

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of:)
DUKE POWER COMPANY, et al.) Docket Nos. 50-413
(Catawba Nuclear Stations,) 50-414
Units 1 and 2))

JULY 12, 1983
3:15 P.M.

DEPOSITION OF:

WILLIAM S. LEE



1 APPEARANCES:

2 ROBERT GUILD, ESQ.
3 Columbia, S. C.4 Counsel on Behalf of Intervenor, Palmetto
5 Alliance Corporation6 BEBEVOISE & LIBERMAN, ESQS.
7 Washington, D. C.

8 BY: J. Michael McGerry, III, Esq.

9 ALBERT V. CARR, JR., ESQ.
10 RONALD L. GIBSON, ESQ.
11 Charlotte, N. C.12 Counsel on Behalf of Applicant, Duke Power
13 Company14 Also Present:15 Roger Ouellette
16 Duke Power Company17 Glenn H. Bell
18 Duke Power Company19 William O. Henry
20 Duke Power Company21 Brenda Fingers
22 Duke Power Company
23 Kannapolis Office24 Michael F. Lowe
25 Palmetto Alliance26 Phil Jos
27 Palmetto Alliance28 Betsy Levitas
29 Carolina Environmental
30 Study Group31 I N D E X32 WITNESS33 DIRECT34 CROSS

35 William S. Lee

5

73

E X H I B I T S

<u>NUMBER</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
Lee Exhibit One	Letter to Mr. Lee from Mr. Owen dated 1/21/82	61

1 The Deposition of William S. Lee is taken
2 at the corporate offices of Duke Power Company,
3 Charlotte, North Carolina, on this the 12th day of
4 July, 1983, in the presence of Robert Guild, Attorney
5 for the Intervenor; and J. Michael McGarry, Albert
6 V. Carr and Ronald L. Gibson, Attorneys for the
7 Applicant.

8 All formalities as to caption, certificate
9 and transmission are waived. It is agreed that
10 Lynn B. Gilliam, Notary Public in and for the State
11 of North Carolina, may take said Deposition in
12 machine shorthand and transcribe the same to type-
13 writing.

14 Said Deposition is taken subject alone to
15 testimony for competency, relevancy and materiality;
16 and all objections, save as to the form of questions
17 asked, are reserved until the Hearing.

18
19 WILLIAM S. LEE,
20 having been first duly sworn to tell the truth, was
21 examined and testified as follows:

22
23 MR. GIBSON: Mr. Guild, Mr. Lee
24 is available for Deposition pursuant to
25 your Notice of June 21, Notice of his

Deposition for July 1, 1983.

As indicated in prior correspondence, Mr. Lee was not available either July 6 or July 12, based on our earlier discussions with you.

His Deposition was scheduled for ten a.m. on July 12 and then rescheduled for eight a.m. on July 12 and again, at your request, scheduled for three o'clock today.

Mr. Lee will be available for the remainder of the business day. With respect to stipulations, I assume we are proceeding as we have earlier; that is all questions are deemed objected to except as to form.

We note at the beginning of the Deposition that the scope will be limited according to the two most recent Board Orders to Quality Control and Quality Assurance in welding concerns at Catawba.

Present from Duke are Ron Gibson and Albert Carr and Michael McGarry. From the Quality Assurance Department, Mr. Bell and Mr. Henry; and from the Licensing

1 area, Mr. Roger Ouellette.

2 Accompanying Mr. Lee is Ms. Fingers
3 from the Kannapolis office of Duke Power.

4 MR. GUILD: What is her position?

5 MR. GIBSON: Customer Representative,
6 who has a part of the company's activities
7 with assisting Mr. Lee in various activities
8 today; and present for Palmetto Alliance?

9 MR. GUILD: My name is Robert
10 Guild, I am Counsel for Palmetto Alliance,
11 an Intervenor in the operating license
12 proceeding.

13 With me, Mr. Lee, as I introduced
14 off the Record, Mr. Michael Lowe, Phillip
15 Jos and Betty Levitas, who is watching
16 the tape recorder.

17 MR. GIBSON: With respect to docu-
18 ment production pursuant to your Notice of
19 Deposition and the Applicant's continuing
20 obligation to identify discoverable items,
21 we are producing today a January 21, 1982,
22 memorandum from W. H. Owen to W. S.
23 Lee, of which I am providing you a copy.

24 DIRECT EXAMINATION

25 BY MR. GUILD:

1 Q Mr. Lee, would you state your full name
2 and your business address for the Record, please?

3 A William S. Lee, Box 33179, Charlotte,
4 North Carolina, zip 28242.

5 Q That is the General Offices of Duke Power?

6 A Yes.

7 Q What position do you now hold with the
8 company?

9 A Chairman and Chief Executive Officer.

10 Q Can you give me a thumbnail sketch of the
11 positions you have held with the company; and to the
12 best of your recollection, Mr. Lee, the dates that
13 you proceeded to those particular positions?

14 A I joined the company in January, '55, as a
15 Junior Designer in the Engineering Department engaged
16 in design of power plants.

17 I was promoted to Designer and Senior
18 Designer, and whatever the titles were following that;
19 and in October, '59, I was made Assistant to the
20 Chief Engineer, along with another person of the same
21 title.

22 We reported to the Vice President Engineer
23 for the management of the Engineering Department.
24 In May of 1962, I was made Engineering Manager and
25 placed in charge of an Engineering Department.

1 In October, 1965, I was made Vice President,
2 Engineering, which at that time was really a change
3 in title but not of function.

4 I continued to be in charge of the Engineer-
5 ing Department. In 1968, I was elected to the Board
6 of Directors of the company.

7 In 1971, I was named Senior Vice President,
8 Engineering and Construction, and named to the
9 Executive Committee of the Board of Directors of the
10 company.

11 In 1976, I was made Executive Vice President,
12 and in 1978, I was named President and Chief Operating
13 Officer.

14 April 30, 1982, I was elected Chairman and
15 Chief Executive Officer.

16 Q All right, sir; Mr. Lee, to whom did you
17 report in 1971, when you were a Senior Vice President,
18 Engineering and Construction?

19 A Mr. B. B. Parker, who at that time was
20 named Executive Vice President and General Manager.

21 Q Were you at that time the Senior Officer
22 of the company in charge of Construction activities?

23 A Beginning at that time, yes.

24 Q What was your relationship to the company's
25 Quality Assurance Programs with respect to Construction

1 activities, Mr. Lee, if there was any program at that
2 time?

3 A I was named by Mr. Parker as the Corporate
4 Officer responsible for Quality Assurance; and in that
5 capacity I, of course, reported to him.

6 But there were functions in other depart-
7 ments that did not report to me where Quality
8 Assurance was important, such that the Quality
9 Assurance activities in those other organizational
10 units reported to me.

11 Q Was there at that time an independently
12 organized Quality Assurance Department at Duke Power
13 Company?

14 A I don't remember when that happened, I
15 think it was sometime after May, '71, that that
16 occurred.

17 I don't remember exactly. For a time there
18 the Quality function for nuclear plants was performed
19 within the then existing organizational component, as
20 they had done for a number of years in connection
21 with the design and the construction of large dams
22 where public safety was involved, as well as our
23 coal fired power plants.

24 It was at some time after that that we
25 organized the Quality Assurance Department as a

1 separate organizational unit that was independent in
2 its reporting authority from the other departments.

3 Q All right, sir; regardless of the specific
4 points in time in which the department became inde-
5 pendent, Mr. Lee, if we were to look at the functions,
6 the Quality Assurance functions prior to that establish-
7 ment of an independent department, would we see
8 persons whose explicit titles reflected Quality
9 Assurance duties?

10 A Yes, we would have found inspectors and
11 that sort of thing.

12 Q How about QA Engineers, for example; do
13 you recall?

14 A No, I don't. I don't remember when the
15 term "Quality Assurance," was coined.

16 Q Would it have been prior to the organization
17 of the department?

18 A I don't remember the date of the Appendix
19 B.

20 Q Yes?

21 A Yes.

22 Q What was the date of Appendix B; would it
23 be contemporaneous with the AEC Standards?

24 A It would have been sometime after the
25 publication of Appendix B that the term "Quality

1 Assurance," began to be recognized as a term.

2 Q Now, at the point where you held the position
3 of Senior Vice President for Engineering and
4 Construction, you were also a person with the title
5 Corporate Quality Assurance Manager?

6 A Shortly after my appointment as Senior
7 Vice President, some time thereafter Mr. Parker
8 designated me as the guy in the company that was in
9 charge of Quality Assurance.

10 I've forgotten exactly what title he associated
11 with it; but my official title was Senior Vice President
12 in charge of Engineering and Construction.

13 Q This is a very poor copy, I'm afraid; and
14 I apologize, but this is a decision of the Nuclear
15 Regulatory Commission, ALAB143, September 6, 1973.

16 There is a footnote there, sir, if you can
17 kind of scan and read that maybe that would refresh
18 your recollection.

