



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

September 26, 1988

Docket No. STN 50-528, STN 50-529
and STN-530

Mr. Donald B. Karner
Executive Vice President
Arizona Nuclear Power Project
Post Office Box 52034
Phoenix, Arizona 85072-2034

Dear Mr. Karner:

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2 AND 3 - ENVIRONMENTAL ASSESSMENT AND FINDING OF NO SIGNIFICANT IMPACT - TEMPORARY EXEMPTION FROM THE SCHEDULAR REQUIREMENTS OF THE PROPERTY INSURANCE RULE EFFECTIVE OCTOBER 4, 1988 (10 CFR 50.54(w)(5)(i))

On August 5, 1987, the NRC published in the Federal Register a final rule amending 10 CFR 50.54(w). The rule increased the amount of on-site property damage insurance required to be carried by NRC's power reactor licensees. The rule also required these licensees to obtain by October 4, 1988 insurance policies that prioritized insurance proceeds for stabilization and decontamination after an accident and provided for payment of proceeds to an independent trustee who would disburse funds for decontamination and cleanup before any other purpose.

Subsequent to publication of the rule, the NRC has been informed by insurers who offer nuclear property insurance that, despite a good faith effort to obtain trustees required by the rule, the decontamination priority and trusteeship provisions will not be able to be incorporated into policies by the time required in the rule. In response to these comments and related petitions for rulemaking, the Commission has proposed a revision of 10 CFR 50.54(w)(5)(i) extending the implementation schedule for 18 months (53 FR 36338, September 19, 1988). However, because it is unlikely that this rulemaking action will be completed by October 4, 1988, the Commission is issuing a temporary exemption from the requirements of 10 CFR 50.54(w)(5)(i) until completion of the pending rulemaking extending the implementation date specified in 10 CFR 50.54(w)(5)(i), but not later than April 1, 1989. Upon completion of such rulemaking, the licensee shall comply with the provisions of such rule.

Enclosed is an Environmental Assessment and Finding of No Significant Impact relating to a temporary exemption from 10 CFR 50.54(w)(5)(i) for the Palo Verde Nuclear Generating Station, Units 1, 2 and 3.

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W.M.

This assessment is being forwarded to the Office of Federal Register for publication.

Sincerely,



Terence Chan, Project Manager
Project Directorate V
Division of Reactor Projects - III,
IV, V and Special Projects



Michael Davis, Project Manager
Project Director V
Division of Reactor Projects - III,
IV, V and Special Projects

Enclosure: Environmental Assessment

cc w/enclosure:
See next page

This assessment is being forwarded to the Office of Federal Register for publication.

Sincerely,

original signed by

Terence Chan, Project Manager
Project Directorate V
Division of Reactor Projects - III,
IV, V and Special Projects

original signed by

Michael Davis, Project Manager.
Project Director V
Division of Reactor Projects - III,
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Enclosure: Environmental Assessment

cc w/enclosure:
See next page

HR for GK

GFC	:DRSP:PDV:LA	:DRSP:PDV:PM	:DRSP:PDV:PM	:DRSP:D:PDV	:	:
NAME	:JLEE	:TChan:CW	:MDavis	:GWKNIGHTON	:	:
DATE	:09/26/88	:09/26/88	:09/25/88	:09/26/88	:	:

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Executive Vice President
Post Office Box 52034
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Palo Verde

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Arizona Nuclear Power Project

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Palo Verde

cc:

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Arizona Corporation Commission
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DISTRIBUTION FOR 9/26/88 LETTERS TRANSMITTING EA RE PROPERTY INSURANCE RULE

Docket File STN 50-528/529/530
NRC & Local PDRs
PD #5 Reading
TMurley/JSniezek
DCrutchfield
CRossi
GHolahan
MVirgilio
JLee
Project Managers TChan & MJDavis
OGC (for info)
EJordan
BGrimes
TBarnhart (12)
ACRS (10)
GPA/PA
ARM/LFMB

UNITED STATES NUCLEAR REGULATORY COMMISSIONARIZONA PUBLIC SERVICE COMPANY, ET ALPALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2 AND 3DOCKET NOS. STN 50-528, STN 50-529 AND STN 50-530ENVIRONMENTAL ASSESSMENT AND FINDING OFNO SIGNIFICANT IMPACTCONCERNING EXEMPTION FROM10 CFR 50.54(w)(5)(i)

The U. S. Nuclear Regulatory Commission (the Commission) is considering issuance of an exemption from the requirements of 10 CFR 50.54(w)(5)(i) to Arizona Public Service Company, et al*, (the licensees) for the Palo Verde Nuclear Generating Station, Units 1, 2 and 3, located at the licensees' site in Maricopa County, Arizona.

