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POWER & LIGHT

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J. G. DEWEASE
SENIOR VICE PRESIDENT
NUCLEAR OPERATIONS

W3P88-1105
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NQA

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

ATTN: Mr. Dennis M. Crutchfield, Director
Division of Reactor Projects III, IV, V
and Special Projects

SUBJECT: Waterford SES Unit 3
Docket No. 50-382
License No NPF-38
SERI License Application for Waterford 3

Dear Mr. Crutchfield:

In our meeting of May 19, 1988, we discussed the recently announced proposal by Middle South Utilities to seek NRC's approval for the transfer of management and operating responsibilities of Waterford 3 from Louisiana Power & Light to System Energy Resources, Inc. (SERI). SERI is a wholly owned subsidiary of Middle South Utilities which currently owns and operates Grand Gulf Unit 1 (NPF-29) and to construct Grand Gulf, Unit 2. Under the provisions of the proposed transfer, LP&L will retain ownership of Waterford 3; however, we will enter into a contractual agreement with SERI to provide management and operation of the unit. SERI will thus become a joint licensee of Waterford 3.

In order to allow ample time for NRC review of this matter the required request for license amendment is being expeditiously prepared and is expected to be submitted by July 1, 1988. However, in order to expedite the review process, and in accordance with our discussion of May 19, we are at this time submitting a draft version of our proposed request for license amendment. Although preliminary and incomplete, the attached draft is representative of the breadth of issues to be addressed in the final submittal. The attachments referenced in the draft submittal have not yet been completed and are not included. These will be provided in the July 1 submittal. Any comments which you may have at this time will be factored into our final submittal to be provided by July 1, 1988.

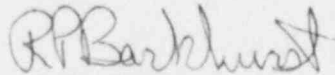
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"AN EQUAL OPPORTUNITY EMPLOYER"

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Preparation of the request for license amendment for Louisiana Power & Light is being closely coordinated with representatives of Arkansas Power & Light and SERI. A similar draft amendment request affecting the transfer of management and operating responsibility for Arkansas Nuclear One, Units 1 & 2 from Arkansas Power & Light to SERI is being forwarded under separate cover by Mr. T.G. Campbell of Arkansas Power & Light. Although approvals will also be required from various other regulatory agencies, NRC's review of the required license amendment is considered to be the key element of the implementation process. As such, NRC's support and review of this matter is greatly appreciated and LP&L will make every effort to assure complete and timely submittal of information required to support NRC in this effort.

Yours very truly,



For J.G. Dewease
Senior Vice President
Nuclear Operations

JGD:MJM:ssf

Attachment

cc: E.L. Blake, W.M. Stevenson, J.A. Calvo, D.L. Wigginton, R.D. Martin,
NRC Resident Inspectors Office (W3)

W3P88-1105

bcc: R.F. Burski, R.P. Barkhurst, T.F. Gerrets, F.J. Drummond, S.A. Alleman,
N.S. Carns, D.F. Packer, P.V. Prasankumar, J.R. McGaha, E.J. Senac,
M.J. Meisner, G.E. Wuller, R.J. Murillo, G.E. Wilson, K.W. Prados,
L.W. Laughlin, C.E. DeDeaux, J.B. Houghtaling, M.P. Horrell, G.W. Muench,
R.T. Lally, Jr., W.A. Cross, R.P. O'Neill, W-3 Records Center,
Administrative Support, Licensing Library

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
LOUISIANA POWER & LIGHT COMPANY)	
)	Docket No. 50-382
)	
(Waterford 3 Steam Electric)	
Station, Unit No. 3))	

APPLICATION TO AMEND FACILITY
OPERATING LICENSE NO. NPF-38

Louisiana Power & Light Company ("LP&L") (the "Licensee") is the holder of Facility Operating License No. NPF-38 for Waterford Steam Electric Station 3 (Waterford 3). The operating license presently authorizes LP&L to possess, use and operate Waterford 3 in accordance with the terms and conditions of the license.

LP&L is a wholly-owned subsidiary of Middle South Utilities, Inc. ("MSU"). MSU also owns the common stock of Arkansas Power & Light Company ("AP&L"), which is licensed by the Nuclear Regulatory Commission (NRC) to possess, use and operate Arkansas Nuclear One, Units 1 and 2 ("ANO-1" and "ANO-2"), and System Energy Resources, Inc. ("SERI"), which is licensed to possess, use and operate Grand Gulf Nuclear Station ("Grand Gulf"), Unit 1 and to construct Grand Gulf, Unit 2.

