



June 25, 2003

United States Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, D. C. 20555-0001

Serial Nos.: 03-178A (Dominion)  
B18929 (DNC)  
NL&OS/SWT R1  
Docket Nos. 50-280, 281  
50-338, 339  
50-245, 336, 423  
License Nos. DPR-32, 37  
NPF-4, 7  
DPR-21, 65  
NPF-49

**VIRGINIA ELECTRIC AND POWER COMPANY**  
**DOMINION NUCLEAR CONNECTICUT, INC.**  
**SURRY POWER STATION UNITS 1 AND 2**  
**NORTH ANNA POWER STATION UNITS 1 AND 2**  
**MILLSTONE POWER STATION UNITS 1, 2 AND 3**  
**UPDATE TO PARENT COMPANY GUARANTY**

In a letter (Serial Number 03-178) dated March 31, 2003, Virginia Electric and Power Company (Dominion) and Dominion Nuclear Connecticut, Inc., (DNC) provided the status of decommissioning funding for each of the seven nuclear power reactors referenced above. In that letter, Dominion proposed to modify its current method of providing financial assurance for the Surry and North Anna plants from surety bonds coupled with the sinking fund method to a parent company guaranty coupled with the sinking fund method. The parent guaranty method of financial assurance is permitted by 10 CFR 50.75 (e)(1)(iii)(B). As stated in the previous letter, Dominion requested formal NRC notification that the proposed parent company guaranty was an acceptable alternate method of financial assurance for the North Anna and Surry plants and that Dominion and the surety holder have been released from liability under the existing surety bonds. Formal NRC notification of release is consistent with Regulatory Guide 1.159 and is deemed necessary in order to terminate the surety bonds and release the surety issuer from any obligation related to decommissioning funding assurance.

As a follow-up to this request, Dominion contacted the NRC on June 4, 2003 to determine the status of the review of the parent company guaranty. During that teleconference, the NRC identified a difference of opinion as to the methods and assumptions to be used in calculating financial assurance requirements. These differences would affect the amount calculated for the parent company guaranty. Although Dominion does not agree with the methods and assumptions identified during the June 4, 2003 teleconference, Dominion agrees to increase the amount of the parent company guaranty to a value which bounds these considerations in order to obtain NRC release of the surety bond consistent with

MDD

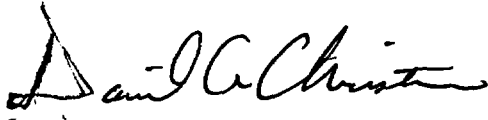
NRC guidance provided in Regulatory Guide 1.159. Accordingly, the parent company guaranty has been revised to \$110 million in lieu of the original parent company guaranty of \$74 million provided in the March 31, 2003 submittal (Serial Number 03-178).

Attachment 1 provides the financial test for the parent company guaranty, which is being provided for Millstone Units 1, 2 and 3, Surry Units 1 and 2, and North Anna Units 1 and 2. The revised parent company guaranty is included as Attachment 2.

We request that Dominion and the surety bond holder be notified consistent with Regulatory Guide 1.159 as soon as the parent company guaranty has been accepted as replacement for the surety bonds. Specific surety bond information is contained in Attachment 2 to our previous letter (Serial Number 03-178) dated March 31, 2003.

Please contact us if you have any questions or require additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read "David A. Christian". The signature is fluid and cursive, with a large initial "D" and "C".

David A. Christian  
Senior Vice President and Chief Nuclear Officer  
Virginia Electric and Power Company  
Dominion Nuclear Connecticut, Inc.

Attachments:

- Attachment 1 - Financial Test Contained in 10 CFR Part 30 Appendix A
- Attachment 2 - Parent Company Guaranty for \$110 million

Commitments made in this letter: None.

