

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

DOCKETED
10/12/84

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

84 OCT 12 P2:29

In the Matter of)

GEORGIA POWER CO., et al.)

(Vogtle Electric Generating Plant,
Units 1 and 2))

Docket Nos. 50-424 and 50-425
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CPG/GANE REVISED CONTENTION 8 & AMENDMENT TO BASIS FOR CONTENTION 8

CPG/GANE Revised Contention 8

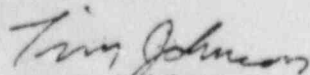
Applicant has failed to enforce a quality assurance program in the construction of Plant Vogtle that provides adequately for the safe functioning of diverse structures, systems and components, as required by 10 CFR 50 Appendix B, such that reasonable assurance exists that operation of the plant will not endanger the public health and safety, in that systematic QA/QC deficiencies have existed and continue without resolution in the following areas: proper welding, placement of concrete, the use of properly trained personnel, inspection/testing, material preservation, procurement, and adequate and complete corrective action in response to violations.

Amendment to Basis of CPG/GANE Contention 8

On page 18 of the Supplement to Petition for Leave to Intervene and Request for Hearing, Campaign for a Prosperous Georgia, at the end of the last completed paragraph, insert following the phrase "backup diesel generators)." the following sentence:

The Company itself recently acknowledged breakdowns in its procurement program as it "fired seven workers and ended its dealings with an equipment supplier following the alleged unauthorized release of bid information at the Vogtle nuclear power plant." (Attachment 1) "[A]llegations that some Georgia Power purchasers have consistently shown favoritism to certain companies have become so widespread that the situation has been 'the talk of the trade for many a year,' said one construction tools supplier." (Attachment 2) Investigation should be pursued to ascertain if this alleged favoritism extended to quality of materials, and to ascertain why the quality assurance program did not uncover this program deficiency long ago.

Respectfully submitted this 10th day of October, 1984,



Tim Johnson
Campaign for a Prosperous Georgia



Doug Teper
Georgians Against Nuclear Energy

Business

The Atlanta Journal

.... FRIDAY, AUGUST 24, 1984

Ga. Power fires 7 over Vogtle bid leaks

By Deans
Staff Writer

The Georgia Power Co. has fired seven workers and ended its dealings with an equipment supplier following the alleged unauthorized release of bid information at the Vogtle nuclear power plant.

Public Service Commissioner Jim Hammock said the alleged bid improprieties had raised serious questions about cost controls at the \$7.2-billion plant and had underscored the need for a state-funded audit of Georgia Power's construction program.

The vendor involved had provided small items such as socket wrenches, rivet guns, hammers and other construction supplies at the Vogtle site, according to company spokesman Gordon Van Mol. "None of the stuff was part

of the power plant structure or systems," he said, adding that the supplies "are not related to the quality of the plant."

Van Mol would not identify the fired workers or the ex-supplier, nor would he reveal the former employees' job level, citing potential legal problems.

The company had not supplied that information to the PSC by late Thursday, but Hammock said circumstances surrounding the allegations implied that the employees were part of the company's purchasing arm for the Vogtle plant.

"The implication is that they were in a level of procurement," Hammock said. "Anybody with that sort of authority would be critical to the cost factor of that construction," he said, noting that the cost of supplying small tools to the roughly 8,000 construction

workers now at the plant could be "tremendous."

"We haven't yet been able to determine exactly how much this cost Georgia Power," Van Mol said. "We did a relatively small amount of business with the company, less than 1 percent of what we spend at the plant every year."

