

TRANSCRIPT OF REPORT ON ALARON AUDIT: 2/16/2023

CHAIRMAN HURLEY: Item nine is an important issue that that we have not obviously we don't regularly have on our agenda, without rehashing all the facts. There was an issue that came up with Alaron and they had a pending application before us. It was denied based on some investigation that we did and some of the information they provided. But as part of that denial we agreed that Stephen and Vice Chairman Salsman would go and do an audit of their operations and practices. [Stephen and Vice Chair Salsman] completed that audit. They turned it around very quickly, which we appreciate their diligence. [Stephen and Vice Chair Salsman] did that in January. Before I turn it over to Stephen and Vice Chairman Salsman to give us their report on the audit. I will note for everyone that Alaron has refiled an application so everybody knows it has to be on file for 35 days before we can consider it. So as of today's meeting it has not been 35 days so it is not up for consideration today, but it will be at our next meeting in April. So obviously it was important that we got the audit done and had this report that Stephen and John are about to provide us with so all of you can take that into account in deciding how you want to vote on the renewed application of our own. With that I'll turn it over to the vice chairman and Stephen for a report on what they determined out of the audit.

VICE-CHAIR SALSMAN: Thank you, Mr. Chairman. I'll provide some general information about the audit and then I'll go into more detail. January 17 through 20, Stephen and I traveled to Pittsburgh [where] the Alaron offices are located about 30 minutes outside of Pittsburgh during that time we made two trips to the Alaron offices and spent basically eight hours each day reviewing records.

So [I'm] going into some of the details of that we actually reviewed 33 file folders of information. Some of them contained maybe half a dozen pages. Some of them contained perhaps a hundred [or] more pages so the process was tedious and lengthy and here's some additional details.

I guess the first thing I want to say is that we very much appreciate the openness and willingness of Alaron to allow us to come in [and] review the records. They were great hosts. [They] provided us [a] room that was lockable. We were the only ones that had the key, so we were able to keep our information confidential.

We conducted a number of interviews in our review, and I can quickly go through and tell you we interviewed Duane McLane who's the vice president with Alaron. We interviewed Mike Unruh who was a project manager for them and provided us [with] a good description of some I.T. changes that they've made. Julian Owoc who was the radiation safety officer, Dave Puhalla which is their main shipper of radioactive waste, Jill Rayburn who's the QA manager at the facility. Henry Boland who's a corporate QA individual. And then Dave Gilson who is relatively new, I think. He had been there a couple of weeks, perhaps a month. He is the new general manager of Alaron facility.

Those interviews were open and candid and actually very helpful in helping us to understand the nature of what took place [and all of] the records that we actually requested in advance were provided with the exception of one file folder which they were never able to locate. It was actually a file folder on a shipment that they had received of material. We were able to see the file folder for where that material was shipped out of the facility in Texas. So I think it was just that they keep the file folders, other than those they are immediately dealing with at another location, which is [...] 20 or 30 minutes away or something like that. They [thought] perhaps, it was still there; they couldn't find it. I don't think there was any particular issue with that so to summarize, we talked to Alaron at the end of our review.

I believe our review of those records confirmed everything that Alaron has indicated to us in writing and verbally to date. My perspective was the records do not indicate that there was a malicious attempt to fool the commission or to circumvent the rules. They ended up doing that, but it does not appear that there was a malicious intent. And the reason I made that statement was when you reviewed the files the audit trail was clear. It's very clear if they were trying to hide something the audit trail, they created made it very clear that they made mistakes. It's all there so there was nothing in the records to indicate that they were trying to hide anything. Rather I think what happened was it was really a lack of controls in their process, procedures, oversight, [and] QA (quality assurance), all those things. There was a failure, which allowed this creation of records that were not accurate to be created, if you will. I think in the end it became easier for them to attribute the waste to themselves rather than to attribute it to the people that actually generated the waste.

The original process that they had, where they showed us the records, it never really forced people who were sending them waste to also send a generator authorization and so I think at the crux of it was poor QA and poor processes in place, a failure to actually make that one of the requirements, in many cases they never got a generator authorization from people who were sending them the waste. I would note that the problems that occurred were in shipments that they received directly from a generator, so there were times when if company X sent material directly to Alaron, they still didn't send a generator authorization. There were times when Brokers handled the waste, and they did not send generator authorizations. I'm talking about external Brokers and then there were times when Veolia acting as a broker sent waste to Alaron and they didn't obtain the generator authorization so,

Dan Shrum: I'm sorry to interrupt when you say generator authorization but specifically...