**cc: U. S. Nuclear Regulatory Commission  
Region II  
Sam Nunn Atlanta Federal Center  
61 Forsyth Street, S.W., Suite 23T85  
Atlanta, Georgia 30303**

**U. S. Nuclear Regulatory Commission  
Region I  
Attention: Mr. Hubert J. Miller  
Regional Administrator  
475 Allendale Road  
King of Prussia, PA 19406-1415**

**Mr. R. A. Musser  
NRC Senior Resident Inspector  
Surry Power Station**

**Mr. M. J. Morgan  
NRC Senior Resident Inspector  
North Anna Power Station**

**Mr. J. R. Wray  
NRC Inspector, Region 1  
Millstone Power Station Unit No. 1**

**Mr. S. M. Schneider  
NRC Senior Resident Inspector  
Millstone Power Station**

**Mr. D. G. Holland  
NRC Project Manager  
Millstone Power Station Unit No. 1**

**Mr. R. B. Ennis  
NRC Senior Project Manager  
Millstone Power Station Unit 2**

**Mr. V. Nerses  
NRC Senior Project Manager  
Millstone Power Station Unit 3**

**Mr. C. Gratton  
NRC Senior Project Manager  
Surry Power Station**

**Mr. S. R. Monarque  
NRC Project Manager  
North Anna Power Station**

**Mr. J. E. Reasor, Jr.  
Old Dominion Electric Cooperative  
Innsbrook Corporate Center  
4201 Dominion Blvd.  
Suite 300  
Glen Allen, Virginia 23060**

**Mr. William Meinert  
Nuclear Engineer  
Mass. Municipal Wholesale Electric Co.  
Moody Street, P. O. Box 426  
Ludlow, MA 01056**

**S. Page  
Central Vermont Public Service Corp.  
77 Grove Street  
Rutland, VT 05701**

**Attachment 1**

**DOMINION AND DNC**  
**SURRY AND NORTH ANNA POWER STATIONS UNITS 1 AND 2**  
**MILLSTONE POWER STATION UNITS 1, 2 AND 3**  
**UPDATE TO PARENT COMPANY GUARANTY**

**FINANCIAL TEST CONTAINED IN 10 CFR PART 30 APPENDIX A**

**FINANCIAL TEST CONTAINED IN 10 CFR PART 30 APPENDIX A**

Dominion Resources, Inc. (DRI), located at 120 Tredegar Street, Richmond, Virginia 23219, as parent company of Virginia Electric and Power Company (Dominion) and Dominion Nuclear Connecticut, Inc. (DNC) satisfies the financial test contained in Appendix A to 10 CFR Part 30 for use of a parent guaranty in the total amount of \$110 million.

DRI guarantees, through the parent company guaranty (Attachment 2), \$110 million for the purpose of decommissioning the nuclear facilities owned by Dominion Resources, Inc. (DRI):

| <u>Facility Name</u>             | <u>Location</u> | <u>License No.</u> |
|----------------------------------|-----------------|--------------------|
| Surry Unit 1                     | Surry, VA       | DPR-32             |
| Surry Unit 2                     | Surry, VA       | DPR-37             |
| North Anna Unit 1 <sup>(1)</sup> | Louisa, VA      | NPF-4              |
| North Anna Unit 2 <sup>(1)</sup> | Louisa, VA      | NPF-7              |
| Millstone Unit 1                 | Waterford, CT   | 50-245             |
| Millstone Unit 2                 | Waterford, CT   | 50-336             |
| Millstone Unit 3                 | Waterford, CT   | 50-423             |

Note (1):

The North Anna Nuclear Power Station is jointly owned by Virginia Electric and Power Company (88.4%) and Old Dominion Electric Cooperative (11.6%). However, Virginia Electric and Power Company is contractually responsible for 89.26% of the decommissioning obligation and Dominion Resources, Inc. is providing a guaranty for that portion only.

DRI is required to file a Form 10K with the U.S. Securities and Exchange Commission. The DRI 2002 10K was separately transmitted to the NRC on March 31, 2003 (Serial Number 03-196). The figures for line items B and C as shown below were derived from DRI's independently audited, year-end financial statements and footnotes for the 12-month period ended December 31, 2002, and underlying accounting records.

