

July 19 1995

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*File Salem - Press*

**NYSE: PEG**

July 19, 1995

### **PSE&G UPDATES STATUS OF SALEM NUCLEAR GENERATING STATION**

Public Service Electric and Gas Company (PSE&G) said today its current estimate for the restart of the Salem Nuclear Generating Station calls for Unit 1 to return to service in the first quarter of 1996 and Unit 2 early in the second quarter of the year.

"We are engaged in a thorough assessment of equipment issues that have affected Salem's operation and the related management systems, and we will keep the units off-line until we are satisfied they are ready to return to service and operate reliably over the long term," said Leon R. Eliason, PSE&G's chief nuclear officer and president of its nuclear business unit.

Eliason said the restart program at Salem Unit 1 will include a previously scheduled refueling outage. Salem Unit 2 will undergo a partial refueling which will allow PSE&G to defer a full refueling outage scheduled for 1996.

Salem Unit 1 was taken out of service by PSE&G on May 17 and Unit 2 on June 7 following unrelated equipment problems. In recent years both units have experienced operating difficulties, and after their most recent shutdown, Eliason informed the Nuclear Regulatory Commission (NRC) that he intended to keep the units out of service pending a thorough assessment of station conditions and completion of work necessary to assure long-term reliable operations.

Eliason said the restart plan developed for the Salem station is focused on improving equipment reliability and operability. "We intend to reduce maintenance and engineering backlogs of work and to strengthen our management processes before we return the units to service," he said.

More....

**Public Service Enterprise Group Incorporated, P.O. Box 1171, Newark, NJ 07101-1171**

**Subsidiaries:**

Public Service Electric and Gas Company  
PSE&G Fuel Corporation  
Enterprise Diversified Holdings Incorporated  
Energy Development Corporation  
Community Energy Alternatives Incorporated  
Public Service Resources Corporation  
Enterprise Group Development Corporation  
PSEG Capital Corporation  
Enterprise Capital Funding Corporation

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Eliason said PSE&G has developed and is implementing a number of "detailed action plans" designed to improve performance in 10 key areas: operations, management, engineering, maintenance, outage activities, work controls, organizational self-assessment, corrective action, equipment reliability, and training.

Before restarting the units, Eliason said PSE&G will complete a thorough review of station systems and gain concurrence from the NRC that these action plans have been satisfactorily completed.

Eliason estimated PSE&G's share of additional costs associated with restart are approximately \$17 million. In addition, he said replacement power costs incurred while the units are out of service will be approximately \$5 million a month per unit. The utilities levelized energy adjustment clause provides a mechanism for the recovery of replacement power costs, but PSE&G cannot predict what action the New Jersey Board of Public Utilities (BPU) may take.

In addition, PSE&G currently anticipates that the 1995 aggregate capacity factor for its five nuclear units will be below the 65% minimum annual performance standard established by the BPU. Failure to meet the minimum standard would result in the imposition of a performance penalty for 1995. PSE&G currently estimates that its aggregate capacity factor for the year would amount to approximately 63%, based on the planned operation of its other three nuclear units, which would result in a 1995 penalty of between \$2 to \$3 million.

PSE&G owns 42.59% of the Salem station. The other owners are PECO Energy Company, Atlantic Electric Company, and Delmarva Power & Light Company.

Last year, PSE&G reorganized its nuclear operations into a separate business unit reporting directly to Chairman of the Board E. James Ferland. Eliason was recruited last fall from Northern States Power Company in Minnesota to lead the newly formed business unit. A former nuclear plant manager, Eliason oversaw Northern States Power's successful nuclear operations which includes the highly regarded Prairie Island nuclear station.

After joining PSE&G, Eliason streamlined operations, reduced management layers and increased accountability. He conducted organizational effectiveness and management competency assessments which led to improvements in the nuclear organizational structure. In addition, he revamped the nuclear quality assurance program.

This year, Eliason has brought to PSE&G a new senior management team to strengthen the effort to improve Salem operations. His team includes:

— Louis Storz, senior vice president-nuclear operations, from Niagara Mohawk Power Corporation, where he oversaw the operation of Nine Mile Point Nuclear Station. Prior to joining Niagara Mohawk, Storz led the turnaround of Toledo Edison's Davis Besse nuclear station in Ohio.

