

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

Title: BRIEFING ON RANCHO SECO

Location: ROCKVILLE, MARYLAND

Date: APRIL 7, 1989

Pages: 64 PAGES

NEAL R. GROSS AND CO., INC.

COURT REPORTERS AND TRANSCRIBERS
1323 Rhode Island Avenue, Northwest
Washington, D.C. 20005
(202) 234-4433

DISCLAIMER

This is an unofficial transcript of a meeting of the United States Nuclear Regulatory Commission held on April 7, 1989, in the Commission's office at One White Flint North, Rockville, Maryland. The meeting was open to public attendance and observation. This transcript has not been reviewed, corrected or edited, and it may contain inaccuracies.

The transcript is intended solely for general informational purposes. As provided by 10 CFR 9.103, it is not part of the formal or informal record of decision of the matters discussed. Expressions of opinion in this transcript do not necessarily reflect final determination or beliefs. No pleading or other paper may be filed with the Commission in any proceeding as the result of, or addressed to, any statement or argument contained herein, except as the Commission may authorize.

NEAL R. GROSS
COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVENUE, N.W.
WASHINGTON, D.C. 20005

(202) 234-4433

(202) 232-6600

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

* * *

BRIEFING ON RANCHO SECO

* * *

PUBLIC MEETING

* * *

Nuclear Regulatory Commission
One White Flint North
Rockville, Maryland

Friday, April 7, 1989

The Commission met in open session, pursuant to notice, at 10:00 a.m., the Honorable LANDO W. ZECH, JR., Chairman of the Commission, presiding.

COMMISSIONERS PRESENT:

LANDO W. ZECH, JR., Chairman of the Commission
THOMAS M. ROBERTS, Member of the Commission
KENNETH M. CARR, Member of the Commission
KENNETH C. ROGERS, Member of the Commission
JAMES R. CURTISS, Member of the Commission

1 STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:

2 SAMUEL J. CHILK, Secretary

3 WILLIAM C. PARLER, General Counsel

4 VICTOR STELLO, Executive Director

5 THOMAS MURLEY, Director, NRR

6 BOBBY FAULKENBERRY

7 Deputy Regional Administrator, Region V

8 ANTHONY D'ANGELO

9 Senior Resident Inspector, Rancho Seco

10 ROY ZIMMERMAN

11 Chief, Reactor Project Branch, Region V

12 GEORGE KALMAN

13 SMUD BOARD OF DIRECTORS

14 JOE BUONAIUTO, President

15 DAVID COX, Vice President

16 PETER KEAT

17 EDWARD SMELOFF

18 SENIOR NUCLEAR MANAGEMENT

19 DAVID BOGGS, General Manager

20 JOSEPH FIRLIT, CEO, Nuclear

21

22

23

24

25

P R O C E E D I N G S

(10:03 a.m.)

CHAIRMAN ZECH: Good morning, ladies and gentlemen.

This morning the Commission has scheduled a meeting on the Rancho Seco Nuclear Generating Station. This meeting will be followed immediately by a brief affirmation session on the subject of Early Site Permits, Standard Design Certification and Combined License for Nuclear Power Reactors.

First this morning, the Commission will hear from the Sacramento Municipal Utility District, or SMUD, and from the NRC staff about the Rancho Seco Nuclear Generating Station. The Commission will hear from both the Board and the senior management responsible for operation of Rancho Seco.

This meeting this morning is intended to provide the Commission with first-hand information on the status of Rancho Seco, particularly as it relates to concerns raised by the Institute of Nuclear Power Operations, INPO, in its letter of April 4th, 1989, so that the Commission can determine if action is necessary to assure that Rancho Seco will continue to be operated safely.

In March of 1988, the NRC authorized restart of Rancho Seco following an extended shutdown period during

1 which time the licensee upgraded the physical condition of
2 the plant and made numerous changes in the plant
3 management and staff. The NRC has closely monitored
4 operation of the facility and has found the performance of
5 NRC licensed activities by the licensee to be acceptable
6 and directed toward safe operation of Rancho Seco.

7 In fact, the NRC has viewed the activities
8 performed by the licensee for the period July 1986 through
9 December 1988, as improving, as noted in the recently
10 issued NRC Systematic Assessment of Licensee Performance
11 Report, or SALP. The NRC performance indicators for the
12 last quarter of 1988 show that Rancho Seco, although below
13 average when compared with older plants, has had some
14 improving trends.

15 On Monday, April 3rd, 1989, the NRC became aware
16 of INPO concerns which could potentially impact the
17 operational safety of Rancho Seco. At that time, the
18 licensee was investigating a reactor trip that occurred on
19 March 28th, 1989. As a result of INPO concerns, the NRC
20 requested, and the licensee agreed, that Rancho Seco
21 remain shutdown until the INPO report had been received
22 and evaluated by the licensee and the NRC staff.

23 Subsequently, the Commission decided that it
24 should be briefed by the licensee and the staff on the
25 issues raised in the INPO report.

1 The Commission this morning would first like the
2 Board to address the concerns raised by INPO, and to hear
3 first-hand of the Board's commitment concerning operating
4 Rancho Seco safely.

5 Next, the Commission would like the senior
6 licensee management, Mr. Boggs and Mr. Firlit, responsible
7 for operating Rancho Seco, to address the readiness of
8 Rancho Seco to continue safe operations, in light of the
9 INPO report.

10 Lastly, the Commission would like to hear from
11 the NRC staff, who will address the status of safety at
12 the plant, in light of the INPO report and other staff
13 assessments of Rancho Seco.

14 I understand that copies of the April 4th, 1989
15 INPO letter are available as you enter the room.

16 Do any of my fellow Commissioners have any
17 opening comments, before we begin?

18 (No response)

19 CHAIRMAN ZECH: Mr. Buonaiuto, the Commission
20 would like to thank you and the members of your Board for
21 coming to the Commission today on such very short notice.
22 We are very grateful for your presence here this morning.
23 You may proceed with your presentation when you are ready.

24 MR. BUONAIUTO: Thank you, Chairman Zech, and
25 fellow Commissioners.

1 Good morning, my name is Joe Buonaiuto.

2 I would like to thank the Commission for the
3 courtesy extended to us for this opportunity to appear
4 before you. I emphasize the word "courtesy" because
5 despite the media hype portrayal back in Sacramento, we
6 are here by invitation, not by summons; though, had you
7 summoned us, we would still be here.

8 I am the President of the Board of Directors of
9 the Sacramento Municipal Utility District. Please let me
10 introduce our team, my colleagues on the Board, and our
11 staff.

12 To my right is our Board Vice President Dave
13 Cox; to his right, Director Ed Smeloff; to my immediate
14 left, Director Peter Keat; to Director Keat's left,
15 General Manager David Boggs and, on the end, our CEO
16 Nuclear Joe Firlit.

17 I regret that Director Cliff Wilcox was unable
18 to join us, due to illness. And I believe you have a
19 letter, he's has expressed his remarks in writing, and his
20 positions on some of the issues here today.

21 CHAIRMAN ZECH: I have the letter, and I will
22 comment on it, shortly after we begin the meeting.

23 MR. BUONAIUTO: With your permission, I intend
24 to address the governance issues that are raised, the
25 concerns raised in the INPO report, the report that

1 precipitated this meeting, but I would first like to state
2 emphatically for the record that our Board understands
3 that the primary responsibility for safety at Rancho Seco
4 is ours. It is the responsibility of this Board, not the
5 NRC's.

6 We accept that licensee responsibility as a
7 matter of policy, and have communicated a policy of safety
8 first to our staff.

9 With your indulgence, sir, I would like to talk
10 about responsibility, leadership and, most of all, safety.
11 And I would like to talk about these things from a
12 personal point of reference, highlighting my personal
13 experience with quotes from an interesting little book,
14 first published in 1911. It was written by a young
15 American Navy officer, and some of you may recognize this
16 book, which has been holding a very special place in my
17 personal library since 1975. It is the Watch Officer's
18 Guide for Naval Officers.

19 I refer to this book this morning, not as a
20 gratuitous gesture on my part for any retired Navy
21 admirals that may be in this room today --

22 COMMISSIONER ROBERTS: I also spent three of the
23 best years of my life in the Navy.

24 MR. BUONAIUTO: -- but I refer to the book
25 rather to convey to all of you that my six and a half

1 years as a Coast Guard commissioned officer gives me a
2 very uncommon opportunity -- gave me an uncommon
3 opportunity to internalize a very unique value system, and
4 that unique value system has stayed with me over the
5 years, long after I returned to civilian life.

6 Now, the value system relates to responsibility,
7 leadership and safety. And it is a value system that, in
8 my mind -- that any of the expressed concern about the
9 Board electing its president -- as its president, a new
10 Board member, who has no previous experience at SMUD--
11 that was one of the concerns in the INPO letter. I hope
12 that that frame of reference helps put things into
13 perspective regarding who I am.

14 I would like to talk about safety, and I am
15 going to quote from this book. "Safety must be practiced
16 on a 24-hour-day basis. Danger exists in every naval
17 operation and aboard every naval vessel. Going to sea
18 involves working with powerful machinery, high speed
19 equipment, intensely high temperature and pressure steam,
20 volatile and exotic fuels and propellants, stepped up
21 electrical voltages and the unpredictable elemental forces
22 of wind and wave. Particular care shall be exercised in
23 heavy weather."

24 Now, in the context of Rancho Seco, which I like
25 to think sometimes as a ship at permanent anchor in

1 Sacramento, the heavy weather, the forces of wave and
2 wind, translate into a highly charged political
3 environment. By raising the political issue, INPO
4 actually did our community a favor. In Director Smeloff's
5 words, "They shifted the debate away from the plant
6 itself, to the larger issue of the political environment".

7 Now, INPO pointed out that our Board has a
8 responsibility to foster an atmosphere conducive to safe
9 and effective operation of our nuclear plant. Again, from
10 the Watch Officer's Guide on safety, "There are certain
11 psychological factors which have fully as much to do with
12 safety at sea as any of the more strictly technical ones".

13 Now, perhaps we should all bear these words in
14 mind and reflect on the relationship of leadership to
15 morale. The subject of leadership, "The sum of those
16 qualities of human understanding and of moral character
17 that enable one to inspire and manage a group of people
18 successfully".

19 Now, in terms of leadership, some assert that it
20 is the Board's conduct -- that the Board's conduct has
21 been, and to a degree remains -- and I am quoting from the
22 INPO report, "The principal root cause of a uniquely
23 troublesome environment, undermining performance at Rancho
24 Seco".

