

Dominion Nuclear Connecticut, Inc.
Millstone Power Station
Rope Ferry Road
Waterford, CT 06385



MAY - 2 2001

Docket Nos. 50-245
50-336
50-423
B18400

RE: 10 CFR 50.80
10 CFR 50.90
10 CFR 2.1315

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

Millstone Nuclear Power Station, Unit Nos. 1, 2 and 3
Application for Order and Conforming Amendments for License Transfer
Executed Parent Guarantee


The purpose of this letter is to inform the Nuclear Regulatory Commission that the parent guarantee identified in our August 31, 2000, submittal⁽¹⁾ as Exhibit N has been executed. Enclosure 1 is the signed original of this parent guarantee.

There are no regulatory commitments contained within this letter.

If you have any additional questions concerning this submittal, please contact Mr. David A. Smith at (860) 437-5840.

Very truly yours,

DOMINION NUCLEAR CONNECTICUT, INC.



Raymond P. Necci
Vice President - Nuclear Technical Services

cc: See next page

⁽¹⁾ Letter from James P. O'Hanlon and Bruce D. Kenyon to U.S. NRC, "Application for Order and Conforming Amendments for License Transfer," dated August 31, 2000.

A001

Enclosure (1)

cc: H. J. Miller, Region I Administrator
J. B. Hickman, NRC Project Manager, Millstone Unit No. 1
P. C. Cataldo, Resident Inspector, Millstone Unit No. 2
D. S. Collins, NRC Project Manager, Millstone Unit No. 2
S. R. Jones, Senior Resident Inspector, Millstone Unit No. 2
V. Nerses, NRC Senior Project Manager, Millstone Unit No. 3
A. C. Cerne, Senior Resident Inspector, Millstone Unit No. 3

GUARANTY

GUARANTY, dated as of March 30, 2001, made by DOMINION RESOURCES, INC., a Virginia corporation (the "Guarantor") to the U.S. Nuclear Regulatory Commission (the "NRC") on behalf of Guarantor's subsidiary, Dominion Nuclear Connecticut, Inc. ("Licensee"). Except as otherwise defined herein, terms used herein and defined in the Purchase and Sale Agreement (as hereinafter defined) shall be used herein as so defined.

W I T N E S S E T H :

WHEREAS, the Licensee and The Connecticut Light and Power Company, Western Massachusetts Electric Company, The United Illuminating Company, Central Maine Power Company, Chicopee Municipal Lighting Plant, Fitchburg Gas and Electric Light Company, Village of Lyndonville Electric Department, New England Power Company, Public Service Company of New Hampshire, Vermont Electric Generation and Transmission Cooperative, Northeast Nuclear Energy Company, and Connecticut Municipal Electric Energy Cooperative (collectively, the "Sellers") have entered into Purchase and Sale Agreements, dated as of August 7, 2000 (the "Agreements"), to sell to the Licensee the Acquired Assets; and

WHEREAS, the Licensee is an indirect wholly-owned subsidiary of the Guarantor;

WHEREAS, the NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations ("CFR"), Part 50 which requires that a holder of, or an applicant for, a license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities.

WHEREAS, the Sellers with interests in Millstone Unit 1 will transfer \$268.3 million to qualified and non-qualified decommissioning trust funds established and maintained by Licensee for Millstone Unit 1;

WHEREAS, it is estimated that a total of \$293.7 million in decommissioning funding assurance is necessary to meet NRC requirements for Millstone Unit 1, and therefore that approximately \$26 million in decommissioning funding assurance in addition to the amounts held in the qualified and non-qualified funds is necessary;

WHEREAS, the Guarantor expects to receive substantial indirect benefits from the purchase of the Acquired Assets by the Licensee from the Sellers (which benefits are hereby acknowledged), and accordingly, desires to execute and deliver this Guaranty in order to provide financial assurance for decommissioning activities for Millstone Unit 1 as required by 10 CFR Part 50 and the Agreement;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to the Guarantor, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby makes the following representations and warranties to the NRC and hereby covenants and agrees as follows:

