



GULF STATES UTILITIES COMPANY

RIVER BEND STATION POST OFFICE BOX 220 ST. FRANCISVILLE, LOUISIANA 70775

AREA CODE 504 635-8044 346-8851

February 26, 1993
RBG- 38192
File Nos. G9.5, G9.42

U.S. Nuclear Regulatory Commission
Document Control Desk
Washington, D.C. 20555

Gentlemen:

River Bend Station - Unit 1
Docket No. 50-458

On January 13, 1993, Gulf States Utilities Company (GSU) filed applications with the NRC relating to our proposed merger with Entergy Corporation. In a meeting with the NRC on February 4, 1993 to discuss these applications, the NRC requested that GSU provide information on two matters to assist the NRC review. This letter provides that information.

Attachment 1 provides information on federal and state statutes that (i) could be used by regulators to protect the financial integrity of GSU under certain circumstances and (ii) could restrict the ability of a public utility holding company to stand behind the financial obligations of a subsidiary. Attachment 2 lists the filings that have been made with, and orders that have been issued by, the Federal Energy Regulatory Commission in connection with the proposed merger of Entergy Corporation and Gulf States Utilities Company.

If you have any questions or need additional information, please contact Mr. L. A. England of my staff at (504) 381-4145.

Sincerely,

J. E. Booker
Manager - Safety Assessment
and Quality Verification
River Bend Nuclear Group

040044

LAE/LLD/pj

9303040196 930226
PDR ADOCK 05000458
P PDR

Handwritten: 4001

cc: U.S. Nuclear Regulatory Commission
611 Ryan Plaza Drive, Suite 400
Arlington, TX 76011

NRC Resident Inspector
P.O. Box 1051
St. Francisville, LA 70775

Mr. E. T. Baker
M/S OWFN 13-H-15
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852

Department of Environmental Quality
Radiation Protection Division
P.O. Box 82135
Baton Rouge, LA 70884-2135

ATTACHMENT 1

Provided below is information relating to statutes and regulations governing the authority of the Securities and Exchange Commission ("SEC"), the Federal Energy Regulatory Commission ("FERC"), the Louisiana Public Service Commission ("LPSC") and the Public Utility Commission of Texas ("PUCT") that could be relied on by these regulators to protect the public interest in the event Gulf States' financial condition were weakened either by an adverse event or by a potential reduction in its financial strength brought about by the selling of its assets. Also provided is information that addresses statutes and regulations relating to the ability of a pot public utility holding company to guarantee or otherwise stand behind the financial obligations of a subsidiary.

I. SECURITIES AND EXCHANGE COMMISSION

A. Financial Stability of Gulf States

The SEC has the authority by virtue of certain provisions discussed below to react to events that affect or could affect the financial health of jurisdictional companies under the Public Utility Holding Company Act of 1935 ("1935 Act"). The 1935 Act gives the SEC extensive power to regulate the financial affairs of jurisdictional companies so as to protect the interests of investors and consumers. The following is a brief summation of two of the more important of these provisions:

1. Section 1(b) (15 U.S.C. § 17a(b)): This Section describes the underlying purposes of the 1935 Act and guides the SEC's overall supervision of jurisdictional companies. Pertinent to questions raised by the NRC are the SEC's duties to prevent: issuance of securities on the basis of fictitious or unsound asset values having no relation to the sums invested in or the earning capacity of property; excessive debt; excessive charges for service work performed by affiliates; irrational expansion of holding company systems; and uneconomic management and operation of public utility companies.
2. Section 10(b)(3) (15 U.S.C. § 17j(b) and (c)) : This Section prohibits the SEC from approving a transaction if it would "unduly complicate the capital structure of the holding company system of the applicant" or would be "detrimental to the public interest or the interest of investors or consumers or the proper functioning of such holding-company system."

B. Sale of Assets

The sale of utility assets by Gulf States would be governed by Section 12(d) on the Gulf States side and (if the acquirer is an affiliate) by Sections 9 and 10 on the acquirer's side. A sale cannot occur without application to, public notice by and approval of the SEC and satisfaction of "public interest" standards. Under Section 19 of the 1935 Act, the NRC could be granted party status in such a proceeding and could make its views known to the SEC. A proposed disposition of assets that would seriously weaken Gulf States' financial condition should also be of concern to affected investors in and ratepayers of that company as well as to state and local regulators, who are entitled to intervene in such a proceeding as a matter of right.

