

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
NORTH ATLANTIC ENERGY SERVICE)	Docket No. 50-443
CORPORATION, et al.)	
)	
(Seabrook Station, Unit 1))	

ORDER APPROVING APPLICATION REGARDING MERGER OF
NEW ENGLAND ELECTRIC SYSTEM AND THE NATIONAL GRID GROUP PLC

I.

North Atlantic Energy Service Corporation is authorized to act as agent for the joint owners of the Seabrook Station, Unit 1 (Seabrook), and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility as reflected in Facility Operating License No. NPF-86. New England Power Company (NEP), one of the joint owners, holds a 9.9-percent possessory interest in Seabrook. The U.S. Nuclear Regulatory Commission issued Operating License NPF-86 on March 15, 1990, pursuant to Part 50 of Title 10 of the *Code of Federal Regulations* (10 CFR Part 50). The facility is located in Seabrook Township, Rockingham County, on the southeast coast of the State of New Hampshire.

II.

Under cover of a letter dated March 15, 1999, NEP, a subsidiary of New England Electric System (NEES), and National Grid Group plc (National Grid) submitted an application requesting approval of the transfer of control of the license, to the extent held by NEP in

connection with its 9.9-percent ownership interest in Seabrook, regarding a change in the economic ownership of NEES. The application was supplemented May 20 and June 17, 1999 (collectively hereinafter "the application").

NEP is incorporated in the Commonwealth of Massachusetts. NEES owns all of NEP's common stock and 99.71 percent of its voting securities, with the other 0.29 percent being owned by the public in the form of preferred stock with common voting rights. The requested transfer approval relates to a proposed merger in which NEES is to be acquired by National Grid, a British company. NEES and National Grid entered into a merger agreement on December 11, 1998.

National Grid is a public limited company incorporated under the laws of England and Wales. It is the only transmission company in England and Wales and is an independent company created as a result of the privatization and restructuring of the British electric system in 1990. The application states that National Grid, with its United Kingdom assets and through interconnections with Scotland and France and through its acquisitions of interests in transmission systems in other nations, is the largest privately owned transmission company in the world.

National Grid has formed NGG Holdings LLC (NGG Holdings), a U.S. entity that is a limited liability company organized in Massachusetts and a wholly owned subsidiary of National Grid. NGG Holdings will merge with and into NEES, with NEES being the surviving entity from that transaction and maintaining its status as a U.S. entity subject to all applicable U.S. laws and regulations. The application states that, for tax purposes, immediately after the merger, NEES will be converted from a Massachusetts business trust into a corporation; specifically, NEES will be merged into a Massachusetts corporation to be named NEES Holdings, Inc., which will then be the surviving entity. The post-acquisition capital structure of NEES Holdings,

Inc., will be identical to the capital structure of NEES, and NEES Holdings, Inc., will become a wholly owned indirect subsidiary of National Grid, with NEP being a subsidiary of NEES Holdings, Inc., and thus also becoming a subsidiary of National Grid. The application also provides details regarding several companies that will be created for various business reasons as intermediates between National Grid and NEES Holdings, Inc., after the merger is approved, and all of these companies will be either directly or indirectly wholly owned by National Grid. National Grid will register as a public utility holding company under the Public Utility Holding Company Act of 1935.

Approval of the indirect license transfer that would result from the foregoing transactions was requested pursuant to 10 CFR 50.80. Notice of the application for approval and an opportunity for a hearing was published in the *Federal Register* on June 30, 1999 (64 FR 35190). Pursuant to such notice, joint Seabrook owners Connecticut Light and Power Company (CL&P) and North Atlantic Energy Corporation (NAEC) filed a timely intervention petition and hearing request. Following the submission of further pleadings by the applicants and petitioners, the Commission found that the petitioners had demonstrated standing and proffered two admissible issues (regarding foreign ownership and financial qualifications). The Commission set the case for hearing and issued a schedule for the proceeding. Subsequently, on November 4, 1999, the petitioners filed a notice of withdrawal of their petitions to intervene, and the petitioners and the applicants jointly moved for termination of the proceeding due to a settlement reached between the parties. The Commission granted the motion on November 19, 1999. In doing so, it noted that the staff, in its review of transfer applications, examines financial qualifications and foreign ownership issues, and should consider concerns specifically raised in the proceeding relating to those matters when it takes action on the transfer application. *North Atlantic Energy Service Corp., et al.* (Seabrook, Unit 1 and Millstone Station,

Unit 3), CLI-99-28, 50 NRC ____, slip op. (Nov. 19, 1999). The staff has considered those concerns, which are addressed in the safety evaluation supporting this Order.

Under 10 CFR 50.80, no license, or any right thereunder, shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission shall give its consent in writing. Upon review of the information in the application, and other information before the Commission, the NRC staff has determined that the proposed merger of National Grid and NEES will not affect the qualifications of NEP as a holder of Facility Operating License NPF-86, and that the indirect transfer of the license, to the extent effected by the proposed merger, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions set forth herein. The foregoing findings are supported by a safety evaluation dated December 10 , 1999.

III.

Accordingly, pursuant to Sections 161b, 161i, 161o, and 184 of the Atomic Energy Act of 1954 (AEA), as amended, 42 USC §§ 2201(b), 2201(i), 2201(o), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the indirect license transfer referenced above is approved, subject to the following conditions:

- (1) No later than the time the proposed merger with National Grid is consummated, NEP shall establish and make operational a Special Nuclear Committee, as described in the application, having the composition, authority, responsibilities, and obligations specified in the application, provided, however, the Special Nuclear Committee may also have exclusive authority on behalf of NEP over taking any action which is ordered by the NRC or any other agency or court of competent jurisdiction. No material changes with respect to the Special Nuclear Committee may be made without the prior written

consent of the Director, Office of Nuclear Reactor Regulation. The foregoing provisions may be modified by the Commission upon application and for good cause shown.

- (2) The Special Nuclear Committee shall have the responsibility and exclusive authority to ensure, and shall ensure, that the business and activities of NEP with respect to the Seabrook license are at all times conducted in a manner consistent with the protection of the public health and safety and common defense and security of the United States.
- (3) NEP shall provide the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from NEP to its direct or indirect parent, or to any other affiliated company, facilities for the production, transmission, or distribution of electric energy having a depreciated book value exceeding ten percent (10 percent) of NEP's consolidated net utility plant, as recorded on its books of account.
- (4) Should the proposed merger not be completed by December 30, 2000, this Order shall become null and void, provided however, upon application and for good cause shown, such date may be extended.

This Order is effective upon issuance.

For further details with respect to this Order, see the initial application dated March 15, 1999, and the supplements dated May 20 and June 17, 1999, and the safety evaluation dated December 10, 1999, which are available for public inspection at the

Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site <http://www.nrc.gov>.

Dated at Rockville, Maryland, this 10th day of December 1999.

FOR THE NUCLEAR REGULATORY COMMISSION


Roy P. Zimmerman, Acting Director
Office of Nuclear Reactor Regulation