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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

|                             |   |                      |
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| In the Matter of            | ) |                      |
|                             | ) |                      |
| METROPOLITAN EDISON COMPANY | ) | Docket No. 50-289 SP |
|                             | ) | (Restart)            |
| (Three Mile Island Nuclear  | ) |                      |
| Station, Unit No. 1)        | ) |                      |

LICENSEE'S TESTIMONY OF

ROBERT C. ARNOLD

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LICENSEE'S TESTIMONY OF

ROBERT C. ARNOLD

My name is Robert C. Arnold. I am President of GPU Nuclear Corporation. Since the accident at TMI-2, I have concentrated my attentions on Three Mile Island and have spent most of my time at the TMI site itself. I have testified previously in this proceeding and additional details on my professional and educational background are described at paragraph 131 of the partial initial decision on management issues, dated August 27, 1981.

The last two-and-one-half years have yielded almost a continuum of unprecedented challenges to us at Three Mile Island. We have faced and, to date, have met these challenges which have appeared in all stripes--technical, personnel, financial, labor and public relations related. In my opinion, however, and in full recognition of the importance and complexity of the host of prior problems and other current problems we face, none has been as troublesome as this issue of cheating and its implications as to the integrity of our personnel and thus collectively of the Company itself.

I address this issue as President of GPU Nuclear Corporation, a company consisting of thousands of employees and responsible for the operation of three nuclear plants. An important element of my perspective is our Company's responsibility for protection of public health and safety. As president, I not only hold my own views on personal integrity and

its application in the workplace, but also am called upon to apply my views in decisions I make and policies I set, thereby imposing my views on many others. This has compelled me not only to make many judgments regarding the correct or right course of conduct but also to test the completeness, logic and effectiveness of my own views on what constitutes acting with integrity in the workplace.

Since my initial involvement in the Navy nuclear program over fifteen years ago, I have been continuously aware of the extent to which the use of nuclear energy is critically dependent upon the integrity of the people designing, building, operating and maintaining the nuclear facilities. Without confidence that such integrity in fact exists, there can be no nuclear power program. As in few other endeavors, authorization to operate a nuclear facility involves public trust that must be maintained. Cheating or other actions that violate that trust cannot be tolerated. The management of this organization will not tolerate cheating, we recognize our clear responsibility to take appropriate steps to prevent it, and we will deal with it firmly if it does occur.

This philosophy is set forth in corporate policy documents and represents not only my policy but that of the people to whom I report. I believe it is understood and agreed to by all levels of management. While these statements of policy do not specifically address the issue of cheating on examinations, there should be no doubt that they proscribe such activities as

cheating. Thus it is, and has been, my policy that any cheating in the operation, in its broadest sense, of our nuclear plants will not be tolerated. Regarding the cheating which is the subject of this hearing, if management is to be faulted, it would be that we either failed to enunciate this policy explicitly enough or that we failed to establish and enforce the necessary safeguards. I will discuss our actions in this regard later on in my testimony. However, let there be no doubt that it is not my policy to condone cheating. I believe that no known wrongdoing should be permitted to go unaddressed by management, and, further, the threshold of conduct which is "beyond the pale" is low.

Clearly, it is easier to set policy than it is to make sure it is carried out. This involves not only making sure a given policy is known, understood and enforced; it requires a management capable of using sound judgment in handling situations where breaches of the policy may have occurred. Addressing the type of problems that are the subject of this hearing is particularly demanding of sound judgment. The Company needs to know about problems and all the circumstances relating to problems. If our employees do not have confidence that they will be treated fairly and with a recognition that even the most reliable personnel will occasionally fall short, the results may be extremely adverse to safety. Thus, we are faced with having to balance the conflict that exists between being sure people understand they will be held accountable for

their performances and the constraining influence that this could have on their willingness to be completely frank if they believe their disclosure of information would threaten them or their coworkers. This conflict does not have an unambiguous answer. We believe we have the best opportunity to minimize the effects of this conflict by: (1) emphasizing to our employees that safety of nuclear plant operations depends on the Company having all the facts relating to plant operations, and hence, on the character and integrity of everyone involved; (2) demonstrating through example, management's adherence to the highest principles; and (3) instilling in our employees confidence that we will deal with them fairly.

