

Exhibit No. _____ (PN-308)
FERC Docket No. ER78-494

Testimony and Exhibits

of

Mr. Harry Gerety

Before the Pennsylvania Public
Utilities Commission in
Docket No. I-79040308

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Metropolitan Edison Company
Pennsylvania Electric Company

Response to PUC Inquiry No. 5 of April 4, 1979 Which Reads As Follows:

"5. Describe Met-Ed's (Penelec's) applicable insurance coverage currently in effect with regard to the TMI-2 accident, in terms of both the risks covered and the extent of liability in dollars. Is there a right of subrogation or indemnification under the policy or policies and against whom? Attach copies of the policies."

Response

There are three basic insurance coverages currently in effect with regard to the TMI-2 accident, namely: public liability, on-site property damage, and worker's compensation.

PUBLIC LIABILITY

Two nuclear liability pools, American Nuclear Insurers and Mutual Atomic Energy Liability Underwriters (copies of the policies are attached), provide an aggregate of \$140 million in third-party liability coverage. The policies protect only against "bodily injury" and "property damage", as defined in the policies, caused by the nuclear energy hazard, which is defined in part as the "radioactive, toxic, explosive or other hazardous properties of nuclear material."

The insureds under the policies are Metropolitan Edison Company, Jersey Central Power & Light Company and Pennsylvania Electric Company and "any other person or organization with respect to his legal responsibility for damages because of bodily injury or property damage caused by the nuclear energy hazard", except the United States of America or any of its agencies.

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The policies specifically exclude property damage to any property at the Three Mile Island facility "other than aircraft, watercraft or vehicles licensed for highway use, provided such aircraft, watercraft or vehicles are not used in connection with the operation of the facility."

While the insurers are subrogated to all the insureds' rights of recovery, which right of subrogation may be waived by the insureds, the issue of subrogation and waiver thereof ultimately has no effect because of the inclusion as insureds under the policy of "any other person or organization" as aforesaid. In addition, the insurers pursuant to the policies specifically waive any right of subrogation acquired against the United States of America or any of its agencies by reason of any payment under the policies.

In excess of the private insurance described above is a secondary layer of financial protection in the amount of \$335 million. This is a form of reciprocal self insurance whereby each utility licensed to operate a reactor with a rated capacity of 100,000 electrical kilowatts or more, is obligated to pay up to \$5 million per each such reactor per nuclear incident. A third level of public protection is provided through an Agreement of Indemnification with the Federal government in the amount of \$85 million. These two excess layers provide a scope of coverage similar to the primary insurance.

In the event of a nuclear incident involving damages in excess of the aggregate liability of \$560 million, the United States Congress is statutorily required to "thoroughly review the particular incident and will take whatever action is deemed necessary and appropriate to protect the public from the consequences of a disaster of such magni-

All the foregoing is as prescribed by the Atomic Energy Act of 1954, as amended, and the regulations promulgated thereunder.

ON-SITE PROPERTY DAMAGE

On-Site property coverage is underwritten jointly by American Nuclear Insurers and Lumbermans Mutual Casualty Company which is reinsured 100 percent by Mutual Atomic Energy Reinsurance Pool (copies of the policies are attached) in an aggregate amount of \$300 million. Because of the undivided ownership interest in TMI No. 2 of Metropolitan Edison Company - 50%, Pennsylvania Electric Company - 25% and Jersey Central Power & Light Company - 25%, the maximum amount Metropolitan Edison Company and Pennsylvania Electric Company each can expect to recover under the policies is \$150 million and \$75 million, respectively. The policies provide actual cash value insurance against radioactive contamination and all other risks of direct physical loss. They also cover debris removal and decontamination. However, compensation for loss resulting from interruption of business is not covered. The deductible provision applicable to TMI No. 2 is \$100,000 with a separate deductible of \$750,000 applicable to the turbine, provided, in the event the loss exceeds fifty percent of the amount of insurance under these policies, the deductibles shall not be applied.

The coverage under the policies excludes, among other things, the cost of making good any faulty workmanship, material, construction or design, but not losses resulting therefrom. Further, the policies do not insure against any loss which a contractor, manufacturer or supplier of machinery, equipment or other property has agreed to make good under a guarantee or warranty.

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The insureds are Metropolitan Edison Company, Jersey Central Power & Light Company, Pennsylvania Electric Company and contractors, subcontractors and sub-subcontractors as their interests may appear.

The insurers have a qualified right of subrogation. The insurers pursuant to the policies specifically waive any right of subrogation acquired against any party furnishing services, materials, parts, or equipment in connection with the planning, construction, maintenance, operation, or use of property covered by reason of any payment under the policy arising out of any loss resulting from the radioactive, toxic, explosive or other hazardous properties of "source material", "special nuclear material", or "by-product material". Further, prior to a loss, the insureds may waive, in writing, any or all right of recovery against any party for loss occurring to the property covered.

In many instances the right of recovery has been waived with respect to TMI No. 2 in accordance with the general practice of all utilities as part of the negotiated contracts with their suppliers and contractors as a condition of receiving the necessary goods and services for the construction and operation of nuclear power plants. The suppliers and contractors generally require such waivers because, in connection with a nuclear facility, their ability to procure insurance coverage to protect their interests is extremely limited.

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WORKER'S COMPENSATION

Metropolitan Edison Company and Pennsylvania Electric Company employees are covered under insurance policies issued by Utilities Mutual Insurance Company. The policies limits are those imposed by statute and the policies further covers employer's liability with a limit of \$500,000. Copy of these policies have not been included, however, the same will be provided upon request.

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METROPOLITAN EDISON COMPANY
PENNSYLVANIA ELECTRIC COMPANY

Public Liability Insurance:

- Att. 1 Mutual Atomic Energy Liability Underwriters Liability Insurance on EM Nuclear Station
- Att. 2 American Nuclear Insurers Liability Insurance on EM Nuclear Station

On-Site Property Damage:

- Att. 3 American Nuclear Insurers - Property Insurance on EM Nuclear Station
- Att. 4 Mutual Atomic Energy Re-Insurance Pool Property Insurance on EM Nuclear Station

Note: Copies of the above mentioned policies were filed with the Pa. PUC on May 1, 1979. Copies are available for inspection in Rate Department.

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