

**Constellation
Energy Group**

Nine Mile Point
Nuclear Station

August 29, 2003
NMP1L 1760

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555

SUBJECT: Nine Mile Point Units 1 and 2
Docket Nos. 50-220 and 50-410
Facility Operating License Nos. DPR-63 and NPF-69

Status of Decommissioning Funding per 10 CFR 50.75(f)(1) – Response to
Request for Additional Information
TAC Nos. MB8846 and MB8847

REFERENCE: Biennial Report: Status of Decommissioning Funding per 10 CFR 50.75(f)(1),
dated March 31, 2003

Gentlemen:

Nine Mile Point Nuclear Station, LLC (NMPNS) hereby transmits supplemental information requested by the NRC regarding decommissioning funding status for Nine Mile Point Units 1 and 2 (NMP1 and NMP2). The 2003 biennial report on the status of decommissioning funding for NMP1 and NMP2 was submitted to the NRC by letter dated March 31, 2003. This report identified the use of a parent company guarantee which, when combined with the existing decommissioning trust funds, meets the NRC minimum amount required for NMP1 and NMP2, respectively, pursuant to 10 CFR 50.75 (b) and (c).

In response to a NRC staff verbal request for additional information, as discussed in a telephone conference call on May 14, 2003, a copy of this parent company guarantee is provided as Attachment 1 to this letter. Additionally, in support of the guarantee, the Constellation Energy Group assessment of the financial tests specified in 10 CFR 30, Appendix A, is provided as Attachment 2. Constellation's independent certified public accountants have compared the data in these financial tests with the amounts in the independently audited 2002 year-end financial statements, without exception.

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In addition, in response to the verbal NRC request, NMPNS provides, by reference, a description of the Long Island Lighting Company (dba/Long Island Power Authority, LIPA) provisions for its portion of the decommissioning costs associated with an 18% ownership interest in NMP2. This information may be found within the LIPA 2002 Audited Financial Statements, which were submitted to the NRC in NMPNS letter NMP1L 1736 dated June 17, 2003, and are also available at the web site www.lipower.org/company/investor.html.

Very truly yours,



Denise J. Wolniak
General Supervisor Licensing

DJW/DEV/bjh

Attachments:

1. Constellation Energy Group Parent Company Guaranty, as Amended, Effective April 1, 2003
2. NRC Financial Tests for Parent Company Guarantees, Nine Mile Point Nuclear Station

cc: Mr. H. J. Miller, NRC Regional Administrator, Region I
Mr. G. K. Hunegs, NRC Senior Resident Inspector
Mr. P. S. Tam, Senior Project Manager, NRR (2 copies)

Attachment 1

**Constellation Energy Group Parent Company Guaranty,
as Amended, Effective April 1, 2003
(5 pages)**

GUARANTY

GUARANTY, dated as of November 7, 2001, as amended effective April 1, 2002, and as further amended effective April 1, 2003, made by Constellation Energy Group, Inc., a Maryland corporation ("Guarantor") to the U.S. Nuclear Regulatory Commission ("NRC") on behalf of Guarantor's subsidiary, Nine Mile Point Nuclear Station, LLC, ("Licensee") of 750 E. Pratt Street, Baltimore, Maryland 21202. Except as otherwise defined herein, terms used herein and defined in the Asset Purchase Agreement (as hereinafter defined) shall be used herein as so defined.

