

July 18, 2000

Nathaniel D. Woodson  
Chairman of the Board of Directors,  
President and Chief Operating Officer  
The United Illuminating Company  
157 Church Street  
P.O. Box 1564  
New Haven, CT 06506-0901

SUBJECT: ORDERS AND SAFETY EVALUATION REGARDING INDIRECT  
TRANSFER OF LICENSES HELD BY UNITED ILLUMINATING COMPANY  
(TAC NOS. MA8281 AND MA8285)

Dear Mr. Woodson:

The enclosed Orders and Safety Evaluation are in response to your letter and application dated February 17, 2000, requesting approval of the indirect transfer of United Illuminating Company's (UI) licenses with respect to its 3.6850-percent interest in Millstone Nuclear Power Station, Unit 3 and 17.5-percent interest in Seabrook Station, Unit 1 to a new corporate parent company, UIL Holdings Corporation (Holdings) pursuant to Section 50.80 of Title 10 of the Code of Federal Regulations. The February 17, 2000, application was supplemented by letters dated March 1, April 24, April 28, and May 10, 2000. According to the application, UI will become a wholly owned subsidiary of Holdings, while UI's unregulated businesses will also become subsidiaries of Holdings. The Commission has concluded that UI will remain qualified to hold its respective licenses and that the transfer is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto. The Orders are being forwarded to the Office of the Federal Register for publication.

If you have any questions regarding this matter, please contact me at (301) 415-3016.

Sincerely,

***/RA by Alan Wang for/***

Robert M. Pulsifer, Project Manager, Section 2  
Project Directorate I  
Division of Licensing Project Management  
Office of Nuclear Reactor Regulation

Docket Nos. 50-443 and 50-423

Enclosures: 1. Seabrook Station Order  
2. Millstone Order  
3. Safety Evaluation

cc w/encls: See next page

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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

|                             |   |                   |
|-----------------------------|---|-------------------|
| In the Matter of            | ) |                   |
|                             | ) | Docket No. 50-443 |
| UNITED ILLUMINATING COMPANY | ) |                   |
|                             | ) |                   |
| (Seabrook Station, Unit 1)  | ) |                   |

ORDER APPROVING APPLICATION REGARDING RESTRUCTURING  
OF UNITED ILLUMINATING COMPANY

I.

United Illuminating Company (UI) holds 17.5-percent ownership interest in Seabrook Station, Unit 1. Ten other investor-owned and municipal entities unaffiliated with UI are co-owners of Seabrook Station, Unit 1.

In connection with its ownership interest, UI is a co-holder of Facility Operating License No. NPF-86 issued by the U.S. Nuclear Regulatory Commission (NRC) pursuant to 10 CFR Part 50 on March 15, 1990, for Seabrook Station, Unit 1. Under this license, North Atlantic Energy Service Corporation, an affiliate of Northeast Utilities, has the exclusive authority to operate Seabrook Station, Unit 1. Seabrook Station is located in Rockingham County, New Hampshire.

II.

Pursuant to 10 CFR 50.80, UI filed an application dated February 17, 2000, which was supplemented by letters dated March 1, April 24, April 28, and May 10, 2000 (collectively herein referred to as the application). In the application, UI informed the Commission that it was in the process of implementing a corporate restructuring under which UIL Holdings Corporation

(Holdings) would become the parent corporation to, and sole owner of UI. In addition, unregulated subsidiaries of UI would become direct or indirect subsidiaries of Holdings. UI would continue to hold its respective ownership percentage of and possession only license for Seabrook Station, Unit 1. UI would remain an "electric utility" as defined in 10 CFR 50.2, engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale. No physical changes to the facility or operational changes are being proposed in the application, and none of the other co-owners of Seabrook Station, Unit 1, are involved in the proposed restructuring of UI. UI requested the Commission's approval of the indirect transfer of the license as held by UI to Holdings, to the extent effected by the proposed corporate restructuring, pursuant to 10 CFR 50.80. Notice of this request for approval was published in the FEDERAL REGISTER on May 8, 2000 (65 FR 26640). No hearing requests were received.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives its consent in writing. Upon review of the information submitted in the application, and other information before the Commission, the NRC staff has determined that the proposed corporate restructuring will not affect the qualifications of UI as a holder of the license, and that the indirect transfer of the license, to the extent effected by the restructuring, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated July 18, 2000.

