

UNITED STATES
NUCLEAR REGULATORY COMMISSION

In the Matter of)
Mr. Richard Balcom, Manager,) Docket Nos. 50-498 and 50-494
Nuclear Security Department) License Nos. NPF-76 and NPF-80
Houston Lighting & Power Company) EA 93-222
South Texas Project) November 15, 1993

Response of Richard L. Balcom
to Demand for Information

I. Introduction

On September 29, 1993, the United States Nuclear Regulatory Commission (NRC) issued a Demand for Information (DFI) to Richard L. Balcom, Houston Lighting & Power Company's Director of Nuclear Security and a separate DFI to Houston Lighting & Power Company (HL&P). Both DFI's are based on the Report of an investigation conducted by the NRC's Office of Inspector General (OIG) concerning alleged violations of 10 CFR 50.7. The DFIs state that the findings of the OIG investigation, taken together, indicate apparent violations of 10 CFR 50.7 as a result of employment actions in 1992 with respect to three former HL&P employees, David Lamb, James Dean and William Worth. The DFIs require Mr. Balcom and HL&P, respectively, to respond to the findings and to include in their responses certain specific information.

I, Richard L. Balcom, am filing this Response to the DFI dated September 29, 1993 on my own behalf. HL&P is submitting a separate response to the DFI directed to it. Both

responses show that the employment actions in question were not motivated by any protected activities of the former employees, that the employment actions did not violate any NRC requirements and that no basis exists for enforcement against either me or HL&P. The DFI directs me to submit:

- A. A response to the OIG findings as summarized in the DFI, including:
 - 1. The basis for my actions affecting the employment of Lamb, Dean, and Worth; and
 - 2. An explanation of why the NRC should not take direct enforcement action against me under the Deliberate Misconduct Rule 10 CFR 50.5, for engaging in discrimination as prohibited by 10 CFR 50.7; and
- B. Any other information that I believe relevant to the NRC's enforcement determinations.

I have been informed that in a telephone conversation between James H. Snizek of the NRC, and William T. Cottle of HL&P, the NRC granted an extension of the due date for submittal of my response to November 15, 1993.

II. Response to the OIG Findings

I have reviewed the Response to the DFI that is being filed by HL&P, and agree with the statements contained in it. Rather than repeat the statements contained in HL&P's Response, I hereby incorporate that Response by reference as part of my response to the OIG findings.

III. Basis For Employment Actions

My sworn statement to the OIG explains the basis for the employment actions regarding Messrs. Lamb, Dean and Worth. A copy of my statement to the OIG is attached to this Response as Attachment A. I also testified under oath in the Department of Labor hearing concerning the complaints of Mr. Lamb and Mr. Dean and was cross-examined by the attorney representing Mr. Lamb and Mr. Dean. Pertinent portions of my testimony and the testimony of others are referenced in HL&P's Response.

In my statement and in my testimony, I described my analysis of the organization and personnel in the Nuclear Security Department (NSD) and the methodology used to determine which personnel would be retained in NSD. In addition to the information provided there, I believe it may be helpful to recall the circumstances that existed when I was assigned to the NSD in early 1992. Under my direction, the QA Department had audited the security function, including an audit in the summer of 1991, that caused me to conclude that the Security Program was experiencing declining performance. For example: corrective actions for previously identified vehicle access control deficiencies had been ineffective; there were nine examples of failures to comply with procedures; entries to the Safeguards Events Log had been untimely and/or incomplete; external barrier penetrations were not being inspected in accordance with the required frequency; and there were several disagreements between NSD and QA about interpretation of NRC requirements.

With this background, after assuming the position of NSD Manager, I evaluated the causes for the department's declining performance and concluded that both the HL&P and contractor organizations were not functioning effectively. There were excessive levels of management that inhibited effective communications; an excessive number of supervisors that resulted in small functional groups that tended to function independently rather than as part of a team; excessive and duplicate administrative functions that tended to dilute functional responsibility and accountability; and illogical groupings of functions that hindered effective communication and accountability, and increased administrative burdens. I determined that a restructuring would save money, be more efficient, and would facilitate performance improvement. I developed a revised structure for both the HL&P and contractor organizations, and then presented my findings and proposed actions to the Vice President, Nuclear Generation and the Group Vice President, Nuclear. The records of the results of my evaluation and my presentation to executive management are provided in Attachment A.

As explained in detail in my statement to the OIG, HL&P's Response to the DFI and in testimony under oath in the Department of Labor hearing on the complaints of Mr. Dean and Mr. Lamb, the specific decisions about how to reorganize, how many employees to retain and which employees to retain were made on

the basis of detailed analysis of appropriate factors and without any consideration of protected activity by any employee.

IV. Why the NRC Should Not Take Enforcement Action Against Me

The NRC should not take enforcement action against me because I did not engage in any misconduct, deliberate or otherwise. I did not discriminate against Messrs. Lamb, Dean, and Worth. This is clearly shown by my statement to the OIG, HL&P's Response to the DFI addressed to it, and this Response.

As Manager of Nuclear Security at the South Texas Project Electric Generating Station (STPEGS), it was my responsibility to ensure the effective implementation of the Security Plans. It also was my responsibility to make recommendations to STPEGS executive management regarding the appropriate and effective organization for the NSD. My recommendations were made without regard to any employee's protected activity and there were no discussions of protected activity during the approval process.

After the proposed organizational changes were approved by STPEGS executive management, it was my responsibility to determine the appropriate method for selecting the employees to retain in the revised organization. I consulted with the STPEGS Human Resources - Nuclear (HR-N) department regarding an appropriate methodology. The method provided by HR-N was the same method that had been used by HL&P earlier in 1992 for a

major corporate restructuring. This method provided for a forced ranking of all employees utilizing a Special Performance Profile (SPP).

It was my responsibility to ensure that the SPPs were completed in a fair and consistent manner. I did so by asking J. R. Moore (NSD Support Division Manager) and J. W. Hinson (who until a few weeks before had been the NSD Administrator of Investigations and Compliance) to complete the SPPs for the employees who reported, or had reported, to them. I completed the SPPs for the employees who reported directly to me. This ensured that each employee's profile was completed by the manager with the most detailed and current knowledge about the employee's performance and behavior. I did not inform either Mr. Moore or Mr. Hinson of the purpose of completing the SPPs, what the new organization would look like, or that personnel would be transferred or terminated based on the SPPs.

After the SPPs were completed, I reviewed them carefully to assure that the rating criteria were applied consistently and fairly. In the few cases in which I believed the ratings were not consistent or not fair, I met with the appropriate manager to discuss the issues and he made appropriate changes reflecting our common understanding of the SPP instructions and the employee traits. Once these corrections were made, an independent review was conducted by HR-N at my request to provide additional assurance that the SPPs were fair

and consistent. Mr. Moore and Mr. Hinson participated fully with me in resolving the HR-N comments.

In summary, the entire reorganization and SPP process were conducted on an entirely professional management basis and no employee's protected activities were discussed or considered at any stage. My sole interest was in developing an efficient and effective department that would reverse the declining security performance trend. The organization I implemented has been effective in improving security program performance. This is evidenced by statements of NRC officials at the STPEGS public SALP meeting in October 1992 that the SALP rating of 2 in Security was higher than it would otherwise have been because of improved performance at the end of the SALP period and the positive results of the Operational Safeguards Response Evaluation conducted in January 1993.

V. Other Considerations

I am familiar with the requirements of 10 CFR 50.7 and Section 210/211 and fully support those requirements and the underlying policy, which is to assure unhindered communication of safety concerns in an environment of open communication. I have not taken any action against anyone for raising a concern, and have not tolerated any such action by my subordinates. In my position as Director of Nuclear Security, I have devoted substantial attention to improving communications within the

department, and between the department and the rest of the STPEGS organization. I have continued to emphasize the responsibility of my subordinates to identify deficiencies and assure that they are addressed. Among the actions I have taken to assure improved communications within NSD are the following:

- * after assuming the position of Department Manager, I met with each of the NSD employees individually to discuss their respective views about NSD;
- * I participate in a weekly meeting with the three HL&P and three contractor supervisors to discuss current NSD and STPEGS issues;
- * I instituted a management tour program to increase supervisory time among the contractor Security Force to increase oversight and promote communications;
- * I worked with the security contractor to implement a Security Force suggestion/concern program.

My actions as Director of Nuclear Security have been designed to foster an open work environment that encourages individuals to voice safety and compliance concerns without fear of reprisal.

I have worked in the nuclear power field for twenty-seven years, including eleven years in the United States Navy and sixteen years in the commercial nuclear industry. While in the Navy, I served for two years as an Atomic Energy Commission safety monitor at the Shippingport Atomic Power Station. I have held Senior Reactor Operator Licenses on both units of the Zion

Station, the Westinghouse Nuclear Training Reactor, and both units of the South Texas Project Electric Generating Station. During my career in the nuclear industry I have demonstrated my dedication to nuclear safety, my recognition of my responsibility to identify and resolve safety concerns, and my openness to the concerns of others. Until this unwarranted Demand for Information, based on a report that is, as described in HL&P's Response, factually and logically flawed, neither the NRC nor any other agency or employer has called my integrity into question.

I have been employed at STPEGS since 1983, and have held supervisory and managerial positions in reactor operations, quality assurance, and since early 1992 in nuclear security. In each of these positions, my areas of responsibility have been routinely inspected by the NRC.

The results of these inspections have confirmed that the programs I supervised have been characterized by a desire to identify and correct problems, not to suppress them, and there has never been any finding that I, or the personnel who worked under my supervision, failed to raise and address all safety concerns that came to our attention. To the contrary, repeatedly NRC has found that organizations I have led were aggressive in identifying and pursuing safety concerns. By way of example, the report of the recent NRC Diagnostic Evaluation at STPEGS states that beginning in 1990 and continuing into 1993 -- for the most part, the period of my tenure as Quality Assurance Director --

"the team found numerous records which documented QA's persistence in attempting to gain management attention to their safety findings." The comments of the Diagnostic Evaluation Team show that the personnel I directed in Quality Assurance did recognize their responsibility to identify problems, and were not discouraged from documenting them.

A more specific example of my commitment to assuring that personnel feel free to identify concerns occurred during the brief time in late 1990 and early 1991 when I was assigned a collateral duty as the individual responsible for directing the STPEGS SPEAKOUT program (employee concerns). During that time, a contractor employee expressed a concern that he had been terminated for his unwillingness to falsify a work package. Under my direction, SPEAKOUT investigated the concern, ensured the individual received the protection afforded by 10 CFR 50.7, and ensured that proper action was taken on the concern. The HL&P actions in response to this concern included an extensive effort to emphasize to STPEGS employees that STPEGS management requires every employee to display absolute integrity and honesty in the work place. Although the NRC imposed a civil penalty because HL&P had not assured that the contractor organization conducted its activities appropriately, it recognized that HL&P's actions in response to these issues once they were identified by my staff were "thorough and appropriate." [See NRC letter to HL&P dated February 24, 1992 concerning EA 91-055.]

VI. Conclusion

The fact that the NRC has issued this DFI, is itself very painful to me. I have devoted the last twenty-seven years to assuring nuclear safety. I have never willfully violated any NRC requirement, and the accusations against me are totally unwarranted. The OIG apparently reached its conclusion that I violated 10 CFR 50.7 solely on the basis of inferences that are based on misunderstandings, questionable logic, and incomplete information. The OIG's conclusion is controverted by the testimony and statements of everyone who participated with me in the decision making process.

The OIG Report does not dispute the fact that I did not know of any protected activity by Mr. Worth or Mr. Dean. HL&P's Response explains why the very limited knowledge I had about Mr. Lamb's activities should not be considered knowledge of protected activity. More importantly, however, the conversations with Mr. Lamb cited in the DFI as protected activities did not give me any reason to retaliate against him. The conversations were neither offensive nor threatening to me. In neither conversation did Mr. Lamb suggest that I did anything wrong, or that there was any significant problem that would be expensive to correct. Not only did I not retaliate against these individuals, there is no evidence that should lead anyone to question my motives for these actions.

