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SUBJECT: Discusses 811021 meeting, re implications of SRP 13.1.1 for
 util nuclear organization. Util ngt recognizes NRC concerns
 re organizational structure. Expresses concern re requirements
 to use certain position titles.

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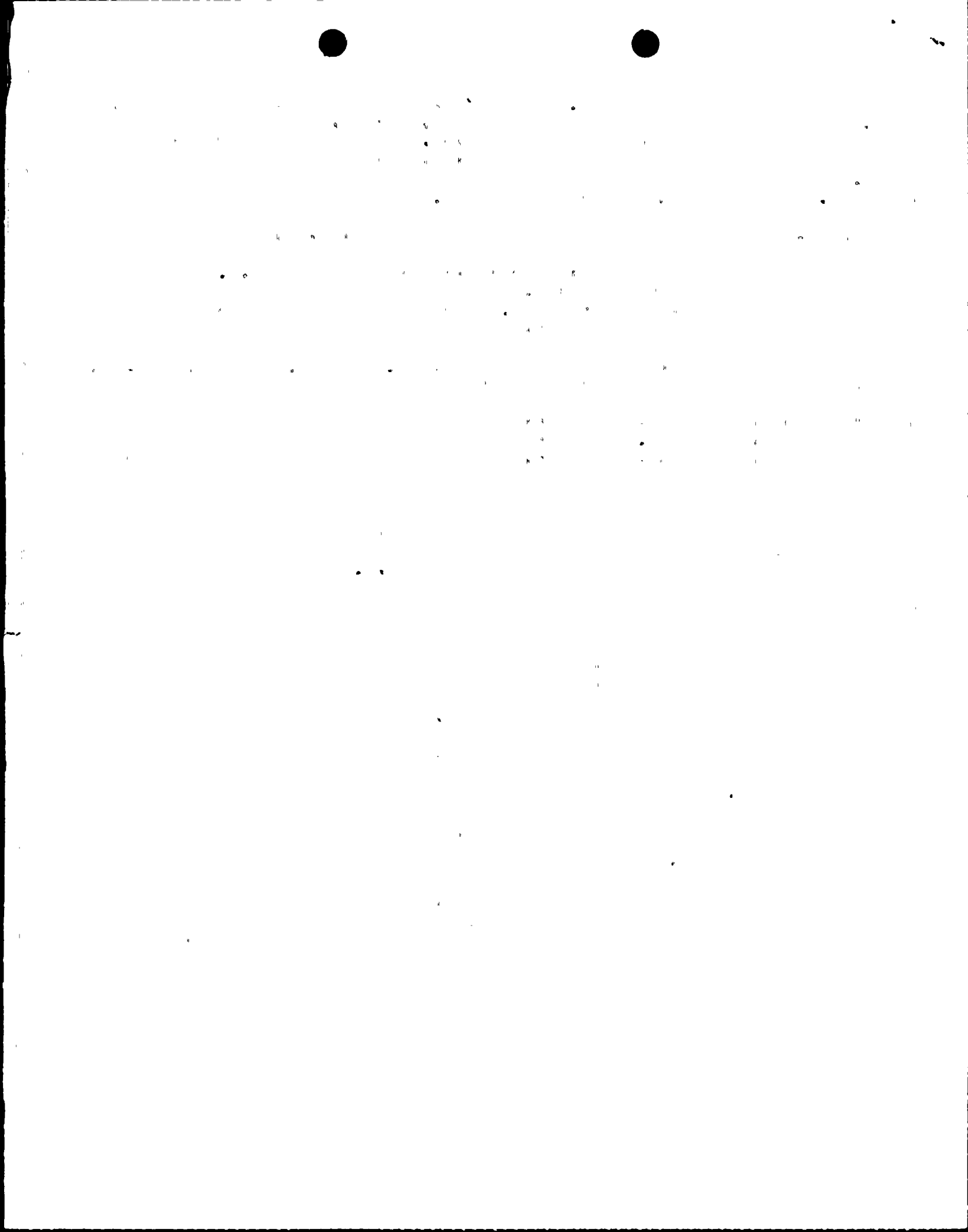
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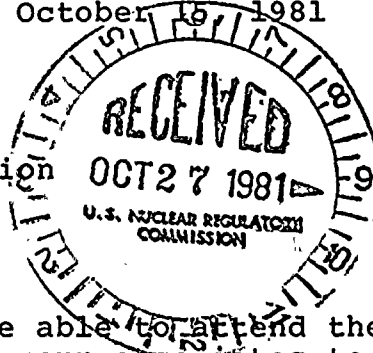
PUBLIC SERVICE COMPANY