### III.

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

- (1) UI 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 UI to its proposed 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%) of UI's consolidated net utility plant, as recorded on UI's books of account, and
- (2) should the corporate restructuring of UI not be completed by June 30, 2001, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

This Order is effective upon issuance.

For further details with respect to this action, see the initial application dated February 17, 2000, and supplements thereto dated March 1, April 24, April 28, and May 10, 2000, and the Safety Evaluation dated July 18, 2000, 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>).

FOR THE NUCLEAR REGULATORY COMMISSION

*/RA/*

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,  
this 18<sup>th</sup> day of July, 2000.

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

|                                           |   |                   |
|-------------------------------------------|---|-------------------|
| In the Matter of                          | ) |                   |
|                                           | ) |                   |
| UNITED ILLUMINATING COMPANY               | ) | Docket No. 50-423 |
|                                           | ) |                   |
| (Millstone Nuclear Power Station, Unit 3) | ) |                   |
|                                           | ) |                   |

ORDER APPROVING APPLICATION REGARDING RESTRUCTURING  
OF UNITED ILLUMINATING COMPANY

I.

United Illuminating Company (UI) holds 3.6850-percent ownership interest in Millstone Nuclear Power Station, Unit 3 (Millstone). Thirteen other investor-owned and municipal entities unaffiliated with UI are co-owners of Millstone, Unit 3.

In connection with its ownership interest, UI is a co-holder of Facility Operating License No. NPF-49 issued by the U.S. Nuclear Regulatory Commission (NRC) pursuant to 10 CFR Part 50 on January 31, 1986, for Millstone, Unit 3. Under this license, Northeast Nuclear Energy Company, an affiliate of Northeast Utilities, has the exclusive authority to operate Millstone, Unit 3. Millstone is located in New London County, Connecticut.

II.

Pursuant to 10 CFR 50.80, UI filed an application dated February 17, 2000, which was supplemented by letters dated March 1, April 24, April 28, and May 10, 2000 (collectively herein referred to as the application). In the application, UI informed the Commission that it was in the process of implementing a corporate restructuring under which UIL Holdings Corporation (Holdings) would become the parent corporation to, and sole owner of, UI. In addition, unregulated subsidiaries of UI would become direct or indirect subsidiaries of Holdings. UI

would continue to hold its respective ownership percentage of and possession only license for Millstone, Unit 3. UI would remain an "electric utility" as defined in 10 CFR 50.2, engaged in the generation, transmission, and distribution of electric energy for wholesale and retail sale. No physical changes to the facility or operational changes are being proposed in the application, and none of the other co-owners of Millstone, Unit 3, are involved in the proposed restructuring of UI. UI requested the Commission's approval of the indirect transfer of the license as held by UI to Holdings, to the extent effected by the proposed corporate restructuring, pursuant to 10 CFR 50.80. Notice of this request for approval was published in the FEDERAL REGISTER on May 8, 2000 (65 FR 26641). No hearing requests were received.

Under 10 CFR 50.80, no license shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives its consent in writing. Upon review of the information submitted in the application, and other information before the Commission, the NRC staff has determined that the proposed corporate restructuring will not affect the qualifications of UI as a holder of the license, and that the indirect transfer of the license, to the extent effected by the restructuring, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions set forth herein. These findings are supported by a Safety Evaluation dated July 18, 2000.

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- (1) UI 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 UI to its proposed 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%) of UI's consolidated net utility plant, as recorded on UI's books of account, and
- (2) should the corporate restructuring of UI not be completed by June 30, 2001, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

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FOR THE NUCLEAR REGULATORY COMMISSION

*/RA/*

Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,  
this 18<sup>th</sup> day of July, 2000.



SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

PROPOSED INDIRECT TRANSFER OF THE OPERATING LICENSES

AS HELD BY THE UNITED ILLUMINATING COMPANY FOR

MILLSTONE NUCLEAR POWER STATION, UNIT 3, DOCKET NO. 50-423

AND

SEABROOK STATION, UNIT 1, DOCKET NO. 50-443

1.0 INTRODUCTION

By application dated February 17, 2000, supplemented by submittals dated March 1, April 24, April 28, and May 10, 2000 (collectively hereafter referred to as the application unless otherwise noted), The United Illuminating Company (UI) requested, pursuant to Section 50.80 of Title 10 of the *Code of Federal Regulations* (10 CFR 50.80), that the United States Nuclear Regulatory Commission (NRC) consent to the transfer of control of Operating Licenses No. NPF-49 and NPF-86 for Millstone Nuclear Power Station, Unit 3, (Millstone Unit 3) and Seabrook Station, Unit 1 (Seabrook Unit 1), respectively, to the extent held by UI. The request set forth in the February 17 and March 1, 2000 submittals was noticed in the Federal Register on May 8, 2000; the April 24, April 28, and May 10, 2000, submittals provided clarifying information and did not expand the scope of the request as noticed.

The transfer request is pursuant to a proposed corporate restructuring of UI, in which a new corporate parent company, UIL Holdings Corporation (Holdings) will be formed. UI will become a wholly owned subsidiary of Holdings. In addition, certain unregulated businesses of UI will also become wholly owned direct or indirect subsidiaries of Holdings. The restructuring is being taken by UI in order to comply with provisions of Connecticut's legislation concerning electric utility restructuring (Connecticut Public Act No. 98-28, April 29, 1998, "Connecticut Restructuring Act").

UI proposes to accomplish the proposed restructuring through a merger and share exchange, specifically in what the applicant calls a "reverse triangular merger," under the Connecticut Business Corporation Act (CBCA) (see C.G.S.A. §§ 33-600 to 33-998), and pursuant to an Agreement and Plan of Merger and Share Exchange (Plan of Exchange). A copy of the Plan of Exchange was attached to the February 17, 2000, submittal as Exhibit A. The Plan of Exchange was approved by order of the Connecticut Department of Public Utility Control (CDPUC) on May 19, 1999, and a copy of that order was attached to the February 17, 2000, submittal as Exhibit B. Under the Plan of Exchange, the new corporate parent of UI will be Holdings.

UI is a current licensee for its 3.685%-ownership interest in Millstone Unit 3 and is a current licensee for its 17.5%-ownership interest in Seabrook Unit 1. After the proposed corporate restructuring, UI will continue to be a licensee for the two plants, i.e., no direct transfer of the licenses will occur. UI does not currently operate the Millstone Unit 3 or Seabrook Unit 1 nuclear power plants, nor will it operate the plants or acquire any such authority after the proposed corporate restructuring.

## 2.0 BACKGROUND

Pursuant to the Plan of Exchange, all of the outstanding shares of UI's common stock, no par value (UI Common Stock), will be exchanged on a share-for-share basis for shares of common stock, without par value, in Holdings (Holdings Common Stock). Holdings was incorporated under the laws of the State of Connecticut on March 22, 1999.

Specifically, a holding company structure will be accomplished, pursuant to the Plan of Exchange, through a reverse triangular merger that will result in UI becoming a wholly owned subsidiary of Holdings. Currently, Holdings is a wholly owned subsidiary of UI, and UI holds all 100 shares of Holdings common stock. Holdings, in turn, has formed its own wholly owned Connecticut corporation subsidiary named United Mergings, Inc. (Mergings). Mergings was incorporated under the laws of the State of Connecticut on March 22, 1999, as a wholly owned subsidiary of Holdings to facilitate the Plan of Exchange. When the Plan of Exchange is put into effect, the following events will occur to create the final holding company structure:

- Mergings will merge with and into UI with UI being the surviving corporation.
- Each outstanding share of Mergings common stock will be automatically converted into one share of UI common stock.
- Each outstanding share of UI common stock (excluding shares with respect to which dissenter's rights have been properly exercised) will be automatically converted into one share of Holdings common stock.
- Each share of the 100 shares of Holdings common stock owned by UI (as Holdings' former parent corporation) will automatically be canceled.

After the exchange of shares (Share Exchange) each person who owned UI common stock immediately prior to the Share Exchange will own a corresponding number of shares of the outstanding Holdings Common Stock. UI currently has a wholly owned subsidiary, United Resources, Inc., which has four wholly owned subsidiaries engaged in non-regulated businesses. One of these United Resources, Inc., subsidiaries owns three further subsidiaries that are engaged in non-regulated businesses.