I have been impressed on many occasions by the extent to which we must, and do, inherently rely upon the honesty of others in business activities. It is fair to say that my management approach has assumed a basic honesty in our employees. I remain convinced that that trust has been well placed, despite the disappointments which are the focus of this hearing. In particular, my experience with operators in the Navy nuclear program and with operators at TMI has given no reasonable basis for distrusting operators of nuclear plants with which I have been associated. To the contrary, as a group subject to the same human frailties as any other, they have collectively earned my professional and personal respect.

With this background, I turn now to describe my own knowledge of the cheating issue and involvement in investigations relating to this issue.

My first knowledge of cheating or the potential that cheating might have occurred on the April, 1981 NRC written examinations came from NRC late in the day on July 27, 1981, when NRC investigators came to TMI to conduct interviews of our employees. I expressed to the NRC personnel our willingness to cooperate fully and to make personnel available for interviews where desired by the NRC. I decided that in order to ensure no interference or perceived interference with the NRC's investigation, the Company would conduct no investigation until the NRC had completed its work. Alerted by the NRC to specific facts concerning two operators, we relieved those two individuals of their licensed duties pending the outcome of the NRC investigation.

I instructed Mr. Hukill, Vice President, TMI-1, to make a member of management available to accompany our employees being interviewed, if the employees desired. The investigators stated that interviewees could have one or more additional individuals of their choice with them during an interview, but that NRC did not plan to volunteer to them their right to do so. I informed NRC that we would advise the interviewees of this right. Mr. John F. Wilson, Esquire, in his testimony on behalf of Licensee, and Mr. Hukill in his, describe our involvement with interviewees and the NRC during the last week in July when NRC's interviews were being conducted. In summary, we cooperated fully with NRC in volunteering pertinent information or responding to their requests, including the

scheduling of interviews. Each interviewee that we scheduled was advised in advance of his interview of his right to have someone of his choice accompany him to the interview. Also, each individual was encouraged to participate in the interviews and to be fully cooperative. To my knowledge, every individual whom NRC requested to interview did participate voluntarily.

In addition to cooperating with NRC requests, we volunteered to NRC information which we thought could be of potential interest. For example, I advised NRC on July 28th of two matters which I believed might be of interest in the investigation. The first was my recollection that one of the two operators involved in the instant NRC investigation had been a party to an incident in July, 1979. I did not recall fully the details but instructed John Wilson to provide them to NRC from our documents. This incident and management's reactions to it are described in Gary Miller's testimony. The second matter, which I immediately passed on to NRC when I first learned of it on July 28th, was the existence of rumors within the Company of cheating on the April, 1981 NRC examinations.

With the completion of NRC's interviews on July 31st, and my knowledge then of the statements made to the NRC by two of the operators concerning their own conduct in April, 1981, on the NRC examinations and on mock examinations administered by our contractor, ATTS, I personally interviewed both of them. I confirmed in these interviews that their conduct was such as to



require termination of their employment with the Company. I also took the occasion to inquire of them whether they were aware of cheating by any other operators; both plainly stated that they were not.

Upon completion of the NRC's investigation, we proceeded with several additional steps of our own. I directed that Company-administered qualifying exams, including the examinations administered in April, 1980, by our contractor PQS (generally referred to as the "Kelly examinations") and make-up Category T exams, be reviewed by an independent contractor to discern any indications of cheating. Edward Trunk, a member of the faculty at Penn State's Middletown campus, was selected to do this review, and was subsequently requested to review Kelly non-Category T make-ups, two sessions of the ATTS mock exams in 1981, and mock exams administered to four operators in March, 1979. The method and results of Mr. Trunk's reviews are described in his testimony. We also launched our own follow-up of any rumors to which we were alerted, and we interviewed available individuals whom Mr. Trunk's reviews disclosed might possibly have cheated. The results of these follow-up reviews and related interviews were provided to NRC as they became available, and are described in Mr. Wilson's testimony. Another step which I took during this period was to meet with nearly all the operators on August 4th to reaffirm management's support for them but at the same time to emphasize to them management's expectations of high standards in their conduct,



and to describe to them first-hand the reasons I was taking action on the two licensed operators. This meeting also offered me an opportunity personally to advise each operator of his responsibility and duty to advise management of any other instances of cheating of which he was aware.

