

*Agencies and Persons Consulted*

On September 26, 2003, the staff consulted with the Ohio State official, Carol O'Claire of the Ohio Emergency Management Agency, regarding the environmental impact of the proposed action. The State official had no comments.

**Finding of No Significant Impact**

On the basis of the environmental assessment, the NRC concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the NRC has determined not to prepare an environmental impact statement for the proposed action.

For further details with respect to the proposed action, see the licensee's letter dated August 8, 2003. Documents may be examined, and/or copied for a fee, at the NRC's Public Document Room (PDR), located at One White Flint North, Public File Area O1F21, 11555 Rockville Pike (first floor), Rockville, Maryland. Publicly available records will be accessible electronically from the Agencywide Documents Access and Management System (ADAMS) Public Electronic Reading Room on the Internet at the NRC Web site, <http://www.nrc.gov/reading-rm/adams.html>. Persons who do not have access to ADAMS or who encounter problems in accessing the documents located in ADAMS, should contact the NRC PDR Reference staff by telephone at 1-800-397-4209 or 301-415-4737, or by e-mail to [pdr@nrc.gov](mailto:pdr@nrc.gov).

Dated at Rockville, Maryland, this 30th day of September.

For the Nuclear Regulatory Commission.

**L. Raghavan,**

*Chief, Section 1, Project Directorate III-1, Division of Licensing Project Management, Office of Nuclear Reactor Regulation.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 35-27735]

**Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")**

October 10, 2003.

Notice is hereby given that the following filing(s) has/have been made with the Commission under provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized

below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by November 4, 2003, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After November 4, 2003, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

**Northeast Utilities, et al. (70-10112)**

Northeast Utilities ("NU"), 174 Brush Hill Avenue, West Springfield, Massachusetts 01090, a registered public-utility holding company, and Northeast Nuclear Energy Company ("NNECO"), 107 Selden Street, Berlin, Connecticut 06037, NU's wholly owned subsidiary (together "Applicants"), have filed an application-declaration under sections 6(a), 7 and 12(c) of the Act and rules 26(c)(3), 42, 43, 44 and 46(a). Applicants request authorization for NNECO to pay dividends to and, or in the alternative, to repurchase stock from, NU out of capital or unearned surplus through December 31, 2004 ("Authorization Period").

NNECO was incorporated in 1950. Through a Special Act of the Connecticut Legislature passed in 1967, the company has a valid franchise under Connecticut law to sell electricity to utility companies engaging in electric business in Connecticut and other states; to manufacture, generate and transmit electricity; and to erect and maintain facilities on certain public highways and grounds. NNECO's sole activity has been to act as agent for the NU system companies and other New England utilities in operating and maintaining the Millstone nuclear generating facilities located in Waterford, Connecticut ("Millstone").

Until March 2001, Millstone's facilities were jointly owned by The Connecticut Light and Power Company ("CL&P") and Western Massachusetts Electric Company ("WMECO") (two public utility subsidiaries of NU and

affiliates of NNECO) and other nonaffiliated utility companies. In March 2001, CL&P, WMECO and most of the other joint owners of Millstone sold their interests in Millstone to a subsidiary of Dominion Resources, Inc. CL&P and WMECO sold their 100% interests in Millstone 1 and 2 and, with other selling owners, 94% of Millstone 3. As a result, NNECO no longer acts as agent for any owner in the operation and maintenance of Millstone 1, 2 or 3. It is largely inactive and is winding up its business. NU continues to maintain NNECO as a corporate entity in the event that any unforeseen liabilities arise from past Millstone operations. Nevertheless, to simplify its corporate structure, NU intends to liquidate and dissolve NNECO eventually.

