of the concerns that have arisen at
17 Millstone don't arise there? What is the thinking in
18 that regard?

19 MR. OPEKA: Right now our plans are to
20 leave Seabrook's process as it is right now. But as
21 we go through the performance enhancement program and
22 address the recommendations that are coming out of
23 these task forces, we will share any lessons learned
24 with the Seabrook organization, however.

25 COMMISSIONER CURTISS: Okay. Are you

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1 seeing any up-tick in the number of employee concerns
2 at Seabrook?

3 MR. OPEKA: I don't -- Ted Feigenbaum will
4 have to answer that. I can't.

5 COMMISSIONER CURTISS: All right. That's
6 all I have.

7 CHAIRMAN SELIN: To go a step further, if
8 you are putting into place these increased programs at
9 Millstone which are not yet in place and if you're
10 holding the nuclear spending constant at Seabrook, it
11 sounds as if the nuclear spending within Northeast
12 Utilities as a whole would actually go up a little bit
13 from, say, '92 to --

14 DOCTOR ELLIS: It may well, and this is
15 not unusual for us when we have areas for improvement.
16 For example, that while over the past several years we
17 have had reductions again to be competitive and to do
18 the right thing from a business point of view. We've
19 found ourselves needing to and completely able to pump
20 a good deal of money into transmission and
21 distribution because we had reliability problems. If
22 it's needed, we'd do it and the organization adjusts
23 very happily to that.

24 CHAIRMAN SELIN: Commissioner Rogers?
25 Commissioner Remick?

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1 COMMISSIONER REMICK: When was the most
2 recent INPO corporate evaluation on Northeast
3 Utilities?

4 MR. OPEKA: That was about a year ago.

5 COMMISSIONER REMICK: Year ago? Was there
6 any consistency with any findings or recommendations
7 they might have had and any findings and root causes
8 in the performance enhancement program, phase 1? Is
9 there any consistency between those?

10 MR. OPEKA: There was some in the
11 procedural compliance area and the tagging area. So,
12 there was some consistency, but not totally.

13 COMMISSIONER REMICK: And what is the
14 status of implementation of any of the recommendations
15 or findings of that.

16 MR. OPEKA: Well, I don't have an update
17 on where we are, but we are addressing those INPO
18 concerns. But more importantly, instead of having a
19 number of improvement programs, what we've done is try
20 to factor in not only these four self-assessment
21 action group findings but also our five year plan and
22 also interviews with people as well as documents like
23 the INPO document into one overall program which is
24 called the PEP program that we can focus on.

25 COMMISSIONER REMICK: So they're

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1 incorporated into PEP and would be implemented in
2 phase 2?

3 MR. OPEKA: Yes. Now, I can't say that
4 all the INPO items are in there, but many of them, I
5 would think, would be in there.

6 COMMISSIONER REMICK: Okay. I think, Mr.
7 Ellis, you said that NU nuclear organization will
8 remain focused on the four Connecticut plants. I
9 think I know why you said that, but one could say,
10 "Well, NU is going to ignore Seabrook." I assume
11 that's because NAESCO will be performing the
12 equivalent for Seabrook that your nuclear organization
13 of NU would be performing for the other four plants.
14 Is that a proper interpretation or is there some other
15 interpretation?

16 DOCTOR ELLIS: Yes, sir, and you obviously
17 reached out to my intent because I'm trying to answer
18 the question of how after the merger -- how is it that
19 taking on Seabrook does not represent a new complex
20 burden that in addition to the other burdens, but I'm
21 trying to point out that Seabrook, as it is organized
22 and it is operating, has already dealt with the
23 complexities and the difficulties. It's operating
24 quite well. Therefore, without doing a lot of
25 internal changing and, in fact, expecting the chief

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1 nuclear officer there to -- and providing him the
2 resources and the authority to continue doing what he
3 has been doing with oversight that does not interfere
4 with Millstone is what we intend to do.

5 Mr. Opeka's focus with regard to
6 improvement activities and change will be at
7 Millstone.

8 COMMISSIONER REMICK: Thank you.

9 CHAIRMAN SELIN: Doctor Ellis, before you
10 all step down, let me just point out what we'd like to
11 hear something other than just general assurances
12 about and it's the following question. It's not that
13 Seabrook will necessarily have a problem coming into
14 Northeast Utilities and it's not that Mr. Opeka and
15 his team's management will be spread into Seabrook and
16 therefore not be able to put enough emphasis on
17 Millstone, it is that you may have made commitments to
18 reducing budgets that you would feel obligated to
19 carry out before the results of the improvements at
20 Millstone and the satisfactory operation of Seabrook
21 were evident. The kind of thing we're thinking about
22 is being given a projection of your capital and your
23 O&M budgets for the entire nuclear program and some
24 commitments to keep up with -- to satisfy the staff
25 and keep up with these until all parties agree that

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1 improvements are shown and then wherever those savings
2 can be taken. If you can reduce administrative and
3 general costs, for instance, without impacting safety,
4 we'd like to see those savings stay in the company
5 until we see the improvements not paid out shortly.

6 One of the reasons we wanted Mr. Fox here,
7 quite frankly, is that these will be long-term
8 commitments. You've announced that you won't continue
9 indefinitely as the CEO. We want to make sure that
10 the Board of Northeast Utilities, not just the Board
11 of Seabrook, understands what these commitments are.
12 Perhaps at the end, after all the parties have
13 discussed, you'd be in a position to discuss what
14 undertakings you might be willing to take in this
15 respect.

16 MR. OPEKA: Yes, sir.

17 CHAIRMAN SELIN: Okay. Thank you very
18 much.

19 Could we have the PSNH group?

20 You'd better keep your name cards. You're
21 going to need them later.

22 Good morning, Mr. Feigenbaum, Mr. Grossi.

23 MR. FEIGENBAUM: Good morning, Mr.
24 Chairman, Commissioners. My name is Ted Feigenbaum
25 and I'm the President and Chief Executive Officer of

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1 New Hampshire Yankee Division of Public Service
2 Company of New Hampshire.

3 My remarks today will be brief and I'd
4 like to start, first of all, by thanking the
5 Commission for providing this opportunity to address
6 you on New Hampshire Yankee's view of the proposed
7 amendments to the Seabrook Station operating license
8 that are currently before you.

9 Following me as speaker will be Mr.
10 Richard Grossi, the Chairman and Chief Executive
11 Officer of United Illuminating Company, our second
12 largest donor, and he is also Chairman of the Seabrook
13 Station Joint Owner Executive Committee. He'll
14 briefly summarize the views of the Joint Owners on the
15 proposed transfer of the managing agent
16 responsibilities and PSNH's ownership share of
17 Seabrook.

18 New Hampshire Yankee received its full
19 power operating license in March of 1990 and has been
20 successfully operating Seabrook Station for 26 months.
21 Our overall capacity factor has thus far been about 77
22 percent and we've been operating for 206 consecutive
23 days since restart from our first refueling outage.

24 More importantly, we continue to operate
25 the plant with a conservative philosophy that's

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1 characterized by self-assessment and independent
2 review. This philosophy and this attitude towards
3 operations will not change with the merger and the
4 ownership transfer. In fact, as Mr. Grossi will
5 describe in a few minutes, the Joint Owners have
6 established yet another mechanism for independent
7 review after the transfer in the form of an oversight
8 committee.

9 (Slide) I'd like to briefly describe the
10 corporate interrelationships now and as they will be
11 after the proposed transfer. The first slide depicts
12 our present corporate organization. I have overall
13 site responsibility for day to day operations and
14 report to PSNH for technical and quality matters. I
15 also report to the Joint Owners, generally through the
16 executive committee, for financial, budgeting, policy
17 making, planning and legal matters as well as
18 significant operational decisions that do not involve
19 day to day operation of the plant.

20 Now, upon receipt of all regulatory
21 approvals and consummation of the merger, my entire
22 staff and I will become employees of North Atlantic
23 Energy Service Corporation, which we refer to NAESCO,
24 and that is a wholly-owned subsidiary of Northeast
25 Utilities. My title will then be Senior Vice

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1 President and Chief Nuclear Officer of NAESCO.

2 Now, as the senior site official, I will
3 have the necessary authority and resources to safely
4 operate Seabrook Station. In fact, we do not project
5 any significant change in Seabrook's staffing
6 whatsoever.

7 (Slide) The next slide depicts the
8 corporate interrelationships after the proposed
9 transfer. As you can see, I'll have a similar set of
10 reporting relationships. I'll report to NU for
11 corporate oversight, particularly with respect to
12 technical and quality assurance matters, but I'll
13 continue to report to the Joint Owners, just as I do
14 today, on financial, budgeting, policy making,
15 planning and legal matters again, as well as any
16 significant operational decisions not involving day to
17 day operation of the plant.

18 Now, since the merger was first proposed,
19 we've worked very hard to prepare for the affiliation
20 with Northeast Utilities and to ensure that the
21 transition is a smooth one. Northeast Utilities has
22 been extremely cooperative in this effort. We've had
23 numerous counterpart meetings with Northeast and New
24 Hampshire Yankee staffs on common technical issues.
25 These meetings have helped to develop good

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1 communications and working relationships that are
2 necessary for the effective technical interchange that
3 has already benefitted both our companies.

4 New Hampshire Yankee is fully prepared for
5 the implementation of the managing agent transfer. As
6 the operator of Seabrook Station, our staff looks
7 forward to the formalization of our affiliation with
8 Northeast Utilities and the benefits that the
9 collective technical expertise and operating
10 experience of the companies will bring.

11 For our employees, the consummation of the
12 merger will end the anxiety that's been associated
13 with the uncertainty of the final outcome of the PSNH
14 bankruptcy. It will signify corporate stability and
15 will open up wider career paths and greater
16 opportunity for individual employee growth throughout
17 the Northeast Utility organization.

18 Finally, I can tell you that my staff and
19 I have reviewed the license conditions proposed by the
20 NRC staff in connection with the managing agent
21 transfer. We understand their intent and we are
22 prepared to fully comply with them. We do hope,
23 however, that the Commission will consider the
24 comments that we provided to the staff to ensure that
25 the final wording of the license conditions properly

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1 reflects the intent of the NRC.

2 And, Commissioner Curtiss, in regard to
3 your question, we have not detected any increasing
4 trend whatsoever on allegations and none that deal
5 with the affiliation with NU that's proposed. We've
6 had a very good communications plan in preparation for
7 the affiliation, a lot of discussion. We've managed
8 expectations of our employees, I think, quite well and
9 they know what to expect and there is a lot of
10 communication and I believe the transfer will be
11 bumpless and there will be no surprises.

12 At this point, I'd like to introduce Dick
13 Grossi, the Chairman of the Joint Owner Executive
14 Committee.

15 MR. GROSSI: Ted, thank you.

16 Good morning, Mr. Chairman, Commissioners.

17 My name is Richard Grossi and, as Ted
18 indicated, I am the Chairman and Chief Executive
19 Officer of the United Illuminating Company, which owns
20 seventeen and one-half percent of Seabrook Station,
21 making my company the second largest joint owner.
22 Today, though, I'm here to address you in my capacity
23 as Chairman of the Executive Committee of the Seabrook
24 Station Joint Owners.

25 I do welcome the opportunity to address

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1 the full Commission on the role of the Joint Owners in
2 overseeing the overall operation of the Seabrook
3 facility. As you know, Seabrook Station is jointly
4 owned by a group of 12 utilities. The Public Service
5 Company of New Hampshire currently has the largest
6 ownership interest at something in excess of 35
7 percent. When the merger is completed, Northeast
8 Utilities will have the largest interest at 40
9 percent.

10 The Executive Committee that I chair is a
11 five member body established to provide general
12 oversight of the operation of Seabrook Station and to
13 provide direction and guidance in policy making,
14 financial and legal matters. We are, however, not
15 involved, and this is very important, we are not
16 involved in the day to day management of the plant.
17 That responsibility presently rests with New Hampshire
18 Yankee.

19 The license amendment before you today
20 would transfer the responsibility of managing agent to
21 the North Atlantic Energy Service Corporation. While
22 the affiliation of the operator will change, it is of
23 particular importance to the owners that the same
24 proven staff will continue to operate Seabrook Station
25 after the merger with the same careful and deliberate

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1 approach that they have demonstrated to date. I
2 thought it was important for me to take this
3 opportunity to come before you and tell you that the
4 Joint Owners support having NAESCO as the managing
5 agent for Seabrook Station and that we will provide
6 them with the financial and moral support needed to
7 ensure continued successful operations.

8 Although there will be no single owner
9 with a majority interest even after the merger, the
10 Joint Owners have taken some extraordinary steps to
11 protect the interests of the owners that are not
12 affiliated with Northeast Utilities. These steps
13 include revision of the rules on representation on the
14 Executive Committee that ensure that no owner and its
15 affiliates have more than one vote on the five person
16 committee and, further, there is to be the
17 establishment of an oversight committee with nuclear
18 technical expertise that shall report directly to
19 owners not affiliated with NAESCO.

