

News Release

FOR IMMEDIATE RELEASE
Tuesday, December 19, 1978

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Public Service Electric and Gas Company said today (Tuesday, December 19, 1978) that it had decided to cancel a contract to purchase four floating nuclear power plants from Offshore Power Systems of Jacksonville, Fla., before year end.

Less-than-anticipated growth in the peak demand for electricity in New Jersey is the only reason for the cancellation, the utility said. "The decision by the Board of Directors to cancel," stated Chairman Robert I. Smith, "should not be interpreted by anyone as a rejection of nuclear power. We are still firmly convinced that nuclear offers the best solution to the problem of supplying electrical energy to the people of New Jersey."

PSE&G had planned to locate two of the floating units at its proposed Atlantic Generating Station, 2.8 miles off the coast of South Jersey, 12 miles northeast of Atlantic City. The first Atlantic unit was scheduled to begin operating in 1988; the second in 1990. The third and fourth floating units had operating dates of 1993 and 1995, but a site had never been selected for them.

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"If our presently anticipated rate of growth is accurate," Smith said, "we simply will not need these units on these dates and another postponement in the schedule does not seem practical." PSE&G has postponed the operating dates of the four units twice before. Ordered in 1972, the first Atlantic unit was originally scheduled for operation in 1980, but the Arab oil embargo of 1973-1974 and the subsequent reduction in the demand for electricity dictated postponements, first until 1985 and subsequently until 1988.

The average annual rate of growth in electric peak demand will be 2.8 per cent through 1995, according to PSE&G's latest energy forecast, issued earlier this Fall. A year ago, a 3.2 per cent cent growth figure was being forecast.

Peak demand is the high point achieved each year in electrical demand. It is usually reached in July or August when air-conditioning increases the demand. Conservation, lower rates for using power in off-peak hours and other techniques now being introduced in cooperation with the New Jersey Department of Energy and the Board of Public Utilities are expected to lower the use of electricity during the hours of peak demand in the future.

Smith indicated, however, that as long as electric demand continues to grow, even at current rates, PSE&G will need some additional sources of power.

"Although our studies still indicate that nuclear is the way to go," said Smith, "we will also be considering these other possibilities in the future: 1) constructing coal-burning plants; 2) acquiring an interest in nuclear units being built by other utilities and 3) keeping fossil-fuel plants operating beyond planned retirement dates. In any event, we'll do whatever is necessary to meet the needs of all our electric customers."

"We regret having to cancel the floating power plant project," Smith said. "It's a good concept, with many advantages. The floating unit utilizes a standard design which lends itself to factory-type assembly. That means better quality control, plus reduced manufacturing costs and lead time. Their portability is also an attractive advantage over land-based plants. After initial licenses are granted, subsequent licensing of additional units should be relatively simple and straightforward. There's also an unlimited supply of cooling water in the ocean," Smith added, "and the environmental effects are minimal with a floating unit."

Cancellation of the Atlantic units will mean a decrease of approximately \$761 million in construction spending between now and the end of 1982 for PSE&G. It will also mean fewer trips to the money market by the company to raise construction funds through the sale of stocks and bonds.

The decision to cancel at this time will save the utility \$5.5 million in taxes, a saving that will not be available next year under the new federal corporate income tax law.

The company has spent \$322 million on the project which, after tax deductions, leaves \$189 million in unrecovered costs to be amortized over a 20-year period. In PSE&G's last rate case, the State Board of Public Utilities agreed to allow a 20-year amortization of all legitimate costs.

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)
)
PUBLIC SERVICE ELECTRIC) Docket Nos. STN 50-477
& GAS COMPANY) 50-478
)
(Atlantic Generating Station,)
Units 1 and 2))

CERTIFICATE OF SERVICE

I hereby certify that copies of "Notice to Atomic Safety and Licensing Board of Withdrawal of Application," dated December 20, 1978, in the captioned matter, have been served upon the following by deposit in the United States mail this 20th day of December, 1978:

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