

March 27, 2001

LRN-01-0097



United States Nuclear Regulatory Commission
Document Control Desk
Washington, DC 20555

Gentlemen:

**NRC DECOMMISSIONING FUNDING STATUS REPORT
HOPE CREEK GENERATING STATION - NPF-57
SALEM GENERATING STATION, UNITS 1 & 2 - DPR-70/DPR-75
PEACH BOTTOM STATION, UNITS 2 & 3 - DPR-44/DPR-56**

This letter submits the status report of the decommissioning funds for the subject facilities in accordance with 10CFR50.75(f)(1).

1. Minimum decommissioning fund estimate, pursuant to 10CFR50.75(b) and (c)¹.

PSEG Nuclear has prepaid its nuclear decommissioning liability in the amount (aggregate) by \$273.0 million, as of December 31, 2000. The calculation is supported in Appendix B.

Applying the NRC 2% Test, in accordance with 10CFR50.75(e)(1)(ii), PSEG Nuclear has calculated a liability of \$1.84 billion in order to meet the minimum financial assurance requirements at license termination. The \$1.84 billion liability is based on the NRC formula calculated at December 31, 2000, escalated through license termination and offset by independent external trust funds. The Company believes the amount collected, as authorized by its rate setting authority (New Jersey Board of Public Utilities), will fully fund its independent external trust funds (including earnings on the assets) in order to meet the nuclear decommissioning liability through license termination.

¹ * The NRC formulas in section 10CFR50.75(c) include only those decommissioning costs incurred by licensees to remove a facility or site safely from service and reduce residual radioactivity to levels that permit: (1) release of the property for unrestricted use and termination of the license; or (2) release of the property under restricted conditions and termination of the license. The cost of dismantling or demolishing non-radiological systems and structures is not included in the NRC decommissioning cost estimates. The costs of managing and storing spent fuel on site until transfer to DOE are not included in the cost formulas.

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2. Amount accumulated as of December 31, 2000.

<u>Plant</u>	(\$ Millions)		<u>Total</u>
	<u>Qualified Trust</u>	<u>Non-Qualified Trust</u>	
Hope Creek	202.0	5.0	207.0
Salem Unit 1	106.0	42.5	148.5
Salem Unit 2	108.1	14.5	122.6
Peach Bottom Unit 2	90.9	29.8	120.7
Peach Bottom Unit 3	<u>95.5</u>	<u>22.7</u>	<u>118.2</u>
Total	602.5	114.5	717.0

3. Annual amounts remaining to be collected as of December 31, 2000.

The following chart shows the amounts to be collected by PSEG Nuclear through a societal benefit clause as authorized by its rate setting authority, the New Jersey Board of Public Utilities, effective January 1, 1993, based on a site specific nuclear decommissioning study.

(\$ Millions)

<u>Plant</u>	<u>Collections</u>
Hope Creek	13.4
Salem Unit 1	2.5
Salem Unit 2	4.2
Peach Bottom Unit 2	4.3
Peach Bottom Unit 3	<u>5.2</u>
Total	29.6

4. Assumptions used regarding escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections.

The following escalation rates, on average, have been used to project future costs to decommission the PSEG Nuclear share of the 5 nuclear units: labor 3.36%; low level radioactive waste disposal 3.75%; energy costs 3.24%; and Producer Price Index at 2.67%. The remaining licensing life of each nuclear unit has been factored into these rates (Appendix A).

In the rate setting process, the New Jersey Board of Public Utilities authorized a 6.1% after-tax rate of return for trust funds. PSEG Nuclear, in performing the NRC 2% Test, applied a more conservative earnings rate on its Trust Fund assets, equal to 2% plus an average Producer Price Index of 2.67%, for a total asset earnings rate of 4.67%. No other factors were considered in funding projections other than those identified above.

5. Contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(ii)(c);

PSEG Nuclear is not relying upon contracts in this regard.

6. Any modifications to a licensee's current method providing financial assurance occurring since the last submitted report.

There have been no modifications to PSEG Nuclear's current method of providing financial assurance since December 31, 1998.

7. Any material changes to trust agreements.

Via a Trust Agreement dated August 21, 2000, PSEG Nuclear appointed Mellon Bank, N.A. as Trustee to maintain its funds which qualify as nuclear decommissioning reserve funds under Code Section 468A, and those funds that do not qualify as nuclear decommissioning reserve funds under Code Section 468A. On August 21, 2000, PSE&G transferred all the assets held in the PSE&G Qualified Funds and all assets in the PSE&G Nonqualified Funds to the PSEG Nuclear LLC Master Decommissioning Trust.

As the result of electric utility deregulation legislation in New Jersey and an order by the New Jersey Board of Public Utilities, PSE&G sold to PSEG Nuclear LLC its interest in the Hope Creek, Salem and Peach Bottom Stations. (Specifically, a 95 percent undivided interest in the Hope Creek Generating Station, a 42.59 percent undivided interest in each of the Salem Nuclear Generating Station Units 1 & 2, and a 42.49 percent undivided interest in each of the Peach Bottom Station Units 2 & 3.)

On December 29, 2000, PSEG Nuclear LLC acquired from Delmarva Power & Light an additional 7.41 percent undivided interest in each of the Salem Units 1 & 2 (for a new total of 50.0 percent), and an additional 3.755 percent undivided interest in each of the Peach Bottom Units 2 & 3 (for a new total of 46.245 percent).

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Should you have any questions regarding this report, please contact Mr. Gabor Salamon at 856-339-5296.

Sincerely,



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