WITNESSETH:

WHEREAS, Licensee and Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, and Central Hudson Gas and Electric Corporation, all New York corporations (collectively "Sellers"), entered into Asset Purchase Agreements dated December 11, 2000 (the "Agreements"), to sell to Licensee their respective assets in Nine Mile Point Unit 1 ("NMP-1") and Nine Mile Point Unit 2 ("NMP-2"); and

WHEREAS, Licensee is an indirect wholly-owned subsidiary of Guarantor; and

WHEREAS, NRC has promulgated regulations in Title 10, Chapter 1 of the Code of Federal Regulations ("CFR"), Part 50 which requires that a holder of, or an applicant for, a license issued pursuant to 10 CFR Part 50 provide assurance that funds will be available when needed for required decommissioning activities, as required by 10 CFR Part 50; and

WHEREAS, Guarantor seeks to provide financial assurance for decommissioning activities for NMP-1 and NMP-2 as required by 10 CFR Part 50 and as identified below; and

WHEREAS, the Seller with interest in NMP-1 has previously transferred \$271.1 million to qualified and nonqualified decommissioning trust funds established and maintained by Licensee for NMP-1; and

WHEREAS, the Licensee with interest in NMP-1 has \$240.5 million of qualified and nonqualified trust funds established and maintained as of the end of year 2002; and

WHEREAS, it is estimated as of the end of the year 2002, that a total of \$401.7 million in decommissioning funding assurance is necessary to meet NRC requirements for NMP-1 and therefore that approximately \$111.6 million in decommissioning funding assurance in addition to the amounts held in the qualified and nonqualified funds is necessary; and

WHEREAS, the Sellers with interest in NMP-2 have previously transferred \$171.1 million to qualified and nonqualified decommissioning trust funds established and maintained by Licensee of NMP-2; and

WHEREAS, the Licensee with interest in NMP-2 has \$151.7 million of qualified and nonqualified trust funds established and maintained as of the end of year 2002; and

WHEREAS, it is estimated as of the end of the year 2002, that a total of \$368.5 million in decommissioning funding assurance is necessary to meet NRC requirements for NMP-2 and therefore that approximately \$78.2 million in decommissioning funding assurance in addition to the amounts held in the qualified and nonqualified funds is necessary;

NOW, THEREFORE, in consideration of the foregoing and other benefits accruing to Guarantor, the receipt and sufficiency of which are hereby acknowledged, and pursuant to the authority conferred upon the Guarantor by its directors, Guarantor hereby makes the following representations and warranties to NRC and hereby covenants and agrees as follows:

1. Guarantor guarantees to NRC that, if Licensee fails to perform Licensee's required decommissioning activities, as defined by NRC regulations at 10 CFR 50.2 and as required by NRC Facility Operating License Nos. DPR-63 for NMP-1 and NPF-69 for NMP-2, Guarantor shall (a) provide the funds necessary, up to \$189.8 million, to carry out the required activities, or (b) set up a trust fund for the benefit of NRC in the amount of \$189.8 million ("Guaranteed Obligation"). The \$189.8 million is subject to adjustment annually as set forth in 10 CFR Part 50. In addition, Guarantor hereby agrees to pay any and all costs and expenses (including fees and disbursements of counsel) incurred by NRC in a successful effort to enforce any rights under this Guaranty, but in no event shall such costs and expenses exceed \$50,000.00.
2. Guarantor's obligation pursuant to this Guaranty is an unconditional guaranty of payment by Guarantor and not of collectibility from Licensee. This Guaranty shall remain in full force and effect until the date on which the Licensee no longer is required to comply with the applicable assurance requirements of 10 CFR Part 50 for NMP-1 or NMP-2, or until otherwise earlier terminated in accordance with the provisions of Section 6 below or extinguished by NRC. No delay or omission by NRC to exercise any right under this Guaranty shall impair any right, nor shall it be construed to be a waiver thereof. No waiver of any single breach or default under this Guaranty shall be deemed a waiver of any other breach or default.
3. Except for termination or cancellation of this Guaranty under Section 6 or action by NRC extinguishing Guarantor's obligations under this Guaranty, the obligations and liability of Guarantor under this Guaranty shall be absolute, unconditional, and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any change in time, manner or place of payment of the Guaranteed Obligation; (b) any change in ownership of Guarantor or Licensee; (c) any bankruptcy, insolvency or reorganization of, or similar proceedings involving Licensee; (d) any other circumstances which might otherwise constitute a legal or equitable discharge of a surety or guarantor; or (e) any amendment or modification of the NMP-1 or NMP-2 Licenses or NRC-approved decommissioning funding plan for the Facilities, the extension or reduction of the time of performance of required activities, or any other modification or alteration of an obligation of Licensee pursuant to 10 CFR Part 50; provided that, except for the matters set forth in (a)-(e) above, Guarantor shall be entitled to assert and claim the benefit of any defense, offset or counterclaim which Licensee may have in law or equity to the payment or performance of the Guaranteed Obligation, as a defense, offset or counterclaim to its obligations under this Guaranty.
4. Guarantor hereby irrevocably, unconditionally, and expressly waives, to the fullest extent permitted by applicable law, promptness, diligence, notice of acceptance by the NRC or Licensee and other notice with respect to the Guaranteed Obligation and this Guaranty and any requirement that NRC protect, secure or perfect any security interest or exhaust any right or first proceed against Licensee or any other person or entity. Likewise, Guarantor expressly waives notice of acceptance of this Guaranty by NRC or the Licensee and of any amendments or modification of the decommissioning requirements or the license.
5. This Guaranty shall be binding upon Guarantor and its successors and assigns and inure to the benefit of and be enforceable by NRC and its successors and assigns notwithstanding any or all of the following: amendment or modification of the license or NRC approved decommissioning funding plan for NMP-1 or NMP-2, the extension or reduction of the time of

