

South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

November 12, 2003
NOC-AE-03001629
10CFR50.80

U.S. Nuclear Regulatory Commission
Attention: James E. Dyer
Director, Office of Nuclear Reactor Regulation
One White Flint North
11555 Rockville Pike
Rockville, MD 20852

South Texas Project
Units 1 and 2
Docket Nos. STN 50-498 and STN 50-499
Response to a Request for Additional Information Regarding an Application for Order
Approving Indirect Transfer of Control of Licenses

Reference: Letter, J. J. Sheppard to NRC Document Control Desk, "Application for Order Approving Indirect Transfer of Control of Licenses," dated September 29, 2003 (NOC-AE-03001612)

The referenced letter requested that the Nuclear Regulatory Commission (NRC) consent to the indirect transfer of control of Texas Genco, LP's ownership interest in the South Texas Project Electric Generating Station, Units 1 and 2. The NRC staff generated an informal request for additional information (RAI) during its review of that request. This letter responds to the RAI.

The response includes a proprietary, separately bound Attachment 3, which contains confidential commercial or financial information. Texas Genco requests that Attachment 3 be withheld from public disclosure pursuant to 10 CFR 9.17(a)(4) and the policy reflected in 10 CFR 2.790, as described in the Affidavit of David G. Tees provided in Attachment 2 to the Application.

If the NRC requires additional information concerning this response to the RAI, please contact Mr. Scott Head at (361) 972-7136.

A handwritten signature in black ink, appearing to read "J. J. Sheppard". The signature is fluid and cursive, with the first and last names being more prominent.

J. J. Sheppard
President & CEO

jtc

Attachment 1: Response to Request for Additional Information (Non-Proprietary)

Attachment 2: 10 CFR 2.790 Affidavit of David G. Tees

Attachment 3: Response to Request for Additional Information (Proprietary)

APOI

STI: 31667615

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of

STP Nuclear Operating Company

South Texas Project

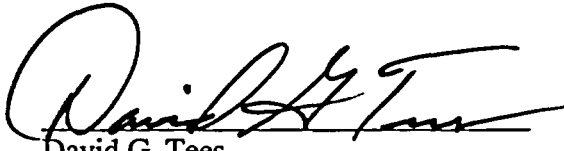
Units 1 and 2

)
)
)
)
)
)

Docket Nos. 50-498
50-499

AFFIRMATION

I, David G. Tees, being duly sworn, hereby depose and state that I am Manager and President of Texas Genco GP, LLC, which is the General Partner of Texas Genco, LP; that I am familiar with the content of the attached response to a request for additional information regarding our application for order approving indirect transfer of control of licenses; and that the matters set forth therein with regard to Texas Genco, LP and its affiliates are true and correct to the best of my knowledge and belief.

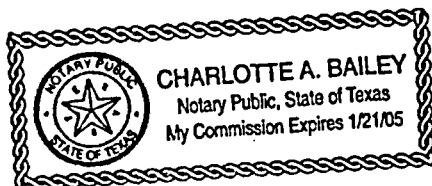

David G. Tees

STATE OF TEXAS

COUNTY OF HARRIS

)
)
)

Subscribed and sworn to before me, a Notary Public in and for the State of Texas, this 28th day
of October, 2003.




Notary Public in and for the
State of Texas

cc: w/o proprietary attachment except *
(paper copy)

Regional Administrator, Region IV
U.S. Nuclear Regulatory Commission
611 Ryan Plaza Drive, Suite 400
Arlington, Texas 76011-8064

* U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
One White Flint North
11555 Rockville Pike
Rockville, MD 20852

* David H. Jaffe
U. S. Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852
Mail Stop OWFN/7-D1

* Steven R. Hom
U. S. Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852
Mail Stop OWFN/15-D21

Jeffrey Cruz
U. S. Nuclear Regulatory Commission
P. O. Box 289, Mail Code: MN116
Wadsworth, TX 77483

Richard A. Ratliff
Bureau of Radiation Control
Texas Department of Health
1100 West 49th Street
Austin, TX 78756-3189

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

(electronic copy)

* A. H. Gutterman, Esquire
Morgan, Lewis & Bockius LLP

L. D. Blaylock
City Public Service

* R. L. Balcom
Texas Genco, LP

A. Ramirez
City of Austin

C. A. Johnson
AEP Texas Central Company

Jon C. Wood
Matthews & Branscomb

* C. L. Marco
U.S. Nuclear Regulatory Commission

Response to Request for Additional Information (Non-Proprietary)

1. The submittal lists the 11 officers, all U.S. citizens, of Texas Genco, GP, LLC, and Texas Genco GP, LLC is the General Partner that manages and controls Texas Genco, LP. Some of the officers of Texas Genco, GP, LLC are currently directors of CenterPoint Energy, Inc., or officers of Texas Genco Entities and these individuals are expected to resign their positions with Texas Genco Entities and CenterPoint Energy, Inc. upon the transfer of control to Reliant Resources, Inc. Reliant Resources, Inc. will name replacements for these individuals. With the expected resignation of 8 of the 11 directors of Texas Genco Entities, how will this change be addressed to minimize the impact on Texas Genco, LP?

