



South Texas Project Electric Generating Station P.O. Box 289 Wadsworth, Texas 77483

Enclosure 1, Attachment 2 and Attachment 3 contain Security Sensitive Information and should be withheld from public disclosure in accordance with 10 CFR 2.390(d)(1).

May 25, 2016
NOC-AE-16003377
File No.: G02
10 CFR 50.54(w)(3)

Attention: Document Control Desk
U. S. Nuclear Regulatory Commission
Washington, DC 20555-0001

South Texas Project
Units 1 and 2
Docket Nos. STN 50-498, STN 50-499
Nuclear Insurance Protection

Pursuant to the requirements of 10 CFR 50.54(w)(3), STP Nuclear Operating Company submits the attached Nuclear Electric Insurance Limited (NEIL) property insurance policies.

There are no commitments in this letter.

If there are any questions, please contact either Karen Adkins at (361) 972-8698 or Cheryl Glover at (361) 972-7148.

A handwritten signature in black ink that reads "Dan Clark". The signature is written in a cursive, flowing style.

Dan Clark
Manager, Finance

MK

Enclosures: 1. P16-075 – Primary Property and Decontamination Liability Insurance Policy (Enclosure 1, Attachments 2 and 3 are Not for Public Disclosure)
2. BX16-007 – Blanket Excess, Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy

MOOI
NRR

STI: 34316833

cc:
(paper copy)

Regional Administrator, Region IV
U.S. Nuclear Regulatory Commission
1600 East Lamar Boulevard
Arlington, TX 76011-4511

Lisa M. Regner
Senior Project Manager
U.S. Nuclear Regulatory Commission
One White Flint North (O8H04)
11555 Rockville Pike
Rockville, MD 20852

NRC Resident Inspector
U. S. Nuclear Regulatory Commission
P. O. Box 289, Mail Code: MN116
Wadsworth, TX 77483

(electronic copy)

Morgan, Lewis & Bockius LLP
Steve Frantz, Esquire

U.S. Nuclear Regulatory Commission
Lisa M. Regner

NRG South Texas LP
Chris O'Hara
Jim von Suskil
Skip Zahn

CPS Energy
Kevin Pollo
Cris Eugster
L. D. Blaylock

Crain Caton & James, P.C.
Peter Nemeth

City of Austin
Elaina Ball
John Wester

Texas Dept. of State Health Services
Helen Watkins
Robert Free

Enclosure 2

**BX16-007 – Blanket Excess, Decontamination Liability,
Decommissioning Liability and Excess
Property Insurance Policy**

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

**BLANKET EXCESS,
DECONTAMINATION LIABILITY,
DECOMMISSIONING LIABILITY
AND EXCESS PROPERTY INSURANCE POLICY**

Declarations attached to and made a part of Policy No. BX16-007

MemberInsured	<u>Pacific Gas and Electric Company</u>
MemberAddress	<u>P.O. Box 770000</u>
	<u>San Francisco, California 94177</u>

Primary Policy No. P16-027 100.00%

Insured	<u>STP Nuclear Operating Company</u>
Address	<u>P.O. Box 289</u>
	<u>Wadsworth, Texas 77483</u>

Primary Policy No. P16-075 100.00%

Item 2. Insurer: Nuclear Electric Insurance Limited

Mailing Address: 1201 N. Market Street, Suite 1100, Wilmington,
Delaware19801

Item 3. A. Policy Period:

From	<u>April 1, 2016</u>	To	<u>April 1, 2017</u>
	(Date)		(Date)

B. Policy Year:

From	<u>April 1, 2016</u>	To	<u>April 1, 2017</u>
	(Date)		(Date)

All dates used to determine the Policy Period, Policy Year, or used as the effective date of any endorsement have as their effective time 12:01 a.m. Standard Time in Hamilton, Bermuda.

Item 4. Premium Payments required from each Member Insured:

	Premium Amount
Diablo Canyon	<u>\$701,986</u>
South Texas Project	<u>\$659,867</u>
Total Premium Payable	<u>\$1,361,853</u>

Item 5. A. Multiple: 10
B. Maximum Retrospective Premium Adjustment for each Member Insured:

Diablo Canyon	<u>\$7,019,860</u>
South Texas Project	<u>\$6,598,670</u>
Total Retrospective Premium Adjustment	<u>\$13,618,530</u>

Item 6. A. Except as provided in Item 6.B, the Insurer's maximum Limit of Liability resulting from any one Accident will not exceed \$0.

B. The Insurer's maximum Limit of Liability resulting from any one Accident that involves coverage under paragraph I.1(a), subsection I.2 or Section II will not exceed \$1,250,000,000; provided, however, that not more than \$0 of such Limit of Liability may be used for losses that are covered under Policy provisions other than paragraph I.1(a), subsection I.2 or Section II.

Item 7. Description and location of property covered (if self insured):
Identical to Item 7 of the Declarations of each of the Primary Policies identified under Item 1 of the Declarations of this Policy.

Item 8. The Insurer shall be furnished with copies of all Underlying Insurance Policies and all endorsements thereto within thirty days of the receipt thereof by the Member Insured.

Item 9. Insureds:
Identical to Item 9 of the Declarations of each of the Primary Policies identified under Item 1 of the Declarations of this Policy.

Item 10. Loss Payee Clause

Identical to Item 10 of the Declarations of each of the Primary Policies identified under Item 1 of the Declarations of this Policy, with the following changes:
In Item 10.A, the reference to "Section I.A.2" is replaced with "Section I.1(a)".
In Item 10.B and 10.C, the reference to "Section I.G" is replaced with "Section I".

Item 11. Service of Process to Insured (see Section V.9(e)):

Identical to Item 11 of the Declarations of each of the Primary Policies identified under Item 1 of the Declarations of this Policy.

NUCLEAR ELECTRIC INSURANCE LIMITED

**BLANKET EXCESS
DECONTAMINATION LIABILITY, DECOMMISSIONING LIABILITY AND
EXCESS PROPERTY INSURANCE POLICY**

TABLE OF CONTENTS

INSURING AGREEMENT.....	1
I. DECONTAMINATION LIABILITY AND EXCESS PROPERTY COVERAGE	2
II. DECOMMISSIONING LIABILITY COVERAGE.....	5
III. EXCLUSIONS	6
A. WAR RISK	6
B. OTHER.....	6
IV. PREMIUM	7
V. CONDITIONS.....	7
1. Abandonment.....	7
2. Aggregate Limit of Liability and Reduction of Policy Amount by Loss	7
3. Application Form	7
4. Appraisal	7
5. Assignment	8
6. Choice of Law.....	8
7. Concealment, Fraud	8
8. Currency.....	9
9. Dispute Resolution.....	9
10. Errors and Omissions	13
11. Headings	13
12. Evaluations and Compliance with Loss Control Standards.....	13
13. Loss Payments	15
14. Notifications.....	16
15. Other Insurance.....	17
16. Requirements in Case of Accidental Property Damage.....	18
17. State Premium Tax.....	20
18. Subrogation	20
19. Suit.....	21
20. Term and Cancellation	21

21. Valuations	22
22. When Loss Payable.....	22
VI. RETROSPECTIVE PREMIUM ADJUSTMENT	23
VII. MEMBERSHIP	26
VIII. DEFINITIONS	27
1. "Accident"	27
2. "Accidental"	27
3. "Accidental Property Damage"	27
4. "Act"	27
5. "Actual Cash Value"	27
6. "Amount of Decommissioning Liability Coverage"	27
7. "Attachment Point"	27
8. "Debris Removal and Decontamination Coverage"	27
9. "Declarations"	27
10. "Decommissioning Target Amount"	28
11. "Decommissioning Target Document"	28
12. "Decommissioning Trust Fund"	28
13. "Delinquent Member"	28
14. "Deposit Premium"	28
15. "FERC"	28
16. "Functional Age"	28
17. "Functional Total Loss Coverage"	28
18. "Functional Value"	28
19. "Generation Replacement Value"	28
20. "INPO"	29
21. "Insured Property"	29
22. "Insureds"	29
23. "Insurer"	29
24. "Loss"	29
25. "Loss Control Standards"	29
26. "Member Insurance Program"	29
27. "Member Insureds"	29
28. "Member Insureds of the Insurer"	29
29. "Multiple"	29
30. "NRC"	29
31. "Nuclear Liability Coverage"	29
32. "Operator"	30
33. "Other Insurance Policy"	30
34. "Other Member Insurance Policy"	30
35. "Person"	30
36. "Policy"	30
37. "Policy Year"	30

38. "Premium"	30
39. "Primary Policy"	30
40. "Property Damage"	30
41. "Property Damage Coverage"	30
42. "Replacement Cost"	30
43. "Resolution Plan"	31
44. "Retrospective Premium Adjustment"	31
45. "Settlement Date"	31
46. "SHALL Requirement"	31
47. "Shortfall"	31
48. "Specified Nuclear Liability Amount"	31
49. "Underlying Insurance Policy"	31

Policy No. BX16-007

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

**BLANKET EXCESS DECONTAMINATION LIABILITY, DECOMMISSIONING
LIABILITY AND EXCESS PROPERTY INSURANCE POLICY**

This is a blanket excess policy. There is no reinstatement of the Blanket Limit after a loss. The blanket limit amount set forth in Item 6 of the Declarations is shared among the Member Insureds identified in Item 1 of the Declarations.

This Blanket Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy is made by and among the undersigned Member Insureds and Nuclear Electric Insurance Limited, a Bermuda mutual company with limited liability.

The Insurer is only licensed in Bermuda and Delaware and the Insureds will not be protected by the guaranty funds of any U.S. jurisdiction.

The Member Insured will be required to execute the Policy in Delaware. The Policy will become effective only upon the acceptance of the delivery of the Policy by the Member Insured at the Insurer's office in Delaware.

INSURING AGREEMENT

In consideration of the premium paid, and subject to the terms and conditions of this Policy and any endorsements added hereto, the Insurer agrees to pay the Member Insureds an amount up to the Blanket Limit Amount for certain expenses and costs resulting from Accidental Property Damage.

IN WITNESS WHEREOF, the parties hereto have caused this Endorsement to be executed and attested on their behalf.

