



UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

April 21, 2000

Mr. Harold W. Keiser
Chief Nuclear Officer & President -
Nuclear Business Unit
Public Service Electric & Gas
Company
Post Office Box 236
Hancocks Bridge, NJ 08038

SUBJECT: ORDER APPROVING THE TRANSFER OF LICENSES FOR SALEM NUCLEAR GENERATING STATION, UNIT NOS. 1 AND 2, TO THE EXTENT HELD BY THE ATLANTIC CITY ELECTRIC COMPANY AND DELMARVA POWER AND LIGHT COMPANY, TO PSEG NUCLEAR LIMITED LIABILITY COMPANY AND CONFORMING AMENDMENTS (TAC NOS. MA7776 AND MA7777)

Dear Mr. Keiser:

The enclosed Order is being issued in response to your application dated December 20, 1999, as supplemented February 11 and February 25, 2000, requesting approval of the transfer of the licenses for the Salem Nuclear Generating Station, Unit Nos. 1 and 2, to the extent they are held by Atlantic City Electric Company and Delmarva Power and Light Company to PSEG Nuclear Limited Liability Company and approval of conforming amendments pursuant to Sections 50.80 and 50.90 of Title 10 of the *Code of Federal Regulations*. The enclosed Order consents to the proposed transfer, subject to the conditions described therein. The Order also approves the enclosed conforming license amendments to be issued and made effective when the transfer is completed.

Also enclosed is our related safety evaluation. The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,

Robert J. Fretz, Project Manager, Section 2
Project Directorate I
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-272 and 50-311

Enclosures: 1. Order
2. Conforming Amendments to DPR-70 and DPR-75
3. Safety Evaluation

cc w/encls: See next page

Salem Nuclear Generating Station,
Units 1 and 2

cc:

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Public Service Commission of Maryland
Engineering Division
Chief Engineer
6 St. Paul Centre
Baltimore, MD 21202-6806

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
PUBLIC SERVICE ELECTRIC AND)	
GAS COMPANY)	
)	Docket Nos. 50-272 and 50-311
PHILADELPHIA ELECTRIC COMPANY)	
(PECO ENERGY COMPANY))	
)	
DELMARVA POWER AND LIGHT COMPANY)	
)	
ATLANTIC CITY ELECTRIC COMPANY)	
)	
(Salem Nuclear Generating Station,)	
Units 1 and 2))	

ORDER APPROVING TRANSFER OF LICENSES
AND CONFORMING AMENDMENTS

I.

Public Service Electric and Gas Company (PSE&G), Philadelphia Electric Company (PECO Energy Company), Delmarva Power and Light Company (DP&L), and Atlantic City Electric Company (ACE) are the joint owners of the Salem Nuclear Generating Station, Unit Nos. 1 and 2 (Salem), located in Salem County, New Jersey. They hold Facility Operating Licenses Nos. DPR-70 and DPR-75, issued by the U.S. Nuclear Regulatory Commission (NRC or Commission) on August 13, 1976, and May 20, 1981, respectively, pursuant to Part 50 of Title 10 of the *Code of Federal Regulations* (10 CFR Part 50). Under these licenses, PSE&G (currently owner of 42.59 percent of each Salem unit) is authorized to possess, use, and operate the Salem units. The current, non-operating combined ownership interests of DP&L and ACE are 14.82 percent of each Salem unit.

II.

By application dated December 20, 1999, as supplemented February 11 and February 25, 2000 (collectively referred to herein as the application), PSE&G, PSEG Nuclear Limited Liability Company (PSEG Nuclear), DP&L, and ACE requested approval by the NRC of the transfer to PSEG Nuclear of the Salem licenses, to the extent held by DP&L and ACE, in conjunction with the proposed acquisition of DP&L's and ACE's combined ownership interests in the Salem units by PSEG Nuclear. According to the application, depending upon the timing of regulatory approvals sought by PSEG Nuclear concerning other transfer matters not involving DP&L and ACE, as an interim step the interests of DP&L and ACE to be acquired by PSEG Nuclear may be transferred first to PSEG Power LLC, the parent of PSEG Nuclear, or to PSE&G, and then to PSEG Nuclear. No physical changes or significant changes in the day-to-day management and operations of the Salem units are proposed in the application.

PSE&G also requested approval of conforming license amendments to reflect the transfers. The amendments would replace references to DP&L and ACE with PSEG Nuclear.

Approval of the transfers and conforming license amendments was requested pursuant to 10 CFR 50.80 and 50.90. A notice of the application for transfer approval as well as the request for amendments and an opportunity for a hearing was published in the *Federal Register* on February 18, 2000 (65 FR 8452). No hearing requests were filed.

Pursuant to 10 CFR 50.80, no license, or any right thereunder, shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission gives its consent in writing. After reviewing the information submitted in the application and other information before the Commission, the NRC staff has determined that PSEG Nuclear is qualified to hold the license for each Salem unit to the same extent the licenses are now held by DP&L and ACE, and that the transfer of the licenses, as previously described herein, is otherwise

consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions described herein. The NRC staff has further found that the application for the proposed license amendments complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I; the facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission; there is reasonable assurance that the activities authorized by the proposed license amendments can be conducted without endangering the health and safety of the public and that such activities will be conducted in compliance with the Commission's regulations; the issuance of the proposed license amendments will not be inimical to the common defense and security or to the health and safety of the public; and the issuance of the proposed license amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied. These findings are supported by a Safety Evaluation dated April 21, 2000.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§ 2201(b), 2201(i), and 2234; and 10 CFR 50.80, IT IS HEREBY ORDERED that the license transfers from DP&L and ACE to PSEG Nuclear referenced above are approved, subject to the following conditions:

1. Any interim transaction described in the application whereby DP&L's and ACE's interests in Salem Units 1 and 2 are first acquired by PSE&G, PSEG Power, or any other entity prior to the acquisition by PSEG Nuclear of such interest, shall not result in the acquisition, possession, or use of Salem Units 1 and 2, or any activity for which a license is required under the Atomic Energy Act of 1954, as

amended, by any entity other than PSEG Nuclear, unless such result is expressly approved by a separate order upon further application. This Order shall not be deemed to provide consent under 10 CFR 50.80 to the transfer of the licenses for Salem Units 1 and 2 with respect to DP&L's and ACE's interests in Salem Units 1 and 2 to any entity other than PSEG Nuclear.

2. ACE and DP&L will transfer on or about the closing date to the respective PSEG Nuclear decommissioning trusts a minimum of \$41.9 million for Salem Unit 1, and \$31.0 million for Salem Unit 2.
3. The decommissioning trust agreement(s) for Salem Units 1 and 2 shall provide that:
 - a. The use of assets in both the qualified and non-qualified funds shall be limited to expenses related to decommissioning of the unit as defined by the NRC in its regulations and issuances, and as provided in the unit's license and any amendments thereto. However, upon completion of decommissioning, as defined above, the assets may be used for any purpose authorized by law.
 - b. Investments in the securities or other obligations of PSE&G or affiliates thereof, or their successors or assigns, shall be prohibited. In addition, except for investments tied to market indexes or other non-nuclear sector mutual funds, investments in any entity owning one or more nuclear power plants shall be prohibited.
 - c. No disbursements or payments from the trust shall be made by the trustee until the trustee has first given the NRC 30 days notice of the payment. In addition, no disbursements or payments from the trust shall

be made if the trustee receives prior written notice of objection from the Director, Office of Nuclear Reactor Regulation.