19 A This is about McGuire.

20 Q Yes, sir; but Quality Assurance functions,
21 it is Footnote 11.

22 MR. GIBSON: We are trying to locate
23 a better copy, Mr. Guild. We ought to
24 have that in a few moments.
25

1 BY MR. GUILD:

2 Q That is all I'm referring to. Mr. Lee,
3 can you make that out? Does that reflect the dual
4 positions that we had reference to, the Corporate
5 QA Manager and the Senior Vice President, Engineer-
6 ing and Construction, which you held at that time?

7 A Yes.

8 Q And I think we read it. Now here is my
9 copy of 10CFR, Appendix B, Mr. Lee (indicating).
10 Appendix B, a citation refers to a 1970 Federal
11 Register Publication.

12 Would that have been approximately the
13 time or thereafter when you were explicitly assigned
14 Quality Assurance responsibilities for Nuclear
15 Construction?

16 A That says June, 1970, as amended in
17 September, '71, as amended in January, '75. I
18 don't remember the various editions.

19 Q No, but it appears to be the earliest date
20 at which there was a published Appendix B.

21 A I became Vice President in late April or
22 early May, 1971, right before that September, '71,
23 revision.

24 Q Do you remember whether or not there was
25 an explicit Quality Assurance Program in Nuclear

1 Construction at the time you became Senior Vice
2 President?

3 A There was an Inspection Program as we
4 have had at our other plants.

5 Q Do you remember when you named it
6 Quality Assurance?

7 A We had, for example, test laboratories
8 to test the materials that we used in construction.
9 We had inspectors to test the slump of the concrete
10 and placing of the concrete and that sort of thing
11 before nuclear came along.

12 We did that with our other plants.

13 Q All right, sir; I directed your attention to
14 the footnote, and at Page 165 of the report that I
15 have, again, Footnote 11, that reflects this obser-
16 vation:

17 The Staff's approval of the Applicant's
18 current Quality Assurance Program was with the
19 understanding there would be a separate Corporate
20 Assurance Manager, that position being filled by the
21 Applicant's Vice President, Engineering and
22 Construction.

23 Who was acting in Duke's capacity; that
24 would have been yourself?

25 A Yes, I assume.

1 Q He will have the duty and responsibility to
2 assure that the separate Corporate Quality Assurance
3 Program be effected in a timely manner; otherwise
4 the understanding of the separate Quality Assurance
5 function will not be very meaningful.

6 We believe the Corporate Manager of the
7 QA position should be filled as quickly as possible,
8 to commence January, '73, as being the outside
9 limits for such action.

10 In that connection, sir, let me ask you to
11 take a look at another document dated August 13, 1973;
12 and first ask you to take a look at that (indicating).

13 Can you identify it, sir?

14 A Do you want me to read the whole thing?

15 Q No, sir; I wanted you to examine it. Have
16 you seen that before?

17 A I don't recall having seen it.

18 Q I want to direct your attention to a couple
19 points. This is identified as titled, "Safety Evaluation
20 Report, Catawba Nuclear Station, Units 1 and 2,
21 Quality Assurance," memorandum to R. C. DeYoung
22 from Robert L. Tedesco at the then, I assume, Atomic
23 Energy Commission.

24 I wanted to direct your attention to what
25 has been indicated in the face of this report as pending

1 questions, what I will characterize as pending
2 questions, regarding the company's Quality Assurance
3 Program.

4 The observation is the program acceptable
5 for Design and Construction subject to the following
6 items:

7 First, clarification of the independence,
8 responsibilities, authorities, and specific routine
9 duties of the Electrical, Mechanical, Welding/NDE,
10 and Civil Inspectors.

11 What is your understanding of the AEC or
12 NRC'S question regarding your Quality Assurance
13 Program in that regard?

14 A My understanding only comes from reading
15 the documents attached to the back of that, which is
16 the Safety Evaluation Report, itself; and in that docu-
17 ment they conclude that the organizational independence
18 of the inspectors you cited was satisfactory, and
19 their reporting and functioning were satisfactory based
20 upon their observations in the field of what was going
21 on.

22 But what they wanted was documentation
23 of what the situation was from the Applicants. What
24 that is referring to is documentation of what you
25 found.

1 Q What was the basis of your understanding
2 of the question? Why do they raise that question?

3 A At the time they wanted documentation of
4 everything; it was also at a period in which we had
5 three separate groups of NRC reviewing three separate
6 projects; and all of a sudden we found that the three
7 separate NRC groups were making interpretations of
8 Appendix B with respect to Quality Assurance organi-
9 zations somewhat differently from one another.

10 Q Slow down a second. Three different plants
11 all under construction at the same time?

12 A Yes.

13 Q So conflicting interpretations among the
14 three plants based on who it was the Commission was
15 looking at?

16 A Yes, but there were details of where is the
17 documentation of where those inspectors report and
18 someone might ask one question and another person
19 ask another different type of question, and we were
20 getting ripsawed by requests for information from
21 three groups.

22 Q Do you have an understanding of why the
23 question regarding documentation of the responsibilities,
24 duties, et cetera of inspectors was raised at Catawba?

25 A Because, as I understand it from the

1 enclosure, it was not clear from what was said in
2 the SAR, where they reported or what they did; so
3 the NRC made some findings and found out where they
4 reported, and that was okay, but let's get a document.

5 Q And is it your understanding that that item
6 was successfully corrected?

7 A Yes, it was, but it was decided to correct
8 it in a pioneering sort of way.

9 Q How is that, Mr. Lee?

10 A We wrote a generic Quality Assurance
11 document.

12 Q How do you understand that and what did
13 you run into?

14 A Well, we wanted to have not only inside
15 our company but in all different boards and organi-
16 zations that were reviewing Quality Assurance, NRC,
17 AEC, Staff Hearing Boards, Operating License Hear-
18 ings going on, Construction Permit Hearings going on;
19 and we wanted to have a uniform, throughout the
20 company, nuclear program, a Quality Assurance
21 Program and procedures that everyone understood.

22 Q Is that in some way to address this rip-saw
23 experience?

24 A Yeah, at Oconee and McGuire we were
25 getting different reactions and different requests; and

1 so we filed the document saying this is the way we
2 are going to march, and we got the NRC to review
3 that in its entirety and to approve it; and we said
4 now apply that to Docket Number so and so and so
5 and so; and that is all the nuclear plants, and that
6 resolved such questions as you have cited here, lack
7 of documentation as to where somebody reports.

8 Q Would this be generally called your topical
9 report on Quality Assurance and the various amend-
10 ments to that?

11 A Yes.

12 Q Would that have been, was there anything
13 out of order relative to the way other licensees
14 handled that question?

15 Do you know?

16 A To my recollection we were the first
17 Applicant to file a topical report.

18 Q What was the practice of other constructions,
19 if you know?

20 A Just put it in a Chapter 17 and every PSAR
21 and FSAR, and the problem that we found there, for
22 some reason you were in the ratcheting process, you
23 change one Chapter 17 for one plant at one stage and
24 try to change all the others.

25 We found ourselves with inconsistent

1 Chapter 17's, and we decided to go topical. I believe
2 it was Chapter 17.

3 Q It says Chapter 17 here.

4 A Whatever.

5 Q All right, sir; there is a reference to a
6 need for documentation of Duke's definition of the
7 terms "Administrative Reporting" and "Functional
8 Reporting."

9 How about giving me your understanding of
10 what the significance of those terms were as you
11 used them?

12 A As we formed the Quality Assurance Depart-
13 ment as a separate and independent entity, remember
14 I was wearing two hats, Vice President of Engineering
15 and Construction and the Corporate Quality Assurance
16 guy.

17 In order to get the technical aspects of
18 Quality Assurance under way, I did not want at the
19 outset to set up a separate payroll, separate vacation
20 records and separate lines of administrative report-
21 ing and personnel record keeping and time sheets and
22 whatnot, but I wanted functional authority, that is
23 the procedures, the technical aspects, what was
24 acceptable and not acceptable, came under my authority;
25 but I wanted these people to stay for a time on the

1 payroll of the line departments that were doing the
2 work.

3 This was a management technique in order
4 to get the independent route started, and it was after
5 we had established the functional or technical or
6 procedural aspects consistent with the topical report
7 in Appendix B, that then I selected a Quality Assurance
8 Manager and moved all the people under a new depart-
9 ment and therefore both administrative and functional
10 authority were vested in the Corporate Quality
11 Assurance Manager, who reported for all purposes,
12 to me.

13 But you have to start somewhere, and I
14 elected the management technique of leaving admini-
15 strative control and management under the existing
16 line departments for starting out with functional
17 control, so that my time was not spent deciding who
18 could take vacations when, so much as here are the
19 technical criteria we are going to put in place.

20 Q Are you aware, Mr. Lee, that administrative
21 and functional distinction was used with respect to
22 Quality Control Inspectors up until early 1931, at
23 Catawba?

24 A I think that was '32, my dates are slipping
25 a bit; but there was a reorganization that did not

1 bring the Quality Control Inspector function under the
2 Quality Assurance Department for both functional/
3 administrative purposes until rather late in the game.

4 That is for a slightly different reason there.
5 The administrative and functional controls are some-
6 what different than I described back in my time.

7 Q What I want to understand, sir, if you
8 know, were those, the terms as you used them, used
9 in the same manner to reflect the distinction and
10 responsibility and supervision of inspectors later on?

