

MAY 17 1988

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Docket No. 50-416

LICENSEE: System Energy Resources, Inc. (SERI)

FACILITY: Grand Gulf Nuclear Station (GGNS), Unit 1

SUBJECT: SUMMARY OF MAY 10, 1988 MEETING WITH SERI

The meeting was requested by SERI to discuss licensing matters with NRR management. Mr. Oliver Kingsley, Jr., Vice President - Nuclear Operations, and Mr. J. G. Cesare, Director of Nuclear Licensing, were the SERI representatives. The NRC representatives were E. Adensam and L. Kintner. Other persons attending portions of the meeting are identified in the summary of that portion.

The plans for implementation of Regulatory Guide 1.97 recommendations for post-accident neutron monitors were discussed with the Reactor Systems Branch (Wayne Hodges) and the Instrumentation and Control Systems Branch (Joe Joyce and Barry Marcus). The staff will review the recently submitted BWR Owner's Group Topical Report providing alternate requirements for neutron monitors and the associated GGNS plant specific report by October 1988. SERI will submit a commitment to install a GE wide range monitor by the fourth refueling outage.

The Technical Specification Branch (Ed Butcher, Dave Fischer, Rich Emch and Kulin Desai) discussed plans for implementing the Technical Specifications (TS) Improvement Program. A copy of the recently issued "TS split report" was given to the licensee. The licensee said the BWR Owner's Group plans to submit the Standard Technical Specification (STS) for BWR 5/6 in January 1989. SERI will submit a request to change the GGNS Unit 1 TS about three months later. Staff said review of the STS is targeted for six months. Staff also stated that the TS Improvement Program will be discussed at a Commission meeting June 1, 1988 at 2:00 p.m. Regarding noticing of TS changes, staff advised that the notice of opportunity for hearing would state that the Commission may make a proposed no significant hazards consideration determination and issue the amendment after the 30 day comment period expires. The BWR Owner's Group would like to meet with the Technical Specification Branch after June to discuss its plan for developing and submitting the STS for review.

In a meeting with the NRR Associate Director for Projects (Frank Miraglia), the licensee advised staff of the plans for SERI to assume management and operating responsibility for the other three nuclear units in Middle South Utilities, Inc. (Waterford 3 and Arkansas Nuclear One, Units 1 and 2). A copy of information provided to the staff at the meeting is enclosed. The staff discussed some long range NRC interests including maintenance team inspections, greater involvement of management in plant operation, broader look by licensees of operating experience, and assurance of the professionalism of operating personnel.

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In discussions with the Director of Project Directorate 11-1 (E. Adensam) and the HRC Project Manager for Grand Gulf (L. Kintner), the licensee requested the basis for one of the weaknesses identified by the Project Manager in a February 17, 1988 internal NRR briefing - inadequate safety analysis for outage TS changes. The project manager identified three licensing actions which were needed for the second refueling outage, for which initial and supplemental submittals were inadequate - exceptions to TS 3.0.4, modifications to the standby liquid control system and modifications to the reactor water cleanup system. In response to the licensee's questions, staff indicated that it would help staff's reviews if a milestone for resolution of any problem could be established well ahead of the date when the amendment is needed.

151

Lester L. Kintner, Sr. Project Manager  
Project Directorate 11-1  
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Enclosure:  
SERI Info

cc: See next page

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DATE	:5/16/88	:	5/17/88	:	:	:	:

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Grand Gulf Nuclear Station (GGNS)

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ENCLOSURE

ATTENDEES

MAY 10, 1988

GRAND GULF UNIT 1

NRC

L. Kintner  
E. Adensam  
W. Hodges  
J. Joyce  
B. Marcus  
E. Butcher  
D. Fischer  
R. Emch  
K. Desai  
F. Miraglia

SERI

O. Kingsley  
J. Cesare



# SERI INFO

For employees of System Energy Resources, Inc.

May 9, 1988

## SERI to assume management responsibility for all MSU nuclear power plants

William Cavanaugh III, SERI president and CEO, and Edwin Lupberger, chairman and president of Middle South Utilities, Inc. (MSU), today will jointly announce plans for SERI to assume management and operating responsibility for the MSU System's nuclear operations. SERI is a wholly-owned subsidiary of MSU.

"This plan is designed to strengthen Middle South's total nuclear management capabilities, to aid in reducing operating costs, and to help stabilize electric rates for our customers," Cavanaugh said. "Under this arrangement, AP&L and LP&L will retain ownership of their respective nuclear units as well as the associated energy entitlements. SERI will manage the operation of the plants under a management contract that will result in cost-savings being achieved for the Middle South System companies and all they serve."

Under the plan, SERI will assume operating responsibility for MSU's four nuclear units: Arkansas Nuclear One, Units 1 and 2, located near Russellville, Arkansas, and owned by AP&L; Waterford 3, located near Taft, Louisiana, and owned by LP&L; and Grand Gulf Unit 1, located near Port Gibson, Mississippi, and owned and operated by SERI.

"We are convinced that this restructuring will further strengthen our high standard of safety while greatly enhancing the efficient operation of all MSU nuclear units. In essence, this plan will provide for consolidated management of this vital element within the Middle South Utilities System," Lupberger said. "Such a management approach should aid in lowering costs while maintaining safety of operations as our paramount consideration. In addition, we believe that this corporate strategy is consistent with encouragement from the Nuclear Regulatory Commission in recent years for nuclear licensees to provide a more focused management of nuclear power plant operations."

