

December 21, 2000

Mr. Harold W. Keiser
Chief Nuclear Officer & President
PSEG Nuclear LLC-X04
Post Office Box 236
Hancocks Bridge, NJ 08038

SUBJECT: SUPPLEMENTAL ORDER REGARDING APPROVAL OF THE TRANSFER OF
LICENSES FOR SALEM NUCLEAR GENERATING STATION, UNIT NOS. 1 AND 2,
TO THE EXTENT HELD BY THE ATLANTIC CITY ELECTRIC COMPANY AND
DELMARVA POWER AND LIGHT COMPANY, TO PSEG NUCLEAR LLC AND
CONFORMING AMENDMENTS (TAC NOS. MB0235 AND MB0236)

Dear Mr. Keiser:

The enclosed Order is being issued in response to your supplemental application dated October 10, 2000, which relates to your application dated December 20, 1999, as supplemented February 11, and February 25, 2000, that requested approval of the transfer of the Salem Nuclear Generating Station, Unit Nos. 1 and 2 operating licenses to the extent held by Delmarva Power & Light Company and Atlantic City Electric Company to PSEG Nuclear LLC. Based on the December 20, 1999, application, the U.S. Nuclear Regulatory Commission (NRC) staff approved the transfer by an Order dated April 21, 2000. The submittal dated October 10, 2000, provided supplemental information concerning the timing of the proposed closing of the transfer, and requested an extension of the expiration date of the April 21, 2000, Order. The enclosed Order supplements the Order dated April 21, 2000, and expressly allows the approved transfer of the licenses for the Salem Nuclear Generating Station, Unit Nos. 1 and 2, to the extent they are held by Atlantic City Electric Company and Delmarva Power and Light Company, to PSEG Nuclear LLC, to occur in two phases. The Order also approves the enclosed conforming amendments, to be issued and made effective when the transfer is complete.

Also enclosed is our related supplemental safety evaluation. The Order has been forwarded to the Office of the Federal Register for publication. The Order and the accompanying documents may be examined, and/or copied for a fee, at the NRC's Public Document Room, located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, MD, and will be accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site <http://www.nrc.gov>.

Sincerely,

/RA/

Robert J. Fretz, Project Manager, Section 2
Project Directorate I
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-272 and 50-311

Enclosures: 1. Order
2. Conforming Amendments to DPR-70 and DPR-75
3. Safety Evaluation

cc w/encls: See next page

PSEG Nuclear LLC

Salem Nuclear Generating Station,
Unit Nos. 1 and 2

cc:

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Senior Vice President &
Chief Administrative Officer
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Salem Nuclear Generating Station
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Hancocks Bridge, NJ 08038

Mr. Harold W. Keiser
Chief Nuclear Officer & President
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Post Office Box 236
Hancocks Bridge, NJ 08038

December 21, 2000

SUBJECT: SUPPLEMENTAL ORDER REGARDING APPROVAL OF THE TRANSFER OF
LICENSES FOR SALEM NUCLEAR GENERATING STATION, UNIT NOS. 1 AND 2,
TO THE EXTENT HELD BY THE ATLANTIC CITY ELECTRIC COMPANY AND
DELMARVA POWER AND LIGHT COMPANY, TO PSEG NUCLEAR LLC AND
CONFORMING AMENDMENTS (TAC NOS. MB0235 AND MB0236)

Dear Mr. Keiser:

The enclosed Order is being issued in response to your supplemental application dated October 10, 2000, which relates to your application dated December 20, 1999, as supplemented February 11, and February 25, 2000, that requested approval of the transfer of the Salem Nuclear Generating Station, Unit Nos. 1 and 2 operating licenses to the extent held by Delmarva Power & Light Company and Atlantic City Electric Company to PSEG Nuclear LLC. Based on the December 20, 1999, application, the U.S. Nuclear Regulatory Commission (NRC) staff approved the transfer by an Order dated April 21, 2000. The submittal dated October 10, 2000, provided supplemental information concerning the timing of the proposed closing of the transfer, and requested an extension of the expiration date of the April 21, 2000, Order. The enclosed Order supplements the Order dated April 21, 2000, and expressly allows the approved transfer of the licenses for the Salem Nuclear Generating Station, Unit Nos. 1 and 2, to the extent they are held by Atlantic City Electric Company and Delmarva Power and Light Company, to PSEG Nuclear LLC, to occur in two phases. The Order also approves the enclosed conforming amendments, to be issued and made effective when the transfer is complete.

