

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the matter of)
)
HOUSTON LIGHTING & POWER)
COMPANY, ET AL.)
)
(South Texas Project, Units)
1 and 2))

Docket Nos. 50-498 OL
50-499 OL

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DOCKETING & SERVICE
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APPLICANTS' MEMORANDUM CONCERNING
THE PERMISSIBILITY OF AND NEED FOR CALLING
CERTAIN ATTORNEYS FOR THE APPLICANTS AS WITNESSES

In its Memorandum and Order of June 24, 1985, the Licensing Board directed the parties to file by this date statements "concerning the permissibility and need (if any) for calling various parties' attorneys as witnesses" This statement is filed on behalf of the Applicants, in response to the June 13, 1985, submittal by Citizens Concerned About Nuclear Power ("CCANP"), identifying certain of Applicants' attorneys as witnesses,^{1/} and in response to CCANP's statement,^{2/} dated June 26, 1985, of what it expects to prove through its proposed witnesses, including these attorneys, and its "identification of why it expects each witness to so testify."^{3/}

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- 1/ "CCANP's Identification of Witnesses" ("June 13 submittal").
- 2/ "CCANP Specification of Testimony Sought From CCANP Witnesses" ("CCANP Specification").
- 3/ June 24 Order, p. 4. CCANP has, in addition, served subpoenas directing three attorney witnesses to appear and testify in this proceeding. Pursuant to the Board's June 24 Memorandum and Order, Applicants reserve the right to ask at the upcoming hearings that those subpoenas, as well as other subpoenas issued at the request of CCANP, be quashed or modified.

At the outset, it should be emphasized that, although lawyers are not legally immune from the requirement to appear and testify, our legal system perceives that calling lawyers as witnesses is likely to produce undesirable consequences - consequences inconsistent with the underlying objectives of that system. The likely consequences include the divulgence of client confidences; the exposure of legal tactics, advice and strategy to persons with conflicting objectives; and the "harassment" of a client or his attorney by attempts to disqualify needed counsel from continued representation in a proceeding or to otherwise impair his ability to represent his clients effectively.^{4/} For these reasons, there exists a general consensus among the legal profession and the adjudicators that, if at all possible, lawyers should not be called as witnesses, and the effort to call them is rarely made.^{5/}

^{4/} In this proceeding the Board has already ruled the three subpoenaed attorneys will not be disqualified, in part because of the substantial hardship which disqualification would cause Applicants. Memorandum and Order, June 18, 1985, pp. 14-16. Nevertheless, by letter dated June 25, 1985, CCANP has given notice to the Board and the parties that it will seek "sequestration of the attorneys" during part of the hearings, i.e., it will now seek what would amount to temporary or partial disqualification of those attorneys.

^{5/} The comparative infrequency of efforts to obtain lawyers' testimony is perhaps a testament to the breadth of agreement with Mr. Justice Jackson, who said it all as well and as succinctly as it can be said in Hickman v. Taylor, 329 U.S. 495, 517 (1947) (concurring

This underlying attitude toward the lawyer as witness was suggested by the question posed in this Board's order of April 18, 1985, as to: "The propriety of continued representation of a party by an attorney who may have participated other than as counsel in factual matters potentially at issue before an adjudicatory tribunal." The premise of the Board's question was necessarily that, when a lawyer has participated as counsel -- rendering advice, preparing for and engaging in litigation or other proceedings -- he is not a potential witness, so that the question of propriety of continued representation does not arise.

Moreover, the courts and the agencies have erected substantial barriers against the comparatively infrequent efforts to call lawyers to testify. These include recognition of the attorney-client privilege, aimed at protecting confidences which clients might impart to lawyers, and the attorney work product doctrine, conferring a privilege that protects against disclosure of trial preparation materials, including mental impressions, conclusions, opinions,

(. . . footnote continued)

opinion):

Every lawyer dislikes to take the witness stand and will do so only for grave reasons. This is partly because it is not his role; he is almost invariably a poor witness. But he steps out of professional character to do it. He regrets it; the profession discourages it.

or legal theories of an attorney concerning a proceeding. In addition, courts have readily exercised their discretionary authority to bar duplicative or cumulative testimony so as to prevent lawyers from calling opposing counsel as witnesses unless the testimony is really necessary.

In the balance of this statement, we first outline how these principles have been applied both by the NRC's Licensing and Appeal Boards and by tribunals other than the NRC. We then turn to CCANP's stated objectives in calling designated witnesses. The discussion, we submit, establishes that it is wholly inappropriate to call as witnesses the lawyers CCANP has designated for the purposes CCANP intends.

I.

The inappropriateness of calling counsel for a party as a witness has clearly been recognized by NRC Licensing Boards.^{6/} Consumers Power Co. (Midland Plant, Units 1 and 2), LBP-83-53, 18 NRC 282, reconsideration denied, LBP-83-64,

^{6/} As might be expected in view of the general reluctance to call attorneys as witnesses in proceedings, the NRC precedents have not arisen in connection with efforts to subpoena lawyers pursuant to 10 C.F.R. § 2.720 (1985). Rather, the precedents deal with attempts to depose attorneys pursuant to the Commission's discovery rules, 10 C.F.R. § 2.740, et seq. However, if the protective principles are applied even with respect to discovery, their application to appearance as a witness in a proceeding would be a fortiori.

18 NRC 766 (1983), aff'd, ALAB-764, 19 NRC 633 (1984).

In Midland, subpoenas were issued, on the request of the Applicant, to four employees of the Government Accountability Project ("GAP") who had submitted affidavits to the Commission on behalf of whistleblowers. The Applicant wanted to explore the contents of the affidavits, and in its subpoenas called for the production of certain documents as well as personal testimony. Among the documents sought were those concerning communications between two intervenors in the case, on the one hand, and GAP and some of its lawyers and paralegals, on the other.

On counsel's representation that all such communications were for the purpose of obtaining legal advice -- or, presumably, if they went from GAP to the intervenors, for the purpose of giving such advice -- the Board, whose Chairman is also Chairman in the instant proceeding, quashed the subpoenas insofar as such documents or testimony were called for. 18 NRC at 284-85. It did not even countenance the Applicant's effort to submit interrogatories to test the bona fides of the claim of an attorney-client relationship. The Board said that "[c]ounsel for Intervenors has stated that all communications between [Intervenors] and GAP were for the purpose of receiving legal advice. We accept that representation." Id. at 285 (emphasis in original). It

was thus enough for the Board, on the merits of the issue, that the communications were for the purpose of receiving legal advice and that counsel had so represented.^{7/}

Insofar as the Midland Board's ruling was based on privilege, it accords with the ruling of the Licensing Board in Long Island Lighting Co. (Shoreham Nuclear Power Station, Unit 1), LBP-82-82, 16 NRC 1144 (1982). The Board there said that it regarded as correct the "more widely held view . . . that statements from an attorney to the client are privileged only if the statements reveal, either directly or indirectly, the substance of a confidential communication by the client." Id. at 1158.^{8/} The Board nevertheless, on in camera inspection, held privileged virtually all attorney-to-client communications that could fairly be regarded

^{7/} The Chairman stated further:

. . . we will accept the representations of attorneys before us. We are not going to question their accuracy . . . They are admitted to the bar and they have an obligation to tell the truth and we are going to assume that they are telling the truth unless we are told differently, unless there is significant proof . . .