MSU now plans for SERI to become its system-wide nuclear operating company. As such, SERI would assume operating responsibility for -- but not ownership of -- Waterford 3, ANO-1, and ANO-2. This assumption of operating responsibility will be accomplished by operating agreements between LP&L and SERI and between AP&L and SERI, each designating SERI and authorizing it exclusively to operate the respective plants. We emphasize that the assumption of operating responsibility by SERI for Waterford 3, ANO-1, and ANO-2 will not impact existing plant ownership or entitlements to output.

Upon necessary regulatory approvals and transfer to SERI of LP&L Nuclear Operations personnel, SERI will succeed LP&L as operator of Waterford 3. This amendment application requests that the NRC amend Operating License No. NPF-38 to authorize and reflect in the license the change from LP&L to SERI as the licensee authorized to possess, use and operate Waterford 3. 1/

1/ The proposed changes to the Waterford 3 Operating License and Technical Specifications to reflect the establishment of SERI as a nuclear operating company responsible for the operation of Waterford 3 are included in Attachments 1 and 2 respectively. The markup of the operating license in Attachment 1 is based on the current version of the license as amended through amendment No. ---

Specifically, pursuant to 10 C.F.R. § 50.90, the Licensee hereby requests that the NRC amend Operating License No. NPF-38 to change the name of the licensee for Waterford 3 , such that:

- (1) SERI, pursuant to section 103 of the Atomic Energy Act of 1954, as amended, ("the Act") and 10 C.F.R. Part 50 "Domestic Licensing of Production and Utilization Facilities," is licensed to possess, use and operate Waterford 3 at the designated location in St. Charles Parish, Louisiana, in accordance with the procedures and limitations set forth in the License;

- (2) LP&L, pursuant to the Act and 10 C.F.R. Part 50, is licensed to possess Waterford 3 at the designated location in St. Charles Parish, Louisiana, in accordance with the procedures and limitations set forth in the License;

- (3) S&RI, pursuant to the Act and 10 C.F.R. Part 70, is licensed to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;

- (4) SERI, pursuant to the Act and 10 C.F.R. Parts 30, 40 and 70, is licensed to receive, possess, and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
- (5) SERI, pursuant to the Act and 10 C.F.R. Parts 30, 40 and 70, is licensed to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
- (6) SERI, pursuant to the Act and 10 C.F.R. Parts 30, 40 and 70, is licensed to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of Waterford 3.

Other conforming license changes are noted in the attachments to this Application. 2/ Set forth below is the information in support of the Application to Amend Facility Operating License No. NPF-38.

2/ Conforming changes in insurance and indemnity agreements will be made in due course by separate correspondence.

I. GENERAL INFORMATION CONCERNING LICENSE AMENDMENT

A. Name: System Energy Resources, Inc.

B. Address: Post Office Box 23054

Jackson, Mississippi 39215

C. Description of Business or Occupation

SERI is a wholly-owned subsidiary of Middle South Utilities, Inc. SERI, formerly Middle South Energy, Inc., ("MSE") was formed in 1974 to construct, finance and own base-load generating units for the operating subsidiaries of MSU. On July 22, 1986, the Boards of Directors of MSU and MSE took action to change the name of MSE to SERI and to authorize transferring to SERI all responsibility for the operation of Grand Gulf Unit 1 and construction of Grand Gulf Unit 2. This was accomplished on December 20, 1986, upon receipt of the necessary regulatory approvals.

To date, SERI's business has comprised owning and financing its ninety percent ownership interest in Grand Gulf Nuclear Station, and operating the plant. [SERI's Articles of Incorporation will be amended prior to issuance of this License

amendment to authorize it to engage in the business of a nuclear operating company for the operating subsidiaries of MSU.]

As such, it will be responsible for the operation and maintenance of all licensed and operating nuclear plants in the MSU System, including Waterford 3. Upon receipt of necessary regulatory approvals, SERI, as distinct from LP&L as the owner of the facility will have exclusive responsibility for and control over the physical construction, operation, and maintenance of the facility.