performance of required activities, or any other modification or alteration of an obligation of the Licensee pursuant to 10 CFR Part 50. Guarantor reserves the right to assign this Guaranty to an affiliate of Guarantor which is able to meet or exceed financial test criteria as required by 10 CFR Part 30 Appendix A Section II.A2, and Guarantor shall have no further rights, obligations or liability hereunder.

6. This Guaranty shall terminate and be of no further force and effect upon the date on which Licensee no longer is required to comply with the applicable assurance requirements of 10 CFR Part 50 for the Facilities; provided, however, that Guarantor may terminate this Guaranty by sending notice by certified mail to NRC and Licensee, such cancellation to become effective no earlier than one hundred twenty (120) days after receipt of such notice by both NRC and Licensee. If the Licensee fails to provide alternative financial assurance as specified in 10 CFR Part 50, as applicable, and obtain written approval from NRC of such assurance within 120 days after the sending of the above notice by the Guarantor, the Guarantor shall provide such alternative financial assurance.

7. Biennially, as part of the decommissioning funding assurance report submitted to the NRC per 10 CFR 50.75(f)(1), Guarantor shall confirm continued compliance with the NRC's financial tests for parent Guaranties in 10 CFR Part 30. If, at the end of any fiscal year before termination of this Guaranty, Guarantor fails to meet such financial test criteria, Licensee and Guarantor will submit notice to NRC within ninety (90) days by certified mail that Licensee intends to provide alternative financial assurance as specified in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance within thirty (30) days after such notice, Guarantor shall provide the alternative financial assurance in the name of Licensee or make full payment under this Guaranty to a standby trust established by Licensee.

8. If at any time NRC notifies Licensee and Guarantor of a determination by NRC that Guarantor no longer meets the financial test criteria in 10 CFR Part 30, Appendix A, or that Guarantor is disallowed from continuing as a guarantor for NMP-1 and NMP-2, Licensee will, within thirty (30) days of such notice, provide alternative financial assurance in accordance with the applicable requirements in 10 CFR Part 50. If Licensee fails to provide such alternative financial assurance, Guarantor will provide such assurance in Licensee's name, unless Licensee has done so.

