

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
ARKANSAS POWER & LIGHT COMPANY)	
)	Docket Nos. 50-313
)	50-368
(Arkansas Nuclear One, Units 1 and 2))	

APPLICATION TO AMEND FACILITY
OPERATING LICENSE NOS. DPR-51 AND NPF-6

Arkansas Power & Light Company ("AP&L") (the "Licensee") is the holder of Facility Operating License No. DPR-51 for Arkansas Nuclear One, Unit 1, and Operating License No. NPF-6 for Arkansas Nuclear One, Unit 2. The operating licenses presently authorize AP&L to possess, use and operate Arkansas Nuclear One, Units 1 and 2 ("ANO-1" and "ANO-2") in accordance with the terms and conditions of these licenses.

AP&L is a wholly-owned subsidiary of Middle South Utilities, Inc. ("MSU"). MSU also owns the common stock of Louisiana Power & Light ("LP&L"), which is licensed by the Nuclear Regulatory Commission (NRC) to possess, use and operate the Waterford Steam Electric Station, Unit No. 3 ("Waterford 3"), 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.

J14RPT88051702

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 -- ANO-1, ANO-2 and Waterford 3. This assumption of operating responsibility will be accomplished by operating agreements between AP&L and SERI and between LP&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 ANO-1, ANO-2 and Waterford 3 will not impact existing plant ownership or entitlements to output.

Upon necessary regulatory approvals and transfer to SERI of AP&L nuclear operational personnel, SERI will succeed AP&L as operator of ANO-1 and ANO-2. This amendment application requests that the NRC amend Operating License Nos. DPR-51 and NPF-6 to authorize and reflect in the licenses the change from AP&L to SERI as the licensee authorized to possess, use and operate ANO-1 and ANO-2. 1/

1/ The proposed changes to the ANO-1 and ANO-2 Operating License and Technical Specifications to reflect the establishment of SERI as a nuclear operating company responsible for the operation of ANO-1 and ANO-2 are included in Attachments 1 through 4. The markups of the Operating Licenses are based on the current version of the licenses as amended through amendment No. ___ (for ANO-1) and amendment No. ___ (for ANO-2).

Specifically, pursuant to 10 C.F.R. § 50.90, the Licensee hereby requests that the NRC amend Operating License No. DPR-51 to change the name of the licensee for ANO-1, such that:

- (1) SERI, pursuant to section 104b of the Atomic Energy Act of 1954, as amended (the "Act"), and 10 C.F.R. Part 50, "Licensing of Production and Utilization Facilities," is licensed to possess, use and operate ANO-1, at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;
- (2) AP&L, pursuant to the Act and 10 C.F.R. Part 50, is licensed to possess ANO-1 at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;
- (3) SERI, 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 by-product, 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;
- (6) SERI, pursuant to the Act and 10 C.F.R. Parts 30 and 70, is licensed to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

Further, the Licensee hereby requests that the NRC amend Operating License No. NPF-6 to change the name of the licensee for ANO-2, such that:

- (1) SERI, pursuant to Section 103 of the Act, as amended, and 10 C.F.R. Part 50, "Licensing of Production and Utilization Facilities," is licensed to possess, use and operate ANO-2, at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;
- (2) AP&L, pursuant to the Act and 10 C.F.R. Part 50, is licensed to possess ANO-2 at the designated location in Pope County, Arkansas, in accordance with the procedures and limitations set forth in the License;
- (3) SERI, 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 by-product, 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 by-product, 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 and 70, is licensed to possess, but not separate, such by-product and special nuclear materials as may be produced by the operation of ANO-2.

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 Licenses Nos. DPR-51 and NPF-6.

I. GENERAL INFORMATION CONCERNING LICENSE AMENDMENT

A. Name: System Energy Resources, Inc.

B. Address: Post Office Box 23054

Jackson, Mississippi 39215

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

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

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 Licensing 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 ANO-1 and ANO-2. Upon receipt of necessary regulatory approvals, SERI, as distinct from AP&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, Mississippi 39215

Mr. D. C. Lutken
Chairman of the Board and Chief Executive
Officer
Mississippi Power & Light Company
P.O. Box 1640
Jackson, Mississippi 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. Lupberger
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 AP&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 Licenses for ANO-1 and ANO-2, as amended, will meet or exceed the present technical qualifications of AP&L. AP&L will continue to act as the operator of ANO-1 and ANO-2, pending the amendment of the Operating Licenses. When the amendments become effective, SERI will assume exclusive responsibility for and control over, the physical construction, operation, and maintenance of the facilities. The present ANO-1 and ANO-2 nuclear 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 ANO-1 and ANO-2.] The technical qualifications of the ANO-1 and ANO-2 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 structure of the current AP&L and SERI nuclear organizations, and allows transfer of the AP&L nuclear organization to SERI with virtually no organization change below the level of the Vice President, Nuclear Operations.
- o The new consolidated SERI non-nuclear 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, in the future, 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. AP&L, LP&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 88-06.

