

Public Service  
Electric and Gas  
Company

**Steven E. Miltenberger**

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

Vice President and Chief Nuclear Officer

MAR 14 1989  
NLR-N89045

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 AND 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. 1988 Stockholders' Annual Report of each owner.
2. Summary of Owners' 1989 Projected Internal Cash Flow Statements supported by individual certified Internal Cash Flow Statements showing 1988 Actual and 1989 Projected with Explanation of Significant Variations.

Similar documents will be filed by Philadelphia Electric Company for the owners of the Peach Bottom Atomic Power Station, Unit Nos. 2 and 3.

Sincerely,



Enclosures

8903210133 890314  
PDR ADOCK 05000272  
F PNU

*Miltenberger*  
11

MAR 14 1990

(All w/o Enclosures)

C Mr. R. Wood, Financial Analyst  
Office of State Programs

Mr. J. C. Stone  
Licensing Project Manager - Salem

Ms. K. Halvey Gibson  
Senior Resident Inspector - Salem

Mr. C. Y. Shiraki  
Licensing Project Manager - Hope Creek

Mr. G. W. Meyer  
Senior Resident Inspector - Hope Creek

Mr. W. T. Russell, Administrator  
Region I

Ms. J. Moon, Interim Chief  
New Jersey Department of Environmental Protection  
Division of Environmental Quality  
Bureau of Nuclear Engineering  
CN 415  
Trenton, NJ 08625

PSE&G Co-Owners

JOINT OWNERSHIP OF NUCLEAR GENERATING STATIONS

(SALEM AND HOPE CREEK)

SUMMARY

PROJECTED INTERNAL CASH FLOW STATEMENT

FOR THE YEAR 1989

(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 &amp; Light Company</u>	<u>Total</u>
Net Income	\$ 506 724	\$ 563 016	\$ 88 650	\$ 87 633	\$ 1 246 023
Less Dividends Paid	<u>447 927</u>	<u>557 986</u>	<u>66 219</u>	<u>77 668</u>	<u>1 149 800</u>
Retained in Business	<u>\$ 58 797</u>	<u>\$ 5 030</u>	<u>\$ 22 431</u>	<u>\$ 9 965</u>	<u>\$ 96 223</u>
Adjustments:					
Unrecovered Purchased Power Costs	\$ -	\$ -	\$(19 660)	\$ -	\$ (19 660)
Deferred Revenue	-	58 043	-	-	58 043
Levelized Energy Clause - Net	-	-	18 481	-	18 481
Depreciation	498 281	267 590	59 815	77 333	903 019
Amortization and Other	76 022	4 056	(2 722)	7 261	84 617
Deferred Income Taxes and Investment Tax Credits	(14 244)	118 590	1 075	19 151	124 572
SFAS 92 Effect	-	(11 805)	-	-	(11 805)
SFAS 90 Effect	(8 671)	-	-	-	(8 671)
Nuclear Fuel - Limerick	-	60 399	-	-	60 399
Allowance for Funds Used During Construction	<u>(37 996)</u>	<u>(157 414)</u>	<u>(4 222)</u>	<u>(7 878)</u>	<u>(207 510)</u>
Total Adjustments	<u>\$ 513 392</u>	<u>\$ 339 459</u>	<u>\$ 52 767</u>	<u>\$ 95 867</u>	<u>\$ 1 001 485</u>
Internal Cash Flow	<u>\$ 572 189</u>	<u>\$ 344 489</u>	<u>\$ 75 198</u>	<u>\$ 105 832</u>	<u>\$ 1 097 708</u>
Average Quarterly Cash Flow	<u>\$ 143 047</u>	<u>\$ 86 122</u>	<u>\$ 18 800</u>	<u>\$ 26 458</u>	<u>\$ 274 427</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>

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Internal Cash Flow	<u>\$572 189</u>	<u>\$ 344 489</u>	<u>\$ 75 198</u>	<u>\$105 832</u>	<u>\$1 097 708</u>
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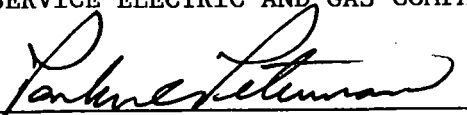
PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
(SALEM AND HOPE CREEK)  
Projected Internal Cash Flow Statement  
For Year 1989 - Compared to 1988 Actual  
(Thousands of Dollars)