Wilmington, Delaware

Date: As of April 1, 2016

Attest: 

INSURER:

Nuclear Electric Insurance Limited

By: 

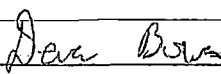
Bruce A. Sassi, President

INSURED:

Pacific Gas and Electric Company

By: 

Date: As of April 1, 2016

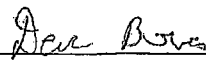
Witness: 

INSURED:

STP Nuclear Operating Company

By: 

Date: As of April 1, 2016

Witness: 

I. DECONTAMINATION LIABILITY AND EXCESS PROPERTY COVERAGE

1. The Insurer agrees to indemnify the Insureds and their legal representatives.
 - (a) for all expenses necessarily incurred by the Insureds in discharging their legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act, provided such expenses would otherwise be covered under paragraphs I.1(b) or I.1(c) hereof, but for this paragraph I.1(a);
 - (b) for all expenses necessarily incurred by the Insureds to remove debris of and to decontaminate the Insured Property following Accidental Property Damage; and
 - (c) for all other losses covered under the Underlying Insurance Policy;
-

which, except with respect to Functional Total Loss Coverage, and as provided in subsection I.7 hereof, would be covered by such Underlying Insurance Policy if the limit of the Underlying Insurance Policy thereunder were not exhausted, but only to the extent that the amount of Accidental Property Damage exceeds the Attachment Point.

2.
 - (a) In the event of Accidental Property Damage which (i) exceeds the Attachment Point and includes as part of the loss at least \$100,000,000 of Nuclear Liability Coverage; (ii) is covered under paragraphs I.1 of the Policy or would be covered under that paragraph but for the availability of insurance under the Underlying Insurance Policies; and (iii) results in permanent cessation of nuclear operations at a Unit, the Insurer agrees to indemnify the Insureds and their legal representatives for the Functional Value of the Unit following Accidental Property Damage.
 - (b) If the Member Insured elects to receive the Functional Value of the Unit the Member will not be entitled to receive any additional recovery under the Property Damage Coverage of the Policy.
 - (c) In the event that the Unit returns to commercial nuclear operation, the Insureds shall repay to the Insurer the entire amount paid pursuant to paragraph I.2(a), together with interest thereon, calculated quarterly at the 90-day United States Treasury Bill interest rate in effect on the first business day of each calendar quarter.
3. The Insureds' recovery under the Nuclear Liability Coverage or the Debris Removal and Decontamination Coverage shall not be decreased because the Actual Cash Value (or, if applicable, the Replacement Cost) of the Insured Property is less than the Insurer's limit of liability.

4. (a) Except as provided in paragraph I.4(b) below, the amount of insurance available for payment to the Insureds with respect to Losses under the Debris Removal and Decontamination Coverage, the Property Damage Coverage, or the Functional Total Loss Coverage prior to the completion of indemnification under the Nuclear Liability Coverage shall be calculated by subtracting the Specified Nuclear Liability Amount from the Amount specified in Item 6 of the Declarations, as such amount may be reduced pursuant to the terms of this Policy.
- (b) At the request of the Insureds, the amount calculated in accordance with paragraph I.4(a) above may be increased to include an amount equal to all or part of the Specified Nuclear Liability Amount, but only to the extent of amounts for which the Member Insured attests that:
- (i) the Insureds are entitled to claim under other valid and collectible insurance covering the same expenses covered by the Nuclear Liability Coverage;
 - (ii) the Insureds will claim under such other insurance and use such proceeds to discharge the Insureds' legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act; and
 - (iii) the payment or use of all or part of the Specified Nuclear Liability Amount for Losses under the Debris Removal and Decontamination Coverage, the Property Damage Coverage, and/or the Functional Total Loss Coverage does not violate any regulation or order of the NRC.
5. (a) The Insurer shall be liable hereunder, whether or not an Underlying Insurance Policy provides coverage for Accidental Property Damage caused by:
- (i) Windstorm, tornado or hurricane;
 - (ii) Flood, including flood caused by or resulting from hurricane, tornado or windstorm; surface water, waves, tidal water, or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not, and release of water impounded by a dam at any location specified in the Underlying Insurance Policies (each of which is deemed a "Flood"); and
 - (iii) Earthquake, volcanic eruption, landslide, subsidence or sinking of land or other earth movement, settlement or other movement of foundations, at any locations specified in the Underlying Insurance Policies.

- (b) Accidental Property Damage by windstorm, tornado or hurricane, flood, or earthquake or volcanic eruption shall constitute a single claim hereunder; provided, that
- (i) if more than one windstorm, tornado or hurricane should occur within any period of ninety-six hours commencing during the term of this Policy, and such windstorms, tornados or hurricanes have a common origin or are caused by a single Accident, then such windstorms, tornados or hurricanes shall be deemed to be a single windstorm, tornado or hurricane within the meaning hereof;
 - (ii) if more than one Flood should occur within any period of ninety-six hours commencing during the term of this Policy and such Floods have a common origin or are caused by a single Accident, then such Floods shall be deemed to be a single Flood within the meaning hereof; and
 - (iii) if more than one earthquake shock or volcanic eruption shall occur within any period of ninety-six hours commencing during the term of this Policy and such earthquake shocks or volcanic eruptions have a common origin or are caused by a single Accident, then such earthquake shocks or volcanic eruptions shall be deemed to be a single earthquake or volcanic eruption within the meaning hereof.
- (c) The Insurer is liable hereunder only to the extent that the amount of Accidental Property Damage exceeds the Attachment Point.
6. In the event that Accidental Property Damage under this Policy and under one or more Other Insurance Policies with insurance coverage effective during the Policy Year is caused directly or indirectly by any single Accident which is either listed in paragraph I.5 hereof, or which involves radioactive contamination, or by any Accident which ensues directly or indirectly from an Accident listed in paragraph I.5 hereof or from an Accident involving radioactive contamination, the Insureds agree that:
- (a) The Insurer's liability for all such Accidental Property Damage shall not exceed the greater of (A) the Amount of Blanket Limit, as stated in Item 6 of the Declarations, or (B) the highest of the Amount of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested, as stated in the Declarations of the Other Insurance Policies, or (C) the sum of Decontamination Liability, Decommissioning Liability and Excess Property Insurance Requested, as stated in the Declarations of the Other Insurance Policies, plus the Amount of Blanket Limit, as stated in Item 6 of the Declarations providing coverage with respect to the same Accident.

- (b) The Insurer's liability under this Policy shall be the amount determined under paragraph I.6(a) above times a fraction, the numerator of which is the Insurer's liability for the Accidental Property Damage under this Policy but for this subsection I.6, and the denominator of which is the sum of the Insurer's liability for the Accidental Property Damage under this Policy and all Other Insurance Policies, but for this subsection.
7. Notwithstanding any other provision of this Policy, the Insurer's liability under this Policy shall be the amount payable to the Insureds, but for this provision, less any amount owed to the Insurer by the Insureds, including any Retrospective Premium Adjustment due under this Policy, due under any Other Insurance Policy as such Member Insured may have with the Insurer, or referred to in subsection VI(f).

II. DECOMMISSIONING LIABILITY COVERAGE

1. The Amount of Decommissioning Liability Coverage under this Policy for a Unit shall be equal to the Shortfall for such Unit calculated by using the Decommissioning Target Amount as of the Settlement Date set forth in the Decommissioning Target Document and the amount of the Decommissioning Trust Fund as of the Settlement Date.
2. In the event of Accidental Property Damage which (i) exceeds the Attachment Point and includes Nuclear Liability Coverage; (ii) is covered under paragraph I.1 of this Policy or would be covered under that paragraph but for the availability of other insurance under the Underlying Insurance Policies; and (iii) results in permanent cessation of nuclear operations at the Unit, the Insurer agrees to indemnify the Insureds and their legal representatives for estimated expenses necessarily to be incurred in decommissioning the Unit as described in the Decommissioning Target Document, up to the Amount of Decommissioning Liability Coverage for the Unit determined under subsection II.1 above.
3. Any amounts payable by the Insurer pursuant to subsections II.1 and II.2 shall be deposited into the Decommissioning Trust Fund pursuant to Item 10C of the Declarations. The calculation of the Amount of Decommissioning Liability Coverage shall be made with respect to any claim under subsection II.1 once the Member Insured has certified that the Insureds have discharged their legal obligation or liability to protect the public health and safety, as required by the Act. No payment shall be made with respect to any claim under subsection II.1 until the Member Insured has certified that the Insureds have discharged their legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act, or has made the attestations referred to in paragraph V.13(b).
4. In the event that the Unit returns to commercial nuclear operation, the Insureds shall return to the Insurer the entire amount paid pursuant to this Section II,

together with interest thereon, calculated quarterly at the 90-day United States Treasury Bill interest rate in effect on the first business day of each calendar quarter.

5. The Insureds' recovery under the Decommissioning Liability Coverage shall not be decreased because the Actual Cash Value (or if applicable, the Replacement Cost) of the Insured Property is less than the Insurer's limit of liability.

III. EXCLUSIONS

A. WAR RISK

1. Subject to paragraph 2 below, the coverage provided under this Policy does not apply to Property Damage caused directly or indirectly by:
 - (a) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any government or sovereign power (*de jure* or *de facto*), or by any authority maintaining or using military, naval or air forces; or by military, naval or air forces; or by an agent of any such government, power, authority or forces;
 - (b) any weapon of war employing nuclear fission or fusion whether in time of peace or war; or
 - (c) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence.
2. This War Risk Exclusion shall only apply to acts which are part of overt military activity.

B. OTHER

Notwithstanding any other provision in this Policy, the Insurer shall not be liable for any sums, which the Insured may be obligated to pay as damages:

- (a) because of bodily injury or personal injury; or
- (b) because of damage to property not described in the Declarations, or covered by the Underlying Insurance Policies; or
- (c) for which the Insured is covered or would be entitled to coverage under a nuclear energy liability policy issued by American Nuclear Insurers, Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or other third party liability insurer or other third party entity.

IV. PREMIUM

1. The Member Insured agrees to pay to the Insurer the Premium under the terms and conditions hereinafter set forth. The Premium shall be paid to the Insurer by wire transfer or other method acceptable to the Insurer on or before the beginning of the policy period specified in Item 3A of the Declarations.
2. As a condition precedent to the Insurer's obligations under this Policy, the Member Insured agrees to notify the Insurer that the Insured Property has been classified Category Number Five by the Institute of Nuclear Power Operations ("INPO"), within seven (7) days of being advised by INPO of such classification being put in place, and to pay such additional Premium due hereunder to the Insurer as a result thereof by wire transfer or other method acceptable to the Insurer within twenty (20) business days after demand.
3. The Member Insured further agrees to pay the Insurer the Retrospective Premium Adjustment under the terms and conditions specified under Section VI.

