

Consolidated Edison Company of New York, Inc.
4 Irving Place, New York, NY 10003
Telephone (212) 460-1210

December 24, 1996

Mr. James M. Taylor
Executive Director for Operations
U.S. Nuclear Regulatory Commission
Mail Stop 17G-21
Washington, D.C. 20555

Subject: Docket Nos. 50-3 and 50-247
Indian Point Units 1 and 2
Con Edison Corporate Reorganization

Dear Mr. Taylor:

This letter supplements my letter to you of October 1, 1996 and provides further detail concerning the corporate reorganization of Consolidated Edison Company of New York, Inc. ("Con Edison"). Con Edison is the licensee of Indian Point Units 1 and 2. Subject to the approval of the New York Public Service Commission ("PSC"), the Federal Energy Regulatory Commission ("FERC"), and of Con Edison's shareholders at the 1997 annual shareholders' meeting scheduled for May 19, 1997, Con Edison proposes to become a wholly-owned subsidiary of a newly created utility holding company. Under the reorganization, the holders of Con Edison common stock will become the holders of common stock of the holding company on a share-for-share basis.

The holding company structure is intended to better position Con Edison for the evolving restructuring of the electric utility business, allowing for a more delineated separation between the regulated utility business and anticipated unregulated or competitive business units. By enhancing the separation between regulated and competitive lines of business conducted by Con Edison, the holding company structure will better protect utility ratepayers from risks associated with non-utility enterprises.

After the reorganization into a holding company structure is complete, Con Edison will continue to be a public utility providing utility services as it did immediately

prior to the reorganization. Con Edison will remain the licensee of Indian Point Units 1 and 2, and no transfer of the licenses or interests in the units will result from the reorganization. Control of the licenses for Indian Point Units 1 and 2 will also remain with Con Edison, and the corporate reorganization will not affect the management, operation or funding of Con Edison's nuclear facilities.

Con Edison believes that neither the Atomic Energy Act nor the Nuclear Regulatory Commission's ("NRC") regulations require the NRC's consent to the reorganization. The formation of a holding company by Con Edison will not involve the transfer of the subject NRC licenses for the Indian Point units, nor should the corporate reorganization be considered a transfer of control over the licenses. Con Edison, however, is aware of NRC's June 21, 1996 Administrative Letter 96-02 suggesting that any proposed licensee corporate restructuring should be subject to Commission review under 10 C.F.R. § 50.80. Accordingly, the following detailed information on the proposed reorganization is provided to assist the Commission in its review.

A. Con Edison's Current Corporate Organization

Con Edison is a New York corporation engaged principally in the generation, transmission, distribution and sale of electric energy; the distribution and sale of natural gas; and the generation, distribution and sale of steam in New York. Con Edison serves approximately 3 million retail customers in the City of New York and Westchester County, New York. Con Edison is a "public utility" as defined in § 201(e) of the Federal Power Act, 16 U.S.C. § 824(e). Con Edison sells electric energy at wholesale to, and transmits electric energy in interstate commerce for, other electric utilities under rate schedules on file with FERC. Con Edison's electric, gas and steam operations are subject to the regulation of the PSC. The PSC's jurisdiction includes Con Edison's retail rates and charges, issuances of securities and assumption of liabilities, standards of service, facilities siting, accounting, transactions with PURPA-qualifying facilities and transactions with affiliated entities and interests.

Con Edison presently has five wholly-owned subsidiaries, all incorporated in the State of New York: Davids Island Development Corporation, Edison Liberty Transmission Corporation, D.C.K. Management Corp., ProMark Energy Inc., and Gramercy Development, Inc. Davids Island Development Corporation currently owns certain real property in New York State. D.C.K. Management Corp. is a real estate nominee that owns certain property in New York City. Edison Liberty Transmission Corporation was a general partner in a partnership that planned to construct and operate a natural gas pipeline and is in the process of being dissolved. ProMark Energy Inc. is a gas marketing subsidiary that serves end users and other customers with a broad portfolio of energy products and services. Gramercy Development, Inc. was incorporated in 1996 to invest in energy infrastructure development projects and market technical services worldwide.

B. The Proposed Corporate Reorganization

Con Edison proposes to adopt a holding company structure under which it will become a wholly owned subsidiary of the new holding company. This change of corporate structure is in response to the PSC's "competitive opportunities" proceeding. (PSC Opinion No. 96-12 in Case No. 94-E-0952, May 20, 1996). The PSC required Con Edison to file by October 1, 1996, among other things, a restructuring plan consistent with the PSC policy and vision for increased competition. Con Edison proposed the holding company structure to best meet the requirements of the PSC to separate competitive utility services from regulated utility services. Con Edison also contemplates transferring to the holding company its ownership interest in its ProMark and Gramercy subsidiaries. In addition, the resulting corporate structure will better position Con Edison for the evolving restructuring of the electric and natural gas industries, which is occurring as the result of both Federal and state initiatives as well as market changes. The proposed holding company structure will also protect Con Edison's retail ratepayers and Con Edison's preferred stock and bond holders from the financial risks of non-utility enterprises.

The corporate reorganization into a holding company structure will be effectuated using a binding share exchange under § 913 of the New York Business Corporation Law ("NYBCL"). In the first step of the process, Con Edison will cause to be incorporated a New York corporation, referred to herein as "HoldCo" (but which will be named at a later date), which will be a first tier, wholly owned subsidiary of Con Edison.

