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September 22, 2000

Re: Allendale Mutual Insurance Company v. Safety Light Corporation
NRC File No. TR-00-08
Our File No. 00222-0324

Charles E. Mullins, Esquire
U.S. NUCLEAR REGULATORY COMMISSION
Room #0-15D21
11555 Rockville Pike
Rockville, MD 20852

Dear Mr. Mullins:

As you will recall, we discussed with you some time ago the possibility of interviewing and/or taking the deposition of one or more Nuclear Regulatory Commission representatives in connection with the above-captioned matter. Since that time, we have received a copy of Suzanne Chamberlin's letter to you dated August 8, 2000, and your response dated August 10, 2000. We write to join in and, to some extent, supplement Safety Light's request.

Although most of the factual background supplied by Ms. Chamberlin is accurate from the standpoint of our client, Allendale Mutual Insurance Company, some items require clarification and/or correction. Allendale is a first-party property insurer, not a third-party liability insurer. In policies which were effective from February, 1970 through February, 1981, Allendale insured United States Radium Corporation, later Safety Light Corporation, for direct loss by fire, lightning and other specified perils to Safety Light's property. None of the policies issued by Allendale to Safety Light provides Safety Light with coverage for Safety Light's liability to any third party, whether for bodily injury, property damage or any other damage.

In April, 1991, Safety Light first notified Allendale that it was making claim under the Allendale property insurance policies in connection with the March 16, 1989 Order of the Nuclear Regulatory Commission which, inter alia, directed Safety Light to proceed with the formulation and implementation of a plan to decontaminate Safety Light's facility in Bloomsburg, Pennsylvania. Shortly after making the aforementioned claim in 1991, Safety

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Light and Allendale entered into an agreement by which further action on Safety Light's claim was held in abeyance until such time as either Safety Light or Allendale elected to terminate the agreement. Safety Light elected to terminate the agreement in 1998. Allendale investigated Safety Light's claim and, in June, 1999, formally denied the claim. Immediately after denying the claim, Allendale instituted the instant suit in the United States District Court for the Middle District of Pennsylvania to obtain a declaration that it is not obligated to provide coverage under the property damage policies which it issued to Safety Light for any costs associated with complying with the NRC's March 16, 1989 Order or the subject matter thereof.

We do not understand Safety Light's counsel's comment, at page 2 of her letter, that "the parties are approaching the facts from two completely different points of view" or its apparent consequence, *i.e.*, that Safety Light will not likely "accept Allendale's designation respecting the appropriate NRC person or their area of knowledge." As we expect you are aware, we have inspected NRC's file on Safety Light Corporation and its operations at the Bloomsburg, Pennsylvania site which is located in NRC's office in King of Prussia, Pennsylvania. We, like Safety Light, believe that some of the documentation which has been provided by NRC, and some documentation relating to the NRC which has been provided to us by Safety Light, may require interpretation by an NRC witness who is knowledgeable about NRC's activities in connection with Safety Light's operations at the Bloomsburg, Pennsylvania facility. We believe, as Safety Light's counsel apparently does, that someone who has personal familiarity with the site and who has had direct dealings with Safety Light personnel, particularly in connection with the NRC's March 16, 1989 Order and in connection with prior communications and/or directives from the NRC which we believe required Safety Light to conduct the same activities which were the subject of the March 16, 1989 Order, would be most helpful. Although we do not agree with Safety Light's counsel's suggestion that only an NRC witness can provide "authoritative" testimony as to what the "various orders, violations, license amendments, inspection reports", correspondence and oral exchanges meant over the years, there is no doubt that the testimony of a knowledgeable NRC witness in this regard will be very significant in this matter. In short, determining what Safety Light knew and when it acquired that knowledge, with respect to the various requirements imposed by the NRC on Safety Light over the years which we believe culminated in the NRC's Order of March 16, 1989, will be of first importance in this case.

In the penultimate paragraph of her letter of August 8, 2000, Ms. Chamberlin states that "this lawsuit is all about the NRC", about "the NRC's claim against Safety Light for cleanup of the site", about "the agreement the NRC has with Safety Light to pursue all available funds for cleanup" and about "getting enough money to perform an NRC-mandated cleanup." To the contrary, however, this case is about a claim for insurance coverage under first-party property insurance policies, about whether the NRC's claim against Safety Light for cleanup of the site constitutes "property damage" for which any of the Allendale policies provides coverage and about whether the Allendale property damage policies otherwise apply to Safety Light's claim. The clear implication in Ms. Chamberlin's comments is that the NRC should cooperate in this matter because a resolution of the case favorable to Safety Light will generate funds which will allow Safety Light to comply with the NRC's directives. We think that such a suggestion is inappropriate and, at best, misplaced. We do, however, agree with Safety Light that the

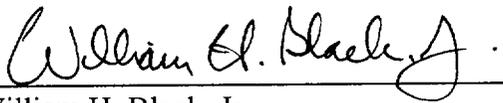
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testimony of knowledgeable NRC witnesses will be important, if not indispensable, in this matter.

We see no reason why the parties to this case could not operate within the parameters which you describe in the second paragraph of your letter dated August 10, 2000, to Ms. Chamberlin, and look forward to hearing from you with regard to how we may proceed.

Very truly yours,

HECKER BROWN SHERRY AND JOHNSON

BY: 
William H. Black, Jr.

WHB/rlb

cc: Suzanne Q. Chamberlin, Esquire

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