11 A Generally so, the inspectors later on who
12 were in the Construction Department inspected to the
13 criteria and procedures established by the Quality
14 Assurance Department.

15 The administrative control of inspectors in
16 the Construction Department also included scheduling
17 their work.

18 The Construction Department knew best
19 what was going to be done next.

20 Q And was that scheduling responsibility or
21 authority, that was in addition to the responsibility
22 that would have been included as you used the terms
23 "administrative" and "functional" before?

24 A Really, it would be embraced in admini-
25 strative responsibility in either case.

1 Q And then I interrupted you. You started
2 to tell me why you thought there was a significant
3 difference in the reasons why the inspectors were
4 organizationally kept that way.

5 A Well, the main difference in my recollection
6 was that with respect to the Catawba inspectors who
7 were on the Construction Department organization and
8 then moved to the Quality Assurance Department
9 organization, those inspectors were under my super-
10 vision for all purposes.

11 Back in the early days of the Quality
12 Assurance Department, Mr. Parker had assigned me
13 as Quality Assurance Manager, and this gave me
14 functional authority for Quality Assurance Managers
15 of the company, but administrative management of
16 those people was in some cases vested, the depart-
17 ments that did not report to me, was vested in other
18 people who reported separately to Mr. Parker.

19 So in that way, there was a difference in
20 my scope of functional and administrative manage-
21 ment authority.

22 Q All right, sir; Page Two of the document
23 that was attached to the memo, we have referred to
24 the AEC comments from the draft of the SER for
25 Quality Assurance at Catawba.

1 "At the present time the positions of
2 Corporate QA Manager and Senior Vice President for
3 Engineering and Construction are filled by the same
4 individual."

5 "The Staff questioned the acceptability of
6 this organizational arrangement, wherein the same
7 individual has multiple duties, to effectively imple-
8 ment the QA Program."

9 "As a result of extensive discussion of
10 this matter, DPC has committed to appoint a full-time
11 Corporate QA Manager by no later than July, 1974,
12 and has otherwise clarified delineation of staffing and
13 assignments that appear to safeguard against dilution
14 of QA effort during this interim period of organiza-
15 tion."

16 First, why was it determined, how did you
17 understand the determination to vest you with the
18 dual responsibility of QA Manager, Corporate QA
19 Manager; as well as Senior Vice President for
20 Engineering and Construction?

21 A I told Mr. Parker it was important, and
22 that either he did it or he would designate me or
23 Austin Thies to do it; and I recommended he do it
24 to me.

25 Q All right, sir. You thought it was too

1 important to assign to someone else?

2 A Yes, and I thought I was, because of my
3 particular background I was more qualified to give it
4 my attention than, frankly, was he.

5 Q What was Mr. Thies' area of responsi-
6 bility?

7 A His area of responsibility was Operations.
8 This was in '73/'74, when we had seven units in
9 various stages of construction, of which one, then
10 two, then three, were operational; and we had six
11 more committed, and most of the effort was in Design
12 and Construction in terms of numbers of people
13 involved in Quality Assurance.

14 Q And you, being the Construction Engineer-
15 ing person more appropriate to handle that?

16 A That's correct.

17 Q Did you say Mr. Parker has a choice, either
18 he takes it or he delegate it or assign it to one who
19 reported to him and tell all the others that report to
20 him this guy has it?

21 A Yes.

22 Q And Mr. Parker's position at that time?

23 A In 1971, he was made Executive Vice
24 President and General Manager. At some point there-
25 after he was made President and Chief Operating

1 Officer; I don't remember exactly when.

2 Q All right.

3 A His scope did not change, his title changed.

4 Q But in any event the scope of his responsi-
5 bilities were beyond Construction and Engineering
6 and Operations?

7 It included all the activities of the company?

8 A All the operational activities of the company,
9 retail and whatever.

10 Q And what of those areas was Mr. Parker's
11 background?

12 A Mr. Parker spent the first two dozen years
13 of this company with Mill Power Supply Company in
14 Purchasing; and he joined Duke Power in about I think
15 1962.

16 Q His background wasn't in Construction?

17 A No, he was a graduate Electrical Engineer,
18 but his professional career had largely been in
19 Purchasing and Sales.

20 Q Were you a participant in the extensive
21 discussions that the AEC had reference to in this
22 document concerning the assignment of this function;
23 do you recall?

24 A I don't recall, Mr. Guild.

25 Q All right, the point that I raise or appear

1 to raise here is whether or not there was a dilution
2 of the QA efforts, whether or not a person's multiple
3 duties, such as you had at the time, could effectively
4 implement the QA Program.

5 A Are you reading or interpreting their
6 words?

7 Q I'm doing a little bit of both. I would be
8 happy to have you interpret it, yourself. I am try-
9 ing to put it in a nutshell and get you to interpret it,
10 yourself.

11 Do you recall it in a nutshell if you don't
12 recall the actual discussion?

13 A I don't remember the discussions; I
14 remember that to start up something originally new
15 and establish the procedures and requirements and
16 whatnot is a tough assignment.

17 I wanted to be personally involved in getting
18 that done, and in that I would have the opportunity to
19 interface with my people to see how they contributed
20 to the efforts and see what their levels of competency
21 were; so I elected to carry this more myself for a
22 time and put it together.

23 And in that process, I was able to identi-
24 fy certain persons whose experience and competence
25 were demonstrated; and then we developed a depart-

1 ment and named a full-time person.

2 Q All right, sir; had it been your plan from
3 the start to have someone do this work, head the
4 Quality Assurance Department full time, independent of
5 you?

6 A Yes.

7 Q Was that made clear to the AEC; do you
8 know?

9 A I don't recall, I'm sure it was, that at
10 some point in time that would be it, but I wanted to
11 have personal hands on involvement in putting it
12 together.

13 One of the problems at that time was, and
14 it was from inside the company, this was important
15 to interface with the NRC on all licensing matters.
16 For Oconee had been transferred to what was called
17 the Steam Department, and NRC was asking a lot of
18 questions about Quality Assurance of the Steam De-
19 partment.

20 The McGuire project was in the construction
21 permit stage. The Catawba project was in an earlier
22 phase of the construction permit stage.

23 I was the Senior Vice President of Engi-
24 neering and Construction and a member of the Board
25 of Directors.

1 It was important in my mind to make sure
2 that internally there was a clear recognition of the
3 importance of Quality Assurance by me retaining that
4 title until we put this thing together, and that went
5 with my other title.

6 Q All right, let me see if I can understand
7 a little better, Mr. Lee. I sense from some of this
8 review of documents and questioning other people,
9 that there is sort of an unspoken attitude, perhaps
10 among maybe some of the NRC people or some of the
11 Duke people, that Quality Assurance is sort of a
12 make work function.

13 I'm not saying it is not committed to
14 quality, but the paperwork having a separate depart-
15 ment is trying to satisfy the regulators that there is
16 this work doing function, if you will, is a make work
17 and sort of a fifth wheel kind of function.

18 Am I reading you correctly in trying to
19 address that sort of perception or concern when you
20 are talking about your trying to establish the impor-
21 tance of this function?

22 A I think you have mischaracterized it; I've
23 never heard the phrase "make work function" before
24 you just said it.

25 Q Nor the substance of what I just said, that

1 is not right and foreign to your understanding?

2 People who are busy and trying to do their
3 job and are always held accountable for quality
4 results, generally do not welcome auditors and
5 inspectors; fair?

6 A Fair.

7 Q Okay, so here we were establishing with
8 new line and functional authority, a group of folks
9 who would have the function of audit and inspection,
10 and it was important to do everything in the company.

11 They receive the signal this was important
12 company wide and had the backing of a Senior Officer
13 of the company.

14 A I don't make work; it was a signal of
15 importance.

16 Q Now much later, Mr. Lee, this concern,
17 and I'm perhaps not expressing it fairly or in a way
18 that adequately reflects the subtleties, but this concern
19 of having someone look over your shoulder and it
20 being interfering with getting the job done, I perceive
21 that coming to the fore in the text between the
22 inspectors at Catawba and the Craft who were being
23 inspected by those inspectors as well as supervision
24 on both sides.

25 You are familiar and aware of the concerns

1 expressed by the Welding Inspectors at Catawba in
2 late 1981 and early 1982?

3 A Yes, generally so.

4 Q And you have been involved in addressing
5 their Employee Recourses and also participating in
6 review of the investigation of those concerns?

7 A Yes.

8 Q All right, sir; now an underlying, again,
9 I am perceiving that I want to have you comment on
10 a sense expressed on the part of these inspectors
11 that persons who are busy about getting the job done
12 of building a plant naturally have some antagonism
13 or resistance to having inspectors looking over their
14 shoulder, and the inspectors looked for the kind of
15 spurt that you described early in training to establish
16 someone saying this is an important function and we
17 are committed to Quality Assurance; and you have to
18 respect and honor these people in trying to do their
19 job.

20 Now did you perceive any of that kind of
21 tension, if I'm wrong in the way I characterized it,
22 tell me?

23 A I think from time to time there have been
24 pockets of that sort of contention between those who
25 do the work and those who inspect it.