D. Organization and Management of Operating Corporation

SERI is a corporation organized and existing under the laws of the State of Arkansas. Its principal office is located in Jackson, Mississippi. The corporation is neither owned, controlled or dominated by an alien, a foreign corporation, nor a foreign government.

All directors and principal officers of SERI are citizens of the United States. Their names and addresses are as follows: 3/

Directors

Mr. E. A. Lupberger
Chairman
System Energy Resources, Inc.
225 Baronne Street
New Orleans, Louisiana 70112

Mr. William Cavanaugh, III
President and Chief Executive Officer
System Energy Resources, Inc.
Post Office Box 23054
Jackson, MS 39215

Mr. D. C. Lutken
Chairman of the Board and Chief Executive
Officer
Mississippi Power & Light Company
P.O. Box 1640
Jackson, MS 39215-1640

Mr. J. M. Cain
President and Chief Executive Officer
Louisiana Power & Light Company/
New Orleans Public Services, Inc.
Post Office Box 60340
New Orleans, Louisiana 70160

Mr. J. L. Maulden
President and Chief Executive Officer
Arkansas Power & Light Company
Post Office Box 551
Little Rock, Arkansas 72203

Joseph M. Hendrie
Nuclear Engineering Consultant
Bellport, New York;
Senior Scientist, Research and
Development
Brookhaven National Laboratory

3/ Additional directors and officers may be named at a later date.

Officers

Mr. E. A. Upberger
Chairman of the Board
System Energy Resources, Inc.
225 Baronne Street
New Orleans, Louisiana 70112

Mr. William Cavanaugh III
President and Chief Executive Officer
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Mr. Glenn E. Harder
Vice President - Accounting
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Mr. Richard J. Landy
Vice President - Human Resources
and Administration

System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Mr. Oliver D. Kingsley, Jr.
Vice President - Nuclear Operations
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Mr. Ted H. Cloninger
Vice President - Nuclear Engineering
and Support
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Mr. Dan E. Stapp
Secretary
System Energy Resources, Inc.
Post Office Box 23054
Jackson, Mississippi 39215

Upon issuance of the Operating License amendment, the following officers of LP&L will become officers of System Energy Resources, Inc.:-

[INSERT LATER]

E. Technical Qualifications

The technical qualifications of SERI to carry out its responsibilities under the Operating License for Waterford 3, as amended, will meet or exceed the present technical qualifications of LP&L. LP&L will continue to act as the operator of Waterford 3, pending the amendment of the Operating License. When the amendment becomes effective, SERI will assume exclusive responsibility for, and control over, the physical construction, operation, and maintenance of the facility. The present Waterford 3 Nuclear Operations organizations will be transferred essentially intact to SERI. [The non-nuclear support functions such as accounting and human resources will be combined with the support staff of SERI to continue to support Waterford 3.] The technical qualifications of the Waterford 3 organizations therefore will be at least equivalent to those of the existing organization.

The proposed SERI organization is based on the following assumptions:

- o The proposed organization accommodates the structures of the current LP&L, and SERI nuclear organization, and allows transfer of these LP&L nuclear organizations to SERI with virtually no organization change below the level of Senior Vice President, Nuclear Operations.
- o The new consolidated SERI non-nuclear corporate support organization will serve ANO, Waterford 3 and Grand Gulf.
- o Subsequent development of the nuclear and non-nuclear support organizations will follow an evolutionary process.
- o It is the intention of SERI, after issuance of the requested license amendments, to effect further organization changes in order to maximize the benefits expected from consolidation of the MSU nuclear organizations. LP&L, AP&L and SERI have applied separately for removal of organizational charts from the respective technical specifications consistent with NRC Generic Letter 88-06, "Removal of Organization Charts From Technical Specification Administrative Control Requirements," dated March 22, 1988. Future changes

will only be implemented following careful consideration of the effects on nuclear safety, in accordance with the guidance and process of NRC Generic Letter 83-06.

There are several significant elements and advantages to the proposed SERI organization:

- (1) The structure provides clear lines of authority and responsibility while ensuring that essential nuclear functions are dedicated to each project and report to a single responsible project executive.
- (2) The effectiveness of project quality assurance will not be degraded.
- (3) The project structure will continue to provide the project executive the flexibility necessary for managing his resources to achieve optimal results.
- (4) The project structure provides the flexibility necessary to adapt to different procedures and methods used at each plant. This is particularly important initially since most project nuclear activities will be transferred essentially "as is" to SERI.