— Elbert Simpson, senior vice president-nuclear engineering, from Arizona Public Service Company, where he played a major role in improving operations at the Palo Verde Nuclear Generating Station.

— Clay Warren, general manager-Salem operations, from Carolina Power & Light's Brunswick nuclear plant which underwent a successful turnaround and was removed from the NRC's "watch list" while he was plant general manager.

— Jeffrey Benjamin, director-quality assurance and nuclear safety review, from Washington Public Power Supply System, where he held a similar position.

"This new team reflects PSE&G's commitment to achieve the highest standards of safety and operational excellence," Eliason said. "Our objective is to restart and run these plants in accord with these standards. Over the long term, our objective is to increase Salem's capacity factor and reduce overall production costs to provide customers served by the station with reliable and economic energy."

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## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report July 19, 1995

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED  
(Exact name of registrant as specified in its charter)New Jersey  
(State or other  
jurisdiction of  
incorporation)1-9120  
(Commission  
File Number)22-2625848  
(I.R.S. Employer  
Identification No.)80 Park Plaza, P. O. Box 1171  
Newark, New Jersey  
(Address of principal executive offices)07101-1171  
(Zip Code)

Registrant's telephone number, including area code: 201-430-7000

PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
(Exact name of registrant as specified in its charter)New Jersey  
(State or other  
jurisdiction of  
incorporation)1-973  
(Commission  
File Number)22-1212800  
(I.R.S. Employer  
Identification No.)80 Park Plaza, P. O. Box 570  
Newark, New Jersey  
(Address of principal executive offices)07101-0570  
(Zip Code)

Registrant's telephone number, including area code: 201-430-7000

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Item 5. Other Events.  
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The following information updates certain matters previously reported to the Securities and Exchange Commission under Item 1 - Business of Part I of the Annual Report on Form 10-K for 1994, Part II of the Report on Form 10-Q for the quarter ended March 31, 1995 and Item 5 of the Current Report on Form 8-K dated June 13, 1995 of Public Service Electric and Gas Company (PSE&G) and its parent, Public Service Enterprise Group Incorporated (Enterprise).

Nuclear Operations  
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## Salem

As previously reported, Salem Unit 1 and Unit 2 were taken out of service on May 16, 1995 and June 7, 1995, respectively. PSE&G subsequently informed the Nuclear Regulatory Commission (NRC) that it had determined to keep the Salem units shut down pending review and resolution of certain equipment and management issues, and NRC agreement that each unit is sufficiently prepared to restart. On June 9, 1995, the NRC issued a Confirmatory Action Letter documenting these commitments by PSE&G.

As previously reported, PSE&G is engaged in a thorough assessment of equipment issues that have affected Salem's operation and the related management systems and will keep the units off line until it is satisfied that they are ready to return to service and operate reliably over the long term. While PSE&G has not yet finalized its analysis and assessment activities, it currently estimates that Unit 1 will be ready to return to service in the first quarter of 1996 and Unit 2 during the second quarter of 1996, although no assurances can be given. During the outages, Unit 1 will undergo a previously scheduled refueling and Unit 2 will undergo a partial refueling which will allow PSE&G to eliminate a full refueling outage for Unit 2 scheduled for 1996. The restart plan is focused on improving equipment reliability and operability. PSE&G intends to reduce maintenance and engineering backlogs of work and to strengthen its management processes before it returns the units to service.

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### Nuclear Operations (Continued)

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PSE&G has developed and is implementing a number of detailed action plans designed to improve performance in 10 key areas: operations, management, engineering, maintenance, outage activities, work controls, organizational self-assessment, corrective action, equipment reliability and training. Before restarting the units, PSE&G will complete a thorough review of station systems and gain concurrence from the NRC that these action plans have been satisfactorily completed. No assurances can be given as to what actions the NRC ultimately might take.