25 Now, despite some leadership success since I

1 picked up the SMUD gavel on January 5th, 1989, I must
2 admit that on the Rancho Seco issue I accept my share of
3 the leadership failure. For several months I put the onus
4 of responsibility for the plant on the voters. Rancho
5 Seco will decide its own future, I said, the voice of the
6 people will be heard on election day, the 6th of June.

7 Now, politically this is a very comfortable
8 situation for me, and it illustrates that SMUD was no
9 different than many other levels of governance in
10 California, in the sense that elected officials avoid
11 taking stands on difficult issues, and they pass the buck
12 back to the voters, through the initiative or referendum
13 process.

14 Now, meanwhile, the big picture was ignored. And
15 by the big picture I mean this, Rancho Seco had carried
16 out a successful restart. And this is a tribute to our
17 entire nuclear team. Rancho Seco had been removed from
18 NRC's Troubled Plant List. Rancho Seco had received
19 improved INPO ratings. Rancho Seco had helped SMUD meet
20 its peak demand requirements last summer. There has been
21 a major reduction on the reliance of outside consultants
22 at Rancho Seco. Rancho Seco's NRC SALP ratings had
23 increase significantly.

24 And most recently, nuclear industry confidence
25 in Rancho Seco took the form of a Bechtel, Babcock and

1 Wilcox proposal, and a willingness to negotiate a
2 partnership which shared economic risk.

3 Now, I have agreed with several concerns
4 expressed by INPO's letter, and I recognize the
5 seriousness of that letter and the concerns of this
6 Commission, but I must put the comments relating to the
7 frequency of three-two votes in perspective.

8 We have researched our Board minutes for the
9 last few years, and have found only one three-two vote out
10 of 35 Rancho Seco related issues. And only nine of those
11 votes were not unanimous.

12 I am not suggesting that we do not have
13 differences of opinion as a Board regarding the economics
14 of Rancho Seco. What I am saying is this, regardless of
15 these differences, we are all committed to a safe
16 operation.

17 Now, regardless, also, of the numerical vote
18 tallies, let us bear in mind that a publicly owned utility
19 is different from an investor owned one. Democracy is
20 alive and well in Sacramento. Besides, there is not an
21 elected body on earth that achieves unanimity on all
22 issues. Conflict is healthy, conflict is in the public
23 interest. INPO is correct when they refer to the Board
24 conduct, or follow-up actions of our minority voters after
25 the vote is taken, that I will agree to but, again, from a

1 leadership standpoint, it is the post-vote Board member
2 conduct that weakens us as a utility.

3 Those who hold a minority view may need to
4 temper their public criticism with a sense of
5 institutional responsibility and recognize that their
6 actions can and do impact, adversely impact on plant
7 performance and the psychological well-being of our
8 nuclear personnel.

9 We are now two months away from the election.
10 The political environment, the heavy weather, the forces
11 of wind and wave will surely grow more severe each day,
12 but I want to assure this Commission, strongly assure this
13 Commission that we will pass through the eye of the storm
14 without compromising on safety. We will hold course on
15 safety, and regardless of our individual positions on
16 Rancho Seco -- and I am sure I speak for all of us--
17 safety comes first.

18 Now, to demonstrate this commitment and our
19 responsiveness to INPO's concerns, as well as the concerns
20 of this Commission, we hope to initiate some near-term
21 improvements that I will detail after our other Board
22 members have an opportunity to speak.

23 At this time I would like to ask -- start on the
24 right -- Director Smeloff, if he has any remarks.

25 CHAIRMAN ZECH: Please proceed.

1 MR. SMELOFF: Thank you, Mr. Chairman.

2 It has been almost a year since I was here last
3 and spoke with you. And I believe the key question here
4 that you are asking us is, do we, as the elected Board
5 members of this utility, believe that the plant can be
6 operated safely over the next two months.

7 I would like to be able to tell you that my
8 answer to that is yes, but to be perfectly honest, I can't
9 tell you that. I don't know if the plant can be operated
10 safely from now until the election.

11 I am troubled, troubled by what I saw at Rancho
12 Seco on December 12th, 1988. I am troubled by the event
13 that occurred on January 31st, 1989. I think what
14 occurred there showed some lapses of judgment. I am
15 concerned about the possibility that economics is given a
16 higher priority than safety.

17 I would assure you that it is the policy of this
18 Board to put safety first. And I believe -- I want to
19 believe -- that it is the policy of our management to put
20 safety first, but there is enormous pressure on the
21 work force out at Rancho Seco to perform, to achieve a
22 high output of that plant. They recognize at Rancho Seco,
23 that their livelihood is on the line, that their jobs are
24 on the line, and that this June a decision may be made on
25 the plant to close the plant down, by the voters. That

1 June referendum undoubtedly weighs heavily on a lot of
2 people out at Rancho Seco.

3 I think if you will look carefully at what
4 occurred on December 12th, the decision to try to keep the
5 plant operating at time when all the indicators indicated
6 that it should be closed -- that it should be shutdown at
7 that time, that has to be viewed as troubling.

8 Let me say I have nothing but sympathy for the
9 situation that the employees at Rancho Seco find
10 themselves in. And it is a very difficult situation.
11 There is undoubtedly a great degree of truth in the INPO
12 report's observation that there is a negative environment
13 in Sacramento, that the employees do feel pressure when
14 they go shopping, or when their kids attend school. And
15 that is very unfortunate.

16 I think people are trying to do a job out there
17 and deserve respect, but that is the reality of what is
18 happening in Sacramento. There is an intense political
19 debate over the future of that plant. The debate has both
20 safety and economic parts to it.

21 As you know, because I told you a year ago, I
22 felt that the former general manager's recommendation that
23 the plant should be closed on economic grounds, was the
24 correct recommendation. And I supported that. I continue
25 to believe that to be the case.

1 If the decision of the voters is to operate the
2 plant, I will fully support its safe operation. The
3 record shows that I have always supported the safe
4 operation of the plant and have voted consistently to give
5 resources to that plant, to operate it safely. I have
6 voted \$20 million to allow the construction of a
7 simulator, which I believe is absolutely critical for the
8 safe operation of that plant.

9 I do believe, though, there is an honest debate
10 going on in our community about the economics of the
11 plant, and that will continue.

12 I do have to comment about the Measure C
13 criteria for performance. As I told you a year ago, I
14 thought that that was a bad idea to put into a ballot
15 measure, and to put into policy a very short-term
16 criterion for the performance of the plant. I realize
17 that INPO also expressed that concern, although INPO's
18 concern was not made known to me at the time. I think
19 people put politics ahead of safety at that time. Instead
20 of saying remove that clause from Measure C, or take
21 Measure C off the ballot last June, a decision was made to
22 allow that to go forward, recognizing the troublesome
23 nature of a short-term performance criteria.

24 A former member, Commissioner Bernthal, I
25 thought, made a very eloquent statement about the ill-

1 advised nature of that criterion. That issue is before us
2 right now. Rancho Seco has failed to meet the 50-percent
3 performance criterion in the months of February and March.
4 It may not make it in the month of April.

5 Obviously, the employees know what the criterion
6 is, are aware that the plant would be automatically
7 shutdown, if it fails to meet that indicator.

8 Right now we may restart the plant. We haven't
9 identified the root cause of the last outage. We have not
10 identified that, but we have taken some corrective actions
11 to provide additional redundancy to the feedwater pumps.
12 That's, I believe, our staff's intent, to operate the
13 plant at a 60 percent capacity factor, so that if this
14 outage or the cause of the outage reoccurs, we will be
15 able to operate the plant with one feedwater pump.

16 The question is, I think, to the employees
17 there, to management as well, if it is not going to make
18 the 50 percent criterion, shouldn't we bring it up to 80
19 percent, or 92 percent, to make that criterion? It is a
20 tough decision that management has to make.

21 I want to reiterate that I think they will make
22 the decision to put safety first, but it is a tough
23 decision. Their jobs are at stake.

24 I would like to seek your advice. We can do
25 things to change -- the Board still has the power to

1 change Measure C. It is going to get more and more
2 difficult, as it approaches the automatic shutdown, if we
3 get into May, and I would like to know what you advise us
4 to do. I do think you share in the responsibility, as
5 does INPO, for not advising us strongly a year ago to
6 remove that provision from the ballot. It could have been
7 done.

8 And so, at this time, I would like to extend the
9 question to you, what do you think we should do to
10 mitigate the pressure on the plant employees?

11 CHAIRMAN ZECH: All right. Thank you very much.

12 Well, before we address that, perhaps we should
13 hear from your other colleagues.

14 MR. BUONAIUTO: Director Keat.

15 MR. KEAT: Thank you very much for the
16 opportunity to address the Commission.

17 I am a newly elected member of the SMUD Board,
18 took office in January of this year, but I've followed
19 SMUD for quite sometime, since 1975, and followed SMUD
20 very closely for the last two years, in the interest of
21 becoming elected.

22 I attended all but three SMUD Board meetings,
23 and went to numerous other meetings, both in the community
24 and the Nuclear Advisory Committee meeting, Nuclear
25 Performance Committee meetings, and the like.

1 Nuclear power is obviously a very controversial
2 issue. And the SMUD Board, like other organizations, is
3 not immune from this controversy. Like investor owned
4 utilities and elected government officials, our Board, to
5 some extent, reflects a lack of consensus that exists in
6 the community, but there is consensus on one issue, and
7 that is the consensus that crosses the Board among
8 supporters of nuclear power, among critics of nuclear
9 power, and among operators, and that is that the
10 consequences of not making safety the top priority are
11 totally unacceptable.

12 Our Board and management has consistently made
13 safety the top priority and taken a very conservative
14 approach. Now, whether I think the plant can be run
15 safely -- I am not a nuclear expert. I didn't run as a
16 nuclear expert, and I don't pretend to be a nuclear
17 expert. I can't provide you with certainty.

18 I have attended lots of meetings out at Rancho
19 Seco, and watched our management very closely. And on
20 that basis, I have assured myself that the safety concerns
21 that they have expressed are seriously held, that they are
22 making every effort to translate those efforts on a daily
23 basis to plant operators. And I have satisfied myself.

24 On the other hand, the events of December and
25 January have been very troublesome. And I don't mean to

1 overlook those in my responsibilities as a Board director.
2 In reading the transcript of the March 22nd, 1988 meeting,
3 it was stated by the Chairman, Commissioner Zech, that
4 "While the SMUD Board's decision whether to operate Rancho
5 Seco stresses economic factors, our concern is safety, not
6 economics".

