

The Light company

Houston Lighting & Power South Texas Project Electric Generating Station P. O. Box 289 Wadsworth, Texas 77483

AUG 25 1994

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File No.: G25

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W. H. Bateman
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U. S. Nuclear Regulatory Commission
Washington, DC 20555

South Texas Project
Units 1 and 2
Docket Nos. STN 50-498; STN 50-499
Testimony by Liberty Consulting Group

In response to your verbal request, attached is a copy of the testimony prepared by Liberty Consulting Group in connection with the rate case/fuel reconciliation proceeding now pending before the Public Utility Commission of Texas. In that proceeding, issues have been raised as to the prudence of the management of South Texas Project (STP) operations and the extent to which Houston Lighting & Power Company (HL&P) may recover replacement fuel costs incurred during the recent extended outage at STP.

Liberty Consulting Group was engaged to provide an independent assessment of management prudence, utilizing the standard adopted by the Public Utility Commission of Texas:

The exercise of that judgment and the choosing of one of that select range of options which a reasonable utility manager would exercise or choose in the same or similar circumstances given the information or alternatives available at the point in time such judgment is exercised or option is chosen.

This prudence review was particularly important given the extensive attention surrounding the 1993 NRC Diagnostic Evaluation Team Report. As you know, there are significant differences between the standards utilized by the NRC as a safety regulator and those used by an economic regulator such as the Public Utility Commission of Texas. The most significant differences between the Diagnostic Evaluation and a prudence review are that the former focuses on results and takes full advantage of all available facts to identify weaknesses and areas needing improvement in licensee performance. A prudence review of management, on the other hand, must evaluate the reasonableness of decisions and actions of management only in light of the information and options reasonably available at the time those decisions were made and actions were taken.

Project Manager on Behalf of the Participants in the South Texas Project

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While HL&P believes that, based upon the information available at the time, its management actions and decisions were reasonable under the standards established by the Public Utility Commission of Texas, HL&P has aggressively pursued performance improvement at STP. These improvement efforts have been documented in the Operational Readiness Plans executed in connection with the restart of each STP unit and in the STP Business Plan, which collectively address the issues described in the Diagnostic Evaluation Team Report. These efforts have also been subject to extensive NRC review through multiple team inspections and real-time monitoring. HL&P is committed to continuing these performance improvement efforts.

Please call me should you require additional information or wish to discuss these matters further.

Sincerely,

W. T. Cottle

W. T. Cottle
Group Vice President,
Nuclear

Attachment: Direct Testimony of Robert L. Stright

c: Without Attachments

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