

NWX-US NUCLEAR REGULATORY COM (US)

**Moderator: Manny Comar
July 6, 2017
12:00 pm CT**

Coordinator: Welcome and thank you all for standing by. At this time, all lines will be open and interactive for the duration of today's conference. To avoid background noise, please utilize your mute function. Otherwise press star six to mute or un-mute your line. This call is being recorded. If you have any objections you may disconnect at this time. And I would now like to hand the call over to Mr. Manny Comar. Sir, you may begin.

Manny Comar: Thank you. I'd like to thank everybody for attending this meeting. As said, my name is Manny Comar. I'm the NRC project manager for Turkey Point, Unit six and seven nuclear plant. We are here today to allow the petition of Mr. Thomas Saporito to address the petition (unintelligible) regarding the 2.206 petition dated May 2nd, which was later supplemented by a petition dated May 22nd, and then I received more additional information today through the e-mail. I'm also the petition manager for this petition. The petition review board chairman is Miss Anna Bradford, who's the Deputy Division Director in the Division (unintelligible) Licensing.

As part of the petition review board's review of this petition, Mr. Thomas Saporito has requested this opportunity to address the PRB. The meeting is

scheduled from 1 pm to 2 pm Eastern Daylight Time. As she indicated, the meeting is being recorded by the NRC Operational Center and will be transcribed by the court reported. The transcript will become a supplement to the petition. The transcript will also be made publicly available.

I'd like to open this meeting with introductions. The P -- as I said -- the PRB chair is Anna Bradford. And I would ask the rest of the people to - for the petition review board to introduce themselves as we go around the room. Please be sure to clearly state your name, your position, and the office that you work with in the NRC for the record. And I'll start off. I'm Manny Comar and the project manager for the Turkey Point Unit six and seven.

Anna Bradford: Anna Bradford, I'm the Deputy Division Director in the Division of New Reactor Licensing and the Office of New Reactors.

(Richard Tartel): My name is (Richard Tartel), I'm a senior financial analyst in the Office of Nuclear Reactor Regulation.

Jennifer Dixon: Jennifer Dixon (Herety), I'm chief of licensing Branch Four in the Division of New Reactor Licensing and the Office of New Reactors.

Billy Gleaves: This is Billy Gleaves, I'm a lead project manager for BC Summary and its two and three in the Licensing Branch Four.

(Marsha Signman): (Marsha Signman), I'm the senior attorney in the Office of General Counsel.

(Lee Bannikin): (Lee Bannikin) on our petition coordinator, Office of Nuclear Reactor Regulation.

Manny Comar: Any NRC Port Expense from the headquarters on the phone?

(Russ Seregy): This is (Russ Seregy), senior enforcement specialist, Office of Enforcement.

Manny Comar: Thank you. Any NRC Port Expense from the regional offices on the phone?
Are there any representatives for the licensee and the applicant on the phone?

(Bill Mayer): This is (Bill Mayer), Florida (unintelligible) Turkey Point Six and Seven.

(Eric Wagner): (Eric Wagner), Duke Energy.

Manny Comar: Anyone else? It is not required for members of the public to introduce themselves for this call. However, if there are any members of the public on the phone that wish to do so at this time, please can you state your name for the record?

Thomas Saporito: This is the petition, Thomas Saporito.

Manny Comar: Okay, I was going to ask you to after this one. Mr. Thomas Saporito, would you please introduce yourself for the record?

Thomas Saporito: My name's Thomas Saporito, I'm the petitioner with respect to the petition that was cited by the NRC PRB manager and the supplement.

Manny Comar: I'd like to emphasize that each need to speak clearly and loudly to make sure that the court reporter can accurately transcribe this meeting. If you do have something that you would like to say, please first state your name for the record. And at this time I'm going to turn it over to Anna Bradford.

Anna Bradford: Thank you. Welcome to this meeting regarding the 2.206 petition submitted by Mr. Thomas Saporito. I'd like to first share some background on our process. Section 2.206 of Title 10 of the Code of Federal Regulations describes the petition process, which is the partner mechanism for the partner to request enforcement action by the NRC in a public process. This process permits anyone to petition NRC to take enforcement type action related to NRC licensees or licensed activities. Depending on the results of this evaluation, NRC could modify, suspend, or revoke an NRC issued license or take any other appropriate enforcement action to resolve a problem. The NRC staff guidance for the disposition of 2.206 petition requests is in management directive 8.11, which is publicly available.