Holdings will own all the outstanding shares of UI common stock. Upon the effectiveness of the Share Exchange, UI will transfer to Holdings its ownership interest in United Resources, Inc. This transfer will complete the corporate restructuring by separating Holdings' (formally UI's) regulated and unregulated businesses. Holdings will also own all or part of the outstanding shares of common stock of any subsidiaries it may form after the Share Exchange. The February 17, 2000, submittal contains charts showing the corporate structure and ownership of

the business entities involved in the UI reorganization, both before and after the proposed reorganization, provided as Attachment A to that submittal.

UI's Board of Directors has approved the restructuring pursuant to the Plan of Exchange. UI's shareholders voted for the Plan of Exchange at a special meeting in New Haven, Connecticut, on March 17, 2000. The applicant has stated that two-thirds of all the shares entitled to vote approved the Plan of Exchange, and if the Commission approves this application, and certain other conditions (including obtaining FERC approval) are satisfied, the Share Exchange will become effective upon the filing of a Certificate of Merger and Exchange with the Connecticut Secretary of the State, or as otherwise specified in the Certificate of Merger and Exchange.

### 3.0 FINANCIAL QUALIFICATIONS ANALYSIS

Pursuant to 10 CFR 50.33(f), an electric utility is not required to demonstrate its financial qualifications. Section 50.2 of 10 CFR states that an electric utility is "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 separate regulatory authority."

In the application, UI states that it is an investor-owned utility company organized and operated under the laws of the State of Connecticut. UI is presently engaged principally in the production, purchase, transmission, distribution, and sale of electricity at wholesale and at retail for residential, commercial, and industrial customers. UI supplies electricity to customers in the southwest part of Connecticut. In addition, UI provides transmission service to other utilities for the wheeling of electricity over UI's transmission facilities.

UI's retail assets and operations are subject to regulation by the CDPUC. The CDPUC regulates UI's retail electric service rates, accounting procedures, dispositions of property and plant, mergers and consolidations, the issuance of securities, standards of service, management efficiency, operation and construction, and the location of facilities.

UI is a public utility as defined in Section 201(e) of the Federal Power Act, 16 U.S.C. § 824(e). As such, UI is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). UI purchases and sells electricity at wholesale and transmits electric energy in interstate commerce under rate schedules on file with FERC.

The application states that the proposed restructuring, would have no adverse effect on UI's financial health, and in particular would not impair the availability to UI of funds needed to carry out its activities and responsibilities under UI's Millstone Unit 3 and Seabrook Unit 1 licenses. A copy of UI's Annual Report on Form 10-K to the Securities and Exchange Commission, as amended, is attached to the February 17, 2000, submittal as Exhibit C. The 10-K demonstrates that the Company has access to revenues for ongoing operations through the sale of electric power.

UI states that after the proposed restructuring, it would remain subject to the jurisdiction of the CDPUC with respect to rates for retail electric service and other matters including the company's costs of implementing the proposed restructuring. Any changes in UI's arrangements for bulk power sales on the wholesale market, or in its rates for transmission of electricity in interstate commerce, would remain subject to review and approval by FERC.

The proposed corporate restructuring would have no effect on UI's capital structure, or its cost of obtaining financing. The adoption of the holding company structure will not alter the source of UI's funds for conducting its utility operations. UI's share of Millstone Unit 3 and Seabrook Unit 1 costs, including prudently incurred investments and decommissioning costs, will continue to be derived from customer payments for utility services subject to regulated rates, in the same manner as before the restructuring.

The NRC staff finds that UI is and will remain, after the proposed restructuring, an electric utility as defined in 10 CFR 50.2, in that it generates and distributes electricity and recovers the cost of this electricity through rates established by a separate regulatory authority, and will continue to do so. Therefore, its financial qualifications are presumed under 10 CFR 50.33(f), and no further evaluation is required.

However, in view of the NRC's concern that restructuring can lead to a diminution of assets necessary for the safe operation and decommissioning of a licensee's nuclear power plant, the NRC's practice in connection with restructuring actions has been to condition related license transfer approvals upon a condition that the licensee not transfer significant assets from the licensee to an affiliate without first notifying the NRC. This condition or requirement assists the NRC in assuring that a licensee will continue to maintain adequate resources to contribute to the safe operation and decommissioning of its facility. Thus, the following is to be made a condition of the Order approving the application:

UI 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 UI to its proposed 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%) of UI's consolidated net utility plant, as recorded on UI's books of account.

