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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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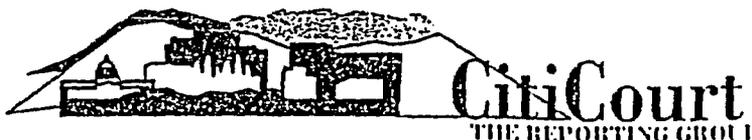
Before the Atomic Safety and Licensing Board

In the Matter of)	Docket No. 72-22
)	ASLPB No. 97-732-02-ISFSI
PRIVATE FUEL STORAGE)	
L.L.C.)	
)	TELEPHONE DEPOSITION OF:
(Private Fuel Storage)	
Facility))	<u>HANSON PICKERL</u>
)	

~~CONFIDENTIAL AND PROPRIETARY~~

TELEPHONE DEPOSITION of HANSON PICKERL, taken at the instance and request of the Intervenor, at the Attorney General's Office, 160 E. 300 S., 5th floor, Salt Lake City, Utah, on Friday, May 5, 2000, at 9:30 a.m., before VICKY McDANIEL, a Registered Professional Reporter and Notary Public in and for the State of Utah, Utah License No. 87-108580.

* * *



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A P P E A R A N C E S

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Also Present: Michael F. Sheehan (telephone)
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I N D E X

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Monroe, and the complete address is Chicago, Illinois.
The zip code is 60661.

Q And specifically you're in a conference room?
A Yes, a conference room, yes. It's the 22nd
floor north central conference room.

MR. GAUKLER: And with Hanson is Paul Gaukler
representing PFS and Michael Cook representing Marsh, Inc.

Q Thank you. Do you have any documents with you
in the room?

A I have two documents here. It is the Private
Fuel Storage LLC business plan and a copy of my
professional resume.

Q Is the business plan the entire plan or the
document that we gave Mr. Gaukler for use as an exhibit?

A It's the exhibit, the three-page exhibit.

Q Okay, thank you. Do you have any computer
access in the conference room?

A I do not.

Q I'd like to have marked as an exhibit your
resume which identifies your name at the top, Hanson
Pickerl.

A That's correct.

(Exhibit 28 marked for identification.)

Q Is it correct that you have a bachelor of
science degree in physics from the U.S. Naval Academy?

P R O C E E D I N G S

HANSON PICKERL,

called as a witness at the instance of the Intervenor,
having first been duly sworn,
was examined and testified as follows:

E X A M I N A T I O N

BY MS. NAKAHARA:

Q Good morning, Mr. Pickerl. My name is Connie
Nakahara --

A Good morning.

Q -- and I represent the State of Utah. For the
record, Denise Chancellor, counsel for the State of Utah,
Jean Braxton for the State of Utah, and Vicky, the court
reporter, are in this conference room.

Could you state your name for the record,
please?

A Hanson Pickerl.

Q And where -- I guess, back up one step. And we
have Mike Sheehan, consultant for the State of Utah who's
on another conference line, for the record.

Where are you physically located?

A Chicago, Illinois.

Q And in I presume in your offices, Marsh and
McLennan?

A That's correct. Our street address is 500 West

A That is correct.

Q And is it also correct that you have a master's
in business administration with financial management
specialization from the University of Chicago graduate
school of business?

A That is correct.

Q Do you have any additional educational
background?

A No.

Q You're currently -- is it correct that you're
currently employed with Marsh and McLennan companies?

A That's correct.

Q Could you describe your position, your current
position with Marsh and McLennan?

A Yes. I am a senior vice president with the firm
and a client executive. And as a client executive I'm
responsible for providing the insurance services, the risk
management services to our clients that our firm
specializes in.

Q And could you expand a little bit on what
insurance services means?

A Yes. Our core business is insurance brokerage,
and as an insurance broker we are appointed by our clients
to represent them in the global insurance marketplace.
And that involves the place -- development, placement,

1 administration, and other related duties and
2 responsibilities associated with insurance programs, risk
3 management, risk financing programs.

4 Q So do you -- you represent your client and look
5 for the best insurance package to fit their needs? I
6 guess I'm not quite clear on --

7 A Yes, that is essentially what we do. We assist
8 in the design, development, implementation, administration
9 of insurance programs.

10 Q Okay, thank you. What do the insurance programs
11 cover?

12 A Well, our firm has a multitude of specialties,
13 and so we can -- there are dozens and dozens of different
14 insurance categories. There is a property damage
15 insurance, business interruption insurance, casualty and
16 liability insurance, directors and officers insurance,
17 workers compensation, automobile liability, automobile
18 physical damage, crime coverage, fidelity and fiduciary
19 coverage, and the list goes on. Marine coverage, aviation
20 coverage. So our -- we are the world's largest insurance
21 brokerage firm, and so we have specialist areas in all of
22 those groups.

23 Q What types of nuclear insurances are available,
24 nuclear insurance programs or services?

25 A You mean from Marsh and McLennan companies,

1 identify yourself.

2 MR. CHANCELLOR: I will do that, Denise.

3 A In determining the risks or providing risk
4 management services for your nuclear clients, do you
5 actually assess the risks involved in the client's
6 activities, nuclear activities in determining the type of
7 insurance coverage needed?

8 A No, we do not do that type of work in the way of
9 a technical risk assessment or any sort of probabilistic
10 risk assessments. Those are performed outside the scope
11 of my company's activities.

12 Q Do you rely on any risk assessments or
13 probability assessments in making your coverage
14 determinations?

15 MR. COOK: Well -- Michael Cook. Objection. He
16 never said he made any coverage determinations.

17 Q Okay. Going back to your description of
18 providing insurance services, you identify the types and
19 needs for your clients. How do you identify the types and
20 needs? Could you expand on that?

21 A Well, we essentially partner with our clients in
22 order to get from them the basic specifications and what
23 they want us to deliver to them from the global insurance
24 marketplace.

25 Q Okay. I think we'll come back to this later,

1 or --

2 Q Yes.

3 A I don't understand the question.

4 Q Yes, from Marsh and McLennan.

5 A Yes. We have a team of people within our
6 company. We are Marsh nuclear, and we represent clients
7 who either operate nuclear facilities or who are involved
8 as a nuclear vendor supplier in assisting them with their
9 nuclear risk management and nuclear insurance needs.

