

January 4, 2005

Mr. William Matthews
Vice President and
Senior Nuclear Executive
Dominion Nuclear Connecticut
Rope Ferry Road
Waterford, CT 06385

SUBJECT: FOREIGN OBLIGATIONS

Dear Mr. Matthews:

It is our understanding that Dominion Nuclear Connecticut, Inc. has purchased a reactor vessel closure head (RVCH) from Mitsubishi Heavy Industries (MHI) in Japan for installation and use in the Millstone Nuclear Power Station, Unit 2 (Millstone-2). The purpose of this letter is to inform you that by accepting this equipment, installing and utilizing it at the Millstone-2 reactor, your company is also accepting responsibility for complying with certain peaceful use commitments and material tracking obligations undertaken on your behalf by the U.S. Government.

Specifically, the U.S. and Japanese Governments have exchanged diplomatic notes agreeing that the RVCH will be subject to certain terms and conditions of the U.S.-Japan Agreement for Peaceful Nuclear Cooperation. While we have no reason to believe that meeting the relevant terms and conditions of the U.S. Agreement with Japan will be an issue for your company, this letter is intended to ensure that your company understands the commitments and obligations associated with the use of "foreign obligated equipment" and takes appropriate action to comply.

First, the U.S. has agreed that this equipment will not be used for any purpose that would result in any nuclear explosive device. For example, this would preclude use of the Millstone-2 reactor to produce tritium for the weapons program. Second, the U.S. Government has agreed that if this equipment is ever to be exported from the U.S. to a country other than Japan, the U.S. Government will obtain similar peaceful use assurances from the proposed recipient country prior to approving its export. As your company would be required to submit an application to the NRC for a license to export this equipment, these assurances would be obtained in the context of that review.

Finally, the U.S. Government has also agreed that when the Millstone-2 reactor is started up with the Japanese-obligated equipment, all nuclear material used in or produced through the use of the reactor from that day forward will also become obligated to Japan so long as that equipment is in use. By accepting and installing this equipment, your company is accepting responsibility for notifying the Nuclear Materials Management and Safeguards System (NMMSS) within 30 calendar days of re-starting the reactor with the Japanese-obligated equipment, that all material used in and produced through the use of the reactor is obligated to

Japan and all nuclear material transaction and status reports must be adjusted accordingly. We have provided relevant staff at Millstone-2 with guidance for properly documenting that the nuclear material used in or produced through the use of the subject RVCH is Japanese-obligated. We note that spent nuclear fuel removed from the core prior to the installation of the foreign-obligated equipment is not considered obligated. In addition, if this foreign equipment is ever removed from the reactor and replaced with non-foreign-obligated equipment, from that point forward, all future generations of material used in and produced through the use of that reactor would no longer need to be tracked as foreign-obligated.

If you need further assistance please contact Ms. Patricia Tana of my staff at 301-415-8105 or pmt@nrc.gov.

Sincerely,

/RA/

Vonna L. Ordaz, Chief
Fuel Cycle and Special Security Programs Section
Division of Nuclear Security
Office of Nuclear Security and Incident Response

cc: R. DeLaBarre, DOS
S. Oehlbert, DOE
M. Romano, NAC/NMMSS
M. Laidlow, Millstone-2

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Sincerely,

(Original Signed by:0

Vonna L. Ordaz, Chief
Fuel Cycle and Special Security Programs Section
Division of Nuclear Security
Office of Nuclear Security and Incident Response

cc: R. DeLaBarre, DOS
S. Oehlbert, DOE
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