

PROPRIETARY INFORMATION

December 20, 2001

Mr. William T. Cottle
President and Chief Executive Officer
STP Nuclear Operating Company
South Texas Project Electric
Generating Station
P. O. Box 289
Wadsworth, TX 77483

SUBJECT: SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION, UNIT NOS. 1 AND 2 - ORDER APPROVING THE DIRECT TRANSFER OF LICENSES FROM RELIANT ENERGY INCORPORATED (FORMERLY KNOWN AS HOUSTON LIGHTING AND POWER COMPANY) TO TEXAS GENCO LP, APPROVING CONFORMING AMENDMENTS, AND APPROVING INDIRECT TRANSFERS (TAC NOS. MB2140 AND MB2141)

Dear Mr. Cottle:

The U.S. Nuclear Regulatory Commission (NRC) staff has completed its review of the application dated May 31, 2001, filed by STP Nuclear Operating Company (STPNOC) on behalf of Reliant Energy Incorporated (Reliant), formerly known as Houston Lighting and Power Company. The application was supplemented by letters dated June 14, August 13, October 16, and November 7, 2001. The application, pursuant to Section 50.80 of Title 10 of the *Code of Federal Regulations* (10 CFR 50.80), seeks approval of the indirect transfer of control of Reliant's 30.8 percent interest in South Texas Project Electric Generation Station (STPEGS), Unit Nos. 1 and 2, under Facility Operating License Nos. NPF-76 and NPF-80, to CenterPoint Energy, Inc., a new parent holding company for Reliant, and, to the extent that an indirect transfer of control of the license as held by STPNOC would result, Reliant's 30.8 percent interest in STPNOC (the licensed operator of STPEGS under the licenses) to CenterPoint Energy, Inc. The application also seeks approval of the direct transfer of Reliant's 30.8 percent ownership interest in STPEGS to Texas Genco LP, which will be indirectly wholly-owned by CenterPoint Energy, Inc., and, to the extent a direct transfer of control would result, Reliant's 30.8 percent ownership interest in STPNOC to Texas Genco LP.

The application, pursuant to 10 CFR 50.90 and 10 CFR 2.1315, also seeks the approval of conforming amendments to the STPEGS operating licenses to reflect the direct transfer.

The enclosed Order (Enclosure 1) approves the proposed transfers, subject to the conditions described therein. The enclosed Order also approves conforming amendments (Enclosure 2), which will be issued and made effective at the time the direct transfers are completed. The NRC staff's proprietary safety evaluation supporting the Order and conforming amendments is included as Enclosure 3. Enclosure 4 is the nonproprietary version.

PROPRIETARY INFORMATION

**Document transmitted herewith contains sensitive unclassified information.
When separated from enclosures, this document is decontrolled.**

W. Cottle

- 2 -

The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,

/RA/

David J. Wrona, Project Manager, Section 1
Project Directorate IV
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-498 and 50-499

Enclosures: 1. Order
 2. Conforming Amendments
 3. Safety Evaluation (proprietary)
 4. Safety Evaluation (nonproprietary)

cc w/encls: See next 2 pages

W. Cottle

- 2 -

The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,

/RA/

David J. Wrona, Project Manager, Section 1
Project Directorate IV
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-498 and 50-499

Enclosures: 1. Order
2. Conforming Amendments
3. Safety Evaluation (proprietary)
4. Safety Evaluation (nonproprietary)

cc w/encls: See next 2 pages

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SE (Proprietary): ML013450114

MEMO: ML013450128

ADAMS ACCESSION NUMBER: LTR: ML013450101

PKG: ML013450104

OFFICE	PDIV-1\PM	PDIV-1\LA	TECH ED	REXB/SC	IOLB/SC	PDIV-1/SC
NAME	DWrona	MMcAllister	PKleene	PMadden	DTrimble	RGramm
DATE	11/29/01	12/3/01	10/19/01**	9/5/01*	10/4/01*	12/4/01
OFFICE	OGC	OGC	PDIV/D	DLPM/D	NRR/ADPT	NRR/D
NAME	GKim NLO w/ changes	MPSiemien	SRichards	TMarsh for JZwolinski	BSheron	SCollins
DATE	12/19/01	12/19/01	12/6/01	12/7/01	12/20/01	12/20/01

*No substantive changes from SE input. **See previous concurrence.

Official Record Copy

South Texas, Units 1 & 2

FOR NONPROPRIETARY DISTRIBUTION (ENCLOSURES 1, 2, AND 4)

cc:

A. Ramirez/C. M. Canady
City of Austin
Electric Utility Department
721 Barton Springs Road
Austin, TX 78704

Mr. M. T. Hardt
Mr. W. C. Gunst
City Public Service Board
P. O. Box 1771
San Antonio, TX 78296

Mr. C. A. Johnson/R. P. Powers
AEP - Central Power and Light Company
P. O. Box 289
Mail Code: N5022
Wadsworth, TX 77483

INPO
Records Center
700 Galleria Parkway
Atlanta, GA 30339-3064

D. G. Tees/R. L. Balcom
Houston Lighting & Power Co.
P. O. Box 1700
Houston, TX 77251

Judge, Matagorda County
Matagorda County Courthouse
1700 Seventh Street
Bay City, TX 77414

A. H. Gutterman, Esq.
Morgan, Lewis & Bockius
1800 M Street, N.W.
Washington, DC 20036-5869

Mr. J. J. Sheppard, Vice President
Engineering & Technical Services
STP Nuclear Operating Company
P. O. Box 289
Wadsworth, TX 77483

S. M. Head, Manager, Licensing
Nuclear Quality & Licensing Department
STP Nuclear Operating Company
P. O. Box 289, Mail Code: N5014
Wadsworth, TX 77483

Office of the Governor
ATTN: John Howard, Director
Environmental and Natural
Resources Policy
P. O. Box 12428
Austin, TX 78711

Jon C. Wood
Matthews & Branscomb
112 East Pecan, Suite 1100
San Antonio, TX 78205

Arthur C. Tate, Director
Division of Compliance & Inspection
Bureau of Radiation Control
Texas Department of Health
1100 West 49th Street
Austin, TX 78756

Jim Calloway
Public Utility Commission of Texas
Electric Industry Analysis
P. O. Box 13326
Austin, TX 78711-3326

June 2001

South Texas, Units 1 & 2

FOR PROPRIETARY DISTRIBUTION (ENCLOSURES 1, 2, 3, AND 4)

cc:

Mr. Cornelius F. O'Keefe
Senior Resident Inspector
U.S. Nuclear Regulatory Commission
P. O. Box 910
Bay City, TX 77414

Regional Administrator, Region IV
U.S. Nuclear Regulatory Commission
611 Ryan Plaza Drive, Suite 400
Arlington, TX 76011

June 2001

UNITED STATES OF AMERICANUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
SOUTH TEXAS PROJECT NUCLEAR)	Docket Nos. 50-498 and 50-499
OPERATING COMPANY ET AL.)	
)	License Nos. NPF-76 and NPF-80
(South Texas Project Electric Generating)	
Station, Unit Nos. 1 and 2))	

ORDER APPROVING TRANSFER OF LICENSES
AND CONFORMING AMENDMENTS

I.

Reliant Energy Incorporated (Reliant),¹ the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and the City of Austin, Texas (COA) are the licensed owners, and South Texas Project Nuclear Operating Company (STPNOC) is the exclusive licensed operator, of South Texas Project Electric Generating Station, Units 1 and 2 (STPEGS), and in regard thereto, hold Facility Operating License Nos. NPF-76 and NPF-80. STPEGS (the facility) is located in Matagorda County, Texas.

II.

By application dated May 31, 2001, as supplemented by letters dated June 14, August 13, October 16, and November 7, 2001 (collectively the application), STPNOC, on behalf of Reliant, requested the consent of the U.S. Nuclear Regulatory Commission (NRC or Commission) to a proposed indirect transfer of control of the 30.8 percent undivided ownership interest of Reliant in STPEGS under Facility Operating License Nos. NPF-76 and NPF-80, to CenterPoint Energy, Inc., a newly-formed company that will be the new parent holding company

¹Reliant was formerly known as Houston Lighting & Power Company (HL&P). HL&P changed its name to Reliant Energy Incorporated in 1999.

of Reliant, and, to the extent an indirect transfer would result, Reliant's 30.8 percent interest in STPNOC, the licensed operator of STPEGS under the licenses, to CenterPoint Energy, Inc. The application also requested the consent of the Commission to a proposed direct transfer of Reliant's 30.8 percent ownership interest in STPEGS to Texas Genco LP, which will be indirectly wholly-owned by CenterPoint Energy, Inc., and to the indirect transfer of Reliant's 30.8 percent interest in STPNOC to Texas Genco LP, to the extent that the transfer of Reliant's ownership interest in STPNOC will result in an indirect transfer of the STPNOC licenses. According to the application, the proposed direct transfer may occur contemporaneously with CenterPoint Energy, Inc. becoming the parent holding company of Reliant or some time thereafter. The application further requested the approval of conforming license amendments to reflect the direct transfer of the licenses.