Response:

The three executives who will remain with Texas Genco are the key operational executives of Texas Genco, including its President and Chief Executive Officer. In contrast, the officers who are currently directors of CenterPoint Energy and who will remain with CenterPoint Energy largely perform support functions that can be assumed by individuals within the Reliant Resources organization. Reliant Resources is itself a large and sophisticated organization that not only is capable of assuring minimal impact on Texas Genco, but will have every incentive to do so in order to protect its investment in Texas Genco. These factors should minimize the impact on Texas Genco.

2. Utility Holding LLC is wholly owned by CenterPoint Energy, Inc., and Utility Holding LLC holds the stock of Texas Genco Holdings, Inc. as well as other unregulated businesses of CenterPoint Energy, Inc. If Reliant Resources, Inc. exercises its option to acquire CenterPoint Energy's, Inc. controlling interest (81% of common stock) in Texas Genco Holdings, Inc., will Reliant Resources, Inc. also own Utility Holding LLC or only the common stock of Texas Genco Holdings, Inc.?

Response:

Reliant Resources' option is to purchase 81% of the common stock of Texas Genco Holdings, Inc. from Utility Holding LLC. The option does not convey any right to purchase any interest in Utility Holding LLC.

3. **Texas Genco, LP owns 30.8% interest in South Texas Project Electric Generating Station, (STPEGS) Units 1 and 2. Eighty-one percent of the common stock of Texas Genco LP's parent company, Texas Genco Holding, Inc. is owned by CenterPoint Energy, Inc. Therefore, CenterPoint Energy, Inc. appears to own 81% of the 30.8% interest in STPEGS. Please clarify the percent of ownership interest CenterPoint Energy, Inc. owns (or Reliant Resources, Inc. will own) of STPEGS.**

Response:

The Texas Genco entities own directly or indirectly the 30.8% interest in STPEGS through their ownership of the NRC licensee Texas Genco LP. CenterPoint owns approximately 81% of the Texas Genco entities and the other 19% is owned by the other shareholders who own the TGN stock (which is publicly traded). Reliant Resources will acquire the approximately 81% of the common stock of TGN owned by CenterPoint Energy, and therefore, it will acquire a controlling interest when it does so. Reliant Resources' option does not give it the right to purchase the other 19% of TGN stock owned by the public. It can be said that post-transaction Reliant Resources would indirectly own approximately 81% of each of the assets owned by Texas Genco (e.g., approximately 25% of STPEGS), but the exact amount of the indirect ownership interest will vary by the exact number of shares in Texas Genco that are available at any given time and the exact number of those shares that are owned by Reliant Resources. Under Section 184 of the Atomic Energy Act and 10 CFR 50.80, prior NRC written consent is required for a "transfer of control" of a license. Upon acquiring 81% of the stock of Texas Genco, Reliant Resources will control Texas Genco, and therefore, there will be a "transfer of control" of Texas Genco, LP's NRC license for its 30.8% undivided ownership interest in STPEGS from CenterPoint to Reliant Resources. This will not change Texas Genco's ownership interest in STP.

4. **Provide the detailed basis for the statement on page 10 that, "No filings with the SEC indicate that any alien, foreign corporation, or foreign government holds more than 5% of the securities of Reliant Resources, Inc." Identify the specific SEC filings reviewed.**

Response:

Under Section 13 of the Securities and Exchange Act of 1934, as amended, 15 U.S.C. § 78m(d), requires that a person or entity that owns or controls more than 5% of the stock of a company must file notice with the Securities and Exchange Commission (SEC). CenterPoint Energy has reviewed these Section 13 notices to determine whether or not a foreign entity owns or controls more than 5% of the securities of Reliant Resources, Inc.

5.

[PROPRIETARY]

[PROPRIETARY]

6. Provide the bond rating for Reliant Resources, Inc. determined by Value Line and Moody's.

Response:

Reliant Resources' credit rating for its senior unsecured debt from Moody's is B2 with "stable outlook" and from Standard & Poor's is B- with "negative outlook." Additional relevant financial information regarding Reliant Resources is available in its 2002 Annual Report provided as Attachment 2 to the Application. Reliant Resources Statement of Consolidated Operations is provided on page F-3 of that report, and it indicates 2002 revenues of \$11.2 billion, a \$5 billion increase over 2001. Operating income for 2002 and 2001 was \$120 million and \$770 million, respectively. Reliant Resources' Consolidated Balance Sheet on page F-3 indicates the value of its net property, plant and equipment as \$8.9 billion, with stockholder's equity of \$5.6 billion.