- (5) The effectiveness of a dedicated nuclear support organization is enhanced by identity with and sharing of the respective project goals and objectives.

F. Statement of Purposes for the License Amendment

The assumption of operational responsibility for Waterford 3, by SERI (along with responsibility for the ANO-1 and -2, and Grand Gulf) will provide benefits inherent to an integrated nuclear operating company. Some of the expected benefits are as follows:

- (1) SERI, as an operating company for multiple reactors, will have a repository of system nuclear operating expertise and experience. Presently, there is a wealth of nuclear operations talent spread throughout the MSU electric system. Consolidation of this talent into one nuclear operating company should have a synergistic effect. The change will enhance public safety and economic operations.
- (2) SERI will be better able to provide a consistent vision for the philosophy of operation of the system nuclear units. A nuclear operating company will allow development of a company philosophy which will be specifically designed for nuclear plant operations. This focused philosophy can be used to achieve excellence in all aspects of nuclear operation.

- (3) As a result of the consolidation there will be more effective communication and use of system nuclear operating experience. For example, the formation of the operating company will allow "lessons learned" to be shared promptly, efficiently, and consistently.
- (4) Certain non-nuclear support functions will become specialized and focused on the requirements of a nuclear operating company and will thereby be more effective in their support of Waterford 3.
- (5) Creation of a system-wide nuclear operating company will contribute to a higher sustained level of employee performance and will provide a broader base and more competitive environment for upper management candidates who are specialized in nuclear power generation. Further, the nuclear operating company would provide an environment in which all employees would be more highly motivated toward high performance. The operating company will also provide greater opportunity for career progression and thus greater opportunity to retain valued employees.
- (6) More specifically, as a result of this consolidation with SERI, salary structures, career path policies and procedures for nuclear employees of SERI will be separate and distinct from non-nuclear employees. This will

permit nuclear managers to focus entirely upon the special needs, qualifications, and requirements of nuclear employees. Human resource and compensation policies tailored to nuclear operations will allow SERI to be competitive in the market for skilled nuclear professionals without directly influencing, or being bound by, personnel policies and procedures governing non-nuclear personnel. The ability to attract superior nuclear talent and retain quality individuals once recruited will have a direct and positive impact on the quality of Waterford 3 operations.

G. Financial Consideration

As is discussed below, SERI is an "electric utility" as that term is defined by 10 C.F.R. § 50.2. Therefore, under 10 C.F.R. § 50.33(f), a full financial qualifications review of this application to amend the license is not necessary. By way of demonstrating that SERI is an "electric utility" and apprising the NRC of the relationships that will exist between SERI and LP&L (the facility owner) the following brief discussion is provided.

[The following interrelations will be established by operating agreements between the owner and SERI:

1. SERI will not have any ownership interest in the Waterford 3 plant, or facilities; however, it will have

overall responsibility for plant operations pursuant to the operating agreement with the owner, including exclusive responsibility for safety decisions. Operation policies will be governed by the Board of Directors of SERI.

2. LP&L will retain authority to direct that Waterford 3 be shut down in an orderly fashion by SERI (and in accordance with SERI's safety judgment) rather than make specific capital modifications or other major expenditures. This retained authority ultimately will limit SERI's spending authority, but will not encumber SERI's ability to make operational safety decisions and will have no impact on safe operation of Waterford 3.
3. By operating agreement between SERI and LP&L, all costs for the operation, maintenance, repair, decontamination and decommissioning of Waterford 3 incurred or accrued will be responsibilities of the owner when incurred or accrued.
4. LP&L is subject to the jurisdiction of economic regulatory authorities (the City Council of New Orleans, the Louisiana Public Service Commission and the Federal Energy Regulatory Commission) and will include costs as expenses of power production for rate making purposes before these authorities.]

Section 50.2 of 10 C.F.R. defines an "electric utility" as:

. . . any entity that generates or distributes electricity and which recovers the cost of this electricity, either directly or indirectly, through rates established by the entity itself or by a separate regulatory authority. Investor-owned utilities, including generation and distribution subsidiaries, public utility districts, municipalities, rural electric cooperatives, and State and Federal agencies, including associations of any of the foregoing, are included within the meaning of 'electric utility.'

