

Public Service
Electric and Gas
Company

Steven E. Miltenberger

Vice President -
Nuclear Operations

Public Service Electric and Gas Company P.O. Box 236, Hancocks Bridge, NJ 08038 609 339-4199

March 15, 1988

NLR-N88026

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

Gentlemen:

GUARANTEED RETROSPECTIVE PREMIUMS
FOLLOWING NUCLEAR ACCIDENT
SALEM AND HOPE CREEK GENERATING STATIONS
DOCKET NOS. 50-272/50-311/50-354
FACILITY OPERATING LICENSE NOS. DPR-70, 75 AND NPF-57

Pursuant to the 1975 Amendments to the Price-Anderson Act (Public Law 94-197), the owners of Salem Generating Station, Unit Nos. 1 and 2, and Hope Creek Generating Station, Unit No. 1, submit the following statements and supporting documents to satisfy guarantee requirements as provided under Alternative No. 5:

1. 1987 Stockholders' Annual Report of each owner.
2. Summary of Owners' 1988 Projected Internal Cash Flow Statements supported by individual certified Internal Cash Flow Statements showing 1987 Actual and 1988 Projected with Explanation of Significant Variations.

Similar documents will be filed by Philadelphia Electric Company for the owners of the Peach Bottom Generating Station Units 2 and 3.

Sincerely,

Steven E. Miltenberger

Enclosures

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PDR ADOCK 05000272
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C Mr. R. Wood, Financial Analyst (w/o enclosure)
Office of State Programs

Mr. G. W. Rivenbark (w/o enclosure)
Licensing Project Manager - Hope Creek

Mr. R. W. Borchardt (w/o enclosure)
Senior Resident Inspector - Hope Creek

Mr. D. C. Fischer (w/o enclosure)
Licensing Project Manager - Salem

Mr. T. J. Kenny (w/o enclosure)
Senior Resident Inspector - Salem

Mr. D. M. Scott, Chief
Bureau of Nuclear Engineering
Department of Environmental Protection
380 Scotch Road
Trenton, NJ 08628

JOINT OWNERSHIP OF NUCLEAR GENERATING STATIONS
(SALEM AND HOPE CREEK)
SUMMARY
PROJECTED INTERNAL CASH FLOW STATEMENT
FOR THE YEAR 1988
(Thousands of Dollars)

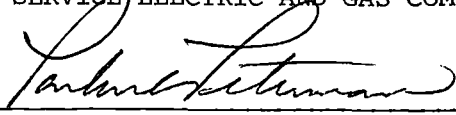
	<u>Public Service Electric and Gas Company</u>	<u>Philadelphia Electric Company</u>	<u>Atlantic City Electric Company</u>	<u>Delmarva Power & Light Company</u>	<u>Total</u>
Net Income	\$517 520	\$ 554 806	\$ 85 433	\$ 81 805	\$1 239 564
Less Dividends Paid	<u>449 613</u>	<u>545 402</u>	<u>57 384</u>	<u>73 507</u>	<u>1 125 906</u>
Retained in Business	<u>\$ 67 907</u>	<u>\$ 9 404</u>	<u>\$ 28 049</u>	<u>\$ 8 298</u>	<u>\$ 113 658</u>
Adjustments:					
Unrecovered Purchased Power Costs	\$ -	\$ -	\$(18 110)	\$ -	\$ (18 110)
Unrecovered Revenue	-	(50 112)	-	-	(50 112)
Levelized Energy Clause - Net	-	-	10 556	-	10 556
Depreciation	473 836	256 178	54 534	74 500	859 048
Amortization and Other	68 044	(17 120)	15 168	5 635	71 727
Deferred Income Taxes and Investment Tax Credits	66 966	117 609	3 028	22 666	210 269
SFAS 92 Effect	-	(12 872)	-	-	(12 872)
SFAS 90 Effect	(14 253)	-	-	-	(14 253)
Nuclear Fuel - Limerick	-	28 069	-	-	28 069
Allowance for Funds Used During Construction	<u>(33 555)</u>	<u>(140 405)</u>	<u>(3 627)</u>	<u>(6 147)</u>	<u>(183 734)</u>
Total Adjustments	<u>\$561 038</u>	<u>\$ 181 347</u>	<u>\$ 61 549</u>	<u>\$ 96 654</u>	<u>\$ 900 588</u>
Internal Cash Flow	<u>\$628 945</u>	<u>\$ 190 751</u>	<u>\$ 89 598</u>	<u>\$104 952</u>	<u>\$1 014 246</u>
Average Quarterly Cash Flow	<u>\$157 236</u>	<u>\$ 47 688</u>	<u>\$ 22 400</u>	<u>\$ 26 238</u>	<u>\$ 235 562</u>
Nuclear Generating Stations Percentage of Ownership					
Salem 1	42.59%	42.59%	7.41%	7.41%	100%
Salem 2	42.59%	42.59%	7.41%	7.41%	100%
Hope Creek 1	95.00%	-	5.00%	-	100%
Maximum Contingent Liability (Severally and not Jointly)	<u>\$ 18 018</u>	<u>\$ 8 518</u>	<u>\$ 1 982</u>	<u>\$ 1 482</u>	<u>\$ 30 000</u>

