



DOCKETED

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GENE J. MOREL
PRESIDENT RISK MANAGEMENT

'82 SEP -7 P4:45

OFFICE OF SECRETARY
DOCKETING & SERVICE
September 7, 1982

DOCKET NUMBER
PROPOSED RULE PR-50

(4)

(47 FR 27371)

Office of the Secretary of the Commission
United States Nuclear Regulatory Commission
Washington, D.C. 20555

Re: 10 CFR Part 50
Advance Notice of Proposed Rulemaking
Mandatory Property Insurance for Decontamination of
Nuclear Reactors
47 FR 27371 June 24, 1982

Dear Sirs:

Niagara Mohawk Power Corp., one of the nation's major investment-owned utilities, has the largest and most diverse service territory in New York State. A massive electric system extending from Lake Erie to New England's borders, to Canada and Pennsylvania, serves the energy needs of 1,361,000 customers. The Company owns and operates Nine Mile Unit #1, a 610 megawatt nuclear reactor. Nine Mile Unit #2, which is being constructed on the same site, will be a 1,080 megawatt nuclear reactor. Niagara Mohawk, which serves as agent for construction and operation of Unit #2, is 41 percent owner. The other participants are Long Island Lighting Co., 18%; New York State Electric and Gas Corp., 18%; Rochester Gas and Electric Corp., 14%; and Central Hudson Gas & Electric Corp., 9%.

Niagara Mohawk is submitting the following comments with respect to the Commission's questions contained in the advance notice of proposed rulemaking of the Nuclear Regulatory Commission entitled "Mandatory Property Insurance for Deccontamination of Nuclear Reactors".

- What dollar limits of property insurance coverage should the NRC require?

We do not believe that the Nuclear Regulatory Commission should require a specific dollar limit of property insurance, since it could interfere with the growth of additional capacity. We do believe, however, that the Nuclear Regulatory Commission should continue to monitor the growth of nuclear insurance.

- Should there be special provisions for certain types of licenses (for example, those with multiple-reactor sites)?

As stated in the preceding response, we do not believe that a specific dollar limit should be set by the Nuclear Regulatory

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dd: Robert Woods
AR-5037

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Commission. As insurance capacity is increased, there may come a point where a nuclear facility will not need all the insurance coverage available. This will occur first at smaller and older facilities. As maximum insurance levels are raised, other utilities may also determine that they do not need all the increased coverage levels available. As this occurs, the Nuclear Regulatory Commission should not require unnecessary levels of insurance. Criteria for these determinations should be developed as existing exemption requests are evaluated.

- ° Should the NRC become involved with the structure and terms of the insurance offered?

It is our belief that the NRC should not become involved with the structure and terms of the insurance offered because this again could hinder the growth of capacity within the insurance industry. Even if the NRC had such authority, there may be a great reluctance on the part of reinsurers (particularly foreign reinsurers) to participate in the writing of nuclear property insurance.

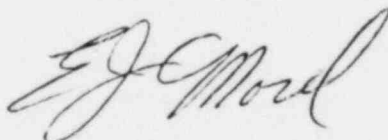
- ° Should the NRC become involved in regulating replacement power insurance programs?

The present structure of providing replacement power insurance coverage seems to be working fine. The present replacement power program has sufficient resources and such limited exposure that the probability of a retroactive assessment is extremely low.

Regulating the replacement power insurance program would not release any significant amount of capacity for the property insurance program. Replacement power insurance is not the same as property insurance nor is the exposure to loss the same. An underwriter might prefer to write replacement power insurance over property insurance because of the time element involved in making disbursements, or the desire to spread risk among several different types of insurance. Some of the underwriters for the replacement power program already are providing reinsurance for property coverage and may be reluctant to commit further capacity to property insurance under any circumstances.

Niagara Mohawk Power Corporation appreciates the opportunity to comment on the questions raised by the Nuclear Regulatory Commission.

Very truly yours,



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DOCKETED
USNRC

DOCKET NUMBER
PROPOSED RULE

PR-50

(47 FR 27371)

SEP -7 P4:28

September 1, 1982

OFFICE OF SECRETARY
DOCKETING & SERVICE
BRANCH

Office of the Secretary of the Commission
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

Dear Secretary:

The Federal Register (Vol. 47, No. 122) published an advance notice of proposed rulemaking in conjunction with the report by Professor J. D. Long (NUREG-8091). Comments were requested from interested parties.

I am an interested party, have extensive risk management experience, a thorough knowledge of nuclear energy and currently listed in the 18th edition of Who's Who in the West. My opinions are my own, and should not be construed as an official position of my employer, Washington Public Power Supply System.

Professor Long states on Page 88 of NUREG-8091:

"Society has a powerful interest in every nuclear utility being able to prevent the harm to society that could be produced through release of radioactive contamination."

As a cooperative effort, both the NRC and the nuclear industry have developed an enviable record in spite of the TMI incident. This record compares very favorably with other potentially dangerous electrical generation activities such as:

1. Fossil fuels with their concomitant acid rain, air pollution and potentially adverse ecological effects of mining and oil exploration.
2. Hydroelectric with the serious potential of dam failure, flooding of lands and destruction of fish and other wildlife.
3. Direct solar conversion with extensive potential for chemical exposures in silicon wafer manufacturing, and ecological disruption due to use of vast acreages for solar farms.

DS10
add: Robert Woods
PR-50.37

It is almost a truism to state that all methods of electrical generation have some negative social, ecological and economic cost. The problem, however, is not unique to the nuclear industry.

While TMI injured no one by radiation, it is true the property damage costs are very high. The key question is, will these costs recur? Professor Long apparently believes they will. He seems to over-react, however, by requiring we all run out and buy every speck of insurance that can be found. On Page 99 of NUREG-8091, he proposed the NRC require "...each nuclear utility purchase and maintain all the decontamination and debris removal insurance that is available...from each principal source on reasonable terms." (Professor Long's emphasis).

Frankly, I cannot believe this makes any sense. For Shippingport with its small size to carry the limits of a twin-generating station of 2500 MWe is just terrible risk management. It boggles my mind!

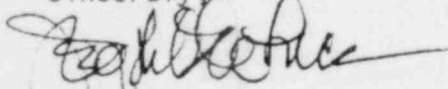
What seems a more reasonable approach is to tailor coverage to need. I propose the NRC require utilities to carry insurance to some objective, quantifiable limit such as the Probable Maximum Loss. Where that limit exceeds current market capacity at reasonable cost, temporary alternatives such as rate pass throughs or government indemnification could be utilized.

Objective, quantifiable limits can be determined reasonably accurately by further studies similar to WASH 1400 by Rasmussen et al. A performance standard could then be developed by the NRC jointly with the industry which directly relates coverages and limits to risk. Cost would thus be minimized and protection maximized to society's benefit.

If such an approach of cost minimization is not taken, nuclear power will become even more expensive relative to "uncontrolled" sources of generation. A stagnant industry could thus become a dead industry.

Yes, Professor Long, society's needs must come first! I want, we all want clean, safe, economical energy--but poor risk management requiring excessive insurance costs can prevent us from obtaining that goal. And without adequate energy, we cannot address those other serious problems we face such as food, population, pollution, education, and industrial productivity.

Sincerely,



Joseph O. DeLuca, Manager
Corporate Insurance

cc: Paul Fry, Executive Vice-President, APPA
Dan Ashburn, Asst. Vice-President, Marsh & McLennan
Burt Broom, President, ANI
Dick Newcomb, Sr. Vice-President, Arkwright-Boston