1 One of the important things though, in
2 establishing the Quality Assurance Department, was
3 to inculcate in everyone's minds an attitude and
4 perform action that we are all a part of the same team
5 and that our job together is to get it done with
6 quality, get it done safely, get it done economically;
7 and all of us to perform and cooperate as best we
8 can.

9 And sometimes that has been our objective
10 and that, I think, we have stated very clearly at the
11 same time, and sometimes it isn't always perfect and
12 we get pockets where communication is not as good
13 as it should be, and we have to turn around and solve
14 that problem.

15 If we never had problems, we wouldn't need
16 a lot of us.

17 Q All right, sir; now would you agree with
18 me, Mr. Lee, that if we can describe the relation-
19 ship between the inspection auditing function, the
20 QA portion of the company in Construction, if you will,
21 the relationship between it and the line people who
22 are doing the work, and in this instance building the
23 Catawba plant, that that relationship on one end would
24 be over inspection, a Quality Assurance interfering
25 with the line performance of work, doing too much;

1 ard on the other hand of the continuum, the Quality
2 Assurance inspection auditing function, doing too
3 little, Craft and line people not being effectively
4 audited and the line being some place in the middle,
5 is that a fair characterization; and your job is to
6 try to keep their relationship in that balanced position?

7 How do you feel the relationship was
8 reflected at the time of this Welding Inspector
9 incident at Catawba?

10 Which end of the continuum fairly reflects
11 the status of affairs of Welding Inspectors?

12 A Mr. Guild, you have given a long descrip-
13 tion of your perception of the Quality Assurance
14 Program in relationship to the line people, to which
15 I don't necessarily subscribe.

16 Then you have asked me two questions.
17 You first asked me if you had characterized it
18 properly.

19 I don't think you did. Then you asked me
20 another question, but my mind was on the characteri-
21 zation.

22 Would you try again, please?

23 Q All right, sir; let me put it in more
24 concrete terms: Your Mr. Grier, the present
25 Corporate Manager for Quality Assurance--

1 A No, my name is Lee.

2 Q I am not saying you are, but you have a
3 Corporate Manager, Mr. Grier?

4 A Yes.

5 Q Your Mr. Grier testified earlier, and your
6 Mr. Grier laid out to the best I could describe, that
7 continuum; but in the context of a specific inspector
8 performing a specific function.

9 MR. GIBSON: Mr. Guild, I object
10 to that description of Mr. Grier's diagram
11 drawn in his Deposition.

12 I don't think that adequately describes
13 it.

14 MR. GUILD: It may be helpful if
15 you let me finish my characterization
16 before you did that.

17 MR. GIBSON: I thought you were
18 finished by the inflection in your voice.
19 Go ahead.

20

21 BY MR. GUILD:

22 Q It was an illustration in substance pro-
23 duced by your present Manager of Quality Assurance
24 in trying to describe the continuum by over inspecting
25 on one side to under inspecting on the other side

1 where work suffered where components failed in
2 service.

3 It is a diagram, a line, and he was trying
4 to indicate where the standard of workmanship fail
5 and where someone might err on the side of over
6 inspecting versus under inspecting.

7 That was something Mr. George Grier used.
8 I don't have it in front of me. What I want to have
9 you do, is look at that function, look at that sort of
10 metaphor and tell me which end of that continuum in
11 your judgment work was being performed at the point
12 where the Welding Inspectors expressed their concerns.

13 Was there erring on over inspection or
14 under inspection?

15 MR. GIBSON: I repeat my objection
16 to the form; I don't think you accurately
17 described Mr. Grier's comments to you and
18 the diagram he drew.

19 To the extent Mr. Lee can answer the
20 question, I will allow him to.

21 MR. GUILD: Counsel, I don't want
22 to misstate the Record. If you have a
23 better description, please offer it or maybe
24 if we can have the Exhibit, I would like an
25 accurate reflection for the Witness to

1 respond to.

2 If I made a misstatement, please
3 correct me.

4 MR. GIBSON: If you can locate the
5 document drawn by Mr. Grier, use it to
6 the extent that is feasible.

7 MR. GUILD: I don't have that partic-
8 ular Exhibit, Counsel.

9 MR. GIBSON: I am going to let the
10 Record and Mr. Grier's Deposition reflect
11 what his description was.

12 Mr. Lee can answer to the extent he
13 can as you have described it. I am inter-
14 posing an objection to your description.

15 If you have that diagram; I think it is
16 obvious the Deposition has not been tran-
17 scribed at this early date.

18 They were only taken last week.

19 MR. GUILD: I don't own those
20 Depositions.

21 MR. GIBSON: Neither do I, Mr.
22 Guild; they have not been returned.

23

24 BY MR. GUILD:

25 Q If you know of errors, please state it for

1 the Record.

2 MR. GIBSON: I will let Mr. Lee
3 attempt to answer as best he can.

4 THE WITNESS: I have no idea as to
5 whether the Welding Inspectors at Catawba
6 were over inspecting, under inspecting, or
7 inspecting in just the right amount.

8 I don't think that was the real germane
9 problem as brought to me and as I under-
10 stood it at the time.

11 However the work was inspected, the
12 work and the assessed problems in communi-
13 cations that we had amongst the people, we
14 came up with the conclusion that the qual-
15 ity, that the communications did need im-
16 proving to resolve the problems brought to
17 me.

18 The problems were not characterized
19 by over inspection or under inspecting.

20 Q How did you understand the problem?

21 A The people were upset because their pay
22 had not kept up relative to their peers.

23 Q You did not understand it as reflecting the
24 problem with the way their job was being done?

25 A Investigation of that problem then resolved

1 that.

2 They had concerns about how their reports
3 of nonconforming items were being handled and
4 resolved and agitated, and that brought in the new
5 problem.

6 Q Which was?

7 A Which was whether or not we have good
8 quality at Catawba, and I took immediate action on
9 that issue and directed the appointment of a Task
10 Force independent of Catawba to go in and investigate
11 that problem.

12 Q What action did you take on the other
13 issue, the issue of how the nonconforming items were
14 handled?

15 A That is the one I'm talking about. That
16 is the one where I directed the appointment of an
17 independent Task Force.

18 Q What I want to understand is--

19 A I took immediate action with respect to the
20 quality allegations. Through separate channels I
21 took action with respect to the concerns that people
22 had about their pay relative to others.

23 Q Well, that was to deny their recourse and
24 conform the pay reduction; correct?

25 A That was the ultimate outcome after my

1 investigation.

2 Q How did it come to your attention, Mr. Lee,
3 that the inspectors were concerned about more than
4 just their pay?

5 A Part of the Recourse Procedure is to in-
6 vestigate by interviews; and it was during the inter-
7 viewing process that some of those interviewed ex-
8 pressed concern that their inspection reports were,
9 nonconforming item reports were being adjudicated
10 by higher levels.

11 And they did not feel they were told why or
12 given the training or communicated with as to why
13 this was happening.

14 Q That was a question of quality?

15 A Yes, sir.

16 Q Which was different from the question of
17 is my pay fair? Do you think the questions go
18 together?

19 A Well, they both reflect a level of concern
20 and unrest, so in that context they certainly go
21 together.

22 Q Now at the point where you came to under-
23 stand the welding inspectors had quality concerns,
24 had you resolved the pay question?

25 A No.

1 Q Help me understand how you handled that
2 part of the inspectors' concern, the pay question.

3 A Well, I had been involved with the pay
4 question for a year or two or more prior to that;
5 and an analysis of the job contents of the inspectors,
6 including their knowledge in problem solving and
7 working conditions, the other aspects of what was
8 required of their performance, indicated that compared
9 to the standards of knowledge and problem solving
10 and whatnot of those non-Craft but nonexempt type
11 people as part of a job and task evaluation that was
12 going on, that the inspectors were not being paid or
13 were being paid more than the job required.

14 A check with external competitiveness
15 showed inspectors were being paid elsewhere less
16 than some of the top Craft people.

17 Q The inspectors at Duke Power?

18 A No, no; other companies. But also our
19 internal evaluation vis-a-vis External Equity showed
20 it should have been a Class 10 instead of a Class 11,
21 so you don't go around and decrease somebody's pay
22 that has been working hard, even though you find
23 what you are paying them is not justified.

24 At least that was my decision in this
25 instance, Mr. Owen consulting with me. But rather,

1 the next time there is a general raise for folks, then
2 you give the people who have been paid more than they
3 should be or than found they should be, less of a
4 raise.

5 And ultimately bring them to the level at
6 which they should be, which was done. And by the
7 Fall of '81, that had been finished; but prior to that
8 the inspectors, for example, had been paid more than
9 a welder, than a Certified Nuclear Welder.

10 So it was important to a Certified Nuclear
11 Welder, perhaps, that if he was going to have advance-
12 ment he should become an inspector.

13 So with that differential, some of them
14 did. Then the differential was eliminated. There was
15 a good deal of unrest as a result of that.