The purpose of today's meeting is to give the petitioner an opportunity to provide any additional explanation or support for the petition before the petition review board's initial consideration and recommendation. This meeting is not a hearing, nor is it an opportunity for the petitioner to question or examine the petition review board on the merits or the issues presented in the petition request. No decisions regarding the merits of this petition will be made at this meeting.

Following this meeting, the petition review board will conduct its internal deliberations. The outcome of this internal meeting will be discussed with the petitioner in a public meeting call. The petition review board typically consists of a chairman, usually a manager at the senior executive service level at the NRC. It has a petition manager and a PRB coordinator. Other members of the board are determined by the NRC staff based on the content of the information in the petition request. The members of this PRB have already introduced themselves.

As described in our process, the NRC staff may ask clarifying questions in order to better understand the petitioner's presentation and to reach a reasoned decision whether to accept or reject the petitioner's request for review under the 2.206 process. I'd like to summarize the scope of the petition under consideration to date and the supporting documentation.

On May 2, 2017, Mr. Saporito submitted a petition under 2.206 seeking enforcement action against the Florida Power and Light -- or FPNL -- and request the NRC to revoke and/or deny any required NRC license requested by the licensee to build or construct or conduct license operations of the proposed Turkey Point Unit Six and Seven. And on May 22, 2017, Mr. Saporito supplemented his 2.206 petition seeking enforcement action against FPNL and all other NRC licensees with an AP-1000 reactor or a reactor design with the request that NRC revoke and/or deny any requested NRC license requested by the licensee to build or construct or conduct license operations of any nuclear reactor employing the AP-1000 nuclear reactor design.

And I believe Mr. Saporito submitted some additional information for the petition via the e-mail today which the petition review board members have received. The facts that constitute the basis for this particular action are the following two documents Mr. Saporito attached to the e-mail's I've mentioned. Copy of the Florida Power and Light letter dated August 26, 2016 remitted to NRC providing an annual update of the combined license application, revision eight of the semi-annual update to the departure report -- along with its enclosures -- and a copy of the May 2, 2017 news article published by Reuters News titled How Two Cutting Edge U.S. Nuclear Projects Bankrupted Westinghouse. And then I believe that the supplemental e-mail we received today had other articles concerning the bankruptcy of Westinghouse, is that right, Manny?

Manny Comar: That is correct.

Anna Bradford: Okay. On May 9, 2017 the petition manager contacted Mr. Saporito to discuss the 10 CRF 2.206 process and to offer an opportunity to address the PRB. Mr. Saporito requested to address the PRB by phone prior to its internal meeting to make the initial recommendation to accept or reject the petition for review. As a reminder for the phone participants, please identify yourself if you make any remarks, as this will help us in the preparation of the meeting transcript that will be made publicly available.

Mr. Saporito, I now turn it over to you to allow you the opportunity to provide any additional information you believe the PRB should consider as part of this petition. And you have about 40 minutes for your presentation. Saporito?

Thomas Saporito: All right, thank you very much. Yes, ma'am, thank you very much. I appreciate the opportunity to address the Nuclear Regulatory Commission. The (unintelligible) petition combines requests enforcement action against any and all licensees of the NRC elected to license and/or construct and/or engage in license operations, with respect to the AB-1000 nuclear reactor. And the reason I've submitted that petition is - several reasons.

Number 1, as enclosure two talks about -- I won't read the entire enclosure, it states for itself -- but anyway, I would like to touch on some of the points in there. It was offered on May 2, 2017, which is a news article by Reuter's News Agency. And it talks about an approach by Westinghouse Corporation to build pre-fabricated sections of plants before sending them to the construction site to be assembled. And the idea was supposed to revolutionize on nuclear construction by pre-fabricating these sections of the plant off-site. But apparently Westinghouse miscalculated the time and effort it would take

to pre-fab these units off-site and transport them in a cost effective and timely manner.

Anyway, the costs were overwhelming - construction costs were overwhelming and in fact on March 29th this year Westinghouse -- the entire company -- and Toshiba Corporation -- which was a working with Westinghouse on these -- was stated that it was - the controls of Westinghouse were insufficient. This article talks about the miscalculation to underscore the difficulties facing a global industry that aims to build about 160 reactors. And expected to generate about \$740 billion in sales with respect to equipment, services over the next 10 years.

So right there is a red flag raised by the news industry. If all their efforts with respect to this AP-1000 nuclear reactor is to generate revenue for themselves in the tune of \$740 billion. It has nothing to do with enhancing public safety with respect to complying with NRC regulations and design requirements regarding this new reactor. It's all centered around money. This article goes on to talk about the sector's problem extend well beyond Westinghouse and they talk about Francis Areva as being restructured in part due to delays and huge cost overruns at the nuclear plant that the company's building in Finland.