NNECO would like to return up to \$16.2 million to NU, an amount equal to the approximate value of NNECO's common stockholders' equity. The Applicants represent that, as of June 30, 2003, NNECO's paid-in-capital surplus equaled approximately \$15.3 million and retained earnings equaled approximately \$0.9 million, for total capitalization of approximately \$16.2 million. As of June 30, 2003, NNECO had approximately \$48.3 million invested in the NU system money pool and approximately \$0.7 million in other current and accrued assets. As of June 30, 2003, NNECO's net liabilities totaled approximately \$32.8 million. These net liabilities are mainly comprised of (i) approximately \$20.6 million of net accrued pension costs reflecting amounts due former employees of NNECO,<sup>1</sup> (ii) approximately \$9.2 million of other employee related costs, (iii) \$1.4 million in federal income taxes due, and (iv) approximately \$1.6 million of other obligations.<sup>2</sup>

The Applicants seek authorization for NNECO to pay dividends to and, or in the alternative, to repurchase its common stock from, NU out of paid-in-capital and unearned surplus up to \$16.2 million during the Authorization Period. The Applicants state that they do not anticipate any further obligations being incurred. They further assert that the proposed transactions will not impair NNECO's ability to meet its

<sup>1</sup> NNECO has \$48.9 million of accrued pension costs and an accumulated deferred income tax credit of \$28.3 million, which is realized as NNECO makes contributions to the pension plan, leaving a net obligation of \$20.6 million.

<sup>2</sup> Because NNECO's net accrued pension obligations are owed to the Northeast Utilities Retirement Plan and the plan owes the employees, NNECO need not continue to exist until all former employees receive their pension benefits. The plan will pay these benefits. NNECO's obligations to the plan will be paid or otherwise satisfied prior to NNECO's dissolution.

obligations nor render its assets insufficient to meet anticipated expenses or liabilities.

### KeySpan Corporation, et al. (70-10123)

KeySpan Corporation ("KeySpan"), a registered holding company under the Act, and KeySpan Energy Management LLC ("KEM"),<sup>3</sup> an indirect, nonutility subsidiary (collectively, "Applicants"), both located at 201 Old Country Road, Suite 300, Melville, New York 11747, have filed an application/declaration ("Application") under sections 9(a) and 10 of the Act seeking authorization for KEM to acquire all of the issued and outstanding securities of Metro Energy LLC ("Metro Energy"), a nonaffiliated New York limited liability company ("Transaction").

#### I. Parties

##### A. KEM

KEM is a nonutility engaged in the service, installation, and construction of power supply and HVAC systems, including burners and boilers for heating purposes. It operates and maintains power supply, heating, ventilation and air conditioning systems, including burners and boilers for heating purposes. KEM serves large commercial, industrial and institutional customers throughout the Northeast, and may become involved in the development, ownership, construction, financing, operation and maintenance of thermal energy facilities, including central steam and chilled water facilities.<sup>4</sup>

##### B. Metro Energy

Metro Energy is an unaffiliated New York limited liability company in the business of developing, operating and maintaining thermal energy systems in the New York metropolitan area. Through certain loans made to Metro Energy by KEM in the aggregate principal amount of \$11,715,161.82, plus 8.38% interest per annum, KEM financed the construction of a central heating and cooling facility owned, operated, and maintained by Metro Energy at a hotel in the New York metropolitan area. This prior financing relationship between KEM and Metro Energy does not constitute a variable

interest arrangement as determined under the Financial Accounting Standards Board, Interpretation No. 46 (Consolidation of Variable Interest Entities). Metro Energy's business activities involve the types of energy-related activities enumerated in rule 58(b)(1)(vi).

#### II. The Transaction

KEM proposes to acquire all of the issued and outstanding membership interests of Metro Energy. Upon consummation of the acquisition, Metro Energy will become a direct, wholly-owned subsidiary of KEM. KEM will acquire Metro Energy in a cash transaction for the purchase price of approximately \$600,000 payable in three installments within a one year period, plus the conversion of the outstanding debt owed to KEM by Metro Energy, including principal and interest amounting to approximately \$13,785,763, in goodwill. The purpose of the Transaction is to provide KEM with the benefit of revenues currently generated by Metro Energy in furtherance of KeySpan's operations as a diversified and integrated gas and electric public-utility system.

### CenterPoint Energy, Inc., et al. (70-10162)

CenterPoint Energy, Inc. ("CenterPoint"), a registered holding company, located at 1111 Louisiana, Houston, Texas 77002; and Utility Holding, LLC ("Holding"), a direct, wholly-owned registered holding company subsidiary of CenterPoint located at 200 West Ninth Street Plaza, Suite 411, Wilmington, Delaware 19801 (collectively, the "Applicants") have filed an application/declaration (the "Application") under sections 6, 7, 9, 10, 12, and 13 under the Act and rules 88, 90 and 91 under the Act.

