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BRANCH

TENNESSEE VALLEY AUTHORITY

CHATTANOOGA, TENNESSEE 37401
500A Chestnut Street Tower II

SB-390

February 13, 1981

Mr. Jerome Saltzman, Chief
Antitrust and Indemnity Group
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Mr. Saltzman:

In response to a letter dated September 5, 1979, from W. T. Crow to L. M. Mills concerning the issuance of Watts Bar unit 1 special nuclear material license SNM-1861, we are indicating Tennessee Valley Authority's (TVA) acceptance of Watts Bar Nuclear Plant unit 1 Indemnity Agreement B-88, with the exception of Section 3 of Article VIII of the Indemnity Agreement. TVA cannot accept this provision since it conflicts with the TVA Act of 1933, 48 Stat. 58, as amended, 16 U.S.C. §§831-831dd (1976), which prohibits the placing of liens against TVA's property.

In the near future we will request a specific exemption from the lien requirements of Article VIII under the provisions of 10 CFR §§140.8. This approach has been discussed with Ira Dinitz of your staff. In the meantime, we understand the Watts Bar unit 2 special nuclear license will be issued.

Enclosed is one executed copy of the indemnity agreement.

Very truly yours,

TENNESSEE VALLEY AUTHORITY



H. G. Parris
Manager of Power

Enclosure

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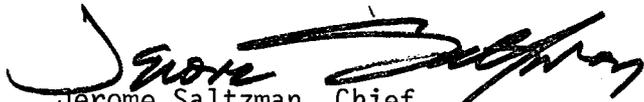
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Nuclear Energy Liability Policy (Facility Form) No.NF-256
issued by the Nuclear Energy Liability Property Insurance
Association.

- Item 6 - The indemnity agreement designated above* of which
this Attachment is a part, is effective as of 12:01 a.m., on
the 5th day of September, 1979.

FOR THE UNITED STATES NUCLEAR REGULATORY COMMISSION


Jerome Saltzman, Chief
Antitrust & Indemnity Group
Office of Nuclear Reactor Regulation

FOR TENNESSEE VALLEY AUTHORITY

BY H.G. Parris

Dated at Bethesda, Maryland,
The 5th day of September, 1979.

* With exception of Section 3 of Article VIII