1. Section 12(d) (15 U.S.C. § 791(d)): This Subsection, and associated Rules 43 and 44, forbids any registered company or utility subsidiary from selling any public-utility security or assets that it owns in contravention of applicable rules and orders designed to protect the public interest and the interests of investors and consumers.
2. Sections 9(a) and 10 (15 U.S.C. § 79i(a) and 79j): These Sections and associated Rules 40, 41 and 42 would prevent a regulated entity from acquiring utility assets without SEC approval. In addition, under Section 10(c)(2), the acquisition of utility assets of a public-utility or holding company must "serve the public interest by tending towards the economical and efficient development of an integrated public utility system."

C. Financial Backing by Entergy Corporation

Any financial backing by Entergy Corporation of Gulf States' NRC license obligations would be subject to approval by the SEC under Section 12(b) and Rule 45 of the 1935 Act as an "extension of credit" or "indemnity" to an affiliate. The SEC would independently have to find that the undertaking was justified under the Section 12(b) standards of "public interest", the "protection of investors or consumers" and the prevention of "circumvention" of the 1935 Act and its related rules.

1. Section 12(b) (15 U.S.C. § 791(b)): This Subsection prohibits a utility subsidiary from lending its credit to or indemnifying affiliate companies without prior SEC approval under standards designed to protect the public interest and investors and consumers. Rule 45 provides certain limited exceptions to this prohibition.

2. Section 12(f) (15 U.S.C. § 801(f)): This Subsection limits transactions between affiliates within the same system.
3. Section 13 (15 U.S.C. § 79m): This Section and associated Rules 80 through 95 generally require service transactions between affiliates to be at cost and subject to prior approval of the SEC.

II. FEDERAL ENERGY REGULATORY COMMISSION

Under the Federal Power Act ("FPA"), the FERC has jurisdiction over electric utilities engaged in interstate commerce and facilities for jurisdictional transmission service or sales. In addition, under the FPA, FERC has jurisdiction over the rates for the interstate sale or resale of transmission or electricity by electric utilities. Subsequent to a sale or disposal of transmission or generation facilities, the impact on the overall rates of any transfer of assets can be reviewed by the FERC.

1. Section 203 (16 U.S.C. § 824(b)): Section 203 of the FPA prohibits a public utility from selling or disposing of its jurisdictional facilities or any part thereof valued in excess of \$50,000, excluding those facilities used for the generation of electric energy or those used in local distribution or only for the transmission of electric energy in intrastate commerce, without prior FERC authorization. FERC approves a disposition or sale only if, after notice and opportunity for hearing, it finds that the proposed disposition will be consistent with the public interest.
2. Sections 205 and 206 (16 U.S.C. § 824(d) and (e)): Under these sections, the FERC has jurisdiction over the effect on overall billings or rates caused by any transfer of assets by a jurisdictional company, and the FERC can consider the prudence of a utility's transaction to insure that the transaction costs were reasonable and incurred in good faith.

III. LOCAL COMMISSIONS

A. Louisiana Public Service Commission

The Louisiana Public Service Commission has jurisdiction over the sale of utility assets by public utilities within its jurisdiction and, in reviewing a proposed sale of assets, would

consider the public interest. Following the proposed merger, Gulf States will remain subject to the Louisiana Public Service Commission's jurisdiction.

1. LPSC General Order No. U-6-16-53. This Louisiana Public Service Commission Order provides that the sale, lease, merger, consolidation or other change in ownership of the assets of public utilities subject to the jurisdiction of the LPSC are prohibited without first having obtained an order of authority from the Louisiana Public Service Commission.
2. LPSC General Order No. U-10-28-68. This general order provides that no utility may enter into a contract, convey, lease or acquire assets of any kind, or incur any obligation, or merge or combine with another utility, where the values involved exceed one percent of the gross assets of such regulated utility without prior approval of the LPSC. This general order also provides that a utility may not commit itself to take any such action without full disclosure of its plan to the Louisiana Public Service Commission, and prior to official action of approval or nonopposition by the Louisiana Public Service Commission.

B. Public Utility Commission of Texas

As in Louisiana, the Public Utility Commission of Texas will retain jurisdiction over Gulf States after the merger and has jurisdiction over the sale of assets.

1. If a transaction involves consideration in excess of \$100,000, the Public Utility Commission of Texas requires a public utility to make a post-transaction report under Section 63 of the Public Utility Regulatory Act. There may be a negative rate impact if the Public Utility Commission of Texas deems the sale or transfer to be not in the public interest.

ATTACHMENT 2

The following is a list of filings made and orders issued in Federal Energy Regulatory Commission Docket Nos. EC92-21-000 and ER92-806-000, which are the relevant dockets for the proposed business combination, as of February 22, 1993.