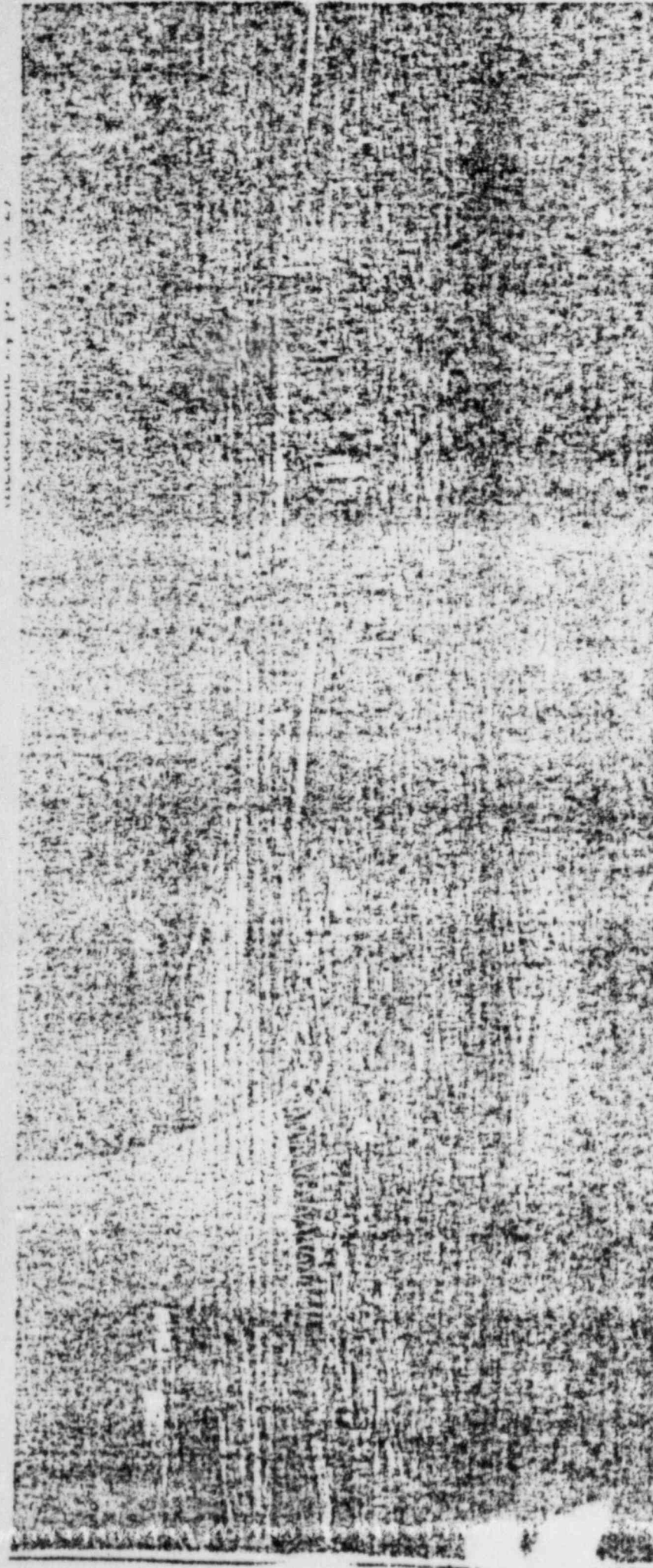
The firings and termination of vendor relationship were the result of a company investigation into alleged unauthorized bid disclosures, Van Mol said. "This came about as the result of some information that we got and we acted upon," Van Mol said, declining to elaborate.

Georgia Power has turned over its information about the alleged improprieties to law enforcement officials, Van Mol said. "This part of the investigation is completed," he said.

The alleged bidding improprieties have prompted Hammock to call for a special meeting with Gov. Joe Frank Harris and members of the General Assembly to seek expedited consideration of the commission's request for \$3.2 million during the next three years to fund an independent audit of the electric utility's construction plans.

The company's report of the alleged bidding disclosures followed by one week its announcement that Plant Vogtle would cost at least \$7.2 billion, 9 percent more than the \$6.6 billion tag that was projected three years ago.

"Now we've got a procurement problem," Hammock said. "It's absolutely critical that we begin immediately to investigate the cost of that project," he said, citing the need "to insure that no imprudently or illegally incurred expenses are passed on to the ratepayers."



AERIAL VIEW OF PLANT VOGTLE: One supplier says allegations that Georgia Power purchasers favor certain companies are widespread.

Georgia Power Purchasing Practices Questioned

By Bob Doane
Star Writer

Several state officials and businessmen have called for a public inquiry into purchasing practices at the Georgia Power Co., charging that questionable procurement practices may be adding significantly to construction costs that are later passed on to ratepayers.

No such charges have been proven, nor formally filed. But allegations that some Georgia Power purchasers have consistently shown favoritism to certain companies have become so widespread that the situation has been "the talk of the trade for many a year," said one construction tools supplier.

Like several other owners contacted for

for doing business with Georgia Power in the future.

One source says their suspicions were heightened a week ago when the company announced that it had fired seven employees for the unauthorized release of information concerning bids for the purchase of small tools and other construction supplies at the Vogtle nuclear power plant.

Georgia Power announced at the same time that it had stopped doing business with one supplier as a result of an internal investigation into the alleged improprieties.

Gordon Van Mol, Georgia Power's manager of public information, said that the company actively seeks competitive bids for all of its purchases and does not intend to favor any company to the exclusion of others.

getting of impropriety to insure that purchases are made fairly and in a competitive environment that enables the company to purchase the highest quality materials at the lowest possible cost.

"The fact that we're concluding to look into these things doesn't indicate that we think that the problems solved and we're walking away from it," Van Mol said.

But the lack of any public overview of the company's purchasing procedures has contributed to suspicions that certain companies may have been favored by the power company in its purchase decisions, said Public Service Commissioner Billy Lovett. The purchasing in question could total tens of millions of dollars over the past several years, industry sources estimate.

appears that the situation is not that well managed. It's too lax."

Similar concerns were expressed by state Sen. Calver Kidd, a member of a joint legislative committee that is reviewing how utility rates are set in the state.

Kidd said he wanted Georgia Power officials to appear before the committee, possibly when it meets September 11, to discuss the nature and findings of the company's internal investigation.

"We are wondering if the PSC gets a complete picture of Georgia Power," Kidd said. "Now that they are going forward with this investigation, who are they going to let know what they find?"

Said Georgia Power's Van Mol, "We will

Vogtle

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cooperate and respond to the legislative committee when we're asked to testify and would welcome the opportunity."

