

September 27, 1999

FOR: The Commissioners

FROM: William D. Travers /s/
Executive Director for Operations

SUBJECT: DRAFT REGULATORY GUIDE ON "CRITERION FOR TRIGGERING A REVIEW UNDER 10 CFR 50.80 FOR NON-OWNER OPERATOR SERVICE COMPANIES"

PURPOSE:

This paper presents the staff's plan for resolving the issues raised by the Commission in its staff requirements memoranda (SRM) of February 5, 1998, on SECY-97-304, "Response to SRM: SECY 97-144, 'Potential Policy Issues Raised by Non-Owner Operators,'" and of August 29, 1997, on SECY-97-144, "Potential Policy Issues Raised by Non-Owner Operators." The staff is seeking approval for publication of the draft regulatory guide for public comment on "Criterion for Triggering a Review Under 10 CFR 50.80 for Non-Owner Operator Service Companies."

BACKGROUND:

In the SRM to SECY-99-159, dated August 12, 1999, the Commission disapproved publication of a draft regulatory guide on "Criterion for Triggering a Review Under 10 CFR 50.80 for Non-Owner Operator Service Companies," and directed the staff to revise the draft to clarify that there are two types of areas to consider: areas involving the performance of licensed activities or substantially impacting licensed activities which will automatically require a 10 CFR 50.80 review, and areas not involving or substantially impacting licensed activities that can be considered collectively to determine whether a 10 CFR 50.80 review is required. The staff was also directed to reorganize and clarify examples of activities falling within the two areas. This paper transmits the revised draft regulatory guide.

REGULATORY GUIDE:

The staff has developed the attached revised draft regulatory guide to provide guidance on the criterion for determining when 10 CFR 50.80 review and consent are required if a contract nuclear operating service company is used to assist in the operation of a nuclear power facility.

COORDINATION:

The Office of the General Counsel (OGC) has reviewed this paper and has no legal objection to the staff's position.

RECOMMENDATIONS:

The staff recommends that the Commission:

Approve publication of the attached draft regulatory guide for public comment titled "Criterion for Triggering a Review Under 10 CFR 50.80 for Non-Owner Operator Service Companies."

William D. Travers
Executive Director for Operations

Contact: Mike Davis, NRR
301-415-1016

Attachment: [Draft Regulatory Guide DG-1086](#)

ATTACHMENT

U.S. NUCLEAR REGULATORY COMMISSION
OFFICE OF NUCLEAR REACTOR REGULATION

DRAFT REGULATORY GUIDE

Contact: M. J. Davis, 301-415-1016

[DRAFT REGULATORY GUIDE DG-1086](#)

**CRITERION FOR TRIGGERING A REVIEW UNDER 10 CFR 50.80
FOR NON-OWNER OPERATOR SERVICE COMPANIES**

- A. INTRODUCTION
- B. DISCUSSION
- C. REGULATORY POSITION
- D. IMPLEMENTATION

A. INTRODUCTION

Pursuant to 10 CFR 50.80, "Transfer of Licenses," the Commission must give its consent in writing before a license for a production or utilization facility may be transferred, assigned, or in any manner disposed of. As nuclear utilities evolve, the NRC recognizes that licensees may pursue various alternative and potentially complex non-owner operator arrangements. With regard to such new arrangements with nuclear operating service companies, whether a licensee must submit an application to NRC for approval under 10 CFR 50.80 depends on the extent to which operating control is being transferred and the degree of autonomy being granted to the operating company. The NRC recognizes that more detailed criteria for the submission of new arrangements pursuant to 10 CFR 50.80 could be helpful. This guide provides information so that the nuclear industry and the NRC staff may have a common understanding of the criterion for deciding when the use of a non-owner operating service company would require NRC review and approval under the requirements of 10 CFR 50.80.

B. DISCUSSION

To date, in most instances involving non-owner operating companies, an existing operations organization was split off from the owner and transferred to a newly formed operating company in connection with a reorganization or merger agreement. These instances include the transfer approval and license amendments for Farley Units 1 and 2, Hatch Units 1 and 2, and Vogtle Units 1 and 2 when Southern Nuclear Operating Company became the licensed operator of the facilities in place of Alabama Power Company and Georgia Power Company. All three companies are subsidiaries of the Southern Company. A similar example is the transfer approval and license amendment for River Bend Unit 1 when Entergy Operations, Inc., a subsidiary of Entergy Corporation, became the licensed operator at the same time that Entergy Corporation acquired Gulf States Utilities, the former owner. In each of these cases, there was no wholesale change of operations personnel, just a transfer of the existing operations organization to a new operating company.

