

# **POLICY ISSUE NOTATION VOTE**

September 29, 2004

SECY-04-0176

FOR: The Commissioners

FROM: Luis A. Reyes  
Executive Director for Operations

SUBJECT: EXEMPTION REQUESTS TO REDUCE LIABILITY INSURANCE  
COVERAGE FOR DECOMMISSIONING REACTORS AFTER  
TRANSFER OF ALL SPENT FUEL FROM A SPENT FUEL POOL TO  
DRY CASK STORAGE

PURPOSE:

To obtain Commission approval of the staff's recommendation concerning the level of commercially purchased primary liability insurance coverage that should be maintained for decommissioning reactor sites after transfer of all spent fuel from the spent fuel pool to a dry cask storage independent spent fuel storage installation (ISFSI).

SUMMARY:

This paper recommends the denial of exemption requests to reduce the amount of commercially purchased primary liability insurance coverage required under the Price-Anderson Act (Public Law 85-256, 71 Stat. 576 amending the Atomic Energy Act of 1954 to include Sec.170—hereafter referred to as Price-Anderson) for decommissioning reactors after all spent fuel has been transferred from the spent fuel pool to an onsite dry cask storage ISFSI.

CONTACT: William Huffman, NMSS/DWMEP  
(301) 415-1141

Four decommissioning reactor licensees that have completed transfer of all spent fuel from their spent fuel pools into ISFSIs are requesting reductions to the amount of commercial liability insurance coverage they are required to carry as part of Price-Anderson. Three of the licensees carry liability insurance coverage at a level of \$100 million (as do most other decommissioning reactor licensees). One of the licensees, however, only carries \$44.4 million in primary liability insurance due to its low design power level when originally licensed. All four licensees have requested exemptions, as permitted under Price-Anderson regulations, to reduce their liability insurance coverage to a level of \$25 million. The licensees state that \$25 million in commercial liability insurance is an adequate amount given the reduction in radiological risk associated with moving the spent fuel to dry cask storage. The licensees also state that the requested \$25 million insurance level is consistent with previous Nuclear Regulatory Commission (NRC) staff proposals related to insurance level coverage at decommissioning reactors. However, the licensees provide no technical basis to support the claimed risk reduction achieved in moving the spent fuel from the spent fuel pool to an ISFSI.

This paper describes Price-Anderson requirements as they relate to decommissioning reactor sites and past Commission decisions on the appropriate level of liability insurance coverage for decommissioning reactors, and provides options for proceeding with the current exemption requests under consideration by the staff.

Five options are presented for responding to the exemption requests to reduce the required liability insurance coverage: 1) Maintain the required liability insurance coverage at the current levels and deny the exemption requests (staff's preferred approach); 2) Grant the exemptions at the level requested; 3) Grant exemptions, but at an intermediate coverage level; 4) Obtain broad-based stakeholder input on the issue, and then revisit the issue with the Commission; and 5) Develop a quantitative methodology for assessing financial risk that could be applied to the storage of spent fuel in either a spent fuel pool or an ISFSI.

The primary bases for the staff's preferred approach (Option 1) is that the proposed insurance reduction would result in an reduction in overall insurance coverage for the public, may be insufficient coverage regardless of how the spent fuel is stored onsite, appears to benefit the licensees by transferring liability risk to the Federal Government, and that there is no current technical basis to grant the exemption requests. Other considerations include that the savings achieved because of a reduced insurance coverage level would not be a significant regulatory burden reduction for the licensees, and granting the exemption request could result in a public misunderstanding about the relative safety of an ISFSI versus a spent fuel pool.

#### BACKGROUND:

Price-Anderson has two basic objectives: (1) to ensure that adequate funds are available to satisfy liability claims by members of the public for personal injury and property damage in the event of an accident, and (2) to encourage private participation in commercial nuclear power by providing a system of insurance coverage beyond the limits that private insurers would underwrite.

