



OLIVER D. KINGSLEY, JR.
Vice President
Nuclear Operations

September 9, 1988

U. S. Nuclear Regulatory Commission
Mail Station P1-137
Washington, D. C. 20555

Attention: Document Control Desk

Gentlemen:

SUBJECT: Grand Gulf Nuclear Station Units 1 & 2
Docket Nos. 50-416 and 50-417
License No. NPF-29 and Permit No. CPPR-119
Waterford 3 SES
Docket No. 50-382
License No. NPF-38
Arkansas Nuclear One - Units 1 & 2
Docket Nos. 50-313 and 50-368
License Nos. DPR-51 and NPF-6
SERI Endorsement of AP&L and LP&L Response
to NRC Consolidation Questions
AECM-88/0172

On July 28, 1988 and July 29, 1988, the Nuclear Regulatory Commission (NRC) transmitted letters to Louisiana Power & Light Company (LP&L) and Arkansas Power & Light Company (AP&L). Those letters provided an interpretation of selected NRC requirements and commitments made by AP&L, LP&L and System Energy Resources, Inc. (SERI) regarding the transfer of management and operating responsibility for AP&L's Arkansas Nuclear One (ANO) units and LP&L's Waterford 3 unit to SERI. Requests for additional information on several issues of importance to the NRC in connection with its review of the proposed license amendments were included. Finally, it was requested that the responses to those letters be made with the understanding and concurrence of SERI management.

In addition, your August 18, 1988 letter to SERI requested that SERI coordinate the responses to your earlier letters and assure that the information needed to complete your review be provided by the time the draft operating agreements were submitted to the NRC. SERI is coordinating this effort. This letter, in combination with similar letters from AP&L and LP&L, provide a response to the NRC letters of July 28, 1988, July 29, 1988 and August 18, 1988 and a schedule for submitting the remaining information.

OPERATING AGREEMENTS

Drafts of the proposed AP&L/SERI and LP&L/SERI Operating Agreements will be submitted to the Securities and Exchange Commission (SEC) as part of the application of SERI, AP&L and LP&L requesting approval of the proposed consolidation. The application to the SEC is currently scheduled to be filed in early October at about the same time that filings are to be made with the

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Arkansas Public Service Commission (APSC) and the Louisiana Public Service Commission (LPSC). A copy of the submittal to the SEC including the draft Operating Agreements will be submitted to the NRC for review at about the same time it is submitted to the SEC. The Operating Agreements will include the provisions described in the July 1, 1988 applications from AP&L and LP&L.

In particular, your letters of July 28, 1988 and July 29, 1988, requested that either the AP&L/SERI and LP&L/SERI operating agreements or the conditions of the licenses be modified or that there be some other clear understanding to indicate who will be responsible for the payment of any civil penalties levied by the NRC if and when they may be incurred by SERI for Arkansas Nuclear One (ANO) Units 1 and 2 or Waterford 3 related activities. It is our intention that any such fines be levied by NRC against SERI and that the NRC should expect payment to be made by SERI.

STATUS OF REGULATORY APPROVALS

The plan for SERI to assume operating responsibility for ANO and Waterford 3 is also subject to the approvals of the APSC for ANO, the LPSC for Waterford 3 and the SEC. In early October, AP&L plans to file with the APSC for ANO and LP&L plans to file with the LPSC for Waterford 3 applications seeking approval for SERI to assume operating responsibility. Also in early October, AP&L, LP&L and SERI plan to file an application with the SEC seeking approval of the proposed consolidation. Progress toward these regulatory approvals required for the consolidation effort will proceed independently of each other. Therefore, SERI requests that the NRC issue the Safety Evaluation Report (SER) for the consolidation request separately from the operating license amendment approvals. After the other approvals are obtained AP&L, LP&L and SERI will make a request for issuance of license amendments. SERI will keep you informed of the status of regulatory agency reviews.

PUBLIC INFORMATION

The steps being taken and planned to keep the public and appropriate agencies fully informed of the proposed consolidation were outlined in SERI's letter AECM-88/0131 to the NRC dated June 29, 1988. A systemwide communication plan incorporating those steps has been prepared which includes a variety of steps to communicate with various official agencies, the general public, the investment community and personnel involved in the consolidation or who are employed by Middle South Utilities, Inc. and its operating companies.

In particular, news releases have been prepared and issued for major milestones of public interest in the consolidation process. Copies of submittals have been provided to state regulatory agencies, and staff members of those agencies have been briefed.

Additional briefings are planned with selected community and political leaders in affected communities as well as presentations to certain civic clubs in the vicinity of ANO and Waterford 3.

News releases will continue to be utilized as needed to assure that the public and applicable local and state regulatory agencies are kept informed of information and developments regarding the consolidation.

Finally, selected communications with the financial community are being planned, and there is a proactive program for internal communications involving newsletters, video tapes and executive site visits.

A followup SERI letter on the subject of public information is planned by approximately October 12, 1988 when there should be more specific and detailed information available on these activities.

SIGNIFICANT ORGANIZATIONAL CHANGES

Our letter of July 1, 1988 contained a commitment that SERI would inform the NRC in advance of planned organizational changes which involve major restructuring of line or nuclear support functions at its nuclear facilities and are important to plant safety. Your letters of July 28, 1988 and July 29, 1988 and subsequent discussions with Mr. Dave Wigginton of your staff clarified the NRC concern in this regard. Based on this clarification, SERI's commitment is modified as discussed in the following paragraphs.

Selected licensee programs are governed by formal plans which required NRC review and acceptance or approval. The staff's review in this regard focuses on the specific plan and the technical qualifications of the organization which will be responsible for implementing the plan. Changes to such plans that involve a decrease in effectiveness of the plan require prior NRC review and approval. The Quality Assurance Program, the Emergency Plan, and the Security Plan are examples of such programs governed by appropriate regulations.

Following issuance of the license amendments approving SERI as operator of ANO 1 and 2 and Waterford 3, SERI will inform the NRC in advance and obtain prior NRC approval of planned changes to organizations covered by such formal plans where the changes involve centralization or consolidation of functions and/or personnel covered by such formal plans.

It is envisioned that this will be necessary for the first change involving centralization or consolidation of functions covered by such formal plans. For subsequent changes, SERI will make a determination as to whether or not NRC review and prior approval is required in accordance with the appropriate provisions of 10 CFR 50.54 or other applicable regulations.

In addition, SERI intends to continue the current AP&L and LP&L practice of informing the NRC and soliciting their comments on significant organizational changes affecting ANO 1 and 2 and Waterford 3. Special emphasis will be given to any changes involving centralization occurring as a result or consolidation.

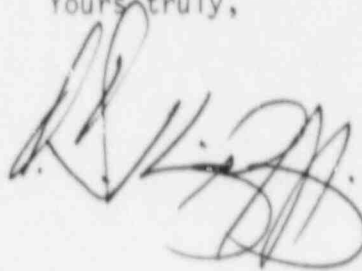
FUEL TRANSSHIPMENT BETWEEN SITES

Your letter stated that the NRC intends to stipulate in license conditions that fuel not be relocated between ANO 1 and 2 and Waterford 3 without specific NRC review and approval. Such a license condition would be consistent with our understanding of the regulations and the licenses as proposed to be amended. This condition is also consistent with the commitments regarding fuel transshipment in our July 1, 1988 submittals.

SERI ENDORSEMENT AND CONCURRENCE

This letter in combination with similar letters from AP&L and LP&L provide a response to the NRC letters of July 28, 1988, July 29, 1988 and August 18, 1988. SERI endorses and concurs with the AP&L and LP&L responses.

Yours truly,



ODK:mcg

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