#### I. Prior Authorizations

By order dated July 5, 2002 (Holding Company Act Release No. 27584) (the "July Order") the Commission authorized the formation of CenterPoint as a new registered holding company, and the distribution to shareholders of the remaining common stock of Reliant Resources, Inc. (the "Distribution"). The formation of CenterPoint and the Distribution were part of a plan adopted in 2000 for the restructuring of Reliant Energy, Incorporated under the requirements of the Texas electric restructuring legislation adopted in 1999. The Distribution, which was made on September 30, 2002, completed the separation from CenterPoint of the merchant power generation and energy trading and marketing business of

Reliant Resources, Inc. Since CenterPoint expected to qualify for an exemption from registration under the Act within a year of the July Order, CenterPoint did not intend to form a service company following the restructuring. Instead, the July Order authorized CenterPoint to provide a variety of services to its subsidiaries on an interim basis, including accounting, rates and regulation, internal auditing, strategic planning, external relations, legal services, risk management, marketing, financial services and information systems and technology.

Since the July Order, CenterPoint has announced that it will remain a registered holding company under the Act. In its order dated June 30, 2003 (Holding Company Act Release No. 35-27692), the Commission noted that CenterPoint intended to form a service company and granted CenterPoint interim authority to continue to provide goods and services to its subsidiaries through December 31, 2003 (the "Interim Period").

#### II. Request To Form the Service Company and Provide Services

##### A. Summary of Requests

The Application seeks the authorization and approval by the Commission of the provision of intra-system services and goods following the expiration of the Interim Period, under section 13 of Act and the rules under the Act. Specifically, Applicants request that the Commission: (1) Approve the formation and capitalization of CenterPoint Energy Service Company, LLC (the "ServiceCo"); (2) approve the designation of ServiceCo as a subsidiary service company in accordance with the provisions of rule 88 under the Act and find that ServiceCo is organized and will conduct its operations so as to meet the requirements of section 13 of the Act and the rules under the Act; (3) approve the master services agreement in the form attached as Exhibit B-1 to the Application (the "Master Services Agreement"), and the form of service agreement for services rendered by system companies; and (4) authorize, to the extent not exempt under rules 81 and 87, CenterPoint and certain CenterPoint subsidiaries providing certain services and goods to associate companies.

##### B. Services Provided by ServiceCo

Applicants request authorizations with respect to the activities of ServiceCo, which will be formed in Texas as a limited liability company wholly-owned by Holdings, as the

<sup>3</sup> KEM is a wholly-owned subsidiary of KeySpan Business Solutions LLC, which is a wholly-owned subsidiary of KeySpan Services Inc. KeySpan Services is a wholly owned subsidiary of KeySpan Energy Corporation, which is a wholly-owned subsidiary of KeySpan.

<sup>4</sup> By Commission order dated April 24, 2003 (HCAR No. 27670) the Commission found these activities to be functionally related to KeySpan's integrated gas and electric operations and retainable.

service company for the CenterPoint system. ServiceCo will:

- Have a minimal equity capitalization of not more than 1,000 membership interests with total equity capitalization of not more than \$1,000;
- Derive substantially all of its needs for additional working capital from borrowings under CenterPoint's money pool and/or additional investments by CenterPoint pursuant to rule 45 and/or rule 52, as applicable;
- Provide recipients<sup>5</sup> certain administrative and service functions involving system-wide coordination and strategy, compliance and oversight, including accounting, internal auditing, finance and treasury, communications, legal, human resources, executive, regulatory and governmental affairs, information systems and technology, mainframe operations, business services, and leasing services.
- Administer the CenterPoint money pool;
  - Be staffed by a transfer of personnel from CenterPoint and GasCo;
  - Lease office and other space currently owned by CenterPoint Energy Properties, Inc. (Properties), and from time-to-time lease other space that may be acquired by Properties either in fee or by lease. ServiceCo will enter into one or more lease agreements with Properties and, as applicable, will enter into subleases with Recipients that occupy space obtained from Properties, at cost in accordance with the Act and the applicable rules under the Act. Applicants state that none of the property proposed to be occupied, used by, or provided to ServiceCo constitute facilities used for the production, transmission, transportation, or distribution of electric energy or natural or manufactured gas;
  - License, lease, sublease or enter into service arrangements with CenterPoint and T&D Utility for the use of computer hardware, software, communications facilities (including local, long distance, internet and wireless services), office equipment and furnishings, and vehicles currently owned, licensed or leased by CenterPoint or T&D Utility at cost in accordance with the Act and the applicable rules under the Act. Applicants state that none of the property proposed to be occupied, used