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 support 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 Amendments

The assumption of operational responsibility for ANO-1 and ANO-2, by SERI (along with responsibility for Waterford 3 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 the ANO Units.
- (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 continue

to 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 ANO 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 licenses 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 AP&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 ANO plants 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. AP&L will retain authority to direct that ANO-1 or ANO-2 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 ANO-1 or ANO-2.

3. By operating agreement between SEPI and AP&L, all costs for the operation, maintenance, repair, decontamination and decommissioning of ANO-1 and ANO-2 incurred or accrued will be the responsibility of the owner when incurred or accrued.

4. AP&L is subject to the jurisdiction of economic regulatory authorities (the Arkansas and Missouri public service commissions 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 ANO-1 and ANO-2 will be recovered from AP&L and indirectly through retail rates established by state regulatory authorities. Hence, SERI is an "electric utility" as defined in 10 C.F.R. § 50.2.

AP&L also remains an "electric utility" and is committed to provide all funds necessary to continue safe operation of ANO-1 and ANO-2, to shut down ANO-1 and ANO-2 permanently, if necessary, and to maintain the units in a safe condition, all in conformance with NRC regulations. AP&L and its sources of funds will remain the same as under the present licenses, and no limits are proposed on either operating or decommissioning costs to be recoverable by SERI from AP&L. The operating agreement obligations regarding costs, discussed above, give SERI the same financial qualifications as the present licensee, AP&L.

H. Antitrust Considerations

MSU's plan for SERI to operate and manage ANO-1 and ANO-2 will not impact the existing ownership of the units or its entitlement to power. Further, the proposed license amendments to designate SERI as the entity authorized to possess, use and operate ANO-1 and ANO-2 will not alter any existing antitrust license conditions applicable to AP&L. Therefore, these proposed license amendments do 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 amendments to authorize operation of ANO-1 and ANO-2 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 on-site aspects of the existing emergency plans for ANO-1 and ANO-2. In addition, there will be no changes to the existing Emergency Planning Organization. While there will be changes to the

off-site organizations and facilities to reflect the responsibilities of SERI, including its responsibility for emergency planning, transition plans and service agreements will be established to ensure that all non-nuclear support described in the existing emergency plans 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 AP&L to SERI.] This will be accomplished prior to the transfer of responsibility, by letter from AP&L to each organization and agency. These changes will be effective on the effective date of approval of SERI as the operator of ANO-1 and ANO-2.

In a transition period following the transfer of operating responsibility to SERI, emergency planning support will be provided by AP&L. In essence, to the extent that personnel, resources, and facilities are not being transferred to SERI, AP&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 AP&L. Later, reduced AP&L support may be required as the SERI organization and support functions become fully established.

Nevertheless, there may be some continuing AP&L support such as in the area of communications. Long-term utilization of AP&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 amendments to authorize assumption of operating responsibility by SERI involve no changes in the ownership or design of the offsite power systems for ANO-1 and ANO-2, or in their operation, maintenance or testing. Upon approval of the amendment, AP&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 plants. Pursuant to this requirement, SERI and AP&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 transmission lines and the switchyard, such that adequate independent sources of offsite power will continue to be provided.

In essence, the written procedures and agreements will provide for the future interface between SERI and AP&L. First, AP&L has committed to providing offsite power to the units. Second, the procedures and agreements will provide for the continuation of current arrangements for the operation and maintenance of the switchyard and associated transmission

facilities. The procedures and agreements will also specify that AP&L will obtain concurrence from SERI prior to implementing any changes in this equipment.

C. Exclusion Area

Upon approval of the amendments providing for assumption of operating responsibility by SERI, SERI will have authority to determine all activities within the ANO-1 and ANO-2 exclusion areas, to the extent required by 10 C.F.R. Part 100.