The essence of the OIG conclusion is that it disagrees with the application of the Evaluation and Decision (SPP) process to the ratings of the NSD personnel. The OIG is wrong. I have reviewed the OIG position and continue to believe that the process was conducted correctly. However, even had mistakes been made, they would not have been made because of any intent to discriminate against anyone because of protected activity. In fact, an unbiased review of the process used will find that I ensured, to the maximum extent possible, that it was conducted in a fair and consistent manner.

Enforcement action is not necessary to assure that I comply with 10 CFR 50.7; I understand and am committed to continue to fulfill my responsibilities to assure all personnel at STPEGS feel free to raise concerns. If the NRC has any continuing doubt about this, I would request the opportunity to

appear at an enforcement conference or some other meeting with
NRC representatives to resolve those doubts.

Respectfully submitted,

Richard L. Balcom
Richard L. Balcom

STATE OF TEXAS)
)
MATAGORDA COUNTY)

Subscribed and sworn to before me, a Notary Public in and
for the State of Texas, this 15 day of November, 1993.

Connie Montgomery
Notary Public in and for
the State of Texas

South Texas Project
Electric Generating Station
P.O. Box 289
Wadsworth, TX. 77463

Statement of Richard L. Balcom

I, Richard L. Balcom, make the following statement to Supervisory Special Agent Robert A. Watkins, Office of the Inspector General (OIG), U.S. Nuclear Regulatory Commission (NRC). I make this statement freely and voluntarily.

On July 9, 1992, I was interviewed by Robert Watkins and Lisa Hoston of OIG. In the interview, I answered the questions asked by Mr. Watkins and Ms. Hoston truthfully and fully in accordance with my recollections. Subsequently, I received a draft of a statement summarizing my answers to questions during the interview. I have reviewed the draft and provide this statement to replace it. In reviewing the draft statement I corrected errors, provided additional details, and reorganized the statement to improve clarity. Generally, however, this statement constitutes my answers to questions asked by the OIG representatives and is not intended as a complete response to whatever allegations OIG may be investigating.

In January 1992, after the resignation of Mr. William Randlett, I was assigned to the position of Manager, Nuclear Security Department (NSD) at the South Texas Project (STP). Prior to this, I had served as the Director, Quality Assurance (QA) Department. When I was assigned as Manager, NSD I received very general guidance from my supervisor, Mr. Warren Kinsey that I should consider how best to focus NSD on the physical protection of the plant.

Shortly after becoming Manager, NSD, I reviewed the organizational structure. Attachment 1 is a copy of the organization chart of NSD, as it existed in January 1992. At that time, the NSD consisted of 22 HL&P employees, 7 of whom were in supervisory Positions. In my opinion, the ratio of supervisory personnel to staff was too high. I also concluded that the functions assigned to the various managers and supervisors could be more logically grouped (e.g., one Manager was responsible for the unrelated function of investigations, NSD internal compliance reviews and coordination of the station fire watch assignments).

I felt that the organization needed to be restructured, with respect to both HL&P/STP employees and the NSD contractor, The Wackenhut Corporation (TWC). I felt that a restructuring would save money and be more efficient. Therefore, I initiated efforts to restructure the NSD, starting first with TWC employees.

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Beginning around the end of January, 1992, I held periodic department meetings with the entire NSD HL&P staff. During these department meetings I stated my view that the NSD, as then organized, did not make a lot of sense, and that I anticipated making changes. I stated that these changes might include changes to the total staff size of the department, but that I was not yet sure whether the staff size would increase or decrease.

During my first two months as Manager, NSD I devoted substantial attention to evaluating the NSD organization and personnel. As a result of discussions with other STP personnel during the prior year, and my QA activities, I was already aware that NSD was facing employee morale and disciplinary problems. These problems included employee disagreements with management decisions on various technical issues, and errors in handling safeguards information. Soon after taking over as Manager of NSD, I personally reviewed these issues. I also reviewed the procedures that were in place and felt that they were somewhat cumbersome. I held meetings with each of the individual HL&P NSD employees and discussed with them their duties, their views of the department and their expectations regarding their respective career paths at STP. I also requested that the two division managers, Mr. Moore and Mr. Hinson, provide me with their recommendations for reorganizing NSD. Based on this information I developed a list of functions that the NSD was performing. I reviewed this list to identify functions that should be discontinued or transferred to other departments, and to consider a logical way of organizing the remaining functions.

Based on this review, I determined that several functions that were being performed by NSD could be transferred to other departments or eliminated. The principal functions to be transferred were:

1. Plant Access Authorization Program: This function was already planned to be transferred from NSD. I took steps to expedite the transfer. Specifically, I met with the Manager of Nuclear Licensing and the Manager, Human Resources, and the Manager, Nuclear Licensing selected an individual from NSD, Mr. J.W. Hinson, to be transferred to Nuclear Licensing in the position of Manager of Access Authorization. Mr. Hinson then selected two professionals from the NSD staff to transfer into Nuclear Licensing with the access authorization responsibilities.

2. Fitness for Duty Investigations: This function involved investigation of information concerning compliance with the STP Fitness for Duty policy. Since the Fitness for Duty Program was being transferred from the Human Resources-Nuclear Department into the Access Division of Nuclear Licensing and the Access Division would have an experienced investigator, I decided to transfer this investigatory function with the Access Authorization function.
3. Wrongdoing and Misconduct Investigations: I recognized that this function was similar to the function of the Speakout program, which is part of the Nuclear Assurance Department. The establishment of a separate wrongdoing investigations responsibility within NSD in the mid-1980s was due to considerations which were no longer valid, and the remaining work load did not justify retaining a full-time investigator. Therefore it did not make sense to continue maintaining a separate investigations function within NSD. I discussed this with the Manager of Nuclear Assurance, and he agreed that the Speakout program could accept responsibility for these investigations in addition to its other duties. Therefore, I decided to transfer this responsibility to Nuclear Assurance.
4. Safeguards Information Program: This function is similar to functions primarily assigned to the STP Information Resources Management Department, but had been placed in NSD early in the development of the program, apparently because of the special knowledge required to classify safeguards information.

In addition to deciding that these functions should be transferred, I concluded that an internal NSD Compliance function should be eliminated because it was redundant to the QA audits and surveillance. HL&P had committed to establish an internal compliance function within NSD in 1987, in part because NRC and HL&P reviews of NSD activities identified deficiencies in NSD. It appeared that the deficiencies had gone undetected for a while because the requirements to protect safeguards information had been allowed to shield NSD from effective oversight. I concluded that the internal compliance function was no longer necessary, because the QA oversight of NSD was effective, and the conditions which led HL&P to establish this function no longer existed.

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The revised functional organization chart I had developed by early March is Attachment 2 to this statement. At around this time, I also developed another draft organization chart, identifying the proposed NSD positions and their functions but not the names of the personnel to be assigned. (Attachment 3) I completed these documents by myself and did not share them with any members of my staff.

In March, when I had completed my analysis of the NSD organization, I met with Mr. Kinsey and Mr. D. P. Hall, Group Vice President- Nuclear. I reviewed with them the organization as it existed on January 16, 1992 and how I proposed to change it. I explained my reasoning and that the changes would result in a reduced number of personnel in both the HL&P and contractor (TWC) organizations. A reduction of 23 in contractor personnel had already been accomplished simply by decreasing the scope of the contract. I informed Messrs. Kinsey and Hall that a total of 7 NSD positions, then filled by HL&P personnel, would be abolished as a result of my proposed reorganization. Three individuals had already been designated for transfer to Nuclear Licensing as a result of the transfer of the Access Authorization Program, and one individual had submitted his resignation. This left three individuals who would be affected (transferred or terminated) by the reorganization. I received approval to move forward with my proposal. These meetings were the extent of the involvement of Messrs. Kinsey and Hall in the reorganization.

After meeting with Messrs. Hall and Kinsey, I wrote a memorandum to Human Resources, dated March 19, 1992 requesting assistance in developing criteria for ranking employees so that I would have objective bases for identifying those who would have to be transferred or terminated as a result of the reorganization. (Attachment 4) Human Resources provided me with an Evaluation and Decision Process package that had been developed for the HL&P STEP program. (The STEP program - Success Through Excellence in Performance -- involved a reduction of force in HL&P affecting approximately 1000 employees.) Pertinent portions of this package are provided in Attachment 5. Although STP was not part of the STEP program, the Evaluation and Decision Process package was a tool Human Resources thought would be appropriate in this situation because it was a structured method for selecting the employees to be retained when an organization reduces staff size. Although the STP staff had been substantially reduced in the past few years, the reductions predominantly affected contractor personnel. To my knowledge, there was no formal process in place at STP for selecting personnel to be retained, transferred or terminated as a consequence of reduction of force.

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The Evaluation and Decision Process package included a Special Performance Profile (SPP) form to be prepared to evaluate an employee's relative performance within the whole department and force rank. The SPP rating scales reflect broad areas of work-related performance, skills and behavior. The SPP is not the same as the annual Performance Appraisal. The annual Performance Appraisals done at HL&P evaluate each individual's performance during the evaluation period against the requirements of his/her particular job, while the SPP evaluates an employee's performance relative to other employees in comparable positions within the organization. To my knowledge, this Evaluation and Decision process had never previously been used at STP, nor had it been used in any parts of HL&P until early 1992.

In order to prepare SPPs for NSD employees, I sought the assistance of Mr. John Rex Moore and Mr. J. Watt Hinson. Mr. Moore was then Manager of the NSD Support Division. Mr. Hinson had been the NSD Administrator, Investigations and Compliance until being transferred in late March to the Nuclear Licensing Department as Manager of Access Authorization. I filled out the top portion of the SPPs, designating each employee as either clerical, professional or management, and divided the employees among the three of us according to which had had supervisory responsibility for them. Messrs. Hinson and Moore rated the individuals who worked or had worked for them and I rated Mr. Moore and the other employees who reported directly to me. (Mr. Hinson was not rated because of his transfer to Nuclear Licensing.) I did not tell Messrs. Moore and Hinson how the ratings would be used nor did I tell them that there would be a reduction of force.

Mr. Moore, Mr. Hinson and I completed the SPPs and I compared them. I found some inconsistencies in the ratings and I met with Messrs. Moore and Hinson to resolve the inconsistencies. In the special skills category, for example, Mr. Moore had awarded one point to individuals having no college degree while Mr. Hinson and I had not awarded any points if there was no degree. To make the ratings consistent Mr. Moore marked-up his SPPs to award no points in such cases. I also recall our changing Mr. Moore's rating of Mr. Gregg, because I felt the rating should not have been lowered on the basis of Mr. Gregg's absence due to illness in the previous year.

I also reviewed the ratings to assess whether they were consistent with my own evaluations of the employees. Although the NSD employees had not worked for me prior to my assignment as Director of NSD, I had some familiarity with their work performance from my dealings with them while I was Director, QA. The QA staff had responsibility for auditing the work of NSD. I had also had

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some opportunity to assess employee performance during the two months I had been Manager of NSD, and had interviewed each of them. During March, I had prepared a list which ranked the NSD employees from the best to the worst. The list was based on my observations of NSD employee performance since January 1992, and was prepared without any assistance. I also asked Messrs. Moore and Hinson for their views, and found that they were in general agreement with my observations regarding relative performance levels. Later, I found that the ratings on the SPPs were generally consistent with these earlier assessments.

Once the SPP ratings were completed I listed each group of employees (clerical, professional and management) in the order of their total points on the SPPs. The management employee with the lowest rating was Mr. Lamb and the professionals with the two lowest ratings were Mr. Worth and Mr. Dean. The reorganization required that one management and two professional employees be transferred or terminated.