16 One of the elements, after reviewing the
17 situation in the Fall of '81, and early '82, I con-
18 cluded that all of the things had been done as they
19 should be insofar as establishing the pay grade; but
20 the communications had not been very well handled,
21 but some of the people might have become inspectors
22 who were welders because they thought it would get
23 them more money, and if any of those people would
24 like to now return to welding, we would make it
25 easy for them to do so because they have been induced

1 to take the inspector route because of more money;
2 and now that money has been reduced.

3 We wanted them to have their choice of
4 which way to go.

5 Q Let me understand, if I can, Mr. Lee,
6 what component of this review that you described
7 took place after the Welding Inspectors expressed
8 their recourses?

9 What was the response to their recourse
10 and what was the response of having the pay reclassi-
11 fication in the first instance?

12 A It was still talking about the pay aspects
13 and not the quality--was it valid, is it right, were
14 they right?

15 I satisfied myself that the proper homework
16 had been done, and the experts had been brought to
17 bear, and it was right.

18 It is always tough to tell somebody your
19 job is not as important as we once thought it was.

20 Q And that is what you are saying?

21 A That is what I'm saying; it did not require
22 as high a qualification to inspect as we once said it
23 was, and that is consistent with our findings and NRC.

24 It is important that the welder perform a
25 very high quality, and perhaps is of more importance

1 than the inspector, or at least equal; but we had a
2 differential.

3 Q All right, give me an idea of what you did
4 to perform this review to take a look and make sure
5 it had been done right the first time?

6 A Talked to people in Personnel who said it
7 and had them describe to me the process they went
8 through.

9 Q Who would these people have been, Mr.
10 Lee?

11 A People under Joe Major; we had some meet-
12 ings in my office, or at least one meeting. Gail
13 Addis was there.

14 Q Who is Mr. Major?

15 A He is Vice President of Personnel.

16 Q What is the other guy's name?

17 A It wasn't either of you; some bearded guy
18 other than Mr. Gibson.

19 MR. GIBSON: Mr. Guild is not employed
20 by Duke, and I have been employed a short
21 time, so neither of us; no.

22 THE WITNESS: I think maybe Fain
23 was there, but there was another fellow.

24
25 BY MR. GUILD:

1 Q If it comes to you, let me know, Mr. Lee;
2 and it was really a matter of a meeting and reviewing
3 what had been done and confirming that it had been
4 done correctly the first time?

5 A Yes.

6 Q And that conclusion was reflected in memos?
7 You sent memos, you finally directed to the Welding
8 Inspectors an announcement of the results of your
9 decision?

10 A Yes.

11 Q Let me understand this: As a part of that
12 review, Mr. Lee, or part of the original review,
13 what considerations, if any, were given to the impact
14 of the reclassification on the effectiveness of the
15 Welding Inspection work or the effectiveness of
16 Quality Assurance and welding of that reclassification?

17 A Well, full consideration was given. It was
18 felt at that time that the reclassification would not
19 detract from the quality of the inspection being per-
20 formed, whatsoever.

21 Q Why?

22 A We did not see any reason why they should,
23 the same people would be doing it. They wouldn't
24 get raises as large as some other people, it was
25 important to communicate well and explain it to these

1 people.

2 Attempts were being made through super-
3 vision to do that, and in any case, I say it worked
4 and in some cases it didn't work as well as others.

5 Q Two effects, one over the long-term, you
6 will be employing inspectors who have less stringent
7 qualifications than in the past, I believe less work
8 experience as in this instance, welders, less experi-
9 enced in the actual craft they are inspecting?

10 A No, I don't think the qualifications change.
11 I think the evaluation of the necessary qualifications
12 converted to pay change that had not been done before.

13 Q Well, I mean it is a market economy out
14 there for jobs like everything else. If you pay less,
15 you will get less qualified people, all things being
16 equal.

17 A Well, I don't think the correlary is
18 necessarily true; if you pay double the amount you
19 get necessarily better inspection.

20 Q Right, but you understand there is a
21 relationship between the amount of work you get out
22 of somebody and the amount you pay him?

23 A That is one of the four or five elements
24 that are important as to the quality of work per-
25 formed.

1 Q In any event, there is going to be--

2 A And, incidentally, it ranks about five in
3 terms of motivating people to do the job.

4 Q If you could do it in less than 30 seconds,
5 how about telling me what the other four are, Mr.
6 Lee.

7 A Well, to do a good job does the person have
8 the knowledge to do it; does the person have the tools
9 to do it? Does the organization provide the atmosphere
10 in which it can be done; does the person want to do
11 it?

12 Q Pay comes in somewhere.

13 A An element of the latter is pay, but that
14 is not the only element.

15 Q I see, all right, sir. Well, I believe I
16 understood you to say this before, the reclassification
17 determined that less qualifications were required to
18 perform the inspection function?

19 A If I said that, that isn't quite correct:
20 Our reclassification determined that for the qualifi-
21 cations, we had never done a job and task analysis
22 before; but for the qualifications required of an
23 inspector in the pay peaking order, they were being
24 paid too much.

25 Q All right, sir; you have an effect

1 immediately on the class of people already holding
2 that job.

3 They will get paid less. If you take it
4 away from them today or their rate of increase will
5 be cut back to the level you think is appropriate,
6 over the longer haul you bring in new hires at a lower
7 rate of pay with different qualifications, shall we
8 say, paid less.

9 Now, first with respect--

10 A That was your conclusion; I don't agree
11 with it.

12 Q What is wrong about that?

13 A We were able to find fully qualified people
14 for inspection positions at the new rate of pay, and
15 we have been.

16 Q I follow you and I understand your position
17 to that effect. You will agree, wouldn't you, or
18 don't you understand, as I have heard said, that
19 Welding Inspectors formerly were required to have
20 two years' experience as welders.

21 That was by custom and practice on the
22 job, to require two years' prior experience as a
23 welder?

24 A I don't recollect that specifically.

25 Q Some prior experience in the welding craft

1 to be a Welding Inspector; do you understand that?

2 A I think so, but I'm not absolute.

3 Q After the reclassification no prior experi-
4 ence--part of that qualification was not to have prior
5 craft experience as a welder.

6 Is that consistent with your understanding
7 of the reclassification?

8 A I would accept that subject to check.

9 Q And that reclassification with the lower
10 requirements for experience in the craft position came
11 with a lower rate of pay?

12 A Yes, but now you are equating qualifications
13 as a welder from your knowledge as essential to
14 qualifications as an inspector.

15 Q I am not saying they are or not, Mr. Lee.
16 I am saying they were originally included, but they
17 were afterwards--

18 A Babe Ruth may have been a lousy umpire,
19 and an umpire does not have to hit a lot of homeruns.

20 Q Perhaps; but someone thought it was a good
21 idea to have Welding Inspectors who were welders.

22 A And for awhile that is where we drew them
23 from.

24 Q And they did until July of '81, when you
25 reclassified their pay. Thereafter you drew people

1 who weren't welders previously for Welding
2 Inspectors?

3 A Correct, I guess. Mr. Guild, I was not
4 selecting the individuals.

5 Q Independently is it your understanding then
6 in accordance with your decision you were getting
7 people for Welding Inspectors who were not previously
8 welders?

9 A Assumably so.

10 Q People were paid less than they would have
11 been paid under the old system?

12 A They stayed on the job. If they are
13 inspectors they are paid as much as the welders.

14 Q But less than they would have been prior
15 to the reclassification?

16 A I guess so.

17 Q What was your feeling or understanding or
18 what review did you do about the effect on these two
19 classes of people and their work?

20 Didn't you understand there would be some
21 morale effect on people who would be told their job
22 was worth less than before?

23 A Mr. Guild, there is morale effect in an
24 awful lot of things that I do as a Manager; and I have
25 to work hard to mitigate little things that tend to

1 hurt morale and to reinforce things to help improve
2 morale.

3 That is part of my job. There is morale
4 effect in an awful lot of things we do throughout the
5 company; and that was one of the painful things about
6 this.

7 Equity and fairness said to everyone in
8 the company that people should be paid according to
9 the content of the job they hold.

10 Internal equity and compensation, whether
11 you work in Kannapolis or Charlotte or Catawba, says
12 it ought to have pay compensation right with the
13 qualifications necessary for the job.

14 And in analyzing many jobs, there were
15 adjustments necessary. This was one that had a
16 down tick.

17 The down tick was handled by a period of
18 time by simply not having as high a raise. Equity,
19 though, to everyone, including these people, said you
20 ought to give them the right signals by paying them
21 according to the qualifications and the contents of
22 the job they perform.

23 Q Well, morale can be neutral or negative,
24 and you will agree it wasn't positive on the Welding
25 Inspectors?

1 A That's right, it was negative because of
2 their relationship to their peer group, their relation-
3 ship to inspectors.

4 Competition with inspectors outside of
5 Duke Power was still very good.

6 Q By what peer group do you mean?

7 A The welders.

8 Q And how was that effected?

9 A Well, at one time some of them were welders.
10 They went over to be inspectors, and they were paid
11 a little more than they were as welders, and then the
12 difference disappeared.

13 Q So there is no difference; the difference
14 was eliminated by the reclassification?

15 A Yes.

16 Q Now what, if anything, did you do about
17 the morale effect of this reclassification on the work
18 of these inspectors, Mr. Lee?