V. CONDITIONS

1. Abandonment. There shall be no abandonment to the Insurer of any property.
2. Aggregate Limit of Liability and Reinstatement of Policy Amount by Loss. The amount of Blanket Limit set forth under Item 6 of the Declarations is the maximum amount the Insurer will pay during the Policy Period for any and all Losses that are covered under this Policy.

Every Loss covered under this Policy reduces, as of the date of such Loss, the amount of Blanket Limit available under this Policy by the amount of such Loss, and this Policy shall apply thereafter only for the reduced amount.
3. Application Form. The application for membership, insurance and undertaking with respect to membership and purchase of insurance made by the Member Insured with respect to becoming a Member of the Insurer, as the same may be amended from time to time (hereinafter referred to as the "Application"), is made as much a part hereof as if the Application were fully set forth herein.
4. Appraisal. In case the Member Insured and the Insurer shall fail to agree as to the amount of Property Damage, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within twenty (20) days of such demand. The two appraisers so selected shall first select a competent and disinterested umpire; and failing for fifteen (15) days from the date of selection of the second appraiser to agree upon such umpire, then on request of the Member Insured or the Insurer, such umpire shall be

selected by a judge of the United States District Court for the district in which the Insured Property is located. The appraisers shall then appraise the Property Damage, stating separately Actual Cash Value or, if recovery under the Underlying Insurance Policies is on a Replacement Cost basis, the Replacement Cost, and amount of Property Damage to each item; and, failing to agree, shall submit their differences, only, to the umpire. An award in writing, so itemized, of any two when filed with the Insurer shall determine the amount of Property Damage. Each appraiser shall be paid by the party selecting him and the expenses of appraisal and of the umpire shall be paid equally by the Member Insured on the one hand and the Insurer on the other.

5. Assignment. Assignment of this Policy or any rights hereunder shall not be valid except with the prior written consent of the Insurer.

6. Choice of Law.
-

(a) In view of the diverse locations of the parties hereto and the desirability of unified regulation, the Insureds and Insurer agree that the terms of this Policy shall determine their respective rights and duties and that this Policy shall be construed and enforced in accordance with and governed by the internal law of the State of New York, United States of America.

(b) The parties intend that the Insurer conduct its activities so as not to be subject to the insurance regulation of any jurisdiction other than Bermuda and Delaware. Accordingly, the parties expressly recognize and agree that paragraph (a) above does not evidence an intent by the parties to

(i) give jurisdiction over the Insurer to the insurance regulatory authority of any jurisdiction other than Bermuda and Delaware; or

(ii) make applicable to this Policy any of the insurance laws or regulations (including those which specify the terms of the by-laws and contracts of mutual insurance companies) of any jurisdiction, including New York, other than to the extent such laws of Bermuda and Delaware are applicable; or

(iii) otherwise have the laws of Bermuda or Delaware apply to the construction or enforcement of this Policy.

7. Concealment, Fraud. The Insurer shall have no obligation to make any payments under this Policy if, whether before or after an Accident, any Insured has willfully concealed or misrepresented in writing any material fact or circumstance concerning this insurance or the subject thereof, or the interest of any Insured therein, or in case of any fraud or false swearing by any Insured relating thereto; but the application of this provision shall not affect the Member Insured's obligation to pay the Retrospective Premium Adjustment callable by the Insurer

under this Policy, or provide other assurances to the Insurer pursuant to Section VI(b).

8. Currency. All payments required to be made under this Policy by the Member Insured or the Insurer shall be made in United States dollars.
9. Dispute Resolution.
 - (a) The Insurer and the Insured mutually acknowledge that the form, terms and conditions of the Policy have been formulated by representatives of the companies participating in the mutual enterprise in order to provide insurance coverage which is vital to all participants. It is desired that the Insurer serve as a financially stable and reliable entity, responsive to the coverage needs of its participants, and providing coverage fairly and equitably as to each Insured, but taking equally into account fairness and equity as to all Insureds as a group. While every effort has been made to define with clarity and precision the scope of coverage and other policy provisions, the Insurer and the Insured mutually acknowledge that situations may arise where the terms of the Policy, or the interpretation of the terms, are disputed. For the foregoing reasons, the Insurer and the Insured agree that the following principles shall govern the interpretation of the Policy:
 - (1) Even-handedness and fairness to both the Insurer and the Insured;
 - (2) In the event of an ambiguity in a policy provision, the intentions of the Insurer and the Insured shall be considered by the Arbitrator(s). Evidence of such intentions is limited to the following extrinsic evidence: reports, notes, meeting minutes, and related materials produced by or given to the Insurer's Board of Directors, Advisory Committees, and Task Forces, and any testimony taken from a present or former employee of the Insurer, member of a Member Advisory Committee, or Director;
 - (3) The practice of the Insurer and the Insured in interpreting and applying the Policy;
 - (4) The cooperative rather than adversarial relationship between the Insurer and the Insured; and
 - (5) The contract construction rule of contra proferentem (construing a contract against the drafter) is not applicable to this insurance policy.
 - (b) The Insurer and Insured will endeavor to resolve any dispute between them by means of a voluntary process to be agreed upon between them, including, without limitation, early neutral evaluation, mediation, mini-trial, neutral fact finding, or senior peer review. Neither the Insurer nor the Insured may be

compelled to participate in any such voluntary process except that, at the request of an Insured, the Insurer agrees to submit the dispute to senior peer review. The Insurer agrees to pay the fees and expenses of any neutral party associated with the use of any process hereunder. Senior peer review is a process in which both sides present their arguments and view of the evidence to a panel of five (5) employees of other NEIL Members, unless the Insured and Insurer agree that a panel of three (3) would be more appropriate. The panel will provide a written non-binding opinion on the merits of the dispute. Though not an exclusive list, panel members may include individuals from NEIL's Member Representatives, Board of Directors, Member Advisory Committees, or Members' Legal Counsel. None of the panelists may be employed by a Member that is an affiliate of the Insured involved in the dispute. The panelists shall be selected by agreement of the Insured and Insurer, but if no agreement is reached within 30 days of the date the senior peer review is requested, the Insurer and Insured shall each submit a list of five names and a NEIL outside Director (as chosen by the Chairman of the Board) shall select the panelists. The panel, with input from the parties, shall establish a schedule for the proceeding, including, if appropriate, the submittal of written materials and oral arguments.

- (c) The Statement of Dispute Resolution Principles adopted by the Insurer's Board of Directors and Members, as it may be amended from time to time, shall not create any rights or obligations on the parties but shall be used as guidelines for conducting dispute resolution processes hereunder.
- (d) Any dispute, controversy or claim between the Insurer and the Insured as to any matter arising out of or relating to this Policy, or the breach, termination or invalidity thereof, which is not settled between themselves, pursuant to paragraph 2 above or otherwise, shall be settled by arbitration in accordance with the United Nations Commission on International Trade Law's (UNCITRAL) Arbitration Rules. Arbitration of a dispute is final and binding.
 - (1) The number of arbitrators shall be one, unless the Insured or the Insurer requests a three-person panel, in which case the number of arbitrators shall be three.
 - (2) In the event the arbitration is to be decided by a single arbitrator, and the parties cannot agree on the appointment of that arbitrator within sixty (60) days of the notice of arbitration being served, the sole arbitrator shall be selected by the appointing authority specified in paragraph 9.d(4).
 - (3) In the event the arbitration is to be decided by three arbitrators, the Insured shall appoint one arbitrator and the Insurer another; the two so appointed arbitrators shall select the third, who will act as the Chairman for the panel. The party which files the notice of

arbitration shall include in such notice the identity of its party-appointed arbitrator. Within forty-five (45) days of service of the notice of arbitration, the second party shall notify the party that filed the notice of arbitration of the identity of its party-appointed arbitrator. At the time of the notification of the appointment, each side shall provide the other with a detailed curriculum vitae for the selected arbitrator, which shall include information regarding any potential conflict of interest of the selected arbitrator, including any financial or personal interest in the result of the arbitration or any past or present relationship with the parties or their representatives. All arbitrators shall be obligated to update his/her potential conflict of interest information throughout the arbitration. If (i) the party filing the notice of arbitration fails to include the identity of its party-appointed arbitrator, or (ii) the second party does not notify the first party of its party-appointed arbitrator within forty-five (45) days of service of the notice of arbitration, or (iii) the two party-appointed arbitrators fail to agree on a third arbitrator within a period of sixty (60) days from the date of appointment of the second arbitrator, then, on request of either party, the missing party-appointed arbitrator or the third arbitrator (as the case may be) shall be selected by the appointing authority specified in paragraph 9.d(4). There shall be no *ex parte* communications between a party and any of the arbitrators, except that a party-appointed arbitrator shall be permitted to communicate with the party that appointed him/her concerning (1) the identity of the Chairman and (2) issues associated with arbitrator invoices.

- (4) The appointing authority shall be the American Arbitration Association ("AAA") in New York, New York. The AAA shall select arbitrators from the panel of international arbitrators for the International Centre for Dispute Resolution, the international division of the AAA (the "ICDR Roster"). The arbitrators selected from the ICDR Roster shall be U.S. nationals. If for any reason the AAA fails to appoint an arbitrator within thirty (30) days of the date of receipt of the request for such appointment, either party may proceed pursuant to Article 75 of the Civil Practice Law and Rules of the State of New York and make application to the Supreme Court of the State of New York, County of New York for the appointment of the arbitrator.
- (5) To the extent there is any inconsistency between the UNCITRAL Arbitration Rules and the provisions of this Policy, the latter shall govern.
- (6) The place of the arbitration shall be New York, New York, unless the parties agree upon another location.

