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NEWS RELEASE

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Fuel Storage Site Uncertainty Forces CY to Suspend Land Sale For Gas Power Plant

Haddam Neck, Connecticut, October 11, 2001 – Connecticut Yankee Atomic Power Company (CY) suspended its efforts today to sell a portion of its land for development of a gas-fired electric power plant. The suspension results from the inability to reach resolution with the Town of Haddam on the proposed storage site for nuclear fuel used during CY's operations.

The suspension, which will halt CY's planning and regulatory activities associated with the release and sale of the land, was deemed necessary to prevent further expense to CY and the developer, AES Native Hollow LLC, on a project that can only go forward if CY's fuel is stored a safe distance from the proposed gas power plant at a location meeting all safety requirements.

During the past year, the Selectmen and CY have been involved in a contentious debate over the proposed fuel storage site with no resolution from the courts or likelihood of an out-of-court settlement. The potential for additional legal proceedings, the Selectmen's rejection of CY's settlement offer, and the Selectmen's claim that the fuel storage facility remain in close proximity to the river and the gas plant for zoning reasons, indicate a continued protracted path to resolution.

"Although we made this decision reluctantly," said Russ Mellor, CY president and CEO, "our first priority is safe fuel storage, which means locating the nuclear fuel a safe and secure distance from the gas-fired power plant and the river. This has become even more important to us since the September 11 terrorist attack. If we cannot reach a resolution with the Town that allows the fuel to be placed in the safest location, then we cannot

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allow a portion of our land to be sold for development as a gas-fired power plant. In light of that requirement, it doesn't make sense for CY or the developer to continue expending funds on a project that may be in jeopardy."

When planning the decommissioning of the nuclear plant, CY agreed with the Town that a gas-fired power plant would have significant financial benefits for Haddam residents. As a result, CY responded to the Town's request to facilitate the gas power plant project by finding a developer, assisting with feasibility studies and regulatory requirements, and pursuing a partial release of a portion of CY's land for the gas power plant.

For the gas-fired power plant to proceed, CY must be able to move its fuel to a location that: (1) is a safe distance from the gas power plant; (2) is not too close to the Connecticut River; (3) does not increase visibility and; (4) allows CY to complete decommissioning.

Only one fuel storage location on CY's property adequately addresses all of those concerns. CY chose that location over seven others. CY's selected location, which is the safest because it is not in close proximity to the proposed gas power plant or visible from the river, has become an even more desirable location in the wake of the September 11 terrorist attacks because it is the most protected geographically, and least visible of the other locations.

"We cannot compromise safety in order to resolve this issue and we recognize that may unfortunately mean the loss of the gas power plant," said Mellor. "We do, however, believe that if the focus were to shift to safety and security concerns, the fuel storage issue could be resolved in a timely manner and in a way that could allow the gas power plant to go forward."

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