10 Q And can you describe the risk management
11 services side, expand on that, what that entails?

12 A Yes. The risk management, risk management
13 services involves the -- involves the design of an
14 insurance program. It involves, if necessary, modifying
15 coverages in order to meet specific or individual needs of
16 customers on a case-by-case basis. It involves providing
17 our clients with updates and summaries on a periodic basis
18 of new events in the nuclear insurance marketplace, of new
19 events in the regulatory or legislative areas to the
20 extent we can obtain that information that will be of
21 interest to them.

22 Q Do you actually assess the risks for your
23 client?

MR. GAUKLER: Objection, vague.

25 MS. CHANCELLOR: Paul, you might have to

1 but let me continue on with your experience.

2 Can you describe your experience with respect to
3 providing nuclear services or nuclear insurance services
4 to date?

5 A Well, I've been with Marsh U.S.A. for -- it will
6 be 15 years on July 1st, and have been involved in the
7 nuclear insurance area since my first day of employment.

8 Q Okay, thank you. Can you describe your
9 experience in providing nuclear services for clients who
10 have ISFSIs or nuclear storage facilities?

11 A Yes, I can. There are several current Marsh
12 clients who are using these so-called ISFSIs or dry cask
13 fuel storage at their nuclear facilities. And I have
14 been -- I'm somewhat familiar with them, and I have also
15 of course been working with the Private Fuel Storage, LLC.

16 Q For what length of time?

17 MR. GAUKLER: Objection, unclear. Paul Gaukler.
18 Unclear in terms of who's working -- length of time, PFS
19 or other clients?

20 MS. NAKAHARA: For clients that have ISFSIs.

21 MR. COOK: The question is how long has he been
22 working with clients that have those?

23 MS. NAKAHARA: Yes.

24 A I've been -- my estimate is seven or eight
25 years, for about the past seven or eight years.

1 Q How many clients do you estimate have ISFSIs?
 2 A Well, I can name two that I have been -- that
 3 either are currently or were my clients.
 4 MR. COOK: Let me caution the witness here, I
 5 don't know whether these names are confidential or not.
 6 THE WITNESS: All right.
 7 MR. COOK: I'm happy to have him give you
 8 general testimony about it, but I will defer to him as to
 9 whether the names of these clients and what they do are
 10 confidential.
 11 MS. CHANCELLOR: Mr. Cook, this is Denise
 12 Chancellor. The court reporter is having trouble
 13 identifying whether it's you or Mr. Gaukler making the
 14 objections.
 15 MR. COOK: That was me. And from this point
 16 forward I'll say my name before I speak.
 17 MS. CHANCELLOR: Thank you.
 18 Q (BY MS. MAKARAPA) If you could just give us a
 19 number, that's fine.
 20 A Well, I am aware of three.
 21 Q And that includes Private Fuel Storage?
 22 A No.
 23 Q No; in addition to Private Fuel Storage?
 24 A That's correct.
 25 Q What are the sizes of the ISFSIs of your

1 A No, I'm not.
 2 Q Are you going to be available to testify in the
 3 June 2000 Private Fuel Storage NRC licensing hearing?
 4 A Yes, I'm planning on being available.
 5 Q Are you familiar with the financial assurance
 6 requirements required by NRC regulation for independent
 7 storage -- for ISFSIs? I'm sorry.
 8 A Is there an NRC reference document or a code of
 9 federal regulations that you can provide a reference for?
 10 Is there a specific number, numerical reference, say to a
 11 code of federal regulations?
 12 Q 10 CFR 72.22(e).
 13 A No.
 14 Q Are you familiar with any NRC guidance with
 15 respect to financial assurance for ISFSIs?
 16 A I have not seen any NRC guidance.
 17 Q Okay, thank you. Have you testified in an NRC
 18 proceeding?
 19 A I have not testified in an NRC proceeding, no.
 20 Q Have you prepared your testimony for the Private
 21 Fuel Storage licensing proceeding?
 22 MR. GAUKLER: Objection. It's in preparation.
 23 You'll get a copy of it when it's final. This is Paul
 24 Gaukler.
 25 Q Can you explain your knowledge with the Private

1 clients?
 2 A I am not aware of the sizes of them.
 3 Q Have you ever testified in a judicial proceeding
 4 previously before?
 5 A No, I have not.
 6 Q Do you have any publications?
 7 A I do not have any publications.
 8 Q And did you prepare your resume?
 9 A I prepared my resume.
 10 Q Are you familiar with the NRC proceeding
 11 regarding financial assurance for the Private Fuel Storage
 12 facility?
 13 MR. GAUKLER: Paul Gaukler. To the extent you
 14 know, Mr. Pickerl.
 15 A No, I'm not familiar with it.
 16 Q Have you been named as a witness in the Private
 17 Fuel Storage licensing proceeding?
 18 A I don't know.
 19 MR. GAUKLER: Yes, he has. Paul Gaukler. He
 20 has been named. We've identified the areas that he would
 21 be testifying to in our discovery responses to you.
 22 Q And are you familiar with Utah Contention E?
 23 A I'm sorry; could you repeat the question?
 24 Q Are you familiar with Utah Contention E which is
 25 at issue in this financial assurance?

1 Fuel Storage project?
 2 A Yes. I have seen a number of documents
 3 associated with the Private Fuel Storage initiative,
 4 including their license application to supporting
 5 documents, one regarding technical specifications and one
 6 regarding a decommissioning plan for it. I have reviewed
 7 the business plan here that was provided this morning, and
 8 I believe there is also a web site for Private Fuel
 9 Storage, LLC.
 10 Q Are you familiar with the size facility proposed
 11 by Private Fuel Storage?
 12 A I didn't hear all of what you said. I'm sorry.
 13 Could you repeat it?
 14 Q Are you familiar with the maximum size proposed
 15 for Private Fuel Storage, maximum size storage of spent
 16 fuel?
 17 A In terms of number of casks anticipated for
 18 storage?
 19 Q Yes.
 20 A Yes.
 21 Q And what number is that?
 22 A To the best of my knowledge, it's up to 4,000.
 23 Q Are you familiar with the number of construction
 24 phases anticipated by Private Fuel Storage?
 25 A No.

1 Q Are you familiar with the proposed location for
2 Private Fuel Storage?

3 A I have seen a general map of where the proposed
4 site is. I have not visited the proposed site or done
5 anything similar to that. The extent of my knowledge
6 there is limited to the review of a map of the area.