SERI is a generating subsidiary of MSU, a registered public utility holding company. Its costs for operation of Waterford 3 will be recovered from LP&L and indirectly through retail rates established by state and city regulatory authorities. Hence, SERI is an "electric utility" as defined in 10 C.F.R. § 50.2.

LP&L also remains an "electric utility" and is committed to provide all funds necessary to continue safe operation of Waterford 3, to shut down Waterford 3 permanently, if necessary and to maintain Waterford 3 in a safe condition, all in conformance with NRC regulations. LP&L and its sources of funds will remain the same as under the present license, and no limits are proposed on either operating or decommissioning costs to be recoverable by

SERI from LP&L. The operating agreement obligations regarding costs, discussed above, give SERI the same financial qualifications as the present licensee, LP&L.

H. Antitrust Considerations

MSU's plan for SERI to operate and manage Waterford 3 will not impact the existing ownership of Waterford 3 or its entitlement to power. Further, the proposed license amendment to designate SERI as the entity authorized to possess, use and operate Waterford 3 will not alter any existing antitrust license conditions applicable to LP&L. Therefore, this proposed license amendment does not require antitrust review pursuant to Section 105 of the Atomic Energy Act and 10 C.F.R. § 2.101(e).

I. Restricted Data

This Application does not contain any Restricted Data or other defense information, and it is not expected that any such information will become involved in the licensed activities. However, in the event that such information does become involved, SERI agrees that it will appropriately safeguard such information and it will not permit any individual to have access to Restricted Data until the Office of Personnel Management shall have made an investigation and report to the NRC on the character, associations

and loyalty of such individual, and the NRC shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

II. SPECIFIC INFORMATION REGARDING RELATED ISSUES

A. Emergency Planning

Upon approval of the license amendment to authorize operation of Waterford 3 by SERI, SERI will assume authority and responsibility for functions necessary to fulfill the emergency planning requirements specified in 10 C.F.R. § 50.47(b) and Part 50, Appendix E. No changes will be made to the present LP&L aspects of the existing Waterford 3 emergency plan. In addition, there will be no changes to the existing Emergency Planning Organization. SERI will add organizational components to reflect its assumption of responsibility for emergency planning. Transition plans and service agreements will be established to ensure that all LP&L support described in the existing emergency plan will be maintained throughout and following the transition.

Existing agreements for support from organizations and agencies not affiliated with the licensees [will be assigned by LP&L to SERI.] This will be accomplished prior to the transfer of responsibility, by letter from LP&L to each organization and agency. These changes will be effective on the effective date of approval of SERI as the operator of Waterford 3.

In a transition period following the transfer of operating responsibility to SERI, a significant amount of emergency planning support will be provided by LP&L. In essence, to the extent that personnel, resources, and facilities are not being transferred to SERI, LP&L will continue to fulfill its existing emergency planning functions. These functions have been thoroughly reviewed and the required support will be assured by a service agreement between SERI and LP&L. Later, reduced LP&L support may be required as the SERI organization and support functions become fully established. Nevertheless, there may be some continuing LP&L support such as in the area of communications. Long-term utilization of LP&L resources in these areas will be based on cost-effectiveness, and as necessary, will be ensured by service agreements.

In sum, the proposed license amendments will not impact compliance with the emergency planning requirements. Because the effectiveness of the emergency plan will not be decreased, specific emergency plan and procedure changes will be submitted to the NRC within 30 days after the changes are made, pursuant to 10 C.F.R. § 50.54(q) and Appendix E, Section V.

B. General Design Criterion 17

The amendment to authorize assumption of operating responsibility by SERI involves no changes in the ownership or design of the offsite power system for Waterford 3, or in its

operation, maintenance or testing. Upon approval of the amendment, LP&L will continue to fulfill its current responsibilities with respect to compliance with General Design Criterion ("GDC") 17.

GDC 17 specifically requires that there be an assured source of offsite power to the plant. Pursuant to this requirement, SERI and LP&L will maintain and implement procedures and agreements specifying: (1) the arrangements for provision of a continued source of offsite power and (2) the arrangements for controlling operation, maintenance, repair, and other activities with respect to the switching station, the transmission lines and the switchyard, such that adequate independent sources of offsite power will continue to be provided.

