

HOUSTON LIGHTING & POWER COMPANY

P.O. Box 1700
HOUSTON, TEXAS 77001

G. W. OPREA, JR.
EXECUTIVE VICE PRESIDENT

June 1, 1981

Mr. Karl V. Seyfrit
U. S. Nuclear Regulatory Commission
Region IV
611 Ryan Plaza Drive, Suite 1000
Arlington, Texas 76011

Dear Mr. Seyfrit:

At an exit interview on April 10, 1981, Mr. Collins described the results of an NRC investigation concerning alleged obstruction of a previous NRC investigation of the temporary electrical department and alleged intimidation of employees of that department by an electrical foreman. Those results were subsequently provided to us in NRC Investigation Report No. 81-11.

At the time of the exit interview, Brown & Root committed to conduct its own investigation of that department. A copy of Brown & Root's report of that investigation, dated May 20, 1981, is enclosed for your information.

We have reviewed the report, which, in our view, demonstrates that the matter has been thoroughly investigated. The facts concerning the removal of three suitcases of equipment from the electric termination shack appear to be undisputed, but it is unclear how, when, and by whom certain documents were placed in those suitcases. However, neither the equipment nor the documents were involved in safety-related activities; there was no discrepancy in the documents, and none were required to be kept by the NRC. As to the allegation of intimidation, although the Brown & Root investigation could neither substantiate nor refute the cited instance, the foreman involved was terminated for other reasons.

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In addition, Brown & Root has taken steps and undertaken further reviews to assure that employees at the site are aware of the importance of open communications, that supervisory personnel are qualified, and that personnel in other departments do not feel intimidated in calling attention to any job-related problems. We concur in the steps being taken by Brown & Root, and we will keep you informed of the results of the further reviews.

Please let us know if you require any further information on these matters.

Very truly yours,

A handwritten signature in dark ink, appearing to read "G. W. Oprea, Jr.", written in a cursive style.

GWO:jow

Houston Lighting & Power Company

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Howard Pyle
R. L. Waldrop
H. R. Dean
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6/1/81

Brown & Root, Inc.

A Halliburton Company

K. M. Broom
Senior Vice President
Power Group

Post Office Box Three, Houston, Texas 77001

(713) 676-8187



May 20, 1981

Mr. J. H. Goldberg
Vice President
Houston Lighting & Power Company
Post Office Box 1700
Houston, Texas 77001

Dear Mr. Goldberg:

Attached is a description of the actions which Brown & Root has taken in regard to the subject covered by the NRC Investigation 81-11.

If you have any questions, please let me know.

Sincerely,

BROWN & ROOT, INC.

K. M. Broom
Senior Vice President

mm
attachment

c W. M. Rice
E. A. Saltarelli
R. J. Vurpillat

MEMORANDUM



TO: Dr. Knox M. Broom

FROM: S. H. Grote

DATE: May 20, 1981

RE: NRC Investigation 81-11: Allegations of obstruction
of an NRC investigation and intimidation of employees

On Friday, April 10, 1981, you will recall that you and I attended an NRC exit interview conducted at the end of an NRC investigation of allegations of problems in the temporary electrical department at South Texas Project. The NRC indicated at the exit interview that three Brown and Root supervisory personnel admitted, in varying degrees, of conspiring to obstruct an NRC investigation and that there was evidence of intimidation by one Brown and Root foreman. I committed to the NRC that Brown and Root would conduct a thorough investigation of the department as a whole.

On Monday, April 13, 1981, Glen Magnuson and I visited the Project site and commenced an investigation using the information supplied by the NRC as our starting point. Magnuson and I examined the temporary electrical department supervisor's office, the foreman's office, and the electrical termination shack, including a review of the tools kept there, the method of accounting for the tools, and the records kept in the termination shack. The tools kept in the termination shack are those such as pliers, crimpers, and meters used to make electrical connections for the department that provides construction power at the site. The temporary electrical department is not a safety-related area, and personnel, tools, and materials from the department have not been used in safety-related work.

