

# ShawPittman

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**BY HAND DELIVERY**

U.S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, D.C. 20555

**CONTAINS PROPRIETARY INFORMATION**

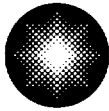
**LICENSE TRANSFER APPLICATION**

**IN THE MATTER OF  
NINE MILE POINT,  
UNITS 1 AND 2**

**DOCKET NOS. 50-220 AND 50-410**

**FEBRUARY 1, 2001**

**PROPRIETARY VERSION**



**Constellation  
Nuclear**

*A Member of the  
Constellation Energy Group*

10 CFR §§ 50.80 and 50.90

**ATTACHMENTS CONTAIN PROPRIETARY INFORMATION**

February 1, 2001  
NMP1L 1566-P

**BY HAND DELIVERY**

U. S. Nuclear Regulatory Commission  
Washington, DC 20555

**Attention:** Document Control Desk

**Re:** Nine Mile Point Unit Nos. 1 & 2  
Docket Nos. 50-220 & 50-410  
Facility Operating License Nos. DPR-63 & NPF-69  
Application for License Transfers and  
Conforming Administrative License Amendments  
TAC Nos. MB0878 (Unit 1) and MB0879 (Unit 2)

Ladies and Gentlemen:

Pursuant to Section 184 of the Atomic Energy Act of 1954, as amended ("the Act") and 10 CFR §§ 50.80 and 50.90:

- (1) Constellation Nuclear, LLC, on behalf of its indirect subsidiary (to be created) Nine Mile Point Nuclear Station, LLC ("NMP LLC") (hereinafter collectively referred to as "Constellation Nuclear") and Niagara Mohawk Power Corporation ("NMPC") request that the U.S. Nuclear Regulatory Commission ("NRC") issue an order consenting to the transfer of Facility Operating License No. DPR-63 for Nine Mile Point Unit 1 ("NMP 1") to NMP LLC, including NMPC's operating authority pursuant to the license.
- (2) Constellation Nuclear, NMPC, New York State Electric & Gas Corporation ("NYSEG"), Rochester Gas and Electric Corporation ("RG&E"), and Central Hudson Gas & Electric Corporation ("CHGEC") request that the NRC issue an order consenting to the transfer of the interests held by NMPC, NYSEG, RG&E, and CHGEC in Facility Operating License No. NPF-69 for Nine Mile Point Unit 2 ("NMP 2") to NMP LLC.
- (3) Constellation Nuclear and NMPC (acting on its own behalf and as agent for the other co-owners of NMP 2) request that the NRC consent to the

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transfer of NMPC's operating authority under Facility Operating License No. NPF-69 for NMP 2 to NMP LLC.

- (4) Constellation Nuclear requests that the NRC give its consent to certain indirect transfers of the Operating Licenses for NMP 1 and NMP 2 that may occur after the direct transfer of the licenses to NMP LLC, on account of a proposed realignment of the corporate parent of NMP LLC, as further described below.

Through the attached Application for Order and Conforming Administrative Amendments for License Transfers ("Application"), the NRC is being asked to consent to these transfers and authorize NMP LLC to possess, use, and operate NMP 1 and NMP 2 ("the Units") under essentially the same conditions and authorizations included in the existing NRC licenses for the Units. No physical changes will be made to either of the Units as a result of this transfer, and there will be no significant change in the day-to-day operations of either Unit. The NRC is also asked to approve certain conforming administrative amendments to the facility licenses to reflect the proposed transfers. Following the proposed transfers, NMP LLC will become the licensed operator of both Units, the sole owner of NMP 1, and an 82% undivided owner of NMP 2. (The remaining co-owner, Long Island Lighting Company, d/b/a Long Island Power Authority, will retain its undivided 18% ownership interests in NMP 2.) NMP LLC will also assume NMPC's role as operator of NMP 2 under the operating agreement among the NMP 2 owners.

The transfer of the NMP 1 and NMP 2 licenses to NMP LLC is expected to take place at approximately the same time as a proposed transaction involving a realignment and spin-off pursuant to which the merchant energy business of NMP LLC's ultimate corporate parent, Constellation Energy Group, Inc. ("CEG"), will be separated from its retail services business. As described in the Application, the proposed transaction will realign CEG's merchant energy business (largely comprising wholesale generation – including the newly-acquired interest in the Units – and power marketing) from its retail services business and will spin off the merchant energy business as a separate publicly-owned company.

The acquisition by NMP LLC of the above described interests in NMP 1 and NMP 2 is wholly independent of CEG's realignment and spin-off. However, there are several possible sequences of events whose timing may require different actions by the NRC to give its consent to the license transfers for the Units to NMP LLC. These sequences are further described in the Application. Depending on the relative timing of the NRC approval of the acquisition by NMP LLC of the above-described interests in NMP 1 and NMP 2 with respect to CEG's corporate realignment and spin-off, it may be necessary for the NRC to approve the direct transfer of Facility Operating License No. DPR-63 for NMP 1 from NMPC to NMP LLC, and of Facility Operating License No. NPF-69 for NMP 2 from NMPC, NYSEG, RG&E, and CHGEC to NMP LLC, as well as one or more subsequent indirect transfers of control of those licenses to a new subsidiary of CEG that will become NMP LLC's ultimate parent.