SALSMAN: That means that generator authorization is a document that we require that if an entity sends waste to us, they are required to send a generator authorization if someone else is handling that waste so that we know in fact who that waste came from,

Stephen Raines: And that the generator recognizes that it's being disposed of if they are shipping it to someone else to dispose of it on their behalf.

Dan Shrum: That's what I thought. I just, right, and I'm sorry I interrupted.

SALSMAN: Oh no. No, it's a good question. So the pattern was the same whether it was directly from a generator through a third-party broker or through their own. I would say internal broker, Veolia, there were mistakes made and they were the same kinds of mistakes that were made over and over and over again. Next, I would note that the issues that I've just described were appropriately documented in what they call a CAR, which is a corrective action request. That CAR included, and actually there was more than one, included a retraining, and that's documented, of all the people that handle the waste or make the shipments.

So first you recognize the issue. You describe the issue. You describe a fix to the issue and then you have to retrain everyone so that the issue does not reoccur. The corrective actions that they have taken to prevent a recurrence, include a new proposal template. What that means is, if an entity approaches Alaron to handle some of their waste, they (Alaron) get a written proposal for what will happen. Well they've changed that template for that proposal to make it clear in writing that generator authorizations, and if there are any export authorizations that are needed, those are required to be provided, that's in the proposal. It says they will not handle your waste unless you provide these documents to us.

They also issued a directive concerning the use of that new proposal template which was an improvement over the old template if you will. They've developed a process and I won't, I frankly I can't remember the name, it's called ASN, but it's basically an electronic database that they have created, and we had a long discussion about that where when they begin to receive the information after they make a proposal, and they agree that yes this company is going to send them the waste. It's the electronic database that they use to receive and store all the information for that shipment. It includes the minute details of everything that's coming in and there's a place for the generator authorization and the export authorization to be electronically stored. Whether they get them electronically or they get a hard copy piece of paper, there's a process where they can attach that document electronically to the database so that any future review, audit, check, or whatever you can physically go and look and see all the records for that link.

STEPHEN RAINES: And I might add, from the Vice chairman, that's required before the shipment will be received. That all that documentation be provided in their system.

SALSMAN: Correct and there's just their process. It's very clear now, until they receive, in advance, all those documents, they cannot accept actual shipment of the waste. If it were to arrive at their site and all those documents are not present, they are, [by] their processes they

cannot accept shipment of that material until those documents are provided. We had a long discussion about that as well. Part of their process also added another review by Dave Puhalla, who is the main shipper, to ensure that before they begin the repackaging of that waste they do another check to make sure all those documents are present so they can't accept it for receipt and then they can't repackage it till they make another check to make sure all the documents are present they've instituted monthly QA surveillance by the QA people and then a quarter quarterly surveillance by the corporate QA to go in and look and check the both the receipt paperwork and the shipment paperwork to ensure that all the documents are present. There we had we had a long discussion with Dave Gilson about the culture change that he is working to institute obviously to change the culture, change takes time but it became apparent in our discussions that there is a focus on safety and compliance culture. He readily admitted it probably wasn't there in the past, but it will be there now. At least that's his intention. They have limited the number of people who are allowed to sign off. There are two individuals, and only two, who can sign off on the shipment of waste to Texas. Other individuals can send waste to other places but for Texas there's only two people, Julian Owoc and Dave Puhalla. Julian's the RSO, Dave's the lead shipper for all radioactive activities.

STEPHEN RAINES: I might add they added a secondary check. There will be a secondary check of those shippers. Support is removed as well.

SALSMAN: There are a number of checks and rechecks to ensure that the proper paperwork is being provided. And I would also add that this issue has received attention by Veolia corporate, including corporate leadership from France, who made a trip to Pittsburgh to the facility and had discussions with Dave Gilson the new general manager. And based on his discussions it's clear that they're taking this issue seriously and so they are giving him whatever resources he needs to ensure that the problem is not repeated. I think that's probably, I've probably hit the highlights. As I said we reviewed 33 packages of records. Typically those were either the incoming shipment; where Alaron received the material it would have a manifest, who it came from, things like that. We found one case where they failed to provide the generator authorization and as a result, they attributed the waste to Alaron and yet they actually had the document in their file. So the generator authorization, for whatever reason, when they ship the waste to Texas, they couldn't find it so they attributed the waste to Alaron, but the record was actually in their file. They were unable to locate it. So again I point that out as I don't believe this was malicious, I believe this was a matter of poor practice or SOPs and a failure to train people appropriately on the requirement for compliance. So I've said enough, Stephen, did you want to add anything?

