

MAR 28 2002



LR-N02-0116

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. The minimum decommissioning fund estimate, pursuant to 10 CFR 50.75 (b) and (c).

PSEG Nuclear has prepaid its nuclear decommissioning liability in the amount (aggregate) by \$301.0 million, as of December 31, 2001. The calculation is supported in Appendix A and Appendix B (attached).

Applying the NRC 2% Test, in accordance with 10 CFR 50.75(e)(1)(ii), PSEG Nuclear has calculated a liability of \$2.0 billion in order to meet the minimum financial assurance requirements at license termination. The \$2.0 billion liability is based on the NRC formula calculated at December 31, 2001, escalated through license termination and offset by independent external trust funds.

2. Amount accumulated as of December 31, 2001.

The amount accumulated in both Qualified and Non-Qualified Trusts at December 31, 2001, for each respective Unit, is disclosed in the following Table:

<u>Plant</u>	(\$ Millions)		<u>Total</u>
	<u>Qualified Trust</u>	<u>Non-Qualified Trust</u>	
Hope Creek	226.2	4.4	230.6
Salem Unit #1	124.7	42.9	167.6
Salem Unit #2	134.2	14.0	148.2
Peach Bottom Unit #2	104.7	30.9	135.6
Peach Bottom Unit #3	<u>110.8</u>	<u>24.5</u>	<u>135.3</u>
<b>Total</b>	<u>700.6</u>	<u>116.7</u>	<u>817.3</u>

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3. Annual amounts remaining to be collected as of December 31, 2001.

The following chart shows the amounts to be collected 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>
<b>Total</b>	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 Company's respective share of 5 nuclear units: labor 3.36%; low level radioactive waste disposal 3.75%; energy costs 3.24%; and Producer Price Index at 2.67%.

PSEG Nuclear, in performing the NRC 2% Test, applied a 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. Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(ii)(c);

The licensee 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 method of providing financial assurance since the last submitted report.

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7. Any material changes to trust agreements.

On October 18, 2001, PSEG Nuclear acquired from Atlantic City Electric Company an additional 7.41 percent undivided interest in each of the Salem Units 1 & 2 (for a new total of 57.41 percent), an additional 3.755 percent undivided interest in each of the Peach Bottom Units 2 & 3 (for a new total of 50.0 percent), and an additional 5.0 percent interest in the Hope Creek Generating Station (for a new total of 100.0 percent).

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

Sincerely,

A handwritten signature in cursive script, appearing to read "E. Simpson".

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USNRC Senior Resident Inspector - HC (X24)

USNRC Senior Resident Inspector - Salem (X24)

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Calculation of NRC Funding Requirements for Year 2001

Appendix A

Dollars in (000's)					
<u>Sation and Unit</u>	<u>Operating License Expiration Date</u>	<u>Remaining Years to End of Operating License Life</u>	<u>PSEG's Share of Funding Requirement in Year 2001</u>	<u>Fair Market Value External Fund Dec. 31, 2001</u>	<u>Funding Requirement Year 2001</u>
Hope Creek Unit No. 1	April 11, 2026	25	\$ 411,219	\$ 230,566	\$ 16,449
Salem Unit No. 1	August 13, 2016	15	\$ 184,796	\$ 167,654	\$ 12,320
Salem Unit No. 2	April 18, 2020	19	\$ 184,796	\$ 148,165	\$ 9,726
Peach Bottom Unit No. 2	August 8, 2013	12	\$ 211,360	\$ 135,665	\$ 17,613
Peach Bottom Unit No. 3	July 2, 2014	13	\$ 211,360	\$ 135,346	\$ 16,258
				<u>\$ 817,396</u>	

Compliance /(Non-Compliance) of NRC Funding Requirements in Year 2001

Appendix B

Station and Unit	Fair Market Value External Fund	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Prepayment Balance at Dec.31,2001
	Dec. 31,2001												
Hope Creek Unit No. 1	\$ 230,566	\$5,394	\$5,537	\$11,872	\$12,352	\$13,958	\$14,423	\$14,973	\$12,224	\$12,676	\$14,984	\$16,449	\$ 95,724
Salem Unit No. 1	\$ 167,654	\$2,724	\$2,868	\$ 6,877	\$ 7,249	\$ 8,405	\$ 8,826	\$ 9,326	\$ 6,879	\$ 7,283	\$10,021	\$12,320	\$ 84,876
Salem Unit No. 2	\$ 148,165	\$2,349	\$2,458	\$ 2,858	\$ 6,134	\$ 7,061	\$ 7,355	\$ 7,704	\$ 5,628	\$ 5,896	\$ 8,016	\$ 9,726	\$ 82,980
Peach Bottom Unit No. 2	\$ 135,665	\$4,967	\$5,263	\$11,682	\$ 9,305	\$10,751	\$11,384	\$12,138	\$10,319	\$11,906	\$14,997	\$17,613	\$ 15,339
Peach Bottom Unit No. 3	\$ 135,346	\$4,967	\$5,263	\$11,682	\$ 8,839	\$10,186	\$10,751	\$11,424	\$ 9,674	\$10,319	\$13,926	\$16,258	\$ 22,057
	<u>\$ 817,396</u>												<u>\$ 300,975</u>