



John H. Mueller
Senior Vice President and
Chief Nuclear Officer

November 15, 1999
NMP1L 1483

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

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

RE: Nine Mile Point Unit 1 Nine Mile Point Unit 2
 Docket No. 50-220 Docket No. 50-410
 DPR-63 NPF-69

Subject: *Guarantee of Retrospective Premium*

Gentlemen:

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

1. Consolidated Balance Sheets for Niagara Mohawk Power Corporation (NMPC) and its subsidiary companies for periods ending September 30, 1999 and December 31, 1998.
2. Consolidated Statements of Income for NMPC and its subsidiary companies for periods ending September 30, 1999 and September 30, 1998.
3. The 1999 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.

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

Very truly yours,

John H. Mueller
Senior Vice President and
Chief Nuclear Officer

JHM/JMT/jb
Enclosures

xc: Mr. H. J. Miller, NRC Regional Administrator, Region I
Mr. S. S. Bajwa, Section Chief PD-I, Section 1, NRR
Mr. G. K. Hunegs, NRC Senior Resident Inspector
Mr. D. S. Hood, Senior Project Manager, NRR
Records Management

1004

PDR ADDL 0520920 I

CONSOLIDATED BALANCE SHEETS

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	September 30, 1999 (Unaudited)	December 31, 1998
	<i>(in thousands of dollars)</i>	
Utility plant:		
Electric plant	\$ 7,816,113	\$ 8,826,650
Nuclear fuel	627,716	604,213
Gas plant	1,244,466	1,179,716
Common plant	363,020	349,066
Construction work-in-progress	323,927	471,802
Total utility plant	10,375,242	11,431,447
Less - Accumulated depreciation and amortization	4,193,143	4,553,488
Net utility plant	6,182,099	6,877,959
 Other property and investments	 334,967	 411,106
 Current assets:		
Cash, including temporary cash investments of \$87,633 and \$122,837, respectively	102,377	172,998
Funds held for the repurchase of common stock	9,394	-
Account receivable (less allowance for doubtful accounts of \$61,300 and \$47,900, respectively)	466,895	427,588
Materials and supplies, at average cost:		
Coal and oil for production of electricity	7,802	42,299
Gas storage	43,325	38,803
Other	98,911	118,855
Refundable taxes	-	130,411
Prepaid taxes	35,241	17,282
Other	22,756	22,208
	786,701	970,444
 Regulatory assets:		
MRA regulatory asset	3,775,787	4,045,647
Swap contract regulatory asset	583,209	535,000
Regulatory tax asset	425,898	425,898
IPP buyout costs	134,651	41,971
Deferred environmental restoration costs	220,000	220,000
Unamortized debt expense	46,176	51,922
Postretirement benefits other than pensions	49,878	52,701
Other	88,984	95,090
	5,324,583	5,468,229
 Other assets	 106,635	 133,449
	 \$ 12,734,985	 \$ 13,861,187

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	September 30, 1999	December 31, 1998
	(Unaudited)	1998
	<i>(in thousands of dollars)</i>	
Capitalization:		
Common stockholders' equity:		
Common stock of Niagara Mohawk - \$1.00 par value; authorized 250,000,000 shares; issued 187,364,863	\$ 187,365	\$ 187,365
Capital stock premium and expense	2,362,617	2,362,531
Accumulated other comprehensive income	(3,970)	(25,794)
Retained earnings	419,567	646,040
	<u>2,965,579</u>	<u>3,170,142</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 186,000 shares and 204,000 shares, respectively	16,800	18,600
Cumulative preferred stock, authorized 19,600,000 shares, \$25 par value:		
Non-redeemable (optionally redeemable), issued 9,200,000 shares	230,000	230,000
Redeemable (mandatorily redeemable), issued 2,015,602 shares and 2,248,403 shares, respectively	44,570	50,390
	<u>501,370</u>	<u>508,990</u>
Long-term debt	<u>5,382,844</u>	<u>6,417,225</u>
Total capitalization	<u>8,849,793</u>	<u>10,096,357</u>
Current liabilities:		
Long-term debt due within one year	273,621	312,240
Sinking fund requirements on redeemable preferred stock	7,620	7,620
Accounts payable	202,671	197,124
Payable on outstanding bank checks	60,853	39,306
Customers' deposits	15,176	17,148
Accrued taxes	9,031	6,254
Accrued interest	95,586	132,236
Accrued vacation pay	38,891	38,727
Other	77,029	91,877
	<u>780,478</u>	<u>842,532</u>
Regulatory and other liabilities:		
Accumulated deferred income taxes	1,508,639	1,511,417
Liability for swap contracts	740,776	693,363
Deferred gain on sale of assets	115,064	-
Employee pension and other benefits	244,532	235,376
Unbilled gas revenues	8,652	30,652
Other	267,051	231,490
	<u>2,884,714</u>	<u>2,702,298</u>
Commitments and contingencies:		
Liability for environmental restoration	<u>220,000</u>	<u>220,000</u>
	<u>\$ 12,734,985</u>	<u>\$ 13,861,187</u>

CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES

	Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1999	1998	1999	1998
OPERATING REVENUES:				
Electric.....	\$ 2,451,220	\$ 2,506,048	\$ 3,206,316	\$ 3,305,886
Gas.....	442,558	433,893	573,894	594,359
	2,893,778	2,939,941	3,780,210	3,900,245
OPERATING EXPENSES:				
Fuel for electric generation.....	157,183	178,433	218,732	230,557
Electricity purchased.....	575,786	866,677	711,100	1,163,660
Gas purchased.....	198,432	216,372	254,201	308,802
Other operation and maintenance expenses.....	641,924	697,787	881,935	927,807
<i>PowerChoice</i> charge.....	-	263,227	-	263,227
Amortization of MRA regulatory asset.....	289,874	32,184	386,523	32,184
Depreciation and amortization.....	268,255	264,540	359,132	350,012
Other taxes.....	326,570	356,961	429,570	474,212
	2,458,024	2,876,181	3,241,193	3,750,461
OPERATING INCOME	435,754	63,760	539,017	149,784
Other income (deductions).....	(2,967)	47,620	(7,985)	51,764
INCOME BEFORE INTEREST CHARGES	432,787	111,380	531,032	201,548
Interest charges.....	377,896	265,109	509,965	333,755
INCOME (LOSS) BEFORE FEDERAL & FOREIGN INCOME TAXES	54,891	(153,729)	21,067	(132,207)
Federal & foreign income taxes.....	22,337	(50,337)	5,946	(36,696)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	32,554	(103,392)	15,121	(95,511)
Extraordinary item - Loss from the extinguishment of debt, net of income taxes.....	(23,804)	-	(23,804)	-
NET INCOME (LOSS)	8,750	(103,392)	(8,683)	(95,511)
Dividends on preferred stock.....	27,039	27,531	36,063	36,767
BALANCE AVAILABLE FOR COMMON STOCK	\$ (18,289)	\$ (130,923)	\$ (44,746)	\$ (132,278)

INTERNAL CASH FLOW PROJECTION

NIAGARA MOHAWK POWER CORPORATION

**1999 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)**

	1998 Actual	1999 (Projected)
Net income	(\$120,825)	\$27,157
Less: Dividends Paid	36,555	34,977
Retained Earnings	(\$157,380)	(7,820)
Adjustments:		
PowerChoice charge	263,227	0
Amortization of MRA regulatory asset	128,833	386,499
Depreciation and amortization	355,417	351,627
Amortization of nuclear fuel	30,798	38,340
Provision for deferred income taxes	97,606	5,999
Changes in other assets and liabilities	(36,003)	70,755
Total Adjustments	839,878	853,220
Internal Cash Flow Provided by Operating Activities	\$682,498	\$845,400
Average Quarterly Cash Flow	\$170,625	\$211,350
Nuclear Units Operated:	Nine Mile No. 1	
	Nine Mile No. 2	
Maximum Total Annual Contingent Liability	\$20,000	

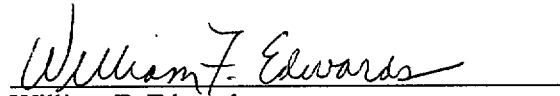
**NARRATIVE STATEMENT ADDRESSING
CASH FLOW**

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 7.6% of currently scheduled construction expenditures, net of Allowance for Funds Used During Construction (AFC) for the year 1999.

Date: November 9, 1999

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