



OLIVER D. KINGSLEY, JR.
Vice President
Nuclear Operations

July 1, 1988

U. S. Nuclear Regulatory Commission
Office of Nuclear Reactor Regulation
Washington, D. C. 20555

Attn: Document Control Desk

SUBJECT: Grand Gulf Nuclear Station
Units 1 and 2
Docket Nos. 50-416 and 50-417
Proposed MSU Nuclear Consolidation
AECM-88/0130

Gentlemen:

On May 9, 1988, Middle South Utilities, Inc. (MSU) and System Energy Resources, Inc. (SERI) jointly announced plans for SERI to assume management and operating responsibility for all of the MSU system's nuclear power plants. This plan is designed to strengthen nuclear management capabilities across the system and to aid in reducing operating costs. Both MSU and SERI are convinced that this restructuring will further strengthen our high standards of safety while enhancing efficient operation of all MSU nuclear units.

SERI is currently licensed by the NRC to operate Grand Gulf Nuclear Station (GGNS) Unit 1 and to construct GGNS Unit 2. SERI is a wholly-owned subsidiary of MSU.

Under the MSU nuclear consolidation plan, SERI will specifically assume operating responsibility for Arkansas Nuclear One (ANO), Units 1 and 2, owned by Arkansas Power & Light (AP&L), and Waterford Steam Electric Station, Unit 3 (Waterford 3), owned by Louisiana Power & Light (LP&L). Ownership of those units will not change. SERI will also continue to own and operate GGNS Unit 1 and to be responsible for construction of GGNS Unit 2. As such, there will be no changes to the ownership, sources of funding, or entitlements to output of GGNS.

NRC approval for SERI's assumption of management and operating responsibility of the two ANO units and of Waterford 3 is of course required. Toward this end, AP&L and LP&L each filed appropriate operating license amendment applications on July 1, 1988. Those applications provide extensive details on the MSU/SERI restructuring plan, and the transfer of operating responsibilities which will be accomplished by operating agreements between SERI and AP&L, and between SERI and LP&L. It should be noted that those license amendment applications or the operating agreements will have no effect on the current operating responsibilities or management of GGNS. MSU, SERI,

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and the plant owners seek to implement the proposed changes set forth in the above mentioned applications as soon as practicable, consistent with obtaining other necessary regulatory approvals.

SERI has reviewed the Operating License and Technical Specifications for GGNS Unit 1 to determine whether amendments are necessary due to the restructuring. SERI has concluded that no specific amendments are necessary, other than changes to the offsite organizational charts in the Technical Specifications. However, these changes may not be necessary because, as you know, SERI, by letter dated May 2, 1988, has already requested removal of the onsite and offsite organization charts from the GGNS Unit 1 Technical Specifications pursuant to NRC Generic Letter 88-06. Those proposed changes are pending Staff approval.

In the consolidated SERI organization, the existing nuclear organizations for GGNS, ANO Units 1 and 2, and Waterford 3 will be preserved, with the only change being that the nuclear executives for AP&L and LP&L, along with the nuclear executives for SERI, will report directly to the President and Chief Executive Officer of SERI. This organization is illustrated in the attached organizational chart. SERI has analyzed these changes pursuant to the unreviewed safety question criteria of 10 C.F.R. § 50.59, and has determined that no unreviewed safety question is involved.

Thus, for GGNS, O. D. Kingsley, Jr., Vice President, Nuclear Operations, and T. H. Cloninger, Vice President, Engineering & Support, will continue to report directly to Mr. Cavanaugh. The Quality Programs Department at GGNS will also continue to have direct access to Mr. Cavanaugh on matters related to quality.

There will be in the near term no organizational or physical location changes to the existing dedicated SERI organization supporting GGNS, including the engineering, quality assurance and licensing organizations. While Mr. Cavanaugh will assume some increased responsibilities because of the restructuring, this change will not affect plant operational responsibilities and, as indicated in the AP&L/LP&L amendment applications, should result in benefits for all of the nuclear facilities.