PSE&G estimates that its share of additional operating and maintenance expenses associated with restart activities will amount to approximately \$17 million. Replacement power costs incurred while the units are out of service are expected to be approximately \$5 million per month, per unit. In addition, PSE&G currently anticipates that the 1995 aggregate capacity factor of its five nuclear units will be below the 65% minimum annual standard established by the New Jersey Board of Public Utilities (BPU). Failure to meet this minimum standard would result in imposition of a performance penalty for 1995. PSE&G currently estimates such aggregate capacity factor for 1995 will amount to approximately 63%, based on the planned operation of the other three nuclear units, which would result in a penalty for 1995 of between \$2 million to \$3 million. No assurances can be given as to what action, if any, the BPU might ultimately take. PSE&G does not presently foresee any shortage in available capacity to satisfy customer demands for energy.

A previously reported NRC enforcement conference, relating to incorrectly positioned valves at Salem and a number of other apparent violations relating to the NRC's quality assurance criteria and inadequate or ineffective corrective actions affecting safety-related equipment and components, has been rescheduled for July 28, 1995. PSE&G cannot predict what, if any, action the NRC may take with respect to these apparent violations.

PSE&G has recently undertaken a number of senior nuclear management changes, including the hiring from outside of PSE&G of a Senior Vice President - Nuclear Operations, a Senior Vice President - Nuclear Engineering, a General Manager - Salem Operations, and a Director - Quality Assurance and Nuclear Safety Review. PSE&G is committed to achieving high standards of safety and operational performance for its nuclear program. PSE&G's objective is to restart and run the Salem plants in accord with these standards so as to assure long-term reliability and reduce overall production costs in order to provide customers serviced by Salem with reliable and economic energy.

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SIGNATURE  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED  
(Registrant)

PUBLIC SERVICE ELECTRIC AND GAS COMPANY  
(Registrant)

By

R. EDWIN SELOVER  
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R. Edwin Selover  
Vice President and General Counsel  
Public Service Enterprise Group  
Incorporated

Senior Vice President and General Counsel  
Public Service Electric and Gas Company

Date: July 19, 1995

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**PUBLIC SERVICE ELECTRIC & GAS  
ENFORCEMENT CONFERENCE  
JULY 28, 1995**