	<u>Actual-1988</u>	<u>Projected-1989</u>	<u>Explanation of Significant Variations</u>
Net Income	\$537 319	\$506 724	Principally due to increased employee fringe benefits and other A&G expenses
Less Dividends Paid	<u>393 417</u>	<u>447 927</u>	Increased dividends
Retained in Business	<u>\$143 902</u>	<u>\$ 58 797</u>	
Adjustments:			
Depreciation and Nuclear Fuel Burnup	\$467 742	\$498 281	Return to service of Peach Bottom 2 and 3
Amortization and Other	43 379	76 022	Full year's effect of Hope Creek 2 amortization of abandonment, write-down of Energy Development Corporation
Deferred Income Taxes and Investment Tax Credits	63 424	(14 244)	Principally due to over/under fuel recovery and decreased Hope Creek 1 tax depreciation
Statement of Financial Accounting Standards No. 90 - Regulated Enterprises - Accounting for Abandonments and Disallowances of Plant Costs (SFAS 90)	(38 761)	(8 671)	Accretion to income of the discount related to Hope Creek and various abandonments; adoption in 1988 of TB87-2, which required a cumulative adjustment of \$26.8 million net-of-tax
Allowance for Funds Used During Construction	<u>(27 061)</u>	<u>(37 996)</u>	Due to various CWIP expenditures and Hope Creek refueling
Total Adjustments	<u>\$508 723</u>	<u>\$513 392</u>	
Internal Cash Flow	<u>\$652 625</u>	<u>\$572 189</u>	
Average Quarterly Cash Flow	<u><u>\$163 156</u></u>	<u><u>\$143 047</u></u>	

As indicated by this statement, the Average Quarterly Cash Flow 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

3/13/89

PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
(SALEM AND HOPE CREEK)  
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PUBLIC SERVICE ELECTRIC AND GAS COMPANY

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DATE

3/13/89

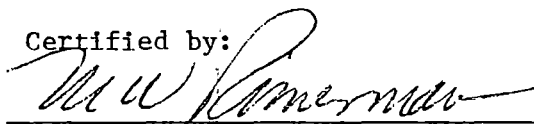
PHILADELPHIA ELECTRIC COMPANY SYSTEM  
 Projected Internal Cash Flow Statement  
 For Year 1989 - Compared to 1988 Actual  
 (Thousands of Dollars)

	<u>Projected - 1989</u>	<u>Actual - 1988</u>	<u>Explanation of Significant Variations (1)</u>
Net Income	\$563,016	\$565,950	
Less: Dividends Paid	<u>557,986</u>	<u>541,526</u>	
Retained in Business	<u>\$ 5,030</u>	<u>\$ 24,424</u>	
Adjustments:			
Deferred Revenue	\$58,043	\$(61,231)	Fourth year of revenue phase-in plan.
Depreciation	267,590	254,462	
Deferred Income Taxes and Investment Tax Credits	118,590	126,308	Decrease due to Deferred Fuel and Liberalized Depreciation.
Allowance for Other Funds Used During Construction	(157,414)	(129,627)	Increased CWIP on Limerick #2.
Nuclear Fuel - Limerick	60,399	28,033	1989 includes precommercial fuel costs of \$25,364,000
Statement of Financial Accounting Standards No. 92	(11,805)	(12,872)	
Amortization and Other	<u>4,056</u>	<u>(43,438)</u>	Change in Deferred Fuel Expense.
Total Adjustments	<u>\$339,459</u>	<u>\$161,635</u>	
Internal Cash Flow	<u>\$344,489</u>	<u>\$186,059</u>	
Average Quarterly Cash Flow	<u>\$ 86,122</u>	<u>\$ 46,515</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

