



John H. Mueller
Senior Vice President and
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November 15, 2000
NMP1L 1555

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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, enclosed are:

1. Consolidated Balance Sheets for Niagara Mohawk Power Corporation (NMPC) and its subsidiary companies for periods ending September 30, 2000, and December 31, 1999.
2. Consolidated Statements of Income for NMPC and its subsidiary companies for periods ending September 30, 2000, and September 30, 1999.
3. The 2000 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 140.52(a)(1), this anniversary date is August 22, corresponding to the initial license date of Nine Mile Point Unit 1.

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/JJD/cld
Enclosures

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xc: US NRC, Document Control Desk
Mr. H. J. Miller, NRC Regional Administrator, Region I
Ms. M. K. Gamberoni, 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

	September 30, 2000 (Unaudited) <i>(in thousands of dollars)</i>	December 31, 1999
Capitalization:		
Common stockholders' equity:		
Common stock - \$1.00 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)	(157,167)
Capital stock premium and expense	2,362,063	2,361,139
Accumulated other comprehensive income	(4,723)	(5,153)
Retained earnings	350,570	398,987
	<u>2,488,082</u>	<u>2,785,171</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 168,000 shares and 186,000 shares, respectively	15,000	16,800
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 and 2,015,602 shares, respectively	38,750	44,570
	<u>493,750</u>	<u>501,370</u>
Long-term debt	4,712,280	5,042,588
Total capitalization	<u>7,694,112</u>	<u>8,329,129</u>
Current liabilities:		
Long-term debt due within one year	865,167	613,740
Sinking fund requirements on redeemable preferred stock	7,620	7,620
Accounts payable	264,667	244,031
Payable on outstanding bank checks	18,095	22,067
Customers' deposits	17,139	15,255
Accrued taxes	23,150	6,246
Accrued interest	132,504	67,593
Accrued vacation pay	34,811	35,334
Other	93,301	66,160
	<u>1,456,454</u>	<u>1,078,046</u>
Regulatory and other liabilities		
Accumulated deferred income taxes	1,566,785	1,575,335
Liability for swap contracts	801,887	663,718
Employee pension and other benefits	219,536	226,223
Unbilled gas revenues	7,852	14,552
Other	387,768	318,605
	<u>2,983,828</u>	<u>2,798,433</u>
Commitments and contingencies		
Liability for environmental restoration	240,000	240,000
	<u>\$ 12,374,394</u>	<u>\$ 12,445,608</u>

NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2000 (Unaudited)	December 31, 1999
	<i>(in thousands of dollars)</i>	
Utility plant:		
Electric plant	\$ 7,168,568	\$ 7,221,762
Nuclear fuel	647,798	630,321
Gas plant	1,297,007	1,263,168
Common plant	375,349	364,718
Construction work-in-progress	295,347	312,322
Total utility plant	<u>9,784,069</u>	<u>9,792,291</u>
Less - Accumulated depreciation and amortization	4,031,200	3,904,049
Net utility plant	<u>5,752,869</u>	<u>5,888,242</u>
Other property and investments	<u>404,397</u>	<u>349,718</u>
Current assets:		
Cash, including temporary cash investments of \$79,500 and \$58,276, respectively	100,441	72,479
Account receivable (less allowance for doubtful accounts of \$60,300 and \$59,400, respectively)	390,545	331,222
Materials and supplies, at average cost:		
Oil for production of electricity	3,713	9,263
Gas storage	65,908	38,252
Other	89,705	90,605
Prepaid taxes	45,637	21,489
Other	40,651	22,668
	<u>736,600</u>	<u>585,978</u>
Regulatory assets		
MRA regulatory asset	3,417,893	3,686,019
Swap contracts regulatory asset	647,544	505,723
Regulatory tax asset	460,873	483,546
IPP buyout costs	243,426	260,873
Deferred environmental restoration costs	240,000	240,000
Deferred loss on sale of assets	175,309	135,229
Postretirement benefits other than pensions	46,044	48,937
Unamortized debt expense	41,077	44,903
Other	126,134	112,556
	<u>5,398,300</u>	<u>5,517,786</u>
Other assets	<u>82,228</u>	<u>103,884</u>
	<u>\$ 12,374,394</u>	<u>\$ 12,445,608</u>

