



Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402

CNL-15-176

August 26, 2015

10 CFR § 50.54(w)  
10 CFR Part 140

U.S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
Washington, D.C. 20555-0001

Watts Bar Nuclear Plant, Unit 2  
Construction Permit No. CPPR-92  
NRC Docket No. 50-391

Subject: **WATTS BAR NUCLEAR PLANT UNIT 2 - FINANCIAL PROTECTION  
REQUIREMENTS AND INDEMNITY AGREEMENTS - INSURANCE  
STATUS**

Reference: NUREG-0847, Supplement 22, "Safety Evaluation Report Related to the  
Operation of Watts Bar Nuclear Plant, Unit 2," dated February 2011

The purpose of this letter is to provide a summary and status of the financial qualifications and indemnity agreements for Watts Bar Nuclear Plant (WBN) Unit 2 to facilitate closure of Supplemental Safety Evaluation Report (SSER) 22 Open Item 25 (Reference). The enclosure to this letter summarizes the Tennessee Valley Authority's (TVA's) compliance with 10 CFR §§ 50.54(w), 140.11, 140.15, and 140.21 for WBN Unit 2.

There are no new regulatory commitments contained in this submittal. Please contact Gordon Arent at 423-365-2004 if there are questions regarding this submittal.

I declare under penalty of perjury that the foregoing is true and correct. Executed on the 26<sup>th</sup> day of August 2015.

Respectfully,

**J. W. Shea**  
Digitally signed by J. W. Shea  
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J. W. Shea  
Vice President, Nuclear Licensing

Enclosure

cc: See Page 2

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Enclosure: Summary of Financial Protection and Indemnity Agreements

cc (Enclosure):

NRC Regional Administrator – Region II  
NRC Senior Resident Inspector – Watts Bar Nuclear Plant, Unit 2  
NRC Project Manager – Watts Bar Nuclear Plant, Unit 2

**ENCLOSURE**  
**Watts Bar Nuclear Plant Unit 2**

**Summary of Financial Protection and Indemnity Agreements**

The Nuclear Regulatory Commission (NRC) reviewed financial protection and indemnity requirements for Watts Bar Nuclear Plant (WBN) Unit 2 in NUREG-0847, Supplement 22, "Safety Evaluation Report Related to the Operation of Watts Bar Nuclear Plant, Unit 2" (SSER 22) (Reference 1). Open Item 25 was documented in SSER 22 as described below.

Before the issuance of an operating license under Title 10 of the Code of *Federal Regulations* (10 CFR) Part 50, "Domestic Licensing of Production and Utilization Facilities," the Tennessee Valley Authority (TVA) is required to provide satisfactory documentation that it has obtained the financial protection required by 10 CFR 140.11(a)(4), and not less than the amount required by 10 CFR 50.54(w) with respect to insurance from private sources or an equivalent amount of protection covering the licensee's obligation. This is Open Item 25 (Appendix HH) until TVA provides the necessary documentation and the U.S. Nuclear Regulatory Commission staff has reviewed and approved it.

On August 17, 2015, NRC staff from the Financial Analysis and International Projects Branch held a telephone call with Tennessee Valley Authority (TVA) WBN Licensing personnel during which the staff stated that TVA needed to demonstrate compliance with regulations associated with financial protection and indemnity agreements: 10 CFR §§ 50.54(w), 140.11(a)(4), 140.15, and 140.21.

In response to SSER Appendix HH Open Item 25 and the request from the NRC in the August 17, 2015 telephone conversation, TVA is providing the following information.

The Tennessee Valley Authority is a wholly owned corporate agency and instrumentality of the United States of America established pursuant to the Tennessee Valley Authority Act of 1933, as amended. As an agency of the United States Government, TVA is administered by a board of nine members appointed by the President of the United States with the advice and consent of the United States Senate. TVA is self-regulated and the TVA Act gives the TVA Board of Directors the sole responsibility for establishing the rates that TVA charges for electric power. These rates are not subject to review or approval by any State or Federal regulatory body.