The term "Switching Station" applies to the station located immediately adjacent to Waterford 3. The purpose of this station is to connect the plant to the Waterford Switchyard by means of two 230 kv lines.

The term "Switchyard" applies to the 230 kv Switchyard closest to Waterford 3 consisting of two buses and bays connected in the typical breaker and a half scheme.

In essence, the written procedures and agreements will provide for the future interface between SERI and LP&L. First, LP&L has committed to providing offsite power to Waterford 3. Second, the procedures and agreements will provide for the

continuation of current arrangements for the operation and maintenance of the switching station, the switchyard and associated transmission facilities. The procedures and agreements will also specify that LP&L will obtain approval from SERI prior to implementing any changes to the equipment in the switching station, which includes the unit Oil Circuit Breakers, switching disconnects, transmission lines and protective relaying which are directly adjacent to the Waterford 3 protected area. In addition, procedures will also specify that LP&L will obtain concurrence from SERI prior to implementing any changes to the 230 kv switchyard equipment dedicated to Waterford 3.

C. Exclusion Area

Upon approval of the amendment providing for assumption of operating responsibility by SERI, SERI will have authority to determine all activities within the Waterford 3 exclusion area, to the extent required by 10 C.F.R. Part 100.

As stated in Section 2.1.2 of the Waterford 3 Final Safety Analysis Report (FSAR), LP&L owns all surface rights within the exclusion area boundary of the plant. Under the service agreement between SERI and LP&L, LP&L will agree to provide SERI with unrestricted access to the real property constituting the Waterford 3 site, including the facilities, equipment, switching station and personal property located on the site. Except as modified below with respect to Waterford 1 and 2, SERI shall have

authority to exercise complete control over the exclusion area as designated in the FSAR for the plant, and to determine all activities within that area (including all areas of the Waterford 3 plant and the switching station). This authority, will allow SERI to control ingress and egress and to order an evacuation if necessary. To the extent practicable, SERI will, of course, exercise this control in such a fashion that LP&L's access to the switching station, transmission facilities and to Waterford 1 & 2 for proper operation and maintenance of the electric system on the Waterford site will not be unduly restricted.

Those activities associated with the operation and maintenance of the LP&L Waterford 1 & 2 fossil generating plants, which are located in the exclusion area, are unrelated to the operation of Waterford 3 and therefore will remain under the control of LP&L. However, there will be no changes to the Waterford 3 Emergency Plan other than the fact that it will become the responsibility of SERI. Written procedures and agreements will provide for interface between SERI and LP&L to address the operation of the facilities during emergency situations.

There is presently no intention by LP&L to allow exploration for subsurface minerals from points on the surface of the exclusion area. With respect to the activities unrelated to plant operation that will occur in the exclusion area identified in Section 2.1.2 of the FSAR, there will be no change. SERI will assume responsibility for the emergency plan as discussed above.

D. Security

The proposed license amendments will not impact compliance with the physical security requirements of 10 C.F.R. Part 73. Upon assumption of operating responsibility, SERI will assume ultimate responsibility for implementation of present safeguards contingency plan procedures. Existing agreements for support from agencies not affiliated with the licensees [will be assigned by LP&L to SERI.] Changes to the plans to reflect this transition will not decrease the effectiveness of the plans and will be submitted to the NRC within 30 days after the changes are made, in accordance with 10 C.F.R. § 50.54(p).

E. Quality Assurance Program

The proposed license amendment will not impact compliance with the quality assurance requirements of 10 C.F.R. 50, Appendix B. Upon assumption of operating responsibility, SERI will assume the ultimate responsibility for present functions associated with the Waterford 3 quality assurance program. The organization, function and structure of the Waterford 3 quality assurance group will not be affected by this license amendment. Changes to reflect this transition, which will be handled in accordance with 10 C.F.R. 50.54, will not reduce the commitments in the quality assurance program descripti

F. Final Safety Analysis Report

With the exception of areas discussed in this license amendment application, the proposed license amendment will not change or invalidate information presently appearing in the Waterford 3 FSAR. Changes necessary to accommodate the proposed license amendments will be incorporated into the Waterford 3 FSAR following NRC approval of the license amendment application, in accordance with 10 C.F.R. 50.71(e).

