

# VERMONT YANKEE NUCLEAR POWER CORPORATION

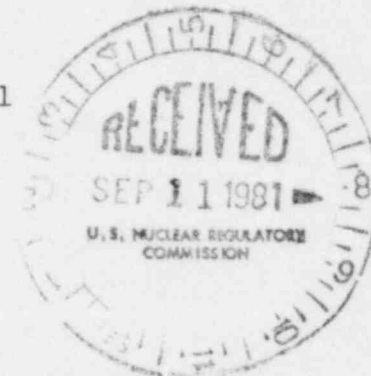
SEVENTY SEVEN GROVE STREET

**RUTLAND, VERMONT 05701**

TELEPHONE 802-775-2964

September 8, 1981

Jerome Saltzman, Assistant Director  
State and Licensee Relations  
Office of State Programs  
U. S. Nuclear Regulatory Commission  
Washington, D. C. 20555



Dear Mr. Saltzman:

This will acknowledge receipt of your letter of August 20, 1981. In the second paragraph of that letter you refer to your method of evaluating the cash flows of Vermont Yankee's parent companies and to the fact that you have assumed that "any deficiency resulting from a shortfall in contributions from one co-owner would be made up by the other co-owners". That assumption does not correctly reflect the operation of the underlying contractual relations between Vermont Yankee and its sponsors.

From its inception, Vermont Yankee has consistently represented to the Commission that its financial position was ultimately founded upon two sets of contracts between itself and its sponsors. These contracts commit each sponsor to meet its entitlement percentage of certain costs which may be incurred by Vermont Yankee, which percentages aggregate 100%. The Capital Funds Agreements obligate each sponsor to provide its percentage of Vermont Yankee's capital requirements in the form of stock purchases, capital contributions, loans or advances. Such capital requirements are defined as funds required to continue or restore regular operation of the plant, to make necessary changes in the plant, to maintain a fuel inventory, or to repair the plant, etc. The Power Contracts obligate each sponsor to purchase its percentage of the plant's capacity and output and to pay therefor its percentage of Vermont Yankee's total fuel costs and operating expenses. This relationship between Vermont Yankee and its sponsors has also been described in our previous filings and discussions with respect to retrospective insurance requirements.

Neither contract obligates a sponsor to pay anything with respect to deficiencies in payments by another sponsor, although there is a separate agreement which permits sponsors to take over power cost payments on which a sponsor has defaulted and thereby obtain the share of power to which those payments relate. Because of this

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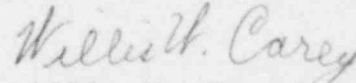
Jerome Saltzman

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expressly several obligation of the sponsors under these contracts, the cash flow projections for Vermont Yankee sponsors filed with the Commission have consistently set forth the percentage ownership (and obligation) which each sponsor holds in Vermont Yankee and in other nuclear plants and have converted this into a "maximum premium assessment" which is shown to be less than the "average quarterly cash flow" of that sponsor. We believe that this satisfies the applicable requirements of the regulations.

If you have any further questions, please don't hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Willis W. Carey".

Willis W. Carey  
Treasurer & Asst. Secretary

WWC:ec