The proposed conforming license amendments would replace references to HL&P in the licenses with references to Texas Genco LP, as appropriate, and make other administrative changes to reflect the proposed direct transfer.

The application requested approval of the direct transfer of the facility operating licenses, conforming license amendments, and indirect license transfers pursuant to 10 CFR 50.80 and 10 CFR 50.90. The staff published a notice of the request for approval and an opportunity for a hearing in the *Federal Register* on September 28, 2001 (66 FR 49711). The October 16 and November 7, 2001, supplemental information did not expand the scope of the application as originally noticed in the *Federal Register*. The Commission received no comments or requests for hearing pursuant to the notice.

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 relying upon the representations and agreements contained in the application, the NRC staff has determined

that the proposed corporate restructuring resulting in CenterPoint Energy Inc. becoming the parent holding company of Reliant will not affect the qualifications of Reliant to hold a 30.80 percent ownership interest in the facility operating licenses for STPEGS or have any effect on the qualifications of STPNOC to the extent held by Reliant, and that the indirect transfer of the licenses for STPEGS and of STPNOC's licenses to the extent effected by the proposed corporate restructuring, is otherwise consistent with applicable provisions of law, regulations, and Orders issued by the Commission, subject to the applicable conditions set forth herein. The NRC staff has also determined that Texas Genco LP is qualified to be a holder of the facility operating licenses for STPEGS, and to the extent that the transfer of Reliant's interest in STPNOC to Texas Genco LP results in an indirect transfer of the STPNOC license, the transfer will not affect the qualifications of STPNOC to be the licensed operator, and that the transfer of the licenses is otherwise consistent with applicable provisions of law, regulations, and Orders issued by the Commission, subject to the conditions set forth herein. The NRC staff has further found that the application for the proposed license amendments complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I; the facilities will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission; there is reasonable assurance that the activities authorized by the proposed license amendments can be conducted without endangering the health and safety of the public and that such activities will be conducted in compliance with the Commission's regulations; the issuance of the proposed license amendments will not be inimical to the common defense and security or to the health and safety of the public; and the issuance of the proposed amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

The findings set forth above are supported by a safety evaluation dated December 20, 2001.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§2201(b), 2201(i), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the indirect transfer of the licenses as described herein to CenterPoint Energy, Inc., and the direct transfer of the licenses as described herein to Texas Genco LP are approved, subject to the following conditions:

- (1) Texas Genco LP shall, prior to the completion of the direct transfer, provide to the Director of the Office of Nuclear Reactor Regulation satisfactory documentary evidence that Texas Genco LP has obtained the appropriate amount of insurance required of licensees under 10 CFR Part 140 of the Commission's regulations.
- (2) Reliant shall continue to provide decommissioning funding assurance, to be held in decommissioning trusts for STPEGS, from the date of the indirect transfer until the date of any direct transfer to Texas Genco LP. Texas Genco LP shall provide decommissioning funding assurance, to be held in decommissioning trusts for STPEGS upon the direct transfer of the STPEGS licenses to Texas Genco LP, in an amount equal to or greater than the balance in the STPEGS decommissioning trusts immediately prior to the transfer. In addition, Texas Genco LP shall ensure that all contractual arrangements referred to in the application to obtain necessary decommissioning funds for STPEGS through a non-bypassable charge are executed and will be maintained until the decommissioning trusts are fully funded, or shall ensure that other mechanisms that provide equivalent assurance of decommissioning funding in accordance with the Commission's regulations are maintained.

- (3) The master decommissioning trust agreement for STPEGS, at the time the direct transfers are effected and thereafter, is subject to the following:
- a. The decommissioning trust agreement must be in a form acceptable to the NRC.
 - b. With respect to the decommissioning trust funds, investments in the securities or other obligations of CenterPoint Energy, Inc., or its affiliates, successors, or assigns, shall be prohibited. Except for investments in funds tied to market indices or other non-nuclear sector mutual funds, investments in any entity owning one or more nuclear power plants are prohibited.
 - c. The decommissioning trust agreement must provide that the trustee, investment advisor, or anyone else directing the investments made in the trusts shall adhere to the standards for such investments established by the Public Utility Commission of Texas (e.g., 16 Texas Administration Code § 25.301).
 - d. The decommissioning trust agreement must provide that except for ordinary administrative expenses, no disbursements or payments from the trusts shall be made by the trustee unless the trustee has first given the NRC 30 days prior written notice of such disbursement or payment. The decommissioning trust agreement shall further contain a provision that no disbursements or payments from the trusts shall be made if the trustee receives prior written notice of an objection from the Director, Office of Nuclear Reactor Regulation.
 - e. The decommissioning trust agreement must provide that the agreement cannot be modified in any material respect without 30 days prior written notification to the Director, Office of Nuclear Reactor Regulation.
- (4) Reliant and Texas Genco LP shall take all necessary steps to ensure that the decommissioning trusts are maintained in accordance with the application, the requirements of this Order, and the related safety evaluation.

- (5) Texas Genco LP shall provide the Director, 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 CenterPoint Energy, Inc., or its subsidiaries, to a proposed direct or indirect parent, or to any other affiliated company, facilities for the production of electric energy having a depreciated book value exceeding ten percent (10%) of such licensee's consolidated net utility plant, as recorded on Texas Genco LP's book of accounts.
- (6) Texas Genco LP shall inform the Director of the Office of Nuclear Reactor Regulation of the date of the closing of the direct transfer no later than two business days prior to such date. If the direct and indirect transfers of the licenses approved by this Order are not completed by December 31, 2002, this Order shall become null and void, provided, however, upon written application and for good cause shown, such date may in writing be extended.

IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments that make changes, as indicated in Enclosure 2 to the cover letter forwarding this Order, to conform the licenses to reflect the subject direct license transfers are approved. The amendments shall be issued and made effective at the time the proposed direct license transfers are completed. It is hereby noted that the staff is also considering approving a transfer of the licenses to the extent held by CPL. Should the transfer of the licenses to the extent held by CPL take place prior to issuance of the amendments in the current case, the amendments approved here should reflect any conforming amendments approved and issued in connection with the CPL transfer.

This Order is effective upon issuance.

For further details with respect to this Order, see the initial application dated May 31, 2001, the supplemental submittals dated June 14, August 13, October 16, and November 7, 2001, and the safety evaluation dated December 20, 2001, which are available for public

inspection at the Commission's Public Document Room, located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, Maryland. Publicly available records will be accessible electronically from the Agencywide Documents Access and Management Systems (ADAMS) Public Electronic Reading Room on the internet at the NRC Web site, <http://www.nrc.gov>.

Dated at Rockville, Maryland this 20th day of December, 2001.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

Brian W. Sheron, Acting Director
Office of Nuclear Reactor Regulation

STP NUCLEAR OPERATING COMPANY

DOCKET NO. 50-498

SOUTH TEXAS PROJECT, UNIT 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. NPF-76

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for amendment by STP Nuclear Operating Company* acting on behalf of itself and for Houston Lighting & Power Company (HL&P), the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and the City of Austin, Texas (COA) (the licensees), dated May 31, 2001, and supplemented by letters dated June 14, August 13, October 16, and November 7, 2001, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
 - D. The issuance of this license amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

*STP Nuclear Operating Company is authorized to act for Houston Lighting & Power Company (HL&P), the City Public Service Board of San Antonio, Central Power and Light Company, and the City of Austin, Texas, and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

2. Accordingly, the license is amended as indicated in the attachment to this license amendment.
3. The license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Brian W. Sheron, Acting Director
Office of Nuclear Reactor Regulation

Attachment: Changes to the Operating License

Date of Issuance:

STP NUCLEAR OPERATING COMPANY

DOCKET NO. 50-499

SOUTH TEXAS PROJECT, UNIT 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. NPF-80

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. The application for amendment by STP Nuclear Operating Company* acting on behalf of itself and for Houston Lighting & Power Company (HL&P), the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and the City of Austin, Texas (COA) (the licensees), dated May 31, 2001, and supplemented by letters dated June 14, August 13, October 16, and November 7, 2001, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
 - D. The issuance of this license amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

*STP Nuclear Operating Company is authorized to act for Houston Lighting & Power Company (HL&P), the City Public Service Board of San Antonio, Central Power and Light Company, and the City of Austin, Texas, and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

2. Accordingly, the license is amended as indicated in the attachment to this license amendment.
3. The license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Brian W. Sheron, Acting Director
Office of Nuclear Reactor Regulation

Attachment: Changes to the Operating License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NOS. _____ AND _____

FACILITY OPERATING LICENSE NOS. NPF-76 AND NPF-80

DOCKET NOS. 50-498 AND 50-499

Replace the following pages of the Unit 1, Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

REMOVE

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Replace the following pages of the Unit 2, Facility Operating License with the attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

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7

TEXAS GENCO LP
CITY PUBLIC SERVICE BOARD OF SAN ANTONIO
CENTRAL POWER AND LIGHT COMPANY
CITY OF AUSTIN, TEXAS
STP NUCLEAR OPERATING COMPANY
DOCKET NO. 50-498
SOUTH TEXAS PROJECT, UNIT 1
FACILITY OPERATING LICENSE

License No. NPF-76

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for a license filed by STP Nuclear Operating Company (STPNOC)*, acting on behalf of itself and for Texas Genco LP, the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and City of Austin, Texas (COA) (the "Owners") complies with the standards and requirements of the Atomic Energy Act of 1954, as of 1954 as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I, and all required notifications to other agencies or bodies have been duly made;
 - B. Construction of the South Texas Project, Unit 1, (the facility) has been substantially completed in conformity with Construction Permit No. CPPR-128 and the application, as amended, the provisions of the Act, and the regulations of the Commission;
 - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D. below);
 - D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D. below);

* STPNOC is authorized to act for Texas Genco LP, the City Public Service Board of San Antonio, Central Power and Light Company, and City of Austin, Texas and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

Amendment No.