7 Q Are you familiar with the surrounding activities
8 in the area?

9 A No.

10 Q Are you familiar with Private Fuel Storage's
11 predecessor related to the Mescalero project?

12 A Yes. I have assisted the Mescalero project.

13 Q What assistance did you provide to the Mescalero
14 project?

15 A Essentially what I'm doing now for Private Fuel
16 Storage, LLC.

17 Q Okay. I'd like to go back a little bit to the
18 insurance services that you provide for Private Fuel
19 Storage so we can get a better understanding of the
20 services you provide. Private Fuel Storage indicates they
21 have a need for nuclear insurance.

22 A Yes.

23 Q And they come to you. What happens then? Does
24 Private Fuel Storage identify the amount of coverage
25 needed, or do they -- I'll stop there. Does Private Fuel

1 on-site property damage capacity. And the overseas
2 markets, specifically our markets in London, have provided
3 preliminary indications of [REDACTED] an additional [REDACTED]
4 [REDACTED] on-site property damage
5 capacity.

6 Q When you say additional coverage, does that mean
7 these policies would be stackable or that the U.S.
8 nuclear -- the U.S. electric insurance market would
9 provide the initial coverage, and any additional needed
10 would be provided by the overseas market?

11 A That's correct. It would be on a layered basis
12 with the [REDACTED] being a primary layer, and then the
13 additional [REDACTED] being in what we refer to in the
14 insurance business as an excess layer.

15 Q And is it correct that the U.S. electric
16 insurance market is the only available underwriter in the
17 U.S.?

18 MR. GAUKLER: Objection, vague question. You
19 haven't laid any foundation.

20 MR. COOK: Michael Cook. You said electric. Do
21 you want to repeat the question for him, please?

22 Q (BY MS. NAKAHARA) Could you identify again who
23 you identified that would provide insurance in the U.S.?

24 A Yes. The market for property damage insurance
25 in the United States is Nuclear Electric Insurance,

1 Storage identify the amount of coverage that they need?

2 MR. COOK: Michael Cook. Are you asking
3 hypothetically, or are you asking him what happened in
4 this situation?

5 MS. NAKAHARA: What happened in this situation.

6 MR. COOK: What happened in this situation.

7 A No. There was no request for a specified amount
8 of insurance coverage to pursue in the nuclear insurance
9 marketplace in this case.

10 Q Did you identify a specific amount to pursue?

11 A We did not identify a specific amount to pursue,
12 no.

13 Q Okay, Private Fuel Storage approached you to
14 represent them in the nuclear insurance industry.

15 A That's correct.

16 Q What did they ask you to do?

17 A They asked us to determine for them the level of
18 interest and availability of insurance capacity to be
19 committed to the Private Fuel Storage project.

20 Q And what insurance availability did you
21 determine?

22 A We have determined that the U.S. -- the U.S.
23 nuclear insurance market -- the name of that market is
24 Nuclear Electric Insurance Limited or NEIL -- has given a
25 preliminary indication of providing [REDACTED] in

1 Limited, NEIL.

2 Q Okay, thank you. Is NEIL the only available
3 underwriter in the U.S.?

4 A No. There is an additional market that is
5 currently operating in the United States.

6 Q And could you identify that additional market?

7 A Yes. The name of the other market operating in
8 the United States is American Nuclear Insurers or ANI.

9 Q And did you determine whether American Nuclear
10 would provide -- offer insurance to Private Fuel Storage?

11 A We have not approached American Nuclear Insurers
12 with a request for level of interest in nuclear property
13 insurance for PFS.

14 Q Could you explain what level of interest means?

15 A A willingness to participate and a willingness
16 to provide further review as -- further review of the risk
17 and terms and conditions, etc. as the project progresses.

18 Q Is there a written commitment?

19 A No.

20 Q How firm is the [REDACTED] on-site property
21 insurance availability?

22 MR. GAUKLER: Objection; undefined in terms of
23 what "firm" means. Paul Gaukler making that objection.

24 Q You have no commitment from NEIL that they will
25 in fact provide Private Fuel Storage on-site insurance --

1 strike that. Is it true that you have no commitment that
2 NEIL will provide on-site property insurance to Private
3 Fuel Storage?

4 MR. GAUKLER: Objection. What do you mean by
5 commitment? Paul Gaukler.

6 MS. NAKAHARA: Mr. Pickerl --

7 THE WITNESS: Yes.

8 MS. NAKAHARA: -- testified that, or stated that
9 he had a level of interest but nothing in writing.

10 Q (BY MS. NAKAHARA) Is the level of interest a
11 firm commitment by NEIL to provide on-site property
12 insurance?

13 MR. COOK: Michael Cook. Objection. He said he
14 had a preliminary indication of [REDACTED] in coverage
15 from NEIL.

16 MS. NAKAHARA: And that's all we're trying to
17 understand is what this level of interest or this
18 preliminary commitment means.

19 A Yes. It is -- it is a preliminary level of
20 interest, and we have not -- we have not obtained anything
21 in the way of a firm written commitment or premium quote
22 or anything of that nature. It has been -- it has been
23 simply a first base of presentation to the underwriters.

24 Q When will the next phase occur?

25 MR. GAUKLER: Objection. If he knows, he can

1 clients, do you recommend an amount of coverage -- do you
2 recommend -- do you assess and recommend amount of
3 coverage needed?

4 MR. COOK: Michael Cook. Objection, because the
5 question is much too general. I'm happy to have him tell
6 you what he did in a particular situation if you ask him
7 that. He can tell you exactly what he did here. Are you
8 asking him whether he recommended an amount of coverage to
9 Private Fuel Storage?

10 Q (BY MS. NAKAHARA) Okay, let's start there. Did
11 you recommend an amount of coverage to Private Fuel
12 Storage?

13 A No, I have not recommended an amount of coverage
14 to Private Fuel Storage.

15 Q In determining the amount of coverage needed,
16 what steps would typically occur?

17 MR. COOK: Michael Cook. Objection. He never
18 testified that he was making such a determination. You
19 can ask him if he made such determinations.

20 MS. NAKAHARA: I'm just trying to get an
21 understanding of how this process will work since it has
22 not occurred yet, and Private Fuel Storage is relying on
23 the adequacy, or may rely on the adequacy of some unknown
24 number of on-site property insurance. So what I'm trying
25 to understand is how this process hypothetically will

1 answer.

