



A PECO Energy/British Energy Company

AmerGen Energy Company, LLC
965 Chesterbrook Blvd, 63C-3
Wayne, PA 19087-5691
Telephone: 610 640 6600
Fax: 610 640 6611

October 17, 2000

5928-00-20312

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555-0001

SUBJECT: THREE MILE ISLAND, UNIT 1 (TMI UNIT 1)
OPERATING LICENSE NO. DPR-50
DOCKET NO. 50-289

CLINTON POWER STATION (CPS)
OPERATING LICENSE NO. NPF-62
DOCKET NO. 50-461

AMERGEN ENERGY COMPANY, LLC (AmerGen)
ANNUAL FINANCIAL STATEMENTS

Dear Sir/Madam:

Attached is the 1999 Annual Financial Report for AmerGen, operator of Three Mile Island, Unit 1, and Clinton Power Station, (CPS). This Annual Report contains the annual financial statements for 1999. This information is being submitted in accordance with the requirements of 10 CFR 50.71(b) and 10 CFR 50.4.

If you have any questions or require additional information, please do not hesitate to contact us.

Very truly yours,

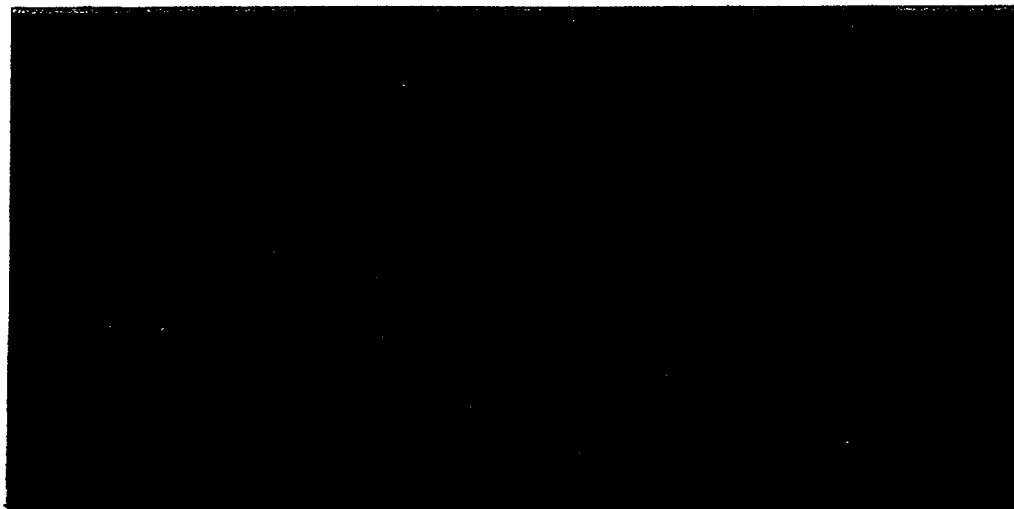
J. A. Hutton
Director - Licensing

Enclosure: AmerGen Energy Company, LLC Financial Statements - December 31, 1999

cc: H. J. Miller, Administration, Region I, USNRC
J. E. Dyer, Administration, Region III, USNRC
C. A. Smith, USNRC Senior Resident Inspector, TMI Unit 1
P. L. Loudon, USNRC Senior Resident Inspector, CPS
J. B. Hopkins, USNRC Senior Project Manager, CPS
T. G. Colburn, USNRC Senior Project Manager, TMI Unit 1
F. Nizidlek, Illinois Department of Nuclear Safety
S. J. Collins, Office of Nuclear Reactor Regulation, USNRC, CPS

M004

PRICEWATERHOUSECOOPERS 



AmerGen Energy Company, LLC

**Financial Statements
December 31, 1999**

AmerGen Energy Company, LLC

200 Exelon Way
Kennett Square, Pennsylvania 19348

Management Committee

Michael J. Egan, Chairman

David Gilchrist

Duncan Hawthorne

Robin E. Jeffrey

Charles P. Lewis

Gerald R. Rainey

Dickenson M. Smith (non-voting)