1. The Guarantor guarantees to the NRC that if the Licensee fails to perform the required decommissioning activities, as defined by the NRC regulations at 10 CFR 50.2 and as required by NRC License No. DPR-21 for Millstone Unit 1, the Guarantor shall (a) carry out the required activities, or (b) set up a trust fund for the benefit of the NRC in the amount of \$26 million (in year 2000 dollars) (the "Guaranteed Obligation"). In addition, Guarantor hereby agrees to pay any and all costs and expenses (including fees and disbursements of counsel) incurred by the NRC in enforcing any rights under this Guaranty.

2. Guarantor's obligation pursuant to this Guaranty is an unconditional guaranty of payment and not of collectibility. This Guaranty shall remain in full force and effect until the date on which the Buyer no longer is required to comply with the applicable assurance requirements of 10 CFR Part 50 for the Facility, or until otherwise earlier terminated in accordance with the provisions of Section 6 below or extinguished by the NRC. No delay or omission by the NRC to exercise any right under this Guaranty shall impair any right, nor shall it be construed to be a waiver thereof. No waiver of any single breach or default under this Guaranty shall be deemed a waiver of any other breach or default.

3. Except for termination or cancellation of this Guaranty under section 6 or action by the NRC extinguishing Guarantor's obligations under this Guaranty, the obligations and liability of the Guarantor under this Guaranty shall be absolute, unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in time, manner or place of payment of, or in any other term of, the Guaranteed Obligation; (b) any change in ownership of Guarantor or Licensee; (c) any bankruptcy, insolvency, or reorganization of, or other similar proceedings involving Guarantor or Licensee; (d) any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or guarantor; or (e) any amendment or modification of the Millstone Unit 1 license or the NRC-approved decommissioning funding plan for the Facility, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of the licensee pursuant to 10 CFR Part 50; provided that, except for the matters set forth in (a)-(e) above, the Guarantor shall be entitled to assert and claim the benefit of any defense, offset or counterclaim which the Licensee may have in law or equity to the payment or performance of the Guaranteed Obligation, as a defense, offset or counterclaim to its obligations under this Guaranty.

4. Guarantor, hereby irrevocably, unconditionally and expressly waives, to the fullest extent permitted by applicable law, promptness, diligence, notice of acceptance and other notice with respect to the Guaranteed Obligation and this Guaranty and any requirement that the NRC protect, secure or perfect any security interest or exhaust any right or first proceed against Licensee or any other person or entity. Likewise, Guarantor expressly waives notice of acceptance of this Guaranty by the NRC and of any amendments or modification of the decommissioning requirements or the license.

5. This Guaranty shall be binding upon Guarantor and its successors and permitted assigns and inure to the benefit of and be enforceable by the NRC and its successors and permitted assigns.

6. This Guaranty shall terminate and be of no further force and effect upon the date on which the Buyer no longer is required to comply with the applicable assurance requirements of 10 CFR Part 50 for the Facility; provided, however, that the Guarantor may terminate this Guaranty by sending notice by certified mail to the NRC and the Licensee, such cancellation to become effective no earlier than 120 days after receipt of such notice by both the NRC and the Licensee. If at the time of cancellation the qualified and nonqualified decommissioning funds maintained by Licensee for Millstone Unit 1 are insufficient to meet NRC requirements and the Licensee fails to provide alternative financial assurance within 90 days of Guarantor's notice of cancellation, the Guarantor will (a) provide such alternate financial assurance in the name of the Licensee, (b) make full payment under the guarantee, or (c) restore the guarantee.

7. Annually within 90 days of the close of Guarantor's fiscal year, Guarantor will submit to the NRC its current financial statements, a current estimate of the decommissioning funding assurance required for Millstone Unit 1 and any corresponding adjustment to this guarantee, and a statement showing compliance with the NRC's financial tests for parent guarantees in 10 CFR Part 30. If at the end of any fiscal year before termination of this guarantee, Guarantor fails to meet such financial test criteria, the Licensee and Guarantor will submit notice to the NRC within 90 days by certified mail that Licensee intends to provide alternative financial assurance as specified in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance within 30 days after such notice, the Guarantor shall provide the alternative financial assurance in the name of the Licensee.

