Nuclear Operating Company
South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

February 7, 2005
NOC-AE-05001844
STI No.: 31840470
File No.: G02
10CFR50.54(w)(3)

U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555

South Texas Project
Units 1 and 2
Docket Nos.: STN 50-498, STN 50-499
Nuclear Insurance Protection

Pursuant to the requirements of 10CFR50.54(w)(3), STP Nuclear Operating Company submits the attached Nuclear Electric Insurance Limited (NEIL) property insurance policies. This submittal contains the following policies:

Nuclear Insurance

NEIL Primary Property and Decontamination Liability Insurance Policy Number: P04-075	$0.500 Billion
NEIL Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy Number: X04-075	$1.250 Billion
NEIL Blanket Excess Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy: BX04-007	$1.000 Billion
	$2.750 Billion

Should you have any questions, concerns, or require additional information on this matter, please contact Ron Hyde at (361) 972-3611 extension 7992 or by E-mail at rghyde@stpegs.com.

George R. Harrison
Manager,
Financial Services

KMW
Attachments: Property Insurance Policies (3)

M001

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cc:
(paper copy)

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Regional Administrator, Region IV
U. S. Nuclear Regulatory Commission
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U. S. Nuclear Regulatory Commission
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NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

PRIMARY PROPERTY AND DECONTAMINATION LIABILITY INSURANCE POLICY

Declarations attached to and made a part of Policy No. P04-075
(South Texas Project)

Item 1. Member Insured STP NUCLEAR OPERATING COMPANY

Mailing Address P.O. Box 289

Wadsworth, Texas 77483

Respective Interest 100%

Item 2. Insurer: Nuclear Electric Insurance Limited

Mailing Address: 1201 Market Street, Suite 1200, Wilmington, Delaware 19801

Item 3. A. Policy Period:

From 12:01 a.m. (Time) on October 1, 2004 (Date), to 12:01 a.m. (Time) on October 1, 2005 (Date),

Standard Time in Hamilton, Bermuda.

B. Policy Year:

From 12:01 a.m. (Time) on October 1, 2004 (Date), to 12:01 a.m. (Time) on October 1, 2005 (Date),

Standard Time in Hamilton, Bermuda.

Item 4. Premium $1,814,500

Item 5. A. Multiple: 10

B. Retrospective Premium Adjustment $18,145,000

Item 6. Amount of Insurance $ 500,000,000

Item 7. Description and location of property covered:

All Real and Personal Property including the land and all buildings and structures of the South Texas Project (including Units 1 and 2) situated on a site consisting of approximately 12,300 acres and located in southwest Matagorda County, approximately 12 miles south-southwest of Bay City and 10 miles north of Matagorda Bay.

Item 8. Deductibles

Deductible Amounts

Unit 1 $1,000,000 Unit 2 $1,000,000

Transit Deductible Amount

$ 100,000

Item 9. Insureds: Texas Genco, LP; AEP - Central Power and Light Company; City of San Antonio, Texas, acting through the City Public Service Board of San Antonio; City of Austin, Texas; Ebasco Constructors, Inc., and parent or affiliated companies or entities of Ebasco Constructors, Inc., and all of its subcontractors and vendors and their suppliers; Bechtel Energy Corporation, any parent or affiliated companies or entities of Bechtel Energy Corporation, and all of its subcontractors and vendors and their supplier; Brown & Root, Inc.; and Halliburton Company; Westinghouse Electric Corporation; all as their respective interests may appear.

Additional Insured: CenterPoint Energy Houston Electric, LLC

Item 10. Loss Payee Clause

A. Expenses covered under Section I.A.2 shall be adjusted with the Member Insured and payable to:

Expenses covered under Section I.A.2 shall be adjusted through STP Nuclear Operating Company and shall be payable to STP Nuclear Operating Company as Agent on behalf of the following Insureds:

i) Texas Genco, L.P. in respect of its 30.8% ownership interest.

ii) AEP - Central Power and Light Company in respect of its 25.2% ownership interest.

iii) City of San Antonio, acting through the City Public Service Board of San Antonio in respect of its 28.0% ownership interest.

iv) City of Austin in respect of its 16.0% ownership interest.

The Member Insureds may, by written notice to the Insurer, designate other payees.

B. All other covered Losses shall be adjusted with the Member Insured and payable to:

All other covered Losses shall be adjusted through STP Nuclear Operating Company and shall be payable to STP Nuclear Operating Company as Agent on behalf of the following Insureds:

i) Texas Genco, L.P. in respect of its 30.8% ownership interest.

ii) AEP - Central Power and Light Company in respect of its 25.2% ownership interest.

iii) City of San Antonio, acting through the City Public Service Board of San Antonio in respect of its 28.0% ownership interest.

iv) City of Austin in respect of its 16.0% ownership interest.

The Member Insureds may, by written notice to the Insurer, designate other payees.

Item 11. Service of Process to Insured (see Section V.G.5)

General Counsel
STP Nuclear Operating Company
c/o Duane Morris LLP
1100 North Market Street, Suite 1200
Wilmington, DE 19801

NUCLEAR ELECTRIC INSURANCE LIMITED

PRIMARY PROPERTY AND DECONTAMINATION LIABILITY INSURANCE POLICY

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Policy No. P04-075

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

PRIMARY PROPERTY AND DECONTAMINATION LIABILITY INSURANCE POLICY

This Policy is made by and among the Member Insured (specified in Item 1 of the Declarations) and Nuclear Electric Insurance Limited, a Bermuda mutual company with limited liability (the "Insurer").

The Insurer is only licensed in Bermuda and Delaware and the Insureds (those Insureds specified in Item 9 of the Declarations together with the Member Insured) will not be protected by the guaranty funds of any U.S. jurisdiction.

The Member Insured will be required to execute the Policy in Delaware. The Policy will become effective only upon the acceptance by the Member Insured of the delivery of the Policy at the Insurer's office in Delaware.

I. INSURING AGREEMENT

In consideration of the premium paid, and subject to the terms and conditions of this Policy, the Insurer agrees to pay the Member Insured, subject to the Deductible, for certain expenses and costs resulting from Accidental Property Damage.

In Witness Whereof, the Insurer and the Member Insured have caused this Policy to be executed and attested on their behalf in Wilmington, Delaware.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: _____

INSURER:
Nuclear Electric Insurance Limited

By: _____
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: _____

MEMBER INSURED:
STP Nuclear Operating Company

By: _____
Attorney -in-Fact

A. Coverage

1. This Policy insures against Property Damage caused by an Accident, unless otherwise excluded, subject to the terms and conditions of this Policy.

2. This Policy also insures against expenses necessarily incurred by the Insureds in discharging their legal obligation to protect the public health and safety following Accidental Property Damage, unless otherwise excluded, subject to the terms and conditions of this Policy.

3. (a) In the event that Accidental Property Damage under this Policy and under one or more Other Insurance Policies with insurance coverage effective during the Policy Year is caused directly or indirectly by Flood, earthquake or volcanic eruption, the Member Insured agrees that:

   (i) The Insurer's liability for all Losses resulting from Accidental Property Damage shall not exceed the greater of (A) the Amount of Insurance stated in Item 6 of the Declarations, or (B) the highest of the Amount of Insurance stated in the declarations of the Other Insurance Policies providing coverage with respect to the same Accident; and

   (ii) The Insurer's liability under this Policy shall be the amount determined under subparagraph (a)(i) above times a fraction, the numerator of which is the Insurer's liability for the Losses resulting from Accidental Property Damage under this Policy, but for this paragraph (a), and the denominator of which is the sum of the Insurer's liability for Losses resulting from Accidental Property Damage under this Policy and all Other Insurance Policies, but for this paragraph (a).

B. Territorial Limits

This Policy covers Insured Property worldwide, excluding Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and the former territories of the Union of Soviet Socialist Republics.

C. Property Insured

This Policy covers the property specified as such in Item 7 of the Declarations and situated at a location specified therein, and as provided in Section I.E.2 and in Section I.D.

D. Property of Others

Subject to its terms and conditions, this Policy also covers the personal property of employees and others at the location described in the Declarations unless otherwise excluded.

E. Extensions of Coverage

1. Debris Removal and Decontamination

This Policy also shall pay for expenses necessarily incurred by the Insureds in removing debris of and in decontaminating the Insured Property covered by this Policy following Accidental Property Damage, unless otherwise excluded.

2. Transit Damage

This Policy also shall pay for the Property Damage caused by an Accident, unless otherwise excluded, to Insured Property in transit and to property insured under Section I.D while such property is in transit, subject to a total sublimit of $10,000,000 and the following terms and conditions:

(a) For purposes of this coverage, Insured Property includes property that has been purchased for use at the site and is in transit to the site.

(b) This coverage applies only to shipments of Insured Property between points and places within the Territorial Limits identified in Section I.B and to the temporary storage of such Insured Property while at the repair facility. No coverage is provided for any shipment beyond 12 nautical miles of the coastal waters of the country of origin or destination for airborne or waterborne shipments.

(c) It is a condition of this insurance that the Insured Property be packed and shipped in accordance with all applicable laws or regulations having the force of law.

(d) This coverage is excess of any valid and collectible coverage from the seller or shipper.

Each and every Loss covered under this Section I.E.2 shall be adjusted separately, and from the amount of such Loss, or, if there is contributing insurance, from the Insurer's pro-rata share of such Loss, there shall be deducted the Transit Deductible Amount stipulated in Item 8 of the Declarations.

3. **Expediting Expense**

This Policy shall also pay for the reasonable extra costs to make temporary repairs or temporary replacement and to expedite the permanent repair or replacement of Insured Property damaged by an Accident, unless otherwise excluded, including overtime and the extra cost of express or other rapid means of transportation. This coverage is subject to a sublimit of the greater of $2,500,000 or an amount equal to ten percent (10%) of the loss (excluding the Expediting Expense), but not to exceed a maximum sublimit of $10,000,000.

4. **Regulatory Code**

This Policy shall also cover the additional cost of repair or replacement of Insured Property arising out of Accidental Property Damage, necessitated by enforcement of any state or federal statute, regulation, ordinance or other rule having the force of law relating to minimum standards of construction or engineering or licensing, qualification or certification (hereinafter referred to as "Code") which is in effect at the time of the Accident and to which the Insured Property is subject. All such costs are subject to a total sublimit of $2,500,000 and to the requirement that the costs involved are actually, directly and necessarily incurred in order to comply with any Code governing repair and/or replacement, or continued or renewed licensing, qualification or certification of the Insured Property which has sustained Accidental Property Damage.

5. **Removal from Premises**

If Insured Property is necessarily removed from any location specified in the Declarations for preservation from imminent physical damage, this Policy also covers such Insured Property for a period of forty-five (45) business days from the commencement of such removal, during removal, at any place to which such Insured Property has been removed, and during return; provided, however, this provision does not apply to Property Damage by radioactive contamination except as otherwise provided in Section I.E.2. The Member Insured shall notify the Insurer of any such removal within ten (10) business days after its commencement.

II. PRIORITY FOR DECONTAMINATION LIABILITY EXPENSES

1. Whenever the estimated expenses covered under Section I.A.2 exceed $100,000,000, except as provided in paragraph 2 below, it is agreed that payment under this Policy shall be first made with respect to Losses incurred under Section I.A.2, and then, to the extent proceeds of this Policy are not so utilized, with respect to Losses incurred under Section I.A.1.

2. Payment under this Policy may be made with respect to Losses covered under Section I.A.1 prior to the completion of payments under Section I.A.2 only on the following conditions:

(a) The Member Insured must attest that:

(i) no proceeds of this Policy in excess of an amount specified by the Insureds ("Specified Nuclear Liability Amount"), except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds under the Atomic Energy Act of 1954, 42 U.S.C. Section 2011 et seq. as amended, and the regulations promulgated pursuant thereto (the "Act") to protect the public health and safety following Accidental Property Damage; and

(ii) the payment or use of policy proceeds for Losses covered under Section I.A.1 does not violate any regulation or order of the Nuclear Regulatory Commission or any governmental body succeeding to the functions and authorities thereof ("NRC").

(b) Except as provided in paragraph (c) below, the amount of insurance available for payment to the Insureds with respect to Losses covered under Section I.A.1 prior to the indemnification under Section I.A.2 shall be calculated by subtracting the Specified Nuclear Liability Amount from the amount of insurance specified in Item 6 of the Declarations, as it may be reduced pursuant to the terms of this Policy.

(c) At the request of the Member Insured, the amount calculated in accordance with subparagraph 2(b) above, may be increased to include an amount equal to all or part of the Specified Nuclear Liability Amount, but only to the extent of amounts for which the Member Insured attests:

(i) that the Insureds are entitled under other valid and collectible insurance covering the same expenses covered by Section I.A.2;

(ii) that the Insureds will claim under such other insurance and use such claimed proceeds to discharge their legal obligation or liability under the Act to protect the public health and safety following Accidental Property Damage; and

(iii) that the payment or use of all or part of the Specified Nuclear Liability Amount for Losses covered under Section I.A.1 does not violate any regulation or order of the NRC.

III. EXCLUSIONS

A. General Exclusions

1. The coverage provided under this Policy does not apply to Property Damage caused by or resulting from:

   (a) gradual accumulation of radioactive contamination;

   (b) radioactive contamination at any location specified in the Declarations, resulting from matter released from any source outside the premises of that location, but this exclusion shall not apply to radioactive contamination resulting from matter released from any source while such source is in transit from any location specified in the Declarations;

   (c) failure of the Insureds to use all reasonable means to save and preserve the Insured Property at and after an Accident or when the Insured Property is in danger of Property Damage;

   (d) unexplained or mysterious disappearance of Insured Property, or shortage disclosed upon taking inventory;

   (e) delay, inherent vice, loss of use, or loss of market;

   (f) any fraudulent, dishonest, or criminal act done by or at the instigation of any Insured, any Operator, a partner or joint venturer in or of any Insured or Operator, or an officer, director or trustee of any Insured or Operator;

   (g) any order or directive of a federal, state, county, or municipal governmental entity or any department, agency or political subdivision thereof, including, without limitation, an order to replace undamaged Insured Property pursuant to a directive of the NRC, except acts of destruction at the time of and for the purpose of preventing the spread of Accidental Property Damage;

   (h) seizure, destruction or confiscation by order or directive of any federal, state, county, or municipal governmental entity or any department, agency or political subdivision thereof, or risks of contraband or illegal transportation or trade;

   (i) or attributable to manufacturing or processing operations which result in damage to stock or materials while such stock or materials are being actually worked upon;

   (j) any form of deterioration or wear and tear, including but not limited to

(i) depletion, depreciation, and deterioration, including that of fuel element cladding;

(ii) embrittlement of any kind, including but not limited to hydrogen embrittlement and neutron embrittlement;

(iii) fatigue of any kind, including but not limited to thermal fatigue and high-cycle fatigue;

(iv) rust, erosion, or corrosion of any kind, including but not limited to stress corrosion cracking, unless caused directly by an independent and separate Accident not otherwise excluded, but then only for the Property Damage caused by such Accident;

(v) pitting, cracking, bulging, blistering, fretting, denting, deformation or distortion of the Insured Property which accompanies or is directly associated with the kinds of Property Damage specified in paragraphs (ii) through (iv) above; and

(vi) shrinking, bulging, expansion, cracking, shifting, rising, settling, sinking, and lateral or other movement of pavements, foundations, walls, floors, ceiling or roofs;

(k) dampness, dryness, or extremes or changes of temperature of the atmosphere, including but not limited to rust, corrosion or erosion or other resulting Property Damage, unless caused directly by an independent and separate Accident not otherwise excluded, but then only for the Property Damage caused by such Accident;

(l) Flood, unless otherwise provided by endorsement added hereto; or

(m) earthquake, volcanic eruption, landslide, subsidence or sinking of land or other earth movement, settlement or other movement of foundations, unless otherwise provided by endorsement added hereto.

With respect to the Exclusions in paragraphs (j) through (m), inclusive, the Insurer shall be liable if independent and separate Accident not otherwise excluded ensues, but then only for the Property Damage caused by the ensuing Accident.

2. This Policy also does not cover:

(a) accounts, bills, currency, deeds, evidences of debt, money or securities;

(b) (i) records, manuscripts and drawings, for any amount in excess of their value blank plus the cost incurred for actually transcribing or copying them, except as provided in subparagraph III.A.2(b)(ii) below;

(ii) media, data storage devices, and program devices for electronic and electro-mechanical data processing or for electronically controlled equipment, for any amount in excess of the cost of reproducing such media, data storage devices, and program devices from duplicates or from originals of the previous generation of the media, and no liability is assumed hereunder for the cost of gathering or assembling information or data for such reproduction;

(c) vehicles licensed for highway use, aircraft or watercraft, except when such vehicles, aircraft or watercraft are being used for the servicing of or in connection with the operation of the Insured Property;

(d) any Accidental Property Damage, to the extent of the amount collectible from a contractor, manufacturer or supplier of machinery, equipment or other property under a guaranty or warranty, whether or not such contractor, manufacturer or supplier is included as an Insured under this Policy;

(e) the cost of making good any faulty workmanship, material, construction or design, whether or not due to negligence, inadvertence, misjudgment or any other cause, and regardless of any warranty which may affect such faulty components; provided, however, the Insurer shall be liable if an independent and separate Accident not otherwise excluded ensues, but then only for the Property Damage caused by the ensuing Accident;

(f) more than one opening and closing of a turbine in connection with one Accident; provided, however, that additional openings and closings of a turbine in connection with a single Accident can be covered as expediting expenses subject to the provisions of Section I.E.3; and

(g) any sums which the Insured may be obligated to pay as damages

(i) because of bodily injury or personal injury, or

(ii) because of damage to property not described in the Declarations, or

(iii) for which the Insured is covered or would be entitled to coverage under a nuclear energy liability policy issued by the Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters or any other third party liability insurer.

B. **War Risk Exclusion**

1. Subject to paragraph 2 below, the coverage provided under this Policy does not apply to Property Damage caused directly or indirectly by:

   (a) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or by military, naval or air forces; or by an agent of any such government, power, authority or forces;

   (b) any weapon of war employing nuclear fission or fusion whether in time of peace or war; or

   (c) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence.

2. This War Risk Exclusion shall only apply to acts which:

   (a) take place within any of the states of the United States or the District of Columbia, including the territorial waters of any thereof, and

   (b) are part of overt military activity being carried out in such territories.

IV. PREMIUM

1. The Member Insured agrees to pay to the Insurer the Premium under the terms and conditions hereinafter set forth. The Premium shall be paid to the Insurer by wire transfer or other method acceptable to the Insurer on or before the beginning of the policy period specified in Item 3A of the Declarations.