- d. The trust agreement shall not be modified in any material respect without prior written notification to the Director, Office of Nuclear Reactor Regulation.
 - e. The trustee, investment advisor, or anyone else directing the investments made in the trust shall adhere to a "prudent investor" standard, as specified in 18 CFR 35.32(3) of the Federal Energy Regulatory Commission's regulations.
4. After receipt of all required regulatory approvals of the subject transfer, PSE&G shall inform the Director, Office of Nuclear Reactor Regulation, in writing of such receipt, and of the date of closing of the transfer no later than 7 business days prior to the date of closing. Should the transfer not be completed by December 31, 2000, this Order shall become null and void, provided, however, on application and for good cause shown, such date may be extended.

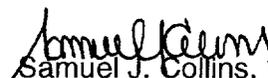
IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments that make changes, as indicated in Enclosure 2 to the cover letter forwarding this Order, to conform each Salem license to reflect the subject license transfers are approved. Such amendments shall be issued and made effective at the time the proposed license transfers are completed.

This Order is effective upon issuance.

For further details with respect to this Order, see the initial application dated December 20, 1999, and supplements dated February 11 and February 25, 2000, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC. Publically available documents will be accessible electronically from the ADAMS Public Library component on the NRC Web site <http://www.nrc.gov> (the Electronic Reading Room).

Dated at Rockville, Maryland, this 21st day of April 2000.

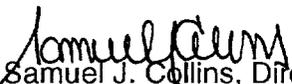
FOR THE NUCLEAR REGULATORY COMMISSION


Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

For further details with respect to this Order, see the initial application dated December 20, 1999, and supplements dated February 11 and February 25, 2000, which are available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC. Publically available documents will be accessible electronically from the ADAMS Public Library component on the NRC Web site <http://www.nrc.gov> (the Electronic Reading Room).

Dated at Rockville, Maryland, this 21st day of April 2000.

FOR THE NUCLEAR REGULATORY COMMISSION


Samuel J. Collins, Director
Office of Nuclear Reactor Regulation



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

PUBLIC SERVICE ELECTRIC & GAS COMPANY

PHILADELPHIA ELECTRIC COMPANY

DELMARVA POWER AND LIGHT COMPANY

ATLANTIC CITY ELECTRIC COMPANY

DOCKET NO. 50-272

SALEM NUCLEAR GENERATING STATION, UNIT NO. 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-70

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for amendment filed by the Public Service Electric & Gas Company (the licensee), dated December 20, 1999, as supplemented February 11 and February 25, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
 - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, the license is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to License DPR-70 and
Appendix C to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. DPR-70

DOCKET NO. 50-272

Replace the following pages of the Facility Operating License and the Appendix C Additional Conditions with the following attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Pages

License, page 1
License, page 2
License, page 3
License, page 4b
Appendix C, page 1

Insert Pages

License, page 1
License, page 2
License, page 3
License, page 4b
Appendix C, page 1

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
PHILADELPHIA ELECTRIC COMPANY
PSEG NUCLEAR LLC

DOCKET NO. 50-272

SALEM NUCLEAR GENERATING STATION, UNIT NO. 1

FACILITY OPERATING LICENSE

Amendment No. 3
License No. DPR-70

1. The Nuclear Regulatory Commission (the Commission) having found that:
 - A. The application for license filed by the Public Service Electric and Gas Company, Philadelphia Electric Company and PSEG Nuclear LLC (the licensees) and the application for license amendment dated November 8, 1976, filed by Public Service Electric and Gas Company comply with the standards and requirements of the Atomic Energy Act (the Act) of 1954, as amended, and the Commission's rules and regulations set forth in 10 CFR Chapter I and all required notifications to other agencies or bodies have been duly made;
 - B. Construction of the Salem Nuclear Generating Station, Unit No. 1 (facility) has been substantially completed in conformity with Provisional Construction Permit No. CPPR-52 and the application, as amended, the provisions of the Act and the rules and regulations of the Commission;
 - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission;
 - D. There is reasonable assurance: (i) that the activities authorized by this amended operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the rules and regulations of the Commission;
 - E. Public Service Electric and Gas Company is technically qualified and the licensees are financially qualified to engage in the activities authorized by this amended operating license in accordance with the rules and regulations of the Commission;

- F. The licensees have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;
 - G. The issuance of this amended operating license will not be inimical to the common defense and security or to the health and safety of the public;
 - H. After weighing the environmental, economic, technical, and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of Amendment No. 3 to Facility Operating License No. DPR-70 subject to the conditions for protection of the environment set forth in the Technical Specifications, Appendix B is in accordance with 10 CFR Part 51 (and with former Appendix D to 10 CFR Part 50) of the Commission's regulations and all applicable requirements have been satisfied; and
 - I. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this amended license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40, and 70, including 10 CFR Sections 30.33, 40.32, and 70.23 and 70.31.
2. Facility Operating License No. DPR-70, issued to the Public Service Electric and Gas Company, Philadelphia Electric Company and PSEG Nuclear LLC is hereby amended in its entirety, to read as follows:
- A. This amended license applies to the Salem Nuclear Generating Station, Unit No. 1, a pressurized water nuclear reactor and associated equipment (the facility), owned by the Public Service Electric and Gas Company, Philadelphia Electric Company and PSEG Nuclear LLC and operated by Public Service Electric and Gas Company. The facility is located on the applicants' site in Salem County, New Jersey, on the southern end of Artificial Island on the east bank of the Delaware River in Lower Alloways Creek Township, and is described in the "Final Safety Analysis Report" as supplemented and amended (Amendments 10 through 39) and the Environmental Report as supplemented and amended (Amendments 1 through 3).
 - B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses

- (1) Public Service Electric and Gas Company, Philadelphia Electric Company and PSEG Nuclear LLC to possess the facility at the designated location in Salem County, New Jersey, in accordance with the procedures and limitations set forth in this amended license;
- (2) Public Service Electric and Gas Company, pursuant to Section 104b of the Act and 10 CFR Part 50, "Licensing of Production and Utilization Facilities," to possess, use and operate the facility;
- (3) Public Service Electric and Gas Company, pursuant to the Act and 10 CFR Part 70, to receive, possess and use at any time special nuclear material as reactor fuel, in accordance with the limitations for storage and amounts required for reactor operation, as described in the Final Safety Analysis Report, as supplemented and amended;
- (4) Public Service Electric and Gas Company, pursuant to the Act and 10 CFR Parts 30, 40 and 70 to receive, possess and use at any time any byproduct, source and special nuclear material as sealed neutron sources for reactor startup, sealed sources for reactor instrumentation and radiation monitoring equipment calibration, and as fission detectors in amounts as required;
- (5) Public Service Electric and Gas Company, pursuant to the Act and 10 CFR Parts 30, 40 and 70 to receive, possess and use in amounts as required any byproduct, source or special nuclear material without restriction to chemical or physical form, for sample analysis or instrument calibration or associated with radioactive apparatus or components; and
- (6) Public Service Electric and Gas Company, pursuant to the Act and 10 CFR Parts 30 and 70, to possess, but not separate, such byproduct and special nuclear materials as may be produced by the operation of the facility.