Also enclosed is our related supplemental safety evaluation. The Order has been forwarded to the Office of the Federal Register for publication. The Order and the accompanying documents may be examined, and/or copied for a fee, at the NRC's Public Document Room, located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, MD, and will be accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site <http://www.nrc.gov>.

Sincerely,

/RA/

Robert J. Fretz, Project Manager, Section 2
Project Directorate I
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-272 and 50-311

Enclosures: 1. Order
2. Conforming Amendments to DPR-70 and DPR-75
3. Safety Evaluation

cc w/encls: See next page

*See Previous Concurrence

OFFICE	PDI-2/PM	PDI-2/PM	PDI-2/LA	TECH ED	RGEBC/BC	OGC
NAME	JBoska	RFretz	TClark	PKleene*	CCarpenter*	SHom*
DATE	12/19/00	12/19/00	12/19/00	12/7/00	12/11/00	12/18/00

OFFICE	PDI-2/SC	PDI/D	DLPM/D	NRR/ADPT	NRR/D
NAME	JClifford	EAdensam	JZwolinski	BSheron	SCollins
DATE	12/19/00	12/19/00	12/20/00	12/20/00	12/21/00

OFFICIAL RECORD COPY

DOCUMENT NAME: C:\Salem order 12-00 MB0235.wpd Accession No. ML003779838

Date: December 21, 2000

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)	
)	
PSEG NUCLEAR LLC)	
)	Docket Nos. 50-272 and 50-311
PHILADELPHIA ELECTRIC COMPANY)	
(PECO ENERGY COMPANY))	
)	
DELMARVA POWER AND LIGHT COMPANY)	
)	
ATLANTIC CITY ELECTRIC COMPANY)	
)	
(Salem Nuclear Generating Station,)	
Units 1 and 2))	

SUPPLEMENTAL ORDER REGARDING APPROVAL OF TRANSFER OF LICENSES
AND CONFORMING AMENDMENTS

I.

PSEG Nuclear LLC, Philadelphia Electric Company (PECO Energy Company), Delmarva Power and Light Company (DP&L), and Atlantic City Electric Company (ACE) are the joint owners of the Salem Nuclear Generating Station, Unit Nos. 1 and 2 (Salem), located in Salem County, New Jersey. They hold Facility Operating Licenses Nos. DPR-70 and DPR-75, issued by the U.S. Nuclear Regulatory Commission (NRC or Commission) on August 13, 1976, and May 20, 1981, respectively, pursuant to Part 50 of Title 10 of the *Code of Federal Regulations* (10 CFR Part 50). Under these licenses, PSEG Nuclear LLC (currently owner of 42.59 percent of each Salem unit) is authorized to possess, use, and operate the Salem units. The current combined nonoperating ownership interests of DP&L and ACE are 14.82 percent of each Salem unit. They own 7.41 percent of each Salem unit individually.

II.

By an application dated December 20, 1999, as supplemented February 11, and February 25, 2000, PSEG Nuclear LLC, DP&L, and ACE requested approval by the NRC of the transfer to PSEG Nuclear LLC of the Salem licenses, to the extent held by DP&L and ACE, in conjunction with the proposed acquisition of DP&L's and ACE's combined ownership interests in the Salem units by PSEG Nuclear LLC. DP&L and ACE are both subsidiaries of Conectiv. In response to that request, the NRC staff published a notice of the license transfer application, the related conforming amendment request included in the application, and an opportunity for a hearing in the *Federal Register* on February 18, 2000 (65 FR 8452). No hearing requests were filed. The NRC approved the transfer request by an Order dated April 21, 2000. That Order, which contained several conditions of approval, was based in part on the premise that the DP&L and ACE interests would be transferred concurrently as a combined interest. In a supplemental application dated October 10, 2000, DP&L and ACE indicated that due to certain delays in receiving other necessary regulatory approvals, their interests in the Salem licenses need to be transferred independently in two phases to PSEG Nuclear LLC, namely the DP&L interest would be transferred first, followed by the transfer of the ACE interest. They asked that the effectiveness of the Order approving the license transfers be extended until December 31, 2001, due to the delays in receiving the other regulatory approvals, and that any necessary actions be taken to allow the transfers to occur in two phases.