2 A Well, the next phase of this will be to provide
3 additional information about the status of regulatory
4 proceedings, hearings, approach of commencement of
5 construction, etc. We will -- we provide additional
6 details to the underwriter -- to the insurers as
7 information is made available by PFS. And at the point at
8 which a definite decision on proceeding with development
9 of the facility takes place, that is a point at which we
10 will do the next approach the insurers for a firm
11 commitment.

12 Q And based on your recommendation to your client,
13 who determines the amount of coverage necessary?

14 MR. COOK: Michael Cook. Objection. What
15 recommendation are you talking about?

16 MS. NAKAHARA: Mr. Pickerl provides services to
17 Private Fuel Storage. I'm trying to get an understanding
18 how the amount of coverage is determined, whether he makes
19 a recommendation or whether Private Fuel Storage
20 identifies the amount of coverage needed.

21 MR. COOK: Michael Cook. Are you asking him
22 what he asked of the underwriter?

23 MS. NAKAHARA: No.

24 MR. COOK: He can tell you that.

25 Q (BY MS. NAKAHARA) In providing services to your

1 work, since it has not occurred yet.

2 MR. COOK: Michael Cook. Objection. It's your
3 deposition, but why don't you just ask him what he did
4 here and then you'll understand the process. He's happy
5 to take you through the steps he went through in
6 connection with getting this preliminary indication. I
7 mean, there's not much more he can tell you than what he
8 did. Be happy to do that for you.

9 MS. NAKAHARA: But he has provided services for
10 other clients, so he has an understanding, I assume, as an
11 expert in the nuclear insurance brokerage field, he has a
12 process that he goes through to determine, either he
13 determines or his clients determine the amount of coverage
14 needed, and that's what we're just trying to understand.

15 MR. COOK: Michael Cook again. Then ask him
16 whether that determination was made here by him or by
17 someone else or ever was made, and he'll tell you. He
18 said he didn't make a determination here as to the amount
19 of coverage. I'm not trying to be difficult. I just want
20 to make sure the testimony is clear as to what this man
21 did in connection with this project.

22 MS. NAKAHARA: Yes, I understand he did not
23 recommend an amount of coverage, and so what we are trying
24 to understand is the process on how that coverage amount
25 is determined, and in this case it appears to be in the

1 future.
2 MR. COOK: Objection again. Michael Cook. He
3 didn't say that that determination was going to be made in
4 the future. What he did was to tell you what he did.
5 Well, you ask your questions and then he'll answer to the
6 best of his ability.

7 Q (BY MS. NAKAHARA) What will the scope of your
8 testimony include with respect to the amount of on-site
9 insurance coverage for Private Fuel Storage?

10 A Could you repeat that? I'm sorry.

11 Q What will the scope of your testimony include
12 with respect to the amount of on-site -- on-site property
13 insurance coverage that Private Fuel Storage will obtain?

14 A It will be to determine from the insurers what
15 the reasonably available level of insurance capacity will
16 be.

17 Q So the maximum amount of available insurance --
18 you're referring to the maximum amount of insurance
19 available?

20 MR. COOK: Objection. Michael Cook. He said
21 reasonably available.

22 Q (BY MS. NAKAHARA) Can you define the difference
23 between reasonably available and the maximum amount?

24 A Yes. The reasonable -- a reasonably available
25 level of coverage is that which we have -- which we have

1 requested from the markets that they provide for an
2 indication at a specified price. And so that is all we
3 were asked to do in this situation, and so there was no --
4 that would be the extent. If -- we would have to go
5 beyond the scope of what we did in order to determine a
6 maximum -- a so-called, you know, anything above and
7 beyond what we have already gotten from the marketplace,
8 and that would mean approaching the markets with a
9 different -- a different proposal from the one that we
10 have.

11 Q Will your testimony describe how that coverage
12 would be obtained and the steps necessary to identify --
13 strike that. Will your testimony explain how the coverage
14 will be obtained?

15 MR. GAUKLER: Objection. What coverage are you
16 referring to? Paul Gaukler.

17 MS. NAKAHARA: The on-site property liability --
18 or the on-site property insurance.

19 MR. COOK: Michael Cook. I don't understand the
20 question. If the witness understands it, he can answer
21 it. How it will be obtained?

22 MS. NAKAHARA: Yes.

23 Q (BY MS. NAKAHARA) Will your testimony describe
24 who, who will make on-site property insurance available to
25 Private Fuel Storage?

1 A Yes.

2 Q Will your testimony then describe the process
3 that Private Fuel Storage will need to go through to
4 obtain such -- obtain on-site property coverage?

5 MR. GAUKLER: Objection. The testimony will
6 cover what is reasonably available in the market as was
7 identified as before in terms to what the testimony will
8 cover. Paul Gaukler.

9 Q In Mr. Parkyn's -- in John Parkyn's declaration
10 attached to the motion for summary disposition of the Utah
11 Contention E, Mr. Parkyn mentioned Private Fuel Storage
12 contemplated obtaining a \$70 million coverage of on-site
13 property insurance. Are you familiar with Private Fuel
14 Storage's contemplation of a \$70 million on-site property
15 insurance?

16 A I'm not familiar with that.

17 Q Do you know, since you're not familiar with
18 that, is it correct that you do not know how the \$70
19 million number was arrived?

20 A That is correct. I do not know where the \$70
21 million number came from.

22 Q Okay. Can I ask you to look at Exhibit 18,
23 which is the other document that Mr. Gaukler should have,
24 titled Private Fuel Storage Business Plan?

25 MR. GAUKLER: I don't have a number. We labeled

1 this 29, so I don't have the other one, Exhibit 18.

2 MS. NAKAHARA: That's fine.

3 MS. CHANCELLOR: Paul, it's actually numbered 18
4 from Mr. Parkyn's deposition. Do you want to just
5 duplicate it, or do you want to leave it at 18?

6 MR. GAUKLER: Leave it at 18. That's okay.
7 I'll take your representation that's 18.

8 MS. CHANCELLOR: Well, we've got a copy here
9 before the court reporter.

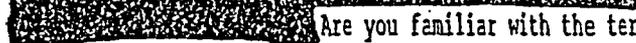
10 MR. GAUKLER: Fine. Go ahead.