## AGENDA

Introduction

J. Hagan

Management Perspectives

C. Warren

Corrective Action Program Initiatives

J. Benjamin

Discussion of Individual Violations

- Criterion V
- POPS Issues

B. O'Grady

C. Lambert/  
B. Simpson

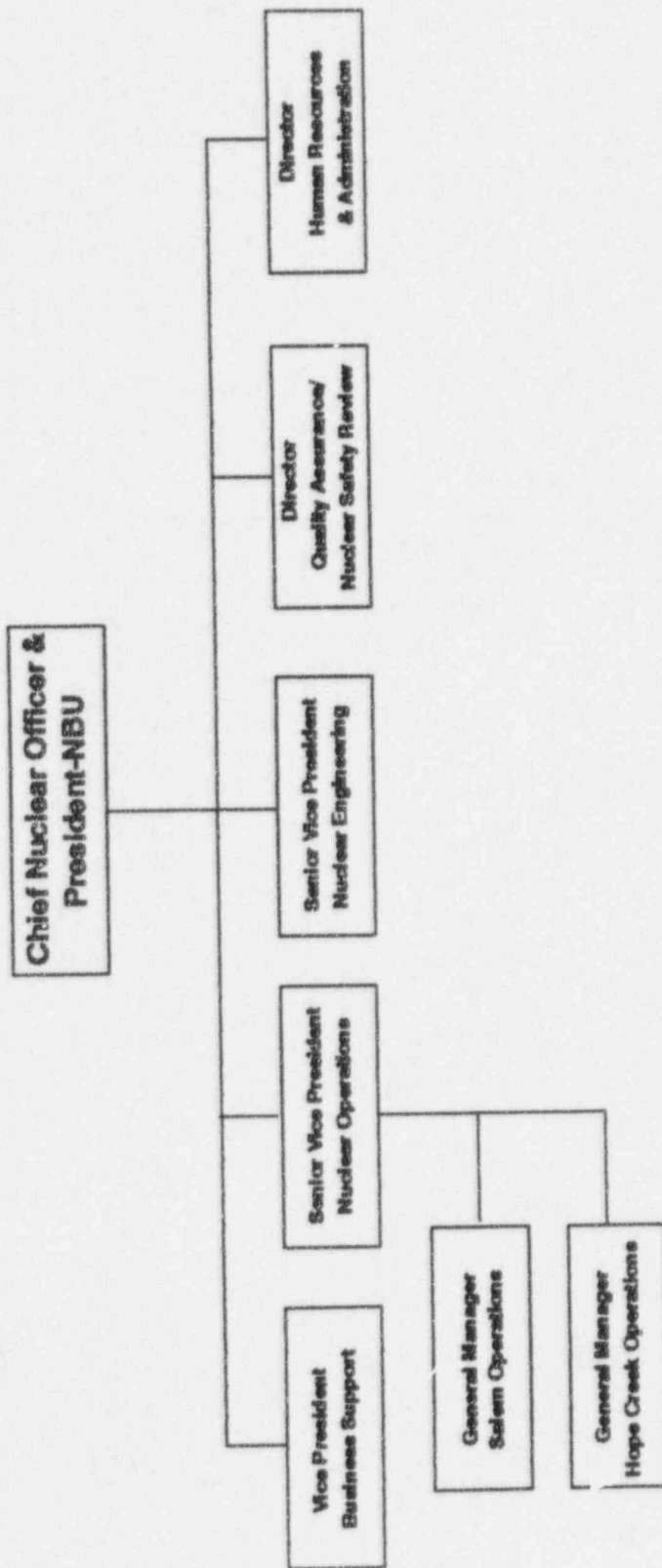
Closing Remarks

J. Hagan

## INTRODUCTION

- Enforcement conference involves several apparent violations.
- The broad implications of these examples -- the common causes -- are the central regulatory and management concern.
- NBU presentation will address individual enforcement issues within the context of existing broad actions.
  - Causal analyses have been conducted for individual violations, focusing on both individual and collective causes.
  - Corrective actions are being taken for each individual violation.
  - Broad initiatives being taken to address common management performance, culture, and process issues.
- As initiatives are implemented, similar examples may be identified.
- Improvements will take time, but will be achieved.