Price-Anderson was enacted in 1957 to provide a system for the payment of claims by members of the public for offsite personal injury and property damage resulting from a nuclear incident. The scope of Price-Anderson coverage includes any nuclear incident that occurs

during the transportation of nuclear fuel to a reactor site; the storage of nuclear fuel at a reactor site; the operation of reactors, including discharge of radioactive emissions or effluents; the storage of nuclear wastes at reactor sites; and the transportation of radioactive material from reactors. Price-Anderson provides assurance that covered licensees can compensate those harmed or injured. Other coverage provided by Price-Anderson includes costs associated with incident response or precautionary evacuations, as well as the costs of investigating, defending, and settling claims or suits for damages, up to the liability limit. Price-Anderson coverage would compensate for damages up to a specified limit of liability no matter who or what causes the accident (with certain specified exceptions, such as an act of war). The NRC regulations that implement Price-Anderson are found in 10 CFR Part 140.

Price-Anderson requires reactor licensees to obtain commercially available liability insurance as the first layer of financial protection from offsite damage claims. The amount of commercial liability insurance coverage that must be purchased is based on the reactor design power output. For large commercial reactor licensees (reactors designed for producing substantial amounts of electricity and having rated capacities of 100,000 electrical kilowatts or more), Price-Anderson establishes a two-layer insurance system for liability coverage. The first layer requires large commercial reactors to purchase liability insurance equal to the maximum amount of insurance available in the private market (currently \$300 million), and the reactor licensees pay a premium each year for this coverage. A secondary layer of insurance is also established within the Price-Anderson system. In the event a nuclear incident causes damages exceeding the primary coverage, each licensee participating in the secondary coverage would be assessed an equal share of the damages that exceed the primary insurance coverage. This secondary "deferred premium" is currently \$95.8 million per reactor for all reactors currently under the secondary system. With over 100 reactors participating, secondary insurance coverage available is approximately \$9.5 billion.

The Commission has previously recognized that neither Price-Anderson nor NRC regulations address what amount of commercial liability insurance coverage is needed for decommissioning reactors. However, the Commission is authorized by Price-Anderson to establish a lesser amount of liability insurance coverage based on extenuating circumstances such as factors pertaining to the hazard. It is under this authority that the Commission has allowed reductions in Price-Anderson mandated insurance coverage for decommissioning reactors. In SECY-93-127, "Financial Protection Required of Licensees of Large Nuclear Power Plants During Decommissioning," dated May 10, 1993, the staff outlined a policy for reducing Price-Anderson required liability insurance coverage for decommissioning reactors. The discussions in SECY-93-127 centered primarily on the public health and safety risks associated with storing fuel in spent fuel pools. In its Staff Requirements Memorandum dated July 13, 1993, the Commission approved a policy that would permit reductions in commercial liability insurance coverage when a licensee was able to demonstrate that the spent fuel could be air-cooled if the spent fuel pool was drained of water. Upon demonstration of this technical criterion, the Commission policy allows decommissioning licensees to withdraw from participation in the secondary insurance protection layer, and permits reductions in the required amount of commercial liability insurance coverage to \$100 million. All decommissioning reactor sites that meet this technical criterion and were required to have primary insurance levels greater than \$100 million have received exemptions that allow the primary insurance level to be reduced to \$100 million.

Several decommissioning reactor licensees have now reached a stage in the decommissioning process where the policy in SECY-93-127 is no longer directly applicable, because the spent fuel is no longer stored in the spent fuel pool. Four of these licensees (Trojan, Yankee Rowe, Maine Yankee, and Big Rock Point) have submitted exemption requests to further reduce the required minimum primary liability insurance coverage to \$25 million. These licensees are currently required to carry \$100 million in primary liability insurance coverage, except Big Rock Point (BRP) which is required to carry \$44.4 million in primary liability insurance<sup>1</sup>.

In support of the exemption requests, the licensees contend that the reduction is justified based on lower risk following the transfer of all spent fuel from each licensee's spent fuel pool to its respective ISFSI. The licensees state that \$25 million in commercial liability insurance is an adequate amount given the reduction in radiological risk associated with moving the spent fuel to dry cask storage.