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
(SALEM AND HOPE CREEK)
Projected Internal Cash Flow Statement
For Year 1988 - Compared to 1987 Actual
(Thousands of Dollars)

	<u>Actual-1987</u>	<u>Projected-1988</u>	<u>Explanation of Significant Variations</u>
Net Income	\$544 019	\$517 520	Principally due to increased employee fringe benefits and amortization of property losses.
Less Dividends Paid	<u>445 313</u>	<u>449 613</u>	Increased dividends
Retained in Business	<u>\$ 98 706</u>	<u>\$ 67 907</u>	
Adjustments:			
Depreciation and Nuclear Fuel Burnup	\$450 863	\$473 836	Principally due to full year of Hope Creek No. 1
Amortization and Other	27 652	68 044	Resumption of Hope Creek 2 amortization, write-down of Energy Development Corporation.
Deferred Income Taxes and Investment Tax Credits	184 969	66 966	Principally decreased Hope Creek No. 1 tax depreciation coupled with lower tax rate.
Statement of Financial Accounting Standards No. 90 - Regulated Enterprises - Accounting for Abandonments and Disallowances of Plant Costs (SFAS 90)	(15 011)	(14 253)	Accretion to income of the discount related to Hope Creek disallowance and various abandonments
Allowance for Funds Used During Construction	<u>(52 661)</u>	<u>(33 555)</u>	Principally due to in-service of Hope Creek No. 1
Total Adjustments	<u>\$595 812</u>	<u>\$561 038</u>	
Internal Cash Flow	<u>\$694 518</u>	<u>\$628 945</u>	
Average Quarterly Cash Flow	<u>\$173 630</u>	<u>\$157 236</u>	

As indicated by this statement, the Average Quarterly Cash Flow fully covers the maximum contingent liability of Public Service Electric and Gas Company which amounts to \$18,018,000 as shown on the Summary Sheet "Projected Internal Cash Flow Statement".

PUBLIC SERVICE ELECTRIC AND GAS COMPANY

BY 
Parker C. Peterman

DATE March 11, 1988

DELMARVA POWER & LIGHT COMPANY

Projected Internal Cash Flow Statement
 For Year 1988 Compared to 1987 Actual
 (Thousands of Dollars)

	Actual - 1987	Projected - 1988	Explanation of Significant Variations
Net Income	\$ 79,803	\$ 81,805	Note 1
Less Dividends Paid	<u>71,432</u>	<u>73,507</u>	Note 2
Retained in Business	<u>8,371</u>	<u>8,298</u>	
Adjustments:			
Depreciation	\$68,907	\$ 74,500	
Amortization and Other	8,498	5,635	Note 3
Deferred Income Taxes and Investment Tax Credits	30,484	22,666	Note 4
Allowance for Funds Used During Construction	<u>(4,603)</u>	<u>(6,147)</u>	
Total Adjustments	<u>103,286</u>	<u>96,654</u>	
Internal Cash Flow	<u>\$111,657</u> *	<u>\$104,952</u>	
Average Quarterly Cash Flow	\$ 27,914	\$ 26,238	

The Company has sufficient cash flow to insure that its respective premiums would be available for payment.

*Per annual report \$123,198. The difference of \$11,541 is due to a different format that was used in annual report, which reflected various working capital items.

