

May 23, 1976

Mr. Ira Dinitz, Indemnity Specialist
Antitrust and Indemnity Group
Nuclear Reactor Regulation
Nuclear Regulatory Commission
Washington, D. C. 20555

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NORTHERN MICHIGAN
ELECTRIC COOPERATIVE

Dear Mr. Dinitz:

I wish to thank you for your telephone call of April 29, 1976, and the ensuing letter pointing out the changes to the Price Anderson Act of 1957, which were enacted by Public Law 94-197.

We were aware of these changes and the fact that owners of nuclear reactors may be charged retrospective premiums of up to \$5 million in the unlikely occurrence of a nuclear incident. The Administrator of the Rural Electrification Administration is authorized, pursuant to the RE Act, to make loans for such retrospective premiums. Of course, all of our borrowers, to date, would be liable only for percentages of these retrospective premiums since the borrowers usually own less than a full portion of the reactor. The premiums would not be large with respect to the total nuclear plant investment or the annual operating cost of a large nuclear reactor.

In your letter you further asked our opinion as to the likelihood of default on the premiums by one or more utilities. In our judgment, the retrospective premium would be relatively small when compared to the total utility responsibilities of conducting business. I cannot foresee how any utility large enough to be involved in nuclear generation would forfeit payment of its retrospective premiums.

Sincerely,

David H. Askegaard

DAVID H. ASKEGAARD
Deputy Administrator

cc:

Official File-PPB
ADM

Reading-PSMESD
Reading-PPB

Holt
OGC

PSMESD:PPB:JWHolt:mlw:5/26/76
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