



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

CNL-15-202

September 24, 2015

10 CFR 50.54(w)
10 CFR Part 140

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

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

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

Reference: TVA Letter to NRC, CNL-15-176, "Watts Bar Nuclear Plant Unit 2 - Financial Protection Requirements and Indemnity Agreements - Insurance Status," dated August 26, 2015 (ML15238B694)

In a discussion with the NRC Staff on September 10, 2015, the Staff requested documentation, in addition to that provided in the referenced letter, regarding financial protection for Watts Bar Nuclear Plant Unit 2. Specifically, the Staff requested documentation that addresses the requirements of 10 CFR 50.54(w), 140.11, and 140.21. The enclosure to this letter describes TVA's compliance with the applicable regulatory requirements; the requested documents are attached to the enclosure.

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

I declare under penalty of perjury that the foregoing is true and correct. Executed on the 24th day of September 2015.

Respectfully,

A handwritten signature in blue ink, appearing to read "J. W. Shea", is written over the typed name and title.

J. W. Shea
Vice President, Nuclear Licensing

Enclosure

cc: See Page 2

Enclosure:

TVA's Compliance with the Requirements of 10 CFR 50.54(w), 140.11, and 140.21

Attachments:

1. Copy of NEIL Primary Insurance Policy P15-060
2. Copy of Bond for Repayment of Retroactive Premiums

cc (Enclosure):

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

ENCLOSURE
Watts Bar Nuclear Plant Unit 2

**TVA Compliance with the Requirements of
10 CFR 50.54(w), 140.11, and 140.21**

The NRC Staff requested TVA provide documentation demonstrating how it satisfies the requirements of 10 CFR §§ 50.54(w), 140.11, and 140.21 as they relate to Watts Bar Nuclear Plant (WBN) Unit 2. The requested documentation is attached, and is described below.

10 CFR § 50.54(w)

As explained in TVA's Annual Insurance Status Report (Reference 1), TVA complies with 10 CFR § 50.54(w) with the purchase of all available limits from private insurer Nuclear Electric Insurance Limited (NEIL) for property and decontamination insurance of at least \$1.06 billion for the Watts Bar Nuclear Plant, as provided in Item 6 on page ii of the primary policy (Attachment 1). In addition, WBN Unit 2 is covered for builder's all-risk insurance for the same limit and coverage under endorsement 4 of the Watts Bar Nuclear Plant policy, P15-060 (Attachment 1).

10 CFR §§ 140.11 and 140.21

TVA has also acquired and certified a secondary financial bond for payment of retrospective premiums at WBN Unit 2 under certificate number N-0120. This certificate was provided to the NRC in Reference 2 and is attached again here as Attachment 2. Please note that this certificate is worded to become effective upon issuance of the Facility Operating License. As required by 10 CFR § 140.21(a), it provides evidence of TVA's guarantee, in the form of a bond, of payment of deferred premium in the amount specified in § 140.11(a)(4).

References:

1. TVA Letter to NRC, "Annual Insurance Status Report," dated April 1, 2015 (ML15238A829)
2. TVA Letter to NRC, "Watts Bar Nuclear Plant Unit 2 – Documentation of Liability Insurance Coverage Requested Per Supplemental Safety Evaluation Report (SSER) Open Item 25," dated January 24, 2013 (ML13030A032)

Attachment 1
Copy of NEIL Primary Insurance Policy P15-060



Fire Damage Exclusion Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar Endorsement No. 9
Policy Number: P15-060 Effective Date: April 8, 2015

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

It is hereby agreed and understood that this Endorsement cancels and replaces:
Endorsement No. 1

1. This Endorsement shall be applicable to the following property:

- a) Waste Water Treatment facility
- b) Central Receiving Warehouse
- c) Dynamic Learning Center

2. It is hereby agreed and understood that this Policy does not insure against Property Damage to the property described in Paragraph 1, or the contents thereof, caused directly or indirectly by fire, or fire following lightning or explosion, or by any separate and independent Accident which ensues therefrom.

This Endorsement does not increase the amount of insurance provided under this Policy.

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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: _____

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: _____

By: _____
Attorney-in-Fact

Witness: _____

NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

**PRIMARY PROPERTY AND DECONTAMINATION LIABILITY INSURANCE
POLICY**

*Declarations attached to and made a part of Policy No. P15-060
(Watts Bar)*

Item 1.	Member Insured	<u>Tennessee Valley Authority</u>
	Member Address	<u>c/o Kirk A. Kelley Director, Corporate Credit & Insurance</u>
		<u>400 West Summit Hill Drive, WT 4C</u>
		<u>Knoxville, Tennessee 37902-1401</u>
	Respective Interest	<u>100%</u>

Item 2. Insurer: Nuclear Electric Insurance Limited

Mailing Address: 1201 N. Market Street, Suite 1100, Wilmington, Delaware 19801

Item 3.

A. Policy Period:

From 12:01 a.m. on April 1, 2015 to 12:01 a.m.
(Time) (Date) (Time)

on April 1, 2016, Standard Time in Hamilton, Bermuda.
(Date)

B. Policy Year:

From 12:01 a.m. on April 1, 2015 to 12:01 a.m.
(Time) (Date) (Time)

on April 1, 2016, Standard Time in Hamilton, Bermuda.
(Date)

Item 4. Premium: \$4,155,000

Item 5. A. Multiple: 10

B. Retrospective Premium Adjustment: \$41,550,000

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 \$1,500,000,000.

B. The Insurer's maximum Limit of Liability resulting from any one Accident that involves coverage under paragraph I.A.2, subsection I.F or Section I.G will not exceed \$1,500,000,000; provided, however, that not more than \$1,500,000,000 of such Limit of Liability may be used for losses that are covered under Policy provisions other than paragraph I.A.2, subsection I.F or Section I.G.

Course of Construction: \$50,000,000 per project

Item 7. Description and location of property covered:

The site includes Tennessee Valley Authority's Watts Bar Nuclear Plant which is located on a tract of approximately 1700 acres as shown within the heavy black line on a reduced copy of a drawing attached. The Watts Bar Reservaion is located on the west shore of the Tennessee River at river mile 528 in Rhea Coutny Approximately 50 miles northeast of Chattanooga, TN.

Also located on the tract are the Watts Bar Steam Plant, the Watts Bar Dam and Hydro-electric Plant, and the TVA Central Maintenance Facility, all of which are excluded from all coverage, including nuclear decontamination.

All structures, buildings and their contents known as Watts Bar Nuclear Plant Unit 2 are excluded from all coverage, including nuclear decontamination.

See Attachment 1

Item 8. Deductibles:

Deductible Amount:

\$10,000,000

Deductible for any Loss under Section V.M (Natural Hazards):

Windstorm: \$10,000,000 plus 10% of the amount of the Loss in excess of \$10,000,000, up to a total maximum deductible of \$59,000,000

Flood: \$10,000,000 plus 10% of the amount of the Loss in excess of \$10,000,000, up to a total maximum deductible of \$59,000,000

Earthquake
or Volcanic

Eruption: \$10,000,000 plus 10% of the amount of the Loss in excess of \$10,000,000, up to a total maximum deductible of \$59,000,000

Transit Deductible Amount:

\$100,000

Item 9. Insureds:
Tennessee Valley Authority, Bechtel Power Corporation, and Siemens Power Generation Inc., as their interests may appear.

Item 10. Loss Payee Clause:

A. Expenses covered under Section I.A.2 (Nuclear Liability Coverage) shall be adjusted with the Member Insured and payable to:

Tennessee Valley Authority

- B. All other covered Losses, except for expenses covered under Section I.G, shall be adjusted with the Member Insured and payable to:

Tennessee Valley Authority

- C. Expenses covered under Section I.G. (Decommissioning Liability Coverage) shall be adjusted with the Member Insured and payable to:

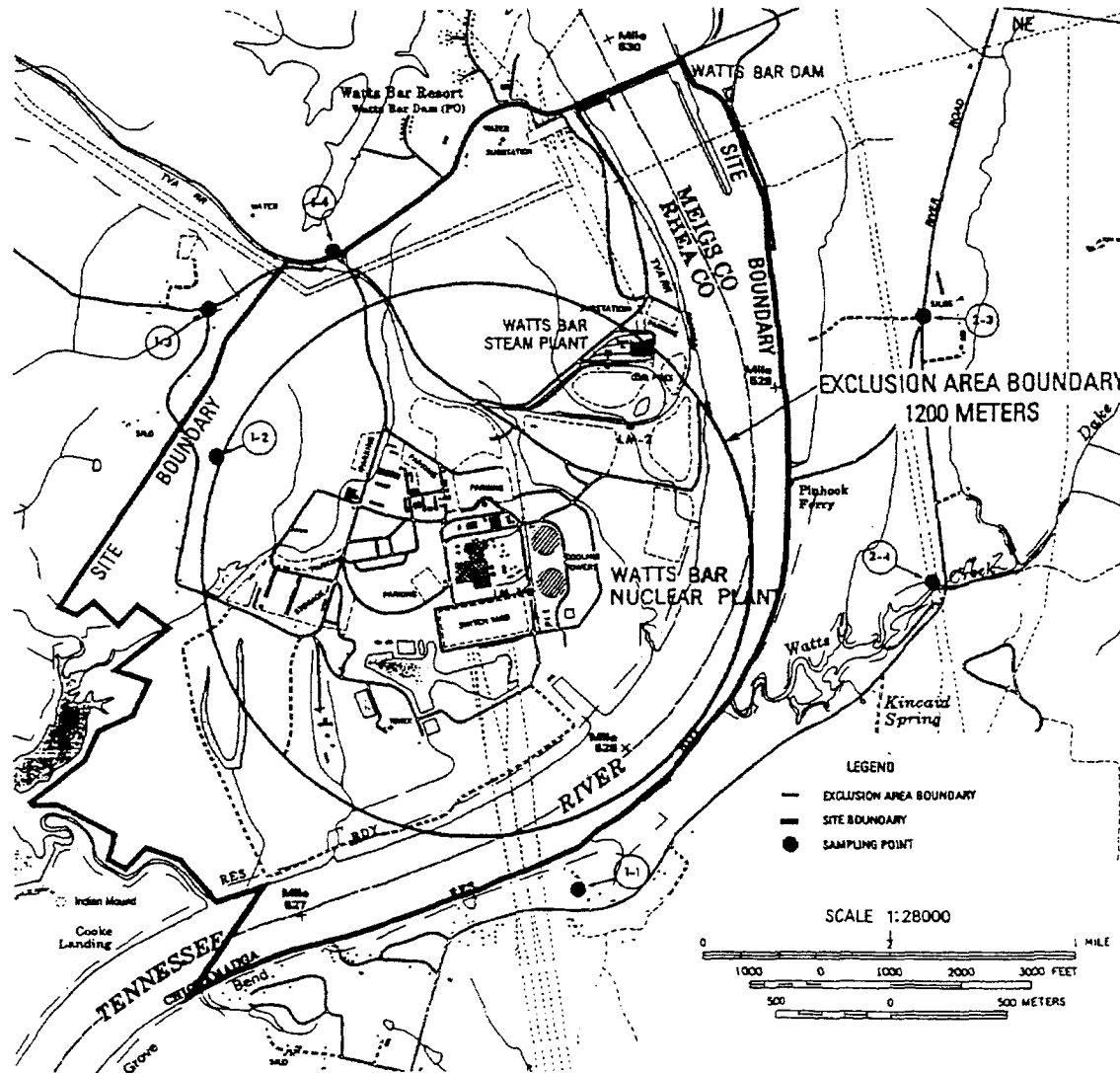
Mellon Trust Global Securities Services, One Mellon Bank Center,
Pittsburgh, PA 15258

The Member Insured may, by written notice to the Insurer, designate other payees under Items 10 A, B or C.