1. - Section 203 Application to the FERC.
2. - Section 205 Application to the FERC.
3. - Motion for Consolidation of Section 203 and 205 Applications, Expedited Action, and Limited Hearing Procedures.
4. - Prefiled testimony of Edwin Lupberger in support of Exhibit D-5.1.
5. - Prefiled testimony of Joseph L. Donnelly in support of Exhibit D-5.1.
6. - Prefiled testimony of Donald Hunter in support of Exhibit D-5.1.
7. - Prefiled testimony of Frank F. Gallaher in support of Exhibit D-5.1.
8. - Prefiled testimony of Donald C. Hintz in support of Exhibit D-5.1.
9. - Prefiled testimony of Lee W. Randall in support of Exhibit D-5.1.
10. - Prefiled testimony of Amery J. Champagne in support of Exhibit D-5.1.
11. - Prefiled testimony of Clyde W. McBride in support of Exhibit D-5.1.
12. - Prefiled testimony of Jerry J. Saacks in support of Exhibit D-5.1.
13. - Prefiled testimony of Joe D. Pace in support of Exhibit D-5.1.
14. - Prefiled testimony of Bruce M. Louiselle in support of Exhibit D-5.1.
15. - Motion for Consolidation, Expedited Action, and Limited Hearing Procedures
16. - Notice of Filing

17. - Notice of Intervention of the Mississippi Public Service Commission
18. - Motion for Extension of Time filed by Arkansas Cities & Cooperatives
19. - Notice of Intervention of the Louisiana Public Service Commission
20. - Letter requesting notice filed by Texas Office of Public Utility Counsel
21. - Answer of Mississippi Public Service Commission to Energy Services, Inc. and Gulf States Utilities Company's Motion for Consolidation, Expedited Action and Limited Hearing Procedures
22. - Notice of Extension of Time
23. - Letter from Newman & Holtzinger to the FERC re: Revised Joint Exhibit
24. - Motion to Intervene of Sam Rayburn Municipal Power Agency
25. - Answer of The Louisiana Public Service Commission to Motion for Consolidation, Expedited Action and Limited Hearing Procedures
26. - Motion to Intervene of Texas Utilities Electric Company
27. - Motion to Intervene of DC Tie, Inc.
28. - Arkansas Public Service Commission Notice of Intervention, Protest, Request for Hearing and Response to Entergy Motion for Consolidation, Expedited Action, and Limited Hearing Procedures
29. - Supplemental Answer of the Mississippi Public Service Commission
30. - Motion for Intervention By The Attorney General of the State of Mississippi
31. - Arkansas Cities and Cooperative's Answer to Entergy Services, Inc. and Gulf States Utilities Company's Action and Limited Hearing Procedures
32. - Arkansas Cities and Cooperative's letter stating they will respond to Entergy Service's Notice

- 33. - Texas Office of Public Utility Counsel's Motion to Intervene and Protest
- 34. - Arkansas Cities and Cooperative's Protest, Petition to Intervene and Request for Evidentiary Hearing
- 35. - Motion for Leave to Intervene and Request for Hearing, or in the Alternative, for Additional Time to Obtain Discovery and File Comments and Evidence of Occidental Chemical Corporation
- 36. - Protest, Motion to Intervene, Answer to Motions and Request for Hearing of South Mississippi Electric Power Association
- 37. - Motion to Intervene, Protest, Request for Hearing and Answer to Motions of Cajun Electric Power Cooperative, Inc.
- 38. - Motion to Intervene, Protest and Request for Hearing of The Cities of Campbell and Thayer, Missouri
- 39. - Motion to Intervene of Central Louisiana Electric Company, Request for Formal Hearing, and Opposition to Motion for Expedited Procedures
- 40. - Motion to Intervene, Request for Hearing and Protest, and Opposition to Expedition of Arkansas Electric Cooperative Corporation
- 41. - Motion of Southwestern Electric Power Company to Intervene and for Additional Time in Which to File Supplementary Comments
- 42. - Motion of Houston Light & Power Company to Intervene and Answer in Opposition to Motion for Expedited Action
- 43. - Motion of the Attorney General of The State of Arkansas for Leave to Intervene
- 44. - Tex-La Electric Cooperative of Texas, Inc. Motion to Intervene
- 45. - Northwest Texas Electric Cooperative, Inc. Motion to Intervene
- 46. - Motion to Intervene of Rayburn County Electric Cooperative, Inc.
- 47. - Motion to Intervene of Brazos Electric Power Cooperative, Inc.