STEPHEN RAINES: Yeah, I want to add one of the things that became very clear in the meetings with Alaron is that there is a general lack of awareness, that our Commission needs to work on how liability is different in Texas as opposed to other disposal sites. The state of Texas assesses liability for all the waste that's disposed of at that site because it's a

commercial site. It was part of the agreement that the legislature made. Alaron was not aware of that and that is something that the Commission needs to remedy themselves; that the liability chain is different with a site here in Texas than it is with others and that awareness was increased as part of the discussion that we had with Alaron and something that we could probably work on with general awareness with other brokers, waste processors, and even generators, actually, throughout the country, that they know how that process works differently for us.

JEFF MUNDY: Just because Texas accepts ultimate ownership of it does not relieve the original generator in the chain of liability under CERCLA.

STEPHEN RAINES: Correct, and I think that was there. And they did not realize that we continue that liability, so they are not absolved and it's also why it's significant that we keep that chain attached and that is accurate. Mr. Burnam would, Chairman, Mr. Burnam would like to ask a question.

CHAIRMAN HURLEY: Okay yeah if you'd remind him to unmute that mic at the podium.

STEPHEN RAINES: Our technical advisor Shrum is on it.

LON BURNAM: Thank you to the technical assistant that you unmuted me and I want to thank Mr. Salsman for a very thorough report. We appreciate it very much. I would say I never really thought it was malicious, but sometimes you wonder if it's deliberate. I don't think they have any ill will towards us. I'm really relieved to hear your report, particularly I like the acronym CAR, corrective actions. It's very appropriate and thank you for your reports.

CHAIRMAN HURLEY: Thank you Representative Burnam. Are there other questions or comments? Well first of all let me start with the Commissioners; are there any questions from the commissioners of John and Stephen about their audit? Any questions from anyone online or in the audience?

STEPHEN RAINES: There is a comment, Chairman Hurley, Rich Janati put a Q&A in, and he said thanks that my recommendations have the audit findings documented in a brief report. Mr. Janati works for the compact where Alaron is actually located, up in the Appalachian area.

CHAIRMAN HURLEY: And let me address that one and we will take Rich's recommendation into consideration. I did not think it was appropriate to document anything in writing. Obviously, the report does not come with a formal recommendation one way or another from the people who perform the report and therefore I think, obviously, it is simply meant to be a source of information for the commissioners. This is not necessarily something that is part of an ongoing investigation. It is simply to provide the Commission information on which to

make future decisions. As I said earlier there is now a pending application from Alaron and I think this kind of information is what I, as a Commissioner, and hopefully the rest of you as Commissioners want to hear about in making the determination on how we respond or how we vote on that next application from Alaron. John and Stephen I'll ask you guys if you agree, I don't think there is a reason to reduce this to a written report.

STEPHEN RAINES: I don't think that this is necessary unless the Commission would like to have that documented further for internal purposes. There's no external reason for us to actually produce a written report.

CHAIRMAN HURLEY: There's a couple of hands raised Stephen. The first one is Duane McLane from Alaron.

STEPHEN RAINES: Ms. Hadden with the SEED Coalition would like to speak as well. Who would you like to go first?

CHAIRMAN HURLEY: Let's let Karen go first and then we'll go to Duane.

STEPHEN RAINES: Perfect thank you. Thanks. Sure. Let me unmute you. There we go. Perfect

KAREN HADDEN (SEED COALITION): Hi. I had one question that came up while you were talking. You said that there was contact with corporate leadership from France. Can you elaborate a little bit on the structure? And in France are they also known as Alaron?

SALSMAN: The parent company is known as Veolia. Veolia owns Alaron. They bought Alaron ten years ago something like that, and so the leadership, the corporate leadership for Veolia, which is located in France, came to the United States, and went to the Alaron facility to discuss the issues of this hat we have.

KAREN HADDEN (SEED COALITION): Okay that's and so they're known as Veolia in France?

STEPHEN RAINES: Yes, yes,

SALSMAN: In the United States as well.

