

Public Service
Electric and Gas
Company

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JAN 26 2000

LR-N000025
LCR H99-13 & LCR S99-23
Docket Nos. 50-272, 50-311 & 50-354

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

**Re: Salem Generating Station, Unit 1, Operating License No. DPR-70
Salem Generating Station, Unit 2, Operating License No. DPR-75
Hope Creek Generating Station, Unit 1, Operating License No. NPF-57
Proposed Transfer of Non-Operating Ownership Interests**

Gentlemen:

On December 20, 1999, Public Service Electric and Gas Company ("PSE&G"), PSEG Nuclear LLC ("PSEG Nuclear"), Atlantic City Electric Company ("ACE"), and Delmarva Power and Light Company ("DP&L") requested Nuclear Regulatory Commission ("NRC") consent to the transfer of the minority, non-operating ownership interests of ACE and DP&L in the Salem Generating Station, Units 1 and 2, and the Hope Creek Generating Station, to PSEG Nuclear. The application, made in accordance with 10 C.F.R. § 50.80, also included a request pursuant to 10 C.F.R. §§ 50.90 - 50.92 for appropriate conforming license amendments.

The purpose of this letter is to provide the NRC an update and further clarification regarding the parties' current schedule for completion of the transaction addressed in the December 20, 1999, license transfer application. In the application, the parties indicated that they were planning to complete the transfer by March 31, 2000, and requested NRC approval no later than March 15, 2000, to accommodate the schedule.

Applications for transfer have been filed in five states and the FERC. Our understanding of the status of these applications is that they are on track to enable us to meet our targeted closing date. The New Jersey BPU has established a schedule for its proceeding on the matter that would lead to a decision on or about March 29, 2000, or on or about April 12, 2000. Based on this schedule,

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the parties are continuing to plan for a closing on the transaction in this time frame depending on the final approval dates, or no later than April 15, 2000. The parties intend to close at the earliest date practicable after receipt of all required regulatory approvals. To this end we want to stress the importance of meeting this time frame.

PSE&G will provide prompt and complete responses to any NRC staff questions or concerns regarding the application. Further, PSE&G -- in an effort to streamline the review process -- tailored the pending application to the numerous similar applications already approved by the NRC staff. In addition, the application draws heavily upon the material submitted as part of the license transfer application submitted in June 1999 in connection with the PSEG Nuclear restructuring. The narrow focus of the present application and the recent NRC approvals of other license transfers, coupled with the recent NRC staff examination of the PSEG Nuclear application, should provide for an expedited review. There really is nothing new that the NRC has not already reviewed in the content of the current PSEG Nuclear application. For example, the increase presently proposed in PSEG Nuclear's ownership interests is bounded by the positive financial analysis evaluated in connection with the PSEG Nuclear restructuring application.

The interests of PSE&G and PSEG Nuclear in both certainty and expediency in completing the transaction involving the ACE and DP&L interests are driven by the asset purchase agreement and by business considerations. PSEG Nuclear's power marketing affiliate, PSEG Energy Resources and Trade LLC ("PSEG ERT"), is currently anticipating availability of the additional capacity and is planning energy commitments accordingly.

Based upon the above, the parties to this transaction are continuing to request NRC approval to support a March 31, 2000 closing on the transaction, which at this time is the earliest practicable date. To the extent the parties receive information that the BPU will not take action to support this schedule, the parties will keep the NRC apprised.

If the NRC requires additional information concerning this schedule, please contact Jeffrie J. Keenan, counsel for PSEG Nuclear at (856) 339-5429.

Sincerely,



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