19 A I discussed with Mr. Owen and Mr. Wells
20 the importance of effective communications as to why,
21 and the equity of the decision; and meetings were held
22 with supervisors and supervisors with the people at
23 the same time that my letter was going out to the
24 individuals who were involved in the Recourse
25 proceeding.

1 Q What responsibilities did you place on Mr.
2 Wells with respect to addressing these concerns?
3 Let's talk about the pay concerns now, the morale
4 issue.

5 A Well, I've described the responsibility I
6 put on Mr. Owen and Mr. Wells. Communicate the
7 reasons for this decision and be as effective in your
8 communications as you can.

9 Q Did it work?

10 A I think perhaps it worked better than one
11 might expect. I understand that most of them are still
12 with us.

13 Q Mr. Wells isn't with you; is he?

14 A Yes, sir.

15 Q He left very shortly after you announced
16 your decision on the recourse; didn't he?

17 A Mr. Wells is an employee of Duke Power
18 today.

19 Q He is not employed in the capacity that he
20 was when you made him responsible for dealing with
21 this problem?

22 A No, we had a new problem that came up.
23 I asked that Mr. Wells be assigned to the new
24 problem.

25 Q What was that?

1 A To put together a nationwide effort to better
2 assure quality in the design and construction of
3 nuclear power plants.

4 Q And you assigned this new problem to Mr.
5 Wells?

6 A Yes, sir.

7 Q How did you do that, Mr. Lee?

8 A By asking Mr. Wells to go to Atlanta to
9 work at INPO, the Institute of Nuclear Power
10 Operations, to help set up Task Forces that would
11 study what was required.

12 Mr. Wells provided leadership to several
13 of these Task Forces that developed the criteria that
14 INPO is now using to evaluate design and construction,
15 quality aspects of the nuclear power plants nationwide
16 and now in several foreign nations.

17 Q Did you meet with Mr. Wells to ask him
18 to take on this task?

19 A Yes. Well, I met with him, Mr. Owen
20 met with him at greater length. He reported directly
21 to Mr. Owen; but I met with Mr. Wells on a number
22 of occasions in Atlanta while he was performing that
23 task.

24 Q Did you meet with Mr. Wells before he
25 departed for the job in Atlanta?

1 A I think so. I would think if I was here I
2 did. If he left when I was out of town, I didn't.

3 Q Why didn't you leave Mr. Wells in his
4 position as Corporate QA Manager while he was try-
5 ing to solve the problem that was most immediately
6 at hand, Mr. Lee?

7 That is the Welding Inspector concerns?

8 A Well, this Recourse Procedure had been
9 resolved. At the same time there was an urgent need
10 nationwide for somebody to do something about the
11 quality of design and construction of nuclear power
12 plants, the Diablo Canyon problem had come up,
13 Chairman Pallidino had told the industry that the improve-
14 ments were needed.

15 A Task Force of the industry was formed
16 to decide how best to undertake it. The Task Force
17 concluded the best way to undertake it was to ask
18 INPO to assume responsibility for it.

19 INPO did not have any personnel who had
20 experience in Design and Construction, and their
21 quality was our concern, and Mr. Wells was the most
22 qualified guy in the United States with as much
23 experience as anyone, and was therefore an excellent
24 choice to ask to start the thing up.

25 Q You had full confidence in Mr. Wells?

1 A Yes, sir; still do.

2 Q You feel confident in the way he handled
3 his responsibilities as Corporate QA Manager?

4 A Yes, sir.

5 Q And the way he handled matters with the
6 Welding Inspector concerns?

7 A Yes, sir; all the technical aspects of the
8 Quality Assurance efforts, Mr. Wells handled in an
9 outstanding way.

10 He is recognized by his peers nationwide
11 on that caliber.

12 Q How about non-technical concerns?

13 A We did not communicate with those people
14 as well as we perhaps could have. I think we all
15 realized that in hindsight, 20--20, a little better
16 than we could have anticipated with foresight.

17 Q This is sort of a marked up copy here, but
18 that has been previously identified as an Exhibit,
19 Mr. Lee (indicating).

20 It is a memorandum, a note, letter, Mr.
21 Wells sent. It is addressed to all Catawba Welding
22 Inspectors, January 21, 1982.

23 Had you told Mr. Wells that he was depart-
24 ing for Atlanta for this mission with INPO at that
25 point?

1 A I don't remember that; when? It was just
2 about this time frame that the industry-wide Task
3 Force was approaching INPO.

4 Q Yes, and so you did not discuss that
5 appointment with Mr. Wells until after the INPO had
6 been contacted by the industry Task Force?

7 A I think this was all over by that time.

8 Q What was all over?

9 A By the time we realized that INPO was
10 going to take this job.

11 Q Yes?

12 A It was after this, after January 21, 1982.

13 Q So you would not have told Mr. Wells about
14 his assignment to Atlanta until after January?

15 A All right, sir.

16 Q I guess the question that comes to mind,
17 Mr. Lee, Mr. Wells' last concluding paragraph to
18 the Welding Inspectors, "As is true in any work,
19 working in a safe and efficient manner in that any
20 trust you may have lost in your supervision can be
21 restored, and I intend to do my best to do so."

22 "I want you to understand that and do your
23 best in helping me accomplish this." And he leaves
24 two weeks later.

25 Mr. Lee, is that good management, good

1 communication?

2 A We made a decision a short time later due
3 to an urgent need that INPO had. I left this company
4 on two hours' notice one time and was sent to another
5 institution to work for days and nights, and I didn't
6 know it two hours before I left.

7 But there was an urgent need.

8 Q And you came back?

9 A Yes.

10 Q Mr. Wells is gone.

11 A I'm expecting Jim Wells back here, too.
12 I've known Jim Wells for a very long period of time.

13 Q But he is not coming back as Corporate
14 Manager of Quality Assurance?

15 A I don't know what he'll do; I don't know.

16 Q So he hasn't been Corporate Quality
17 Assurance Manager since early February, 1982, to
18 present?

19 A He has been at INPO putting together a
20 nationwide and international Quality Assurance
21 Program. You are talking about a Welding Inspector
22 concern at Catawba.

23 Q In your judgment there was no significance
24 to Mr. Wells' departing, no significance with respect
25 to morale of Welding Inspectors?

1 A I don't think the timing of Mr. Wells'
2 departure to INPO had anything to do with this pay
3 problem and the concern expressed by those inspectors.

4 Q Nor did your filling the Corporate QA
5 Manager position with Mr. Grier have anything to do
6 with addressing this problem?

7 A Mr. Grier was selected because he could
8 bring a certain, in our view, aspect to the job that
9 was needed and timely.

10 Q Which were?

11 A He not only has demonstrated high techni-
12 cal capabilities, but very good ability as a communi-
13 cator.

14 Q Improved abilities as a communicator over
15 his predecessor?

16 A I don't know that I would say that; we all
17 have a mixture of qualifications and some are stronger
18 and some are not as strong, and nobody is perfect.

19 Q I mean I just wanted a fair assessment,
20 if you know, if you have an opinion, was Mr. Grier
21 more capable as a communicator than Mr. Wells?

22 A I didn't make that judgment. Mr. Wells
23 was needed at INPO at the time to start a nationwide
24 program.

25 Now then, we are going to lose Mr. Wells;

1 who should we get to replace him?

2 So we look around, what kind of person
3 do we need? We need a good communicator, highly
4 technical, competent, good management track record;
5 and George Grier was the selection that filled those
6 qualifications.

7 It was not necessary to put Mr. Grier on
8 one scale and Wells on another. Wells was the most
9 experienced QA man that we knew in the nation;
10 therefore, he ought to go to INPO.

11 Now how to replace him, by saying George
12 Grier is a good communicator is no way compared to
13 Mr. Jim Wells as a communicator.

14 Q How about comparing Mr. Wells and Mr.
15 Grier on the attributes of effective communications?

16 A I would like to discuss this with Counsel.

17 (Whereupon, the Witness and his
18 Counsel conferred out of the hearing
19 of the Court Reporter.)

20

21 MR. GIBSON: Mr. Guild, Mr. Lee
22 has given his view of Mr. Wells and of
23 Mr. Grier; I am instructing him, after
24 conferring with him, not to sit here and
25 do a comparison today of the strengths and

1 weaknesses of both persons.

2 MR. GUILD: Are you instructing him
3 not to answer the question I have posed to
4 him?

5 The question is pending, and I would
6 like it answered.

7 THE WITNESS: Repeat the question.
8

9 BY MR. GUILD:

10 Q Compare Wells and Mr. Grier on the
11 quality you think is important; that is effective
12 communications.

13 A I think Mr. Wells and Mr. Grier are both
14 effective communicators.

15 Q Either is superior to the other?

16 A Both are effective communicators.

17 MR. GIBSON: I have instructed Mr.
18 Lee not to compare the effectiveness of the
19 communication of Mr. Wells and Mr. Grier.

20 MR. GUILD: If you are instructing
21 him not to answer the question, I will take
22 it up with the Board.

23 I have a question pending and I would
24 like it answered.

25 MR. GIBSON: I have indicated our

1 position, that you are well aware of the
2 options available to you, and I would point
3 out, Mr. Guild, it is close to five o'clock.