C. This amended license shall be deemed to contain and is subject to the conditions specified in the following Commission regulations in 10 CFR Chapter I: Part 20, Section 30.34 of Part 30, Section 40.41 of Part 40, Sections 50.54 and 50.59 of Part 50, and Section 70.32 of Part 70; and is subject to all applicable provisions of the Act and to the rules, regulations, and orders of the Commission now or hereafter in effect; and is subject to the additional conditions specified or incorporated below:

(10) Additional Conditions

The Additional Conditions contained in Appendix C, as revised through Amendment No. , are hereby incorporated into this license. Public Service Electric and Gas Company shall operate the facility in accordance with the Additional Conditions.

(11) License Transfer Conditions

- a. The decommissioning trust agreement shall provide that:
- 1) The use of assets in both the qualified and non-qualified funds shall be limited to expenses related to decommissioning of the unit as defined by the NRC in its regulations and issuances, and as provided in the unit's license and any amendments thereto. However, upon completion of decommissioning, as defined above, the assets may be used for any purpose authorized by law.
 - 2) Investments in the securities or other obligations of PSE&G or affiliates thereof, or their successors or assigns, shall be prohibited. In addition, except for investments tied to market indexes or other non-nuclear sector mutual funds, investments in any entity owning one or more nuclear power plants shall be prohibited.
 - 3) No disbursements or payments from the trust shall be made by the trustee until the trustee has first given the NRC 30 days notice of the payment. In addition, no disbursements or payments from the trust shall be made if the trustee receives prior written notice of objection from the Director, Office of Nuclear Reactor Regulation.
 - 4) The trust agreement shall not be modified in any material respect without prior written notification to the Director, Office of Nuclear Reactor Regulation.
 - 5) The trustee, investment advisor, or anyone else directing the investments made in the trust shall adhere to a "prudent investor" standard, as specified in 18 CFR 35.32(3) of the Federal Energy Regulatory Commission's regulations.

APPENDIX C
ADDITIONAL CONDITIONS
OPERATING LICENSE NO. DPR-70

Public Service Electric and Gas Company and Philadelphia Electric Company and PSEG Nuclear LLC shall comply with the following conditions on the schedules noted below:

Amendment Number	Additional Condition	Implementation Date
192	The licensee is authorized to relocate certain Technical Specification requirements to licensee-controlled documents. Implementation of this amendment shall include the relocation of these technical specification requirements to the appropriate documents, as described in the licensee's application dated January 11, 1996, as supplemented by letters dated February 26, May 22, June 27, July 12, December 23, 1996, and March 17, 1997, and evaluated in the staff's safety evaluation attached to this amendment.	The amendment shall be implemented within 60 days from March 21, 1997.
194	The licensee is authorized to upgrade the initiation circuitry for the power operated relief valves, as described in the licensee's application dated January 31, 1997, as supplemented by letters dated March 14, April 8, and April 28, 1997, and evaluated in the staff's safety evaluation attached to this amendment.	The amendment shall be implemented prior to entry into Mode 3 from the current outage for Salem, Unit 1.
196	<p>Containment Fan Cooler Units</p> <p>The licensee shall complete all modifications associated with the amendment request concerning Containment Fan Cooler Units (CFCU) response time dated October 25, 1996, as described in the letters supplementing the amendment request dated December 11, 1996, January 28, March 27, April 24, June 3, and June 12, 1997, prior to entry into Mode 3 following refueling outage 12. All modifications made in support of this amendment request and described in the referenced submittals shall be in conformance with the existing design basis for Salem Unit 1, and programmatic controls for tank monitoring instrumentation shall be as described in the letter dated April 24, 1997. Post modification testing and confirmatory analyses shall be as described in the letter dated March 27, 1997. Future changes to the design described in these submittals may be made in accordance with the provisions of 10 CFR 50.59. Further, the administrative controls associated with CFCU operability and containment integrity described in the letters dated March 27, and April 24, 1997 shall not be relaxed or changed without prior staff review until such time as the license has been amended to include the administrative controls as technical specification requirements.</p>	The amendment shall be implemented prior to entry into Mode 3 from the current outage for Salem, Unit 1.
198	The licensee shall perform an evaluation of the containment liner anchorage by November 30, 1997, for the loading induced on the containment liner during a Main Steam Line Break event to confirm the assumptions provided in the Preliminary Safety Analysis Report and Updated Final Safety Analysis Report.	The amendment shall be implemented within 30 days from July 17, 1997.



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

PUBLIC SERVICE ELECTRIC & GAS COMPANY

PHILADELPHIA ELECTRIC COMPANY

DELMARVA POWER AND LIGHT COMPANY

ATLANTIC CITY ELECTRIC COMPANY

DOCKET NO. 50-311

SALEM NUCLEAR GENERATING STATION, UNIT NO. 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-75

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for amendment filed by the Public Service Electric & Gas Company (the licensee), dated December 20, 1999, as supplemented February 11 and February 25, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
 - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, the license is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to License DPR-75 and
Appendix C to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO.

FACILITY OPERATING LICENSE NO. DPR-75

DOCKET NO. 50-311

Replace the following pages of the Facility Operating License and the Appendix C Additional Conditions with the following attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Pages

License, page 1
License, page 2
License, page 21
License, page 22
License, page 23
License, page 24

Appendix C, page 1

Insert Pages

License, page 1
License, page 2
License, page 21
License, page 22
License, page 23
License, page 24
License, page 25
Appendix C, page 1

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
PHILADELPHIA ELECTRIC COMPANY
PSEG NUCLEAR LLC

DOCKET NO. 50-311

SALEM NUCLEAR GENERATING STATION, UNIT NO. 2

FACILITY OPERATING LICENSE

License No. DPR-75

1. The Nuclear Regulatory Commission (the Commission) having found that:
 - A. The application for license filed by Public Service Electric and Gas Company for itself and the Philadelphia Electric Company and PSEG Nuclear LLC (hereinafter referred to as the licensees) complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's regulations set forth in 10 CFR Chapter I and all required notifications to other agencies or bodies have been duly made;
 - B. Construction of the Salem Nuclear Generating Station, Unit No. 2 (facility) has been substantially completed in conformity with Construction Permit No. CPPR-53 and the application, as amended, the provisions of the Act and the regulations of the Commission;
 - C. The facility will operate in conformity with the application, as amended, the provisions of the Act, and the regulations of the Commission;
 - D. There is reasonable assurance: (i) that the activities authorized by this operating license can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
 - E. Public Service Electric and Gas Company is technically qualified to engage in the activities authorized by this operating license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;

Amendment No.