9. Guarantor further represents, warrants, and agrees that:

(a) Guarantor (i) is a duly organized and validly existing corporation in good standing under the laws of the State of Maryland, (ii) has the power and authority to own its property and assets and to transact the business in which it is engaged, and (iii) is duly qualified as a foreign corporation and in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification; and

(b) Guarantor has the corporate power to execute, deliver, and perform the terms and provisions of this Guaranty and has taken all necessary corporate action to authorize the execution, delivery, and performance by it of this Guaranty under its bylaws, articles of incorporation and the laws of the State of Maryland, its State of incorporation. Guarantor has approval from its Board of Directors to enter into this Guaranty. Guarantor has duly executed and delivered this Guaranty, and this Guaranty constitutes its legal, valid, and binding obligation enforceable in accordance with its terms; and

(c) Neither the execution, delivery or performance by Guarantor of this Guaranty, nor compliance by it with the terms and provisions hereof (i) will contravene any provision of

any law, statute, rule or regulation or any order, writ, injunction or decree of any court or governmental instrumentality, (ii) will conflict or be inconsistent with or result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any lien upon any of the property or assets of Guarantor pursuant to the terms of any indenture, mortgage, deed of trust, credit agreement, loan agreement or any other material agreement, contract or instrument to which Guarantor is a party or by which it or any of its property or assets is bound or to which it may be subject or (iii) will violate any provision of the certificate of incorporation or by-laws of Guarantor; and

(d) No order, consent, approval, license, authorization or validation of, or filing, recording or registration with (except as have been obtained previously), or exemption by, any governmental or public body or authority, or any subdivision thereof (except as have been previously obtained), is required to authorize, or is required in connection with, (i) the execution, delivery, and performance of this Guaranty or (ii) the legality, validity, binding effect or enforceability of this Guaranty; and

(e) Guarantor is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended; and

(f) Licensee is an indirect majority-owned subsidiary of Guarantor; and

(g) Guarantor meets or exceeds the financial test criteria in 10 CFR Part 30, Appendix A, Section II.A.2 and agrees to notify the Licensee and the NRC of any changes in its ability to meet the criteria in compliance with all notification requirements as specified in 10 CFR Part 50.

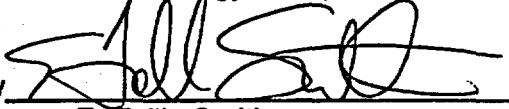
10. This Guaranty and the rights and obligations of NRC and Guarantor hereunder shall be governed by and construed in accordance with the domestic laws of the State of Maryland without giving effect to any choice or conflict-of-law provision or rule (whether of Maryland or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Maryland. Guarantor and NRC each consent to the exclusive jurisdiction and venue of any state or federal court within the City of Baltimore, Maryland for adjudication of any suit, claim, action or other proceeding at law or in equity relating to this Guaranty or to any transaction contemplated hereby. Guarantor and NRC each accept, generally and unconditionally, the exclusive jurisdiction and venue of the aforesaid courts and waive any objection as to venue, and any defense of *forum non conveniens*. Guarantor hereby irrevocably designates, appoints, and empowers the Treasurer and the General Counsel, with offices on the date hereof at 750 E. Pratt Street, 16th Floor and 18th Floor, respectively, Baltimore, Maryland, 21202, as its designees, appointees, and agents to receive, accept, and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices, and documents which may be served in any such action or proceeding. If for any reason either such designee, appointee, and agent shall cease to be available to act as such, Guarantor agrees to designate a new designee, appointee, and agent in Maryland on the terms and for the purposes of this provision satisfactory to NRC. Guarantor further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to Guarantor at its address set forth opposite its signature below, such service to become effective thirty (30) days after such mailing. Nothing herein shall affect the right of NRC to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against Guarantor in any other jurisdiction. Guarantor hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with the Guaranty brought in the courts referred to above, and hereby further

irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

11. All notices and other communications hereunder shall be made at the address of Guarantor specified opposite their signatures below.

Address:
750 E. Pratt Street, 16th Floor
Baltimore, MD 21202
Attention: Thomas E. Ruszin, Jr.

Constellation Energy Group, Inc.