I provided the marked-up SPPs and the resulting ranking to Human Resources-Nuclear for its review. The comments from Human Resources suggested that the marked-up SPPs be re-done to produce clean final versions that incorporated all of the changes resulting from the discussions among Mr. Hinson, Mr. Moore and myself. This is the reason that there is a marked-up version (the original with the changes made by M. Moore, Mr. Hinson and myself) and a clean version (incorporating the changes).

Human Resources-Nuclear also identified an apparent inconsistency between the ratings of Messrs. Worth and Brick as compared to their recent annual performance appraisals. On the SPPs, Mr. Brick had been given a higher rating than Mr. Worth in the category of "performance in present job function," but in their annual performance appraisals Worth had been rated as an above average performer on his last few appraisals, while Brick had been rated as average on all but the last appraisal. I met with Messrs. Moore and Hinson and resolved this concern by revising the ratings of both individuals to reconcile their ratings with their performance appraisals.

During the OIG interview on July 9, 1992, I was asked if the SPPs should have included a justification for any serious deviation between an employee's annual Performance Appraisal and the rating on the SPP for performance in present job function. As I stated in the interview, justifications should have been included in such cases. However, it was to be expected that there would be some differences between the SPP ratings for performance and the

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annual Performance Appraisals. The annual Performance Appraisals may have been out of date, since they were prepared anywhere from 4 months to one year or more before the date of the SPP.

During the OIG interview, I was also asked about the HL&P practices for doing annual Performance Appraisals. As I explained, the regular Performance Appraisals for STP employees are prepared on an annual basis by the employees' supervisor and reviewed by the next level supervisor. After taking over as Manager of NSD I reset the dates for annual Performance Appraisals. They had been scheduled for the anniversary date of each employee's hiring. I decided that the appraisals for all employees would be done in June. The reason for this change was to assure that all employees were fairly considered in allocating the budget for salary increases. The budget reflects my perception of personnel performance at the time the budget is prepared. When appraisals were done on the anniversary dates, there was a potential that an employee's performance would improve between the time the budget was prepared and that person's anniversary date. However, because the performance improvement may not have been anticipated, funds may not have been allocated in the budget to allow for a commensurate salary increase. By deciding that all appraisals will be conducted in June, I have avoided this problem. In Performance Appraisals, the employee provides a performance input sheet outlining his/her perceived strengths and weaknesses. The employee reviews the appraisal with the supervisor and is allowed to make comments. If an employee believes that the appraisal is unfair, he/she may take it up through the chain of command or through a formal grievance process. One observation that I made upon taking over as Manager, NSD was that the vast majority of the staff was rated above average. I felt that this was not realistic and probably reflected inflated appraisals.

During the OIG interview, I was asked about my assessment regarding David Lamb. As I explained, Mr. Lamb's description to me of his own assessment of his qualifications was that he was qualified to do any job in NSD. It was my opinion that his background, as reflected in his resume, did not support his assessment of his qualifications in the field of security. The reason Mr. Lamb was not retained as we made decisions on reducing staff was that his SPP rating was below that of the other employees in the management category, as I noted, and the reorganization required the reduction of force of one management person.

I was also asked about a comment on the SPP prepared for Lamb, that his "knowledge and experience would allow for transfer however unwillingness would negatively affect results." I am not sure if Lamb was specifically asked if he would accept a transfer

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to another area, however, he may have stated during discussions with myself or Mr. Moore that he would only be interested in reassignment to QA. The intent of this section of the SPP is to evaluate the potential for the employee to perform another job function within NSD, not to accept a transfer to another department. In any event, Mr. Lamb's high rating in this category (two points out of a possible three) shows that this comment did not have a significant affect on his rating.

The Evaluation and Decision Process provided to me by Human Resources specified that management employees were to be ranked separately from professionals. The process did not allow a management employee to "bump" a professional. Therefore, Mr. Lamb was not ranked against the NSD professionals. I agree with this approach, and believe it makes good business sense. Cost considerations are a significant factor in this judgement since the salary of management personnel is generally higher than that of professionals, and even if a manager is reclassified to a professional level, the resulting salary is still likely to be at the top pay level for the new grade. It is also important to retain employees who have the hands-on skills used everyday in their jobs, rather than supervisory skills. I do not, in general, believe that "bumping" employees (terminations based solely on seniority and/or rank) is a sound practice. I believe that individuals who are required to change from a supervisory position to a worker position tend not to adapt to that change well. This generally results in poor performance or negative employee behavior. While Mr. Moore went from a manager to a supervisor in connection with the recent NSD reorganization, he still remained in a managerial type position.

I do not know for certain who prepared a third hand-written SPP for Messrs. Dean, Lamb and Worth but surmise it must have been someone in Human Resources. No one in Human Resources discussed the SPPs of Dean and Lamb with me.

During the OIG interview I was asked questions regarding Mr. Worth's performance. Mr. Worth had been rated as an above average performer in his annual Performance Appraisals, but his performance had gone downhill since his last appraisal. After the adjustments described above, Mr. Worth's "performance in present job function" was rated at five points on the SPP, a high average rating. Mr. Gregg, who was rated as an average performer in his last Performance Appraisal, was also rated at five points in this category. Mr. Brick, an average performer on his Performance Appraisal in 1990 and an Above Average performer in 1992, was rated at four points in this category on his SPP.

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The principal reason that Mr. Worth ended up with a lower total on his SPP than these other employees was that he received a rating of minus two in the category of "other job-related factors". This negative rating was due to the fact that Mr. Worth was resistant to management direction. Mr. Hinson prepared this SPP, and I concurred with it. For example, I assigned him to review Security Department procedures to verify that certain commitments were being fulfilled. Mr. Worth decided that the right way to do the task was to review the procedures of the whole station. It required an excessive amount of my time to convince him that the area of the greatest return for our resource expenditure was to review the Security procedures only. He was not open to any idea but his own. His method would have accomplished the task with the desired results, but would have taken much longer, and would have taken resources from other areas that also needed attention.

The OIG interview also included questions regarding Mr. Dean's performance. As noted on his SPP, he had recurring problems handling Safeguards information and recently had been insubordinate to a supervisor. These were factors in determining his rating of minus three in the SPP category of "other job-related factors". I actually felt that Mr. Dean's performance was improving.

The adjustment of the rating of Mr. Brick in response to the Human Resources comments on the SPPs lowered his total, resulting in his being tied with Mr. Dean. Even though Mr. Dean's performance had been improving, I decided that Mr. Dean should be let go and Mr. Brick retained because Mr. Dean's history of disciplinary problems made me less certain that I could rely on him to maintain an acceptable level of performance. During the OIG interview, I was asked if I told Mr. Dean that I didn't work too hard to find him a job. I did not say that to Mr. Dean. I did tell him that I could not find another job for him at STP because his qualifications were limited to security. I had asked Human Resources-Nuclear to see if there were any job openings at STP for which Mr. Dean would qualify, but there were none. The comment on his SPP that "Knowledge would allow for transfer to other areas of responsibility" refers to other security related positions since that is within his functional area.

I also was asked by the OIG about Mr. Sheesley's SPP. I do not believe the statement under the first factor (Evaluation of performance) on Mr. Sheesley's SPP is contradicted by the statement under "Evaluation of potential" on the same form.

Statement of Richard L. Balcom

The first statement addresses a recent event that affected his level of enthusiasm for his work while the statement under "Evaluation of potential" refers to his work history over an extended time period, and his demonstrated skills.

I had no knowledge, at any time during the process of reorganization and reduction of force, that Messrs. Dean, Lamb and Worth brought allegations regarding the NSD to the NRC.

When I took over as Manager, NSD, I assumed that the 1991 NRC inspection/investigation probably was a result of internal NSD concerns. My observation was that in the NSD every member of the staff opposed Mr. Randlett on some decisions regarding security matters. I believe that Mr. Randlett's interpretations of regulations were, for the most part, valid and in accordance with those of the NRC. I believe that most of Mr. Randlett's problems with the NSD staff stemmed from poor communications rather than an intent on his part to ignore regulations.

I was asked during the OIG interview if I had seen the OIG report prepared as a result of the allegations brought by STP employees to NRC attention. I have never seen such a report. Further, no one from the NRC has ever discussed the contents of the report with me. I have never had a discussion with HL&P/STP employees or management regarding what individuals were responsible for the NRC special team inspection (headed by NRC inspector William Tobin) or the OIG investigation of internal misconduct.

No one from the STP SAFETEAM/Speakout group ever advised me as to the identity of alleged. During the OIG interview I described a circumstance that led me to assume that Mr. Lamb had brought to Speakout two concerns related to the Maintenance Department. Mr. Lamb had brought a matter to my attention regarding alleged theft of property. A plant employee had advised Mr. Lamb of the alleged theft. I told Mr. Lamb to advise the individual to bring the matter to the attention of the appropriate manager. Subsequently, a manager from Speakout approached me and advised that someone had brought the alleged theft incident to his attention and he thought NSD should investigate. I assumed it was Mr. Lamb who had brought the matter to Speakout and I advised him that Mr. Lamb had already informed me of this incident and that Lamb was told to tell the individual to bring the matter to the attention of the appropriate manager. Mr. Lamb also had advised me that a member of the maintenance staff was friends with a Speakout investigator and had knowledge regarding their investigations. As a result, I referred this concern to Human Resources for investigation and Mr. Lamb was interviewed by representatives of that function.

Statement of Richard L. Balcom

In response to a question during the OIG interview, I stated that I had no conversations with Mr. Lamb about terminations in connection with the reorganization prior to giving him his notice. Mr. Lamb was the most concerned individual in the NSD and asked me for information regarding the reorganization. I advised Mr. Lamb that I would figure out what was right and that personnel decisions would be fair and equitable. I requested that Human Resources look for other positions at STP for Mr. Lamb and the other two individuals that would be affected by the reorganization. However, they were unable to identify any positions for which they were qualified. I also asked the QA Director if he needed any personnel with a security background. He indicated that he had positions but was looking for expertise other than security.

In response to a question from OIG, I described a concern that was brought to my attention in late February 1992. I was scheduled to meet with NRC Region IV representatives to discuss various issues about interpretation of NRC security requirements. Prior to attending that meeting, Messrs. James Neal and Lamb said something to the effect: "You need to know something in case someone should ask." The "something" was an alleged lie told to NRC inspectors during the 1991 special team inspection of security. The alleged lie had to do with the location of a secretary's desk in connection with unattended Safeguards Information. The incident had been addressed in a Security Incident Report (SIR), which concluded that the incident was loggable but not reportable. This incident was reviewed in a 1991 NRC inspection and NRC agreed with the station's conclusion. The NRC Inspection Report states that a secretary would have seen if anyone had entered the area of the unattended information. The SIR did not discuss whether a secretary could see the area, so I could not tell how NRC reached this conclusion. As a result of my conversation with Messrs. Neal and Lamb, I reviewed information in STP files relating to the event. I determined that there was nothing in the files to indicate that the conclusions in the NRC Inspection Report were wrong. Further, if the NRC inspector reviewed the records relating to the event, he would know exactly what transpired. I concluded the statement about the secretary in the NRC report was not germane to the issue of reportability because there was an independent reason for concluding that the unattended information was not compromised.

In response to a question in the OIG interview, I stated that I did not advise NRC Senior Resident Inspector (SRI) Joseph Tapia that the terminations of Messrs. Dean, Lamb and Worth were based on poor performance. If that is his recollection of a conversation with me, he misunderstood me. I intended to convey to Mr. Tapia that performance was a significant element in the

Statement of Richard L. Balcom

selection of the employees to be impacted, but that other factors also were considered. Messrs. Dean, Lamb and Worth were not terminated "for cause". It was simply a matter of reducing the size of the staff to fit the new NSD organization.

