

*License Transfer Application Meeting for
Surry and North Anna Power Stations
and Associated ISFSIs*

July 25, 2001



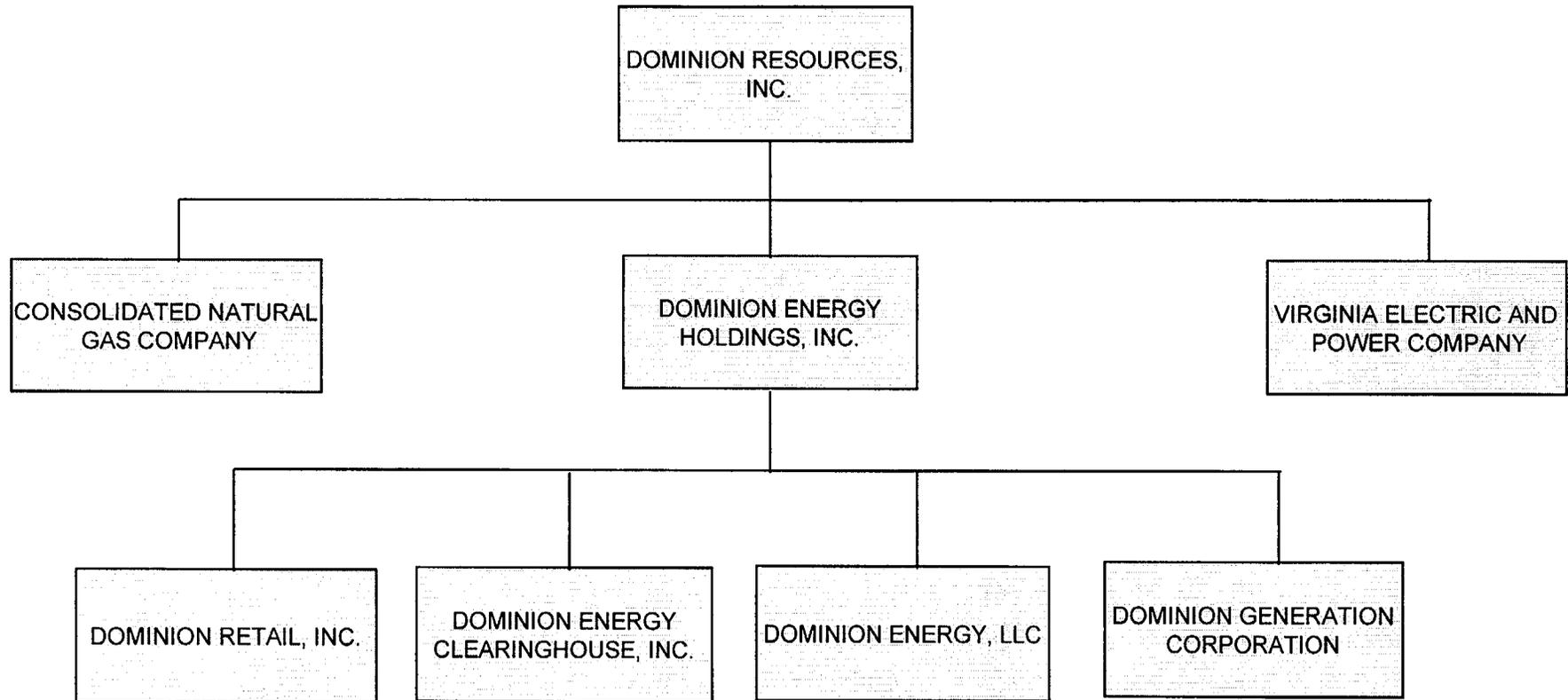
Purpose of the License Transfer Applications

- The proposed license transfer applications (LTAs) for North and Surry Power Stations and their associated ISFSIs are part of the corporate restructuring of VEPCO undertaken pursuant to the Virginia Electric Utility Restructuring Act (the Act)
- The Act requires the Virginia State Corporation Commission to direct the functional separation of generation assets from transmission and distribution assets for all incumbent utilities by January 1, 2002
- The purpose of the Act is to establish retail choice for the generation component of electric service and to promote competition in the generation of electricity
- Consistent with the Act, VEPCO is transferring its generation assets and ISFSIs to a newly formed company - Dominion Generation Corporation - who will be responsible for the operation, maintenance and decommissioning of the facilities