A. DRI's current implied bond ratings are BBB+ and Baa1 for Standard and Poor's and Moody's, respectively.

B. Computation of tangible net worth (millions of dollars):

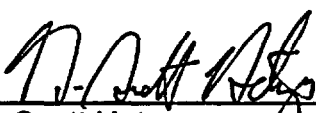
|  |                     |
|--|---------------------|
| Net Worth                                    | \$10,213            |
| LESS: Intangible Assets                      | 313                 |
| Goodwill                                     | <u>4,301</u>        |
| Tangible Net Worth                           | 5,599               |
| LESS: Net Book Value of Nuclear Plants       | <u>2,743</u>        |
| Tangible Net Worth less book value of plants | <u><u>2,856</u></u> |

|                        |   |                 |
|------------------------|---|-----------------|
| C. Total Assets        | = | \$37,909        |
| Less: Foreign          | = | \$ 731          |
| <u>Total US Assets</u> | = | <u>\$37,178</u> |

FINANCIAL TESTS

|   | YES                                 | NO                       |
|---|-------------------------------------|--------------------------|
| 1. Is line B at least \$10 Million?   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. Is line B at least 6 times the guaranty amount of \$110 million?           | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. a. Are at least 90 percent of the firm's assets located in the U.S.?<br>or | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Is line C at least 6 times the guaranty amount of \$110 million?           | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4. a. Are bond ratings BBB or above as issued by Standard and Poor's?<br>or   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Are bond ratings Baa or above as issued by Moody's?                        | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

I hereby certify that the content of this financial test is true and correct to the best of my knowledge.

  
\_\_\_\_\_  
G. Scott Hetzer  
Senior Vice President and Treasurer  
Dominion Resources, Inc.

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Shareholders and Board of Directors of  
Dominion Resources, Inc.  
Richmond, Virginia

We have performed the procedures included in 10 CFR 30, Appendix A, which were agreed to by the United States Nuclear Regulatory Commission and Dominion Resources, Inc. (the Company), solely to assist the specified parties in evaluating the Company's compliance with the parent company guarantee financial test option as of December 31, 2002, included in the accompanying letter dated June 25, 2003 from David A. Christian of Virginia Electric and Power Company (Dominion) and Dominion Nuclear Connecticut, Inc. (DNC), wholly-owned subsidiaries of Dominion Resources, Inc., and with respect to Attachment 1, from G. Scott Hetzer of Dominion Resources Services, Inc. Management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and related findings are as follows:

1. We compared the amounts included in Attachment 1, Dominion and DNC, Surry and North Anna Power Stations Units 1 and 2, Millstone Power Stations Units 1, 2 and 3, Decommissioning Financial Assurance, Financial Test Contained in 10 CFR Part 30 Appendix A, Section B. Net Worth, Intangible Assets and Goodwill, and Section C. Total Assets, in the letter referred to above with the corresponding amounts in the audited financial statements of Dominion Resources, Inc. as of and for the year ended December 31, 2002, on which we have issued our report dated January 21, 2003 (February 19, 2003, as to the last two paragraphs of the Lease Commitments section of Note 27, February 21, 2003, as to the last three paragraphs of Note 30, and May 7, 2003, as to Note 32), which report expressed an unqualified opinion and included an explanatory paragraph as to changes in accounting principle for: goodwill and other intangible assets in 2002, derivative instruments and hedging activities in 2001, and the method of accounting used to develop the market-related value of pension plan assets in 2000, as discussed in notes 18, 15 and 3, respectively, to those financial statements, and noted that such amounts were in agreement.
2. We recomputed from, or reconciled to, the audited financial statements referred to in procedure 1, the information included in Attachment 1, Dominion and DNC, Surry and North Anna Power Stations Units 1 and 2, Millstone Power Stations Units 1, 2 and 3, Decommissioning Financial Assurance, Financial Test Contained in 10 CFR Part 30 Appendix A, Section B. Net Book Value of Nuclear Plants and Section C. Foreign assets, in the letter referred to above and noted no differences.