In response to questions in the OIG interview, I provided the following information. I have no knowledge of a report prepared by Mr. Lamb at the request of former NSD Manager Norman Tasker, that is critical of the work performance of Mr. Moore. (Mr. Tasker was acting Manager, NSD in 1987). I believe that a past disciplinary action involving Mr. Moore was an isolated event and corrective measures were taken. Therefore, it had no bearing on Mr. Moore's SPP rating. While Mr. Moore and Mr. Hinson may have experienced some frustrations in their dealings with Messrs. Dean, Lamb and Worth, I have no reason to believe they held any grudges against them.

I have read the foregoing statement consisting of 12 pages, each of which I have signed. I fully understand this statement, and it is true, accurate and complete to the best of my knowledge, recollection and belief. I made this statement without any threats or rewards, or promises of reward having been made to me in return for my statement.

Signature Richard L. Balcom

Date 9-3-92

Title Director, Nuclear Security

Witness Julia Krenek Finch

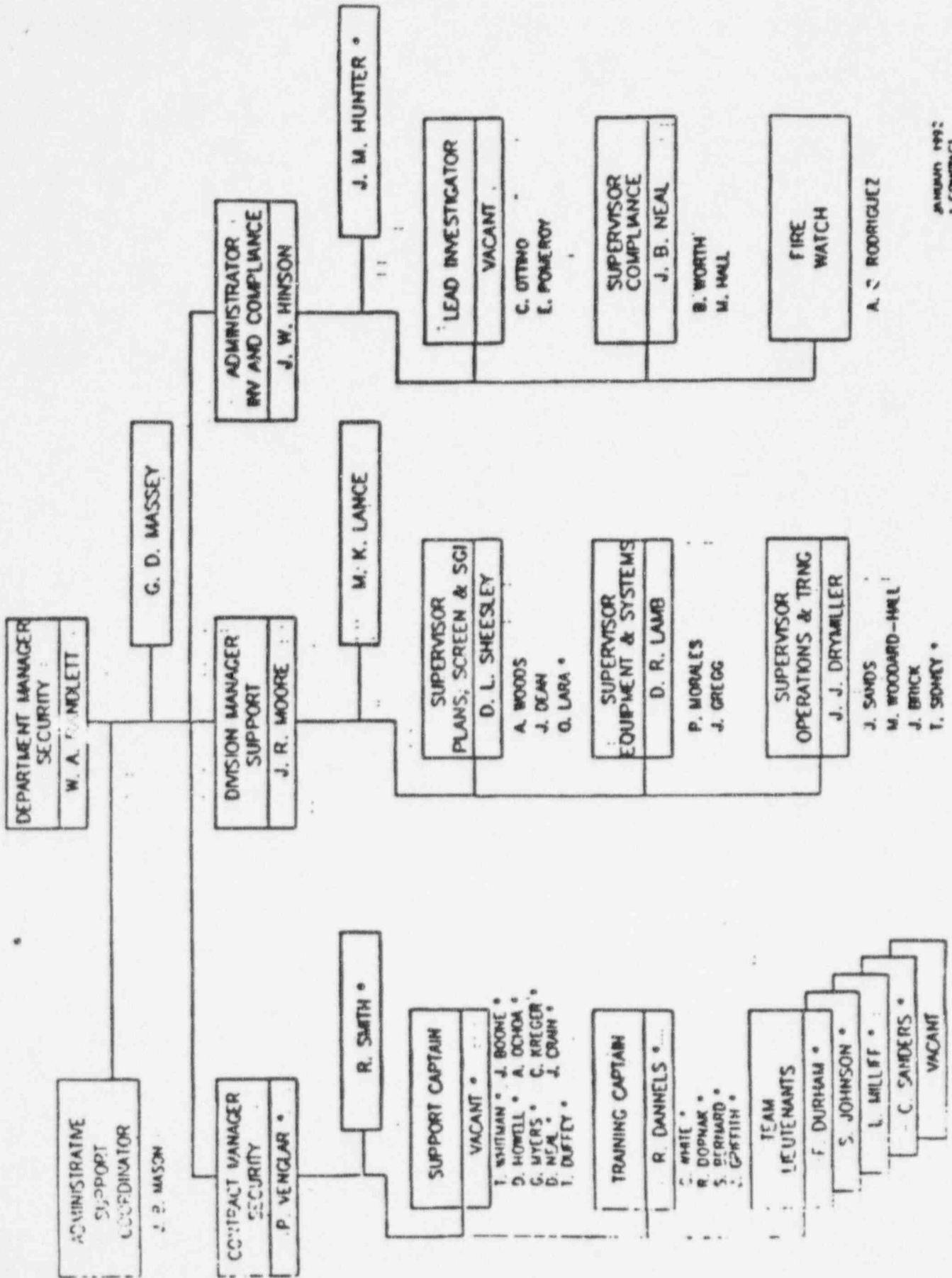
Date 9-3-92

Title Notary Public, State of Texas



ATTACHMENT 1

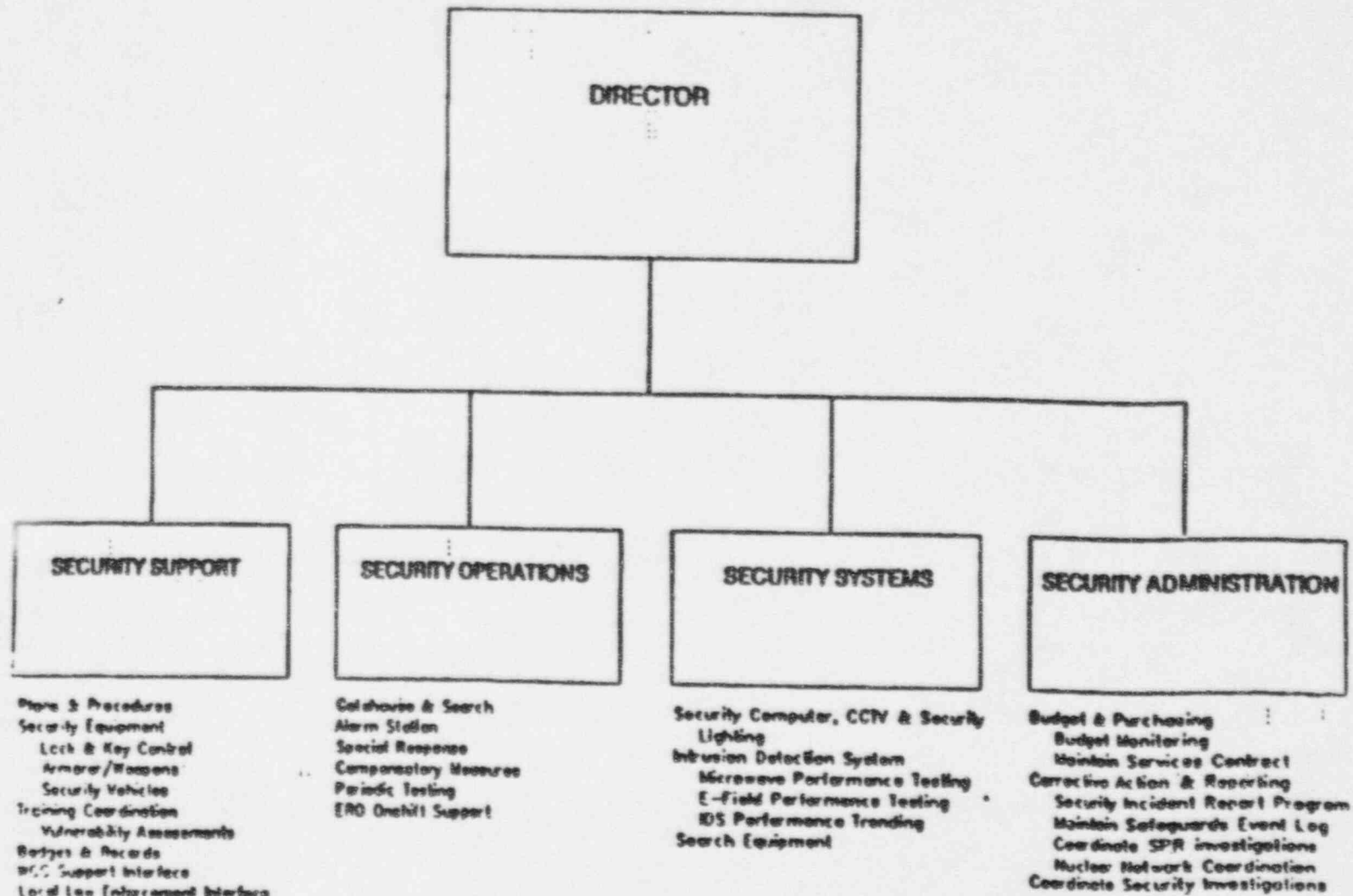
NUCLEAR SECURITY DEPARTMENT



ATTACHMENT 2

NUCLEAR SECURITY DEPARTMENT

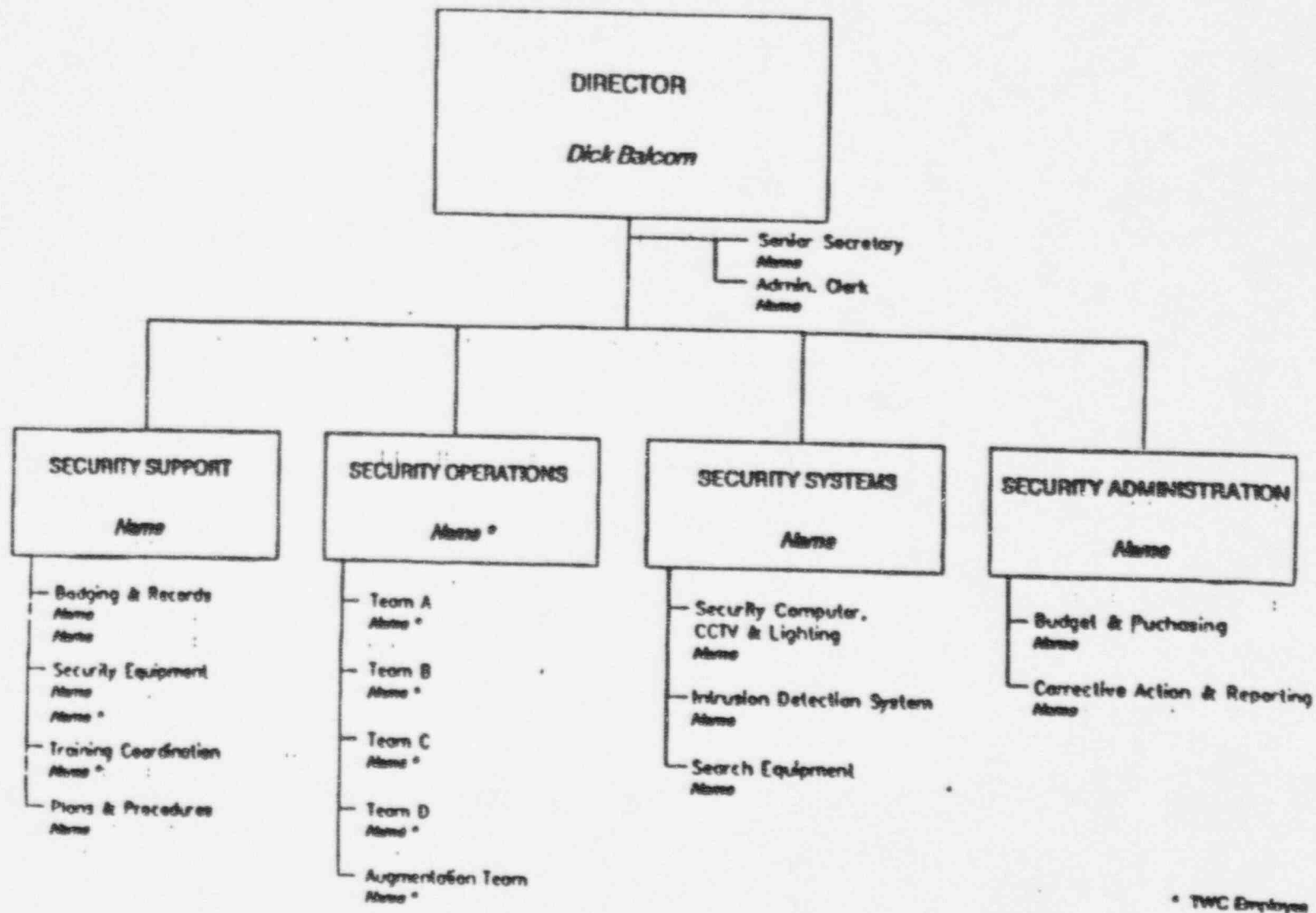
Functional Organization



ATTACHMENT 3

NUCLEAR SECURITY DEPARTMENT

Organization



ATTACHMENT 4

Houston Lighting & Power Company

OFFICE MEMORANDUM

To J. W. Odom

March 19, 1992

From R. L. Balcom *R. L. Balcom*

Subject Nuclear Security Department Proposed Organization

The attached organization has been approved by W. H. Kinsey and D. P. Hall. I am requesting your assistance in determining the appropriate salary level for the three functional area supervisors.