P. O. BOX 21666 • PHOENIX, ARIZONA 85036

KEITH TURLEY
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

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October 19, 1981



Mr. H. R. Denton
Director of Reactor Regulations
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Dear Harold:

Unfortunately, I will not be able to attend the October 21 meeting with you and your associates to discuss the implications of SRP 13.1.1 regarding the APS nuclear organization. However, Thomas G. Woods, Jr., Executive Vice President and Chief Operating Officer, Edwin E. Van Brunt, Jr., Vice President, Nuclear Project Management, and G. Carl Andognini Vice President, Electric Operations, will be present. Therefore, I would like to take this opportunity to set forth some of my views as a starting point for your discussions.

First, let me assure you that the management of Arizona Public Service Company recognizes and understands the NRC's concerns about the organizational structure we have established to direct our company's nuclear operations.

It has been our intent -- from the time of our very first discussions that led eventually to the establishment of the Arizona Nuclear Power Project -- that any undertaking of this kind would be completed and operated in the most professional and safest manner possible. I have injected into the program my own personal commitment to this goal and have charged every person in my organization with meeting this responsibility.

We believe evidence of this commitment can be found in our intensive, thorough recruitment of the very best people available, and in the responsibilities these people have been given.

But we also believe that the NRC should not bind itself to titles such as "corporate officer," which is as much a legal term as it is managerial. Our legal counsel has reminded me that the title was developed by lawyers in the writing of corporate charters. Our Secretary is a corporate officer under the charter of our company, but he would not be qualified to run Palo Verde. Nor does he have a level of authority comparable to our Wes Hartley, who manages our nuclear operations at Palo Verde.

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Our company differs from some others in its structure. Larger utilities, for instance, may have many vice presidents -- vice president of electrical engineering; vice president of mechanical engineering; and so on. APS has very few such officers. Yet the success of Palo Verde shows we know how to manage without handing out titles with some legalistic connotation.

We also believe that our organizational structure -- and specifically the people who hold key positions within our organization -- allow us to meet the intent of NRC's guidelines. Let me give you some of my specific thoughts on this issue.

The Kemeny and Rogovin Reports both indicate that organizational structure was not necessarily a problem at TMI. Rather it was the identification of responsibilities within the organization that led to confusion. In other words, we think the key question should be framed as follows: do the people who are dedicated to the operation of PVNGS have a clear understanding of their responsibilities and the authority to carry out those responsibilities. We believe they do.

I think further evidence is found in that the NRC's actions following TMI, in placing many different requirements on training and qualifications of nuclear personnel, acknowledges that the organization itself does not necessarily lead to lack of management control.

The NRC draft safety evaluation report suggests that APS does not follow NRC guidelines which state, "The corporate-level management and technical support structures, as demonstrated by organizational charts and descriptions of functions and responsibilities, should be free of ambiguous assignments of primary responsibility; that a corporate officer should clearly be responsible for nuclear activities without having ancillary responsibilities that might detract from attention to nuclear safety matters.

In my view, these statements do not require that a corporate officer be solely responsible for nuclear operations, but they do indicate a concern (which we share) that a key manager with significant authority and knowledge of nuclear power should be assigned that sole responsibility.

