

August 13, 1982

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Docket No. 50-29

Mr. John A. Ritsher, Esquire
c/o Ropes & Gray
225 Franklin Street
Boston, Massachusetts 02110

Dear Mr. Ritsher:

SUBJECT: PROPERTY DAMAGE INSURANCE EXEMPTION-
YANKEE NUCLEAR POWER STATION (YANKEE)

We have received your letter addressed to Harold Denton dated June 28, 1982 which transmitted an Application for Exemption from the requirements of 10 CFR 50.54(w) as they apply to Yankee. You are correct in interpreting section 50.54(w) as requiring Yankee Atomic to obtain equivalent protection for Yankee in excess of what it has been carrying. Currently, the amount of on-site insurance required would be, or would be equivalent to \$460 million in primary insurance from ANI/MAERP or \$450 million from NML plus excess insurance from ANI/MAERP in the amount of approximately \$67 million or from NEIL-I in the amount of approximately \$299 million. The amount of insurance required will increase as the amount offered is increased by the carriers.

In support of its exemption request, Yankee Atomic submitted ten considerations and concluded that "there is no justification for imposing upon Yankee a requirement to carry additional insurance coverage." The staff disagrees with this conclusion for several reasons.

As you may recall, in the Federal Register notice announcing the final rule, it was stated, a "a TMI- type accident could well require coverage approaching \$1 billion, no matter what the original value or size of the facility. . .Until completion of studies evaluating the cost of cleaning up accidents of varying severity, it is prudent to require all power reactors a reasonable amount of insurance for decontamination expense." (47 FR 13752).

Since publication of the Federal Register notice, preliminary information has been developed for the Commission's accident cost study of LWR's (Technology, Safety and Costs of Decommissioning at Reference Light Water Reactors Involved in Postulated Accidents; Pacific Northwest Laboratory: NUREG/CR-2601; to be published.) This report considers three accident scenarios with a TMI-2 type accident considered to be of

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intermediate severity. This information indicates that although there is some relationship between size of a reactor and accident cleanup costs, it is not as significant as that between size and decommissioning cost developed by PNL in earlier decommissioning studies (see, for example, a summary of PNL's results in NUREG-0586, Draft Generic Environmental Impact Statement on Decommissioning of Nuclear Facilities January 1981, pps. 4-7 and 5-7). The reason for this is that certain of the major costs involved with accident cleanup--such as defueling a damaged reactor, activities to maintain the facility in cold shutdown, and construction of new treatment facilities--are not strictly power level dependent.

If an accident more severe than that occurring at Three Mile Island were to happen, proportionately higher cost would be expected. Further, it is conceivable as with TMI that cost estimates will continue to grow as more information on the extent of the core damage becomes available. Because of the uncertainties involved in a post accident situation, the NRC does not believe it unreasonable to allow sufficient margin of error in its insurance requirements so that a licensee can meet higher costs than anticipated from a TMI-type accident or costs from an accident more severe than TMI. Until such time as our studies indicate significantly reduced costs for a variety of accident scenarios, we believe that it is in the public interest to be conservative about the amount of insurance required.

Although Yankee is small compared to most of the recent plants coming on line, it is not as small as those plants that are excluded because of their size from certain NRC requirements. For example, 10 CFR Part 140.11 includes reactors rated below 100 Mw(e) from the full requirements of deferred premium assessments of the Price-Anderson liability insurance and indemnity program. Likewise 10 CFR Part 50, Appendix E allow licensees with reactors rated at less than 250 Mw(t) to seek to reduce the size of its Emergency Planning Zone if it so wishes. At current levels of property insurance being offered, the Commission does not believe that the size of a Commercial reactor is relevant. But even if it were relevant, the cut-off point in analogous situations would be less than Yankee's rated capacity.

We also have seen no indication in Yankee's exemption request that it attempted to secure \$67 million in excess coverage at less cost than offered by ANI. The exemption request indicated no attempt to secure \$67 million in coverage from the other carriers at cheaper cost or to obtain a surety or letter or line of credit. Lacking this information, we cannot concur with Yankee Atomic's assessment that the cost of excess insurance is too burdensome.

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Mr. John A. Ritsher

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In sum, the Commission believes it has adequate justification for requiring the Yankee Plant to obtain both basic and excess layers of insurance or their equivalents at this time. We are not persuaded by Yankee Atomic's arguments regarding the small size and replacement value of Yankee nor of the allegedly excessive cost of insurance for the benefit derived. Although reactor size as related to accident cleanup cost may ultimately prove relevant to establishing varying levels of property insurance requirements, the NRC believes that the prudent course is to require the maximum insurance under 10 CFR 50.54(w) for plants of Yankee's size at least until accident studies and our current property insurance revised rulemaking (see 47 FR 27371) has been completed.

We have discussed the matter with members of the Yankee organization in Framingham, and we understand that you may have additional information that could support your request. We will therefore not act on your exemption request until you have submitted that information.

Sincerely,

Original Signed By

Dennis M. Crutchfield, Chief
Operating Reactors Branch #5
Division of Licensing

cc:
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Mr. James A. Kay

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August 13, 1982

cc

Mr. James E. Tribble, President
Yankee Atomic Electric Company
25 Research Drive
Westborough, Massachusetts 01581

Chairman
Board of Selectmen
Town of Rowe
Rowe, Massachusetts 01367

Energy Facilities Siting Council
14th Floor
One Ashburton Place
Boston, Massachusetts 02108

U. S. Environmental Protection
Agency
Region I Office
ATTN: Regional Radiation Representative
JFK Federal Building
Boston, Massachusetts 02203

Resident Inspector
Yankee Rowe Nuclear Power Station
c/o U.S. NRC
Post Office Box 28
Monroe Bridge, Massachusetts 01350

Ronald C. Haynes, Regional Administrator
Nuclear Regulatory Commission, Region I
631 Park Avenue
King of Prussia, Pennsylvania 19406