In addition, Mr. Cavanaugh serves as a Senior Vice President and the System Nuclear Executive of MSU and chairs the systemwide Nuclear Management Committee which was established in 1987. This Committee focuses on individual unit performance, significant incidents, regulatory issues, unit problem areas, generic nuclear issues, and other areas where systemwide resources can be used to address significant issues or problems common to all units. As a Senior Vice President and System Nuclear Executive of MSU and chairman of the Nuclear Management Committee and through the utilization of various Committee task forces, Mr. Cavanaugh is familiar with and has responsibility for the systemwide resolution of issues related to MSU's nuclear operations. Accordingly, his assumption of additional responsibilities because of the restructuring will be largely consistent with and support his MSU systemwide responsibilities. The concept and initiatives of the System Nuclear Executive and the Nuclear Management Committee will be strengthened by the consolidation of MSU System nuclear operations.

With respect to managerial authority at GGNS, there will continue to be clear lines of authority, responsibility, and communications from the highest management levels through intermediate levels to all operating organization positions. Mr. Kingsley will continue to have overall corporate responsibility for plant safety at GGNS, and W. T. Cottle, GGNS Site Director, will continue to have responsibility for and control over all onsite activities necessary for operation and maintenance of the plant.

As has been discussed with the NRC Staff, the consolidation of the SERI, LP&L, and AP&L nuclear organizations will be a long-term evolutionary process. It is anticipated that SERI in the future will be considering organization changes to achieve further integration and efficiencies. However, these changes have not yet been identified. Future changes will be governed by an internal policy that will provide appropriate management controls and will assure the continued integration of critical support functions consistent with operational requirements.

SERI will inform the NRC in advance of planned organizational changes which involve major restructuring of line or nuclear support functions at its nuclear facilities and are important to plant safety. This commitment shall remain in effect until the NRC and SERI mutually agree that it is no longer required.

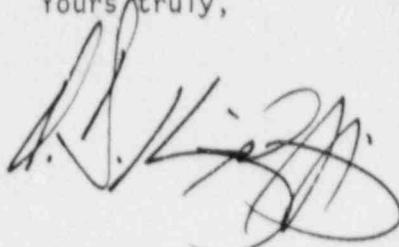
In sum, the proposed restructuring of management and operation of MSU's nuclear units will have no impact on the responsibilities and effectiveness of GGNS operational management and only a minor impact on the GGNS offsite organization. Essentially, the offsite change will reflect the consolidation of the management of all of the MSU nuclear plants under the President and Chief Executive Officer of SERI. This consolidation provides SERI the benefits of a systemwide operating company for multiple nuclear power plants, without disturbing the existing, effective nuclear organizations operating all of the plants. Also, with respect to GGNS, this consolidation will not impact ongoing plant improvement initiatives or diminish management attention to GGNS for the reasons outlined above. The Technical Specification administrative controls as required by Generic Letter 88-06 will also be maintained and satisfied.

Furthermore, for the same reasons discussed above, the management change does not require any amendment to the GGNS Unit 2 construction permit. Appropriate revisions will be made to the Unit 2 FSAR to reflect the current organization prior to operation of that unit.

SERI recognizes that the GGNS Unit 1 operating license does not permit the transfer of spent nuclear fuel between GGNS and any other facility operated by SERI. If such shipment of spent nuclear fuel is proposed in the future, appropriate approval will be requested.

We trust that you will find this information satisfactory. If you have questions or require further information, please contact me or my staff.