- E. STPNOC is technically qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;
 - F. The Owners have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;
 - G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;
 - H. After weighing the environmental, economic, technical and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of this Facility Operating License No. NPF-76, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and
 - I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.
2. Based on the foregoing findings, and approval by the Nuclear Regulatory Commission at a meeting on March 21, 1988, the License for Fuel Loading and Low Power Testing, License No. NPF-71 issued on August 21, 1987 is superseded by Facility Operating License NPF-76, hereby issued to STPNOC, Texas Genco LP, City Public Service Board of San Antonio, Central Power and Light Company, and City of Austin, Texas (the licensees) to read as follows:
- A. This license applies to the South Texas Project, Unit 1, a pressurized water reactor, and associated equipment (the facility) owned by Texas Genco LP, City Public Service Board of San Antonio, Central Power and Light Company and City of Austin, Texas and operated by STPNOC. The facility is located in Matagorda County, Texas, west of the Colorado River, 8 miles north-northwest of the town of Matagorda and about 89 miles southwest of Houston and is described in the licensees' Final Safety Analysis Report, as supplemented and amended, and in the licensees' Environmental Report, as supplemented and amended.
 - B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

- (1) STPNOC pursuant to Section 103 of the Act and 10 CFR Part 50, to possess, use and operate the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
 - (2) Texas Genco LP, the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and the City of Austin, Texas (COA), pursuant to the Act and 10 CFR Part 50, to possess the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
 - (3) STPNOC, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
 - (4) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
 - (5) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
 - (6) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility authorized herein.
- C. This license shall be deemed to contain and is subject to the conditions specified in the Commission's regulations set forth in 10 CFR Chapter I and is subject to all applicable provisions of the Act and to the rules, regulations and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:
- (1) Maximum Power Level

STPNOC is authorized to operate the facility at reactor core power levels not in excess of 3800 megawatts thermal (100% power) in accordance with the conditions specified herein.

(2) Technical Specifications

The Technical Specifications contained in Appendix A, as revised through Amendment No. 134, and the Environmental Protection Plan contained in Appendix B, are hereby incorporated in the license. STPNOC shall operate the facility in accordance with the Technical Specifications and the Environmental Protection Plan.

(3) Antitrust Conditions

Texas Genco LP, City Public Service Board of San Antonio, Central Power and Light Company and City of Austin, Texas (the "Owners") shall comply with the antitrust conditions delineated in Appendix C to this license; Appendix C is hereby incorporated into this license.

STPNOC shall not market or broker power or energy from South Texas Project Unit 1. The Owners are responsible and accountable for the actions of STPNOC to the extent that said actions affect the marketing or brokering of power or energy from South Texas Project Unit 1 and, in any way, contravene the antitrust conditions of this paragraph or Appendix C of this license.

(4) Initial Startup Test Program (Section 14, SER)*

Any changes to the Initial Test Program described in Section 14 of the Final Safety Analysis Report made in accordance with the provisions of 10 CFR 50.59 shall be reported in accordance with 50.59(b) within one month of such change.

(5) Safety Parameter Display System (Section 18, SSER No. 4)*

Before startup after the first refueling outage, HL&P[**] shall perform the necessary activities, provide acceptable responses, and implement all proposed corrective actions related to issues as described in Section 18.2 of SER Supplement 4.

(6) Supplementary Containment Purge Isolation (Section 11.5, SSER No. 4)

HL&P shall provide, prior to startup from the first refueling outage, control room indication of the normal and supplemental containment purge sample line isolation valve position.

* The parenthetical notation following the title of many license conditions denotes the section of the Safety Evaluation Report and/or its supplements wherein the license condition is discussed.

** The original licensee authorized to possess, use and operate the facility was HL&P.

Consequently, historical references to certain obligations of HL&P remain in the license conditions.

(7) License Transfer

Texas Genco LP shall provide decommissioning funding assurance, to be held in decommissioning trusts for South Texas Project, Unit 1 (Unit 1) upon the direct transfer of the Unit 1 license to Texas Genco LP, in an amount equal to or greater than the balance in the Unit 1 decommissioning trust immediately prior to the transfer. In addition, Texas Genco LP shall ensure that all contractual arrangements referred to in the application for approval of the transfer of the Unit 1 license to Texas Genco LP to obtain necessary decommissioning funds for Unit 1 through a non-bypassable charge are executed and will be maintained until the decommissioning trusts are fully funded, or shall ensure that other mechanisms that provide equivalent assurance of decommissioning funding in accordance with the Commission's regulations are maintained.

(8) License Transfer

The master decommissioning trust agreement for Unit 1, at the time the direct transfer of Unit 1 to Texas Genco LP is effected and thereafter, is subject to the following:

- a. The decommissioning trust agreement must be in a form acceptable to the NRC.
- b. With respect to the decommissioning trust funds, investments in the securities or other obligations of CenterPoint Energy, Inc., or its affiliates, successors, or assigns, shall be prohibited. Except for investments in funds tied to market indices or other non-nuclear sector mutual funds, investments in any entity owning one or more nuclear power plants are prohibited.
- c. The decommissioning trust agreement must provide that the trustee, investment advisor, or anyone else directing the investments made in the trusts shall adhere to the standards for such investments established by the Public Utility Commission of Texas (e.g., 16 Texas Administration Code § 25.301).
- d. The decommissioning trust agreement must provide that except for ordinary administrative expenses, no disbursements or payments from the trusts shall be made by the trustee unless the trustee has first given the NRC 30 days prior written notice of such disbursement or payment. The decommissioning trust agreement shall further contain a provision that no disbursements or payments from the trusts shall be made if the trustee receives prior written notice of an objection from the Director, Office of Nuclear Reactor Regulation.

- e. The decommissioning trust agreement must provide that the agreement cannot be modified in any material respect without 30 days prior written notification to the Director, Office of Nuclear Reactor Regulation.

(9) License Transfer

Texas Genco LP shall take all necessary steps to ensure that the decommissioning trust is maintained in accordance with the application for approval of the transfer of the Unit 1 license to Texas Genco LP, the requirements of the Order approving the transfer, and the related safety evaluation.

(10) License Transfer

Texas Genco LP shall provide the Director, 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 CenterPoint Energy, Inc., or its subsidiaries, to a proposed direct or indirect parent, or to any other affiliated company, facilities for the production of electric energy having a depreciated book value exceeding ten percent (10%) of such licensee's consolidated net utility plant, as recorded on Texas Genco LP's book of accounts.

D. Exemptions

The following exemptions are authorized by law and will not endanger life or property or the common defense and security, and certain special circumstances are present. With the granting of these exemptions, the facility will operate, to the extent authorized herein, in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission.