2. As a condition precedent to the Insurer's obligations under this Policy, the Member Insured agrees to notify the Insurer that the Insured Property has been classified Category Number Five by the Institute of Nuclear Power Operations ("INPO"), within seven (7) days of being advised by INPO of such classification being put in place, and to pay such additional Premium due hereunder to the Insurer as a result

thereof by wire transfer or other method acceptable to the Insurer within twenty (20) business days after demand.

3. The Member Insured further agrees to pay the Insurer the Retrospective Premium Adjustment under the terms and conditions specified under Section VI.

V. CONDITIONS

A. Abandonment

There shall be no abandonment to the Insurer of any property.

B. Appraisal

In case the Member Insured and the Insurer shall fail to agree as to the amount of Property Damage, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within twenty (20) days of such demand. The two (2) appraisers so selected shall first select a competent and disinterested umpire; and failing for fifteen (15) days from the date of selection of the second appraiser to agree upon such umpire, then on request of the Member Insured or the Insurer, such umpire shall be selected by a judge of the United States District Court for the district in which the Insured Property is located. The appraisers shall then appraise the Property Damage, stating separately replacement cost and/or the Actual Cash Value of each item; and, failing to agree, shall submit their differences, only, to the umpire. An award in writing, so itemized, of any two when filed with the Insurer shall determine the amount of Property Damage. Each appraiser shall be paid by the party selecting him and the expenses of appraisal and of the umpire shall be paid equally by the Member Insured on the one hand and the Insurer on the other.

C. Assignment

Assignment or transfer of this Policy shall not be valid except with the prior written consent of the Insurer.

D. Choice of Law

1. In view of the diverse locations of the parties hereto and the desirability of unified regulation, the Insureds and Insurer agree that the terms of this Policy shall determine their respective rights and duties and that this Policy shall be construed and enforced in accordance with and governed by the internal law of the State of New York, United States of America.

2. The parties intend that the Insurer conduct its activities so as not to be subject to the insurance regulation of any jurisdiction other than Bermuda and Delaware. Accordingly, the parties expressly recognize and agree that paragraph 1 above does not evidence an intent by the parties to

(a) give jurisdiction over the Insurer to the insurance regulatory authority of any jurisdiction other than Bermuda and Delaware; or

(b) make applicable to this Policy any of the insurance laws or regulations (including those which specify the terms of the by-laws and contracts of mutual insurance companies) of any jurisdiction, including New York, other than to the extent such laws of Bermuda and Delaware are applicable; or

(c) otherwise have the laws of Bermuda or Delaware apply to the construction or enforcement of this Policy.

E. **Concealment, Fraud**

The Insurer shall have no obligation to make any payment under this Policy if, whether before or after a Loss, any Insured has willfully concealed or misrepresented in writing any material fact or circumstance concerning this insurance or the subject thereof, or the interest of any Insured therein, or in case of any fraud or false swearing by any Insured relating thereto; but the application of this provision shall not affect the Member Insured's obligation to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy.

F. **Deductibles**

1. There shall be deducted from the amount of each and every Loss the Deductible stated in Item 8 of the Declarations. In the event that more than one Deductible applies to any one Loss, then only the largest Deductible for that Loss shall be applied.

2. In the event the Loss at any location exceeds fifty percent (50%) of the amount of insurance applicable to such location under this Policy, this Deductible Clause shall not be applied.

G. **Dispute Resolution**

1. The Insurer and the Insured mutually acknowledge that the form, terms and conditions of the Policy have been formulated by representatives of the participating utilities in order to provide insurance coverage which is vital to all participants. It was desired that the Insurer serve as a financially stable and reliable entity, responsive to the coverage needs of its participants, and providing coverage fairly and equitably as to each Insured, but taking equally into account fairness and equity as to all insureds as a group. While every effort has been made to define with clarity

and precision the scope of coverage and other policy provisions, the Insurer and the Insured mutually acknowledge that situations may arise where the terms of the Policy are disputed. For the foregoing reasons, the Insurer and the Insured agree that the following principles shall govern the interpretation of the Policy:

(a) Even-handedness and fairness to both the Insurer and the Insured;

(b) The intentions of the Insurer and the Insured, including any extrinsic evidence of intent;

(c) The practice of the Insurer and the Insured in interpreting and applying the Policy;

(d) The cooperative rather than adversarial relationship between the Insurer and the Insured; and

(e) The contract construction rule of contra proferentem is not applicable to this insurance policy.

2. The Insurer and Insured agree to endeavor to resolve any dispute between them by means of voluntary proceedings to be agreed upon between them. In the event of a dispute, either the Insurer or the Insured may request the other to participate in an alternative dispute resolution proceeding. The Insurer and the Insured acknowledge, depending upon the circumstances, that an appropriate proceeding may include but is not limited to one or more of the following: early neutral evaluation, mediation, mini-trial, neutral fact finding, or senior peer review. In the absence of the parties agreeing to participate in an alternative dispute resolution process, the Insurer will agree, at the request of the Insured, to submit the dispute to senior peer review, unless otherwise determined by the Insurer's Board of Directors. The Insurer agrees to pay the fees and expenses of any neutral party associated with the procedures. The use of any such or other proceeding is voluntary to both the Insurer and Insured, but each acknowledges that it is in the best interests of the mutual enterprise to resolve disputes by such voluntary means where possible, and without the need for final and binding arbitration between them.

3. The Insured and Insurer agree in good faith to consider, in connection with any dispute, the Statement of Dispute Resolution Principles adopted by the Insurer's Board of Directors and Members, as it may be amended from time to time.

4. Any claim or controversy between the Insured and the Insurer as to any matters arising out of or relating to this Policy, which is not settled between themselves, pursuant to paragraph 2 above or otherwise, shall be submitted at the request of either the Insured or the Insurer to arbitration in New York City unless the parties agree as to another location. Arbitration of a dispute is final and binding. The

Insured and the Insurer shall try in good faith to agree on the appointment of a sole arbitrator to settle the dispute. In the event the parties cannot agree on the appointment of a sole arbitrator, they can agree to have a sole arbitrator appointed by the then President of the Association of the Bar of the City of New York or in the absence of agreement to do so, a three-person arbitration panel shall be appointed. In the event that either the Insured or the Insurer determines that the dispute is not appropriate for a sole arbitrator, a three-person arbitration panel shall be appointed. In such instance, the Insured shall appoint one arbitrator and the Insurer another; the two so appointed shall select the third. If the two arbitrators fail to agree on a third arbitrator for a period of sixty calendar days from the date of appointment of the second arbitrator, then on request of the Insured or the Insurer such third arbitrator shall be selected by the then President of the Association of the Bar of the City of New York. The Insured and the Insurer may by express agreement determine the arbitral procedures to be followed; in the event the parties do not agree, New York law, including the statutory rules on arbitration, shall govern all matters of procedure. The arbitrators shall first determine the liability of the parties as to the dispute, claim or controversy, and then, only if necessary, determine the type and amount of relief to be granted. The arbitrators shall award reasonable attorney's fees and costs to the prevailing party in such amount as they determine appropriate, not to exceed the amount of fees and costs incurred by the non-prevailing party. For this purpose, the fees incurred shall be calculated at reasonable prevailing hourly billing rates and include all reasonable out-of-pocket expenses.

5. To the extent that any dispute, claim or controversy between the Insured and the Insurer hereunder is not subject to arbitration for any reason whatever, the United States District Court for the Southern District of New York shall have exclusive jurisdiction thereof. For such purpose, the Insured agree to accept, without objection to form or manner, service of process to the person identified in Item 11 of the Declarations.

   For such purpose, the Insurer agrees to accept, without objection to form or manner, service of process by registered mail directed to Nuclear Electric Insurance Limited, 1201 Market Street, Suite 1200, Wilmington, Delaware 19801. The foregoing consents to service of process are not intended nor shall they be construed to extend to any dispute, claim, controversy, cause of action, or other matter other than as stated in this paragraph.

H. Headings

The headings in this Policy are inserted for convenience only and shall not be deemed to constitute a part hereof.

I. Inspection and Suspension

1. The Insurer shall be permitted, but not obligated, to perform or to have performed on its behalf, inspections of the Insured Property at any reasonable time. All inspections and inspection reports made by or on behalf of the Insurer are made solely for insurance purposes. Inspection reports are based upon conditions, practices and property observed and information made available at the time of the inspection, and shall not be deemed to identify all hazards or to indicate that other hazards do not exist. The Insurer and those performing inspections on its behalf shall not be responsible for the correction or control of any conditions, practices or property. Notwithstanding any other agreement, express or implied, to the contrary, neither the right to make an inspection nor the making of an inspection, nor any advice or report resulting therefrom, shall constitute or be construed as an undertaking on behalf of or for the benefit of the Insureds or others to determine or warrant that the facilities, operations or property are safe or healthful, or are in compliance with any law, rule, regulation, procedure or standard.

2. Upon discovery of a dangerous condition with respect to any machine, vessel, or part thereof, a representative of the Insurer may request that such machine, vessel or part thereof be taken out of service without delay so that corrective measures may be instituted.

3. Upon discovery of a failure to comply with the Insurer's standards with respect to the qualifications of the Member Insured's or Operator's personnel, or operating and maintenance practices, a representative of the Insurer may request that such failures be corrected without delay.

4. It shall be the obligation of the Insureds to ensure that the Insurer is accorded the right of inspection under paragraph 1 above and to ensure compliance with any requests by the Insurer pursuant to paragraphs 2 and 3 above. The failure of the Operator to permit the Insurer to inspect or to comply with such a request of the Insurer shall be deemed a breach of this obligation on the part of the Insureds.

5. If a request made under paragraph 2 or 3 above is not complied with, a representative of the Insurer may immediately suspend coverage as to any Property Damage arising out of any Accident which results from such non-compliance, by written notice handed, mailed or delivered to the Member Insured.

6. The Insurer may suspend coverage under this Policy, in whole or in part, with respect to the Insured Property, without prior notice to the Insureds, if (i) the NRC suspends or revokes for any reason the operating license issued with respect to any Unit on such Insured Property, or (ii) the NRC issues a shutdown order with respect to such Unit, or (iii) the NRC issues a confirmatory order keeping such Unit shut down.

7. The insurance suspended in accordance with paragraphs 5 and 6 above may be reinstated by the Insurer, but only by an endorsement issued to form a part of this Policy. The suspension of the insurance under this Policy shall not affect the obligation of the Member Insured to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy.

J. Insurer's Options

It shall be the option of the Insurer to take all, or any part, of the destroyed or damaged Insured Property at the agreed or appraised value, and also to decontaminate or otherwise repair, or to rebuild or replace such Insured Property destroyed or damaged with other of like kind and quality within a reasonable time, on giving notice of its intention to do so within thirty (30) days after the receipt of the Proof of Loss as herein provided.

K. Limits

1. The Insurer shall not be liable for more than the amount shown as limit of liability in the Declarations for any one Accident.

2. The insurance provided by this Policy shall not be reduced by the sum paid for any one Accident.

3. Notwithstanding anything contained herein to the contrary, the Insurer's liability hereunder shall be the amount payable to the Member Insured but for this provision, less any amount owed to the Insurer by the Insureds, including amounts owed to the Insurer by the Insureds under this Policy or any other agreement or policy.

4. The Member Insured's recovery under Section I.A.1 and I.A.2 of this Policy shall not be decreased because the replacement cost or Actual Cash Value, whichever is applicable, of the Insured Property is less than the Insurer's limit of liability.

L. Mortgagee Interests and Obligations

1. If a Loss hereunder is assigned or made payable, in whole or in part, to a designated mortgagee not named herein as an Insured, such interest in this Policy may be canceled upon sixty (60) days' written notice of cancellation mailed or delivered to such mortgagee.

2. If the Insureds fail to meet the requirements stated herein in the case of Accidental Property Damage, such mortgagee, upon notice, shall render a written estimate of Loss within sixty (60) days and shall render Proof of Loss in the form approved by the Insurer within twelve (12) months thereafter and shall be subject to the provisions hereof relating to appraisal, arbitration and time of payment and of bringing suit. If the Insurer shall claim that no liability exists as to the mortgagor or owner, it shall, to

the extent of payment of loss to the mortgagee, be subrogated to all the mortgagee's rights of recovery, but without impairing mortgagee's right to sue; or it may pay off the mortgage debt and require an assignment thereof and of the mortgage. Other provisions relating to the interests and obligations of such mortgagee may be added hereto by endorsement.

M. **Natural Hazards**

1. *Windstorm Loss*

Each Loss by windstorm, tornado or hurricane shall constitute a single Accident; provided, if more than one windstorm, tornado or hurricane should occur within any period of seventy-two (72) hours commencing during the term of this Policy, and such windstorms, tornados or hurricanes have a common origin or are caused by a single atmospheric disturbance, then such windstorms, tornados or hurricanes shall be deemed to be a single windstorm, tornado or hurricane.

2. *Flood Loss*

Each Flood shall be deemed a separate Accident; provided that if more than one Flood should occur within any period of ninety-six (96) hours commencing during the term of this Policy and such Floods have a common origin or are caused by a single Accident, then such Floods shall be deemed to be a single Flood.

3. *Earthquake or Volcanic Eruption Loss*

Each earthquake shock or volcanic eruption shall be deemed a separate Loss; provided that if more than one earthquake shock or volcanic eruption shall occur within any period of seventy-two (72) hours commencing during the term of this Policy and such earthquake shocks or volcanic eruptions have a common origin or are caused by a single incident, then such earthquake shocks or volcanic eruptions shall be deemed to be a single earthquake or volcanic eruption.

N. **Other Insurance**

The Insurer shall not be liable if at the time of the Accident there is any other insurance which would attach if this insurance had not been effected, except that this insurance shall apply only as excess and in no event as contributory insurance, and then only after all other insurance has been exhausted.

O. **Policy Decisions and Notice**

Except as provided in paragraph Q of Section V, all decisions or actions made or taken with respect to this Policy may only be taken or made by the first named Member Insured and all such decisions or actions shall be binding on all Insureds. Such decisions or actions shall

include, without limitation, decisions to give or not give notices of losses, to file or not file proofs of loss and to bring or not bring an action under the dispute resolution provision. No decision or action with respect to this Policy may be made or taken by anyone other than the Insurer and the first named Member Insured. The first named Member Insured shall be that Member Insured whose name is listed first in Item 1 of the Declarations. The Insurer and the Insureds agree that all communications between them as to any matter arising under or relating to this Policy shall be made as follows:

1. If to the Insurer: The communication must be sent by the first named Member Insured and must be sent, by facsimile, mail or courier to the Insurer at the address listed in Item 2 of the Declarations.

2. If to the Insureds: The communication must be sent by the Insurer to the first named Member Insured and must be sent, by facsimile, mail or courier to the address listed in Item 1 of the Declarations or to the address of such Member Insured's Delaware Representative. It shall be the obligation of the first named Member Insured to communicate the contents of any notification from the Insurer to the other Insureds.

The Insured's compliance with the provisions of this paragraph is a condition precedent to the Insurer's obligations under this Policy.

P. **Policy Modifications**

This Policy embodies all agreements between the Member Insured and the Insurer or any of their agents relating to this insurance. There shall be no change in the terms, provisions and stipulations of this Policy except in writing hereon or by endorsement added hereto by the Insurer and the Member Insured.

Q. **Requirements in Case of Loss**

1. The Insureds shall give or cause to be given to the Insurer immediate written notice of any Accidental Property Damage and shall make efforts to protect the Insured Property from further damage. The Insureds shall separate or cause to be separated, with reasonable promptness, the damaged and undamaged Insured Property, put it in the best possible order, furnish a complete inventory of the destroyed, damaged and undamaged Insured Property, showing in detail quantities, costs, the replacement cost and estimated amount of Loss claimed.

2. Within twelve (12) months after the Accidental Property Damage, unless such time is extended in writing by the Insurer, not to be unreasonably withheld, the Insureds shall render to the Insurer a proof of loss ("Proof of Loss"), in the form approved by the Insurer, signed and sworn to by the Member Insured, stating the knowledge and belief of the Insureds as to the time and origin of the Accidental Property Damage, the interest of the Insureds and all others in the Insured Property, the value of the

Insured Property involved in the Accident, the amount of Loss or damage thereto, all other contracts of insurance, whether valid or not, covering any of said Insured Property, and

(a) with respect to Losses covered under Section I.A.1, an attestation by the Member Insured that either no proceeds of this Policy, or no proceeds of this Policy in excess of the Specified Nuclear Liability Amount, except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds under the Act to protect the public health and safety following Accidental Property Damage, and that the payment of policy proceeds for the Property Damage under Section I.A.1 does not violate any regulation or order of the NRC; and

(b) with respect to Losses covered under Section I.A.2, the time and origin of the Accidental Property Damage necessitating such expenses, the amount of expenses incurred in discharging the Insureds' legal obligation or liability under the Act to protect the public health and safety following Accidental Property Damage, and an attestation by the Member Insured as to the Insurer's legal obligation or liability to incur such expenses.

3. The Insureds shall exhibit or cause to be exhibited to any person designated by the Insurer, as often as may be reasonably required, all that remains of any Insured Property and shall submit to examinations under oath by any person named by the Insurer, and shall subscribe the same. The Insureds shall, as often as may be reasonably required, produce for examination all books of accounts, bills, invoices and other vouchers, or certified copies thereof if originals be lost, or other documents needed by the Insurer to determine its liability, at such reasonable time and place as may be designated by the Insurer or its representatives, and shall permit extracts and copies thereof to be made.

R. **State Premium Tax**

The Insureds represent that they have paid or will pay any applicable state premium tax.

S. **Subrogation**

1. Except as provided in paragraph 3 below, the Insurer may require from the Insureds an assignment of all right of recovery against any party for Accidental Property Damage to the extent that payment therefor is made by the Insurer, and the Insureds shall execute and deliver all necessary instruments and do all things necessary or desirable on behalf of the Insurer to secure such rights. The Insureds shall take no action after the Accident which may prejudice the Insurer's rights under this paragraph; however, prior to an Accident, the Insureds may waive in writing any or all right of recovery against any party for Accidental Property Damage.

2. The Insurer hereby waives any right of subrogation acquired by reason of any payment under this Policy arising out of any Accidental Property Damage against the Insureds and any party furnishing services, materials, parts, or equipment in connection with the planning, construction, maintenance, operation or use of the Insured Property.

3. It is a condition of this Policy that the Insureds shall repay to the Insurer any recoveries made by the Insureds on account of any Accidental Property Damage to the extent that the Insurer would have been entitled to such recoveries had this waiver not been included in this Policy. The proceeds of any recovery shall be applied first to any uncompensated Property Damage incurred by the Insureds, including reimbursement of any deductible amount under this Policy, and then, to the extent any proceeds of such recovery remain, to reimburse the Insurer for any payments made by it to the Insureds.