In another example, in early 1997, Maine Yankee Atomic Power Company signed a management services agreement with Entergy Nuclear, Inc., under which Entergy would provide operations management personnel, including the Maine Yankee President and the Vice President, Licensing. The Entergy personnel provided were to become employees of Maine Yankee, while at the same time remaining employees of Entergy Nuclear, Inc., and would serve at the pleasure of and take direction from the Maine Yankee Board of Directors. The Maine Yankee licensee stated in a letter to the NRC that it had concluded that neither the management services agreement with Entergy nor the specific management changes would require prior NRC approval or a change to the Technical Specifications (TS). The NRC staff concurred with this assessment since Maine Yankee retained ultimate safety-related decisionmaking authority and Entergy personnel were to become dual employees of both Maine Yankee and Entergy Nuclear, Inc.

In January 1998, Illinois Power Company (IP) entered into a management services agreement with PECO Energy for nuclear operational support at Clinton Power Station. The service agreement between IP and PECO was similar in certain aspects to the Maine Yankee management services agreement with Entergy Nuclear, Inc. The service agreement stated that PECO management personnel serving at Clinton would be treated as employees of IP for operational and functional purposes and would exercise their authority in the IP organization on behalf of, and subject to the direction of, IP senior management. One PECO manager was appointed by the IP Board of Directors as Chief Nuclear Officer, serving as the senior nuclear manager at Clinton and reporting directly to the Chief Executive Officer and President of IP. PECO also provided additional experienced nuclear managers to assist IP in the operation of the station. All licensed operators at Clinton remained employees of IP alone. The staff agreed with IP's conclusion that, notwithstanding the management services agreement between IP and PECO, IP retained the authority and responsibility for the safe operation of the plant and for regulatory compliance. In addition, PECO would not be performing activities that would require a license. Approval under 10 CFR 50.80 was, therefore, not required.

C. REGULATORY POSITION

The NRC staff has developed a criterion by which the need for NRC review and consent under 10 CFR 50.80 can be judged for nuclear power plant operating entities. NRC review and consent are necessary when a license for a nuclear power plant is to be transferred or assigned. The criterion in this guide is to be used to determine whether a nuclear power plant's license would effectively be transferred or assigned if the plant's operating entity changes. The criterion is focused on the concept of final decisionmaking authority: If any person, for example, a service company, provides advice but does not have the authority to make the final decision in a particular area (i.e., a decision that cannot be modified, overruled, or is not subject to reversal by the current licensee), then there has been no transfer of operating authority for that area.

A transfer of final decisionmaking authority in certain areas will automatically trigger a 10 CFR 50.80 review. These areas involve the performance of licensed activities or activities that substantially impact licensed activities. If a service company has been retained by a licensee to perform licensed activities or activities that substantially impact licensed activities, then it must be on the license, i.e., required to be approved as a licensee. Examples of areas where the transfer of final decisionmaking authority would automatically require a review include any one or more of the following:

1. Decision to continue operation or shut down for repairs
2. Decision to start up the plant
3. Authority to make operability determinations for safety-related equipment
4. Authority to change staffing levels
5. Authority to make organizational changes
6. Decision to defer repairs on safety-related equipment
7. Authority for quality assurance responsibilities (selecting audits, approving audit reports, accepting audit responses)
8. Budget-setting and spending authority
9. Authority to control the terms of employment for licensed staff

10. Authority over the design control of the facility
11. Decision to continue operations or permanently cease operation
12. Authority to make determinations whether NRC approval is needed under [10 CFR 50.59](#)
13. Authority to perform maintenance on safety-related equipment
14. Authority for the emergency preparedness program
15. Authority to approve licensee event reports
16. Authority to make decision on whether to make a [10 CFR 50.72](#) report

If a threshold review indicates that the new entity is being granted final decisionmaking authority in any of these areas involving or substantially impacting licensed activities, then the existing licensee and new entity must request NRC review and consent under 10 CFR 50.80, and a conforming license amendment under 10 CFR 50.90. If the NRC concludes that the new entity is qualified to become a licensee, then an order approving the proposed transfer of the license with respect to operating authority would be issued. The license would be amended upon implementation of the transfer to reflect the new transferee.

The decisionmaking authority regarding whether to continue operation or to shut down for repairs, to start up the plant, and to continue operations or to permanently cease operation, as well as authority over the design control of the facility, are considered the major areas that show which entity has authority over licensed activities. Thus, an entity with final authority over them must have a license (i.e., be a licensee).

The decisionmaking authority involving operability determinations, 10 CFR 50.59 reviews, and deferral of repairs on safety-related equipment, as well as the responsibility for quality assurance, indicate which entity is running the day-to-day activities on site. An entity with decisionmaking authority in these areas would also be considered to have authority over licensed activities and must be on the license.

Decisionmaking authority concerning changes in the staffing level or organizational changes, control of the terms of employment for licensed staff, budget-setting, and spending indicate which entity is in control of financial decisions. An entity with decisionmaking authority in any of these areas would also be considered to have authority over licensed activities and must be on the license.

