



SACRAMENTO MUNICIPAL UTILITY DISTRICT □ 6201 S Street, P.O. Box 15830, Sacramento CA 95852-1830, (916) 452-3211
AN ELECTRIC SYSTEM SERVING THE HEART OF CALIFORNIA

NL 96-056

December 16, 1995

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555

Docket No. 50-312
Rancho Seco Nuclear Generating Station
License No. DPR-54

NUCLEAR LIABILITY INSURANCE ENDORSEMENTS

Attention: Mr. Dinitz

Attached are certified copies of the following nuclear liability
endorsements for the Sacramento Municipal Utility District's Rancho
Seco Nuclear Generating Station:

<u>Policy</u>	<u>Endorsement</u>
NF-0212	128
NF-0212	129
MF-0075	114
MF-0075	115

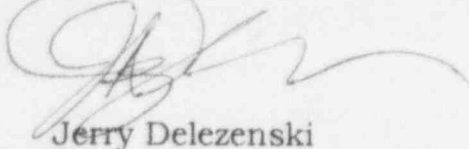
Also attached is a letter from our insurance broker, Marsh & McLennan,
explaining the phase-out of Mutual Atomic Energy Liability Underwriters'
liability underwriting capacity.

MOOI 1/1

9612240283 961216
PDR ADOCK 05000312
J PDR

If you, or members of your staff, have any questions requiring additional information or clarification, please contact Bob Jones at (916)452-3211, extension 4676.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Jerry Delezenski', with a stylized, flowing script.

Jerry Delezenski
Supervisor, Nuclear Licensing

cc: NRC, Region IV, Arlington
S. Weiss, NRC, Washington

Hanson D. Pickerl
Senior Vice President

Marsh & McLennan Nuclear
500 West Monroe Street
Chicago, Illinois 60661
Telephone 312 627 6150
Telefax 312 627 6059
Internet Hanson.D.Pickerl@marshmc.com

*Insurance
Nuclear
Liability*

December 4, 1996

MARSH &
MCLENNAN

Mr. Peter Manley
Risk & Insurance Analyst
Sacramento Municipal Utility District
6201 S. Street
P. O. Box 15830
Sacramento, CA 95852-1830

RE: NUCLEAR POOL CAPACITY CHANGES

Dear Pete:

You recently received a bulletin from ANI regarding the 1997-1998 phase-out of MAELU's liability underwriting capacity, and its replacement with ANI capacity. MAELU has elected to exit the liability business, partly because ANI has decided to establish a reinsurance arrangement with NEIL. In 1997, MAELU will reduce their current 22.5% share of capacity to 8.26%. In 1998, they will phase it out completely. ANI will be picking up this capacity as MAELU drops out, in order to maintain total capacity constant. For the vast majority of reactors in the U.S., this change is of no consequence. The group of plants being affected, however, is the one that includes Rancho Seco, namely those plants that are permanently closed.

Historically, when an operating plant has incurred losses payable under the nuclear liability policies, the Pools have typically reinstated the reduced limit after the claim is settled. However, they will neither reinstate nor increase limits for permanently closed plants. Once a claim is paid, a closed plant is left with a reduced policy limit for subsequent claims.

You may find the enclosed endorsements quite confusing, but in essence they accomplish both of the above - namely, transferring the MAELU capacity to ANI, but not contributing any of this additional ANI capacity to old claims. I have enclosed a diagram which shows how the limits for old claims will be affected in future years.

Please keep in mind that both ANI and MAELU have ten-year discovery periods. Since the policy limit was reduced to \$100 MM on May 20, 1994, the limits available for old claims (specifically, No Name Creek) will remain at \$160 MM (less the roughly \$11 MM already paid out) until May 20, 2004. At that time, the policy limit reduction to \$100 MM will become effective, thus the limits available will be \$100 MM less the previous \$11 MM.