7 Frankly, as a Board member, I have to rely on
8 technical oversight from this Commission and other
9 organizations like INPO, and really look to your advice in
10 that regard. I certainly will take that input, as a
11 director, very seriously and communicate that to
12 management and staff as clearly as I possibly can. Also,
13 like Director Smeloff, if the voters decide to continue
14 operating the plant, my commitment is wholehearted support
15 for the safe operation of the plant.

16 CHAIRMAN ZECH: Thank you very much.

17 MR. BUONAIUTO: Director Cox.

18 MR. COX: I, too, would like to thank you for
19 allowing us the opportunity to meet with you, and to
20 discuss the status of Rancho Seco.

21 I, too, am a newly elected director. I ran
22 because I believed I could make a difference in SMUD.
23 Gentlemen, there is no question that in the past we have
24 had our problems. While this Board has been constituted
25 for approximately 90-plus days, I see progress, greater in

1 some areas than in others but, nevertheless, progress.
2 And I am sure you all recognize that management is not a
3 destination, it is a journey.

4 As a new director, I subscribe fully to the
5 mission of the district which is, in brief, to provide a
6 stable source of energy safely and as cost-effectively as
7 possible. I, personally, believe that Rancho Seco is an
8 important part of our resource package, which is necessary
9 to serve our growing community, but, you know, since the
10 restart in 1988, Rancho Seco has not operated as smoothly
11 as most of us would have preferred. As a matter of fact,
12 some predicted that it would take two or three years
13 before we worked all the kinks out. And even though this
14 Board is functioning within the confines of Measure C,
15 this director and this Board have never wavered in its
16 resolve that our number one objective is safety, to run
17 that plant safely.

18 As you have already heard, some of our members
19 have concern about the economics, but we are absolutely
20 unanimous on our resolve to run Rancho Seco safely. And
21 from time to time in our reviews with Mr. Firlit and his
22 people, we have always stressed safety first. And I
23 believe that later on Mr. Firlit will tell you that he and
24 his operators understand that the Board has given them a
25 mandate to run Rancho Seco safely.

1 And, gentlemen, there can be no question that
2 the June 6th election, which was mandated by Measure C,
3 has created more stress than most of us would prefer.
4 Perhaps in reality, and in some instances -- it is reality
5 and, in some instances, I believe our people are
6 performing at a high level because of an intense desire to
7 demonstrate that they can run a nuclear power facility
8 safely and, ultimately, cost-effectively.

9 And from a Board standpoint, the old Board put
10 in place some contingency planning, in the event that the
11 Ranch was voted out of existence. Our people have
12 packages, severance packages. So, it is not as if on June
13 6th, if this community votes down the Ranch, that they
14 would be out the door. We will, in fact, have packages
15 for them.

16 Gentlemen, when I was a young guy growing up,
17 the big boys used to say "Talk is cheap, but it takes
18 money to buy whiskey". And, gentlemen, we have been
19 putting our money where our mouth is. As you take a look
20 at our voting record of this Board, and the last Board,
21 not one time have we denied funds for the Ranch to get the
22 job done. Our primary emphasis has been safety.

23 In recent days, Rancho Seco and other operating
24 entities within SMUD have eliminated some staff positions.
25 This Board has not said cut here, or cut there.

1 Management initiated a cost containment program. And as
2 it specifically relates to Rancho Seco, Mr. Firlit has
3 assured us that any staff reduction has not compromised
4 safety.

5 And so, gentlemen, as one newly elected
6 director, I sit before you with a pledge that I will
7 continue to insist that Rancho Seco be run safely. And if
8 we can't run it safely, I, for one, will vote to shut it
9 down, but in each resource that we have, our primary
10 objective in generating energy is public safety, it is our
11 number one objective. Not because of laws or regulations,
12 but because it is the right thing to do. Thank you.

13 CHAIRMAN ZECH: Thank you very much.

14 Does that conclude -- yes?

15 MR. BUONAIUTO: Mr. Chairman, would it be
16 appropriate now to have our general manager make a
17 statement?

18 CHAIRMAN ZECH: Yes. Before you do that,
19 though, with your permission, President Buonaiuto, I would
20 like to read the letter from your other Board member. And
21 I would like my colleagues to hear it, too, because it is
22 addressed to all of us.

23 "Dear Chairman Zech and members of the
24 Commission: Due to illness, I am unable to attend your
25 NRC meeting, but wanted to send a statement of my

1 position. I have been on the Board for over six years,
2 during which time I have seen a great deal of change at
3 the Rancho Seco Nuclear Generating Station. I am also
4 well aware of the great difficulty an elected Board has
5 with maintaining a focused approach to setting a long-term
6 direction for operations.

7 "The one thing that I do know for sure is that
8 during these six-plus years, the number one priority for
9 the operation of Rancho Seco has always been safety. I am
10 confident that this Board will continue with that
11 commitment to safety.

12 "While the findings of the INPO report are
13 troublesome, they are not findings that cause immediate
14 worry about safety; rather, they are cause for concern in
15 regard to long-term plant performance. It is my firm
16 belief that now that INPO and others have brought these
17 concerns to the forefront, this Board will solve these
18 issues once and for all.

19 "It is clear with the experience that I have
20 gained on this Board, while I can certainly operate--
21 while we can certainly operate this plant safely, it is in
22 the best interest of the community to continue the
23 divestiture effort started last year. A first step is the
24 upcoming negotiations in serious consideration of the
25 Bechtel and Babcock and Wilcox proposal to share in the

1 management and risk of operating Rancho Seco. The Board
2 clearly recognizes that as long as Rancho Seco is operated
3 as an asset to this community, it will be operated safely.
4 Therefore, we are all committed to maintaining safety as
5 job one.

6 "Again, I apologize for being unable to attend.
7 Sincerely, signed, Cliff Wilcox, Member, Board of
8 Directors."

9 I wanted to include that as your fifth Board
10 member. We have seen Mr. Wilcox here before, as we have
11 Mr. Smeloff. And we welcome the three of you, again,
12 here, but I thought it would be appropriate to include his
13 remark with yours.

14 Now you may proceed, Mr. Buonaiuto, to Mr.
15 Boggs, if you want to, or Mr. Firlit, as your choice.

16 MR. BUONAIUTO: It is interesting that Director
17 Wilcox used the expression "Job One". I think he has been
18 watching too many Ford commercials on TV.

19 At this time, our General Manager Dave Boggs.

20 CHAIRMAN ZECH: Please proceed, Mr. Boggs.

21 MR. BOGGS: Thank you, Chairman Zech, members of
22 the Commission. I also appreciate the opportunity to
23 address you today.

24 I would like to start off by indicating that I
25 am not an engineer, that I am trained in, and have a

1 reputation, and enjoy a reputation as an effective
2 manager. I have been involved in five different
3 turnaround situations, and I have lived in and succeeded
4 in the Sacramento political scene for approximately six
5 years, as a chief executive officer.

6 Because of my management background, I have been
7 concerned with issues raised in INPO's letter, as well as
8 the Board has. I would like to make one point which, I
9 believe, is a difference from how we were reporting
10 previously, when we were here last time. I have full
11 responsibility for SMUD, from a management standpoint.
12 Joe Firlit, our Chief Executive Officer, reports directly
13 to me. At the previous time he reported independently to
14 the Board of Directors. So, we do have pinpoint
15 accountability, which is directly to myself, as General
16 Manager, however, I want to make it clear, if at anytime-
17 - and Joe is fully aware of this -- that if he needs to
18 meet with, or the Board needs to meet with him, on any
19 issue, that he does have that access, but I am held
20 accountable for the entire district, and that is a change
21 from when we were here previously.

22 With Joe's efforts, we have made substantial
23 progress at the Ranch. We concur with INPO that the plant
24 is physically sound and that staff is qualified and
25 capable. We also agree that we have long-term issues that

1 we have to address.

2 I am absolutely confident that we have a good
3 team, very capable of resolving those issues. INPO has
4 asked the Board to examine governance, oversight and
5 management. Joe Buonaiuto will be addressing some short-
6 term responses to those particular items. Long-term, we
7 need to continue the efforts that have been ongoing
8 regarding divestiture of the Ranch. There is a Board
9 resolution that goes back into 1988. We have been working
10 as a staff to try to divest the asset -- you heard those
11 discussions previously -- and we have a commitment to
12 continue on a long-term basis, the divestiture of Rancho
13 Seco and have full support in that direction. And the
14 Babcock and Wilcox and Bechtel proposal is a first step in
15 that direction.

16 Board and staff are committed to safety and are
17 not divided whatsoever on that issue. The December event
18 was an unfortunate one, and we learned a number of lessons
19 from that event. And the reason that I know we learned
20 those lessons is, if you go to what happened in January
21 when we had another significant event, staff acted very
22 cautiously and clearly handled it in a very safe manner.
23 And that is our approach of handling issues that do come
24 up at the Ranch, and I am very pleased with how that has
25 been handled. We learned our lessons, and I think we have

1 learned them well.

2 We are moving toward a stable team, and will
3 continue to work on the issues that we have. We do have a
4 referendum ahead of us, as you are well aware, and that
5 does bring instability, but once that is over I am
6 optimistic that our environment will change. And, again,
7 we still have to move toward the long-term issue of
8 divestiture.

9 As general manager, Joe Firlit enjoys my
10 confidence and has full authority and my support to shut
11 the plant down, to maintain a safe operation. That is
12 unequivocal. There is no question about that whatsoever.
13 And we are prepared to restart the Ranch.

14 And I would like to turn it over to Joe Firlit
15 at this time.

16 CHAIRMAN ZECH: Thank you very much.

17 Mr. Firlit, welcome.

18 MR. FIRLIT: Thank you, Commissioner Zech, and
19 fellow Commissioners.

20 I want to reassure you that public health and
21 safety is my number one objective and always will be my
22 number one objective. I have been in this nuclear
23 industry for a while and I fully understand that
24 responsibility. It is also a moral responsibility that
25 everyone should have when operating a nuclear power plant.

1 Yes, we do work in a political environment out
2 there at Rancho Seco. It is a difficult environment, but
3 it is not impossible. Good things are happening out at
4 Rancho Seco. You've heard our president, Joe Buonaiuto,
5 state some of those good things that are happening. I
6 would like to expand on those.

7 First of all, the mature condition of the plant
8 has much improved in the last two years that I have been
9 there. We have a sound maintenance program. When I came
10 out there, the backlog of corrective maintenance was
11 around 5200; today it is less than 700, and our goal is to
12 drive it down to 600, where we have no greater than one
13 month on the maintenance backlog.

