

Public Service
Electric and Gas
Company

Corbin A. McNeill, Jr.
Vice President -
Nuclear

Public Service Electric and Gas Company P.O. Box 236, Hancocks Bridge, NJ 08038 609 339-4800

December 31, 1986

NLR-N86206

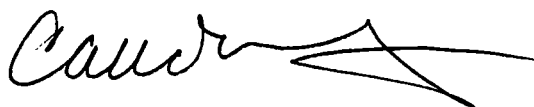
Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
United States Nuclear Regulatory Commission
Washington, DC 20555

Dear Mr. Denton:

PROPOSED CORPORATE REORGANIZATION OF
ATLANTIC CITY ELECTRIC COMPANY
SALEM AND HOPE CREEK GENERATING STATIONS
DOCKET NOS. 50-272, 50-311, 50-354

Public Service Electric and Gas Company, on behalf of Atlantic City Electric Company (ACEC), hereby transmits the enclosed letters from ACEC concerning its proposed corporate reorganization.

Sincerely,



Attachments

C Joseph Scinto, Esq.
USNRC Office of General Counsel

Mr. D. C. Fischer
Licensing Project Manager - Salem

Mr. T. J. Kenny
Senior Resident Inspector - Salem

Mr. D. H. Wagner
Licensing Project Manager - Hope Creek

Mr. R. W. Borchardt
Senior Resident Inspector - Hope Creek

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PDR ADCK 05090272
PDR



JERROLD L. JACOBS
SENIOR VICE PRESIDENT,
UTILITY OPERATIONS

December 18, 1986

Mr. Harold R. Denton
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Hope Creek Generating Station,
Unit 1
Facility Operating License No. NPF-50
Docket No. 50-354

Dear Mr. Denton:

Public Service Electric and Gas Company (PSE&G) and Atlantic City Electric Company (ACEC) (collectively, the Owners) are the holders of Facility Operating License No. NPF-50, dated April 11, 1986. The operating license authorizes PSE&G and ACEC to possess Hope Creek Generating Station (HCGS), Unit 1, and authorizes PSE&G to use and operate the Unit in accordance with the procedures and limitations set forth in the operating license.

On August 7, 1986, ACEC's Board of Directors authorized the formation under the laws of the State of New Jersey of a holding company, Atlantic Energy, Inc., to hold all of the voting stock of ACEC. ACEC intends to secure all necessary regulatory approvals and then to consummate this reorganization as soon as practicable after approval by its stockholders at ACEC's 1987 Annual Meeting of Stockholders, presently scheduled to be held on April 22, 1987. ACEC submits that ownership of HCGS, Unit 1 and ownership of Facility Operating License No. NPF-50 will not be affected by the proposed reorganization.

ACEC hereby requests that the Commission either (a) determine that Commission consent to the proposed reorganization pursuant to 10 C.F.R. 50.80 is not required or (b) consent in writing to the proposed ownership of ACEC by Atlantic Energy, Inc.

The following information is submitted in support of this request.

1. The proposed reorganization.

Pursuant to the proposed reorganization, Atlantic Energy, Inc. would become the sole holder of ACEC's common stock, and the current holders of ACEC's common stock would become holders of shares of the common stock of Atlantic Energy, Inc. on a share-for-share basis. The proposed reorganization is more particularly described in the Petition to the State of New Jersey, Department

Atlantic City Electric Company
1199 Black Horse Pike
Pleasantville, N.J. 08232
609-645-4413

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144 pp.

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of Energy, Board of Public Utilities, dated August 15, 1986, which is attached hereto as Exhibit A.

2. Effect of the proposed reorganization on the management of HCGS, Unit 1.

Pursuant to Facility Operating License No. NPF-50, only PSE&G is authorized to operate HCGS, and ACEC therefore plays no direct part in the operation of the Station. The Owners Agreement for Hope Creek Generating Station, Unit 1, dated April 28, 1977 (the Owners Agreement), also provides that PSE&G is solely responsible for the operation and maintenance of HCGS, Unit 1 subject only to certain oversight by the Owners. This oversight is provided through an Owners' Committee, created pursuant to the Owners Agreement, that consists of one representative and one alternate appointed by each Owner. The Owners' Committee is responsible for coordinating the administration of all matters pertaining to the ownership, operation and maintenance of HCGS, Unit 1. The proposed reorganization will not affect the operation of HCGS, Unit 1 or the structure and responsibilities of the Owners' Committee, and the identity of the ACEC representative and alternate on the Owners' Committee will not change as a result of the proposed reorganization.