This organization will cause four current positions to be impacted. Jim Neal has submitted his resignation effective April 8, 1992. I request that you assist me in developing objective criteria to identify the remaining three impacted individuals.

I would like to implement this organization on April 1, 1992.

RLB/rb

RECEIVED

MAR 20 1992

JOHN W. ODOM

ATTACHMENT 5

①

EVALUATION AND DECISION PROCESS

for

Organizational Placement/Separation

NON-BARGAINING UNIT
PROCESS

EVALUATION & FORCED RANKING PROCESS

Each cost center manager who has only one cost center in his area of responsibility prepares a ranking of all non-bargaining unit personnel (other than himself/herself) assigned to that cost center, following the procedure below.

- Occupational Grouping 1. Group employees in the following occupational categories:
- Clerical/Technician (Salary Levels other than 7 and above)
 - Professional/Technician (Salary Levels 7 and above)
 - Managerial/Supervisory
 - Other grouping approved by the Human Resources Task Force

In some instances it may be necessary to establish sub-categories where basic work differences exist. For example in Field Activities:

- Clerical/Technician - Meter Readers/Collectors/FSR's
- Clerical/Technician - Office Support Staff

However, the broadest logical groupings should be established, rather than groupings based on specific job titles.

Include active employees only. Do not include employees on personal leave of absence or administrative leave.

- Evaluation 2. Following the Special Performance Profile Instructions, prepare a Special Performance Profile form for each employee in the occupational category (or sub-category). First-level supervisory and leadership personnel below the first cost center manager level should participate in completion of the Special Performance Profiles of employees they supervise. The completed Profile on an employee will result in a point total (score).
- Ranking 3. Following the Forced Ranking Worksheet Instructions, prepare a forced ranking for each occupational category or grouping, listing all the employees in that category (or sub-category) by Special Performance Profile score from highest to lowest.

The Next Level Manager (who has multiple cost centers) will prepare a composite Forced Ranking Worksheet for each occupational category (or sub-category). This composite Forced Ranking Worksheet will list all employees in the occupational category (or sub-category) or other approved grouping in all reporting cost centers and in that Next Level Manager's cost center.

In preparing the composite Forced Ranking Worksheet, the Next Level Manager will consider any apparent basic evaluation differences among reporting cost center managers and will resolve any discrepancies through consultation with the reporting cost center managers. The composite Forced Ranking Worksheet will list employees from highest point total to lowest point total, as those scores are adjusted by the Next Level Manager in consultation with the appropriate reporting cost center managers.

The Next Level Manager will forward the composite Forced Ranking Worksheets (with supporting Special Performance Profiles and Forced Ranking Worksheets) to the manager to whom he reports, who will prepare and forward to his manager combined ranking sheets of personnel in his area of responsibility. The process of consolidating and forwarding rankings will continue until combined lists are presented to a level to be determined at the officer level.

MOULTON LIGHTING & POWER COMPANY
SPECIAL PERFORMANCE PROFILE

Name _____ Employee No. _____ Title _____

Dept./Div./Section _____ Occupational Category _____

Location _____

**FOLLOW THE SPECIAL PERFORMANCE PROFILE
INSTRUCTIONS IN COMPLETING THIS FORM.**

Evaluation of performance in present job function. Consider knowledge, skills, and experience; quantity and quality of work, effectiveness in performing the job.

Unsatisfactory		Marginal		Average		Above Average		Outstanding	
0	1	2	3	4	5	6	7	8	9 - 10

COMMENTS: _____

Evaluation of job-related personal characteristics. Consider reliability, communication skills, judgment, planning and organizing abilities, analytical skills, decision-making, interface with others, willingness to perform beyond routine requirements of current job.

Marginal		Average		Above Average	
0	1	2	3	4	5

COMMENTS: _____

Evaluation of special skills. Consider uniqueness of skills, education, or training.

Non-Critical		Critical	
0	1	2	3

COMMENTS: _____

Evaluation of potential to perform another job function within functional area. Consider transferability of job knowledge or experience, multiple skills.

Marginal		Average		Above Average	
0	1	2	3	4	5

COMMENTS: _____

Evaluation of other job-related factors. Consider other factor(s), such as absenteeism, active discipline, job-related achievements, current critical assignment, recent change to present position. Indicate factor(s) below, reasons considered, and value (+ or -) assigned to the factor. Total value may not be lower than -4 or higher than +4.

COMMENTS: _____

Date of Evaluation _____

Total Points Awarded = _____

Cost Center Manager Signature _____

Next Level Cost Center Manager Signature
(Division Manager or Above) _____

SPECIAL PERFORMANCE PROFILE INSTRUCTIONS

The Special Performance Profile has five scales (or dimensions) on which employees are to be rated. The rating scales reflect broad areas of work-related performance, skills, and behavior. The profile will be completed for active employees only.

A maximum of 25 points may be awarded to an employee. Use whole numbers only. While in large cost centers tie scores will occur, the objective is to distinguish between the performance contributions of the employees in the cost center so as to arrive at a forced ranking; therefore, tie scores should be avoided to the extent possible.

Follow the instructions below and rate the employee on each scale, considering the factors listed for that scale. If unlisted factors are considered, explain in the Comments section. Consistency in the consideration of factors is essential to proper completion of the Special Performance Profile.

EVALUATION OF PERFORMANCE IN PRESENT JOB FUNCTION

- The employee's performance in the present position, in terms of the various factors associated with this scale, should be considered in the aggregate. Obviously, if an employee's performance has been outstanding with respect to some of the factors but only average on one or more other factors, a rating of 10 on this scale would normally not be appropriate.
- The rating should be based on recent or current level of performance but with consideration for the consistency and duration of that level of performance. For example, if an historically "average" performer has recently improved his level of performance but has consistently demonstrated above average performance for only one month, then an above average rating would normally not be appropriate.
- Because the Special Performance Profile is designed to evaluate an employee's relative performance within the whole organizational unit (while the performance appraisal evaluates individual performance in a particular job), some difference between the last performance appraisal rating and the rating on this scale can be expected. This rating would then normally bear a reasonable but not necessarily direct relationship to the overall performance rating on the most recent appraisal. Explain those differences on the Comments lines. If performance has changed since the last appraisal, a statement explaining the nature of the changes must be made in the Comments section. (The supporting documentation in the department file should cite specific examples of the performance changes.) Consideration of the "learning curve" on a change in position that occurred after the last appraisal should not be given on this scale but in the Evaluation of Other Factors (last scale on the form).

SPECIAL PERFORMANCE PROFILE INSTRUCTIONS (Cont'd)

EVALUATION OF JOB-RELATED PERSONAL CHARACTERISTICS

- The rating should be based on the level to which the job-related characteristics have been demonstrated on the job.
- As on the performance scale, the various factors within this category should be considered in the aggregate. For example, above average reliability and interface characteristics would not warrant award of 5 points if the employee has demonstrated only acceptable judgment and analytical skills.
- As in the performance category, the rating should be based on current demonstrated level of the characteristics but with consideration for the consistency and duration of that level.
- Comments are required if recent changes have been noted.

EVALUATION OF SPECIAL SKILLS

- Skills to be considered here should be limited to special skills, i.e.
 - skills, education, and/or learning that are critical or of special value to the work of the organizational unit, and
 - skills, education, or training that are possessed by only one or some of the employees in the occupational category.

Example 1. If all employees are skilled at operating all machines in the shop, then no special skills points should be awarded for machine operation. However, if only some employees can operate certain machines or all machines, then it is appropriate to award points to those skilled at operating more types of machines.

Example 2. If each employee is required to have a master's degree, then no points should be awarded for holding a master's degree, because, although the degree is critical to the performance of the job, having the degree in and of itself makes no employee more valuable than the next employee who also has it.

Example 3. If each employee is required to hold a baccalaureate degree with a certain number of accounting hours but is not required to be certified public accountants, then the employees should not be awarded points for a baccalaureate degree. However, if a CPA license is necessary to perform higher level work in the organization, then it is appropriate to award points for certification, as long as only some incumbents are certified.

- Generally, in considering the uniqueness of special skills, the more rare the skill the higher the number of points awarded; the more common the skill, the lower the number of points awarded.
- Comments are required regarding the basis on which points were awarded on this scale.

SPECIAL PERFORMANCE PROFILE INSTRUCTIONS (Cont'd)

EVALUATION OF POTENTIAL TO PERFORM ANOTHER JOB FUNCTION

- Consideration should be given to knowledge, experience or multiple skills that would enable the employee to perform several functions ("wear several hats") in a reduced-staff environment or in another organizational unit. (This scale is not meant to reflect eligibility or readiness for promotion or transfer.)
- Jobs/skills the employee has performed prior to obtaining the present position, whether those jobs/skills were performed within or outside the Company, should be considered, (if applicable to the work of the organizational unit). For example, if an employee hired into an exempt position in the Company had several years of secretarial experience before joining the Company, the transferability of the secretarial skills should be considered as well as the transferability of skills attained since joining the Company.
- Comments are required regarding the basis on which points were awarded on this scale.

EVALUATION OF OTHER FACTORS

- Consideration may be given here to special circumstances which, if not considered, would tend to result in a rating and, subsequently, in a ranking that would be an inaccurate reflection of an employee's relative value in the work group.
- Consider absences due to personal illness, illness in family, death of more distant relatives or friends, or personal business.
- Comments are required regarding the basis on which points were either awarded or subtracted on this scale.

CONFIDENTIAL
DO NOT TYPE

FORCED RANKING WORKSHEET

Cost Center _____ Code _____ Name _____ Manager _____
Occupational Category _____ Total # of Employees _____ Page 1 of _____

INSTRUCTIONS:

1. Refer to the documents titled "Evaluation & Forced Ranking Process" and "Forced Ranking Worksheet Instructions" in preparing this sheet. Complete all blanks. (Print)
2. List on this sheet employees in only one occupational category (or sub-category).
3. List employees from highest score (point total) on the Special Performance Profile to lowest score.
4. Cost center managers with reporting cost centers must document rationale/decisions in the COMMENTS column if scores are adjusted. (Original scores must also be listed.)
5. Forward this completed Forced Ranking Worksheet, and all supporting Forced Ranking Worksheets and Special Performance Profiles to the Next Level (cost center) Manager. Obtain the final approval officer signature only when no higher-level ranking of this occupational category (or sub-category) will be done.

