

TERA



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

JAN 29 1980

Docket Nos. 50-289
50-320

Metropolitan Edison Company
ATTN: Mr. R. C. Arnold
President
260 Cherry Hill Road
Parsippany, NJ 07054

Gentlemen:

As you are aware, the provisions of Section 170 of the Atomic Energy Act of 1954, as amended, (the Act) require production and utilization facility licensees to have and maintain financial protection to cover public liability claims resulting from a nuclear incident. Subsection 170b further requires that for facilities designed for producing substantial amounts of electricity and having a rated capacity of 100 electrical megawatts or more, the amount of financial protection required would be the maximum amount available from private sources.

In January 1979, American Nuclear Insurers (ANI) and Mutual Atomic Energy Liability Underwriters (MAELU), the insurers who provide the nuclear liability insurance provided by licensees as primary financial protection, informed the Commission that they were increasing the amount of nuclear liability insurance available from \$140 million to \$160 million.

In accordance with the provisions of subsection 170b of the Act, the Commission increased the amount of primary financial protection required for facilities having a rated capacity of 100 electrical megawatts or more from \$140 to \$160 million. This change was published by the Commission in the Federal Register on April 6, 1979 (44 FR 20632) and became effective May 1, 1979. Subsection 140.11(a)(4) of the Commission's regulations was amended to require that each power reactor licensee maintain financial protection in an amount equal to the sum of \$160 million, and the amount available as secondary financial protection for each nuclear reactor licensed to operate at a rated capacity of 100 MW(e) or more. The Commission's regulations further provide in § 140.19 that in any case where the Commission finds that the financial protection maintained by a licensee is not adequate to meet the requirements of the Commission's financial protection regulations, the Commission may suspend or revoke

J

8002130

219

the license or may issue such order with respect to licensed activities as the Commission determines to be appropriate or necessary in order to carry out provisions of Part 140 of its regulations and Section 170 of the Act.

At present, the primary financial protection being provided for the Three Mile Island site is \$140 million. The insurance pools have proposed an endorsement, which the staff has reviewed and finds to be acceptable, that would provide \$140 million in primary insurance to both Three Mile Island Units 1 and 2 with an additional \$20 million for Unit 1.

On a related matter, Article II, paragraph 2 of Indemnity Agreement B-64 that you have executed with the Commission requires that in the event of payments made by the insurers under an insurance policy used as financial protection which reduces the aggregate limit of the policy, the licensee must apply to its insurers for reinstatement of the amount of these payments. We understand that you have requested reinstatement of the approximately \$1.3 million paid out for claims and claims expenses arising out of the March 28 accident. Insurance pools representatives have informed the Commission staff that they have decided not to reinstate these funds for Unit 2 although they will reinstate them for Unit 1 through a separate supplementary insurance policy. The practical effect of not reinstating the funds paid out for the March 28 accident is that if there were another accident at Unit 2, there would not be the full amount of primary liability insurance to pay public liability claims resulting from such an accident.

Therefore, with respect to Units 1 and 2 it will be necessary for you to demonstrate within sixty days from receipt of this letter that you are in compliance with our regulations by providing evidence to the NRC that \$160 million in primary financial protection is in place as of May 1, 1979. This evidence should include a copy of the separate supplementary policy reinstating the \$1.3 million in claims and claims expenses for both units, and providing for necessary increases in coverage every thirty days for increased amounts beyond the \$1.3 million if the total amount not reinstated by the pools rises beyond that figure. This evidence of primary financial protection equal to a total of \$160 million can be through insurance or some other form of third party guarantee, or a combination thereof which provides all of the operable provisions of the facility form of nuclear liability insurance.

Sincerely,

Original Signed by
H. R. Denton

Harold R. Denton, Director
Office of Nuclear Reactor Regulation

cc: Harry F. Gerety, GPU

Identical letters sent to:

Jersey Central Power and Light
Company
ATTN: Dr. S. Bartnoff
President
Madison Avenue at Punch Bowl Road
Morristown, NJ 07960

Pennsylvania Electric Company
ATTN: Mr. W. A. Verrachi
President
1001 Broad Street
Johnstown, PA 15907