<sup>5</sup> Applicants state that it is expected that ServiceCo will enter into service agreements with CenterPoint, CenterPoint Energy Houston Electric, LLC (the "T&D Utility"), Texas Genco, LP ("Texas Genco"), CenterPoint Energy Resources Corp. ("GasCo") and any other subsidiaries that request services from ServiceCo by executing a Master Services Agreement (the "Recipients"). T&D Utility, Texas Genco and GasCo are the public-utility subsidiaries in the CenterPoint system.

by, or provided to ServiceCo constitutes facilities used for the production, transmission, transportation, or distribution of electric energy or natural or manufactured gas;

- Assume CenterPoint's obligation to provide transition services and facilities, including business, corporate, and information technology services to Reliant Resources, Inc., which obligations will largely terminate in early 2004;
- Assume CenterPoint's obligation to provide business, corporate, and information technology services to Texas Genco at cost in accordance with the Act and the applicable rules under the Act, until CenterPoint's investment in Texas Genco is sold, and for a brief transition period after a sale;
- Comply with the Commission's standards for accounting and cost allocation methods and procedures for service companies in registered holding company systems;
- Use the Commission's "Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies" for ServiceCo's billing system, as may be adjusted to use the Federal Energy Regulatory Commission's uniform system of accounts; and
- Provide all services to affiliated companies on an "at cost" basis as determined by rules 90 and 91 of the Act. ServiceCo will distribute all charges among Recipients, to the extent possible, based on direct assignment. Amounts remaining after direct assignment shall be allocated among Recipients in a fair and equitable manner, using the allocation methods set forth in the Master Services Agreement.

### *C. Services Provided by Certain Subsidiaries*

#### 1. T&D Utility and GasCo's Shared Services

Applicants request authorization for the T&D Utility and GasCo to provide the following services to each other in their overlapping service territory: meter reading, trenching operations, vehicle maintenance, line locating, call center, and credit and collections functions when the companies determine it is efficient and cost effective to do so. The companies also share common warehouse space. Some of these functions are provided by GasCo to the T&D Utility and others are provided by the T&D Utility to GasCo. In addition, the T&D Utility provides GIS mapping for GasCo and its pipeline subsidiaries, Texas Genco, and other CenterPoint system companies. When such services

are provided, costs are allocated based on appropriate cost allocation measures, such as number of meters with respect to meter reading, square footage occupied and location of shared space. All of these services are provided at cost in accordance with rules 90 and 91 under the Act.

#### 2. GasCo and GasCo's Pipeline Subsidiaries' Shared Services

Applicants request authorization for GasCo to share with GasCo's pipeline subsidiaries and GasCo's other subsidiaries certain services when the companies determine it is efficient and cost effective to do so. Services proposed to be shared are environmental services provided to GasCo by personnel from its pipeline subsidiaries, along with support for compliance with the new pipeline integrity law. In addition, GasCo's telephone operations provide some services to its pipeline subsidiary, and pipeline personnel use office and warehouse space in GasCo facilities. GasCo and its subsidiary, CenterPoint Energy Gas Transmission Company ("CEGT"), share signals from a system that electronically monitors the physical operating conditions of the distribution system, with CEGT maintaining the equipment. CEGT and GasCo also share meter testing responsibilities, with GasCo testing small pipeline meter stations and CEGT testing large distribution meters. Similarly, GasCo and CEGT share some cathodic protection from rectifiers at certain points on the system, and GasCo reads some rural and town border station meters where CEGT maintains the equipment. All of these services are provided at cost in accordance with rules 90 and 91 under the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**  
*Deputy Secretary.*

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