48. - City of Houma, Louisiana's Protest, Motion to Intervene, request for a Hearing; and Answer to The Motion for Consolidation, Expedited Action, and Limited Hearing Procedures
49. - Lafayette, Louisiana Protest, Petition to Intervene, and Request for Hearing
50. - Protest; Motion to Intervene, and Request for hearing of the Municipal Energy Agency of Mississippi and Opposition to Companies' Motion for Expedited Action and Limited Hearing Procedures
51. - Motion to Intervene of Sam Rayburn G-T Electric Cooperative, Inc.
52. - Motion to Intervene, Answer to Applicants' Motion to Consolidate, et al., and Request for Investigation and Hearing of The American Public Power Association
53. - Motion to Intervene and Preliminary Comments of The American Paper Institute, Inc. and Answer to Motion for "Paper" Hearing
54. - Protest and Motion of Alabama Electric, Protest and Motion of Alabama Electric Cooperative, Inc. for Leave to Intervene; Answer to Applicants' Motion for Expedited Proceedings and for a Decision Without an Evidentiary Hearing
55. - Motion to Intervene of Nucor-Yamato Steel Company
56. - Protest, Motion to Intervene, Request for Hearing and Request for Conditions of Arkansas Electric Energy Counselors
57. - Notice of Intervention of The City of New Orleans
58. - Answer to Applicants' Procedural Motion and Request for Hearing (the City of New Orleans)
59. - Motion for Leave to File Original Affidavit of Marvin L. Carraway and Corrected Affidavit of C. Neil Davis
60. - Louisiana Energy and Power Authority's Protest, Motion to Intervene, Request for a Hearing; and Answer to Motion for Consolidation, Expedited Action, and Limited Hearing Procedures

- 61. - Executed last page of the affidavit of Mr. Sylvan J. Richard
- 62. - Answer of Entergy Services, Inc. and Gulf States Utilities Company to Motion to Intervene
- 63. - Answer of Louisiana Energy and Power Authority Objecting to The Entergy-GSU Motion for Waiver
- 64. - Motion for Rejection of Improper Answer or, in the Alternative, Motion for Leave to File Response and Response of Central Louisiana Electric Company to Answer of Entergy Services, Inc. and Gulf States Utilities Company
- 65. - Public Utility Commission of Texas Motion to Intervene
- 66. - Notice of Erratum Regarding Motion for Rejection of Improper Answer or, in The Alternative, Motion Leave to File Response and Response of Central Louisiana Electric Company to Answer of Entergy Services, Inc. and Gulf States Utilities Company
- 67. - Response of the Louisiana Public Service Commission to Answer of Entergy Services, Inc. and Gulf States Utilities Company to Motions to Intervene
- 68. - Response of Cajun Electric Power Cooperative, Inc. to Requests for Affirmative Relief of Applicants
- 69. - Occidental Chemical Corporation's Answer in Opposition to Applicants' Request for Leave to Answer, Or In the Alternative, request for Leave to File Answer to Applicants' Answer
- 70. - Motion to Respond and Response of NucorYamato Steel Company
- 71. - Motion to Respond, Response and Motion to Strike of Arkansas Electric Energy Consumers
- 72. - Motion of South Mississippi Electric Power Association for an Order Requiring Entergy Services and Gulf States Utilities to Produce Discovery Responses Promptly and Under Reasonable Terms
- 73. - Motion of Central Louisiana Electric Company, Inc. for Discovery from Entergy Services, Inc. and Gulf States Utilities Company and for Shortened Answer Period

- 74. - Answer of Entergy Services, Inc. and Gulf States Utilities Company for Shortened Answer Period
- 75. - Answer of Entergy Services, Inc. and Gulf States Utilities Company to Motions of South Mississippi Electric Power Association and Central Louisiana Electric Company, Inc. for Orders Compelling Discovery
- 76. - Answer of Southwestern Electric Power Company to Motion of Central Louisiana Electric Company for Discovery
- 77. - Motion of South Mississippi Electric Power Association for an Order Requiring an Updated Market Analysis, Reconsideration, Consolidation of Dockets and Request for Hearing
- 78. - Louisiana Energy and Power Authority's Motion to Lodge Correspondence Referred to In Applicants' Answer to Motions to Compel Discovery
- 79. - Response of Entergy Services, Inc. to Motion of South Mississippi Electric Power Association for an Order Requiring an Updated Market Analysis, Reconsideration, Consolidation of Dockets and Request for Hearing
- 80. - Answer of Arkansas Cities and Cooperative to Motion of South Mississippi Electric Power Association for an Order requiring an Updated Market Analysis, reconsideration, Consolidation of Dockets and Request for Hearing and Request for Imposition of Conditions Should Additional Market Studies not be made
- 81. - Motion of Arkansas Cities and Cooperative for an Order Requiring Entergy Services, Inc. and Gulf States Utilities Company to Produce Discovery requests
- 82. - Motion of Central Louisiana Electric Company for Leave to File Answer One Day Out-of-Time
- 83. - Motion of Southwestern Electric Power Company for an Order Requiring an Updated Market Analysis
- 84. - AECC's Answer to Request for Arkansas Cities and Cooperative for Imposition of Conditions
- 85. - Response of Entergy Services, Inc. and Gulf States Utilities Company to Motion of Arkansas Cities and Cooperative For an Order to Produce Discovery
- 86. - Response of Entergy Services, Inc. and Gulf States Utilities Company to Answer and De Facto Motions for