PSEG Nuclear LLC also requested approval of conforming license amendments, modified from the amendments previously approved to reflect the transfers as they may occur in two phases. The amendments would still delete references to DP&L and ACE to reflect the transfer of each of their interests, as they occur, in the licenses to PSEG Nuclear LLC.

Approval of the transfers, as they may now occur in two phases, and corresponding modified conforming license amendments was requested pursuant to 10 CFR 50.80 and 50.90.

The NRC staff determined that the supplemental application dated October 10, 2000, related only to schedular matters and did not involve any material changes to the underlying basis for the transfer approval Order dated April 21, 2000. Therefore, the supplemental application was within the scope of the February 18, 2000, *Federal Register* notice and did not require renoticing or a new opportunity for a hearing.

Pursuant to 10 CFR 50.80, no license, or any right thereunder, shall be transferred, directly or indirectly, through transfer of control of the license, unless the Commission shall give its consent in writing. After reviewing the information submitted in the October 10, 2000, submittal and other information before the Commission, the NRC staff has determined that its previous findings set forth in the Order dated April 21, 2000, remain valid notwithstanding the transfers occurring in two phases, namely, PSEG Nuclear LLC is qualified to hold the license for each Salem unit to the same extent the licenses are now held by DP&L and ACE, and that the transfer of the licenses, as previously described herein, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission, subject to the conditions described herein. The NRC staff has further found that the supplemental application for the proposed license amendments to reflect the transfers occurring in two phases complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I; the facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission; there is reasonable assurance that the activities authorized by the proposed license amendments can be conducted without endangering the health and safety of the public and that such activities will be conducted in compliance with the Commission's regulations; the issuance of the proposed license amendments will not be inimical to the common defense and security or to the health and safety of the public; and the issuance of the proposed license amendments will be in accordance with 10 CFR Part 51 of the Commission's regulations and all

applicable requirements have been satisfied. These findings are supported by a safety evaluation dated December 21, 2000.

III.

Accordingly, pursuant to Sections 161b, 161i, and 184 of the Atomic Energy Act of 1954, as amended, 42 U.S.C. §§ 2201(b), 2201(i), and 2234, and 10 CFR 50.80, IT IS HEREBY ORDERED that the effectiveness of the Order dated April 21, 2000, is extended to December 31, 2001. Any concurrent transfer of the DP&L and ACE interests to PSEG Nuclear LLC shall remain subject to the terms and conditions of the April 21, 2000, Order.

IT IS FURTHER ORDERED that the license transfers from DP&L and ACE to PSEG Nuclear LLC may occur in two phases, as described above, subject to the following conditions:

1. DP&L shall transfer to the PSEG Nuclear LLC decommissioning trusts for Salem at the time its interests in the Salem licenses are transferred to PSEG Nuclear LLC, all of DP&L's accumulated decommissioning trust funds for Salem Unit Nos. 1 and 2. Immediately following such transfer, the amounts in the PSEG Nuclear LLC decommissioning trusts must, with respect to the interests in Salem Unit Nos. 1 and 2 PSEG Nuclear LLC would then hold, be at a level no less than the formula amounts under 10 CFR Section 50.75.
2. ACE shall transfer to the PSEG Nuclear LLC decommissioning trusts for Salem at the time its interests in the Salem licenses are transferred to PSEG Nuclear LLC, all of ACE's accumulated decommissioning trust funds for Salem Unit Nos. 1 and 2. Immediately following such transfer, the amounts in the PSEG Nuclear LLC decommissioning trusts must, with respect to the interests in Salem Unit Nos. 1 and 2 PSEG Nuclear LLC would then hold, be at a level no less than the formula amounts under 10 CFR Section 50.75.
3. Conditions 3.a. through 3.e. of the April 21, 2000, Order, which have now been incorporated into the Salem licenses by a separate licensing action, shall remain applicable to the PSEG

Nuclear LLC decommissioning trust agreements for Salem Unit Nos. 1 and 2. The citation in the foregoing condition 3.e. is corrected to read "10 CFR 35.32(a)(3)".

4. PSEG Nuclear LLC shall inform the Director, Office of Nuclear Reactor Regulation, in writing, of the date of closing of each subject transfer no later than 2 business days before the date of each closing. If the transfer of the DP&L or ACE interests is not completed by December 31, 2001, this Order shall become null and void with respect to any such transfer not yet completed; however, on application and for good cause shown, such date may be extended.