They're building these reactors all over the world. In fact, they're building them in China as we speak. They talked - the article talked about it was fundamentally - it was an experimental project -- experimental -- but they were under pressure to show it could be a commercially viable project. So they grossly underestimated the time and the cost and the difficulty. That's a quote by Edward Lineman. He's a senior scientist with the Union of Concerned Scientists. And he's also written and testified about the AP-1000 reactor design. So he's an expert.

This article does a little bit of a chronology. I talks about by early 2017 -- this year -- Georgia and South Carolina plants were supposed to be producing enough energy to power more than a half a million homes and businesses. Instead, they stand at the present time only half finished. This other company which owns nearly half of the Georgia project and the SCANA Corporation -- which owns a majority of South Carolina projects -- have said they are evaluating the plants and could abandon the reactors all together.

And then at one point Westinghouse turned to the Shaw Group -- which held a 20% stake in Westinghouse -- to build sections of the reactor that is factoring in Lake Charles, Louisiana. And components there for two reactors each in Georgia and South Carolina were supposed to be manufactured there. Seven months after work began in May of 2010, Shaw had already conducted an internal review -- apparently at the request of the Nuclear Regulatory Commission -- to document problems that it had in producing components. And in a letter to the IRC, Shaw's then Executive Vice President Joseph Ernst the level and effectiveness of management oversight of - then determined to be inadequate based on a quality of work.

He laid out a laundry list -- a laundry list -- of deficiencies, ranging from Shaw's inability to lead out part to the way it stored the construction materials. And then over the next four years regulatory and internal inspections at Lake Charles full of problems associated with the effort to construct modular parts to fit the new Westinghouse design. And that's all documented in publicly available NRC records.

When a sub-margin was dropped and damaged, Shaw managers ordered employees to cover up the incident. Components were labeled improperly, required tests neglected, and some parts dimensions were wrong. The NRC detailed each one of the - in violation notice. This is why they're showcase

manufacturing facilities were never going to manufacture this reactor part and ship them to these other licensees for assembly. And in addition to all that, it was missing an illegible paperwork. It wasn't until June 2015 that the Lake Charles facility was building acceptable modules, according to reports by Jacob. By then, Shaw had bought Chicago Bridge and Iron Company.

It's just a smorgasbord of problems. Now, I sent Mr. Comar two additional documents. The one I have in my hand now is dated March 31, 2017 of this year. It's entitled Westinghouse Banker Shakes the Nuclear World. It's a Forbes Magazine article. And again, it starts out with talking about Westinghouse electrifying the Chapter 11 bankruptcy in New York regarding the result of costly problems in the AP-1000 plant building in Georgia and South Carolina.

It talks about the major U.S. utilities that commission nuclear power plants. It talks again that SCANA Energy in South Carolina and a consortium in Georgia led by Georgia Power, a unit of Southern Power Company - Southern Company, excuse me. But there were negotiations with Westinghouse for plans to complete them. There's apparently two plants that are half constructed there at this time. The cost estimates for the two nuclear projects are running \$1 billion to 1.3 billion -- that's a billion with a B in front of it -- higher than originally expected and about three years behind schedule.

This cause of its latest problem seeds have nothing to do with nuclear power and everything to do with incompetent business practices, particularly Toshiba's construction contractors. The choice of Shaw Group to be the main contractor was a foolish and costly blow to the project, it's stated in this article. Westinghouse signed deals to build four new reactors for the utilities Southern Company and SCANA Corporation in 2008. These were apparently

the first new reactors to be constructed since the meltdown in 1979 to Three Mile Island Nuclear Facility.

Westinghouse selected Shaw Group led by (James Barnhart, Jr.) to spearhead the construction. The company hasn't -- listen to this -- the company has never -- never -- built a nuclear plant. So they have (unintelligible) the bankruptcy (unintelligible) Webster, an old nuclear company that built many of America's nuclear plants between the 1950s and 1970. That help lent Shaw the credibility to win the contract. The company didn't know a damn thing about building nuclear plants, but since they bought this old contractor (unintelligible) and Webster, they gave them enough credibility to get the contract. That's amazing all by itself.

And it goes on to talk about - it says however, the remnant of (unintelligible) and Webster has no real nuclear assets left and no staff with sufficient experience to pull off a successful new nuclear build in 30 years. It goes on to say that in 2012, (Barnhart), he decided to cut and run. Selling the Shaw Group to Chicago Bridge and Iron Company for an overpriced 3.3 billion and unloading all the liability. So apparently this guy was a business man, but he had no knowledge of nuclear power whatsoever.