In consideration of the above, the staff finds that the proposed restructuring will not have any adverse impact on or affect UI's financial qualifications to continue to hold the Millstone Unit 3 and Seabrook Station Unit 1 licenses.

#### 4.0 DECOMMISSIONING FUNDING

The NRC has determined that the requirements to provide reasonable assurance of decommissioning funding and provision of an adequate amount of decommissioning funding are necessary to ensure the adequate protection of public health and safety.

Section 50.33(k) of Title 10 of the Code of Federal Regulations requires that an application for an operating license for a utilization facility contain information indicating how reasonable assurance will be provided that funds will be available to decommission the facility.

Under the Commission's regulations at 10 CFR 50.75(e)(1)(ii), financial assurance for decommissioning may be provided by an external sinking fund, if funding is through non-bypassable charges or traditional cost-of-service rate regulation.

As defined in 10 CFR 50.2, cost-of-service regulation means:

. . . the traditional system of rate regulation or similar regulation including 'price cap' or 'incentive' regulation, in which a rate regulatory authority generally allows an electric utility to charge its customers the reasonable and prudent costs of providing electricity services, including capital, operations, maintenance, fuel, decommissioning, and other costs required to provide such services.

With respect to prior levels of decommissioning funds (prior to the proposed restructuring), costs have been included in Connecticut's rates on a cost-of-service basis, designed to provide full recovery under Section 16-19 of the Connecticut Statutes for Millstone Unit 3. This method of recovery is consistent with Connecticut's Section 16-19e rate making principles. UI has no customers and no rates in New Hampshire, but has recovered decommissioning costs for Seabrook Unit 1 from Connecticut's cost-of-service rates. Future decommissioning costs for Seabrook Unit 1 are to be included in the System Benefits Charge, under Section 16-2451 of the Connecticut Statutes, which is a non-bypassable charge assessed on Connecticut rate payers.

As set forth in 10 CFR § 50.2, non-bypassable charges are defined as:

. . . those charges imposed over an established time period by a Government authority that affected persons or entities are required to pay to cover costs associated with the decommissioning of a nuclear power plant. Such charges include, but are not limited to, wire charges, stranded cost charges, transition charges, exit fees, other similar charges, or the securitized proceeds of a revenue stream.

Future decommissioning costs are to be included in the Systems Benefits Charge (Connecticut Statutes 16-2451). UI will recover future decommissioning funds using both non-bypassable charges and traditional cost-of-service charges.

In accordance with 10 CFR 50.75(e), UI will maintain financial assurance for decommissioning funding by maintaining external sinking funds for each of the units. The mechanism for managing funds from future contributions to the external sinking funds differs between UI's New Hampshire and Connecticut plants, depending upon each state's restructuring legislation.

#### 4.1 Decommissioning Funding Assurance in New Hampshire

New Hampshire has enacted a law requiring the creation of a state government-managed fund to finance the decommissioning of nuclear generating units within the state of New Hampshire. Monthly decommissioning payments are being made to the state-managed decommissioning trust fund. In addition, the application states that the New Hampshire Nuclear Decommissioning Finance Committee has established \$565 million (in year 2000 dollars) as the decommissioning cost estimate for Seabrook Unit 1, of which UI's share would be approximately \$99 million. This estimate assumes the prompt removal and dismantling of the unit at the end of its estimated 36-year energy producing life. UI's share of the decommissioning payments made during 1999 was \$3.3 million. UI's share of the fund at December 31, 1999, was approximately \$20.5 million.

The NRC staff concludes that the method of providing reasonable assurance for funding the decommissioning trust for Seabrook Unit 1 is in compliance with the requirements of 10 CFR 50.75(e).

UI will continue to be responsible for its share of the decommissioning funding contributions for Seabrook Unit 1 after the proposed corporate restructuring, in the same manner as UI was responsible for its share of the decommissioning funding contributions prior to the proposed corporate restructuring. In light of the above, the staff concludes that the proposed restructuring will not have any adverse impact on or affect UI's decommissioning funding assurance for Seabrook Station Unit 1.

