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July 28, 1989
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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

before the

ATOMIC SAFETY AND LICENSING APPEAL BOARD

In the Matter of)

PUBLIC SERVICE COMPANY)
OF NEW HAMPSHIRE, et al.)

(Seabrook Station, Units 1)
and 2))

Docket Nos. 50-443-OL
50-444-OL

(Offsite Emergency
Planning Issues)

APPLICANTS' RESPONSE TO APPEAL BOARD INQUIRY

On July 28, 1989, Counsel for the Applicants was advised by the Secretary to the Appeal Board that the Appeal Board wished to be advised of the terms of the offer by Northeast Utilities (NU) reported in the press for the purchase of the assets of Public Service Company of New Hampshire (PSNH), including Seabrook. In addition, it was requested that a description of the necessary judicial and regulatory approvals be provided.

Attached hereto and marked "A" is a release issued by NU describing the terms of the offer which is formally entitled "Northeast Utilities Service Company's First Amended Plan of Reorganization" (the Plan) and was filed under a Notice of Filing under date of July 27, 1989, in the United States Bankruptcy Court in the District of New Hampshire in Public

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Service Company of New Hampshire, Debtor, Chapter 11 Dkt. No. 88-00043. Attached hereto and marked "B" are pages 11-12 of the Plan which set forth the regulatory approvals which NU believes to be necessary in connection with the Plan. These are, of course, in addition to the necessary approval of the Bankruptcy Court.

Finally, a request was made that we advise the Appeal Board as to the status of the offer before the bankruptcy court. We understand it to be "filed;" no further action has taken place as of this writing. We are aware from press reports that one or more competing plans may be filed.

Respectfully submitted,



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NEWS Release



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NU REACHES AGREEMENT WITH STATE ON PSNH BANKRUPTCY, SEABROOK

CONCORD, New Hampshire, July 27, 1989--Northeast Utilities (NU) has reached an agreement in principle with the state of New Hampshire that resolves all of the rate-related issues associated with the bankruptcy of Public Service of New Hampshire (PSNH), William B. Ellis, NU chairman and chief executive officer, said this afternoon.

"This is a tremendous step forward in resolving this 18-month bankruptcy," Ellis said. "This agreement will allow us to file immediately a revised plan of reorganization that we are confident both creditors and the court can accept. We are now moving quickly to try to obtain their concurrence."

The agreement projects that the inflation-adjusted price of electricity will remain approximately level in New Hampshire during each of the next seven years. It also calls for NU to purchase all of PSNH's assets, including its 35.6 percent share of the 1,150-megawatt Seabrook plant.

Additionally, NU would agree to assume responsibility for operating Seabrook once the PSNH acquisition is completed and after Seabrook obtains its full-power operating license. NU's previous proposal to acquire PSNH did not include ownership of PSNH's share of Seabrook nor the operation by NU of the Seabrook station.

- more -

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Ellis said the agreement complies with conditions established by state negotiators for a reasonable bankruptcy resolution. He said it also will benefit NU's existing Connecticut and Massachusetts customers, saving them money by creating a larger, more geographically diverse company. But Ellis said it also would shield NU's existing customers from additional costs associated with the PSNH acquisition.

In line with previous statements by New Hampshire officials, the new proposal calls for:

- o Overall rate increases of 5.5 percent annually for the next seven years--or approximately equivalent to the expected level of inflation.
- o A plan for resolution of all bankruptcy issues, including PSNH's Seabrook share.
- o Guarantees of adequate electric generating capacity and reasonable rates for New Hampshire customers, whether or not Seabrook operates.

A letter of intent concerning the agreement was signed today by New Hampshire Governor Judd Gregg, Attorney General John Arnold and Ellis. Ellis said:

Since we first announced our interest in PSNH 16 months ago, we have said we wanted to be in New Hampshire only if the residents, businesses and leadership of New Hampshire wanted both us and the bankruptcy resolution we propose. We're extremely pleased we have reached an agreement with the state on a total resolution of all rate-related issues in this very complicated case. We believe this agreement paves the way for a rapid resolution of the entire bankruptcy.

Ellis noted that while the letter of intent gives the state the option of supporting an alternative plan if deemed better, no other party has yet achieved a similar agreement.