- Item 11. Service of Process to Insured (see Section V.G.5):

General Counsel
Tennessee Valley Authority
c/o Duane Morris LLP
222 Delaware Avenue, Suite 1600
Wilmington, DE 19801-1659

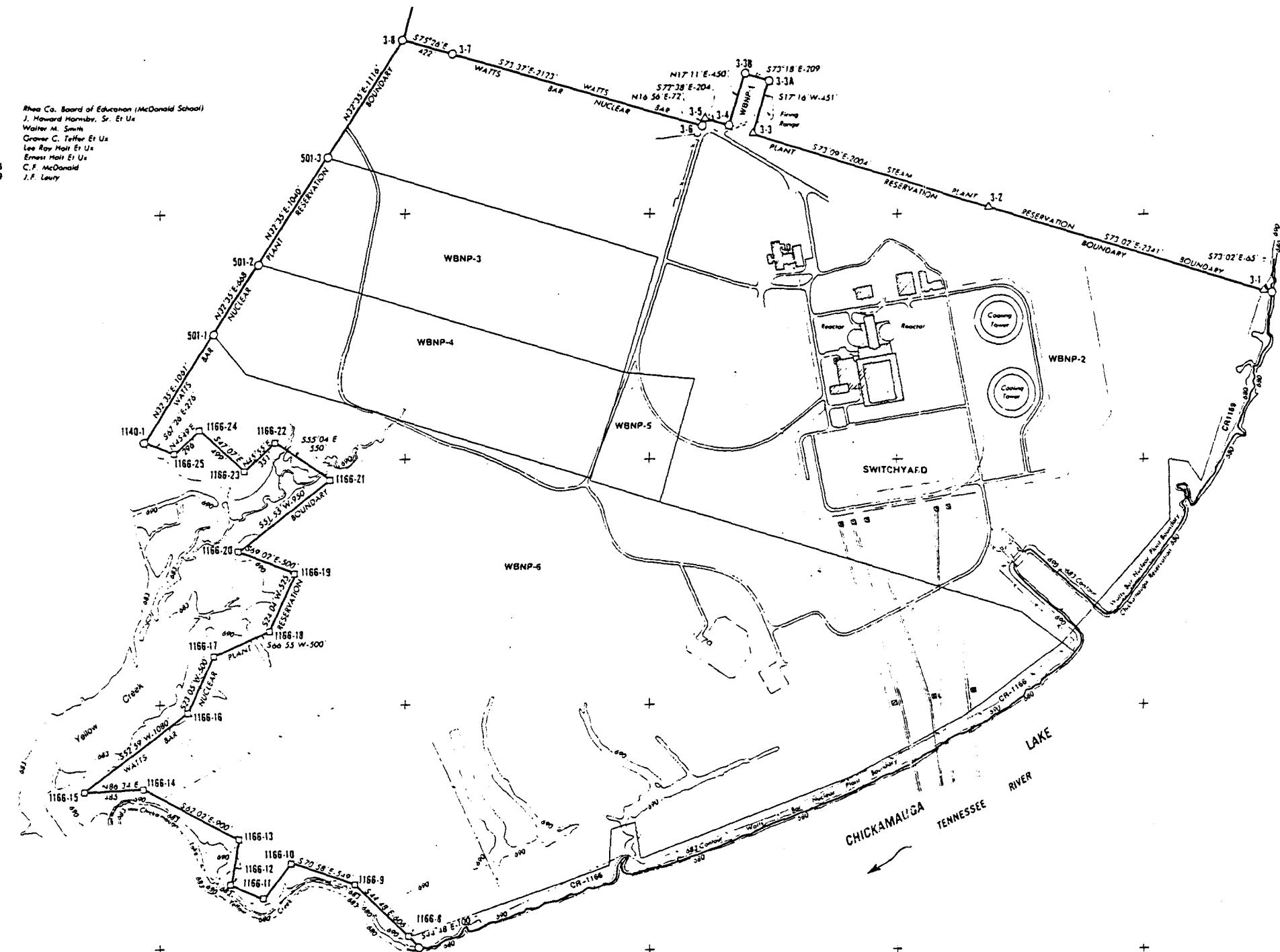
WATTS BAR NUCLEAR PLANT



WATTS BAR NUCLEAR PLANT
FINAL SAFETY
ANALYSIS REPORT

SITE BOUNDARY/
EXCLUSION AREA BOUNDARY
FIGURE 2.1-4b

WBNP-1 Rhea Co. Board of Education (McDonald School)
WBNP-2 J. Howard Hornby, Sr. Et Ux
WBNP-3 Walter M. Smith
WBNP-4 Graver C. Telfer Et Ux
WBNP-5 Lee Ray Holt Et Ux
WBNP-6 Ernest Holt Et Ux
CR-1166 C.F. McDonald
CR-1169 J.F. Leary



LEGEND

- CONCRETE MONUMENT
- METAL MARKER
- CORNER AS DESCRIBED
- TVA BOUNDARY
- NORMAL POOL CONTOUR
- TVA TRANSMISSION LINE
- PAVED GRADED GRAVEL OR DIRT ROAD

Current map: Chickamauga Reservation Map, 1:62,500, 1:62,500, 1:62,500
Watts Bar Nuclear Plant, 1:62,500, 1:62,500, 1:62,500
TVA Reservation, 1:62,500, 1:62,500, 1:62,500
Located on VTA Quad Section, T-18 SE

PROPERTY CORNER COORDINATES		
CORNER	X	Y
TN. GRID		
3-1	2,362,979	443,387
3-2	2,360,740	444,070
3-3	2,358,822	444,651
3-3A	2,358,956	445,082
3-3B	2,358,756	445,142
3-4	2,358,623	444,712
3-5	2,358,426	444,773
3-6	2,358,407	444,704
3-7	2,356,370	444,300
3-7 36" WHITE OAK STUMP		
3-7 WC	2,356,367	445,304
3-8	2,355,962	445,709
501-1	2,354,441	443,030
501-2	2,354,801	443,593
501-3	2,355,361	444,469
1140-1	2,353,869	442,136
1166-8	2,356,029	438,092
1166-9	2,355,602	438,522
1166-10	2,355,083	438,701
1166-11	2,354,858	438,402
1166-12	2,354,602	438,513
1166-13	2,354,671	438,882
1166-14	2,353,876	439,304
1166-15	2,353,392	439,275
1166-16	2,354,254	439,925
1166-17	2,354,450	440,385
1166-18	2,354,910	440,581
1166-19	2,355,124	441,060
1166-20	2,354,657	441,239
1166-21	2,355,405	441,825
1166-22	2,354,954	442,140
1166-23	2,354,702	441,896
1166-24	2,354,336	442,236
1166-25	2,354,124	442,030

Information about outstanding interests in lands owned in fee by TVA and rights TVA holds in other lands is contained in the records of the Land Management Branch.

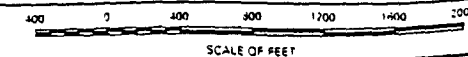
All bearings, distances, and coordinates refer to the appropriate State Coordinate System, or grid, as established by the U.S. Coast and Geodetic Survey. Grid bearings should not be confused with magnetic bearings.

Further information concerning survey control, coordinates, etc., may be obtained from the Mapping Services Branch of Tennessee Valley Authority, Chattanooga, Tenn. 37401.

RHEA COUNTY, TENNESSEE

WATTS BAR NUCLEAR PLANT RESERVATION

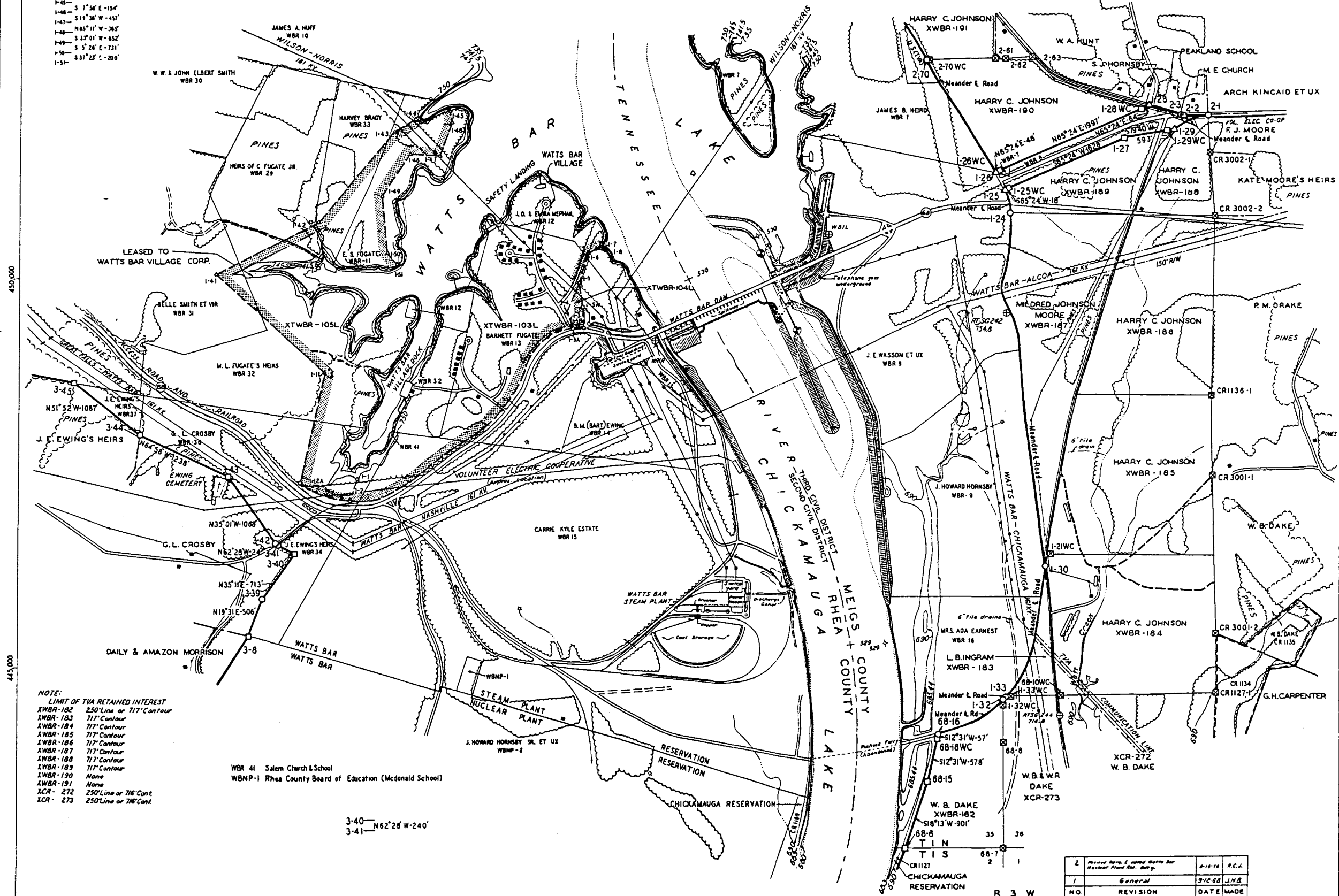
WATTS BAR NUCLEAR PLANT PROJECT
TENNESSEE VALLEY AUTHORITY
MAPPING SERVICES BRANCH



CHATTANOOGA 851MSI 42IN504-C-1

1-8 N 84° 16' W - 126'
1-7 S 80° 50' W - 113'
1-6 S 18° 06' W - 316'
1-5 S 10° E - 320'
1-4 S 3° E - 245'
1-3A MEANDER RD. R/W
1-2 MEANDER RD. R/W
1-12A MEANDER RD. R/W
1-11 N 12° 25' E - 144'
1-10 N 47° 01' W - 187'
1-9 N 62° 31' E - 165'
1-8 N 40° 31' E - 150'
1-7 N 55° 12' E - 316'
1-6 S 7° 56' E - 154'
1-5 S 19° 36' W - 457'
1-4 N 65° 17' W - 385'
1-3 S 37° 01' W - 652'
1-2 S 5° 26' E - 731'
1-1 S 37° 25' E - 200'

1-3A N 22° 14' W - 45'
1-3 N 22° 14' W - 155'
1-4 N 19° 51' E - 416'
1-2 N 10° 22' E - 288'
1-1 N 10° 22' E - 288'



PROPERTY CORNER COORDINATES

CORNER	X	Y
1-24	2,355,642	450,856
1-24 WC	2,355,622	450,856
1-25	2,355,574	451,174
1-25 WC	2,355,554	451,182
1-26	2,355,454	451,395
1-26 WC	2,355,434	451,403
1-27	2,357,070	451,860
1-27 WC	2,357,050	451,868
1-28	2,357,372	452,272
1-28 WC	2,357,352	452,280
1-29	2,357,753	451,984
1-29 WC	2,357,733	451,992
1-30	2,356,119	446,330
1-30 WC	2,356,099	446,338
1-31	2,355,502	446,605
1-32	2,355,602	446,534
1-33	2,355,622	446,625
1-33 WC	2,355,602	446,633
2-1	2,358,156	452,154
2-1 WC	2,358,136	452,162
2-2	2,357,843	452,151
2-2 WC	2,357,823	452,159
2-3	2,357,793	452,161
2-3 WC	2,357,773	452,169
2-70	2,354,624	452,811
2-70 WC	2,354,604	452,819
3-8	2,355,952	445,409
3-39	2,355,131	445,988
3-39 WC	2,355,111	445,996
3-40	2,356,562	446,469
3-41	2,356,329	446,580
3-41 WC	2,356,309	446,588
3-42	2,356,308	446,591
3-42 WC	2,356,288	446,599
3-43	2,355,695	447,466
3-44	2,354,573	447,990
3-45	2,353,717	448,597
3-46	2,354,346	442,690
3-47	2,354,523	443,546
3-48	2,354,756	444,166
3-49	2,354,753	444,110

Information about outstanding interests in lands owned in fee by TVA and rights TVA holds in other lands is contained in the records of the Land Branch.