11 Q (BY MS. NAKAHARA) If you'll look on the second
12 page which is entitled Insurance and Risk Management, it
13 has a Bates number in the lower right-hand corner, 12026.

14 A Yes. That is the copy I am in possession of as
15 well.

16 Q Okay. There is a various narrative which
17 describe coverage for nuclear risk liability under the
18 heading of "Property." Do you see the paragraph under the
19 heading of "Property"?

20 A Yes.

21 Q 
22 
23 
24 Are you familiar with the term
25 "nuclear physical damage"?

1 A Yes.

2 Q Can you explain what the nuclear physical damage
3 means?

4 MR. COOK: Objection. Michael Cook. You're
5 asking him to testify about a document about which there's
6 been no foundation laid that he drafted it or has even
7 seen it before. I'm happy to have him testify to his
8 understanding of what that term means in the abstract, but
9 he can't possibly testify as to what it means in this
10 document, because there's no evidence that he had any
11 participation in preparing this document.

12 Q Okay, then let me back up. Are you familiar
13 with this document?

14 A I have been -- I have seen it this morning for
15 the first time.

16 Q Okay. Can you describe in the abstract, as
17 Mr. Cook indicated, what your understanding of nuclear
18 physical damage means?

19 A Yes. In the abstract, nuclear physical damage
20 refers to the accidental radioactive contamination of
21 property.

22 Q And can you describe in the abstract what debris
23 removal insurance would mean?

24 A In the abstract, debris removal would mean the
25 cleanup of packaging and disposal or removal from premises

1 in general specifically contain an exclusion for the
2 radioactive contamination hazard.

3 Q Would there be an overlap in coverage between
4 the nuclear property and the general property?

5 MR. COOK: Objection. That's so hypothetical.
6 Are you assuming that there are two different policies
7 here? I'm happy to have him explain more about the
8 difference between the two kinds of policies in general.

9 Q Okay. Assuming that -- hypothetically assuming
10 there is two policies, a general property and a nuclear
11 property, could there be overlapping coverage?

12 A This -- we do not contemplate having two
13 insurance policies in place for the insured premises, and
14 the reason being is that the nuclear insurance policy is
15 not just limited to the radioactive contamination risk.
16 It covers in general terms the same type of physical
17 damage perils that a non-nuclear policy would cover, and
18 it has the radioactive contamination and cleanup coverage
19 added to it. So it is actually one policy contract that
20 covers both the nuclear part of the risk and the
21 non-nuclear part of the risk as well.

22 Q Are there standard exclusions to nuclear
23 property?

24 A Yes. Nuclear property policy contracts of
25 insurance usually do have standard exclusions.

1 of debris resulting from accidental damage to premises.

2 Q Can you explain in general what on-site property
3 insurance covers?

4 A Yes. In general, nuclear property insurance
5 covers -- it is written on what is referred to in the
6 insurance industry as an all-risk basis, that is, it
7 insures all perils except those that are specifically
8 excluded under an insurance policy, the intent being to
9 provide protection for the policyholder in the event that
10 there is accidental damage to the property from a
11 fortuitous cause.

12 Q And how does the nuclear property contrast --
13 strike that. How does the nuclear property coverage
14 contrast with general property coverage?

15 MR. COOK: You'll have to repeat that. It was
16 garbled. Michael Cook.

17 Q And can you contrast how nuclear property
18 coverage is different from general property coverage?

19 A Well, in general, a nuclear property insurance
20 policy contract will provide coverage for the so-called
21 non-nuclear perils, and in addition, it will provide
22 coverage for the radioactive contamination peril as well.
23 Whereas for a -- in general terms, a non-nuclear or
24 conventional contract of property damage insurance would
25 also provide protection for most perils; however, it would

1 Q And based on your recollection, can you identify
2 the standard exclusions?

3 A I can identify some of them from memory, but
4 without having a contract in front of me, I cannot specify
5 each and every exclusion in a standard contract.

6 Q That's fine. To the best of your recollection.
7 A Do you want me to go ahead and tell you what
8 some of the typical exclusions are?

9 Q Yes, sir, please.

10 A The typical exclusions under a property contract
11 are exclusions for normal wear and tear, exclusions for
12 damage that was expected or intended on the part of
13 insured, exclusions associated with war risks. And in the
14 case of a nuclear policy contract, there is an exclusion
15 for the gradual accumulation of radioactive contamination,
16 gradual meaning something other than a sudden and
17 accidental cause of radioactive contamination from a
18 fortuitous loss.

19 Q Is sabotage excluded, acts of sabotage?

20 A I will have to refer to the policy to answer the
21 question. I cannot answer it from memory.

22 Q Are acts of God excluded?

23 A You'll have to define acts of God.

24 Q Tornados, earthquakes.

25 A No. Those types of acts of God or the so-called

1 natural hazards perils are typically included as part of
2 the policy coverage.

3 Q Are there standard deductibles to nuclear
4 property insurance?

5 A Yes. There are typically deductibles that will
6 be chosen by the policyholder.

7 Q Based on your experience, what ranges are the
8 deductibles?

9 MR. GAUKLER: Objection. Are you talking about
10 ranges for any particular type of facility, or what? It's
11 not defined. Can you define it more specifically? Paul
12 Gaukler making the objection.

13 Q (BY MS. NAKAHARA) Okay. What ranges of
14 deductibles -- based on your experience, what ranges of
15 deductibles have you seen for nuclear property insurance
16 for ISFSIs or facilities that have ISFSIs? Strike that.

17 Let me back up one step. You indicated you had
18 three clients that have ISFSIs. Do these three clients
19 have nuclear property insurance?

20 A Yes.

21 Q Do these three clients have independent nuclear
22 property insurance for their ISFSIs or -- let it stand at
23 that. Do these three clients have nuclear property
24 insurance independent for the ISFSIs alone, for the ISFSI
25 itself?

1 down to the ISFSI, or an intermodal transfer station to
2 transfer spent fuel from trains to heavy haul trucks.
3 Would nuclear property insurance cover events at the
4 intermodal transfer station that's located 26 miles from,
5 physically 26 miles from the ISFSI?

6 MR. GAUKLER: Objection. That's off-site issues
7 that are beyond the scope of the litigation as defined by
8 the board in this case.