Alternative Relief of Central Louisiana Electric
Company and Arkansas Cities and Cooperative

87. - Response of Entergy Services, Inc. and Gulf States Utilities Company to Motion of Southwestern Electric Power Company for an Order Requiring an Updated Market Analysis
88. - Supplement to Motion to Intervene, Protest, Request for Hearing and Answer to Motions of Cajun Electric Power Cooperative, Inc.
89. - Second Supplement to Motion to Intervene, Protest for Hearing and Answer to Motions of Cajun Electric Power Cooperative, Inc.
90. - Answer of Entergy Services, Inc. and Gulf States Utilities Company to The Second Unauthorized Supplement of Cajun Electric Power Cooperative, Inc.'s Motion to Intervene
91. - Answer of Entergy Services, Inc. and Gulf States Utilities Company to Cajun Electric Power Cooperative, Inc.'s Unauthorized Supplement to its Motion to Intervene
92. - Cajun Electric Power Cooperative, Inc.'s Answer to Applicants' "Answers" to First and Second Supplements
93. - LEPA's Answer to Entergy's Motion to Strike Cajun's Filing of the Second Affidavit of Dr. Roger Odisio
94. - Notice of Change of Firm Name
95. - Supplement to Motion to Intervene of Southwestern Electric Power Company
96. - Affidavit of Jerry J. Saacks
97. - Supplemental Response of Entergy Services, Inc. and Gulf States Utilities Company to the First and Second Unauthorized Supplements of Cajun Electric Power Cooperative, Inc.
98. - Reply of Louisiana Energy and Power Authority to Entergy's Supplemental Response and Saacks Affidavit
99. - Cajun Electric Power Cooperative, Inc.'s Response to Applicants' Affidavit and Statement of Position on Network Transmission Service

- 100. - Response of Entergy Services, Inc. and Gulf States Utilities Company to Supplement to Motion to Intervene of Southwestern Electric Power Company
- 101. - Entergy Services, Inc. and Gulf States Utilities Company, Order on Applications, Docket Nos. EC92-21-000 and ER92-806-000, January 28, 1993
- 102. - Response to Applicants' Affidavit and Statement of Position on Network Transmission Service of South Mississippi Electric Power Association
- 103. - Designation of Presiding ALJ Jacob Leventhal
- 104. - Errata Notice
- 105. - Notice of Designation of Staff Counsel
- 106. - Notice of Entry of Appearance and Addition to Service List
- 107. - Lafayette, Louisiana's Initial Comments on the Supplemental Affidavit of Jerry J. Sascks
- 108. - Trial Staff's Motion for Restricted Service List
- 109. - Motion for Expedited Clarification of Central Louisiana Electric Company
- 110. - Attachment 1 to CLECO's Motion for Expedited Clarification
- 111. - Motion of Cajun Electric Power Cooperative, Inc., Joining in Request for Expedited Clarification filed by Central Louisiana Electric Power Company.
- 112. - Order Setting Procedural Schedule and Granting Motion for Restricted Service List
- 113. - Draft Order Establishing A Restricted Service List
- 114. - Order Establishing Restricted Service List
- 115. - Supplemental direct testimony of Donald Hunter
- 116. - Supplemental direct testimony of Frank F. Gallaher
- 117. - Supplemental direct testimony of Donald C. Hintz
- 118. - Supplemental direct testimony of Lee W. Randall

- 119. - Supplemental direct testimony of Bruce M. Louiselle
- 120. - Workpapers Relating to the Supplemental Direct Testimony of Frank F. Gallaher
- 121. - Affidavits Authenticating Testimony of Donald Hunter and Frank F. Gallaher
- 122. - Answer of Southwestern Electric Power Company to Motions for Expedited Clarification of Central Louisiana Electric Company and Cajun Electric Power Cooperative, Inc.
- 123. - Request of Southwestern Electric Power Company for Rehearing
- 124. - Workpapers relating to the testimony of Clyde W. McBride
- 125. - Restricted Service List
- 126. - Order on Motion for Expedited Clarification