Docket Nos. 50-329-OM & OL, 50-330-OM & OL, Transcript p. 18,615 (June 29, 1983).

^{8/} See also Consumers Power Co., (Midland Plant, Units 1 and 2), LBP-83-70, 18 NRC 1094, 1098-99 (1983).

as giving legal advice or even, more broadly, "rendering legal services," on the basis of the attorney-client privilege. Id. at 1170, 1172, 1175, 1176.

In another order in the Midland proceeding, the Licensing Board agreed that the touchstone is whether legal advice is asked for and received.

We stress again that Mr. Cook's affidavit, made under oath, reveals that the purpose of the meeting was, in fact, the receipt of legal advice. Even if some non-legal considerations were exchanged, so long as the meeting was devoted primarily to legal advice, the entire contents thereof are protected by the privilege. Barr Marine Products Co. v. Borg-Warner Corp., 84 F.R.D. 631, 635 (E.D. Pa. 1979); United States v. United Shoe Machinery Corp., 89 F. Supp. 357, 359 (D.Mass. 1950).

LBP-83-70, 18 NRC at 1103.

And, in connection with a different aspect of the Midland proceeding, the Appeal Board quoted favorably what it described as "the broad language" of Hickman, establishing the principle of protection of attorneys' work product. Consumers Power Co. (Midland Plant, Units 1 and 2), ALAB-691, 16 NRC 897, 917 (1982), aff'd, CLI-83-2, 17 NRC 69 (1983). At issue there was the Licensing Board's criticism of counsel for claiming work product protection for drafts of testimony prepared by a lawyer for a witness. The Appeal Board held that the criticism was unwarranted and indicated, though it did not have to decide the question, that it might well

have sustained the claim of protection that the Licensing Board regarded as frivolous.

The sparse federal judicial precedents are to the same effect. For example, in Walker v. United Parcel Services, 87 F.R.D. 360, 361 (E.D. Pa. 1980) (an employment discrimination case in which plaintiffs requested leave to depose defendant's attorney on the ground that he may have played a part in the alleged retaliation against plaintiffs), the court, applying both the attorney-client and work product privileges, denied leave to depose defendant's attorney. It found that:

the proposed intrusion on defendant's right to counsel is too invasive to permit. Plaintiffs would depose counsel not only on the very subject matter of the court hearing, but on the manner of counsel's preparation for it. Short of prohibiting the deposition, it is hard to imagine how to protect UPS from revelation of its attorney's mental impressions, opinion, legal theories, or litigation strategy.

Id. at 362. See also Dowd v. Calabrese, 101 F.R.D. 427 (D.D.C. 1984) (denying plaintiff's motion to depose defendant's attorney on ground of attorney-client privilege); Brush v. Harkins, 9 F.R.D. 681 (S.D. Mo. 1950) (quashing subpoena duces tecum requiring attorney to produce all papers regarding a certain accident on grounds of attorney-client privilege and work product doctrine).

Another reason for not allowing parties to call lawyers as witnesses is the fear of impeding the ability of counsel to prepare and present his client's case. See, e.g., In re Grand Jury Matters, 751 F.2d 13, 17 (1st Cir. 1984) (court quashed grand jury subpoenas of attorneys who were serving as defense counsel in state criminal prosecutions for same people that grand jury was investigating, principally on ground that timing of subpoenas may have affected ability of attorneys to prepare and present clients' defenses in state action).^{9/}

Finally, even if an attorney's testimony does not technically fall within one of the recognized privileges, the principle that courts may exclude testimony that would be merely duplicative or cumulative of testimony already being

^{9/} There is also a concern that allowing one lawyer to question another will not supply factual enlightenment but only a display of fireworks. In re Arthur Treacher's Franchisee Litigation, 92 F.R.D. 429, 439 (E.D. Pa. 1981) (indicating that questioning of one attorney by another may result at least in the appearance of impropriety). The court there quoted with approval the opinion in Draney v. Wilson, 30 Fed. R. Serv. 2d 960, 961 (D. Ariz. 1980):

The adversarial nature of litigation causes the tempers of counsel to flare all too frequently. Permitting an attorney on one side to become the inquisitor of an attorney on the other side carries a strong risk that another source of fuel is being provided.

proffered in a proceeding has in several instances been applied by the courts to bar the testimony of attorneys when it would be unnecessary.^{10/} Where the testimony of a lawyer is involved, the exercise of authority to exclude cumulative testimony, i.e., testimony which is not necessary, would appear to be particularly appropriate.

In In re Arthur Treacher's, 92 F.R.D. at 438-39, for example, the court quashed a subpoena of an attorney as "unduly broad" because the testimony sought arguably would be duplicative and cumulative (the testimony was to concern a meeting which four other individuals attended). The court also found evidence that the subpoena was motivated by a desire to harass the other party. See also Walker, 87 F.R.D. at 361 (in which court denied leave to depose defendant's attorney on the ground that the deposition would be "largely duplicative, lead to unnecessary further delay, and be oppressive to the party and to the person whose deposition is

^{10/} The authority of a federal court to bar such unnecessary testimony is unquestioned. "It is well established that testimony which is merely repetitious and cumulative of testimony already introduced may be excluded by the trial court in its discretion." Harvey v. Andrist, 754 F.2d 569, 572 (5th Cir.), cert. denied, 53 U.S.L.W. 3838 (1985), accord Meadow & Walker Drilling Co. v. Phillips Petroleum Co., 417 F.2d 378, 382 (5th Cir. 1969). 10 C.F.R. § 2.757(a) expressly confers similar authority on presiding officers to "[l]imit the number of witnesses whose testimony may be cumulative. . . ."

sought"); Johnson v. University College of the University of Alabama in Birmingham, 706 F.2d 1205 (11th Cir. 1983), cert. denied 104 S.Ct. 489 (upholding, on an appeal from the amount of an award of attorney's fees, the quashing of a subpoena duces tecum requiring defendants to produce records concerning fees of defendant's counsel, on grounds not only that the subpoena was of questionable relevance but also that much other evidence on the subject had already been submitted).^{11/}

These principles apparently have already been applied by the Licensing Board in this proceeding, when it said

We hold in abeyance the issue of whether Mr. Newman may be a witness "necessary" for a complete record. Mr. Newman could become a necessary witness to testify to factual matters if other evidence were to lead to a reasonable inference that Mr. Newman held some unique, factual and material information not known by others involved in the replacement discussions.