- (7) Within forty-five (45) days after the appointment of the Chairman, the arbitrators shall conduct an initial conference to which the parties will be invited to attend. At the initial conference, the parties and arbitrators shall discuss, without limitation, (1) the procedures to be followed, (2) scheduling of submissions and hearings, and (3) a timetable for discovery. At a minimum, the discovery order shall require the parties to provide each other non-privileged documents that are requested by the other side and that reasonably relate to the claims and defenses asserted in the arbitration. Following the initial conference, the arbitrators shall issue a Procedural Order to the parties setting forth the procedures and schedule.
- (8) Within sixty (60) days of the close of the hearings (or the later of post-hearing oral argument or post-hearing written submissions should the arbitrators authorize them), the arbitrators shall issue their award, which shall be in writing and shall present a detailed statement of the factual and legal bases for the award. The award of the arbitrators shall require a majority of two votes. The arbitrators shall first determine the liability of the parties as to the dispute, claim or controversy, and then, only if necessary, determine the type and amount of relief to be granted. In no case may the arbitrators order the rescission or reformation of this Policy. Further, unless the arbitrators determine that it is inappropriate under the circumstances of the case, the award shall provide that post-award interest shall begin to accrue at the rate of the Prime Rate, as published in the Wall Street Journal as of the date of the award, plus two (2) percent per annum from the date sixty (60) days after the award is delivered to the parties until the date the award is paid.
- (9) The arbitrators shall award reasonable attorney's fees and costs to the prevailing party, not to exceed the amount of fees and costs incurred by the non-prevailing party. For this purpose, the fees incurred shall be calculated at reasonable hourly billing rates and shall include all reasonable out-of-pocket expenses, including, without limitation, the reasonable costs of expert witnesses and consultants. If the Insured has retained counsel on a contingency fee basis, and the Insurer is the prevailing party, the arbitrators shall award the Insurer all of its reasonable attorney's fees and costs (without consideration of the fees and costs incurred by the Insured).
- (10) In the event the award is challenged in court and the challenge is denied, the party that challenged the award shall pay the reasonable attorney's fees and costs incurred by the non-challenging party in defending against the challenge to the award.

- (11) The parties acknowledge that any dispute resolution proceeding is intended to be confidential and therefore agree to properly maintain and not disclose or reveal any information obtained from the other party pursuant to the terms of a Confidentiality Agreement to be executed between the parties at the beginning of the proceeding (the terms of which shall be determined by the arbitrators in the event that the parties are unable to agree). In the case of arbitration, the written decision of the arbitrator(s) shall be available to other Insureds of NEIL and ONEIL, except that any information within the written decision that the Insured can show is proprietary in nature will be redacted.
- (e) To the extent that any dispute, claim or controversy between the Insured and the Insurer hereunder is not subject to arbitration for any reason, or to the extent that applicable law otherwise permits the parties to seek provisional relief from the courts prior to the time that the arbitral panel is appointed, the United States District Court for the Southern District of New York (or the Supreme Court of the State of New York, New York County, if federal jurisdiction cannot be attained) shall have exclusive jurisdiction thereof. For such purpose, the Insured agrees to accept, without objection to form or manner, service of process by registered mail or form of overnight mail to the person identified in Item 11 of the Declarations. For such purpose, the Insurer agrees to accept, without objection to form or manner, service of process by registered mail, or overnight mail, directed to the Insurer's General Counsel, at Nuclear Electric Insurance Limited, 1201 Market Street, Suite 1100, Wilmington, Delaware 19801. The foregoing consents to service of process are not intended, nor shall they be construed, to extend to any dispute, claim, controversy, cause of action, or other matter other than as stated in this paragraph.
10. Errors and Omissions. No inadvertent error, omission or failure in furnishing reports hereunder shall prejudice the Insureds' right of recovery, but shall be corrected when discovered.
11. Headings. The headings in this Policy are inserted for convenience only and shall not be deemed to constitute a part hereof.
12. Evaluations and Compliance with Loss Control Standards
- (a) The Insurer shall be permitted, but not obligated, to perform or to have performed on its behalf, evaluations of the Insured Property at any reasonable time. All evaluations and evaluation reports made by or on behalf of the Insurer are made solely for insurance purposes. Evaluation reports are based upon the conditions, practices and property observed and information made available at the time of the evaluation, and shall not be deemed to identify all hazards or to indicate that other hazards do not exist. The Insurer and those

performing evaluations on its behalf shall not be responsible for the correction or control of any conditions, practices or property. Notwithstanding any other agreement, express or implied, to the contrary, neither the right to make an evaluation nor the making of an evaluation, nor any advice or report resulting therefrom, shall constitute or be construed as an undertaking on behalf of or for the benefit of the Insureds or others to determine or warrant that the facilities, operations or property are safe or healthful, or are in compliance with any law, rule, regulation, procedure or standard. It shall be the obligation of the Insureds to ensure that the Insurer is accorded the right to conduct an evaluation under this paragraph.

- (b) Notwithstanding the provisions in Paragraph V.12(e), upon discovery of a dangerous condition (the "Dangerous Condition") with respect to any property, or part thereof, insured under this Policy or a Primary Policy issued by the Insurer for Site insured under this Policy (the "Affected Property"), whether discovered as a result of an evaluation or otherwise, a representative of the Insurer may

(1) request that the Affected Property be taken out of service without delay, and/or

(2) request that actions be taken to remedy the Dangerous Condition.

- (c) If a request made under Paragraph V.12(b) is not complied with, the Insurer may immediately suspend coverage as to the Affected Property and/or as to Property Damage that could have been avoided or reduced had the Dangerous Condition been remedied, provided, however, that there will be coverage for Property Damage if the Insured can demonstrate that the Property Damage was unrelated to the failure to take the requested action (and there is otherwise coverage under this Policy). Notice of the suspension (which may be made together with either request referred to in Paragraph V.12(b) shall be written and, notwithstanding any other provisions under this Policy, may be sent to the Member Insured by hand delivery, e-mail, fax or courier.

- (d) It shall be an obligation under this Policy that the Insured comply with the SHALL Requirements contained in the Insurer's Loss Control Standards.

- (e) If the Insurer learns of an Insured's failure to comply with, or to take agreed upon actions in accordance with the agreed upon Resolution Plan to correct a failure to comply with, a SHALL Requirement contained in the Insurer's Loss Control Standards, and, as a result and in accordance with the terms of a Primary Policy issued by the Insurer for the Site insured under this Policy the Insurer suspends coverage under that Primary Policy, such suspension of coverage shall apply with equal force and effect to this Policy. The Insurer shall notify the Insured of a suspension of coverage under this Policy in the same notice sent by the Insurer

concerning suspension under the Primary Policy. Upon reinstatement of coverage under the Primary Policy, coverage shall be reinstated under this Policy in accordance with the provisions of Paragraph (i) of this Section.

- (f) If the Insured requests that coverage be removed under a Primary Policy issued by the Insurer for the Site insured under this Policy, such removal of coverage shall have equal effect under this Policy, with the precise scope of such removal to be described in an endorsement to this Policy or as set forth in writing and delivered to the Insured.
- (g) Any suspension of coverage under Paragraphs V.12(c) and V.12(e) of this policy shall be in accordance with the scope of coverage suspension set forth in writing and delivered to the Insured.
- (h) The Insurer may immediately suspend coverage under this Policy, in whole or in part, with respect to the Insured Property if (i) the NRC suspends or revokes for any reason the operating license issued with respect to any Unit on such Insured Property, or (ii) the NRC issues a shutdown order with respect to such Unit, or (iii) the NRC issues a confirmatory order keeping such Unit shut down. In the event that the Insurer chooses to suspend coverage under this provision, it shall notify the Member Insured in writing of that decision.
- (i) The coverage suspended in accordance with Paragraphs V.12(c) and V.12(e) above, as well as any coverage removed, may be reinstated by the Insurer, but only by an endorsement issued to form a part of this Policy. The suspension of the insurance under this Policy will not affect the obligation of the Member Insured to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy, or provide other assurances to the Insurer pursuant to Section VI(b).

13. Loss Payments

- (a) Except as provided in subsection V.13(b) below, it is agreed that payment under this Policy shall be made in the following order:
 - (i) Losses under Nuclear Liability Coverage.
 - (ii) Losses under Decommissioning Liability Coverage pursuant to Section II of the Policy.
 - (iii) Losses under the Debris Removal and Decontamination Coverage, the Property Damage Coverage, and the Functional Total Loss Coverage.
- (b) Payment under this Policy may be made with respect to Losses under the Decommissioning Liability Coverage, Debris Removal and

Decontamination Coverage, the Property Damage Coverage, and/or Functional Total Loss Coverage prior to completion of indemnification under the Nuclear Liability Coverage only on the condition that the Member Insured attests that:

- (i) no proceeds of this Policy in excess of an amount specified by the Insureds, except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage, as required by the Act; and
 - (ii) the payment or use of policy proceeds for Losses under the Decommissioning Liability Coverage, Debris Removal and Decontamination Coverage, the Property Damage Coverage, and/or the Functional Total Loss Coverage does not violate any regulation or order of the NRC.
-
- (c) No payments shall be made pursuant to Section I until (i) all amounts payable under all Underlying Insurance Policies have actually been expended for the types of losses and expenses covered thereunder or designated for the type of expenses covered under paragraph I.1(a) or II., and (ii) at least the amount of the Attachment Point has actually been expended for the types of losses and expenses covered under paragraphs I.1(b) or I.1(c) or designated for the type of expenses covered under paragraph I.1(a) hereof.
- (d) If the Insured satisfies the requirements for and elects to receive the Functional Value of the Insured Unit pursuant to Section I.2, the maximum amount the Insured may collect from the Insurer over each of the next five (5) consecutive 12-month periods is US\$350,000,000. Each 12-month period will begin on the date, or anniversary date, of the Accident that resulted in the Functional Value election. After the fifth anniversary of the Accident date, the Insured shall be permitted to collect any amount that remains available under the Limit of Liability stated in Item 6 of the Declarations, subject to the terms of this Policy including priority of payments and when the Insurer would be obligated to make claims payments. Despite the provisions of this paragraph, an Insured may collect more than the maximum amount stated above over any of the 12-month periods, but only if all of the payments made to the Insured during the particular period are for damages incurred pursuant to Section I.1(a) and (b) of this Policy, or Section I.A.2 of a Primary Property Policy issued by the Insurer for the Unit.

14. Notifications

- (a) The Member Insured shall promptly notify the Insurer in the event that any of the Units specified in Item 7 of the Declarations or in the

Declarations of the Primary Underlying Insurance Policy is to permanently cease operations prior to the scheduled expiration of such Unit's operating license.

(b) Policy Modifications. This Policy embodies all agreements between the Member Insured and the Insurer or any of their agents relating to this insurance. There shall be no change in the terms, provisions and stipulations of this Policy except in writing hereon or by endorsement added hereto by agreement of the Insurer and the Member Insured. No amendment to the Primary Underlying Insurance Policy shall increase the Insurer's liability under this Policy without the prior written consent of the Insurer. The granting of such consent shall be wholly within the discretion of the Insurer.