And then Toshiba later accused CBI of -- which is that company I just quoted -- Toshiba later accused CB and I of inflating the value of Shaw's assets by \$2.2 billion. Renegotiation of the deal was stuck in court at this time, something that is likely to drag out even further. In the meantime, Westinghouse turned to a real nuclear construction contractor FLUOR corporation -- that's F-L-U-O-R, FLOUR Corporation -- to get the nuclear plants back on track. (Unintelligible) it goes on to say that it's too early to tell how successful they will be.

And flipping to the end of this article, it says talk about making a judgment about the Westinghouse pre-fab design theory. See, remember I talked about that fella who was (unintelligible) be an expert with the Union of Concerned Scientists talks about this being an experimental project. So here - this article talks by (unintelligible). Another (unintelligible) guy with no design is that they draw on existing parts and supply chains where the real innovation and real cost reductions occur. The lack of such a supply chain is one of the main reasons for cost overruns at the U.S. plants being built by Westinghouse and (unintelligible) in Georgia and DC Summer in South Carolina.

Well, I can just add that there's two AP-1000 reactor designs attempting to be licensed and built down here in South Florida, Turkey Point Unit Six and Seven. I want the NRC to keep that in mind. Finally, we got - the second article I sent to Manny Comar (unintelligible) is an article dated May 5, 2017 of this year. By the ANS Nuclear Café and briefly it talks about on March 29th, SCANA -- that company where I was talking about earlier -- announced that their interim agreement with Westinghouse had been extended through June 26, 2017 and that operations continue as they had during the original interim period.

Because at the same time, SCANA's earning presentation for the first quarter of 2017 outlined that the company is evaluating various options during the transition period, which includes the following: first, continue with the construction of both VC Summer Units Two and Three. Next, focus - or that was one option. Another option is focus effort on construction of one unit and delay construction on the other. Another option would be continue construction of one unit, abandon the other and seek a recovery cost of the abandoned unit. And lastly, abandon both units and seek to recover costs.

These nuclear licensees are clever because they know if they abandon these projects, they'll go the Public Service Commission and make the rate-payers pay for their miss-management. (Unintelligible) it's all about money. And that's an important point, which we're going to talk about here very shortly. And this article goes on to talk about - does any extent of abandonment of one or both units, the costs incurred might be recovered under the provision of the Base Load Review Act allowing rolling of capital costs through the plant into the rate -- base rate -- (unintelligible) South Carolina Public Service Commission. It just makes you want to jump up and intervene in that rate case, doesn't it?

All right, then skipping over to the next page of this article, it talks about in a similar process Georgia Power is working on its own cost to complete estimate and schedule for the plant vocal expansion but has only expanded the interim agreement period through May 12, 2017. And then apparently they issued a press release on the 28th in part that the parties will continue to work on finalizing a new service agreement which would if necessary assure that Westinghouse continues to provide design, engineering, procurement services to Southern Nuclear as part of their assumption of control over construction management.

And then finally it talks about - it says it's clear that both sets of owners of the two AP-1000 plant construction projects are working diligently to determine what path to take. Assuming, perhaps, in the worst case that Westinghouse simply walks away from the APC contract entirely, which it may do under bankruptcy court supervision in order to relieve itself of debt. In this case, the owners will have to finish the engineering with a plan (unintelligible) move materials and components and also take over construction management if Florida decides not to sign on with either or both set of plant owners.

So that's the sad state of affairs, almost to date. Now, I've (unintelligible) anything - any critical article that talks about whether those two agreements -- those two interim agreements -- which were extended earlier this year - those agreements - those extensions would have expired because of the dates I cited in this. I don't know if they were continued or not. And I don't know whether Westinghouse continues to play a role or not. But I'll tell you this much, the NRC should - I'm going to supplement (unintelligible) 2.2 petition again through this testimony and the record that is being created here today and I'm requesting that the NRC invoke a fine - a stiff fine and penalty of at least \$10 million against the Westinghouse Corporation for it - the fraudulent assurances it gave to the NRC and to the NRC licensees that it could effectively construct pre-fabricated parts for this nuclear reactor to NRC regulations and requirements and the commitments it made to these licensees that it could do so in a timely and cost effective manner. Because they evidently had (unintelligible).