Another basis cited by the licensees to support the proposed insurance reduction is that it is consistent with previous NRC staff positions on this matter. Specifically, following the Commission's endorsement of the policy in SECY-93-127, the staff attempted to codify the regulations for decommissioning reactor liability insurance. In SECY-97-186, "Changes to the Financial Protection Requirements for Permanently Shutdown Nuclear Reactors," the staff proposed a rule that would have reduced the minimum required commercial liability insurance at decommissioning reactors where the spent fuel was moved into an ISFSI to \$25 million. Efforts on this rulemaking were suspended based on new concerns related to zirconium fire risks from spent fuel stored in spent fuel pools. In SECY-00-145, "Integrated Rulemaking Plan for Nuclear Power Plant Decommissioning," dated June 28, 2000, the staff proposed a risk-informed approach to certain decommissioning regulatory issues, including insurance requirements. The paper also proposed to reduce the minimum required liability insurance to \$25 million when spent fuel is removed from the pool, but was returned to the staff without a Commission vote to permit completion of a staff technical study on spent fuel pool risk. SECY-01-0100, "Policy Issues Related to Safeguards, Insurance, and Emergency Preparedness Regulations at Decommissioning Nuclear Power Plants Storing Fuel in Spent Fuel Pools," dated June 4, 2001, further addressed decommissioning reactor insurance levels but was withdrawn by the staff because treatment of spent fuel pool vulnerability to radiological sabotage had not been sufficiently considered. Because of the ongoing spent fuel pool risk studies, reassessment of vulnerability to radiological sabotage, and overall reconsideration of NRC safeguards policy as a result of the September 11, 2001 terrorist attacks, the staff is not yet prepared to recommend new generic requirements related to decommissioning reactor liability insurance coverage.

The insurance levels proposed in SECY-97-186 and SECY-00-145 for decommissioning reactor sites with all spent fuel moved to an ISFSI were not based on a quantitative assessment or evaluation of ISFSI risk, but rather, was a qualitative judgement recommended by the staff as a reasonable starting point for public consideration at the beginning of a rulemaking process. Since the proposed decommissioning rulemakings never progressed, there has been no

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<sup>1</sup> Several small power reactors that had design power ratings of less than 100 MWe were required to carry minimum insurance amounts, when originally licensed, that were lower than for large commercial reactors.

validation or endorsement of the proposed insurance levels by either the Commission or the public. The staff also notes that the current exemption requests do not provide an analytical basis or technically supported justification for the requested insurance reduction beyond what was provided in the prior SECY papers.

#### DISCUSSION:

If an accident, incident, event, or other activity at a decommissioning reactor ISFSI resulted in any liability claims under Price-Anderson, the first source of funds would come out of the \$100 million private liability insurance coverage maintained by decommissioning reactor licensees. Should claims exceed \$100 million, the Federal Government would provide any additional indemnification protection funds. Price-Anderson mandates that the Federal Government's indemnification liability risk exposure not exceed \$500 million for each nuclear incident. However, the \$500 million Federal Government indemnification limit is reduced by the amount that the licensee's primary commercial insurance coverage exceeds \$60 million. For most decommissioning reactor sites, the Federal Government's potential liability is \$460 million [\$500 million - (\$100 million - \$60 million)], and total insurance protection to the public is \$560 million [\$100 million commercial primary insurance + \$460 million Federal Government indemnification]. However, since BRP's primary commercial insurance coverage does not currently exceed \$60 million, the Federal Government's potential liability at BRP is \$500 million, and total insurance protection to the public is \$544.4 million.

A reduction in the current required primary liability insurance coverage would result in an increase in the Federal Government indemnification liability. However, overall public insurance protection would not decrease unless the required primary liability insurance coverage was reduced below \$60 million. For example, if the NRC permitted a reduction in primary insurance levels to \$60 million, Federal Government indemnification liability risk exposure would increase to \$500 million, while total coverage would remain at \$560 million. Reducing the required private insurance coverage to \$25 million would also result in Federal Government indemnification liability risk exposure increasing to \$500 million, but total coverage available would decrease to \$525 million. Furthermore, reducing the primary insurance requirements would also increase the potential for Federal Government liability claims for lesser damage because it would accelerate the stage at which the Government would have to pay. For example, if damages were \$40 million and the facility only had private insurance coverage of \$25 million, the Federal Government would be responsible for the remaining \$15 million. In this example, the Federal Government would have no liability if the private insurance coverage was at the currently required level (\$100 Million, or \$44.4 Million for BRP). Therefore, reducing commercial insurance coverage to the \$25 million level requested by licensees would not only reduce overall insurance protection of the public but would also increase the potential liability risk for the Federal Government.