T. Suit

No suit, action or proceeding on this Policy for the recovery of any claim shall be sustainable in any court of law or equity or any arbitral tribunal unless all the requirements of this Policy shall have been complied with, and unless commenced within eighteen (18) months after the Accident giving rise to such claim; provided, however, an extension of time granted by the Insurer for rendering a Proof of Loss with respect to any Accidental Property Damage shall extend the eighteen-month (18) period for bringing suit with respect to such claim by the period of the extension.

U. Term and Cancellation

1. This Policy shall commence on the date specified in Item 3A of the Declarations and shall terminate on the date specified in Item 3A of the Declarations. This Policy shall be automatically renewed for successive one-year terms, however either party may cancel this Policy by providing written notice to the other party by registered mail at least three months prior to any anniversary.

2. This Policy may be canceled at any time by the Insurer, upon approval of its Board of Directors, upon sixty (60) days' written notice of cancellation mailed or delivered to the Member Insured, with or without tender of the excess of paid premium above the pro rata premium for the expired time, which excess, if not tendered, shall be refunded on demand. Notice of cancellation shall state that said excess premium, if not tendered, will be refunded on demand.

3. This Policy shall be automatically canceled if (i) the INPO membership of either the Member Insured or the Operator is suspended or canceled by INPO for any reason and (ii) the Member Insured fails to notify the Insurer within five business days after receipt of notice of such suspension or cancellation of membership in INPO, unless the Insurer is otherwise notified during such five business days.

4. In the event that the Member Insured fails to pay to the Insurer any Retrospective Premium Adjustment due under this Policy, due under any Other Insurance Policy as such Member Insured may have with the Insurer, or referred to in Section VI, this Policy shall terminate provided that the Insurer notifies the Member Insured in writing of this delinquency and the Member Insured fails to make the required payment within 15 days after receiving such notice by registered mail.

5. Neither the cancellation of the Policy on the part of the Member Insured or the Insurer, nor its automatic termination, shall affect the obligation of the Member Insured to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy.

V. Valuation

1. The value of the Insured Property at the time of an Accident shall be the replacement cost of such Insured Property, but only if such Insured Property as is damaged or destroyed is replaced within a reasonable time with identical or like kind property on the same premises and intended for the same occupancy and use. In all other cases, the value of the Insured Property at the time of loss shall be the Actual Cash Value of such Insured Property, notwithstanding that the Policy may refer to the replacement cost of such Insured Property. The Member Insured may elect first to make claim under this Policy on an Actual Cash Value basis and may make further claim on a replacement cost basis, provided the Insurer is notified in writing within one hundred and eighty (180) days after the Accident of the Member Insured's intent to make such further claim and such claim is filed within three hundred and sixty-five (365) days of such notice.

2. The value of Insured Property in transit at the time of an Accident shall be the replacement cost of such Insured Property, but not exceeding the amount which it would cost to repair or replace such Insured Property with material of like kind and quality within a reasonable time after such loss, including general average and salvage charges.

3. In the event of Property Damage to Insured Property constituting nuclear fuel, the Insurer's obligation to indemnify the Insureds and their legal representatives under Section I shall be limited as follows:

   (a) Beginning with the date initial criticality is achieved at a Unit, the value of the nuclear fuel in such Unit shall be deemed to be equal to the value of a full fuel core of the fuel then in such unit reduced to reflect the proportion of the usable burn up consumed; and

   (b) Spent nuclear fuel shall have no value and the Insurer shall have no obligation to indemnify the Insureds or their legal representatives for any Property Damage thereto.

W. **Waiver Provisions**

No provision, stipulation or forfeiture shall be held to be waived by any requirement or proceeding on the part of the Insurer relating to appraisal or to any examination provided for herein.

X. **When Loss Payable.**

The amount of Loss for which the Insurer may be liable shall be payable as soon as practicable and in any event within sixty (60) days after the Proof of Loss is received by the Insurer and ascertainment of the Loss is made either by agreement between the Member Insured and the Insurer expressed in writing or by the filing with the Insurer of an award as herein provided. Where only a partial Proof of Loss has been provided to the Insurer and the Insurer's liability for the Property Damage is uncontested, the Insurer may, in its sole discretion, make partial payment to the Insured. Nevertheless, the Insurer shall have no obligation to make such partial payment.

VI. RETROSPECTIVE PREMIUM ADJUSTMENT

The Member Insured agrees to pay to the Insurer the Retrospective Premium Adjustment under the terms and conditions hereinafter set forth.

1. The Insurer may make demand for the Retrospective Premium Adjustment in whole or in one or more parts from time to time, but only to the extent necessary, in the sole discretion of the Board of Directors of the Insurer, to cover Losses incurred by the Insurer under this Policy and all Other Insurance Policies with coverage effective during the Policy Year (specified in Item 3.B of the Declarations).

2. That portion of the Retrospective Premium Adjustment demanded by the Insurer shall be paid to the Insurer by wire transfer or other method acceptable to the Insurer within twenty (20) business days after demand. The Insurer may, without first pursuing any rights it may have against any Delinquent Member, make such number of further demands upon the Member Insured, including any Delinquent Member, for further portions of the Retrospective Premium Adjustment, to be payable twenty (20) business days after demand, as may be needed to obtain Retrospective Premium Adjustment from the Member Insureds of the Insurer under this Policy and all Other Insurance Policies with coverage effective during the Policy Year sufficient, in the sole discretion of the Board of Directors of the Insurer, to cover Losses under this Policy and all Other Insurance Policies with coverage effective during the Policy Year. The fact that the Insurer has received sufficient Retrospective Premium Adjustment from such Member Insureds shall not bar the Insurer from pursuing the Insurer's rights against any Delinquent Member.

3. When, for any purpose hereunder, it becomes necessary to calculate the obligation of the Member Insured for the Retrospective Premium Adjustment, it will be calculated as follows:

(a) The amount of the Retrospective Premium Adjustment shall be equal to the product of (i) the Multiple selected by the Board of Directors of the Insurer as required to meet Losses under this Policy and all Other Insurance Policies with coverage effective during the Policy Year, times (ii) the Premium, or if such Premium is for a period shorter than a calendar year, such Premium multiplied by a fraction the numerator of which is 365 and the denominator of which is the number of days in the policy period specified in Item 3A of the Declarations.

(b) The policy year to which any Retrospective Premium Adjustment relates shall be determined by the Board of Directors of the Insurer at the time it makes the call for such Retrospective Premium Adjustment based on the date of the Accident under this Policy or any Other Insurance Policy giving rise to the obligation which such Retrospective Premium Adjustment is designed to satisfy. The aggregate of all Retrospective Premium Adjustments under this Policy shall not exceed the Retrospective Premium Adjustment set forth in Item 5.B of the Declarations.

(c) Subject to the provisions with respect to calls made in the event of failure to pay by Delinquent Members, the amount of any call for a Retrospective Premium Adjustment hereunder shall bear the same relation to the total Retrospective Premium Adjustment, payable by all Member Insureds of the Insurer under such call as the highest Premium determined under subparagraph (a)(ii) above bears to the aggregate Premiums, used to calculate the total of all such calls, under this Policy and all Other Insurance Policies with coverage effective during the Policy Year.

(d) The obligation of the Member Insured for the Retrospective Premium Adjustment shall be and remain in full force and effect and all the above calculations shall be made without regard to whether or not the Insurer has any obligation to make payments under this Policy or this Policy is canceled or suspended.

4. The Multiple is no higher than the Multiple in any Other Insurance Policy with insurance coverage effective during the Policy Year.

5. The Board of Directors of the Insurer in its sole discretion may adjust downward the Multiple stated in this Policy and any Other Insurance Policy with coverage effective during the Policy Year to a new lower Multiple, and the Retrospective Premium Adjustment callable under this Policy and any such Other Insurance Policy shall be reduced by a like proportionate amount. No downward adjustment in such Multiple

and corresponding adjustment in any such Retrospective Premium Adjustment may be made with respect to any Retrospective Premium Adjustment which has been assigned by the Insurer, or in any Other Insurance Policy with coverage effective during the Policy Year, if the Multiple in any such Other Insurance Policy, after adjustment, would be less than the Multiple, after adjustment, in this Policy, unless a similar downward adjustment is made in the Multiple in this Policy, together with a corresponding adjustment in the Retrospective Premium Adjustment.

6. The liability of the Member Insured shall be limited to the Premium and the Retrospective Premium Adjustment or any unpaid portion thereof due to the Insurer under the terms of this Policy. No Member Insured shall be subject to any contingent liability or be required to pay any dues or assessments in addition to such Premium and Retrospective Premium Adjustment due under this Policy and those due under any Other Insurance Policies as such Member Insured may have with the Insurer. The liability of the Member Insured for the Retrospective Premium Adjustment for the Policy Year shall cease six (6) years after the end of the Policy Year, unless prior demand is made therefor.

7. It is agreed that the obligation of the Member Insured to pay any Retrospective Premium Adjustment due under any Other Insurance Policy between the Insurer and the Member Insured which terminated on or before the inception date of this Policy is an obligation of the Member Insured under this Policy. It is also agreed that the terms and the amount of such obligation shall be determined by reference to the Other Insurance Policy under which such obligation arose, notwithstanding that such Other Insurance Policy may no longer be in effect.

8. The liability of each Member Insured, if there be more than one, for the Retrospective Premium Adjustment under this Policy shall be several and not joint and in proportion to their respective interests specified in the Declarations.

9. In the event the Insurer has available credit facilities from lenders, the Board of Directors of the Insurer may, in its sole discretion, utilize such facilities to finance Losses incurred by the Insurer under this Policy and all Other Insurance Policies. The Insurer may assign to the lenders the Insurer's interest in the Retrospective Premium Adjustment, in whole or in part, including, in the event the Insurer defaults on its obligations to such lenders, the right to call such interest assigned. Such assignment may be made and shall only be effective with respect to the financing of those Losses for which the Retrospective Premium Adjustment could be called. In the event any assignment is made, the Insurer shall give prompt notice thereof to the Member Insured. Each Member Insured shall, upon the request of the Insurer, give acknowledgment of its liability for the Retrospective Premium Adjustment to each of the lenders involved.

VII. MEMBERSHIP

Each Member Insured becomes a member of the Insurer as part of obtaining insurance from the Insurer, and as such, is entitled to the privileges and benefits, and by entering into this Policy agrees to be subject to and bound by the obligations and duties of membership. These are more fully set forth in the Insurer's Memorandum of Association and in the Bye-Laws and any amendments thereto, each of which is hereby incorporated into and made a part of this Policy. In no event shall any amendment to the Memorandum of Association or the Bye-Laws increase the amount of Premium or Retrospective Premium Adjustment payable or callable hereunder.

VIII. DEFINITIONS

For purposes of this Policy, unless otherwise stated to the contrary, the following capitalized terms shall have the meanings set forth below. Other capitalized terms are included in the Declarations. Unless otherwise stated or required for the meaning of any provision, the singular shall include the plural and the plural, the singular. Whenever a Section or Paragraph number is included in the Policy, it refers to a Policy Section or Paragraph number.

A. "Accident" means a sudden and fortuitous event, an event of the moment, which happens by chance, is unexpected and unforeseeable. Accident does not include any condition which develops, progresses or changes over time, or which is inevitable. The date of the Accident shall be the later of when such Accident occurred or is discovered; provided, however, that no Accident is covered hereunder which occurred while the Insured was not insured by the Insurer under this Policy or a predecessor policy issued by the Insurer.

B. "Accidental" means caused by an Accident.

C. "Accidental Property Damage" means Property Damage which is caused by an Accident.

D. "Actual Cash Value" means the amount determined by taking the Replacement Cost of the Insured Property and reducing it by straight line depreciation at a rate of three percent (3%) per year, subject to a maximum depreciation of fifty percent (50%).

E. "Delinquent Member" means any member insured, including the Member Insured, who fails to pay a retrospective premium adjustment demanded by the Insurer under this Policy or any Other Insurance Policy within twenty (20) business days after such demand.

F. "Flood" means a general and temporary overflowing of water on normally dry land areas caused by or resulting from hurricane, tornado, or windstorm; surface water, waves, tidal water, or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not; water which

backs up through sewers or drains; water below the surface of the ground including that which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basements or other floors, or through doors, windows or other openings in such sidewalks, driveways, foundations, walls, basements or other floors, or release of water impounded by a dam.

G. "Insured Property" means the property specified as such in Item 7 of the Declarations and situated at a location specified therein.

H. "Loss" means the costs or expenses covered under Sections I.A, I.D. and I.E.

I. "Member Insureds of the Insurer" means the Member Insureds under this Policy or the Other Insurance Policies.

J. "Operator" means those persons, entities, departments, agencies, or political subdivisions, if any, other than the Member Insured, responsible for operating a Unit covered by the Policy.

K. "Other Insurance Policy" means any Primary Property and Decontamination Liability Insurance Policy or Operating Facility Policy, other than this Policy, issued by the Insurer or any Primary Property and Decontamination Insurance Policy issued by Overseas NEIL Limited.

L. "Other Member Insurance Policy" means any insurance policy, other than this Policy, issued by the Insurer to one or more Member Insureds of the Insurer.

M. "Property Damage" means direct physical damage to or destruction of the Insured Property.

N. "Retrospective Premium Adjustment" means the amount of retrospective premium adjustment called or demanded of the Member Insured under this Policy as calculated pursuant to Section VI of this Policy, but not, in the aggregate, in excess of the Retrospective Premium Adjustment specified in Item 5.B of the Declarations.

O. "Unit" means a nuclear operating unit.

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

Fire Damage Exclusion Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No. 1

Policy Number: P04-075 Effective Date: October 1, 2004

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

1. This Endorsement shall be applicable to the following property:

   a. The Visitor's Center
   b. The "Breakroom/Trailer Complex" north of Unit 1
   c. Building 15 – Security / Training
   d. Building 33 – Medical / First Aid
   e. Building 45 - Facilities Management
   f. Building 5 - Training / Contractors
   g. Building 50 - Steam Generator Project
   h. AOV/MOV Trailer
   i. MOS Team Trailer

2. It is hereby agreed and understood that this Policy does not insure against Property Damage to the property described in Paragraph 1, or the contents thereof, caused directly or indirectly by fire, or fire following lightning or explosion, or by any separate and independent Accident which ensues therefrom.

This Endorsement does not increase the amount of insurance provided under this Policy.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: [signature]

INSURER:
Nuclear Electric Insurance Limited

By: [signature]
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: [signature]

MEMBER INSURED:
STP Nuclear Operating Company

By: [signature]
Attorney -in-Fact

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

Flood Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No. 2

Policy Number: P04-075 Effective Date: October 1, 2004

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

Subject to the provisions of this Policy not in conflict, Section III, Exclusions, Part A.1.(l) and Section VIII, Definition, Part F are deleted.

This policy is extended to insure against Property Damage caused by Flood as defined below.

Flood is defined as a general and temporary overflowing of water onto normally dry land areas caused by or resulting from hurricane, tornado, or windstorm; surface water, waves, tidal water or tidal waves; overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not, and release of water impounded by a dam at the Location specified herein.

The Insurer shall not be liable for Property Damage caused by Flood commencing before the effective date and time of this Endorsement, or after the expiration of the policy.

No coverage is provided by this Endorsement for Property Damage caused by or resulting from earthquake, volcanic eruption, landslide, subsidence or sinking of land or other earth movement.

No coverage is provided by this Policy for Property Damage caused by or resulting from:

a. Water below the surface of the ground including that which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basement or other floors, or through doors, windows or other opening in such sidewalks, driveways, foundations, walls, basements or other floors;
b. Water which backs up through sewers or drains;

In every other respect, the provisions and stipulations of the Policy remain unchanged.

This Endorsement does not increase the amount of insurance provided under the Policy.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: Joanne Wallace

INSURER:
Nuclear Electric Insurance Limited

By: [signature]
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: Annette Brown

MEMBER INSURED:
STP Nuclear Operating Company

By: [signature]
Attorney -in-Fact

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

Earth Movement Damage Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No. 3

Policy Number: P04-075 Effective Date: October 1, 2004

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

1. The Member Insured agrees to pay to the Insurer prior to the effective date and time of this Endorsement $ * additional premium by wire transfer or other method acceptable to the Insurer.

2. Subject to the provisions set forth in this Endorsement and to the provisions and stipulations contained in the Policy, paragraph III.A.1.(m) of the Policy is hereby modified and the Policy is extended to insure against Property Damage caused by earthquake and volcanic eruption and subsidence or sinking of land at the Location specified herein. Except as stated above, paragraph III.A.1.(m) remains otherwise unchanged.

3. The Insurer shall not be liable for Property Damage caused by any earthquake shocks, volcanic eruptions or subsidence or sinking of land commencing before the effective date and time of this Endorsement, nor for any Property Damage resulting from earthquake, volcanic eruptions or subsidence or sinking of land after the expiration of the policy period stated in the Declarations. In no event shall this Endorsement render Insurer liable for Property Damage caused by (a) flood, surface water, waves, tidal water, or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing; or (b) release of water impounded by a dam; all even though caused by or attributable to earthquake, volcanic eruption or subsidence or sinking of land.

IN WITNESS WHEREOF, the parties hereto have caused the Endorsement to be executed and attested on their behalf.

Wilmington, Delaware

Date: As of October 1, 2004

Attest:

INSURER:
Nuclear Electric Insurance Limited

By:
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: Annette Brown

MEMBER INSURED:
STP Nuclear Operating Company

By:
Attorney -in-Fact

* As described in the Declarations.

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

Business Interruption and/or Extra Expense Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No. 4

Policy Number: P04-075 Effective Date: October 1, 2004

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

In consideration of the mutual terms, covenants and conditions contained herein and in reliance on the representations and warranties set forth herein, the parties hereto do hereby agree as follows:

PARAGRAPH I. DEFINITIONS

The following definitions are added for purposes of this Endorsement.

"Cessation Outage" means an Outage which results from Accidental Property Damage which causes the Unit to cease generating electric power.

"Deductible Period" means seventeen (17) weeks.

"Delay Outage" means an Outage which occurs while the Unit is not generating electric power which results from Accidental Property Damage which prevents the Unit from resuming the generation of electric power other than for testing purposes.

"Other Member Insurance Policy" means any insurance policy, other than this Policy, issued by the Insurer to one or more Member Insureds of the Insurer.

"Outage" means either a Cessation Outage or a Delay Outage.

"Partial Outage" means a reduction in output of the Unit's generation of electricity or a delay in the Unit reaching full power generation.

"Proximate Cause" means the direct, efficient and dominant physical cause of the Accidental Property Damage.

"Weekly Indemnity" means $3,500,000.

