



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

December 5, 2013

Mary G. Korsnick
Acting Chief Executive Officer and Chief Nuclear Officer
Constellation Energy Nuclear Group, LLC
100 Constellation Way, Suite 200C
Baltimore, MD 21202

Bryan P. Wright
Senior Vice President and Chief Financial Officer
Constellation Energy Nuclear Group, LLC
100 Constellation Way, Suite 200C
Baltimore, MD 21202

SUBJECT: CALVERT CLIFFS NUCLEAR POWER PLANT, UNIT NOS. 1 AND 2, NINE MILE POINT NUCLEAR STATION, UNIT NOS. 1 AND 2, AND R. E. GINNA NUCLEAR POWER PLANT - REQUEST FOR ADDITIONAL INFORMATION REGARDING ORDER APPROVING DIRECT TRANSFER OF RENEWED FACILITY OPERATING LICENSES AND CONFORMING AMENDMENTS (TAC NO. MF2584, MF2585, MF2586, MF2587, AND MF2588)

Dear Ms. Korsnick and Mr. Wright:

By letter dated August 6, 2013, as supplemented by letters dated August 14 and September 23, 2013, Constellation Energy Nuclear Group, LLC (Constellation) submitted an application for the approval of the proposed direct transfer of the Calvert Cliffs Nuclear Power Plant, Unit Nos. 1 and 2 Renewed Facility Operating License Nos. DPR-53 and DPR-69, Calvert Cliffs Independent Spent Fuel Storage Installation (ISFSI) Materials License No. SNM-2505, Nine Mile Point Nuclear Station, Unit Nos. 1 and 2 Renewed Facility Operating License Nos. DPR-63 and NPF-69, Nine Mile Point Nuclear Station ISFSI General License, R.E. Ginna Nuclear Power Plant Renewed Facility Operating License No. DPR-18, and R.E. Ginna ISFSI General License to Exelon Generation Company, LLC from the current holder of the license, Constellation. The application also seeks the issuance of conforming amendments to the licenses to reflect the transfer.

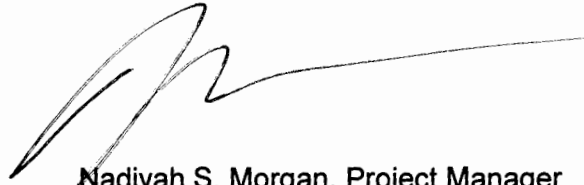
The Nuclear Regulatory Commission (NRC) staff is reviewing the application and has determined that additional information is needed to complete its review. The specific questions are found in the enclosed request for additional information (RAI). The NRC staff is requesting a response to the RAI within 30 days of the date of this letter.

Ms. Korsnick and Mr. Wright

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If you have any questions regarding this issue, please contact me at (301) 415-1016.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nadiyah S. Morgan', with a long horizontal line extending to the right.

Nadiyah S. Morgan, Project Manager
Plant Licensing Branch I-1
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

Docket Nos. 50-317, 50-318, 50-220, 50-410, 50-244, 72-8, 72-1036, 72-6

Enclosure:

Request for Additional Information

cc: Mr. George H. Gellrich, Vice President
Calvert Cliffs Nuclear Power Plant, Inc.
Calvert Cliffs Nuclear Power Plant
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Christopher Costanzo
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Mr. Joseph E. Pacher
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R.E. Ginna Nuclear Power Plant, LLC
1503 Lake Road
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REQUEST FOR ADDITIONAL INFORMATION
REGARDING ORDER APPROVING DIRECT TRANSFER OF RENEWED FACILITY
OPERATING LICENSES AND CONFORMING AMENDMENTS
CONSTELLATION ENERGY NUCLEAR GROUP, LLC.
CALVERT CLIFFS NUCLEAR POWER PLANT, UNIT NOS. 1 AND 2
NINE MILE POINT NUCLEAR STATION, UNIT NOS. 1 AND 2
R. E. GINNA NUCLEAR POWER PLANT
DOCKET NOS. 50-317, 50-318, 50-220, 50-410, 50-244, 72-8, 72-1036, AND 72-67

