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HOLTEC HIGHLIGHTS

(A Summary Report to Our Clients, Suppliers, and Company Personnel)

THE WHISTLEBLOWER AND THE MEGAPHONE

We have learned from media reports that a former Exelon employee is claiming to have discovered three years ago, during his employment with Exelon, evidence of substandard work by Holtec's manufacturer, UST&D, and that formal allegations had been filed with the USNRC over a year ago.

The allegations evidently are based on an audit of UST&D by a multi-utility team (NUPIC) led by Exelon in the person of the reported alleger in mid-2000. We are puzzled at how the findings from a mid-2000 audit that were closed out in a routine and normal manner morph into allegations, particularly when it is the alleger himself who wrote the letter to UST&D accepting the corrective actions. Our records also show that a follow-up audit of UST&D in 2002, also led by Exelon, noted that UST&D had successfully implemented the corrective actions arising from the mid-2000 audit findings. Indeed, the July 2000 audit of UST&D was entirely unremarkable in that numerous such audits and inspections had preceded it and many, many have followed it (i.e., NRC inspections, NUPIC/DSQG audits, and many, many Holtec and client surveillances) without identification of any safety-significant issues. Audits, inspections, and surveillances, as all of us in the nuclear industry know, are routine aspects of our industrial life.

We should observe that our company maintains a formal "*concerns program*" that allows filing a technical or quality concern by *anyone* who discerns a weakness in Holtec's quality program or its implementation. Had we known of the alleger's concerns, we would have most definitely helped him sort out the facts under our concerns resolution process.

Unfortunately, unbeknownst to us, the individual filed the allegations with the USNRC who, as is their practice, acted on the allegations in absolute secrecy. We understand that the NRC has dismissed the allegations. Nevertheless, the allegations are being used as a springboard by the anti-nuclear groups to attack both the Private Fuel Storage and the Yucca Mountain projects. In a letter asking the IG to investigate the NRC, Ms. Gue of Public Citizens writes:

> "This issue with respect to Holtec and its suppliers is particularly timely in light of the Private Fuel Storage proposal to transport and store unprecedented quantities of irradiated fuel using Holtec HI-STAR 100 casks, NRC staff's choice of the Holtec HI-STAR as the hypothetical cask to use for its analysis of the Baltimore train tunnel fire of July 2001 and the NRC's intention to benchmark codes used in cask licensing based on limited physical testing of a Holtec HI-STAR 100 cask (the Package Performance Study)".

An expedited disposition of a whistleblower's allegations is necessary to debunk the gratuitous nonsense that is being amplified by the media's megaphone. "These allegations are an insult to the hundreds of conscientious craftsmen and professionals of

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Holtec and UST&D, and of our clients' QA organizations, who dedicate their lives to ensuring that our nuclear components are engineered and manufactured to the highest quality standards achievable by man. The vacuity and peculiar antecedents of the allegations broadcast through the media notwithstanding, we firmly believe in the unalienable right of every person to seek an answer to his or her concerns. Our door will remain open to entertain any reasonable concern from any interested party: allaying the public's concern by sharing factual information based on solid science is an integral part of our corporate undertaking," says Holtec's President and CEO, Dr. K.P. Singh.

We call upon the IG to investigate the NRC staff's handling of these allegations in a speedy and comprehensive manner. We stand ready to provide whatever information the IG's office may need to carry out its work. We are confident that the IG's office will conclude that the allegations are merit-less and were given due consideration by the NRC staff.

We also take note of the statements supporting the alleger attributed to a disaffected NRC employee who is quoted in the media as slamming Holtec's and UST&D's quality assurance programs. We should observe that the gentleman has never set foot on Holtec's or UST&D's premises. According to our records, he has never sought or received a copy of our or UST&D's quality assurance manuals. We will be pleased to receive and act on his specific concerns, if we know of any.

We are firm and resolute in our conviction that our company has engineered, produced, and continues to produce dry storage equipment of unimpeachable quality. Further, our readers should know that the *independent* layers of scrutiny and invigilation embedded in the manufacturing of the nuclear components by different organizations provide a robust institutional mechanism to guarantee that the equipment will be free of defects and that public health and safety will be fully safeguarded.

Starting with the manufacturer's quality assurance team, Holtec's full-time resident inspectors and the clients' full-time inspectors provide additional layers of defense against delivery of deficient hardware. At the apex of the quality hierarchy sits the NRC's own inspection organization, whose uncompromising demands for rigorous compliance of the regulations carry, in our eyes, divine authority. To allege that defective equipment was produced and used in spite of these multiple layers of control is plainly absurd.

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