

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



March 29, 2004

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

Serial No. 04-163  
NL&OS/SWT R1  
Docket No. 50-245  
License No. DPR-21

**DOMINION NUCLEAR CONNECTICUT**  
**MILLSTONE POWER STATION UNIT 1**  
**DECOMMISSIONING FUNDING STATUS REPORT**  
**AND UPDATE TO PARENT COMPANY GUARANTY**

Pursuant to 10 CFR 50.75(f)(1), Dominion Nuclear Connecticut, Inc., (DNC) is providing the report on the status of decommissioning funding for Millstone Unit 1 as Attachment 1. In addition, the annual update of the Millstone Unit 1 parent company guaranty has been performed as required by Condition 2.C(5) of its license.

In a letter dated March 31, 2003, DNC and Virginia Electric and Power Company (Dominion) provided the biennial update status on decommissioning funding for the Surry, North Anna and Millstone Power Stations. Subsequently, in a letter dated June 25, 2003, a parent company guaranty was provided to the Nuclear Regulatory Commission in the amount of 110 million dollars. This parent company guaranty covered DNC Millstone Units 1 and 2 as well as Dominion Surry Units 1 and 2 and North Anna Units 1 and 2. Attachment 2 contains the updated financial test in support of the parent company guaranty. As demonstrated by the financial test, the current parent company guaranty for Millstone Units 1 and 2, Surry Units 1 and 2 and North Anna Units 1 and 2 remains an acceptable method for providing financial assurance in concert with the other means of financial assurance noted in our previous letter dated March 31, 2003. Since the March 31, 2003 submittal there have been no material changes to trust agreements established for nuclear decommissioning of Millstone Unit 1.

If you have any questions or require additional information, please contact Ms. Sheri Tew at (804) 741-2368.

Very truly yours,

David A. Christian  
Senior Vice President and Chief Nuclear Officer

Attachments (2)

A001

Commitments made in this letter: None.

cc: U. S. Nuclear Regulatory Commission  
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**Attachment 1**

**DOMINION NUCLEAR CONNECTICUT, INC. (DNC)**  
**MILLSTONE POWER STATION UNIT 1**  
**2004 DECOMMISSIONING FUNDING STATUS REPORT**

**2004 Decommissioning Funding Status Report**

**Updated Decommissioning Funding Worksheet for Millstone Unit 1**

\$504,480,827	Estimated Decommissioning Cost Estimate at Time of License Transfer (Exhibit L to License Transfer Application) (1999 dollars)
\$12,859,695	Cost savings associated with adjusted SAFESTOR estimates, based on tighter work-scope and manpower costs (1999 dollars) *
\$7,589,890	Cost savings associated with specific vendor bids for spent fuel pool projects (1999 dollars)*
	* As of 12/31/03 actual costs are lower than previous estimates which are conservative. The next decommissioning study will true up the remaining cost estimates.
\$484,031,242	Prior revised decommissioning cost estimate (1999 dollars)
\$577,216,259	Prior revised decommissioning cost estimate (2003 dollars)

Unit 1 Qualified Fund Balance as of 12/31/03	\$281,219,969
Unit 1 Non-Qualified Fund Balance as of 12/31/03	\$0
Unit 1 Guaranty Amount	\$0
Total Fund Balances as of 12/31/2003	\$281,219,969

**Millstone Unit 1 Decommissioning Expenditures**

\$571,603,507	Estimated Remaining Decommissioning Costs (12/31/2003 \$)
\$2,398,889	Annual monitoring cost during SAFSTOR (12/31/2003 \$)
\$1,428,861	Annual Decommissioning Activities (2004 - 2008) (12/31/2003 \$)**
	** Additional scope anticipated but not yet submitted for approval.
4.50%	Inflation Rate
6.50%	After Tax Earnings - Long Term
0.75%	After Tax Earnings - Money Market