20 The Executive Committee will be organized
21 so that no owner and its affiliates will be allowed to
22 appoint more than one member. As a result, Northeast
23 Utilities, which through its subsidiaries North
24 Atlantic Energy Corporation and Connecticut Light and
25 Power would have about a 40 percent ownership share of

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1 Seabrook Station after the merger, will only have one
2 representative on the five member committee and thus
3 it will be entitled to only one vote.

4 In addition, as I mentioned, an oversight
5 committee will be established that will provide
6 ongoing and independent oversight of the operation and
7 corporate support of Seabrook Station. It will be
8 comprised of individuals with substantial nuclear
9 experience and will report to the non-operating
10 participants or owners not affiliated with Northeast
11 Utilities. This committee, of course, in no way will
12 interfere with the responsibilities of the operator of
13 Seabrook Station, but they will have access to the
14 plant and will also review and assess internally and
15 externally-generated documents relating to the
16 operation and maintenance of Seabrook Station.

17 I am confident that this committee will
18 play a positive role in the safe and reliable
19 operation of Seabrook Station. As Ted mentioned, New
20 Hampshire Yankee has always been a great believer in
21 self-assessment and independent review. This
22 committee will provide a good mechanism for all of our
23 owners large and small to stay informed about the
24 Station and to help ensure that NAESCO receives the
25 support needed to continue to operate and maintain it

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1 successfully. I believe our ability to provide this
2 support will be improved by the merger.

3 Northeast Utilities is a strong
4 financially stable organization with a long track
5 record of excellence in nuclear operations and their
6 increased share will only bring new financial strength
7 to the ownership.

8 I want to thank you for this opportunity
9 to address you this morning and certainly Ted and I
10 would be happy to answer any questions that you might
11 have.

12 CHAIRMAN SELIN: Mr. Grossi, I just have
13 a fairly procedural question.

14 Today, when you have considerations that
15 affect Seabrook, you deal directly with the Yankee
16 Division or do you have to go through PSNH to -- what
17 role does the parent company have?

18 MR. GROSSI: No. I deal directly with
19 Ted. If Ted has a concern, he calls me at my office
20 in New Haven. If I have a question, I talk to him
21 directly and that relationship will continue.

22 CHAIRMAN SELIN: You would see no change
23 in the interaction between NU, NAESCO, and Mr.
24 Feigenbaum as a result of this merger?

25 MR. GROSSI: Frankly, from my point of

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1 view, I've summed this up very simply. I find this
2 entire transaction transparent as far as my dealings
3 and I and the Joint Owners expect to continue the
4 relationship we've enjoyed. And certainly the
5 communications that Mr. Feigenbaum and I have enjoyed,
6 I see that will not be impacted in any way.

7 CHAIRMAN SELIN: Mr. Feigenbaum, do you
8 see any practical differences in this relationship
9 compared to the previous relationship?

10 MR. FEIGENBAUM: No, I do not. I will be,
11 of course, reporting to a different individual, John
12 Opeka, Executive Vice President of Nuclear U., rather
13 than PSNH, for technical matters. I think the
14 practical changes will be positive in that, whereas
15 PSNH has not been a nuclear -- is not involved in
16 nuclear activities day to day, in fact dealing with
17 John Opeka and his staff will be a positive in that
18 they understand immediately what the issues are and
19 are probably dealing with the same issues we are day
20 to day. So, I view it as positive change.

21 CHAIRMAN SELIN: Commissioner Rogers?

22 COMMISSIONER ROGERS: Yes. This North
23 Atlantic Energy Service Corporation, will that have a
24 president? Your title will be Senior Vice President?

25 MR. FEIGENBAUM: Yes. I will be the

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1 Senior Site Official. It will have a president and
2 the president, I believe, although it has not been
3 formally -- an action has not been taken by the board
4 of directors of the company, my understanding is it
5 will be Bernard Fox who is going to be President of
6 the subsidiary, although that action has not
7 officially taken place yet.

8 COMMISSIONER ROGERS: I see. All right.
9 Thank you.

10 MR. FEIGENBAUM: NAESCO is a wholly-owned
11 subsidiary of Northeast.

12 CHAIRMAN SELIN: Commissioner Curt'ss?

13 COMMISSIONER CURTISS: Just two questions.

14 On the employee concern program, do you
15 have any plans to make any changes in your current
16 employee concern program or are you satisfied that
17 it's working well and will continue that way?

18 MR. FEIGENBAUM: We established an
19 employee concern program in the 1984 time frame during
20 construction and it's worked very successfully for us.
21 We have a dedicated individual who has some staff that
22 receive concerns and they can investigate them
23 themselves or they can use outside expertise if it's
24 necessary, if it goes beyond their own expertise. It
25 has been very effective and we plan to continue it as

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1 it is for the foreseeable future.

2 COMMISSIONER CURTISS: Okay. All right.

3 Just a quick question on the maintenance
4 front. When the Seabrook license was issued, the
5 maintenance area was the subject of some questions
6 here at the Commission in terms of how effective it
7 was and I know you've had an MTI out there since. In
8 looking -- and you may not have this information at
9 your fingertips, but, if you don't, I'd appreciate
10 seeing it. Do you know what your current maintenance
11 backlog is and how old that backlog is and how long it
12 will take to work it off?

13 MR. FEIGENBAUM: Well, we have, first of
14 all, a very significant maintenance improvement
15 program underway that has been underway even before
16 the inspection team arrived on site. We're working
17 very diligently to improve our procedures and do a
18 number of other things to make our maintenance program
19 more effective.

20 We have a goal, which we set and we
21 measure at the end of each quarter, of a backlog in
22 maintenance requests and the number is approximately
23 860 work requests in our backlog and --

24 COMMISSIONER CURTISS: That's your goal or
25 that's your actual number?

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1 MR. FEIGENBAUM: That's our goal, and for
2 the last quarter we did achieve that goal and we're
3 slightly under that number. That is a -- it may sound
4 like a significant number, but, actually, to keep the
5 process rolling, the paperwork and the spare parts, et
6 cetera, you have to have that size of a backlog to be
7 efficient and we've run under that for the end of
8 March period and I don't know exactly what the number
9 is, but it was probably 30 or 40 work requests below
10 that number.

11 COMMISSIONER CURTISS: Yes, the number can
12 be misleading depending upon how you define a
13 maintenance work request. When I was up there in
14 August of '90, we talked about this issue and at the
15 time your maintenance backlog was 830 and your goal
16 was 750. Does that reflect a redefinition of how you
17 define maintenance backlog or an increase in backlog?

18 MR. FEIGENBAUM: No, actually, maybe I
19 misstated it. It's 750 with a five percent tolerance
20 on it. So, if you add the five percent to it, I think
21 it comes out to 860.

22 COMMISSIONER CURTISS: You haven't changed
23 your goal yet?

24 MR. FEIGENBAUM: We have not changed the
25 goal, no. The nominal number is 750 with a five

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1 percent tolerance.

2 COMMISSIONER CURTISS: Okay. That's all
3 I have.

4 CHAIRMAN SELIN: I can't help but tell you
5 your arithmetic isn't right. It's 37 and a half, five
6 percent of 750.

7 MR. FEIGENBAUM: You're right. It's more
8 than five percent.

9 CHAIRMAN SELIN: You've got to be careful.
10 You shouldn't give Commissioners things that they can
11 figure out on their own, but I'm sure you'll follow-up
12 on that.

13 MR. FEIGENBAUM: There is a tolerance
14 defined that brings us up to --

15 CHAIRMAN SELIN: And there's the tolerance
16 to the tolerance, I guess.

17 Commissioner Remick?

18 COMMISSIONER REMICK: Just one question
19 addressed to both of you to answer as you see fit.

20 In the event the Commission does not
21 approve the transfer of the ownership and/or the
22 transfer of the operating responsibility, what impact
23 would you foresee, if any, of the impact on the Joint
24 Owners and, specifically, Public Service Company of
25 New Hampshire and what would you see in the operation

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1 of the plant?

2 MR. GROSSI: Well, I think -- well, Ted
3 can probably address the operation of the plant.

4 To be very frank with you, the merger not
5 moving ahead expeditiously as we had originally hoped
6 has caused a certain element of uncertainty and
7 uncertainty is not healthy, frankly. I don't think
8 it's healthy for the Joint Owners. It's not healthy
9 for the operation of the plant.

10 So, I really do think for all parties
11 concerned that this is an issue which should be
12 addressed as expeditiously as possible. Clearly, it
13 has not impacted the operation and we would not allow
14 it to, but some of those concerns, if the merger is
15 addressed, can be put to one side and those concerns
16 and efforts directed in more productive ways. So, I
17 would suggest that to the extent that we can that this
18 be resolved. It is, again, an area of uncertainty at
19 this point.

20 CHAIRMAN SELIN: Mr. Grossi, you didn't
21 answer Commissioner Remick's question. He said what
22 if the uncertainty were resolved but in a way that was
23 not attractive to you. What would the effect be?

24 MR. GROSSI: Well, I can't predict what
25 that resolution would be. Possibly, the Commission

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1 could help me on that, but what I'm saying at this
2 point is that, if the answer is held off, then we
3 continue with this state of uncertainty. If a
4 decision is made not to allow it --

5 COMMISSIONER REMICK: Right. If we made
6 that decision, what would you foresee of the impact on
7 the Public Service Company of New Hampshire and its
8 bankruptcy situation?

9 MR. GROSSI: I honestly could not address
10 that for New Hampshire.

11 COMMISSIONER REMICK: Okay.

12 MR. FEIGENBAUM: Let me just say, from the
13 plant's point of view, I think there would be
14 definitely a negative in terms of moral. We've been
15 looking forward to this merger for some time. I guess
16 it was first proposed in the '89 time frame and since
17 that period of time we've been expecting that at some
18 point we would be merged with Northeast Utilities.

19 There are career opportunities that would
20 be available to us under this merger, my entire staff,
21 that are not available today. In the last year, we've
22 been posting jobs from Northeast Utilities up at our
23 plant. There have been some people that have been
24 interested in taking those assignments and have put in
25 applications.

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1 I think that there would be no effect on
2 safety and the safe operation of the plant, but I
3 think a lot of people are looking forward to the kinds
4 of things that Northeast Utilities can do as a larger
5 organization that we're just not capable of doing with
6 our small size.

7 COMMISSIONER REMICK: Thank you.

8 CHAIRMAN SELIN: If I might just follow
9 up, would you see a net migration into, out of, or
10 sort of on balance the same from Seabrook to the rest
11 of Northeast Utilities in terms of personnel if a
12 merger did go through, not if the merger didn't?

13 MR. FEIGENBAUM: If the merger did not go
14 through?

15 CHAIRMAN SELIN: If the merger does go
16 through, do you expect -- how do you expect the
17 staffing to settle out?

18 MR. FEIGENBAUM: I would expect that there
19 would be some migration at the lower levels of the
20 organization, but not anything significant. I think
21 there may be some, a couple of percent a year, that
22 kind of --

23 CHAIRMAN SELIN: Which way?

24 MR. FEIGENBAUM: From Seabrook down to
25 Millstone and both ways, actually. I would expect

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1 there'd be some migration both ways, but relatively
2 small numbers.

3 COMMISSIONER ROGERS: Just coming back to
4 the question of consolidation of engineering and other
5 functions, the original scheme was to do more of that
6 and I understand now that engineering on the Seabrook
7 site will continue to support the site with always the
8 possibility of calling on the Northeast corporate
9 engineering if necessary. But, how large do you
10 expect that staff to remain, engineering on-site staff
11 to remain?

12 MR. FEIGENBAUM: Right now it's
13 approximately 100 people, 100, 110 people, and I'm not
14 envisioning any changes in our current staff. We have
15 over the last year -- we did have some Yankee Atomic
16 people that were on our staff at New Hampshire Yankee
17 and we've rolled them over, if you will, to become New
18 Hampshire Yankee employees, so there's been somewhat
19 of an increase in our staff but the number of bodies
20 has not changed because they're just now our
21 employees. After the merger, I don't expect any
22 significant changes.

23 In our entire organization in terms of
24 staffing, there will be some responsibility shifts in
25 the administrative and general areas Mr. Opeka and

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1 Doctor Ellis described, such things as benefit
2 administration and payroll administration and
3 accounting and things like that, but technically it
4 will not change.

5 COMMISSIONER ROGERS: What about the
6 training functions, operator training or --

7 MR. FEIGENBAUM: Same situation. Our
8 current training organization is going to remain
9 intact on-site, the current management team and the
10 current level of staffing that we currently enjoy.

11 COMMISSIONER ROGERS: Well, now that's
12 reassuring in one way, but how will you benefit from
13 lessons learned at the Northeast plants that might be
14 applicable? What's the mechanism?