(c) Policy Decisions and Notice. Except as provided in paragraph 16 of Section V of this Policy; all decisions or actions made or taken with respect to this Policy may only be taken or made by the first named Member Insured and all such decisions or actions shall be binding on all Insureds. Such decisions or actions shall include, without limitation, decisions to give or not give notices of accidents, to file or not file proofs of loss and to bring or not bring an action under the dispute resolution provision. No decision or action with respect to this Policy may be made or taken by anyone other than the Insurer and the first named Member Insured. The first named Member Insured shall be that Member Insured whose name is listed first in Item 1 of the Declarations. The Insurer and the Insureds agree that all communications between them as to any matter arising under or relating to this Policy shall be made as follows:

- (i) If to the Insurer: The communication must be sent by the first named Member Insured and must be sent, by facsimile, mail or delivery to the Insurer by the Member Insured's Delaware Representative at the address listed in Item 2 of the Declarations.
- (ii) If to the Insureds: The communication must be sent by the Insurer to the first named Member Insured and must be sent, by facsimile, mail or delivery to the address of the Member Insured's Delaware Representative. It shall be the obligation of the first named Member Insured to communicate the contents of any notification from the Insurer to the other Insureds.

The Insured's compliance with the provisions of paragraph (c) is a condition precedent to the Insurer's obligations under this Policy.

(d) Reports. The Member Insured hereby consents, and shall obtain the consent of the Operator, to the Insurer having access to INPO's final Evaluation Reports at the same time such Reports are sent to the Member Insured or the Operator by INPO.

15. Other Insurance.

- (a) With respect to a Loss for Accidental Property Damage covered by the Underlying Insurer (a "Joint Loss"), (i) upon receiving payment under this Policy with respect to a Joint Loss, the Insured hereby assigns to the Insurer the proceeds received or receivable under the Underlying Insurance Policies providing insurance coverage to the Insured with respect to the Joint Loss, but only to the extent that the availability of such proceeds would have reduced the Insurer's ultimate liability for the Joint Loss; and (ii) in determining whether the Insurer has paid its share of the Joint Loss, the amounts actually paid by the Insurer shall be reduced by any amounts received by the Insurer from the Insured or the Underlying Insurer providing insurance coverage to the Insured with respect to the Joint Loss in accordance with (i) above.
-

16. Requirements in Case of Accidental Property Damage.

- (a) It shall be the obligation of the Insureds to give or cause to be given immediate detailed written notice to the Insurer of any Accidental Property Damage and to protect the Insured Property from further damage. The Insureds shall separate or cause to be separated, with reasonable promptness, the damaged and undamaged Insured Property, put it in the best possible order, furnish a complete inventory of the destroyed, damaged and undamaged Insured Property, showing in detail quantities, costs, Actual Cash Value or, if recovery under the Underlying Insurance Policies is on a Replacement Cost basis, the Replacement Cost, the estimated amount of Property Damage claimed, and the Functional Value of the Unit. The Insurer may deny coverage for such Accidental Property Damage if the Insured fails to comply with its obligation to provide immediate written notice thereof, but only if the Insurer demonstrates being prejudiced in its ability to adjust, assess or otherwise investigate the claim as a result of such failure.
- (b) Within twelve (12) months after the amount of Accidental Property Damage exceeds the Attachment Point, unless such time is extended in writing by the Insurer, the Insureds shall complete and file with the Insurer a proof of loss ("Proof of Loss"), in the form approved by the Insurer, signed and sworn to by the Member Insured, stating the knowledge and belief of the Insureds as to the following:
- (i) with respect to Losses under the Nuclear Liability Coverage, the time and origin of the Accidental Property Damage resulting in such Losses, all other contracts of insurance, whether valid or not, covering the risks insured hereunder, the amount of expenses incurred in discharging the Insureds' legal obligation or liability to protect the public health and safety following Accidental Property

Damage, as required by the Act, and an attestation by the Member Insured as to the Insureds' obligation or liability to incur such expenses;

- (ii) with respect to Losses under the Debris Removal and Decontamination Coverage and/or the Property Damage Coverage, the time and origin of the Accidental Property Damage, the interest of the Insureds and of all others in the Insured Property, the Actual Cash Value or, if recovery under the Underlying Insurance Policies is on a Replacement Cost basis, the Replacement Cost of each item thereof and the amount of Property Damage thereto, all encumbrance thereon, all other contracts of insurance, whether valid or not, covering any of said Insured Property, and changes in the title, use, occupation, location, possession or exposures of said Insured Property since the issuance of this Policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of the Accident resulting in the Loss and whether or not it then stood on leased ground, and the Insureds shall furnish the Insurer a copy of all descriptions and schedules in all other policies and, if required, verified plans and specifications of any building, fixtures or machinery destroyed or damaged, and an attestation by the Member Insured that (a) no proceeds of this Policy or no proceeds of this Policy in excess of the Specified Nuclear Liability Amount, except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage, as required by the Act; and (b) the payment of policy proceeds for Losses under the Debris Removal and Decontamination Coverage and/or the Property Damage Coverage does not violate any regulation or order of the NRC;
- (iii) with respect to Losses under the Functional Total Loss Coverage, the time and origin of the Accidental Property Damage necessitating the cessation of the Unit's operation, the interest of the Insureds and of all others in the Insured Property, the Functional Value of the Unit at the time of the Accident, all encumbrances thereon, all other contracts of insurance, whether valid or not, covering any of said Insured Property and/or the risks insured hereunder, and changes in the title, use, occupancy, location, possession or exposures of said Insured Property since the issuance of this Policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of the Accident resulting in the Loss, and the Insureds shall furnish the Insurer a copy of all descriptions and schedules in all other policies and, if required, verified plans and specifications of any building, fixtures or machinery whether

damaged or undamaged, and an attestation by the Member Insured that (a) no proceeds of this Policy or no proceeds of this Policy in excess of the Specified Nuclear Liability Amount, except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage; (b) the Unit incurring the Accidental Property Damage has permanently ceased operation; and (c) the payment of policy proceeds under the Functional Total Loss Coverage does not violate any regulation or order of the NRC; and

- (iv) with respect to Losses under the Decommissioning Liability Coverage, the time and origin of the Accidental Property Damage necessitating the cessation of the Unit's operation, all other contracts of insurance, whether valid or not, covering the risks insured hereunder; the current balance of the Decommissioning Trust Fund, the Decommissioning Target Amount, a copy of the Decommissioning Target Document, if requested by the Insurer, and an estimate of the expenses to be incurred in decommissioning the Unit, and an attestation by the Member Insured that (a) no proceeds of this Policy except as provided in a Proof of Loss filed with the Insurer, are needed to discharge the legal obligation or liability of the Insureds to protect the public health and safety following Accidental Property Damage; (b) the Unit incurring the Accidental Property Damage has permanently ceased operation; and (c) that payment under the Decommissioning Liability Coverage does not violate any regulation or order of the NRC.

- (c) It shall be the obligation of the Insureds to exhibit or cause to be exhibited, to any person designated by the Insurer, as often as may be reasonably required, all that remains of any Insured Property, and submit to examinations under oath by any person named by the Insurer, and subscribe the same; and, as often as may be reasonably required, shall produce for examination all books of account, bills, invoices and other vouchers, or other documents needed by the Insurer to determine its liability, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Insurer or its representative, and shall permit extracts and copies thereof to be made.
- (d) Any failure on the part of the Operator to comply with the requirements of paragraph V.16(c) shall be deemed a breach of this obligation on the part of the Insureds.

17. State Premium Tax. The Insureds represent that they have paid or will pay any applicable state premium tax.

18. Subrogation.

(a) Except as provided in paragraph V.18(b) below, the Insurer may require from the Insureds an assignment of all right of recovery against any party for Accidental Property Damage to the extent that payment therefor is made by the Insurer; however, prior to an Accident, the Insureds may waive in writing any or all right of recovery against any party for Accidental Property Damage.

(b) The Insurer hereby waives any right of subrogation acquired by reason of any payment under this Policy arising out of any Accidental Property Damage covered hereunder against the Insureds and any party furnishing services, materials, parts, or equipment in connection with the planning, construction, maintenance, operation or use of the Insured Property.

(c) It is a condition of this Policy that the Insureds shall repay the Insurer any recoveries made by the Insureds on account of any Accidental Property Damage to the extent that the Insurer would have been entitled to such recoveries had this waiver not been included in this Policy; provided, however, the proceeds of any such recovery shall be applied first to any uncompensated Property Damage incurred by the Insureds, including reimbursement of any deductible amount under this Policy, and then, to the extent any proceeds of such recovery remain, to reimburse the Insurer for any payments made by it to the Insureds.

19. Suit. No suit, action, or proceeding on this Policy for the recovery of any claim shall be sustainable in any court of law or equity or arbitral tribunal unless all the requirements of this Policy shall have been complied with, and unless commenced within twelve (12) months after the amount of the Accidental Property Damage exceeds the Attachment Point; provided, however, an extension of time for rendering a Proof of Loss granted by the Insurer with respect to any Accident shall extend the twelve-month period for bringing suit with respect to such Accident by the period of such extension.

20. Term and Cancellation

(a) This Policy shall commence on the date specified in Item 3A of the Declarations and shall terminate on the date specified in Item 3A of the Declarations. This Policy may be cancelled at any time at the request of the Member Insured, in which case the Insurer shall upon demand and surrender of this Policy, refund the excess of paid premium above the pro rata premium for the expired time.

(b) This Policy may be canceled at any time by the Insurer, upon approval of its Board of Directors, upon sixty (60) days' written notice of cancellation mailed or delivered to the Member Insured, with or without tender of the excess of paid premium above the pro rata premium for the expired time,

which excess, if not tendered, shall be refunded on demand. Notice of cancellation shall state that said excess premium, if not tendered, will be refunded on demand.