All bearings, distances, and coordinates refer to the appropriate State Coordinate System, or grid, as established by the U.S. Coast and Geodetic Survey. Grid bearings should not be confused with magnetic bearings.

Further information concerning survey control, coordinates, etc., may be obtained from the Mapping Services Branch of the Tennessee Valley Authority, Chattanooga, TN 37401.



MEIGS & RHEA COUNTIES, TENNESSEE

WATTS BAR RESERVATION

WATTS BAR RESERVOIR
TENNESSEE VALLEY AUTHORITY
MAPPING SERVICES BRANCH

SHEET
1
D

2	Meigs Bar, E. and Watts Bar Reservoir	8-16-16	R.C.A.
1	General	8-16-16	L.N.B.
NO.	REVISION	DATE	MADE

NUCLEAR ELECTRIC INSURANCE LIMITED
PRIMARY PROPERTY AND DECONTAMINATION LIABILITY INSURANCE
POLICY

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NUCLEAR ELECTRIC INSURANCE LIMITED
WILMINGTON, DELAWARE

PRIMARY PROPERTY AND DECONTAMINATION LIABILITY
INSURANCE POLICY

This Policy is made by and among the Member Insured (specified in Item 1 of the Declarations) and Nuclear Electric Insurance Limited, a Bermuda mutual company with limited liability (the "Insurer").

The Insurer is only licensed in Bermuda and Delaware and the Insureds (those Insureds specified in Item 9 of the Declarations together with the Member Insured) 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 by the Member Insured of the delivery of the Policy at the Insurer's office in Delaware.

I. INSURING AGREEMENT

In consideration of the premium paid, and subject to the terms and conditions of this Policy, the Insurer agrees to pay the Member Insured, subject to the Deductible, for certain expenses and costs resulting from Accidental Property Damage.

In Witness Whereof, the Insurer and the Member Insured have caused this Policy to be executed and attested on their behalf in Wilmington, Delaware.

Wilmington, Delaware

INSURER:
Nuclear Electric Insurance Limited

Date: As of April 1, 2015 By:

David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:
Tennessee Valley Authority

Date: As of April 1, 2015 By
:

Attorney-in-Fact

Witness: _____

A. Coverage

1. This Policy insures against Property Damage caused by an Accident, unless otherwise excluded, subject to the terms and conditions of this Policy.
2. This Policy also insures against expenses necessarily incurred by the Insureds in discharging their legal obligation to protect the public health and safety following Accidental Property Damage, unless otherwise excluded, subject to the terms and conditions of this Policy.
3. (a) Subject to the terms and conditions herein, the Insurer shall be liable 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 (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.
- (b) 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 Flood, earthquake or volcanic eruption, or windstorm, or which involves radioactive contamination, or by any Accident which ensues directly or indirectly from a Flood, earthquake or volcanic eruption, or windstorm, or from an Accident involving radioactive contamination the Insureds agrees that:
 - (i) The Insurer's liability for all Losses resulting from Accidental Property Damage shall not exceed the greater of (A) the Amount of Insurance stated in Item 6 of the Declarations, or (B) the highest of the Amount of Insurance stated in the declarations of the Other Insurance Policies providing coverage with respect to the same Accident; and
 - (ii) The Insurer's liability under this Policy shall be the amount determined under subparagraph (b)(i) above times a fraction, the numerator of which is the Insurer's liability for the Losses resulting from Accidental Property Damage under this Policy, but for this paragraph 3(b), and the denominator of which is the sum of the Insurer's liability for Losses resulting from Accidental Property Damage under this Policy and all Other Insurance Policies, but for this paragraph 3(b).

4. The Insurer's liability under this Policy shall not exceed the course of construction limit per Project, as specified in Item 6 of the Declarations, in the event of Accidental Property Damage to property, tools, materials, supplies, equipment, and machinery involved or used in the activities described below (each of which shall be referred to separately as a "Project"):
- (a) Steam generator replacement(s),
 - (b) Reactor head replacement(s),
 - (c) Nuclear Steam Supply System (NSSS) Pressurizer replacement(s),
 - (d) Main condenser replacement(s) and/or full retubing,
 - (e) Major component replacement(s) along the turbine/generator shaft line, including the high, intermediate, and low pressure turbine rotors, and the generator rotor and stator,
 - (f) Emergency diesel generator replacement(s),
 - (g) Moisture separator/feed water heater replacement(s),
 - (h) Vessel Internal Component replacement(s), and
 - (i) Large crane replacement(s), limited to the turbine overhead or gantry crane, BWR refueling floor crane, and PWR containment polar crane, and
 - (j) Construction or replacement(s) of cooling tower(s) for circulating water cooling

and to contractor's or subcontractor's equipment, machinery, tools, and property. Such interests of contractors and subcontractors are limited to the Projects described in subsections (a) through (j) above, and for which they have been hired to perform work.

The course of construction sublimit in Item 6 of the Declarations shall also apply to any Property Damage to Temporary Works owned by the Insured, or leased or rented by the Insured under an arrangement that requires the Insured to secure and maintain the insurance, which Temporary Works are involved or used in the Projects described in subsections (a) through (j) above.

The course of construction sublimit in Item 6 of the Declarations shall also apply to any Property Damage that ensues from, arises out of or is caused by any Projects described in subsections a) through j) above and to any Property Damage that could have been avoided or reduced if the Project had not been undertaken.

However, the course of construction sublimit in Item 6 of the Declarations shall not apply if the Property Damage is caused by a natural hazard or the Insured can demonstrate that the cause of the Property Damage was unrelated to the Projects described in subsections (a) through (j) above and there is otherwise coverage under this Policy.

This subsection shall not be construed to limit the recovery for, or otherwise exclude, any Loss incurred under Section I.A.2 of this Policy

B. Territorial Limits

This Policy covers Insured Property worldwide except for loss or damage in any country that is listed as an embargoed or restricted destination within Part 110 of Chapter 10 of the U.S. Code of Federal Regulations (10 C.F.R. §110) or is listed as a country requiring specific authorization within Part 810 of Chapter 10 of the U.S. Code of Federal Regulations (10 C.F.R. §810).

C. Property Insured

This Policy covers the property specified as such in Item 7 of the Declarations and situated at a location specified therein, and as provided in Section I.E.2 and in Section I.D.

D. Property of Others

Subject to its terms and conditions, this Policy also covers the personal property of employees and others at the location described in the Declarations unless otherwise excluded.

E. Extensions of Coverage

1. Debris Removal and Decontamination

This Policy also shall pay for expenses necessarily incurred by the Insureds in removing debris of and in decontaminating the Insured Property covered by this Policy, including those incurred to decontaminate land, following Accidental Property Damage, unless otherwise excluded.

2. Transit Damage

This Policy also shall pay for the Property Damage caused by an Accident, unless otherwise excluded, to Insured Property in transit and to property insured under Section I.D while such property is in transit, subject to a total sublimit of \$10,000,000 and the following terms and conditions:

- (a) For purposes of this coverage, Insured Property includes property that has been purchased for use at the site and is in transit to the site.
- (b) This coverage applies to shipments of Insured Property worldwide and to the temporary storage of such Insured Property while at a repair facility, except that
 - (i) No coverage is provided while the Insured Property is within the borders of any country excepted from the Territorial Limits defined in Section I.B; and
 - (ii) No coverage is provided for any shipment beyond 100 nautical miles of the shores of the country of origin or destination for airborne or waterborne shipments, except when the point of exit and entry for the shipment is to be the same country in which case this coverage will remain in effect throughout the shipment.
- (c) It is a condition of this insurance that the Insured Property be packed and shipped in accordance with all applicable laws or regulations having the force of law.
- (d) This coverage is excess of any valid and collectible coverage from the seller or shipper.

Each and every Loss covered under this Section I.E.2 shall be adjusted separately, and from the amount of such Loss, or, if there is contributing insurance, from the Insurer's pro-rata share of such Loss, there shall be deducted the Transit Deductible Amount stipulated in Item 8 of the Declarations.

3. Expediting Expense

This Policy shall also pay for the reasonable extra costs to make temporary repairs or temporary replacement and to expedite the permanent repair or replacement of Insured Property damaged by an Accident, unless otherwise excluded, including overtime and the extra cost of express or other rapid means of transportation. This coverage is subject to a sublimit of the greater of \$5,000,000 or an amount equal to ten percent (10%) of the loss (excluding the Expediting Expense), but not to exceed a maximum sublimit of \$20,000,000. At the sole discretion of the Insurer, the maximum sublimit amount stated in this subsection may be increased if the Insurer determines that expenses incurred by the Insured that qualify as Expediting Expenses under this Policy, directly result in a reduction of the Insurer's potential Accidental Outage payments under an applicable NEIL I Accidental Outage Policy issued by the Insurer. The maximum amount to which the sublimit may be increased shall not exceed the amount, as determined by the Insurer, by which the Insurer's potential payments under the referenced NEIL I Accidental Outage Policy was reduced. Any determination by the Insurer to increase the sublimit stated herein must be in writing, executed by an authorized representative of the Insurer.

4. Regulatory Code

This Policy shall also cover the additional cost of repair or replacement of Insured Property arising out of Accidental Property Damage, necessitated by enforcement of any state or federal statute, regulation, ordinance or other rule having the force of law relating to minimum standards of construction or engineering or licensing, qualification or certification (hereinafter referred to as "Code") which is in effect at the time of the Accident and to which the Insured Property is subject. All such costs are subject to a total sublimit of \$2,500,000 and to the requirement that the costs involved are actually, directly and necessarily incurred in order to comply with any Code governing repair and/or replacement, or continued or renewed licensing, qualification or certification of the Insured Property which has sustained Accidental Property Damage.

5. Removal from Premises

If Insured Property is necessarily removed from any location specified in the Declarations for preservation from imminent physical damage, this Policy also covers such Insured Property for a period of forty-five (45) business days from the commencement of such removal, during removal, at any place to which such Insured Property has been removed, and during return; provided, however, this provision does not apply to Property Damage by radioactive contamination except as otherwise provided in Section I.E.2. The Member Insured shall notify the Insurer of any such removal within ten (10) business days after its commencement.

F. FUNCTIONAL TOTAL LOSS COVERAGE

1. (a) In the event of Accidental Property Damage which (i) exceeds \$500,000,000 and includes as part of the loss at least \$100,000,000 of Nuclear Liability Coverage; (ii) is covered under Sections I.A.1 and/or I.E of the Policy; 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.F.1(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.

- (d) If the Insured satisfies the requirements for and elects to receive the Functional Value of the Unit pursuant to this Section I.F, 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.A.2 of this Policy, or Section I.1(a) and (b) of an applicable Decontamination Liability, Decommissioning Liability and Excess Property Insurance Policy issued by the Insurer for the site insured under this Policy.

G. 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 \$500,000,000 and includes coverage under Section I.A.2; (ii) is covered under Sections I.A.1, I.F and/or I.G of this Policy; 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 G.1 above.
3. Any amounts payable by the Insurer pursuant to subsections G.1 and G.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 G.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 G.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 Section II.2(a).