The transfer of final decisionmaking authority in operational areas not involving licensed activities or activities that substantially impact licensed activities is examined collectively to determine whether a 10 CFR 50.80 review is required. It is difficult to identify with precision the point at which an operating service entity is required to be added to the operating license. Clearly, some areas of consideration are more important than others, but the combination of areas is likely to be unique in each operating agreement the NRC reviews. The more operational areas in which an operating entity has final decisionmaking authority, the more likely it is that NRC review and approval of a license transfer and an amendment to add the operating entity to the license is required. Areas that are considered collectively include the following:

1. Authority to provide health physics program services
2. Authority to provide chemistry program services
3. Authority to provide fire protection program services
4. Authority for engineering work on safety-related systems
5. Authority for maintaining design basis documentation
6. Authority for compliance engineering or licensing engineering services

The list of areas discussed above may not be complete. The staff has attempted to identify representative examples of areas that may be considered collectively to determine whether a 10 CFR 50.80 review is required.

In addition to the previously stated criterion, the NRC notes that lines of authority and responsibility in the organizational chain of command are specified in the plant's TS in the administrative controls section (Section 5.0 in the Standard TS). The NRC staff expects licensees, when they are considering the use of service company management, to examine their licensing basis to see what management structure, authorities, and responsibilities have been approved. If the lines of authority or responsibilities specified in the TS are being changed, the change would need review and approval by NRC as a license amendment under 10 CFR 50.90. The NRC expects that licensees will ensure that service company personnel meet TS-specified educational and experience requirements for the positions they will be taking and will seek approval for any license changes that may be necessary, above and beyond any transfer approval and conforming amendment approval.

D. IMPLEMENTATION

This section provides information to applicants and licensees regarding the NRC staff's plans for using this guide.

This draft regulatory guide has been published for public comment to encourage public participation in its development. The method to be described in the active regulatory guide (reflecting public comments) will be used in the evaluation of whether approval of the transfer of a Nuclear Power Plant's license should be granted, and whether the license should be amended when changes to the plant's operating entity are made.

VALUE/IMPACT STATEMENT

- **1. PROPOSED ACTION**
 - 1.1 Description
 - 1.2 Need
 - 1.3 Value/Impact

- 2. TECHNICAL APPROACH
- 3. PROCEDURAL APPROACH
- 4. STATUTORY CONSIDERATIONS
 - Need for Environmental Assessment
- 5. RELATIONSHIP TO OTHER EXISTING OR PROPOSED REGULATIONS OR POLICIES
- 6. CONCLUSION

1. PROPOSED ACTION

1.1 DESCRIPTION

The regulations regarding the transfer of an operating license are provided in 10 CFR 50.80. In general terms, no license or right thereunder can be transferred without written consent from the NRC. When the licensed authority to operate a plant is being transferred from one corporate entity to a different entity, NRC review and approval under 10 CFR 50.80 is clearly required.

1.2 NEED

Various alternative and potentially complex non-owner operator arrangements may be pursued by licensees. The decision on whether consent under 10 CFR 50.80 is necessary depends on the extent to which operating control is being transferred and the degree of autonomy granted to the operating company. The need exists for a regulatory guide on this topic to assist the industry in deciding when the use of a non-owner operating entity would require the Commission's approval under 10 CFR 50.80.

1.3 VALUE/IMPACT

This regulatory guide does not impose any new requirements or costs on current licensees. The requirements of 10 CFR 50.80 concerning transfers of licenses are not being changed. This guide provides information so that the nuclear industry and the NRC staff may have a common understanding on the criterion for deciding when the use of a non-owner operating service company would require NRC review and approval under the requirements of 10 CFR 50.80. Issuance of a draft regulatory guide for public comment would also allow for broader input when developing the final guide.

2. TECHNICAL APPROACH

The guide does not set forth any technical positions, thus this section is not applicable.

3. PROCEDURAL APPROACH

NRC procedures that may be used to promulgate the information contained in the guide are:

- Regulation
- Policy statement
- NUREG-series report
- Regulatory guide
- Branch technical position

A policy statement or a regulation are not suitable for incorporating the degree of detail that would be presented in the guide. Branch technical positions (BTP) are sometimes prepared for specific guidance. However, no BTP is being developed on this subject. NUREG reports provide information, but they usually contain results of specific studies and are not suitable for providing guidance. This proposed action is to provide nuclear reactor licensees with information related to when NRC review and approval under 10 CFR 50.80 is required for contracts with non-owner operating service companies. A regulatory guide is considered the best alternative for accomplishing this purpose.

4. STATUTORY CONSIDERATIONS

NEED FOR ENVIRONMENTAL ASSESSMENT

Issuance or amendment of guides for implementing regulations in Title 10, Chapter I, of the Code of Federal Regulations is a categorical exclusion under paragraph 51.22(c)(16) of 10 CFR Part 51. Thus no environmental impact statement or assessment is necessary.

5. RELATIONSHIP TO OTHER EXISTING OR PROPOSED REGULATIONS OR POLICIES

The draft regulatory guide would be issued for public comment to provide clarification in support of 10 CFR 50.80.

6. CONCLUSION

The proposed regulatory guide should be issued for public comment.