IT IS FURTHER ORDERED that, consistent with 10 CFR 2.1315(b), license amendments that make changes, as indicated in Enclosure 2 to the cover letter forwarding this Order, to conform each Salem license to reflect each subject license transfer are approved. To the extent the license pages in Enclosure 2 reflect intervening events and completed licensing actions that have occurred since the issuance of the April 21, 2000, Order, and therefore are inconsistent with the license pages referenced in that Order showing the changes to the licenses approved by that Order, the amendment pages approved by this Order supersede the previously approved license pages. Those amendments approved by this Order appropriate to the particular license transfers in fact occurring shall be issued and made effective at the time the corresponding license transfers are completed.

This Order is effective upon issuance.

For further details with respect to this Order, see the submittal dated October 10, 2000, the previous related application dated December 20, 1999, and supplements thereto dated February 11, and February 25, 2000, which may be examined, and/or copied for a fee, at the

NRC's Public Document Room, located at One White Flint North, 11555 Rockville Pike (first floor), Rockville, MD, and are accessible electronically through the ADAMS Public Electronic Reading Room link at the NRC Web site <http://www.nrc.gov>.

Dated at Rockville, Maryland, this 21st day of December 2000.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

PSEG NUCLEAR LLC
PHILADELPHIA ELECTRIC COMPANY
DELMARVA POWER AND LIGHT COMPANY
ATLANTIC CITY ELECTRIC COMPANY
DOCKET NO. 50-272
SALEM NUCLEAR GENERATING STATION, UNIT NO. 1
AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-70

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for amendment filed by the Public Service Electric & Gas Company, PSEG Nuclear LLC, Philadelphia Electric Company, Delmarva Power and Light Company, and Atlantic City Electric Company, dated December 20, 1999, as supplemented February 11, February 25, and October 10, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
 - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, the license is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to License DPR-70 and
Appendix C to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. DPR-70

DOCKET NO. 50-272

Replace the following pages of the Facility Operating License and the Appendix C Additional Conditions with the following attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Pages

License, page 1
License, page 2
License, page 3
Appendix C, page 1

Insert Pages

License, page 1
License, page 2
License, page 3
Appendix C, page 1

(For issuance following the Delmarva Power & Light license transfer)

PSEG NUCLEAR LLC
PHILADELPHIA ELECTRIC COMPANY
DELMARVA POWER AND LIGHT COMPANY
ATLANTIC CITY ELECTRIC COMPANY
DOCKET NO. 50-311
SALEM NUCLEAR GENERATING STATION, UNIT NO. 2
AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-75

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for amendment filed by the Public Service Electric & Gas Company, PSEG Nuclear LLC, Philadelphia Electric Company, Delmarva Power and Light Company, and Atlantic City Electric Company, dated December 20, 1999, as supplemented February 11, February 25, and October 10, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
 - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, the license is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to License DPR-75 and
Appendix C to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. DPR-75

DOCKET NO. 50-311

Replace the following pages of the Facility Operating License and the Appendix C Additional Conditions with the following attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Pages

License, page 1

License, page 2

Appendix C, page 1

Insert Pages

License, page 1

License, page 2

Appendix C, page 1

(For issuance following the Delmarva Power and Light license transfer)

PSEG NUCLEAR LLC

PHILADELPHIA ELECTRIC COMPANY

ATLANTIC CITY ELECTRIC COMPANY

DOCKET NO. 50-272

SALEM NUCLEAR GENERATING STATION, UNIT NO. 1

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-70

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for amendment filed by the Public Service Electric & Gas Company, PSEG Nuclear LLC, Philadelphia Electric Company, and Atlantic City Electric Company, dated December 20, 1999, as supplemented February 11, February 25, and October 10, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
 - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, the license is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to License DPR-70 and
Appendix C to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. DPR-70

DOCKET NO. 50-272

Replace the following pages of the Facility Operating License and the Appendix C Additional Conditions with the following attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Pages

License, page 1
License, page 2
License, page 3
Appendix C, page 1

Insert Pages

License, page 1
License, page 2
License, page 3
Appendix C, page 1

(For issuance following the Atlantic City Electric license transfer)