^{11/} There is also a body of law under Rule DR5-102(A) and (B) of the Code of Professional Responsibility which in essence holds that a lawyer is a necessary witness (for purposes of considering the need for disqualification) only if he is the only one able to testify on a particular matter, and not if his testimony would be merely cumulative. See, e.g., J.P. Foley & Co. v. Vanderbilt, 523 F.2d 1357, 1359 (2nd Cir. 1975); Freeman v. Kulicke & Soffa Industries, 449 F. Supp. 974, 979 (E.D. Pa. 1978); Miller Electrical Construction v. Devine Lighting Co., 421 F. Supp. 1020 (W.D. Pa. 1976); Cottonwood Estates, Inc. v. Paradise Builders, Inc., 128 Ariz. 99, 105, 624 P.2d 296, 302 (1981).

Memorandum and Order, June 18, 1985, p. 13.^{12/}

In the next section we demonstrate that, on the basis of CCANP's statements of what it expects to prove through the testimony of the subpoenaed attorneys, the testimony sought is either privileged or is unnecessary and duplicative or relates to matters about which the Applicants' attorneys represent they have no knowledge.

II.

In CCANP's June 13 submittal, it stated in broad terms the subjects about which it planned to question Applicants' lawyers. Subsequently, in CCANP's Specification, filed in response to the Board's June 24 Order, CCANP set forth "what it intends to prove" through this testimony.^{13/} We now address these two statements in light of the principles discussed above. These principles call for quashing all of the subpoenas addressed to Applicants' attorneys.

^{12/} See also the unpublished Memorandum and Order, dated April 5, 1983, at 3, referred to in Midland, LBP-83-70, 18 NRC at 1103. There, in response to a request by intervenor for drafts of a certain report, the Board found that the report was attorney work product and would not be discoverable if the material was merely cumulative.

^{13/} The Board also ordered CCANP to set forth "some identification of why it expects each witness to so testify," June 24 Order at 4, presumably to determine whether the implications raised by CCANP's requests for testimony had any basis. Although CCANP has expressly recognized this direction, CCANP Specification at 1, short of simply asserting that the witnesses in question are attorneys and as such were available to give their clients advice, CCANP has failed to provide any of the identification requested by the Board.

A. Essentially, with regard to Mr. Newman, Mr. Axelrad and Mr. Gutterman, CCANP states that it plans to ask about their knowledge of the Quadrex Report, their role in its release and their representations to the Board concerning the Report. June 13 submittal at Nos. 7-9; CCANP Specification at 7-10. CCANP acknowledges that Mr. Axelrad has already represented to the Board that "while the attorneys were aware of the Quadrex Report, . . . they did not ask to see it and gave no legal advice on whether the report should be turned over to the NRC or the Board." CCANP Specification at 7. In addition, CCANP states that it expects the attorneys to testify:

that the [sic] were aware of the Quadrex study while underway, the final report, and the potential for 50.55(e) reports originating from Quadrex; that they never asked to see Quadrex before September 1981; that they were never approached by HL&P personnel to give an opinion on whether 50.55(e) or the McGuire rule required turning the Quadrex Report over to the NRC Staff or the ASLB.

Id. at 8.

Applicants' attorneys agree with this statement of the facts prior to September 1981, which are not in dispute, although it is far from apparent why these facts are material. Insofar as these facts are contained in statements to the Board, moreover, they are a matter of public record and

there is no need for testimony from the attorneys concerning them. See October 16, 1984 Prehearing Conference, Tr. 10843-47; CCANP Specification at 9-10. These facts also are confirmed by other witnesses who are already testifying in this proceeding. See, e.g., Goldberg testimony at 54-55; Oprea testimony at 12-13. The attorneys' testimony would therefore merely be duplicative or cumulative, and there is no reason for calling them as witnesses on this subject. In re Arthur Treacher's, 92 F.R.D. at 438-39; Walker, 87 F.R.D. at 361; Midland, unpublished memorandum of April 5, 1983 at 3.

CCANP states that it is calling the attorneys as witnesses "to test the validity of their unsworn representations to the Board." CCANP Specification at 8. CCANP has made no showing, however, of anything that would lead the Board to question the validity of these representations. On the contrary, CCANP's statement of what it expects the attorneys to testify to simply confirms their representations. There is thus no basis or need to validate anything. Moreover, the Board has in the past stated that: "We will accept the representations of attorneys before us." Midland, LBP-83-53, 18 NRC at 285. Applicants submit that this policy is particularly appropriate in this case where the representations are independently supported. See Oprea testimony at 12; Goldberg testimony at 51.

Finally, CCANP states that Mr. Newman, Mr. Axelrad and Mr. Gutterman were available at all times to the Applicants for advice. CCANP Specification at 8, 9. Not only is this fact undisputed, but also it is no more than an assertion that the three are indeed lawyers for the Applicants, certainly not a basis for calling them to testify.

B. CCANP requests additional testimony concerning the Quadrex Report from Mr. Newman and from Mr. Gutterman. With regard to Mr. Newman, CCANP states that it plans to question him in particular about the letters regarding Quadrex he sent to the Board and the parties and to show "through [these] representations, he sought to minimize the importance of the report and the role of Mr. Goldberg." CCANP Specification at 9. None of these matters are appropriate bases for calling Mr. Newman. His letters are matters of public record, as is the Quadrex Report, and Mr. Goldberg himself will be testifying concerning his "role." If CCANP wishes to reach conclusions from these factual matters in its ultimate filings with the Board it is free to do so. But no testimony from Mr. Newman would be pertinent to those facts, i.e., the content of the letters or of the Report or the role of Mr. Goldberg. CCANP's sole purpose appears to be to question Mr. Newman concerning his mental impressions, opinions or legal strategy, exactly the types of testimony

by lawyers that are protected.^{14/} Hickman, 329 U.S. at 511-512; Walker, 87 F.R.D. at 362; see also Midland, ALAB-691, 16 NRC at 917.