If Reliant Resources exercises its option to buy 81% of the stock of Texas Genco, it will acquire a company that is financially healthy in its own right. Texas Genco's financial qualifications are demonstrated in the five-year pro forma presented in Attachment 3A to the Application. In addition, further information is provided in its 2002 Annual Report provided as Attachment 1. Texas Genco's financial statements are provided beginning at page 47 of that report and reflect 2002 total revenue of \$1.5 billion, with a net loss of approximately \$100 million. Through the first 9 months of 2003, however, Texas Genco has reported unaudited net income of approximately \$204 million, reflecting the more favorable market prices this year. Its Consolidated Balance Sheets indicate that it has net property, plant and equipment of \$3.9 billion and shareholder's equity of \$2.8 billion. Texas Genco does not have a credit rating because it does not have external debt. Although Texas Genco anticipates obtaining a \$75 million revolving credit facility in the near future, it does not expect that facility to be rated by the independent credit rating agencies.

7.

[PROPRIETARY]

8. The submittal on page 12 (Section D, “Decommissioning Funding”) states that “In addition, the regulated electric distribution company owned by CenterPoint Energy or its successor will continue to collect from its electric utility ratepayers costs associated with the decommissioning.” Does the term “its successor” refer solely to Reliant Resources, Inc.?

Response:

The term “successor” refers to a successor of CenterPoint Energy in its regulated transmission and distribution utility (TDU) business. Because the cost of the decommissioning liability continues to be subject to cost of service regulation, it remains the obligation of the retail ratepayers served by the TDU. Thus, whether or not CenterPoint continues to own its TDU business, the customers of the TDU will continue to fund decommissioning, and any company that owns the TDU business (successor to CenterPoint Energy, if any) will be under the obligation to continue to collect funds for decommissioning from retail customers and pay those funds to the owner of the 30.8% interest in STPEGS (Texas Genco LP).

Section 39.205 of the Utilities Code of Texas provides that “any remaining costs associated with nuclear decommissioning obligations continue to be subject to cost of service regulation and shall be included as a nonbypassable charge to retail customers.” In addition, by Order dated May 25, 2001, in Docket Number 21956, the Public Utilities Commission of Texas provided in its Ordering Paragraph 7 that “the TDU [is] directed to collect the decommissioning costs for the 30.8% interest in the STP, and to transfer all such funds to the owner of that interest or to the decommissioning trust for the benefit of such owner.”

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

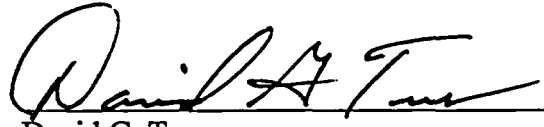
In the Matter of)	
)	
STP Nuclear Operating Company)	Docket Nos. 50-498
)	50-499
South Texas Project Units 1 and 2)	

AFFIDAVIT

I, David G. Tees, Manager and President of Texas Genco GP, LLC, which is the General Partner of Texas Genco, LP, do hereby affirm and state:

1. I am authorized to execute this affidavit on behalf of Texas Genco, LP.
2. Texas Genco, LP is providing information in support of its Application for Order Approving Indirect Transfer of Control of Licenses. The information being provided in Attachment 3 contains financial data related to the ownership and operation of Texas Genco, LP's generation asset, the South Texas Project Electric Generating Station. This information constitutes proprietary commercial and financial information that should be held in confidence by the NRC pursuant to the policy reflected in 10 CFR §§ 2.790(a)(4) and 9.17(a)(4), because:
 - i. This information is and has been held in confidence by Texas Genco, LP.
 - ii. This information is of a type that is customarily held in confidence by Texas Genco, LP and there is a rational basis for doing so because the information contains sensitive financial data concerning projected revenues and operating expenses of Texas Genco, LP.
 - iii. This information is being transmitted to the NRC voluntarily and in confidence.
 - iv. This information is not available in public sources and could not be gathered readily from other publicly available information.
 - v. Public disclosure of this information would create substantial harm to the competitive position of Texas Genco, LP by disclosing its internal financial projections.

3. Accordingly, Texas Genco, LP requests that the designated documents be withheld from public disclosure pursuant to the policy reflected in 10 CFR §§ 2.790(a)(4) and 9.17(a)(4).


David G. Tees

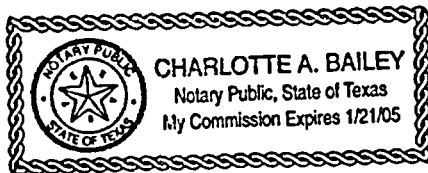
STATE OF TEXAS

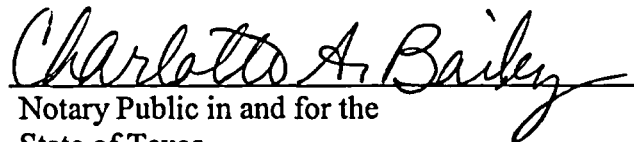
COUNTY OF

Harris

)
)
)

Subscribed and sworn to me, a Notary Public, in and for the State of Texas, this 28th day of October, 2003.




Notary Public in and for the
State of Texas