We have recognized these guidelines and have addressed them by developing particular strength in our management and in providing clear support of our vice president for electric operations, Carl Andognini.

Carl has an exceptional background and understanding of the nuclear industry. He has over 23 years of nuclear experience ranging from reactor engineering and nuclear

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power plant management, to his present post here at APS. In addition, he has assisted in the preparation of ANSI standards and was a charter member of the INPO board of directors.

As vice president of electric operations, Carl is responsible for all of our power plants, including Palo Verde. He is also responsible for our transmission and distribution system, including its construction and operation. To help carry out these responsibilities, Carl has established six diverse departments. Two of these departments are directly responsible for specific nuclear activities: one for the direct operation of the entire Palo Verde station; the other for direct technical support to nuclear operations.

Reporting to Carl in these areas are the manager of nuclear operations and the manager of nuclear operations support...both dedicated solely to Palo Verde activities, without ancillary responsibilities which might detract from their attention to nuclear safety matters.

These individuals have a direct line of communication to Carl and have the responsibilities and authority we believe meet the intent of the NRC's concerns.

Reporting to Carl is Wes Hartley, who is our manager of nuclear operations. Wes is responsible on a full-time basis for the safe, reliable and efficient operation of PVNGS.

As manager of nuclear operations, Wes's responsibilities are not the same as those of a plant manager at a single reactor site. In fact, Wes is responsible for the entire site. This position would normally be in the corporate office, but because of the site location and size, Wes is located onsite. In addition to being degreed, Wes has held a position at another multi-unit site, so Palo Verde is not an unfamiliar situation for him.

Wes has an excellent team reporting directly to him at Palo Verde. Operations superintendent Rob Clifford, for instance, has an operations supervisor for each of the units at Palo Verde reporting to him. And each of these supervisors holds a senior reactor operator's license.

Right now, Rob Clifford is overseeing the writing of plant procedures for Palo Verde which define both organizational and position responsibilities and the interfaces between groups, as well as other operational functions. In other words, responsibilities are not only understood, but they are spelled out clearly in print.

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Other support groups at Palo Verde which report directly to Wes Hartley are Engineering & Technical Services, Maintenance, Operations Quality Assurance, Security, Administrative Services, Training and others.

At corporate headquarters, situated in the same office area as Carl Andognini, is John Vorees, manager of our nuclear operations support department. John also reports directly to Carl and is responsible on a full-time basis for providing expertise in the areas of nuclear licensing, nuclear plant operations, corporate health physics and emergency planning, and for coordinating on a day-to-day basis PVNGS operations and the other interfacing departments of APS available to support Palo Verde.

Parallel with the nuclear operations group, and providing an independent review of Palo Verde requirements, is the nuclear projects management group, with vice president of nuclear projects Ed Van Brunt at its head. In addition to being responsible for the construction of Palo Verde, Ed's nuclear projects department provides proficient nuclear engineering assistance to Palo Verde operations.

Within Ed's group, two nuclear managers direct the engineering activities and are assigned to provide direct support to nuclear operations in the areas of electrical engineering, instrumentation and controls, licensing, mechanical engineering, civil engineering, and nuclear engineering, as well as health physics/radiation protection and records management. This group has no other role save this direct support responsibility.

Our corporate nuclear quality assurance department is also available to provide additional expertise and support to the PVNGS operations quality assurance department.

Finally, Carl and his people also have direct support in the form of nuclear expertise and independent safety assessment by the safety audit committee. This committee is made up of highly qualified individuals from within as well as outside the company and meets regularly to undertake or oversee projects assigned by Carl and to review them specifically for compliance (with 10 CFR 50.59).

During their visit, Tom, Carl, and Ed will be pleased to answer any questions you may want to pose about our organization and how it is designed to operate. They look forward to discussing this matter with you.

Wes Hartley
Sincerely,