CONSOLIDATED STATEMENTS OF INCOME



NIAGARA MOHAWK POWER CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2000	1999	2000	1999
OPERATING REVENUES:				
Electric.....	\$2,428,057	\$2,451,220	\$3,224,594	\$3,206,316
Gas.....	462,577	442,558	599,602	573,894
	2,890,634	2,893,778	3,824,196	3,780,210
OPERATING EXPENSES:				
Electricity purchased.....	869,868	575,786	1,101,120	711,100
Fuel for electric generation.....	48,077	157,183	80,551	218,732
Gas purchased.....	237,974	198,432	306,265	254,201
Other operation and maintenance expenses.....	619,583	659,984	871,824	907,429
Amortization/accretion of MRA/IPP buyout costs.....	281,539	271,814	373,099	361,029
Depreciation and amortization.....	233,404	268,255	310,079	359,132
Other taxes.....	208,785	326,570	294,057	429,277
	2,499,230	2,458,024	3,336,995	3,240,900
OPERATING INCOME	391,404	435,754	487,201	539,310
Other income (deductions).....	(14,562)	(2,939)	(17,165)	(7,890)
INCOME BEFORE INTEREST CHARGES	376,842	432,815	470,036	531,420
Interest charges.....	329,146	377,896	436,490	509,965
INCOME BEFORE INCOME TAXES	47,696	54,919	33,546	21,455
Income taxes.....	25,393	22,365	22,054	6,334
INCOME BEFORE EXTRAORDINARY ITEM	22,303	32,554	11,492	15,121
Extraordinary item - Loss from the extinguishment of debt, net of income taxes.....	(909)	(23,804)	(909)	(23,804)
NET INCOME (LOSS)	21,394	8,750	10,583	(8,683)
Dividends on preferred stock.....	23,679	27,039	33,448	36,063
BALANCE AVAILABLE FOR COMMON STOCK	(\$2,285)	(\$18,289)	(\$22,865)	(\$44,746)

INTERNAL CASH FLOW PROJECTION

NIAGARA MOHAWK POWER CORPORATION

2000 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)

	1999 Actual	2000 (Projected)
Net income	(\$2,061)	\$16,811
Less: Dividends Paid	36,808	31,477
Retained Earnings	(\$38,869)	(14,666)
Adjustments:		
Amortization of MRA regulatory asset	386,499	386,499
Depreciation and amortization	344,930	311,869
Amortization of nuclear fuel	28,285	28,825
Provision for deferred income taxes	(7,543)	114
Changes in other assets and liabilities	85,428	102,484
Total Adjustments	837,599	829,791
Internal Cash Flow Provided by Operating Activities	\$798,730	\$815,125
Average Quarterly Cash Flow	\$199,683	\$203,781
Nuclear Units Operated:	Nine Mile No. 1 Nine Mile No. 2	
Maximum Total Annual Contingent Liability	\$20,000	

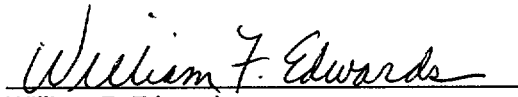
**NARRATIVE STATEMENT ADDRESSING
CASH FLOW**

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 8.3 percent of currently scheduled construction expenditures, net of Allowance for Funds Used During Construction (AFC) for the year 2000.

Date: November 8, 2000

CERTIFIED:

NIAGARA MOHAWK POWER CORPORATION

A handwritten signature in cursive script, reading "William F. Edwards", is written over a horizontal line.

William F. Edwards
Senior Vice President and
Chief Financial Officer