Section 140.8 of 10 CFR states that exemptions may be granted to the requirements of Price-Anderson as implemented under Part 140, provided the exemptions are authorized by law and are otherwise in the public interest. The staff agrees that reducing primary insurance coverage levels is authorized by law. However, the staff does not believe the reduction of primary insurance to \$25 million is in the public interest, considering that this level of insurance increases both the Federal Government's liability risk and reduces overall insurance protection of the public. The licensees' requested insurance reduction is not based on any analysis or

empirical data. The licensees' primary justification for the reduction in insurance coverage is based on prior staff proposals that never received public comment, or approval from the Commission.

The staff notes that the licensees seeking this exemption have not provided any specific information on the premium cost saving by reducing their current primary insurance coverage to the requested \$25 million coverage level. However, based on staff discussions with decommissioning licensee representatives, the annual savings on insurance coverage premium costs in going from \$100 million coverage to \$25 million coverage are estimated to be \$50,000 for the Trojan site, \$75,000 for Yankee Rowe, and \$142,000 at Maine Yankee. Additionally, a discussion with an industry legal representative estimated that, on average, the savings on premium costs in going from \$100 million coverage to \$25 million coverage would be approximately \$75,000 per year. The staff notes that the private insurance industry's credit rating plan for licensees covered under Price-Anderson has provided an average reimbursement to licensees of over 60% of premium costs after 10 years (based on the reimbursement history since 1957). Therefore, the staff estimates that the actual cost differential is less than \$55,000/yr in the worst case and approximately \$30,000/yr on average. For BRP, a licensee representative estimated the savings on premiums for reducing primary liability insurance coverage from the current level of \$44.4 million to \$25 million to be less than \$3000 per year. The staff does not consider the additional premium costs for maintaining the currently required \$100 million (\$44.4 million at BRP) in primary insurance coverage a significant regulatory burden.

Another justification provided by the licensees for reducing primary insurance levels is that the risk from spent fuel stored in a dry cask ISFSI is significantly less than the risk from the same spent fuel stored in a spent fuel pool. Although the staff recognizes that the risks of dry storage and wet storage of spent fuel are different, there is no indication that moving spent fuel from wet storage to dry storage would result in a significant reduction in the overall risk of radiological release. The staff believes that both methods of spent fuel storage are safe. An independent assessment of wet and dry spent fuel storage has been performed by the National Academy of Sciences, and was recently provided to the Commission by the staff. Because the results of the study are classified, they are not be discussed in this paper. There is no compelling reason for the staff to change insurance coverage requirements for such circumstances under an exemption process. Furthermore, the staff believes that public health and safety risk may not be the only appropriate measure for making a determination on an appropriate level of liability insurance. Liability insurance covers financial and legal risks that extend well beyond any radiological damages that may occur from an incident at a particular site. The staff notes that the current primary insurance level of \$100 million for most decommissioning reactors was not based solely on public health and safety risk, but instead was established considering claims resulting from the TMI-2 accident—both actual claims paid and the cost of defending such claims. More than \$70 million has been paid to date for the TMI-2 accident, even though no significant offsite radiological release occurred.

The staff does not have an analytical method or empirical data (other than for TMI-2) for performing a risk assessment in support of reducing insurance levels. Risk assessments, as currently practiced by the NRC, primarily evaluate risk consequences in terms of man-rem exposure and how that value translates to acute death or latent cancers. Financial risk evaluations would need to consider a much broader range of consequences such as property

damage, loss of income, stress, and the legal costs associated with claims and lawsuits. For example, legal defense costs represent the biggest financial risk associated with liability claims against the nuclear industry to date. NUREG/CR-6617 documents historic claims data under Price-Anderson that show the cost of defending against suits versus actual payout for damages to be nearly 2 to 1. The staff believes that the risk of a lawsuit remains the same whether fuel is stored in a spent fuel pool or an ISFSI. Significant staff effort would be necessary to evaluate financial risk and consequences using the NRC's current risk-informed regulatory approach. It would be extremely difficult, if not impossible, for the staff to make a financial risk assessment related to the damages from these subjective factors because of the uncertainties and legal complexities associated with psychological or physical harm. Simply put, the staff believes that regardless of the very low probability of any offsite radiological release from an actual event or incident involving spent fuel stored in an ISFSI, monetary damages could be significant. For instance, if a plane crashed near an ISFSI location or a terrorist attack occurred at or near an ISFSI site, damages resulting from a precautionary or voluntary evacuation of the public - such as costs related to car accidents, missed work income, temporary lodging, stress related health effects, etc., could run into millions of dollars even with no radiological release.<sup>2</sup>