15 MR. FEIGENBAUM: There will be a lot of
16 interchange. As a matter of fact, we're talking right
17 now about sharing tools such as our -- Northeast
18 Utility and New Hampshire Yankee are talking about
19 sharing a mock-up for the steam generator so that we
20 can train on that kind of a mock-up tool, training
21 tool.

22 It just so happens that the manager of
23 training at New Hampshire Yankee is a former Northeast
24 Utilities employee, so he has a lot of contacts down
25 at Northeast and has in the last couple of years made

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1 many trips down there and shared our training programs
2 with Northeast Utilities and vice versa. So, it's
3 been a good two-way exchange and I expect that to
4 continue and grow.

5 COMMISSIONER ROGERS: Okay. Thank you.

6 CHAIRMAN SELIN: Mr. Feigenbaum, I just
7 want to say that originally when this merger was first
8 proposed Northeast Utilities appeared to be a very
9 powerful, very successful, well-resourced organization
10 and that there was a lot to be spun-off to support
11 Seabrook. We're now in a situation where we'd be
12 leery of seeing too much go either way.

13 Seabrook's running pretty well.
14 Obviously, as Commissioner Rogers points out, there
15 are not so much economies of scale but common
16 experience to be shared. The original idea that some
17 these functions could be shifted from Seabrook or
18 from New Hampshire Yankee to Northeast Utilities is
19 not attractive now, not just because of the impact it
20 might have on Seabrook, but because Northeast
21 Utilities has its own pre-merger problems to deal
22 with.

23 So, I guess we'd be very -- we have to
24 point out that we're uncomfortable about too much
25 interchange of resources, that we'd like to see these

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1 individual problems taken care of before there's a
2 common pool floating around.

3 MR. FEIGENBAUM: We understand.

4 CHAIRMAN SELIN: Transfusions have to be
5 screened before they take place, I guess, is th way
6 I'd put it.

7 Commissioners?

8 Mr. Taylor?

9 MR. FEIGENBAUM: Thank you.

10 CHAIRMAN SELIN: Thank you.

11 Welcome, Mr. Taylor.

12 MR. TAYLOR: Good mornning.

13 With me at the table are Tom Murley and
14 Jim Partlow from NRR; on my far left, Gordon Edison,
15 who is the Project Manager for Seabrook Station; and
16 also Tim Martin, Regional Administrator from Region I.

17 Staff will briefly discuss the basis for
18 recommending the Seabrook special license conditions
19 which were included in SECY-92-156. We will touch on
20 our concerns with Northeast Utilities' performance at
21 Millstone which motivated the staff to propose such
22 special licensing conditions. However, as a bottom
23 line, we do believe that with appropriate license
24 conditions in place Seabrook will be able to continue
25 to operate quite satisfactorily.

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1 With these opening thoughts, I'll ask Jim
2 Partlow to continue.

3 MR. PARTLOW: Good morning.

4 (Slide) The staff's presentation is
5 summarized on slide 1. Many of the points that we are
6 to make have been covered this morning, so we'll try
7 to rather smartly go through our presentation.

8 But we'll be discussing a quick summary of
9 the merger plans, the status of approvals, some
10 comments about our concerns about performance at
11 Millstone, how we view the role of the Seabrook Joint
12 Owners in this proposed merger, some proposed license
13 conditions and our final recommendation.

14 (Slide) Slide 2, Gordon Edison, the
15 Senior Project Manager for Seabrook, will very quickly
16 go over the status of the merger with other federal
17 bodies.

18 MR. EDISON: I think your comments, Mr.
19 Chairman, your opening comments this morning, and
20 remarks by Mr. Feigenbaum and Mr. Grossi accurately
21 describe the nature of the merger as it will occur.

22 I would add that, if the merger goes
23 through, that the North Atlantic Energy Company will
24 replace Public Service of New Hampshire as a Joint
25 Owner with a 35.6 percent ownership.

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1 Regarding other approvals and other
2 agencies that review a merger, the merger process has
3 been ongoing for a couple of years and the licensees
4 have succeeded in getting favorable actions from
5 nearly all state and federal agencies so far, with the
6 exception of two that are still underway, and that is
7 the NRC here and the Securities and Exchange
8 Commission.

9 The SEC has given approval for the
10 creation of the ownership transfer subsidiary, NAEC,
11 but they have not yet acted on the transfer of
12 management authority to NAESCO and, of course, the NRC
13 has before it the two license amendments awaiting a
14 decision here. That's the extent of the approval
15 still needed.

16 MR. PARTLOW: (Slide) Slide 3, please.

17 As has been discussed here this morning,
18 part of the staff's look at this proposed merger
19 importantly had to do with our views about recent
20 performance at the Millstone Station.

21 As recently as mid-1989, only a little
22 more than maybe three years ago, the SALP evaluations
23 for the Millstone Station were very, very good. They
24 were -- I could describe them as being over category
25 1s and 2s in the various functional areas with more

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1 category 1s than category 2s. That performance has
2 declined, in our view, in the past several years and
3 the SALP which was just issued this past week covering
4 a performance period ending in February of this year
5 now shows no SALP category 1s for the Millstone
6 Station. Most of the evaluations are categorized as
7 level 2 and, in fact a category 3 was assigned in the
8 area of safety assessment and quality verification.

9 It is not since early 1986 that any
10 functional area at Millstone in the SALP has been
11 evaluated at level 3, and so the staff has been
12 concerned that the Northeast Utilities would be able
13 to successfully take over the operation of Seabrook
14 while at the same time having to devote resources and
15 management attention to their administration at
16 Millstone.

17 As Mr. Ellis described to you, there is
18 currently in preparation a rather comprehensive
19 performance enhancement plan to improve performance at
20 the Millstone Station and that's expected to be
21 completed and shared with the NRC this June. The
22 genesis of that PEP plan, I believe, started with our
23 SALP evaluation which was completed at the end of 1990
24 in which we pointed out matters having to do with
25 procedural adherence, attention to detail, and

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1 controversy over the ability to successfully resolve
2 employee safety concerns. Those highlights of our
3 SALP report several years ago caused the utility to
4 take initiatives to develop certain self-assessment
5 programs in the areas of allegation root cause,
6 procedure compliance, operability, and so forth.
7 Those reports were also shared with us and they are
8 also being formulated into the PEP plan.

9 So, we believe that Northeast is on a
10 track to return to the excellence of operations as
11 they describe it, but that PEP plan is not yet
12 finished. We haven't seen it and it hasn't been
13 implemented yet and demonstrated to be effective.

14 So, that summarizes our concerns about
15 adding Seabrook to the Northeast Utilities' nuclear
16 plants.

17 CHAIRMAN SELIN: Well, actually, Mr.
18 Partlow, you didn't really answer the concerns. Are
19 you concerned about adding Seabrook to the brew as far
20 as Northeast Utilities being able to handle the
21 Millstone --

22 MR. PARTLOW: No. As the EDO said, our
23 bottom line will be that the staff recommends that
24 that transfer take place.

25 CHAIRMAN SELIN: Do you yet have an --

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1 obviously the most important parts of these
2 performance enhancement plans have to do with
3 leadership and the kind of qualitative things that are
4 required to run a first rate station. But there are
5 resource implications also. Does the staff yet know
6 what the resource implications are of these plans?
7 Has the utility given the staff projections of the
8 resources that will be allocated to the various
9 nuclear functions at Millstone?

10 MR. PARTLOW: No. I know nothing beyond
11 the numbers that were given to us earlier this
12 morning. Tim Martin may have more information.

13 MR. MARTIN: Mr. Chairman, in December of
14 last year, the licensee told us that they were adding
15 the \$10 million per year and approximately 196 people,
16 as I remember. They have also told us as a result of
17 the PEP, they have forecasted that additional
18 resources are going to be needed but they have not
19 quantified that.

20 CHAIRMAN SELIN: On top of the 10/200?

21 MR. MARTIN: Exactly.

22 CHAIRMAN SELIN: And do we know when the
23 staff is to know what these projections are? Is that
24 part of the June plan? Is that your understanding?

25 MR. MARTIN: That's my understanding, sir.

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1 CHAIRMAN SELIN: Okay.

2 Commissioner Remick?

3 COMMISSIONER REMICK: Jim --

4 MR. PARTLOW: Yes, sir?

5 COMMISSIONER REMICK: You told us about
6 the trend in Millstone's SALPs. What has been the
7 trend in Haddam Neck, do you recall?

8 MR. PARTLOW: I don't have those exact
9 assignments with me, but I recall that it's certainly
10 not been any significant decrease. But I'll ask Tim
11 to elaborate.

12 MR. MARTIN: I'd agree that there's not
13 been a significant decrease but there has been a
14 slight drop-off. Previously they had almost all SALP
15 category 1s. On the last SALP there was a slight
16 drop-off in a couple of areas, but I don't remember
17 which ones they were.

18 COMMISSIONER REMICK: Thank you.

19 MR. PARTLOW: (Slide) Slide 4, please.

20 Given the much discussed then concerns
21 about the merger and how should the staff develop
22 perhaps a level of increased confidence in the ability
23 to safely operate Seabrook under Northeast, the staff
24 turned and looked to the role of the Seabrook Joint
25 Owners, sort of a third party, if you will, with of

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1 course interest in the success and the safety and in
2 the efficient operation of Seabrook.

3 The general role and responsibilities have
4 been outlined for you very capably by Richard Grossi
5 and I will not continue further with those. But we
6 do -- we have looked to them and we have some proposed
7 license conditions. The idea would be basically to
8 enlist and task the Joint Owners, especially through
9 the Executive Committee and through their Oversight
10 Committee with providing an additional level of
11 oversight of how things go at Seabrook in the coming
12 years.

13 (Slide) Slide 5.

14 The staff then in our latest paper to the
15 Commission recommending the transfer in SECY-92-155,
16 has proposed certain license conditions to be placed
17 upon the transfer. These license conditions would be
18 in effect for a period of three years. In other
19 words, we would -- it might turn out that they might
20 not be needed sometime later on or they might need
21 modification and so forth.

22 There are four basic license conditions
23 having to do with this transfer. The first one -- and
24 they are mainly aimed at insuring that the staff is
25 informed of certain situations. The first license

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1 condition would ensure that we receive notice at least
2 60 days in advance of any plans to replace the
3 Seabrook chief nuclear officer. That's Mr. Ted
4 Feigenbaum. A second license condition would require
5 that the Joint Owners Executive Committee provide to
6 the Director of NRR any reports which indicate an
7 adverse trend or an adverse condition in safety in
8 such areas of the operations of the plant, any changes
9 in the employee concern program, any unusual cases or
10 any cases of employee harassment, intimidation,
11 changes in any aspects of the employees' compensation
12 incentive programs, and finally, very importantly, any
13 changes that might be made to the Seabrook budgets in
14 the areas of maintenance, operation and capital
15 expenditures.

16 A third license condition then would task
17 the operator, NAESCO, with reporting to us their
18 assessment of any of these reports that contain
19 adverse safety trends and would also tax the Joint
20 Owners Executive Committee with reporting to NRR
21 Director with their assessment of the safety reports
22 and what they've planned to -- what action, if any,
23 they plan to take.

24 Finally, there are a number of provisions
25 in the Joint Ownership Agreement and in the managing

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1 agent operating agreements that we would lock in
2 through license conditions so that we would be aware
3 of any plans to change those, things like the role of
4 the Executive Committee and its composition, actions
5 taken by the oversight committee, periodic reports and
6 so forth. That would be the final license condition.

7 CHAIRMAN SELIN: How do those conditions,
8 particularly the first two conditions, differ from the
9 rights and privileges of the staff in any event?
10 Wouldn't they have to tell us that they're going to
11 change the Chief Executive Officer if any adverse
12 affects had taken place? Are these new conditions or
13 are they merely calling attention to the implicit
14 conditions anyway?

15 MR. PARTLOW: They are new conditions. I
16 think in normal times a utility would not be required
17 to report to us in advance the change of a chief
18 nuclear officer. I suppose the TVA case is a recent
19 example. So, these are new license conditions.

20 COMMISSIONER CURTISS: Before you go on,
21 the second condition here that requires, among other
22 things, for the licensee to report any significant
23 changes to the employee concern program that could
24 have adverse affects on facility safety, I guess if
25 they knew that the change in the employee concern

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1 program was going to lead to that affect they wouldn't
2 make it in the first place. I'm wondering in this
3 particular sensitive area if that proviso doesn't
4 essentially lead to nothing being reported on the
5 ground that if it were going to have a significant
6 effect on facility safety the change would be made.

7 MR. PARTLOW: Well, I guess I view it this
8 way. The utility itself might make a change to that,
9 but then it might be the oversight group that would
10 come along and take a look at it and decide that it
11 did, for some reason, adversely affect the overall
12 quality of the program. And they make reports to the
13 Joint Owners and they would be required to report that
14 change to us.