STEPHEN RAINES: Ms. Hadden, Mr. McLane who's going to speak after you, worked for Veolia so he can probably answer that question and more detail maybe more accurately than Mr. Salsman or I can actually.

KAREN HADDEN (SEED COALITION): And has there been any other investigation, other than this, that you conducted? Which is greatly appreciated.

SALSMAN: Not that I'm aware of.

STEPHEN RAINES: I would add in Mr. Janati who was on earlier can comment on Pennsylvania, that has also looked in the department, their department environmental, I'm sure I'm stating that wrong, Rich, but their equivalent of TCEQ, has looked into this as well on behalf of the state of Pennsylvania and their regulation of Alaron.

KAREN HADDEN (SEED COALITION): And I hate to be difficult but on behalf of the public I do think it would be great if some kind of report was written up, even if it was fairly brief. I think that would be useful for the future when somebody looks back, and you know wasn't here or missed it or something like that,

JEFF MUNDY: Can somebody actually transcribe John's report?

KAREN HADDEN (SEED COALITION): That would be great.

STEPHEN RAINES: This is recorded and will be online but we could have it just have a written transcription.

JEFF MUNDY: And have a written transcript and say that in our records.

KAREN HADDEN (SEED COALITION): That would be great. Thank you.

STEPHEN RAINES: If you want to do that Chairman Hurley we can talk about that.

CHAIRMAN HURLEY: I think we can just, We can discuss it. You go ahead I think that we can definitely discuss that because that may be a good idea. And obviously this meeting is always recorded as well but a transcription of it may be a good idea. I had a quick idea I see that Ron Gaynor from the Southwest Compact also has his hand raised, so not so in light of the fact that his questions may need to be addressed by Mr. McLane I thought maybe we'd call on Ron first and then let Duane go after that to kind of summarize their position and answer any questions that he may need to answer.

STEPHEN RAINES: Mr. Gaynor you are now a panelist and just don't mute yourself and you can speak.

RON Gaynor (SOUTHWEST COMPACT): Okay thank you very much. Can you hear me?

STEPHEN RAINES: Yes Sir.

RON Gaynor (SOUTHWEST COMPACT): Yes, thanks gentlemen for your work and, but, and maybe you said this, but it wasn't clear to me, even though the original generator wasn't

provided, are you saying that they do actually have records of the actual generator and origin and origin of the wastes for these shipments?

SALSMAN: Yeah. Ron, yes, Alaron has a receipt record for every item of radioactive material. Each item of radioactive material or waste that they received and that subsequently they shipped to the Texas facility. So they know where it came from.

RAINES: There were generator authorizations. Is that all you've got Ron?

Gaynor: Yes, Thank you.

RAINES: You only have Mr. McLane to speak now Chairman.

CHAIRMAN HURLEY: And before MR. McLane speaks, I want to reiterate something that I think John's already said, but we appreciate the way that Alaron and Veolia have handled this. It doesn't necessarily change what happened but we do appreciate their forthrightness, their willingness to allow us to do this audit, the conditions that they provided for the audit, and the way they responded to everything we asked for. I think this process went much smoother because of the way they reacted to our requests and I think it was a somewhat collaborative and very productive process. So with that I will let Mr. McLane, who is from Veolia, answer any questions he wants to answer and make any comments he wants to make

Duane McLane (VEOLIA): Thanks Mr. Hurley. I'd like to start off by expressing our appreciation for Mr. Salsman, and oh gee whiz I just went brain dead, Mr. Raines I think, thank you Mr. Raines. Funny how that happens isn't it? So you know, we opened up our doors to them and they were very gracious and how they handled themselves. We welcomed them as best we could in the facility and we do appreciate the thoroughness that they did in their audit. And I just want to express, you know, again, my appreciation and this is from both Alaron Nuclear Services, as well as you know Veolia, that the Commission's patience, understanding, and recognizing you know what we needed to do. It was it was a pleasure working with them and with the Commission.