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 G, 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.

II. PRIORITY FOR DECONTAMINATION LIABILITY EXPENSES

1. Whenever the estimated expenses covered under Section I.A.2 exceed \$100,000,000, except as provided in paragraph 2 below, it is agreed that payment under this Policy shall be first made with respect to Losses incurred under Section I.A.2, and then, to the extent proceeds of this Policy are not so utilized, with respect to Losses incurred under Section I.A.1.
2. Payment under this Policy may be made with respect to Losses covered under Section I.A.1 prior to the completion of payments under Section I.A.2 only on the following conditions:
 - (a) The Member Insured must attest that:
 - (i) no proceeds of this Policy in excess of an amount specified by the Insureds ("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 under the Atomic Energy Act of 1954, 42 U.S.C. Section 2011 et seq. as amended, and the regulations promulgated pursuant thereto (the "Act") to protect the public health and safety following Accidental Property Damage; and
 - (ii) the payment or use of policy proceeds for Losses covered under Section I.A.1 does not violate any regulation or order of the Nuclear Regulatory Commission or any governmental body succeeding to the functions and authorities thereof ("NRC").
 - (b) Except as provided in paragraph (c) below, the amount of insurance available for payment to the Insureds with respect to Losses covered under Section I.A.1 prior to the indemnification under Section I.A.2 shall be calculated by subtracting the Specified Nuclear Liability Amount from the amount of insurance specified in Item 6 of the Declarations, as it may be reduced pursuant to the terms of this Policy.

- (c) At the request of the Member Insured, the amount calculated in accordance with subparagraph 2(b) 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:
 - (i) that the Insureds are entitled under other valid and collectible insurance covering the same expenses covered by Section I.A.2;
 - (ii) that the Insureds will claim under such other insurance and use such claimed proceeds to discharge their legal obligation or liability under the Act to protect the public health and safety following Accidental Property Damage; and
 - (iii) that the payment or use of all or part of the Specified Nuclear Liability Amount for Losses covered under Section I.A.1, I.F and I.G. does not violate any regulation or order of the NRC.

III. EXCLUSIONS

A. General Exclusions

1. The coverage provided under this Policy does not apply to Property Damage caused by or resulting from:
 - (a) gradual accumulation of radioactive contamination;
 - (b) radioactive contamination at any location specified in the Declarations, resulting from matter released from any source outside the premises of that location and for which the Insured is covered or would be entitled to coverage or can make a claim against a third party who is insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters or any other third party liability insurer, but this exclusion shall not apply to radioactive contamination resulting from matter released from any source while such source is in transit from any location specified in the Declarations;
 - (c) failure of the Insureds to use all reasonable means to save and preserve the Insured Property at and after an Accident or when the Insured Property is in danger of Property Damage;
 - (d) unexplained or mysterious disappearance of Insured Property, or shortage disclosed upon taking inventory;
 - (e) delay, inherent vice, loss of use, or loss of market;

- (f) any fraudulent, dishonest, or criminal act done by or at the instigation of any Insured, any Operator, a partner or joint venturer in or of any Insured or Operator, or an officer, director or trustee of any Insured or Operator;
- (g) any order or directive of a federal, state, county, or municipal governmental entity or any department, agency or political subdivision thereof, including, without limitation, an order to replace undamaged Insured Property pursuant to a directive of the NRC, except acts of destruction at the time of and for the purpose of preventing the spread of Accidental Property Damage;
- (h) seizure, destruction or confiscation by order or directive of any federal, state, county, or municipal governmental entity or any department, agency or political subdivision thereof, or risks of contraband or illegal transportation or trade;
- (i) or attributable to manufacturing or processing operations which result in damage to stock or materials while such stock or materials are being actually worked upon;
- (j) any form of deterioration or wear and tear, including but not limited to
 - (i) depletion, depreciation, and deterioration, including that of fuel element cladding;
 - (ii) embrittlement of any kind, including but not limited to hydrogen embrittlement and neutron embrittlement;
 - (iii) fatigue of any kind, including but not limited to thermal fatigue and high-cycle fatigue;
 - (iv) rust, erosion, or corrosion of any kind, including but not limited to stress corrosion cracking, unless caused directly by an independent and separate Accident not otherwise excluded, but then only for the Property Damage caused by such Accident;
 - (v) pitting, cracking, bulging, blistering, fretting, denting, deformation or distortion of the Insured Property which accompanies or is directly associated with the kinds of Property Damage specified in paragraphs (ii) through (iv) above; and
 - (vi) shrinking, bulging, expansion, cracking, shifting, rising, settling, sinking, and lateral or other movement of pavements, foundations, walls, floors, ceiling or roofs;

- (k) dampness, dryness, or extremes or changes of temperature of the atmosphere, including but not limited to rust, corrosion or erosion or other resulting Property Damage, unless caused directly by an independent and separate Accident not otherwise excluded, but then only for the Property Damage caused by such Accident;
- (l) water below the surface of the ground, including that which exerts pressure on or flows, seeps or leaks, through sidewalks, driveways, foundations, walls, basements, or other floors, and water which backs up through sewer or drains.

With respect to the Exclusions in paragraphs (j) through (l), inclusive, the Insurer shall be liable if an independent and separate Accident not otherwise excluded ensues, but then only for the Property Damage caused by the ensuing Accident.

2. This Policy also does not cover:

- (a) accounts, bills, currency, deeds, evidences of debt, money or securities;
- (b)
 - (i) records, manuscripts and drawings, for any amount in excess of their value blank plus the cost incurred for actually transcribing or copying them, except as provided in subparagraph III.A.2(b)(ii) below;
 - (ii) media, data storage devices, and program devices for electronic and electro-mechanical data processing or for electronically controlled equipment, for any amount in excess of the cost of reproducing such media, data storage devices, and program devices from duplicates or from originals of the previous generation of the media, and no liability is assumed hereunder for the cost of gathering or assembling information or data for such reproduction;
- (c) vehicles licensed for highway use, aircraft or watercraft, except when such vehicles, aircraft or watercraft are being used for the servicing of or in connection with the operation of the Insured Property;
- (d) any Accidental Property Damage, to the extent of the amount collectible from a contractor, manufacturer or supplier of machinery, equipment or other property under a guaranty or warranty, whether or not such contractor, manufacturer or supplier is included as an Insured under this Policy;
- (e) the cost of making good any faulty workmanship, material, construction or design, whether or not due to negligence, inadvertence, misjudgment or any other cause, and regardless of any warranty which may affect such faulty components; provided, however, the Insurer shall be liable if an

independent and separate Accident not otherwise excluded ensues, but then only for the Property Damage caused by the ensuing Accident;

- (f) more than one opening and closing of a turbine in connection with one Accident; provided, however, that additional openings and closings of a turbine in connection with a single Accident can be covered as expediting expenses subject to the provisions of Section I.E.3; and
- (g) any sums which the Insured may be obligated to pay as damages
 - (i) because of bodily injury or personal injury, or
 - (ii) because of damage to property not described in the Declarations, or
 - (iii) for which the Insured is covered or would be entitled to coverage under a nuclear energy liability policy issued by the Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters or any other third party liability insurer.
- (h) Land, except for intake and discharge canals that are within the description of the property covered under Item 7 of the Declaration, and as otherwise provided in Section I.E.1 (Extensions of Coverage).

B. War Risk Exclusion

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.

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. The Member Insured agrees to pay to the Insurer as an Additional Premium all Premium Adjustment(s) assessed under Section V.I of the Policy. For each Premium Adjustment, the Additional Premium in the year in which the Premium Adjustment is assessed shall be increased by a pro rata amount.
3. All Additional Premiums computed on the basis of pro rata Premium Adjustments shall be paid to the Insurer by wire transfer or other method acceptable to the Insurer within 40 calendar days after the Notification Date. However, to the extent that there is a request for a variance (as permitted under Section V.I.7), the Additional Premium referred to in this Paragraph need not be paid until 10 calendar days after a decision denying the request for a variance, such payment to be made by wire transfer or other method acceptable to the Insurer.
4. For each year that a Premium Adjustment is in place on the date of the renewal of the Policy, the full amount of each such Premium Adjustment shall be considered Additional Premium and shall be payable with the Premium.
5. Upon the termination of a particular Premium Adjustment in accordance with the terms of Section V.I, the Member Insured shall be entitled to a refund of a pro rata amount of the Additional Premium. The refund shall be paid by wire transfer or other method acceptable to the Member Insured within 40 calendar days after the date the Insurer notifies the Insured of the amount of the refund.
6. 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.
7. The Member Insured further agrees to pay the Insurer the Retrospective Premium Adjustment under the terms and conditions specified under Section VI.

V. CONDITIONS

A. Abandonment

There shall be no abandonment to the Insurer of any property.

B. 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 (2) 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 Replacement Cost and/or the Actual Cash Value of 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.

C. Assignment

Assignment or transfer of this Policy shall not be valid except with the prior written consent of the Insurer.

D. Choice of Law

1. 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.
2. 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 1 above does not evidence an intent by the parties to
 - (a) give jurisdiction over the Insurer to the insurance regulatory authority of any jurisdiction other than Bermuda and Delaware; or
 - (b) 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

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

E. Concealment, Fraud

The Insurer shall have no obligation to make any payment under this Policy if, whether before or after a Loss, 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.2.

F. Deductibles

1. There shall be deducted from the amount of each and every Loss the Deductible stated in Item 8 of the Declarations. In the event that more than one Deductible applies to any one Loss, then only the largest Deductible for that Loss shall be applied.
2. To the extent that the Deductible Adjustment applies in accordance with the provisions of Section V.I, and to the extent that the amount of the Deductible Adjustment is greater than the amount of the Deductible, then the Deductible Adjustment shall be substituted for the Deductible for purposes of Paragraph V.F.1. If there is more than one Deductible Adjustment in place under Section V.I, only the highest Deductible Adjustment will be considered for purposes of this Section V.F.

G. Dispute Resolution

1. 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:
 - (a) Even-handedness and fairness to both the Insurer and the Insured;

- (b) 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;
 - (c) The practice of the Insurer and the Insured in interpreting and applying the Policy;
 - (d) The cooperative rather than adversarial relationship between the Insurer and the Insured; and
 - (e) The contract construction rule of contra proferentem (construing a contract against the drafter) is not applicable to this insurance policy.
2. 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.
3. 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.

4. 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.
- (a) 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.
 - (b) 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 4.d.
 - (c) 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 4.d. 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.
 - (d) 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.

- (e) To the extent there is any inconsistency between the UNCITRAL Arbitration Rules and the provisions of this Policy, the latter shall govern.
- (f) The place of the arbitration shall be New York, New York, unless the parties agree upon another location.
- (g) 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.
- (h) 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.
- (i) 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).

- (j) 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.
 - (k) 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.
5. 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.

H. Headings

The headings in this Policy are inserted for convenience only and shall not be deemed to constitute a part hereof.

I. Evaluations and Compliance with Loss Control Standards

1. 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.
2. Notwithstanding the provisions in Paragraph V.I.5, upon discovery of a dangerous condition (the “Dangerous Condition”) with respect to any property, or part thereof, insured under this Policy (the “Affected Property”), whether discovered as a result of an evaluation or otherwise, a representative of the Insurer may
 - (a) request that the Affected Property be taken out of service without delay, and/or
 - (b) request that actions be taken to remedy the Dangerous Condition.
3. If a request made under Paragraph V.I.2 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.I.2) 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.
4. It shall be an obligation under this Policy that the Insured comply with the Shall Requirements contained in the Insurer’s Loss Control Standards.
5. When the Insurer learns of an Insured’s failure to comply with, or to take agreed upon actions to correct a failure to comply with, a Shall Requirement contained in

the Insurer's Loss Control Standards, the Insurer may notify the Insured of the non-compliance, and upon or after such notification shall have the right to

- (a) adjust the Insured's premiums ("Premium Adjustments") and/or the Insured's deductible ("Deductible Adjustments"), and/or
- (b) suspend coverage under this policy as to the property that is the subject of the applicable Shall Requirement and/or as to Property Damage that could have been avoided or reduced if not for the Insured's failure to comply with the applicable Shall Requirement, provided, however, that there will be coverage for Property Damage if the Insured can demonstrate that the Property Damage was not related to the noncompliance (and there is otherwise coverage under this Policy).