Officers

CEO & Chief Nuclear Office.....	Gerald R. Rainey
President.....	Robin Jeffrey
Vice President.....	John B. Cotton
Vice President.....	Michael Coyle
Vice President.....	Drew B. Feters
Vice President.....	Charles P. Lewis
Vice President.....	Paul E. Haviland
Vice President.....	Duncan Hawthorne
Treasurer.....	J. Barry Mitchell
Assistant Treasurer.....	George R. Shicora
Comptroller.....	John L. Settelen, Jr.
Secretary.....	Edward J. Cullen, Jr.
Assistant Secretary.....	Todd D. Cutler

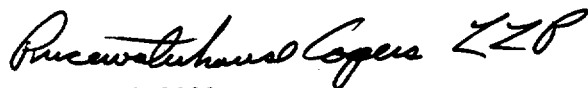
AmerGen Energy Company, LLC
Table of Contents
December 31, 1999

	Page(s)
Report of Independent Accountants	1
Financial Statements	
Balance Sheet as of December 31, 1999	2
Income Statement for the Period Ended December 31, 1999	3
Statement of Cash Flows for the Period Ended December 31, 1999	4
Notes to Financial Statements	5 - 10

Report of Independent Accountants

To the Board of Directors and Stockholder of
AmerGen Energy Company, LLC

In our opinion, the accompanying balance sheet and the related statements of income, of retained earnings, of cash flows, of capitalization and of common stockholder's equity present fairly, in all material respects, the financial position of AmerGen Energy Company, LLC (the "Company") at December 31, 1999, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



August 29, 2000

AmerGen Energy Company, LLC
Balance Sheet
As of December 31, 1999
(Dollars in Thousands)

Assets	
Current Assets	
Cash and cash equivalents	\$ 46,744
Accounts receivable	18,456
Receivables from affiliate	10,382
Notes receivable - net	20,915
Materials and supplies	954
Prepaid expenses	5,694
Total current assets	103,145
Fixed Assets	
Property, plant and equipment - net of accumulated depreciation of \$32	14,856
Construction work in progress	14,670
Nuclear fuel, net	70,381
Goodwill - net of amortization of \$21	12,695
Total fixed assets	112,602
Other Long Term Assets	
Decommissioning funds	511,925
Other	3,409
Total assets	<u>\$ 731,081</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 32,722
Current portion of long-term notes	15,644
Other	10,915
Total current liabilities	59,281
Non-Current Liabilities	
Long-term notes - net	49,971
Decommissioning	511,339
Excess of acquired net assets over cost - net of amortization of \$76	26,551
Total non-current liabilities	<u>587,861</u>
Total liabilities	647,142
Capitalization	
Contributed capital - PECO	40,110
Contributed capital - BE	40,110
Retained earnings	3,719
Total capitalization	<u>83,939</u>
Total liabilities and capitalization	<u>\$ 731,081</u>

The accompanying notes are an integral part of these financial statements.

AmerGen Energy Company, LLC
Income Statement
For the Period Ended December 31, 1999
(Dollars in Thousands)

Operating revenue	\$ 15,215
Operating expense	
Fuel	1,344
Operating and maintenance	9,188
Depreciation and amortization	(23)
Taxes other than income taxes	1,174
Total operating expense	11,683
Operating income	3,532
Interest expense	(51)
Other income, net	238
Net income	\$ 3,719

The accompanying notes are an integral part of these financial statements.