In support of the licensees' request, the staff notes that ISFSI regulations in 10 CFR Part 72 do not require any insurance or financial liability protection for ISFSIs. The staff acknowledges that there is little technical difference between a generally-licensed ISFSI at a decommissioning reactor under the requirements of Part 50 and a stand-alone, specifically-licensed ISFSI under the requirements of Part 72. The staff notes that the Commission is allowed discretion in applying the provisions of Price-Anderson to non-reactor licensees. In addition to Part 72 licensees, the Commission does not require liability insurance coverage for 10 CFR Part 30 or Part 40 licensees, nor do licensees under these parts receive any Government indemnification or limitation on liability.

The fact that Part 72 does not require liability insurance or Government indemnification should not be construed to imply that once decommissioning reactors have stored all their fuel in an ISFSI, there is no longer any regulatory requirement to maintain Price-Anderson insurance coverage. Although ISFSIs are regulated under Part 72, most ISFSIs are directly associated with Part 50 licensees. By virtue of the Part 50 license, every decommissioning reactor must carry some level of commercial liability insurance under Price-Anderson until all radioactive material has been removed from the site. Each of the licensees requesting an exemption holds a Part 50 license.

ISFSIs not directly associated with a reactor licensee are not indemnified under Price-Anderson and have no legislated insurance obligation. However, the only two facilities of this type [GE Morris - currently licensed, and Private Fuel Storage (PFS) - applicant] have elected to carry private insurance coverage well in excess of the exemption requests under consideration in this paper. Specifically, GE Morris has \$200 million in commercial liability insurance coverage, and PFS has committed to obtain (if licensed) the maximum amount of liability insurance available from the nuclear industry's private insurance source (currently \$300 million).

The business practices of GE Morris and PFS regarding liability insurance coverage exemplify how financial risk associated with an ISFSI might be more appropriately determined by the

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<sup>2</sup> A licensee may be liable for damages from a terrorist attack up to the sum of the licensee's primary and secondary coverage limits provided the event is not determined to be an act of war. The staff is currently evaluating potential consequences of various attacks on spent fuel dry storage technologies as part of the ongoing vulnerability assessment work.

financial community rather than the NRC. The NRC has currently established (via the exemption process) a level of \$100 million as the minimum amount of private insurance that should be required by most decommissioning reactors—regardless of whether spent fuel is stored on site in an ISFSI or a spent fuel pool (with the exception of BRP and several other small power reactor sites that are in decommissioning, but were originally licensed with primary insurance levels less than \$100 million). If a licensee believes its specific risk situation is reduced when spent fuel storage is transferred from the spent fuel pool to the ISFSI, it should be able to obtain reduced premium charges from the private industry insurers. This is analogous to car insurance where the State Government insurance regulators set minimum insurance coverage levels. The premiums paid by any given individual are set by the insurance company based on perceived risk. Premium reductions due to changes in circumstances are negotiated with the insurance companies rather than requesting exemptions from the insurance regulators to reduce car insurance coverage minimums.

Finally, the staff believes that reducing the private insurance coverage requirements might inadvertently send a message to the public that dry cask storage of spent fuel in an ISFSI is significantly safer than storage of spent fuel in spent fuel pools. The current staff consensus is that both methods of spent fuel storage are safe and provide adequate protection to public health and safety. Taking a position that implies dry cask storage has significantly less risk than spent fuel pool storage may have unintended policy implications for spent fuel storage at operating reactors.