9 MS. NAKAHARA: But it does go to costs,
10 operating and maintenance costs.

11 MR. GAUKLER: I don't understand that. I mean,
12 what we're talking about is the maximum amount of -- or
13 reasonably available amount of property insurance for
14 on-site PFSF, and we've already litigated in several
15 contacts before the board that the ITP, for example, is
16 not part of the facility that needs to be licensed under
17 Part 72. I object to that question.

18 MS. NAKAHARA: If you'll recall, the board's
19 decision indicated that costs related to the ITP and/or
20 the rail spur would be included in Basis 6, costs for
21 construction and operations.

22 MR. GAUKLER: The board also ruled that in terms
23 of transportation, insurance issues with respect or damage
24 or accident issues with respect to that are beyond the
25 scope of the financial qualification contention. We

1 A No.

2 Q So the nuclear property insurance for the three
3 clients is covered with the overall reactor site nuclear
4 property?

5 A That is correct. The ISFSI facilities are
6 included as an overall part of the insured premises.

7 Q In general, what is the range of deductibles for
8 the three clients for their nuclear property insurance?

9 MR. COOK: Michael Cook. I'm going to object to
10 that question because I think it calls for confidential
11 business information from one of his clients. He can talk
12 to you about general deductibles in the marketplace, but
13 as to specific deductibles, I think that is something he
14 cannot testify about. Do you want him to give you some
15 general answers?

16 MS. NAKAHARA: Yes, please.

17 Q (BY MS. NAKAHARA) In general could you identify
18 a range of deductibles for nuclear property?

19 A Yes. The most common range of deductibles that
20 are selected in general for nuclear power production
21 facilities for their property damage insurance range
22 anywhere from the [REDACTED]
23 range.

24 Q Private Fuel Storage is contemplating use of
25 either a Low Rail spur to transfer the spent nuclear fuel

1 specifically moved for summary disposition on that issue
2 in terms of acts of cause in transporting the spent
3 nuclear fuel to the site. We did so on the basis that
4 that was covered by the third-party Price-Anderson
5 coverage. Board ruled in favor on that issue and that
6 issue is closed, and I object to the question.

7 MS. NAKAHARA: Paul, can you repeat it for
8 the --

9 MR. GAUKLER: I object to that on the basis that
10 we had moved for summary disposition before the board that
11 consequences of acts of -- during transportation of the
12 spent fuel to the facility was beyond the scope of the
13 proceeding in that it was transportation and was covered
14 by the third-party Price-Anderson Policies and Act. And
15 the board ruled in our favor on that, so therefore that
16 issue is no longer part of the financial qualifications
17 contention. It was specifically one of the issues that
18 was raised in the summary disposition motion. We
19 specifically argued that that was covered by the Price-
20 Anderson, and the board ruled in our favor in that
21 respect.

22 MS. NAKAHARA: So is it your position that there
23 is no cost for coverage to Private Fuel Storage because
24 the board ruled in your favor?

25 MR. GAUKLER: Not with respect to the on-site

1 property insurance, that's correct.

2 MS. NAKAHARA: However, Private Fuel Storage has
3 also indicated that they contemplate obtaining \$200
4 million in off-site liability, and there is an operating
5 and maintenance cost associated with obtaining that
6 coverage.

7 MR. GAUKLER: That's a different issue.

8 MS. NAKAHARA: I see it as an identical issue.
9 If you need coverage for an intermodal transfer facility
10 or if you need coverage for the rail spur, those are still
11 operating costs.

12 MR. GAUKLER: The cost of the third-party
13 liability insurance is an issue as part of the financial
14 qualification. I agree with you there.

15 MS. NAKAHARA: How is that different from
16 liability associated with the -- specifically with the
17 intermodal transfer facility or the Low Rail spur?

18 MR. GAUKLER: The bottom line is that I will
19 allow questions going to the costs of third-party
20 liability, which would include anything that the ITP or --
21 take that back. We'll allow questions on the cost of
22 third-party liability, if you want to talk about that.
23 But in terms of transportation through the ITP that we
24 have argued and the board's ruled in our favor is covered
25 by Price-Anderson.

1 fuel owner's insurance have any coverage at Private Fuel
2 Storage in the event of an accident?

3 MR. COOK: Michael Cook. Objection. He's not
4 looking at any policies that the owners are the title
5 holders, and he can't possibly answer a question about
6 what coverage might be available from those policies which
7 he hasn't seen.

8 MS. NAKAHARA: Based on his experience or his --
9 to the best of his recollection would it be possible that
10 the spent fuel owners coverage may provide additional
11 coverage at Private Fuel Storage.

12 MR. COOK: Michael Cook. Objection. That
13 question of course asks him to speculate about what's
14 possible or not possible. If you give him specifics, he
15 can answer specifics. But he's not looking at any policy
16 here that someone else has, and he can't make a
17 determination of what coverage might be provided by that
18 policy.

19 Q (BY MS. NAKAHARA) Based on your three clients
20 that have nuclear insurance, have you issued any policies
21 in which coverage would travel with the spent fuel off
22 site?

23 MR. COOK: Michael Cook. Objection. First of
24 all, Marsh and McLennan does not issue policies.
25 Secondly, I don't want this witness to testify as to the

1 MS. NAKAHARA: Okay. So your position is there
2 is no cost?

3 MR. GAUKLER: In terms -- there is no cost to
4 Private Fuel Storage with respect to the risks of
5 accidents with respect to transporting the spent fuel to
6 and from the facility. There is no cost to PFS because
7 that is covered by Price-Anderson policy, that's covered
8 by the utilities, Price-Anderson's policies and the fuel
9 being shipped to the site. We argued to the board. And
10 with respect to fuel being shipped off the site, that's
11 covered by DOE Price-Anderson coverage, which we also
12 argued to the board.

13 So in terms of accident involving the
14 transportation of spent fuel, there is no cost to PFS.

15 Q (BY MS. NAKAHARA) Mr. Pickerl, are you aware
16 that the spent fuel -- spent fuel proposed to be stored at
17 Private Fuel Storage, that the reactor owner will retain
18 title to that spent fuel?

19 A I have not seen anything specific about how fuel
20 license files will be managed. I'm unfortunately not
21 familiar with that specific aspect of it.

22 Q Okay. If the reactor licensee will retain title.
23 to the spent fuel while it is stored at Private Fuel
24 Storage, based on your familiarization with nuclear
25 insurance, would the reactors or the title -- the spent

1 specific coverage provided for other clients, because
2 that -- specific questions about that, specific
3 information is confidential and deemed so by those
4 clients.