AmerGen Energy Company, LLC
Statement of Cash Flows
For the Period Ended December 31, 1999
(Dollars in Thousands)

Cash flows from operating activities:	
Net income	\$ 3,719
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	(23)
Amortization of nuclear fuel	52
Other	75
Changes in assets and liabilities net of effects from plant acquisitions:	
Accounts receivable	(18,268)
Receivables from affiliate	(10,382)
Materials and supplies	(252)
Other current assets	(5,012)
Accounts payable	32,722
Other current liabilities	4,007
Net cash from operating activities	<u>6,638</u>
Cash flows from investing activities:	
Acquisition of nuclear generating stations	(21,082)
Investment in property, plant and equipment	(14,785)
Investment in nuclear fuel	(4,247)
Net cash used in investing activities	<u>(40,114)</u>
Cash flows from financing activities:	
Contributed capital	<u>80,220</u>
Net increase in cash	46,744
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 46,744</u>

The accompanying notes are an integral part of these financial statements.

AmerGen Energy Company, LLC

Notes to Financial Statements

December 31, 1999

1. Significant Accounting Policies

Description of Business

PECO Energy Company, Inc. (PECO) and British Energy, Inc. (BE), a wholly-owned subsidiary of British Energy, PLC, formed AmerGen Energy Company, LLC (AmerGen or the Company) to pursue opportunities to acquire and operate nuclear power generating stations in the United States. PECO and BE each own a 50% equity interest in AmerGen. AmerGen currently owns and operates the Clinton Nuclear Power Station (CNPS) in Clinton, Illinois, as well as Three Mile Island Unit No. 1 (TMI) located in Middletown, Pennsylvania.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues

Electric generated by the Company is sold at wholesale. Wholesale electric revenues are recorded as the energy is delivered to customers.

Nuclear Fuel

The cost of nuclear fuel is capitalized and charged to fuel expense on the units of production method. Estimated costs of nuclear fuel disposal are charged to fuel expense as the fuel is consumed.

Depreciation and Amortization

Depreciation is provided over the estimated service lives of the property, plant and equipment on a straight line basis. Nuclear power stations operate under a license granted by the Nuclear Regulatory Commission (NRC) for a fixed period of time. Plant service lives may be limited by the expiration of the license. Annual depreciation provisions for financial reporting purposes for each asset category are presented in the table below:

Asset Category	CNPS	TMI
Generation and common plant	26 years	13 years
Other property and equipment	10 years	10 years

The Company amortizes goodwill and the excess of acquired net assets over cost on a straight-line basis. These amounts, associated with the acquisitions of the CNPS and TMI, are being amortized over approximately 26 and 13 years, respectively.

Income Taxes

A provision for income taxes is not included in the accompanying financial statements as AmerGen is treated as a partnership for federal and state income tax purposes. Earnings or losses of AmerGen are allocated to the equity members for inclusion in each of the members separate tax returns.

AmerGen Energy Company, LLC

Notes to Financial Statements

December 31, 1999

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. AmerGen evaluates the carrying value of property, plant and equipment and other long-term assets based upon current and anticipated undiscounted cash flows, and would recognize an impairment when it is probable that such estimated cash flows will be less than the carrying value of the asset. Measurement of the amount of impairment, if any, is based upon the difference between the carrying value and the fair market value.

Cash and Cash Equivalents

AmerGen considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

Materials and supplies inventories are carried at the lower of average cost or market.

New Accounting Pronouncements

In June, 1998 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivatives and Hedging Activities," to establish accounting and reporting standards for derivatives. The new standard requires recognizing all derivatives as either assets or liabilities on the balance sheet at their fair value and specifies the accounting for changes in fair value depending upon the intended use of the derivative. In June, 1999 the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of Effective Date of FASB Statement No. 133," which delayed the effective date for SFAS No. 133 until fiscal years beginning after June 15, 2000. The Company expects to adopt SFAS No. 133 in the first quarter of 2001. The Company is in the process of evaluating the impact of SFAS No. 133 on its financial statements.

2. Customers

For the year ended December 31, 1999 two customers, Illinois Power Company (IP) and GPU Nuclear, Inc. (GPU), accounted for approximately 88% of revenues. AmerGen entered into purchase power agreements expiring December 31, 2004 and December 31, 2001, with IP and GPU respectively. Upon termination of the purchase power agreements all output will be available via the PECO Power Marketing Group for wholesale.