- (1) The facility requires a technical exemption from the requirements of 10 CFR Part 50, Appendix J, Section III.D.2(b)(ii). The justification for this exemption is contained in Section 6.2.6 of Supplement 3 to the Safety Evaluation Report. The staff's environmental assessment was published on July 2, 1987 (52 FR 25094). Therefore, pursuant to 10 CFR 50.12(a)(1), 10 CFR 50.12(a)(2)(ii) and (iii), the South Texas Project Unit 1 is hereby granted an exemption from the quoted requirement and instead, is required to perform the overall air lock leak test at pressure P_a prior to establishing containment integrity if air lock maintenance has been performed that could affect the air lock sealing capability.
- (2) The facility requires a schedular exemption from the requirements of General Design Criterion 57, Appendix A to 10 CFR 50. The staff has described in detail in Supplement 4 to the Safety Evaluation Report the technical bases associated with this exemption. The staff's environmental assessment was published on June 18, 1987 (52 FR 23217). Therefore, pursuant to 10 CFR 50.12(a)(1) and 10 CFR 50.12(a)(2)(v) the South Texas Project Unit 1 is hereby granted an exemption from the requirements of GDC-57 applicable to the essential component cooling water (CCW) piping which is also used by the non-essential reactor containment building chilled water system in providing cooling to the Reactor Containment Fan Coolers (RCFC). This exemption will expire at the end of the first refueling outage.
- (3) The facility was previously granted exemption from the criticality monitoring requirements of 10 CFR 70.24 (See Materials License No. SNM-1972 dated December 29, 1986 and Section 9.1.2 of SSER No. 3). The South Texas Project Unit 1 is hereby exempted from the criticality monitoring provisions of 10 CFR 70.24 as applied to fuel assemblies held under this license.
- (4) The facility has been granted a schedular exemption from Section 50.71(e)(3)(i) of 10 CFR 50 to extend the date for submittal of the updated Final Safety Analysis Report to no later than one year after the date of issuance of a low power license for the South Texas Project, Unit 2. This exemption is effective until August 1990. The staff's environmental assessment was published on December 16, 1987 (52 FR 47805).

E. Fire Protection

STPNOC shall implement and maintain in effect all provisions of the approved fire protection program as described in the Final Safety Analysis Report through Amendment No. 55 and the Fire Hazards Analysis Report through Amendment No. 7, and submittals dated April 29, May 7, 8 and 29, June 11, 25 and 26, 1987, and as approved in the SER (NUREG-0781) dated April 1986 and its Supplements, subject to the following provision:

STPNOC may make changes to the approved fire protection program without prior approval of the Commission, only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

F. Physical Security

STPNOC shall fully implement and maintain in effect all provisions of the physical security, guard training and qualification, and safeguards contingency plans previously approved by the Commission and all amendments and revisions to such plans made pursuant to the authority under 10 CFR 50.90 and 10 CFR 50.54(p).

The plans, which contain Safeguards Information protected under 10 CFR 73.21, are entitled: "South Texas Project Electric Generating Station Physical Security Plan," with revisions/amendments submitted through March 4, 1988; "South Texas Project Electric Generating Station Security Personnel Qualification and Training Plan" with revisions submitted through March 4, 1988, and "South Texas Project Electric Generating Station Safeguards Contingency Plan," with revisions/amendments submitted through July 24, 1987.

G. Not UsedH. Financial Protection

The Owners shall have and maintain financial protection of such type and in such amounts as the Commission shall require in accordance with Section 170 of the Atomic Energy Act of 1954, as amended, to cover public liability claims.

I. Effective Date and Expiration

This license is effective as of the date of issuance and shall expire at midnight on August 20, 2027.

FOR THE NUCLEAR REGULATORY COMMISSION

original signed by

|

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Enclosures:

1. Appendix A, Technical Specifications (NUREG-1305)
2. Appendix B, Environmental Protection Plan
3. Appendix C, Antitrust Conditions

Date of Issuance: March 22, 1988

TEXAS GENCO LP
CITY PUBLIC SERVICE BOARD OF SAN ANTONIO
CENTRAL POWER AND LIGHT COMPANY
CITY OF AUSTIN, TEXAS
STP NUCLEAR OPERATING COMPANY
DOCKET NO. 50-499
SOUTH TEXAS PROJECT, UNIT 2
FACILITY OPERATING LICENSE

License No. NPF-80

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for a license filed by STP Nuclear Operating Company (STPNOC)*, acting on behalf of itself and for Texas Genco LP, the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and City of Austin, Texas (COA) (the "Owners") complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I, and all required notifications to other agencies or bodies have been duly made;
 - B. Construction of the South Texas Project, Unit 2, (the facility) has been substantially completed in conformity with Construction Permit No. CPPR-129 and the application, as amended, the provisions of the Act, and the regulations of the Commission;
 - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission (except as exempted from compliance in Section 2.D. below);
 - D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I (except as exempted from compliance in Section 2.D. below);

*STPNOC is authorized to act for Texas Genco LP, the City Public Service Board of San Antonio, Central Power and Light Company, and City of Austin, Texas and has exclusive responsibility and control over the physical construction, operation, and maintenance of the facility.

- E. STPNOC is technically qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;
 - F. The Owners have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;
 - G. The issuance of this license will not be inimical to the common defense and security or to the health and safety of the public;
 - H. After weighing the environmental, economic, technical and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of this Facility Operating License No. NPF-80, subject to the conditions for protection of the environment set forth in the Environmental Protection Plan attached as Appendix B, is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied; and
 - I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.
2. Based on the foregoing findings, and approval by the Nuclear Regulatory Commission at a meeting on March 28, 1989, the License for Fuel Loading and Low Power Testing, License No. NPF-78 issued on December 16, 1988 is superseded by Facility Operating License NPF-80, hereby issued to STPNOC, Texas Genco LP, City Public Service Board of San Antonio, Central Power and Light Company, and City of Austin, Texas (the licensees) to read as follows:
- A. This license applies to the South Texas Project, Unit 2, a pressurized water reactor, and associated equipment (the facility) owned by Texas Genco LP, City Public Service Board of San Antonio, Central Power and Light Company and City of Austin, Texas and operated by STPNOC. The facility is located in Matagorda County, Texas, west of the Colorado River, 8 miles north-northwest of the town of Matagorda and about 89 miles southwest of Houston and is described in the licensees' Final Safety Analysis Report, as supplemented and amended, and in the licensees' Environmental Report, as supplemented and amended.
 - B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:

- (1) STPNOC pursuant to Section 103 of the Act and 10 CFR Part 50, to possess, use and operate the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
 - (2) Texas Genco LP, the City Public Service Board of San Antonio (CPS), Central Power and Light Company (CPL), and the City of Austin, Texas (COA), pursuant to the Act and 10 CFR Part 50, to possess the facility at the designated location in Matagorda County, Texas, in accordance with the procedures and limitations set forth in this license;
 - (3) STPNOC, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
 - (4) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to receive, possess, and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
 - (5) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40, and 70, to receive, possess, and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
 - (6) STPNOC, pursuant to the Act and 10 CFR Parts 30, 40 and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility authorized herein.
- C. This license shall be deemed to contain and is subject to the conditions specified in the Commission's regulations set forth in 10 CFR Chapter I and is subject to all applicable provisions of the Act and to the rules, regulations and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:
- (1) Maximum Power Level

STPNOC is authorized to operate the facility at reactor core power levels not in excess of 3800 megawatts thermal (100% power) in accordance with the conditions specified herein.

(2) Technical Specifications

The Technical Specifications contained in Appendix A, as revised through Amendment No. 123, and the Environmental Protection Plan contained in Appendix B, are hereby incorporated in the license. STPNOC shall operate the facility in accordance with the Technical Specifications and the Environmental Protection Plan.

(3) Antitrust Conditions

Texas Genco LP, City Public Service Board of San Antonio, Central Power and Light Company and City of Austin, Texas (the "Owners") shall comply with the antitrust conditions delineated in Appendix C to this license; Appendix C is hereby incorporated into this license.

STPNOC shall not market or broker power or energy from South Texas Project Unit 2. The Owners are responsible and accountable for the actions of STPNOC to the extent that said actions affect the marketing or brokering of power or energy from South Texas Project Unit 2 and, in any way, contravene the antitrust conditions of this paragraph or Appendix C of this license.

(4) Initial Startup Test Program (Section 14, SR)*

Any changes to the Initial Test Program described in Section 14 of the Final Safety Analysis Report made in accordance with the provisions of 10 CFR 50.59 shall be reported in accordance with 50.59(b) within one month of such change.

(5) License Transfer

Texas Genco LP shall provide decommissioning funding assurance, to be held in decommissioning trusts for South Texas Project, Unit 2 (Unit 2) upon the direct transfer of the Unit 2 license to Texas Genco LP, in an amount equal to or greater than the balance in the Unit 2 decommissioning trust immediately prior to the transfer. In addition, Texas Genco LP shall ensure that all contractual arrangements referred to in the application for approval of the transfer of the Unit 2 license to Texas Genco LP to obtain necessary decommissioning funds for Unit 2 through a non-bypassable charge are executed and will be maintained until the decommissioning trusts are fully funded, or shall ensure that other mechanisms that provide equivalent assurance of decommissioning funding in accordance with the Commission's regulations are maintained.

(6) License Transfer

The master decommissioning trust agreement for Unit 2, at the time the direct transfer of Unit 2 to Texas Genco LP is effected and thereafter, is subject to the following:

* The parenthetical notation following the title of many license conditions denotes the section of the Safety Evaluation Report and/or its supplements wherein the license condition is discussed.