14 We have a sound preventive maintenance program.
15 Twenty-three months ago, the maintenance that we did in
16 terms of preventive maintenance, represented less than 10
17 percent; today it represents greater than 50 percent of
18 the work that we do in maintenance, and I think that is a
19 marked improvement at Rancho Seco.

20 Commissioner Zech, I can remember the time that
21 you and I walked Palisades, and you explained to me what
22 your expectations were in terms of a clean plant. I have
23 taken those expectations and made them mine. And the
24 first thing I did when I came out to Rancho Seco is I put
25 a team together, and we have cleaned that plant up, 90

1 percent of the plant has been cleaned up, and 55 percent
2 of the plant has been painted in the last 23 months. It
3 looks very good, a marked improvement. Availability in
4 1988, since restart, has been 80 percent.

5 Our industrial safety record has had a marked
6 improvement. For the first time in the history of Rancho
7 Seco, we have exceeded one million manhours without a lost
8 time accident, and we are rapidly approaching two million
9 manhours without a lost time accident. I think that
10 reflects on the professionalism and the safety
11 consciousness of our employees at Rancho Seco.

12 Manrem exposure has been less than 90 -- it was
13 89 -- in the upper quartile of the INPO ratings of all
14 plants in the United States for 1988.

15 The management programs are in place. We have
16 established a formalized goal and objective program with
17 safety being our number one priority. We are providing
18 the leadership and the direction for our employees out
19 there. Our goal is to be within the top 25 nuclear power
20 plants in the United States by 1993. I feel it takes at
21 least four years to turn a troubled plant around and to
22 get in the top ratings of all plants in the United States.

23 Our controls are in place. We have performance
24 indicators that we monitor as a senior management team on
25 a monthly basis, some on a weekly basis. And we sit down

1 as a management team and review those. And if we have any
2 degrading trends at all, we take immediate action to
3 correct those degrading trends. There is a lot of
4 management involvement.

5 If you come out to Rancho Seco, you will see the
6 managers, the superintendents, the plant managers and
7 myself out in the field. I spend at least two hours per
8 day walking that plant, walking the shops, talking with
9 people, and personally seeing what is going on at our
10 plant.

11 The environment out there is difficult. The
12 turnover of management has been high during the last year.
13 In fact, if you take the organizational chart 12-months
14 ago, when Carl Adognini was the Chief Executive Officer,
15 and you were to put an overlay on it today, to take a look
16 at the differences, you will find out that eight of the
17 management personnel that were there 12 months ago, have
18 physically left the site. The ninth one is a gentleman, a
19 manager that we sent down to INPO, so that we could
20 broaden him out in terms of other nuclear power plants in
21 the United States, so that when we bring him back in a
22 year, he will be much more beneficial to the whole team.

23 We have to shift people around, so there is--
24 actually, if you take a look at it, there are only five
25 managers that have stayed in the position that they were

1 12 months ago, 25 have shifted, or have left the plant
2 totally.

3 The overall turnover rate at Rancho Seco last
4 year was 12 percent. That's high. It's much higher than
5 the industry's rate of 4.9 percent. I do not enjoy that,
6 but we are doing everything we can on our part to minimize
7 that. This year, for the first quarter, if you annualize
8 the turnover rate, it is about 7 percent. Whether or not
9 we have turned it around, I can't really judge it at this
10 particular point. I would suspect that a lot of our
11 managers and our people out there have sent some resumes
12 out, not knowing exactly what is going to happen on June
13 6th.

14 The morale is good, but it is affected by the
15 political environment. This weekend we will have an open
16 house at Rancho Seco. I want you to know that our
17 employees have volunteered their time without pay,
18 Saturday and Sunday, to take tours of people around this
19 plant, from the community. I think that reflects
20 dedication on our employees to show off their plant. They
21 are proud of it, and they ought to be because they worked
22 very hard to make it a very successful plant, and to
23 improve the material condition of our particular plant.

24 The June 6th vote is coming up. Our employees
25 are very involved in it. We don't enjoy the luxury of

1 being an investor-owned utility, where the utility can
2 invest their money to have publicly paid ads to talk about
3 their nuclear power plant. We have to do that with
4 employee contributions and our employees have made those
5 contributions. Our employees have made telephone calls,
6 our employees walk the community, our employees give
7 speeches in the community about Rancho Seco. We have had
8 to carry the load in that perspective, but we are not
9 complaining about that.

10 We have been criticized about the economics
11 about our plant, and yet the economics are affected by the
12 environment that we live in. It is a difficult
13 environment and has got a direct effect on the turnover
14 rate. And by having a direct effect on the turnover rate,
15 it is very difficult for us to recruit people out at
16 Rancho Seco, so we have to pay more than the rest of the
17 industry does. In addition to that, in some cases, we
18 can't get people to come out to Rancho Seco at this late
19 date, but even despite that difficulty, I want you to know
20 that for the first time in the history that I have been
21 out at Rancho Seco, 29 of the 30 management positions are
22 filled by SMUD employees. That has always been a goal of
23 mine. And the Board of Directors has exempted the last
24 remaining position for me, so that I can offer that
25 position to an employee that currently is a contractor.

1 That offer has been made to him, and if he accepts the
2 job, it will be the first time that we have a full SMUD
3 management team. And I think that is the right direction
4 that we need to go.

5 Do we live in a desirable situation? The answer
6 is no. Does it affect me personally? The answer is yes.
7 Will it affect plant safety? Absolutely not.

8 In the long range, I agree with, and concur
9 with, the INPO letter that you received. Changes have to
10 be made if Rancho Seco is to continue to be a valuable
11 energy source and an economic asset for SMUD.

12 Yes, our plant is ready to come up. We have not
13 determined the exact cause of what caused that plant to
14 trip, but I can assure you with about a 90 percent
15 confidence level, that we feel it is within the power
16 supply that controls the feed pumps. We will very
17 cautiously bring that plant up to about a 30 percent power
18 level, stay there for several days, until we are satisfied
19 that we can raise it to the next power level, which will
20 be 60 percent, and then we will stay there for at least a
21 week, with the main feed pumps heavily instrumented, so
22 that if it does occur again, we will be at a power level
23 where one feed pump can control the feed to the steam
24 generators, and then we will also have it instrumented so
25 if it happens again, we will be able to clearly determine

1 what the cause is.

2 It is not a difficult decision for us. Our
3 decision is already made. Safety is our number one
4 priority. The team at Rancho Seco are nuclear
5 professionals and they would not jeopardize the health and
6 safety of the public, nor would they jeopardize their
7 personal careers in the nuclear industry in the future.
8 The 52 percent capacity factor does not enter into our
9 daily decisionmaking process.

10 And, again, I would like to reassure you that
11 the health and safety of the public is my number one
12 priority, and it is also the priority of my team.

13 Thank you for your time.

14 CHAIRMAN ZECH: Thank you very much.

15 Does that conclude your presentation, Mr.
16 Buonaiuto?

17 MR. BUONAIUTO: Chairman Zech, that concludes
18 our presentation, except for some summary comments that I
19 would like to make.

20 CHAIRMAN ZECH: Please.

21 MR. BUONAIUTO: I think you have heard a
22 consistent statement from all of us here, Board and staff,
23 regarding our commitment to safety, regarding the
24 political atmosphere. It might be useful to keep in mind
25 that the heavy weather has existed for quite some time,

1 and in terms of that metaphor, the people at Rancho Seco
2 are North Atlantic sailors, and they are used to it, and I
3 don't feel that environment is going to impact on the
4 plant.

5 In summary, I would just like to say that I
6 spoke earlier about near-term improvements that we can
7 make, things we can do as a Board to demonstrate our
8 commitment to a safe operation. And there are several
9 things that, as president, I will strive in very near
10 future.

11 At our next Board meeting I will ask our Board
12 to authorize our staff to begin negotiations with Bechtel
13 and Babcock and Wilcox. This should add a greater
14 expertise to our maintenance and engineering capability,
15 if these negotiations are successful.

16 Secondly, as Board President, I will make every
17 effort to reduce the opportunities for the Board to serve
18 as a focus and forum for unproductive anti-plant rhetoric.

19 Third, with the approval of the Board, I will
20 hence forth serve as coordinator and source of all
21 direction from the Board to the SMUD general manager
22 regarding Rancho Seco.

23 In short, I will ensure that the Board review of
24 the Ranch is limited and clear in scope and
25 responsibilities.

1 In summary, you have my pledge, Chairman Zech
2 and fellow Commissioners, you have my pledge that Rancho
3 Seco will be operated safely.

4 Thank you very much.

5 CHAIRMAN ZECH: Thank you very much.

6 MR. SMELOFF: Mr. Chairman, I would like to
7 also place in the record a letter I sent to Zack Pate, the
8 President of INPO, with a copy to you, on that.

9 CHAIRMAN ZECH: Certainly, we will be happy to
10 do that.

11 Questions from my fellow Commissioners,
12 Commissioner Roberts?

13 COMMISSIONER ROBERTS: No.

14 CHAIRMAN ZECH: Commissioner Carr?

15 COMMISSIONER CARR: I don't have any questions.
16 I have one question, but I would like to compliment you
17 all on your stand, and I think you have expressed your
18 position very well.

19 For Mr. Smeloff, when you were here before, your
20 position was that, as I see it, no different than it is
21 today, except then you said you did believe that the plant
22 could be operated safely. And you did believe it could be
23 governed by an elected Board of directors, and you do
24 believe that a municipal utility is qualified to run a
25 nuclear power plant.

1 You didn't think it was in the best economic
2 interest, which I assume is still your position. The only
3 thing that looks like it has changed is you do not now
4 believe it could be operated safely.

5 MR. SMELOFF: I do believe the plant, in the
6 long run, can be operated safely. The point I attempted
7 to make to you was that under the current circumstances at
8 this present time, I do believe that there is enormous
9 pressure on the employees of the plant, and I think that
10 pressure, both of the 50 percent capacity factor criterion
11 and of the election, cannot be ignored.

12 I think the events leading up -- particularly
13 the event on December 12th, is an indication. And INPO
14 itself says that they are concerned that the event on
15 December 12th, when plant managers attempted, without
16 proper procedures, to shunt steam into the main feedwater,
17 to use steam to drive the main feedwater pump, high
18 pressure steam, was an indication that people were trying
19 to do something which was intended to keep the plant on-
20 line for performance, when the safe, the cautious, the
21 conservative approach would have been to close that plant
22 down at that time. That, I think, is a concern.

23 COMMISSIONER CARR: But my understanding is
24 plant management has separated that gentleman from
25 employment, is that correct?