On December 11, 2000, NMPC, CEG and Constellation Nuclear, LLC executed the NMP 1 Asset Purchase Agreement ("NMP 1 Agreement"), and NMPC, NYSEG, RG&E, CHGEC, CEG

and Constellation Nuclear, LLC executed the NMP 2 Asset Purchase Agreement ("NMP 2 Agreement") (collectively, the "NMP Agreements"). The NMP Agreements incorporate numerous schedules and ancillary agreements totaling hundreds of pages that are not being provided with this application; copies of this information can be made available upon request. The parties to the NMP Agreements also executed, or will execute, certain ancillary agreements including Interconnection Agreements and Power Purchase Agreements for both Units.

In accordance with the NMP Agreements, the closing of the transactions will take place on the Closing Date, as defined in the NMP Agreements, once all conditions precedent are satisfied and all required regulatory approvals are obtained. On and after the Closing Date, the following events will occur pursuant to the NMP Agreements, the Interconnection Agreements, and the Power Purchase Agreements:

- (a) NMP LLC will assume (except as specified in the NMP Agreements) the right, title, and interest of NMPC, NYSEG, RG&E and CHGEC in and to the Units, including buildings, equipment, spare parts, fixtures, inventory, documents, records, assignable contracts, new, used and spent nuclear fuel, other NRC licensed materials at the Units and other property necessary for their operation and maintenance. NMP LLC will also assume the operational responsibility for both Units and the responsibility of NMPC, NYSEG, RG&E and CHGEC for the eventual decommissioning of the Units;
- (b) NMP LLC will offer employment to substantially all NMPC employees working at the Units, as described in the NMP Agreements, and assume the existing International Brotherhood of Electrical Workers ("IBEW") Collective Bargaining Agreement for the transferred union employees;
- (c) NMP LLC will have contracted in its Interconnection Agreements with NMPC for interconnection to the transmission system and for the provision of back-up power to the site consistent with NRC requirements;
- (d) Pursuant to the NMP Unit 1 Power Purchase Agreement, NMPC will purchase 90% of the capacity and energy from NMP 1 from NMP LLC, from the Closing Date until August 22, 2009;
- (e) NMPC, NYSEG, RG&E and CHGEC collectively will purchase 73.8% of the total capacity and energy from NMP 2 from NMP LLC, from the Closing Date until the tenth anniversary of the Closing Date, representing 90% of the capacity and energy associated with the 82% ownership interest in NMP 2 conveyed to NMP LLC by NMPC, NYSEG, RG&E and CHGEC; and
- (f) NMPC will have made or will make additional cash deposits to the decommissioning trust funds for NMP 1, and NMPC, NYSEG, RG&E and CHGEC will have made or will make additional cash deposits to the decommissioning trust funds for NMP 2. The fair market value of the fund for Unit 1, after transfer, plus the additional financial assurances discussed in this Application, will meet NRC's financial assurance requirements for decommissioning funding. Likewise, the fair market value

of the fund for Unit 2, after transfer, plus the additional financial assurances discussed in this Application, will meet NRC's financial assurance requirements for decommissioning funding.

Constellation Nuclear believes that the information contained herein and in the enclosed Application demonstrates that NMP LLC will have the requisite technical and financial qualifications to own and operate the Units. Also, NMP LLC will not be owned, controlled or dominated by an alien, foreign corporation or foreign government, within the meaning of Sections 103d or 104d of the Act. Finally, the proposed transfers and conforming administrative amendments do not present any undue risk to the health and safety of the public.

For the reasons stated above and in the enclosed Application, the proposed transaction will not: (1) have any adverse impact on the operation of the licensed Units; (2) affect the managerial, technical or financial qualifications of the licensed operator of these units; (3) impair the licensee's financial qualifications; (4) result in foreign ownership, control or domination over any NRC licensee; or (5) require any additional NRC reviews. In summary, the proposed license transfers will not be inimical to the common defense and security or result in any undue risk to public health and safety, and will be consistent with the requirements of the Act and the NRC regulations. Accordingly, Constellation Nuclear, NMPC, NYSEG, RG&E and CHGEC as their interests apply, respectfully request that the NRC issue an Order approving (1) the transfer of Facility Operating License No. DPR-63 for NMP 1 from NMPC to NMP LLC, (2) the transfer of the interests of NMPC, NYSEG, RG&E and CHGEC in Facility Operating License No. NPF-69 for NMP 2 to NMP LLC, and (3) the transfer of the operating authority under License No. NPF-69 for NMP 2 to NMP LLC, and (4) the associated conforming administrative license amendments.