Cavanaugh stated that "the authority of the

Arkansas Public Service Commission, Louisiana Public Service Commission and New Orleans City Council for establishing electric rates and policies in their respective jurisdiction will be unchanged by this action."

The affected Middle South companies plan to file with the Nuclear Regulatory Commission for the appropriate amendments to the nuclear unit operating licenses. Filings will also be made for approvals from the Securities and Exchange Commission and from the appropriate regulators in Arkansas and Louisiana. All necessary regulatory approvals and corporate arrangements are expected to be complete by Dec. 31, 1988.

Cavanaugh said that the management restructuring plan had been under consideration over the past few months and pointed out that such focused nuclear operating organizations were consistent with utility industry trends. Similar management arrangements are already in existence within other systems owning multiple nuclear generating units. Last fall The Southern Company serving Georgia, Alabama, Florida, and Mississippi announced a similar nuclear management organization.

"We within SERI recognize that MSU System customers expect us to achieve maximum operating efficiency and thereby lower our costs. This plan is designed to help meet that goal while significantly increasing our ability to provide specialized expertise in managing multiple nuclear reactors," Cavanaugh said. "The nuclear generation assets of the Middle South System represent a significant opportunity for cost reduction. It is also critical that we focus our System expertise on the safe operation of our nuclear facilities. We believe this initiative will streamline our total nuclear organization of over 3,000 people, eliminate duplications, allow for more efficient use of company personnel, reduce our reliance on outside vendors and

*(Continued on reverse)*

result in more attractive contractor bids. All of these steps not only should aid in safe and cost-effective operations, but also should improve our overall performance."

The proposed arrangement calls for the costs of managing each nuclear unit to be accounted for separately. In accordance with Securities and Exchange Commission rules, no management fees will be added to those costs by SERI or any other corporate entity. As a result, AP&L and LP&L will continue to pay no more than the operating costs associated with their own nuclear units. Those costs should be less than costs under the current three-company management structure.

Under the plan, on-site employees of AP&L at Arkansas Nuclear One and of LP&L at Waterford 3, plus those within the direct nuclear support functions of both operating companies, will become SERI employees. Certain corporate support functions will be combined and streamlined.

"SERI management will be devoted exclusively to power generation. Such a focused management approach will allow for lessons learned at all four units to be shared promptly, efficiently and consistently," commented Cavanaugh. "SERI is an excellence-driven company, having a corporate environment and philosophy designed exclusively for nuclear operations and motivated by cost efficiency and high performance."

SERI has an employee force of almost 1,200 within the total company. The vast majority of those present SERI employees were previously within the Mississippi Power & Light Company nuclear area before Grand Gulf operations were transferred from MP&L to SERI in 1986.

Those within the nuclear organization of the MSU System who would become employees of SERI under the restructuring plan include approximately 1,100 employees at AP&L; about 950 employees at LP&L; and approximately 50 employees in the SSI Nuclear Engineering Services Group.

"We will be undertaking a major implementation and organizational study over the next few months in developing plans for the expanded responsibilities of SERI," Cavanaugh said. "Our goal will be to optimize manpower utilization and to make consistent salary and benefit programs throughout the System. We recognize that there are many questions that will be asked in the next few days and weeks for which there are simply no definitive answers at this time. For that reason, we will make continuing efforts throughout this transition period to maintain contact and communication with all

employees affected by this decision. Until the change is completed, all operating company and SSI nuclear personnel, as well as existing programs, will remain in place."

SERI was formed as an operating company within the Middle South System in 1986 and has achieved outstanding performance results.

Lupberger said that the MSU System was fortunate in having one of the nation's most highly-respected and experienced nuclear executives in Cavanaugh in not only leading SERI, but also in serving as senior vice president and system executive-nuclear at Middle South Utilities, Inc.

"Bill Cavanaugh has consistently demonstrated his leadership ability and technical expertise in developing one of the most outstanding organizations in the nuclear utility industry," Lupberger stated. "This restructuring is aided even further by the fact that during his career he has played an instrumental role in the design, construction, and operation of both Arkansas Nuclear One and Waterford 3."

Cavanaugh, 49, was elected as president and chief executive officer of SERI in 1986. He began his 26-year nuclear career while serving in the nuclear Navy for eight years. In 1969 he affiliated with Middle South as a project engineer for AP&L at Arkansas Nuclear One. Working with AP&L for 15 years, the Tulane University graduate was steadily promoted through the executive ranks, becoming senior vice president, energy supply, in 1981.

In 1983, Cavanaugh was on special assignment as senior vice president of nuclear operations at LP&L where, as a loaned executive, he assumed overall management responsibility for all aspects of the design, construction, and start-up of Waterford 3. In 1984 he was elected president and chief operating officer of MP&L, a post he held until 1986 when he assumed his current position and all MP&L nuclear operations were transferred to SERI.

Unit 1 of Arkansas Nuclear One began commercial operation in 1974 with Unit 2 coming on-line in 1980. Waterford 3 and Grand Gulf Unit 1 went into commercial operation in 1985. The combined generating capacity of all four units totals 3,923 megawatts, which accounted for approximately 45 percent of all the power generated within the System in 1987.

Public release of this announcement will be made at 2 p.m. today through the news media and other information outlets.

DISTRIBUTION FOR MEETING SUMMARY DATED: MAY 17 1988

Facility: Grand Gulf Nuclear Station, Unit 1

**Docket File**

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