- (c) This Policy shall be automatically canceled if (i) the INPO membership of either the Member Insured or the Operator is suspended or canceled by INPO for any reason and (ii) the Member Insured fails to notify the Insurer within five business days after receipt of notice of such suspension or cancellation of membership in INPO, unless the Insurer is otherwise notified during such five business days.
- (d) In the event that the Member Insured fails to pay to the Insurer any Retrospective Premium Adjustment due under this Policy, due under any Other Insurance Policy as such Member Insured may have with the Insurer, or referred to in Section VI, this Policy shall terminate provided that the Insurer notifies the Member Insured in writing of this delinquency and the Member Insured fails to make the required payment within 15 days after receiving such notice by registered mail.
- (e) Cancellation or termination of the Underlying Insurance Policy by the Underlying Insurer automatically cancels or terminates this Policy.
- (f) Neither the cancellation of the Policy on the part of the Member Insured or the Insurer, nor its automatic termination, shall affect the obligation of the Member Insured to pay the Retrospective Premium Adjustment callable by the Insurer under this Policy, or provide other assurances to the Insurer pursuant to Section VI(b).

21. Valuations

For purposes of this Policy, except where the Underlying Insurance Policies are written on an Actual Cash Value basis, the value of the Insured Property that sustained Accidental Property Damage shall be the lesser of the actual repair costs or the Replacement Cost of such Insured Property, but only if such Insured Property that sustained Accidental Property Damage is repaired or replaced with identical or like kind property on the same premises and intended for the same occupancy and use, and used in connection with a nuclear facility. In all other cases, the value of the Insured Property that sustained Accidental Property Damage shall be the Actual Cash Value of such Insured Property as is damaged or destroyed, notwithstanding that the Policy may refer to the Replacement Cost of such Insured Property.

22. When Loss Payable.

- (a) With respect to Losses under paragraph I.1 and I.2(a), the amount for which the Insurer may be liable shall be payable as soon as practicable and in any event within sixty (60) days after the Proof of Loss, as herein

provided, is received by the Insurer and ascertainment of the Loss is made either by agreement between the Member Insured and the Insurer expressed in writing, or by the filing with the Insurer of an award as herein provided. Where only partial Proof of Loss has been provided to the Insurer and the Insurer's liability for the Accidental Property Damage is uncontested, the Insurer may, in its sole discretion, make partial payment to the Insured. Nevertheless, the Insurer shall have no obligation to make such partial payment.

- (b) With respect to Losses under Section II, payment shall be made within sixty (60) days after the later of the filing by the Member Insured with the Insurer of the Proof of Loss, as provided herein, or filing by the Member Insured of certification that the Insureds have discharged their legal obligation or liability to protect the public health and safety following Accidental Property Damage, as required by the Act, and ascertainment of the Loss is made by written agreement between the Member Insured and the Insurer or the filing of an award as herein provided.

VI. RETROSPECTIVE PREMIUM ADJUSTMENT

The Member Insured agrees to pay to the Insurer the Retrospective Premium Adjustment under the terms and conditions hereinafter set forth.

- (a) The Insurer may make demand for the Retrospective Premium Adjustment in whole or in one or more parts from time to time, but only to the extent necessary, in the sole discretion of the Board of Directors of the Insurer, to cover Losses incurred by the Insurer under this Policy and all Other Insurance Policies with coverage effective during the Policy Year (specified in Item 3.B of the Declarations).
- (b) The Insurer, in the sole discretion of the Board of Directors, may require the Member Insured to provide assurance to the Insurer of the Member Insured's ability to satisfy its obligation to pay a Retrospective Premium Adjustment when called. Within twenty (20) business days of receiving notice from the Insurer that such assurance is required, the Member Insured shall notify the Insurer of the option selected to provide the required assurance, which will include, but is not limited to, providing a letter of credit, providing a financial guarantee, purchasing retrospective premium insurance, or paying a Deposit Premium, and implement such option by providing the Insurer with the required documentation or payment, depending on the option selected. The parameters for a letter of credit, a financial guarantee, and the retrospective premium insurance options will be provided to the Member Insured by the Insurer at the time the Insurer requires the Members Insured to take the action. The terms regarding the Deposit Premium are set forth in Paragraph (c) below.
- (c) If the Member Insured elects to pay a Deposit Premium, the Insurer may require the Deposit Premium to be paid in whole, in part, or in parts. Any Deposit

Premium paid to the Insurer will be returned to the Member Insured when, in the sole discretion of the Insurer's Board of Directors, the retention of the Deposit Premium is no longer required. The amount of any Deposit Premium paid shall be a credit against the obligation of the Member Insured to pay a call made for a Retrospective Premium Adjustment and, to the extent thereof, shall be treated as a payment of the Retrospective Premium Adjustment as of the date a call for a Retrospective Premium Adjustment is made. Amounts paid as Deposit Premiums will be held in an interest bearing account and, until such a call is made, interest earned on the Deposit Premium amount will be paid back to the Member Insured on an annual basis, within ninety (90) business days after the end of the applicable calendar year. However, if the Member Insured fails to elect one of the options available pursuant to Paragraph (b) within the time frame required, or at any other time when in the sole discretion of the Insurer's Board of Directors it is in the best interests of the Insurer, the Insurer may make demand upon the Member Insured for a Deposit Premium, whether or not a demand for a Deposit Premium is made upon any other Member Insured(s). If a demand is made by the Insurer, the Member Insured shall pay the Deposit Premium within twenty (20) business days of demand.

- (d) That portion of the Retrospective Premium Adjustment demanded by the Insurer shall be paid to the Insurer by wire transfer or other method acceptable to the Insurer within twenty (20) business days after demand. The Insurer may, without first pursuing any rights it may have against any Delinquent Member, make such number of further demands upon the Member Insured, including any Delinquent Member, for further portions of the Retrospective Premium Adjustment, to be payable twenty (20) business days after demand, as may be needed to obtain Retrospective Premium Adjustment from the Member Insureds of the Insurer under this Policy and all Other Insurance Policies with coverage effective during the Policy Year sufficient, in the sole discretion of the Board of Directors of the Insurer, to cover Losses under this Policy and all Other Insurance Policies with coverage effective during the Policy Year. The fact that the Insurer has received sufficient Retrospective Premium Adjustment from such Member Insureds shall not bar the Insurer from pursuing the Insurer's rights against any Delinquent Member.
- (e) When, for any purpose hereunder, it becomes necessary to calculate the obligation of the Member Insured for the Retrospective Premium Adjustment, it will be calculated as follows:
 - (1) The amount of the Retrospective Premium Adjustment shall be equal to the product of (i) the Multiple selected by the Board of Directors of the Insurer as required to meet Losses under this Policy and all Other Insurance Policies with coverage effective during the Policy Year, times (ii) the Premium plus any Additional Premium, or if such is for a period shorter than a calendar year, such Premium and Additional Premium multiplied by a fraction the numerator of which is 365 and the

denominator of which is the number of days in the policy period specified in Item 3A of the Declarations.

- (2) The policy year to which any Retrospective Premium Adjustment relates shall be determined by the Board of Directors of the Insurer at the time it makes the call for such Retrospective Premium Adjustment based on the date of the Accident under this Policy or any Other Insurance Policy giving rise to the obligation which such Retrospective Premium Adjustment is designed to satisfy. The aggregate of all Retrospective Premium Adjustments under this Policy shall not exceed the Retrospective Premium Adjustment set forth in Item 5.B of the Declarations.
 - (3) Subject to the provisions with respect to calls made in the event of failure to pay by Delinquent Members, the amount of any call for a Retrospective Premium Adjustment hereunder shall bear the same relation to the total Retrospective Premium Adjustment, payable by all Member Insureds of the Insurer under such call as the highest Premium plus Additional Premium determined under subparagraph (e)(1)(ii) above bears to the aggregate Premiums plus Additional Premiums, used to calculate the total of all such calls, under this Policy and all Other Insurance Policies with coverage effective during the Policy Year.
 - (4) The obligation of the Member Insured for the Retrospective Premium Adjustment shall be and remain in full force and effect and all the above calculations shall be made without regard to whether or not the Insurer has any obligation to make payments under this Policy or this Policy is canceled or suspended.
- (f) When, for any purpose hereunder, it becomes necessary to calculate the obligation of the Member Insured for the Deposit Premium, it will be calculated as follows:
- (1) The amount of the Deposit Premium, if required, shall be equal to Retrospective Premium Adjustment listed in Item 5.B of the Declarations, unless otherwise indicated.
 - (2) The aggregate of the Deposit Premium and any Retrospective Premium Adjustments callable under this Policy shall not exceed the Retrospective Premium Adjustment set forth in Item 5.B of the Declarations.
 - (3) The amount of the Deposit Premium may be adjusted at the anniversary of this Policy.
 - (4) The obligation of the Member Insured for the Deposit Premium shall be and remain in full force and effect and all the above calculations shall be made without regard to whether or not the Insurer has any obligation to make payments under this Policy or this Policy is canceled or suspended.

- (g) The Multiple is no higher than the Multiple in any Other Insurance Policy with insurance coverage effective during the Policy Year.
- (h) The Board of Directors of the Insurer in its sole discretion may adjust downward the Multiple stated in this Policy and any Other Insurance Policy with coverage effective during the Policy Year to a new lower Multiple, and the Retrospective Premium Adjustment callable under this Policy and any such Other Insurance Policy shall be reduced by a like proportionate amount. No downward adjustment in such Multiple and corresponding adjustment in any such Retrospective Premium Adjustment may be made with respect to any Retrospective Premium Adjustment which has been assigned by the Insurer, or in any Other Insurance Policy with coverage effective during the Policy Year, if the Multiple in any such Other Insurance Policy, after adjustment, would be less than the Multiple, after adjustment, in this Policy, unless a similar downward adjustment is made in the Multiple in this Policy, together with a corresponding adjustment in the Retrospective Premium Adjustment.
-
- (i) The liability of the Member Insured shall be limited to the Premium, Additional Premium, the Retrospective Premium Adjustment or any unpaid portion thereof due to the Insurer under the terms of this Policy, and any assurance that may be required pursuant to Section VI(b). No Member Insured shall be subject to any contingent liability or be required to pay any dues or assessments in addition to such Premium, Additional Premium, Retrospective Premium, and any assurance under Section VI(b) due under this Policy and those due under any Other Insurance Policies as such Member Insured may have with the Insurer. The liability of the Member Insured for the Retrospective Premium Adjustment for the Policy Year shall cease six (6) years after the end of the Policy Year, unless prior demand is made therefor.
- (j) It is agreed that the obligation of the Member Insured to pay any Retrospective Premium Adjustment due under any Other Insurance Policy between the Insurer and the Member Insured which terminated on or before the inception date of this Policy is an obligation of the Member Insured under this Policy. It is also agreed that the terms and the amount of such obligation shall be determined by reference to the Other Insurance Policy under which such obligation arose, notwithstanding that such Other Insurance Policy may no longer be in effect.
- (k) The liability of each Member Insured, if there be more than one, for the Retrospective Premium Adjustment, and any assurance that may be required pursuant to Section VI.2, under this Policy shall be several and not joint and in proportion to their respective interests specified in the Declarations.
- (l) In the event the Insurer has available credit facilities from lenders, the Board of Directors of the Insurer may, in its sole discretion, utilize such facilities to finance Losses incurred by the Insurer under this Policy and all Other Insurance Policies. The Insurer may assign to the lenders the Insurer's interest in the Retrospective Premium Adjustment, in whole or in part, including, in the event the Insurer

defaults on its obligations to such lenders, the right to call such interest assigned. Such assignment may be made and shall only be effective with respect to the financing of those Losses for which the Retrospective Premium Adjustment could be called. In the event any assignment is made, the Insurer shall give prompt notice thereof to the Member Insured. Each Member Insured shall, upon the request of the Insurer, give acknowledgment of its liability for the Retrospective Premium Adjustment to each of the lenders involved.

