

MAR 25 2003

LR-N03-0140



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

**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**

Gentlemen:

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).

<u>Plant</u>	<u>NRC Minimum Decommissioning Funding Requirements</u>	
	<u>(PSEG Nuclear Share) (\$ Millions)</u>	
Hope Creek		439.5
Salem Unit #1		206.9
Salem Unit #2		206.9
Peach Bottom Unit #2		225.4
Peach Bottom Unit #3		<u>225.4</u>
Total		1,304.1

2. Amount accumulated as of December 31, 2002.

The amount accumulated in both Qualified and Non-Qualified Trusts at December 31, 2002, for each respective Unit, is disclosed in the following Table:

<u>Plant</u>	<u>(\$ Millions)</u>		<u>Total</u>
	<u>Qualified Trust</u>	<u>Non-Qualified Trust</u>	
Hope Creek	225.7	3.4	229.1
Salem Unit #1	115.6	33.6	149.2
Salem Unit #2	125.8	10.9	136.7
Peach Bottom Unit #2	100.8	24.1	124.9
Peach Bottom Unit #3	<u>107.4</u>	<u>19.1</u>	<u>126.5</u>
Total	675.3	91.1	766.4

A001
Add Michael A. Dusanwsky
1 Paper Copy



MAR 25 2003

Document Control Desk
LR-N03-0140

2

3. Annual amounts remaining to be collected as of December 31, 2002.

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>
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 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%.

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. 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.





MAR 25 2003

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

PSEG Nuclear has prepaid its nuclear decommissioning liability in the amount (aggregate) by \$211.3 million, as of December 31, 2002. The calculation is supported in Appendix A.

Appendix A calculates an accumulated funding requirement based upon annual contributions requirements since first filing in 1991. This method is consistent with previous submittals and provides an accurate measure for annual growth requirements of the funds.

In reviewing previous filings, PSEG Nuclear determined that a minor error existed in the annual contribution requirements in prior submitted Appendix B calculations, however, the minor error was not material in the determination of adequacy of funding. In addition, Appendix B showed annual contribution requirements on a yearly basis which provided no additional benefit and duplicated information contained in Appendix A. Consequently, the Appendix B information was not included in this filing.

7. Any material changes to trust agreements. No

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

Sincerely,

/rbd
Attachment



Calculation of NRC Funding Requirements for Year 2002

Appendix A

Dollars In (000's)

PSEG NUCLEAR SHARE					
<u>Station and Unit</u>	<u>Operating License Expiration Date</u>	<u>Remaining Years to End of Operating License Life</u>	<u>NRC Decommissioning Funding Requirements IAW 10CFR50.75 (note 1, 2)</u>	<u>Accumulated Funding Requirements as of December 31, 2002 (note 1, 3)</u>	<u>Fair Market Value of External Fund as of December 31, 2002 (note 1)</u>
Hope Creek Unit No. 1	April 11, 2026	24	\$439,453	\$146,484	\$ 229,168
Salem Unit No. 1	August 13, 2016	14	\$206,867	\$95,477	\$ 149,184
Salem Unit No. 2	April 18, 2020	18	\$206,867	\$82,747	\$ 136,680
Peach Bottom Unit No. 2	August 8, 2013	11	\$225,443	\$117,622	\$ 124,843
Peach Bottom Unit No. 3	July 2, 2014	12	\$225,443	\$112,722	\$ 126,488
			<u>\$ 1,304,073</u>	<u>\$ 555,052</u>	<u>\$ 766,363</u>

note 1: Amounts represent PSEG Nuclear's share of funding and are in year 2002 dollars

note 2: Funding Requirements calculated using guidance in Regulatory Guide 1.159 Revision 1 and Draft Regulatory Guide DG-1085

note 3:
$$\text{Accumulated Funding Requirements*} = \frac{\text{NRC Decommissioning Funding Requirements IAW 10CFR50.75} \times (\text{Current year (2002)} - \text{Baseline year (1990)})}{(\text{Operating License Expiration year} - \text{Baseline year (1990)})}$$

* Consistent with method in GAO/RCED-99-75 "Better Oversight Needed to Ensure Accumulation of Funds to Decommission Nuclear Power Plants" and NRC Document SECY-99-170 "Summary of Decommissioning Fund Status Reports"