

February 15, 2000

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Mr. John A. Rasmussen, Jr.
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SUBJECT: QUAD CITIES - ORDER APPROVING APPLICATION REGARDING CHANGE
IN SHAREHOLDERS OF MIDAMERICAN ENERGY HOLDINGS COMPANY
(TAC NOS. MA7011 AND MA7012)

Dear Messrs. Kingsley and Rasmussen:

The enclosed Order and Safety Evaluation are in response to the application transmitted under two cover letters dated November 15, 1999, as supplemented on January 3, January 5, and February 14, 2000, for approval of a possible indirect transfer of the licenses for Quad Cities Nuclear Power Station, Units 1 and 2, to the extent held by MidAmerican Energy Company (MidAmerican). The application relates to the proposed acquisition of all of the stock of MidAmerican's parent company, MidAmerican Energy Holdings Company (MEHC), by a small group of investors. This group of investors consists of Berkshire Hathaway, Inc., and/or subsidiaries thereof; David L. Sokol, the Chairman and Chief Executive Officer of MEHC; and Walter Scott, MEHC's largest individual shareholder, and/or certain Scott family interests; and potentially other members of MEHC's management. ComEd will remain the operator of the facility and agent for MidAmerican. The Order approves the application to the extent required under Section 50.80 of Title 10 of the Code of Federal Regulations. The Order is being forwarded to the Office of the Federal Register for publication.

Sincerely,

/RA/

Stewart N. Bailey, Project Manager, Section 2
Project Directorate III
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-254 and 50-265

Enclosure: 1. Order
2. Safety Evaluation

cc w/encl: See next page

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
COMMONWEALTH EDISON COMPANY)	Docket Nos. 50-254 and 50-265
AND)	
MIDAMERICAN ENERGY COMPANY)	
)	
(Quad Cities Nuclear Power Station,)	
Units 1 and 2))	

ORDER APPROVING APPLICATION REGARDING
CHANGE IN SHAREHOLDERS OF
MIDAMERICAN ENERGY HOLDINGS COMPANY

I.

MidAmerican Energy Company (MidAmerican) owns a 25-percent interest in Quad Cities Nuclear Power Station, Units 1 and 2 (Quad Cities). Commonwealth Edison Company (ComEd) owns the remaining 75-percent share of Quad Cities. In connection therewith, MidAmerican and ComEd hold Facility Operating Licenses Nos. DPR-29 and DPR-30 for Quad Cities issued by the U.S. Atomic Energy Commission pursuant to Part 50 of Title 10 of the Code of Federal Regulations (10 CFR Part 50) on December 14, 1972. Under these licenses, only ComEd, acting for itself and as agent and representative of MidAmerican, has the authority to operate Quad Cities. Quad Cities is located in Rock Island County, Illinois.

II.

By application transmitted under two cover letters dated November 15, 1999, as supplemented on January 3, January 5, and February 14, 2000, and which cross referenced a submittal dated November 2, 1999, MidAmerican and ComEd submitted a request for approval by the U.S. Nuclear Regulatory Commission (NRC or Commission) to the extent a proposed change in the shareholders of MidAmerican Energy Holdings Company (MEHC), the parent company of MidAmerican, would effect an indirect transfer of the Quad Cities licenses, as held by MidAmerican, within the scope of 10 CFR 50.80. The change involves the acquisition of all of the now publicly traded, widely held stock of MEHC, by a small group of investors. This group of investors consists of Berkshire Hathaway, Inc., and/or subsidiaries thereof (Berkshire); David L. Sokol, the Chairman and Chief Executive Officer of MEHC; and Walter Scott, MEHC's largest individual shareholder, and/or certain Scott family interests; and potentially other members of MEHC's management. The application indicates that following the proposed change in MEHC shareholders, Berkshire's investment in MEHC voting common stock will be 9.9% of shares outstanding, the investment associated with Mr. Scott will be approximately 88.1%, and Mr. Sokol will hold approximately 2% of the voting common stock of MEHC; the latter two percentages being subject to slight variation in the event of participation by other members of MEHC management. The overall equity holdings, taking into account convertible preferred stock, would be approximately 81% for Berkshire and 18% for Mr. Scott and associates, with less than 1% for all others. Mr. Scott will be able to appoint four directors to the MEHC board, while Berkshire will be able to appoint two directors to the board, which will comprise ten members. According to the application, following the change in MEHC shareholders MidAmerican would continue to be a 25 percent minority owner and possession-only licensee of Quad Cities and would remain an "electric utility" as defined in 10 CFR 50.2,

engaged in the generation, transmission, and distribution of electric energy for wholesale and retail.

Notice of the application and an opportunity for a hearing was published in the FEDERAL REGISTER on December 29, 1999 (64 FR 73079). No hearing requests or written comments on the application were filed.