With regard to Mr. Gutterman, CCANP states that he "had conversations with Mr. Goldberg regarding the Quadrex Report and potential 50.55(e) reports. . . ." CCANP Specification at 9. Since applicants' attorneys were aware of the report this is not surprising. Mr. Gutterman was acting as attorney for Mr. Goldberg. This is a classic situation for applying the attorney-client and work product privileges, and there is no basis for calling Mr. Gutterman as a witness.

C. CCANP also requests the testimony of unnamed attorneys for Baker & Botts "regarding their knowledge and responses to the Quadrex Report, particularly any discussions with said HL&P witnesses [Messrs. Jordan, Oprea, Goldberg and Frazar] or other persons regarding inclusion of information about the Quadrex Report in the prefiled testimony in Phase 1, amending said prefiled testimony . . . and/or including the Quadrex Report in the testimony given during

^{14/} As to testimony concerning Mr. Newman's alleged "discussions with the representatives for CCANP at the time the Quadrex Report was delivered to CCANP," CCANP Specification at 8, although CCANP is obviously fully conversant with whatever it has in mind it has failed to identify and show its relevance. Particularly since the conversation -- whatever its content -- took place after the Report was provided to the Board and parties, it can scarcely justify calling Applicants' counsel.

the hearings in Phase I." June 13 submittal at No. 10. CCANP clarifies in its later Specification, at 10, that it is not certain whether Mr. Axelrad's statements apply to the Baker & Botts attorneys and that it expects that at least one of the Baker & Botts attorneys was fully aware of the Quadrex Report.

CCANP offers no basis for this expectation. In any event, the prefiled testimony of the HL&P witnesses did not mention the Quadrex Report and no testimony concerning it was otherwise received in Phase I. Even if unnamed Baker & Botts lawyers were aware of the report and took it into account in connection with preparation of the testimony, any discussions that they might have had concerning the possibility of referring to the report in the testimony would be obvious examples of communications that are protected by the attorney-client privilege. Shoreham, LBP-82-82, 16 NRC at 1158; see also Midland, LBP-83-70, 18 NRC at 1098-99. Testimony on such discussions could well reveal communications from the client intended to be in confidence and seeking legal advice and assistance, and so should be barred. Walker, 87 F.R.D. at 361, 362; Dowd; Midland, LBP-83-53, 18 NRC at 284-85.

In any event, regardless of the lawyers' role in testimony preparation, it is the witnesses' testimony which is involved

and those witnesses will testify in Phase II. It would be wholly improper also to require the attorneys to testify, for their work in connection with preparation of the testimony would clearly be protected by the work product privilege. Hickman; Midland, ALAB-691, 16 NRC at 916-917.

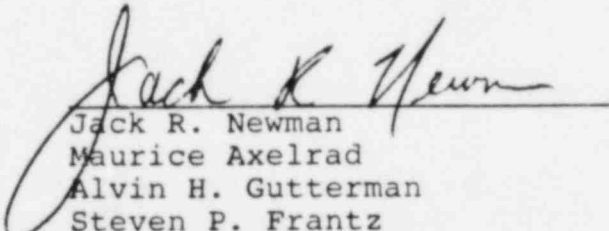
D. Finally, CCANP has requested the testimony of Mr. Newman "regarding his failure to inform the Board about the . . . review of B&R's services undertaken by HL&P and the decision by HL&P to remove B&R." CCANP Specification at 9. However, the reasons Applicants did not notify the Board of any thoughts of replacing Brown & Root prior to their actual decision to replace the company in September are fully set forth in Mr. Oprea's testimony (at 8-11, 14-16) and in Mr. Goldberg's testimony (at 56-58), so that testimony from Mr. Newman would only be cumulative.

To the extent that CCANP hopes to elicit from Mr. Newman some unrevealed, litigating strategy that it believes was in his mind during the time when B&R's services were being reviewed, the Board has already stated that it perceived no "'manipulation' efforts by Applicants' counsel." Board Order of June 18, 1985, at 34. In any event, whatever Mr. Newman thought at the time is clearly barred by Hickman and the Licensing Board decisions already cited. CCANP itself as much as acknowledges this fact in saying that it expects Mr. Newman to testify that this matter is one of "confidentiality." CCANP Specification at 9.

III.

In the foregoing we have demonstrated that each discrete matter which CCANP states it wishes to establish through the attorneys' testimony is protected by the attorney-client or work product privileges, is duplicative and unnecessary, or is already established or conceded. Even more importantly, viewed as a whole, essentially what emerges from CCANP's requests for the attorneys' testimony is an effort to inquire into their mental impressions and legal strategies and their confidential relationship with their clients - an objective wholly at odds with our legal system. We therefore submit that it is neither permissible nor necessary for the attorneys to testify.

Respectfully submitted,


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the other Applicants, THE CITY OF
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through the City Public Service
Board of the City of San Antonio,
CENTRAL POWER AND LIGHT COMPANY,
and CITY OF AUSTIN, TEXAS

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of)
)
HOUSTON LIGHTING & POWER)
COMPANY, ET AL.)
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(South Texas Project, Units 1)
and 2)

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OFFICE OF SECRETARY
DOCKETING & SERVICE
BRANCH

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Applicants' letter to the Atomic Safety and Licensing Board dated July 2, 1985 (including Attachments A and B), */ and "Applicants' Memorandum Concerning The Permissibility of and Need for Calling Certain Attorneys for the Applicants as Witnesses," have been served on the following individuals and entities by hand delivery, deposit with air courier or deposit in the United States mail, first class, postage prepaid as designated, on this 2d day of July, 1985.

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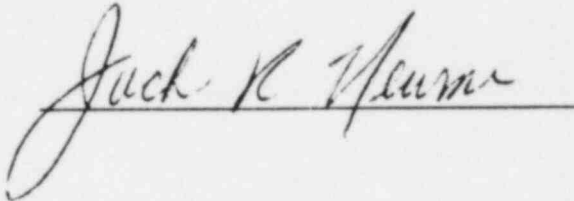
*/ Documents listed in Attachment A provided to individuals designated.

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A handwritten signature in cursive script, reading "Jack R. Neume", is written over a horizontal line.

Excerpts Responsive to Board's Request


1/17
278083

	Prin	Alt.	Other	STP M/C
CDA	Hancock		Davidson Pokorny	0930 27 April 81 Villita Assembly Bldg. San Antonio
SA	Poston	von Rosenberg	Spruce Hardt	
CPL	Borchelt			
HLP	Oprea	Goldberg	Jordan	
Proj.	Barker			

Ex. 1 Sign in
2 Agenda - Jess'
3 " - Barker's

[0938] Poston re lun. at 4 Seasons

Ex. 4 Barker re Status Overview 3/29/81

 Engr 1 73.8
2 24.
T 66.8

" re "Power Block" - means 5 buildings only.