Based on this agreement, NU expects to file a revised plan with the U.S. Bankruptcy Court in Manchester by Monday, July 31. The new plan will be worth more than \$1.85 billion to creditors. It also will include several revisions to the plan for reorganizing PSNH that NU initially filed with the court in March 1989.

The principal changes from NU's previous proposal is that the new plan will call for NU's purchase of PSNH's interest in Seabrook, NU's operation of the Seabrook project, lower overall rate increases in the first years following an acquisition and payment of a much higher ratio of cash, as opposed to other types of financial instruments, to creditors.

NU's initial plan called for PSNH's Seabrook ownership to be spun off to unsecured creditors with NU guaranteeing to purchase all of the power that share produced. But Ellis said the initial plan was stalled by creditor reluctance to retain any interest in Seabrook.

Ellis said NU now believes that acquisition and operation of PSNH's Seabrook investment is critical to resolving the utility's 18-month bankruptcy. If such a purchase were consummated, NU would increase its share of Seabrook from 4 percent to nearly 40 percent.

"Our proposal to operate Seabrook stems from our proposed increased investment in the plant. Because our stake would be more than twice that of any other investor, we understandably would prefer more operational control," Ellis said. "We own 44 percent of Connecticut Yankee and 65 percent of Millstone 3, both nuclear power plants, and operate both of them."

Ellis noted that NU is one of the country's leading operators of nuclear plants, with experience dating to 1967. NU runs four of New England's eight operating nuclear power plants, including Connecticut Yankee in Haddam Neck, Connecticut, and Millstone 1, 2 and 3 in Waterford, Connecticut. Ellis noted that Millstone 3, which began commercial operation in April 1986, is physically very similar to Seabrook.

Ellis said that regardless of the bankruptcy schedule, NU would not assume responsibility for operating Seabrook before the Nuclear Regulatory Commission grants the 1,150-megawatt plant a full-power license. "We don't want to do anything that could unnecessarily extend the licensing process," Ellis said.

NU is New England's largest electric utility system, serving about 1.25 million customers across Connecticut and western Massachusetts. PSNH serves about 365,000 customers in New Hampshire, covering about 75 percent of the state.

Ellis said NU is committed to acquiring PSNH because the logical fit between the two companies would benefit customers in all three states, as well as NU shareholders.

"With or without Seabrook, we have the power New Hampshire needs for the 1990s at a known price. We also have a growing summer peak demand and access to markets to the west and southwest of New England. PSNH serves a growing area, borders on Canada and still needs considerably more power in the winter," Ellis said. "The economies of combining the systems would be considerable."

Ellis estimated that the acquisition, which still will require approval of many parties, including regulators, creditors and the Bankruptcy Court, could take a year or more to complete.

NU Fact Sheet



REVISED NU PLAN FOR ACQUIRING PUBLIC SERVICE OF NEW HAMPSHIRE (PSNH)

value of NU proposal

Total: \$1.9 billion. Value computed based on:

- o \$1,325 million payment for PSNH non-Seabrook assets (\$495 million premium over \$830 million book value).
- o \$575 million for Seabrook share (\$500 million for 35.6 percent interest in plant and \$75 million for PSNH share of nuclear fuel).

Use of \$1.9 billion:

- o \$1,625 million cash to creditors.
- o \$125 million readily marketable preferred stock in new NU New Hampshire operating subsidiary to creditors.
- o \$100 million in pollution control bonds assumed by NU.
- o \$50 million to pay all other transaction costs, including certain PSNH post-bankruptcy commitments.

Structure of NU proposal

- o NU obtains full ownership of PSNH.
- o PSNH becomes an NU subsidiary (NU New Hampshire) and continues to own all PSNH assets except share of Seabrook.
- o NU creates new subsidiary to own PSNH share of Seabrook. That subsidiary sells Seabrook power to NU New Hampshire operating subsidiary based on contract to be approved by state and federal regulators.
- o NU assumes responsibility for New Hampshire Yankee's Seabrook operation when the PSNH acquisition is complete and after full-power license is received.