PSEG NUCLEAR LLC

PHILADELPHIA ELECTRIC COMPANY

ATLANTIC CITY ELECTRIC COMPANY

DOCKET NO. 50-311

SALEM NUCLEAR GENERATING STATION, UNIT NO. 2

AMENDMENT TO FACILITY OPERATING LICENSE

Amendment No.
License No. DPR-75

1. The Nuclear Regulatory Commission (the Commission or the NRC) has found that:
 - A. The application for amendment filed by the Public Service Electric & Gas Company, PSEG Nuclear LLC, Philadelphia Electric Company, and Atlantic City Electric Company, dated December 20, 1999, as supplemented February 11, February 25, and October 10, 2000, complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance: (i) that the activities authorized by this amendment can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations set forth in 10 CFR Chapter I;
 - D. The issuance of this amendment will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this amendment is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.
2. Accordingly, the license is amended as indicated in the attachment to this license amendment.

3. This license amendment is effective as of its date of issuance and shall be implemented within 30 days from the date of issuance.

FOR THE NUCLEAR REGULATORY COMMISSION

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Attachment: Changes to License DPR-75 and
Appendix C to the License

Date of Issuance:

ATTACHMENT TO LICENSE AMENDMENT NO. _____

FACILITY OPERATING LICENSE NO. DPR-75

DOCKET NO. 50-311

Replace the following pages of the Facility Operating License and the Appendix C Additional Conditions with the following attached revised pages. The revised pages are identified by amendment number and contain marginal lines indicating the areas of change.

Remove Pages

License, page 1

License, page 2

Appendix C, page 1

Insert Pages

License, page 1

License, page 2

Appendix C, page 1

(For issuance following the Atlantic City Electric license transfer)

SUPPLEMENTAL SAFETY EVALUATION
BY THE OFFICE OF NUCLEAR REACTOR REGULATION
SCHEDULAR CHANGES REGARDING
PROPOSED TRANSFER OF OWNERSHIP INTERESTS OF
ATLANTIC CITY ELECTRIC COMPANY AND DELMARVA POWER & LIGHT COMPANY
TO PSEG NUCLEAR LLC
SALEM NUCLEAR GENERATING STATION, UNIT NOS. 1 AND 2
DOCKET NOS. 50-272 AND 50-311

1.0 INTRODUCTION

By application dated December 20, 1999, as supplemented February 11, and February 25, 2000, Public Service Electric and Gas Company (PSE&G), PSEG Nuclear LLC (PSEG Nuclear), Atlantic City Electric Company (ACE), and Delmarva Power and Light Company (DP&L) requested U.S. Nuclear Regulatory Commission (NRC) approval to transfer Facility Operating Licenses Nos. DPR-70 and DPR-75 for the Salem Nuclear Generating Station, Unit Nos. 1 and 2 (Salem), to the extent the licenses are held by ACE and DP&L, to PSEG Nuclear. The application also requested NRC approval of conforming license amendments. On April 21, 2000, the NRC issued an Order approving the transfer. This Order, with an expiration date of December 31, 2000, was premised in part on the DP&L and ACE transfer occurring concurrently. The Order also approved conforming license amendments, to be issued at the time the transfers were completed.

On August 3, 2000, the NRC issued an Order approving the transfer of the Salem licenses associated with the proposed transfer of ownership interests of PECO Energy Company (PECO) in Salem to Exelon Generation Company, LLC (EGC). As of the date of this safety evaluation, that transfer has not yet taken place; therefore, in this safety evaluation that ownership interest will be noted as that of PECO/EGC.

On August 21, 2000, the licenses for Salem, to the extent held by PSE&G, were transferred to PSEG Nuclear. This license transfer had been approved by an NRC Order issued February 16, 2000. Appropriate, previously approved conforming amendments were issued, which removed references to PSE&G as a licensee.

On October 10, 2000, PSEG Nuclear submitted a supplemental application to the application dated December 20, 1999, as supplemented February 11, and February 25, 2000. This supplemental application notified the NRC of developments that have changed the schedule for

closing the ACE and DP&L transactions, and requested NRC approval of revised operating license amendments consistent with independent transfers of the minority ownership interests held by DP&L and ACE in two phases. The application requested the NRC to modify prior conditions of approval to be consistent with the transfers occurring in two phases, and to extend the expiration date of the April 21, 2000, Order to December 31, 2001.