We interviewed Jack Hawkins, the foreman of the termination shack, who told us that on October 28, 1980, he had talked to Freda Cortez, a clerk who had told him that the NRC was coming on the site the next day to investigate the termination shack. They discussed what action should be taken, if any, by Hawkins to prepare for the NRC investigation. Freda Cortez had previously been in charge of the termination shack and had kept the equipment records which were located there. She had been transferred in September of 1980

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to the pipe fabrication shop. According to both individuals, on October 28, 1980, Cortez told Hawkins to make sure that his equipment sign out logs matched the records kept on each piece of equipment. Hawkins told us that in preparation for the NRC visit, he merely reviewed the materials and records in the termination shack to assure that all of them were properly accounted for. On October 30, 1980, the NRC inspected the electrical termination shack equipment and records as part of their Investigation 80-34. Their investigation report stated the following:

"Examination of termination kits disclosed that required equipment maintained there was present and that necessary calibrations of each item of equipment had been appropriately conducted as required. Review of maintenance and calibration records maintained in the termination shack disclosed all items were well maintained and no documentary shortcomings were noted. Lastly, the cleanliness and orderliness of the records systems, equipment and the termination shack was noted by the IE inspector to be exemplary."

In addition, interviewing both HL&P and Brown and Root supervisors on October 30, 1980, affirmed that "to date no safety-related electrical work has yet been done at STP." During the course of his review of the termination shack equipment and records on October 29, 1980, Hawkins says he saw, amongst other things, three fiberglass suitcases which had been in the termination shack since he had taken over as foreman in April of 1980. He had never been able to identify them, or find any records for them. He opened the cases and found, as he had found when he had opened them before, that each of them were similar and each contained a nitrogen gas cylinder.

Jim Akins, a Brown and Root quality control inspector, had previously told Hawkins, in a routine Brown and Root QA surveillance audit conducted on October 23, 1980, to remove the suitcases from the termination shack, since Hawkins could not properly account for them. This audit, a part of the Brown and Root non-safety audit program, was conducted prior to any knowledge by Brown and Root employees that any NRC investigation was planned. The audit report did not mention the suitcases since they were not on the inventory of tools for the shack. Both Hawkins and Akins told us that Hawkins had asked Akins during the audit how he should handle the cases. Akins told him to remove them if they did not belong there.

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Hawkins stated to Magnuson and me that because he did not want to be embarrassed by his inability to identify the suitcases, he took one of them to the foreman's office occupied by Spec Stewart and James Kay, and asked if either Stewart or Kay could identify them. Neither Kay nor Stewart knew what the cases were intended to hold. Hawkins and Kay went back to the termination shack and removed the other two cases and placed the three of them in a clearly visible area behind James Kay's desk. Hawkins, Stewart, and Kay recall opening all three cases on that occasion and finding that none of them contained any papers or documentation or anything other than the nitrogen gas cylinders. Apparently, neither Stewart nor Kay nor Hawkins made any further attempt to identify the cases or find out to which department they belonged.

On Thursday, April 9, 1981, NRC investigator Dick Herr, John Collins, deputy director, NRC Region IV, and Shannon Phillips, the Resident Reactor Inspector at South Texas, went to the foreman's office unannounced, went directly to the suitcases which were in the same place where they were placed last October and opened one of them and found 95 documents in that case. On questioning Hawkins, Frankum, Kay, Stewart, and Cortez, who by this time had been reassigned to the termination shack, the NRC apparently could not conclusively determine who had placed the documents in the case or when they had been placed. Hawkins gave a sworn statement to the NRC, a copy of which he subsequently gave us. The statement indicates that Hawkins had been informed by Cortez of the NRC's plan to investigate the termination shack prior to the October investigation (80-34) and that in preparing for the investigation he may have placed the documents in the suitcase. In a statement given to Harlan Fowler, assistant construction manager on April 10th, and in further interviews with Magnuson and myself and other Brown and Root personnel, Hawkins steadfastly maintained that the statement he gave the NRC was incorrect and that in fact he had no idea who placed the documents in the suitcases, or when they were placed, and stated he is sure that when he moved the suitcases in October of 1980 they contained no documents. Hawkins told us that he had attempted to reorganize the termination shack records in accord with Brown and Root QA recommendations at about the same time as the initial NRC investigation of October 1980, and this resulted in considerable confusion in his mind as to when and why certain actions were taken. Hawkins said that the reason he indicated to



the NRC that he may have placed the documents in the suitcase was that he felt responsible for the actions of Cindy Koenig, his subordinate, who he felt "must have" put the documents in the case in cleaning up the termination shack, either in preparation for the NRC or in response to the prior Brown and Root QA Audit.