In addition, it is presently contemplated that persons who are directors or officers of ACEC immediately before the consummation of the reorganization will continue in such capacities after the reorganization. The directors of ACEC who are elected at the Annual Meeting of Stockholders held on April 22, 1987 would become the directors of Atlantic Energy, Inc. The principal executive officers of Atlantic Energy, Inc. would be persons holding executive offices with ACEC and, at least initially, would continue to hold such offices with ACEC.

3. Effect of the proposed reorganization on the funds available for the operation of HCGS, Unit 1.

Pursuant to the Owner's Agreement, ACEC is responsible for 5.0% of the costs of operating and maintaining HCGS, Unit 1. Neither this responsibility nor ACEC's ability to satisfy it will be affected by the proposed reorganization. Utility operations of ACEC will account for the foreseeable future for the dominant share of the consolidated assets, revenues and net income of Atlantic Energy, Inc. The debt and senior equity securities of ACEC will remain within ACEC control, the common equity of ACEC will not be changed by the reorganization and the power to issue additional securities will remain with ACEC. The retail rates of ACEC will continue to be regulated by the New Jersey Board of Public Utilities and its sales for resale by the Federal Energy Regulatory Commission. Thus, the proposed reorganization will not affect the sources of funds with which ACEC may satisfy its financial obligations under the Owners Agreement or its ability to obtain such funds.

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4. Absence of foreign control.

The proposed reorganization will not result in ACEC's becoming owned, controlled or dominated by an alien, a foreign corporation or a foreign government.

5. Restricted data.

ACEC will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and report to the Nuclear Regulatory Commission on the character, associations and loyalty of such individual and the Nuclear Regulatory Commission shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

6. Conclusions

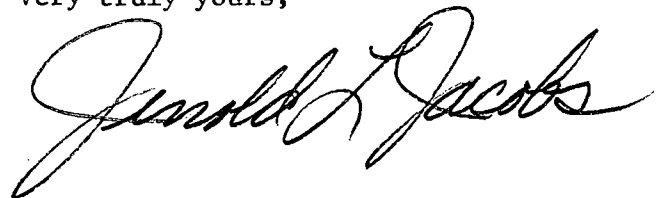
In summary, ACEC submits that (a) because it plays no direct role in the management of HCGS, Unit 1, the proposed reorganization will not affect the management of the Unit, (b) its ability to satisfy its financial obligations with respect to the Unit will not be adversely affected by the proposed reorganization, and (c) the proposed reorganization will not result in foreign or alien domination or control over ACEC. Thus, ACEC requests a prompt determination by the Commission either that its consent to the proposed reorganization is not required or that it consents to the proposed ownership of ACEC by Atlantic Energy, Inc.

Please advise us if the Commission requires any additional information.

We would appreciate it if you would send copies of your correspondence with respect to this request to:

Michael W. Maupin, Esq.
James M. Rinaca, Esq.
Hunton & Williams
P.O. Box 1535
Richmond, Virginia 23212

Very truly yours,



jlj/f



JERROLD L. JACOBS
SENIOR VICE PRESIDENT,
UTILITY OPERATIONS

December 18, 1986

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Salem Nuclear Generation Station,
Units 1 and 2
Facility Operating License Nos. DPR-70 and DPR-75
Docket Nos. 50-272 and 50-311

Dear Mr. Denton:

Public Service Electric and Gas Company (PSE&G), Philadelphia Electric Company (PECo), Delmarva Power and Light Company (DP&L) and Atlantic City Electric Company (ACEC) (collectively, the Owners) are the holders of Facility Operating License Nos. DPR-70 and DPR-75, dated August 13, 1976 and May 20, 1981, respectively. The operating licenses authorize PSE&G, PECo, DP&L and ACEC to possess Salem Nuclear Generating Station (SNGS), Units 1 and 2, and authorize PSE&G to use and operate the Units in accordance with the procedures and limitations set forth in the respective operating licenses.

On August 7, 1986, ACEC's Board of Directors authorized the formation under the laws of the State of New Jersey of a holding company, Atlantic Energy, Inc., to hold all of the voting stock of ACEC. ACEC intends to secure all necessary regulatory approvals and then to consummate this reorganization as soon as practicable after approval by its stockholders at ACEC's 1987 Annual Meeting of Stockholders, presently scheduled to be held on April 22, 1987. ACEC submits that ownership of SNGS, Units 1 and 2 and ownership of Facility Operating License Nos. DPR-70 and DPR-75 will not be affected by the proposed reorganization.