5 Q Okay. Based on your knowledge in the industry,
6 is there coverage available that would cover spent fuel
7 off site that would provide nuclear coverage of spent fuel
8 once it's been moved off site of the reactor site?

9 A May I ask a clarifying question?

10 Q Yes, please.

11 A Are you referring to the physical damage to the
12 fuel itself, or are you referring to third-party types of
13 nuclear-related bodily injury or property damage?

14 Q Both.

15 A All right. Well, I'll answer the liability --
16 the third-party liability question first, and that is,
17 yes, I am familiar with it, and the reason why is these
18 policies fall under the regime of the Price-Anderson Act.
19 And commercial nuclear reactor operators are required to
20 maintain financial protection under the Price-Anderson
21 Act. And the structure of that financial protection
22 allows the insurance and indemnity coverage to apply while
23 the fuel is in transit.

24 Q What happens to the coverage once it arrives --
25 once transportation is ended and it arrives on site

1 somewhere else?

2 MR. COOK: Michael Cook. Objection. What do
3 you mean what happens to the coverage?

4 Q Does the coverage continue once the spent fuel
5 is no longer in transit?

6 A No. Once the shipment is deemed to have reached
7 its final destination, that is the point at which the
8 Price-Anderson related insurance and indemnity coverages
9 also conclude.

10 Q Okay, thank you. In general, would any other
11 nuclear insurance coverage then pick up coverage once
12 transportation is ended?

13 MR. GAUKLER: Objection, vague. There could be
14 many different circumstances that may lead to coverage,
15 you know, other policies may pick up a different party,
16 etc. It's vague what you're asking.

17 MS. NAKAHARA: Okay, I'll withdraw it.

18 Q (BY MS. NAKAHARA) Earlier you indicated that
19 NEIL had a level of interest of offering [REDACTED]
20 on-site property. To the extent you know, how did NEIL
21 determine the amount, the [REDACTED] amount?

22 A I am unfamiliar with any internal analysis they
23 did to reach their conclusion.

24 Q What specific information related to Private
25 Fuel Storage did you provide NEIL that they may have

1 MR. GAUKLER: Objection. I believe you
2 misspoke. You said [REDACTED]

3 Q Oh, I'm sorry. Is the [REDACTED] premium an
4 average, or -- I mean, I guess I asked for a range, and
5 you said [REDACTED] -- okay. Having a hard time
6 here.

7 MR. COOK: Within a reasonable range here.

8 Q (BY MS. NAKAHARA) I asked for a range, and you
9 indicated [REDACTED] premium as an estimate. Did they give
10 you any range of a high and a low?

11 A No, there was no amplification as to a range
12 above or below [REDACTED]. That was the only statement they
13 made to that effect.

14 Q Okay, thank you. Do you provide insurance
15 services for Private Fuel Storage related to their needs
16 for director and officer insurance?

17 MR. GAUKLER: Objection, beyond the scope of his
18 testimony.

19 MS. NAKAHARA: It goes to operating and
20 management costs.

21 MR. COOK: Is he here to testify about D&O
22 insurance? That wasn't my impression.

23 MR. GAUKLER: We haven't set him forth yet to
24 testify in that respect.

25 MS. CHANCELLOR: This is Denise Chancellor. The

1 considered in their analysis?

2 A I provided a copy of the license application, a
3 copy of the appendix to that license application dealing
4 with decommissioning, the appendix to the license
5 application dealing with the technical specifications, and
6 I also provided them the identity of the Private Fuel
7 Storage company web site, worldwide web site.

8 Q When you refer to the license application, are
9 you referring to the license application in general which
10 contains approximately eight volumes or the one volume
11 that's titled "License Application"?

12 A It was one volume.

13 Q Okay, thank you. In your discussions with NEIL
14 on obtaining a level of interest, providing nuclear
15 property insurance to Private Fuel Storage, did NEIL
16 indicate a premium range for coverage?

17 A Yes.

18 Q And can you -- can you tell us what that range
19 is?

20 A Yes. They indicated a [REDACTED] premium range
21 for their -- for that level of capacity.

22 Q For [REDACTED] in property?

23 A That is correct.

24 Q Okay. Is the [REDACTED] premium, is that an
25 average?

1 reporter was having trouble, Mr. Cook, with -- did you say
2 D&O insurance?

3 MR. COOK: Director and officers.

4 MS. CHANCELLOR: Okay, I thought you meant D&O.

5 Q (BY MS. NAKAHARA) Okay, I'll withdraw the
6 question. In general, what would renewal terms of on-site
7 nuclear property -- what would the renewal terms be for
8 on-site nuclear property?

9 A I'll have to ask for some amplification by what
10 you mean by renewal terms.

11 Q In general, what would the insurance period for
12 on-site nuclear property be?

13 A Policies are typically written for a one-year
14 term.

15 Q And on what basis would such policies be
16 renewed?

17 MR. COOK: Michael Cook. Objection. That
18 question is so vague, it's impossible for him or anyone
19 else to answer that.

20 Q In general, what types of termination provisions
21 are included in on-site nuclear property coverage?

22 MR. COOK: Michael Cook. Now you're not asking
23 about renewal, you're asking about termination of an
24 existing one-year policy?

25 MS. NAKAHARA: Yes.

1 MR. COOK: Are there termination provisions in
2 policies specifically?

3 A Yes. Typically insurance policies do contain
4 some -- some termination provisions, and they include such
5 things, the one, the obvious one is of course the
6 nonpayment of premiums. But others include a -- the
7 ability of the insurer to suspend coverage in the event --
8 in the insurer's evaluation the risk is no longer deemed
9 to be insurable.

10 MS. NAKAHARA: Could we take a five-minute break
11 and confer and call you back? If you'd like to take a
12 longer break, that's fine.

13 MR. GAUKLER: Five minutes is sufficient here.

14 (Brief Recess.)

15 MS. NAKAHARA: Let's go back on the record. For
16 the record, we're still -- the State of Utah is still
17 in -- let me back up. This is Connie Nakahara
18 representing the State of Utah in Salt Lake City. In the
19 room with me is Denise Chancellor representing the State
20 of Utah, and Jean Braxton for the State of Utah, and
21 Vicky, the court reporter. Dr. Michael Sheehan is no
22 longer on an additional line.