- a. The decommissioning trust agreement must be in a form acceptable to the NRC.
- b. With respect to the decommissioning trust funds, investments in the securities or other obligations of CenterPoint Energy, Inc., or its affiliates, successors, or assigns, shall be prohibited. Except for investments in funds tied to market indices or other non-nuclear sector mutual funds, investments in any entity owning one or more nuclear power plants are prohibited.
- c. The decommissioning trust agreement must provide that the trustee, investment advisor, or anyone else directing the investments made in the trusts shall adhere to the standards for such investments established by the Public Utility Commission of Texas (e.g., 16 Texas Administration Code § 25.301).
- d. The decommissioning trust agreement must provide that except for ordinary administrative expenses, no disbursements or payments from the trusts shall be made by the trustee unless the trustee has first given the NRC 30 days prior written notice of such disbursement or payment. The decommissioning trust agreement shall further contain a provision that no disbursements or payments from the trusts shall be made if the trustee receives prior written notice of an objection from the Director, Office of Nuclear Reactor Regulation.
- e. The decommissioning trust agreement must provide that the agreement cannot be modified in any material respect without 30 days prior written notification to the Director, Office of Nuclear Reactor Regulation.

(7) License Transfer

Texas Genco LP shall take all necessary steps to ensure that the decommissioning trust is maintained in accordance with the application for approval of the transfer of the Unit 2 license to Texas Genco LP, the requirements of the Order approving the transfer, and the related safety evaluation.

(8) License Transfer

Texas Genco LP shall provide the Director, 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 CenterPoint Energy, Inc., or its subsidiaries, to a proposed direct or indirect parent, or to any other affiliated company, facilities for the production of electric energy having a depreciated book value exceeding ten percent (10%) of such licensee's consolidated net utility plant, as recorded on Texas Genco LP's book of accounts.

D. Exemptions

The following exemptions are authorized by law and will not endanger life or property or the common defense and security, and certain special circumstances are present. With the granting of these exemptions, the facility will operate, to the extent authorized herein, in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission.

- (1) The facility requires a technical exemption from the requirements of 10 CFR Part 50, Appendix J, Section III.D.2(b)(ii). The justification for this exemption is contained in Section 6.2.6 of Supplement 3 to the Safety Evaluation Report. The staff's environmental assessment was published on December 16, 1986 (53 FR 50605). Therefore, pursuant to 10 CFR 50.12(a)(1), 10 CFR 50.12(a)(2)(ii) and (iii), the South Texas Project Unit 2 is hereby granted an exemption from the quoted requirement and instead, is required to perform the overall air lock leak test at pressure P_a prior to establishing containment integrity if air lock maintenance has been performed that could affect the air lock sealing capability.
- (2) The facility was previously granted exemption from the criticality monitoring requirements of 10 CFR 70.24 (See Materials License No. SNM-1983 dated August 30, 1988 and Section III.E. of the SER dated August 30, 1988). The South Texas Project Unit 2 is hereby exempted from the criticality monitoring provisions of 10 CFR 70.24 as applied to fuel assemblies held under this license.
- (3) The facility requires a temporary exemption from the schedular requirements of the decommissioning planning rule, 10 CFR 50.33(k) and 10 CFR 50.75. The justification for this exemption is contained in Section 22.2 of Supplement 6 to the Safety Evaluation Report. The staff's environmental assessment was published on December 16, 1988 (53 FR 50604). Therefore, pursuant to 10 CFR 50.12(a)(1), 50.12(a)(2)(ii) and 50.12(a)(2)(v), the South Texas Project, Unit 2 is hereby granted a temporary exemption from the schedular requirements of 10 CFR 50.33(k) and 10 CFR 50.75 and is required to submit the decommissioning plan for both South Texas Project, Units 1 and 2 on or before July 26, 1990.

E. Fire Protection

STPNOC shall implement and maintain in effect all provisions of the approved fire protection program as described in the Final Safety Analysis Report through Amendment No. 62 and the Fire Hazards Analysis Report through Amendment No. 7, and submittals dated April 29, May 7, 8 and 29, June 11, 25, and 26, 1987, and as approved in the SER (NUREG-0781) dated April 1986 and its Supplements, subject to the following provisions:

STPNOC may make changes to the approved fire protection program without prior approval of the Commission, only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

F. Physical Security

STPNOC shall fully implement and maintain in effect all provisions of the physical security, training and qualification, and safeguards contingency plans previously approved by the Commission and all amendments and revisions to such plans made pursuant to the authority under 10 CFR 50.90 and 10 CFR 50.54(p). The plans, which contain Safeguards Information protected under 10 CFR 73.21, are entitled: "South Texas Project Electric Generating Station Physical Security Plan," with revisions/amendments submitted through September 30, 1988; "South Texas Project Electric Generating Station Security Personnel Qualification and Training Plan" with revisions submitted through March 4, 1988, and "South Texas Project Electric Generating Station Safeguards Contingency Plan," with revisions/amendments submitted through July 18, 1988.

G. Not Used

H. Financial Protection

The Owners shall have and maintain financial protection of such type and in such amounts as the Commission shall require in accordance with Section 170 of the Atomic Energy Act of 1954, as amended, to cover public liability claims.

I. Effective date and Expiration

This license is effective as of the date of issuance and shall expire at midnight on December 15, 2028.

FOR THE NUCLEAR REGULATORY COMMISSION

Original Signed By: James H. Sniezek/for

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Enclosures:

1. Appendix A, Technical Specifications (NUREG-1346)
2. Appendix B, Environmental Protection Plan
3. Appendix C, Antitrust Conditions

Date of Issuance: March 28, 1989

Amendment No.

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
TRANSFER OF OPERATING LICENSES FOR
SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION, UNIT NOS. 1 AND 2
TO TEXAS GENCO LP
DOCKET NOS. 50-498 AND 50-499

1.0 INTRODUCTION

Pursuant to Section 184 of the Atomic Energy Act (AEA) of 1954, as amended, and Section 50.80 of Title 10 of the *Code of Federal Regulations* (10 CFR 50.80), South Texas Project Nuclear Operating Company (STPNOC), on behalf of Reliant Energy Incorporated (Reliant)¹, by application dated May 31, 2001, and supplemented by letters dated June 14, August 13, October 16, and November 7, 2001 (hereafter referred to as the application), requested that the Nuclear Regulatory Commission (NRC) consent to an indirect and direct transfer of ownership interest in Facility Operating License Nos. NPF-76 and NPF-80 to the extent held by Reliant and, to the extent a license transfer would result, a transfer of Reliant's interest in STPNOC. The application requested the approval of conforming license amendments to reflect the proposed transfers. The October 16 and November 7, 2001, supplemental information did not expand the scope of the application as originally noticed in the *Federal Register*.

2.0 BACKGROUND

Facility Operating License Nos. NPF-76 and NPF-80 are for South Texas Project Electric Generating Station (STPEGS), Units 1 and 2, respectively. These units are currently owned by:

Reliant Energy Incorporated	30.80%
the City Public Service Board of San Antonio	28.00%
Central Power and Light Company (CPL)	25.20%
the City of Austin, Texas	16.00%

STPNOC is the licensed operator for STPEGS and is owned by the same entities that own STPEGS.

¹ Reliant was formerly known as Houston Lighting & Power Company (HL&P). HL&P changed its name to Reliant Energy Incorporated in 1999.

STPNOC seeks consent to the following transfers:

- the indirect transfer of control of Reliant's 30.80 percent interest in STPEGS in connection with the formation of a new parent holding company of Reliant, "CenterPoint Energy, Inc."
- the direct transfer of control of Reliant's interest in STPEGS to a Texas partnership, "Texas Genco LP," which will be indirectly wholly-owned by CenterPoint Energy, Inc., through the intermediary companies, Utility Holding LLC, Texas Genco Holdings, Inc., and dually held by Texas Genco GP, LLC, and Texas Genco LP, LLC.

STPEGS consists of two 1250 megawatt electric (net) nuclear power plants, each consisting of a Westinghouse four-loop pressurized water reactor and other associated plant equipment, and related site facilities. STPEGS is in southwest Matagorda County, Texas.

To the extent that license transfers will result in connection with the indirect and direct transfers of Reliant's 30.80 percent undivided ownership interest in STPEGS, STPNOC also seeks consent to those transfers. It is anticipated that STPNOC will at all times remain the licensed operator of the facility.

Reliant conducts regulated electric utility operations in Texas. In addition to its transmission and distribution system within its service territory in Texas, Reliant controls approximately 14,000 megawatts of net generation capacity in Texas, including its 30.80 percent undivided ownership interest in STPEGS. Reliant Energy owns and operates other generating assets in the United States and the Netherlands, and is developing other generating projects in the United States. Through its wholly-owned first-tier subsidiary, Reliant Energy Resources Corporation, Reliant Energy also conducts regulated gas utility operations in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas, and owns interstate pipelines and associated gathering facilities.

