

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of	)	
	)	
HOUSTON LIGHTING AND POWER COMPANY	)	Docket Nos. 50-498
CITY PUBLIC SERVICE BOARD OF	)	and 50-499
SAN ANTONIO	)	
CENTRAL POWER AND LIGHT COMPANY	)	
CITY OF AUSTIN, TEXAS	)	
	)	
(South Texas Project, Units 1 and 2)	)	
	)	
	)	

ORDER APPROVING APPLICATION REGARDING THE FORMATION  
OF AN OPERATING COMPANY AND TRANSFER OF OPERATING AUTHORITY

I.

Houston Lighting and Power Company (HL&P), City Public Service Board of San Antonio, Central Power and Light Company, and City of Austin, Texas, are the owners of the South Texas Project, Units 1 and 2 (STP). The owners hold Facility Operating Licenses Nos. NPF-76 and NPF-80 issued by the U.S. Nuclear Regulatory Commission (NRC) pursuant to Part 50 of Title 10 of the Code of Federal Regulations (10 CFR Part 50) on March 22, 1988, and March 28, 1989, respectively. Under these licenses, HL&P is authorized to act for the owners and has exclusive responsibility for and control over the physical construction, operation, and maintenance of STP. STP is located in Matagorda County, Texas.

II.

By letter dated August 23, 1996, as supplemented by letters dated October 1 and 15, 1996, and January 28, 1997, HL&P requested approval of the transfer of operating authority under the licenses to a new operating company and issuance of conforming amendments. HL&P proposes to transfer operating

authority under the licenses to a new operating company to allow it to use and operate STP and to possess and use related licensed nuclear materials in accordance with the same conditions and authorizations included in the current operating licenses. HL&P has also requested the issuance of license amendments reflecting the transfer of operating authority. The new operating company would be formed by the owners to become the licensed operator for STP and would have exclusive control over the operation and maintenance of the facility. The present plant organization, the oversight organizations, and the engineering and support organizations would be transferred essentially intact from HL&P to the new operating company. The technical qualifications of the new operating company organization, therefore, would be at least equivalent to those of the existing organization.

Under the proposed arrangement, ownership of STP would remain unchanged, with each owner retaining its current ownership interest. The new operating company would not own any portion of STP. Likewise, the owners' entitlement to capacity and energy from STP would not be affected by the proposed change in operating responsibility for STP from HL&P to the new operating company. The owners would continue to provide all funds for operation, maintenance, and decommissioning by the operating company of STP. The responsibility of the owners would include funding for any emergency situations that might arise at STP.

HL&P requested the Commission's approval of the transfer of operating authority to a new operating company and issuance of conforming license amendments pursuant to 10 CFR 50.80 and 50.90. Notice of this application for approval and an opportunity for a hearing was published in the FEDERAL

REGISTER on November 7, 1996 (61 FR 57719), and an Environmental Assessment and Finding of No Significant Impact was published in the FEDERAL REGISTER on November 18, 1996 (61 FR 58710).

Under 10 CFR 50.80, no license, or any right thereunder, shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission shall give its consent in writing. Upon review of the information submitted in the letters of August 23, October 1 and 15, 1996, and January 28, 1997, and other information before the Commission, the NRC staff has determined that the proposed new operating company is qualified to hold the licenses to the extent and for the purposes described above, and that the transfer of the licenses as described above is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission. These findings are supported by a Safety Evaluation dated April 8, 1997.

### III.

Accordingly, pursuant to Sections 105, 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§ 2135, 2201(b), 2201(i), and 2234, and 10 CFR 50.80, IT IS HEREBY ORDERED that the Commission consents to the transfer of the licenses as described herein to the proposed new operating company, subject to the following conditions:

- (1) The new operating company, hereafter referred to as STPNOC [STP Nuclear Operating Company], shall not market or broker power or energy from South Texas Project, Units 1 and 2. The Owners are responsible and accountable for the actions of STPNOC to the extent that said actions affect the marketing or brokering of

power or energy from South Texas Project, Units 1 and 2, and, in any way, contravene the antitrust conditions in Appendix C of the licenses; and

- (2) Should the formation of the new operating company and transfer of operating authority not be completed by March 31, 1998, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

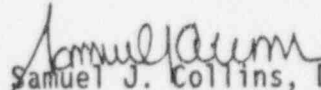
This Order is effective upon issuance.

Action on the proposed conforming license amendments will be taken upon implementation of the transfer approved by this Order.

For further details with respect to this Order, see the licensee's application dated August 23, 1996, as supplemented by letters dated October 1 and 15, 1996, and January 28, 1997, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, N.W., Washington, DC, and at the local public document room located at the Wharton County Junior College, J. M. Hodges Learning Center, 911 Boling Highway, Wharton, TX 77488.

Dated at Rockville, Maryland, this 8th day of April 1997.

FOR THE NUCLEAR REGULATORY COMMISSION

  
Samuel J. Collins, Director  
Office of Nuclear Reactor Regulation