

Maine Yankee

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February 6, 1997

MN-97-28

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UNITED STATES NUCLEAR REGULATORY COMMISSION

Attention: Document Control Desk

Washington, DC 20555

Reference: (a) License No. DPR-36 (Docket No. 50-399)

Subject: Management Changes at Maine Yankee Atomic Power Station

Gentlemen:

On February 4, 1997, representatives of Maine Yankee Atomic Power Company, including David Flanagan, Chairman of the Maine Yankee Board of Directors, met with the Commissioners of the Nuclear Regulatory Commission. At that meeting, Mr. Flanagan introduced new and existing members of the Maine Yankee management team and explained the Company's agreement with Entergy Nuclear, Inc., to provide certain management services to Maine Yankee. This letter documents information on these issues and confirms Maine Yankee's status as the NRC licensee responsible for operation of the plant.

Governance Enhancements

As part of the Company's plan to address regulatory issues and improve performance at the Maine Yankee plant, the Maine Yankee Board of Directors initiated several governance improvements and management changes.

First, to improve the nuclear expertise of the Maine Yankee Board of Directors, Maine Yankee has added Dr. Thomas Murley as a member of the Board. He joins existing directors Ted C. Feigenbaum and Kent R. Brown as another Director with substantial and direct experience in the nuclear management or nuclear regulatory arena.

Second, the Maine Yankee Board of Directors has created a strengthened Nuclear Committee of the Board. The Nuclear Committee is comprised of four individuals, including Dr. Murley, with substantial expertise in the nuclear industry. This committee is directed by charter to monitor, evaluate, and report to the Board, on progress at the plant on regulatory issues, plant improvements,

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and operational performance. This committee is in turn staffed by four nuclear and organizational development experts. This oversight committee will provide a valuable, independent perspective on management results, and will allow the Board of Directors to effectively fulfill its oversight responsibility for safety and operations at the Maine Yankee plant.

Management Changes

As discussed at the Commission meeting, the Maine Yankee Board has approved, on January 28, 1997, a draft management services agreement with Entergy Nuclear, Inc., (Entergy) a subsidiary of Entergy Corporation. Entergy will provide management services and other personnel to be integrated into the Maine Yankee operating organization. The intent of this agreement is to allow Maine Yankee to benefit from the proven management, operational, and recovery experience of Entergy.

As part of this agreement, effective February 10, 1997, and subject to execution of the written agreement, Michael B. Sellman will fill the position of Maine Yankee President. This selection has been approved by the Maine Yankee Board of Directors. Mr. Sellman will be an officer and co-employee of the Maine Yankee Atomic Power Company, as well as an employee of Entergy. He will report directly to the Maine Yankee Board of Directors and serve at the pleasure of the Board.

In addition, effective February 10, 1997, Michael J. Meisner will fill the position of Vice President, Licensing, for Maine Yankee. He will be elected by the Maine Yankee Board of Directors as an officer of Maine Yankee Atomic Power Company. His position and responsibilities will be split from the existing position of Vice President, Licensing and Engineering. The creation of this position, contemplated prior to the Entergy agreement, will require a change to the FSAR, regardless of whether Maine Yankee and Entergy enter into an agreement. It will not require a technical specifications change.

It is currently anticipated that several additional management changes will be forthcoming, and we will keep the NRC appropriately advised. This agreement will create opportunities for peer contacts, interactions, and assessments at various levels throughout the Maine Yankee organization that will assist Maine Yankee in improving the safety culture and overall plant performance.

Regulatory Approval

Maine Yankee has concluded that neither the management services agreement with Entergy nor the specific management changes discussed above require prior NRC approval, including a technical specification change. Maine Yankee unequivocally remains the operating licensee for the Maine Yankee plant, with ultimate authority and control over, and responsibility for, safe plant operation and regulatory compliance. This relationship is clearly established in the management services agreement between Maine Yankee and Entergy.

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The management services agreement includes several important elements to establish the relative roles of Maine Yankee and Entergy. These include the following:

- By express provision, ultimate responsibility for and authority with respect to budgetary controls, operating plans, policies and procedures, all regulatory matters, and the management direction of the plant are retained by the Maine Yankee Board;
- Maine Yankee retains exclusive authority and responsibility to define the economic life of the plant, to determine when the economic life of the plant has ended, and to retire and decommission the plant;
- The Maine Yankee Board retains the power and authority to modify or curtail, at any time, in its sole discretion, the authority and scope of services to be provided by Entergy under the management services agreement;
- Management personnel provided under the agreement and designated as officers in Maine Yankee, including Mr. Sellman and Mr. Meisner, are approved by the Maine Yankee Board, are subject to the direction of the Maine Yankee Board, and serve at the pleasure of the Maine Yankee Board;
- Personnel provided by Entergy under the agreement to provide management services, advice, and technical/engineering and administrative support, are subject to applicable Maine Yankee policies, procedures, operating plans and budgets.
- Maine Yankee remains solely responsible for any civil penalties arising under the Atomic Energy Act, the Energy Reorganization Act, or the regulations promulgated thereunder;
- Licensed operators in the Maine Yankee control room will remain solely employees of Maine Yankee;
- Maine Yankee retains the right to terminate the management services agreement, with or without cause, upon proper notice of termination to Entergy;
- Maine Yankee is entitled to all capacity and energy from the plant; and
- Entergy, and Entergy personnel made available under the management services agreement, are expressly prohibited under the agreement from involvement in matters pertaining to the brokering, marketing, sale, or pricing of electricity from the Maine Yankee plant.

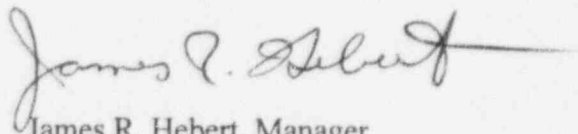
In total, at all times during the term of the agreement, Maine Yankee will remain the licensed owner and operator of the plant. The provisions of the contract provide the Maine Yankee Board

with the continued necessary, ultimate control over plant operations and public health and safety such that the NRC's licensing requirements are not implicated.

In addition, there is ample regulatory precedent involving similar arrangements for contract management services to support this conclusion. We are aware of several licensees that have utilized contract support to fill important management positions or to provide management teams.

We would be happy to provide additional information, or to meet to discuss these matters at your convenience.

Sincerely,

A handwritten signature in dark ink, appearing to read "James R. Hebert", with a long horizontal flourish extending to the right.

James R. Hebert, Manager
Licensing and Engineering Support

JRH/jag

c: Mr. Hubert Miller
Mr. J. T. Yerokun
Mr. Daniel H. Dorman
Mr. Patrick J. Dostie
Mr. Uldis Vanags
Mr. John Zwolinski
Mr. Steven R. Hom
Mr. Frank J. Miraglia
Mr. Roy P. Zimmerman
Mr. L. J. Callan
Mr. Hugh L. Thompson
Mr. Edward L. Jordan
Mr. Samuel J. Collins
Mr. Steven C. Varga