15 MR. TAYLOR: I would look at that as any
16 substantive change in the conditions of reporting or
17 where they're reported, but not administrative
18 changes, but any structuring major change in the way
19 that program exists.

20 COMMISSIONER CURTISS: In effect, any
21 important change in the employee concern program
22 irrespective of whether it had an adverse affect on
23 facility safety. You would expect --

24 MR. TAYLOR: We use the word "could" and
25 that's --

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1 COMMISSIONER CURTISS: To be brought to
2 our attention.

3 MR. PARTLOW: Yes, sir.

4 COMMISSIONER CURTISS: Okay. That's a
5 useful clarification.

6 MR. PARTLOW: Finally, as Mr. Feigenbaum
7 pointed out, they have provided some comments upon
8 these proposed license conditions. We're looking at
9 them to the extent that they may provide any
10 clarifications so that the conditions can be better
11 used between us. If there's no objection from the
12 Commission, we would propose to do that. But we don't
13 propose to back off in terms of any of the
14 reportability requirements that we've built into these
15 license conditions.

16 COMMISSIONER CURTISS: I'm sorry. One
17 question on that point. The modifications that have
18 been proposed in the conditions, are you going to
19 evaluate those and give us your views on them or are
20 you -- I'm not clear what you're saying here.

21 MR. PARTLOW: We have not completed that
22 evaluation yet, but my proposal would be that the
23 staff do make those changes that we agree are for
24 clarification in order to make the conditions work
25 better, that we go ahead and do that before issuing if

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1 the Commission approves of the merger.

2 COMMISSIONER CURTIS: You'll advise us as
3 to which ones --

4 MR. PARTLOW: But we will not be backing
5 off in terms of the times of reports and so forth.
6 The meat of the license conditions we would stay with.

7 MR. TAYLOR: We'll promptly get that to
8 the Commission if we have any of the changes. We just
9 got it, when was it, Friday.

10 COMMISSIONER CURTISS: I would be useful
11 to know which ones of these you agree with and which
12 ones you don't so that as the Commission acts on the
13 paper that's before us, we'll know what the conditions
14 say specifically.

15 CHAIRMAN SELIN: Mr. Taylor, you've heard
16 the concerns about Millstone that have been expressed
17 this morning. All of these conditions have to do with
18 Seabrook. Do you foresee -- what steps, if any, do
19 you foresee to assure yourselves and the Commission
20 that there will be no adverse affect on Millstone from
21 the merger?

22 MR. TAYLOR: We are prepared to very
23 closely follow the performance enhancement program.
24 We intend to put whatever resources are necessary and
25 we will very, very closely follow what the licensee is

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1 outlining to improve the performance at Millstone.

2 CHAIRMAN SELIN: Would you expect some
3 kind of a confidential letter making the PEP
4 proposals, including the resource proposals, part of
5 the review of Millstone?

6 MR. TAYLOR: I think we would -- we need
7 to see the second phase.

8 Wouldn't you say so, Mr. Martin?

9 MR. MARTIN: Mr. Chairman, we not only
10 have added another resident to the site to help us
11 provide oversight, but we've also established with NRR
12 a Millstone assessment panel to assess the PEP and
13 its --

14 CHAIRMAN SELIN: Yes. The timing is a
15 little awkward. Obviously, one can always wait for
16 yet another transaction and that's not really what I'm
17 saying. But I'd feel more comfortable if we had this
18 June plan in hand with the resources and the PEP so
19 that the staff could review this and say, "Yes, if
20 they're able to provide these resources and do these
21 things, that will be adequate safeguards at
22 Millstone," because the affect of the merger on
23 Millstone is irrelevant and important question.

24 Do you foresee any difference in the way
25 you'd review Seabrook post-merger from pre-merger?

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1 Would that have any impact on the inspection program
2 or any of the review programs?

3 MR. TAYLOR: Tim, would you like --

4 MR. MARTIN: Mr. Chairman, I have not seen
5 fit to add additional resources there. We continue to
6 see good performance and unless I see some change, I
7 don't intend to change.

8 MR. PARTLOW: I don't have any specific
9 answers, Mr. Chairman, but I would note that our
10 intention is to discuss Millstone at the senior
11 management meeting next month and it will get a fair
12 portion of our agenda during that day in discussing
13 Millstone. I'm sure we'll come out of that with any
14 further plans on how we're going to be monitoring the
15 activities.

16 CHAIRMAN SELIN: Commissioner Rogers?
17 Commissioner Curtiss?

18 COMMISSIONER CURTISS: Just a quick
19 question for Mr. Martin.

20 Do you see any up-tick in the maintenance
21 backlog or any area of concern there?

22 MR. MARTIN: No, sir. In fact, the
23 Seabrook SALP, which should be issued probably late
24 next week and maybe even earlier, shows improvement in
25 the area of maintenance and surveillance and a couple

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1 of other areas. So, generally they have maintained
2 and improved their performance.

3 COMMISSIONER CURTISS: Okay. Very good.

4 CHAIRMAN SELIN: There's some question of
5 their ability to figure out five percent.

6 COMMISSIONER CURTISS: The number.

7 MR. PARTLOW: (Slide) Slide 6, please.

8 CHAIRMAN SELIN: I'm sorry, I didn't mean
9 that.

10 MR. PARTLOW: Finally, the staff's
11 recommendation. The staff does have confidence that
12 the Seabrook facility can continue to be safely
13 operated under NU's administration and we recommend
14 the Commission approve the transfer of the Seabrook
15 operations and partial ownership to Northeast
16 Utilities as conditioned by the staff's proposed
17 license conditions and the other provisions which were
18 contained in SECY-92-156.

19 Then, as just a final closing matter, I
20 believe we notified you late last week that we had
21 mistakenly reported the date of the NU annual
22 stockholders meeting as being May 14th. It is, in
23 fact, May 19th.

24 COMMISSIONER REMICK: I understand that
25 these conditions are new for this license, but have we

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1 impose such conditions on any previous licensee of
2 this general type?

3 DOCTOR MURLEY: Not that I'm aware of.

4 COMMISSIONER REMICK: So this would be the
5 first?

6 DOCTOR MURLEY: The focus -- I think
7 you're quite right. The focus that the staff has had
8 is on keeping what we call the Millstone virus from
9 going to Seabrook. That's what the proposed
10 conditions are.

11 COMMISSIONER REMICK: Okay. Thank you.
12 That's all.

13 CHAIRMAN SELIN: Commissioner de Planque?

14 Mr. Taylor, would you take a minute to
15 describe the anti-trust analysis and in particular
16 whether this is likely to have any impact on any of
17 the wholesale customers of Northeast Utilities?

18 MR. TAYLOR: I'll ask -- are you ready to
19 do that, Jim?

20 MR. PARTLOW: I might ask Gordon Edison to
21 cover that as well as the license condition that is to
22 be placed on for anti-trust.

23 MR. EDISON: The staff has completed an
24 evaluation of anti-trust conditions. Of course we
25 take our cue from the FERC hearings where that's

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1 explored in much more detail. We did reach a finding
2 that there was no significant change. That was issued
3 in the Federal Register about six weeks or two months
4 ago. There was an inquiry from Mount Holyoke, I
5 believe, challenging that, asking us to take another
6 look at it.

7 CHAIRMAN SELIN: Holyoke, the City of
8 Holyoke.

9 MR. EDISON: I'm sorry. Mount Holyoke is
10 a different institution. Holyoke Gas and Electric.
11 The staff did look at that and concluded that there
12 were no changes to be made in its evaluation and
13 issued a reevaluation finding in the Federal Register.
14 The staff's position is that there is no significant
15 impact and the FERC did have some findings of their
16 own and they imposed a number of conditions on the
17 merger. They did have a reevaluation and they
18 negotiated those conditions and the licensees have
19 agreed to those conditions.

20 CHAIRMAN SELIN: These had to do with
21 wheeling and wholesale market --

22 MR. EDISON: That's correct, yes.

23 CHAIRMAN SELIN: Okay. Commissioners?
24 Fine.

25 Thank you.

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1 Mr. Sosland's here?

2 Good morning, Mr. Sosland. We did react
3 to Mr. Backus' letter of last week laying out some of
4 the concerns that the SAPL had and are pleased to
5 welcome you to air these.

6 MR. SOSLAND: Thank you.

7 Mr. Chairman and members of the
8 Commission, my name is Jeffrey Sosland and I am from
9 Nuclear Information and Resource Service. On behalf
10 of the Seacoast Anti-Pollution League, we do
11 appreciate the Commission's willingness to provide the
12 opportunity for SAPL to express its views on the
13 Seabrook license transfer now before you.

14 Financial constraints prohibit SAPL's
15 counsel, Mr. Robert A. Backus, from appearing before
16 you. So I appreciate the opportunity to present SAPL
17 and other New England groups' views.

18 Basically, our position is twofold.
19 First, the Commission should grant a hearing in the
20 Seabrook area on the proposed transfer before taking
21 any action. Second, because of concerns about NU's
22 financial condition and treatment of nuclear
23 whistleblowers, no transfer of operation of Seabrook
24 to NU should be authorized at this time.

25 SAPL believes that there is no way that

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1 this transfer should go forward without a full and
2 fair evidentiary hearing in the Seabrook area on the
3 various issues presented. The Commission, of course,
4 held extensive hearings in Seabrook, in the Seabrook
5 area on both the construction permit and the operating
6 license. It is simply incredible that now in the face
7 of a proposal to transfer both the largest ownership
8 interest and the operational control to another
9 company the Commission proposes to proceed with no
10 further procedures provided for input other than this
11 hearing in Rockville, Maryland on whether or not to
12 adopt the staff recommendation and for approval of the
13 transfer.

14 Although SAPL appreciates the offer of
15 five or ten minutes to present its position to the
16 Commission, this is in no way a substitute for the
17 accountability that an evidentiary hearing in the area
18 of the plant would provide.

19 10 CFR Part 50.80, Transfer of Licenses,
20 makes clear that a license can only be transferred
21 with Commission consent and that the information to be
22 provided on the technical and financial qualifications
23 of the transferee is to be the same as would be
24 required if the application was for initial license.
25 SAPL cannot understand how a license transfer can

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1 require the same showing as an initial license on
2 these issues important to decision on whether a
3 transfer should occur. Yet no hearing is required on
4 such a major decision.

5 CHAIRMAN SELIN: Before you come off that,
6 Mr. Sosland, are there questions of fact or evidence
7 that SAPL contests or is it more a question of turning
8 up things that haven't turned up yet?

9 MR. SOSLAND: I believe that later on in
10 my testimony I'm going to address a grand jury
11 investigation and listening to the testimony of the
12 executives of the utilities, I think the matter of the
13 PEP plan, which has not been made public, would also
14 deserve some public attention.

15 Under 10 CFR Part 50.8(c), the Commission
16 is to provide appropriate notice to interested persons
17 and provide such procedures as may be required by the
18 Act or regulations. SAPL believes that both as a
19 matter of sound policy and a matter of law, the
20 transfer of the Seabrook license cannot be approved
21 without a full evidentiary hearing on the issues of
22 NU's technical, managerial and financial capability

23 Accordingly, SAPL reserves its rights to
24 appeal any Commission decision to approve transfer of
25 the license in the absence of an on-the-record hearing

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1 in the vicinity of the Seabrook plant.

2 As Part 50.80 makes clear, before the
3 nuclear operating license can be transferred to a
4 different entity, that entity must meet the same
5 standards as its technical and managerial competence,
6 as would an initial licensee. NU, at this present
7 time, has not established its capability in these
8 areas.

9 As acknowledged by all parties, NU's
10 nuclear operations at Millstone have slipped badly.
11 As NU states in its 1991 annual report, "Performance
12 of the three nuclear electric generating units located
13 at Millstone Station was less than satisfactory in
14 1991. The three units' composite capacity factor was
15 38.4 percent in 1991 compared with 79.3 in 1990.
16 However, it is not the poor Millstone capacity factor
17 that should concern the Commission, it is the reason
18 for the poor performance and the treatment NU has
19 afforded to certain of its nuclear plant workers that
20 reported the declining attention to detail and
21 increasing failure to adherence to procedures that led
22 to the decline.

23 As the Commission well knows, two nuclear
24 whistleblowers employed at Millstone 2 were fired by
25 NU on November 8, 1991. The firing came after these

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1 two individuals had filed hundreds of safety
2 allegations with the NRC, many of which the NRC has
3 acknowledged were substantiated. Mr. Delcore and
4 O'Sullivan's telegrams are attached to my testimony.

5 Although NU claimed that the firing was
6 the employees' fault, the Department of Labor hearing
7 officer found that the justification offered by NU was
8 "pretextual" and ordered reinstatement and back pay.
9 The finding was approved on January 17, 1991 by the
10 Assistant Director, Wage and Hour Division of the
11 Department of Labor.

