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ALABAMA POWER COMPANY
600 NORTH 18TH STREET - P. O. Box 2641
BIRMINGHAM, ALABAMA 35291 - (205) 323-5341

W. L. SANDERS, JR.
Assistant Treasurer

OFFICE OF SECRETARY
DOCKETING & SERVICE
BRANCH

September 22, 1982

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Mr. Samuel J. Chilk, Secretary
Office of the Secretary of
the Commission
U.S. Nuclear Regulatory Commission
1717 H Street, N.W.
Washington, D.C. 20555

DOCKET NUMBER PR-50
PROPOSED RULE (47 FR 27371)

Re: Advanced Notice of Proposed Rulemaking,
Mandatory Property Insurance for
Decontamination of Nuclear Reactors,
47 Federal Regulation 27371 (June 24, 1982)

Dear Secretary Chilk:

Alabama Power Company is the owner/operator of the Joseph M. Farley Nuclear Plant containing two pressurized water reactors located in Dothan, Alabama. This plant is currently insured for property loss under policies issued by Nuclear Mutual Limited (NML), Nuclear Electric Insurance Limited (NEIL), American Nuclear Insurer, and The American International Group. Total coverage in effect is \$977 million dollars in excess of a deductible of \$1 million dollars. The coverage is on a repair and replacement basis and covers the cost of decontamination. As of November 15, 1982, under the NEIL policy the cost of decontamination will be a priority coverage with the cost of repair of the physical damage to be paid from the remaining limits available.

We believe that this statement of our coverage is significant proof of the great strides being made in providing sufficient coverage for the protection of our assets in this plant and for the concern of NRC for our limits of property coverage applicable to nuclear plants. This limit represents approximately 65% of the insurable value for the entire site which is an amount far beyond what we feel is the maximum probable loss. In our opinion the maximum probable loss of property value would only be about 20% of the limit we have in effect at this time. Therefore, we feel that the present system recognizes the cost of decontamination, but yet gives us basis to assure our first mortgage indenture trustee as well as other investors and investor

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Acknowledged by card 9/29/82 emp

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ADD: Robert Wood
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representatives that we have insurance to protect our investment in nuclear facilities.

We have reviewed drafts of the intended reply by NML, NEIL, and Edison Electric Institute (EEI) to your request for public comment. We subscribe to the views expressed in these responses and commend them to you.

There is one item, however, that affects us and some other utilities that is not completely explained in these responses, and this relates to the separate financing of nuclear fuel through leasing arrangements. These leasing arrangements typically contain insurance covenants which are much more specific than those contained in Alabama Power Company's first mortgage indenture and we are concerned about the possible effect on these leasing arrangements of the adoption of the recommendation of Dr. J. D. Long in NUREG-0891 that the NRC require all nuclear property insurance to give precedence to decontamination and debris removal expenses. Alabama Power Company currently has two nuclear fuel leasing arrangements covering fuel for the Farley Plant and under both of these arrangements the Company is required to maintain property insurance on the nuclear fuel. Additionally, Alabama Power Company is negotiating for a third nuclear fuel leasing arrangement and it is expected that the documentation relating to that arrangement will also contain a requirement for the maintenance of property insurance. Both existing leasing arrangements require that Alabama Power Company maintain physical damage insurance covering the nuclear fuel leased thereunder and that the lessor, as well as creditors of the lessor, where applicable, be named insurers or loss payees in such insurance policies. Both of these arrangements give the lessor the right to terminate in advance of the expiration date upon a change in the type of insurance maintained on the nuclear fuel or the failure to maintain the insurance required.

Because of the foregoing, we are greatly concerned over the proposal of Dr. Long that NRC require that all property coverage have a priority to pay for decontamination expenses first. As we stated previously, we feel that the current limits recognize the additional cost of decontamination; however, if all property coverage contains this priority, we would be unable to assure the lessors and creditors under our fuel leasing arrangements that the terms of their leases are being met. We cannot anticipate the reaction of

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the lessors if this change is required, but they may very well terminate their arrangements with us.

The lessor has a much more narrow interest in any physical damage incident at a nuclear facility. Any incident of damage involving the fuel is much more likely to require replacement rather than repair or restoration. Therefore, the lessor must be assured that insurance is in place to cover the value of the damage. If the entire physical damage coverage is redirected to contamination expenses as the priority coverage, then such assurance cannot be given because there would be the possibility that the entire coverage could be used for decontamination. From the opposite view, the direction of some of the insurance to pay for fuel damage will reduce the amount available for decontamination, but not seriously impair it because loss of an entire fuel core would only involve approximately 7% of our current property limits. In our opinion, the recommendation of Dr. Long to require the decontamination priority in all nuclear property insurance is unnecessary and has the potential of greatly disturbing the financial arrangements in place on nuclear facilities.

We therefore respectfully request that the NRC consider this difficulty that would be imposed on the operating utilities with fuel leases should a requirement be adopted that would redirect all nuclear property insurance to a priority of decontamination expenses.

Yours very truly,



W. L. Sanders, Jr.

WLSjr/jem

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L. Goodman
5421 Zion Rd
LaCrosse, WI 54601

Office of the Secretary of the Commission,
US NRC
Washington DC 20555

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Dear ~~Mr~~ Mr Chiffle:

'82 SEP 27 AM 1:4

I'd ~~like~~ like to comment
the ~~proposed~~ proposed Mandatory
Property Insurance for Decontamination
of Nuclear Reactors, published
in 47FR 27371.

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I do not think it a bad idea
for the NRC to require utility
licensees to purchase property
insurance. I do, however,
think the ^{proposed} method of determining
how much property insurance
is required is ridiculous. How
much insurance is available
should have little relationship
to what is required. The proposed
idea would be similar to
me saying that in LaCrosse, WI
I can obtain up to maybe
\$1 million ~~of~~ of house insurance
for my \$100,000 house. If I

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ADD: Robert Wood
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buy that 1 million worth of insurance it does not change the value of my house, nor how much it would cost to rebuild it. So why should I get a \$1 million insurance policy?

I feel that in the case of a nuclear plant, the required amount of insurance coverage should be based on estimated decommissioning cost. Whether insurance coverage is based on estimated decommissioning cost; original plant cost (which would take into account that a utility would be more likely to decommission than try to recommission an older, cheaper plant); or estimated replacement cost, a sound technical basis is needed.

The technical basis should take into account fission product inventory (power rating) and physical size of a plant, since ~~the~~ post-incident cleanup would

be related to both. I do not feel TMI should be used as basis or that the utility should have to pay for government-induced delays or research projects

I do not feel the NRC should begin regulating the insurance companies. Placing extra requirements on the insurers may be enough to drive them out of the nuclear business. It is hard enough for a utility to try to meet all the NRC requirements. I could not see any other industry wanting to get involved in NRC regulation.

I believe it should be each utility's decision as to whether to obtain replacement power insurance. Depending on each utility's load requirements, plant capacities, and system

characteristics, it may be to their advantage or disadvantage to buy replacement power insurance.

I hope you rethink the proposed insurance requirements thoroughly.

Sincerely,
Lynne Gooden