Finally, during the same period and particularly as a result of Mr. Trunk's review and our interviews with operators, we took a close look at our training department's policies, practices and procedures for the administration of examinations. Dr. Long, Director of Training and Education, in his testimony with others from the training department recounts these practices and steps we have taken to upgrade our practices. Briefly, we did not have in place and did not enforce guidelines for the taking of examinations which were adequately and clearly understood. The corrective steps we have taken appropriately fill that void. These corrective steps came too late, however, to remove the doubts which resulted from Mr. Trunk's review about performance by the operators on the Company-administered Category T make-up exams. Therefore, without regard to past performance on Category T make-ups, we have committed to reexamine every operator who did not pass the Category T test administered by Kelly in April, 1980. These reexaminations, which must be acceptable to NRC, will require a grade of 90% or better to pass.

More recently, I issued in early October a letter to all employees (Attachment 1 to this testimony) in which I

reiterated the Company's policies on fulfilling regulatory requirements, reporting nonconformances with requirements and cooperating with regulatory agencies. In the same time frame, division heads in GPU Nuclear, including Mr. Hukill, provided a second letter to management and operational personnel which set forth the Company's view on the need for proper attitudes towards regulatory requirements. A series of one-on-one interviews were conducted by Mr. Hukill, Mr. John Herbein (Vice President, Nuclear Assurance) and Mr. Richard Wilson (Vice President, Technical Functions) with individuals from their respective division who were candidates for NRC licenses at TMI-1. During these interviews the subjects addressed in my letter and in their own division head letters were discussed, and a further check was made on any awareness of cheating or possible cheating on examinations by licensed operators and their attitudes toward their responsibilities.

Mr. Hukill's interviews, which accounted for most of the licensed operator candidates, are described in his testimony. Suffice it to say from my vantage point that I was heartened by Mr. Hukill's reports of the reaction of individual operators to these interviews. He reported that their responses were candid and the exchanges were healthy. The only new significant information identified was by one individual who recounted voluntarily his recollection of an incident during the April, 1981, NRC exams.

The incident that Mr. Hukill learned of during his interviews deserves comment. This operator, whom we have

observed for over seven years and who has performed during that period without adverse incident, recounted to Mr. Hukill that during a personal break from the NRC exam, he was asked and responded to an examination question by an individual from another examining room. The spontaneity of the response, his having voluntarily reported it to us, his recognition of the seriousness of this incident, and our confidence that he will react correctly in the future were factors which shaped our judgement on the appropriate response by management which was to issue a letter of reprimand. Termination, relief from licensed duties, or leave without pay were alternatives that were considered. I participated in and am comfortable with the ultimate decision. His action was an improper and unacceptable wrongdoing which resulted from an impromptu response but which is below that threshold of breach of faith that would make him unsuitable for assignment to licensed duties. I believe it to be an atypical indicator of this individual's performance, which stands no chance of being repeated.

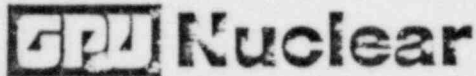
Mr. Herbein's interviews resulted in no additional disclosures of problems.

Mr. Richard Wilson's interviews with individuals in his division who were candidates for NRC operator licenses in April, 1981, yielded information about one possible incident during the Kelly exams in April, 1980. WW, a Shift Technical Advisor ("STA"), reported to Mr. Wilson that while he (WW) was in the shift supervisor's office at TMI-1 during that period,

he (WW) was telephoned by an individual with a question typical of those generally asked of him in the performance of his duties. WW therefore answered the question without hesitation. Later, WW learned that one of the Kelly exam questions was the one he had been asked over the telephone. WW did not know the identify of the caller. Following the WW interview, Mr. Wilson reported WW's account to me and I promptly reported this information to Mr. Victor Stello, Director of the Office of Inspection and Enforcement. I&E subsequently investigated the matter. We have reviewed NRC's report, but, like NRC, know of no way to conduct further meaningful inquiry of this incident.