VII. MEMBERSHIP

Each Member Insured becomes a member of the Insurer as part of obtaining insurance from the Insurer, and as such, is entitled to the privileges and benefits, and by entering into this Policy agrees to be subject to and bound by, the obligations and duties, of membership. These are more fully set forth in the Insurer's Memorandum of Association and in the Bye-Laws and any amendments thereto, each of which is hereby incorporated into and made a part of this Policy. In no event shall any amendment to the Insurer's Memorandum of Association or the Bye-Laws increase the amount of Premium or Retrospective Premium Adjustment payable or callable hereunder.

VIII. DEFINITIONS

For purposes of this Policy, unless otherwise stated to the contrary, the following capitalized terms shall have the meanings set forth below. Unless otherwise stated or required for the meaning of any provision, the singular shall include the plural and the plural, the singular. Whenever the terms "Accident", "Accidental Property Damage", "Loss", "Member Insured", "Multiple", "Policy Year", "Premium" and "Retrospective Premium Adjustment" are used in this Policy with both capitalization and reference to this Policy, the Other Insurance Policies, or Other Member Insurance Policies, they shall refer to the defined meanings given such terms in this Policy, the Other Insurance Policies, and the Other Member Insurance Policies, respectively and to which they so refer.

1. "Accident" means a sudden and fortuitous event, an event of the moment, which happens by chance, is unexpected and unforeseeable. Accident does not include any condition which develops, progresses or changes over time, or which is inevitable. The date of the accident shall be the later of when such Accident occurred or is discovered; provided, however, that no Accident is covered hereunder which occurred while the Insured was not insured by the Insurer under this Policy or a predecessor policy issued by the Insurer.
2. "Accidental" means caused by an Accident.
3. "Accidental Property Damage" means Property Damage caused by an Accident.
4. "Act" means the Atomic Energy Act of 1954, 42 U.S.C. §2011, et seq., as amended, and the regulations promulgated pursuant thereto.

5. "Actual Cash Value" means the amount determined by reducing the Replacement Cost of the Insured Property by straight-line depreciation at a rate of three percent (3%) per year, subject to a maximum depreciation of seventy five percent (75%).
6. "Amount of Decommissioning Liability Coverage" means the amount payable for decommissioning liability expenses pursuant to subsection II.2, as calculated under the formula set forth in subsection II.1.
7. "Attachment Point" means the greater of (i) the amount covered by all the Underlying Insurance Policies or (ii) \$1,500,000,000.
8. "Debris Removal and Decontamination Coverage" means the coverage provided pursuant to paragraph I.1(b).
9. ~~"Declarations" means the declarations attached to, and made a part of, the Policy.~~
10. "Decommissioning Target Amount" means the amount approved by the Insurer as necessary to meet the costs of decommissioning the Unit, as adjusted to the Settlement Date.
11. "Decommissioning Target Document" means the document submitted by the Insured in estimating the costs of decommissioning the Unit after the Accident leading to decommissioning. The document shall include information required under 10 C.F.R. §50.75 and the cost estimates shall be based on then currently available industry data. The document shall be subject to the approval of the Insurer.
12. "Decommissioning Trust Fund" means the external sinking fund described by the NRC pursuant to 10 C.F.R. §50.75 to pay the costs of decommissioning the Unit at the end of its licensed life.
13. "Delinquent Member" means any member insured, including the Member Insured, who fails to pay a retrospective premium adjustment due under this Policy or any Other Insurance Policy within twenty (20) business days after demand.
14. "Deposit Premium" means the amount that the Member Insured may be required to pay to the Insurer under this Policy, as detailed in to Section VI of this Policy, as security for future Retrospective Premium Adjustments.
15. "FERC" means the Federal Energy Regulatory Commission or any governmental body succeeding to the functions and authority thereof.
16. "Functional Age" means the remaining operating life of the Unit, stated as a percentage, as determined by dividing the number of years remaining on the Unit's Operating License as of the date of Accident, including any extension of

the License that has been approved by the NRC as of the date of Accident, by the maximum number of years of operation permitted under the Unit's operating license issued by the NRC, including any extension of the License that has been approved by the NRC as of the date of the Accident. In the event that the date of the Accident is after a Unit has submitted its application for license renewal, but before the NRC has approved or disapproved the renewal request, the Functional Age for the Unit shall be no less than 25%.

17. "Functional Total Loss Coverage" means the coverage provided pursuant to subsection I.2.
18. "Functional Value" means the amount determined by multiplying the Generation Replacement Value for the Unit by the Functional Age.
19. "Generation Replacement Value" means value generated by the following formula: $COST \times 1,000 \times MWe$, where COST means the 3-year trailing average of the total overnight cost figure, on a kilowatt basis, as reported by the Energy Information Administration of the Department of Energy in its forecast for advanced nuclear construction in effect as of the Date of Accident multiplied by .85 (85%), and MWe means the Megawatt Electric rating of the Unit as most recently reported by the Insured in documents filed with the Securities Exchange Commission (SEC).
20. "INPO" means the Institute of Nuclear Power Operations.
21. "Insured Property" means the property specified as such in Item 7 of the Declarations and situated at a location specified therein, or if not so identified, then the property as described in the Underlying Insurance Policies.
22. "Insureds" means, collectively, the Persons listed in Item 9 of the Declarations and the Member Insureds, which Persons may hereinafter be referred to individually as an "Insured."
23. "Insurer" means Nuclear Electric Insurance Limited.
24. "Loss" means, collectively, the expenses covered under paragraph I.1(a) of the Policy, the expenses covered under paragraph I.1(b) of the Policy, the losses covered under paragraph I.1(c) of the Policy, the losses covered under paragraph I.2(a) of the Policy, and the expenses covered under subsection II.1 of the Policy. With respect to Sections IV and VI, Loss shall include, where applicable and without limitation, all costs of the Insurer attributable to paying, financing, litigating and settling such expenses and losses.
25. "Loss Control Standards" means the set of administrative and technical requirements adopted by the Insurer that are intended to minimize the risk of loss at Insured Sites.

26. "Member Insurance Program" means any program approved as such in accordance with the Bye-Laws of the Insurer.
27. "Member Insureds" means, collectively, the undersigned Persons, each of whom is subject to the rights and obligations hereof. The Member Insureds may hereinafter be referred to individually as a "Member Insured."
28. "Member Insureds of the Insurer" means the Member Insureds under this Policy or the Other Insurance Policies.
29. "Multiple" means the multiple selected by the Board of Directors of the Insurer (but not greater than the multiple specified in Item 5A of the Declarations) pursuant to paragraphs VI.3(a) and VI.3(b).
30. "NRC" means the Nuclear Regulatory Commission or any governmental body succeeding to the functions and authority thereof.
31. "Nuclear Liability Coverage" means the coverage provided pursuant to paragraph I.1(a).
32. "Operator" means those Persons, if any, other than the Member Insured, responsible for operating the Unit or Units covered by the Policy.
33. "Other Insurance Policy" means any Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy or Blanket Excess Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy, other than this Policy, issued by the Insurer, or any Decontamination, Decommissioning and Excess Property Insurance Policy or Blanket Excess Decontamination, Decommissioning and Excess Property Insurance Policy issued by Overseas NEIL Limited.
34. "Other Member Insurance Policy" means any insurance policy, other than this Policy, issued by the Insurer to one or more Member Insureds of the Insurer under a Member Insurance Program.
35. "Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.
36. "Policy" means this Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy, including the Declarations, as it may hereafter be revised, amended or endorsed.
37. "Policy Year" means the policy year set forth in Item 3.B. of the Declarations.
38. "Premium" means the amount specified in Item 4 of the Declarations.

39. "Primary Policy" means a Primary Property and Decontamination Liability Insurance Policy issued by Nuclear Electric Insurance Limited or a Primary Property and Decontamination Insurance Policy issued by Overseas NEIL Limited, depending on which has been issued to the Insured.
40. "Property Damage" means direct physical damage to or destruction of Insured Property.
41. "Property Damage Coverage" means the coverage provided pursuant to paragraph I.1(c).
42. "Replacement Cost" means the cost incurred for the replacement of Insured Property that sustained Accidental Property Damage. If the Insured
- (i) replaces the damaged Insured property with identical property, the Replacement Cost shall be the cost of the identical property
 - (ii) replaces the damaged Insured Property with a like-kind property and the identical property is available, the Replacement Cost shall be the lesser of the cost of the like-kind property and the identical property; or
 - (iii) replaces the damaged Insured Property with a like-kind property and the identical property is not available, the Replacement Cost shall be the cost of the like-kind replacement, or lowest cost like-kind replacement if more than one like-kind replacement is available.

For purposes of determining Actual Cash Value pursuant to Section VIII.D hereof, Replacement Cost shall be the lesser of (i) the cost of available like-kind property or identical property or, (ii) if neither like-kind property or identical property is available, the original book value of the damaged Insured Property, less any applicable AFUDC, adjusted for inflation using the applicable Handy Whitman Index.

43. "Resolution Plan" means a written document, mutually agreed upon by the Insured and Insurer, that explains the actions to be taken by the Insured to resolve the Insured's non-compliance with a SHALL Requirement under the Loss Control Standards. The procedures for the development, and closure, of a Resolution Plan are contained in the Company's Loss Control Standards.
44. "Retrospective Premium Adjustment" means the amount of retrospective premium adjustment called or demanded of the Member Insured under this Policy as calculated pursuant to Section VI of this Policy, but not, in the aggregate, in excess of the Retrospective Premium Adjustment specified in Item 5B of the Declarations.
45. "Settlement Date" means the date on which the Member Insured certifies that the Insureds have discharged their legal obligation or liability to protect the public

health and safety and to remove debris of and decontaminate the Insured Property following Accidental Property Damage.