1 MR. SMELOFF: Well, I would ask Mr. Firlit to
2 answer that.

3 Have we fired somebody over the December 12th
4 incident?

5 MR. FIRLIT: We have not fired the individual,
6 but we have removed him from that position as operations
7 -- in the operations area.

8 COMMISSIONER CARR: So he is not in that
9 decisionmaking position again, which is the right signal
10 to send to the rest of the operators, I would think.

11 MR. SMELOFF: I would also say, in the February
12 letter that we received from INPO, INPO expressed concerns
13 that there was a lack of involvement by management in key
14 decisionmaking in the operations of the plant, that there
15 were several situations where the plant employees
16 indicated they felt they were under undue pressure to
17 perform jobs in a limited period of time, during LCOs.

18 I think there are some troubling incidents that
19 I don't think the Commission should overlook. And that's
20 why I say I don't know at the current time whether the
21 plant can be operated safely.

22 COMMISSIONER CARR: Well, let me rephrase my
23 question. Do you think it is undue risk to public health
24 and safety, if they continue to operate through the June
25 --

1 MR. SMELOFF: I don't know.

2 COMMISSIONER CARR: All right, thank you.
3 That's all I have.

4 CHAIRMAN ZECH: Commissioner Rogers?

5 COMMISSIONER ROGERS: Well, just that I am very
6 pleased to hear your responses today, and that you have
7 come to us to personally tell us this, but I recognize
8 that one of the problems, not only that we deal with but
9 the entire industry has to deal with, is not the words,
10 but the meaning of the words, and that we all make
11 statements about things that we feel are sufficient to
12 settle an issue, and yet the interpretation of those
13 statements is always not the same.

14 And when one makes a commitment to quality, or a
15 commitment to safety, that implies a certain collection of
16 activities, or actions, or commitments that may be
17 different in different individual's minds. And so while
18 we have, indeed, heard the words, and they are very good
19 words, and they are important for us to hear, I think that
20 we must ultimately be assured that the interpretation of
21 those words, in your view, is the same as the
22 interpretation in our view.

23 And to that end, I am sure we can never be
24 totally assured of that, but let me ask you, has the Board
25 reviewed very carefully all the Board's commitments, or

1 implied commitments by the staff requiring Board action or
2 approval, that have been made by your predecessor Boards
3 to the NRC? Have you carefully gone through, in a step-
4 by-step basis to look at each of those, and to see that
5 you are comfortable with them, and that you, indeed, do
6 support those same commitments because I think what we
7 need to be sure is that we are talking about the same
8 things when we say a commitment to safety, and that what
9 the NRC is looking for is, in fact, what you understand
10 you are committing to.

11 MR. BUONAIUTO: Peter?

12 MR. KEAT: I can speak to that briefly. I have
13 sat in on meetings where plant management has gone over
14 the process that they use to track the commitments that
15 have been made to previous Boards -- I mean, by previous
16 Boards to the NRC, and to other organizations, and I am
17 satisfied that that process is satisfactory but, again,
18 you know --

19 COMMISSIONER ROGERS: But now you are saying
20 that on the basis of your having sat in on earlier
21 meetings, and attended them. I am asking this now of the
22 entire Board, have you -- each of you, as individuals--
23 feel that you fully understand what the commitments are
24 that have been made to the NRC, and that you support them?

25 MR. SMELOFF: Commissioner Rogers, I don't--

1 this new Board has been in place since the beginning of
2 January. It's attended six regular Board meetings and, to
3 answer your question candidly, there has not been, as of
4 yet, a systematic process for this Board as a unit to
5 review the previous commitments.

6 MR. BUONAIUTO: We have established that
7 process, though, in the form of a committee structure,
8 that various commitments regarding the Ranch will be
9 reviewed from a finance perspective, from a policy
10 perspective, from a Rancho Seco implementation committee
11 perspective and my colleagues chair those committees and
12 co-chair other committees. And we have made a vigorous
13 effort to get into detail as far as those commitments that
14 have been made, from not only a financial perspective, but
15 also from an operational safety perspective.

16 MR. COX: Commissioner, let me speak from my
17 vantage point, to answer your question specifically. I
18 have not reviewed each and every item that the NRC has
19 asked us to complete, and which you deem to be
20 outstanding. I am aware that we have some outstanding
21 commitments, and I want to assure you that from my vantage
22 point, if we have outstanding commitments, we will meet
23 those.

24 We need to assess the timeliness of them, to be
25 sure that we are not promising more than, in fact, can be

1 completed but, from my vantage point, I want to assure you
2 that if we have outstanding commitments to the NRC, we
3 will meet those.

4 COMMISSIONER ROGERS: Well, it is just my
5 concern that with such a substantial turnover of people on
6 the Board, that the commitments that a Board, a SMUD
7 Board, has made to the NRC, are commitments that every
8 Board is going to follow through on, unless we
9 specifically know that you've changed your intentions and
10 so notify us.

11 MR. COX: Prior to this recent election, where
12 we had three new Board members, which is a precedent in
13 our community, the Board had greater stability than
14 management, sir. So, from that standpoint, we understand
15 what you are saying.

16 MR. SMELOFF: Commissioner Rogers, let me add
17 one more point. There have been questions asked about the
18 -- we developed an action plan, as you will recall, back
19 in July or so, of 1987, for the restart, and made a number
20 of commitments and prioritized those commitments, priority
21 one, priority two and priority three commitments. And I
22 have asked on several occasions to be provided with a list
23 of those commitments and, unfortunately, we have -- and
24 Mr. Firlit can elaborate on that -- I have been told
25 because of the changes in the CEO nuclear -- we have had

1 three: John Ward, Carl Adognini and now Mr. Firlit -- and
2 some difficulties of our tracking system, that all of the
3 commitments made back in 1987 don't perfectly collate
4 with the activities going on at the plant now, and we have
5 asked to be provided with a list of those activities from
6 that action plan back in 1987.

7 MR. BUONAIUTO: Commissioner Rogers, also, from
8 the standpoint of the budget, the capital budget for the
9 Ranch of \$80 million for 1989 remains intact also. And I
10 am sure many of the commitments regarding -- to the NRC
11 are somewhere in that budget.

12 As far as the turnover on the Board, again, we
13 are a publicly owned utility. We are elected through a
14 political process -- some of us won our elections by
15 greater margins than others, some of us squeaked by -- but
16 regardless of that process, I think that when we come on a
17 Board of this kind, we assume some sense of institutional
18 mantle than many of us rise to the occasion, and there is
19 a transition of leadership that goes with the territory,
20 so to speak.

21 So, though we are new, the three of us that are
22 new, I think that the new members, in particular, have
23 been working very hard to live up to this responsibility
24 and come up to speed. And in terms of the election, based
25 on what I have come to understand of history, the caliber

1 of candidates for this particular election -- last
2 November the caliber of candidates in terms of intellect
3 and experience and commitment to the community, was
4 probably higher than any other previous election.

5 COMMISSIONER ROGERS: Well, I think you
6 understand my concerns, that when NRC receives a
7 commitment from an organization, that is an organizational
8 commitment, it isn't just dependent on the particular
9 personalities that are making that. It is made to us by
10 your organization. And what I want to feel comfortable
11 about is that there is a continuity in that point of view.

12 Thank you.

13 CHAIRMAN ZECH: Commissioner Curtiss?

14 COMMISSIONER CURTISS: I don't have any
15 questions.

16 CHAIRMAN ZECH: Let me just ask Mr. Firlit, are
17 you getting the, what you would term, adequate support you
18 need to operate Rancho Seco safely?

19 MR. FIRLIT: The Board has approved all the
20 funds that we have needed to run Rancho Seco. In fact,
21 last year the Board had allocated \$205 million. Because
22 of cutting back on contractors from 1200 to less than 700,
23 and cutting back on some overtime that I felt was not
24 needed, and prioritizing some of the projects but still
25 meeting all of the commitments to the NRC, we came in with

1 a budget of \$165 million, which was adequate for us.

2 The budget this year is roughly, with loading,
3 about \$200 million. I have approved a staff of 1105
4 people, and that is more -- that is an adequate staff for
5 me to run Rancho Seco safely, and the Board has provided
6 me with funds to do that.

7 CHAIRMAN ZECH: All right. Do you think Rancho
8 Seco can continue to operate safely?

9 MR. FIRLIT: I feel that Ranch Seco can continue
10 to operate safely. There is a better environment, I
11 think, in which it can operate, but it is not an
12 impossible situation.

13 CHAIRMAN ZECH: All right.

14 Mr. Smeloff, to give you an answer to your
15 specific question earlier, I think I can respond for my
16 colleagues when I say that the Commission has grave
17 concerns about any kind of an initiative, or referendum,
18 or any kind of a public response that would provide an
19 incentive, if you will, for economics over safety. Just
20 no question about that. There shouldn't be any question
21 in your mind that that's our feeling.

22 We would oppose any kind of a measure that would
23 indicate that 50 percent, or 60 percent, or any percent
24 overall operation should be your goal, as it might impact
25 on safety. Safety has got to be first, in our judgment;

1 there shouldn't be any question about that.

2 Let me -- unless there are any questions -- yes,
3 Mr. Keat?

4 MR. KEAT: I have one more comment with respect
5 to something else, and that is, I spoke to one of the
6 consensuses that exists, not just on this Board, but
7 within the community, and that is that safety is a top
8 priority.

9 I wanted to speak to one other consensus that I
10 think exists -- again, not simply on the Board, but in the
11 community as a whole -- and that is that while there are
12 debates over the economics of Rancho Seco -- and that is
13 something that is being clearly debated on a very rigorous
14 level in the community -- my impression is that there is
15 consensus that if the voters decide to continue operating
16 Rancho Seco, the consequences of not making that work for
17 the district are one that we are unwilling to accept.

18 This Board has committed itself to the viability
19 of SMUD as a municipal utility district over the long
20 haul. And so if the voters decide to continue operating
21 the plant, we will make every effort to make that work.

22 CHAIRMAN ZECH: All right, thank you very much.

23 Any other questions?

24 (No response)

25 CHAIRMAN ZECH: Thank you very much, gentlemen.

1 We appreciate your being with us today.

2 We will call on the NRC staff now.

3 Thank you.

4 (Whereupon, the representatives of the SMUD
5 Board of Directors and Senior Nuclear Management left the
6 table, and the NRC staff came forward)

7 CHAIRMAN ZECH: Mr. Stello, you may proceed.

8 MR. STELLO: Thank you, Mr. Chairman.

9 We are prepared this morning to give you our
10 views of the operation at Rancho Seco, where we have found
11 problems, what we think about those problems, and we will
12 specifically discuss some of the events that were
13 mentioned in the earlier briefing.