In summary, management has taken the appropriate steps to uncover and to follow up on any instances of cheating, or possible cheating or rumors of cheating. The confirmed instances of cheating are regrettable and distasteful, but our own and NRC investigations have shown them to be isolated and not indicative of the overall performance of our operators or the Company management. The individuals identified as being involved in instances of cheating have been dealt with appropriately and corrections in the training department's procedures and practices have been made and disseminated to assure uniform understanding of what is expected. There has been no management involvement in the isolated cases where cheating has occurred, and there is no indication of encouragement of cheating by management. To the extent management has not fully appreciated the individual operators' perspectives of

management, of training, and of NRC and its exams, this cheating matter has provided a useful--albeit extremely difficult and sensitive--vehicle for earnest exchanges between the operators and senior management. With the NRC's exams behind them (and, I expect, successfully so) and this hearing underway with expectation for its completion in the near term, I anticipate that the esprit which we have worked so hard to foster will not only return but with more strength than we have previously experienced and we will enjoy in practice the efficiency and effectiveness of the organization which I described in my earlier appearance in this proceeding in February, 1981.



**GPU Nuclear**  
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Writer's Direct Dial Number:

October 1981

Dear

The special demands inherent in the utilization of nuclear technology impose upon the Company additional responsibilities and needs not generally found in other industrial situations. Because of the potential for the facilities to affect the surrounding communities, our employees have a broader responsibility for diligent, capable and professional performance than just their obligation to the Company. For these same reasons, a large body of regulatory requirements have developed.

The obligation for compliance with these various requirements extends to all of us. As the government regulators carry out their responsibilities for assuring compliance, they interact throughout the organization.

Under these circumstances, we think it is helpful to remind you of the Company policy on the relationship with the regulatory agencies and to provide you with explicit guidance on this subject. Although what we are discussing are legal requirements, please remember the objectives of the requirements - protection of public and employee health and safety. All of us, the Company included, have a self-interest with regard to those objectives. Indeed, the Company's interests are best served when it is clear to everyone that we are sincerely committed to fulfilling all of our obligations, including those that are embodied in regulatory requirements.

With that background, we request you consider the following:

1. We have a legal as well as a moral obligation for our activities to be in compliance with all relevant laws and regulations. It is the policy of the Company to be in full compliance with these requirements as a minimum and actively strive to achieve full compliance where they have not been met.
2. Our status relative to Company and legal requirements needs to be clear and easily visible within the organization. To this end, employees are responsible for reporting to their supervision conditions or situations that are not in accordance with Company or legal requirements which they have reason to believe that appropriate management personnel are not aware of. These communications



will flow most reliably when there is generally an atmosphere of openness and candor. I might note that we recognize circumstances and personal considerations may occasionally seem to hamper communications within the organization. Because of this, the GPU Nuclear organization, established in September 1980, includes the function of Ombudsman within the Nuclear Safety Assessment Department for reporting of information or concerns in such instances. When appropriate, reports to the Ombudsman are confidential.

3. It is Company policy, and in some instances a legal requirement as well, that we provide complete and timely disclosure when circumstances prevent full compliance with the requirements. Similarly, the Company will cooperate with the regulatory agencies in any inspections or other reviews directed toward determining the status of compliance. Employees should be straightforward, open and professional in their interfacing with regulatory agency employees. An employee may have information that is potentially embarrassing to the Company, but that should not inhibit providing that information to a representative of an outside agency that has a legitimate interest in it.
4. When a representative of a regulatory agency wants to talk with an individual employee about matters of interest to the agency, the representative has the right and the authority to pursue discussions, with the employee. In the course of any discussions, the employee is legally responsible for being truthful. The agency should not carry out those discussions at a time or in a manner that hinders the employee from fulfilling assigned work responsibilities. The employee must exercise his judgment as to the circumstances and respond accordingly (checking with supervision if appropriate). Also, when a private interview with an employee has been requested by a representative of a regulatory agency, it has frequently been their policy to permit the employee to be accompanied by someone of the employee's choice during the interview, to record the interview, or to consider other requests by an employee that will facilitate proceedings with the interview. If a representative of a regulatory agency asks an employee for an interview, the employee should not hesitate to request from the agency representative an explanation of the availability of these or other options prior to proceeding with the interview. This request should be made if the employee has any concern as to the purpose or reason for the interview.

Again, the interests of the Company, its employees, and the public are best served by an open and cooperative attitude and honesty in our interactions with the governmental agencies responsible for regulating our various activities. We expect your active support in fulfilling these aspects of our public and corporate responsibilities.

Sincerely,

R.C. Arnold  
Chief Operating Executive