



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION

CORPORATE RESTRUCTURING OF GREAT BAY POWER CORPORATION

AND FORMATION OF A HOLDING COMPANY

NORTH ATLANTIC ENERGY SERVICE CORPORATION, ET AL

SEABROOK STATION, UNIT NO. 1

DOCKET NO. 50-443

1.0 INTRODUCTION

By letter dated May 8, 1996, North Atlantic Energy Service Corporation, acting for itself and as agent for the joint owners of Seabrook Station, Unit No. 1 (Seabrook), submitted an application, pursuant to 10 CFR 50.80, for approval of a proposed corporate restructuring of Great Bay Power Company (Great Bay) that would involve the formation of a holding company, Great Bay Holdings Corporation, of which Great Bay would become a wholly-owned subsidiary. Under the terms of the reorganization, the equity owners of Great Bay will exchange their ownership in Great Bay for ownership in Great Bay Holdings Corporation on a share for share basis. Following the restructuring, Great Bay will continue to be a licensee of Seabrook, and no direct transfer of the operating license or other interests in Seabrook will result from the restructuring. The application was supplemented with additional information submitted on October 18, 1996, and December 9, 1996.

Great Bay was established in 1994 as a successor to EUA Power Company, which had filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Great Bay is a non-operating owner of an undivided 12.1324 percent share of Seabrook. Great Bay sells its proportionate share (about 140 MWe) of the power from Seabrook on the wholesale electricity market. Great Bay's stated intent has been to sell wholesale power through long-term power contracts with purchasers.

Although the formation of the holding company, in and of itself, is neither unusual nor suggestive of unique safety concerns, the application contained information that indicates that Great Bay may not be an electric utility, irrespective of the proposed reorganization. The staff believes that Great Bay does not meet the NRC's definition of *electric utility* as provided in 10 CFR 50.2. Great Bay has successfully entered only one long-term contract for 10 MWe. It sells its remaining 130 MWe share of Seabrook power on the spot wholesale market, which by definition is subject to market-set rates.

Pursuant to 10 CFR 50.80, no license for a production or utilization facility, or any right thereunder, shall be transferred, assigned, or in any manner

disposed of either voluntarily or involuntarily, directly or indirectly, through transfer of control of the license to any person, unless the Commission gives its consent in writing. The Commission may approve the transfer of control of a license, after notice to interested persons (61 FR 60121). The approval is contingent upon the Commission's determination that the proposed transferee is qualified to hold the license and the transfer of such control is otherwise consistent with the applicable provisions of law, regulations, and orders of the Commission.

## 2.0 FINANCIAL QUALIFICATION ANALYSIS

Based on the information provided in Great Bay's application and a follow-up meeting with Great Bay on September 30, 1996, the staff finds that there will be no near-term worsening, and there may be near- and longer-term enhancement, of Great Bay's financial ability to contribute appropriately to the operation and decommissioning of Seabrook as a result of the proposed restructuring.

If Great Bay is no longer an electric utility, Great Bay is required to meet the financial qualifications review requirements of 10 CFR 50.33(f)(2). In reviewing Great Bay's current financial statements submitted with its May 8, 1996, application to form a holding company, and supplemental projections through 1998 submitted on October 18, 1996, the staff concluded that Great Bay appears to meet these requirements. Great Bay has projected operating income and cash flow based on what appear to be reasonable projections of the spot market price of power from Seabrook for the foreseeable future. Great Bay indicates that these projections would be the same with or without formation of the proposed holding company. Thus, Great Bay has demonstrated that it "possesses or has reasonable assurance of obtaining the funds necessary to cover estimated operation costs for the period of the license," and thus, is financially qualified to hold the license, notwithstanding the proposed restructuring.

In a separate, but related action, the Commission has granted a 6-month temporary exemption to Great Bay from certain requirements of 10 CFR 50.75(e)(2) which allows Great Bay time to obtain a surety bond or other allowable decommissioning funding assurance mechanism for non-electric utilities. In view of this exemption, the staff concludes that Great Bay's lack of a surety bond or other mechanism does not impact the staff's financial qualifications analysis.

However, because of the NRC's concern that corporate restructuring can lead to a diminution of assets necessary for the safe operation and decommissioning of a licensee's nuclear power plants, the NRC has sought to obtain commitments from licensees that initiate restructuring actions not to transfer significant assets from the licensee without notifying the NRC. In its submittal dated December 9, 1996, Great Bay stated that:

"... Great Bay agrees to provide the Director of Nuclear Reactor Regulation with a copy of any application to any other regulatory authority, at the time it is filed, to transfer (excluding grants of a security interest or liens) from Great Bay to its proposed parent

company, or to any other affiliated company, facilities for the production, transmission or distribution of electric energy having a depreciated book value exceeding ten percent (10%) of Great Bay Power Corporation's consolidated net utility plant, as recorded on its books of account."

The staff believes that this commitment, as a condition to the NRC's consent to the proposed restructuring, enables the NRC to ensure that Great Bay will continue to maintain adequate resources to contribute to the safe operation and decommissioning of Seabrook.

In view of the foregoing, the staff concludes that the proposed restructuring will not adversely affect Great Bay's financial qualifications with respect to the operation and decommissioning of the Seabrook unit.

### 3.0 ANTITRUST REVIEW

According to Great Bay, after the formation of the parent holding company over Great Bay, the current equity owners of Great Bay will become the equity owners of Great Bay Holdings Corporation, the parent company. The staff has conducted a threshold competitive (antitrust) review to determine whether any significant changes in the relevant markets will result from the restructuring. The staff concludes that there is no apparent basis on which a finding that significant changes will result can be made.

Thus, there do not appear to be antitrust issues for which the NRC is responsible that have been raised by Great Bay's proposed action.

### 4.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

None of Great Bay, or its new parent company will be owned, controlled, or dominated by any alien, foreign corporation, or foreign government.

### 5.0 ENVIRONMENTAL CONSIDERATIONS

Pursuant to 10 CFR 51.21 and 51.35, an environmental assessment and finding of no significant impact was published in the Federal Register on January 22, 1997 (62 FR 3317).

### 6.0 CONCLUSIONS

In view of the foregoing, the staff concludes that Great Bay's proposed corporate reorganization and formation of a parent holding company which will own 100 percent of Great Bay:

- (1) will not affect the qualifications of Great Bay as a non-operating holder of the Seabrook license; and

- (2) is otherwise consistent with the applicable provisions of law, regulations, and orders issued by the Commission pursuant thereto.

Principal Contributors: R. Wood  
A. De Agazio

Date: January 22, 1997

DISTRIBUTION:

Docket File

PUBLIC

PDI-1 R/PF

F. Miraglia/A. Thadani

R. Zimmerman

S. Varga

J. Zwolinski

S. Bajwa

S. Little

A. De Agazio

OGC

G. Hill (2)

ACRS

SECY

W. Dean

J. Rogge, Region I

270012

270012