PARAGRAPH II. BUSINESS INTERRUPTION AND/OR EXTRA EXPENSE COVERAGE

1. (a) The Insurer, in consideration of the Premium and the Retrospective Premium Adjustment, and subject to the provisions and stipulations herein, agrees to pay the Insureds, after the expiration of the Deductible Period, the amounts hereinafter specified in the event of an Outage at a Unit specified in the Declarations resulting from Accidental Property Damage occurring at the Unit or Accidental Property Damage occurring while Insured Property is in transit to or from the Unit caused by radioactive contamination and all other risks of Accidental Property Damage, except as hereinafter provided. The Insurer's liability with respect to an Outage shall be determined based on this Business Interruption and/or Extra Expense Insurance Policy Endorsement in effect on the date of the Accidental Property Damage which results in such Outage. Notwithstanding the foregoing, the Insurer shall not be liable under this Paragraph II with respect to any Outage unless the Accidental Property Damage is the direct, efficient and dominant physical cause of the Outage.

(b) For purposes of this Policy, a Cessation Outage shall be deemed to commence at midnight of the day the Unit ceases generating electric power. A Delay Outage shall be deemed to commence at midnight of the first day on which the Unit could have resumed the generation of electric power but for such Accidental Property Damage. An Outage

shall be deemed to end at midnight of the day on which with the exercise of due diligence and dispatch by the Member Insured the Unit could resume generating electric power other than for testing purposes. It shall be the obligation of the Member Insured to ensure the exercise of due diligence and dispatch by the Operator and the failure of the Operator to exercise such due diligence and dispatch shall be deemed a breach of this obligation on the part of the Member Insured.

(c) Any delay in the Unit's resumption of the generation of electric power other than for testing purposes which results from Accidental Property Damage occurring during an Outage shall constitute a separate Outage and shall be subject to a separate Deductible Period; provided, however, that any such delay which occurs during an Outage and which results from Accidental Property Damage occurring while Insured Property is in transit to or from the Unit shall not constitute a separate Outage if the property damaged or destroyed was needed to repair or replace other property, the damage to or destruction of which caused the existing Outage.

2. For an Outage of a Unit covered hereunder, after expiration of the Deductible Period, the Insurer shall pay to the Insureds or their designated payee for each week of the Outage following such Deductible Period 100 percent of the Weekly Indemnity for such Unit each week for six weeks.

3. (a) In the event of an Outage of more than one Unit by reason of the same Accident, the maximum Weekly Indemnity per unit shall be limited as follows:

Number of Units Simultaneously Out of Service	Per Unit Indemnity
1	100% of single unit recovery
2	80% of single unit recovery
3	60% of single unit recovery
4	50% of single unit recovery

(b) Upon start-up of an affected Unit, the limitations on Weekly Indemnity payments, if still applicable, will apply only to those remaining affected Units.

4. (a) The Insurer's obligation to pay the Weekly Indemnity shall terminate when the Outage has ended. Payments for partial weeks of an Outage shall be prorated. In no event shall the Insurer be liable under this Endorsement for more than six weeks of Weekly Indemnity payments for any Outage.

(b) The Weekly Indemnity payable under this Paragraph II is the Insureds' sole compensation under this Endorsement in the event of a covered Outage. The Insurer shall have no liability under this Endorsement for any other loss incurred by the Insureds in connection with an Outage, including without limitation, any expediting expenses or other charges incurred by the Insureds.

PARAGRAPH III. BUSINESS INTERRUPTION AND/OR EXTRA EXPENSE EXCLUSIONS

1. This Endorsement does not cover any Outage resulting from:

(a) gradual accumulation of radioactive contamination;

(b) radioactive contamination at the Insured Property specified in the Declarations resulting from matter released from any source outside the premises of the Insured Property, but this exclusion shall not apply to radioactive contamination resulting from matter released from any source while such source is in transit to or from the Insured Property specified in the Declarations;

(c) any fraudulent, dishonest, or criminal act done by or at the instigation of any Insured, any Operator, a partner or joint venturer in or of any Insured or Operator, or an officer, director or trustee of any Insured or Operator;

(d) Order of Civil Authority, except acts of destruction at the time of and for the purpose of preventing the spread of fire, provided that such fire did not originate from "War Risk" as herein excluded;

(e) any governmental act, decree, order, regulation, statute or law prohibiting or preventing, directly or indirectly, the commencement, recommencement or continuation of any operations at the Unit specified in the Declarations;

(f) any local, state or federal ordinance or law regulating construction or repair of buildings or structures, or suspension, lapse or cancellation of any lease or license, contract or order, or interference at the Unit specified in the Declarations by strikers or other persons with respect to rebuilding, repairing or replacing the Insured Property or with the resumption or continuation of business;

(g) any form of gradual, ordinary or natural deterioration or wear and tear, including but not limited to

(i) depletion, depreciation, and deterioration, including that of fuel element cladding;

(ii) embrittlement of any kind, including but not limited to hydrogen embrittlement and neutron embrittlement;

(iii) fatigue of any kind, including but not limited to thermal fatigue and high-cycle fatigue;

(iv) rust, erosion, or corrosion of any kind, including but not limited to stress corrosion cracking, unless caused directly by an independent and separate Accident not otherwise excluded, but then only for the Outage caused by such Accident;

(v) pitting, cracking, bulging, blistering, fretting, denting, deformation or distortion of the Insured Property which accompanies or is directly associated with the kinds of Property Damage specified in subparagraphs (ii) through (iv) above;

(vi) shrinking, bulging, expansion, cracking, shifting, rising, settling, sinking, and lateral or other movement of pavements, foundations, walls, floors, ceiling or roofs;

(h) dampness, dryness, or extremes or changes of temperature of the atmosphere, including but not limited to rust, corrosion or erosion or other resulting Property Damage, unless caused directly by an independent and separate Accident not otherwise excluded, but then only for the Outage caused by such Accident; or

(i) with respect to Outages resulting from Property Damage occurring while the Insured Property is in transit to or from the Unit, neglect of the Insured to use all reasonable means to save and preserve the Insured Property at and after an Accident or when the Insured Property is in danger of physical damage.

2. With respect to Exclusions (g) and (h) inclusive, the Insurer shall be liable for any Outage resulting from an independent and separate ensuing Accident not otherwise excluded, but then only for the Outage caused by the ensuing Accident.

3. This Endorsement does not cover Partial Outages.

4. The War Risk Exclusion in the Policy shall apply to the Business Interruption and/or Extra Expense Insurance covered by this Endorsement.

PARAGRAPH IV. ADDITIONAL CONDITIONS

With respect to coverage under this Endorsement for Outages resulting from Accidental Property Damage occurring while the Insured Property is in transit, the following conditions will apply:

1. For purposes of this Endorsement, Insured Property will be deemed to be "in transit" from the time of leaving the premises of the shipper and thereafter continuously, in the ordinary course of transportation, until the same is delivered to premises at its destination, but only with respect to shipments between points and places within any of the states of the

United States and the District of Columbia, Canada and Mexico. Import shipments are covered within the foregoing territorial limits but not prior to the time the shipment is discharged from the import vessel or other mode of import transport within such territorial limits.

2. It is a condition of this Endorsement that the Insured Property will be packed and shipped in accordance with all applicable laws or regulations having the force of law.

3. This Endorsement shall in no way inure directly or indirectly to the benefit of any shipper or other bailee of the Insured Property.

4. In addition to any obligations of the Insureds pursuant to this Endorsement to give notice to the Insurer in case of an Accident, the Insureds shall, as soon as practicable, report to the Insurer or its agent every Accident in transit resulting in Property Damage which may become a claim under this Endorsement.

PARAGRAPH V. AMOUNT OF INSURANCE

The Weekly Indemnity provided by this Endorsement is in addition to the Amount of Insurance stated in Item 7 of the Declarations of the Policy.

PARAGRAPH VI. LOSS PAYEE CLAUSE

Amounts for an Outage covered under this Endorsement shall be adjusted with the Member Insureds and payable to:

_____

The Member Insureds may, by written notice to the Insurer, designate other payees.

IN WITNESS WHEREOF, the parties hereto have caused the Endorsement to be executed and attested on their behalf.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: _____

INSURER:
Nuclear Electric Insurance Limited

By: _____
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: _____

MEMBER INSURED:
STP Nuclear Operating Company

By: _____
Attorney -in-Fact

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

Cancellation Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project — Endorsement No. 5

Policy Number: P04-075 — Effective Date: October 1, 2004

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

It is hereby agreed and understood that in the event of cancellation of or material change in the Policy pursuant to subsection XVII.6 of the Policy, the Insurer shall send a copy of the written notice referred to therein to:

a. Bechtel Energy Corporation, Attention: C. E. Feltman,
P.O. Box 2166, Houston, Texas 77252-2166

b. Ebasco Constructors, Inc., Attention: L. D. George,
P.O. Box 349, Wadsworth, Texas 77483

This Endorsement does not increase the amount of insurance provided under the Policy.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: [signature]

INSURER:
Nuclear Electric Insurance Limited

By: [signature]
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: Annette Brown

MEMBER INSURED:
STP Nuclear Operating Company

By: [signature]
Attorney-in-Fact

NUCLEAR ELECTRIC INSURANCE LIMITED
POLICYHOLDER DISCLOSURE

OCTOBER 1, 2004, NUCLEAR POLICY RENEWALS

NOTICE OF TERRORISM INSURANCE COVERAGE

Coverage for acts of terrorism is already included in your current policy. However, under NEIL's Payment for Acts of Terrorism endorsement, your recovery for losses stemming from an act of terrorism might have been limited. You should know that in accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), effective November 26, 2002, under your existing coverage, NEIL's Payment for Acts of Terrorism endorsement would be inapplicable to any losses caused by certified acts of terrorism under the Act and such losses would be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage, up to an annual national limit. NEIL is neither increasing, nor attributing any portion of, your annual premium for terrorism coverage.

Payments for Acts of Terrorism Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No.: 6
Policy Number: P04-075 Effective Date: October 1, 2004
Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

It is hereby understood and agreed that the Primary Property Policy is hereby amended as follows:

I. The following Section is hereby added to the Policy:

PAYMENTS FOR ACTS OF TERRORISM

In the event that one or more Acts of Terrorism cause Accidental Property Damage under this Policy and under one or more Nuclear Insurance Policies within twelve months from the date the first Accidental Property Damage occurs:

1. Resources Available

The Insureds' maximum recovery for all such Losses under this Policy and all Nuclear Insurance Policies shall be an aggregate of:

(a) $3.24 billion (U.S. dollars)

plus;

(b) such additional amounts as the Insurer recovers for such Losses from reinsurance, indemnity, and any other source, applicable to such Losses.

2. Allocation of Resources

(a) The amount determined under paragraph 1 above shall first be used to pay for all such Losses payable under all applicable Primary Property and Decontamination Liability Insurance Policies (excluding any Losses payable under all Business Interruption and/or Extra Expense Insurance Policy Endorsements), Primary Property and Decontamination Insurance Policies (excluding any Losses payable under all Business Interruption and/or Extra Expense Insurance Policy Endorsements), Operating Facility Policies, Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policies, Decontamination, Decommissioning and Excess Property Insurance Policies, Blanket Excess Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policies, and

Blanket Excess Decontamination, Decommissioning and Excess Property Insurance Policies (collectively "Property Losses").

(b) If such Property Losses for all Insureds exceed the amount determined under paragraph 1 above, the Insured's maximum recovery shall be the amount determined under paragraph 1 above times a fraction, the numerator of which is the Insured's recovery for the Property Losses resulting from Accidental Property Damage, but for this Section, and the denominator of which is the sum of all Insureds' recovery for Property Losses resulting from Accidental Property Damage under all applicable Nuclear Insurance Policies, including this Policy, but for this Section.

(c) Notwithstanding paragraph 1 and subparagraph 2(b) above, if the payments made pursuant to subparagraph 2(b) exhaust the amount determined under paragraph 1, without paying for all the Insured's Property Losses, the Insured shall recover such additional amounts that the Insurer recovers from reinsurance, indemnity, or other source, for the Insured's Property Losses.

3. Declarations Page

Nothing herein shall be construed to entitle the Insured to recover more than the amount of the Policy Limits stated in Item 6 of the Declarations.

4. Relevant Period

The twelve-month period specified above shall commence on the date of the first Accidental Property Damage caused by an Act of Terrorism. The first Accidental Property Damage caused by an Act of Terrorism that occurs after this or any other twelve-month period shall trigger a new twelve-month period.

5. Definitions

For the purposes of this Section only:

(a) "Act of Terrorism" means any act by a person, group, or organization that appears to be intended to: (i) intimidate or coerce a civilian population, or (ii) disrupt any segment of the economy in the country where the insured plant is located; or (iii) influence the policy of a government by intimidation or coercion; or (iv) affect the conduct of a government by mass destruction; provided, however, that an Act of Terrorism for purposes of this Policy shall not include any act excluded by the War Risk Exclusion.

(b) "Nuclear Insurance Policy" means any Primary Property and Decontamination Liability Insurance Policy, or Primary Property and Decontamination Insurance Policy, or Operating Facility Policy, or any Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy, or

Decontamination, Decommissioning and Excess Property Insurance Policy or any Blanket Excess Decontamination Liability, Decommissioning Liability And Excess Property Insurance Policy, or Blanket Excess Decontamination, Decommissioning And Excess Property Insurance Policy, other than this Policy, issued by the Insurer or by Overseas NEIL Limited.

6. Authorized Changes to this Section

The Insurer's Board of Directors will have the authority to alter or replace the definition of the term "Act of Terrorism" and any other provision of this Section in order to facilitate the availability of resources that may be made available by the Government in the country where the insured plant is located.

IN WITNESS WHEREOF, the parties hereto have caused this Endorsement to be executed and attested on their behalf.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: _____

INSURER:
Nuclear Electric Insurance Limited

By: _____
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: Annette Brown

MEMBER INSURED:
STP Nuclear Operating Company

By: _____
Attorney -in-Fact

ENDORSEMENT

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No.: 7

Policy Number: P04-075 Effective Date: March 15, 2005

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

It is hereby understood and agreed that Item Nos. 9 and 10 of the Declarations of the Policy is amended to read as follows and not as herein stated:

Item 9. Insureds: Texas Genco, LP; City of San Antonio, Texas, acting through the City Public Service Board of San Antonio; City of Austin, Texas; Ebasco Constructors, Inc., and parent or affiliated companies or entities of Ebasco Constructors, Inc., and all of its subcontractors and vendors and their suppliers; Bechtel Energy Corporation, any parent or affiliated companies or entities of Bechtel Energy Corporation, and all of its subcontractors and vendors and their supplier; Brown & Root, Inc.; and Halliburton Company; Westinghouse Electric Corporation; all as their respective interests may appear.

Additional Insured: CenterPoint Energy Houston Electric, LLC

Item 10. Loss Payee Clause

A. Expenses covered under Section I.A.2 shall be adjusted with the Member Insured and payable to:

Expenses covered under Section I.A.2 shall be adjusted through STP Nuclear Operating Company and shall be payable to STP Nuclear Operating Company as Agent on behalf of the following Insureds:

i) Texas Genco, L.P. in respect of its 44% ownership interest.

ii) City of San Antonio, acting through the City Public Service Board of San Antonio in respect of its 40% ownership interest.

iii) City of Austin in respect of its 16.0% ownership interest.

The Member Insureds may, by written notice to the Insurer, designate other payees.

B. All other covered Losses shall be adjusted with the Member Insured and payable to:

All other covered Losses shall be adjusted through STP Nuclear Operating Company and shall be payable to STP Nuclear Operating Company as Agent on behalf of the following Insureds:

i) Texas Genco, L.P. in respect of its 44% ownership interest.

ii) City of San Antonio, acting through the City Public Service Board of San Antonio in respect of its 40% ownership interest.

iii) City of Austin in respect of its 16.0% ownership interest.

The Member Insureds may, by written notice to the Insurer, designate other payees.

This Endorsement does not increase the amount of insurance provided under this Policy.

Wilmington, Delaware

Date: 12/17/04

Attest: [signature]

Wilmington, Delaware

Date: 12/14/04

Witness: Annette Brown

INSURER:
Nuclear Electric Insurance Limited

By: [signature]
Quentin Jackson, President

MEMBER INSURED:
STP Nuclear Operating Company

By: [signature]
Attorney -in-Fact

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No. 8

Policy Number: P04-075 Effective Date: January 1, 2005

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

It is hereby understood and agreed that in consideration of a return premium of $183,236 the Deductible Amounts are increased from $1,000,000 to $2,500,000.

Items No. 4, 5.B. and 8 of the Declarations of the Policy are amended to read as follows and not as within stated:

Item 4. Premium $ 1,569,500

Item 5.B. Retrospective Premium Adjustment $ 15,695,000

Item 8. Deductibles

Deductible Amounts

Unit 1 $2,500,000 Unit 2 $2,500,000

This Endorsement does not increase the amount of insurance provided under this Policy.