Year	Beginning of Year Balance	Earnings	Unit 1 Expenditures	End of Year Balance
2004	\$281,219,969	\$15,778,973	\$26,046,309	\$270,952,633
2005	\$270,952,633	\$17,476,071	\$4,180,000	\$284,248,705
2006	\$284,248,705	\$18,334,203	\$4,368,099	\$298,214,808
2007	\$298,214,808	\$19,235,611	\$4,564,664	\$312,885,755
2008	\$312,885,755	\$20,188,435	\$4,588,896	\$328,485,294
2009	\$328,485,294	\$21,250,015	\$3,123,978	\$346,611,330
2010	\$346,611,330	\$22,423,638	\$3,264,558	\$365,770,411
2011	\$365,770,411	\$23,664,204	\$3,411,463	\$386,023,152
2012	\$386,023,152	\$24,975,326	\$3,574,746	\$407,423,732
2013	\$407,423,732	\$26,361,467	\$3,725,403	\$430,059,796
2014	\$430,059,796	\$27,827,363	\$3,893,046	\$453,994,113
2015	\$453,994,113	\$29,377,400	\$4,068,233	\$479,303,280
2016	\$479,303,280	\$31,016,167	\$4,262,951	\$506,056,496
2017	\$506,056,496	\$32,749,287	\$4,442,612	\$534,363,171
2018	\$534,363,171	\$34,582,724	\$4,642,530	\$564,303,366
2019	\$564,303,366	\$36,522,047	\$4,851,444	\$595,973,969
2020	\$595,973,969	\$38,573,089	\$5,083,648	\$629,463,410
2021	\$629,463,410	\$40,742,940	\$5,297,898	\$664,908,453
2022	\$664,908,453	\$43,039,120	\$5,536,303	\$702,411,269
2023	\$702,411,269	\$45,468,706	\$5,785,437	\$742,094,538
2024	\$742,094,538	\$48,039,119	\$6,062,345	\$784,071,312
2025	\$784,071,312	\$50,759,305	\$6,317,841	\$828,512,776
2026	\$828,512,776	\$53,638,761	\$6,602,144	\$875,549,392
2027	\$875,549,392	\$56,686,485	\$6,899,241	\$925,336,637
2028	\$925,336,637	\$59,911,924	\$7,229,459	\$978,019,101
2029	\$978,019,101	\$63,326,382	\$7,534,143	\$1,033,811,340
2030	\$1,033,811,340	\$66,941,859	\$7,873,180	\$1,092,880,019
2031	\$1,092,880,019	\$70,769,808	\$8,227,473	\$1,155,422,354
2032	\$1,155,422,354	\$74,822,262	\$8,621,265	\$1,221,623,351
2033	\$1,221,623,351	\$79,113,518	\$8,984,606	\$1,291,752,263
2034	\$1,291,752,263	\$83,658,757	\$9,388,913	\$1,366,022,107
2035	\$1,366,022,107	\$88,472,566	\$9,811,415	\$1,444,683,259
2036	\$1,444,683,259	\$93,570,279	\$10,281,018	\$1,527,972,519
2037	\$1,527,972,519	\$98,969,999	\$10,714,310	\$1,616,228,208
2038	\$1,616,228,208	\$104,690,949	\$11,196,454	\$1,709,722,702
2039	\$1,709,722,702	\$110,751,716	\$11,700,294	\$1,808,774,124
2040	\$1,808,774,124	\$117,171,858	\$12,260,306	\$1,913,685,676
2041	\$1,913,685,676	\$123,974,316	\$12,777,014	\$2,024,882,978
2042	\$2,024,882,978	\$131,183,454	\$13,351,980	\$2,142,714,453
2043	\$2,142,714,453	\$138,822,973	\$13,952,819	\$2,267,584,607
2044	\$2,267,584,607	\$146,917,829	\$14,620,643	\$2,399,881,793
2045	\$2,399,881,793	\$155,497,120	\$15,236,827	\$2,540,142,086
2046	\$2,540,142,086	\$164,591,755	\$15,922,484	\$2,688,811,357
2047	\$2,688,811,357	\$174,231,971	\$16,638,996	\$2,846,404,332
2048	\$2,846,404,332	\$181,292,183	\$114,587,638	\$2,913,108,877
2049	\$2,913,108,877	\$177,106,419	\$376,789,488	\$2,713,425,807
2050	\$2,713,425,807	\$150,276,399	\$802,962,415	\$2,060,739,791
2051	\$2,060,739,791	\$102,495,393	\$967,775,173	\$1,195,460,011
2052	\$1,195,460,011	\$56,459,626	\$653,700,760	\$598,218,878
2053	\$598,218,878	\$32,036,540	\$210,698,051	\$419,557,367
2054	\$419,557,367	\$20,473,090	\$209,173,515	\$230,856,941
2055	\$230,856,941	\$11,321,280	\$113,366,817	\$128,811,404
2056	\$128,811,404	\$4,168,443	\$129,363,024	\$3,616,824
2057	\$3,616,824			
<b>Trust Fund Excess (12/31/2003 \$)</b>				<b>\$128,469</b>