By application dated August 6, 2013, (Agencywide Documents Access and Management System (ADAMS) Accession No. ML13232A156 and ML13232A157), as supplemented by letters dated August 14, (ADAMS Accession No. ML13228A186) and September 23, 2013 (ADAMS Accession No. ML13269A131), (collectively, "the application"), Constellation Energy Nuclear Group, LLC (Constellation), acting on behalf of itself, Exelon Generation Company, LLC (Exelon), and its subsidiary licensees, Calvert Cliffs Nuclear Power Plant, LLC, Nine Mile Point Nuclear Station, LLC, and R.E. Ginna Nuclear Power Plant, LLC (together, "the Applicants") requested that, under Section 184 of the Atomic Energy Act of 1954, as amended, Title 10 of the *Code of Federal Regulations* (10 CFR) Section 50.80, "Transfer of Licenses" and 10 CFR 72.50, "Transfer of Licenses," the Nuclear Regulatory Commission (NRC) consent to the proposed direct transfer of operating authority and conforming license amendments of the Renewed Facility Operating Licenses for Calvert Cliffs Nuclear Power Plant, Unit Nos. 1 and 2, (Calvert Cliffs) Nine Mile Point Nuclear Station, Unit Nos. 1 and 2, (NMP-1 and 2) and R.E. Ginna Nuclear Power Plant (Ginna); and the Materials License for Calvert Cliffs Independent Spent Fuel Storage Installation (ISFSI), the General License for the NMP ISFSI, and the Ginna ISFSI. In order to complete its review, the NRC staff requests the following information:

1. Financial Qualifications:

In accordance with 10 CFR 50.33(f)(2), the Applicants provided financial information on Constellation and the licensees to demonstrate that they possess, or have reasonable assurance of obtaining the funds necessary to cover the projected operating costs of Calvert Cliffs, Calvert Cliffs ISFSI, Ginna, Ginna ISFSI, NMP-1, and a pro rata share of the estimated operating costs of NMP-2 associated with a total 82% undivided ownership interest for the period of their respective licenses.

Enclosure

Based on the application, Constellation states that it currently "maintains a cash pooling arrangement with an Inter-Company Credit Agreement that provides an additional vehicle for managing the working capital needs of the Licensees." This cash pooling arrangement was reviewed by the NRC in connection with the indirect license transfer related to corporate restructuring in 2011.

Under 10 CFR 50.33(f), a non-utility applicant must provide information sufficient to demonstrate its financial qualifications to carry out the activities for which the license is being sought. In addition, per NUREG 1577, Rev. 1, the reviewer "will also consider relevant financial information (i.e., information on cash or cash equivalents that would be sufficient to pay fixed operating costs during an outage of at least 6 months...and any other relevant factors)."

Finally, 10 CFR 50.33(f)(4) states, in part:

The Commission may request an established entity or newly-formed entity to submit additional or more detailed information respecting its financial arrangements....[T]his may include information regarding a licensee's ability to continue the conduct of the activities authorized by the license...

License transfer financial qualification reviews provide an opportunity for NRC staff to review and ultimately address any new financial qualification concerns. The finding of reasonable assurance that funds will be available to cover estimated operating costs for the period of the license relies on the applicant providing sufficient information regarding availability of credit or support agreements, bank lines of credit or other specifically identified sources of funds, sufficient to fund the estimated fixed operating and maintenance costs for the period of the license.

Based on the information provided in the application, provide the following additional information, pursuant to 10 CFR 50.33(f) regarding financial qualification:

- (a) Provide the amount of funds currently available under the cash pooling arrangement. Also, state whether Exelon, or who will have the authority, and will have the ability to modify the existing cash pooling arrangement and future financial support agreements.
- (b) Provide copies of the current executed support agreements between Constellation and the Subsidiary Licensees, and E.D.F. International SAS (EDFI) and the Subsidiary Licensees for the NRC staff's review, in amounts that will cover estimated fixed operating and maintenance (O&M) expenses for outages for at least 12 months. According to the application, Exelon and EDFI, EDF Inc.'s direct parent company, currently maintain support agreements with the Owner-Licensees in the amount of \$350 million.
- (c) Provide a breakdown and supporting documentation for the reported revenue, including price per megawatt-hour (MWh), amount of megawatts, and capacity factor. The revenue projection should be broken out as follows:
 - i. Total Plant MWh capacity
 - ii. Projected Capacity Factor

- iii. Average Contract Price per MWh
- iv. Average Market Price per MWh
- v. Power Sales - Contract
- vi. Power Sales - Market
- vii. Total Revenue

Additionally, provide the listed fuel costs per unit under O&M, and provide the revised revenues which should not be net of any list costs.