ACEC hereby requests that the Commission either (a) determine that Commission consent to the proposed reorganization pursuant to 10 C.F.R. 50.80 is not required or (b) consent in writing to the proposed ownership of ACEC by Atlantic Energy, Inc.

The following information is submitted in support of this request.

Atlantic City Electric Company
1199 Black Horse Pike
Pleasantville, N.J. 08232
609-645-4413

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December 18, 1986
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1. The proposed reorganization.

Pursuant to the proposed reorganization, Atlantic Energy, Inc. would become the sole holder of ACEC's common stock, and the current holders of ACEC's common stock would become holders of shares of the common stock of Atlantic Energy, Inc. on a share-for-share basis. The proposed reorganization is more particularly described in the Petition to the State of New Jersey, Department of Energy, Board of Public Utilities, dated August 15, 1986, which is attached hereto as Exhibit A.

2. Effect of the proposed reorganization on the management of SNGS Units 1 and 2

Pursuant to Facility Operating License Nos. DPR-70 and DPR-75, only PSE&G is authorized to operate SNGS, Units 1 and 2, and ACEC therefore plays no direct part in the operation of the Units. The Owners Agreement for Salem Nuclear Generating Station, Units 1 and 2, dated November 24, 1971 (the Owners Agreement), also provides that PSE&G is solely responsible for the operation and maintenance of SNGS, Units 1 and 2, subject only to certain oversight by the Owners. This oversight is provided through an Owners' Committee, created pursuant to the Owners Agreement, that consists of one representative and one alternate appointed by each Owner. The Owners' Committee is responsible for coordinating the administration of all matters pertaining to the ownership, operation and maintenance of SNGS, Units 1 and 2. The proposed reorganization will not affect the operation of SNGS Units 1 and 2 or the structure and responsibilities of the Owner's Committee, and the identity of the ACEC representative and alternate on the Owners' Committee will not change as a result of the proposed reorganization.

In addition, it is presently contemplated that persons who are directors or officers of ACEC immediately before the consummation of the reorganization would continue in such capacities after the reorganization. The directors of ACEC who are elected at the Annual Meeting of Stockholders held on April 22, 1987 would become the directors of Atlantic Energy, Inc. The principal executive officers of Atlantic Energy, Inc. would be persons holding executive offices with ACEC and, at least initially, would continue to hold such offices with ACEC.

3. Effect of the proposed reorganization on the funds available for the operation of SNGS, Units 1 and 2.

Pursuant to the Owners' Agreement, ACEC is responsible for 7.41% of the costs of operating and maintaining SNGS, Units 1 and 2. Neither this responsibility nor ACEC's ability to satisfy it will be affected by the proposed reorganization. Utility operations of ACEC will account for the foreseeable future for the dominant share of the consolidated assets, revenues and net income of Atlantic Energy, Inc. The debt and senior equity securities of ACEC will remain within ACEC control, the common equity of ACEC will not be

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changed by the reorganization and the power to issue additional securities will remain with ACEC. The retail rates of ACEC will continue to be regulated by the New Jersey Board of Public Utilities and its sales for resale by the Federal Energy Regulatory Commission. Thus, the proposed reorganization will not affect the sources of funds with which ACEC may satisfy its financial obligations under the Owners' Agreement or its ability to obtain such funds.

4. Absence of foreign control.

The proposed reorganization will not result in ACEC's becoming owned, controlled or dominated by an alien, a foreign corporation or a foreign government.

5. Restricted data.

ACEC will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and report to the Nuclear Regulatory Commission on the character, associations and loyalty of such individual and the Nuclear Regulatory Commission shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

6. Conclusions

In summary, ACEC submits that (a) because it plays no direct role in the management of SNGS, Units 1 and 2, the proposed reorganization will not affect the management of the Units, (b) its ability to satisfy its financial obligations with respect to the Units will not be adversely affected by the proposed reorganization, and (c) the proposed reorganization will not result in foreign or alien domination or control over ACEC. Thus, ACEC requests a prompt determination by the Commission either that its consent of the proposed reorganization is not required or that it consents to the proposed ownership of ACEC by Atlantic Energy, Inc.

Please advise us if the Commission requires any additional information.

We would appreciate it if you would send copies of your correspondence with respect to this request to:

Michael W. Maupin, Esq.
James M. Rinaca, Esq.
Hunton & Williams
P.O. Box 1535
Richmond, VA 23212

Very truly yours,

