

SHAW, PITTMAN, POTTS & TROWBRIDGE

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

2300 N STREET, N.W.
WASHINGTON, D.C. 20037-1128
(202) 663-8000
FACSIMILE
(202) 663-8007

GERALD CHARNOFF, P.C.
(202) 663-8032

July 7, 1997

Mr. Albert W. De Agazio
Project Manager
NRC
OWFN, Room 14 12D
14 C7
Rockville, MD

Re: Great Bay Power Corporation

Dear Mr. De Agazio:

On June 4, 1997, Great Bay Power Corporation filed a "Supplement to Great Bay Power Corporation's Petition for Partial Reconsideration of Exemption Order to Submit Requested Cost Data and to Request, in the Alternative, a Further Exemption." Subsequent to that, on June 16, 1997, Great Bay replied to three staff inquiries in a letter addressed to you.

In its June 4 Supplement, Great Bay reported to you on its efforts to determine the extent to which it could obtain a surety bond or other available decommissioning funding insurance mechanism. In particular, Great Bay advised you of its request to AON Risk Services to develop such a surety bond or an alternative decommissioning funding insurance mechanism. Great Bay provided you with a copy of AON's underwriting specifications which it had issued to the insurance marketplace. Great Bay has now received a status report from AON reporting on its inquiries. A copy of that status report is attached hereto.

At the moment, it still appears that a surety bond is not available for this purpose. It appears that, in the absence of a number of utilities who might require a financial assurance mechanism such as a surety bond, the only insurance mechanism for a single facility would

100010

9707160168 970707
PDR ADOCK 05000443
PDR



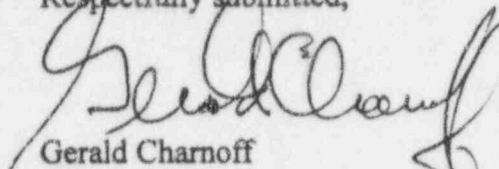
58-443
PDR: per
De Agazio

Mool 1/1

Mr. Albert W. De Agazio
July 7, 1997
Page 2

require the utility to pre-fund the entire obligation. This, of course, would unduly prejudice a single electricity generator in today's competitive marketplace. This provides further support for the exemption requested, as an alternative, in Great Bay's Supplement dated June 4, 1997.

Respectfully submitted,



Gerald Charnoff
Counsel for Great Bay Power Corporation

cc: Dr. Shirley Ann Jackson, Chairman
Office of the Chairman

Nils J. Diaz, Commissioner
Office of the Commissioners

Greta J. Dicus, Commissioner
Office of the Commissioners

Edward McGaffigan, Jr., Commissioner
Office of the Commissioners

Kenneth C. Rogers, Commissioner
Office of the Commissioners

✓ Steven R. Hom, Esq.
NRC Office of General Counsel

Mr. Robert S. Wood
NRC Office of Nuclear Reactor Regulation



July 7, 1997

Gerald Charnoff, Esq.
Shaw, Pittman, Potts & Trowbridge
2300 N Street, N.W.
Washington, D.C.

Dear Gerry:

Re: Availability of Insurance or Surety to Cover
Decommissioning Expenses at Seabrook

This is to confirm that AON, at Great Bay Power Corporation's request, has again had discussions with a number of insurance companies to determine whether a decommissioning "insurance product" can be placed into effect to cover Great Bay's commitments to set aside funds for the eventual decommissioning of Seabrook.

In the Fall of 1996, we did an initial search for possible insurance or surety solutions to this issue and found then that there were no economically feasible alternatives available. The only alternative then that we were able to locate would have required Great Bay to fully fund or collateralize the insurance company or surety in the form of a pre-funding by Great Bay of the total obligation.

This Spring, again at Great Bay's request, we initiated further discussions with insurance companies to determine the availability of such an insurance product. We have had discussions with ten companies. A number of these companies, including Berkshire Hathaway, Reliance, Swiss Re, Centre Re, AIG and Cigna, have expressed willingness to continue discussions with us. To date, we still find that the concept of an actual shift of the decommissioning risk to an insurer is a difficult hurdle for the insurance companies. They are focusing on a finite risk "annuity" type of product based on cash security to be provided by Great Bay up front.

We will continue these discussions, and keep you informed of our progress.

Sincerely,

William LaFrance

cc: Frank Getman