The Actions referred to in this Paragraph may be collectively referred to as "Policy Adjustments".

- 6. Notification to the Insured about a non-compliance with the Shall Requirements contained in the Insurer's Loss Control Standards shall be in writing (the "Notification Letter") and, notwithstanding any other provisions under this Policy, may be sent to the Member Insured by hand delivery, e-mail, fax or courier. The date of the Notification Letter shall be referred to as the "Notification Date". The Notification Letter shall set forth the specific Premium Adjustments and Deductible Adjustments to be made, which shall be assessed in accordance with the schedules contained in the Insurer's Rating Procedures and Schedules then in effect. Deductible Adjustments shall apply in accordance with the details set forth in the Notification Letter.
- 7. Unless indicated otherwise in the Notification Letter, all Premium and Deductible Adjustments will take effect on the 31st calendar day after the Notification Date unless the Insured requests a variance (in accordance with the procedures contained in the Loss Control Standards) or requests that the applicable coverage be removed because the Insured has elected not to comply with the relevant Loss Control Standard requirement. The precise scope of any coverage removal will be described in an endorsement to the Policy.
- 8. Unless indicated otherwise in the Notification Letter, all Premium and Deductible Adjustments will remain in effect until the Insurer endorses the Policy to remove such Policy Adjustments. For purposes of determining whether an Accident took place during a period that there was a Deductible Adjustment, the relevant date is the date on which the Accident actually occurred and not any deemed date that may otherwise be defined in the Policy.
- 9. Notwithstanding the provisions in Paragraph V.I.6 any suspension of coverage under Paragraphs V.I.3 and V.I.5 shall be in accordance with the scope of coverage suspension set forth in writing and delivered to the Insured.

10. If the Insured requests a variance, no Premium or Deductible Adjustments will be implemented while the variance request is being considered by the Insurer. If the Insurer does not grant the variance, the Premium and Deductible Adjustments shall be applied retroactively to the day the Adjustments would have gone into effect under Paragraph V.I.7, even if the Insured requests a review or otherwise appeals the Insurer's decision. The provisions of this paragraph will apply even in the event that an Accident actually occurs during the time that the variance request is being considered.
11. 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.
12. The coverage suspended in accordance with Paragraphs V.I.3 and V.I.5 above, as well as the coverage removed under Paragraph V.I.7 above, 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.2.

J. Insurer's Options

It shall be the option of the Insurer to take all, or any part, of the destroyed or damaged Insured Property at the agreed or appraised value, and also to decontaminate or otherwise repair, or to rebuild or replace such Insured Property destroyed or damaged with other of like kind and quality within a reasonable time, on giving notice of its intention to do so within thirty (30) days after the receipt of the Proof of Loss as herein provided.

K. Limits

1. The Insurer shall not be liable for more than the amount shown as limit of liability in the Declarations for any one Accident.
2. The insurance provided by this Policy shall not be reduced by the sum paid for any one Accident.
3. Notwithstanding anything contained herein to the contrary, the Insurer's liability hereunder shall be the amount payable to the Member Insured but for this provision, less any amount owed to the Insurer by the Insureds, including amounts

owed to the Insurer by the Insureds under this Policy or any other agreement or policy.

4. The Member Insured's recovery under Section I.A.1 and I.A.2 of this Policy shall not be decreased because the Replacement Cost or Actual Cash Value, whichever is applicable, of the Insured Property is less than the Insurer's limit of liability.

L. Mortgage Interests and Obligations

1. If a Loss hereunder is assigned or made payable, in whole or in part, to a designated mortgagee not named herein as an Insured, such interest in this Policy may be canceled upon sixty (60) days' written notice of cancellation mailed or delivered to such mortgagee.
2. If the Insureds fail to meet the requirements stated herein in the case of Accidental Property Damage, such mortgagee, upon notice, shall render a written estimate of Loss within sixty (60) days and shall render Proof of Loss in the form approved by the Insurer within twelve (12) months thereafter and shall be subject to the provisions hereof relating to appraisal, arbitration and time of payment and of bringing suit. If the Insurer shall claim that no liability exists as to the mortgagor or owner, it shall, to the extent of payment of loss to the mortgagee, be subrogated to all the mortgagee's rights of recovery, but without impairing mortgagee's right to sue; or it may pay off the mortgage debt and require an assignment thereof and of the mortgage. Other provisions relating to the interests and obligations of such mortgagee may be added hereto by endorsement.

M. Natural Hazards

1. *Windstorm Loss*

Each Loss by windstorm, tornado or hurricane shall constitute a single Accident; provided, if more than one windstorm, tornado or hurricane should occur within any period of ninety-six (96) hours commencing during the term of this Policy, and such windstorms, tornados or hurricanes have a common origin or are caused by a single atmospheric disturbance, then such windstorms, tornados or hurricanes shall be deemed to be a single windstorm, tornado or hurricane.

2. *Flood Loss*

Each Flood shall be deemed a separate Accident; provided that if more than one Flood should occur within any period of ninety-six (96) 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.

3. *Earthquake or Volcanic Eruption Loss*

Each earthquake shock or volcanic eruption shall be deemed a separate Loss; provided that if more than one earthquake shock or volcanic eruption shall occur within any period of ninety-six (96) 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 incident, then such earthquake shocks or volcanic eruptions shall be deemed to be a single earthquake or volcanic eruption.

N. **Other Insurance**

The Insurer shall not be liable if at the time of the Accident there is any other insurance which would attach if this insurance had not been effected, except that this insurance shall apply only as excess and in no event as contributory insurance, and then only after all other insurance has been exhausted.

O. **Policy Decisions and Notice**

Except as provided in paragraph Q of Section V, 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 losses, 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:

1. If to the Insurer: The communication must be sent by the first named Member Insured and must be sent, by facsimile, mail or courier to the Insurer at the address listed in Item 2 of the Declarations.
2. 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 courier to the address listed in Item 1 of the Declarations or to the address of such 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 this paragraph is a condition precedent to the Insurer's obligations under this Policy.

P. **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 the Insurer and the Member Insured.

Q. Requirements in Case of Loss

1. It shall be an obligation of the Insureds to give or cause to be given to the Insurer immediate written notice 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, the Replacement Cost and estimated amount of Property Damage claimed. The Insurer may deny coverage for such Accidental Property Damage if the Insured fails to comply with its obligations 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.
2. Within twelve (12) months after the Accidental Property Damage, unless such time is extended in writing by the Insurer, not to be unreasonably withheld, 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 time and origin of the Accidental Property Damage, the interest of the Insureds and all others in the Insured Property, all other contracts of insurance, whether valid or not, covering any of said Insured Property or the risks insured hereunder, and the following:
 - (a) with respect to Losses under Section I.A.2, the amount of expenses incurred in discharging the Insureds' legal obligation or liability to protect the public health and safety following Accidental Property Damage and an attestation by the Member Insured as to the Insureds' obligation or liability to incur such expenses;
 - (b) with respect to Losses under Section I.A.1 and/or I.E, the Actual Cash Value or, if recovery is on a Replacement Cost basis, the Replacement Cost of each item thereof and the amount of Property Damage thereto, encumbrances thereon, 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. The Insureds shall also 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 as required under Section II.2(a);

- (c) with respect to Losses under Section I.F, the Functional Value of the Unit at the time of the Accident, all encumbrances thereon, 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. The Insureds shall also 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 or other item of Functional Property, and an attestation by the Member Insured as required under Section II.2(a) which includes an attestation that the Unit incurring the Accidental Property Damage has permanently ceased operation.
 - (d) with respect to Losses under Section I.G, 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 as required under Section II.2(a) which includes an attestation that the Unit incurring the Accidental Property Damage has permanently ceased operation.
3. 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 shall submit to examinations under oath by any person named by the Insurer, and shall subscribe the same; and, as often as may be reasonably required, shall produce for examination all books of accounts, 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 representatives, and shall permit extracts and copies thereof to be made.
4. Any failure on the part of the Operator to comply with the requirements of paragraph 3 above shall be deemed a breach of this obligation on the part of the Insureds.

R. State Premium Tax

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

S. Subrogation

1. Except as provided in paragraph S.3 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, and the Insureds shall execute and deliver all necessary instruments and do all things necessary or desirable on behalf of the Insurer to secure such rights. The Insureds shall take no action after the Accident which may prejudice the Insurer's rights under this paragraph; however, prior to an Accident, the Insureds may waive in writing any or all right of recovery against any party for Accidental Property Damage.
2. The Insurer hereby waives any right of subrogation acquired by reason of any payment under this Policy arising out of any Accidental Property Damage 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.
3. It is a condition of this Policy that the Insureds shall repay to 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. The proceeds of any 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.

T. 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 any arbitral tribunal unless all the requirements of this Policy shall have been complied with, and unless commenced within eighteen (18) months after the Accident giving rise to such claim; provided, however, an extension of time granted by the Insurer for rendering a Proof of Loss with respect to any Accidental Property Damage shall extend the eighteen-month (18) period for bringing suit with respect to such claim by the period of the extension.

U. Term and Cancellation

1. 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.
2. 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.

3. 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.
4. 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.
5. 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.2.

V. Valuation

1. 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 within a reasonable time with identical or like kind property on the same premises and intended for the same occupancy and use. 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, notwithstanding that the Policy may refer to the Replacement Cost of such Insured Property.
2. The value of Insured Property in transit 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 within a reasonable time after such loss with identical or like kind property. 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, notwithstanding that the Policy may refer to the Replacement Cost of such Insured Property. Principles of general average and salvage charges shall also be applied to computing the value of Insured Property in transit.

3. In the event of Property Damage to Insured Property constituting nuclear fuel, the Insurer's obligation to indemnify the Insureds and their legal representatives under Section I shall be limited as follows:
 - (a) Beginning with the date initial criticality is achieved at a Unit, the value of the nuclear fuel in such Unit shall be deemed to be equal to the value of a full fuel core of the fuel then in such unit reduced to reflect the proportion of the usable burn up consumed; and
 - (b) Spent nuclear fuel shall have no value and the Insurer shall have no obligation to indemnify the Insureds or their legal representatives for any Property Damage thereto.

W. Waiver Provisions

No provision, stipulation or forfeiture shall be held to be waived by any requirement or proceeding on the part of the Insurer relating to appraisal or to any examination provided for herein.

X. When Loss Payable.

The amount of Loss 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 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 a partial Proof of Loss has been provided to the Insurer and the Insurer's liability for the 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.

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.

1. 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).
2. 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 Member Insured to take the action. The terms regarding the Deposit Premium are set forth in Paragraph 3 below.

3. 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 2 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.
4. 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.

5. 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:
 - (a) 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.
 - (b) 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.
 - (c) 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 (a)(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.
 - (d) 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.
6. 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:

- (a) 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.
 - (b) 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.
 - (c) The amount of the Deposit Premium may be adjusted at the anniversary of this Policy.
 - (d) 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.
7. The Multiple is no higher than the Multiple in any Other Insurance Policy with insurance coverage effective during the Policy Year.
8. 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.
9. 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.2. 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.2. Adjustment 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.

10. 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.
11. 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.
12. 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 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. Other capitalized terms are included in the Declarations. Unless otherwise stated or required for the meaning of any provision, the singular shall include the plural and the plural, the singular. Whenever a Section or Paragraph number is included in the Policy, it refers to a Policy Section or Paragraph number. The definitions below are listed in alphabetical order, up to, but not including Item Y., at which point they are no longer in alphabetical order.

- A. "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.
- B. "Accidental" means caused by an Accident.
- C. "Accidental Property Damage" means Property Damage which is caused by an Accident.
- D. "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%).
- E. "Additional Premium" means the sum of all Premium Adjustment(s), if any, assessed in accordance with Section V.I of the Policy.
- F. "Deductible Adjustments" refer to adjustments that may be made under Section V.I of the Policy, as a result of a non-compliance with a SHALL Requirement contained in the Company's Loss Control Standards, the amount of which shall be determined in accordance with the Company's Procedures and Schedules for the Rating of Nuclear Generating Stations and set forth in a Notification Letter to the Insured.
- G. "Delinquent Member" means any member insured, including the Member Insured, who fails to pay a retrospective premium adjustment demanded by the Insurer under Policy or any Other Insurance Policy within twenty (20) business days after such demand.
- H. "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.
- I. "Flood" means a general and temporary overflowing of water on normally dry land areas 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; water which backs up through sewers or drains; water below the surface of the ground including that which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basements or other floors, or through doors, windows or other openings in such sidewalks, driveways, foundations, walls, basements or other floors, or release of water impounded by a dam.