I do believe that you know throughout all of this, that which really started you know back in in March of last year, in the end the issues that we had, that we identified along the way over the last nine/ ten months, has led us to a place where we have very ,very, strong systems now. We took it as an opportunity to say we can't allow this to happen again. This isn't how we want to do business and use that opportunity to really put some really strong measures in place to prevent recurrence. And you know hopefully the things that we put in place, both electronically, as well as procedurally, and use of our QA program has really positioned us, I believe, to be in a great place. But once again thanks to the Commission and thanks to the Commissioners that came out. Also I'm here to answer any other questions. I know there was one about Veolia corporate. So Veolia is actually a very very large company worldwide. It's

based out of France. Veolia Nuclear, excuse me, yeah, the only Nuclear Solutions Federal Services which is our company here in the U.S part of the Alaron was previously owned by Veolia North America. They're also part of the Veolia umbrella out of France but separate from us. And I know there were a couple comments that John made about Veolia performing brokering activities. That was when Veolia North America began were all part of Veolia so we're a small division here in the U.S that we really concentrate on the nuclear work as well as a lot of our workers with the government as well as with the Department of Energy. So our business line from France was very interested and has been interested in this issue from day one. And like John mentioned he came out and looked at what the issues were, what we identified, and the things that we were putting in place, but again, it goes to show that you know it went from really locally at Alaron Nuclear Services and then got to my office around, you know, May/June last year, and then it's gone all the way up to the highest levels in our company. So again our commitment to getting this right is first and foremost, and then I think there was a question from Southwest Compact. Mr. Gaynor, John did mention that, you know, all of the records of the generators and where the material came from had always been with Alaron. And unfortunately, you know, we weren't transferring that over to the proper generator authorizations but again our programs were weak and our procedures really didn't lead us into making sure that happened but they do now so but yes Mr. Gaynor we have all of the generators as well as where the material came [from].

CHAIRMAN HURLEY: Commissioners, are there any other questions of Mr. McLane from any of you? Any more questions from the public about this audit process that we, that John and Stephen, have just completed?

STEPHEN RAINES: Chairman, I would point out Miss Goslee put in a Q in the QA that she thought Miss Hadley's request to have a transcript would be a good idea for the report and she's put that in the QA portion of our Zoom meeting just for everyone else to know.

CHAIRMAN HURLEY: Okay thank you very much Miss Goslee We will, I think we will definitely try to do that through whatever process we need to use on that. We'll... we can hire a transcriptionist or maybe do it some other way with advances in technology anyone else have questions for Mr. McLane or questions in general?

STEPHEN RAINES: Mr. Ford, Michael Ford, has raised his hand and he would like to speak as well Chairman.

CHAIRMAN HURLEY: Mr. Ford we will call on you now. If you will please state your name and who you're representing today.

MICHAEL FORD: Yes this is Mike Ford. Can you hear me?

CHAIRMAN HURLEY: Yes sir.

MICHAEL FORD I'm just representing myself and I was just in general context the vice chairman sounds like, and the executive director, or both, had a very thorough report and I would really strongly, given the legal nature, that this could potentially have, I would just strongly recommend that if you just reduce it to writing, to a letter to the chair, to Chairman Hurley, then I think that would probably suffice in terms of an overall report but given the fact that it's of a legal nature you would probably want to have that as opposed to a transcript.

CHAIRMAN HURLEY: Thank you very much Chairman Ford we appreciate your input. Thank you again. I'll make one last call to the Commissioners if anyone has a question before Mr. McLane leaves. Again I'd like to thank him for his appearing here today, answering our questions, being an open book; I'd also like to note that this was a very deliberate and methodical process and sometimes I feel like boy we're taking too long but I don't think we did on this one. This was very, this was kind of, uncharted territory for us. It was a very important issue. We wanted to get it right and be fair to all sides but be thorough, and I think this audit was kind of the culmination of all those efforts these things always generally take longer than you'd expect anyway but I think both Stephen and Megan, and obviously John, have done amazing work on this and I think we have now provided to the commission you know a real plethora of information that each one of you can now take in and use however you deem fit in making future decisions about Alaron applications that come before us. As a reminder we are obviously an entity that has limited staff and limited budget and so I think we were extremely efficient in the sense that we didn't have to hire anyone outside of our group to do this and then that is and due in large part to John and Stephen being willing to take some of their personal time and travel to Pittsburgh and do this so again I want to thank them. I think again kind of like the rules process this is an ongoing issue that I think if you have any questions[about this], you know after digesting this information, if you have follow-ups, please direct those to Stephen and he can hopefully get them answered. I will remind everyone that at the next meeting, the Alaron application will, the renewed Alaron application will be before us, so this is important for everyone to kind of think through and come to their own conclusions about [it]. and if anyone else has questions like I said please direct them to Stephen with that we can close the book on item nine and we can move on to item 10 ...