The State of Texas has adopted restructuring legislation, which requires that the regulated electric utility operations in Texas be separated into at least three separate business activities: power generation, transmission and distribution, and retail electric. (See Texas Utilities Code Section 39.051.) Pursuant to this legislation, Reliant Energy must transfer its generation assets, including its interest in STPEGS, to one or more separate companies by January 1, 2002. Reliant Energy's plans for complying with this legislation are described in its Business Separation Plan, as amended, which was approved by the Public Utility Commission of Texas (TPUC) on December 1, 2000. (See TPUC Order, Docket 21956, March 15, 2001.)

In accordance with the Business Separation Plan, Reliant has transferred its unregulated domestic and certain foreign businesses to a wholly-owned subsidiary, Reliant Resources, Incorporated (Reliant Resources), which is a Delaware corporation formed on August 9, 2000. On May 4, 2001, Reliant Resources sold approximately 20 percent of its common stock in an initial public offering (IPO). Reliant retains more than 80 percent of the shares of Reliant Resources, but plans to distribute all of its shares in Reliant Resources to its shareholders. These transactions do not involve any transfer of control of Reliant's interest in STPEGS. However, Reliant Resources will retain an option (known as the "Texas Genco Option") that is exercisable in 2004, pursuant to which it could acquire a significant ownership interest in

Reliant's currently regulated generating assets in Texas, including its interest in STPEGS. The NRC staff notes that NRC consent is not being sought in connection with the Texas Genco Option at this time, and in this safety evaluation the NRC is neither evaluating nor approving any direct or indirect transfer pursuant to the Texas Genco Option.

According to the application, the first step in the restructuring involving an NRC license transfer will occur in the fourth quarter of 2001, when Reliant will create a company, CenterPoint Energy, Inc., which will become a parent holding company of Reliant. The existing shareholders of Reliant will become the shareholders of CenterPoint Energy, Inc., and these shareholders will continue to exercise ultimate control over Reliant's ownership interest in STPEGS. Reliant will form an intermediate entity, "Utility Holdings, LLC," under Delaware law, as a wholly-owned subsidiary of CenterPoint Energy, Inc. Utility Holdings, LLC will directly or indirectly hold CenterPoint Energy, Inc.'s interests in its utility subsidiaries.

The second step will occur when Reliant forms Texas Genco Holdings, Inc., as an upstream indirect parent company of Texas Genco LP. Texas Genco LP will be indirectly wholly-owned by CenterPoint Energy, Inc., through its subsidiaries. Reliant will transfer all of its regulated generation assets in Texas, including its 30.80 percent undivided ownership interest in STPEGS, to Texas Genco LP.

Approximately 20 percent of the stock of Texas Genco Holdings, Inc., will be the subject of an IPO sometime in 2002. This transaction would be undertaken in order to establish a value for the generation assets under the Texas restructuring legislation. If the IPO is not conducted, Reliant contemplates that approximately 20 percent of the common stock of Texas Genco Holdings, Inc., would be distributed to CenterPoint Energy, Inc.'s shareholders. Neither transaction would involve any transfer of control of the 30.80 percent undivided ownership interest in STPEGS because approximately 80 percent of the shares of Texas Genco Holdings, Inc., would continue to be directly or indirectly owned by CenterPoint Energy, Inc., and Texas Genco Holdings, Inc., would continue to be directly or indirectly controlled by CenterPoint Energy, Inc. Pursuant to the Texas Genco Option, Reliant Resources may in January 2004 exercise a right to acquire the approximately 80 percent interest in Texas Genco Holdings, Inc., that is not part of the contemplated IPO. If Reliant Resources does not exercise its option, CenterPoint Energy, Inc., would then sell or otherwise dispose of its remaining interest in Texas Genco Holdings, Inc. Reliant recognizes that any exercise of the Texas Genco Option or other disposition of this approximately 80 percent ownership interest in Texas Genco Holdings, Inc., would involve a transfer of control of the 30.80 percent share of STPEGS. The applicant would request NRC consent to such a future transfer at an appropriate time prior to the exercise of the Texas Genco Option or other disposition of the 80 percent ownership interest in Texas Genco Holdings, Inc.

3.0 FINANCIAL QUALIFICATIONS ANALYSIS

Pursuant to 10 CFR 50.33(f), an electric utility, as defined in 10 CFR 50.2, is not required to demonstrate its financial qualifications. According to 10 CFR 50.2, 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 a separate regulatory authority."

Based on the application, if the indirect and/or direct transfers take effect before January 1, 2002, Reliant and/or Texas Genco LP, as applicable, will recover their costs through a traditional ratemaking mechanism under rates in effect until January 1, 2002. The application indicates that as a result of Texas restructuring legislation, after January 1, 2002, capacity and energy from STPEGS will be sold by Reliant or Texas Genco LP, as applicable, in the wholesale power markets at auction, which would result in Reliant or Texas Genco LP no longer meeting the definition of an electric utility. The application indicates that Reliant's revenues from its transmission and distribution business (but not its sales from its generating facilities) will remain subject to cost-of-service rate regulation. Based on the application, therefore, the change of status of Reliant and/or Texas Genco LP from a rate regulated electric utility to a non-regulated generating company will take place as a result of the provisions of Texas' restructuring legislation. Accordingly, with respect to the proposed indirect transfer of the license for STPEGS, the formation of CenterPoint Energy, Inc. as the parent holding company of Reliant will not affect the financial qualifications of Reliant to continue to hold the 30.80 percent share of STPEGS. With respect to the direct transfer, if the transfer takes place prior to January 1, 2002, Texas Genco LP as the transferee would qualify as an electric utility within the meaning of 10 CFR 50.33(f). In any event, the application assumes that Texas Genco LP will not operate as an electric utility and has included a five-year pro forma projection of annual operating costs as required for non-electric utilities under 10 CFR 50.33(f)(2). According to the application, the five-year pro forma projection for Texas Genco LP would also be applicable to Reliant to the extent that Reliant would operate as a non-electric utility before the direct transfer to Texas Genco LP takes place.

A newly formed entity and a non electric-utility applicant for nuclear power plant ownership is subject to a more detailed financial qualifications review by the NRC than an established electric utility. Specifically, such an applicant must meet the requirements of 10 CFR 50.33(f) by providing information which shows the following:

1. As a non electric-utility applicant for ownership interest in operating licenses, it possesses or has reasonable assurance of obtaining the funds necessary to cover estimated operating costs for the period of the licenses. It must submit estimates for total annual operating costs for the first 5 years of facility operations and indicate the source of funds to cover these costs.
2. As a newly formed entity organized primarily for the purpose of operating nuclear power plants, it must show (a) the legal and financial relationships it has or proposes to have with its stockholders or owners, (b) its financial ability to meet any contractual obligation to the entity which they have incurred or propose to incur, and (c) any information considered necessary by the Commission to enable it to determine the applicant's financial qualification.

In addition, 10 CFR 50.33(k)(1) requires that the applicant provide the information described in 10 CFR 50.75 to show reasonable assurance that funds will be available to decommission the facilities. The applicant's proposal for decommissioning funding assurances is discussed in Section 4.0 of this evaluation.

Texas Genco LP will own and operate the approximately 14,000 megawatts of electrical generating capacity currently owned and operated by Reliant, and the operations of the two companies (Reliant and Texas Genco LP) will not be materially different. The following

information confirms that each will possess, or have reasonable assurance of obtaining, the funds necessary to cover its 30.80 percent share of the estimated operating costs of STPEGS for the period of the licenses in accordance with 10 CFR 50.33(f)(2) and NUREG-1577, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance," Rev. 1 (Standard Review Plan). Reliant has prepared a projected income statement for Texas Genco LP, including specific line items reflecting the operation of its 30.80 percent interests in STPEGS, for the 5-year period from January 1, 2002, until December 31, 2006. Attachment 11A of the application contains copies of the projected income statement, related schedules, and projected opening balance sheet.

As stated in the application, Texas Genco LP will be a wholly-owned indirect subsidiary of CenterPoint Energy, Inc. The directors, principal senior executives, and officers of Texas Genco LP are expected to all be citizens of the United States. Their names, titles, and addresses will be provided when the management structure of Texas Genco LP is determined.

The NRC staff finds that the projected income statement shows that the anticipated revenues from sales of capacity and energy from STPEGS provide reasonable assurance of an adequate source of funds to meet Texas Genco LP's 30.80 percent share of STPEGS's ongoing operating expenses. As noted, until January 2002, Texas Genco LP (or Reliant), will recover its costs through traditional rate making mechanisms under the rates in effect for Reliant. After January 1, 2002, the generation will be sold in the wholesale power markets at auction at least until 2004, when Reliant Resources may exercise its option to acquire CenterPoint Energy, Inc.'s ownership interest in Texas Genco LP. The projected income statement through 2006 shows that anticipated revenues from sales of capacity and energy from all of Texas Genco LP's approximately 14,000 megawatts of generating capacity will average an estimated \$ [], providing assurance that Texas Genco LP will have an adequate source of funds to pay its 30.80 percent share of STPEGS's ongoing operating expenses. According to the application, even after Texas Genco LP begins to sell its generation in the wholesale power markets, CenterPoint Energy, Inc., is committed to funding Texas Genco LP's external capital needs until the IPO of approximately 20 percent of the common stock of Texas Genco Holdings, Inc., in mid-2002. This commitment will provide an additional source of funds during the period leading up to the IPO.