RANK NO.	EMPLOYEE NUMBER	NAME (Last, First, Middle In.)	JOB TITLE	SPECIAL PERF. PROFILE		COMMENTS
				Score	Adjusted/Original	
1	_____	_____	_____	_____	_____	_____
2	_____	_____	_____	_____	_____	_____
3	_____	_____	_____	_____	_____	_____
4	_____	_____	_____	_____	_____	_____
5	_____	_____	_____	_____	_____	_____
6	_____	_____	_____	_____	_____	_____
7	_____	_____	_____	_____	_____	_____
8	_____	_____	_____	_____	_____	_____
9	_____	_____	_____	_____	_____	_____

Prep by:

Final Approval:

Officer Signature

CONFIDENTIAL
DO NOT TYPE

Occupational Category

Total # of Employees

Page - of -

THE UNIVERSITY OF CHICAGO

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and Approval

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FORCED RANKING WORKSHEET INSTRUCTIONS

LOWEST-LEVEL COST CENTER MANAGER

After completion of a Special Performance Profile on each employee in the occupational category (or sub-category), complete the Forced Ranking Worksheet, following the instructions on the worksheet. An employee is to be listed in only one occupational category (or sub-category).

NEXT LEVEL COST CENTER MANAGER

For each occupational category (or sub-category) in your area of responsibility, follow the procedure below.

Review the Special Performance Profiles submitted by your reporting cost center managers and the Profiles you prepared on employees in your individual cost center for:

Basic Evaluation Differences (consistency of "raters")

Did the raters follow the instructions for preparation?

Were the raters consistent with respect to the bases on which points were awarded/subtracted?

Significant Changes from Previous Performance Ratings

Are ratings supported by comments?

Comments

Are comments made, as required by the instructions?

Are comments pertinent and appropriate (no references to sex, age, race/ethnicity, etc.)?

Review the Forced Ranking Worksheets submitted by your reporting cost center managers and the Forced Ranking Worksheet you prepared on employees in your individual cost center for:

Basic Evaluation Differences (consistency of "raters")

Did different cost center managers with similar groups of employees rate their employee groups differently with respect to ranges of scores?

Special Performance Profiles are normally not to be altered or replaced unless inappropriate comments were made. In any other instance in which you believe alteration or replacement is required, consult with Human Resources (Lynn Culmer, extension 7559, Electric Tower) before deciding to do so.

FORCED RANKING WORKSHEET INSTRUCTIONS (Cont'd)

If Special Performance Profile scores require adjustment to resolve basic evaluation differences, consult with the appropriate lower-level cost center managers to arrive at adjusted scores. Adjusted scores are to be recorded only on your composite Forced Ranking Worksheet, along with the original profile scores and comments as to the reason(s) for any adjustments.

Once any necessary consultation and adjustment are completed, prepare your composite Forced Ranking Worksheet for the occupational category (or sub-category). Use your roll-up cost center code and name.

UNITED STATES
NUCLEAR REGULATORY COMMISSION

In the Matter of

[REDACTED]
Houston Lighting & Power Company)
South Texas Project)

)
) Docket Nos. 50-498 and 50-494
) License Nos. NPF-76 and NPF-80
) EA 93-222
) November 15, 1993

Response of [REDACTED]
to Demand for Information

I. Introduction

On September 29, 1993, the United States Nuclear Regulatory Commission (NRC) issued a Demand for Information (DFI) to [REDACTED] Houston Lighting & Power Company's [REDACTED] and a separate DFI to Houston Lighting & Power Company (HL&P). Both DFI's are based on the Report of an investigation conducted by the NRC's Office of Inspector General (OIG) concerning alleged violations of 10 CFR 50.7. The DFIs state that the findings of the OIG investigation, taken together, indicate apparent violations of 10 CFR 50.7 as a result of employment actions in 1992 with respect to three former HL&P employees, [REDACTED]. The DFIs require [REDACTED] and HL&P, respectively, to respond to the findings and to include in their responses certain specific information.

I, [REDACTED], am filing this Response to the DFI dated September 29, 1993 on my own behalf. HL&P is submitting a separate response to the DFI directed to it. Both

responses show that the employment actions in question were not motivated by any protected activities of the former employees, that the employment actions did not violate any NRC requirements and that no basis exists for enforcement against either me or HL&P. The DFI directs me to submit:

- A. A response to the OIG findings as summarized in the DFI, including:
 - 1. The basis for my actions affecting the employment of [REDACTED] and
 - 2. An explanation of why the NRC should not take direct enforcement action against me under the Deliberate Misconduct Rule 10 CFR 50.5, for engaging in discrimination as prohibited by 10 CFR 50.7; and
- B. Any other information that I believe relevant to the NRC's enforcement determinations.

I have been informed that in a telephone conversation between James H. Snizek of the NRC, and William T. Cottle of HL&P, the NRC granted an extension of the due date for submittal of my response to November 15, 1993.

II. Response to the OIG Findings

I have reviewed the Response to the DFI that is being filed by HL&P, and agree with the statements contained in it. Rather than repeat the statements contained in HL&P's Response, I hereby incorporate that Response by reference as part of my response to the OIG findings.

III. Basis For Employment Actions

My sworn statement to the OIG explains the basis for the employment actions regarding [REDACTED]. A copy of my statement to the OIG is attached to this Response as Attachment A. I also testified under oath in the Department of Labor hearing concerning the complaints of [REDACTED] and was cross-examined by the attorney representing [REDACTED]. Pertinent portions of my testimony and the testimony of others are referenced in HL&P's Response.

In my statement and in my testimony, I described my analysis of the organization and personnel in the [REDACTED] Department [REDACTED] and the methodology used to determine which personnel would be retained in [REDACTED]. In addition to the information provided there, I believe it may be helpful to recall the circumstances that existed when I was assigned to the [REDACTED] in [REDACTED] [REDACTED], the QA Department had audited the [REDACTED] function, including an audit in the summer of [REDACTED] that caused me to conclude that the [REDACTED] was experiencing declining performance. For example: corrective actions for previously identified [REDACTED] deficiencies had been ineffective; there were nine examples of failures to comply with procedures; entries to the [REDACTED] [REDACTED] had been untimely and/or incomplete; [REDACTED] [REDACTED] were not being inspected in accordance with the required frequency; and there were several disagreements between [REDACTED] and QA about interpretation of NRC requirements.

With this background, after assuming the position of [REDACTED], I evaluated the causes for the department's declining performance and concluded that [REDACTED] [REDACTED] were not functioning effectively. There were excessive levels of management that inhibited effective communications; an excessive number of supervisors that resulted in small functional groups that tended to function independently rather than as part of a team; excessive and duplicate administrative functions that tended to dilute functional responsibility and accountability; and illogical groupings of functions that hindered effective communication and accountability, and increased administrative burdens. I determined that a restructuring would save money, be more efficient, and would facilitate performance improvement. I developed a revised structure for [REDACTED] organizations, and then presented my findings and proposed actions to [REDACTED]

[REDACTED]. The records of the results of my evaluation and my presentation to executive management are provided in Attachment A.

As explained in detail in my statement to the OIG, HL&P's Response to the DFI and in testimony under oath in the Department of Labor hearing on the complaints of [REDACTED] [REDACTED] the specific decisions about how to reorganize, how many employees to retain and which employees to retain were made on

the basis of detailed analysis of appropriate factors and without any consideration of protected activity by any employee.

IV. Why the NRC Should Not Take Enforcement Action Against Me

The NRC should not take enforcement action against me because I did not engage in any misconduct, deliberate or otherwise. I did not discriminate against [REDACTED]

[REDACTED] This is clearly shown by my statement to the OIG, HL&P's Response to the DFI addressed to it, and this Response.

As [REDACTED] at the South Texas Project Electric Generating Station (STPEGS), it was my responsibility to ensure the effective implementation of the [REDACTED]. It also was my responsibility to make recommendations to STPEGS executive management regarding the appropriate and effective organization for [REDACTED]. My recommendations were made without regard to any employee's protected activity and there were no discussions of protected activity during the approval process.

After the proposed organizational changes were approved by STPEGS executive management, it was my responsibility to determine the appropriate method for selecting the employees to retain in the revised organization. I consulted with the STPEGS Human Resources - Nuclear (HR-N) department regarding an appropriate methodology. The method provided by HR-N was the same method that had been used by HL&P earlier in 1992 for a

major corporate restructuring. This method provided for a forced ranking of all employees utilizing a Special Performance Profile (SPP).

It was my responsibility to ensure that the SPPs were completed in a fair and consistent manner. I did so by asking [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] to complete the SPPs for the employees who reported, or had reported, to them. I completed the SPPs for the employees who reported directly to me. This ensured that each employee's profile was completed by the manager with the most detailed and current knowledge about the employee's performance and behavior. I did not inform either [REDACTED] of the purpose of completing the SPPs, what the new organization would look like, or that personnel would be transferred or terminated based on the SPPs.

After the SPPs were completed, I reviewed them carefully to assure that the rating criteria were applied consistently and fairly. In the few cases in which I believed the ratings were not consistent or not fair, I met with the appropriate manager to discuss the issues and [REDACTED] made appropriate changes reflecting our common understanding of the SPP instructions and the employee traits. Once these corrections were made, an independent review was conducted by HR-N at my request to provide additional assurance that the SPPs were fair

and consistent. [REDACTED] participated fully with me in resolving the HR-N comments.

In summary, the entire reorganization and SPP process were conducted on an entirely professional management basis and no employee's protected activities were discussed or considered at any stage. My sole interest was in developing an efficient and effective department that would reverse the declining security performance trend. The organization I implemented has been effective in improving [REDACTED] program performance. This is evidenced by statements of NRC officials at the STPEGS public SALP meeting in October 1992 that the SALP rating of [REDACTED] [REDACTED] was higher than it would otherwise have been because of improved performance at the end of the SALP period and the positive results of the [REDACTED]
[REDACTED]

V. Other Considerations

I am familiar with the requirements of 10 CFR 50.7 and Section 210/211 and fully support those requirements and the underlying policy, which is to assure unhindered communication of safety concerns in an environment of open communication. I have not taken any action against anyone for raising a concern, and have not tolerated any such action by my subordinates. In my position as [REDACTED], I have devoted substantial attention to improving communications within the

department, and between the department and the rest of the STPEGS organization. I have continued to emphasize the responsibility of my subordinates to identify deficiencies and assure that they are addressed. Among the actions I have taken to assure improved communications within [REDACTED] are the following:

- * after assuming the position [REDACTED], I met with each of the [REDACTED] employees individually to discuss their respective views about [REDACTED]
- * I participate in a weekly meeting with the [REDACTED] HL&P [REDACTED] supervisors to discuss current [REDACTED] and STPEGS issues;
- * I instituted a management tour program to increase supervisory time among the contractor [REDACTED] to increase oversight and promote communications;
- * I worked with the [REDACTED] to implement a [REDACTED] suggestion/concern program.

My actions as [REDACTED] have been designed to foster an open work environment that encourages individuals to voice safety and compliance concerns without fear of reprisal.

I have worked in the nuclear power field for twenty-seven years, including eleven years in the United States Navy and sixteen years in the commercial nuclear industry. While in the Navy, I served for two years as an Atomic Energy Commission safety monitor at the Shippingport Atomic Power Station. I have held Senior Reactor Operator Licenses on both units of the Zion

Station, the Westinghouse Nuclear Training Reactor, and both units of the South Texas Project Electric Generating Station. During my career in the nuclear industry I have demonstrated my dedication to nuclear safety, my recognition of my responsibility to identify and resolve ~~safety~~ safety concerns, and my openness to the concerns of others. Until this unwarranted Demand for Information, based on a report that is, as described in HL&P's Response, factually and logically flawed, neither the NRC nor any other agency or employer has called my integrity into question.

I have been employed at STPEGS since [REDACTED] and have held supervisory and managerial positions in [REDACTED]
[REDACTED] In each of these positions, my areas of responsibility have been routinely inspected by the NRC.