12 CHAIRMAN SELIN: '92.

13 MR. SOSLAND: '92? '92. Excuse me. It
14 was a typo.

15 Although the two whistleblowers have since
16 entered into a settlement not yet executed, the NRC
17 arranged a special review group to investigate the
18 matter.

19 SAPL would also point to the fact that
20 nowhere in the staff's reports and recommendation is
21 there any reference to the acknowledged fact that NU
22 is under investigation by a federal grand jury in
23 Connecticut. Grand jury procedures are, of course, by
24 law secret. NU, however, has acknowledged that the
25 grand jury investigation is underway and urges

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1 employees to cooperate in providing evidence.

2 SAPL suggests the Commission should not be
3 considered transferring the license to NU unless it is
4 known what the outcome of the grand jury proceedings
5 will be. It is understood that the grand jury
6 proceeding involves an alleged failure on the part of
7 NU, or its management, to report safety allegations at
8 Millstone 1.

9 The issue of NRC review of the financial
10 qualifications of a nuclear licensee has received much
11 attention. See, for example, CLI-88-10, where the
12 Commission required the Seabrook builders to establish
13 a financial capability prior to low power testing.
14 However, even as the NRC has retreated from requiring
15 individual reviews of financial qualifications, it has
16 continued to acknowledge that there is a connection
17 between financial strain and the possibility of safety
18 problems. Indeed, the staff's own reports in the
19 matter make this clear.

20 NU's financial situation is therefore very
21 important to the Commission's deliberation. Indeed,
22 NU's overall financial situation may be a major
23 portion of the root cause of the problems faced at
24 Millstone. Thus, the fact, as set forth in the
25 attached excerpt from NU's five year business plan,

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1 that NU faces a revenue shortfall of \$728 million
2 between 1992 and '96, is extremely important.

3 NU will be under continuing pressure to
4 cut costs and this may well result in a tendency,
5 whether deliberate or not, to cut corners. Again,
6 SAPL urges that before any authorization of a license
7 transfer is made, NU should demonstrate that it has
8 improved the performance at the Millstone units as
9 well as the atmosphere for reporting of safety
10 problems.

11 To conclude, for the reasons stated, SAPL
12 urges that a public hearing be held on the proposed
13 transfer and then the pending outcome of the public
14 hearing that requested license amendment not be
15 approved.

16 This was an excerpt from my testimony. I
17 would hope that the whole testimony would be submitted
18 to the record.

19 CHAIRMAN SELIN: Of course.

20 Mr. Sosland, is there any that you'd like
21 to change or update based on the conversations this
22 morning?

23 MR. SOSLAND: One thing that -- in my
24 discussions with Mr. Backus and other groups in New
25 England, I don't think that they had the knowledge

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1 that the PEP paper was not to be completed until June.
2 Not only has the public not been able to take a look
3 at this, but the staff nor the Commission have taken
4 a look at this. That raises certain concerns.

5 CHAIRMAN SELIN: Does SAPL believe that
6 overall safety to the public throughout New England
7 would be improved, adversely affected, or not changed
8 at all if Public Service of New Hampshire continued to
9 operate Seabrook indefinitely and you had the other
10 four reactors to worry about? Are you claiming that
11 there's be a decrease in safety if the merger goes
12 through as compared to the situation if the merger
13 doesn't go through?

14 MR. SOSLAND: I think the greatest concern
15 is that if the merger does go through that the
16 philosophy or the "atmosphere" that is now at the
17 Millstone plants will go to the Seabrook plant and
18 that will affect safety if it does happen.

19 CHAIRMAN SELIN: Would you claim that
20 Seabrook, if it operated indefinitely under the
21 current situation, would be a less risky plant than if
22 the merger goes through?

23 MR. SOSLAND: At this point, that's really
24 not the issue that we're --

25 CHAIRMAN SELIN: But it's the issue that

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1 we're faced with. We really have to make a judgment,
2 not just in absolute terms but compared to
3 alternatives.

4 MR. SOSLAND: I guess the feeling that
5 SAPL and other groups have is that the decision on
6 making the merger is occurring too quickly. The
7 meeting with the shareholders, our feeling is that
8 it's being pushed for reasons such as this as opposed
9 to reviewing all the facts.

10 CHAIRMAN SELIN: I do wish to just make
11 the statement that the Commission's first, second,
12 third and fourth priorities are safety. On the other
13 hand, the cost to licensees if these costs can be
14 contained or reduced without an adverse impact on
15 safety is a legitimate concern that we should not
16 inadvertently cause licensees to spend more money than
17 they have to.

18 Obviously, we'll be satisfied on the
19 merits before we make a decision one way or another,
20 but there's nothing improper in the licensee and the
21 staff calling to our attention that if we could get to
22 the issues sooner rather than later, all else being
23 equal, that this would be a net reduction in cost to
24 the licensee and presumably eventually to the
25 ratepayers. So, I don't think that in itself is a

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1 weakness.

2 Commissioner Rogers?

3 COMMISSIONER CURTISS: Just one question.
4 Should I infer from your remarks about Northeast
5 capabilities that it's SAPL's position that the
6 Millstone units ought to be shut down or would you go
7 that far?

8 MR. SOSLAND: That the Millstone units
9 should be shut down?

10 COMMISSIONER CURTISS: Yes.

11 MR. SOSLAND: My understanding is, and not
12 spending more time reviewing the transfer as opposed
13 to the specifics, having looked at the SALP report
14 that just came out, I think that there are some
15 specific issues that need to be dealt with as far as
16 relations with the employees of NU at the Millstone
17 units. To take a position that the three units should
18 be completely closed down, no, I don't think that.

19 COMMISSIONER CURTISS: Okay.

20 CHAIRMAN SELIN: Commissioner Remick?

21 COMMISSIONER REMICK: One thing wasn't
22 clear to me from your testimony, your reference to the
23 grand jury investigation. Are you suggesting that the
24 fact that there is a grand jury investigation, we
25 should assume that that's proof of guilt?

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1 MR. SOSLAND: No, not at all. The point
2 that I was trying to make in my testimony was that
3 such an important decision as the Commission is going
4 to make should wait until the results of the grand
5 jury --

6 COMMISSIONER REMICK: I see.

7 COMMISSIONER CURTISS: -- so that all the
8 information could be before you.

9 CHAIRMAN SELIN: Commissioner de Planque?
10 I'd like to propose that we take a ten
11 minute break. It's 10:42 and we'll just reassemble in
12 ten minutes.

13 (Whereupon, at 11:42 a.m., off the record
14 until 11:51 a.m.)

15 CHAIRMAN SELIN: Doctor Ellis, we're not
16 trying to reach a decision at this meeting. I think
17 that was understood at the beginning. But we do have
18 a couple of either questions or requests. We just ask
19 for some advice from you.

20 This whole question of whether resources
21 will continue to be committed to really all three
22 stations, but in particular Seabrook and Millstone,
23 comes up, is it possible -- could you get to use
24 rather quickly both the last three years and the next
25 three years of capital and O&M, in one case reporting,

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1 in the other case projections for the stations?

2 DOCTOR ELLIS: For Millstone, sir?

3 CHAIRMAN SELIN: For Millstone and for
4 Seabrook. The Seabrook plant, I know, is a published
5 plan, but to make sure that they're on a common basis.

6 DOCTOR ELLIS: Yes, sir.

7 CHAIRMAN SELIN: But even having that, do
8 you have any suggestions on ways to assuage our
9 discomfort not having company projections in hand for
10 the Millstone O&M and capital budgets at this point
11 and therefore not having commitments to these, that we
12 could be assured that the merger would not have a
13 negative impact on the programs in principal at all
14 the Connecticut stations, but in particular at
15 Millstone? Do you have some suggestion as to how we
16 could be made comfortable that there would not be a
17 negative impact on Millstone of the merger?

18 DOCTOR ELLIS: Well, we heard your
19 question earlier in the morning with regard to our
20 outlook on the general question of resource
21 availability and Mr. Fox and I and others conferred
22 and Mr. Fox is prepared to deal with the question as
23 you ask it then. But let me deal for a second here
24 with the question you present about how one can
25 provide assurances. I think it should be recognized

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1 that merely having a documentation of projections for
2 planned expenditures for the future, capital and
3 expense in itself doesn't offer an important benchmark
4 because it all depends on what the future needs are.

5 We offer our complete assurances that
6 whatever resources are needed will be provided. We
7 recognize that our own work, our own analysis of our
8 needs, plus the opportunity that the NRC staff has at
9 the region and Bethesda as well to oversee our plans,
10 they are quite familiar with them, I believe are as an
11 effective means of detecting whether or not or
12 detecting what are the factors that go into those
13 plans and whether or not any unwanted austerity is
14 having any part at all in what we're doing.

15 I think it is understood that the problems
16 that we've had at Millstone are related to cost
17 management but were not caused by a refusal to provide
18 resources. It was a poor job of management
19 communicating into the organization the way in which
20 balancing of all the needs and the requirements of the
21 plant were to be balanced, and we've learned that
22 lesson. I don't think that there should be,
23 similarly, a concern that there will be any refusal to
24 provide resources in the future. In fact, what we
25 recognize is that improvements in performance at

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1 Millstone require resources. We have put forward
2 resources. We will report to you shortly what new
3 resources we see and we will continue in a mode for
4 some time of recognizing that cost management at
5 Millstone is somewhat of a hiatus insofar as
6 digging aggressively for efficiencies.

7 Rather, at the very top of our list is to
8 see to it that there is no ambiguity about seeking
9 excellence and to have the resources made available
10 for that pursuit.

11 CHAIRMAN SELIN: Is there some way to
12 convert the general statement into an undertaking
13 before, not after the merger is approved that says
14 this is the resource program and it wouldn't change
15 until or unless the staff were satisfied that the
16 improvements were seen? In other words, it wouldn't
17 change prospectively but rather after some
18 improvements were done, or anything other than the
19 general statement that we'll do what we have to do --

20 DOCTOR ELLIS: Yes, sir.

21 CHAIRMAN SELIN: Because once the merger
22 is approved, it's very hard to do a conditional
23 merger.

24 DOCTOR ELLIS: Yes, sir. I agree that we
25 can do exactly what you suggest. All I wanted to do

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1 was to point out that even projections for the future
2 may not represent in any of our minds the best numbers
3 to be used, but if it is important and I can
4 understand how it would be, that commitments would be
5 made with regard to any reductions in those because I
6 think that's the side of concern, that as long as
7 there are not improvements seen that we are committed
8 to that there would not be reductions made unless, if
9 I may say, that there is an understanding from
10 whatever elements of this agency it's appropriate for
11 us to communicate with, that those are appropriate and
12 that they can be carried out with any damage to
13 nuclear safety and operations.

14 CHAIRMAN SELIN: Mr. Fox, did you want to
15 add something to that?

16 MR. FOX: Yes. I completely concur with
17 what Mr. Ellis just said. I think it's clear to us
18 that the reestablishment of the excellent operational
19 record that really the entire history of Millstone
20 Point is rooted in for a couple of decades is our
21 number one priority. It must be our number one
22 priority, that operational excellence is the path to
23 the most cost effective operation of these facilities
24 and we are bound and determined to reestablish and get
25 ourselves back to that history and tradition of

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1 operational excellence at Millstone Point and we will
2 make the resources necessary -- we will make those
3 resources available. We not only believe that that is
4 the correct course of action, we believe in reality it
5 is the only course of action.

6 CHAIRMAN SELIN: The Commission is not
7 setting specific commitments as preconditions to
8 approving the merger. We have in hand a proposal. If
9 we had to, we would act on the proposal as it stands.
10 But to the degree that the conditions or undertakings
11 can be laid out explicitly that would reduce our
12 concerns about the impact at Millstone, the easier the
13 proposal would be to handle. So, perhaps you might
14 consider this and discuss with the staff what if any
15 steps you'd be prepared to offer to turn into more
16 concrete terms the steps that you took, the
17 projections, the undertakings to not reduce below the
18 projections until there's some agreement that the
19 improvements have been made, how they might be
20 affected by the PEP. We don't have either the
21 qualitative plan or the resources of the plan in hand.

22 I think we would be anxious that you
23 discuss this with the staff and if you decide to come
24 forward with something along this way, we'd, of
25 course, like to see that as soon as possible. It

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1 might be reflected in license conditions or conditions
2 that are confirmatory, in a letter about this or
3 whatever form you all decided would be the appropriate
4 way to do this.

5 DOCTOR ELLIS: We'll do just that and we
6 appreciate the opportunity.

7 CHAIRMAN SELIN: Commissioner Rogers?

8 Commissioner Curtiss?

9 Commissioner Remick?

10 Thank you very much. We thank all of you
11 for this rather exhaustive meeting this morning. When
12 and if you're ready to make a specific thing, just
13 contact Mr. Taylor directly and he will amend the
14 attachments to the memo to the Commission reflecting
15 these points.