The ownership interests in Salem, as of the date of this safety evaluation, are as follows: PSEG Nuclear holds a 42.59-percent interest, and is the licensed operator of Salem; PECO/EGC holds a 42.59-percent interest; DP&L holds a 7.41-percent interest; and ACE holds a 7.41-percent interest.

2.0 DISCUSSION

The NRC staff issued a safety evaluation dated April 21, 2000, analyzing the transfer of the DP&L and ACE interests to PSEG Nuclear, and concluded that PSEG Nuclear was qualified to hold the Salem licenses with respect to these interests, and that the license transfers would otherwise be consistent with applicable provisions of law, regulations, and orders issued by the Commission. The staff's analysis was premised in part on the interests of DP&L and ACE, both subsidiaries of Conectiv, being transferred concurrently.

After reviewing the October 10, 2000, supplemental application, the NRC staff determined that the only issues analyzed in the April 21, 2000, safety evaluation that could potentially be impacted by the DP&L and ACE transfers occurring at different times were PSEG Nuclear's financial qualifications and whether PSEG Nuclear would have adequate assurance of decommissioning funding.

2.1 Financial Qualifications Analysis

In the April 21, 2000, safety evaluation, the NRC staff concluded that PSEG Nuclear was financially qualified to hold, in addition to other interests in Salem that PSEG Nuclear already held or would hold, both the DP&L and ACE interests proposed to be transferred. The only financial qualifications issue that the NRC staff, therefore, must consider in light of the October 10, 2000, submittal, is whether PSEG Nuclear would be financially qualified to hold the DP&L interest prior to acquiring the ACE interest, or even assuming the ACE interest was never acquired. As discussed below, the staff concludes that PSEG Nuclear will be financially qualified to hold the DP&L interest, without at the same time holding the ACE interest.

The staff's previous finding in the April 21, 2000, safety evaluation that PSEG Nuclear was qualified to hold the additional interests of DP&L and ACE was based on the premise that by acquiring the additional interests, PSEG Nuclear's operating costs will increase proportionally, while its entitlements to capacity and energy, and thus revenues, will also increase proportionally. The staff concluded that PSEG Nuclear would be financially qualified under 10 CFR 50.33(f), which requires a demonstration that an applicant possesses or has reasonable assurance of obtaining the funds necessary to cover estimated operation costs for the period of the license. Since it was determined that PSEG Nuclear would be able to cover the proportionate increase in operation costs associated with the acquisition of both the DP&L and ACE interests by being entitled to their proportionate revenues, it follows that PSEG Nuclear will be able to cover the proportionate increase in operation costs associated with the acquisition of only the DP&L interest in Salem, since PSEG Nuclear would be entitled to the

proportionate revenues associated with the DP&L interest. Accordingly, the staff concludes that PSEG Nuclear will be financially qualified to hold the DP&L interest, without at the same time holding the ACE interest. Thus, the staff has determined that the transfer of the DP&L interest and ACE interest in two phases is acceptable from the standpoint of financial qualifications.

2.2 Decommissioning Funding

The NRC has determined that the requirements to provide assurance of decommissioning funding and provision of an adequate amount of decommissioning funding are necessary to ensure the adequate protection of public health and safety.

In the April 21, 2000, safety evaluation, the NRC staff concluded that PSEG Nuclear would have adequate funding of the decommissioning trusts for Salem, in accordance with 10 CFR 50.75(e), after both the DP&L and ACE interests in Salem were transferred. The only decommissioning funding qualifications issue that the NRC staff, therefore, must consider in light of the October 10, 2000, submittal, is whether PSEG Nuclear would have adequate funding of the decommissioning trusts after acquiring the DP&L interest prior to acquiring the ACE interest, or even assuming the ACE interest was never acquired. As discussed below, the staff concludes that PSEG Nuclear will have adequate funding of the decommissioning trusts, without at the same time holding the ACE interest or the trust funds associated with that interest. The following decommissioning funding analysis is based on the information provided in the PSE&G application of December 20, 1999, and in the subsequent PSEG Nuclear submittal of October 10, 2000.