- J. "Insured Property" means the property specified as such in Item 7 of the Declarations and situated at a location specified therein.
- K. "Loss" means the costs or expenses covered under Sections I.A, I.D, I.E, I.F and I.G.
- L. "Loss Control Standards" means the set of procedures and technical requirements adopted by the Insurer that are intended to minimize the risk of loss at Insured Sites.
- M. "Member Insureds of the Insurer" means the Member Insureds under this Policy or the Other Insurance Policies.
- N. "Operator" means those persons, entities, departments, agencies, or political subdivisions, if any, other than the Member Insured, responsible for operating a Unit covered by the Policy.
- O. "Other Insurance Policy" means any Primary Property and Decontamination Liability Insurance Policy or Operating Facility Policy, other than this Policy, issued by the Insurer or any Primary Property and Decontamination Insurance Policy issued by Overseas NEIL Limited.
- P. "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.
- Q. "Premium Adjustment" refer to adjustments that may be made under Section V.I of the Policy, as a result of a non-compliance with a SHALL Requirement contained in the Company's Loss Control Standards, the amount of which shall be determined in accordance with the Company's Procedures and Schedules for the Rating of Nuclear Generating Stations and set forth in a Notification Letter to the Insured.
- R. "Property Damage" means direct physical damage to or destruction of the Insured Property.
- S. "Rating Procedures and Schedules" means the Procedures and Schedules for the Rating of Nuclear Generating Stations manual utilized by the Insurer to establish premiums during the underwriting process, as may be revised with the approval of the Board.
- T. "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 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.

- U. "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 5.B of the Declarations.
- V. "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.
- W. "Temporary Works" means all structures and their materials which are not intended to form part of the permanent works but which are intended to provide working access to the site or to the permanent works, or which are intended to provide temporary support to the permanent works under construction, but shall not mean structures or their materials intended for re-use after completion of the permanent works unless their full value has been included in the contract value.
- X. "Unit" means a nuclear operating unit.
- Y. "Act" means the Atomic Energy Act of 1954, 42 U.S.C. §2011, et seq., as amended, and the regulations promulgated pursuant thereto.
- Z. "Amount of Decommissioning Liability Coverage" means the amount payable for decommissioning liability expenses pursuant to subsection I.G.2, as calculated under the formula set forth in subsection I.G.1.
- AA. "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.

- BB. "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.
- CC. "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.
- DD. "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%.
- EE. "Functional Total Loss Coverage" means the coverage provided pursuant to subsection I.F.
- FF. "Functional Value" means the amount determined by multiplying the Generation Replacement Value for the Unit by the Functional Age.
- GG. "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).
- HH. "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.
- II. "Shortfall" means the Decommissioning Target Amount minus the balance in the Decommissioning Trust Fund as of the Settlement Date.



Fire Damage Exclusion Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar Endorsement No. 1
Policy Number: P15-060 Effective Date: April 1, 2015

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

1. This Endorsement shall be applicable to the following property:
 - a) All combustible structures and trailers without an ACCEPTABLE suppression system.
 - b) Dean's Tool Room
 - c) Paint Storage Building
 - d) Waste Water Treatment facility
 - e) Central Receiving Warehouse
 - f) Dynamic Learning Center
2. It is hereby agreed and understood that this Policy does not insure against Property Damage to the property described in Paragraph 1, or the contents thereof, caused directly or indirectly by fire, or fire following lightning or explosion, or by any separate and independent Accident which ensues therefrom.

This Endorsement does not increase the amount of insurance provided under this Policy.

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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____



Terms & Conditions Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar
Policy Number: P15-060

Endorsement No. 2
Effective Date: April 1, 2015

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

In consideration of the mutual terms, covenants and conditions contained herein and in reliance on the representations and warranties set forth herein, the parties hereto do hereby agree as follows:

1. OFFICIALS NOT TO BENEFIT: No member of or delegate to Congress or resident Commissioner, or any officer, employee, special Government Employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless it be made with a corporation for its general benefit; nor shall the contractor offer or give, directly or indirectly, to any officer, employee, special Government Employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. §§1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract and TVA shall have the right to exercise all remedies provided in this contract or at law.

2. CONTINGENT FEES: The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon any agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty TVA shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

This Endorsement does not increase the amount of insurance provided under this Policy.



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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____



Terms & Conditions Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar
Policy Number: P15-060

Endorsement No. 3
Effective Date: April 1, 2015

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

It is hereby noted and agreed that Section III.A.1.(g) of the Policy is amended to read as follows:

(g) any order or directive of a federal, state, county, or municipal governmental entity or any department, agency or political subdivision thereof, other than the Member Insured, including, without limitation, an order to replace undamaged Insured Property pursuant to a directive of the NRC, except acts of destruction at the time of and for the purpose of preventing the spread of Accidental Property Damage;

This Endorsement does not increase the amount of insurance provided under this Policy.

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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____



Terms & Conditions Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar Endorsement No. 4
Policy Number: P15-060 Effective Date: April 1, 2015

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

It is hereby understood and agreed that Items 7 and 8 in the Declarations of the Policy are amended to read as follows and not as within stated:

Item 7. Description and location of property covered:

The site includes Tennessee Valley Authority's Watts Bar Nuclear Plant which is located on a tract of approximately 1700 acres as shown within the heavy black line on a reduced copy of a drawing attached. The Watts Bar Reservation is located on the west shore of the Tennessee River at river mile 528 in Rhea County approximately 50 miles northeast of Chattanooga, TN.

Also located on the tract are the Watts Bar Steam Plant, the Watts Bar Dam and Hydro-electric Plant, and the TVA Central Maintenance Facility, all of which are excluded from all coverage, including nuclear decontamination.

Unit 2 consists of all structures, buildings and their contents located within the Unit 2 security fence as shown drawing [drawing to be provided to NEIL by TVA].

See Attached site maps

Item 8. Deductibles

Deductible Amounts

Unit 1 \$10,000,000 Unit 2 \$1,000,000

Deductible for any Loss under Sections V.M (Windstorm Loss, Flood Loss and Earthquake or Volcanic Eruption Loss)

\$10,000,000 plus 10% of the amount of the Loss in excess of \$10,000,000

Transit Deductible Amount

\$ 100,000

Unit 2 Functional Hot Testing Deductible \$ 2,000,000



Unit 2 Nuclear Hot Testing Deductible \$ 5,000,000

It is hereby understood and agreed that the Terms and Conditions of the referenced Policy are hereby amended as follows:

1. Section I.C. is deleted in its entirety and replaced with the following:

C. Property Insured

1. This Policy covers the property specified as such in Item 7 of the Declarations and situated at a location specified therein, and as provided in Section I.E.2 and in Section I.D.
2. This Policy covers property purchased for installation in a Unit under construction but stored at a facility that is not at the location described in the Declarations, subject to a sublimit of \$20 million. This Policy does not cover property purchased as spare parts if not stored at the location described in the Declarations.
3. This Policy covers Temporary Works related to a Unit under construction at the location specified in the Declarations.

2. Section I.D. is deleted in its entirety and replaced with the following:

D. Property of Others

1. Subject to its terms and conditions, this Policy also covers the personal property of employees of the Insured and others at an operating Unit, at the location described in the Declarations unless otherwise excluded.
2. Subject to its terms and conditions, this Policy covers the personal property of employees of the Insured at a Unit under construction and the property of others at a Unit under construction but only as agreed to by the Member Insured pursuant to a written agreement that specifies the property to be covered by this Policy, at the location described in the Declarations unless otherwise excluded.
3. The following paragraph (unnumbered) is hereby added to the end of Section I.E.2:

This coverage provided under this Section I.E.2 shall be void if any Insured enters into any special agreement with any seller (to the extent and only to such extent that the seller has contracted with a carrier) or shipper, and the Insured releases the shipper or carrier from their common law or statutory liability or agrees that this insurance shall in any way inure to the benefit of such carriers or shippers. However, the Insured may, without prejudice to this coverage, accept such bills of lading, receipts for transportation, or



contracts of transportation as are ordinarily issued by carriers or shippers containing a limitation as to the value of the property insured.

4. The following paragraph is hereby added to Section I.E:

6. Hot Testing

With respect to Unit 2, this Policy will indemnify the Insureds for Accidental Property Damage caused by or results from Functional Hot Testing and Nuclear Hot Testing, but only for a period no greater than 180 cumulative days of combined hot testing. Supervisory and safety systems shall not be deliberately or knowingly circumvented during the conduct of any hot testing. It is a requirement under this Policy that all instruments and protection will be installed and activated, and all requirements under the Insurer's Loss Control Standards satisfied, prior to conducting any hot testing. Failure to comply with this requirement gives the Insurer the right to immediately suspend coverage, until such time as the Insured can verify compliance. For purposes of this paragraph, the testing period shall commence on the first day of testing using any feedstock, catalyst or other similar media for processing and handling, or the commencement of supply to a system, and shall terminate on the expiry of the period as stated in this paragraph, as it may be extended by agreement with the Insurer, or when the Insured begins Commercial Operation of the Unit, whichever occurs first.

5. The following paragraphs are added to Section III.A.2:

(i) mobile, and other construction, equipment unless the equipment is owned or leased by the Insured under an agreement that requires the Insured to provide insurance for the equipment

6. Paragraph 11 of Section V.I. (Evaluations and Compliance with Loss Control Standards) is deleted and replaced with the following:

11. 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 construction or operating license issued with respect to any Unit, or (ii) issues a shutdown order with respect to an operating Unit or an order requiring construction of a Unit to cease, or (iii) the NRC issues a confirmatory order keeping an operating Unit shut down or forbidding construction of a Unit to continue. In the event that the Insurer chooses to suspend coverage under this provision, it shall notify the Member Insured in writing of that decision.

7. The following subparagraph is added to Paragraph 1 of Section V.U. (Term and Cancellation):

(a) Coverage on the Unit under construction shall commence on the date specified in this endorsement and shall continue subject to the terms of this Paragraph U. The terms of this Endorsement shall terminate, and the Unit under construction shall be considered



an operating Unit, as of midnight on the first day that the Insured begins to move nuclear fuel for the purpose of loading the fuel into the reactor.

8. The following paragraph is added to Section V. (Conditions)

Y. 50/50 Clause

In the event of loss of or damage to Insured Property due to a peril insured against being discovered after the risk has terminated under a marine or transit insurance and if after proper investigation it is not possible to ascertain whether the cause of such loss or damage happened prior to termination of the marine or transit venture or subsequently, it is understood and agreed that the Underwriters hereon shall pay 50% of the properly adjusted claim, provided that the marine or transit insurance also includes a clause similar to this and similar payment is made under that policy, such payment to be without prejudice to subsequent final apportionment of the claim as may be agreed between the Insurer and the marine or transit insurer.

9. The following paragraph in Section VIII (Definitions) is hereby deleted and replaced with the following:

X. "Unit" means an operating nuclear plant and a nuclear plant under construction.

10. The following paragraphs are added to Section VIII. (Definitions):

Y. "Temporary Works" means all structures and their materials which are not intended to form part of the permanent works but which are intended to provide working access to the site or to the permanent works, or which are intended to provide temporary support to the permanent works under construction, but shall not mean

a. site accommodation (other than accommodation which forms or is intended to form part of the permanent works) and contents

b. structures or their materials intended for re-use after completion of the permanent works unless their full value has been included in the contract value.

Z. "Commercial Operation" means when the Unit being constructed has been approved for operation and the unit's main breaker is closed, synchronizing the unit with the electrical grid for the purpose of revenue generation in normal dispatch.

AA. "Testing"

a. "Functional Hot Testing" means any startup, commissioning or other forms of testing making use of any feedstock or similar media, but not including the use of nuclear fuel loaded into the reactor core that has achieved initial criticality, including any operational or performance tests.



b. "Nuclear Hot Testing" means startup, commissioning, or other forms of testing making use of, or requiring the use of, any nuclear fuel that has been loaded into the reactor and has reached initial criticality, including any operational or performance tests.