G. Training

The proposed license amendment will not impact compliance with the operator requalification program requirements of 10 C.F.R. 50.54 and related sections, nor maintenance of the Institute of Nuclear Power Operations accreditation for non-licensed training. Upon assumption of operating responsibility, SERI will assume ultimate responsibility for implementation of present training programs. Changes to the programs to reflect this transition will not decrease the scope of the approved operator requalification program without the specific authorization of the NRC in accordance with 10 C.F.R. 50.54(i).

H. Engineering Support

Currently the engineering support of Waterford 3 is provided by a dedicated engineering organization that is an integral part

of the Nuclear Operations organization. Because the existing Nuclear Operations organization at LP&L will initially transfer virtually intact to SERI, there will be essentially no change in the engineering support provided and no change in the interface between the organizations responsible for engineering support, and maintenance and operation at Waterford 3. Thus there will be no degradation of the engineering support function and its integration with maintenance and operations. Later, as evolutionary changes are made to consolidate organizations within SERI, appropriate consideration will be given to ensuring the continued integration of the engineering support function with the maintenance and operation function.

III. NO SIGNIFICANT HAZARDS CONSIDERATION EVALUATION

PURSUANT TO 10 C.F.R. 50.92

A. Proposed Change

The proposed amendment would revise Facility Operating License No. NPF-38 for Waterford 3 to authorize SERI to act on behalf of LP&L, with exclusive responsibility for and authority to determine the physical construction, operation, and maintenance of the facility.

B. Background

SERI is a wholly-owned subsidiary of MSU. It is presently licensed to operate Grand Gulf Unit 1, and to construct Grand Gulf Unit 2. Under the proposed amendment, SERI would assume all responsibilities for operating Waterford 3. Under the current operating license, these responsibilities are now held by LP&L, which also is a wholly-owned subsidiary of MSU. This application is being filed in parallel with a similar request by AP&L to transfer to SERI, operational responsibility for ANO.

Under the terms of the proposed change, the operating license would recognize SERI as the legal entity which will provide the technical and managerial resources for the continued safe operation of the facility, and as the entity with exclusive authority to make operational safety decisions. The proposed license amendment involves no change in the ownership of the facility and no physical changes to the plant.

All of the current license conditions will remain in effect and the Limiting Conditions for Operation, Limiting Safety System Settings, and Safety Limits specified in the Technical Specifications will remain unchanged. While the emergency plan, security plan, and plant operating and emergency procedures may require administrative changes to reflect SERI's role as operator of Waterford 3, no changes will be made that decrease the effectiveness of these plans and procedures. Similarly, while the

Quality Assurance Program may require administrative changes to reflect the consolidated operating company, no changes will be made that reduce the commitments in the program. A transition plan will ensure an orderly transfer of existing emergency preparedness responsibilities to SERI. Written procedures and agreements maintained and implemented by SERI and LP&L will clearly ensure continued compliance with GDC 17. Similarly, operating agreements will ensure that SERI has authority to determine all activities within the exclusion area.

The technical qualifications of SERI to carry out its responsibilities under the Operating License, as amended, will meet or exceed the present technical qualifications of LP&L. LP&L will continue to act as the operator of Waterford 3, pending the amendment of the Operating License. When the amendment becomes effective, SERI will assume exclusive responsibility for, and control over, the physical construction, operation, and maintenance of the facility. The present Waterford 3 Nuclear Operations staff will be transferred essentially intact to SERI. [The non-nuclear support functions, such as accounting and human resources, will be combined with the support staff of SERI to continue to support Waterford 3.] The technical qualifications of the Waterford 3 organization therefore will be at least equivalent to those of the existing organization.

The transfer of operational responsibility for Waterford 3 to SERI (along with transfer of responsibility for the ANO-1 and -2 plants) will provide benefits inherent to an integrated system-wide, nuclear operating company. Some of the expected benefits are as follows:

- (1) SERI, as an operating company for multiple reactors, will have a repository of system nuclear operating expertise and experience. Presently, there is a wealth of nuclear operations talent spread throughout the Middle South electric system. Consolidation of this talent into one nuclear operating company should have a synergistic effect. The change will enhance public safety and economic plant operation.

- (2) SERI will be better able to provide a consistent vision for the philosophy of operation of the system nuclear units. A nuclear operating company will allow development of a company philosophy which will be specifically designed for nuclear plant operations. This focused philosophy can be used to achieve excellence in all aspects of nuclear operation.

