

Public Service
Electric and Gas
Company

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LR-N99155

March 31, 1999

United States Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D. C. 20555-0001

Dear Sir:

Enclosed in this filing before the United States Nuclear Regulatory Commission (NRC), please find the Public Service Electric and Gas Company (PSE&G) Report on Financial Minimum Assurance for the period ending December 31, 1998 in accordance with 10 CFR 50.75.

The Report provides assurance regarding the following requirements of 50.75(f)(1) at December 31, 1998:

- PSE&G minimum decommissioning fund estimate
 - The amount accumulated in qualified and non-qualified independent external trust funds
 - Amounts collected on an annual basis in the rate setting process
 - Assumptions used in escalation of assets and liability
 - Changes in contracts, license or trust agreements.
- AWI

If you have any questions or require additional information, I may be reached at (973) 430-6155.

Sincerely,

Francis E. Delany Jr.

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**Public Service Electric and Gas Company
NRC Decommissioning Funding Status Report March 31, 1999**

As provided in 10 CFR 50.75(f)(1), each power reactor licensee is required to report to the Nuclear Regulatory Commission (NRC) on a calendar year basis, beginning on March 31, 1999, and every 2 years thereafter, on the status of its decommissioning funding for each reactor or share of reactor it owns.

1. The minimum decommissioning fund estimate, pursuant to 10 CFR 50.75 (b) and (c)¹.

In accordance with formula requirements identified in 10 CFR 50.75 (c), Public Service Electric and Gas Company (PSE&G) has prepaid its nuclear decommissioning liability in the amount (aggregate) by \$204.6 million, as of December 31, 1998. The calculation is supported in Appendix A and Appendix B.

Applying the NRC 2% Test, in accordance with 10 CFR 50.75(e)(1)(ii), PSE&G has calculated a liability of \$1.72 billion in order to meet the minimum financial assurance requirements at license termination. The \$1.72 billion liability is based on the NRC's formula calculated at December 31, 1998, escalated through license termination. The Company believes the amount collected was established by its rate setting authority (New Jersey Board of Public Utilities), will fully fund its independent external trust funds (including earnings on the assets) in order to meet the nuclear decommissioning liability through license termination.

The amount collected through the rate setting process associated with nuclear decommissioning was awarded based on site specific studies, including the removal of high level and low level radioactive waste, as well as the removal of all facilities, and returning the property to a Green Field status. The liability associated with site-specific studies is estimated at \$2.3 billion through license termination.

¹ * The NRC formulas in section 10CFR50.75(c) include only those decommissioning costs incurred by licensees to remove a facility or site safely from service and reduce residual radioactivity to levels that permit: (1) release of the property for unrestricted use and termination of the license; or (2) release of the property under restricted conditions and termination of the license. The cost of dismantling or demolishing non-radiological systems and structures is not included in the NRC decommissioning cost estimates. The costs of managing and storing spent fuel on site until transfer to DOE are not included in the cost formulas.

2. The amount accumulated at the end of the calendar year preceding the date of the report for items included in 10 CFR 50.75 (b) and (c). (Alternatively, the total amount accumulated at the end of the calendar year preceding the date of the report can be reported here if the cover letter transmitting the report provides the total estimate and indicates what portion of that estimate is for items not included in 10 CFR 50.75 (b) and (c)).

The amount accumulated in both Qualified and Non-Qualified Trusts at December 31, 1998, 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	154.4	4.6	159.0
Salem Unit #1	76.5	37.0	113.5
Salem Unit #2	76.2	12.6	88.8
Peach Bottom Unit #2	66.7	25.6	92.3
Peach Bottom Unit #3	<u>68.9</u>	<u>19.2</u>	<u>88.1</u>
Total	442.7	99.0	541.7

3. A schedule of the annual amounts remaining to be collected; for items in 10 CFR 50.75 (b) and (c). (Alternatively, the annual amounts remaining to be collected can include items beyond those required in 10 CFR 50.75 (b) and (c) if the cover letter transmitting the report provides a total cost estimate and indicates what portion of that estimate is for items that are not included in 10 CFR 50.75 (b) and (c)).

The following schedule, showing amounts to be collected by PSE&G, has been 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. The amount of collection remained in effect at December 31, 1998.

(\$ 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. The assumptions used regarding escalation in decommissioning costs, rates of earnings on decommissioning funds, and rates of other factors used in funding projections;

The assumptions associated with the escalation in decommissioning costs vary in magnitude due to the difference in the remaining license lives of the Company's respective share in each nuclear unit. 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. PSE&G, 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 any contracts pursuant to 10 CFR 50.75(e)(1)(ii)(c).

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

There have been no modifications to the licensee's current method of providing financial assurance since December 31, 1998.

7. Any material changes to trust agreements.

There have been no changes, material or otherwise, to the Master Trust Agreements.

Calculation of NRC Funding Requirements for Year 1998
(000's)

LR-N99155

Appendix A

<u>Station and Unit</u>	<u>Operating License Expiration Date</u>	<u>Remaining Years to End of Operating License Life</u>	<u>PSE&G's Share of Funding Requirement in Year 1998</u>	<u>Fair Market Value External Fund December 31, 1998</u>	<u>Funding Requirement Year 1998</u>
Hope Creek Unit No. 1	April 11, 2026	28.00	<u>\$342,263</u>	\$158,977	<u>\$12,224</u>
Salem Unit No. 1	August 13, 2016	18.00	<u>\$123,819</u>	\$113,548	<u>\$6,879</u>
Salem Unit No. 2	April 18, 2020	22.00	<u>\$123,819</u>	\$88,805	<u>\$5,628</u>
Peach Bottom Unit No. 2	August 8, 2013	15.00	<u>\$154,783</u>	\$92,276	<u>\$10,319</u>
Peach Bottom Unit No. 3	July 2, 2014	16.00	<u>\$154,783</u>	\$88,074	<u>\$9,674</u>

Compliance/(Non-Compliance) of NRC Funding Requirements in Year 1998
(000's)

Station and Unit	Market Value External Fund December 31, 1998	less: Annual NRC Requirements in Years -								Prepayment Balance at December 31, 1998
		1991	1992	1993	1994	1995	1996	1997	1998	
Hope Creek Unit No. 1	\$168,977	\$5,394	\$5,537	\$11,872	\$12,352	\$13,958	\$14,423	\$14,973	\$12,224	\$68,245
Salem Unit No. 1	\$113,548	\$2,724	\$2,868	\$6,877	\$7,249	\$8,405	\$8,826	\$9,326	\$6,879	\$60,394
Salem Unit No. 2	\$88,805	\$2,349	\$2,458	\$5,858	\$6,134	\$7,061	\$7,355	\$7,704	\$5,628	\$44,258
Peach Bottom Unit No. 2	\$92,276	\$4,967	\$5,263	\$11,682	\$9,305	\$10,751	\$11,384	\$12,138	\$10,319	\$16,467
Peach Bottom Unit No. 3	\$88,074	\$4,967	\$5,263	\$11,682	\$8,839	\$10,186	\$10,751	\$11,424	\$9,674	\$15,288