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File Management

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CORPORATE FILE

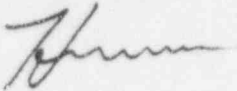
Mr. Peter Manley
December 4, 1996
Page Two

Additionally, since MAELU is withdrawing from the liability syndicate in 1997 and 1998, and ANI will not increase limits for old claims on closed sites, the No Name Creek capacity will trend downward ten years after each capacity change. The enclosed diagram shows how an ANI limit of \$69.53 MM will eventually be all that is left for old claims.

While this represents a degradation in the coverage, you may want to inquire as to the likelihood of future claims activity for No Name Creek. I have not seen anything from the Pools indicating ongoing claim work for this issue.

Please call if you have any questions about the enclosed endorsements or diagram. I met with ANI underwriter Gary Uricchio two weeks ago to verify the interpretation of the endorsements. Also, the certified copies need to be sent to the NRC.

Regards,



HDP

Enc.

SMUD - Rancho Seco
Future Facility Form limits for
non-reinstated No Name Creek claims
1981-1986

Total

\$149.71 MM

\$89.71 MM

\$75.48 MM

\$69.53 MM

MAELU

\$33.68 MM

\$20.18 MM

\$5.95 MM

\$0 MM

ANI

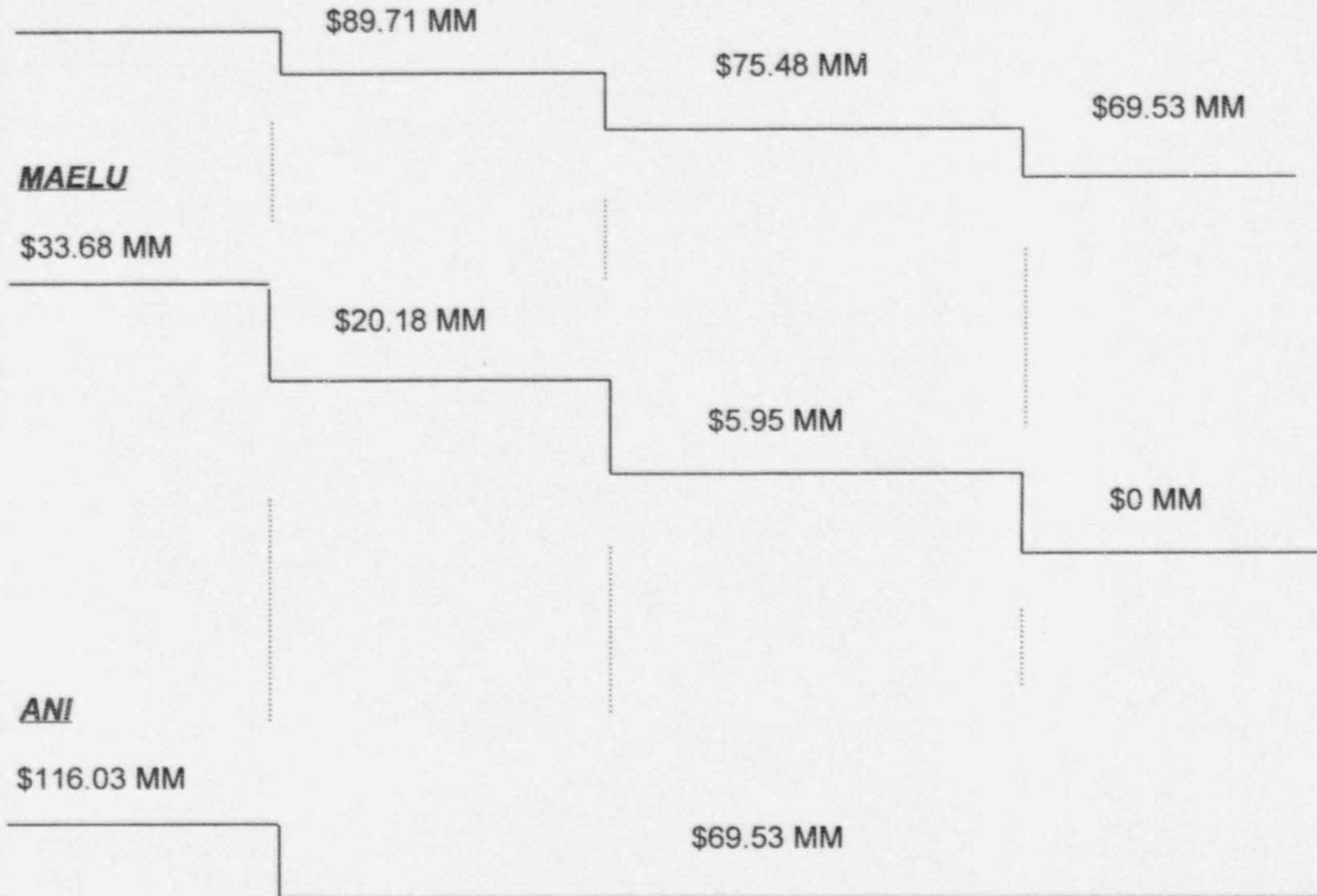
\$116.03 MM

\$69.53 MM

May 20, 2004

Jan 1, 2007

Jan 1, 2008



NUCLEAR ENERGY LIABILITY INSURANCE

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

REDUCTION OF LIMIT OF LIABILITY ENDORSEMENT (After Prior Increase)

It is agreed that:

1. Endorsement No. 120 is deleted.
2. The limit of liability stated in Item 4 of the declarations of the policy and the limit(s) of liability stated in the Increase of Limit of Liability Endorsement(s) listed below apply only with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public (a) caused, during their respective effective periods, by the nuclear energy hazard and (b) which is discovered, and for which written claim is made against the insured, not later than May 19, 2004.
3. The limit of liability stated in Item 4 of the declarations of the policy as amended by the Increase of Limit of Liability Endorsement(s) listed below is further amended to read \$77,500,000. This amended limit applies with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public (a) caused, during the effective period of the policy, by the nuclear energy hazard and (b) to which the limits of liability stated in the policy do not apply under the terms of paragraph 2 above; provided, however, that if written claim is made against the insured later than May 19, 2004 for bodily injury, property damage, environmental damage or evacuation of the public caused during a period when a limit of liability lower than that stated in this paragraph 3 was in effect, then such lower limit of liability shall apply to such claim.