Goldberg said product. low because
engrs couldn't provide work

" - re more layoffs w/in 2 wks.

" re new site Mgr, Thompson

" we're making 1/4 of engr progress
we had planned.

(Hancock - how could they miss so far?)

" not enough engr. supervision.

- 1000 engrs but not enough good engr mgrs.

(Gold/Poston re Quadrex - review session May 7)

Specific " HVAC design shaky - B&R concedes

probs will Nuc. design " ? - maybe overly conservative

require rework (radiological shielding)

[10:00] RL asked if on Level III yet

Gold - said Yes on constr

" ? " engr.

[10:01] Barker (cont'd)

Ex. 5 Engr Progress-1

Hardt - how many people does BR need?

Goldberg 2 dozen

Spruce - is B.R. putting best men

on non-cost plus jobs?

Gold re subbing out some engr wk

(as followup of Apr 10 meeting -

discs. re B&R getting people)

Poston - couldn't this drift on
for years?

Gold - I don't think so, - if we

can't see (solution) (progress)

in 3 mos, shouldn't wait

longer.

(disc. here re B&R's

disc. w/ Black & Veatch)

Barker - hope more formalized

recom. from BR to HLP in

next 30 days

Gold - BR has EDS, is talking

to W & ? - major mgt.

problem & BR weak in "

?
What do?

81086

[Poston - if BR sen. mgt keeps coming back
w/ nom. of ineffectives - are you
talking to right people?
R.L. if they don't do it soon, can't do it

Ex. 8
still on
base screen

D.J. again explained
discs w/F

- concepts of reorg.
- importance of success
soon to BR & (lit
could
destroy
F's career.

David expressed apprec for Don's
handling of Apr 10 meeting, called
by B&R, work since & report

[11:00] Ex. 9 - Constr & compl. Unit 2
10 " " 1 PB
11 " " 2 "

[1105 End] End & complete

[1105] Barker re Cash Flow - prev. est 278 mill
(in Nov.)

Get → Ex (12) - 374 million for '81
(will put variance
analysis in mail)

Borchelt - how could you poss
spend 100 mill more
when can't get engr to do
constr wk planned
(Barker ans re 600 engrs -
- Nov CF based on [blank] vs. 900
now ?? - HLP had to be satisfied?)
- why not lay off contr force
Goldberg - felt to cut back
BR engr CF now would be
disastrous

: → Barker - ?
Ex 13 - B&R CF comparison
(made by B&R)
Home Ofc + 78 Mill! 21 to
100!

? { Spruce raised Q re
whether we audit to
see charges correct?

Goldberg - '79 baseline est sorely
under estimated magnitude
of pipe supports

Why
didn't
they
know

Borch - livid re non-prof.
of B&R. Prob can't solve
prob. except by repl.
Freehan
- Back to where we were
2 yrs ago - kick B&R off

David didn't want this to be
part of records (until [blank]?)
?

[1120] Barker Ex [blank] re Owners' Cost
Goldberg - we won't disc. CF!

Barker - Ex. 12? Proj Manpower 3/28
Gold - in last 12 mos have
turned over 600 engrs

Pokorny asked if this typical
for engr cos in Houston?

G.O. - BR has only 1 nuc job
" " bad STP rep.
" " hasn't offered enough

∴
poor
career
potent

(disc here re Pieper's
4/10 charge that HLP
wouldn't approve
recruiting plan

[1125] Gold cited diff. recruits
have w equities & int rates
(BR has no plan to ameliorate)

81088

00166

12:01 Parker (cont'd)
Ex. 5

Eng. Program - 1

Hult - how many people see PR need
Adding 2 days

Spence - in PR writing first man
on air - cert glass job?

Call re subbing out some eng w/ it
(as falling of Apr 10 meeting -
thurs. re PR getting people)

Butler - could this drift on
for years?

Call - I can't think so - if we
could see (sentiment) in
in 3 mos, a change of mind

(this here is PR's
lines w/ Black & White)

Parker - hope more so much
acc. from BP to HEP in
next 30 days

Call - PR has PR in building
is it? - major part
problem + PR was in

Hackett - when will dist be filled

Call - no sched - was not in
recent - what offer - why
I think can get.

What what are main goal & int?

Call - NAC, Page & CT Eng. Plan
Call; Eng. Plan

81092

1015 Ex. 6 - Eng. Unit 2

Flat became 1 smiling away

Over - what % eng effort
devoted to rework (7% of 1100)

Call - will
not stay on
your situation
review

Parker - PR (200) - maybe 100 more
- PR will not turn info.

1105 Barber re Cash Flow - pres. est 278 mill
(in Nov.)
Ex 12 - 37+ million? (with put various
analyses in mail)

Bruchett - how could you just
spend 100 mill more
when can't get engs to do
concrete w/ ground

Barber was re 600 engs
- flow CF London - 4900

new ?? - had to be situated:

" - why not say off to the
Calding - felt the unit was
DR only CF new would be
discretion.

Barber

Ex 13 - B&R CF comparison
(made by B&R)

Home Ave + 70 Mill! 21k
100

ignore said 0
whether we ask it
see charges can't?

Calding - 179 baseline est sorry
under estimated magnitude
of pipe supports.

Bruchett - lived re non-prof.
of B&R. Prob could solve
prob. except by repl.
freedom

" But to where we move
2 yrs ago - but B&R J.F.

? David didn't want this to be
out of work (until - ?)

Barber Ex - return Cost
Calding - we want line. CF!

Houston Lighting & Power Company

OFFICE MEMORANDUM

To South Texas Project Nuclear File

June 3, 1981

From D. D. Jordan

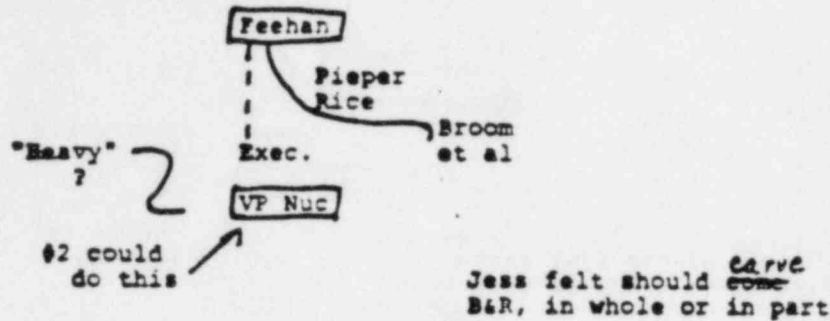
Subject

At 8 a.m. on Wednesday, June 3, 1981, Mr. Tom Feehan met in my office to discuss the status of Brown & Root's organization and the recruiting efforts to fill critical positions on the South Texas Project. Mr. Feehan seemed to be encouraged with their progress and indicated that there was a possibility that Gibbs & Hill might assume some portions of the engineering on Unit 2. He said a Letter of Intent with Gibbs & Hill had been prepared and that he was concerned that Houston Lighting & Power Company would require several days to agree to the addition of Gibbs & Hill. I indicated that there should be no delay on our part if in fact Brown & Root had communicated their plans to us during the formation period but that if they had developed this program in a vacuum without our knowledge or input, it would obviously require us some time to become acquainted with the plan.