The application provides the following projected income statement reflecting Texas Genco LP's entire fleet of 14,000 megawatts of capacity. Texas Genco LP's 30.80 percent ownership interest in STPEGS is included and is the only nuclear generating capacity included.

Texas Genco LP
Projected Income Statement
14,000 Megawatts of Capacity
(in millions)

<u>Fiscal Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Revenue:	[]	[]	[]	[]	[]
Total Expenses:	[]	[]	[]	[]	[]
Operating Income:	[]	[]	[]	[]	[]
Other Deductions:	[]	[]	[]	[]	[]
Income b/f Taxes:	[]	[]	[]	[]	[]
Taxes:	[]	[]	[]	[]	[]
Net Income:	[]	[]	[]	[]	[]

In the following projected income statement, Texas Genco LP's nuclear capacity is independently stated from the above projected income statement which contains nuclear as well as fossil capacity.

Texas Genco LP
Projected Income Statement
30.80 percent share of STPEGS
(in millions)

<u>Fiscal Year</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Capacity Factor:	[]	[]	[]	[]	[]
30.80 percent					
share of 2500 MW	770	770	770	770	770
Price per megawatt hour	[]	[]	[]	[]	[]
Total Revenue:	[]	[]	[]	[]	[]
Total Expenses:	[]	[]	[]	[]	[]
Operating Income:	[]	[]	[]	[]	[]
Taxes:	[]	[]	[]	[]	[]
Net Income:	[]	[]	[]	[]	[]

The applicant also submitted additional financial information indicating that if the price of a megawatt hour of electricity dropped by an arbitrary 10 percent, the average decrease in net

income would be approximately \$ [] per year. The NRC staff notes that the projected capacity factor of [] for the years 2002 thru 2006, is approximately [] than the historical 6-year average capacity factor experienced in the years 1994 thru 1999. The NRC staff concludes that this capacity factor assumption is appropriately conservative.

Concerned that restructuring may diminish assets necessary for the safe operation and decommissioning of a licensee's nuclear power plants, the NRC has sought to obtain from licensees that initiate restructuring actions commitments not to transfer significant assets without notifying the NRC. Thus, the following commitment or the equivalent should be made a condition of approval of the proposed transfers:

Texas Genco LP shall provide the Director, 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 CenterPoint Energy, Inc., or its subsidiaries, to a proposed direct or indirect parent, or to any other affiliated company, facilities for the production of electric energy having a depreciated book value exceeding 10 percent (10%) of such licensee's consolidated net utility plant, as recorded on Texas Genco LP's book of accounts.

Based on the above information, the NRC staff finds that the application has fulfilled the regulatory requirements of 10 CFR 50.33(f) and that the application has provided reasonable assurance that the indirect transfer will not affect Reliant's financial qualifications with respect to its 30.80 percent share of STPEGS and in turn will not affect STPNOC's financial qualifications, and that Texas Genco LP has the financial resources to own a 30.80 percent interest in STPEGS as a nonelectric utility or as a newly formed entity. Based on the application, the NRC staff also concludes that, to the extent that the transfer of Reliant's 30.80 percent ownership interest in STPNOC to CenterPoint Energy, Inc. results in an indirect transfer of the STPNOC license as held by Reliant, the indirect transfer will have no effect on the financial qualifications of STPNOC as the licensed operator of STPEGS.

4.0 DECOMMISSIONING FUNDING

To ensure the adequate protection of public health and safety, the NRC requires licensees to provide assurance of adequate decommissioning funding of the licensees' nuclear power plants. The regulation in 10 CFR 50.33(k) requires that an application for an operating license for a utilization facility contain information on how reasonable assurance will be provided that funds will be available to decommission the facility.

An external sinking fund is an allowable method to provide reasonable assurance for decommissioning funding by a licensee that recovers, either directly or indirectly, the estimated total cost of decommissioning through rates established by cost of service or similar ratemaking regulation [10 CFR 50.75(e)(1)(ii)(A)], or by a licensee whose source of revenue for the external sinking fund is a nonbypassable charge if the total amount will provide the funds needed for decommissioning [10 CFR 50.75(e)(1)(ii)(B)]. As set forth in 10 CFR 50.2, nonbypassable 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.

Reliant, as a rate-regulated electric utility, currently maintains nuclear decommissioning trusts for its share of interest in STPEGS. The nuclear decommissioning trusts use the external sinking fund financial assurance mechanism provided in 10 CFR 50.75(e)(1)(ii). Reliant submitted its latest status report on these trusts on March 29, 2001. Based on the calculations provided by the applicant in the March 29, 2001, status report on decommissioning funds, the decommissioning trust funds for Reliant's ownership interest in STPEGS are funded in accordance with the NRC's regulations. After the indirect transfer, Reliant will continue to maintain the existing nuclear decommissioning trust funds for its share of interest in STPEGS and will continue to use an external sinking fund method for providing financial assurance for decommissioning in the same manner as it did prior to the proposed formation of CenterPoint Energy, Inc. as Reliant's parent holding company. Therefore, the NRC staff concludes that the proposed restructuring resulting in the indirect transfer of the license as held by Reliant to CenterPoint Energy, Inc., will have no effect on the provision of decommissioning funding for STPEGS.²

When Reliant's 30.80 percent undivided ownership interest in STPEGS is transferred to Texas Genco LP, Reliant will transfer its decommissioning trust funds to Texas Genco LP, which also proposes to continue to use an external sinking fund method for providing financial assurance for decommissioning as discussed further below. Based upon information gathered from the application, until January 1, 2002, Texas Genco LP will continue to use the external sinking fund method to collect decommissioning funds as a rate-regulated electric utility pursuant to 10 CFR 50.75(e)(1)(ii)(A) (assuming that the direct transfer takes place before that date). If the direct transfer takes place after January 1, 2002, when Texas Genco LP will no longer be a rate-regulated electric utility pursuant to Texas restructuring legislation, the application proposes that Texas Genco LP be permitted to use a non-bypassable wires charge as the source of revenue for the external sinking fund in accordance with 10 CFR 50.75(e)(1)(ii)(B). The application indicates that the non-bypassable wires charge would be collected by the Reliant transmission and distribution affiliate on behalf of Texas Genco LP, and that all funds collected will be transferred to Texas Genco LP, or to the decommissioning trust for the benefit of Texas Genco LP. Texas Genco LP will deposit the amounts received for this purpose into the decommissioning trust. The application states that these decommissioning funding arrangements were specifically approved by the TPUC. (See Texas PUC Order, Docket 21956, March 15, 2001.)

²As previously noted, pursuant to Texas restructuring legislation, after January 1, 2002, Reliant's revenues from its generating facilities would no longer be subject to rate regulation, but its revenues from its transmission and distribution business would remain subject to cost-of-service rate regulation. While this change in Reliant's status would not be effectuated by the indirect transfer per se but by the provisions of Texas restructuring legislation, Reliant is, in any event, required to maintain adequate assurance of decommissioning funding consistent with the Commission's regulations in 10 CFR 50.75.

In addition, the application states that the decommissioning trust agreement for STPEGS will be in a form that is acceptable to the NRC and will provide, in addition to other required clauses, that:

1. Investments in the securities or other obligations of CenterPoint Energy, Inc. or its affiliates, successors, or assigns will be prohibited.
2. Investments in any entity owning one or more nuclear power plants shall be prohibited, except for investments in funds tied to market indices or non-nuclear sector mutual funds.
3. The trustee, investment advisor, or anyone else directing the investments made in the trusts shall adhere to the standards for such investments established by the TPUC (e.g., 16 Texas Administration Code § 25.301).
4. Except for ordinary administrative expenses, no disbursements or payments from the trusts shall be made by the trustee unless the trustee has first provided thirty (30) days' prior written notice of such disbursement or payment to the NRC Director, Office of Nuclear Reactor Regulation, and the trustee has not received prior written notice of an objection from the NRC Director, Office of Nuclear Reactor Regulation by the later of (1) the date that is 30 days after the giving of such notice, or (2) the date of disbursement.
5. The decommissioning trust agreement cannot be modified in any material respect without thirty (30) days' prior written notice to the NRC Director, Office of Nuclear Reactor Regulation.