In the event that any payments have heretofore been made by the companies for loss or expense covered by the policy, each of the limits of liability including the amended limit of liability stated in paragraph 3 above is reduced in accordance with Condition 3 of the policy by the total amount of those payments, except to the extent that any such reduced limit of liability may have been previously restored in accordance with a Restoration of Limit of Liability Endorsement.

The original limit of liability stated in Item 4 of the declarations of the policy, the limit(s) of liability stated in the Increase of Limit of Liability Endorsement(s) listed below and the amended limit of liability stated in paragraph 3 above shall not be cumulative, and each payment made by the companies after the effective date of this endorsement for any loss or expense covered by the policy shall reduce by the amount of such payment each of those limits of liability, regardless of which limit of liability applies with respect to the bodily injury, property damage, environmental damage or evacuation of the public out of which such loss or expense arises.

Previous Increase of Limit of Liability Endorsement(s)
Endorsement No.(s) 15, 20, 32, 39 and 95

Effective Date of
this Endorsement:

May 20, 1994
(12:01 A.M. Standard Time)

To form a part of Policy No. NF -0212

Issued to: Sacramento Municipal Utility District

Date of Issue: October 18, 1996

For the subscribing companies

By

Robert J. Gann
President

Countersigned by

J. S. Gattard

Endorsement No

128

This is to certify that this is a true copy of the original
Endorsement having the endorsement number and being made part
of the Nuclear Energy Liability Policy (Policy Form) as the
insured person. No insurance is given hereunder.
John L. Gattard
President

NUCLEAR ENERGY LIABILITY INSURANCE
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

INCREASE OF LIMIT OF LIABILITY ENDORSEMENT
(After Prior Increase and Reduction)

It is agreed that:

1. The limit of the companies' liability stated in Item 4 of the declarations as amended by the Increase of Limit of Liability Endorsement(s) listed below and Reduction of Limit of Liability Endorsement No. 128 is further amended to read \$ 91,740,000; but in the event that any payments have heretofore been made by the companies for loss or expense covered by the policy, each of those limits of liability including the limit of liability as amended by this endorsement is reduced in accordance with Condition 3 of the policy by the total amount of those payments, except to the extent that any such reduced limit of liability may have been previously restored in accordance with a Restoration of Limit of Liability Endorsement.