This Endorsement does not increase the amount of insurance provided under this Policy.

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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____



Terms & Conditions Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar Endorsement No. 5
Policy Number: P15-060 Effective Date: April 1, 2015

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

It is hereby agreed and understood that Tennessee Valley Authority is a corporate instrumentality and agency of the United States which holds real property in the name of the United States.

This Endorsement does not increase the amount of insurance provided under this Policy.

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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____

**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: Tennessee Valley Authority

Site: Watts Bar Endorsement No. 6
Policy Number: P15-060 Effective Date: April 1, 2015

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 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.



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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____



SHALL Recommendation Policy Adjustment Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar Endorsement No. 7
Policy Number: P15-060 Effective Date: April 1, 2015

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

In consideration of the additional premium being charged, it is hereby understood and agreed that the following Policy Adjustments are applied in accordance with section V.I.:

Recommendation Number	Annual Premium Adjustment	Deductible Adjustment	Pro Rata Premium Adjustment
<u>BM14-01</u>	<u>\$60,000</u>	<u>\$15,000,000</u>	<u>\$60,000</u>

In the event of Accidental Property Damage originating in Unit 1 "C" LP L-0 or L-1 Turbine blades, and to any Accidental Property Damage directly resulting therefrom the above Deductible adjustment will apply for purposes of section V.F.

This Endorsement does not increase the amount of insurance provided under this Policy.

All other terms and conditions remain unchanged.



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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____



Class "A" Warehouse and Storage Structures Sublimit Endorsement

Member Insured: Tennessee Valley Authority

Site: Watts Bar
Policy Number: P15-060

Endorsement No. 8
Effective Date: April 1, 2015

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

1. This Endorsement shall be applicable to the following property:

- a) Warehouse A
- b) Warehouse B
- c) Warehouse D
- d) Warehouse E
- e) Warehouse F

2. It is hereby understood and agreed that each of the properties described in Paragraph 1, including the contents thereof, shall have a coverage sublimit of \$25,000,000 of coverage under this Policy for Property Damage caused directly or indirectly by fire, or fire following lightning or explosion, or by any separate and independent Accident which ensues therefrom.

This Endorsement does not increase the amount of insurance provided under this Policy.

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

Wilmington, Delaware

INSURER:

Nuclear Electric Insurance Limited

Date: As of April 1, 2015

By: _____
David B. Ripsom, President

Attest: _____

Wilmington, Delaware

MEMBER INSURED:

Tennessee Valley Authority

Date: As of April 1, 2015

By: _____
Attorney-in-Fact

Witness: _____

NUCLEAR ELECTRIC INSURANCE LIMITED - Primary Rating Calculation Sheet

Member Insured:	Tennessee Valley Authority		
Site:	Watts Bar		
Policy Number:	P15-060		
Amount of Insurance:	\$1,500,000,000	2015 Renewal	
Base Plant Operations Credit:	13.0000%		
Effective Date:	April 1, 2015	Deductible:	\$10,000,000
Expiration Date:	April 1, 2016	T/G Deductible:	\$10,000,000
			No. of Units 1

Annual Premium:	\$4,155,000	Premium by Unit:	
Retro Premium Adjustment:	\$41,550,000	Largest Unit	4,155,000
		Total:	4,155,000
Previous Annual Premium:			
Additional Annual Premium:	4,155,000		
Pro-rata Factor:	1.0000		

Primary Premium Due:	\$4,155,000
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Property Rating

	<u>Unit</u>	<u>Unit</u> <u>Status</u>	<u>MWE</u>	<u>MWT</u>	<u>Nuclear</u> <u>Loading</u>	<u>MWT for</u> <u>Weighting</u>
Largest Unit	Unit 1	OP	1,123	3,459	0.0460	3,459
Weighted Nuclear Rate:			0.0460			
Effective Plant Ops Credit:	19.500%		(0.0090)			
Nuclear Rate after Plant Ops Credit:			0.0370			
Fire Rate:			0.0195			
Windstorm Rate:			0.0086			
Flood Rate:			0.0054			
Earthquake Rate:			0.0062			
All Risk Rate:			0.0200			
Gross Property Rate:			0.0967			
Deductible Credit:	14.00%		(0.0135)			
Property Base Rate:			0.0832			
Values Adjustment Factor:	1.1917		x 1.1917			
Property Rate:			0.0991			

Boiler & Machinery Rating

Date of LC Report:	01-Jul-14	T/G Deductible Credit:	14.00%
Max B&M Penalty Points:	6,835		
Max B&M Credit Points:	4,640		

	<u>Unit</u>	<u>Initial</u> <u>B&M</u> <u>Rate</u>	<u>B&M</u> <u>Penalty</u> <u>Points</u>	<u>B&M</u> <u>Credit</u> <u>Points</u>	<u>Gross</u> <u>B&M Rate</u>	<u>Deductible</u> <u>Credit Factor</u>	<u>Rate after</u> <u>Deductible</u>	<u>TGRA</u> <u>Adjustment</u>	<u>Net</u> <u>B&M Rate</u>
Largest Unit	Unit 1	0.0535	455	2,690	0.0475	14.00%	0.0409	10.0 %	0.0441

Total B&M Rate:	0.0441
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Member Insured: **Tennessee Valley Authority**
 Site: **Watts Bar**

Combined Rating

Property Rate + B&M Rate:	0.1432		
Program Modifier:	(90.55)%	0.1297	
Rate after Modifier:		0.2730	
Site Loss Experience:	0.00%	0.0000	Property Covered:
Final Primary Rate:		0.2730	Contam Premium: 0

VALUES ADJUSTMENT FACTOR

		<u>Date of Comm. Ops</u>	<u>MWt</u>	<u>Table Value</u>	MWt x <u>Table Value</u>
I.	Largest Unit	1996	3,459	783,195	2,709,071,505
II.	a) Fuel (21,000 times MWt of operating units)				72,639,000
	b) Material, Supplies, Spares, etc.				52,538,000
	c) Switchyard and High Voltage Substation				267,082,000
	d) Cooling Towers/Lake				62,672,000
	e) Other				0
	f) Combustion turbines	<u>Mwe</u>	<u>Rate</u>		
		0	216		0
III.	Reduction for Aging	3%/Year (maximum of 20%)		IV. Reduction for ACV cover	
	Largest Unit	20% (541,814,301)		3%/Year (maximum of 40%)	
				40%	0

Total Values Adjustment:	\$2,622,188,204
Values Adjustment Percentage:	57.2

VALUES ADJUSTMENT FACTOR: 1.1917

WINDSTORM

	Rhea County, TN		
	<u>H W R</u>	<u>W R</u>	<u>S W R</u>
Gross E. C. Rate	0.0240	0.0270	0.0390
Windstorm (50% of Gross EC Rate)	0.0120	0.0135	0.0195

SITE LOSS EXPERIENCE FACTOR

<u>Claim Number</u>	<u>Date of Loss</u>	<u>Date of Proof of Loss</u>	<u>Amount</u> \$	<u>Factor</u>
		Severity:	\$0	0.00%
		Frequency:	0	0.00%
		Site Loss Experience Factor:		0.00%

Member Insured: **Tennessee Valley Authority**
Site: **Watts Bar**

Property Shall Recommendation Penalties

<u>Shall Rec. Number</u>	<u>Base Score</u>	<u>Action Level</u>	<u>Number of Units Impacted</u>	<u>Deductible Amount</u>	<u>Penalty Amount</u>
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B&M Shall Recommendation Penalties

<u>Shall Rec. Number</u>	<u>Base Score</u>	<u>Action Level</u>	<u>Number of Units Impacted</u>	<u>Deductible Amount</u>	<u>Penalty Amount</u>
BM14-01	9	4	1	\$15,000,000	\$60,000

Total Shall Rec. Penalty Amount:

\$60,000

Fire and Wind Rating

Delineated Area Name		REACTOR
Area Value:		40
Base Rate:		0.0400
Construction:		HWR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0070)
Superior Construction of Schedule Rated Buildings (Non Bearing Walls) Value		(0.0100)
Superior Construction of Schedule Rated Buildings (Principal Supporting Members) Value		(0.0030)
Area Subtotals		
Occupancy Loading:		0.0100
Delineated Area Fire Rate:		0.0300
Area Fire Rate x Area Value:		1.2000
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.4800
Delineated Area Name		TURBINE
Area Value:		25
Base Rate:		0.0400
Construction:		WR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0049)
Superior Construction of Schedule Rated Buildings (Non Bearing Walls) Value		(0.0100)
Under turbine	95-25-TB	0.0256
Bearings/Exciter/Skirt	95-26-TB	0.0120
Lube Oil Tank	95-27-TB	0.0128
Cable concentration	95-29-TB	0.0116
Auxiliary boilers	95-30-TB	0.0116
MCC Detection	95-31-TB	0.0096
Under floor 3-hr barrier	95-32-TB	0.0100
Mtr FW pumps	95-33-TB	0.0096
Steam FW pumps	95-35-TB	0.0096
Smoke & Heat Venting	95-36-TB	0.0100
Oil Trans.	95-37-TB	0.0100
Trans 3-hr barrier	95-38-TB	0.0100
Area Subtotals		
Occupancy Loading:		0.0300
Delineated Area Fire Rate:		0.1975
Area Fire Rate x Area Value:		4.9375
Area Wind Rate:		0.0135
Area Wind Rate x Area Value:		0.3375

Delineated Area Name		AUXILIARY BUILDING
Area Value:		15
Base Rate:		0.0400
Construction:		HWR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0070)
Superior Construction of Schedule Rated Buildings (Non Bearing Walls) Value		(0.0050)
Superior Construction of Schedule Rated Buildings (Principal Supporting Members) Value		(0.0030)
Trans. barrier	95-24-AB	0.0100
Area Subtotals		
Occupancy Loading:		0.0100
Delineated Area Fire Rate:		0.0450
Area Fire Rate x Area Value:		0.6750
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.1800
Delineated Area Name		DIESEL GENERATOR
Area Value:		10
Base Rate:		0.0400
Construction:		HWR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0070)
Superior Construction of Schedule Rated Buildings (Non Bearing Walls) Value		(0.0100)
Superior Construction of Schedule Rated Buildings (Principal Supporting Members) Value		(0.0030)
Area Subtotals		
Occupancy Loading:		0.0150
Delineated Area Fire Rate:		0.0350
Area Fire Rate x Area Value:		0.3500
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.1200
Delineated Area Name		INTAKE PUMPING STATION
Area Value:		10
Base Rate:		0.0400
Construction:		HWR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0070)
Superior Construction of Schedule Rated Buildings (Non Bearing Walls) Value		(0.0100)
Superior Construction of Schedule Rated Buildings (Principal Supporting Members) Value		(0.0030)
Trans. barrier	95-21-IPS	0.0100
Area Subtotals		
Occupancy Loading:		0.0100
Delineated Area Fire Rate:		0.0400
Area Fire Rate x Area Value:		0.4000
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.1200

Delineated Area Name		CONDENSOR CIRC WATER BLDG
Area Value:		5
Base Rate:		0.0400
Construction:		HWR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0070)
Superior Construction of Schedule Rated Buildings (Non Bearing Walls) Value		(0.0100)
Oil Transf.	95-10-CCW	0.0240
Transf. barrier	95-11-CCW	0.0240
Area Subtotals		
Occupancy Loading:		0.0100
Delineated Area Fire Rate:		0.0810
Area Fire Rate x Area Value:		0.4050
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.0600
Delineated Area Name		CONTROL BUILDING
Area Value:		5
Base Rate:		0.0400
Construction:		HWR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0070)
Superior Construction of Schedule Rated Buildings (Non Bearing Walls) Value		(0.0050)
Superior Construction of Schedule Rated Buildings (Principal Supporting Members) Value		(0.0030)
Area Subtotals		
Occupancy Loading:		0.0100
Delineated Area Fire Rate:		0.0350
Area Fire Rate x Area Value:		0.1750
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.0600
Delineated Area Name		MISCELLANEOUS AREAS
Area Value:		5
Base Rate:		0.0400
Construction:		SWR
Penalties and Credits		
Tele. Node Bldg	95-06-TNB	0.0120
Det. Off Bldg	95-16-OB	0.0120
HVAC Systems	95-41-G	0.0240
Foam - Security Diesel	98-02-APP (1-5)	0.0120
Area Subtotals		
Occupancy Loading:		0.0100
Delineated Area Fire Rate:		0.1100
Area Fire Rate x Area Value:		0.5500
Area Wind Rate:		0.0195
Area Wind Rate x Area Value:		0.0975