- 46. "SHALL Requirement" means a standard within the Loss Control Standards that sets forth a minimum requirement to be met and maintained for the Insured Property to be insurable, and is identified as such within the Loss Control Standards.
- 47. "Shortfall" means the Decommissioning Target Amount minus the balance in the Decommissioning Trust Fund as of the Settlement Date.
- 48. "Specified Nuclear Liability Amount" means the amount described under subparagraph V.13(b)(i).
- 49. "Underlying Insurance Policy" means the primary insurance policy and each excess policy other than this Policy covering the first party liability and/or property risks of the Insured with respect to the Insured Property, but shall not mean any third party nuclear energy liability policy issued by American Nuclear Insurers, Nuclear Energy Liability Insurance Association or other third party liability insurer or other third party entity.

**NUCLEAR ELECTRIC INSURANCE LIMITED
POLICYHOLDER DISCLOSURE****NUCLEAR POLICY RENEWALS****NOTICE OF TERRORISM INSURANCE COVERAGE
EFFECTIVE JANUARY 8, 2015**

Coverage for acts of terrorism is already included in your current policy. However, under NEIL's Payment for Acts of Terrorism endorsement, your recovery for losses stemming from an act of terrorism could be limited by the terms of the endorsement. However, in accordance with the Terrorism Risk Insurance Program Reauthorization Act of 2015, which took effect January 8, 2015, (TRIPRA), NEIL's Payment for Acts of Terrorism endorsement would not cap the damages for any "certified" acts of terrorism under TRIPRA.

You are hereby notified that under TRIPRA, the term "act of terrorism" means any act that is certified by the Secretary of the Treasury - in concurrence with other specified federal officials - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established in TRIPRA. Your policy may contain other exclusions which might affect your coverage. Under the formula, for the 2015 calendar year, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. This amount will be decreased on a phased in basis, at a rate of 1% per year, from 2016 to 2020, with the end result being that the United States Government will reduce reimbursement to 80% of covered terrorism losses for the year 2020. TRIPRA contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, any insurer that has met its deductible will not be liable to pay for any losses in excess of the \$100 billion sustained by its insureds. Thus, if the \$100 billion cap is reached, your coverage may be reduced.

NEIL is neither increasing, nor attributing any portion of, the annual premium for terrorism coverage, but a surcharge might be added to the premium if, after a certified act of terrorism, the federal Department of Treasury requires a recoupment of certain amounts paid by the federal government in accordance with the terms of TRIPRA.



Payments for Acts of Terrorism Endorsement

Member Insured: Pacific Gas and Electric Company and STP Nuclear Operating Company

Diablo Canyon and South Texas

Site: Project

Endorsement No. 1

Policy Number: BX16-007

Effective Date: April 1, 2016

Effective Time of this Endorsement is 12:01 a.m. Standard Time in Hamilton, Bermuda.

It is hereby understood and agreed that this Policy is hereby amended as follows:

I. The following Section is hereby added to the Policy:

PAYMENTS FOR ACTS OF TERRORISM

In the event that one or more Acts of Terrorism cause Accidental Property Damage under this Policy and under one or more Nuclear Insurance Policies within twelve months from the date the first Accidental Property Damage occurs:

1. Resources Available

The Insureds' maximum recovery for all such Losses under this Policy and all Nuclear Insurance Policies shall be an aggregate of:

- (a) (US)\$1.8276 billion unless at least one of the Insureds, whose claim for Accidental Property Damage falls under the Payment for Acts of Terrorism Endorsement applicable to its Policy, has received payments pursuant to Section I.A.2 of a Primary Property Policy or Section I.1(a) of a NEIL II Excess Property Policy or Blanket Excess Property Policy applicable to that Insured's Site, in which case the Insurer's liability shall not exceed (US)\$3.24 billion

plus;

- (b) such additional amounts as the Insurer recovers for such Losses from reinsurance, indemnity, and any other source, applicable to such Losses.

2. Allocation of Resources

- (a) The amount determined under paragraph 1 above shall first be used to pay for all such Losses payable under all applicable Primary Property and

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

Enclosure 2
Page 1 of 45

Decontamination Liability Insurance Policies (excluding any Losses payable under all Business Interruption and/or Extra Expense Insurance Policy Endorsements), Primary Property and Decontamination Insurance Policies (excluding any Losses payable under all Business Interruption and/or Extra Expense Insurance Policy Endorsements), Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policies, Decontamination, Decommissioning and Excess Property Insurance Policies, Blanket Excess Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policies, Blanket Excess Decontamination, Decommissioning and Excess Property Insurance Policies, and Builders' Risk Insurance Policies (collectively "Property Losses").

- (b) If such Property Losses for all Insureds exceed the amount determined under paragraph 1 above, the Insured's maximum recovery shall be the amount determined under paragraph 1 above times a fraction, the numerator of which is the Insured's recovery for the Property Losses resulting from Accidental Property Damage, but for this Section, and the denominator of which is the sum of all Insureds' recovery for Property Losses resulting from Accidental Property Damage under all applicable Nuclear Insurance Policies, including this Policy, but for this Section.
- (c) Notwithstanding paragraph 1 and subparagraph 2(b) above, if the payments made pursuant to subparagraph 2(b) exhaust the amount determined under paragraph 1, without paying for all the Insured's Property Losses, the Insured shall recover such additional amounts that the Insurer recovers from reinsurance, indemnity, or other source, for the Insured's Property Losses.

3. Declarations Page

Nothing herein shall be construed to entitle the Insured to recover more than the amount of the Policy Limits stated in Item 6 of the Declarations.

4. Relevant Period

The twelve-month period specified above shall commence on the date of the first Accidental Property Damage caused by an Act of Terrorism. The first Accidental Property Damage caused by an Act of Terrorism that occurs after this or any other twelve-month period shall trigger a new twelve-month period.

5. Definitions

For the purposes of this Section only:

- (a) "Act of Terrorism" means any act by a person, group, or organization that appears to be intended to: (i) intimidate or coerce a civilian population, or (ii) disrupt any segment of the economy in the country where the insured plant is located; or (iii) influence the policy of a government by intimidation or coercion; or (iv) affect the conduct of a government by mass destruction; provided, however, that an Act of Terrorism for purposes of this Policy shall not include any act excluded by the War Risk Exclusion.
- (b) "Nuclear Insurance Policy" means any Primary Property and Decontamination Liability Insurance Policy, or Primary Property and Decontamination Insurance Policy, or any Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy, or Decontamination, Decommissioning and Excess Property Insurance Policy or any Blanket Excess Decontamination Liability, Decommissioning Liability And Excess Property Insurance Policy, or Blanket Excess Decontamination, Decommissioning And Excess Property Insurance Policy, other than this Policy, issued by the Insurer or by Overseas NEIL Limited.
- (c) "Builders' Risk Policies" means any Builders' Risk Insurance Policies issued by the Insurer or by Overseas NEIL Limited.

6. Authorized Changes to this Section

The Insurer's Board of Directors will have the authority to alter or replace the definition of the term "Act of Terrorism" and any other provision of this Section in order to facilitate the availability of resources that may be made available by the Government in the country where the insured plant is located.

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

Page 2 of 45

IN WITNESS WHEREOF, the parties hereto have caused this Endorsement to be executed and attested on their behalf.

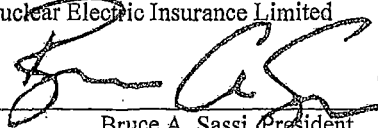
Wilmington, Delaware

Date: As of April 1, 2016

Attest: _____


INSURER:

Nuclear Electric Insurance Limited

By: 
Bruce A. Sassi, President

INSURED:

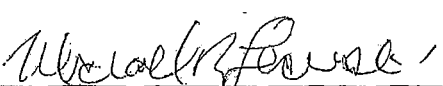
Pacific Gas and Electric Company

By: 

Witness: Den Bar

INSURED:

STP Nuclear Operating Company

By: 

Date: As of April 1, 2016

Witness: Den Bar

Whole Layer Blanket Rating Calculation Sheet

Member Insured: Pacific Gas and Electric Company and STP Nuclear Operating Company
 Site: Diablo Canyon and South Texas Project
 Policy Number: BX16-007
 Recovery Limit: \$1,250,000,000 2016 Renewal
 Attachment Point: \$1,500,000,000
 Effective Date: April 1, 2016
 Expiration Date: April 1, 2017 Number of Sites: 2

Sites	Annual Premium	Retro Premium	Previous Annual Premium	Additional Annual Premium	Pro-Rata Factor
Diablo Canyon	\$701,986	\$7,019,860	\$0	701,986	
South Texas Project	\$659,867	\$6,598,670	\$0	659,867	
Totals	\$1,361,853	\$13,618,530	\$0	\$1,361,853	1.0000

Blanket Premium Due
701,986
659,867
\$1,361,853

Sites	Primary Policy	Premium for 1 st \$1 MM	Premium >1.5 BB	100% Premium	Blanket %	Premium x Blanket %	Share of Blanket Premium
Diablo Canyon	P16-027	696.6000	\$870,750	\$870,750	100.00 %	\$870,750	51.55%
South Texas Project	P16-075	654.8040	\$818,505	\$818,505	60.00 %	\$491,103	48.45%
Totals						\$1,361,853	

Sites	No of Units:	Gross Nuclear Loading per Million:	Multi-Unit Charge:	Multi-Unit Charge in \$:	Net Nuclear Loading:	Base Plant Operations Credit:	Effective Plant Operations Credit:	NEIL Primary Credit:	Total Credits in %:	Total Credits in \$:	Nuclear Loading After Credits:	Program Modifier in %:	Program Modifier in \$:	Rate per Million:
Diablo Canyon	2	774	20.00 %	\$155	\$929	10.00 %	15.00 %	10.00 %	25.00 %	\$(232)	\$697	0.00 %	\$0	\$696.6000
South Texas Project	2	774	20.00 %	\$155	\$929	13.00 %	19.50 %	10.00 %	29.50 %	\$(274)	\$655	0.00 %	\$0	\$654.8040