14 We, in summary, have been satisfied that the
15 operation at the facility, as you have heard this morning,
16 is, in fact, improved and improved substantially over what
17 we had seen over the past many years. And the most recent
18 performance and recent start up, as reflected by our SALP
19 indicates, as you have already said, clearly improving
20 trends.

21 We will discuss those issues, and have with us a
22 number of people this morning, and will go through them.
23 I will ask Dr. Murley to introduce people, and he has some
24 comments to make to start with.

25 There is one point, I think, that I wanted to

1 bring to the Commission's attention. We are, for the very
2 first time, using our video system here at the facility,
3 to allow our Region V office to observe this meeting but,
4 in addition, we have invited the media who are interested,
5 to observe the meeting from the Sacramento area, in the
6 regional office, so that they would have first-hand
7 access, and this is a milestone and the very first attempt
8 to use the very sophisticated and important equipment that
9 we have in this room.

10 CHAIRMAN ZECH: We will hope it is working.

11 COMMISSIONER CARR: Not on California TV,
12 though?

13 MR. STELLO: I don't know if they're
14 representing California TV or not, but the media is
15 present, and is observing the meeting directly. And it is
16 the very first time that we have done that. I thought--
17 we'll see how it works.

18 CHAIRMAN ZECH: All right, fine.

19 MR. STELLO: With that, let me turn to Dr.
20 Murley to make some opening comments.

21 DR. MURLEY: Thank you.

22 Mr. Chairman, on my right is George Kalman, who
23 is our project manager for Rancho Seco in headquarters;
24 immediately to Mr. Stello's left is Tony D'Angelo, the
25 senior resident inspector; to his left is Bobby

1 Faulkenberry, the Deputy Regional Administrator, and to
2 the far left is Roy Zimmerman, from the regional office.

3 When we last met with the Commission on Rancho
4 Seco, March 22nd, 1988, it was to recommend restart, after
5 a 27-month shutdown. Staff concluded at that time, a year
6 ago, that the material condition of the plant had been
7 substantially improved, that the management of the plant
8 had been completely changed and was a major improvement,
9 and that there were improved safety attitudes among the
10 workers at the plant.

11 Based on those conclusions, we recommended, and
12 the Commission agreed, that the plant be permitted to
13 resume operation.

14 The staff view now is that post-startup
15 operating experience at Rancho Seco has been generally
16 good. There have been two operating events in recent
17 months that are of some concern to us. These are the same
18 events that were noted by INPO in their report, and Bobby
19 Faulkenberry and his staff will talk in detail about our
20 views of that operational experience.

21 The INPO report appears to tie these recent
22 operational events to the historical problems at Rancho
23 Seco of five to 10 years ago, but we think, in fact, there
24 has been a fundamental change in the operation of Rancho
25 Seco since the shutdown.

1 The information in the INPO report is not new to
2 the NRC staff. We have discussed it extensively in our
3 senior management meetings, and we have taken it into
4 consideration in our regulatory judgments.

5 In addition to that information, of course, we
6 have our own extensive inspection coverage of the plant,
7 and Bobby Faulkenberry now will discuss our views of the
8 operational experience at Rancho Seco.

9 CHAIRMAN ZECH: Thank you very much.

10 You may proceed.

11 MR. FAULKENBERRY: The Region V's evaluation of
12 the overall operation and performance of Rancho Seco since
13 its startup in March of 1988 is that it has been good.
14 Now, this evaluation was documented by us in our March
15 28th, 1989 SALP report. That's been on the street for a
16 couple of weeks.

17 We feel that -- and as we stated in the SALP
18 report -- we feel that the events of December the 12th and
19 January the 31st, are exceptions to what we feel is an
20 overall strong operations and careful operations program
21 in the last 12-months out at Rancho. Our inspection
22 activities since startup in March of 1988, have found
23 little evidence that poor operational performance, or
24 problems associated with the December the 12th, or January
25 31st operational events were caused by the March '88 Board

1 ordinance relating to 50 percent power capacity.

2 To the contrary, we have found that the post-
3 event reviews and the root cause analysis investigations
4 performed by the licensee after these events were
5 extensive, they were thorough, and there were no
6 indications of a rush to restart the facility.

7 Now, our evaluations of the December 12th event
8 showed that the basic problems involved in the event were
9 caused primarily from poor communications between mid-
10 level and upper-level management, and a poor
11 decisionmaking process, rather than from pressure to keep
12 the facility on-line. We are very conscious of this
13 potential problem, as well as possible negative impacts of
14 SMUD Board actions on plant operations, and we fully
15 intend to make an issue of either of these, if we see them
16 happening.

17 I would like to say that since restart, we have
18 seen no negative impact on operational safety at the site,
19 as a result of SMUD Board actions. We have had in the
20 past, and we will continue to have increased oversight at
21 Rancho, until we are satisfied that they have reached a
22 sustained period of satisfactory performance at that site.

23 Now, with this, I will ask Tony D'Angelo, on my
24 right, who is the senior resident inspector at Rancho
25 Seco, to give us a briefing of the December the 12th and

1 the January 31st, as well as the most recent event, the
2 March 28th event, and we will discuss our analysis of the
3 problems associated with these events.

4 CHAIRMAN ZECH: Thank you very much.

5 You may proceed.

6 MR. D'ANGELO: Commissioners, we have a slide
7 that we will put up on the monitor. (Slide) This slide
8 is the auxiliary steam system at the facility. At the
9 time of the event, the facility was operating at
10 approximately 12 percent reactor power. Now, at this
11 power level, the auxiliary steam system is contained --

12 CHAIRMAN ZECH: Which event is this now?

13 MR. D'ANGELO: This is the December 12th event.

14 CHAIRMAN ZECH: December 12th, thank you.

15 MR. D'ANGELO: At this power level, this system
16 is under its greatest load and, also, the auxiliary steam
17 system is being supplied from the main steam system, not
18 the auxiliary boiler.

19 On the slide there are two pressure control
20 stations which are in series. Okay. That's the first
21 station. That station had experienced the first failure,
22 which was related to the controller. The second station
23 had also experienced a failure several hours later, due to
24 a foreign object that was inside the steam system,
25 traveled to the valve, and caused the valve to stick in

1 approximately mid-position, so it could not control
2 pressure any longer.

3 The sequence of events that led up to the
4 reactor trip were that the first steam station had failed.
5 There is a designed bypass around that system, the
6 operators had taken advantage of that bypass valve and
7 taken manual control for pressure regulation in the
8 auxiliary steam system. Unfortunately, prior to
9 completion of the repair effort on the operator, the
10 second valve station had failed. There is no designed
11 bypass around that valve.

12 They had attempted to control pressure at the
13 second station by using an upstream gate valve, which is
14 not an evolution controlled by procedure. In this case,
15 they had essentially two pressure regulating valves in
16 series for controlling the system pressures. What
17 subsequently led to the trip was the fact that they had
18 the two valves in series, they were controlling pressure,
19 the second station -- the valve that they were throttling
20 was not designed to control pressure. They had a pressure
21 transient in the system that led to the main feedwater
22 pumps which were powered off this system at the time, to
23 coast down slightly, feedwater flow reduced as a result of
24 the coast down on the pumps, level decayed in the steam
25 generators, the EFIC system, which is an auxiliary

1 feedwater system control, had detected the reduced level,
2 started the EFIC system, started injecting auxiliary
3 feedwater --

4 CHAIRMAN ZECH: Started up automatically, did
5 it?

6 MR. D'ANGELO: That's correct, sir.

7 CHAIRMAN ZECH: All right.

8 MR. D'ANGELO: And the operators then tripped
9 the reactor, per procedure, did not permit it to remain
10 critical on the auxiliary feedwater system. That is
11 basically the design of the system.

12 We have a second slide -- (slide) -- which
13 covers the outcome of our inspections on December 12th.
14 We conducted a special inspection, this inspection was led
15 by the section chief in the region. I was a member, and
16 there was also an NRC license examiner, who was a member.

17 We interviewed all the individuals involved in
18 the event and we also gathered information from one of the
19 NRC residents who was in the control room and turbine
20 building at the time of the event. Our primary
21 conclusions were that the major problem was inadequate
22 communication among plant management. Essentially, the
23 decision to continue with this evolution -- the two
24 stations in manual operation, in essence -- was a decision
25 that was made by one of the department managers at the

1 facility.

2 The entire situation was not clearly understood
3 by the other department managers, for example, maintenance
4 and the plant performance department, which is their
5 system engineers. It was also not well understood by the
6 plant manager and senior management on-site.

7 There was a second issue involving communication
8 which also existed among the operators. Specifically,
9 what we are talking about is this system is located in the
10 turbine plant, it is a high noise environment. They did
11 not have good communications abilities among all of the
12 operators involved in the control room, to take direction.

13 The second major issue that we identified was
14 the failure, of course, of two pressure control valves in
15 series, which just complicates the physics of the whole
16 evolution.

17 Our third difficulty identified was an attempt
18 to return the first pressure control valve back to
19 automatic function. Unfortunately, the procedure did not
20 exist for that evolution. In addition, there was also no
21 procedure for controlling the pressure with the failure of
22 the second downstream regulator.

23 The next item identified was essentially
24 inadequate local pressure indication at the second control
25 valve for the operator to control his valve. There was no

1 pressure gauge located at the valve. He would have to
2 walk several feet.

3 Another issue that came up was the first
4 pressure regulator had a history of failure. It was not
5 the first failure that they have experienced on it. It
6 had a number of failures, mostly due to -- you know,
7 vibration related failures, either in the control system
8 tubing, or the local valve positioner located right on the
9 valve.

10 The final item that we have here is, of course,
11 the bypass valve that was used. This is a design installed
12 valve to be used in case the first regulator fails. Its
13 design was not appropriate for controlling the system.
14 For example, what we are talking about essentially is the
15 number of turns required -- it was very fine controlled,
16 very difficult for the operators. Also, that valve
17 experienced an internal failure, a piece of metal came
18 loose -- essentially, it is a bottom-guided globe valve.
19 The bottom guide ruptured, traveled through the system and
20 that is the piece of metal that obstructed the operation
21 of this second downstream regulator.

22 Those are the events that we see coming out of
23 the December 12th, based on our inspections, which
24 involved interviews of all of the people involved and
25 also the resident who was in the control room at the time,

1 our indications are that there was not evidence to us of
2 any external pressure to cause the operators to continue
3 operation because of any other external influences.