**Attachment 2**

**DOMINION NUCLEAR CONNECTICUT, INC. (DNC)**  
**MILLSTONE POWER STATION UNIT 1**  
**FINANCIAL TEST CONTAINED IN 10 CFR PART 30 APPENDIX A,**  
**INCLUDING INDEPENDENT ACCOUNTANTS' REPORT**

**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.<sup>1</sup>

DRI guarantees, through the parent company guaranty, \$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>2</sup>	Louisa, VA	NPF-4
North Anna Unit 2 <sup>2</sup>	Louisa, VA	NPF-7
Millstone Unit 1	Waterford, CT	DPR-21
Millstone Unit 2	Waterford, CT	DPR-65
Millstone Unit 3	Waterford, CT	NPF-49

DRI is required to file a Form 10K with the U.S. Securities and Exchange Commission. The DRI 2003 10K was separately transmitted to the NRC on March 29, 2004 (Serial Number 04-168). 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, 2003, and underlying accounting records.

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

<sup>1</sup> The NRC Minimum and the subsequent 2% allowable real rate of return calculations have been revised to reflect License Renewal (NRC approval – March 2003) for the Surry and North Anna units. The result of including License Renewal is that a Parent Company Guaranty is no longer required for Surry Unit 1 and Unit 2 and North Anna Unit 1 and Unit 2 as these units are now fully funded. Additionally, Millstone Unit 2, without License Renewal, no longer requires a Parent Company Guaranty as this unit is now fully funded. Millstone Unit 3, without License Renewal, has been and remains fully funded and therefore does not require a Parent Company Guaranty. Millstone Unit 1, which has been approved for the "SAFESTOR" method of decommissioning, is now fully funded and no longer requires a Parent Company Guaranty. DRI will leave the existing \$110 Million Parent Company Guaranty in place for this 2004 filing for the purpose of covering any variations to either the decommissioning escalation rate or decommissioning trust fund growth rate between now and the next filing.

<sup>2</sup> 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.

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

Net Worth	\$10,538
LESS: Intangible Assets	365
Goodwill	<u>4,300</u>
Tangible Net Worth	5,873
LESS: Net Book Value of Nuclear Plants	<u>3,258</u>
Tangible Net Worth less book value of plants	<u>2,615</u>

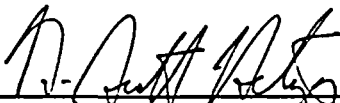
C.	Total Assets	=	\$44,186
	Less: Foreign	=	<u>\$ 1,550</u>
	<u>Total US Assets</u>	=	<u>\$42,636</u>

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 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, 2003, included in the accompanying letter dated March 29, 2004 from David A. Christian of Virginia Electric and Power Company and Dominion Nuclear Connecticut, Inc., and with respect to Attachment 2, from G. Scott Hetzer of Dominion Resources, 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 2, Dominion Nuclear Connecticut, Inc. (DNC), Virginia Electric and Power Company (Dominion), Surry Power Station Unit 1, Surry Power Station Unit 2, North Anna Power Station Unit 1, North Anna Power Station Unit 2, Millstone Power Station Unit 1, Millstone Power Station Unit 2, Millstone Power Station Unit 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, 2003, on which we have issued our report dated February 26, 2004, which report expressed an unqualified opinion and included an explanatory paragraph as to changes in accounting principles for: asset retirement obligations, contracts involved in energy trading, derivative contracts not held for trading purposes, derivative contracts with a price adjustment feature, the consolidation of variable interest entities, and guarantees in 2003; goodwill and intangible assets in 2002; and derivative contracts and hedging activities in 2001, 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 2, Dominion Nuclear Connecticut, Inc. (DNC), Virginia Electric and Power Company (Dominion), Surry Power Station Unit 1, Surry Power Station Unit 2, North Anna Power Station Unit 1, North Anna Power Station Unit 2, Millstone Power Station Unit 1, Millstone Power Station Unit 2, Millstone Power Station Unit 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 March 29, 2004. 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 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*

March 29, 2004