In the Safety Evaluation supporting the Order dated April 21, 2000, approving the transfer of licenses for Salem from ACE and DP&L to PSEG Nuclear, the NRC staff found that the proposed funding mechanisms described in the December 20, 1999, application provided reasonable assurance of decommissioning funding in accordance with 10 CFR 50.75(e), provided that the Orders approving the license transfers contained a condition requiring a transfer of the DP&L and ACE trust funds to PSEG Nuclear's trusts.

That evaluation assumed that the transfers of the ACE and DP&L ownership interests would occur simultaneously. Accordingly, the condition referred to above was drafted consolidating the DP&L and ACE trust funds to be transferred into one amount. As stated earlier, in the supplemental application of October 10, 2000, PSEG Nuclear notified the NRC that the closing on the transfer of the ACE interests had been delayed and would now take place sometime after the transfer of the DP&L interests.

When the transfer of the DP&L ownership interests occurs, all assets held in the DP&L decommissioning trusts for Salem will be transferred to PSEG Nuclear. The assets will be combined with the existing PSEG Nuclear decommissioning trusts for each facility. At that point PSEG Nuclear would own 50 percent of Salem, ACE would continue to own 7.41 percent, and PECO/EGC would continue to own 42.59 percent.

Tables 1 and 2 of Attachment F to the October 10, 2000, application show that the currently anticipated combined funding levels for the combined PSEG Nuclear and DP&L interests in Salem Unit Nos. 1 and 2 will be \$154,150,883 and \$123,771,700 respectively. Tables 1 and 2 show that, even with no additional contributions to the funds, when earnings are credited, as allowed by 10 CFR 50.75(e), at a 2-percent annual after tax real rate of return through the

remaining terms of the units' licenses, the amounts in the funds will exceed PSEG Nuclear's 50 percent share (\$148,500,000 for each unit) of the NRC formula amounts that would be required for the Salem units under the 10 CFR 50.75(b) and (c) radiological decontamination and decommissioning requirements. The NRC staff reviewed the applicants' calculations and agrees that the amounts projected to be in the decommissioning funds are sufficient to meet the requirements of 10 CFR 50.75.¹

In consideration of the foregoing, the staff concludes that PSEG Nuclear would have reasonable assurance of decommissioning funding if the transfer of DP&L's interest to PSEG Nuclear occurs separate and apart from the transfer of ACE's interest to PSEG Nuclear, provided appropriate conditions to ensure the transfer of relevant decommissioning trust funds are imposed, essentially as follows:

1. DP&L shall transfer to the PSEG Nuclear decommissioning trusts for Salem at the time its interests in the Salem licenses are transferred to PSEG Nuclear all of DP&L's accumulated decommissioning trust funds for Salem Unit Nos. 1 and 2. Immediately following such transfer, the amounts in the PSEG Nuclear decommissioning trusts must, with respect to the interests in Salem Unit Nos. 1 and 2 PSEG Nuclear would then hold, be at a level no less than the formula amounts under 10 CFR 50.75.
2. ACE shall transfer to the PSEG Nuclear decommissioning trusts for Salem at the time its interests in the Salem licenses are transferred to PSEG Nuclear all of ACE's accumulated decommissioning trust funds for Salem Unit Nos. 1 and 2. Immediately following such transfer, the amounts in the PSEG Nuclear decommissioning trusts must, with respect to the interests in Salem Unit Nos. 1 and 2 PSEG Nuclear would then hold, be at a level no less than the formula amounts under 10 CFR 50.75.

The staff notes that the above conditions are specific to the transfer of the DP&L and ACE interests in two phases. The conditions pertaining to the transfer of decommissioning trust funds contained in the April 21, 2000, Order are and will remain applicable should the transfer occur as previously anticipated in one collective step.

¹If and when the transfer of the ACE ownership interests occurs, all assets held in the ACE decommissioning trusts for Salem will be transferred to PSEG Nuclear. The assets will be combined with the existing amounts in the PSEG Nuclear decommissioning trusts for each facility, which would include the amounts transferred previously from DP&L. At that point PSEG Nuclear will own 57.41 percent of Salem, and PECO/EGC will continue to own 42.59 percent. The NRC staff previously determined that with both the DP&L and ACE associated trust funds, PSEG Nuclear's trusts would be adequately funded. The October 10, 2000, submittal reconfirms this determination. Tables 3 and 4 of Attachment F to the October 10, 2000, application show that the currently anticipated combined funding levels for PSEG Nuclear, DP&L, and ACE interests in Salem Unit Nos. 1 and 2 will be \$173,889,488 and \$144,435,612, respectively. Tables 3 and 4 show that, even with no additional contributions to the funds, when earnings are credited, as allowed by 10 CFR 50.75(e), at a 2-percent annual after tax real rate of return through the remaining terms of the units' licenses, the amounts in the funds will exceed PSEG Nuclear's 57.41 percent share (\$170,500,000 for each unit) of the required NRC formula amounts for the Salem units under the 10 CFR 50.75(b) and (c) radiological decontamination and decommissioning requirements. The staff verified the calculations provided by the applicants and agrees that the decommissioning trust funds associated with the combined PSEG Nuclear, ACE, and DP&L ownership shares of Salem are at a level such that the trusts collectively are fully funded.