4 CHAIRMAN ZECH: Okay, can we go on to the next
5 event?

6 MR. D'ANGELO: Sure. There were two more
7 events, the January 31 event was an overpressurization
8 event of the auxiliary feedwater system. We do not have a
9 slide for that but, essentially, the difficulty there was
10 that they had replaced a governor on the steam turbine
11 driver. They experienced difficulty in the procurement
12 process in that they did not clearly communicate to the
13 maintenance people and to the operations people the
14 modification that was made to the governor. This
15 modification made the governor operable only in one
16 direction. Unfortunately, it was the incorrect direction
17 for rotation of the steam turbine.

18 The other major difficulty was their method of
19 post-maintenance testing. When the governor was installed
20 there had been no previous test of the governor, no bench
21 test, for example, on-site. The post-maintenance test was
22 to install the governor on the machine and then open up
23 the steam admission valve. The valve lineup was such that
24 should the machine overspeed and, therefore, the pump's
25 discharge pressure be significantly higher, it would

1 cause, essentially, the entire auxiliary feed system
2 outside containment to see that pressure. There was
3 direct communication. There was no isolation of block
4 valves locally to the pump.

5 We see the January 31st event essentially as a
6 post-maintenance testing problem, in that the appropriate
7 post-maintenance testing --

8 CHAIRMAN ZECH: Have they taken action to
9 correct it?

10 MR. D'ANGELO: Yes, sir. They have taken very
11 quick action right now to cause more elaborate review of
12 the work request. There is a longer-term action that they
13 have committed to, and that is to develop a post-
14 maintenance test manual for each component.

15 CHAIRMAN ZECH: Okay, can we go on to the next
16 event then?

17 MR. D'ANGELO: The final event, the March 28th,
18 was a transient in the main feedwater system. We believe
19 that is a component related event only. There doesn't
20 appear to be any failures in the operations department, in
21 terms of judgment. The cause of that trip is not conclu-
22 sively known right now. However, they have done a consid-
23 erable amount of testing, and they have located areas of
24 the component, essentially, the electronic controller on the
25 turbine which, when they induce the transient at the

1 component level, they can recreate the transient, but they
2 have not actually found an item clearly indicating that it
3 caused the trip itself, and they have taken actions to
4 repair those components that are susceptible.

5 CHAIRMAN ZECH: All right. Thank you very much.

6 Anything else?

7 DR. MURLEY: In summary, Mr. Chairman, the staff
8 has been following the operation at Rancho Seco very
9 closely. We have analyzed these events very carefully.
10 Staff believes that Rancho Seco can continue to be
11 operated safely. We will continue to give enhanced
12 inspection coverage during these coming months, to be sure
13 there is no change in performance at the plant.

14 That concludes our discussion.

15 CHAIRMAN ZECH: All right. Thank you very much.

16 MR. STELLO: Mr. Chairman, if the Commission
17 does not object, it would be our intention to allow the
18 restart of the plant.

19 CHAIRMAN ZECH: All right, thank you very much.

20 Questions, comments from my fellow
21 Commissioners? Commissioner Roberts?

22 COMMISSIONER ROBERTS: No.

23 CHAIRMAN ZECH: Commissioner Carr?

24 COMMISSIONER CARR: The plant has had a long
25 history of feed pump problems, of variation, that fall and

1 up and down, and this looked like -- March 31 looks like
2 another in that series of "have we ever really found the
3 problem", and so you think they've got an adequate program
4 now to maybe pin down what the real problem is?

5 MR. D'ANGELO: Commissioner, they have
6 established elaborate testing and monitoring of the
7 equipment, so the answer is yes. Also, they have made a
8 commitment to the agency to completely remove the current
9 control system and replace it with a new control system,
10 manufactured by the same vendor as the ICS.

11 COMMISSIONER CARR: Has this one been there
12 since the plant was built?

13 MR. D'ANGELO: No, sir, this was a system that
14 was added approximately 1980.

15 COMMISSIONER CARR: Okay.

16 CHAIRMAN ZECH: Commissioner Rogers?

17 COMMISSIONER ROGERS: Yes, on the B&W owners
18 group safety and performance improvement program, is there
19 a site level procedure that has been developed to look at
20 the implementation of all of the recommendations of that
21 performance improvement program, and where does it stand?

22 MR. SMELOFF: Yes, sir. At restart in 1988,
23 Rancho Seco was ahead of other B&W plants in implementing
24 those recommendations. We have an inspection team
25 scheduled to go out in June, to verify that all the

1 applicable recommendations to Rancho Seco have been
2 completed. We don't have those results at this point, but
3 we feel that based on communications with Rancho Seco
4 staff, that they have --

5 COMMISSIONER ROGERS: But it's your
6 understanding that they are essentially completed then,
7 and that you are planning to go out and verify that?

8 MR. SMELOFF: That's correct, sir.

9 COMMISSIONER ROGERS: All right, thank you.

10 CHAIRMAN ZECH: Commissioner Curtiss?

11 COMMISSIONER CURTISS: Just one quick question.
12 There has been considerable and frequent turnover in the
13 top of the company and senior management within this
14 utility, that is obviously of concern to INPO. I take it
15 from what you say here that while that is a matter of
16 concern, that doesn't, in your judgment, affect your
17 recommendation here.

18 My question is you have heard the three
19 recommendations for near-term improvements that Mr.
20 Buonaiuto made this morning. Will those three
21 recommendations, if adopted, contribute to some stability
22 in the management of this company?

23 MR. STELLO: I think the results of the
24 referendum in June will be critical. As to what the
25 outcome of that is for predicting long-term effects, I

1 think we will need to see what happens in June, to give a
2 fairly complete answer to your question.

3 COMMISSIONER CURTISS: Okay. That's all I have.

4 CHAIRMAN ZECH: Well, let me just say one thing.
5 First of all, the INPO report in many ways was a useful
6 document in that it did, indeed, document the history of
7 performance at Rancho Seco Nuclear Power Plant, which has
8 not been good, as we know. It has certainly been well
9 below average. It also showed the troublesome pattern of
10 operational events which we are well aware of here at NRC,
11 it is not new information to us, but I think it should be
12 pointed out that those are facts.

13 And there have been a number of management
14 movements and changes there that the licensee himself
15 indicated would be preferable to improve upon. So, I
16 think the report should be viewed upon with some
17 seriousness, as the licensee has indicated, he intends to
18 do. So, I think that's important.

19 If there are no other questions from my
20 colleagues, then let me summarize briefly what I believe
21 we have heard here this morning. First of all, the SMUD
22 Board has indicated that they are committed to safe
23 operation of Rancho Seco. I think we heard that the
24 senior management at Rancho Seco believes that they do
25 have responsibility for safe operation of Rancho Seco, and

1 have stated that they are getting the adequate support
2 they need to operate Rancho Seco safely, and that they
3 believe that Rancho Seco can continue to be operated
4 safely.

5 I believe we have heard from the NRC staff state
6 that they have found the NRC licensed activities at Rancho
7 Seco are being handled in an adequate manner. And I
8 understand, Mr. Stello, what you are saying is that you
9 see no reason why Rancho Seco should not proceed with
10 power operations, is that correct?

11 MR. STELLO: That's correct, Mr. Chairman.

12 CHAIRMAN ZECH: I believe it is essential that
13 top management at Rancho Seco, including the Board of
14 Directors, recognize that concern for safety must be first
15 and foremost in all decisions that are made.

16 The Nuclear Regulatory Commission places safety
17 first in all of our priorities and we expect all our
18 licensees to do the same. Nuclear power is a demanding
19 technology. People and organizations involved in nuclear
20 power must be willing to make a strong, unwavering
21 commitment to assure safe operations of this demanding
22 technology.

23 I would request that the NRC staff continue to
24 stay closely involved in monitoring Rancho Seco for any
25 trends that would indicate a performance that is not

1 continuing to improve.

2 Based on our review of the available information
3 that we have seen here and what we have heard today, and
4 the presentations that we have heard today, and the
5 assurances of the continuation of close monitoring by the
6 NRC staff, I propose that the Commission not object to
7 resumption of power operations at Rancho Seco.

8 I would ask my fellow Commissioners if they have
9 any objections to that proposal?

10 (No response)

11 CHAIRMAN ZECH: I hear none. And that's the
12 position the Commission will take.

13 As I mentioned earlier in the meeting, when we
14 conclude this meeting, we will move right into a very
15 short affirmation meeting, which will just take a few
16 minutes.

17 And with that, thank you very much. We stand
18 adjourned.

19 (Whereupon, at 11:32 a.m., the meeting was
20 adjourned)

21

22

23

24

25

CERTIFICATE OF TRANSCRIBER

This is to certify that the attached events of a meeting
of the United States Nuclear Regulatory Commission entitled:

TITLE OF MEETING: BRIEFING ON RANCHO SECO

PLACE OF MEETING: ROCKVILLE, MARYLAND

DATE OF MEETING: APRIL 7, 1989

were transcribed by me. I further certify that said transcription
is accurate and complete, to the best of my ability, and that the
transcript is a true and accurate record of the foregoing events.



Reporter's name: Phyllis Young

4/7/89

SCHEDULING NOTES

TITLE: BRIEFING ON RANCHO SECO

SCHEDULED: 10:00 A.M., FRIDAY, APRIL 7, 1989 (OPEN)