By *P. J. Geritsen*

Date February 23, 1988

EXPLANATIONS OF SIGNIFICANT VARIATIONS

- NOTE 1 Net income is expected to increase modestly due to higher expected sales. No significant base rate changes are expected during 1988.
- NOTE 2 Delmarva increased the annualized common stock dividend rate from \$1.41 1/3 to \$1.46 in December 1987. Additional common shares are projected to be issued for the company; DRIP and common share purchase plan commencing during the second quarter 1988. No additional preferred shares, except possibly for refinancing purposes are expected to be issued in 1988.
- NOTE 3 Amortization and Other will decrease due to lower non-cash subsidiary income for leasing activities during 1988.
- NOTE 4 Deferred taxes and ITC, net, are expected to decrease due to the effects of the 1986 Tax Reform Act and lower deferred taxes and ITC associated with non-regulated income.


PHILADELPHIA ELECTRIC COMPANY SYSTEM
 Projected Internal Cash Flow Statement
 For Year 1988 - Compared to 1987 Actual
 (Thousands of Dollars)

	<u>Projected- 1988</u>	<u>Actual - 1987</u>	<u>Explanation of Significant Variations (1)</u>
Net Income	\$554,806	\$542,396	
Less: Dividends Paid	<u>545,402</u>	<u>517,441</u>	
Retained in Business	<u>\$ 9,404</u>	<u>\$ 24,955</u>	
Adjustments:			
Unrecovered Revenue	\$(50,112)	\$(178,595)	Third year of revenue phase-in plan.
Depreciation	256,178	242,305	
Deferred Income Taxes and Investment Tax Credits	117,609	181,369	Decrease due to Deferred Fuel and Liberalized Depreciation.
Allowance for Other Funds Used During Construction	(140,405)	(106,680)	Increased CWIP on Limerick #2.
Nuclear Fuel - Limerick	28,069	36,747	
Statement of Financial Accounting Standards No. 92	(12,872)	(9,082)	
Amortization and Other	<u>(17,120)</u>	<u>(88,253)</u>	Increase in Deferred Fuel.
Total Adjustments	<u>\$181,347</u>	<u>\$ 77,811</u>	
Internal Cash Flow	<u>\$190,751</u>	<u>\$102,766</u>	
Average Quarterly Cash Flow	<u>\$ 47,688</u>	<u>\$ 25,692</u>	

(1) Significant variation equals \$10 million and 10%.

The Company has sufficient cash flow to ensure that its
 respective premiums would be available for payment.

Certified by:



M. W. Rimerman

Vice President, Finance and Accounting

Date

3/2/88

ATLANTIC CITY ELECTRIC COMPANY
PROJECTED INTERNAL CASH FLOW STATEMENT
FOR YEAR 1988 - COMPARED TO 1987 ACTUAL
(Thousands of Dollars)

	<u>Actual 1987</u>	<u>Projected 1988</u>	<u>Explanation of Significant Variations</u>
Net Income	\$ 78,745	\$ 85,433	Primarily due to projected rate changes and higher fuel expenses in association with higher KWH sales.
Less Dividends	<u>55,198</u>	<u>57,384</u>	
Retained in Business	<u>23,547</u>	<u>28,049</u>	
Major Adjustments:			
Depreciation and Amortization	51,080	54,534	
Levelized Energy Clause - Net	(36,984)	10,556	Projected collection of previously deferred fuel costs versus actual giveback of previously deferred revenues and deferral of excess fuel dollars spent over that collected.
Deferred Income Taxes and Investment Tax Credits	18,255	3,028	Projected effect on the recognition of previously deferred fuel, operation and maintenance costs, and transition adjustments to reflect the expected lower tax rate from those originally used.
Unrecovered Purchased Power Costs	(16,910)	(18,110)	
Allowance for Funds Used During Construction	(3,197)	(3,627)	
Other	<u>25,991</u>	<u>15,168</u>	
* Total Adjustments	<u>38,235</u>	<u>61,549</u>	Primarily net changes in working capital items.
	<u>\$ 61,782</u>	<u>\$ 89,598</u>	
Average Quarterly Cash Flow	<u>\$ 15,446</u>	<u>\$ 22,400</u>	
Nuclear Generating Station Percentage Ownership			
Salem Unit #1		7.41%	
Salem Unit #2		7.41%	
Hope Creek #1		5.00%	
Maximum Contingent Liability (Severally and not Jointly)		\$ 1,982	

As indicated by this statement, the Average Quarterly Cash Flow fully covers the maximum contingent liability of Atlantic City Electric Company which amounts to \$1,982,000 as shown above.

ATLANTIC CITY ELECTRIC COMPANY

By J. Cooper
L. E. Cooper, Vice President - Control

Date 3-1-88