



**Northeast
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The Northeast Utilities System

AUG 16 2000

Docket No. 50-423
B18191

U.S Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555

Millstone Nuclear Power Station, Unit No. 3
Facility Operating License No. NPF-49
Status of Vermont Electric Generation and Transmission Cooperative, Inc.
Ownership Share of Millstone Unit No. 3

In this letter Northeast Nuclear Energy Company (NNECO), a wholly owned subsidiary of Northeast Utilities (NU), acting for itself and as agent for the Joint Owners of the Millstone Nuclear Power Station, Unit No. 3 (Millstone Unit No. 3), updates the Nuclear Regulatory Commission (NRC) on the status of the Millstone Unit No. 3 ownership interest held by Vermont Electric Generation and Transmission Cooperative, Inc. (VEG&T). NNECO also notifies the NRC of current plans related to the transfer of that ownership share from the Trustee appointed by the Bankruptcy Court to liquidate the VEG&T assets.

Background

VEG&T was a Vermont electric cooperative formed in 1979 for the sole purpose of holding the generation and transmission assets of the Vermont Electric Cooperative. Among other assets, VEG&T owned a 0.35% interest in Millstone Unit No. 3. VEG&T has been an NRC licensee, licensed to possess, but not operate, Millstone Unit No. 3 since issuance of the initial Millstone Operating License NPF-49 (January 31, 1986). Accordingly, VEG&T had no operational responsibility for the plant. Millstone Unit No. 3 is operated by NNECO under an agreement between NNECO and certain other NU subsidiaries.

Bankruptcy Proceeding

On April 1, 1996, VEG&T filed a voluntary petition for bankruptcy, pursuant to Chapter 7 of the United States Bankruptcy Code (Title 11 of the U.S. Code), in the United States Bankruptcy Court for the District of Vermont. In accordance with

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Chapter 7, a Bankruptcy Trustee was appointed to collect and sell, if economically feasible, all non-exempt property of the Debtor, and to settle claims against the Debtor. VEG&T's 0.35% ownership interest in Millstone Unit No. 3 was included with the property to be liquidated.

On February 21, 1997, the Trustee filed a Motion with the Bankruptcy Court for approval from that forum to transfer the VEG&T Millstone Unit No. 3 interest to an NU subsidiary. On March 21, 1997, the NRC (acting through the Department of Justice) objected to the Trustee's Motion, at least to the extent that it would lead to transfer of the Millstone interest prior to NRC approval. To resolve the matter, on March 24, 1997, NU and the NRC (again represented by the Department of Justice) entered into a stipulation agreeing that any transfer of the VEG&T interest to NU would become effective only after NRC approval has been granted.

On April 28, 1997, the parties to the bankruptcy proceeding filed a "Stipulated Settlement of Claims" by which the Trustee would transfer the VEG&T interest in Millstone No. 3 to an NU subsidiary, upon receipt of necessary regulatory approvals. The Bankruptcy Court issued an Order the same day approving the settlement.

Subsequently, NU offered the Millstone Unit No. 3 joint owners the opportunity to acquire all or any part of the VEG&T interest in Millstone Unit No. 3 and indicated that its subsidiary, The Connecticut Light & Power Company (CL&P), would take any unsubscribed shares, (CL&P is presently an NRC licensed owner of a 52.933% interest in Millstone Unit No. 3). None of the joint owners accepted the offer to purchase the VEG&T interest in Millstone Unit No. 3. Since then, NNECO has satisfied the financial obligations associated with the VEG&T interest in Millstone Unit No. 3, and on July 31, 2000, allocated those costs to CL&P. However, a formal transfer of the interest has never been sought or approved, and the asset currently remains under the control of the Trustee. CL&P will write off these costs to the extent the proceeds of the auction referred to below do not equal such costs.

In a letter dated July 17, 1997, NNECO notified the NRC of VEG&T's status, and indicated that prior to the transfer of VEG&T's interest in Millstone Unit No. 3 to an NU subsidiary or subsidiaries, or to one or more of the other current licensees, NNECO would file an appropriate application for NRC review and approval.⁽¹⁾

Divestiture of Millstone Interests

The Connecticut General Assembly passed Public Act 98-28, which requires NU to divest its nuclear assets by January 1, 2004, with such divestiture to occur through an auction. This divestiture will include the Millstone Unit No. 3 ownership interest of CL&P. CL&P submitted its auction plan to the Connecticut Department of Public Utility

⁽¹⁾ NU letter from Neil L. Carns to Hubert J. Miller, Region I Administrator, dated July 17, 1997, (B16605).

Control, and the auction was initiated in April 2000. NNECO has previously briefed the NRC regarding this process.

In view of this upcoming divestiture process, NU has decided that it would not be efficient to formalize a transfer of the VEG&T Millstone Unit No. 3 interest from the Bankruptcy Trustee to CL&P, since CL&P will shortly divest its nuclear assets. NU instead plans to include the VEG&T interest in Millstone Unit No. 3 among the nuclear generation assets to be auctioned. Accordingly, the transfer of the VEG&T ownership interest will be subsumed into the transfers of ownership and operating responsibility that will be associated with the CL&P divestiture process. The Bankruptcy Trustee has indicated its position that this procedure is acceptable.

Now that a winning bidder for the Millstone assets has been identified, NNECO, CL&P and the prospective purchaser will seek appropriate NRC transfer consents pursuant to 10 CFR 50.80(a) and administrative license amendments pursuant to 10 CFR 50.90-50.92. After the required NRC approvals are received, NU will direct the Bankruptcy Trustee to transfer the VEG&T interest in Millstone Unit No. 3 to the winning bidder.

There are no regulatory commitments contained within this letter. NNECO will keep the NRC informed of any new developments.

If you have any questions on this subject, please call Mr. David A. Smith, Manager of Regulatory Affairs at (860) 437-5840.

Very truly yours,

NORTHEAST NUCLEAR ENERGY COMPANY



Stephen E. Scace - Director
Nuclear Oversight and Regulatory Affairs

cc: H. J. Miller, Region I Administrator
V. Nerses, NRC Senior Project Manager, Millstone Unit No. 3
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