By 
Name : E. Follin Smith
Title: Senior Vice President and Chief
Financial Officer

Attachment 2

NRC Financial Tests for Parent Company Guarantees¹ Nine Mile Point Nuclear Station

Note: The following tests are required to be performed on an annual basis in order to provide reasonable assurance that Constellation Energy Group satisfies the necessary regulatory financial conditions in providing a parent company guarantee ensuring adequate decommissioning funds for the owned portion of the Nine Mile Point Nuclear Station. Passage of such financial tests, as specified in 10 CFR 30, Appendix A, is a precursor to allowing the use of such a guarantee.

Background Information:

Applicable Date:	Year 2003
Data Source:	CEG Annual Report 2002 ²
NRC Minimum Funding Requirement ³ :	
Nine Mile Point Unit 1 (100%)	\$401,675,000
Nine Mile Point Unit 2 (82%)	\$368,549,000
Parental Guarantee Assurance Amount ⁴ :	\$189,800,000

Required Financial Tests:

The parent company must have:

- (i) *A current rating for its most recent bond issuance of AAA, AA, A, or BBB as issued by Standard and Poor's or AAA, AA, A, or BAA as issued by Moody's.*

The security ratings for Constellation Energy Group, as of December 31, 2002, are:

Standard & Poor's:	BBB+
Moody's:	BAA1

Constellation satisfies this portion of the test.

¹ Regulatory references: 10 CFR 30 Appendix A, "Criteria Relating to Use of Financial Tests and Parent Company Guarantees for Providing Reasonable Assurance of Funds for Decommissioning;" and 10 CFR 50.75, "Reporting and recordkeeping for decommissioning planning."

² Including the Constellation SEC Form 10-K for the Fiscal Year Ending December 31, 2002.

³ Letter, Constellation Energy Group (C. H. Cruise) to USNRC, "Biennial Report: Status of Decommissioning Funding per 10 CFR 50.75(f)(1)," dated March 31, 2003.

⁴ Guaranty, dated as of November 7, 2001, as amended effective April 1, 2002, and as further amended effective April 1, 2003; signed by E. Follin Smith, Constellation Energy Group Senior Vice President and Chief Financial Officer.

Attachment 2

- (ii) *Tangible net worth each at least six times the current decommissioning cost estimates for the total of all facilities or parts thereof (or prescribed amount if a certification is used), or, for a power reactor licensee, at least six times the amount of decommissioning funds being assured by a parent company guarantee for the total of all reactor units or parts thereof (Tangible net worth shall be calculated to exclude the net book value of the nuclear unit(s)).*

Constellation Energy Group Tangible Net Worth:	\$3,529,970,848
Guarantee Amount:	\$189,800,000
Ratio of Tangible Net Worth to Guarantee Amount:	18.60

Constellation satisfies this portion of the test.

- (iii) *Tangible net worth of at least \$10 million.*

Constellation Energy Group Tangible Net Worth:	\$3,529,970,848
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Constellation satisfies this portion of the test.

- (iv) *Assets located in the United States amounting to at least 90 percent of the total assets or at least six times the current decommissioning cost estimates for the total of all facilities or parts thereof (or prescribed amount if a certification is used), or, for a power reactor licensee, at least six times the amount of decommissioning funds being assured by a parent company guarantee for the total of all reactor units or parts thereof.*

Constellation Energy Group Total Assets:	\$14,128,921,642
Constellation Energy Group Total Foreign Assets:	\$274,576,815
Constellation Energy Group Total Domestic Assets:	\$13,854,344,827
Percentage of Foreign Assets:	1.94%
Ratio of Domestic Assets to Guarantee:	72.99

Constellation satisfies this portion of the test.

Summary

Constellation Energy Group satisfies the regulatory criteria of 10 CFR 30, Appendix A, Paragraph II.A.2, and therefore provides reasonable assurance of the availability of decommissioning funds through the Nine Mile Point guarantee.