Georgia Power has not released the names of the employees that have been terminated, citing potential legal problems, and will not release the level of the former employees.

"We're not talking about top management at the plant," Van Mol said Friday. "That's as far as I can go."

Kidd said he was also concerned about how far the power company plans to go with its investigation.

The investigation has focused on Plant Vogtle, though the company will respond to information it receives about potentially improper purchasing practices at any of its facilities, Van Mol said.

Lovett said he wanted a thorough public investigation into the company's purchasing practices, saying that the results of the inquiry should be made available to the commission staff to be incorporated into the PSC's ratemaking decisions.

"The Federal Bureau of Investigation should look at it, the Attorney General's office, in concert with the Georgia Bureau of Investigation, should look at it and make a determination if they ought to pursue it or not. Not just dismiss it and give it surface treatment," Lovett said.

Georgia Power has already turned over information regarding its internal investigation to law enforcement officials, Van Mol said, though he would not say which agencies those officials are with.

By Friday, however, neither the Georgia Bureau of Investigation nor the Burke County Sheriff's office had received such information, according to spokesmen for those agencies.

When asked whether the matter was being investigated by the FBI, a spokesman for the agency's Savannah office responded, "That's a no comment."

State Sen. Al Scott (D-Savannah) said officials may be overreacting by calling for a public inquiry into Georgia Power's purchasing practices.

Scott, who is the chairman of the joint legislative committee on utility ratemaking, said that any remaining questions about Georgia Power's purchasing practices should be answered by an independent audit of the company's construction program.

The PSC has ordered such an audit, and has asked the state legislature for an additional \$3.2 million in funds during the next three years to pay for it.

Public Service Commissioner Jim Hammock has said that the alleged purchasing improprieties have underscored the need for the audit.

Even if the allegations aren't proven, the mere perception of impropriety has become a problem at Georgia Power, said Van Mol. It threatens to become a larger problem because the company has to justify its construction costs to the Public Service Commission before any of the costs of Vogtle can be incorporated into the rates.

"The questions become almost as important as the answers, because I don't think anybody has the answers right now," said Consumers' Utility Counsel Deppish Kirkland III.

"They have had dramatic increases in costs (at Vogtle) over a

number of years, and the (purchasing) process has never been reviewed," Kirkland said.

"There are incentives, or should I say temptations, just because of the level of dollars you're dealing with," Kirkland said.

Georgia Power, which owns 45.7 percent of Plant Vogtle, has estimated that the plant will cost \$7.2 billion. The Oglethorpe Power Corp., the City of Dalton and the Municipal Electric Authority of Georgia also own portions of the plant.

With that much money being spent, virtually every business within a 100-mile radius of the plant expects to sell a substantial amount of supplies to Georgia Power, said Van Mol. When the utility doesn't select those companies for contract awards, they often don't understand the reasons why not, he said.

"They wouldn't let our products in the door," said Robert H. Tanner, director of marketing for Hoover Treated Wood Products, which manufactures fire-resistant lumber commonly used in the construction of power plants.

Georgia Power denies the charge, and says Tanner's complaint is the result of a three-way misunderstanding involving Tanner, Vogtle's procurement office and Vogtle's construction office.

With production facilities in several states, Hoover has supplied fire-resistant lumber to more than 20 power plants being built in various states from California to New Jersey, Tanner said. Yet, he said, the company was unable to sell more than a relatively small shipment of its products for construction at Vogtle, some 50 miles from Hoover's Thomson facility.

Tanner said his company was not selected to supply lumber for much of the job, even though he was told "under the table" by a Georgia Power purchasing agent that his bid

on a lumber contract worth hundreds of thousands of dollars would have saved the company more than \$60,000.

Terry Scott, manager of internal auditing for Georgia Power, said that in 1978 Vogtle planners decided to use fire-resistant wood primarily for scaffolds and similar structures that would be exposed to sparks. For other work that was not exposed to

fire, planners specified the use of lower-cost, untreated wood.

Early on in the construction of Vogtle, one of Hoover's wholesalers bid on and was awarded the order for treated wood that was to be used for scaffolding, Scott said.

Later the company's procurement office put out another bid for additional treated wood. That wood was to be used for concrete forms, how-

ever, and Vogtle's construction office cancelled the bid, saying the wood was to be untreated.

Van Mol said the incident characterized a portion of the misunderstanding over Georgia Power's purchasing practices. Much of the time, he said, it was the company's efforts to save money that resulted in the misunderstanding.

CPG/GANE Revised Contention 8 (proposed to Applicant and Staff 10-3-84)

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Docket Nos. 50-424 and 50-425

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CERTIFICATE OF SERVICE

This is to certify that copies of the foregoing were served by deposit with the U. S. Postal Service in the City of Atlanta for Express Mail delivery to the Licensing Board and for first class delivery to all other parties to this proceeding this 10th day of October, 1984.

Tim Johnson

Tim Johnson
Campaign for a Prosperous Georgia

Doug Teper

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Georgians Against Nuclear Energy

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Docket Nos. 50-424 and 50-425

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