16 DOCTOR ELLIS: Yes, sir. Thank you.

17 CHAIRMAN SELIN: Thank you.

18 (Whereupon, at 11:59 a.m., the above-
19 entitled matter was concluded.)
20
21
22
23
24
25

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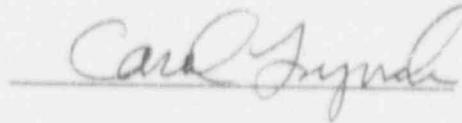
This is to certify that the attached events of a meeting
of the United States Nuclear Regulatory Commission entitled:

TITLE OF MEETING: BRIEFING ON PROPOSED TRANSFER OF PSNH OWNERSHIP OF
SEABROOK TO NORTHEAST UTILITIES

PLACE OF MEETING: ROCKVILLE, MARYLAND

DATE OF MEETING: MAY 11, 1992

were transcribed by me. I further certify that said transcription
is accurate and complete, to the best of my ability, and that the
transcript is a true and accurate record of the foregoing events.



Reporter's name: Peter Lynch

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5/11/92

SCHEDULING NOTES

Title: Briefing on Proposed Transfer of PSNH Ownership of Seabrook to Northeast Utilities

Scheduled: 10:00 a.m., Monday, May 11, 1992 (OPEN)

Duration: Approx 1-1/2 hrs

Participants: Northeast Utilities

- William Ellis, Chairman and CEO
- Bernard Fox
President and Chief Operating Officer
- John Opeka, Executive Vice-President

Public Service Co. of New Hampshire,
Yankee Division

- Ted Feigenbaum, President and CEO
Public Service Co. of New Hampshire
Yankee Division
- William Grossi, Chairman and CEO
United Illuminating Company and
Chairman, Executive Committee
Seabrook Joint Owners

NRC

- J. Taylor, EDO
- T. Murley, NRR
- J. Partlow, NRR
- T. Martin, Region I
- G. Edison, NRR

Nuclear Information Resource Service for
Seacoast Anti-Pollution League (SAPL)

- Jeffrey Sosland

CHAIRMAN'S OPENING REMARKS

BRIEFING ON PROPOSED TRANSFER OF OWNERSHIP OF
SEABROOK TO NORTHEAST UTILITIES

MAY 11, 1992
10:00 AM TO 11:30 AM

GOOD MORNING.

DUE TO THE IMPORT OF THIS MORNING'S PROCEEDINGS,
MY OPENING COMMENTS ARE LONGER THAN USUAL. HOWEVER,
I BELIEVE THAT THIS INTRODUCTION IS NECESSARY TO
BRING FOCUS TO TODAY'S MEETING.

THIS MORNING THE COMMISSION WILL BE BRIEFED ON
THE PROPOSED MERGER OF THE PUBLIC SERVICE COMPANY OF
NEW HAMPSHIRE AND NORTHEAST UTILITIES. THIS IS AN
IMPORTANT MATTER FOR THE COMMISSION TO DECIDE AND WE
UNDERSTAND AND APPRECIATE THE IMPORTANCE OF THIS
MERGER TO THE UTILITIES INVOLVED. THE COMMISSION
WILL HEAR TODAY FROM THE CONCERNED UTILITIES, PUBLIC
SERVICE OF NEW HAMPSHIRE AND NORTHEAST UTILITIES,

THE NRC STAFF, AND THE SEABROOK ANTI-POLLUTION LEAGUE, A PUBLIC INTEREST ORGANIZATION.

THE STAFF'S ANALYSIS OF THE PROPOSED ACQUISITION OF THE SEABROOK STATION BY NORTHEAST UTILITIES WAS FORWARDED TO THE COMMISSION IN SECY-92-099 AND SECY-92-156. THESE PAPERS WILL CONSTITUTE AN IMPORTANT PART OF THE DISCUSSION TODAY. THE PAPERS HAVE ALREADY BEEN PLACED IN THE PUBLIC DOCUMENT ROOM AND ARE AVAILABLE AT THE SIDES OF THE MEETING ROOM.

BASICALLY, THE STAFF HAS BEFORE IT TWO LICENSE AMENDMENT REQUESTS. THE FIRST CONCERNS THE TRANSFER OF THE MANAGEMENT AUTHORITY FOR SEABROOK TO THE NORTH ATLANTIC ENERGY SERVICE COMPANY CALLED (NAESCO), A NEWLY FORMED SUBSIDIARY OF NEU. THE SECOND REQUEST CONCERNS THE TRANSFER OF THE OWNERSHIP SHARES OF PUBLIC SERVICE OF NEW HAMPSHIRE

TO THE NORTH ATLANTIC ENERGY COMPANY (NAECO),
ANOTHER NEWLY FORMED ^{Northeast Utilities} NEU SUBSIDIARY.

IF APPROVED BY THE NRC, NORTHEAST UTILITIES THROUGH ITS SUBSIDIARIES, CONNECTICUT LIGHT AND POWER COMPANY AND THE NORTH ATLANTIC ENERGY COMPANY, WOULD OWN 40% OF SEABROOK. SEPARATELY, THE NORTH ATLANTIC ENERGY SERVICE COMPANY, ^{Northeast Utilities} NEU'S OPERATING SUBSIDIARY, WOULD BE RESPONSIBLE FOR DAY TO DAY OPERATIONS AT THE SEABROOK PLANT. ADDITIONAL OVERSIGHT WOULD BE PROVIDED BY THE SEABROOK JOINT OWNERS.

A MATTER OF SIGNIFICANT CONCERN TO THE COMMISSION WHILE CONSIDERING THIS MERGER REQUEST HAS BEEN THE ALLEGATIONS OF INTIMIDATION AND HARASSMENT OF EMPLOYEES REPORTING POTENTIAL SAFETY CONCERNS AGAINST THE NORTHEAST UTILITIES ORGANIZATION IN CONJUNCTION WITH ITS OWNERSHIP AND OPERATION OF THE

MILLSTONE FACILITY. THESE CONCERNS WERE ADDRESSED BY THE NRC VIA A SPECIAL REVIEW GROUP. THE EXECUTIVE SUMMARY OF THE REPORT OF THIS SPECIAL REVIEW GROUP HAS BEEN PUBLICLY RELEASED.

THE COMMISSION AND THE NRC STAFF HAVE BEEN CONCERNED WITH THE DECLINE IN PERFORMANCE OF MILLSTONE PLANTS OVER THE PAST SEVERAL YEARS. THE COMMISSION IS LOOKING FORWARD TODAY TO HEARING FROM THE NORTHEAST UTILITIES' MANAGEMENT ON THE STEPS BEING TAKEN TO IMPROVE THE SAFETY PERFORMANCE AT THE MILLSTONE FACILITY WHILE, AT THE SAME TIME, ACQUIRING THE OWNERSHIP AND OPERATING INTEREST IN THE SEABROOK FACILITY.

THIS MERGER HAS ALREADY BEEN APPROVED BY THE NEW HAMPSHIRE, CONNECTICUT, AND MAINE PUCs, THE VERMONT PUBLIC SERVICE BOARD, AND THE FEDERAL ENERGY REGULATORY COMMISSION. THE SECURITIES EXCHANGE

COMMISSION IS AWAITING THE NRC DECISION BEFORE THEY ACT.

STAFF EVALUATIONS OF ANTITRUST ISSUES FOR SEABROOK AND MILLSTONE HAVE ALSO BEEN COMPLETED. THEY DETERMINED THAT NO SIGNIFICANT CHANGES WILL RESULT FROM THE MERGER.

FINALLY, IT IS IMPORTANT TO UNDERSTAND THAT THE CRUX OF THE COMMISSION'S INTEREST IS WHETHER, AS A RESULT OF THIS MERGER, NORTHEAST UTILITIES WILL HAVE THE CAPABILITIES, BOTH FINANCIALLY AND MANAGERIALLY, TO SAFELY OPERATE THE FIVE NUCLEAR POWER PLANTS THAT WOULD BE UNDER THEIR OWNERSHIP AND OPERATIONAL CONTROL.

DO ANY OF THE OTHER COMMISSIONERS HAVE ANY OPENING REMARKS?

IF NOT, THE COMMISSION WELCOMES THE NORTHEAST
UTILITIES MANAGEMENT AND MR. ELLIS YOU MAY PROCEED.

NORTHEAST UTILITIES ACQUISITION

OF SEABROOK

STAFF PRESENTATION

MAY 11, 1992

BRIEFING SUBJECTS

- SUMMARY OF MERGER PLANS AND STATUS OF APPROVALS BY OTHER AUTHORITIES
- STAFF CONCERNS WITH NORTHEAST MANAGEMENT OF MILLSTONE
- ROLE OF SEABROOK JOINT OWNERS
- PROPOSED LICENSE CONDITIONS
- STAFF RECOMMENDATIONS

MERGER SUMMARY AND STATUS

- SEABROOK TO BE OPERATED AND PARTIALLY OWNED BY NU THROUGH NAESCO AND NAEC
- ALL MERGER APPROVALS COMPLETE EXCEPT NRC AND SEC

STAFF CONCERNS WITH MILLSTONE PERFORMANCE

- SALP SHOWS DECLINE IN MILLSTONE PERFORMANCE
- STAFF CONCERNED THAT MILLSTONE ISSUES OF COST CONTAINMENT AND EMPLOYEE CONCERNS RESOLUTION COULD ALSO AFFECT SEABROOK OPERATIONS
- PLANS TO IMPROVE MILLSTONE PERFORMANCE (PEP) NOT YET COMPLETED AND DEMONSTRATED

ROLE OF SEABROOK JOINT OWNERS

- EXECUTIVE COMMITTEE (5 MBRS OF THE 12 JOINT OWNERS) HAS GENERAL OVERSIGHT RESPONSIBILITY FOR POLICY MAKING, PLANNING, FINANCIAL AND SIGNIFICANT OPERATIONAL DECISIONS OF THE OPERATOR WHICH DO NOT INVOLVE DAY-TO-DAY OPERATION OF THE PLANT
- OVERSIGHT COMMITTEE REPORTS TO THE JOINT OWNERS

PROPOSED LICENSE CONDITIONS

- PURPOSE OF LICENSE CONDITIONS IS TO ENSURE STAFF IS INFORMED OF:
 - PLANS TO REPLACE THE SEABROOK CHIEF NUCLEAR OFFICER
 - UTILITY-IDENTIFIED CONDITIONS ADVERSELY AFFECTING SAFETY
 - ACTIONS PLANNED BY NAESCO TO ADDRESS ADVERSE CONDITIONS AS IDENTIFIED ABOVE
 - CERTAIN CHANGES TO THE OWNERSHIP AND OPERATING AGREEMENTS

STAFF RECOMMENDATIONS

- APPROVE THE TRANSFER OF SEABROOK OPERATIONS AND PARTIAL OWNERSHIP TO NORTHEAST UTILITIES, AS CONDITIONED BY THE STAFF'S PROPOSED LICENSE CONDITIONS AND OTHER PROVISIONS OF SECY-92-156.