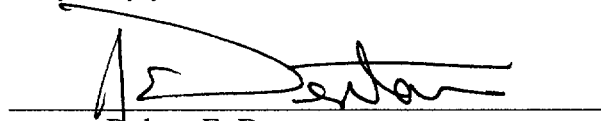
The Application (enclosed as Attachment 1 to this letter) and several of the Exhibits thereto contain proprietary commercial and financial information. Constellation Nuclear, LLC requests that Attachment 1 and the Exhibits thereto be withheld from public disclosure pursuant to 10 CFR § 9.17(a)(4) and the policy reflected in 10 CFR § 2.790, as described in the Affidavit of Robert E. Denton provided in Exhibit 16 to the Application. Attachment 2 contains non-proprietary versions suitable for public disclosure of Attachment 1 and the Exhibits thereto. A separate letter enclosing Attachment 2 is being submitted simultaneously with this letter.

Applicants intend to implement the transactions described herein with a Closing Date of July 1, 2001, assuming all regulatory approvals are obtained. Therefore, the NRC is requested to review and approve this application on or before June 1, 2001. The applicants also request that the NRC's consent to the transfer of NMP 1 and 2 to NMP LLC be immediately effective upon issuance of the NRC's Order, and that it grant consent for the transfers to take place at any time up to one year after the date of issuance of the Order, or such later date as may be permitted by the NRC. It is also requested that any needed license or technical specification changes be made immediately effective on issuance with implementation on the Closing Date.

Should the NRC require additional information concerning these license transfer requests, please contact Stephen A. Mormann, Vice President and Treasurer, Constellation Nuclear, LLC, 39 W.

Lexington Street, Baltimore, MD 21201 or Carl D. Terry, Vice President Quality Assurance Nuclear, Niagara Mohawk Power Corporation, Nine Mile Point Nuclear Station, P.O. Box 63, Lycoming, NY 13093-0063. Service upon the applicants of comments, hearing requests, intervention petitions, or other pleadings, if applicable, should be made to Jay E. Silberg, counsel for Constellation Nuclear, LLC, at Shaw Pittman, 2300 N Street, N.W., Washington, DC 20037 (tel. 202-663-8063; fax 202-663-8007; e-mail: jay.silberg@shawpittman.com); Mark J. Wetterhahn, counsel for NMPC, at Winston & Strawn, 1400 L Street, N.W., Washington, D.C. 20005 (tel. 202-371-5703; fax 202-371-5950; e-mail: mwetterh@winston.com); Daniel F. Stenger, counsel for RG&E, at Hopkins & Sutter, 888 16th St NW # 700 Washington, DC 20006 (tel. 202-835-8185; fax: 202-835-8136; e-mail dstenger@hopsut.com); Mary A. Murphy, counsel for NYSEG, at LeBoeuf, Lamb, Greene & MacRae, L.L.P., 1875 Connecticut Ave, N.W., Suite 1200, Washington, D.C. 20009 (tel. 202-986-8021; fax 202-986-8102; e-mail: mmurphy@llgm.com); and Robert J. Glasser and Bo Hong, counsel for CHGEC, at Gould & Wilkie, LLP, One Chase Manhattan Plaza, 58<sup>th</sup> Floor, New York, N.Y. 10005 (tel: 212-344-5680; fax 212-809-6890; e-mail: BobGlasser@gouldwilkie.com and BHong@gouldwilkie.com).

Very truly yours,



Robert E. Denton  
President and Chief Executive Officer  
Constellation Nuclear, LLC

Enclosures: Affirmations

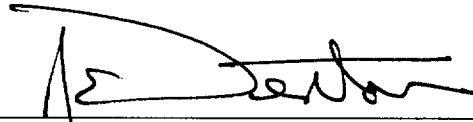
Attachment 1 Proprietary - Application for Order and Conforming  
Administrative Amendments for License Transfers (NRC Facility  
Operating License Nos. DPR-63 and NPF-69)

cc: Peter S. Tam, Senior Project Manager,  
NRC Office of Nuclear Reactor Regulation  
(3)

AFFIRMATION

I, Robert E. Denton, being duly sworn, state that I am President and Chief Executive Officer of Constellation Nuclear, LLC, that I am authorized to sign and file the enclosed Application with the Nuclear Regulatory Commission on behalf of Constellation Nuclear, LLC, and that the statements made and the matters set forth therein pertaining to Constellation Nuclear, LLC, NMP LLC and related entities are true and correct to the best of my knowledge, information, and belief.

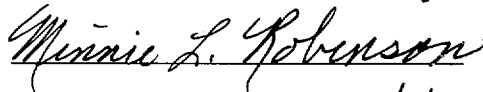
Constellation Nuclear, LLC



Robert E. Denton  
President and Chief Executive Officer

STATE OF Maryland  
City  
COUNTY OF Baltimore

Subscribed and sworn to me, a Notary Public, in and for the County and State above named, this 30th day of January, 2001.



My Commission Expires: 7/1/02