I have later determined that the problem of time with Gibbs & Hill does exist because Brown & Root did not communicate any of their proposals prior to their Letter of Intent to Houston Lighting & Power Company. There are material questions relative to the engineering controls since Brown & Root intended to allow Gibbs & Hill to engineer Unit 2 using totally different control system than they used to engineer Unit 1. While this might be expedient for the engineering schedule, it certainly would be a future difficulty in attempting to operate and make alterations to each unit of the next 30 years. This and other difficulties are each to be resolved.

During the conversation, Mr. Feehan said he was concerned with the attitude of our partners and the potential politics on the South Texas Project; and he asked if it would be advantageous to South Texas if Brown & Root removed themselves as architect/engineer and contractor. I told him we had not yet made such a decision and that it would not be necessary for this to happen if in fact Brown & Root would begin to show some positive results on South Texas. Mr. Feehan was told again that the prime difficulty on the Project is the failure of Brown & Root to place experienced people in lead positions in spite of the fact that we have continually requested that this be done for the last three years. The current effort being made by Brown & Root to finally comply with this request is very late; and in our opinion, is still not as strong as it should be. For example, we have little confidence that this Project can advance satisfactorily under the direction of Bill Rice who has never had any experience with nuclear engineering or construction prior to his recent assignment to oversee this work.

Major Surgery



[2:25 End]

[2:25] Disc. re Salt's freedom (none-subserv To Rice)

von Ros - re repl. B&R as engr.
 G - there are firms interested
 - unique lic prob. - has never been done.
 - will have to be done carefully

von R - would B&R agree to let "B" bring in 34 & work in under B&R?
 didn't leave 77 - what's in it for them?
 GO out-2:30 Poston - I hope PM?

Ex. 6 Barker re cash flow
 -24 Dir Lab - Layoff
 -3 Perm M
 -1.5 Constr
 + .1 Subcontr
 why ?
 + 9 Constr? Non Dir M&S
 GO wants more detail Home ofc 79.
 Warehousing & Maint.
 "Primarily engr."
 How go from 22 to 103 in 7 mos?

Borchelt moved that addnl 79 not be auth until particls know what 79 is for
 - Barker - not prepared today might be tomorrow aft.
 " Are you, Barker, happy with this 79 mill
 " - answered re 1306 people + consultants
 " " " happy? (Barker - No, and won't be as long as working w/ B&R)

[2:46 End]

Barker re CF (contd)
 " explained had auth. each element
 Borchelt felt M/C should cut off pay to B&R

I raised point of order We discussed 9.3.6.3
 "Review & act upon PM's rec
 " concerning
 " cap exp budget"
 \$52 of \$79 Home Ofc.
 is July to Dec.

[2:55 End]

2:55
 2:56
 2:57

81113

00174

Further disc re whether
 Exh 6 ~~discuss~~ costs (Poston)
 or budget to 12/31/81 (CT & ?)
 (p 41 May 30)
 Range & Muench noted March mo report.
 (3-1)81
 Borch withdrew motion
 " we cannot allow this
 kind of crap to go on
 - go to Feehan & fire B&R

[3:03 End]

GO sugg. going to CEOs tomorrow
 Borchelt objected - not a prob for CEOs
 - is prob for M/C
 - only reason CEOs
 got into proj was
 because M/C wasn't
 doing its job.
 Borch feels
 CEO partic has been
 ineffective because
 M/C has not given them
 tools to work w/
 GO wants to get principals? together
 & pursue (what?)

GO
 left

[3:10 End]

[3:10] Barker
 III Import Items/Action
 N.R.C. - Achieving (?) credibility
 Cited several examples of
 disputes where Proj has won.
 NCRs - show cause, Am Br. etc.
 Jim Thompson & Al Smith
 are wking w/ELP people to
 work off these liabilities.

GO returned

3:16
 (disc w/
 Gold.
 to 3:17)

Change ident. program - '73-'79
 '79-'81

Vendor control program
 - heard report this morning
 that looking good - should
 be cleared up by end of yr.
 Cable Tray Supports -
 Have it licked - have to
 pump out of pipeline
 EL&P to take over ~~EL&P~~ [blak]
 " stepping up & taking over.

Adminis - telephone
 have not { copiers
 spent { data processing
 our money { - pickups
 well

Out of
 order
 No sentiment to develop
 (reinjection, etc.)
 Sentiment seemed to be to
 stonewall
 Barker recd Fred McGuire's memo
 Geophysical (See Bert's memo
 of 7/22 to Oprea)
 Barker recommends
 not allow.
 Out of order

Borch - Let 'em sue!
 (Rugeleys, e.g.)

[3:34 End]

81114

00475

1:50 Gullberg re Proj Status

- Self is really aware of any delay "we have a big eng. mtr. to submit before we can see any concrete guidance."

" explained efforts of B.R. to turn out engs -

to W, G & H

Very R O re '20 hot shots'

6 - up to B & now - how many?

" Why?

6 - some pro. employees are afraid of B.R.

- B.R. has interviewed some good people but haven't hired - explained Velt? (proposed).

Poston Q's H.P. 200 re B.R. hiring

6 - explained perles (4)?

- how OK? have no rejections

" - looks like 4 #2 + #3

" - #2 the one we wanted -

B.R. afraid of - would throw many out head first.

Rise in charge

many disc here re why B.R. will not follow Poston wishes + get caught

to protect old mediocre B.R. employees

Major Summary

Index

Origin

Person

"Hans" re B.R. 1/2/25

#2 would be in

Less felt should come B.R. in whole or in part

1/2:25

2:25 Dia. re Salt's freedom (none-subscribe
to Dia)

von Ross - re repl. B.R. aseng.

6 — These are fine intended

- unique lit prod. has many
- will have to be done ² ^{then} ^{done}

don't R - would B & R agree to let "B" live in B4 & work in under B & R?

?? — what's in it for them?

Poston - I hope PM ?