3/7/89

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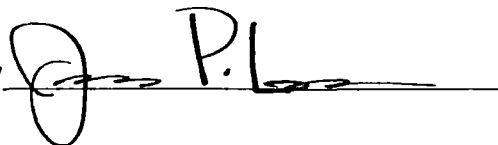
# DELMARVA POWER & LIGHT COMPANY

## PROJECTED INTERNAL CASH FLOW STATEMENT FOR YEAR 1989 COMPARED TO 1988 ACTUAL

	Actual - 1988	Projected - 1989	
Net Income	\$84,721	\$87,633	Note 1
Less Dividends Paid	<u>73,741</u>	<u>77,668</u>	Note 2
Retained in Business	<u>\$10,980</u>	<u>\$9,965</u>	
Adjustments:			
Depreciation	\$71,609	\$77,333	
Amortization and Other	1,198	7,261	Note 3
Deferred Income Taxes and Investment Tax Credits	17,703	19,151	Note 4
Allowance for Funds Used During Construction	<u>(5,520)</u>	<u>(7,878)</u>	
Total Adjustments	<u>84,990</u>	<u>95,867</u>	
Internal Cash Flow	<u>\$95,970*</u>	<u>\$105,832</u>	
Average Quarterly Cash Flow	\$23,993	\$26,458	

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

\*Per annual report \$106,051. The difference of \$10,081 is due to a different format that was used in annual report, which reflected \$7,873 of various working capital items and the \$2,208 allowance for borrowed funds as an investing activity use of cash.

By 

Date 2/24/89

## 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 1989.
- Note 2 Delmarva increased its annualized common stock dividend rate from \$1.46 to \$1.50 in December 1988. Additional common shares are projected to be issued by the Company through dividend reinvestment and common stock purchase plans during 1989. Additional preferred shares are projected to be issued by the Company through a public offering in 1989.
- Note 3 Amortization and Other is expected to increase due to higher levels of nuclear fuel amortization and lower non-cash subsidiary income from leasing activities in 1989.
- Note 4 Deferred Taxes and ITC are expected to increase due to higher tax closings resulting from increased construction activity in 1989 and due to reductions in deferred tax expense in 1988 which will not reoccur in 1989 associated with (1) the deferred gain on the sale and leaseback of the Company's ownership interest in the Merrill Creek Reservoir and (2) the inclusion in taxable income in 1988 of amounts to be collected from customers in later years related to the recovery of Summit income taxes.

# DELMARVA POWER & LIGHT COMPANY

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By



Date

2/21/89

CPGPICF

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ATLANTIC CITY ELECTRIC COMPANY  
PROJECTED INTERNAL CASH FLOW STATEMENT  
FOR YEAR 1989 - COMPARED TO 1988 ACTUAL  
(Thousands of Dollars)

	<u>Actual 1988</u>	<u>Projected 1989</u>	<u>Explanation of Significant Variations</u>
Net Income	\$ 80,221	\$ 88,650	Projected higher KWH sales and lower anticipated interest expense. Projected includes full year impact of preferred series issued in second half of 1988 and increased common dividend rate.
Less Dividends	<u>60,420</u>	<u>66,219</u>	
Retained in Business	<u>19,801</u>	<u>22,431</u>	
Major Adjustments:			
Depreciation and Amortization	54,799	59,815	Projected recognition of previously deferred fuel costs versus actual deferral in 1988.
Levelized Energy Clause - Net	(3,838)	18,481	
Deferred Income Taxes and Investment Tax Credits	10,662	1,075	Reversal of deferred taxes associated with previously deferred fuel costs projected to be recognized in 1989.
Unrecovered Purchased Power Costs	(18,110)	(19,660)	Primarily net changes in working capital items.
Allowance for Funds Used During Construction	(3,182)	(4,222)	
Other	<u>1,852</u>	<u>(2,722)</u>	
Total Adjustments	<u>42,183</u>	<u>52,767</u>	
	\$ <u>61,984</u>	\$ <u>75,198</u>	
 Average Quarterly Cash Flow	 \$ <u>15,496</u>	 \$ <u>18,800</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. Slover Date \_\_\_\_\_  
L. E. Cooper, Vice President - Control

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