- F. The licensees are financially qualified to engage in the activities authorized by this license in accordance with the Commission's regulations set forth in 10 CFR Chapter I;
 - G. The licensees have satisfied the applicable provisions of 10 CFR Part 140, "Financial Protection Requirements and Indemnity Agreements," of the Commission's regulations;
 - H. The issuance of this operating license will not be inimical to the common defense and security or to the health and safety of the public;
 - I. After weighing the environmental, economic, technical and other benefits of the facility against environmental and other costs and considering available alternatives, the issuance of Facility Operating License No. DPR-75 subject to the conditions for protection of the environment set forth herein is in accordance with 10 CFR Part 50 Appendix D of the Commission's regulations and all applicable requirements have been satisfied; and
 - J. The receipt, possession, and use of source, byproduct and special nuclear material as authorized by this license will be in accordance with the Commission's regulations in 10 CFR Parts 30, 40 and 70.
2. Pursuant to approval by the Nuclear Regulatory Commission at meetings on January 14, 1981, April 28, 1981, and May 19, 1981, the License for Fuel-Loading and Low-Power Testing issued on April 18, 1980 is superseded by Facility Operating License No. DPR-75 hereby issued to Public Service Electric and Gas Company, Philadelphia Electric Company and PSEG Nuclear LLC (licensees) to read as follows:
- A. This license applies to the Salem Nuclear Generating Station, Unit No. 2, a pressurized water nuclear reactor and associated equipment (the facility), owned by the licensees. The facility is located on the southern end of Artificial Island on the east bank of the Delaware River in Lower Alloways Creek Township in Salem County, New Jersey and is described in the Final Safety Analysis Report as supplemented and amended and the Environmental Report as supplemented and amended.
 - B. Subject to the conditions and requirements incorporated herein, the Commission hereby licenses:
 - (1) Public Service Electric and Gas Company, Philadelphia Electric Company and PSEG Nuclear LLC to possess the facility at the designated location in Salem County, New Jersey, in accordance with the procedures and limitations set forth in this license;

(n) Revised Small-Break Loss-of-Coolant-Accident Methods
(Section 22.3, II.K.3.30)

PSE&G shall comply with the requirements of this position as specified in NUREG-0737, "Clarification of TMI Action Plan Requirements."

(o) Compliance With 10 CFR Part 50.46 (Section 22.3, II.K.3.31)

PSE&G shall perform plant-specific calculations using NRC-approved models for small-break loss-of-coolant accidents (LOCAs) to show compliance with 10 CFR Part 50.46. PSE&G shall submit these calculations by January 1, 1983, or one year after NRC approval of LOCA analysis models, whichever is later, only if model changes have been made.

(p) Emergency Support Facilities (Section 22.3, III.A.1.2)

PSE&G shall maintain in effect an interim Technical Support Center and an interim Emergency Operations Facility until such time as the final facilities are complete.

(26) Additional Conditions

The Additional Conditions contained in Appendix C, as revised through Amendment No. , are hereby incorporated into this license. Public Service Electric and Gas Company shall operate the facility in accordance with the Additional Conditions.

(27) License Transfer Conditions

a. The decommissioning trust agreement shall provide that:

- 1) The use of assets in both the qualified and non-qualified funds shall be limited to expenses related to decommissioning of the unit as defined by the NRC in its regulations and issuances, and as provided in the unit's license and any amendments thereto. However, upon completion of decommissioning, as defined above, the assets may be used for any purpose authorized by law.

- 2) Investments in the securities or other obligations of PSE&G or affiliates thereof, or their successors or assigns, shall be prohibited. In addition, except for investments tied to market indexes or other non-nuclear sector mutual funds, investments in any entity owning one or more nuclear power plants shall be prohibited.
- 3) No disbursements or payments from the trust shall be made by the trustee until the trustee has first given the NRC 30 days notice of the payment. In addition, no disbursements or payments from the trust shall be made if the trustee receives prior written notice of objection from the Director, Office of Nuclear Reactor Regulation.
- 4) The trust agreement shall not be modified in any material respect without prior written notification to the Director, Office of Nuclear Reactor Regulation.
- 5) The trustee, investment advisor, or anyone else directing the investments made in the trust shall adhere to a "prudent investor" standard, as specified in 18 CFR 35.32(3) of the Federal Energy Regulatory Commission's regulations.

- D. An exemption from certain requirements of Appendix J to 10 CFR Part 50 is described in the Office of Nuclear Reactor Regulation's Safety Evaluation Report, Supplement No. 4. This exemption was authorized by law and will not endanger life or property or the common defense and security and is otherwise in the public interest. The exemption, therefore, remains in effect. The granting of the exemption was authorized with the issuance of the License for Fuel-Loading and Low-Power Testing, dated April 18, 1980. The facility will operate, to the extent authorized herein, in conformity with the application as amended, the provisions of the Act, and the regulations of the Commission.
- E. The licensees shall fully implement and maintain in effect all provisions of the Commission-approved physical security, guard training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10 CFR 73.55 (51 FR 27817 and 27822) and to the authority of 10 CFR 50.90 and 10 CFR 50.54 (p). The plans, which contain Safeguards Information protected under 10 CFR 73.21, are entitled: "Salem Nuclear Generating Station Physical Security Plan," with revisions submitted through September 4, 1987; "Salem Nuclear Generating Station Guard Training and Qualification Plan," with revisions submitted through September 4, 1987; and "Salem Nuclear Generating Station Safeguards Contingency Plan," with revisions submitted through December 2, 1986. Changes made in accordance with 10 CFR 73.55 shall be implemented in accordance with the schedule set forth therein.
- F. A temporary exemption from General Design Criterion 57 found in Appendix A to 10 CFR Part 50 is described in the Office of Nuclear Reactor Regulation's Safety Evaluation Report, Supplement No. 5, Section 6.2.3.1. This exemption is authorized by law and will not endanger life or property or the common defense and security and is otherwise in the public interest. The exemption, therefore, is hereby granted and shall remain in effect through the first refueling outage as discussed in Section 6.2.3.1 of Supplement 5 to the Safety Evaluation Report. The granting of the exemption is authorized with the issuance of the Facility Operating License, dated May 20, 1981. The facility will operate, to the extent authorized herein, in conformity with the application as amended, the provisions of the Act, and the regulations of the Commission.
- G. This license is subject to the following additional condition for the protection of the environment:

Before engaging in additional construction or operational activities which may result in an environmental impact that was not evaluated by the Commission, PSE&G shall prepare and record an environmental evaluation of such activity. When the evaluation indicates that such activity may result in a significant adverse environmental impact that was not evaluated, or that is significantly greater than that evaluated in the Final Environmental Statement or any addendum thereto, PSE&G shall provide a written evaluation of such activities and obtain prior approval from the Director of Nuclear Reactor Regulation.