**BRIEFING ON PROPOSED
TRANSFER OF PSNH
OWNERSHIP OF SEABROOK
TO NORTHEAST UTILITIES**

MAY 11, 1992

W.B. ELLIS

NORTHEAST UTILITIES A PROUD HERITAGE - A STRONG COMMITMENT

- 1.26 million customers in Connecticut and Massachusetts
- Total assets \$6.6 billion
(approximately \$3 billion nuclear)
- Operating revenues - \$2.75 billion (1991)
- Approximately 8000 employees
(Approximately 2200 nuclear)
- Public perception of NU is heavily shaped by nuclear operations

**NORTHEAST UTILITIES
NUCLEAR COMMITMENT
NORTHEAST UTILITIES OWNERSHIP**

1960	Yankee Rowe	31.50%	(38.50%)*
1968	Haddam Neck	44.00%	(49.00%)*
1970	Millstone 1	100.00%	
1972	Vermont Yankee	12.00%	(16.00%)*
1972	Maine Yankee	15.00%	(20.00%)*
1975	Millstone 2	100.00%	
1986	Millstone 3	65.17%	(68.02%)*
1990	Seabrook	4.06%	(39.63%)*

* () Ownership after NU/PSNH merger is completed

NORTHEAST UTILITIES IS A NUCLEAR-ORIENTED COMPANY

- Capacity factors during 1981 - 1990 averaged about 10% above industry averages
- Capacity factor was 42% in 1991
- Approximately 60% of electrical energy generated over the last five years was nuclear
- This number dropped to 44% in 1991
- After NU/PSNH merger, nuclear contribution will be approximately 58%

NORTHEAST UTILITIES' FINANCIAL STABILITY

- NU's financial health improving
 - Major subsidiaries bond ratings are BBB+ or A- by bond rating agencies
 - Stock is at 155% of book value
 - 5-Year cash generation projection is over 150% of forecasted construction expenditures

NORTHEAST UTILITIES' FINANCIAL STABILITY (CONTINUED)

- Perspective on \$728 million 1992 - 1996
"Budget Gap"
 - Important planning tool
 - Options do not include scaling back
Performance Enhancement Programs
 - Merger will contribute to improved
financial performance
 - Will not adversely affect Seabrook
operations
- NU has always supported Seabrook

THE NUCLEAR PROGRAM AT NORTHEAST UTILITIES

- Priority one - safety
- Declining Millstone SALP ratings
- Performance decline recognized
- Four self assessment task groups formed

NORTHEAST UTILITIES CHALLENGES & INITIATIVES

- Results of self assessment shared with NRC
- \$10 million per year including up to 200 new positions initially added to 1992-1996 O&M budget
- Performance Enhancement Program (PEP) initiated

NORTHEAST UTILITIES CHALLENGES & INITIATIVES

(CONTINUED)

- Phase I of PEP completed - root causes determined and shared with NRC
- Phase II scheduled for completion June, 1992 - action plans and schedules
- Prepared to further increase nuclear resources pending phase II results
- Recent issues
 - NRC special review group report
 - PEO/AO performance concerns

COMMITMENT TO SEABROOK

- Smooth transition planned to avoid unnecessary disruption
- Joint owners control budget and resources
- NU bringing increased resources and experience
- All Seabrook employees will become NU employees
- Increased career opportunities

EFFECTS OF ACQUISITION

- Maintaining the NU traditions of strong safety ethic, integrity, honesty, and openness is our overall objective
- Continued safe operation of Seabrook
- Millstone performance issues will not adversely affect Seabrook

SUMMARY

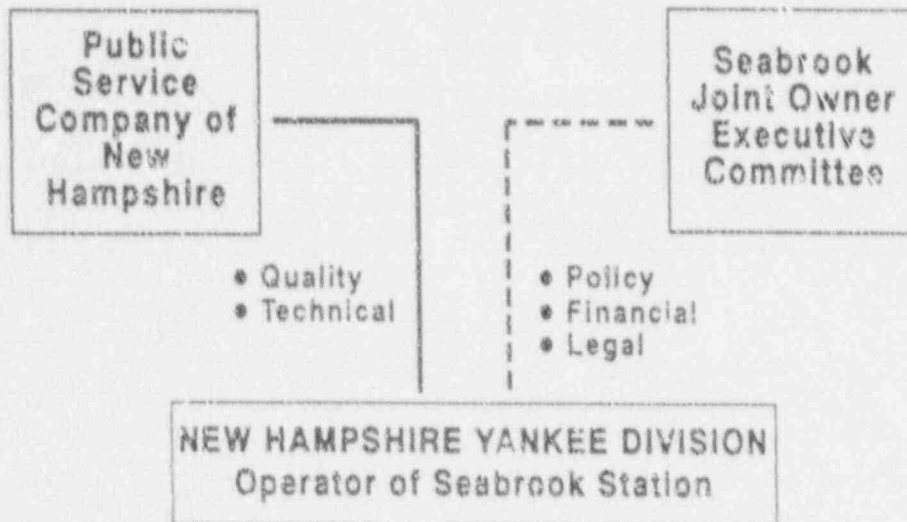
- NU is committed to excellence in nuclear operations
 - The public we serve demands this
 - Our nuclear tradition and safety ethic demands this
 - Our business interest demands this
 - Our course is fixed on this
- Necessary resources will be provided

**BRIEFING ON PROPOSED
TRANSFER OF PSNH
OWNERSHIP OF SEABROOK
TO NORTHEAST UTILITIES**

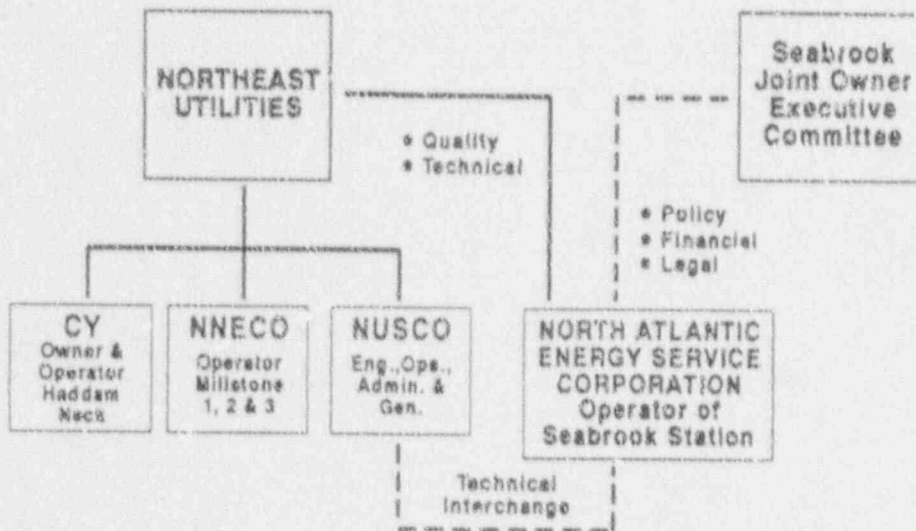
MAY 11, 1992

**T.C. FEIGENBAUM
R.J. GROSSI**

SEABROOK STATION MANAGEMENT (BEFORE MANAGING AGENT TRANSFER)



SEABROOK STATION MANAGEMENT (AFTER MANAGING AGENT TRANSFER)



STATEMENT OF SAPL IN OPPOSITION TO NRC APPROVAL OF
SEABROOK LICENSE TRANSFER TO NORTHEAST UTILITIES

Mr. Chairman and Members of the Commission:

On behalf of the Seacoast Anti-Pollution League, we do appreciate the Commission's willingness to provide an opportunity for SAPL to express its views on the Seabrook license transfer now before you. Financial constraints prohibit our counsel, Mr. Robert A. Backus, from appearing before you today, so we further appreciate the opportunity for Mr. Jeff Sosland of the Nuclear Information and Resource Service to present our views.

Basically, our position is twofold. First, the Commission should grant a hearing, in the Seabrook area, on the proposed transfer before taking any action. Second, because of concerns about NU's financial condition and treatment of nuclear whistleblowers, no transfer of operation of Seabrook to NU should be authorized at this time.

1. A hearing should be held.

SAPL believes there is no way that this transfer should go forward without a full and fair evidentiary hearing in the Seabrook area on the serious issues presented. The Commission, of course, held extensive hearings in the Seabrook area on both the construction permit and the operating license. It is simply incredible that now, in the face of a proposal to transfer both the largest ownership interest, and operational control, to another company, the Commission proposes to proceed with no further procedures provided for input other

than this hearing in Rockville, Maryland on whether or not to adopt a staff recommendation for approval of the transfer. Although SAPL appreciates the offer of five to ten minutes to present its position to the Commission, this is in no way a substitute for the accountability that an evidentiary hearing in the area of the plant would provide.

10 C.F.R. 50.80 "Transfer of Licenses" makes clear that a license can only be transferred with Commission consent and that the information to be provided on the "technical and financial" qualifications of the transferee is to be the same "as would be required if the application was for an initial license". SAPL cannot understand how a license transfer can require the same showing as an initial license, on those issues important to a decision on whether a transfer should occur, yet no hearing is required on such a major decision.

Under 10 C.F.R. §50.8(c), the Commission is to provide "appropriate notice to interested persons", and provide "such procedures as may be required by the Act or regulations . . ." SAPL believes that both as a matter of sound policy, and as a matter of law, the transfer of the Seabrook license cannot be approved without a full evidentiary hearing on the issue of NU's technical, managerial, and financial capability.

Accordingly, SAPL reserves its right to appeal any Commission decision to approve transfer of this license, in the absence of an on-the-record hearing in the vicinity of the Seabrook plant.

2. The transfer to NU should not be approved at this time.

As §50.80 makes clear, before a nuclear operating license can be transferred to a different entity, that entity must meet the same standards as to its technical and managerial competence as would an initial licensee. NU, at the present time, has not established its capability in these areas.

(a) NU's record at Millstone does not provide a basis for authorizing the company to operate a fifth nuclear plant.

As is acknowledged by all parties, NU's nuclear operations at Millstone have slipped badly. As NU states in its 1991 Annual Report: "The performance of the three nuclear electric generating units located at Millstone station was less than satisfactory in 1991. The three units composite capacity factor was only 38.4% in 1991 compared with 79.3% in 1990." (Annual Report, p. 21.)

However, it is not the poor Millstone capacity factor that should concern the Commission: it is the reason for the poor performance, and the treatment NU has afforded to certain of its nuclear plant workers that reported the declining attention to detail and increasing failure to adhere to procedures that led to the decline.

As the Commission well knows, two nuclear whistleblowers employed at Millstone 2 were fired by NU on November 8, 1991. The firing came after these two individuals had filed hundreds of safety allegations with the NRC, many of which the NRC has

acknowledged were substantiated. (See attached telegram from Mr. Don Delcore and Mr. Timothy O'Sullivan.)

Although NU claimed that the firing was the employees' fault, the Department of Labor hearing officer found that the justification offered by NU was "pretextual" and ordered reinstatement and back pay. This finding was approved on January 17, 1991 by the Assistant Director, Wage and Hour Division of the Department of Labor. Although the two whistleblowers have since entered into a settlement agreement, not yet executed, the NRC arranged a Special Review Group to investigate the matter.

The SRG findings are totalling self-contradictory. On one hand, the SRG purported to find that, despite the retaliatory firing, "there was an atmosphere present which did not have an overall 'chilling effect' on the willingness of employees to report concerns." (Executive Summary at II.) On the other hand, the SRG found that "an atmosphere that encouraged the reporting of quality deficiencies and safety concerns was lacking in many respects." (Id. at I.)

SAPL suggests that these findings are contradictory, and indeed a classic example of government doublespeak. We suggest that, given the found "pretextual" firing of two whistleblowers, by top NU management official, the NRC should consider it an established fact that NU management has acted so as to frustrate the prompt and diligent reporting of safety concerns by nuclear plant employees. NU, accordingly, should not be authorized to operate another nuclear plant. A record of reform and adherence

to the highest standards of nuclear operation must be established, before, and not after, the transfer.

The NRC staff cannot and does not plead ignorance of this matter. Indeed, according to the staff reports, SECY 92-099 and 92-156, now before the Commission, the staff suggests that its concerns can be addressed by a number of license conditions.

SAPL submits that the conditions proposed by the staff are wholly inadequate to address the concerns raised by NU's recent operations at Millstone, and particularly its treatment of its employees. The conditions require that the NRC be "informed" of any change in the Seabrook senior site official, "informed" of reports of the Oversight Committee, "informed" of changes to the incentive compensation program, and "informed" of changes to the annual operating and maintenance and capital expenditure budgets.

It was SAPL's understanding that NCR staff already had the right to be informed of these matters, under existing regulatory authority. If this is so, it appears that the conditions are wholly illusory, and offer no additional protection against the concerns raised by the recent record of nuclear management at Millstone. As a 40% owner of the Seabrook plant, NU would have twice the ownership of the next largest owner, and clearly have the influence to establish the "atmosphere" that will prevail at Seabrook, as it has done at Millstone. Until an actual record of nuclear excellence has been achieved at Millstone, and until an actual program of facilitating the reporting of safety problems

by employees has been demonstrated, the proposed transfer should not be approved.

Finally, and perhaps most important, SAPL would point to the fact that nowhere in the staff reports and recommendations is there any reference to the acknowledged fact that NU is under investigation by a federal grand jury in Connecticut. Grand jury proceedings are of course, by law, secret. NU, however, has acknowledged the grand jury investigation is underway, and urged its employees to cooperate in providing evidence.

SAPL suggests the Commission should not be considering transferring the license to NU, unless it is known what the outcome of the grand jury proceeding will be. It is understood that the grand jury proceeding involves an alleged failure on the part of NU, or its management, to report safety allegations at Millstone 1.

(b) The financial stresses on NU dictate license transfer should not be approved.

The issue of NRC review of the financial qualifications of a nuclear licensee has received much attention. See, for example, CLI 88-10, where the Commission required the Seabrook builders to establish a financial capability prior to low power testing. However, even as the NRC has retreated from requiring individual reviews of financial qualifications, it has continued to acknowledge that there is a connection between financial strain

and the possibility of safety problems.¹ Indeed, the staff's own reports in this matter make this clear.

NU's financial situation is therefore very important to the Commission's deliberations. Indeed, NU's overall financial situation may be a major portion of the root cause of the problems it faced at Millstone. Thus, the fact, as set forth in the attached excerpt from NU's five-year business plan, that NU faces a revenue shortfall of \$728 million between 1992 and 1996, is extremely important.