The increase in the limit of liability provided by this endorsement

- a. applies only with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public caused, during the period from the effective date of this endorsement to the date of termination of the policy, by the nuclear energy hazard, and
- b. shall not apply with respect to bodily injury, property damage, environmental damage or evacuation of the public caused in whole or in part by radioactively contaminated water released from the location specified in Endorsement No. 72 to "No Name Creek". This paragraph b. shall not apply to such bodily injury, property damage, environmental damage or evacuation of the public if it is caused in whole or in part by a nuclear incident which is determined by the Nuclear Regulatory Commission to be an "extraordinary nuclear occurrence" pursuant to the provisions of its regulations and the Atomic Energy Act of 1954, as amended.

3. The original limit of liability stated in Item 4 of the declarations, the limit(s) of liability stated in the Increase of Limit of Liability Endorsement(s) listed below, the limit of liability stated in Reduction of Limit of Liability Endorsement No. 128 and the amended limit of liability stated in paragraph 1 above shall not be cumulative, and each payment made by the companies after the effective date of this endorsement for any loss or expense covered by the policy shall reduce by the amount of such payment each of those limits of liability, regardless of which limit of liability applies with respect to the bodily injury, property damage, environmental damage or evacuation of the public out of which such loss or expense arises.

Previous Increase of Limit of Liability Endorsement(s)
Endorsement No.(s) 15, 20, 32, 39 and 95

Effective Date of
this Endorsement:

January 1, 1997
(12:01 A.M. Standard Time)

To form a part of Policy No. **NF -0212**

Issued to: **Sacramento Municipal Utility District**

Date of Issue: **October 18, 1996**

For the subscribing companies

By

Countersigned by

Endorsement No: **129**

This is to certify that this is a true copy of the original Endorsement having the endorsement number and being made part of the Nuclear Energy Liability Policy (Facility Form) as designated hereon. No insurance is afforded hereunder.

John L. Quattrone
John L. Quattrone, Senior Vice President
American Nuclear Insurance

Robert J. Quattrone
President
John L. Quattrone

NUCLEAR ENERGY LIABILITY INSURANCE
MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

REDUCTION OF LIMIT OF LIABILITY ENDORSEMENT
(After Prior Increase)

It is agreed that:

1. Endorsement No. 108 is deleted.
2. The limit of liability stated in Item 4 of the declarations of the policy and the limit(s) of liability stated in the Increase of Limit of Liability Endorsement(s) listed below apply only with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public (a) caused, during their respective effective periods, by the nuclear energy hazard and (b) which is discovered, and for which written claim is made against the insured, not later than May 19, 2004.
3. The limit of liability stated in Item 4 of the declarations of the policy as amended by the Increase of Limit of Liability Endorsement(s) listed below is further amended to read \$22,500,000. This amended limit applies with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public (a) caused, during the effective period of the policy, by the nuclear energy hazard and (b) to which the limits of liability stated in the policy do not apply under the terms of paragraph 2 above; provided, however, that if written claim is made against the insured later than May 19, 2004 for bodily injury, property damage, environmental damage or evacuation of the public caused during a period when a limit of liability lower than that stated in this paragraph 3 was in effect, then such lower limit of liability shall apply to such claim.
4. In the event that any payments have heretofore been made by the companies for loss or expense covered by the policy, each of the limits of liability including the amended limit of liability stated in paragraph 3 above is reduced in accordance with Condition 3 of the policy by the total amount of those payments, except to the extent that any such reduced limit of liability may have been previously restored in accordance with a Restoration of Limit of Liability Endorsement.
5. The original limit of liability stated in Item 4 of the declarations of the policy, the limit(s) of liability stated in the Increase of Limit of Liability Endorsement(s) listed below and the amended limit of liability stated in paragraph 3 above shall not be cumulative, and each payment made by the companies after the effective date of this endorsement for any loss or expense covered by the policy shall reduce by the amount of such payment each of those limits of liability, regardless of which limit of liability applies with respect to the bodily injury, property damage, environmental damage or evacuation of the public out of which such loss or expense arises.