- H. If PSE&G plans to remove or to make significant changes in the normal operation of equipment that controls the amount of radioactivity in effluents from the Salem Nuclear Generating Station, the NRC shall be notified in writing regardless of whether the change affects the amount of radioactivity in effluents.
- I. PSE&G shall report any violations of the requirements contained in Section 2, Items C.(3) through C.(25), E.. F.. and G of this license within 24 hours by telephone and confirmed by telegram, mailgram, or facsimile transmission to the Director of the Regional Office, or his designee, no later than the first working day following the violation, with a written-followup report within 14 days.
- J. The licensees shall immediately notify the Commission of any accident at this facility which could result in an unplanned release of quantities of fission products in excess of allowable limits for normal operation established by the Commission.
- K. The licensees shall have and maintain financial protection of such type and in such amounts as the Commission shall require in accordance with Section 170 of the Atomic Energy Act of 1954, as amended to cover public liability claims.
- L. The licensee is authorized to defer certain eighteen-month surveillance items from the dates required by Technical Specifications 4.0.2(a) and 4.7.10.2(c). These surveillances shall be completed prior to startup following the first refueling outage. The provisions of Technical Specifications 4.0.2(b) and 4.7.10.2(c) are not changed. The affected items are identified in the Safety Evaluation accompanying Amendment No. 14 issued October 22, 1982 and this license change.
- M. This license is effective as of the date of the issuance and shall expire at midnight April 18, 2020.

N. Relocated Technical Specifications

Public Service Electric and Gas Company shall relocate certain technical specification requirements to licensee-controlled documents as described below. The location of these requirements shall be retained by the licensee.

- a. This license condition approves the relocation of certain technical specification requirements to licensee-controlled documents (UFSAR), as described in the licensee's applications with the staff's safety evaluation approval and Amendment No. as noted below:

<u>Licensee's Application</u>	<u>Safety Evaluations</u>	<u>Amendment Nos.</u>
September 25, 1996	January 30, 1997	172

Implementation shall include the relocation of technical specifications requirements to the appropriate licensee-controlled document as identified in the licensee's application.

FOR THE NUCLEAR REGULATORY COMMISSION

Original Signed by Edson G. Case

Edson G. Case, Acting Director
Office of Nuclear Reactor Regulation

Attachment:
Appendices A & B

Date of Issuance: May 20, 1981

APPENDIX C

ADDITIONAL CONDITIONS
OPERATING LICENSE NO. DPR-75

Public Service Electric and Gas Company and Philadelphia Electric Company and PSEG Nuclear LLC shall comply with the following conditions on the schedules noted below:

Amendment Number	Additional Condition	Implementation Date
175	The licensee is authorized to relocate certain Technical Specification requirements to licensee-controlled documents. Implementation of this amendment shall include the relocation of these technical specification requirements to the appropriate documents, as described in the licensee's application dated January 11, 1996, as supplemented by letters dated February 26, May 22, June 27, July 12, December 23, 1996, and March 17, 1997, and evaluated in the staff's safety evaluation attached to this amendment.	The amendment shall be implemented within 60 days from March 21, 1997.
177	The licensee is authorized to upgrade the initiation circuitry for the power operated relief valves, as described in the licensee's application dated January 31, 1997, as supplemented by letters dated March 14, April 8, and April 28, 1997, and evaluated in the staff's safety evaluation attached to this amendment.	The amendment shall be implemented prior to entry into Mode 3 from the current outage for Salem, Unit 2.
179	<p>Containment Fan Cooler Units</p> <p>All modifications made in support of the amendment request concerning Containment Fan Cooler Unit (CFCU) response time dated October 25, 1996, as described in the letters supplementing the amendment request dated December 11, 1996, January 28, March 27, April 24, June 3, and June 12, 1997, shall be in conformance with the existing design basis for Salem Unit 2, and programmatic controls for tank monitoring instrumentation shall be as described in the letter dated April 24, 1997. Post modification testing and confirmatory analyses shall be as described in the letter dated March 27, 1997. Future changes to the design described in these submittals may be made in accordance with the provisions of 10 CFR 50.59. Further, the administrative controls associated with CFCU operability and containment integrity described in the letters dated March 27 and April 24, 1997, shall not be relaxed or changed without prior staff review until such time as the license has been amended to include the administrative controls as technical specification requirements.</p>	The amendment shall be implemented prior to entry into Mode 3 from the current outage for Salem, Unit 2.
181	The licensee shall perform an evaluation of the containment liner anchorage by November 30, 1997, for the loading induced on the containment liner during a Main Steam Line Break event to confirm the assumptions provided in the Preliminary Safety Analysis Report and Updated Final Safety Analysis Report.	The amendment shall be implemented within 30 days from July 17, 1997.



UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

SAFETY EVALUATION BY THE OFFICE OF NUCLEAR REACTOR REGULATION
PROPOSED TRANSFER OF OWNERSHIP INTERESTS OF
ATLANTIC CITY ELECTRIC COMPANY AND DELMARVA POWER & LIGHT COMPANY
TO PSEG NUCLEAR LIMITED LIABILITY COMPANY AND PECO ENERGY COMPANY
SALEM NUCLEAR GENERATING STATION, UNIT NOS. 1 AND 2,
HOPE CREEK GENERATING STATION, AND PEACH BOTTOM ATOMIC POWER
STATION, UNIT NOS. 2 AND 3
DOCKET NOS. 50-272, 50-311, 50-354, 50-277, AND 50-278

1.0 INTRODUCTION

By application dated December 20, 1999, as supplemented February 11 and February 25, 2000, Public Service Electric and Gas Company (PSE&G), PSEG Nuclear Limited Liability Company (PSEG Nuclear), Atlantic City Electric Company (ACE), and Delmarva Power and Light Company (DP&L) (collectively referred to herein as the PSE&G application), requested Nuclear Regulatory Commission (NRC) approval to transfer Facility Operating Licenses Nos. DPR-70 and DPR-75 for the Salem Nuclear Generating Station, Units 1 and 2 (Salem), and Facility Operating License No. NPF-57 for the Hope Creek Generating Station (Hope Creek), to the extent the licenses are held by ACE and DP&L, to PSEG Nuclear.

In addition, by application dated December 21, 1999, as supplemented February 11, March 2, and March 16, 2000, PECO Energy Company (PECO), PSE&G, PSEG Nuclear, ACE, and DP&L (collectively referred to herein as the PECO application), requested NRC approval to transfer Facility Operating Licenses Nos. DPR-44 and DPR-56 for the Peach Bottom Atomic Power Station, Units 2 and 3 (Peach Bottom), to the extent the licenses are held by ACE and DP&L, to PECO and PSEG Nuclear.

The PSE&G application and the PECO application (collectively referred to herein as the applications) also requested approval of conforming license amendments to reflect the proposed license transfers. Both applications requested the license transfers and conforming license amendments pursuant to Sections 50.80 and 50.90 of Title 10 of the Code of Federal Regulations (10 CFR).

The transfers were requested in connection with purchase agreements executed on September 27, 1999, regarding all of ACE's and DP&L's nuclear generating ownership interests. ACE and DP&L agreed to transfer their combined 14.82-percent interest in Salem

and ACE's 5-percent interest in Hope Creek to PSEG Power Limited Liability Company (PSEG Power), the parent of PSEG Nuclear. In other agreements, PECO and PSEG Power have agreed to purchase ACE's 7.51-percent interest and DP&L's 7.51-percent interest in Peach Bottom. The purchase agreements allow PSEG Power to assign its right to purchase the shares to PSEG Nuclear.