Wilmington, Delaware

Date: 1/4/05

Attest: [signature]

INSURER:
Nuclear Electric Insurance Limited

By: [signature]
Quentin Jackson, President

Wilmington, Delaware

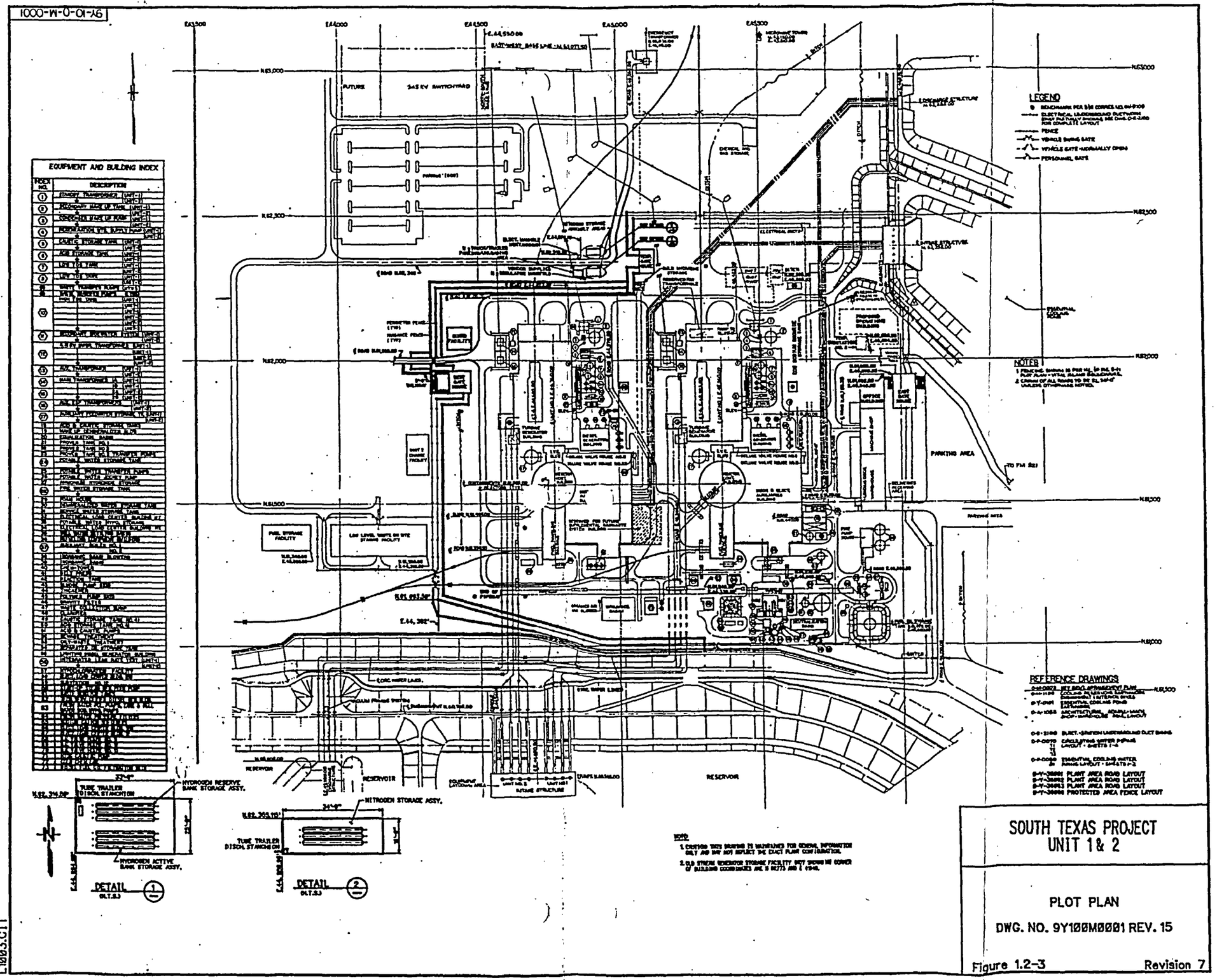
Date: 12/28/04

Witness: [signature]

MEMBER INSURED:
STP Nuclear Operating Company

By: [signature]
Attorney -in-Fact

1000-W-0-01-A6



SOUTH TEXAS PROJECT
UNIT 1 & 2

PLOT PLAN

DWG. NO. 9Y100M0001 REV. 15

Figure 1.2-3

Revision 7

L1003.071
L1003.CIT

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

DECONTAMINATION LIABILITY,
DECOMMISSIONING LIABILITY
AND EXCESS PROPERTY INSURANCE POLICY

Declarations attached to and made a part of Policy No. X04-075
(South Texas Project)

Item 1. Member Insured STP NUCLEAR OPERATING COMPANY

Member Address P.O. Box 289

Wadsworth, Texas 77483

Interest 100%

Item 2. Insurer: Nuclear Electric Insurance Limited

Mailing Address: 1201 Market Street, Suite 1200, Wilmington, Delaware 19801

Item 3. A. Policy Period:

From October 1, 2004 (Date) To October 1, 2005 (Date)

B. Policy Year:

From October 1, 2004 (Date) To October 1, 2005 (Date)

All dates used to determine the Policy Period, Policy Year, or used as the effective date of any endorsement have as their effective time 12:01 a.m. Standard Time in Hamilton, Bermuda.

Item 4. Premium: $937,272

Item 5. A. Multiple: 10

B. Retrospective Premium Adjustment: $9,372,720

Item 6. The Insurer's maximum Limit of Liability resulting from any one accident for expenses incurred for Decontamination, and Decommissioning and for Excess Property Insurance will not exceed:

$ 1,250,000,000

Item 7. Description and location of property covered (if self insured):

N/A

Item 8. Insurer's Liability for purposes of subsection I.2(b):
(stated as a percentage (%) figure)

Seventy-Five Percent (75%)

Item 9. Insureds:

Texas Genco, LP.; AEP - Central Power and Light Company; City of San Antonio, Texas, acting through the City Public Service Board of San Antonio; City of Austin, Texas; Ebasco Constructors, Inc., and parent or affiliated companies or entities of Ebasco Constructors, Inc., and all of its subcontractors and vendors and their suppliers; Bechtel Energy Corporation, any parent or affiliated companies or entities of Bechtel Energy Corporation, and all of its subcontractors and vendors and their supplier; Brown & Root, Inc.; and Halliburton Company; all as their respective interests may appear.

Item 10. Loss Payee Clause

A. Expenses covered under the Nuclear Liability Coverage (subsection I.A.1(a)) shall be adjusted with the Member Insured and payable to:

i) Texas Genco, LP. in respect of its 30.8% ownership interest.

ii) AEP - Central Power and Light Company in respect of its 25.2% ownership interest.

iii) City of San Antonio, acting through the City Public Service Board of San Antonio in respect of its 28.0% ownership interest.

iv) City of Austin in respect of its 16.0% ownership interest.

B. The expenses covered under the Debris Removal and Decontamination Coverage (subsection I.1(b)), the losses covered under the Property Damage Coverage (subsection I.1(c)), and the losses covered under the Functional Total Loss Coverage (subsection I.2(a)) shall be adjusted with the Member Insured and payable to:

i) Texas Genco, LP. in respect of its 30.8% ownership interest.

ii) AEP - Central Power and Light Company in respect of its 25.2% ownership interest.

iii) City of San Antonio, acting through the City Public Service Board of San Antonio, in respect of its 28.0% ownership interest.

iv) City of Austin in respect of its 16.0% ownership interest.

The losses covered under the Property Damage Coverage (paragraph V.1(c)), and under the Functional Total Loss Coverage (paragraph V.2(a)) shall be adjusted through STP Nuclear Operating Company and payable to STP Nuclear Operating Company, as Agent on behalf of, the following loss payees, their successors or assigns:

i) Texas Genco, LP. in respect of its 30.8% ownership interest. Any payment shall be paid jointly to Texas Genco, LP. and Texas Commerce Bank N.A., Houston, Trustee, as their interests may appear.

ii) The First National Bank of Chicago, Trustee, in respect of the 25.2% ownership interest of AEP - Central Power and Light Company.

iii) City of San Antonio, acting through the City Public Service Board of San Antonio, in respect of its 28.0% ownership interest.

iv) City of Austin in respect of its 16.0% ownership interest.

Each of the above loss payees shall receive separate loss payment reflecting its percentage of ownership in the South Texas Project under the terms and conditions of the Amended and Restated South Texas Project Participation Agreement executed as of November 17, 1997.

The Member Insured may, by written notice to the Insurer, designate other payees.

C. Expenses covered under the Decommissioning Liability Coverage (subsection II.1) shall be adjusted with the Member Insured and payable to:

N/A

The Member Insured may, by written notice to the Insurer, designate other payees.

Item 11. Service of Process to Insured (see Section V.9(e))

General Counsel

STP Nuclear Operating Company

c/o Duane Morris LLP

1100 North Market Street, Suite 1200

Wilmington, DE 19801

Item 12. The Insurer shall be furnished with copies of all Underlying Insurance Policies and all endorsements thereto within thirty days of the receipt thereof by the Member Insured.

NUCLEAR ELECTRIC INSURANCE LIMITED
DECONTAMINATION LIABILITY,
DECOMMISSIONING LIABILITY AND
EXCESS PROPERTY INSURANCE POLICY

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Policy No. X04-075

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

DECONTAMINATION LIABILITY,
DECOMMISSIONING LIABILITY
AND EXCESS PROPERTY INSURANCE POLICY

This Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy is made by and among the undersigned Member Insured (as hereinafter defined) and Nuclear Electric Insurance Limited, a Bermuda mutual company with limited liability.

The Insurer is only licensed in Bermuda and Delaware and the Insureds will not be protected by the guaranty funds of any U.S. jurisdiction.

The Member Insured will be required to execute the Policy in Delaware. The Policy will become effective only upon the acceptance of the delivery of the Policy by the Member Insured at the Insurer's office in Delaware.

INSURING AGREEMENT

In consideration of the premium paid, and subject to the terms and conditions of this Policy and any endorsements added hereto, the insurer agrees to pay the Member insured for certain expenses and costs resulting from Accidental Property Damage.

IN WITNESS WHEREOF, the Member Insured and the Insurer have caused this Policy to be executed and attested on their behalf.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: _____

INSURER:
Nuclear Electric Insurance Limited

By: _____
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: _____

MEMBER INSURED:
STP Nuclear Operating Company

By: _____
Attorney -in-Fact

I. DECONTAMINATION LIABILITY AND EXCESS PROPERTY COVERAGE

1. The Insurer agrees to indemnify the Insureds and their legal representatives.

   (a) for all expenses necessarily incurred by the Insureds in discharging their legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act, provided such expenses would otherwise be covered under paragraphs I.1(b) or I.1(c) hereof, but for this paragraph I.1(a);

   (b) for all expenses necessarily incurred by the Insureds to remove debris of and to decontaminate the Insured Property following Accidental Property Damage; and

   (c) for all other losses covered under the Underlying Insurance Policy;

   which, except with respect to Functional Total Loss Coverage, and as provided in subsection I.7 hereof, would be covered by such Underlying Insurance Policy if the limit of the Underlying Insurance Policy thereunder were not exhausted, but only to the extent that the amount of Accidental Property Damage exceeds the Attachment Point.

2. (a) In the event of Accidental Property Damage which (i) exceeds the Attachment Point and includes Nuclear Liability Coverage; (ii) is covered under paragraphs I.1of the Policy or would be covered under that paragraph but for the availability of insurance under the Underlying Insurance Policies; and (iii) results in permanent cessation of nuclear operations at a Unit, the Insurer agrees to indemnify the Insureds and their legal representatives, subject to paragraph (b) hereof for the Functional Value of the undamaged Functional Property following Accidental Property Damage.

   (b) In recognition of the difficulty in accurately measuring the Functional Value of the undamaged Functional Property and the desirability of avoiding over-recovery by the Insureds, the parties agree that the Insurer's liability shall be calculated by multiplying the total Functional Value of the undamaged Functional Property by the percentage specified in Item 8 of the Declarations.

   (c) In the event that the Unit returns to commercial nuclear operation, the Insureds shall repay to the Insurer the entire amount paid pursuant to paragraph I.2(a), together with interest thereon, calculated quarterly at the 90-day United States Treasury Bill interest rate in effect on the first business day of each calendar quarter.

(d) In the event of Accidental Property Damage which (i) exceeds $1,000,000,000 and includes Nuclear Liability Coverage; (ii) is covered under paragraphs I.1of the Policy or would be covered under that paragraph but for the availability of insurance under the Underlying Insurance Policies; and (iii) results in permanent cessation of nuclear operations at a Unit, the Insureds may, at any time after the preceding requirements are satisfied, elect to be indemnified for Actual Cash Value rather than Functional Value. In the event of such election, the applicable recovery for Actual Cash Value shall be determined by replacing the words "Actual Cash Value" for "Functional Value" in paragraphs (a) and (b) hereof and Section V.16. of the Policy.

3. The Insureds' recovery under the Nuclear Liability Coverage or the Debris Removal and Decontamination Coverage shall not be decreased because the Actual Cash Value (or, if applicable, the Replacement Cost) of the Insured Property is less than the Insurer's limit of liability.

4. (a) Except as provided in paragraph I.4(b) below, the amount of insurance available for payment to the Insureds with respect to Losses under the Debris Removal and Decontamination Coverage, the Property Damage Coverage, or the Functional Total Loss Coverage prior to the completion of indemnification under the Nuclear Liability Coverage shall be calculated by subtracting the Specified Nuclear Liability Amount from the Amount specified in Item 6 of the Declarations, as such amount may be reduced pursuant to the terms of this Policy.

(b) At the request of the Insureds, the amount calculated in accordance with paragraph I.4(a) above may be increased to include an amount equal to all or part of the Specified Nuclear Liability Amount, but only to the extent of amounts for which the Member Insured attests that:

(i) the Insureds are entitled to claim under other valid and collectible insurance covering the same expenses covered by the Nuclear Liability Coverage;

(ii) the Insureds will claim under such other insurance and use such proceeds to discharge the Insureds' legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act; and

(iii) the payment or use of all or part of the Specified Nuclear Liability Amount for Losses under the Debris Removal and Decontamination Coverage, the Property Damage Coverage, and/or the Functional Total Loss Coverage does not violate any regulation or order of the NRC.

5. (a) The Insurer shall be liable hereunder, whether or not an Underlying Insurance Policy provides coverage for Accidental Property Damage caused by:

(i) Windstorm, tornado or hurricane;

(i) Flood, including flood caused by or resulting from hurricane, tornado or windstorm; surface water, waves, tidal water, or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not, and release of water impounded by a dam at any location specified in the Underlying Insurance Policies (each of which is deemed a "Flood"); and

(iii) Earthquake, volcanic eruption, landslide, subsidence or sinking of land or other earth movement, settlement or other movement of foundations, at any locations specified in the Underlying Insurance Policies.

(b) Accidental Property Damage by windstorm, tornado or hurricane, flood, or earthquake or volcanic eruption shall constitute a single claim hereunder; provided, that

(i) if more than one windstorm, tornado or hurricane should occur within any period of ninety-six hours commencing during the term of this Policy, and such windstorms, tornados or hurricanes have a common origin or are caused by a single Accident, then such windstorms, tornados or hurricanes shall be deemed to be a single windstorm, tornado or hurricane within the meaning hereof;

(ii) if more than one Flood should occur within any period of ninety-six hours commencing during the term of this Policy and such Floods have a common origin or are caused by a single Accident, then such Floods shall be deemed to be a single Flood within the meaning hereof; and

(iii) if more than one earthquake shock or volcanic eruption shall occur within any period of ninety-six hours commencing during the term of this Policy and such earthquake shocks or volcanic eruptions have a common origin or are caused by a single Accident, then such earthquake shocks or volcanic eruptions shall be deemed to be a single earthquake or volcanic eruption within the meaning hereof.

(c) The Insurer is liable hereunder only to the extent that the amount of Accidental Property Damage exceeds the Attachment Point.

6. In the event that Accidental Property Damage under this Policy and under one or more Other Insurance Policies with insurance coverage effective during the Policy Year is caused directly or indirectly by any single Accident which is either listed in paragraph I.5 hereof, or which involves radioactive contamination, or by any Accident which ensues directly or indirectly from an Accident listed in paragraph I.5 hereof or from an Accident involving radioactive contamination, the Insureds agree that:

   (a) The Insurer's liability for all such Accidental Property Damage shall not exceed the greater of (A) the Amount of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested, as stated in Item 6 of the Declarations, or (B) the highest of the Amount of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested stated in the Declarations of the Other Insurance Policies providing coverage with respect to the same Accident.

   (b) The Insurer's liability under this Policy shall be the amount determined under paragraph I.6(a) above times a fraction, the numerator of which is the Insurer's liability for the Accidental Property Damage under this Policy but for this subsection I.6, and the denominator of which is the sum of the Insurer's liability for the Accidental Property Damage under this Policy and all Other Insurance Policies, but for this subsection.

7. Notwithstanding any other provision of this Policy, the Insurer's liability under this Policy shall be the amount payable to the Insureds, but for this provision, less any amount owed to the Insurer by the Insureds, including any Retrospective Premium Adjustment due under this Policy, due under any Other Insurance Policy as such Member Insured may have with the Insurer, or referred to in subsection VI.6.

II. DECOMMISSIONING LIABILITY COVERAGE

1. The Amount of Decommissioning Liability Coverage under this Policy for a Unit shall be equal to the Shortfall for such Unit calculated by using the Decommissioning Target Amount as of the Settlement Date set forth in the Decommissioning Target Document and the amount of the Decommissioning Trust Fund as of the Settlement Date.

2. In the event of Accidental Property Damage which (i) exceeds the Attachment Point and includes Nuclear Liability Coverage; (ii) is covered under paragraph I.1 of this Policy or would be covered under that paragraph but for the availability of other insurance under the Underlying Insurance Policies; and (iii) results in permanent cessation of nuclear operations at the Unit, the Insurer agrees to indemnify the Insureds and their legal representatives for estimated expenses necessarily to be incurred in decommissioning the Unit as described in the Decommissioning Target Document, up to the Amount of Decommissioning Liability Coverage for the Unit determined under subsection II.1 above.

3. Any amounts payable by the Insurer pursuant to subsections II.1 and II.2 shall be deposited into the Decommissioning Trust Fund pursuant to Item 10C of the Declarations. The calculation of the Amount of Decommissioning Liability Coverage shall be made with respect to any claim under subsection II.1 once the Member Insured has certified that the Insureds have discharged their legal obligation or liability to protect the public health and safety, as required by the Act. No payment shall be made with respect to any claim under subsection II.1 until the Member Insured has certified that the Insureds have discharged their legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act, or has made the attestations referred to in paragraph V.13(b).

4. In the event that the Unit returns to commercial nuclear operation, the Insureds shall return to the Insurer the entire amount paid pursuant to this Section II, together with interest thereon, calculated quarterly at the 90-day United States Treasury Bill interest rate in effect on the first business day of each calendar quarter.

5. The Insureds' recovery under the Decommissioning Liability Coverage shall not be decreased because the Actual Cash Value (or if applicable, the Replacement Cost) of the Insured Property is less than the Insurer's limit of liability.

III. EXCLUSIONS

A. WAR RISK

1. Subject to subsection III.A.2 below, the coverage provided under this Policy does not apply to Property Damage caused directly or indirectly by:

   (a) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or by military, naval or air forces; or by an agent of any such government, power, authority or forces;

   (b) any weapon of war employing nuclear fission or fusion whether in time of peace or war; or

   (c) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence.

2. This War Risk Exclusion shall only apply if such acts enumerated in paragraphs III.A.1(a), III.A.1(b), and III.A.1(c) above:

(a) take place within any of the states of the United States and the District of Columbia, including the territorial waters of any thereof, and

(b) are part of overt military activity being carried out in such territories.

B. OTHER

Notwithstanding any other provision in this Policy, the Insurer shall not be liable for any sums, which the Insured may be obligated to pay as damages:

(a) because of bodily injury or personal injury; or

(b) because of damage to property not described in the Declarations, or covered by the Underlying Insurance Policies; or

(c) for which the Insured is covered or would be entitled to coverage under a nuclear energy liability policy issued by American Nuclear Insurers, Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or other third party liability insurer or other third party entity.

IV. PREMIUM

1. The Member Insured agrees to pay to the Insurer the Premium under the terms and conditions hereinafter set forth. The Premium shall be paid to the Insurer by wire transfer or other method acceptable to the Insurer on or before the beginning of the policy period specified in Item 3A of the Declarations.

2. As a condition precedent to the Insurer's obligations under this Policy, the Member Insured agrees to notify the Insurer that the Insured Property has been classified Category Number Five by the Institute of Nuclear Power Operations ("INPO"), within seven (7) days of being advised by INPO of such classification being put in place, and to pay such additional Premium due hereunder to the Insurer as a result thereof by wire transfer or other method acceptable to the Insurer within twenty (20) business days after demand.