3. Commitments and Contingencies

Capital Commitments

AmerGen estimates that it will spend approximately \$150 million on capital expenditures in 2000 for its existing facilities. These expenditures do not include amounts related to the Company's strategy to expand its generation portfolio.

Nuclear Insurance

The Price-Anderson Act limited the liability of nuclear reactor owners to \$9.5 billion for claims that could arise from a single incident. The limit is subject to change to account for the effects of inflation and changes in the number of licensed reactors. AmerGen carries the maximum available commercial insurance of \$200 million and the remaining \$9.3 billion is provided through mandatory participation in a financial protection pool. Under the Price-

AmerGen Energy Company, LLC

Notes to Financial Statements

December 31, 1999

Anderson Act, all nuclear reactor licensees can be assessed up to \$88 million per reactor per incident, payable at no more than \$10 million per reactor per incident per year. This assessment is subject to inflation and state premium taxes. If required, PECO and BE have guaranteed payment of this assessment. In addition, the U.S. Congress could impose revenue-raising measures on the nuclear industry to pay claims.

AmerGen carries property damage, decontamination and premature decommissioning insurance in the amount of its \$2.75 billion proportionate share for each station loss resulting from damage to its nuclear plants. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. If a decision is made to decommission a facility, a portion of the insurance proceeds will be allocated to a fund which AmerGen is required by the NRC to maintain to provide for decommissioning the facility. AmerGen is unable to predict the timing of the availability of insurance proceeds or the amount of such proceeds which would be available. Under the terms of the various insurance agreements, AmerGen could be assessed up to \$25 million for losses incurred at any plant insured by the insurance companies. The Company is self-insured to the extent that any losses may exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's financial condition and results of operations.

AmerGen is a member of an industry mutual insurance company which provides replacement power cost insurance in the event of a major accidental outage at a nuclear station. The premium for this coverage is subject to assessment for adverse loss experience. AmerGen's maximum share of any assessment is \$10 million per year.

Nuclear Decommissioning

The Company's current estimate of its total future nuclear decommissioning costs is \$2.7 billion and considers future increases in cost due to inflation. The estimated fair value of the decommissioning of approximately \$511 million was recorded as a liability on the Company's balance sheet at the dates of the TMI and CNPS acquisitions. As of December 31, 1999, AmerGen held \$512 million in trust to fund its decommissioning liability. This amount has been reflected as a long-term asset in the Company's balance sheet. The decommissioning fund asset includes both realized and unrealized gains. Net unrealized gains are recognized as a component of shareholder equity. Net realized gains are recognized in the Company's results of operations.

At December 31, 1999, the assets of the decommissioning funds were invested 81.4% in equity securities, 18.1% in fixed interest obligations and the balance in other short-term interest bearing accounts.

Spent Fuel Storage

Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) is required to take possession of all spent nuclear fuel generated by AmerGen's nuclear units for long-term storage. AmerGen pays DOE one mill (\$.001) per kilowatt-hour of net nuclear generation for the cost of nuclear fuel long-term storage and disposal. This fee may be adjusted prospectively to ensure full cost recovery.

AmerGen Energy Company, LLC
Notes to Financial Statements
December 31, 1999

Pennsylvania Real Estate Tax Appeals

AmerGen is involved in an appeal of its property tax assessment by the County of Dauphin, Pennsylvania associated with TMI. The Company does not believe the outcome of this matter will have a material adverse effect on AmerGen's results of operations.

General

AmerGen is involved in various other litigation matters. The ultimate outcome of such matters, while uncertain, is not expected to have a material adverse effect on the Company's financial condition or results of operations.