PSE&G is an electric utility as defined in 10 CFR 50.2, and currently owns 42.59-percent interests in Salem, a 95-percent interest in Hope Creek, and 42.49-percent interests in Peach Bottom. On June 4, 1999, PSE&G applied to the NRC for consent to transfer its ownership interests in and operating authority under the licenses for Salem and Hope Creek to a newly formed nuclear generating affiliate, PSEG Nuclear. A separate PECO application dated July 1, 1999, concerned the transfer of PSE&G's ownership interest in Peach Bottom to PSEG Nuclear. The NRC approved the relevant license transfers by Orders dated February 16, 2000. However, these transfers have not been completed as of the date of this evaluation. The restructuring of the Public Service Enterprise Group Incorporated (PSE&G's current parent company) organization also includes the creation of a new wholesale generation holding company, PSEG Power LLC, which will collectively own the organization's generation assets. The subsidiaries of PSEG Power will be (1) PSEG Nuclear, which will own and operate Salem and Hope Creek and own the PSEG interest in Peach Bottom; (2) PSEG Fossil LLC, which will own the organization's non-nuclear generating assets; and (3) PSEG Energy Resources and Trade LLC (PSEG ERT), which will market power. All of the above companies will be wholly owned subsidiaries of Public Service Enterprise Group Incorporated. PSEG Nuclear will not meet the definition of an electric utility in 10 CFR 50.2.

PECO is an electric utility as defined in 10 CFR 50.2 and currently owns 42.49-percent interests in Peach Bottom and is the licensed operator of Peach Bottom. PECO also holds 42.59-percent non-operating interests in Salem.

The transfer of the minority interests presently owned by ACE and DP&L will have no impact on the management or operation of the plants, according to the applications.

2.0 FINANCIAL QUALIFICATIONS ANALYSIS

After the proposed transfers of the Peach Bottom licenses, and assuming the initial transfer of PSE&G's interests to PSEG Nuclear have been completed in connection with the July 1, 1999, application referenced earlier, PECO and PSEG Nuclear will each hold 50-percent ownership interests in Peach Bottom, and PECO will remain the licensed operator of Peach Bottom. PECO will remain an electric utility as defined by 10 CFR 50.2, subject to rate regulation by the Pennsylvania Public Utility Commission and the Federal Energy Regulatory Commission. Accordingly, as an electric utility, its financial qualifications are presumed to be adequate by 10 CFR 50.33(f) and no other demonstration of financial qualifications is required.

After the proposed transfers of the Salem and Hope Creek licenses, and assuming the initial transfer of PSE&G's interests to PSEG Nuclear have been completed in connection with the June 4, 1999, application referenced earlier, PSEG Nuclear will have an ownership interest of 57.41 percent in Salem and will own 100 percent of Hope Creek. PECO will own the remaining 42.59-percent interest in the Salem facility. PSEG Nuclear will be the licensed

operator of the Salem and Hope Creek plants, assuming again the completion of the initial transfers, notwithstanding the DP&L and/or ACE transfers.

Since PSEG Nuclear will not qualify as an "electric utility" for purposes of 10 CFR 50.2, it must demonstrate, in accordance with 10 CFR 50.33(f)(2), that it possesses or has reasonable assurance of obtaining the funds necessary to cover the plants' operating costs by submitting estimates for total annual operating costs for each of the first 5 years of operation and a description of the sources of funds to cover these costs.

In the applications of June 4 (Salem and Hope Creek) and July 1, 1999 (Peach Bottom), to transfer PSE&G's interests in Salem, Hope Creek, and Peach Bottom to the newly formed PSEG Nuclear, cost estimates and estimated income statements were submitted. In acquiring the ownership interests of ACE and DP&L, PSEG Nuclear is increasing its ownership share in the five nuclear units, and its operating costs will increase proportionally. PSEG Nuclear is likewise proportionally increasing its entitlements to capacity and energy from the five units. In the current application of December 20, 1999, PSE&G stated that the income statement and cash flow projection included in the June 4, 1999, transfer application, "incorporated business models and assumptions that included 5000 MW of projected additional generation capacity, specifically including (and modeling) acquisition of the additional nuclear generation interests to be obtained from ACE and DP&L from both cost and revenue perspectives." The application further states, "Income Statement and Cash Flow Projection previously provided remains a valid indicator of the financial qualifications of PSEG Nuclear to obtain the interests here at issue." In reviewing the applications dated June 4 and July 1, 1999, the staff concluded that the proposed license transfers should be approved because the information in the applications had provided reasonable assurance that PSEG Nuclear will be able to obtain adequate funding to own, operate, and decommission Salem and Hope Creek with respect to PSEG Nuclear's proposed ownership interests, and to be financially qualified to own its proposed interests in Peach Bottom. The staff is incorporating by reference its February 16, 2000, safety evaluation (SE) supporting these conclusions.

The staff has evaluated the information in the current applications and has determined that the projections of revenues and expenses for the proposed increased ownership shares resulting from PSEG Nuclear's proposed purchase of the subject ownership interests of ACE and DP&L do not materially change the staff's earlier analysis and conclusions regarding PSEG Nuclear's financial qualifications reflected in the Orders dated February 16, 2000, and provide a basis for the staff to conclude that PSEG Nuclear will be able to obtain adequate funding to own, operate, and decommission (as more fully discussed later in this SE) Salem, Hope Creek, and Peach Bottom with respect to the additional ownership interests being acquired. Therefore, the staff finds that PSEG Nuclear, as a newly-formed entity, is financially qualified under 10 CFR 50.33(f)(3) having made the necessary demonstration thereunder, to hold the licenses for Salem, Hope Creek, and Peach Bottom with respect to the additional ownership interests proposed to be acquired by PSEG Nuclear from DP&L and/or ACE. Furthermore, PECO, as an electric utility is financially qualified to hold the Peach Bottom licenses with respect to the increased ownership interests to be acquired from DP&L and ACE.

3.0 DECOMMISSIONING FUNDING

The NRC has determined that the requirements to provide assurance of decommissioning funding and provision of an adequate amount of decommissioning funding are necessary to ensure the adequate protection of public health and safety.

The following decommissioning funding analysis is based on the information provided in the PSE&G and PECO applications.

The PECO application states that the proposed transfer of the ACE and DP&L ownership interests in Peach Bottom will have no effect on the ability of PECO or PSEG Nuclear to fund decommissioning of the units. PECO will continue to fund its current 42.49-percent share of decommissioning costs through annual nonbypassable wire charges authorized by the Pennsylvania Public Utility Commission. Similarly, PSEG Nuclear will continue to fund its current 42.49-percent share of decommissioning costs through annual nonbypassable charges authorized by the New Jersey Board of Public Utilities.