# NUCLEAR BUSINESS UNIT



## **MANAGEMENT PERSPECTIVES**

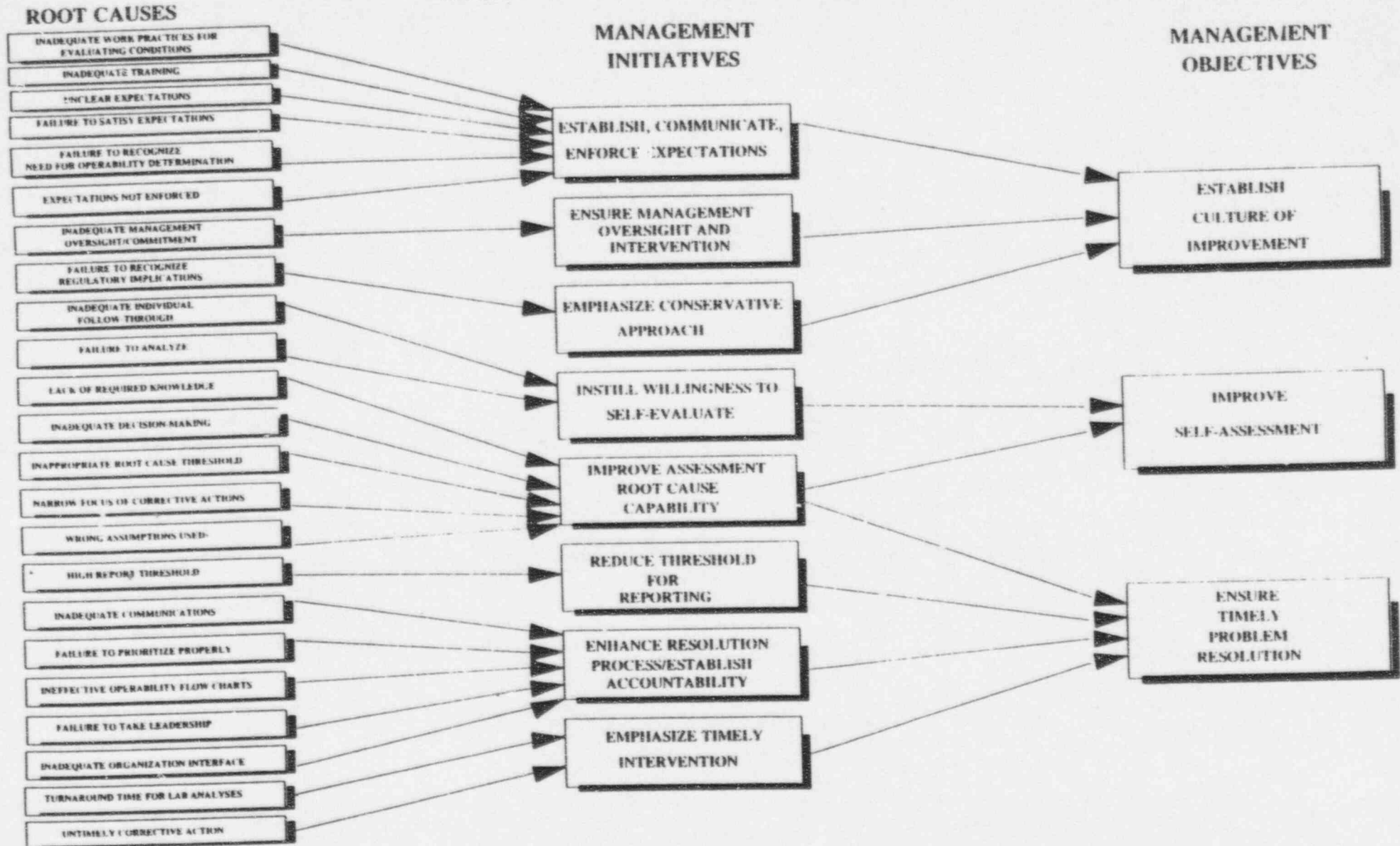
### **Overriding Issue (IR 95-10): Problem Identification and Resolution**

- Willingness and ability to promptly and critically assess anomalous conditions, suspect component reliability.
- Organizational proclivity to avoid prompt problem resolution, and prompt operability and corrective action decision-making.
- Approach to operability decisions biased to a positive determination without sufficient consideration of design bases.

### **NBU Management Position:**

- NBU recognizes IR 95-10 concerns as a symptom of significant management and cultural weakness.

# MANAGEMENT CORRECTIVE ACTIONS



## MANAGEMENT PERSPECTIVES

### NBU Management Objectives:

- Address culture to facilitate performance improvements.
- Improve self-assessment capability.
- Ensure timely problem identification, assessment, and resolution.

## **MANAGEMENT PERSPECTIVES**

**Objective:** Address culture to facilitate performance improvements.

- Initiatives:**
- (1) Establish, communicate, and enforce expectation of rigorous compliance.
  - (2) Ensure management oversight and intervention throughout organization (multi-disciplined focus).
  - (3) Emphasize conservative approach during problem assessment (e.g., operability, root cause).

**Actions:**

- Implemented management changes to improve culture, safety ethic, and conservative decision-making. (Complete)
- Will adjust organizational areas of responsibility. (Future)
- Assessing managers for appropriate leadership capability. (Ongoing)
- Holding regular accountability meetings with senior management. (Ongoing)
- Training of every manager and supervisor on expectations regarding Corrective Action Program. (Ongoing).
- Will utilize performance indicators to monitor performance. (Ongoing)

## MANAGEMENT PERSPECTIVES

Objective: Improve Self-Assessment

Initiatives: (1) Instill a willingness to self-evaluate.  
(2) Improve problem assessment and root cause capability.