And to the extent that Westinghouse employed contractors through the sale of assets or however they may have engaged the employment of contractors with respect to these failed AP-1000 reactors we talk about here today and to the failure of them to properly design the AP-1000 reactor in accordance with NRC regulations and requirement, I'm asking the NRC to prohibit Westinghouse from engaging in any further type of nuclear power plant in the United States for a period of now less than five years and until such time that Westinghouse can demonstrate that it has satisfied all the requirements of the (unintelligible) filing and until such time as Westinghouse can satisfy its financial requirements to conduct and engage in such business with the NRC and with NRC licensees and until such time as the NR - as Westinghouse can effectively affirm under oath to the NRC that it has the financial wherewithal, the staff onboard, a qualified, certified engineers available and employed by

the company to engage in further design (unintelligible) activities of nuclear power plants to the United States of America.

Furthermore, I'm requesting that the NRC engage with its counterparts around the world -- in China, in France, in Europe -- where these AP-1000 nuclear reactor designs are continuing to be constructed and put them on notice about the problems that the NRC is aware of with that design and the trouble that Westinghouse has now financially and engineering-wise in its design of the AP-1000 in this country. So there - so that they're aware of what's going on. They shouldn't be blind like they are right now. Because I know when the Fukushima nuclear disaster happened, the NRC went over there and supported them because that was a GE Mark III Power Plant that failed. But it was a design flaw under the Atomic Energy Commission, which was - they attempted to cover that up - the government tried to cover that up. And they nonetheless put that reactor out there and they melted - there's three of them out there and I believe two are still melting down.

But anyway the NRC (unintelligible) their counterparts around the world who may have incorporated such a design. So I'm asking NRC to do the same in kind here with respect to the AP-1000 nuclear reactor. Power and Light Company I'm asking the NRC to deny any further license application efforts by that utility until further notice because the NRC cannot have - in fact, I want that request made carte blanche across any NRC licensees (unintelligible) licensing or constructing or conducting license operations with respect to the AP-1000 nuclear reactor design. Because the NRC cannot have any measureable assurance that any part manufactured by the Westinghouse Corporation or any contractor or sub-contractor to the Westinghouse Corporation was properly made and meets NRC requirements and specifications under Title 10 of the Code of Federal Regulations Board's 52

any and all NRC regulations and requirements with respect to the AP-1000 nuclear reactor.

And I'm also requesting the NRC it's office of investigations and office of enforcement to conduct through investigations into the Westinghouse Corporation and its licensees with respect to who know what, when, and where about all these deficiencies that happened. I know that NRC has the - conducted limited investigations and has issued notices of violations publicly. I talked about those earlier. But there has to be more to this story than has already been documented. We're talking 740 billions of - billion dollars that the industry wanted to generate by putting these reactors into operation.

Billions and billions of dollars that the Westinghouse Corporation is going to be losing here through this bankruptcy filing. And you have to assume a corporation involved and there's just a lot of players, money, and there's got to be a lot of wrongdoing that went on behind the scenes that is yet to be discovered and investigated (unintelligible) actions also. And with that, I'm going to say on the line and - for any clarifying questions the PRB might have at this time.

Anna Bradford: This is Anna Bradford. Thank you Mr. Saporito, that was helpful to hear your perspective. Before we ask if the PRB has any questions, has anyone new joined the line since we went around and did the initial introductions? Okay. So does anybody on the PRB have any questions for what we've heard or read from Mr. Saporito?

Manny Comar: No questions.

Anna Bradford: Okay, it looks like there are no questions here from the PRB. Are there any members of the public that would like to provide comments regarding the

petition or ask questions about the 2.206 petition process? Okay. Mr. Saporito, thank you for taking time to provide the NRC staff with clarifying information on the petition you've submitted. The next step will be for the PRB to meet...

Thomas Saporito: All right.

Anna Bradford: I'm sorry?

Thomas Saporito: All right, thank you very much.

Anna Bradford: All right, let me tell you the next steps, just so everyone can be aware.

Thomas Saporito: Okay. All right.

Anna Bradford: The next step will be - the PRB will meet internally and make an initial recommendation. We'll then inform our office director of the PRB initial recommendation and then inform Mr. Saporito of that same recommendation. We'll then offer a second opportunity to Mr. Saporito to address the PRB, either through an NRC public meeting or a call similar to this one. And if no new information is provided in writing or via those meetings or calls, the initial recommendation will become final. And then the NRC will issue a closure or acknowledgement letter, which will transmit the PRB's final recommendation to accept or reject for review the 2.206 petition.

Before we close, does the court reporter need any additional information for the meeting transcript? Okay, I'm going to take that as a no. And with that, this meeting is concluded. Thank you to all the participants and we will now be terminating the phone connection.

Manny Comar: Thank you.

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