- (d) Provide revised pro-formas to include the scenario where EDF exercises its put option at the earliest possible time permitted by the agreement.
- (e) State whether pro-forma income statements include the loan provided from Exelon to Constellation. If so, please indicate where this source of funds is utilized.
- (f) On September 3, 2013, Federal Energy Regulatory Commission (FERC) issued an Order approving Exelon and subsidiaries' petition for a Declaratory Order requesting that FERC find that section 305(a) of the Federal Power Act (FPA) is not a bar to the payment of dividends from certain capital accounts from Constellation subsidiaries (Acquired Subsidiaries). The Order stated:

Applicants [Exelon and subsidiaries] explain that the purpose of this petition is to obtain a determination from the Commission that section 305(a) of the FPA does not prohibit: (1) the Acquired Subsidiaries [Constellation subsidiaries] from paying dividends to their parent company, Exelon Generation, from their respective capital accounts in equal measure to the funds that were recorded as retained earnings at the close of the Merger; and (2) Exelon Generation from, in turn, paying dividends to its parent company, Exelon Ventures, from its capital accounts to the extent that Exelon Generation has received dividends from any of the Legacy Constellation Subsidiaries paid out of funds recorded as miscellaneous paid-in capital. Applicants state that granting its petition will enable Exelon to move excess cash out of the Acquired Subsidiaries and Exelon Generation to allow the use of this cash elsewhere in the Exelon system. Otherwise, Applicants assert that significant corporate funds could be stranded on the books of the Applicants and rendered unavailable for legitimate corporate purposes.

The NRC has previously expressed concern that corporate restructuring can lead to a diminution of assets necessary for the safe operation and decommissioning of a licensee's nuclear power plant (62 FR 44071), and has previously conditioned license transfer approvals upon a requirement that the licensee not transfer significant assets from the licensee without first notifying the NRC.

Please explain if the Exelon's removal of assets from the Constellation subsidiaries will impact the safe operation of the Constellation plants or decommissioning funding assurance.

2. Financial Qualifications:

In its February 22, 2013, 10K filing with the Securities and Exchange Commission, Exelon stated the following (page 18):

As part of reaching a comprehensive agreement with EDF in October 2010, the existing power purchase agreements with [Constellation Energy Nuclear Group, LLC] CENG were modified to be unit-contingent through the end of their original term in 2014. Under these agreements, CENG has the ability to fix the energy price on a forward basis by entering into monthly energy hedge transactions for a portion of the future sale, while any unhedged portions will be provided at market prices by default. Additionally, beginning in 2015 and continuing to the end of the life of the respective plants, Generation agreed to purchase 50.01% of the available output of CENG's nuclear plants at market prices. Generation discloses in the table above commitments to purchase from CENG at fixed prices. All commitments to purchase from CENG at market prices, which include all purchases subsequent to December 31, 2014, are excluded from the table.

Identify the source or sources of funds that will be available to cover operational expenses following the end of the power purchase agreements terms in 2014. Indicate if the pro-formas provided in the license transfer application reflect projected market prices from 2015 through 2019. Provide supporting documentation to justify the projected market prices per MWh.

Ms. Korsnick and Mr. Wright

- 2 -

If you have any questions regarding this issue, please contact me at (301) 415-1016.

Sincerely,

/ra/

Nadiyah S. Morgan, Project Manager
Plant Licensing Branch I-1
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

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Calvert Cliffs Nuclear Power Plant, Inc.
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DATE	12/4/2013	12/4/2013	11/22/2013	12/5/2013

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