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 in the application, the supplemental information and other information before the Commission, the NRC staff has determined that the above proposed shareholder transaction involving MEHC stock will not affect the qualifications of MidAmerican as a holder of the licenses, and that the indirect transfer of the licenses, as held by MidAmerican, to the extent such would be effected under 10 CFR 50.80 by the proposed shareholder transaction, would be otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission. These findings are supported by a Safety Evaluation dated February 15, 2000.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 USC §§ 2201(b), 2201(i), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the application regarding the proposed shareholder transaction is approved, subject to the following condition: Should the proposed shareholder transaction not be completed by December 31, 2000, 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.

IV.

For further details with respect to this Order, see the application for consent concerning the proposed shareholder transaction submitted under two cover letters dated November 15, 1999, as supplemented on January 3, January 5, and February 14, 2000, and the related Safety Evaluation dated February 15, 2000, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L. Street, NW., Washington, DC, and accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site (<http://www.nrc.gov>).

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Dated at Rockville, Maryland,
this 15th day of February 2000

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
RELATED TO THE CHANGE IN SHAREHOLDERS OF
MIDAMERICAN ENERGY HOLDINGS COMPANY
COMMONWEALTH EDISON COMPANY
AND
MIDAMERICAN ENERGY COMPANY
QUAD CITIES NUCLEAR POWER STATION, UNITS 1 AND 2
DOCKET NOS. 50-254 AND 50-265

1.0 INTRODUCTION

By letters dated November 2, 1999, Commonwealth Edison Company (ComEd), owner of a 75 percent interest in and the licensed operator for Quad Cities Nuclear Power Station, Units 1 and 2 (Quad Cities), and MidAmerican Energy Company (MidAmerican), owner of a 25 percent interest in the facility, informed the U.S. Nuclear Regulatory Commission (NRC or Commission) of a proposed transaction involving the acquisition of the now publicly traded, widely held stock of MidAmerican Energy Holdings Company (MEHC), the parent of MidAmerican, by a small group of investors. The small group of investors (Investor Group) principally consists of Berkshire Hathaway, Inc.; Mr. David L. Sokol, the present Chairman and Chief Executive Officer of MEHC; and Mr. Walter Scott, currently MEHC's single largest individual shareholder. Both ComEd and MidAmerican determined that NRC approval under 10 CFR 50.80 was not required for the transaction to occur.

Subsequently, by letters dated November 15, 1999, and an accompanying application, ComEd and MidAmerican, as a precaution, requested that the Nuclear Regulatory Commission consent to the indirect transfer of the Quad Cities licenses, to the extent held by MidAmerican, that may occur as a result of the MEHC shareholder transaction, should the NRC determine that consent under 10 CFR 50.80 is required. Additional information was provided by letters dated January 3, January 5, and February 14, 2000, which did not expand the scope of the application as initially noticed.

The NRC staff, notwithstanding ComEd's and MidAmerican's November 2, 1999, submittals, has considered the subsequent application under 10 CFR 50.80 at the request of the applicants.

2.0 BACKGROUND

ComEd and MidAmerican are the holders of Facility Operating Licenses Nos. DPR-29 and DPR-30 for Quad Cities. As mentioned above, MidAmerican holds a 25 percent non-operating ownership interest in Quad Cities, while ComEd owns the remaining 75 percent share of Quad Cities and is the licensed operator of the facility. The proposed shareholder transaction will in no way change the status or operations of ComEd at Quad Cities.

In its application, MidAmerican states it is an “electric utility” as defined in 10 CFR 50.2. 10 CFR 50.2 defines an electric utility as “any entity that generates or distributes electricity and which recovers the cost of this electricity, either directly or indirectly, through rates established by the entity itself or by a separate regulatory authority. Investor-owned utilities, including generation or distribution subsidiaries, public utility districts, municipalities, rural electric cooperatives, and State and Federal agencies, including associations of any of the foregoing, are included within the meaning of electric utility.”

MidAmerican is engaged in the generation, transmission, and distribution of electric energy for wholesale and retail customers in Iowa, Illinois, and South Dakota. MidAmerican is subject to the jurisdiction of the Federal Energy Regulatory Commission, the Iowa Utilities Board, the Illinois Commerce Commission, and the South Dakota Public Utilities Commission.

The application states that “there will be no change to MidAmerican as a result of the shareholder transaction.”

According to the application, the proposed shareholder transaction is a straightforward “going private” transaction. In the first step, which has already occurred, the Investor Group formed a transitional limited liability company named Teton Formation L.L.C., that, in turn, formed a wholly owned corporation named Teton Acquisition Corp. Subscription agreements were signed by the Investor Group providing for the funding of the transaction. In the second step, after all necessary approvals have been obtained, (i) all existing shareholders of MEHC (other than members of the Investor Group and shareholders who “exercise” their appraisal rights) will be paid \$35.05 in cash in exchange for each of their shares, (ii) Teton Acquisition Corp. will be merged with and into MEHC; (iii) the securities issued to the Investor Group in connection with and following the funding of Teton Acquisition Corp. will become securities of MEHC; and (iv) Teton Formation L.L.C. will be liquidated, leaving the members of the Investor Group to own their interests in MEHC directly.