Subject to receipt of the necessary consents and approvals, a holding company structure will be consummated as follows: Con Edison will enter into a binding plan of exchange under § 913 of the NYBCL with HoldCo. In accordance with the plan of exchange, Con Edison's common shareholders will receive one HoldCo common share in exchange for each Con Edison common share held immediately prior to the effective date of the plan of exchange, and Con Edison's common shares in HoldCo will be canceled.

Upon consummation of the plan of exchange, all of Con Edison's common shares would be held by HoldCo, and all of HoldCo's common shares would be publicly held by the former Con Edison shareholders. The common shares of Con Edison will cease to be listed and traded on the New York Stock Exchange and the common shares of HoldCo will be listed and traded instead. Except for the common shares of HoldCo, no securities will be issued to implement the reorganization. Con Edison's preferred stock and debt will remain securities and obligations of Con Edison. Con Edison expects to receive an opinion of counsel that this share exchange would be tax-free to Con Edison's common shareholders.

1. The Proposed Reorganization Will Not Reduce
The Funds Available to Con Edison To
Carry Out Activities Under Its Licenses.

The proposed corporate reorganization will have no impact on the funds available to Con Edison to carry out its activities under the subject licenses. As previously stated, following the reorganization, Con Edison will remain subject to the jurisdiction of PSC with respect to, among other things, retail rates. Any future changes in Con Edison wholesale or transmission rates would be subject to FERC review and approval. Moreover, because the proposed reorganization entails no "purchase price," no sale or lease of facilities or other assets, or purchase of Con Edison common stock, the reorganization will have no effect on Con Edison's capital structure or capital costs.

Moreover, as the result of the reorganization into a holding company, there will be no change in Con Edison's source of funds for operating and maintaining its nuclear facilities, including operating costs and eventual decommissioning costs of the Indian Point units. That source is the utility revenues derived from the rates charged to its ratepayers and, in the case of decommissioning costs, money earned from invested ratepayer funds. As for capital costs, including capital improvements or additions to the Indian Point units, they would continue to be funded in the same manner as they were prior to the reorganization.

In sum, the rate regulatory process as it relates to Con Edison and the continued funding of its nuclear operating costs will not be affected or changed by the proposed reorganization. Accordingly, Con Edison believes that there will be no adverse change in its source of funds for the Indian Point units.

2. The Proposed Reorganization Will Have
No Effect Upon the Management
of Con Edison's Nuclear Operations.

The proposed reorganization will also have no effect upon the management of Con Edison's nuclear operations. The holding company structure retains the license holder as a discrete and wholly separate entity which functions in the same fashion as it did prior to the reorganization. Con Edison management will continue to make its own decisions with regard to utility planning, operation, financial requirements, purchasing, and sales. No Con Edison nuclear management positions will be changed by the reorganization into a holding company.

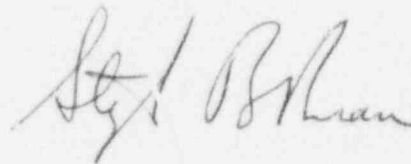
3. The Proposed Reorganization Will Not Result
in Con Edison Becoming Owned, Controlled,
or Dominated by Foreign Interests.

On the effective date of the reorganization, the holding company will become the sole holder of Con Edison outstanding common stock, and the current holders of Con Edison common stock will become holders of the common stock of the holding company on a share-for-share basis. Therefore, immediately following the reorganization, the common stock of the holding company will be owned by the previous holders of Con Edison common stock in the same proportion in which they held Con Edison common stock. Based upon information available to Con Edison as of December 31, 1995, shares of Con Edison's common stock held by foreign accounts represent no more than 0.4 percent of the total outstanding shares of Con Edison. Thus the reorganization will not result in Con Edison becoming owned, controlled or dominated by foreign interests.

Conclusion

As shown above, the proposed reorganization will not affect Con Edison's qualifications or status as holder of the NRC licenses for the subject nuclear units. The proposed reorganization also is consistent with applicable provisions of law and with the Commission's regulations. Accordingly, while we believe Commission consent is unnecessary, and reserve the right to test the appropriate scope of regulatory review under the circumstances presented here, should the Commission believe its consent is appropriate, then we respectfully request that Commission consideration of the proposed reorganization be conducted and concluded as soon as practicable. If additional information is needed or if you have any questions, please feel free to contact me.

Respectfully submitted,



ACTION

EDO Principal Correspondence Control

FROM: Stephen B. Bram
Consolidated Edison Company of New York, Inc.

DUE: 01/14/97

EDO CONTROL: G960970
DOC DT: 12/24/96
FINAL REPLY:

TO:

James Taylor

FOR SIGNATURE OF :

** GRN **

CRC NO:

Taylor

DESC:

ROUTING:

INDIAN POINT UNITS 1 AND 2 CON EDISON CORPORATE
REORGANIZATION

Taylor
Milhoan
Thompson
Blaha
Miller, RI
SECY

DATE: 12/27/96

ASSIGNED TO:

CONTACT:

NRR

Miraglia

SPECIAL INSTRUCTIONS OR REMARKS:

Put EDO and Chairman on for concurrence.
Chairman's Office to review response prior
to dispatch.

NRR RECEIVED: DECEMBER 30, 1996
NRR ACTION: DRPE:VARGA

NRR ROUTING: MIRAGLIA
THADANI
ZIMMERMAN
SHERON
TRAVERS
MARTIN
BOHRER

ACTION

DUE TO NRR DIRECTOR'S OFFICE

BY *Jan. 9, 1997*

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