



Public Service Electric and Gas Company P.O. Box 236 Hancocks Bridge, New Jersey 08038-0236

Nuclear Business Unit

July 23, 1999

Docket Nos. 50-277
50-278

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555

Re: Peach Bottom Atomic Power Station, Unit 2, Operating License No. DPR-44
Peach Bottom Atomic Power Station, Unit 3, Operating License No. DPR-56
Reorganization of Public Service Electric and Gas Company

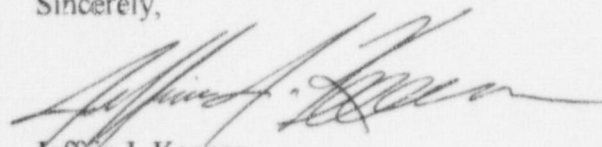
Dear Sir/Madam:

On July 1, 1999, PECO Energy Company submitted License Change Application ECR 99-01497 related to a change in the corporate structure at Public Service Electric and Gas Company (PSE&G), a minority non-operating owner of the Peach Bottom Atomic Power Station, Units 2 and 3 (PBAPS). This letter confirms that, in accordance with 10 C.F.R. § 50.80, PSE&G is requesting NRC approval of a transfer of its ownership interests in the PBAPS units to a new affiliated nuclear generating company, PSEG Nuclear LLC (PSEG Nuclear).

Additionally, attached hereto is a corrected version of the Attachment 1 previously provided in the July 1, 1999 PBAPS License Change Application. As explained therein, the basis for approval of the requested license transfer was previously provided by PSE&G in a filing, on the Salem and Hope Creek dockets, on June 4, 1999 (LR-N99257).

If you need any additional information on the PSE&G reorganization, please contact me at (609) 339-5429.

Sincerely,


Jeffrie J. Keenan
Counsel for PSE&G

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Attachment

cc: H.J. Miller
A.C. McMurtray
R.A. Janati
E. Cullen, Esq.

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The power is in your hands.

License Nos. DPR-44
DPR-56

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In accordance with Section 184 of the Atomic Energy Act, 10 C.F.R. § 50.80, Public Service Electric and Gas Company ("PSE&G") requests Nuclear Regulatory Commission ("NRC") consent to the transfer of PSE&G's non-operating ownership interests in Facility Operating License Nos. DPR-44 and DPR-56 for the Peach Bottom Atomic Power Station, Units 2 and 3, respectively. PSE&G specifically requests that the NRC consent to the transfer of PSE&G's ownership interests in these units to a new, affiliated nuclear generating company, PSEG Nuclear LLC ("PSEG Nuclear"). PSEG Nuclear would be authorized to possess (own, but not operate) the units under essentially the same conditions and authorizations included in the existing licenses.

The PSE&G reorganization is being undertaken in response to the ongoing restructuring of the electric utility industry in the State of New Jersey. On February 9, 1999, the Senate and General Assembly of the State enacted the New Jersey Electric Discount and Energy Competition Act, Chapter 23 of the New Jersey Laws of 1999 ("Restructuring Act"). Beginning in October 1999, all New Jersey retail electric customers will be entitled to reduced electric rates and will be permitted to begin taking power from alternative suppliers. The Restructuring Act calls for elimination of the traditional retail monopoly which electric utilities have held with respect to electric power generation and supply services, to afford consumers the opportunity to access a competitive market for these services.

In accordance with the Restructuring Act, on March 17, 1999, PSE&G and a number of the parties to the proceeding on restructuring before the New Jersey Board of Public Utilities ("BPU") filed a Stipulation addressing restructuring, stranded costs, decommissioning, and functional unbundling. Among other things, under the Stipulation, PSE&G is to transfer its generation assets, including its interests in nuclear plants, to a new, unregulated affiliate. On April 21, 1999, the BPU issued a Summary Order based upon the Stipulation, essentially accepting the unbundling agreement. Accordingly, following and conditioned upon receiving all necessary regulatory approvals, specifically including approval of the transfers requested herein, the PSE&G nuclear generating assets will be transferred to the new nuclear generation affiliate, PSEG Nuclear. PSE&G's non-nuclear generation assets will be transferred to a separate affiliated company. PSE&G will become an electricity and gas transmission and distribution company. All of these entities will be wholly-owned subsidiaries of Public Service Enterprise Group Incorporated, the current parent of PSE&G.

PSE&G currently owns 42.50% each of Peach Bottom, Units 2 and 3. Philadelphia Electric Company ("PECO Energy") also owns a 42.50% share and is the licensed operator of these two units. The requested transfers of PSE&G's shares will not impact PECO Energy's ownership shares or its responsibility and authority to operate the units. Nor will the transfer alter the remaining ownership shares in the units held by Atlantic

City Electric Company and Delmarva Power and Light Company (now conducting business as Conectiv).

Additional information pertaining to the proposed reorganization, including the information required under 10 C.F.R. § 50.80 and NRC Administrative Letter 96-02, is included in the PSE&G filing of June 4, 1999, on the Salem and Hope Creek dockets (LR-N99257, LCR H99-06 & LCR S99-14). As this information demonstrates, PSE&G's reorganization will not (1) have any impact on management or operation of Peach Bottom, Units 2 and 3; (2) affect the financial qualifications of the licensed owners; (3) affect assurance of decommissioning funding for the units; (4) result in foreign ownership, control or domination over any of these licenses or licensees; or (5) require any additional NRC antitrust review.

Attachment 2 includes a mark-up of the facility operating licenses and the relevant portions of the plant Technical Specifications, reflecting the conforming administrative amendments associated with the ownership transfers. In accordance with 10 C.F.R. § 50.91(b)(1), a copy of this submittal has been sent to the State of Pennsylvania. Attachment 3 also contains an evaluation of the conforming administrative amendments, which confirms the NRC's generic finding in 10 C.F.R. § 2.135(a) that such conforming administrative amendments to the license of a utilization facility involve no significant hazards considerations.

There are certain regulatory approvals and filings beyond that of the NRC which must be addressed prior to the proposed transfer of the nuclear generating assets to PSEG Nuclear. These include, for example, approvals by the Federal Energy Regulatory Commission ("FERC") and filings with the Securities and Exchange Commission ("SEC"). PSE&G is requesting the FERC approval by October 1, 1999, in order to meet the current retail choice schedule in New Jersey. PSE&G respectfully requests NRC review and action on this submittal on the same schedule, with an allowance for an implementation period until December 31, 1999, to provide sufficient time to complete the transfer. PSE&G will keep the NRC informed of any significant changes in the status of the other required approvals or other developments that could have an impact on this schedule for the reorganization.

These Attachments do not include any proprietary commercial information that would need to be withheld from public disclosure. Proprietary financial information from PSEG Nuclear was previously submitted to the NRC, with a request pursuant to 10 C.F.R. § 2.790 that this proprietary information be withheld from public disclosure, in PSE&G's filing on the Salem and Hope Creek dockets of June 4, 1999. That filing, including the proprietary financial information and the request for non-disclosure, is incorporated by reference herein.