3.0 CONFORMING AMENDMENTS

3.1 Introduction

The April 21, 2000, Order approved conforming license amendments to reflect the action approved by that Order, namely, the concurrent transfer of the DP&L and ACE interests to PSEG Nuclear. In the supplemental application dated October 10, 2000, PSEG Nuclear requested approval of modified conforming license amendments for Salem, pursuant to 10 CFR 50.90, to correspond to the transfer occurring in two phases. These amendments would be administrative in nature and would conform the operating licenses for each of the two units as appropriate to reflect the proposed license transfers occurring in two phases.

Notice of the original December 20, 1999, application for approval of the license transfers and approval of the conforming license amendments for Salem was published in the *Federal Register* on February 18, 2000, (65 FR 8452). No hearing requests or comments were received. The PSEG Nuclear submittal dated October 10, 2000, did not expand the scope of the original application with respect to both the proposed transfer action and the proposed amendment action as initially noticed in the *Federal Register*. In addition, the submittal did not affect the applicability of the Commission's generic no significant hazards consideration determination set forth in 10 CFR 2.1315.

For Salem Licenses Nos. DPR-70 and DPR-75, references to ACE and DP&L as licensees would be removed at the time each transfers its interest to PSEG Nuclear. The revised licenses would reflect that PSEG Nuclear and PECO/EGC are the licensees.

3.2 Evaluation

The proposed modified conforming amendments for Salem do no more than accurately reflect the approved transfer actions. The amendments involve no safety questions and are administrative in nature. Accordingly, the NRC staff finds that the proposed amendments are acceptable. The NRC staff notes that the license pages submitted with the supplemental application reflect completed licensing actions that occurred after April 21, 2000, when the initial conforming amendments were approved. The staff also notes that certain conditions pertaining to the Salem decommissioning trust agreements have been previously incorporated into the licenses by a separate licensing action. Therefore, the instant license amendments do not duplicate the incorporation of these conditions into the license.

3.3 State Consultation

In accordance with the Commission's regulations, the New Jersey State Official was notified of the proposed issuance of the amendments. The State official had no comments.

3.4 Conclusion With Respect To the Conforming Amendments

The Commission has concluded, based on the considerations discussed herein, that (1) there is reasonable assurance that the health and safety of the public will not be endangered by operation in the proposed manner, (2) such activities will be conducted in compliance with the Commission's regulations, and (3) the issuance of the amendments will not be inimical to the common defense and security or to the health and safety of the public.

4.0 ENVIRONMENTAL CONSIDERATION

The subject application is for approval of the transfer of licenses issued by the NRC and approval of conforming amendments. Accordingly, the actions involved meet the eligibility criteria for categorical exclusion set forth in 10 CFR 51.22(c)(21). Pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared in connection with approval of the application.

5.0 CONCLUSIONS

For the reasons discussed above, the NRC staff concludes that PSEG Nuclear is financially qualified to hold the licenses for Salem with respect to the 7.41-percent ownership share being transferred to PSEG Nuclear by DP&L, and the 7.41-percent ownership share being transferred to it by ACE.

Also, there will be reasonable assurance of adequate decommissioning funding should the transfers occur in two phases. All other findings contained in the Order dated April 21, 2000, and the supporting safety evaluation are unaffected and remain valid. Thus, the staff confirms that PSEG Nuclear is qualified to hold the above licenses with respect to the ownership interests being transferred from ACE and DP&L, whether the transfer occurs concurrently or in two phases, and the transfer of the licenses, to the extent described above, is otherwise consistent with applicable provisions of law, regulations, and orders issued by the Commission.

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