Actions:

- Corrective actions for individual issues include root cause capability enhancements. (Ongoing)
- Developed methodology for driving self-assessment and improvement process (Ongoing)
- Developed appropriately focused performance indicators. (Ongoing)
  - Continuous improvements in performance indicators based on feedback. (Ongoing)
- Will develop intrusive self-assessments to evaluate effectiveness of organization and performance improvement efforts. (Future)
- Perform in-depth evaluation and assessment of equipment deficiencies as part of Unit 1 and Unit 2 restart initiatives. (Ongoing)

## **MANAGEMENT PERSPECTIVES**

**Objective:** Timely and Quality Problem Resolution

- Initiatives:**
- (1) Reduce threshold for reporting problems.
  - (2) Improve problem assessment and root cause determination.
  - (3) Enhance problem resolution process and establish accountability for process.
  - (4) Emphasize intervention to address issues promptly.

**Actions:**

- GM owns Corrective Action Program.
- Enhanced management expectations regarding problem resolution. (Complete)
  - Operability Determinations. (Complete)
  - Management oversight of completion time. (Ongoing)
- Timely management intervention will be emphasized. (Ongoing)
- Group established in Engineering to support Operations on operability determinations. (Complete)
- In addition to SORC, General Managers (GMs) and station managers will review completed root cause evaluations. (Future)
- GM and station managers will review Condition Reports on a daily basis. (Future)
  - Procedure already revised to reduce threshold. (Complete)
- Corrective Action Program improvements being implemented -- J. Benjamin.

## **CORRECTIVE ACTION PROGRAM INITIATIVES**

**Objective:** Ensure that potential deficiencies are evaluated and resolved in a complete and timely manner.

**Initiatives:**

- Establish single point accountability for Corrective Action Program Oversight
- Ensure a sound Corrective Action Program
- Utilize personnel effectively
- Monitor Process for Effectiveness

## **CORRECTIVE ACTION PROGRAM INITIATIVES**

### **Establish Single Point Accountability:**

- Corrective Action Group established to oversee site-wide corrective action activities. (Complete)
- Near Term Improvement Plan initiated. (Ongoing)
- Implemented a graded approach to root cause analysis. (Complete)
- Established and Implemented an Intervention Team to assist station departments with root cause assessment. (Complete)
- Benchmarked several Corrective Action Programs. (Complete)
- Developed and Implemented Consolidated Corrective Action Program. (Complete)

## **CORRECTIVE ACTION PROGRAM INITIATIVES**

### **Ensure a Sound Program:**

- Corrective Action Program process consolidated and improved. (Complete)
  - Combined existing processes.
  - Low threshold program.
  - Level 1, 2, and 3 issues reviewed by the Control Room.
  - Formal process for Operability Determinations.
  - Management expectations for timeliness.
    - Root cause evaluations must be completed within 30 days.
    - Escalated management involvement for due date extensions.
- "Old" process documents closed per existing procedures.

## **CORRECTIVE ACTION PROGRAM INITIATIVES**

### **Utilizing Personnel Effectively:**

- Performed site-wide training on new corrective action process. (Complete)
- Root cause training approach modified. (Ongoing)
- Establishing Root Cause "specialists" in each department. (Ongoing)
  - Focal point for performing cause determinations (root cause or apparent cause).
  - Participate on Causal Factors analysis.
  - Provide insight for self-assessment efforts.
- Common cause trending and analysis techniques being implemented. (Ongoing)

## **CORRECTIVE ACTION PROGRAM INITIATIVES**

### **Process Monitoring:**

- Management involvement/oversight.
  - Corrective Action Review Board.
  - Daily overview of new and "due" Condition Reports (CRs).
  - Monthly Corrective Action Performance Report.
  - Quarterly Causal Factor Analysis.
- Performance Indicators.

Note: Appropriate performance criteria will be established for Salem restart.

  - Number and significance of new Condition Reports.
  - Evaluation status.
  - Process dynamics.
  - Backlog reduction (transition).
  - Evaluation completion time (in development).
  - Root cause quality (in development).
- Review of sample indicators.

## CORRECTIVE ACTION PROGRAM INITIATIVES

### Summary:

- Changes to process and management oversight practices have been made to improve and further assure appropriate levels of Corrective Action Program performance.
- Appropriate performance criteria will be defined and utilized as part of the Salem restart process.