The importance of the revenue shortfall is clear from the SRG report stating that: "NU management may have overemphasized cost containment" at Millstone. (Executive Summary, p. 1.) NU has now made a commitment to add 200 new positions in nuclear licensing and operations, at an additional annual payroll cost of \$10 million. NU, therefore, is facing increased costs its own nuclear operations, at the same time it faces a major revenue shortfall.

These facts must be viewed against the representations NU made to the New Hampshire Public Utilities Commission when it

¹ SAPL cannot help but note that, although the NRC has frequently said its concern is not with profitability, or the economic well-being of its licensees, that the NRC staff, in SECY 92-156 noted, that NU is seeking a favorable Commission action before its shareholders' meeting on May 14, 1992. Perhaps it should be inquired of the staff why they mention the shareholder meeting, since the Commission has often stated its sole concern is with nuclear safety, and not with the economic well-being of its licensees.

sought approval for its merger with PSNH. NU, in its brief filed with the PUC at that time, stated as follows:

Since late 1986 NU has been engaged in a concerted effort to approve the cost effectiveness of all of its operations, including its nuclear operations. [Citation omitted.] NU's success in achieving cost savings by reducing staffing levels in its own organization demonstrates its ability to operate its nuclear units both safely and cost effectively. [Citation omitted.] During that three-year period, NU has reduced by approximately 250 the number of positions in its nuclear engineering operations group. [Citation omitted.] During the same period, NU Systematic Assessment of Licensee Performance ratings by the NRC have improved. The approach NU's management takes to its nuclear operations creates an atmosphere which is conducive to cost reductions. (Emphasis added.)

NU also states that:

As part of NU's acquisition of PSNH, a wholly-owned subsidiary of NU will become responsible for the management operation of Seabrook. NU estimates that its levelized cost of operation of Seabrook, concluding both O & M and Administrative & General (A & G) expenses, will be approximately 113 million a year. [Citation omitted.] When compared to New Hampshire Yankee's ("NHY") budget of 157.5 million, NU expects levelized savings of 44.5 million. Over the life of the unit, Seabrook's O & M's savings to PSNH (accounting for the estimated impact of severance payments of employees of NHY) are projected at a cumulative present value of approximately 188 million.

On NU's own statements, it is clear that NU contemplated budget cuts at Seabrook. Yet, it was budget cuts which have, according to the NRC staff, contributed to a decline in safety performance at Millstone. NU, now facing a massive revenue shortfall, is likely to be under continuing and severe pressure

to cut costs at Seabrook, as it indicated to the NH PUC it would. This tendency is going to be exacerbated by the commitment NU made, as part of the PSNH merger agreement, to cap rate increases in New Hampshire at 5.5% a year, over a 7-year period.

All of this indicates that NU will be under continuing pressure to cut costs, and that this may well result in a tendency, whether deliberate or not, to cut corners. Again, SAPL urges that, before any authorization of license transfer is made, NU should demonstrate that it has improved the performance at the Millstone units, as well as the atmosphere for reporting of safety problems.

CONCLUSION

For the reason stated, SAPL urges that a public hearing be held on the proposed transfer, and that pending the outcome of that public hearing the requested license amendment not be approved.

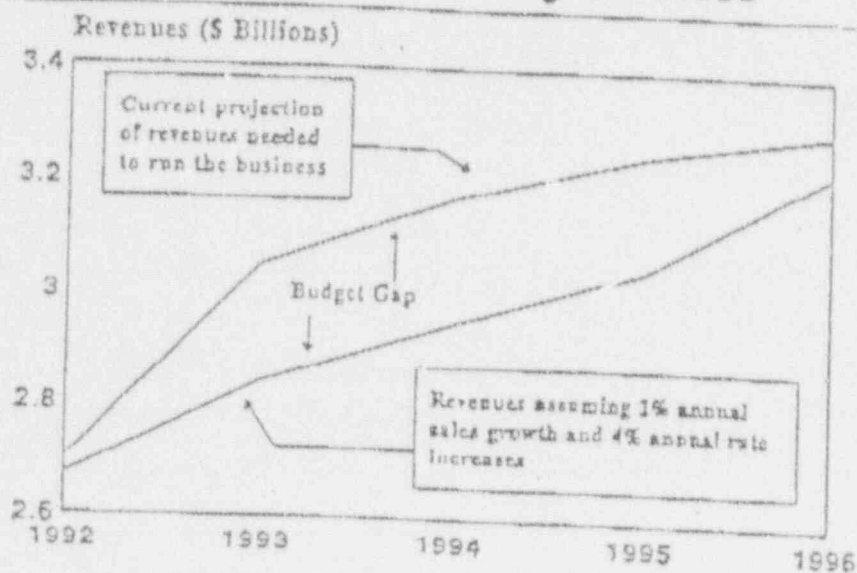
Part 2: The Next Five Years

NU Faces a \$728 Million Budget Gap That We Must Find a Way to Close

As you read through this Business Plan, you will see specific five-year budgets quoted for every function. Those familiar with specific budgets for personnel levels and capital and O&M spending may believe that they are extremely ambitious. Those budgets are aggressive, but the problem is they don't go nearly far enough.

This budget is based on rates rising by about 4 percent annually (the expected rate of inflation) and sales rising by 1 percent annually (assuming a gradual economic recovery). The rate increase projection is based on a review of recent regulatory decisions indicating that we cannot expect that rates will be allowed to rise at more than the prevailing inflation rate. Additionally, higher rates do affect our competitiveness. While higher increases may in fact be justified, we cannot reasonably base this plan on raising our charges substantially faster than the inflation rate. As a result, NU's revenues will come up \$728 million short of what this plan assumes is necessary to run the business for the five-year period 1992-1996. That means we expect to need \$15.5 billion of revenues to run the company and earn a reasonable profit over the next five years, and expect right now to collect only \$14.8 billion during that time.

NU Faces a Budget Gap We Must Find a Way to Close



As you can see from the charts, the problem is not as acute in 1992 because of our success in holding down our costs and the 1991 rate increases received by CI&P and WMA&CO. Reducing targeted spending levels by 2 percent will close the 1992 gap. And it is not as bad in 1996 because by then costs related to the Millstone 3 phase-in will be gone. But, we face a shortfall of about \$200 million a year from 1993-1995 when the impact of phase-ins and dropping capacity sales is most acute, and considerable effort must be devoted in 1992 to finding ways to close that gap.

Year	Annual Gap
1992	\$ 34 million
1993	212
1994	218
1995	199
1996	65
Total	\$ 728 million

This projected budget gap results from a variety of factors. They include:

- Higher O&M costs. While the budgets listed throughout this document are ambitious, they still represent an average annual increase of \$48 million or 5 percent a year.
- Phase-Ins. Rate increases have been moderated in recent years because Connecticut regulators have phased into rates the effects of major capital projects such as Millstone 3 and Seabrook. In effect, NU holds tens of millions of dollars of IOUs from customers that must be paid off by 1996. The Millstone 3 and Seabrook 1 phase-ins will increase annual revenue needs by \$80 million and \$30 million, respectively over the next four years.
- Medical benefits for retirees. New accounting rules require NU to collect additional revenue today to pay for the future medical benefits of retired workers. It sounds minor, but requires about \$30 million of additional revenue annually starting in 1993.
- Millstone 2 steam generators. This \$190 million capital project, the biggest NU is currently planning, will raise annual rates by \$40 million, offset to some extent by improved operational performance.
- Loss of capacity sales revenues. NU's ability to sell surplus capacity to other New England utilities created enormous savings for NU retail customers since 1988. A regional recession and the coming on line of Seabrook, Hydro-Quebec and other independent power producers have created a glut of power in the New England market. Capacity sales revenues are projected to slide from \$187 million in 1991 to \$33 million in 1996, leaving a gap of \$154 million to be made up in new revenues. It is difficult to overstate the adverse impact of losing these revenues.

NU Capacity Sales Revenues (millions of \$)					
<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
187	152	127	75	33	33

- Sluggish sales growth. NU retail sales showed no growth in 1990 and dropped more than 1 percent in 1991. A gradual recovery is expected to increase sales only 1 percent a year through 1996. By contrast, sales grew by about 5 percent most years between 1983 and 1988. To put this in perspective, 1 percent sales growth offsets about \$18 million in higher O&M charges. By contrast, 5 percent sales growth offsets about \$90 million in higher O&M charges.

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DONALD W DEL CORE, SR.
NUMBER 4 DRISCOLL DR
UNCASVILLE CT 06382

THIS IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE:

2038488124 MGMB TDRN UNCASVILLE CT 149 05-04 0802P EST
ZIP

IVAN SELIN, CHAIRMAN
USNRC
WASHINGTON DC 20555

DEAR CHAIRMAN SELIN:

ON DECEMBER 15 1991, WE THE UNDERSIGNED SENT A LETTER TO YOU AND THE
ATOMIC SAFETY AND LICENSING BOARD IN REGARDS TO A LICENSE TRANSFER
FROM THE SEABROOK NUCLEAR POWER STATION TO NORTHEAST UTILITIES
(NAEC). WE HAVE NOT RECEIVED A RESPONSE REGARDING THAT LETTER TO
DATE.

IN AN ASSOCIATED PRESS RELEASE FROM WASHINGTON DC, WE HAVE LEARNED
THAT THE NUCLEAR REGULATORY COMMISSION PLANS TO CONSIDER THE LICENSE
TRANSFER IN A COMMISSION MEETING ON MAY 11 1992. AS YOU ARE AWARE, WE
OPPOSE THE LICENSE TRANSFER TO NU AND WE WOULD EXPECT THAT A PUBLIC
HEARING WOULD BE HELD TO PROPERLY ADDRESS THE MATTERS AT HAND.

WE HOPE YOU WILL PROPERLY ADDRESS THE MATTERS OF SAFETY CONCERN THAT
ARE CLEARLY RAISED BY THIS PROPOSED LICENSE TRANSFER. WE AWAIT YOUR
RESPONSE. VERY TRULY YOURS,

DONALD W DEL CORE, SR. AND TIMOTHY O'SULLIVAN

20:03 EST

MGMCOMP

II. SUMMARY OF RESULTS

II.A. Overview

During this SALP period, performance declined at all three Millstone Station units. Further, all three Millstone units were subject to long forced outages for programmatic and/or equipment problems, including: Unit 1 for operator requalification retraining and erosion/corrosion; Unit 2 for erosion/corrosion, steam generator (SG) tube leakage, and emergency diesel generator operability; and Unit 3 for biofouling of the service water system and erosion/corrosion. Notwithstanding these problems, a good operating and outage safety ethic was clearly evidenced at all three units.

Significant additional resources and priority were given to problem areas noted in the last SALP such as the handling of employee safety concerns, personnel attention to detail, and procedure adherence. Improving performance in the area of radiological controls and the handling of emergent safety issues was noted. However, some programs (e.g., Inservice Testing Erosion/Corrosion) were inconsistently implemented across the three units, indicating ineffective corporate engineering oversight and further need to communicate intra-unit experience. Further, performance weaknesses became evident this period in the emergency preparedness and security areas which were not previously identified. In addition, procedure adherence continued as a problem area at all three units.

In response to NU and NRC identified declines in performance during the previous two years, NU initiated a number of evaluation efforts to assess their performance. The results of their efforts and the follow-on management actions to correct these deficiencies portrayed a strong commitment for improvement, but highlighted the inherent ineffectiveness of other established management programs (i.e., NRB/QA and other quality functions) to identify and correct the performance weaknesses noted. NU's Performance Enhancement Program was under development at the end of the SALP period, and its effectiveness remains to be evaluated by the NRC.

Significant numbers of employee concerns continued to be relayed to the NRC during this SALP period. NU made improvements to the process for responding to and resolving employee concerns; however, the effectiveness of these changes also remains to be evaluated by the NRC.

Several significant organizational changes in the second half of the SALP period were taken by NU in an effort to improve engineering support and operational performance; however, it is too early to judge the effectiveness of these changes. As part of these changes, the role of the Station Director was strengthened towards the end of the period by the removal of two levels of corporate management.

II.B. Facility Performance Analysis Summary

Rating, Trend Rating, Trend

<u>Functional Area</u>	<u>Last Period</u>	<u>This Period</u>
1. Plant Operations	1,1 Decl., 2	2,2,2
2. Radiological Controls	2	2, Improving
3. Maintenance/Surveillance	1,2,1	2,2,2
4. Emergency Preparedness	1	2
5. Security	1	2
F. Engineering/Technical Support	2	2
7. Safety Assessment/Quality Verification	2	3

Previous Assessment Period: June 16, 1989, through December 15, 1990
(Millstone Units 1 and 2)

October 16, 1989, through December 15, 1990
(Millstone Unit 3)

Present Assessment Period: December 16, 1990, through February 15, 1992