Ex. 6 *Barber no carb flow*
 - 2.4 *Dai Lal* - *Jagoff*
 - (-3 *Pan H*
 - 1.5 *Const*
 +.1 *Substrate*

Why
G.O. wants
more steel

+9 Comdr. Hon. Dir. M.S. Washington
House of R. & A. Land?

How g from
22 d 1032 7 more?

Ornabett moved that article 79 not
be with certified parties know
what 79 is for.

— Boilers - not prepared today
until 10 tomorrow aft.

11 Are you, Butler, happy with the new 54 mil

21. answered re 1306 page
+ consented

[illegible]

Burles re CF (could)

explained that auth. each element

Burdett Let M/C should cut off

Pay to B.R.

I raised
point of order

We discussed 9.3.1.3

Review & act upon 74's de
consequence
and cap exp budget

\$52 of \$79 Home Co
is duty to Dec

2:55

25
2/3

Further time re whether

Exh 6 reflects costs (Parton)

or budget to 12/31/81 (C1 & 3)

Roug & Mucade noted rough memo report -
(41 May 30)
(10-181)

Borch withdrew motion

we cannot allow this

kind of crap to go on

- go to Feehan + Live B.R.

3:03

CO sugg. going to CFO's income

Burdett objected Just a prob for CFOs

- is prob for M/C

- only reason CFOs

get into prob was

because M/C would

bring it up.

Borch feels
CFO parties has been
ineffective because I have
M/C has not given them
power to work w/

CO wants to get principals together
& pursue (what?)

CO
Taff 3:10

3:10 Barley
III - Important Items/Action

H.R.C. - Actuating (?) creditably
lited several examples of
disorder where Piny has won.

H.R.S. - Show cause, Am. Br. etc.
Jim Thompson & Al Smith
are asking H.R.P. people to
work off these liabilities.

GO returned
3:16
↓ (disc. call)
3:17

Change about program - '73-'79
'79-'81

Vendor control program

- heard report this morning
that looking good - should
be cleared up by end of yr.

Cable Tray Supports -

Have it looked - have to

Drum out of pipeline.
H.R.P. H. John Bush - belly
" Shagging up & taking down.

Admission telephone

have not
spent
any money
yet { copiers
data processing
pictures

Cocoyupinal (see Dept's memo
of 7/22 to G. 12)

Ad of
order

No sentiment to develop
(reimbursement)
Sentiment seemed to be to
overcharge Ford's name

Order recommends
not allow.

Out of order

Let 'em sue!
(Rugelzo, e.g.)

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DONALD J. SILVERMAN

September 8, 1981

PRIVILEGED AND CONFIDENTIAL

Mr. George W. Oprea, Jr.
Executive Vice President
Houston Lighting & Power Company
Houston, Texas 77002

Dear George:

Enclosed is a first draft of a report documenting our efforts over the past six weeks in regard to obtaining a replacement contractor for architect-engineering and construction management services at STP.

I have prepared a Recommendations section and have taken a stab at a quantitative evaluation, the form of which is in Attachment 2. I used a point scale of 1, 2 and 3, with "one" being the best. I thought it best, however, that you be able to consider your conclusions without the influence of this amateur's ranking.

I look forward to seeing you on Thursday.

Sincerely,


Jack R. Newman

JRN:so
Enclosure

cc (w/encl.): Messrs. Goldberg, Thrash, Cowan & Schwarz

Mr. Jordan

Don -

I believe you will
find it beneficial to read
the attached draft report before
our 9 AM meeting tomorrow.

GW
9/11/81

September 8, 1981

SOUTH TEXAS PROJECT REPORT ON CONTRACTOR REPLACEMENT

INTRODUCTION

This report outlines the steps which have been taken to study the possible replacement of Brown & Root as architect-engineer and construction manager for the South Texas Project. Reasons are set forth why these steps should be taken now. This report describes the method used to obtain and to analyze the proposals by prospective replacement contractors and, finally, recommends a course of action.

I. Background

Performance by Brown & Root (B&R) on the South Texas Project (STP) has been a matter of increasing concern.

The most visible problems have been in B&R's actual construction activities, including related quality assurance functions, culminating in the issuance by the Nuclear Regulatory Commission (NRC) of a Show Cause Order last year. Although improvements in these areas during the past year -- as confirmed by both HL&P and NRC -- indicate that B&R can properly continue those functions, there are continuing serious problems with respect to B&R's ability to complete engineering and to manage construction effectively.

The problems encountered by B&R in engineering and construction management derive from its extremely limited experience in nuclear projects; its lack of sophisticated management controls to ensure proper coordination between engineering and construction, as well as proper scheduling and sequencing of construction operations; lack of seasoned personnel in the nuclear field; and B&R's inability to gather an appropriate management team for a project of this magnitude and complexity. The difficulties with the engineering to date are reflected both in the Quadrex report and in other reviews conducted of individual systems. The difficulties in construction management are evidenced by continuing delays and changes in scope, only some of which can be ascribed to evolving regulatory requirements.

We have concluded that B&R lacks the necessary depth to perform its engineering and construction management tasks in an orderly, timely and cost effective manner, and that the prospects for improvement are poor owing to B&R's limited experience in nuclear projects and its inability to make the necessary improvements to date. Thus, retaining B&R to perform such functions would, in our judgment, result in very significant delays in completing the project.

We have further concluded that it is feasible and desirable to replace B&R with a contractor with extensive nuclear experience in engineering and construction management

while continuing B&R's responsibility as constructor. The availability of the new contractor's experienced personnel will enable design and engineering of STP to progress at a faster rate and to better support the construction effort at STP. In addition, the new contractor will greatly bolster construction management by strengthening the scheduling and planning functions currently being performed by B&R. Retention of B&R as the constructor will provide continuity at the job site and facilitate B&R's cooperation in the A-E/constructor management takeover, which is essential.

The balance of this memorandum summarizes the intensive study we have conducted during the past six weeks of the alternatives available to HL&P and its partners in the South Texas Project.

II. Alternatives Examined

There are basically four components in the management of a large nuclear power project. They include: project management (the function executed by HL&P for STP); architect-engineering services; construction management; and construction. Brown & Root has conducted the latter three functions at the STP.

We have examined the possibility of terminating all of B&R's activities under the STP contract. We concluded, for the reasons mentioned above, that B&R must be relieved of

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architect-engineering and construction management services as quickly as possible, consistent with licensing requirements. We believe, however, that B&R can continue construction work under the direction of a new contractor for engineering and construction management. This also allows some face-saving for B&R which may be of great importance because, as discussed below, their cooperation is essential in order to have a smooth transition -- which is important, not only to the success of the project but also for licensing reasons.