4 MR. GUILD: I have many other areas
5 of inquiry. Are you instructing him not
6 to answer that question?

7 MR. GIBSON: For the fourth time, I
8 am instructing him not to answer the
9 question.

10 MR. GUILD: Fine, no need to raise
11 your voice; just instruct him not to answer.

12 MR. GIBSON: I think the lack of
13 clarity comes from your part. If you have
14 other questions, proceed.

15

16 BY MR. GUILD:

17 Q Have you ever met with Mr. Riley concern-
18 ing the Welding Inspector concerns?

19 A No, sir; not to my recollection.

20 Q The work of the Task Force that investi-
21 gated those concerns?

22 A I met with Mr. Owen with respect to the
23 Task Force at work. I may have met with the first
24 Task Force headed by Earl Henley or certainly as
25 the Chairman.

1 Q Yes, sir; does that complete your answer?

2 A Yes.

3 Q Have you met with Mr. Henry concerning
4 the Welding Inspectors' concerns?

5 A Wayne Henry?

6 Q Yes.

7 A I think Wayne was in some of the meetings
8 with me.

9 Q Which meetings are those, sir?

10 A I don't recollect, Mr. Guild.

11 Q Have you met with Mr. Henry on the
12 subject since January or February of '82, more
13 recently than that on this subject?

14 A I may have met with him in connection
15 with the report of the Task Force or the report and
16 findings of Mack, an independent consultant who was
17 brought in to look at this matter.

18 Q What was your relationship with Mack?
19 Had you had prior dealings with him?

20 A I had not; Mr. Owen had had prior inter-
21 faces with Mack and recommended that they be re-
22 tained to make an independent study, and I concurred
23 in his recommendation.

24 MR. GUILD: Let's mark this docu-
25 ment, the January 21st, 1982, letter that

1 you brought with you, Mr. Lee, as the
2 first Exhibit to your Deposition.

3 (Whereupon, the document referred
4 to as letter to Mr. Lee from Mr. Owen
5 dated 1/21/82, was marked and received
6 by the Court Reporter as Lee Deposition
7 Exhibit One and entered into the Record.)
8

9 BY MR. GUILD:

10 Q Mr. Lee, are you familiar with the first
11 SALP report, NRC's Systematic Licensing Assessment
12 Nureg 84 published in August of '81?

13 A I'm not certain I can identify that document.

14 Q All right, sir; I particularly direct your
15 attention to Appendix B, and that reflects the then
16 rating of the Catawba plant as among seven facilities
17 rated below average.

18 A What is this report?

19 Q That is the report to which that appendix
20 is attached. It is the Licensee Assessment Group.
21 So this was the generic report that inspects all plants.
22 Are you familiar with that report?

23 A Yes, I remember the report.

24 Q It grouped Catawba below average, and the
25 third paragraph, "Summary of Findings," is reflected

1 on the page that I'm showing you.

2 What I want to understand is your reaction
3 to that report and what corrective action, if any,
4 you understand was taken with regard to those
5 findings.

6 A My reaction to the report was to inspect,
7 of course, inquire the criteria that were used for a
8 rating of above and below average.

9 I was advised that the rating was deter-
10 mined by the number of reports made to the NRC with
11 respect to nonconforming items or other problems.

12 I then was advised that the numerical
13 number which was the bases of the rating was influ-
14 enced by the initiative taken by the licensee in re-
15 porting findings that the licensee has made.

16 We have taken, I think, a great deal of
17 initiative to report to the NRC everything we have
18 ever found; so all of a sudden I had concern about
19 the quantification of number of reports as indicating
20 whether somebody was average or better than average
21 or poorer than average, which is simply the number
22 of reports which was used as the measurement basis;
23 and I now know the NRC had similar concerns and
24 therefore they abandoned that bases of measurement
25 on which this report was based because of the

1 malicious nature.

2 This report came out in 1981, and was for
3 a period that was then more than a year old, as I
4 remember.

5 In fact, it was for a period that began two
6 years before that and ended a year before that, and
7 it was during that time that we had made substantial
8 changes in the procedures used in the Quality
9 Assurance Program.

10 We discussed what else needed to be done
11 in order to make sure we had as high a caliber
12 quality insurance at Catawba as was needed; and
13 there were and still are evolving incremental improve-
14 ments in that improvements were made of records
15 controlled during that time.

16 I believe this was about the time that the
17 Quality Control Inspectors were moved over to the
18 Quality Assurance Department; whereas previously
19 they had been in the Construction Department.

20 That was a change made during this time,
21 and if we went back to the records, we would see
22 literally dozens of changes in procedures during this
23 time.

24 Q Were changes in procedures effected at
25 Catawba, Mr. Lee, to reduce the raw number of non-

1 conforming items forwarded to the NRC to try to
2 address this question of simply basing a false report--

3 A We have never, in Duke Power Company,
4 worried about that sort of measurement criteria or
5 responded to the use of that sort of measurement
6 criteria for use by the NRC as indicated in this
7 report.

8 I don't think it is a valid criterion to use,
9 but I do think that Quality Assurance Programs will
10 always be improved.

11 Q Are you aware that procedures have been
12 changed in the documentation of nonconforming items
13 and construction deficiencies at Catawba, and that
14 resulted in a reduction in the number of nonconform-
15 ing item reports and an increase in the process
16 control and other means of documenting deficiencies?

17 A No, if that is so then what was the purpose
18 of the change?

19 Q Are you aware of a Task Force that is
20 currently organized to review the processing of
21 nonconforming items at Catawba, a team chaired by
22 Mr. Bradley.

23 A You mean a back log of them?

24 Q I don't know; a team that is called the
25 Nonconformance Evaluation Team; Mr. Bradley and

1 some representatives of a variety of other disciplines
2 meet and review NCI's.

3 A I am not certain about that.

4 MR. GIBSON: Mr. Guild, I believe
5 it is after five o'clock. I believe we
6 started a few moments after five, so if
7 you have a few moments of finishing
8 questions, we will let Mr. Lee stay.

9 MR. GUILD: I have considerably more
10 questions for Mr. Lee.

11 MR. GIBSON: Mr. Lee is not available
12 after business hours today, Mr. Guild. If
13 you have a few more areas to be covered
14 in the next few minutes, I suggest you do that

15 BY MR. GUILD:

16 Q Are you familiar with the use of the non-
17 conforming item report, the Q1A report?

18 A Mr. Guild, I may have been familiar with
19 that at one time, but I don't recollect that number.

20 Q Are you familiar with the use of the R2
21 procedure to document construction deficiencies?

22 A No, sir.

23 Q Mr. Lee, Welding Inspectors used non-
24 conforming item reports to document construction
25 deficiencies that they noted in the course of a welding

1 inspection previously at Catawba.

2 Procedures were changed, Welding
3 Inspectors were told not to use the nonconforming
4 item report but the procedure Q1 to document
5 deficiencies in welding that they noted in their
6 inspections.

7 How would you understand a Welding
8 Inspector to perceive that sort of instruction in
9 light of your earlier statements when you observed
10 the Quality Assurance Department?

11 Wouldn't you understand that as a Welding
12 Inspector being told not to do inspections? Wouldn't
13 you understand that as denegating the function of
14 inspection?

15 A No, because I'm sure there is some mech-
16 anism by which they can report deficiencies.

17 Q How do you know that?

18 A You have characterized something to me
19 that I am not familiar with; therefore, I reacted to
20 what you characterized because I don't believe you
21 characterized it properly.

22 Q You are not aware of the specifics of how
23 the matter is handled?

24 A I'm not even aware of what you've
25 characterized.

1 Q But if you assume those facts as I stated
2 them, your answer would have been the same?

3 A No, the answer would have been no, as I
4 understood your question.

5 Q Are you aware of the practice of verbally
6 voiding the nonconforming items at Catawba?

7 A No.

8 Q If I asked you to accept that the practice
9 at Catawba was that inspectors would, original non-
10 conforming item reports, Q1A, they would document
11 a deficiency that they identified before that report
12 was logged by document control or assigned a number
13 for record control, that supervision follow the
14 practice of voiding that nonconforming item, of
15 instructing the inspector to destroy the form, tear
16 it up, but to void the NCI without it being documented.

17 If you accept that statement of fact hypo-
18 thetically, is that consistent with your understanding
19 of proper Quality Assurance procedure?

20 A If the NCI was a safety related deficiency,
21 then that is inconsistent with my understanding. If
22 the NCI had nothing to do with something safety
23 related, then it seems to me it could have been done
24 that way.

25 Q In whose judgment?

1 A In the judgment of the highest reviewing
2 authority.

3 Q In the judgment of such supervisor who
4 verbally voided the NCI?

5 A If the supervisor is the highest reviewing
6 authority, that would be the highest reviewing
7 authority.

8 Q If that was his judgment that it was not
9 safety related, it would be consistent with the pro-
10 cedure for him to verbally void the NCIs?

11 A I don't know the procedures, Mr. Guild.
12 You asked is it right or wrong. I said if it is safety
13 related it did not follow the procedure, and if it is
14 not safety related, it didn't matter.