In interviewing Cortez, Kay, Stewart, Hawkins, Koenig, and Frankum, we could not elicit any information from anyone concerning who put the documents in the case or when they were placed there. Hawkins and Cortez indicated that Ernest Wyatt, a former Brown and Root employee now employed by HL&P, and his wife Marie Wyatt, also a former Brown and Root employee, might have knowledge about the matter. We interviewed Ernest Wyatt, who told us that while he was a Brown and Root employee in October of 1980, he witnessed Jack Hawkins and James Kay removing the suitcases from the termination shack and that he, Freda Cortez, and his wife had discussed this fact and were curious about the matter. We have talked to Marie Wyatt by telephone. She had been terminated from Brown and Root employment in September 1980, for failure to take a job transfer out of the same department in which her husband is employed, as required by Brown and Root procedures. She denied any knowledge of the removal of the documents.

At Brown and Root's request, in an attempt to verify the statements by Cortez, Wyatt, Frankum, Stewart, and Koenig that they had no knowledge about the documents and that they did not participate in placing the documents in the case, these individuals all agreed to take polygraph examinations conducted by Morris Covin & Associates in Houston. The results of the examinations confirmed their statements. James Kay refused to take the polygraph examination. Jack Hawkins also took the examination, and on two separate occasions under two examinations, interpreted by different examiners, when asked if he had participated in placing the documents in the case answered "no", but the answer was interpreted by both examiners as being deceptive.

Magnuson and I examined the 95 documents and determined that they were all documents which pertained to instruments or tools located in the electrical termination shack, and that the documents were not related in any way to the gas cylinders in the suitcases. In fact, our investigation revealed that all of the documents related to four instruments. The first

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instrument was a Simpson meter, which was calibrated and located in the calibration lab. Two of the instruments were Megger meters, which were both out of calibration and located in the calibration lab. The fourth tool was a crimper, which was inoperable and also located in the calibration lab. Our examination revealed that the documents were in good order, did not show any signs of erasure or marking out, and did not indicate any of the tools were used in an improper way or used on any safety-related equipment. In short, we could find no discrepancy whatsoever involving the use of the tools or in the records themselves. Nothing in the documents would indicate anything that anyone would want to hide from Brown and Root or the NRC. Furthermore, none of the documents involved safety-related work, and none of them were required to be kept by the NRC.

The file folders for each of the tools were located in the file cabinets in the termination shack where they belong, but each of the file folders were empty and it is likely that someone removed the entire contents of each of the four folders and placed them in the suitcase. As indicated above we have been unable to identify the person or persons involved with removing the documents or placing them in the suitcase or any reason for the removal of the documents. Ernest Wyatt in his polygraph examination, indicated in answers interpreted to be truthful that it was likely "that his wife Marie Wyatt may have participated in either moving the documents herself, or having someone do them." As noted above, in a telephone call she denies this.

Our investigation found that suitcases were removed because they could not be accounted for, but they were not destroyed, hidden or concealed. They were taken to the supervisors' office for identification, and apparently, were not properly accounted for at the time of the 81-11 Investigation due to inadvertance or carelessness by those in possession of the suitcases. We ultimately determined that the cases belonged to the main tool room. As indicated, neither the equipment nor the files in question affected safety-related activities at the plant. We could not reach a conclusive determination of the issue of who placed the documents in the suitcase or when they were placed there. However, if the representations which Hawkins now makes to us are true, (the only plausible explanation) which we could formulate after our examination of the persons and documents involved is that they were apparently removed from the files and placed in the suitcase by one or more persons in an attempt to embarrass individual employees, the Company, the project, or the department using the NRC as the vehicle to expose some grievance.

NO

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In interviewing each of the witnesses involved, it became apparent that many employees were concerned about other activities involving Biddy Frankum, Electrical General Superintendent. Specifically we were able to verify allegations that Frankum had stolen a generator and quartz lights which belong to the project, and removed them from the job site and later filed a lost or stolen report on the equipment. Frankum admitted to having done this, and returned the equipment to the job site during our investigation. In addition, we were able to substantiate that Frankum had several female friends in his department who at least were perceived by others to be in a preferred position where their lack of performance or deficient performance was excused because of their relationship with Frankum.