As stated in Chapters 2.2.2 and 2.1.2.1 of the Final Safety Analysis Reports (FSARs) for ANO-1 and ANO-2 respectively, AP&L controls all surface rights within the exclusion area boundary of the units. With respect to certain property owned by the United States Government, AP&L controls the area under an easement. Under the service agreement between SERI and AP&L, AP&L will agree to provide SERI with unrestricted access to the real property constituting the ANO site, including the facilities, equipment, switchyard, and personal property located on the site. Also, as explicitly stated in the Agreement, SERI shall have authority to exercise complete control over the exclusion areas as designated in the FSARs for the plants, and to determine all activities within those areas (including all areas of the site and the switchyard). 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 AP&L's access to the switchyard and transmission facilities for proper operation and maintenance of the electric systems on the ANO site will not be unduly restricted.

As stated in the FSARs, certain activities unrelated to plant operation (e.g., use of roads) will occur in the exclusion area. There will be no change from the existing situation. SERI will assume responsibility for the emergency plans 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 outside agencies [will be assigned by AP&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

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 ANO-1 and ANO-2 quality assurance program. The organization, function and structure of the quality assurance group will not be affected by these license amendments. 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 description.

F. Final Safety Analysis Report

With the exception of areas discussed in this license amendment application, the proposed license amendments will not change or invalidate information presently appearing in the ANO FSARs. Changes necessary to accommodate the proposed license amendment will be incorporated into the ANO-1 and ANO-2 FSARs 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 (INPO) 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 ANO-1 and ANO-2 is provided by a dedicated engineering organization that is an integral part of the nuclear organization. Because the existing nuclear organization at AP&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 for each plant. 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 amendments would revise Facility Operating License No. DPR-51 and Facility Operating License No. NPF-6 for Arkansas Nuclear One, Units 1 and 2, respectively, to authorize SERI to act on behalf of Arkansas Power & Light Company, with exclusive responsibility for and authority to determine the physical construction, operation, and maintenance of the facilities.

B. Background

System Energy Resources, Inc. ("SERI") is a wholly-owned subsidiary of Middle South Utilities, Inc. ("MSU"). It is presently licensed to operate the Grand Gulf Nuclear Station, Unit 1, and to construct Grand Gulf Unit 2. Under the proposed amendments, SERI would assume all responsibilities for operating Arkansas Nuclear One, Units 1 and 2. Under the current operating licenses, these responsibilities are now held by AP&L, which also

is a wholly-owned subsidiary of MSU. This application is being filed in parallel with a similar request by LP&L to transfer to SERI, operational responsibility for Waterford 3.

Under the terms of the proposed change, the operating licenses for ANO-1 and ANO-2 would recognize SERI as the legal entity which will provide the technical and managerial resources for the continued safe operation of the facilities, and as the entity with exclusive authority to make operational safety decisions. The proposed license amendments involve no change in the ownership of the facilities and no physical changes to the plants.

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 will require administrative changes to reflect SERI's role as operator of the units, 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 that 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 AP&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 Licenses, as amended, will meet or exceed the present technical qualifications of AP&L. AP&L will continue to act as the operator of ANO-1 and ANO-2, pending amendment of the Operating Licenses. When the amendments become effective, SERI will assume exclusive responsibility for, and control over, the physical construction, operation, and maintenance of the facilities. The present ANO-1 and ANO-2 nuclear 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 ANO-1 and ANO-2.] The technical qualifications of the ANO-1 and ANO-2 organizations therefore will be at least equivalent to those of the existing organization.

The transfer of operational responsibility for ANO-1 and ANO-2 to SERI (along with transfer of responsibility for Waterford 3) 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 Arkansas Nuclear One facilities 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 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 ANO 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 AP&L presently. Personnel qualifications will remain the same as those discussed in the Technical Specifications and the FSARs for ANO-1 and ANO-2.

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 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 facilities.

As a result of the proposed changes, there also will be no physical changes to the facilities, 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 plans, security plans and training programs 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 areas.

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

2. The proposed changes will not create the possibility of a new or different kind of accident from any accident previously evaluated. The design and design bases of ANO-1 and ANO-2 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 changes. With the exception of administrative changes to reflect the organization of SERI, plant operating and emergency procedures are unaffected. As such, the plant conditions for which the design basis accident analyses have been performed are still valid. Therefore, the proposed changes cannot create the possibility of a new or different kind of accident than previously evaluated.

3. The proposed changes 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 plants, there will be no change to any of these margins. Further, the only changes to the Technical Specifications which have been proposed are to reflect the organization of SERI. The proposed amendments 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 amendments meet the requirements of 10 C.F.R. 50.92(c) and do not involve a significant hazards consideration.

CONSENT

Arkansas Power & Light Company hereby consents to the assumption of responsibilities by SERI, as described above.