The results of these inspections have confirmed that the programs I supervised have been characterized by a desire to identify and correct problems, not to suppress them, and there has never been any finding that I, or the personnel who worked under my supervision, failed to raise and address all safety concerns that came to our attention. To the contrary, repeatedly NRC has found that organizations I have led were aggressive in identifying and pursuing safety concerns. By way of example, the report of the recent NRC Diagnostic Evaluation at STPEGS states that beginning in 1990 and continuing into 1993 -- [REDACTED]
[REDACTED] --

"the team found numerous records which documented QA's persistence in attempting to gain management attention to their safety findings." The comments of the Diagnostic Evaluation Team show that the personnel [REDACTED] in Quality Assurance did recognize their responsibility to identify problems, and were not discouraged from documenting them.

A more specific example of my commitment to assuring that personnel feel free to identify concerns occurred during the brief time in late 1990 and early 1991 [REDACTED]

[REDACTED]. During that time, a contractor employee expressed a concern that he had been terminated for his unwillingness to falsify a work package.

[REDACTED] SPEAKOUT investigated the concern, ensured the individual received the protection afforded by 10 CFR 50.7, and ensured that proper action was taken on the concern. The HL&P actions in response to this concern included an extensive effort to emphasize to STPEGS employees that STPEGS management requires every employee to display absolute integrity and honesty in the work place. Although the NRC imposed a civil penalty because HL&P had not assured that the contractor organization conducted its activities appropriately, it recognized that HL&P's actions in response to these issues once they were identified [REDACTED] were "thorough and appropriate." [See NRC letter to HL&P dated February 24, 1992 concerning EA 91-055.]

VI. Conclusion

The fact that the NRC has issued this DFI, is itself very painful to me. I have devoted the last twenty-seven years to assuring nuclear safety. I have never willfully violated any NRC requirement, and the accusations against me are totally unwarranted. The OIG apparently reached its conclusion that I violated 10 CFR 50.7 solely on the basis of inferences that are based on misunderstandings, questionable logic, and incomplete information. The OIG's conclusion is controverted by the testimony and statements of everyone who participated with me in the decision making process.

The OIG Report does not dispute the fact that I did not know of any protected activity by [REDACTED] HL&P's Response explains why the very limited knowledge I had about [REDACTED] activities should not be considered knowledge of protected activity. More importantly, however, the conversations with [REDACTED] cited in the DFI as protected activities did not give me any reason to retaliate against him. The conversations were neither offensive nor threatening to me. In neither conversation did [REDACTED] suggest that I did anything wrong, or that there was any significant problem that would be expensive to correct. Not only did I not retaliate against these individuals, there is no evidence that should lead anyone to question my motives for these actions.

The essence of the OIG conclusion is that it disagrees with the application of the Evaluation and Decision (SPP) process to the ratings of the NSD personnel. The OIG is wrong. I have reviewed the OIG position and continue to believe that the process was conducted correctly. However, even had mistakes been made, they would not have been made because of any intent to discriminate against anyone because of protected activity. In fact, an unbiased review of the process used will find that I ensured, to the maximum extent possible, that it was conducted in a fair and consistent manner.

Enforcement action is not necessary to assure that I comply with 10 CFR 50.7; I understand and am committed to continue to fulfill my responsibilities to assure all personnel at STPEGS feel free to raise concerns. If the NRC has any continuing doubt about this, I would request the opportunity to

appear at an enforcement conference or some other meeting with
NRC representatives to resolve those doubts.

Respectfully submitted,



STATE OF TEXAS)
)
MATAGORDA COUNTY)

Subscribed and sworn to before me, a Notary Public in and
for the State of Texas, this 15 day of November, 1993.

Conni Montgomery
Notary Public in and for
the State of Texas

South Texas Project
Electric Generating Station
P.O. Box 289
Wadsworth, TX. 77483

Statement of [REDACTED]

I, [REDACTED] make the following statement to Supervisory Special Agent Robert A. Watkins, Office of the Inspector General (OIG), U.S. Nuclear Regulatory Commission (NRC). I make this statement freely and voluntarily.

On July 9, 1992, I was interviewed by Robert Watkins and Lisa Hoston of OIG. In the interview, I answered the questions asked by Mr. Watkins and Ms. Hoston truthfully and fully in accordance with my recollections. Subsequently, I received a draft of a statement summarizing my answers to questions during the interview. I have reviewed the draft and provide this statement to replace it. In reviewing the draft statement I corrected errors, provided additional details, and reorganized the statement to improve clarity. Generally, however, this statement constitutes my answers to questions asked by the OIG representatives and is not intended as a complete response to whatever allegations OIG may be investigating.

In January 1992, after the resignation of [REDACTED] I was assigned to the position of [REDACTED] at the South Texas Project (STP). Prior to this, I had served as [REDACTED]. When I was assigned as [REDACTED] I received very general guidance from my supervisor, [REDACTED] that I should consider how best to focus [REDACTED] of the plant.

Shortly after becoming [REDACTED] I reviewed the organizational structure. Attachment 1 is a copy of the organization [REDACTED] as it existed in January 1992. At that time, the [REDACTED] consisted of [REDACTED] HL&P employees, [REDACTED] of whom were in supervisory positions. In my opinion, the ratio of supervisory personnel to staff was too high. I also concluded that the functions assigned to the various managers and supervisors could be more logically grouped [REDACTED]

I felt that the organization needed to be restructured, with respect to both HL&P/STP employees and the [REDACTED]. I felt that a restructuring would save money and be more efficient. Therefore, I initiated efforts to restructure the [REDACTED] starting first with [REDACTED] employees.

Statement of [REDACTED]

Beginning around the end of January, 1992, I held periodic department meetings with the entire [REDACTED] HL&P staff. During these department meetings I stated my view that the [REDACTED], as then organized, did not make a lot of sense, and that I anticipated making changes. I stated that these changes might include changes to the total staff size of the department, but that I was not yet sure whether the staff size would increase or decrease.

During my first two months as [REDACTED] I devoted substantial attention to evaluating the [REDACTED] organization and personnel. As a result of discussions with other STP personnel during the prior year, and my [REDACTED] activities, I was already aware that [REDACTED] was facing employee morale and disciplinary problems. These problems included employee disagreements with management decisions on various technical issues, and errors in handling safeguards information. Soon after taking over as [REDACTED] I personally reviewed these issues. I also reviewed the procedures that were in place and felt that they were somewhat cumbersome. I held meetings with each of the individual HL&P [REDACTED] employees and discussed with them their duties, their views of the department and their expectations regarding their respective career paths at STP. I also requested that the [REDACTED] managers, [REDACTED] provide me with their recommendations for reorganizing [REDACTED]. Based on this information I developed a list of functions that the [REDACTED] was performing. I reviewed this list to identify functions that should be discontinued or transferred to other departments, and to consider a logical way of organizing the remaining functions.

Based on this review, I determined that several functions that were being performed by [REDACTED] could be transferred to other departments or eliminated. The principal functions to be transferred were:

1. [REDACTED] Program: This function was already planned to be transferred from [REDACTED]. I took steps to expedite the transfer. Specifically, I met with the Manager of [REDACTED] and the Manager, [REDACTED] and the Manager, [REDACTED] selected an individual from [REDACTED], to be transferred to [REDACTED] in the position of [REDACTED]. [REDACTED] then selected [REDACTED] professionals from the [REDACTED] staff to transfer into [REDACTED] with the [REDACTED] responsibilities.

2. [REDACTED] This function involved [REDACTED]. Since the [REDACTED] was being transferred from the [REDACTED] Department into the [REDACTED] and the [REDACTED] would have an experienced [REDACTED], I decided to transfer this [REDACTED] function with the [REDACTED] function.
3. [REDACTED] I recognized that this function was similar to the function of the [REDACTED] program, which is part of the [REDACTED] Department. The establishment of a separate [REDACTED] responsibility within [REDACTED] in the mid-1980s was due to considerations which were no longer valid, and the remaining work load did not justify retaining a full-time [REDACTED]. Therefore it did not make sense to continue maintaining a separate [REDACTED] function within [REDACTED]. I discussed this with the [REDACTED], and [REDACTED] agreed that the [REDACTED] could accept responsibility for the [REDACTED] in addition to its other duties. Therefore, I decided to transfer this responsibility to [REDACTED].
4. [REDACTED] This function is similar to functions primarily assigned to the STP [REDACTED], but had been placed in [REDACTED] early in the development of the program, apparently because of the special knowledge required to [REDACTED].

In addition to deciding that these functions should be transferred, I concluded that an internal [REDACTED] function should be eliminated because it was redundant to the [REDACTED]. HL&P had committed to establish an internal [REDACTED] function within [REDACTED] in part because NRC and HL&P reviews of [REDACTED] activities identified deficiencies in [REDACTED]. It appeared that the deficiencies had gone undetected for a while because the requirements [REDACTED] had been allowed to shield [REDACTED] from effective oversight. I concluded that the internal [REDACTED] was no longer necessary, because the [REDACTED] was effective, and the conditions which led HL&P to establish this function no longer existed.

Statement of [REDACTED]

The revised functional organization chart I had developed by early March is Attachment 2 to this statement. At around this time, I also developed another draft organization chart, identifying the proposed [REDACTED] positions and their functions but not the names of the personnel to be assigned. (Attachment 3) I completed these documents by myself and did not share them with any members of my staff.

In March, when I had completed my analysis of the [REDACTED] organization, I met with [REDACTED] and [REDACTED]. I reviewed with them the organization as it existed on [REDACTED] and how I proposed to change it. I explained my reasoning and that the changes would result in a reduced number of personnel in both the HL&P and contractor organizations. A reduction of [REDACTED] in contractor personnel had already been accomplished simply by decreasing the scope of the contract. I informed [REDACTED] that a total of [REDACTED] positions, then filled by HL&P personnel, would be abolished as a result of my proposed reorganization. [REDACTED] individuals had already been designated for transfer to [REDACTED] as a result of the transfer of the [REDACTED] and [REDACTED] individual had submitted his resignation. This left [REDACTED] individuals who would be affected (transferred or terminated) by the reorganization. I received approval to move forward with my proposal. These meetings were the extent of the involvement of [REDACTED] in the reorganization.

After meeting with [REDACTED] I wrote a memorandum to Human Resources, dated [REDACTED] requesting assistance in developing criteria for ranking employees so that I would have objective bases for identifying those who would have to be transferred or terminated as a result of the reorganization. (Attachment 4) Human Resources provided me with an Evaluation and Decision Process package that had been developed for the HL&P STEP program. (The STEP program - Success Through Excellence in Performance -- involved a reduction of force in HL&P affecting approximately 1000 employees.) Pertinent portions of this package are provided in Attachment 5. Although STP was not part of the STEP program, the Evaluation and Decision Process package was a tool Human Resources thought would be appropriate in this situation because it was a structured method for selecting the employees to be retained when an organization reduces staff size. Although the STP staff had been substantially reduced in the past few years, the reductions predominantly affected contractor personnel. To my knowledge, there was no formal process in place at STP for selecting personnel to be retained, transferred or terminated as a consequence of reduction of force.

Statement of [REDACTED]

The Evaluation and Decision Process package included a Special Performance Profile (SPP) form to be prepared to evaluate an employee's relative performance within the whole department and force rank. The SPP rating scales reflect broad areas of work-related performance, skills and behavior. The SPP is not the same as the annual Performance Appraisal. The annual Performance Appraisals done at HL&P evaluate each individual's performance during the evaluation period against the requirements of his/her particular job, while the SPP evaluates an employee's performance relative to other employees in comparable positions within the organization. To my knowledge, this Evaluation and Decision process had never previously been used at STP, nor had it been used in any parts of HL&P until early 1992.