3. The Member Insured further agrees to pay the Insurer the Retrospective Premium Adjustment under the terms and conditions specified under Section VI.

V. CONDITIONS

1. Abandonment. There shall be no abandonment to the Insurer of any property.

2. Aggregate Limit of Liability and Reinstatement of Policy Amount by Loss. Notwithstanding any other provision in this Policy, the Insurer's liability under this Policy shall not exceed the Amount of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested, as stated in Item 6 of the Declarations. In the case of an Accident covered hereunder, the amount of insurance under this Policy shall be automatically endorsed to its original amount at no additional premium for any subsequent Accident within the Policy Year.

3. Application Form. The application for membership, insurance and undertaking with respect to membership and purchase of insurance made by the Member Insured with respect to becoming a member of the Insurer, as the same may be amended from time to time (hereinafter referred to as the "Application"), is made as much a part hereof as if the Application were fully set forth herein.

4. Appraisal. In case the Member Insured and the Insurer shall fail to agree as to the amount of Property Damage, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within twenty (20) days of such demand. The two appraisers so selected shall first select a competent and disinterested umpire; and failing for fifteen (15) days from the date of selection of the second appraiser to agree upon such umpire, then on request of the Member Insured or the Insurer, such umpire shall be selected by a judge of the United States District Court for the district in which the Insured Property is located. The appraisers shall then appraise the Property Damage, stating separately Actual Cash Value or, if recovery under the Underlying Insurance Policies is on a Replacement Cost basis, the Replacement Cost, and amount of Property Damage to each item; and, failing to agree, shall submit their differences, only, to the umpire. An award in writing, so itemized, of any two when filed with the Insurer shall determine the amount of Property Damage. Each appraiser shall be paid by the party selecting him and the expenses of appraisal and of the umpire shall be paid equally by the Member Insured on the one hand and the Insurer on the other.

5. Assignment. Assignment of this Policy or any rights hereunder shall not be valid except with the prior written consent of the Insurer.

6. Choice of Law.

(a) In view of the diverse locations of the parties hereto and the desirability of unified regulation, the Insureds and Insurer agree that the terms of this Policy shall determine their respective rights and duties and that this Policy shall be construed and enforced in accordance with and governed by the internal law of the State of New York, United States of America.

(b) The parties intend that the Insurer conduct its activities so as not to be subject to the insurance regulation of any jurisdiction other than Bermuda

and Delaware. Accordingly, the parties expressly recognize and agree that paragraph (a) above does not evidence an intent by the parties to

(i) give jurisdiction over the Insurer to the insurance regulatory authority of any jurisdiction other than Bermuda and Delaware; or

(ii) make applicable to this Policy any of the insurance laws or regulations (including those which specify the terms of the by-laws and contracts of mutual insurance companies) of any jurisdiction, including New York, other than to the extent such laws of Bermuda and Delaware are applicable; or

(iii) otherwise have the laws of Bermuda or Delaware apply to the construction or enforcement of this Policy.

7. Concealment, Fraud. The Insurer shall have no obligation to make any payments under this Policy if, whether before or after an Accident, any Insured has willfully concealed or misrepresented in writing any material fact or circumstance concerning this insurance or the subject thereof, or the interest of any Insured therein, or in case of any fraud or false swearing by any Insured relating thereto; but the application of this provision shall not affect the Member Insured's obligation to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy.

8. Currency. All payments required to be made under this Policy by the Member Insured or the Insurer shall be made in United States dollars.

9. Dispute Resolution.

(a) The Insurer and the Insured mutually acknowledge that the form, terms and conditions of the Policy have been formulated by representatives of the participating utilities in order to provide insurance coverage which is vital to all participants. It was desired that the Insurer serve as a financially stable and reliable entity, responsive to the coverage needs of its participants, and providing coverage fairly and equitably as to each Insured, but taking equally into account fairness and equity as to all insureds as a group. While every effort has been made to define with clarity and precision the scope of coverage and other policy provisions, the Insurer and the Insured mutually acknowledge that situations may arise where the terms of the Policy are disputed. For the foregoing reasons, the Insurer and the Insured agree that the following principles shall govern the interpretation of the Policy:

(i) Even-handedness and fairness to both the Insurer and the Insured;

(ii) The intentions of the Insurer and the Insured, including any extrinsic evidence of intent;

(iii) The practice of the Insurer and the Insured in interpreting and applying the Policy;

(iv) The cooperative rather than adversarial relationship between the Insurer and the Insured; and

(v) The contract construction rule of contra proferentem is not applicable to this insurance policy.

(b) The Insurer and Insured agree to endeavor to resolve any dispute between them by means of voluntary proceedings to be agreed upon between them. In the event of a dispute, either the Insurer or the Insured may request the other to participate in an alternative dispute resolution proceeding. The Insurer and the Insured acknowledge, depending upon the circumstances, that an appropriate proceeding may include but is not limited to one or more of the following: early neutral evaluation, mediation, mini-trial, neutral fact finding, or senior peer review. In the absence of the parties agreeing to participate in an alternative dispute resolution process, the Insurer will agree, at the request of the Insured, to submit the dispute to senior peer review, unless otherwise determined by the Insurer's Board of Directors. The Insurer agrees to pay the fees and expenses of any neutral party associated with the procedures. The use of any such or other proceeding is voluntary to both the Insurer and Insured, but each acknowledges that it is in the best interests of the mutual enterprise to resolve disputes by such voluntary means where possible, and without the need for final and binding arbitration between them.

(c) The Insured and Insurer agree in good faith to consider, in connection with any dispute, the Statement of Dispute Resolution Principles adopted by the Insurer's Board of Directors and Members, as it may be amended from time to time.

(d) Any claim or controversy between the Insured and the Insurer as to any matters arising out of or relating to this Policy, which is not settled between themselves, pursuant to paragraph 9(b) above or otherwise, shall be submitted at the request of either the Insured or the Insurer to arbitration in New York City unless the parties agree as to another location. Arbitration of a dispute is final and binding. The Insured and the Insurer shall try in good faith to agree on the appointment of a sole arbitrator to settle the dispute. In the event the parties cannot agree on the appointment of a sole arbitrator, they can agree to have a sole arbitrator appointed by the then President of the Association of the Bar of the City of New York or in the absence of agreement to do so, a three-person arbitration panel shall be appointed. In the event that either the Insured or the Insurer determines that the dispute is not appropriate for a sole arbitrator, a three-person arbitration panel shall be appointed. In such

instance, the Insured shall appoint one arbitrator and the Insurer another; the two so appointed shall select the third. If the two arbitrators fail to agree on a third arbitrator for a period of sixty calendar days from the date of appointment of the second arbitrator, then on request of the Insured or the Insurer such third arbitrator shall be selected by the then President of the Association of the Bar of the City of New York. The Insured and the Insurer may by express agreement determine the arbitral procedures to be followed; in the event the parties do not agree, New York law, including the statutory rules on arbitration, shall govern all matters of procedure. The arbitrators shall first determine the liability of the parties as to the dispute, claim or controversy, and then, only if necessary, determine the type and amount of relief to be granted. The arbitrators shall award reasonable attorney's fees and costs to the prevailing party in such amount as they determine appropriate, not to exceed the amount of fees and costs incurred by the non-prevailing party. For this purpose, the fees incurred shall be calculated at reasonable prevailing hourly billing rates and include all reasonable out-of-pocket expenses.

(e) To the extent that any dispute, claim or controversy between the Insured and the Insurer hereunder is not subject to arbitration for any reason whatever, the United States District Court for the Southern District of New York shall have exclusive jurisdiction thereof. For such purpose, the Insured agrees to accept, without objection to form or manner, service of process by registered mail directed to the person identified in Item 11 of the Declarations.

For such purpose, the Insurer agrees to accept, without objection to form or manner, service of process by registered mail directed to Nuclear Electric Insurance Limited, 1201 Market Street, Suite 1200, Wilmington, Delaware 19801. The foregoing consents to service of process are not intended nor shall they be construed to extend to any dispute, claim, controversy, cause of action, or other matter other than as stated in this paragraph.

10. Errors and Omissions. No inadvertent error, omission or failure in furnishing reports hereunder shall prejudice the Insureds' right of recovery, but shall be corrected when discovered.

11. Headings. The headings in this Policy are inserted for convenience only and shall not be deemed to constitute a part hereof.

12. Inspection and Suspension.

(a) The Insurer shall be permitted, but not obligated, to perform or to have performed on its behalf inspections of the Insured Property at any reasonable time. All inspections and inspection reports made by or on behalf of the Insurer are made solely for insurance purposes. Inspection reports are based upon conditions, practices and property observed and information made available at the time of the inspection, and shall not be deemed to identify all hazards or to indicate that other hazards do not exist. The Insurer and those performing inspections on its behalf shall not be responsible for the correction or control of any conditions, practices or property. Notwithstanding any other agreement, express or implied, to the contrary, neither the right to make an inspection nor the making of an inspection, nor any advice or report resulting therefrom, shall constitute or be construed as an undertaking on behalf of or for the benefit of the Insureds or others to determine or warrant that the facilities, operations or property are safe or healthful, or are in compliance with any law, rule, regulation, procedure or standard.

(b) Upon discovery of a dangerous condition with respect to any machine, vessel, or part thereof a representative of the Insurer may request that such machine, vessel or part thereof be taken out of service without delay so that corrective measures may be instituted.

(c) Upon discovery of a failure to comply with the Insurer's standards with respect to the qualifications of the Member Insured's or Operator's personnel, or operating and maintenance practices, a representative of the Insurer may request that such failures be corrected without delay.

(d) It shall be the obligation of the Insureds to ensure that the Insurer is accorded the right of inspection under paragraph V.12(a) above and to ensure compliance with any requests by the Insurer pursuant to paragraphs V.12(b) or V.12(c). The failure of the Operator to permit the Insurer to inspect or to comply with such a request of the Insurer shall be deemed a breach of this obligation on the part of the Insureds.

(e) If a request made under paragraphs V.12(b) or V.12(c) of this subsection is not complied with, a representative of the Insurer may immediately suspend coverage under this Policy with respect to any Accidental Property Damage arising out of any incident which results from such noncompliance, by written notice handed, mailed or delivered to the Member Insured.

(f) The Insurer may suspend coverage under this Policy, in whole or in part, with respect to the Insured Property, without prior notice to the Insureds, if (i) the NRC suspends or revokes for any reason the operating license issued with respect to any Unit on such Insured Property, or (ii) the NRC

issues a shutdown order with respect to such Unit, or (iii) the NRC issues a confirmatory order keeping such Unit shut down.

(g) The coverage suspended in accordance with paragraphs V.12(e) and V.12(f) may be reinstated by the Insurer, but only by an endorsement issued to form a part of this Policy. The suspension of the coverage under this Policy shall not affect the obligation of the Member Insured to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy.

13. Loss Payments

(a) Except as provided in subsection V.13.(b) below, it is agreed that payment under this Policy shall be made in the following order:

(i) Losses under Nuclear Liability Coverage.

(ii) Losses under Decommissioning Liability Coverage pursuant to Section II of the Policy.

(iii) Losses under the Debris Removal and Decontamination Coverage, the Property Damage Coverage, and the Functional Total Loss Coverage.

(b) Payment under this Policy may be made with respect to Losses under the Decommissioning Liability Coverage, Debris Removal and Decontamination Coverage, the Property Damage Coverage, and/or Functional Total Loss Coverage prior to completion of indemnification under the Nuclear Liability Coverage only on the condition that the Member Insured attests that:

(i) no proceeds of this Policy in excess of an amount specified by the Insureds, except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage, as required by the Act; and

(ii) the payment or use of policy proceeds for Losses under the Decommissioning Liability Coverage, Debris Removal and Decontamination Coverage, the Property Damage Coverage, and/or the Functional Total Loss Coverage does not violate any regulation or order of the NRC.

(c) No payments shall be made pursuant to Section I until (i) all amounts payable under all Underlying Insurance Policies have actually been expended for the types of losses and expenses covered thereunder or designated for the type of expenses covered under paragraph I.1(a) or II.,

and (ii) at least the amount of the Attachment Point has actually been expended for the types of losses and expenses covered under paragraphs I.1(b) or I.1(c) or designated for the type of expenses covered under paragraph I.1(a) hereof.

14. Notifications

(a) The Member Insured shall promptly notify the Insurer in the event that any of the Units specified in Item 7 of the Declarations or in the Declarations of the Primary Underlying Insurance Policy is to permanently cease operations prior to the scheduled expiration of such Unit's operating license.

(b) Policy Modifications. This Policy embodies all agreements between the Member Insured and the Insurer or any of their agents relating to this insurance. There shall be no change in the terms, provisions and stipulations of this Policy except in writing hereon or by endorsement added hereto by agreement of the Insurer and the Member Insured. No amendment to the Primary Underlying Insurance Policy shall increase the Insurer's liability under this Policy without the prior written consent of the Insurer. The granting of such consent shall be wholly within the discretion of the Insurer.

(c) Policy Decisions and Notice. Except as provided in paragraph 16 of Section V of this Policy, all decisions or actions made or taken with respect to this Policy may only be taken or made by the first named Member Insured and all such decisions or actions shall be binding on all Insureds. Such decisions or actions shall include, without limitation, decisions to give or not give notices of accidents, to file or not file proofs of loss and to bring or not bring an action under the dispute resolution provision. No decision or action with respect to this Policy may be made or taken by anyone other than the Insurer and the first named Member Insured. The first named Member Insured shall be that Member Insured whose name is listed first in Item 1 of the Declarations. The Insurer and the Insureds agree that all communications between them as to any matter arising under or relating to this Policy shall be made as follows:

(i) If to the Insurer: The communication must be sent by the first named Member Insured and must be sent, by facsimile, mail or delivery to the Insurer by the Member Insured's Delaware Representative at the address listed in Item 2 of the Declarations.

(ii) If to the Insureds: The communication must be sent by the Insurer to the first named Member Insured and must be sent, by facsimile, mail or delivery to the address of the Member Insured's Delaware Representative. It shall be the obligation of the first named

Member Insured to communicate the contents of any notification from the Insurer to the other Insureds.

The Insured's compliance with the provisions of paragraph (c) is a condition precedent to the Insurer's obligations under this Policy.

(d) Reports. The Member Insured hereby consents, and shall obtain the consent of the Operator, to the Insurer having access to INPO's final Evaluation Reports at the same time such Reports are sent to the Member Insured or the Operator by INPO.

15. Other Insurance.

(a) With respect to a Loss for Accidental Property Damage covered by the Underlying Insurer (a "Joint Loss"), (i) upon receiving payment under this Policy with respect to a Joint Loss, the Insured hereby assigns to the Insurer the proceeds received or receivable under the Underlying Insurance Policies providing insurance coverage to the Insured with respect to the Joint Loss, but only to the extent that the availability of such proceeds would have reduced the Insurer's ultimate liability for the Joint Loss; and (ii) in determining whether the Insurer has paid its share of the Joint Loss, the amounts actually paid by the Insurer shall be reduced by any amounts received by the Insurer from the Insured or the Underlying Insurer providing insurance coverage to the Insured with respect to the Joint Loss in accordance with (i) above.

16. Requirements in Case of Accidental Property Damage.

(a) It shall be the obligation of the Insureds to give or cause to be given immediate detailed written notice to the Insurer of any Accidental Property Damage and to protect the Insured Property from further damage. It shall be the obligation of the Insureds or the Operator to separate or cause to be separated, with reasonable promptness, the damaged and undamaged Insured Property, put it in the best possible order, furnish a complete inventory of the destroyed, damaged and undamaged Insured Property, showing in detail quantities, costs, Actual Cash Value or, if recovery under the Underlying Insurance Policies is on a Replacement Cost basis, the Replacement Cost and estimated amount of Property Damage claimed and the Functional Value of any undamaged Functional Property claimed. Any failure on the part of the Operator to comply with the requirements of this paragraph V.16(a) shall be deemed a breach of this obligation on the part of the Insureds.

(b) Within twelve (12) months after the amount of Accidental Property Damage exceeds the Attachment Point, unless such time is extended in writing by the Insurer, the Insureds shall complete and file with the Insurer a proof of loss ("Proof of Loss"), in the form approved by the Insurer,

signed and sworn to by the Member Insured, stating the knowledge and belief of the Insureds as to the following:

(i) with respect to Losses under the Nuclear Liability Coverage, the time and origin of the Accidental Property Damage resulting in such Losses, all other contracts of insurance, whether valid or not, covering the risks insured hereunder, the amount of expenses incurred in discharging the Insureds' legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act, and an attestation by the Member Insured as to the Insureds' obligation or liability to incur such expenses;

(ii) with respect to Losses under the Debris Removal and Decontamination Coverage and/or the Property Damage Coverage, the time and origin of the Accidental Property Damage, the interest of the Insureds and of all others in the Insured Property, the Actual Cash Value or, if recovery under the Underlying Insurance Policies is on a Replacement Cost basis, the Replacement Cost of each item thereof and the amount of Property Damage thereto, all cumbrance thereon, all other contracts of insurance, whether valid or not, covering any of said Insured Property, and changes in the title, use, occupation, location, possession or exposures of said Insured Property since the issuance of this Policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of the Accident resulting in the Loss and whether or not it then stood on leased ground, and the Insureds shall furnish the Insurer a copy of all descriptions and schedules in all other policies and, if required, verified plans and specifications of any building, fixtures or machinery destroyed or damaged, and an attestation by the Member Insured that (a) no proceeds of this Policy or no proceeds of this Policy in excess of the Specified Nuclear Liability Amount, except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage, as required by the Act; and (b) the payment of policy proceeds for Losses under the Debris Removal and Decontamination Coverage and/or the Property Damage Coverage does not violate any regulation or order of the NRC;

(iii) with respect to Losses under the Functional Total Loss Coverage, the time and origin of the Accidental Property Damage necessitating the cessation of the Unit's operation, the interest of the Insureds and of all others in the Insured Property, the Functional Value of each item of damaged and undamaged Functional Property at the time of the Accident, all encumbrances

thereon, all other contracts of insurance, whether valid or not, covering any of said Insured Property and/or the risks insured hereunder, and changes in the title, use, occupancy, location, possession or exposures of said Insured Property since the issuance of this Policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of the Accident resulting in the Loss, and the Insureds shall furnish the Insurer a copy of all descriptions and schedules in all other policies and, if required, verified plans and specifications of any building, fixtures or machinery or other item of Functional Property, and an attestation by the Member Insured that (a) no proceeds of this Policy or no proceeds of this Policy in excess of the Specified Nuclear Liability Amount, except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage; (b) the Unit incurring the Accidental Property Damage has permanently ceased operation; and (c) the payment of policy proceeds under the Functional Total Loss Coverage does not violate any regulation or order of the NRC; and

(iv) with respect to Losses under the Decommissioning Liability Coverage, the time and origin of the Accidental Property Damage necessitating the cessation of the Unit's operation, all other contracts of insurance, whether valid or not, covering the risks insured hereunder, the current balance of the Decommissioning Trust Fund, the Decommissioning Target Amount, a copy of the Decommissioning Target Document, if requested by the Insurer, and an estimate of the expenses to be incurred in decommissioning the Unit, and an attestation by the Member Insured that (a) no proceeds of this Policy except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage; (b) the Unit incurring the Accidental Property Damage has permanently ceased operation; and (c) that payment under the Decommissioning Liability Coverage does not violate any regulation or order of the NRC.