In light of Texas Genco LP being an unregulated utility not subject to traditional state controls on decommissioning funding, essentially the same clauses as identified above must be incorporated as conditions of approval, as well as license conditions. Other prerequisites that must be incorporated as conditions of approval of the license transfers as well as license conditions are that the balance of the decommissioning trust funds immediately prior to the transfer will be, at a minimum, the beginning balance of decommissioning trust funds after the transfer, and that the contracts under which the funds for decommissioning will be provided through non-bypassable charges will be executed and maintained. The following language is appropriate:

Reliant shall continue to provide decommissioning funding assurance, to be held in decommissioning trusts for STPEGS, from the date of the indirect transfer until the date of any direct transfer to Texas Genco LP. Texas Genco LP shall provide decommissioning funding assurance, to be held in decommissioning trusts for STPEGS upon the direct transfer of the STPEGS licenses to Texas Genco LP, in an amount equal to or greater than the balance in the STPEGS decommissioning trusts immediately prior to the transfer. In addition, Texas Genco LP shall ensure that all contractual arrangements referred to in the application to obtain necessary decommissioning funds for STPEGS through a non-bypassable charge are executed and will be maintained until the decommissioning trusts are fully funded, or shall ensure that other mechanisms that provide equivalent assurance of decommissioning funding in accordance with the Commission's regulations are maintained.

In addition, in order to ensure that the decommissioning trust is maintained consistent with the NRC staff's action on the Application, essentially the following should be included as a condition of the direct transfer approval and as a conforming condition in the STPEGS licenses:

Texas Genco LP shall take all necessary steps to ensure that the decommissioning trusts are maintained in accordance or consistent with the application, the requirements of the Order approving the transfer, and this safety evaluation.

Based on the information in the application, the NRC staff concludes that the proposed indirect transfer as discussed above will have no effect on the provision of decommissioning funding assurance for STPEGS; the NRC staff also concludes that Texas Genco LP's proposed decommissioning funding assurance mechanism meets the requirements of 10 CFR 50.75(e) and as such provides reasonable assurance of decommissioning funding for STPEGS.

5.0 ANTITRUST REVIEW

The Atomic Energy Act (AEA) does not require or authorize antitrust reviews of post-operating license transfer applications. See *Kansas Gas and Electric Co., et al.* (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441, 468 (1999). Therefore, since the transfer application postdates the issuance of the South Texas Project Electric Generating Station, Units 1 and 2, Operating Licenses, no antitrust review is required or authorized.

With respect to the existing antitrust license conditions, the application requests that the existing antitrust conditions in the licenses for STPEGS, which are applicable to Reliant, among others, be retained, effectively transferring the conditions from Reliant to Texas Genco LP. This action would be evidenced by deleting Reliant from the conditions and adding Texas Genco LP in its place. The request to retain the antitrust conditions was previously noticed in the *Federal Register*, and no hearing requests, comments, or concerns were filed. Moreover, the NRC staff is aware of no adverse impact on competition or on public health or safety that would result from retaining the antitrust conditions. Accordingly, the NRC staff does not have an objection to the request.

6.0 FOREIGN OWNERSHIP, DOMINATION, OR CONTROL

CenterPoint Energy, Inc., will be a publicly traded company whose securities will be traded on the New York Stock Exchange and widely held. Texas Genco LP and Texas Genco Holdings, Inc., will be indirectly owned and controlled by CenterPoint Energy, Inc. After the IPO or the distribution to CenterPoint Energy, Inc.'s shareholders of its shares, Texas Genco Holdings, Inc., will be publicly traded on a national stock exchange. Based upon filings with the Securities and Exchange Commission, Reliant states that it is not aware of any alien, foreign corporation, or foreign government that holds more than 5 percent of the securities of Reliant. Reliant Energy's shareholders will initially own 100 percent of the stock of CenterPoint Energy, Inc. Thereafter, the shares of CenterPoint Energy, Inc. will be widely held.

All of the directors and officers of CenterPoint Energy, Inc., Texas Genco Holdings, Inc., and the company which will be the general partner controlling Texas Genco LP will be United States citizens. The application represents that CenterPoint Energy, Inc., Texas Genco LP, and Texas Genco Holdings, Inc. will not be under foreign ownership, domination, or control within the

meaning of the Atomic Energy Act of 1954, as amended. The NRC staff does not know or have reason to believe otherwise.

7.0 NUCLEAR INSURANCE

The provisions of the Price-Anderson Act (Section 170 of the AEA) and the Commission's regulations at 10 CFR Part 140 require that Texas Genco LP be added to the current indemnity agreement for STPEGS. In accordance with the Price-Anderson Act, Texas Genco LP must also provide primary insurance and participate in the secondary retrospective insurance pool. These requirements can be met by purchasing insurance policies from the nuclear liability insurance pool, American Nuclear Insurers. Texas Genco LP must also maintain the property insurance specified in 10 CFR 50.54(w). The information in the application concerning financial qualifications demonstrates that Texas Genco LP will be able to pay its 30.80 percent share of the \$10 million per unit annual insurance premium in accordance with 10 CFR 140.21(e) and (f).

Consistent with NRC practice, the NRC staff will require Texas Genco LP to provide satisfactory documentary evidence that Texas Genco LP has obtained the appropriate amount of insurance required of licensees under 10 CFR Part 140 of the Commission's regulations prior to the issuance of the amended licenses showing Texas Genco LP as the licensee. Because the issuance of the amended licenses is directly tied to the proposed transfers, the Order approving the transfer of the licenses for STPEGS will be conditioned as follows:

Texas Genco LP shall, prior to the completion of the transfers, provide the Director, Office of Nuclear Reactor Regulation satisfactory documentary evidence that Texas Genco LP has obtained the appropriate amount of insurance required of licensees under 10 CFR Part 140 of the Commission's regulations.

8.0 TECHNICAL QUALIFICATIONS

STPNOC is the licensed operator of STPEGS and, according to the application, will at all times remain the licensed operator of the facilities following the transfers.

No physical changes will be made to STPEGS and there will be no changes in the day-to-day operation of STPEGS as a result of the transfers. The proposed transfers and conforming administrative amendments will not involve any changes to the current STPEGS licensing basis.

Furthermore, the restructuring will not change the management or technical organization, or staff for operating the STPEGS units. Based on these statements, the NRC staff concludes that, to the extent that the transfers of Reliant's 30.80 percent ownership interest in STPNOC results in indirect transfers of the STPNOC license as held by Reliant, the indirect transfers will have no effect on the technical qualifications of STPNOC as the licensed operator of STPEGS.

9.0 CONFORMING AMENDMENTS

9.1 Introduction

The application requested approval of proposed conforming amendments to the operating licenses for STPEGS. The requested changes simply replace the names of the transferor in the operating licenses with "Texas Genco LP" to reflect the proposed license transfers. The NRC staff notes that, as discussed earlier in this safety evaluation, the substitutions in the license to reflect the new licensee include the antitrust conditions. No physical or operational changes to the facilities are requested. The supplemental information that was not specifically referenced in the initial *Federal Register* notice did not affect the applicability of the Commission's generic no significant hazards consideration determination set forth in 10 CFR 2.1315.

9.2 Discussion

The changes to the STPEGS operating licenses merely reflect the approved transfer actions, which are subject to certain conditions set forth in the Order approving the transfers, and that were identified and discussed earlier in this safety evaluation. The amendments involve no safety questions and are administrative in nature. Accordingly, the proposed amendments are acceptable.

The NRC staff is also considering approving a transfer of the licenses to the extent held by CPL. If the transfer of the licenses to the extent held by CPL takes place prior to issuance of the amendments in the current case, the amendments approved for the current case should reflect any conforming amendments approved and issued in connection with the CPL transfer.

9.3 State Consultation

In accordance with the Commission's regulations, the Texas State official was notified of the proposed issuance of the amendment. The State official had no comments.

9.4 Conclusion With Respect to the Conforming Amendments

The Commission has concluded, based on the considerations discussed above, that (1) there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of the amendments will not be inimical to the common defense and security or to the health and safety of the public.

10.0 ENVIRONMENTAL CONSIDERATION

The subject application is for approval of the direct and indirect transfers of operating licenses issued by the NRC and approval of conforming amendments. Accordingly, the actions involved meet 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 this application.

11.0 OVERALL CONCLUSION

On the basis of the foregoing, the NRC staff finds that the formation of CenterPoint Energy, Inc., as the parent holding company of Reliant will not affect the qualifications of Reliant to hold a 30.80 percent ownership interest in the facility operating licenses for STPEGS, or have any effect on the qualifications of STPNOC to the extent held by Reliant, and that the indirect transfer of the licenses for STPEGS and of STPNOC's license, to the extent effectuated by the proposed corporate restructuring, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission. The NRC staff also finds that Texas Genco LP is qualified to be a holder of the facility operating licenses for STPEGS and, to the extent that the transfer of Reliant's interest in STPNOC to Texas Genco LP results in an indirect transfer of the STPNOC license, the transfer will not affect the qualifications of STPNOC to be the licensed operator, and that the transfer of the licenses is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto, subject to all of the conditions addressed in this safety evaluation.

Principal Contributors: M. Dusaniwskyj
R. Pelton
D. Wrona

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