



John H. Mueller
Senior Vice President and
Chief Nuclear Officer

Phone: 315.349.7907
Fax: 315.349.1321
e-mail: muellerj@nimo.com

August 16, 2001
NMP1L 1604

Director of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, DC 20555

RE: Nine Mile Point Unit 1
 Docket No. 50-220
 DPR-63

Nine Mile Point Unit 2
Docket No. 50-410
 NPF-69

Subject: Guarantee of Retrospective Premium

Dear Mr. Collins:

Pursuant to the Commission's requirements stated in 10 CFR 140.21, attached are:

1. Consolidated Balance Sheets for Niagara Mohawk Power Corporation (NMPC) and its subsidiary companies for periods ending June 30, 2001, and December 31, 2000.
2. Consolidated Statements of Income for NMPC and its subsidiary companies for periods ending June 30, 2001, and June 30, 2000.
3. The 2001 internal cash flow projection for NMPC, which has been prepared in the format suggested in NRC Regulatory Guide 9.4.
4. A narrative statement addressing cash flow, as certified by William F. Edwards, NMPC's Senior Vice President & Chief Financial Officer.

Future submittals pursuant to 10 CFR 140.21 will be made annually on the anniversary of the date on which the indemnity agreement is effective. Per 10 CFR 140.20, this anniversary date is August 16, corresponding to the effective date of special nuclear material license SNM-1028, authorizing initial fuel possession at Nine Mile Point, Unit 1.

MOOT

If there are any questions on this material, we will be pleased to provide additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read "John H. Mueller". The signature is fluid and cursive, with a large initial "J" and "M".

John H. Mueller
Senior Vice President and
Chief Nuclear Officer

JHM/JJD/mlg
Attachments

cc: Document Control Desk
Mr. H. J. Miller, NRC Regional Administrator, Region I
Mr. R. P. Correia, Acting Section Chief PD-I, Section 1, NRR
Mr. G. K. Hunegs, NRC Senior Resident Inspector
Mr. P. S. Tam, Senior Project Manager, NRR
Records Management

CONSOLIDATED BALANCE SHEETS

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2001 (Unaudited)	December 31, 2000
	<i>(In thousands of dollars)</i>	
Utility plant:		
Electric plant	\$ 7,201,994	\$ 7,179,329
Nuclear fuel	674,721	672,259
Gas plant	1,326,578	1,310,649
Common plant	359,604	349,751
Construction work in progress	245,093	289,634
Total utility plant	9,807,990	9,801,622
Less - Accumulated depreciation and amortization	4,111,520	4,019,282
Net utility plant	5,696,470	5,782,340
Other property and investments	441,542	420,391
Current assets:		
Cash, including temporary cash investments of \$65,565 and \$48,123, respectively	82,698	75,025
Accounts receivable (less allowance for doubtful accounts of \$63,600 and \$59,100, respectively)	264,358	390,452
Materials and supplies, at average cost:		
Gas storage	41,124	50,947
Other	90,162	93,431
Assets from price risk management activities	112	65,052
Prepaid taxes	33,639	7,882
Other	16,410	31,195
	528,503	713,984
Regulatory assets:		
MRA regulatory asset	3,151,007	3,328,720
Swap contracts regulatory asset	611,646	625,103
Regulatory tax asset	409,636	408,303
IPP restructuring costs	215,669	234,117
Deferred environmental restoration costs	285,000	285,000
Deferred loss on sale of assets	122,804	158,333
Postretirement benefits other than pensions	43,164	45,084
Unamortized debt expense	37,787	39,823
Other	168,921	191,524
	5,045,634	5,316,007
Other assets	90,843	77,235
	\$ 11,802,992	\$ 12,309,957

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2001 (Unaudited)	December 31, 2000
	<i>(In thousands of dollars)</i>	
Capitalization:		
Common stockholders' equity:		
Common stock - \$1 par value; authorized 250,000,000 shares; issued and outstanding 187,364,863 shares	\$ 187,365	\$ 187,365
Repurchase of Holdings' common stock, at cost	(407,193)	(407,193)
Capital stock premium and expense	2,363,095	2,362,404
Accumulated other comprehensive income	(20,384)	(7,459)
Retained earnings	<u>259,438</u>	<u>299,106</u>
	<u>2,382,321</u>	<u>2,434,223</u>
Cumulative preferred stock, authorized 3,400,000 shares, \$100 par value:		
Non-redeemable (optionally redeemable), issued 2,100,000 shares	210,000	210,000
Redeemable (mandatorily redeemable), issued 150,000 and 168,000 shares, respectively	13,200	15,000
Cumulative preferred stock, authorized 19,600,000 shares, \$25 par value:		
Non-redeemable (optionally redeemable), issued 6,200,000 shares	230,000	230,000
Redeemable (mandatorily redeemable), issued 1,782,801 shares	<u>38,750</u>	<u>38,750</u>
	<u>491,950</u>	<u>493,750</u>
Long-term debt	<u>4,735,477</u>	<u>4,678,963</u>
Total capitalization	<u>7,609,748</u>	<u>7,606,936</u>
Current liabilities:		
Short-term debt	5,000	110,000
Long-term debt due within one year	418,121	628,325
Sinking fund requirements on redeemable preferred stock	7,620	7,620
Accounts payable	223,899	404,115
Payable on outstanding bank checks	18,625	28,536
Customers' deposits	20,393	18,807
Accrued taxes	58,532	10,867
Accrued interest	92,256	98,408
Accrued vacation pay	35,206	34,607
Liabilities from price risk management activities	33,296	2,719
Deferred gain on futures contracts	-	17,409
Other	<u>184,070</u>	<u>136,789</u>
	<u>1,097,018</u>	<u>1,498,202</u>
Regulatory and other liabilities:		
Accumulated deferred income taxes	1,489,627	1,479,032
Liability for swap contracts	757,059	778,229
Employee pension and other benefits	214,895	218,569
Deferred gain on swap hedges	-	66,405
Other	<u>349,645</u>	<u>377,584</u>
	<u>2,811,226</u>	<u>2,919,819</u>
Commitments and contingencies:		
Liability for environmental restoration	285,000	285,000
	<u>\$ 11,802,992</u>	<u>\$ 12,309,957</u>