8. If at any time the NRC notifies Licensee and Guarantor of a determination by the NRC that Guarantor no longer meets the financial test criteria in 10 CFR Part 30, Appendix A, Licensee will within 30 days of such notice provide alternative financial assurance in accordance with the applicable requirements in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance, Guarantor will provide such assurance in Licensee's name.

9. The Guarantor further represents, warrants and agrees that:

(a) The Guarantor (i) is a duly organized and validly existing corporation in good standing under the laws of the Commonwealth of Virginia, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged and (iii) is duly qualified as a foreign corporation and in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification.

(b) The Guarantor has the corporate power to execute, deliver and perform the terms and provisions of this Guaranty and has taken all necessary corporate action to authorize the execution, delivery and performance by it of this Guaranty. The Guarantor has duly executed and delivered this Guaranty, and this Guaranty constitutes its legal, valid and binding obligation enforceable in accordance with its terms.

(c) Neither the execution, delivery or performance by the Guarantor of this Guaranty, nor compliance by it with the terms and provisions hereof, (i) will contravene any provision of any law, statute, rule or regulation or any order, writ,

injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the property or assets of the Guarantor or any of its subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other agreement, contract or instrument to which the Guarantor or any of its subsidiaries is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the certificate of incorporation or by-laws of the Guarantor or any of its subsidiaries.

(d) No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained previously), or exemption by, any governmental or public body or authority, or any subdivision thereof (except as have been previously obtained), is required to authorize, or is required in connection with, (i) the execution, delivery and performance of this Guaranty or (ii) the legality, validity, binding effect or enforceability of this Guaranty.

(e) Neither the Guarantor nor any of its subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(f) The Licensee is an indirect but wholly-owned subsidiary of Guarantor, and Guarantor has through its wholly-owned subsidiaries majority control of the voting stock of the Licensee.

(g) The Guarantor meets or exceeds the financial test criteria in 10 CFR Part 30, Appendix B, section II.A.2.

10. This Guaranty and the rights and obligations of the NRC and the Guarantor hereunder, shall be governed by and construed in accordance with the domestic laws of the Commonwealth of Virginia without giving effect to any choice or conflict-of-law provision or rule (whether of Virginia or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Virginia. The Guarantor and the NRC each consent to the exclusive jurisdiction and venue of any state or federal court within the City of Richmond, Virginia for adjudication of any suit, claim, action or other proceeding at law or in equity relating to this Guaranty, or to any transaction contemplated hereby. The Guarantor and the NRC each accept, generally and unconditionally, the exclusive jurisdiction and venue of the aforesaid courts and waive any objection as to venue, and any defense of *forum non conveniens*. The Guarantor hereby irrevocably designates, appoints and empowers Commonwealth Legal Services Corporation, with offices on the date hereof at 4701 Cox Road, Suite 301, Glen Allen, VA 23060-6802, as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any such action or proceeding. If for any reason such designee, appointee and agent shall cease to be available to act as such, the Guarantor agrees to designate a new designee, appointee and agent in Virginia on the terms and for the purposes of

this provision satisfactory to the NRC. The Guarantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Guarantor at its address set forth opposite its signature below, such service to become effective 30 days after such mailing. Nothing herein shall affect the right of the NRC to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Guarantor in any other jurisdiction. The Guarantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with the Guaranty brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11. All notices and other communications hereunder shall be made at the addresses of the NRC and the Guarantor specified opposite their signatures below.

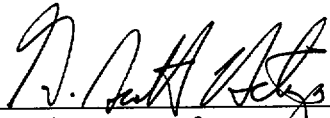
[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

Address

120 Tredegar Street
Richmond, Virginia 23219
Attention: Treasurer

DOMINION RESOURCES, INC.

By 
Title: Senior Vice President and Treasurer