We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the accompanying letter dated June 25, 2003. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the shareholders and Board of Directors and management of Dominion Resources, Inc. and the United States Nuclear Regulatory Commission, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

June 25, 2003

**Attachment 2**

**DOMINION AND DNC**  
**SURRY AND NORTH ANNA POWER STATIONS UNITS 1 AND 2**  
**MILLSTONE POWER STATION UNITS 1, 2 AND 3**  
**UPDATE TO PARENT COMPANY GUARANTY**

**PARENT COMPANY GUARANTY**



**Dominion**

**Guaranty #76**

**\$110,000,000.00**

**LIMITED GUARANTY**

This Limited Guaranty, effective as of March 31, 2003, by Dominion Resources, Inc., a Virginia corporation ("Guarantor") and parent company of both Virginia Electric and Power Company, a Virginia public service corporation, and Dominion Nuclear Connecticut, Inc., is established for the purpose of supporting Virginia Electric and Power Company's and Dominion Nuclear Connecticut's financial assurance obligations as it relates to nuclear decommissioning pursuant to 10 CFR §50.75.

WHEREAS, Virginia Electric and Power Company is a licensee of four nuclear power reactors, namely, Surry Power Station Units 1 and 2 and North Anna Power Station Units 1 and 2; and Dominion Nuclear Connecticut is a licensee of three nuclear power reactors, namely, Millstone Power Station Units 1, 2 and 3 (collectively, the "Reactors"); and

WHEREAS, Virginia Electric and Power Company and Dominion Nuclear Connecticut have established one or more external trusts for each of the Reactors for the purpose of accumulating sufficient funds for each of the Reactor's ultimate decommissioning (collectively, the "Nuclear Decommissioning Trusts"); and

WHEREAS, the Nuclear Regulatory Commission ("NRC"), through its regulations contained in 10 CFR §50.75, requires certain amounts and methods to be used by a licensee in their annual demonstration of financial assurance for decommissioning of nuclear power reactors; and

WHEREAS, pursuant to 10 CFR §50.75, Virginia Electric and Power Company's and Dominion Nuclear Connecticut's nuclear decommissioning financial assurance obligations may be satisfied, in part, via a parent company guaranty in addition to the sinking fund method or prepayment method; and

WHEREAS, Guarantor is willing to guarantee payment for an amount not to exceed one hundred ten million dollars (\$110,000,000.00) and for which it is qualified under the financial tests contained in appendix A to 10 CFR Part 30 for Virginia Electric and Power Company's and Dominion Nuclear Connecticut's combined nuclear decommissioning financial assurance obligations.

NOW, THEREFORE, because of the above Recitals, which are incorporated herein, Guarantor hereby unconditionally guarantees the following:

1. Guarantor shall make on behalf of Virginia Electric and Power Company or Dominion Nuclear Connecticut, for the benefit of the Nuclear Decommissioning Trusts, any and all required payments or obligations under the nuclear decommissioning financial assurance regulations contained in 10 CFR §50.75 to the extent Guarantor qualifies under appendix A to 10 CFR Part 30, such payments or obligations in an aggregate amount not to exceed one hundred ten million dollars (\$110,000,000.00).
2. Based upon the financial tests as contained in appendix A to 10 CFR Part 30, specifically paragraph II.A.2, and applied to Guarantor's December 31, 2002 audited financial statements, the limit to which Guarantor qualifies to guarantee is currently \$476 million. Such limitation will vary from time to time based upon the continued application of the financial tests on the annual financial statements of the Guarantor and the analysis of the following:

