



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

September 12, 1996

MEMORANDUM TO: William H. Bateman, Director
Project Directorate IV-2
Division of Reactor Projects III/IV
Office of Nuclear Reactor Regulation

FROM: David B. Matthews, Branch Chief *DB Matthews*
Generic Issues and Environmental
Projects Branch
Division of Reactor Program Management
Office of Nuclear Reactor Regulation

SUBJECT: FINANCIAL QUALIFICATIONS REVIEW OF PROPOSED
MERGER BETWEEN UNION ELECTRIC COMPANY AND
CIPSCO INCORPORATED (DOCKET NO. 50-483)

The attached analysis constitutes our financial qualifications review and input to the SER on the proposal dated February 23, 1996, as supplemented on April 24, 1996, to the NRC by Union Electric Company (UEC) to implement a corporate restructuring by merging with CIPSCO Incorporated (CIPSCO). The new company resulting from this merger will be named Ameren Corporation (Ameren), which will become a parent company to UEC. UEC is the sole owner/operator of the Callaway nuclear plant. Note that a recent revision to NRR procedures requires that the license amendment issued to approve this change must be signed by the Director, Office of Nuclear Reactor Regulation (See memorandum on this subject dated December 28, 1995 from W. Russell to D. Crutchfield and R. Zimmerman.).

The basis of this review is § 50.80(a), which states, "No license for a production or utilization facility, or any right thereunder, shall be transferred, assigned, or in any manner disposed of, either voluntarily or involuntarily, directly or indirectly, through transfer of control of the license to any person, unless the Commission shall give its consent in writing."

We conclude that the proposed merger should be approved, based on the fact that UEC will remain an electric utility as defined in 10 CFR 50.2. However, because of concerns that future transfers of assets between an NRC licensee and its non-licensed corporate affiliates could lead to licensees no longer being an electric utility under the NRC definition, we recommend that this approval be conditioned on obtaining a commitment from UEC not to transfer significant assets from itself to its parent or other company, or if it elects to make such a transfer, to inform the NRC. This wording for this commitment

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W. Bateman

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is provided in the attached SER input. We recommend that this commitment be made a condition of UEC's license for the Callaway facility. Alternatively, Ameren could be added to the license.

Attachment:
As stated

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As stated

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FINANCIAL QUALIFICATIONS ANALYSIS OF
AND SAFETY EVALUATION REPORT INPUT TO THE
PROPOSED RESTRUCTURING OF UNION ELECTRIC COMPANY

Union Electric Company (UEC) proposes to merge with CIPSCO Energy Company (CIPSCO) to form a new company, Ameren Corporation (Ameren). Ameren would become a parent company to UEC and would hold all common stock in UEC upon completion of the merger. UEC would continue to remain the owner/operator of the single unit Callaway Plant. After the merger, UEC would remain an "electric utility" as defined in 10 CFR 50.2, engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale. Current UEC common stockholders would receive shares in Ameren.

UEC indicates that, after the proposed merger, it will remain "committed to provide all funds necessary for the safe operation, maintenance, repair, decontamination and decommissioning of Callaway in conformance with NRC regulations, subject to the same conditions, terms, and obligations of the License. After the Merger, Union Electric's financial ability to fund the above costs will be equal to, or greater than, its ability without the Merger. The Merger will result in cost efficiencies to help maintain competitive rates." (Attachment 1 to letter from UEC to the NRC dated February 23, 1996, p. 9)

UEC indicates that it will remain an "electric utility" as defined in 10 CFR 50.2. That is, UEC will continue to be engaged in the generation, transmission, and distribution of electricity and will remain subject to the rate regulatory authority of the Missouri Public Service Commission, the Illinois Commerce Commission, and the Federal Energy Regulatory Commission. The NRC concurs with this assessment. Thus, pursuant to 10 CFR 50.33(f), UEC is not subject to further financial qualifications review.

However, in view of the NRC's concern that mergers involving formation of holding companies can lead to a diminution of assets necessary for the safe operation and decommissioning of a licensee's nuclear power plants, and pursuant to 50.33(f)(4), the NRC has sought to obtain commitments from its licensees that initiate such restructurings not to transfer significant assets from the licensee to an unlicensed corporate affiliate without notifying the NRC. The NRC believes its approval of the proposed merger between UEC and CIPSCO should be contingent on UEC making a commitment similar to the following:

UEC will provide the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from UEC to its proposed parent or to any other affiliated company, facilities or other assets for the production, transmission, or distribution of electric energy having a depreciated book value exceeding one percent (1%) of NSP's consolidated net utility plant, as recorded on UEC's books of account.

Attachment

The staff believes this commitment would provide reasonable assurance that UEC will continue to maintain adequate resources to operate and decommission its Callaway nuclear generating unit safely. Therefore, the staff concludes that, subject to this commitment, the proposed merger between UEC and CIPSCO to form Ameren will not adversely affect its financial qualifications with respect to the Callaway plant and that the proposed merger should be approved.