#### OPTIONS:

The staff developed several options for consideration by the Commission concerning an appropriate minimum level of commercially available liability insurance coverage for decommissioning reactor licensees that have transferred all the spent fuel from the spent fuel pool to a dry cask storage system in an onsite ISFSI:

- (1) Maintain commercial liability insurance coverage at the current levels for decommissioning reactors after transfer of all spent fuel into an ISFSI and deny the exemption requests to reduce the coverage.

#### Pros:

- (a) Maintaining commercial liability insurance coverage at the current level will likely avoid any financial burden on the Federal Government even under the most unlikely of scenarios.
- (b) Maintaining the current level of insurance will enhance public confidence by not benefitting the licensee at potential expense of the public.
- (c) The estimated cost savings in insurance premiums that might be obtained by reducing the current \$100 million liability insurance coverage carried by most decommissioning reactors (\$44.4 million for BRP) to a proposed level of \$25 million does not appear to be significant (after insurance industry rebates).
- (d) Leaving the insurance level unchanged could still allow licensees to save on insurance costs based on the private insurance industry's determination of the appropriate premium reductions warranted for ISFSI spent fuel storage.



- (e) The current level of primary liability insurance maintained by decommissioning reactors does not appear to be excessive based on greater commercial insurance coverage levels at stand-alone ISFSI licensees (GE Morris and PFS).
- (f) The staff has no technical basis for reducing the level of insurance.
- (g) Maintaining the current level of insurance is consistent with the staff's position that storage of spent fuel in either a spent fuel pool or a dry cask storage ISFSI provides adequate protection of public health and safety.

Cons:

- (a) The licensees feel they are paying for higher levels of insurance coverage than is warranted by the risk.
  - (b) Because the regulations in 10 CFR Part 72 do not require any liability insurance coverage for ISFSIs, denying the exemption requests might be perceived as overly burdensome.
- (2) Grant the requested exemptions to permit reductions in private primary liability insurance coverage to \$25 million.

Pros:

- (a) The proposed reduction will save most decommissioning reactor licensees an estimated \$30/yr on average (up to 55K/yr in one case) after rebates on liability insurance premium costs.

Cons:

- (a) The proposed reduction decreases the total level of insurance available to protect the public by \$35 million for most decommissioning reactors (\$19.4 million for BRP).
  - (b) The proposed reduction increases the financial exposure risk of the Federal Government.
  - (c) The proposed reduction gives the appearance of benefitting licensees at the potential expense of the public.
  - (d) The proposed reduction establishes a minimum insurance level without any quantitative or empirical basis.
  - (e) The proposed reduction could send a message to the public that the NRC considers ISFSI storage inherently safer than spent fuel storage. Such a message might have unintended policy implications for spent fuel storage at operating reactors.
- (3) Consider granting an exemption for some intermediate insurance level between the current \$100 million level and the licensee-requested \$25 million level using qualitative justifications.

Pros:

- (a) Same as Option 2 except the premium savings to the licensee would likely be less.

Cons:

- (a) The staff has no basis for reducing current insurance levels for decommissioning reactors as a result of transferring fuel from the spent fuel pool to an ISFSI.
  - (b) The proposed reduction would decrease the total level of insurance available to protect the public by an amount equal to the difference in required coverage and \$60 million.
  - (c) Similar to Option 2 Cons.
- (4) Conduct meetings and/or workshops, as appropriate, with nuclear industry representatives and public stakeholders to discuss liability insurance levels. Revisit this issue with the Commission after having obtained a broad-based stakeholder perspective on the issue.

Pros:

- (a) Meetings would provide an open forum and maximum opportunity for licensees, industry, and public stakeholder input into this policy issue.

Cons:

- (a) Conducting stakeholder meetings along with the associated preparations would likely be expensive in terms of staff time and effort, considering the minor potential cost benefits to the affected licensees.
  - (b) There would be no assurance that the policy issue could be resolved even if extensive meetings and workshops were conducted.
- (5) Develop a quantitative methodology for assessing financial risk (evaluating such factors as property damage, loss of use, loss of work, legal defense, etc.) that could be used to determine the relative potential financial liabilities related to spent fuel storage in either spent fuel pools or ISFSIs.

Pros:

- (a) A financial risk methodology could be broadly applied in the agency's risk-informed regulatory approach to more realistically establish the financial consequences related to actual or potential radiological releases.