23 Q (BY MS. NAKAHARA) And Mr. Pickerl, could you
24 for the record identify who's still in the room with you?

25 A Yes. Paul Gaukler and Michael Cook.

1 of military exercises?

2 MR. GAUKLER: Objection. When you say exercise,
3 are you talking about training exercises, or are you
4 talking about exercises in the context of war?

5 MS. NAKAHARA: Military training exercises.

6 MR. COOK: Michael Cook. Can you answer that in
7 the abstract?

8 A In the abstract, yes. The war -- the war risk
9 exclusion on a nuclear insurance property insurance policy
10 is intended for war-like action or damage resulting from a
11 declared war, open hostilities or a declared war.

12 Q Okay, thank you. Is there a standard policy --
13 standard document for on-site nuclear insurance?

14 MR. COOK: Michael Cook. Is there a standard
15 policy form? Is that what you're asking?

16 MS. NAKAHARA: Yes.

17 A Yes. The insurers do maintain a standard form,
18 that is, their basic, their basic coverage document.

19 Q Do you have a standard policy form for NEIL,
20 nuclear -- nuclear on-site insurance that they offer?

21 MR. COOK: Does he have a physical policy in his
22 office, you mean?

23 MS. NAKAHARA: Yes.

24 A I do not have one with me in the room with me,
25 no.

1 Q Thank you. I just have a few more questions, if
2 you'll bear with me.

3 Did PFS ask you to inquire about the
4 availability of on-site property insurance from more than
5 one market?

6 MR. GAUKLER: Objection; asked and answered. He
7 can re-identify what PFS asked him to do.

8 Q Could you clarify -- did PFS ask you to only
9 inquire into one market, or into all markets?

10 A They made no distinction either way. It was
11 simply -- their request was simply to determine what was
12 available.

13 Q Okay, thank you. When did NEIL indicate their
14 level of interest into providing Private Fuel Storage
15 on-site nuclear property insurance?

16 A Within the past two to three weeks.

17 Q To your knowledge, is Marsh and McLennan the
18 only firm retained by Private Fuel Storage to obtain
19 information related to on-site nuclear property insurance?

20 A To my knowledge, yes. I'm not aware of any
21 other brokerage firms that are representing Private Fuel
22 Storage in the procurement of insurance.

23 Q Earlier you stated in general a typical
24 exclusion would include war risks. In general, would a
25 war risk exclusion included military accidents as a result

1 Q (BY MS. NAKAHARA) No. Do you have access to
2 one?

3 A Yes, I have access to one. I do not have access
4 to a general form. The forms in our file are all client
5 specific, so I've got to be technically precise there and
6 say we're not in custody of a general form but we're in
7 custody of the forms that our customers are provided with,
8 and the basic form is part of all of those.

9 Q Could you obtain a general form?

10 MR. COOK: You say could he?

11 Q (BY MS. NAKAHARA) Yes. Could you obtain a
12 general form and provide it to us?

13 MR. GAUKLER: Objection. We'll take that under
14 advisement.

15 MS. NAKAHARA: Okay, thank you.

16 Q (BY MS. NAKAHARA) Have you drafted any
17 documents specifically for Private Fuel Storage, such as
18 correspondence, any analysis?

19 A No, I have not.

20 Q Have you drafted any documents related to
21 Private Fuel Storage's predecessor related to the
22 Mescalero project?

23 A Yes. I made some written -- I did have some
24 written correspondence regarding nuclear insurance matters
25 for the Mescalero facility.

1 MS. NAKAHARA: To the extent Private Fuel
2 Storage has not already provided that, Paul, can we get
3 copies of anything related to on-site property insurance?

4 MR. GAUKLER: My understanding is that we've
5 provided everything that he's done before. I'll double
6 check. My understanding is that we have provided it.

7 MS. NAKAHARA: Okay, thank you.

8 Q Earlier you indicated that in general, nuclear
9 property usually covers non-nuclear or non-radioactive
10 damages. Thus would the nuclear property insurance cover
11 general property damages to rail equipment or the
12 intermodal transfer facility equipment?

13 MR. GAUKLER: Objection. You're getting into
14 off site again.

15 Q But what about equipment like the train and the
16 rail car?

17 MR. COOK: What about it?

18 Q Would the nuclear property insurance cover
19 damages to the train or the rail cars?

20 MR. COOK: Well -- Michael Cook. Objection.
21 The question is so vague. Under what circumstances?

22 MS. NAKAHARA: We're just trying to understand
23 whether -- what the scope of the coverage would be and
24 whether it would cover any mobile assets of Private Fuel
25 Storage.

1 MR. COOK: Well, we'll have to defer to Paul
2 here about it.

3 MR. GAUKLER: Do you have documents in your
4 possession like that, first of all?

5 A Yes. And every policy contract contains a list
6 of standard exclusions, and it is -- yes, without
7 question. Difficulty is, the exclusions page of the
8 policy contracts can be released and still -- without any
9 breach of confidentiality on the part of an individual
10 client.

11 MR. GAUKLER: We'll take the production under
12 advisement, then.

13 MS. NAKAHARA: Okay, thank you. I have no other
14 questions. Thank you, Mr. Pickerl.

15 Paul, do you have any?

16 MR. GAUKLER: I have no questions here.

17 (Brief recess.)

18 (Deposition was concluded at 11:04 a.m.)

19 * * *

1 A Meaning what will what?

2 Q Assets or equipment.

3 MR. COOK: Mobile assets. Can you give an
4 answer in general?

5 A In general there would be -- there would in all
6 likelihood be a separate type of coverage for mobile
7 equipment.

8 Q Okay, thank you. Would you -- would Marsh and
9 McLennan provide -- retain -- would Marsh and McLennan
10 retain the insurance for the mobile assets?

11 A What do you mean by retain?

12 Q Or obtain. Would they look for an underwriter
13 for Private Fuel Storage?

14 A If asked by Private Fuel Storage, we would take
15 the necessary action to meet their needs. We have had no
16 discussions with them at all regarding any coverage for
17 mobile equipment.

18 Q Do you have draft -- or do you have documents
19 which show -- do you have documents that you could release
20 that show the standard -- the language of standard
21 exclusions?

22 MR. COOK: That don't have clients' names on
23 them, you mean?

24 MS. NAKAHARA: Yes. I mean, something that you
25 could release.