4. Notes Receivable

In connection with the acquisition of the CNPS, AmerGen received from Illinois Power Company a note to be paid in five annual installments of \$5 million. The final payment is due no later the December 31, 2004. The note has been recorded at its net present value based on an imputed interest rate of 6.2%.

5. Long-term Debt

Long-term debt at December 31, 1999 represents amounts due to the GPU Nuclear, Inc., Jersey Central Power & Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company, as sellers of TMI, in connection with the acquisition of certain assets at that facility. The final payment is due December 20, 2004. The note has been recorded at its net present value based on an imputed interest rate of 6.2%.

6. Leases

Minimum future payment under non-cancelable operating leases as of December 31, 1999 were as follows (in thousands):

For Years Ended December 31,	
2000	\$ 770
2001	492
2002	429
2003	350
2004	325
Thereafter	465
	<u>\$2,831</u>

Rental expense under operating leases was approximately \$19 thousand in 1999. The Company has not entered into any lease that would be classified as a capital lease.

AmerGen Energy Company, LLC
Notes to Financial Statements
December 31, 1999

7. Taxes Other Than Income

Following is a supplemental schedule (in thousands) of tax expense for the year ended December 31, 1999:

Real estate	\$ 800
Capital stock	35
Payroll	192
Other	148
Total	<u>\$ 1,175</u>

8. Supplemental Cash Flow Information

As discussed in Note 1, AmerGen files a partnership return for federal and state income taxes. Taxes are paid by its equity members, and as such no income taxes were paid by AmerGen.

No interest was paid during the year.

In connection with the acquisition of the plants, notes payable in the amount of \$65,540 were issued in addition to the \$21,082 shown under investing activities.

9. Affiliated Company Transactions

AmerGen has entered into an agreement with PECO to provide certain management, operating, business and other professional services related to the operation of its nuclear facilities. During 1999, AmerGen incurred \$529 thousand in costs for services provided in connection with this agreement.

In connection with the acquisition of the CNPS, PECO entered into an operating contract with Illinois Power Company whereby PECO was responsible for certain operating and management expenses prior to acquisition of the plants. These expenses were billed to AmerGen directly. As a result of this transaction AmerGen recorded a receivable from PECO of \$10.4 million as of December 31, 1999.

British Energy provides employees to AmerGen to manage and operate certain aspects of the Company's nuclear operations. During 1999, AmerGen incurred \$21 thousand in costs for these employees as well as for other administrative services.

10. Acquisitions

In December 1999 AmerGen purchased CNPS and TMI for \$13.4 million and \$7.7 million, respectively. The acquisitions were accounted for using the purchase method of accounting. AmerGen has also entered into agreements to purchase Oyster Creek Nuclear Generating Facility and Vermont Yankee Nuclear Power Station for which acquisition costs of \$3.4 million had been incurred through December 31, 1999. These purchases are expected to be completed during the year 2000.

AmerGen Energy Company, LLC
Notes to Financial Statements
December 31, 1999

After unproductive settlement discussions among the parties in the New York Public Service Commission's (NYPSC) proceedings on the sale of Nine Mile Point Units 1 and 2 from Niagara Mohawk Power Corporation and New York State Electric & Gas ("the Sellers"), AmerGen and the Sellers received permission from the NYPSC to withdraw its petition to approve the sale of the plant on April 25, 2000. On May 11, 2000, following withdrawal of this petition, AmerGen and the Sellers terminated the Asset Purchase Agreement and all Ancillary Agreements. The Sellers have expressed an interest in pursuing the sale using an auction process. AmerGen anticipates this process will be conducted during the year 2000.

11. PECO Merger with Unicom Corporation

On September 22, 1999, PECO and Unicom Corporation entered in an Agreement and Plan of Exchange and Merger (Merger Agreement) providing for a merger of equals. On January 7, 2000 the Merger Agreement was amended and restated. The Merger Agreement has been approved by both companies' Boards of Directors and by both companies' stockholders. Upon obtaining necessary regulatory approvals, the merger is expected to be completed during 2000.