

PSEG Nuclear, LLC
ZEC 2 – Salem II
Docket No: ER20080558

Response to Discovery Request: SII-ZECJ-FIN-0008
Date: 10/1/2020

Question:

Provide current cost of capital, as well as required cost of capital for each of the next five (5) years, plus a detailed accounting of how the cost of capital was determined.

Attachments Provided Herewith: YES - CONFIDENTIAL

Response:

Please see the accompanying confidential attachment for PSEG Power's calculation of weighted average cost of capital. This estimate of cost of capital was derived applying traditional methodologies used to estimate an enterprise's cost of debt, cost of equity and relative debt/equity structure, as detailed therein. In PSEG Power's business, our use of this estimate is primarily limited to capital budgeting considerations, acquisition and disposition related assessments and impairment testing for year-end accounting purposes. The required cost of capital for any future period is the then current cost of capital, updated consistently with the estimation methodology provided. PSEG Power does not calculate or maintain a separate cost of capital for the plants owned by its affiliates, including plants owned by PSEG Nuclear. Rather, the weighted average cost of capital, as calculated here, is used in connection with any analysis related to any of PSEG Power's plants.