DURATION: APPROX 1-1/2 HRS

PARTICIPANTS: SMUD BOARD OF DIRECTORS

20 MINS

- JOE BUONAIUTO, PRESIDENT
- DAVID COX, VICE PRESIDENT
- PETER KEAT
- EDWARD SMELOFF

SENIOR NUCLEAR MANAGEMENT

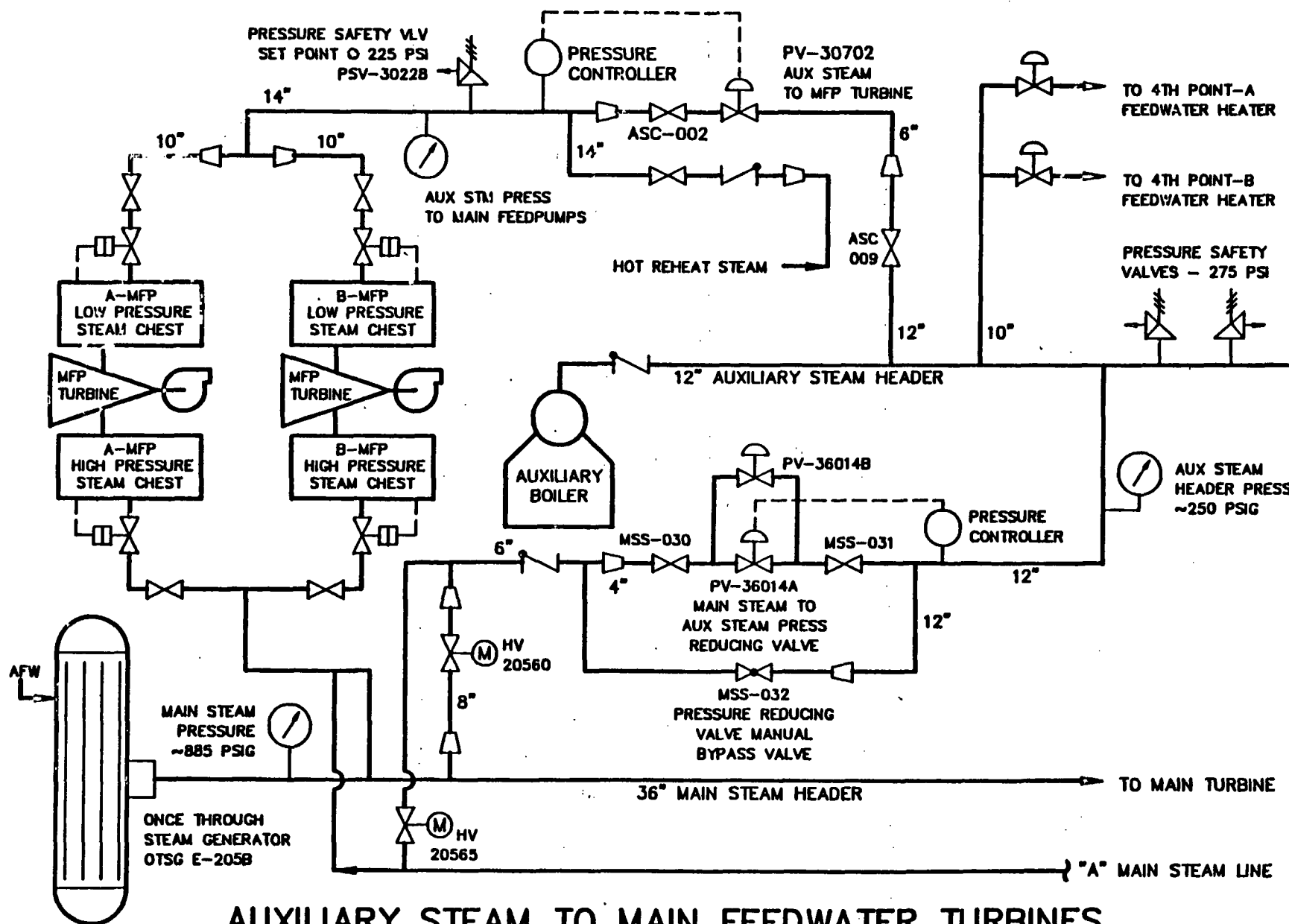
20 MINS

- DAVID BOGGS, GENERAL MANAGER
- JOSEPH FIRLIT, CEO, NUCLEAR
- STEVE CRUNK, MANAGER
NUCLEAR LICENSING
- STEVE REDEKER
OPERATIONS ENGINEERING SUPERINTENDENT
- WARREN PEABODY, MANAGER
NUCLEAR ENGINEERING

NRC

20 MINS

- VICTOR STELLO, EDO
- THOMAS MURLEY, DIRECTOR, NRR
- BOBBY FAULKENBERRY, DEPUTY REGIONAL
ADMINISTRATOR, REGION V
- ANTHONY D'ANGELO
SENIOR RESIDENT INSPECTOR, RANCHO SECO
- ROY ZIMMERMAN, CHIEF
REACTOR PROJECT BRANCH, REGION V
- GEORGE KALMAN



AUXILIARY STEAM TO MAIN FEEDWATER TURBINES

PROBLEMS WHICH LED TO DECEMBER 12, 1988
REACTOR TRIP

- INADEQUATE COMMUNICATION BETWEEN PLANT MANAGEMENT TO EVALUATE CONTINGENCY PLANS FOR DEALING WITH MULTIPLE VALVE FAILURES OR POTENTIAL REACTOR TRIP.
- FAILURE OF TWO IN SERIES AUXILIARY STEAM PRESSURE REDUCING VALVES.
- ATTEMPT TO TRANSFER CONTROL OF ONE PRESSURE REDUCING STATION FROM MANUAL TO AUTO WITHOUT A PROCEDURE.
- INADEQUATE LOCAL PRESSURE INDICATION FOR THE OPERATOR AT ONE OF THE PRESSURE REDUCING STATION CONTROL.
- HISTORY OF FAILURES ON ONE OF THE PRESSURE REDUCING STATIONS.
- BYPASS VALVE WHICH WAS USED DURING THE EVENT WAS OF QUESTIONABLE DESIGN CHARACTERISTICS FOR THE APPLICATION.

FOR THE RECORD

**THE ATTACHED APRIL 6, 1989 LETTER
FROM MR. ED SMELOFF (SMUD BOARD MEMBER)
TO ZACK T. PATE, PRESIDENT OF THE
INSTITUTE OF NUCLEAR POWER OPERATIONS
IS PLACED IN THE RECORD AT THE REQUEST OF
MR. SMELOFF.**

April 6, 1989

Zack T. Pate
President
Institute of Nuclear Power Operations
Suite 1500
1100 Circle 75 Parkway
Atlanta GA 30330-3064

Dear Mr. Pate:

I received your letter on April 5, 1989. As one member of the Board of Directors it is my intent to express to you that I am in agreement with much of your letter.

I agree that the history of the performance of Rancho Seco over the past 14 years has been poor. I also strongly agree that the incidents at Rancho Seco on December 12, 1988 and January 31, 1989 are troublesome and indicate management deficiencies.

I, too, am deeply troubled by the sudden loss of senior managers at SMUD last year. I had great confidence in former general manager Richard Byrne and Carl Andognini, our top nuclear executive. The precipitous firing of Richard Byrne by the Board of Directors on a three-to-two vote was a grave mistake. Before firing Byrne, the Board had asked Joseph Firlit to replace Mr. Andognini, who resigned the same evening, as CEO, Nuclear. Mr. Firlit stated to the Board that he did not trust Mr. Byrne and that he would be uncomfortable reporting to him. Following the statement of Mr. Firlit's concerns the Board decided to fire Mr. Byrne and hire Mr. Firlit as CEO, Nuclear. Obviously, the decision to fire a recently recruited general manager represented a deep division in the organization, caused a loss of morale among SMUD employees and damaged the institution's credibility in the community.

Your criticism of the provision in Measure C (Ordinance 88-1) which established short-term performance criteria for Rancho Seco is valid. Although I was not informed of the concerns you expressed in a telephone conversation with Cliff Wilcox on March 15, 1988, I expressed similar concerns about the Board's judgment in setting short-term performance criteria (Enclosed you will find my comments made to the Nuclear Regulatory Commission on March 22, 1988.)

The plant has failed to meet the 50 percent capacity factor criterion for the months of February and March and has been shut down for the first week in April. The automatic shut down provision of Measure C may come into play during the month of May. I would appreciate INPO's specific advice on

how to insulate the plant employees from undue pressure created by this provision.

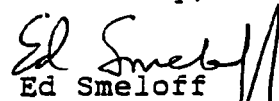
While I agree with your findings about Rancho Seco I must dispute your conclusion that this Board of Directors is largely responsible for the situation. The Board consists of three newly elected Board members, six-year incumbent Cliff Wilcox and myself, who has been on the Board for two years. This Board has only met six times and has neither hired nor fired any SMUD managers. Furthermore, most decisions about management of Rancho Seco made by the previous Board have been unanimous (see the attached table of Rancho Seco related votes).

The no votes I have cast during the past two years in regard to Rancho Seco have been for economic reasons. Indeed, most of the discussion among community leaders about the future of Rancho Seco has focused on its economic viability. With the expiration of SMUD's integration agreement with PG&E, our ratepayers must bear the full economic consequences of future outages at Rancho Seco. The additional costs to SMUD can be as much as \$200 million in any year. For a utility with an annual budget of \$680 million a future extended outage at the plant would be disastrous.

I welcome the opportunity to discuss with you or your staff my views about SMUD and Rancho Seco.

Because of the concerns expressed by the Nuclear Regulatory Commission as a result of your letter, I will provide them with a copy of this letter.

Sincerely,


Ed Smeloff
SMUD Board Member
Ward 3

cc: Nuclear Regulatory Commission
SMUD Board Members

FOR THE RECORD

**THE ATTACHED APRIL 11, 1989 LETTER
FROM MR. JOSEPH F. FIRLIT (CEO NUCLEAR,
RANCHO SECO) TO MR. ZACK T. PATE,
PRESIDENT OF THE INSTITUTE OF NUCLEAR
POWER OPERATIONS, IS PLACED IN THE RECORD
AT THE REQUEST OF MR. FIRLIT TO CORRECT
AN INACCURATE STATEMENT.**

April 11, 1989

Institute of Nuclear Power Operations
Mr. Zack T. Pate
President
Suite 1500
1100 Circle 75 Parkway
Atlanta, GA 30330-3064

Dear Mr. Pate:

Attached is a copy of a letter dated April 6, 1989, which you recently received from Sacramento Municipal Utility District (SMUD) Board Member, Ed Smeloff.

After reading the letter, I recognized that an inaccurate statement was made in paragraph three. This inaccurate statement is as follows:

"Mr. Firlit stated to the Board that he did not trust Mr. Byrne and that he would be uncomfortable reporting to him."

In a private session with the Board Members in June, 1988, I recall they asked me the following question and I provided them with the following response:

Question: Would you have any problem reporting directly to Richard Byrne?

Response: I would have a problem reporting to a General Manager who has publicly recommended the closure of Rancho Seco, since the main reason I left Consumer Power Company was to help save the plant from closure. However, I have always been able to work with people, and I would continue to do so with Richard Byrne.

I made no comments regarding the subject of trusting Richard Byrne.

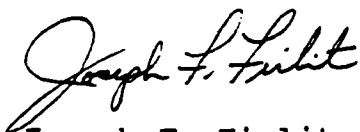
Mr. Pate

-2-

April 11, 1989

Since SMUD Board Member, Ed Smeloff, has asked Chairman Zech to enter his letter of April 6, 1989, into the Public Nuclear Regulatory Commission Hearing Meeting Record of April 7, 1989, I feel obligated to notify both you and Chairman Zech of the inaccuracy of this document.

Sincerely,



Joseph F. Firlit

7022 Pescado Circle
Rancho Murieta, CA 95683

Attachment

cc: Lando W. Zech
David A. Boggs
SMUD Board of Directors