Cons:

- (a) Development of a financial risk methodology would be very expensive in terms of staff time and effort, considering the minor potential cost benefits to the affected licensees.
- (b) There are no other obvious demands within the industry or NRC to develop such a capability for determining financial risk.
- (c) There would be no assurance that the policy issue could be resolved even if such an approach were taken.
- (d) Development of such a methodology could be problematic, as assigning risks to the likelihood of insurance claims for events not involving radiological releases seems highly speculative and beyond the staff's current expertise.

RESOURCES:

The resource implications of the above options are summarized below. Any resources needed in support of the Commission's policy decision have not been previously identified in the FY 2005 - FY 2006 budget requests and would be identified by re-prioritizing work using the Planning, Budgeting, and Performance Measurement (PBPM) process.

- Option 1: No significant additional resource implications.
- Option 2: Minor additional resources related to the processing of three current exemption requests plus several future requests (less than five additional requests in the next couple of years) estimated at 0.2 FTE in FY 2005 and 0.3 FTE in FY 2006.
- Option 3: Developing a qualitative rationale for an intermediate insurance level would likely involve significant management interactions and development of a follow-up policy SECY. In addition, the staff would need to process the exemptions as in Option 2. Resources are estimated at 0.8 FTE in FY 2005 and 0.7 FTE in FY 2006.
- Option 4: Conducting a series of workshops and meetings with stakeholders is estimated at 1 FTE. A follow-up policy SECY factoring in the findings is estimated at 0.3 FTE. Implementing any resulting Commission instructions is unknown but estimated to be at least 0.5 FTE. Total effort for this option would be at least 1.3 FTE in FY 2005 and 0.5 FTE in FY 2006.
- Option 5: Developing a new financial risk assessment methodology would be a major initiative that would necessitate significant resources in terms of both staffing and contracts extending over several years. No realistic resource estimate would be meaningful at this time. For comparison purposes, it can be stated with reasonable assurance that this option would require significantly more FTE and contract resources than any other option.

RECOMMENDATION:

The staff recommends the Commission endorse policy Option 1. The staff has reconsidered its proposals in previous SECY papers related to decommissioning insurance coverage once all spent fuel has been transferred out of the spent fuel pool and stored in an ISFSI. The staff now recommends that the level of commercial primary liability insurance coverage for decommissioning reactors not be changed based on the transfer of all spent fuel from the spent fuel pool to an ISFSI. Upon the Commission's approval of this option, the staff will deny the requested exemptions to reduce the liability insurance coverage levels below currently authorized levels for the subject licensees of this paper (Trojan, Yankee Rowe, Maine Yankee, and Big Rock Point). The staff also will extend this policy to any future decommissioning reactor requests for reductions in liability insurance coverage below the currently authorized level upon the transfer of spent fuel from the spent fuel pool to an ISFSI.

COORDINATION:

The Office of the General Counsel has reviewed this paper and has no legal objection. The Office of the Chief Financial Officer has reviewed this paper for resource implications and has no objections.

***/RA Martin J. Virgilio Acting For/***

Luis A. Reyes  
Executive Director  
for Operations

COORDINATION:

The Office of the General Counsel has reviewed this paper and has no legal objection. The Office of the Chief Financial Officer has reviewed this paper for resource implications and has no objections.

**/RA Martin J. Virgilio Acting For/**

Luis A. Reyes  
Executive Director  
for Operations

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\*See Previous Concurrence

<b>OFC</b>	DWMEP		DWMEP		DWMEP		DWMEP		TechEd	
<b>NAME</b>	WHuffman*		CBurkhalter*		CCraig*		DGillen*		PKleene*	
<b>DATE</b>	07/07/04		03/26/04		04/01/04		04/27/04		04/15/04	
<b>OFC</b>	DWMEP		SFPO		NRR		NSIR		RES	
<b>NAME</b>	JGreeves*		JMonninger*		BThomas*		JShea*		JCraig*	
<b>DATE</b>	5/10/04		06/09/04		06/09/04		07/01/04		06/14/04	
<b>OFC</b>	CFO		OGC		NMSS		DEDMRS		EDO	
<b>NAME</b>	Rhesselink*		Trothschild- NLO*		JStrosnider*		MVirgilio		LAReyes	
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