Overall Rate Increases

	<u>Original NU Plan</u>	<u>Revised NU Plan</u>
1989	3 percent	0
1990	6 percent	5.5 percent*
1991	10 percent	5.5 percent*
1992	11 percent	5.5 percent*
1993	4 percent	5.5 percent*
1994	4 percent	5.5 percent*
1995	4 percent	5.5 percent*
1996	1 percent	5.5 percent*

Recovery of Creditors

	<u>Original NU Plan</u>	<u>Revised NU Plan</u>
First and General and Refunding (\$450m)	Full	100% Cash
Third-Mortgage (\$325m principal; \$115m interest)	All but \$50m	100% \$100m assumed Balance cash
Unsecured Creditors \$885m	\$71m cash \$75m preferred \$165m Seabrook support Seabrook ownership	90% \$673m cash \$125m preferred
Preferred Equity (\$470m)	No recovery	\$110m cash**
Common Equity (\$276m book value as of 3/31/88)	No recovery	\$55m cash**

* Percentage increase based on projected oil prices, moderate electric sales growth and renegotiation of some PSNH contractual obligations that precede the bankruptcy filing.

** Amounts based on estimated PSNH cash at time of closing. As a means of accelerating the bankruptcy resolution, NU's plan would provide the \$165 million to preferred and common equity holders only if they vote to approve Plan of Reorganization. If they vote against it, all of \$165 million would go to unsecured creditors.

Basic Facts About NU and PSNH

	<u>NU (7/1/88-6/30/89)</u>	<u>PSNH (4/1/88-3/31/89)</u>
Electric Operating Revenue	\$2.14 billion	\$600 million
Customers	1,240,000	365,000
General Offices	Berlin, CT	Manchester, NH

~~customers of PSNH and Reorganized PSNH, as such agreement may be~~
modified from time to time by mutual agreement of the parties.

~~"Record Date" means the date fixed by the Bankruptcy~~
~~Court as the Record Date.~~

"Regulatory Approvals" means, to the extent reasonably deemed necessary by NU, (i) a Final Order or Orders of the NHPUC approving or authorizing the organization of SNI Corporation and the issuance of the SNI Corporation Securities, the transfer of the New Hampshire Yankee Division to a separate corporation, the transfer of the Seabrook Interest to SNI Corporation, the issuance of the Reorganized PSNH Mortgage Bonds, the Reorganized PSNH Common Stock and any rate or other action which must be approved or authorized by NHPUC prior to consummation of this Plan, (ii) a Final Order or Orders of the CDPUC approving or waiving jurisdiction with respect to the issuance of securities by the Debtor and granting any other necessary approvals with respect to the transactions contemplated by this Plan, (iii), (iv) & (v), if required, Final Orders of the Massachusetts Department of Public Utilities, Maine Public Utilities Commission and Vermont Public Service Board approving the transactions contemplated by this Plan, (vi) a Final Order or Orders of the SEC under PUHCA permitting an application/declaration with respect to the transactions contemplated by this Plan to become effective, (vii) a Final

"B"

Order or Orders of FERC under the Federal Power Act approving NU's acquisition of the Reorganized PSNH Common Stock pursuant to this Plan and the transfer of the Seabrook Interest to SNI Corporation, accepting for filing the Seabrook Power Contract and any other wholesale contracts or contract amendments required with respect to the transactions contemplated by this Plan, and granting any other approvals which may be necessary with respect to the transactions contemplated by this Plan, (viii) a Final Order or Orders of the Nuclear Regulatory Commission amending the license for Seabrook Unit No. 1 or otherwise authorizing the transfer of the New Hampshire Yankee Division and its responsibilities and duties with respect to Seabrook and of the Seabrook Interest contemplated by this Plan; and (ix) any other governmental approval or order reasonably deemed by NU to be necessary under applicable law.

~~"Reorganization Case" means Case No. BK 88-00043 in the Bankruptcy Court.~~

"Reorganized PSNH" means the Debtor on and after the Effective Date.

"Residual Amount" means the amount derived from the calculation described in Section IV.A.5.

~~"SEC" means Securities and Exchange Commission.~~

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CERTIFICATE OF SERVICE '89 JUL 31 P4:02

I, Thomas G. Dignan, Jr., one of the attorneys for the Applicants herein, hereby certify that on July 28, 1989, I made service of the within document by mailing copies thereof, postage prepaid, to:

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Atomic Safety and Licensing
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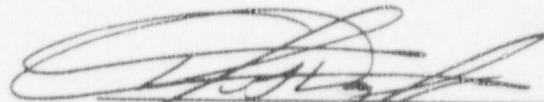
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A handwritten signature in dark ink, appearing to read "Thomas G. Dignan, Jr.", is written over a horizontal line.

Thomas G. Dignan, Jr.