ENVIRONMENTAL ASSESSMENTIdentification of Proposed Action:

On August 5, 1987, the NRC published in the FEDERAL REGISTER a final rule amending 10 CFR 50.54(w). The rule increased the amount of on-site property damage insurance required to be carried by NRC's power reactor licensees. The rule also required these licensees to obtain by October 4, 1988 insurance policies that prioritized insurance proceeds for stabilization and decontamination after an accident and provided for payment of proceeds to an independent trustee who would disburse funds for decontamination and cleanup before any other purpose. Subsequent to publication of the rule, the NRC has been informed by insurers who

*The licensees are Arizona Public Service Company, Salt River Project Agricultural Improvement and Power District, El Paso Electric Company, Southern California Edison Company, Public Service Company of New Mexico, Los Angeles Department of Water and Power and Southern California Public Power Authority.

offer nuclear property insurance that, despite a good faith effort to obtain trustees required by the rule, the decontamination priority and trusteeship provisions will not be able to be incorporated into policies by the time required in the rule. In response to these comments and related petitions for rulemaking, the Commission has proposed a revision of 10 CFR 50.54(w)(5)(i) extending the implementation schedule for 18 months (53 FR 36338, September 19, 1988). However, because it is unlikely that this rulemaking action will be effective by October 4, 1988, the Commission is issuing a temporary exemption from the requirements of 10 CFR 50.54(w)(5)(i) until completion of the pending rulemaking extending the implementation date specified in 10 CFR 50.54(w)(5)(i), but not later than April 1, 1989. Upon completion of such rulemaking, the licensees shall comply with the provisions of such rule.

The Need for The Proposed Action:

The exemption is needed because insurance complying with requirements of 10 CFR 50.54(w)(5)(i) is unavailable and because the temporary delay in implementation allowed by the exemption and associated rulemaking action will permit the Commission to reconsider on its merits the trusteeship provision of 10 CFR 50.54(w)(4).

Environmental Impacts of the Proposed Action:

With respect to radiological impacts on the environment, the proposed exemption does not in any way affect the operation of licensed facilities. Further, as noted by the Commission in the Supplementary Information accompanying the proposed rule, there are several reasons for concluding that delaying for a reasonable time the implementation of the stabilization and decontamination priority and trusteeship provisions of Section 50.54(w) will not adversely affect protection of public health and safety. First, during the

period of delay, the licensees will still be required to carry \$1.06 billion insurance. This is a substantial amount of coverage that provides a significant financial cushion to licensees to decontaminate and clean up after an accident even without the prioritization and trusteeship provisions. Second, nearly 75% of the required coverage already is prioritized under the decontamination liability and excess property insurance language of the Nuclear Electric Insurance Limited-II policies. Finally, there is only an extremely small probability of a serious accident occurring during the exemption period. Even if a serious accident giving rise to substantial insurance claims were to occur, NRC would be able to take appropriate enforcement action to assure adequate cleanup to protect public health and safety and the environment.

The proposed exemption does not affect radiological or nonradiological effluents from the site and has no other nonradiological impacts.

Alternatives to the Proposed Action:

It has been concluded that there is no measurable impact associated with the proposed exemption; any alternatives to the exemption will have either no environmental impact or greater environmental impact.

Alternative Use of Resources:

This action does not involve the use of any resources beyond the scope of resources used during normal plant operation.

Agencies and Persons Consulted:

The staff did not consult other agencies or persons in connection with the proposed exemption.

FINDING OF NO SIGNIFICANT IMPACT

Based upon the foregoing environmental assessment, the Commission concludes that the proposed action will not have a significant effect on the quality of the human environment. Accordingly, the Commission has determined not to prepare an environmental impact statement for the proposed exemption.

For information concerning this action, see the proposed rule (53 FR 36338), and the exemption which is being processed concurrent with this notice. A copy of the exemption will be available for public inspection at the Commission's Public Document Room, 2120 L Street, NW, Washington, D.C., and at the Phoenix Public Library, Business and Science Division, 12 East McDowell Road, Phoenix, Arizona.

Dated at Rockville, Maryland this 26th day of September, 1988.

FOR THE NUCLEAR REGULATORY COMMISSION



Harry Rood, Acting Director
Project Directorate V
Division of Reactor Projects - III,
IV, V and Special Projects
Office of Nuclear Reactor Regulation