We confirmed from both parties that Hawkins had, in at least one statement to Cortez, indicated that he would be unhappy if employees working for him took their problems to anyone other than himself. This was apparently construed by Cortez as intimidation, i.e., that if they spoke to anyone else they would be fired. Interviews with other individuals disclosed that none were intimidated by Hawkins. We could not verify that any instructions were ever given not to write three-part (discrepancy) memos. While we could find no evidence to discourage the reporting of discrepant conditions by use of the three-part memo, or any other method, we nonetheless instructed the site manager, Jim Thompson, to reiterate to all supervisors the importance of encouraging employees to use the three-part memo and other appropriate means to report discrepancies and to do nothing to discourage their use.

As a result of the investigation conducted by Magnuson and I, this information was made available to Harlan Fowler, the assistant construction manager, and James Thompson, the site manager and the following action was taken:

- (a) On April 30, 1981, Frankum was terminated from the job for theft of company property.
- (b) Stewart and Kay were terminated from the job on Tuesday, May 5, 1981, for negligence and failing to account for company property in that they failed to attempt to verify the nature of the equipment or other identification of the three suitcases. Other considerations of job performance contributed to the decision to terminate, such as Stewart's prior job record and Kay's apparent knowledge of Frankum's misconduct.

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(c) Hawkins was terminated for making untrue statements to the NRC. Hawkins consistently maintained to us that his sworn statement to the NRC was not correct.

As a result of the matters disclosed herein, Brown and Root Senior Management has issued the attached statements to all supervisors and employees respectively. In addition, I suggest that W. M. Rice address site supervision and make special emphasis of these problems, and the importance of open communication on the job including the use of established discrepancy reporting procedures.

Furthermore, while we believe from our conversations with supervisors in various departments on the job that the problems uncovered were restricted to this department and represented an isolated event, we are instructing Harlan Fowler to determine whether any other instances of conduct similar to that uncovered exist on the job, by an appropriate number of interviews with craft personnel and supervisors, to assure ourselves that this was, in fact, an isolated problem.

We have also instructed Fowler to conduct his own personal evaluation of the qualifications of all site supervisory personnel, foreman level and above, to determine if any present supervisor is underqualified for such duties and to suggest whether outside assistance is desirable to assure that personnel in other departments do not feel intimidated in calling attention to any job related problems.

SHG/lrs

BROWN & ROOT, INC.
OFFICE MEMO



TO: Distribution
FROM: W. M. Rice
SUBJECT: Attached Employee Statement

May 7, 1981

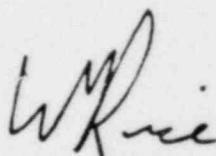
The NRC has recently completed investigating charges of improper conduct in the Electrical I&C Department at STP. The NRC found, among other things, that several employees "conspired to obstruct" an NRC Investigation by removing equipment and/or documents from an area which the individuals were told was to be inspected by the NRC. The employees should all be made aware that these matters may be treated by the Government as potential violations of Federal criminal laws.

B&R Management has independently investigated the situation. In the course of the investigation instances of negligence, theft and violations of Brown & Root's policy of encouraging employees to bring problems to the attention of their supervisors were found. As a result, several employees were terminated.

We strongly reemphasize that the safe construction and operation of the STP is our primary goal. It is crucial for all of our employees to conduct themselves in a totally open and candid manner. Falsification, untruthfulness, or concealment will not be tolerated.

If you or your employees have any questions whatsoever about these obligations, they should be referred to the Brown & Root Legal Department through appropriate management channels.

All employees should be reminded of Brown & Root's long-standing "open door" policy. Our job is to treat seriously and respond appropriately to all employees' job-related complaints and problems.


W. M. Rice

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Attachment

May 7, 1981

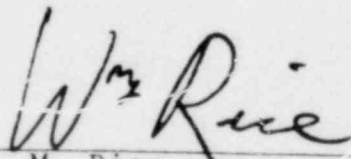
NOTICE TO ALL STP EMPLOYEES

Any attempt to falsify information or the giving of false information to the Nuclear Regulatory Commission may be treated as a violation of the criminal laws of the United States, the penalties for which are fine or imprisonment or both. Any effort or attempt to falsify project documents or information will result in termination.

The safe construction and operation of the South Texas Project is our primary goal. This requires complete truthfulness, openness and candor by all employees.

Employees are encouraged to communicate any job-related problems to their supervisor without fear of reprisal. We further remind you of your reporting obligations under 10 C.F.R. Part 21, posted in various locations on the project.

If you have any questions about this Notice, feel free to contact your supervisor.



W. M. Rice
Group Vice President