LTA Format

- The LTAs were prepared pursuant to the requirements of 10 CFR 50.80 and 10 CFR 72.50 for license transfers
- The LTAs provide the necessary information regarding:
 - The Corporate structure and management for Dominion Generation Corporation
 - The technical and financial qualifications of Dominion Generation Corporation to receive the generation assets from VEPCO
 - The proposed changes to the North Anna and Surry Operating Licenses and accompanying Technical Specifications
 - The proposed changes to the North Anna and Surry ISFSIs' Special Nuclear Material Licenses and accompanying Technical Specifications

Post-Functional Separation Corporate Structure



Technical Qualifications

- The Chief Nuclear Officer, Nuclear Vice Presidents, Site Vice-Presidents and all subordinate positions will remain essentially the same, as will their duties and responsibilities
- Station personnel responsible for the day-to-day operation and maintenance of the nuclear facilities and the ISFSIs remain unchanged
- The NRC will be notified should any senior management positions change contemporaneously with the transfer

Financial Qualifications

- Dominion Generation will possess over 17,000 megawatts of generating capacity, including fossil, hydroelectric and nuclear units
- Projected income statements for the five-year period from 1/1/2002 to 12/31/2006 show that the anticipated sales of energy and capacity from Dominion Generation's facilities provide reasonable assurance of an adequate source of funds to meet Dominion Generation's expenses
- Revenues are derived from the sale of energy and capacity to VEPCO under a Power Purchase Agreement, as well as the additional sale of energy and capacity on the whole-sale energy market
- Following the transfer of generation assets, VEPCO's current outstanding debt will be allocated between VEPCO and Dominion Generation
- Dominion Generation's projected revenues and expenses provide assurance that the company can bear the costs that might be expected from an outage at one or more of its units

Decommissioning Funding

- North Anna and Surry Power Stations
 - Dominion Generation will continue to meet NRC decommissioning funding requirements by means of an external sinking fund with periodic contributions derived from cost-of-service based rates and non-bypassable charges
 - VEPCO will transfer all of its decommissioning trusts, including its qualified and non-qualified funds, to Dominion Generation
 - All decommissioning funds collected by VEPCO through cost-of-service-based rates will be separately identified and transferred to Dominion Generation, which will immediately deposit them into trust accounts pursuant to a Decommissioning Funds Collection Agent Agreement

Decommissioning Funding

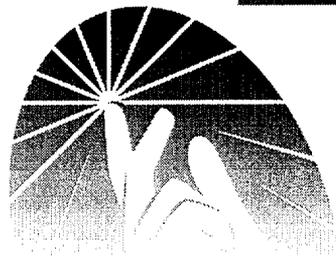
- ISFSIs
 - VEPCO is currently providing decommissioning funding for the ISFSIs by collecting costs from ratepayers and depositing the collections in external sinking funds [10 CFR 72.30(c)(5)]
 - The external sinking fund for each ISFSI is in the form of a master trust which also holds the fund for plant decommissioning
 - Sub-accounts of the master trusts have been established to track the decommissioning funds for the ISFSIs
 - Upon license transfer, VEPCO will transfer the decommissioning trusts to Dominion Generation
 - After transfer, VEPCO will continue to collect decommissioning costs for the ISFSIs from electric service charges and will transfer the funds to Dominion Generation for deposit into the trusts
 - Dominion Generation will continue to maintain sub-accounts to appropriately identify the amount of the trusts allocated to ISFSI decommissioning

Proposed License Changes

- Proposed revisions to the North Anna and Surry Power Station operating licenses and accompanying Technical Specifications have been provided
 - The proposed changes revise the owner/operator from VEPCO to Dominion Generation and make other minor changes in support of the transfer (e.g., “VEPCO” changed to “the licensee”)
- Proposed revisions to the North Anna and Surry ISFSI special nuclear material licenses and accompanying Technical Specifications have been provided
- ODEC’s ownership percentage of North Anna Power Station and ISFSI has not been affected by the proposed license transfers

Schedule

- The Virginia Electric Utility Restructuring Act requires functional separation of generation assets from transmission and distribution assets for incumbent utilities by 1/1/2002
- Therefore, Dominion has requested the NRC to issue an order consenting to the proposed license transfers for the North Anna and Surry Power Stations operating licenses and the ISFSIs special nuclear material licenses by November 30, 2001



DominionSM