

Ramsey, Kevin

From: Ramsey, Kevin -NMS
Sent: Friday, October 15, 2010 7:44 AM
To: Chitty, Mark
Cc: Vias, Steven; Habighorst, Peter; Smith, Galen; Crespo, Manuel; Pelchat, John
Subject: RE: Price Anderson Act
Attachments: Q&A re NFS liability insurance.doc

It has no impact as far as I know. See Q&A attached. NFS isn't required to have liability insurance, so changes to a government program to provide liability insurance shouldn't affect the NFS license.

I am no expert on Price-Anderson. You may want to check with the folks that handle financial qualifications for reactors. Tom Fredrichs would be a good place to start.

From: Chitty, Mark
Sent: Thursday, October 14, 2010 1:13 PM
To: Vias, Steven; Ramsey, Kevin
Subject: Price Anderson Act

Gentlemen,

I'm not sure who to ask, but maybe you can steer me in the right direction. One of Amerine's folks has asked what, if any, impact the Price-Anderson Act has on NFS (liability, etc.). Can you provide any insight?

/R
mark

**Questions and Answers Regarding
Nuclear Fuel Services
Loss of Liability Insurance**

1. Is Nuclear Fuel Services (NFS) required to have liability insurance or indemnity?

No, it is not.

2. If not, who is required to have liability insurance or indemnity?

Only the facilities specified in Sections 170 and 193 of the Atomic Energy Act of 1954, as amended. The regulations in 10 CFR Part 140 implement these sections of the Act. Part 140 requires the following licensees to have liability insurance and indemnity:

- (a) Nuclear reactors licensed under Parts 50, 52, or 54,
- (b) Facilities licensed under Part 70 to use plutonium in a processing and fuel fabrication plant, and
- (c) Uranium enrichment facilities licensed under Parts 40 and 70.

The Act gives the NRC authority to extend these requirements to other types of licensees, but to date the NRC has not chosen to do so.

3. Why is NFS not required to have liability insurance?

NFS is not licensed to conduct any of the activities listed in response to Question 2 above. NFS is licensed to fabricate fuel from uranium that is already enriched. It does not enrich uranium and it does not use plutonium in its fuel fabrication process. Therefore, it is not required to have liability insurance or indemnity.

4. Why should NFS continue to hold its NRC license if it does not have coverage from American Nuclear Insurers (ANI)?

NRC approves license applications based on the requirements in its regulations. Since NFS is not required to have coverage from ANI, the ANI decision does not provide a legal basis for revoking the NFS license. However, the NRC may consider the ANI decision as a factor in future licensing actions regarding NFS.

5. What assurance does the NRC have that NFS can protect people and the environment without liability insurance?

The NRC requires its licensees to conduct a robust safety program that includes (a) workers qualified by training and experience to use license material safely, (b) equipment and facilities adequate to protect health and minimize danger, and (c) procedures adequate to protect health and minimize danger. NRC licensing reviews confirm that NFS has committed to a robust safety program. NRC inspections verify that NFS is implementing its safety program adequately. The safety program provides reasonable assurance that people and the environment will be protected. In contrast, insurance does not prevent damages from occurring. Insurance provides a source of funds, in addition to the licensee's assets, to provide compensation after damages have occurred. In view of the function that insurance provides, the ability of NFS to implement its safety program is not expected to be adversely affected by the lack of liability insurance.