The ACE and DP&L nuclear decommissioning trust funds associated with their combined 15.02-percent ownership of Peach Bottom will be transferred at closure to the PECO and PSEG Nuclear decommissioning trusts, with PECO and PSEG Nuclear each receiving half of the transferred funds. As of the expected closing date of the transfer, ACE and DP&L will have accumulated approximately \$42.4 million and \$43.7 million, for Peach Bottom Units 2 and 3, respectively. Enclosure 3 of the PECO application dated December 21, 1999, provides the applicants' calculation of the NRC's formula amount for radiological decommissioning of \$371.0 million for each unit, of which ACE and DP&L's 15.02-percent share is approximately \$55.7 million. Enclosure 4 of the PECO application shows that, even with no additional contributions to the funds, when earnings are credited, as allowed by 10 CFR 50.75(e), at a 2-percent annual after-tax real rate of return through the remaining term of the units' licenses, the amount in the funds will exceed ACE and DP&L's \$55.7 million share of the NRC's formula amount for the 10 CFR 50.75(b) and (c) radiological decontamination and decommissioning requirements.

The PSE&G application states that the proposed transfer of ACE and DP&L shares of Salem and Hope Creek to PSEG Nuclear will have no effect on the financial assurance for decommissioning the units. The proposed transfer will not affect the current funding mechanisms for PECO's current 42.59-percent share of Salem or for PSE&G's current 42.59-percent share of Salem and 95-percent share of Hope Creek. The ACE and DP&L trust funds will be transferred to PSEG Nuclear at closing of the transfer.

Appendix 6 of the PSE&G application dated December 20, 1999, shows that as of the end of 1999, ACE and/or DP&L have accumulated decommissioning funding of approximately \$41.9 million for Salem Unit 1, \$31.0 million for Salem Unit 2, and \$9.9 million for Hope Creek. Appendix 6 to the application also provides the applicants' calculation of the NRC's formula amounts for radiological decommissioning as \$290.7 million each for Salem Units 1 and 2, and \$360 million for Hope Creek. The combined ACE and DP&L share of this total is \$43.1 million each for Salem Units 1 and 2, and \$18 million for Hope Creek. Tables included in Appendix 6 to the application show that, even with no additional contributions to the funds, when earnings are credited, as allowed by 10 CFR 50.75(e), at a 2-percent annual after tax real rate of return

through the remaining terms of the units' licenses, the amount in the funds will exceed ACE and DP&L's shares of the NRC formula amounts for Salem and Hope Creek for the 10 CFR 50.75(b) and (c) radiological decontamination and decommissioning requirements.

The staff verified the calculations provided by the applicants and agrees that the decommissioning trust funds associated with the DP&L and ACE ownership shares of Salem, Hope Creek, and Peach Bottom are fully funded. Based on the discussion above, the staff concludes that the applicants have complied with the requirements of 10 CFR 50.75(b) with respect to the amount of decommissioning funding they must provide. However, to ensure that the transfer of decommissioning funds will occur as stated in the applications, the staff concludes that the Orders approving the license transfers must contain the following conditions:

For the Salem Order:

- (1) ACE and DP&L will transfer on or about the closing date to the respective PSEG Nuclear decommissioning trusts a minimum of \$41.9 million for Salem Unit 1, and \$31.0 million for Salem Unit 2.

For the Hope Creek Order:

- (1) ACE will transfer on or about the closing date to the PSEG Nuclear decommissioning trusts for Hope Creek, a minimum of \$9.9 million.

For the Peach Bottom Order:

- (1) ACE and DP&L will transfer on or about the closing date to the respective PECO and PSEG Nuclear decommissioning trusts in equal shares a minimum of \$42.4 million for Peach Bottom Unit 2, and \$43.7 million for Peach Bottom Unit 3.

The NRC staff also concludes that, given the considerations discussed herein, the proposed funding mechanisms provide reasonable assurance of decommissioning funding in accordance with 10 CFR 50.75(e), provided that the Orders approving the license transfers contain the following condition (note, this condition is applicable to the Orders for Salem, Hope Creek, and Peach Bottom and has also been added as a license condition for each of the five units):

- (2) The decommissioning trust agreement for each of the five units shall provide that:
 - a. The use of assets in both the qualified and non-qualified funds shall be limited to expenses related to decommissioning of the unit as defined by the NRC in its regulations and issuances, and as provided in the unit's license and any amendments thereto. However, upon completion of decommissioning, as defined above, the assets may be used for any purpose authorized by law.
 - b. Investments in the securities or other obligations of PSE&G or affiliates thereof, or their successors or assigns, shall be prohibited. In addition, except for investments tied to market indexes or other non-nuclear sector mutual funds,

investments in any entity owning one or more nuclear power plants shall be prohibited.

- c. No disbursements or payments from the trust shall be made by the trustee until the trustee has first given the NRC 30 days notice of the payment. In addition, no disbursements or payments from the trust shall be made if the trustee receives prior written notice of objection from the Director, Office of Nuclear Reactor Regulation.
- d. The trust agreement shall not be modified in any material respect without prior written notification to the Director, Office of Nuclear Reactor Regulation.
- e. The trustee, investment advisor, or anyone else directing the investments made in the trust shall adhere to a "prudent investor" standard, as specified in 18 CFR 35.32(3) of the Federal Energy Regulatory Commission's regulations.

4.0 TECHNICAL QUALIFICATIONS

According to the PSE&G application, the proposed transfers of the ACE and/or DP&L ownership interests in Salem and Hope Creek to PSEG Nuclear will not result in any change in the operation of Salem and Hope Creek. The proposed transfers will not result in any changes in the technical aspects of the Salem and Hope Creek Facility Operating Licenses or Technical Specifications, or any change in the technical qualifications of personnel involved in the maintenance and operation of the facilities. The personnel at PSEG Nuclear that will have control over the licensed activities at Salem and Hope Creek will not change as a result of the transfers. There will also be no other changes in the management or operations of Salem and Hope Creek as a result of the transfers.

According to the PECO application, the proposed transfers of the ACE and DP&L ownership interests in Peach Bottom to PECO and PSEG Nuclear will not result in any change in the operation of Peach Bottom. The proposed transfers will not result in any changes in the technical aspects of the Peach Bottom Facility Operating Licenses or Technical Specifications, or any change to the technical qualifications of personnel involved in the maintenance and operation of the facility. The personnel at PECO having control over the licensed activities at Peach Bottom will not change as a result of the transfers. There will also be no other changes in the management or operations of the Peach Bottom facility as a result of the transfers.

In light of the foregoing, the proposed transfers, which involve no transfer of operational authority under any license, require no review of the technical qualifications of the licensed operators.

5.0 ANTITRUST

The Atomic Energy Act does not require or authorize antitrust reviews of post-operating-license transfer applications. Kansas Gas and Electric Co., et al. (Wolf Creek Generating Station Unit 1), CLI-99-19, 49 NRC 441 (1999). Since the transfer application was submitted after the Salem, Hope Creek, and Peach Bottom operating licenses were issued, no antitrust review is required or authorized.

6.0 FOREIGN OWNERSHIP, CONTROL OR DOMINATION

The applications provided information on the directors and company officers of each of the new affiliated companies as required by 10 CFR 50.33(d). The shares of common stock of PECO and Public Service Enterprise Group, Inc. (Enterprise), the holding company that owns PSEG Power, which in turn owns PSEG Nuclear, are publicly traded and widely held. The applications state that the directors and officers of PECO, PSEG Nuclear, PSEG Power, and Enterprise are US citizens and that neither PECO, PSEG Nuclear, PSEG Power, nor Enterprise is owned, controlled, or dominated by any alien, foreign corporation, or foreign government. The NRC staff has no reason to believe otherwise.