Yours truly,



ODK:mcg
Attachment

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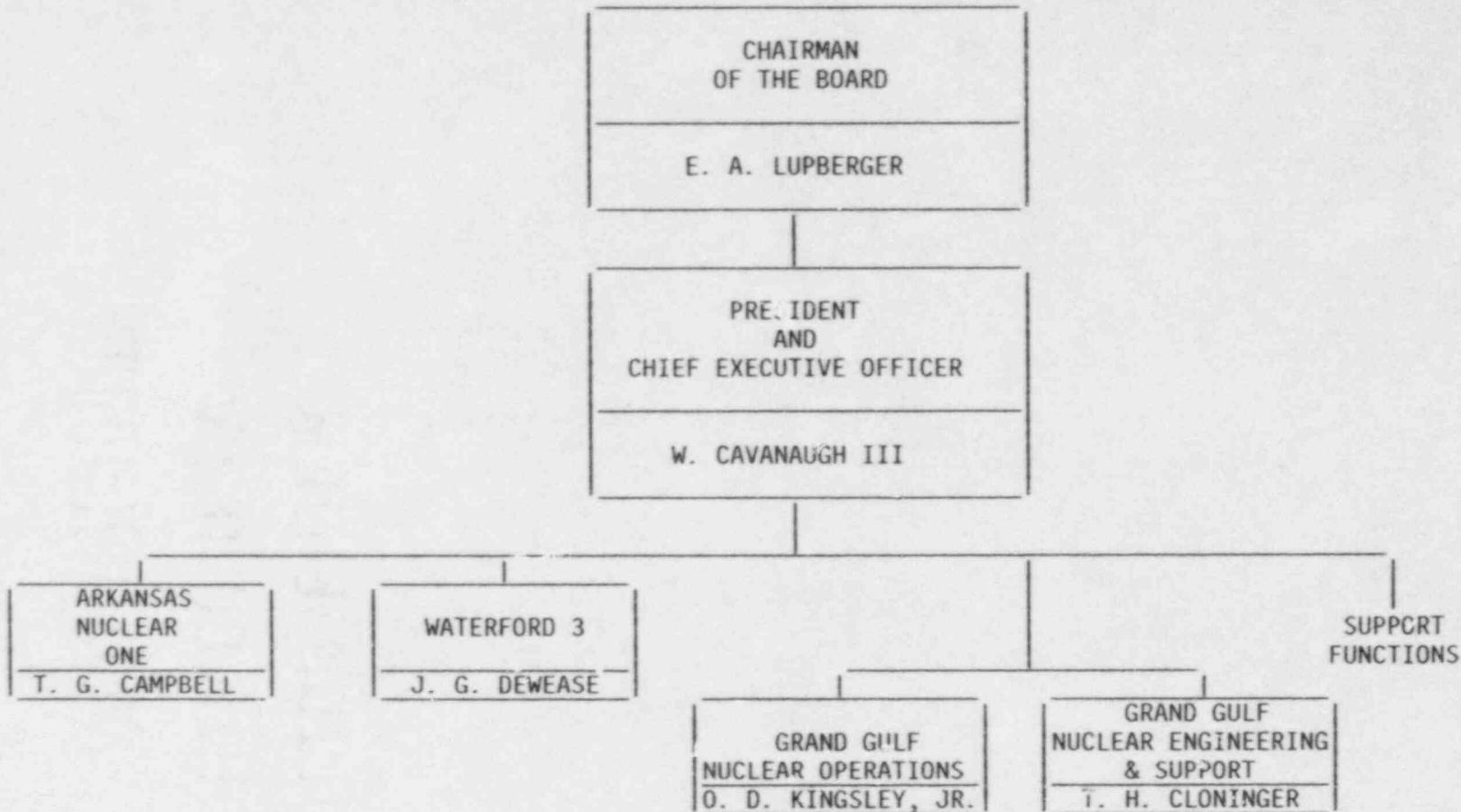
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PROPOSED SERI ORGANIZATION CHART



NOTE: QUALITY ORGANIZATIONS FOR EACH PLANT HAVE ACCESS TO
PRESIDENT & CEO ON MATTERS RELATED TO QUALITY