(c) It shall be the obligation of the Insureds to exhibit or cause to be exhibited, to any person designated by the Insurer, as often as may be reasonably required, all that remains of any Insured Property, and submit to examinations under oath by any person named by the Insurer, and subscribe the same; and, as often as may be reasonably required, shall produce for examination all books of account, bills, invoices and other vouchers, or other documents needed by the Insurer to determine

its liability, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Insurer or its representative, and shall permit extracts and copies thereof to be made.

(d) Any failure on the part of the Operator to comply with the requirements of paragraph V.16(c) shall be deemed a breach of this obligation on the part of the Insureds.

17. State Premium Tax. The Insureds represent that they have paid or will pay any applicable state premium tax.

18. Subrogation.

(a) Except as provided in paragraph V.18(b) below, the Insurer may require from the Insureds an assignment of all right of recovery against any party for Accidental Property Damage to the extent that payment therefore is made by the Insurer; however, prior to an Accident, the Insureds may waive in writing any or all right of recovery against any party for Accidental Property Damage.

(b) The Insurer hereby waives any right of subrogation acquired by reason of any payment under this Policy arising out of any Accidental Property Damage covered hereunder against the Insureds and any party furnishing services, materials, parts, or equipment in connection with the planning, construction, maintenance, operation or use of the Insured Property.

(c) It is a condition of this Policy that the Insureds shall repay the Insurer any recoveries made by the Insureds on account of any Accidental Property Damage to the extent that the Insurer would have been entitled to such recoveries had this waiver not been included in this Policy; provided, however, the proceeds of any such recovery shall be applied first to any uncompensated Property Damage incurred by the Insureds, including reimbursement of any deductible amount under this Policy, and then, to the extent any proceeds of such recovery remain, to reimburse the Insurer for any payments made by it to the Insureds.

19. Suit. No suit, action, or proceeding on this Policy for the recovery of any claim shall be sustainable in any court of law or equity or arbitral tribunal unless all the requirements of this Policy shall have been complied with, and unless commenced within twelve (12) months after the amount of the Accidental Property Damage exceeds the Attachment Point; provided, however, an extension of time for rendering a Proof of Loss granted by the Insurer with respect to any Accident shall extend the twelve-month period for bringing suit with respect to such Accident by the period of such extension.

20. Term and Cancellation

(a) This Policy shall commence on the date specified in Item 3A of the Declarations and shall terminate on the date specified in Item 3A of the Declarations. This Policy shall be automatically renewed for successive one-year terms, however either party may cancel this Policy by providing written notice to the other party by registered mail at least three months prior to any anniversary.

(b) This Policy may be canceled at any time by the Insurer, upon approval of its Board of Directors, upon sixty (60) days' written notice of cancellation mailed or delivered to the Member Insured, with or without tender of the excess of paid premium above the pro rata premium for the expired time, which excess, if not tendered, shall be refunded on demand. Notice of cancellation shall state that said excess premium, if not tendered, will be refunded on demand.

(c) This Policy shall be automatically canceled if (i) the INPO membership of either the Member Insured or the Operator is suspended or canceled by INPO for any reason and (ii) the Member Insured fails to notify the Insurer within five business days after receipt of notice of such suspension or cancellation of membership in INPO, unless the Insurer is otherwise notified during such five business days.

(d) In the event that the Member Insured fails to pay to the Insurer any Retrospective Premium Adjustment due under this Policy, due under any Other Insurance Policy as such Member Insured may have with the Insurer, or referred to in Section VI, this Policy shall terminate provided that the Insurer notifies the Member Insured in writing of this delinquency and the Member Insured fails to make the required payment within 15 days after receiving such notice by registered mail.

(e) Cancellation or termination of the Underlying Insurance Policy by the Underlying Insurer automatically cancels or terminates this Policy.

(f) Neither the cancellation of the Policy on the part of the Member Insured or the Insurer, nor its automatic termination, shall affect the obligation of the Member Insured to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy.

21. Valuations

For purposes of this Policy, except where the Underlying Insurance Policies are written on an Actual Cash Value basis, the value of the Insured Property at the time of an Accident shall be the Replacement Cost of such Insured Property, but only if such Insured Property as is damaged or destroyed is replaced with identical or like kind property on the same premises and intended for the same

occupancy and use, and used in connection with a nuclear facility. In all other cases, the value of the Insured Property at the time of the Accident shall be the Actual Cash Value of such Insured Property as is damaged or destroyed, notwithstanding that the Policy may refer to the Replacement Cost of such Insured Property.

22. When Loss Payable.

(a) With respect to Losses under paragraph I.1 and I.2(a), the amount for which the Insurer may be liable shall be payable as soon as practicable and in any event within sixty (60) days after the Proof of Loss, as herein provided, is received by the Insurer and ascertainment of the Loss is made either by agreement between the Member Insured and the Insurer expressed in writing, or by the filing with the Insurer of an award as herein provided. Where only partial Proof of Loss has been provided to the Insurer and the Insurer's liability for the Accidental Property Damage is uncontested, the Insurer may, in its sole discretion, make partial payment to the Insured. Nevertheless, the Insurer shall have no obligation to make such partial payment.

(b) With respect to Losses under Section II, payment shall be made within sixty (60) days after the later of the filing by the Member Insured with the Insurer of the Proof of Loss, as provided herein, or filing by the Member Insured of certification that the Insureds have discharged their legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act, and ascertainment of the Loss is made by written agreement between the Member Insured and the Insurer or the filing of an award as herein provided.

VI. RETROSPECTIVE PREMIUM ADJUSTMENT

The Member Insured agrees to pay to the Insurer the Retrospective Premium Adjustment under the terms and conditions hereinafter set forth.

1. The Insurer may make demand for the Retrospective Premium Adjustment in whole or in one or more parts from time to time, but only to the extent necessary, in the sole discretion of the Board of Directors of the Insurer, to cover Losses incurred by the Insurer under this Policy and all Other Insurance Policies with coverage effective during the Policy Year (specified in Item 3.B of the Declarations).

2. That portion of the Retrospective Premium Adjustment demanded by the Insurer shall be paid to the Insurer by wire transfer or other method acceptable to the Insurer within twenty (20) business days after demand. The Insurer may, without first pursuing any rights it may have against any Delinquent Member, make such number of further demands upon the Member Insured, including any Delinquent Member, for further portions of the Retrospective Premium Adjustment, to be payable twenty (20)

business days after demand, as may be needed to obtain Retrospective Premium Adjustment from the Member Insureds of the Insurer under this Policy and all Other Insurance Policies with coverage effective during the Policy Year sufficient, in the sole discretion of the Board of Directors of the Insurer, to cover Losses under this Policy and all Other Insurance Policies with coverage effective during the Policy Year. The fact that the Insurer has received sufficient Retrospective Premium Adjustment from such Member Insureds shall not bar the Insurer from pursuing the Insurer's rights against any Delinquent Member.

3. When, for any purpose hereunder, it becomes necessary to calculate the obligation of the Member Insured for the Retrospective Premium Adjustment, it will be calculated as follows:

   (a) The amount of the Retrospective Premium Adjustment shall be equal to the product of (i) the Multiple selected by the Board of Directors of the Insurer as required to meet Losses under this Policy and all Other Insurance Policies with coverage effective during the Policy Year, times (ii) the Premium, or if such Premium is for a period shorter than a calendar year, such Premium multiplied by a fraction the numerator of which is 365 and the denominator of which is the number of days in the policy period specified in Item 3A of the Declarations.

   (b) The Policy Year to which any Retrospective Premium Adjustment relates shall be determined by the Board of Directors of the Insurer at the time it makes the call for such Retrospective Premium Adjustment based on the date of the Accident under this Policy or any Other Insurance Policy giving rise to the obligation which such Retrospective Premium Adjustment is designed to satisfy. The aggregate of all Retrospective Premium Adjustments under this Policy shall not exceed the Retrospective Premium Adjustment set forth in Item 5.B of the Declarations.

   (c) Subject to the provisions with respect to calls made in the event of failure to pay by Delinquent Members, the amount of any call for a Retrospective Premium Adjustment hereunder shall bear the same relation to the total Retrospective Premium Adjustment, payable by all Member Insureds of the Insurer under such call as the highest Premium determined under subparagraph (a)(ii) above bears to the aggregate Premiums, used to calculate the total of all such calls, under this Policy and all Other Insurance Policies with coverage effective during the Policy Year.

   (d) The obligation of the Member Insured for the Retrospective Premium Adjustment shall be and remain in full force and effect and all the above calculations shall be made without regard to whether or not the Insurer has any obligation to make payments under this Policy or this Policy is canceled or suspended.

4. The Multiple is no higher than the Multiple in any Other Insurance Policy with insurance coverage effective during the Policy Year.

5. The Board of Directors of the Insurer in its sole discretion may adjust downward the Multiple stated in this Policy and any Other Insurance Policy with coverage effective during the Policy Year to a new lower Multiple, and the Retrospective Premium Adjustment callable under this Policy and any such Other Insurance Policy shall be reduced by a like proportionate amount. No downward adjustment in such Multiple and corresponding adjustment in any such Retrospective Premium Adjustment may be made with respect to any Retrospective Premium Adjustment which has been assigned by the Insurer, or in any Other Insurance Policy with coverage effective during the Policy Year, if the Multiple in any such Other Insurance Policy, after adjustment, would be less than the Multiple, after adjustment, in this Policy, unless a similar downward adjustment is made in the Multiple in this Policy, together with a corresponding adjustment in the Retrospective Premium Adjustment.

6. The liability of the Member Insured shall be limited to the Premium and the Retrospective Premium Adjustment or any unpaid portion thereof due to the Insurer under the terms of this Policy. No Member Insured shall be subject to any contingent liability or be required to pay any dues or assessments in addition to such Premium and Retrospective Premium Adjustment due under this Policy and those due under any Other Insurance Policies as such Member Insured may have with the Insurer. The liability of the Member Insured for the Retrospective Premium Adjustment for the Policy Year shall cease six (6) years after the end of the Policy Year, unless prior demand is made therefor.

7. It is agreed that the obligation of the Member Insured to pay any Retrospective Premium Adjustment due under any Other Insurance Policy between the Insurer and the Member Insured which terminated on or before the inception date of this Policy is an obligation of the Member Insured under this Policy. It is also agreed that the terms and the amount of such obligation shall be determined by reference to the Other Insurance Policy under which such obligation arose, notwithstanding that such Other Insurance Policy may no longer be in effect.

8. The liability of each Member Insured, if there be more than one, for the Retrospective Premium Adjustment under this Policy shall be several and not joint and in proportion to their respective interests specified in the Declarations.

9. In the event the Insurer has available credit facilities from lenders, the Board of Directors of the Insurer may, in its sole discretion, utilize such facilities to finance Losses incurred by the Insurer under this Policy and all Other Insurance Policies. The Insurer may assign to the lenders the Insurer's interest in the Retrospective Premium Adjustment, in whole or in part, including, in the event the Insurer defaults on its obligations to such lenders, the right to call such interest assigned. Such assignment may be made and shall only be effective with respect to the financing of those Losses for which the Retrospective Premium Adjustment could be called. In

the event any assignment is made, the Insurer shall give prompt notice thereof to the Member Insured. Each Member Insured shall, upon the request of the Insurer, give acknowledgment of its liability for the Retrospective Premium Adjustment to each of the lenders involved.

VII. MEMBERSHIP

Each Member Insured becomes a member of the Insurer as part of obtaining insurance from the Insurer, and as such, is entitled to the privileges and benefits, and by entering into this Policy agrees to be subject to and bound by, the obligations and duties, of membership. These are more fully set forth in the Insurer's Memorandum of Association and in the Bye-Laws and any amendments thereto, each of which is hereby incorporated into and made a part of this Policy. In no event shall any amendment to the Insurer's Memorandum of Association or the Bye-Laws increase the amount of Premium or Retrospective Premium Adjustment payable or callable hereunder.

VIII. DEFINITIONS

For purposes of this Policy, unless otherwise stated to the contrary, the following capitalized terms shall have the meanings set forth below. Unless otherwise stated or required for the meaning of any provision, the singular shall include the plural and the plural, the singular. Whenever the terms "Accident", "Accidental Property Damage", "Loss", "Member Insured", "Multiple", "Policy Year", "Premium" and "Retrospective Premium Adjustment" are used in this Policy with both capitalization and reference to this Policy, the Other Insurance Policies, or Other Member Insurance Policies, they shall refer to the defined meanings given such terms in this Policy, the Other Insurance Policies the Other Member Insurance Policies, respectively and to which they so refer.

1. "Accident" means a sudden and fortuitous event, an event of the moment, which happens by chance, is unexpected and unforeseeable. Accident does not include any condition which develops, progresses or changes over time, or which is inevitable. The date of the accident shall be the later of when such Accident occurred or is discovered; provided, however, that no Accident is covered hereunder which occurred while the Insured was not insured by the Insurer under this Policy or a predecessor policy issued by the Insurer.

2. "Accidental" means caused by an Accident.

3. "Accidental Property Damage" means Property Damage caused by an Accident.

4. "Act" means the Atomic Energy Act of 1954, 42 U.S.C. §2011, et seq., as amended, and the regulations promulgated pursuant thereto.

5. "Actual Cash Value" means the amount determined by taking the Replacement Cost of the Insured Property and reducing it by straight-line depreciation at a rate

of three percent (3%) per year, subject to a maximum depreciation of fifty percent (50%).

6. "Amount of Decommissioning Liability Coverage" means the amount payable for decommissioning liability expenses pursuant to subsection II.2, as calculated under the formula set forth in subsection II.1.

7. "Attachment Point" means the greater of (i) the amount covered by all the Underlying Insurance Policies or (ii) $500,000,000.

8. "Debris Removal and Decontamination Coverage" means the coverage provided pursuant to paragraph I.1(b).

9. "Declarations" means the declarations attached to, and made a part of, the Policy.

10. "Decommissioning Target Amount" means the amount approved by the Insurer as necessary to meet the costs of decommissioning the Unit, as adjusted to the Settlement Date.

11. "Decommissioning Target Document" means the document submitted by the Insured in estimating the costs of decommissioning the Unit after the Accident leading to decommissioning. The document shall include information required under 10 C.F.R. §50.75 and the cost estimates shall be based on then currently available industry data. The document shall be subject to the approval of the Insurer.

12. "Decommissioning Trust Fund" means the external sinking fund described by the NRC pursuant to 10 C.F.R. §50.75 to pay the costs of decommissioning the Unit at the end of its licensed life.

13. "Delinquent Member" means any member insured, including the Member Insured, who fails to pay a retrospective premium adjustment due under this Policy or any Other Insurance Policy within twenty (20) business days after demand.

14. "FERC" means the Federal Energy Regulatory Commission or any governmental body succeeding to the functions and authority thereof.

15. "Functional Property" means that portion of the Insured Property associated with a Unit which has permanently ceased nuclear operations as a result of Accidental Property Damage, as well as any Construction Work in Progress or Nuclear Fuel in Process located outside the Insured Property which is intended for use in connection with such Unit.

16. "Functional Total Loss Coverage" means the coverage provided pursuant to subsection I.2.

17. "Functional Value" means the original cost of the property defined as the "Functional Property" (including but not limited to amounts recorded in Electric Plant in Service accounts, Completed Construction not Classified, Construction Work in Progress, Nuclear Fuel in Process and in Stock, and in the Reactor Vessel) less the associated Accumulated Deferred Income Taxes related to Allowance for Funds Used During Construction (provided the "Net AFUDC Method" is not being used), all appropriately depreciated and amortized according to the method used in the Insureds' respective FERC accounts. Other original costs, depreciated and amortized as described above, may be added to the above for materials and supplies on site, non-utility property, leased property and acquisition adjustments related to the Functional Property, as mutually agreed by the Insurer and the Member Insured.

18. "INPO" means the Institute of Nuclear Power Operations.

19. "Insured Property" means the property specified as such in Item 7 of the Declarations and situated at a location specified therein, or if not so identified, then the property as described in the Underlying Insurance Policies.

20. "Insureds" means, collectively, the Persons listed in Item 9 of the Declarations and the Member Insureds, which Persons may hereinafter be referred to individually as an "Insured."

21. "Insurer" means Nuclear Electric Insurance Limited.

22. "Loss" means, collectively, the expenses covered under paragraph I.1(a) of the Policy, the expenses covered under paragraph I.1(b) of the Policy, the losses covered under paragraph I.1(c) of the Policy, the losses covered under paragraph I.2(a) of the Policy, and the expenses covered under subsection II.1 of the Policy. With respect to Sections IV and VI, Loss shall include, where applicable and without limitation, all costs of the Insurer attributable to paying, financing, litigating and settling such expenses and losses.

23. "Member Insurance Program" means any program approved as such in accordance with the Bye-Laws of the Insurer.

24. "Member Insureds" means, collectively, the undersigned Persons, each of whom is subject to the rights and obligations hereof. The Member Insureds may hereinafter be referred to individually as a "Member Insured."

25. "Member Insureds of the Insurer" means the Member Insureds under this Policy or the Other Insurance Policies.

26. "Multiple" means the multiple selected by the Board of Directors of the Insurer (but not greater than the multiple specified in Item 5A of the Declarations) pursuant to paragraphs VI.3(a) and VI.3(b).

27. "NRC" means the Nuclear Regulatory Commission or any governmental body succeeding to the functions and authority thereof.

28. "Nuclear Liability Coverage" means the coverage provided pursuant to paragraph I.1(a).

29. "Operator" means those Persons, if any, other than the Member Insured, responsible for operating the Unit or Units covered by the Policy.

30. "Other Insurance Policy" means any Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy or Blanket Excess Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy, other than this Policy, issued by the Insurer, or any Decontamination, Decommissioning and Excess Property Insurance Policy or Blanket Excess Decontamination, Decommissioning and Excess Property Insurance Policy issued by Overseas NEIL Limited.

31. "Other Member Insurance Policy" means any insurance policy, other than this Policy, issued by the Insurer to one or more Member Insureds of the Insurer under a Member Insurance Program.