#### 4.2 Decommissioning Funding Assurance in Connecticut

Decommissioning fund contributions, as well as post-retirement safe-shutdown and site-protection costs incurred in preparation for decommissioning, are provided for in Section 16-2451(9) and 16-2451(10) of the Connecticut General Statutes. In accordance with these statutes, the State of Connecticut Department of Public Utility Control (DPUC) has established collections of these amounts by UI in Docket No. 97-01-15RE01, "DPUC Review of Electric Companies Cost of Service And Unbilled Tariffs-Unbundled Bills And SBC." Monthly decommissioning payments are being made to a decommissioning trust fund managed by Northeast Utilities (NU). The application states that the current decommissioning cost estimate for Millstone Unit 3 is \$619 million (in year 2000 dollars), of which UI's share would be approximately \$23 million. This estimate assumes the prompt removal and dismantling of the unit at the end of its estimated 40-year energy producing life. UI's share of the Millstone Unit 3 decommissioning trust fund as of December 31, 1999, was \$7.8 million.

The NRC staff concludes that the method of providing reasonable assurance for funding the decommissioning trust for Millstone Unit 3 is in compliance with the requirements of 10 CFR 50.75(e).

UI will continue to be responsible for its share of the decommissioning funding contributions for Millstone Unit 3 after the proposed corporate restructuring, in the same manner as UI was responsible for its share of the decommissioning funding contributions prior to the proposed corporate restructuring. In light of the above, the staff concludes that the proposed restructuring will not have any impact on or affect UI's decommissioning funding assurance for Millstone Unit 3.

#### 5.0 ANTITRUST REVIEW

The Atomic Energy Act does not require or authorize antitrust reviews of post-operating license transfer applications. Kansas Gas and Electric Co., et al. (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441 (1999). Therefore, since the transfer application postdates the issuance of the Millstone Unit 3 and Seabrook Unit 1 operating licenses, no antitrust review is required or authorized.

#### 6.0 TECHNICAL QUALIFICATIONS

UI is a possessory licensee only and is not the NRC licensed operator of Millstone Unit 3 and Seabrook Unit 1. The operating licensees, Northeast Nuclear Energy Company for Millstone Unit 3 and North Atlantic Energy Service Corporation for Seabrook Unit 1, will continue to be

responsible for the day-to-day operations and for the technical qualifications required by the operating licenses, and are not involved in UI's proposed restructuring.

Therefore, the NRC staff has concluded that an analysis of technical qualifications pertaining to UI is not applicable to this application, and that the proposed restructuring of UI will not adversely affect the technical qualifications of the licensed operators of the plants.

#### 7.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

Section 50.38 of 10 CFR states that "Any person who is a citizen, national, or agent of a foreign country, or any corporation, or other entity which the Commission knows or has reason to believe is owned, controlled, or dominated by an alien, a foreign corporation, or foreign government, shall be ineligible to apply for and obtain a license." This prohibition is based on the prohibitions contained in Sections 103 and 104 of the Atomic Energy Act.

At the time the restructuring becomes effective, Holdings will become the sole holder of UI Common Stock, and the current holders of UI common stock (other than shareholders who have exercised their dissenters' rights) will become holders of Holdings common stock on a share-for-share basis. Therefore, immediately following the restructuring, the Holdings common stock will be owned by the previous holders of UI common stock in substantially the same proportions in which they held UI common stock. Based upon currently available information provided by the applicant, shares of UI common stock held in foreign accounts represent less than one-tenth of one percent (0.1%) of the total outstanding shares of UI.

Holdings and UI are domestic companies incorporated under Connecticut law. The application states that all of the directors and officers of Holdings and UI are U.S. citizens. UI will not be owned, controlled, or dominated by foreign interests as a result of the proposed restructuring, according to the application. The NRC staff does not know or have reason to believe otherwise.

#### 8.0 ENVIRONMENTAL CONSIDERATION

The subject application is for approval of the indirect transfer of licenses issued by the NRC. Accordingly, the action involved meets the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the application.

#### 9.0 CONCLUSION

In view of the foregoing, the NRC staff concludes that the proposed corporate restructuring of UI will not affect the qualifications of UI as a holder of the licenses for Millstone Unit 3 and Seabrook Unit 1, and that the indirect transfer of the licenses, to the extent effected by the proposed restructuring, is otherwise consistent with applicable provisions of the law, regulations, and orders issued by the Commission pursuant thereto, subject to the condition discussed above regarding significant asset transfers.

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