Upon the closing of the shareholder transaction, the shares of MEHC no longer will be publicly traded. The shareholder transaction does not involve any consolidation of facilities or otherwise have any impact whatsoever on MidAmerican or its non-operating ownership interest in Quad Cities.

3.0 FINANCIAL QUALIFICATIONS ANALYSIS AND DECOMMISSIONING FUNDING

Pursuant to 10 CFR 50.33(f), an electric utility is exempt from demonstrating its financial qualifications. According to the application, MidAmerican currently is and, subsequent to the change in ownership of its parent company, will continue to be an electric utility as defined in

10 CFR 50.2. Therefore, the NRC staff finds that MidAmerican is exempt from the requirements of 10 CFR 50.33(f) to demonstrate its financial qualifications.

In the application, MidAmerican stated that it will continue to be committed under the Ownership Agreement and Operating Agreement for Quad Cities to providing, on a pro rata basis in accordance with its respective ownership percentage, all funds necessary for the safe operation, maintenance, and decommissioning of Quad Cities in conformance with NRC regulations, subject to the same obligations, terms, and conditions which apply to MidAmerican under its existing NRC licenses.

After the shareholder transaction, MidAmerican's financial ability to fund its share of these costs should be unchanged from its ability prior to the shareholder transaction. The total source of funds for MidAmerican's obligations after completion of the shareholder transaction, with respect to Quad Cities, therefore, will be the same as is currently the case for MidAmerican. MidAmerican will continue to maintain the required financial resources, in accordance with NRC regulations and its NRC possession-only licenses, for safe operation and decommissioning of its share of Quad Cities and no changes are proposed to the methods of obtaining its financial resources.

The following requirement is currently applicable to MidAmerican by reason of the NRC Order dated December 22, 1998, issued in connection with the merger involving MEHC and CalEnergy Company, Inc.: "[MidAmerican] shall provide the Director of the Office of Nuclear Reactor Regulation a copy of any application, at the time it is filed, to transfer (excluding grants of security interests or liens) from [MidAmerican] to its parent 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 [MidAmerican's] consolidated net utility plant, as recorded on [MidAmerican's] books of account." MidAmerican has requested no modification of this requirement.

In consideration of the above, the NRC staff finds that the proposed MEHC shareholder transaction will not affect MidAmerican's financial qualifications or its ability to continue collecting adequate funds for decommissioning.

4.0 ANTITRUST REVIEW

The Atomic Energy Act does not require or authorize antitrust reviews of post-operating license transfer applications (Kansas Gas and Electric Co., et al. (Wolf Creek Generating Station, Unit 1), CLI-99-19, 49 NRC 441 (1999)). Therefore, since the transfer application postdates the issuance of the Quad Cities licenses, no antitrust review is required or authorized.

5.0 TECHNICAL QUALIFICATIONS

With respect to Quad Cities, ComEd is the exclusive licensed operator of the facility, and is not involved in the proposed transaction affecting MEHC. The proposed transaction will not result in any modification to the existing operating arrangement. Since MidAmerican is not authorized to operate the facility, no technical qualifications analysis is applicable in connection with the application.

6.0 FOREIGN OWNERSHIP, CONTROL, OR DOMINATION

MidAmerican provided the names, addresses, and citizenships of the directors and principal officers of MidAmerican and MEHC. Currently, there are no more than two directors and two principal officers with non-U.S. citizenships (Canada or the United Kingdom) at either MidAmerican or MEHC. Mr. Sokol and Mr. Scott, and members of Mr. Scott's family, are U.S. citizens. Berkshire Hathaway is a Delaware corporation and does business in Omaha, Nebraska. Its directors and principal officers, whose names and addresses have been provided, are U.S. citizens. According to MidAmerican, Berkshire Hathaway is not owned, controlled, or dominated by foreign interests.

The application states that no more than one non-U.S. citizen is expected to be on the board of directors of MEHC following the subject shareholder transaction. MidAmerican stated that it will remain "neither owned, controlled, nor dominated by any foreign of non-U.S. interests." The NRC staff does not know or have reason to believe otherwise.

7.0 ENVIRONMENTAL CONSIDERATION

The subject application is for approval of the indirect transfer of licenses issued by the NRC. Accordingly, the action involved meets the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22.(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the application.

8.0 CONCLUSION

In consideration of the above, the NRC staff concludes that the proposed shareholder transaction involving MEHC stock will not adversely affect the financial qualifications of MidAmerican with respect to the operations and decommissioning of Quad Cities. Also, there do not appear to be any problematic antitrust or foreign ownership considerations related to the Quad Cities licenses that would result from the proposed shareholder transaction. Thus, the proposed shareholder transaction will not affect the qualifications of MidAmerican as a holder of the licenses, and the indirect transfer of the licenses, as held by MidAmerican, to the extent such would be effected under 10 CFR 50.80 by the proposed shareholder transaction, would be otherwise consistent with applicable provisions of law, regulations and orders issued by the Commission.

Principal Contributor: M. A. Dusaniwskyj

Date: February 15, 2000