

BY EMAIL, APRIL 8, 6:40AM

TO: PEDRO PIZARRO, KEVIN PAYNE, KEVIN WALKER, DOUG BAUDER, TOM PALMISANO

FROM: DAVID VICTOR, DAN STETSON, JERRY KERN

Dear Pedro, Kevin, Kevin, Doug, and Tom

The community engagement process has been through some rough sledding over the last 6+ months, but we are encouraged by the new direction of Edison as it prepares to restart the fuel offloading campaign.

However, we are increasingly concerned about a key variable in the process: Holtec. Our concerns arise mainly on three fronts, and it is not quite clear what Edison and Holtec are doing to address them or what additional measures could be taken to address these problems. **With this note we ask that Edison give us (and the community) more information about how management oversight of the offloading campaign will be improved; we also ask for some help in understanding how Holtec's management is changing.**

We are interested in this topic not just because it affects community trust and the integrity of the offloading campaign at SONGS but also because we all have an interest in Holtec developing the most effective spent fuel management system—an essential condition for their success at the New Mexico consolidated interim storage (CIS) facility. So far, the New Mexico site is one of just two such facilities emerging, and our mission of moving the spent fuel safely and responsibly out of the SONGS site hinges on the nation having as many viable CIS options as possible.

Our first concern about the Holtec management arises from its behavior, so far, in the fuel offloading campaign. We can fully appreciate that a full bore offloading campaign to empty fuel pools over just a year is different from a one off campaigns that load a few canisters at a time using work crews that come and go. But it was extraordinary that Holtec did not anticipate these crucial differences--nor do they appear to have done much to help move lessons between their facility in Missouri (which is using the same canister technology) and SONGS. This poor ability to predict different conditions, manage the campaign, and move best practices across like experiences reveals a failure in their inability to manage to nuclear excellence standard that is crucial to the industry. Some of the early signs of these kinds of problems were already there with the shim pin incident; they are now apparent in the difference between their NRC certificate (which calls for canisters that have no scratches after full loading) and reality (which necessarily involves some scratches). Such events--in effect, unforced errors--are not acceptable. Along the way, the company's most senior management has been tone deaf in how it deals with the public. We are concerned that they do not understand that trust and sustained competence are everything in this industry. It is our understanding that Holtec has

now done a lot to change its own management, but those changes remain opaque to the community.

Second, and related, the corporate governance of Holtec is opaque, with some pretty significant warning signs. The Board of Directors has six members; at best, perhaps only one of them has both independence and related industry experience needed to provide the kind of oversight functions one expects from a Board. The Board appears to be stacked by people who are not currently engaged at the frontier the industry; one member appears to be a relative of the founder whose principal public contributions relate to animal welfare. We don't know if that characterization is completely fair--maybe some of the board members, such as a retired dean of engineering or an energy lawyer, have more practical experience than revealed in their bios--but in the absence of publicly visible governing documents this is a severe warning sign. If this were a publicly traded company things to be different, but it is not. Other sources of governance and oversight are equally hard to parse. There is an advisory board of people that have more industry expertise. But their governing role is hard to fathom. The person known best to us--Per Peterson--is listed as an inactive member of that board. The mandate for that board seems to focus on Holtec's SMR program (more on that below), with a vague set of broader obligations.

Third, the company is now branching into new businesses that require very different management skills and attention than their current engineering business. It appears that their core engineering business is of high quality and innovative--that is one of the reasons you selected them, and we see no evidence that core logic was wrong. (All three of us visited the Holtec facilities in Pittsburgh and were impressed by their operations and attention to rectifying the shim pin problem even as we are disturbed that the problem arose in the first place.)

The new business lines for Holtec are REALLY different from the traditional engineering business. Taking over part 50 licenses here in the USA--as Holtec is doing by purchasing the Oyster Creek plant, for example--is much more management intensive and requires skill sets that are completely different from the core engineering business. Moreover, these tasks come with a lot of community and regulatory exposure--areas where Holtec has not excelled in the past and which could become political millstones for the firm's top managers. The company is investing in a small modular reactor (SMR), along with dozens of other firms--yet another business that will draw management attention and capital. And the list goes on. Add to that the variety of other complexities that surely will arise with their overseas business, such as in Ukraine, and it's hard to see how management stays focused in the ways that we need at SONGS.

We are very concerned about this problem. We recognize that you have a sensitive commercial relationship with Holtec and are trying to set a new and more effective path on the fuel offloading campaign. But we want to underscore that whatever corner is being turned on community trust is a fragile and uncertain corner. Making that turn and rebuilding trust requires, of course, a more active approach by Edison itself—and we appreciate the outlines of

that new approach at the most recent CEP meeting—but it also requires that Holtec raise its game.

We think it would be of extraordinary value to the community to hear more from Edison and from Holtec about the new approaches to managing spent fuel operations. While Edison and Holtec have distinct responsibilities, as license holder how is Edison building more resilience into its management oversight of the whole fuel offloading process? We have the same questions for Holtec—and a keen interest in understanding how Holtec is learning from this process to ensure it has a highly effective offer at its New Mexico CIS site. Over the last few days Holtec’s senior management has invited us to visit them and inspect their management—a visit that makes sense, if properly prepared and if it includes some input from Edison and others (eg, your expert panel) so that we know what to look for.

These problems strike us as completely solvable—with key solutions perhaps already in hand—but helping the community understand what you and Holtec are doing is crucial. Among other things, it is important for shifting from an antagonistic relationship with Holtec—as exists in many parts of the community—to one anchored in the understanding that it is in everyone’s interest to have effective management and stronger trust.

All best wishes,

David Victor, Dan Stetson, Jerry Kern
Executive Committee, SONGS Community Engagement Panel