15 Q That is your answer, it doesn't matter?

16 A If it is not safety related.

17 Q I am not asking you for a rote discussion
18 of a procedure; I want your opinion as to good
19 practice, good Quality Assurance practice as the
20 first Quality Assurance Manager of Duke Quality
21 Assurance.

22 A If it is safety related, it ought to be
23 documented.

24 Q And if it is not safety related in the
25 judgment of the supervising authority, it is unimportant?

1 A Then somebody used an NCI where it wasn't
2 needed or justified.

3 Q And it doesn't matter whether it is docu-
4 mented or not?

5 A I don't think so.

6 Q All right, if I can have a moment, please;
7 Mr. Lee, I want to show you two other documents,
8 sir.

9 This is a December 4, 1981, memo
10 (indicating). It appears to have your signature on it.

11 A Uh huh.

12 Q Do you recognize that, sir?

13 A Yes.

14 Q Is that the memo that reflects your authoriz-
15 ing a Task Force to review the Welding Inspector
16 technical concerns?

17 A Yes.

18 Q Did you write that memo, sir?

19 A Yes.

20 Q Why was the work of the first Task Force
21 not the end of the matter, Mr. Lee? Why was there
22 a second Task Force organized?

23 A I believe Mr. Owen felt that it would be
24 good to have someone not in Duke Power Company
25 make an independent appraisal.

1 The exact sequence of thinking leading up
2 to that, you will have to ask him.

3 Q All right, sir; I will get a chance to do
4 that. That would have been the Mack people, the
5 consultant?

6 A Yes.

7 Q All right, sir; and a January 22nd, 1982,
8 memo (indicating); can you identify that, sir?

9 A Yes.

10 Q Did you write that?

11 A Yes.

12 Q To Mr. Wells?

13 A Yes.

14 Q Did someone draft that memo for you, sir?
15 Can you recall--it is your response to the Welding
16 Inspector recourse letters, an explanation of the
17 pay decision; can you recall?

18 A There were probably drafts of this brought
19 to me, but I believe that--

20 Q By Ms. Addis?

21 A Maybe so; I believe that I probably did
22 some changes to it.

23 Q Can you recall whether or not she pre-
24 sented a draft to you?

25 A I don't recall.

1 Q All right, sir; Mr. Lee, after your
2 January decision on the recourse reflected in your
3 January 22nd memo to Mr. Wells, what was the
4 nature of your involvement in responding to the
5 Welding Inspector concerns?

6 A I responded to each of the Welding
7 Inspectors who had initiated the Recourse Procedure.

8 Q Yes?

9 A From time to time for months thereafter
10 I talked to Mr. Owen about the situation.

11 Q Did you receive written reports?

12 A Occasionally I would, and would initial
13 it and send it back to him.

14 Q Did you keep those in your file?

15 A No.

16 Q Were those reports that were addressed to
17 you from Mr. Owen?

18 A It may have been or they may have been
19 addressed to him and he sent one to me for my
20 information.

21 Q It may have been both?

22 A It could have been.

23 Q And your practice is if you read it you
24 would initial it?

25 A I would initial it and send it back to him.

1 Q How would you initial it?

2 A "Lee."

3 Q Would that be by your name?

4 A Sometimes on the front page or sometimes
5 a check mark.

6 Q By your name?

7 A Yeah.

8 Q All right, sir--

9 A If I didn't think it was important to initial
10 it and check it or return it, I would throw it in the
11 wastebasket.

12 Q All right, sir; I understand your record
13 keeping system. You wouldn't keep it in your files,
14 sir?

15 A No, sir.

16 Q All right, sir; your Lawyers are calling
17 time.

18 A I was available when you asked, at ten
19 o'clock this morning.

20 Q Your Lawyers are keeping me busy in
21 Columbia, Mr. Lee. You have a legion of them, able
22 as they are.

23 I had other business in responding to this.
24 I appreciate your being available, Mr. Lee, but for
25 the time I would love to talk to you on other matters.

1 CROSS EXAMINATION

2 BY MR. GIBSON:

3 Q In response to questions of Mr. Guild,
4 you stated as a result of the reclassification you had
5 to tell people that their job is not as valuable or
6 not as important as we once thought it was.

7 You were referring to the QA Inspectors'
8 job in responding to that question?

9 A I was referring to the level of their pay,
10 of the QA Inspectors.

11 Q Were you suggesting that QA Inspection
12 function was not as important as it perhaps was before?

13 A No, I didn't mean to imply that.

14 Q With respect to your responses concerning
15 the changes in the qualifications for Welding
16 Inspectors, including the welding experience; did this
17 result in a less qualified Welding Inspector?

18 A No.

19 Q Is Duke still as committed to Quality
20 Assurance today as when you initially started the
21 program?

22 MR. GUILD: I hate to have to note
23 this for the Record, but I couldn't construct
24 a more leading question.

25 MR. GIBSON: State your objection

1 and we will move on.

2 MR. GUILD: Ask the question in a
3 non-leading fashion and--

4 MR. GIBSON: Your objection is noted,
5 Mr. Guild.

6 MR. GUILD: My only suggestion,
7 Counsel, is that if the Witness' answers
8 have any significance at all, it should be
9 from his mouth and not yours.

10 If you want to take this opportunity
11 while the Deposition is pending, instead of
12 later to do this, I suggest that the question
13 is objectionable because of the form.

14 MR. GIBSON: For clarity's sake,
15 you have objected and I understand your
16 objection.

17

18 BY MR. GIBSON:

19 Q During questions from Mr. Guild, I think
20 the question or a series of phrases were used con-
21 cerning QA being a fifth wheel for a make work
22 function or perhaps not an important function.

23 In your view of CA, was QA a make work
24 or a fifth wheel or not important?

25 A I thought I made it clear I disagreed with

1 Mr. Guild's characterization of "make work" with
2 respect to QA; and certainly I disagree with any
3 characterization that it would be a fifth wheel.

4 Q Are you aware of anything that would cause
5 you to question whether the Catawba Nuclear Station
6 is safely built?

7 A I am not.

8 MR. GIBSON: That is all I have.

9 MR. GUILD: I have nothing further.

10 FURTHER THE DEPONENT SAITH NOT.

11 (Whereupon, the Deposition was
12 concluded at 5:20 p.m.)
13
14
15
16
17
18

19 I, William S. Lee, hereby certify
20 that I have read and understand the foregoing tran-
21 script and believe it to be a true, accurate and
22 complete transcript of my testimony.
23
24
25

William S. Lee

This Deposition was signed in my presence by William S. Lee on the _____ day of July, 1983.

Notary Public

C E R T I F I C A T E

STATE OF NORTH CAROLINA

COUNTY OF MECKLENBURG

I, Lynn B. Gilliam, do hereby certify that the proceedings were by me reduced to machine shorthand in the presence of the Witness, afterwards transcribed upon a typewriter under my direction; and that the foregoing is a true and correct transcript of the proceedings.

I further certify that these proceedings were taken at the time and place in the foregoing caption specified.

I further certify that I am not a relative, Counsel or Attorney for either Party or otherwise interested in the outcome of this action.

IN WITNESS WHEREOF, I have here-
unto set my hand at Charlotte, North Carolina, on

1 this the ____ day of July, 1983.

2

3

4

LYNN R. CILLIAM
Court Reporter

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23 My Commission expires May 12, 1988.

24

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recourse pro

January 21, 1982



W S Lee

I have made arrangements with the following list of people to meet with you at ~~your convenience after 2:00 pm today~~. Jim Wells, Tom McCracken, Ken Clark, Bob Bisanar, Jim Grogan, Hal Tucker, and Austin Thies. We have done the following:

1. Gail Addis has prepared and Jim Wells, Bob Bisanar and representatives from Steam Production and Construction have reviewed letters going to those that pursued the recourse.
2. This letter providing the recourse decision will be mailed Friday morning. Our experience has indicated that mailing it Thursday night causes problems when family members open letters and call the job on Friday.
3. Tom McCracken, Bob Bisanar and Jim Grogan have been most helpful with Jim Wells, Larry Davison and Jess Barbour in preparing for discussions with supervisors at the end of the workday on Friday. Their statement has been committed to writing and has been reviewed by Fred Stuart. A copy of that statement will be available this afternoon.
4. Bob Bisanar is proceeding with plans to have Homer Deakins and/or Fred Stuart on standby for possible use next week. In any event, we plan to use them in the coming weeks.
5. Jim Wells has consulted with Ken Clark to develop a statement for the company in case this becomes a news event over the weekend or next week. Ken is going to make a recommendation as to content for the statement and the procedures for making the statement if necessary.
6. Jim Wells has notified Jack Bryant (NRC-Atlanta with responsibility for Duke) of the potential for contact with the NRC by either the inspectors or news media representatives. We are also going to give the same information to the senior resident NRC representatives at each of the sites sometime tomorrow in case they are contacted over the weekend. By the way, Bryant's comment to Jim was that he appreciated being forewarned and did not understand why the inspectors felt there was a pay problem since he (Bryant) was on an NRC task force which found that inspectors were being paid less than craft in most locations.

I need an opportunity right away to talk with you about this entire matter.

W H Owen

WHO/mk

See Sep Ex 1