CONSOLIDATED STATEMENTS OF INCOME



NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Six Months Ended June 30,		Twelve Months Ended June 30,	
	2001	2000	2001	2000
OPERATING REVENUES:				
Electric	\$ 1,604,741	\$ 1,598,272	\$3,245,722	\$ 3,248,397
Gas	521,116	382,825	796,793	593,558
	2,125,857	1,981,097	4,042,515	3,841,955
OPERATING EXPENSES:				
Electricity purchased	574,548	566,082	1,184,389	1,028,796
Fuel for electric generation	21,699	28,974	67,065	114,527
Gas purchased	341,486	203,965	495,045	312,407
Other operation and maintenance expenses	502,171	437,512	952,726	917,356
Amortization/accretion of MRA/IPP buyout costs	182,145	187,636	369,996	369,749
Depreciation and amortization	156,861	156,044	312,620	312,303
Other taxes	115,444	138,252	260,703	329,383
	1,894,354	1,718,465	3,642,544	3,384,521
OPERATING INCOME	231,503	262,632	399,971	457,434
Allowance for borrowed funds used during construction	1,195	840	2,805	2,859
Other deductions	(3,892)	(8,232)	(22,865)	(7,883)
INCOME BEFORE INTEREST CHARGES	228,806	255,240	379,911	452,410
Allowance for borrowed funds used during construction	(1,377)	(1,240)	(3,298)	(4,252)
Interest charges	203,864	222,137	422,162	450,154
INCOME (LOSS) BEFORE INCOME TAXES	26,319	34,343	(38,953)	6,508
Income taxes	13,312	25,287	(21,501)	18,649
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	13,007	9,056	(17,452)	(12,141)
Extraordinary item - Loss from the extinguishment of debt, net of income taxes	-	(909)	-	(13,966)
NET INCOME (LOSS)	13,007	8,147	(17,452)	(26,107)
Dividends on preferred stock	15,515	15,808	31,144	34,568
BALANCE AVAILABLE FOR COMMON STOCK	\$ (2,508)	\$ (7,661)	\$ (48,596)	\$ (60,675)

INTERNAL CASH FLOW PROJECTION

NIAGARA MOHAWK POWER CORPORATION

2001 INTERNAL CASH FLOW PROJECTION, submitted as guarantees
of payment of retrospective premiums for Nine Mile 1
and Nine Mile 2 Nuclear Power Stations
Increase (Decrease) in Cash
(In Thousands of Dollars)

	2000 Actual	2001* (Projected)
Net income	\$ (22,312)	\$ 78,115
Less: Dividends Paid	77,569	68,013
Retained Earnings	<u>(99,881)</u>	<u>10,102</u>
Adjustments:		
Amortization/accretion of MRA/IPP buyout costs	375,487	364,290
Depreciation and amortization	311,803	276,282
Amortization of nuclear fuel	29,379	20,241
Provision for deferred income taxes	(20,582)	(65,852)
Changes in other assets and liabilities	281,098	(44,851)
Total Adjustments	<u>977,185</u>	<u>550,110</u>
Internal Cash Flow Provided by Operating Activities	<u>\$ 877,304</u>	<u>\$ 560,212</u>
Average Quarterly Cash Flow	<u>\$ 219,326</u>	<u>\$ 140,053</u>
Nuclear Units Operated:	Nine Mile No. 1	
	Nine Mile No. 2	
Maximum Total Annual Contingent Liability	\$ 20,000	

* Note: Assumes nuclear sale occurs on August 31, 2001.

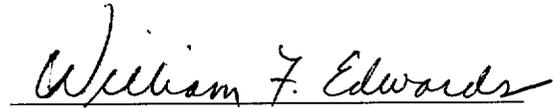
**NARRATIVE STATEMENT ADDRESSING
CASH FLOW**

It is Niagara Mohawk's view that the curtailment of capital expenditures to ensure payment of possible retrospective premiums of up to \$20 million would not be a material problem as this amount represents only about 8.6 percent of currently scheduled construction expenditures, net of Allowance for Funds Used During Construction (AFC) for the year 2001.

Date: August 13, 2001

CERTIFIED:

NIAGARA MOHAWK POWER CORPORATION

A handwritten signature in cursive script that reads "William F. Edwards". The signature is written in dark ink and is positioned above a horizontal line.

William F. Edwards
Senior Vice President and
Chief Financial Officer