32. "Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

33. "Policy" means this Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy, including the Declarations, as it may hereafter be revised, amended or endorsed.

34. "Policy Year" means the policy year set forth in Item 3.B. of the Declarations.

35. "Premium" means the amount specified in Item 4 of the Declarations.

36. "Property Damage" means direct physical damage to or destruction of Insured Property.

37. "Property Damage Coverage" means the coverage provided pursuant to paragraph I.1(c).

38. "Replacement Cost" means the cost incurred for the repair or replacement of Insured sustained Accidental Property Damage. For purposes of determining Actual Cash Value pursuant to Section I hereof, in the event the replacement property is not readily available, then Replacement Cost for such Insured Property shall be the original book value of the damaged component, less any applicable AFUDC, adjusted for inflation using the applicable Handy Whitman Index.

39. "Retrospective Premium Adjustment" means the amount of retrospective premium adjustment called or demanded of the Member Insured under this Policy as calculated pursuant to Section VI of this Policy, but not, in the aggregate, in excess of the Retrospective Premium Adjustment specified in Item 5B of the Declarations.

40. "Settlement Date" means the date on which the Member Insured certifies that the Insureds have discharged their legal obligation or liability to protect the public health and safety and to remove debris of and decontaminate the Insured Property following Accidental Property Damage.

41. "Shortfall" means the Decommissioning Target Amount minus the balance in the Decommissioning Trust Fund as of the Settlement Date.

42. "Specified Nuclear Liability Amount" means the amount described under subparagraph V.13(b)(i).

43. "Underlying Insurance Policy" means the primary insurance policy and each excess policy other than this Policy covering the first party liability and/or property risks of the Insured with respect to the Insured Property, but shall not mean any third party nuclear energy liability policy issued by American Nuclear Insurers, Nuclear Energy Liability Insurance Association or other third party liability insurer or other third party entity.

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

General Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No.: 1
Policy Number: X04-075 Effective Date: October 1, 2004
Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

In consideration of the mutual terms, covenants and conditions contained herein and in reliance on the representations and warranties set forth herein, the parties hereto do hereby agree as follows:

It is hereby noted and agreed that in the event of cancellation of the Policy pursuant to Section VIII.5, the Insurer shall send a copy of the written notice referred to therein to:

1. Bechtel Energy Corporation, Attention: C. E. Feltman,
   P.O. Box 2166, Houston, Texas 77252-2166;

2. Ebasco Constructors, Inc., Attention: L. D. George,
   P.O. Box 349, Wadsworth, Texas 77483

In every other respect, the provisions and stipulations of the Policy to which this Endorsement is attached remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this Endorsement to be executed and attested on their behalf.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: [signature]

INSURER:
Nuclear Electric Insurance Limited

By: [signature]
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: Annette Brown

MEMBER INSURED:
STP Nuclear Operating Company

By: [signature]
Attorney -in-Fact

NUCLEAR ELECTRIC INSURANCE LIMITED
POLICYHOLDER DISCLOSURE

OCTOBER 1, 2004, NUCLEAR POLICY RENEWALS

NOTICE OF TERRORISM INSURANCE COVERAGE

Coverage for acts of terrorism is already included in your current policy. However, under NEIL's Payment for Acts of Terrorism endorsement, your recovery for losses stemming from an act of terrorism might have been limited. You should know that in accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), effective November 26, 2002, under your existing coverage, NEIL's Payment for Acts of Terrorism endorsement would be inapplicable to any losses caused by certified acts of terrorism under the Act and such losses would be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage, up to an annual national limit. NEIL is neither increasing, nor attributing any portion of, your annual premium for terrorism coverage.

Payments for Acts of Terrorism Endorsement

Member Insured: STP Nuclear Operating Company

Site: South Texas Project Endorsement No.: 2
Policy Number: X04-075 Effective Date: October 1, 2004
Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

I. The following Section is hereby added to the Policy:

PAYMENTS FOR ACTS OF TERRORISM

In the event that one or more Acts of Terrorism cause Accidental Property Damage under this Policy and under one or more Nuclear Insurance Policies within twelve months from the date the first Accidental Property Damage occurs:

1. Resources Available

The Insureds' maximum recovery for all such Losses under this Policy and all Nuclear Insurance Policies shall be an aggregate of:

(a) $3.24 billion (U.S. dollars)

plus;

(b) such additional amounts as the Insurer recovers for such Losses from reinsurance, indemnity, and any other source, applicable to such Losses.

2. Allocation of Resources

(a) The amount determined under paragraph 1 above shall first be used to pay for all such Losses payable under all applicable Primary Property and Decontamination Liability Insurance Policies (excluding any Losses payable under all Business Interruption and/or Extra Expense Insurance Policy Endorsements), Primary Property and Decontamination Insurance Policies (excluding any Losses payable under all Business Interruption and/or Extra Expense Insurance Policy Endorsements), Operating Facility Policies, Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policies, Decontamination, Decommissioning and Excess Property Insurance Policies, Blanket Excess Decontamination Liability, Decommissioning Liability and Excess Property Insurance

Policies, and Blanket Excess Decontamination, Decommissioning and Excess Property Insurance Policies (collectively "Property Losses").

(b) If such Property Losses for all Insureds exceed the amount determined under paragraph 1 above, the Insured's maximum recovery shall be the amount determined under paragraph 1 above times a fraction, the numerator of which is the Insured's recovery for the Property Losses resulting from Accidental Property Damage, but for this Section, and the denominator of which is the sum of all Insureds' recovery for Property Losses resulting from Accidental Property Damage under all applicable Nuclear Insurance Policies, including this Policy, but for this Section.

(c) Notwithstanding paragraph 1 and subparagraph 2(b) above, if the payments made pursuant to subparagraph 2(b) exhaust the amount determined under paragraph 1, without paying for all the Insured's Property Losses, the Insured shall recover such additional amounts that the Insurer recovers from reinsurance, indemnity, or other source, for the Insured's Property Losses.

3. Declarations Page

Nothing herein shall be construed to entitle the Insured to recover more than the amount of the Policy Limits stated in Item 6 of the Declarations.

4. Relevant Period

The twelve-month period specified above shall commence on the date of the first Accidental Property Damage caused by an Act of Terrorism. The first Accidental Property Damage caused by an Act of Terrorism that occurs after this or any other twelve-month period shall trigger a new twelve-month period.

5. Definitions

For the purposes of this Section only:

(a) "Act of Terrorism" means any act by a person, group, or organization that appears to be intended to: (i) intimidate or coerce a civilian population, or (ii) disrupt any segment of the economy in the country where the insured plant is located; or (iii) influence the policy of a government by intimidation or coercion; or (iv) affect the conduct of a government by mass destruction; provided, however, that an Act of Terrorism for purposes of this Policy shall not include any act excluded by the War Risk Exclusion.

(b) "Nuclear Insurance Policy" means any Primary Property and Decontamination Liability Insurance Policy, or Primary Property and Decontamination Insurance Policy, or Operating Facility Policy, or any Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy, or Decontamination, Decommissioning and Excess Property Insurance Policy or any Blanket Excess Decontamination Liability, Decommissioning Liability And Excess Property Insurance Policy, or Blanket Excess Decontamination, Decommissioning And Excess Property Insurance Policy, other than this Policy, issued by the Insurer or by Overseas NEIL Limited.

6. Authorized Changes to this Section

The Insurer's Board of Directors will have the authority to alter or replace the definition of the term "Act of Terrorism" and any other provision of this Section in order to facilitate the availability of resources that may be made available by the Government in the country where the insured plant is located.

IN WITNESS WHEREOF, the parties hereto have caused this Endorsement to be executed and attested on their behalf.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: _____

INSURER:
Nuclear Electric Insurance Limited

By: _____
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: Annette Brown

MEMBER INSURED:
STP Nuclear Operating Company

By: _____
Attorney -in-Fact

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

BLANKET EXCESS
DECONTAMINATION LIABILITY,
DECOMMISSIONING LIABILITY
AND EXCESS PROPERTY INSURANCE POLICY

Declarations attached to and made a part of Policy No. BX04-007

Item 1. Member Insured INDIANA MICHIGAN POWER COMPANY (AMERICAN ELECTRIC POWER SERVICE CORPORATION as Agent)
Mailing Address c/o American Electric Power Service Corporation as Agent
1 Riverside Plaza
Columbus, OH 43215-2373
NEIL II Underlying Policy No. X04-019 (Cook)

Member Insured STP NUCLEAR OPERATING COMPANY
Member Address P.O. Box 289
Wadsworth, Texas 77483
NEIL II Underlying Policy No. X04-075 (South Texas Project)

Member Insured PACIFIC GAS AND ELECTRIC COMPANY
Member Address P.O. Box 770000
San Francisco, California 94177
NEIL II Underlying Policy No. X04-042 (Diablo Canyon)

Item 2. Insurer: Nuclear Electric Insurance Limited

Mailing Address: 1201 Market Street, Suite 1200, Wilmington, Delaware 19801

Item 3. A. Policy Period:

From October 1, 2004 to October 1, 2005

B. Policy Year:

From October 1, 2004 to October 1, 2005

All dates used to determine the Policy Period, Policy Year, or used as the effective date of any endorsement have as their effective time 12:01 a.m. Standard Time in Hamilton, Bermuda.

Item 4. Premium Payments required from each Member Insured:

	Premium Amount
Indiana Michigan (Cook)	$699,144
Pacific Gas & Electric (Diablo Canyon)	$520,044
STP Nuclear Operating (South Texas Project)	$509,431
Total Premium Payable	$1,728,619

Item 5. A. Multiple: 10

B. Maximum Retrospective Premium Adjustment for each Member Insured:

	Retrospective Premium Adjustment
Indiana Michigan (Cook)	$6,991,440
Pacific Gas & Electric (Diablo Canyon)	$5,200,440
STP Nuclear Operating (South Texas Project)	$5,094,310
Total Retrospective Premium Adjustment	$17,286,190

Item 6. Amount of Blanket Limit: $ 1,000,000,000

Item 7. Description and location of property covered:

Identical to Item 7 of the Declarations of each of the NEIL II Policies identified under Item 1 of the Declarations of this Policy.

Item 8. A. Insured's Retention for purposes of subsection V.2:
Twenty-Five Percent (25%)

B. Insurer's Liability for purposes of subsection V.2:
Seventy-Five Percent (75%)

Item 9. Insureds:

Identical to Item 9 of the Declarations of each of the NEIL II Policies identified under Item 1 of the Declarations of this Policy.

Item 10. Loss Payee Clause

Identical to Item 10 of the Declarations of each of the NEIL II Policies identified under Item 1 of the Declarations of this Policy.

Item 11. Attachment Point: $ 1,250,000,000

Policy No. BX04-007

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

BLANKET EXCESS DECONTAMINATION LIABILITY, DECOMMISSIONING LIABILITY AND EXCESS PROPERTY INSURANCE POLICY

This is a blanket excess policy. There is no reinstatement of the Blanket Limit after a loss. The blanket limit amount set forth in Item 6 of the Declarations is shared among the Member Insureds identified in Item 1 of the Declarations. This Policy follows the form of the NEIL II Policies identified under Item 1 of the Declarations. No provision of this Policy shall be construed to make any changes in any of these NEIL II Policies.

This Blanket Excess Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy is made by and among the undersigned Member Insureds and Nuclear Electric Insurance Limited, a Bermuda mutual company with limited liability.

The Insurer is only licensed in Bermuda and Delaware and the Insureds will not be protected by the guaranty funds of any U.S. jurisdiction.

The Member Insureds will be required to execute the Policy in Delaware. The Policy will become effective only upon the acceptance of the delivery of the Policy by the Member Insureds at the Insurer's office in Delaware. The Policy will only become effective if this procedure is followed.

I. INSURING AGREEMENT

In consideration of the premium paid, and subject to the terms and conditions of this Policy, the Insurer agrees to pay an amount up to the Blanket Limit Amount for Losses insured under one or more of the NEIL II Policies identified under Item 1 of the Declarations, subject to such Losses exceeding the Attachment Point.

In Witness Whereof, the Insurer and the Member Insureds have caused this Policy to be executed and attested on their behalf in Wilmington, Delaware.

Wilmington, Delaware

Date: As of October 1, 2004

Attest: _____

INSURER:
Nuclear Electric Insurance Limited

By: _____
Quentin Jackson, President

Wilmington, Delaware

Date: As of October 1, 2004

Witness: _____

MEMBER INSURED:
Indiana Michigan Power Company

By: _____
Attorney -in-Fact

Wilmington, Delaware

Date: As of October 1, 2004

Attest: _____

INSURER:
STP Nuclear Operating Company

By: _____
Atorney-in-Fact

Wilmington, Delaware

Date: As of October 1, 2004

Witness: _____

MEMBER INSURED:
Pacific Gas and Electric Company

By: _____
Attorney -in-Fact

II. BLANKET LIMIT AMOUNT

The Blanket Limit amount set forth under Item 6 of the Declarations is the maximum amount the Insurer will pay during the Policy Period for any and all Losses that are covered under this Policy.

Every Loss covered under this Policy reduces, as of the date of such Loss, the Blanket Limit available under this Policy by the amount of such Loss, and this Policy shall apply thereafter only for the reduced amount.

III. FOLLOWING FORM PROVISIONS

The NEIL II Policies identified under Item 1 of the Declarations are incorporated herein and made a part hereof, with the following exceptions.

A. The Declarations pages of each of the NEIL II Policies are replaced with the Declarations pages of this Policy.

B. Section I of the NEIL II Policy, *Definitions*, is amended as follows:

The following Definition is amended to read as follows:

"Attachment Point" means the greater of (i) the amount covered by all the Underlying Insurance Policies or (ii) $[1,250,000,000].

C. Section V.8 of the NEIL II Policy, *Decontamination Liability and Excess Property Coverage*, is amended as follows:

8. In the event that Accidental Property Damage under this Policy, and under one or more Other Insurance Policies with insurance coverage effective during the Policy Year is caused directly or indirectly by any single Accident which is either listed in subparagraphs V.7(a)(i), (ii) or (iii) hereof, or which involves radioactive contamination, or by any Accident which ensues directly or indirectly from an Accident listed in subparagraphs V.7(a)(i), (ii) or (iii) hereof or from an Accident involving radioactive contamination, the Insureds agree that:

(a) The Insurer's liability for all such Accidental Property Damage shall not exceed the greater of (A) sum of the Amount of Blanket Limit, as stated in Item 6 of the Declarations plus the Amount of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested, as stated in Item 6 of the Declarations of the NEIL II Policy, or (B) the highest of the Amount of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested stated in the Declarations of the Other Insurance Policies, or (C) the sum of the Amount of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested stated in the Declarations of the Other Insurance Policies plus the

Amount of Blanket Limit of the Blanket Limit Following Form Policy providing coverage with respect to the same Accident.

(b) The Insurer's liability under this Policy shall be the amount determined under paragraph V.8(a) above times a fraction, the numerator of which is the Insurer's liability for the Accidental Property Damage under this Policy and the NEIL II Policy but for this subsection V.8, and the denominator of which is the sum of the Insurer's liability for the Accidental Property Damage under this Policy, and the NEIL II Policy, and all Other Insurance Policies and all other Blanket Limit Following Form Policies, but for this subsection.

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DE.

ENDORSEMENT

Member Insured: STP Nuclear Operating Company

Site: South Texas Project | Endorsement No.: 3
Policy Number: X04-075 | Effective Date: March 15, 2005

Effective Time of this Endorsement is 12:01am Standard Time in Hamilton, Bermuda.

It is hereby understood and agreed that Item Nos. 9 & 10 of the Declarations of the Policy is amended to read as follows and not as herein stated:

Item 9. Insureds: Texas Genco, LP.; City of San Antonio, Texas, acting through the City Public Service Board of San Antonio; City of Austin, Texas; Ebasco Constructors, Inc., and parent or affiliated companies or entities of Ebasco Constructors, Inc., and all of its subcontractors and vendors and their suppliers; Bechtel Energy Corporation, any parent or affiliated companies or entities of Bechtel Energy Corporation, and all of its subcontractors and vendors and their supplier; Brown & Root, Inc.; and Halliburton Company; all as their respective interests may appear.

Item 10. Loss Payee Clause

A. Expenses covered under the Nuclear Liability Coverage (subsection I.A.1(a)) shall be adjusted with the Member Insured and payable to: Expenses covered under Section I.A.2 shall be adjusted through STP Nuclear Operating Company and shall be payable to STP Nuclear Operating Company as Agent on behalf of the following Insureds:

i) Texas Genco, L.P. in respect of its 44% ownership interest.

ii) City of San Antonio, acting through the City Public Service Board of San Antonio in respect of its 40% ownership interest.

iii) City of Austin in respect of its 16.0% ownership interest.

The Member Insureds may, by written notice to the Insurer, designate other payees.

B. The expenses covered under the Debris Removal and Decontamination Coverage (subsection I.1(b)), the losses covered under the Property Damage Coverage (subsection I.1(c)), and the losses covered under the Functional Total Loss Coverage (subsection I.2(a)) shall be adjusted with the Member Insured and payable to:

All other covered Losses shall be adjusted through STP Nuclear Operating Company and shall be payable to STP Nuclear Operating Company as Agent on behalf of the following Insureds:

i) Texas Genco, L.P. in respect of its 44% ownership interest.

ii) City of San Antonio, acting through the City Public Service Board of San Antonio in respect of its 40% ownership interest.

iii) City of Austin in respect of its 16.0% ownership interest.

The Member Insureds may, by written notice to the Insurer, designate other payees.

The losses covered under the Property Damage Coverage (paragraph V.1(c)), and under the Functional Total Loss Coverage (paragraph V.2(a)) shall be adjusted through STP Nuclear Operating Company and payable to STP Nuclear Operating Company, as Agent on behalf of, the following loss payees, their successors or assigns:

i) Texas Genco, LP. in respect of its 44% ownership interest. Any payment shall be paid jointly to Texas Genco, LP. and Texas Commerce Bank N.A., Houston, Trustee, as their interests may appear.

ii) City of San Antonio, acting through the City Public Service Board of San Antonio, in respect of its 40% ownership interest.

iii) City of Austin in respect of its 16.0% ownership interest.

Each of the above loss payees shall receive separate loss payment reflecting its percentage of ownership in the South Texas Project under the terms and conditions of the Amended and Restated South Texas Project Participation Agreement executed as of November 17, 1997.

The Member Insured may, by written notice to the Insurer, designate other payees.

This Endorsement does not increase the amount of insurance provided under this Policy.

Wilmington, Delaware

Date: 12/17/04

Attest: _____

INSURER:
Nuclear Electric Insurance Limited

By: _____
Quentin Jackson, President

Wilmington, Delaware

Date: 12/14/04

Witness: Annette Brown

MEMBER INSURED:
STP Nuclear Operating Company

By: _____
Attorney -in-Fact