7.0 INSURANCE

According to the applications, after the transfer of ACE's and DP&L's interests to PECO and PSEG Nuclear, conforming changes in nuclear liability and nuclear property coverage and in the Price-Anderson indemnity agreements with respect to Salem, Hope Creek, and Peach Bottom will be made. The staff finds that, based on information discussed in the financial qualifications section, PECO and PSEG Nuclear will retain the ability to pay the pro-rata increase in deferred premiums in compliance with 10 CFR 140.21.

8.0 CONFORMING AMENDMENTS

8.1 Introduction

As described in the applications dated December 20, 1999, and December 21, 1999, PSE&G requested approval of license amendments for Salem and Hope Creek, and PECO requested approval of license amendments for Peach Bottom pursuant to 10 CFR 50.90. These amendments would be administrative in nature and would conform the operating licenses for each of the five units as applicable to reflect the proposed license transfers.

Notice of the application for approval of the license transfers and approval of the conforming license amendments was published in the Federal Register for Salem, Hope Creek, and Peach Bottom on February 18, 2000 (65 FR 8452, 65 FR 8453, and 65 FR 8451, respectively). No hearing requests or comments were received. The PSE&G submittals dated February 11 and February 25, 2000, and the PECO submittals dated February 11, March 2, and March 16, 2000, did not expand the scope of the application as initially published in the Federal Register.

In addition to the license conditions that would be added as discussed in Section 3.0 above, the changes to each of the licenses would be as follows:

1. For Salem (License Nos. DPR-70 and DPR-75), references to ACE and DP&L would be removed, and PSEG Nuclear would be added. The revised licenses would reflect that PSE&G, PECO, and PSEG Nuclear are the licensees.
2. For Hope Creek (License No. NPF-57), references to ACE would be removed, and PSEG Nuclear would be added. The revised license would reflect that PSE&G and PSEG Nuclear are the licensees.

3. For Peach Bottom (License Nos. DPR-44 and DPR-56), references to ACE and DP&L would be removed, and PSEG Nuclear would be added. The revised licenses would reflect that PECO, PSE&G, and PSEG Nuclear are the licensees.

If the transfer of the licenses for Salem, Hope Creek, and Peach Bottom, to the extent they are currently held by PSE&G, to PSEG Nuclear (as described in the Orders dated February 16, 2000), are completed prior to the license transfers discussed in this SE, PSE&G would not be shown as a licensee on the final issued license pages.

8.2 Evaluation

The proposed conforming amendments for Salem, Hope Creek, and Peach Bottom do no more than accurately reflect the approved transfer actions, which are subject to certain conditions set forth in the orders approving the transfers, and that were identified and discussed earlier in this SE. The amendments involve no safety questions and are administrative in nature. The NRC staff finds that the proposed amendments are acceptable.

8.3 State Consultation

In accordance with the Commission's regulations, the New Jersey State Official was notified of the proposed issuance of the amendments for Salem and Hope Creek, and the Pennsylvania State official was notified of the proposed issuance of the amendments for Peach Bottom. The State officials had no comments.

8.4 Conclusion With Respect To the Conforming Amendments

The Commission has concluded, based on the considerations discussed herein, that (1) there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of the amendments will not be inimical to the common defense and security or to the health and safety of the public.

9.0 ENVIRONMENTAL CONSIDERATION

The subject applications are for approval of the transfer of licenses issued by the NRC and approval of conforming amendments. Accordingly, the actions involved meet the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the applications.

10.0 CONCLUSIONS

For the reasons discussed above, the staff concludes that PECO is financially qualified to hold the licenses for Peach Bottom Units 2 and 3 with respect to the 7.51-percent ownership share being transferred to it by ACE and DP&L. Likewise, the staff concludes that PSEG Nuclear is qualified to hold the licenses for Peach Bottom Units 2 and 3 with respect to the 7.51-percent ownership share in Peach Bottom being transferred to it by ACE and DP&L.

The staff also concludes that PSEG Nuclear is financially qualified to hold the licenses for Salem Units 1 and 2 with respect to the 14.82-percent combined ACE and DP&L ownership share being transferred to it by ACE and DP&L. In addition, the staff concludes that PSEG Nuclear is financially qualified to hold the license for Hope Creek with respect to the 5-percent ownership share being transferred to it by ACE.

Also, there do not appear to be any problematic antitrust or foreign ownership considerations related to the Salem, Hope Creek, and Peach Bottom licenses as a result of the transfer. Thus, the staff finds that PECO and PSEG Nuclear are qualified to hold the above licenses with respect to the ownership interests being transferred from ACE and DP&L and the transfer of the licenses, to the extent described above, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission.

Principal Contributors: M. Davis
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Date: April 21, 2000

Mr. Harold W. Keiser
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 Company
 Post Office Box 236
 Hancocks Bridge, NJ 08038

April 21, 2000

SUBJECT: ORDER APPROVING THE TRANSFER OF LICENSES FOR SALEM NUCLEAR GENERATING STATION, UNIT NOS. 1 AND 2, TO THE EXTENT HELD BY THE ATLANTIC CITY ELECTRIC COMPANY AND DELMARVA POWER AND LIGHT COMPANY, TO PSEG NUCLEAR LIMITED LIABILITY COMPANY AND CONFORMING AMENDMENTS (TAC NOS. MA7776 AND MA7777)

Dear Mr. Keiser:

The enclosed Order is being issued in response to your application dated December 20, 1999, as supplemented February 11 and February 25, 2000, requesting approval of the transfer of the licenses for the Salem Nuclear Generating Station, Unit Nos. 1 and 2, to the extent they are held by Atlantic City Electric Company and Delmarva Power and Light Company to PSEG Nuclear Limited Liability Company and approval of conforming amendments pursuant to Sections 50.80 and 50.90 of Title 10 of the *Code of Federal Regulations*. The enclosed Order consents to the proposed transfer, subject to the conditions described therein. The Order also approves the enclosed conforming license amendments to be issued and made effective when the transfer is completed.

Also enclosed is our related safety evaluation. The Order has been forwarded to the Office of the Federal Register for publication.

Sincerely,
 /RA/

Robert J. Fretz, Project Manager, Section 2
 Project Directorate I
 Division of Licensing Project Management
 Office of Nuclear Reactor Regulation

Docket Nos. 50-272 and 50-311

- Enclosures: 1. Order
 2. Conforming Amendments to DPR-70 and DPR-75
 3. Safety Evaluation

cc w/encls: See next page

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EAdensam (EGA1)	GHill (4)	HChristensen	
JClifford	ACRS	SHom	

*See Previous Concurrence

**By telecon

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DATE	4/20/00	4/21/00	4/21/00	2/23/00	4/19/00	4/20/00	4/21/00

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NAME	EAdensam	SHom	JZwolinski	BSheron	SCollins
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