- (3) As a result of the consolidation, there will be more effective communication and use of system nuclear operating experience. For example, the operating company will allow "lessons learned" to be shared promptly, efficiently, and consistently.
- (4) Certain non-nuclear support functions will become specialized and focused on the requirements of a nuclear operating company and will thereby be more effective in their support of the Waterford 3 facility and the other SERI plants.
- (5) Consolidation with SERI will contribute to a higher sustained level of employee performance. The nuclear operating company would provide a broader base and more competitive environment for upper management candidates who are specialized in nuclear power generation. Further, the nuclear operating company would enhance the environment in which all employees would continue to be highly motivated toward high performance. The operating company would also provide greater opportunity for career progression and thus greater opportunity to retain valued employees.

- (6) More specifically, as a result of this consolidation with SERI, salary structures, career path policies and procedures for nuclear employees of SERI will be separate and distinct from non-nuclear employees. This will permit nuclear managers to focus entirely upon the special needs, qualifications, and requirements of nuclear employees. Human resource and compensation policies tailored to nuclear operations will allow SERI to be competitive in the market for skilled nuclear professionals without directly influencing, or being bound by, personnel policies and procedures governing non-nuclear personnel. The ability to attract superior nuclear talent and retain quality individuals once recruited will have a direct and positive impact on the quality of Waterford 3 operations.

C. Analysis

The following discussion provides a specific analysis of the proposed change against the three standards delineated in 10 C.F.R. § 50.92 and demonstrates that the proposed change involves no significant hazards consideration:

1. The proposed change will not increase the probability or consequences of an accident previously evaluated. The technical qualifications of SERI will be at least equivalent to those of LP&L presently. Personnel

qualifications will remain the same as those discussed in the Technical Specifications and the FSAR.

SERI presently owns and operates Grand Gulf. Additional personnel employed by SERI will be drawn from employees presently engaged in the operation of the nuclear facilities operated by LP&L and AP&L. The organizational structure of SERI will provide for clear management control and effective lines of authority and communication between the organizational units involved in the management, operation, and technical support for the operation of the facility.

As a result of the proposed changes, there also will be no physical changes to the facility and all Limiting Conditions for Operation, Limiting Safety System Settings, and Safety Limits specified in the Technical Specifications will remain unchanged. With the exception of administrative changes to reflect the organization of SERI, the Quality Assurance Program, the emergency plan, security plan, and training program are unaffected.

[Provision will also be made for an orderly transfer of emergency preparedness support agreements.] Contractual agreements will ensure continued compliance with GDC 17 as well as SERI control over all activities within the exclusion area.

Therefore, the proposed change will not increase the probability or consequences of an accident previously evaluated.

2. The proposed change will not create the possibility of a new or different kind of accident from any accident previously evaluated. The design and design bases of Waterford 3 remain the same. Therefore, the current plant safety analyses remain complete and accurate in addressing the licensing basis events and analyzing plant response and consequences.

The Limiting Conditions for Operation, Limiting Safety System Settings, and Safety Limits are not affected by the proposed change. With the exception of administrative changes to reflect the organization of SERI, plant procedures are unaffected. As such, the plant conditions for which the design basis accident analyses have been performed are still valid. Therefore, the proposed change cannot create the possibility of a new or different kind of accident than previously evaluated.

3. The proposed change will not involve a reduction in a margin of safety. Plant safety margins are established through Limiting Conditions for Operation, Limiting Safety System Settings, and Safety Limits specified in

the Technical Specifications. Since there will be no change to the physical design or operation of the plant, there will be no change to any of these margins. Further, the only changes to the Technical Specifications which may be necessary will reflect the organization of SERI. The proposed amendment therefore will not involve a reduction in a margin of safety.

D. Conclusion

Based upon the analysis provided herein, the proposed changes will not increase the probability or consequences of an accident previously evaluated, create the possibility of a new or different kind of accident from any accident previously evaluated, or involve a reduction in a margin of safety. Therefore, the proposed amendment meets the requirements of 10 C.F.R. 50.92(c) and does not involve a significant hazards consideration.

IV. CONSENT

LP&L hereby consents to the assumption of responsibilities by SERI, as described above.