In order to prepare SPPs for NSD employees, I sought the assistance of [REDACTED] was then [REDACTED] the [REDACTED]

[REDACTED]. I filled out the top portion of the SPPs, designating each employee as either clerical, professional or management, and divided the employees among the three of us according to which had had supervisory responsibility for them. [REDACTED] rated the individuals who worked or had worked for them and I rated [REDACTED] and the other employees who reported directly to me. [REDACTED]

[REDACTED] I did not tell [REDACTED] how the ratings would be used nor did I tell them that there would be a reduction of force.

[REDACTED] and I completed the SPPs and I compared them. I found some inconsistencies in the ratings and I met with [REDACTED] to resolve the inconsistencies. In the special skills category, for example, [REDACTED] had awarded one point to individuals having no college degree while [REDACTED] and I had not awarded any points if there was no degree. To make the ratings consistent [REDACTED] marked-up [REDACTED] SPPs to award no points in such cases. I also recall our changing [REDACTED] rating of [REDACTED] because I felt the rating should not have been lowered on the basis of [REDACTED] absence due to illness in the previous year.

I also reviewed the ratings to assess whether they were consistent with my own evaluations of the employees. Although the [REDACTED] employees had not worked for me prior to my assignment as [REDACTED] I had some familiarity with their work performance from my dealings with them while I was [REDACTED]. The [REDACTED] staff had responsibility for auditing the work of [REDACTED] I had also had

Statement of [REDACTED]

some opportunity to assess employee performance during the two months I had been [REDACTED] and had interviewed each of them. During [REDACTED], I had prepared a list which ranked the [REDACTED] employees from the best to the worst. The list was based on my observations of [REDACTED] employee performance since [REDACTED] and was prepared without any assistance. I also asked [REDACTED] for their views, and found that they were in general agreement with my observations regarding relative performance levels. Later, I found that the ratings on the SPPs were generally consistent with these earlier assessments.

Once the SPP ratings were completed I listed each group of employees (clerical, professional and management) in the order of their total points on the SPPs. The management employee with the lowest rating was [REDACTED] and the professionals with the two lowest ratings were [REDACTED]. The reorganization required that one management and two professional employees be transferred or terminated.

I provided the marked-up SPPs and the resulting ranking to Human Resources-Nuclear for its review. The comments from Human Resources suggested that the marked-up SPPs be re-done to produce clean final versions that incorporated all of the changes resulting from the discussions among [REDACTED] and myself. This is the reason that there is a marked-up version (the original with the changes made by [REDACTED] and myself) and a clean version (incorporating the changes).

Human Resources-Nuclear also identified an apparent inconsistency between the ratings of [REDACTED] as compared to their recent annual performance appraisals. On the SPPs, [REDACTED] had been given a higher rating than [REDACTED] in the category of "performance in present job function," but in their annual performance appraisals [REDACTED] had been rated as an above average performer on his last few appraisals, while [REDACTED] had been rated as average on all but the last appraisal. I met with [REDACTED] and resolved this concern by revising the ratings of both individuals to reconcile their ratings with their performance appraisals.

During the OIG interview on July 9, 1992, I was asked if the SPPs should have included a justification for any serious deviation between an employee's annual Performance Appraisal and the rating on the SPP for performance in present job function. As I stated in the interview, justifications should have been included in such cases. However, it was to be expected that there would be some differences between the SPP ratings for performance and the

Statement of [REDACTED]

annual Performance Appraisals. The annual Performance Appraisals may have been out of date, since they were prepared anywhere from 4 months to one year or more before the date of the SPP.

During the OIG interview, I was also asked about the HL&P practices for doing annual Performance Appraisals. As I explained, the regular Performance Appraisals for STP employees are prepared on an annual basis by the employees' supervisor and reviewed by the next level supervisor. After taking over as [REDACTED] I reset the dates for annual Performance Appraisals. They had been scheduled for the anniversary date of each employee's hiring. I decided that the appraisals for all employees would be done in [REDACTED]. The reason for this change was to assure that all employees were fairly considered in allocating the budget for salary increases. The budget reflects my perception of personnel performance at the time the budget is prepared. When appraisals were done on the anniversary dates, there was a potential that an employee's performance would improve between the time the budget was prepared and that person's anniversary date. However, because the performance improvement may not have been anticipated, funds may not have been allocated in the budget to allow for a commensurate salary increase. By deciding that all appraisals will be conducted in [REDACTED], I have avoided this problem. In Performance Appraisals, the employee provides a performance input sheet outlining his/her perceived strengths and weaknesses. The employee reviews the appraisal with the supervisor and is allowed to make comments. If an employee believes that the appraisal is unfair, he/she may take it up through the chain of command or through a formal grievance process. One observation that I made upon taking over as [REDACTED] was that the vast majority of the staff was rated above average. I felt that this was not realistic and probably reflected inflated appraisals.

During the OIG interview, I was asked about my assessment regarding [REDACTED]. As I explained, [REDACTED] description to me of [REDACTED] own assessment of [REDACTED] qualifications was that [REDACTED] was qualified to do any job in NSD. It was my opinion that [REDACTED] background, as reflected in [REDACTED] resume, did not support [REDACTED] assessment of [REDACTED] qualifications in the field of security. The reason [REDACTED] was not retained as we made decisions on reducing staff was that [REDACTED] SPP rating was below that of the other employees in the management category, as I noted, and the reorganization required the reduction of force of one management person.

I was also asked about a comment on the SPP prepared for [REDACTED] that [REDACTED] "knowledge and experience would allow for transfer however unwillingness would negatively affect results." I am not sure if [REDACTED] was specifically asked if [REDACTED] would accept a transfer

Statement of [REDACTED]

to another area, however, he may have stated during discussions with myself or [REDACTED] that he would only be interested in reassignment to QA. The intent of this section of the SPP is to evaluate the potential for the employee to perform another job function within [REDACTED], not to accept a transfer to another department. In any event, [REDACTED] high rating in this category (two points out of a possible three) shows that this comment did not have a significant affect on [REDACTED] rating.

The Evaluation and Decision Process provided to me by Human Resources specified that management employees were to be ranked separately from professionals. The process did not allow a management employee to "bump" a professional. Therefore, [REDACTED] was not ranked against the NSD professionals. I agree with this approach, and believe it makes good business sense. Cost considerations are a significant factor in this judgement since the salary of management personnel is generally higher than that of professionals, and even if a manager is reclassified to a professional level, the resulting salary is still likely to be at the top pay level for the new grade. It is also important to retain employees who have the hands-on skills used everyday in their jobs, rather than supervisory skills. I do not, in general, believe that "bumping" employees (terminations based solely on seniority and/or rank) is a sound practice. I believe that individuals who are required to change from a supervisory position to a worker position tend not to adapt to that change well. This generally results in poor performance or negative employee behavior. While [REDACTED] went from [REDACTED] in connection with the recent [REDACTED] reorganization, [REDACTED] still remained in a [REDACTED] type position.

I do not know for certain who prepared a third hand-written SPP for [REDACTED] but surmise it must have been someone in Human Resources. No one in Human Resources discussed the SPPs of [REDACTED] with me.

During the OIG interview I was asked questions regarding [REDACTED] performance. [REDACTED] had been rated as an above average performer in [REDACTED] annual Performance Appraisals, but [REDACTED] performance had gone downhill since [REDACTED] last appraisal. After the adjustments described above, [REDACTED] "performance in present job function" was rated at five points on the SPP, a high average rating. [REDACTED], who was rated as an average performer in [REDACTED] last Performance Appraisal, was also rated at five points in this category. [REDACTED], an average performer on his Performance Appraisal in 1990 and an Above Average performer in 1992, was rated at four points in this category on [REDACTED] SPP.

Statement of [REDACTED]

The principal reason that [REDACTED] ended up with a lower total on his SPP than these other employees was that [REDACTED] received a rating of minus two in the category of "other job-related factors". This negative rating was due to the fact that [REDACTED] was resistant to management direction. [REDACTED] prepared this SPP, and I concurred with it. For example, I assigned [REDACTED] to review [REDACTED] procedures to verify that certain commitments were being fulfilled. [REDACTED] decided that the right way to do the task was to review the procedures of the whole station. It required an excessive amount of my time to convince him that the area of the greatest return for our resource expenditure was to review the [REDACTED] only. [REDACTED] was not open to any idea but [REDACTED] own. [REDACTED] method would have accomplished the task with the desired results, but would have taken much longer, and would have taken resources from other areas that also needed attention.

The OIG interview also included questions regarding [REDACTED] performance. As noted on [REDACTED] SPP, [REDACTED] had recurring problems [REDACTED] and recently had been insubordinate to a supervisor. These were factors in determining [REDACTED] rating of minus three in the SPP category of "other job-related factors". I actually felt that [REDACTED] performance was improving.

The adjustment of the rating of [REDACTED] in response to the Human Resources comments on the SPPs lowered [REDACTED] total, resulting in [REDACTED] being tied with [REDACTED]. Even though [REDACTED] performance had been improving, I decided that [REDACTED] should be let go and [REDACTED] retained because [REDACTED] history of disciplinary problems made me less certain that I could rely on [REDACTED] to maintain an acceptable level of performance. During the OIG interview, I was asked if I told [REDACTED] that I didn't work too hard to find [REDACTED] a job. I did not say that to [REDACTED]. I did tell him that I could not find another job for [REDACTED] at STP because [REDACTED] qualifications were limited to security. I had asked Human Resources-Nuclear to see if there were any job openings at STP for which [REDACTED] would qualify, but there were none. The comment on [REDACTED] SPP that "Knowledge would allow for transfer to other areas of responsibility" refers to other security related positions since that is within [REDACTED] functional area.

I also was asked by the OIG about [REDACTED] SPP. I do not believe the statement under the first factor (Evaluation of performance) on [REDACTED] SPP is contradicted by the statement under "Evaluation of potential" on the same form.

Statement of [REDACTED]

The first statement addresses a recent event that affected [REDACTED] level of enthusiasm for [REDACTED] work while the statement under "Evaluation of potential" refers to [REDACTED] work history over an extended time period, and [REDACTED] demonstrated skills.

I had no knowledge, at any time during the process of reorganization and reduction of force, that [REDACTED] brought allegations regarding the [REDACTED] to the NRC.

When I took over as [REDACTED] I assumed that the 1991 NRC inspection/investigation probably was a result of internal [REDACTED] concerns. My observation was that in the [REDACTED] every member of the staff opposed [REDACTED] on some decisions regarding security matters. I believe that [REDACTED] interpretations of regulations were, for the most part, valid and in accordance with those of the NRC. I believe that most of [REDACTED] problems with the [REDACTED] staff stemmed from poor communications rather than an intent on [REDACTED] part to ignore regulations.

I was asked during the OIG interview if I had seen the OIG report prepared as a result of the allegations brought by STP employees to NRC attention. I have never seen such a report. Further, no one from the NRC has ever discussed the contents of the report with me. I have never had a discussion with HL&P/STP employees or management regarding what individuals were responsible for the NRC [REDACTED] inspection (headed by NRC inspector [REDACTED] or the OIG investigation of internal misconduct.

No one from the STP SAFETEAM/Speakout group ever advised me as to the identity of alleged. During the OIG interview I described a circumstance that led me to assume that [REDACTED] had brought to Speakout two concerns related to the [REDACTED] Department. [REDACTED] had brought a matter to my attention regarding alleged theft of property. A plant employee had advised [REDACTED] of the alleged theft. I told [REDACTED] to advise the individual to bring the matter to the attention of the appropriate manager. Subsequently, a manager from Speakout approached me and advised that someone had brought the alleged theft incident to his attention and he thought NSD should investigate. I assumed it was [REDACTED] who had brought the matter to Speakout and I advised him that [REDACTED] had already informed me of this incident and that [REDACTED] was told to tell the individual to bring the matter to the attention of the appropriate manager. [REDACTED] also had advised me that a member of the [REDACTED] staff was friends with a Speakout investigator and had knowledge regarding their investigations. As a result, I referred this concern to Human Resources for investigation and [REDACTED] was interviewed by representatives of that function.