Delineated Area Name		SERVICE BUILDING
Area Value:		5
Base Rate:		0.0400
Construction:		WR
Penalties and Credits		
TB 3-hr barrier	95-12-SB	0.0180
Trans. Spr.	95-13-SB	0.0240
Trans. barrier	95-14-SB	0.0240
Fxd Auto Detection	95-15-SB	0.0180
Area Subtotals		
Occupancy Loading:		0.0200
Delineated Area Fire Rate:		0.1440
Area Fire Rate x Area Value:		0.7200
Area Wind Rate:		0.0135
Area Wind Rate x Area Value:		0.0675
Delineated Area Name		SWITCHYARD
Area Value:		5
Base Rate:		0.0500
Construction:		WR
Penalties and Credits		
Fxd Auto Detection	95-23-SY	0.0100
Area Subtotals		
Occupancy Loading:		0.0000
Delineated Area Fire Rate:		0.0600
Area Fire Rate x Area Value:		0.3000
Area Wind Rate:		0.0135
Area Wind Rate x Area Value:		0.0675
Delineated Area Name		TEMP SERV. OFFICE BUILDING
Area Value:		5
Base Rate:		0.0400
Construction:		HWR
Penalties and Credits		
Superior Construction of Schedule Rated Buildings (Bearing Walls) Value		(0.0070)
Superior Construction of Schedule Rated Buildings (Principal Supporting Members) Value		(0.0021)
Area Subtotals		
Occupancy Loading:		0.0200
Delineated Area Fire Rate:		0.0509
Area Fire Rate x Area Value:		0.2545
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.0600
Delineated Area Name		TRAINING FACILITY
Area Value:		5
Base Rate:		0.0400
Construction:		WR
Penalties and Credits		
Area Subtotals		
Occupancy Loading:		0.0200
Delineated Area Fire Rate:		0.0600
Area Fire Rate x Area Value:		0.3000
Area Wind Rate:		0.0135
Area Wind Rate x Area Value:		0.0675

Delineated Area Name		TRANSFORMERS
Area Value:		5
Base Rate:		0.0500
Construction:		N/A
Penalties and Credits		
Barrier / Separ. (9)	95-22-SY	0.0900
Area Subtotals		
Occupancy Loading:		0.0000
Delineated Area Fire Rate:		0.1400
Area Fire Rate x Area Value:		0.7000
Area Wind Rate:		N/A
Area Wind Rate x Area Value:		N/A
Delineated Area Name		WAREHOUSES A,B,D,E & F
Area Value:		5
Base Rate:		0.0400
Construction:		WR
Penalties and Credits		
Remote alarms	95-17-WH	0.0140
WHB Mezanine	95-18-WHB	0.0140
WH E & F	95-19-WH	0.0360
Contain/Drain	95-20-WHE	0.0200
Area Subtotals		
Occupancy Loading:		0.0200
Delineated Area Fire Rate:		0.1440
Area Fire Rate x Area Value:		0.7200
Area Wind Rate:		0.0135
Area Wind Rate x Area Value:		0.0675
Delineated Area Name		COOLING TOWERS
Area Value:		1
Base Rate:		0.1000
Construction:		HWR
Penalties and Credits		
Area Subtotals		
Occupancy Loading:		0.0000
Delineated Area Fire Rate:		0.1000
Area Fire Rate x Area Value:		0.1000
Area Wind Rate:		0.0120
Area Wind Rate x Area Value:		0.0120
Delineated Area Name		PLCS
Penalties and Credits		
Alarm start FP	95-42-FP	0.0030
Water use	95-43-FP	0.0070
Pump LP start	95-44-FP	0.0070
Hydrant & PIV	95-45-FP	0.0020
Control Valves	98-02-APP (8,9)	0.0008
Total to add to fire rate		<u>0.0198</u>

Member Insured: **Tennessee Valley Authority**
Site: **Watts Bar**

Fire Rate Totals	
Sum of Fire Rates x Area Values:	11.7870
Sum of Delineated Area Values:	146
Gross Average Fire Rate:	0.0807
PLPS Penalties/Credits:	0.0198
Net Average Fire Rate:	0.1005
Fire Rate Multiplier:	19.40%
AVERAGE FIRE RATE:	0.0195

Wind Rate Totals	
Sum of Wind Rates x Area Values:	1.7970
Sum of Delineated Area Values:	141
Gross Average Wind Rate:	0.0127
Wind Rate Multiplier:	67.40%
AVERAGE WIND RATE:	0.0086

Attachment 2
Copy of Bond for Repayment of Retroactive Premiums

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

Certificate No. N -0120

Forming Part of Master

Policy No. 1

CERTIFICATE OF INSURANCE DECLARATIONS AND BOND FOR PAYMENT OF RETROSPECTIVE PREMIUMS

Certificate of Insurance

This is to certify that the persons and organizations designated in Item 1 of the Declarations are named insureds under the Master Policy - Nuclear Energy Liability Insurance (Secondary Financial Protection), herein called the "Master Policy", issued by Nuclear Energy Liability Insurance Association.

Such insurance as is provided by the Master Policy applies, through this certificate, only:

- (a) to the insureds identified in Items 1 and 2 of the Declarations,
- (b) for the certificate period stated in Item 6 of the Declarations,
- (c) to bodily injury or property damage
 - (1) with respect to which the primary financial protection described in Item 4 of the Declarations would apply but for exhaustion of its limit of liability as described in Condition 6 of the Master Policy, and
 - (2) which is caused during the certificate period stated in Item 6 of the Declarations by a nuclear incident arising out of or in connection with the nuclear reactor described in Item 3 of the Declarations, and

- (3) which is discovered and for which written claim is made against the insured not later than ten years after the end of the certificate period stated in Item 6 of the Declarations. However, with respect to bodily injury or property damage caused by an extraordinary nuclear occurrence this subparagraph (3) shall not operate to bar coverage for bodily injury or property damage which is discovered and for which written claim is made against the insured not later than twenty years after the date of the extraordinary nuclear occurrence.

Declarations

Item 1. Named insureds and addresses:

- (a) Tennessee Valley Authority – 1101 Market Street, Mail Stop ~~MR 6 D~~
Chattanooga, TN 37402

(b)

Item 2. Additional insureds:

Any other person or organization who would be insured under the primary financial protection identified in Item 4 of the Declarations but for exhaustion of the limit of liability of such primary financial protection.

Item 3. Description and location of nuclear reactor: Unit 2 of the Watts Bar Nuclear Plant
located in Rhea County, Tennessee.

- Item 4. (a) Identification of primary financial protection applicable to the nuclear reactor and limit(s) of liability thereof:

Nuclear Energy Liability Insurance Association's

Policy NF- 0256 \$375,000,000

Mutual Atomic Energy Liability Underwriter's

Policy MF- N/A \$ N/A

- (b) The following endorsements, attached to the primary financial protection policies listed in Item 4 (a) also apply to the insurance afforded by the Master Policy through this certificate as though they were attached hereto:

- (1) Waiver of Defenses Endorsement (Extraordinary Nuclear Occurrence) and
- (2) Supplementary Endorsement - Waiver of Defenses - Reactor Construction at the Facility,

- (c) The limits of liability provided under the primary financial protection specified in Item 4 (a) above are not shared with any other reactor except as follows:

Item 5. Limits of Liability: The amount of retrospective premium actually received by the companies plus the amount of the companies' contingent liability, if any, pursuant to Conditions 2, 3 and 4 of the Master Policy.

- Item 6. Certificate Period: Beginning at the same time and date that the Facility Operating License issued by the United States Nuclear Regulatory Commission for the reactor described in Item 3 of this certificate becomes effective and continuing to the effective date and time of cancellation or termination of the Master Policy or this certificate, whichever first occurs, eastern standard time.
- Item 7. Maximum retrospective premium (exclusive of allowance for premium taxes) payable pursuant to Condition 2 of the Master Policy with respect to each nuclear incident: \$117,495,000.
- Item 8. Portion of the annual premium payable for the companies' contingent liability described in Condition 4 of the Master Policy from the effective date hereof to the end of calendar year 2011 : The pro rata portion of \$ 9,492 for the period from the effective date of this certificate to the end of the calendar year during which such effective date occurs.

BOND FOR PAYMENT OF RETROSPECTIVE PREMIUMS

Know All Men By These Presents, that the undersigned do hereby acknowledge that they are named insureds under the Master Policy described in the above Certificate of Insurance and Declarations. The named insureds do hereby covenant with and are held and are firmly bound to the members of Nuclear Energy Liability Insurance Association subscribing the Master Policy (hereinafter called the "companies") to pay to the companies all retrospective premiums and allowances for premium taxes which shall become due and payable in accordance with the Master Policy, as it may be changed from time to time, with interest on such premiums and allowances for taxes to be computed at the rate provided in the Master Policy from the date payment thereof is specified to be due the companies in written notice to the first named insured as provided in Condition 2 of the Master Policy until paid;

And it is hereby expressly agreed that copies of written notices of retrospective premiums and allowances for premium taxes due and payable or other evidence of such amounts due and payable sworn to by a duly authorized representative of the companies shall be prima facie evidence of the fact and extent of the liability of the named insureds for such amounts;

And it is further expressly agreed that the named insureds will indemnify the companies against any and all liability, losses and expenses of whatsoever kind or nature (including but not limited to interest, court costs, and counsel fees) which the companies may sustain or incur (1) by reason of the failure of the named insureds to comply with the covenants and provisions of this Bond and (2) in enforcing any of the covenants or provisions of this Bond, or any provisions of the Master Policy relating to such covenants or provisions;

For the purpose of recording this agreement, a photocopy acknowledged before a Notary Public to be a true copy hereof shall be regarded as an original.

The preceding Certificate of Insurance, Declarations and Bond form a part of the Master Policy. Cancellation or termination of the Master Policy or the Certificate of Insurance shall not affect the named insured's obligations under the policy or the Bond to pay the retrospective premiums and allowances for premium taxes, as provided in this Certificate and Condition 2 of the Master Policy.

IN WITNESS WHEREOF, the named insureds have caused this Certificate, these Declarations and this Bond for Payment of Retrospective Premiums, to be signed and sealed by a duly authorized officer, to be effective as of the time and date of the inception of the Certificate period.

Attest or Witness

Named Insureds:

Cynthia S. Druley

Pam Templeton, Notary Public
My Commission Expires: 1/23/2013

Tennessee Whelan Authority
(Name of Insured, Type or Print)

By: [Signature] (Seal)
(Signature of Officer)

Steven E. Stensfeld, VP & Chief Risk Officer
(Type or Print Name and Title)

June 29, 2011
(Date)

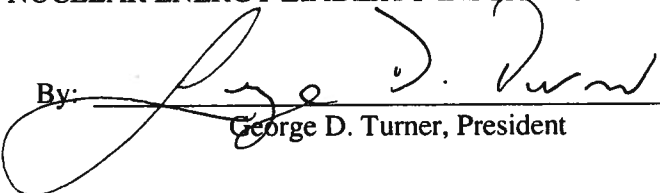
IN WITNESS WHEREOF, the companies subscribing the Master Policy have caused the Certificate of Insurance and Declarations to be signed on their behalf by the President of Nuclear Energy Liability Insurance Association to be effective as of the time and date of the inception of the Certificate period, and countersigned below by a duly authorized representative.

Attest or Witness

For the Subscribing Companies of

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION



By: 
George D. Turner, President

Countersigned by


(Authorized Representative)

This is to certify that this is a true copy of the original Certificate, bearing the number designated hereon, for Insurance coverage under the Master Policy-Nuclear Energy Liability Insurance (Secondary Financial Protection).
No insurance is afforded by this copy.



Gary S. Uricchio, Vice President - Underwriting
American Nuclear Insurers