- a) Guarantor's current implied unsecured bond ratings are BBB+ and Baa1 by Standard and Poor's and Moody's, respectively.
  - b) Guarantor's tangible net worth less the book value of nuclear power plant property at December 31, 2002 is \$2.856 billion, which would support a maximum decommissioning financial assurance amount of \$476 million.
  - c) Guarantor's total assets at December 31, 2002 are \$37.9 billion with assets located in the United States of \$37.2 billion, which would support a maximum decommissioning financial assurance amount of approximately \$6.2 billion.
3. Guarantor agrees to submit to the NRC revised financial statements, financial test data, and a special auditor's report and reconciling schedule annually within 90 days of the close of the succeeding calendar years.
  4. If Guarantor fails to meet the financial test criteria contained in appendix A to 10 CFR Part 30 for an amount equal to or exceeding one hundred ten million dollars (\$110,000,000.00), then Guarantor will send notice of cancellation by certified mail to Virginia Electric and Power Company, Dominion Nuclear Connecticut and the NRC. Cancellation may not occur, however, during the 120 days beginning on the date of receipt of the notice of cancellation by Virginia Electric and Power Company, Dominion Nuclear Connecticut and the NRC, as evidenced by the return receipts.
  5. If Virginia Electric and Power Company and/or Dominion Nuclear Connecticut fail to provide alternate financial assurance as specified in 10 CFR §50.75 within 90 days after receipt of a notice of cancellation of this Guaranty, Guarantor agrees to provide such alternative financial assurance in the name of Virginia Electric and Power Company and/or Dominion Nuclear Connecticut prior to cancellation of this Guaranty or make full payment under this Guaranty.
  6. This Guaranty shall remain in effect until the NRC terminates the licenses of the Reactors or until such time as alternative financial assurance meeting the requirements of 10 CFR §50.75 is provided by either Guarantor, Virginia Electric and Power Company or Dominion Nuclear Connecticut, as appropriate.
  7. All notices and communications under this Guaranty, until the parties are notified to the contrary in writing, shall be addressed to:

**Virginia Electric and Power Company:**

5000 Dominion Boulevard  
Glen Allen, Virginia 23060  
Attn: David A. Christian  
Senior Vice President – Nuclear Operations and Chief Nuclear Officer

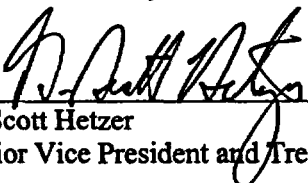
**Dominion Nuclear Connecticut:**

5000 Dominion Boulevard  
Glen Allen, Virginia 23060  
Attn: David A. Christian  
Senior Vice President – Nuclear Operations and Chief Nuclear Officer

Guarantor: Dominion Resources, Inc.  
P. O. Box 26532  
Richmond, Virginia 23261  
Attn: G. Scott Hetzer, Senior Vice President and Treasurer

8. This Guaranty shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without regard to principles of conflicts of laws.
9. The provisions of this Guaranty may not be waived, changed, modified or discharged orally, but only by an agreement in writing signed by Guarantor, Virginia Electric and Power Company and Dominion Nuclear Connecticut.
10. Any delay by Virginia Electric and Power Company and/or Dominion Nuclear Connecticut in exercising, or any failure of Virginia Electric and Power Company and/or Dominion Nuclear Connecticut to exercise, any right hereunder shall not constitute either a waiver of the right of Virginia Electric and Power Company and/or Dominion Nuclear Connecticut to exercise such option or a waiver of any other remedy to which Virginia Electric and Power Company and/or Dominion Nuclear Connecticut may be entitled hereunder or under applicable law.
11. The provisions of this Guaranty shall be binding upon Guarantor and its successors and assigns. Guarantor shall not assign its rights nor delegate its obligations under this Guaranty in whole or part, without written consent of Virginia Electric and Power Company and Dominion Nuclear Connecticut, which shall not be unreasonably withheld, and proper notice to the NRC.
12. A determination that any provision of this Guaranty is unenforceable shall not affect the enforceability of any other specific provision herein or of this Guaranty generally.
13. This Guaranty is the entire and only agreement between Guarantor, Virginia Electric and Power Company and Dominion Nuclear Connecticut with respect to the guarantee of the nuclear decommissioning financial assurance obligations of Virginia Electric and Power Company and Dominion Nuclear Connecticut by Guarantor. All representations, warranties, agreements, or undertakings heretofore or contemporaneously made, which are not set forth herein, are superseded hereby.

***Dominion Resources, Inc.***

By:  Date: 6-6-03  
G. Scott Hetzer  
Senior Vice President and Treasurer

I hereby certify that G. Scott Hetzer is the duly elected and incumbent Senior Vice President and Treasurer of Dominion Resources, Inc., and that the signature set forth above is his genuine signature.

By:  Date: 6/6/03  
Karen W. Doggett  
Assistant Corporate Secretary