As required by 10 CFR § 140.21(e), TVA provides an annual report establishing the guarantee of payment of deferred premiums (Reference 2 provides an example). As denoted in these letters, TVA's Form 10-K Annual Reports are filed pursuant to the Securities Exchange Act of 1934 and the current Form 10-K report is publicly available on the internet at either of the websites provided below.

[www.tva.gov](http://www.tva.gov) or [www.sec.gov](http://www.sec.gov)

The general financial qualifications of TVA were reviewed by the NRC and the results of the review were documented in SSER 22 Section 21.1, "Tennessee Valley Authority Financial Qualifications for Watts Bar Nuclear Plant Unit 2." The annual financial reports required by 10 CFR § 140.21(e) for the three TVA nuclear sites are made in a single report. Reporting for WBN Unit 2 is not required prior to the issuance of the Operating License.

**ENCLOSURE**  
**Watts Bar Nuclear Plant Unit 2**

**Summary of Financial Protection and Indemnity Agreements**

On April 29, 2010, TVA submitted a letter to the NRC, "Watts Bar Nuclear Plant (WBN) Unit 2 - Financial Protection Requirements and Indemnity Agreements - Insurance Status" (Reference 3). This letter provided a copy of the certificate of insurance coverage issued by the American Nuclear Insurers showing the amount of financial coverage carried by TVA pursuant to 10 CFR § 140.13.

On January 24, 2013, TVA submitted a letter to the NRC, "Watts Bar Nuclear Plant Unit 2 - Documentation of Liability Insurance Coverage Requested Per Supplemental Safety Evaluation Report (SSER) Open Item 25" (Reference 4). The letter was submitted to show the completion of TVA actions required to close SSER Open Item 25. The letter provided the Certificate of Insurance for Watts Bar Nuclear Plant Unit 2 documenting that TVA had obtained the maximum secondary liability insurance coverage required pursuant to 10 CFR § 140.11(a)(4) which is also equal to or greater than the amount required by 10 CFR § 50.54(w). The certificate had been provided to the NRC by letter from Marsh & McLennan Companies on October 3, 2011. Marsh & McLennan's letter stated that the certified copy of the Bond for Payment of Retrospective Premiums for Watts Bar Unit 2 in accordance with 10 CFR §140.15 was enclosed. Their letter further stated that the certificate would become effective on the effective date of the NRC Facility Operating License for WBN Unit 2.

Reference 5 provides an example of the annual insurance status report that TVA submits to the NRC as required by 10 CFR §50.54(w)(3). Similar to the annual financial report submitted by TVA, this report is submitted for all three of TVA's nuclear sites. Watts Bar Nuclear Plant Unit 2 is not listed in the reports that have been submitted to date since it has not received an Operating License.

The information that TVA has provided and summarized above establishes that TVA has obtained the requisite financial protection and indemnity agreements required by 10 CFR §§ 50.54(w), 140.11(a)(4), and 140.13. TVA has provided a copy of the Bond for Payment of Retrospective Premiums for Watts Bar Unit 2 in accordance with 10 CFR § 140.15. Finally, TVA provides an annual financial qualification report pursuant to the requirements of 10 CFR § 140.21(e).

**References:**

1. NUREG-0847, Supplement 22, "Safety Evaluation Report Related to the Operation of Watts Bar Nuclear Plant, Unit 2," dated February 2011
2. TVA Letter to NRC, "Guarantee of Payment of Deferred Premiums - 2014 Annual Report," dated April 3, 2015 [ML15097A469]
3. TVA Letter to NRC, "Watts Bar Nuclear Plant (WBN) Unit 2 - Financial Protection Requirements and Indemnity Agreements - Insurance Status," dated April 29, 2010 [ML101250300]
4. TVA Letter to NRC, "Watts Bar Nuclear Plant Unit 2 - Documentation of Liability Insurance Coverage Requested Per Supplemental Safety Evaluation Report (SSER) Open Item 25," dated January 24, 2013 [ML13030A032]
5. TVA Letter to NRC, "Browns Ferry, Units 1, 2, & 3, Sequoyah, Units 1 & 2, and Watts Bar, Unit 1, Annual Insurance Status Report," dated April 1, 2015 [ML15238A829]