Previous Increase of Limit of Liability Endorsement(s)
Endorsement No.(s) 13, 24, 33 and 83

Effective Date of
this Endorsement:

May 20, 1994
(12:01 A.M. Standard Time)

To form a part of Policy No. **MF -0075**

Issued to: **Sacramento Municipal Utility District**

Date of Issue: **October 18, 1996**

For the subscribing companies

By

Endorsement No:

114

Countersigned by

This is to certify that this is a true copy of the original Endorsement having the endorsement number and being made part of the Nuclear Energy Liability Policy (Policy Form) as designated hereon. No insurance is afforded hereunder.

[Signature]
John J. [unclear]
Agent

NUCLEAR ENERGY LIABILITY INSURANCE
MUTUAL ATOMIC ENERGY LIABILITY UNDERWRITERS

REDUCTION OF LIMIT OF LIABILITY ENDORSEMENT
(After Prior Increase and Reduction)

It is agreed that:

1. The limit of liability stated in Item 4 of the declarations of the policy and the limit(s) of liability stated in the Increase of Limit of Liability Endorsement(s) listed below apply only with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public (a) caused, during their respective effective periods, by the nuclear energy hazard and (b) which is discovered, and for which written claim is made against the insured, not later than May 19, 2004.
2. The limit of liability stated in Reduction of Limit of Liability Endorsement No. 114 applies only with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public (a) caused, during the period from May 20, 1994 to the effective date of this endorsement, by the nuclear energy hazard and (b) which is discovered, and for which written claim is made against the insured, not later than December 31, 2006.
3. The limit of liability stated in Item 4 of the declarations of the policy as amended by the Increase of Limit of Liability Endorsement(s) listed below and Reduction of Limit of Liability Endorsement No. 114 is further amended to read \$8,260,000. This amended limit applies with respect to obligations assumed or expenses incurred because of bodily injury, property damage, environmental damage or evacuation of the public (a) caused, during the effective period of the policy, by the nuclear energy hazard and (b) to which the limits of liability stated in the policy do not apply under the terms of paragraph 1 or 2 above.

In the event that any payments have heretofore been made by the companies for loss or expense covered by the policy, each of the limits of liability including the amended limit of liability stated in paragraph 3 above is reduced in accordance with Condition 3 of the policy by the total amount of those payments, except to the extent that any such reduced limit of liability may have been previously restored in accordance with a Restoration of Limit of Liability Endorsement.

The original limit of liability stated in Item 4 of the declarations of the policy, the limit(s) of liability stated in the Increase of Limit of Liability Endorsement(s) listed below, the limit of liability stated in Reduction of Limit of Liability Endorsement No. 114 and the amended limit of liability stated in paragraph 3 above shall not be cumulative, and each payment made by the companies after the effective date of this endorsement for any loss or expense covered by the policy shall reduce by the amount of such payment each of those limits of liability, regardless of which limit of liability applies with respect to the bodily injury, property damage, environmental damage or evacuation of the public out of which such loss or expense arises.

Previous Increase of Limit of Liability Endorsement(s)
Endorsement No.(s) 13, 24, 33 and 83

Effective Date of
this Endorsement:

January 1, 1997
(12:01 A.M. Standard Time)

To form a part of Policy No. **MF -0075**

Issued to: **Sacramento Municipal Utility District**

Date of Issue: **October 18, 1996**

For the subscribing companies

By

Countersigned by

Endorsement No:

115

This is to certify that this is a true copy of the original endorsement having the endorsement number and being made part of the Nuclear Energy Liability Policy (Facility Form) as designated hereon. No insurance is afforded hereunder.
John L. American
John L. American