III. Study and Action by Management

There are about seven architect-engineers in the United States who have experience in the nuclear power field. They include: United Engineers and Constructors (UE&C); Sargent & Lundy; Burns and Roe; Gilbert Associates; Gibbs & Hill; Ebasco; Stone & Webster; and Bechtel Power Corporation.

Although the projects of Ebasco, Stone & Webster (S&W) and Bechtel have not been uniformly successful, they are, in our judgment, the only firms with the resources necessary to assume architect-engineering and construction management responsibilities for a job of this magnitude. The others

lack the necessary human resources, technical sophistication and experience to step into a job of this size and complexity.

Informal contacts were made with Ebasco, Stone & Webster and Bechtel to determine their interest in undertaking this work. In addition, an expression of interest was solicited from Westinghouse. These contacts established that all four companies were interested in the project. On July 24, 1981, a Request for Proposals (RFP) was dispatched to them. The RFP sought information on the resources available in each company to undertake a two-part process involving, first, an assessment and "bench marking" of construction and engineering work done to date; and, second, completion of engineering, construction and startup of the STP units. Those submitting proposals were asked to identify key personnel, as well as total corporate resources, available to support the STP. In addition, the companies were asked to identify any licensing questions associated with the assumption of responsibilities by them, as well as their flexibility in accommodating constraints imposed by licensing considerations. A copy of the RFP is included as Attachment 1.

Each organization submitted a lengthy proposal which described its approach to the tasks outlined in the RFP, its relevant experience and resumes of key individuals to fill each major slot. Each company also identified the major features of its commercial offer in the form of general terms

and conditions relating to compensation and responsibility for defective work, as well as assumption of responsibility for work performed by B&R.

The Westinghouse offer, which was submitted in partnership with Gilbert Associates, contemplated complete assumption of responsibilities for the project, including project management. In essence, Westinghouse proposes a "turnkey job," which was not solicited by the RFP. Moreover, the proposal contained unrealistic commercial terms and raised extremely serious licensing questions. Accordingly, the proposal was non-responsive and not further evaluated.

The proposals submitted by Ebasco, S&W and Bechtel were evaluated in detail by Messrs. Oprea, Goldberg and Newman. Upon completion of their independent reviews, they met to exchange reactions, concerns and questions regarding each proposal. These matters were discussed in letters sent to each candidate. At the same time, arrangements were made to visit each company at its home offices in order to allow each an opportunity to elaborate on its proposal, to answer questions identified in the letters and to arrange interviews with key personnel proposed for major positions.

Messrs. Oprea, Goldberg and Newman visited each contractor, starting with Ebasco (August 24-25), and followed by Stone & Webster (August 31-September 1) and Bechtel

(September 3-4). The meetings were extremely helpful in assessing the capability of each organization, as well as its understanding of the tasks involved in undertaking the South Texas Project.

IV. Criteria for Evaluation and Overview of Proposals

The following nine criteria, each of which are discussed in detail below, were utilized^{*/} in evaluating the proposals:

- (1) Dedicated Resources,
- (2) Pool of Corporate Resources,
- (3) Prior Experience,
- (4) Understanding the Transition Process,
- (5) Management Systems,
- (6) Takeover Experience,
- (7) Flexibility,
- (8) Commercial Considerations, and
- (9) Licensing.

(1) Dedicated Resources

The most essential aspect of the evaluation is the commitment of skilled, seasoned people in key positions such as project manager, manager of engineering, construction

^{*/} Another important consideration, the operating style and approach of each contractor, is discussed in the following Section V.

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manager, cost and scheduling manager, records management, and quality assurance. Each organization offered its share of extremely capable people and all indicated a willingness to accept a "key man" provision which would preclude reassignment of certain individuals without the prior consent of HL&P.

Although Ebasco offered the services of several very impressive people, the dedicated technical resources of S&W and Bechtel are significantly greater. As between the two, S&W has an edge in view of its commitment to assign to the project Mr. V. A. Suziedelis, Executive Vice President of S&W. Stone & Webster indicated that Mr. Suziedelis would be available to devote 60-70 percent of his time to the STP for a period of at least one year, giving up all other responsibilities except those associated with his position as a senior officer and director of the corporation. Bechtel's senior representative (Project Manager) is performing similar work at another major nuclear job. He appears to be an able person but has not held positions of great visibility in the Bechtel organization. Although there are different strengths and weaknesses in each organization, the dedicated personnel in S&W and Bechtel project teams are comparable and appear to have the "chemistry" necessary to succeed.

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(2) Pool of Corporate Resources

The total human resources of each organization is an important factor in making a selection. The project, as it stands, is formidable; however, the results of the critical, comprehensive review of the engineering and construction work performed by B&R (which would be the first job of the new contractor) may indicate a need for even larger numbers of people and a greater diversity of technical talent than now foreseen. Ebasco is unacceptably "thin" because, among other things, of its commitment to the Allens Creek Project. Bechtel Power Corporation with more than 22,000 engineers, is almost twice the size of Stone & Webster and probably has a greater diversity of talent.

(3) Prior Experience

Bechtel has, by far, engineered and built more nuclear power facilities in the U.S. (about 60) than either S&W (25) or Ebasco (13).

(4) Understanding the Transition Process

Stone & Webster conveyed a surer understanding of the tasks involved in taking over a project from another engineer/constructor than either Bechtel or Ebasco. In particular, S&W demonstrated a better "feel" for the task involved in statusing the engineering and construction work performed to date, and the need for systematic analysis of such work prior to the release of further engineering and

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construction activities. Bechtel's grasp of this matter was somewhat superficial; they appear to understand the elements of the transition process, but had not given the matter the careful thought and analysis demonstrated by S&W. As discussed further below, Ebasco demonstrated the least appreciation of the complexity of the transition process.

(5) Management Systems

All three organizations utilize sophisticated management systems for evaluating job progress and controlling cost and schedule. S&W, however, offered a unique "extra." S&W is a leader among A-Es in the development of reference nuclear power plants (RNPP). One of its RNPPs is "mated" to an NSSS of the type incorporated in STP. Accordingly, S&W has, in being, a Work Breakdown Structure (WBS) which identifies the specific tasks to be accomplished in a series of discrete job "packages." Although S&W would have to do some adaptation of its WBS, it has a distinct "leg up" on the process, and probably could proceed more quickly and with greater certainty to assess the progress of STP and proceed in an orderly fashion to release further engineering and construction work.

(6) Takeover Experience

Each of the candidates purported to have some experience in "taking over" projects from other A-Es.

DRAFT

Although Ebasco had actually taken over A-E and constructor responsibilities on a nuclear power project in Mexico, the experience is not really on point because Ebasco was not required to undertake a prolonged interface with the discharged contractor; nor was the transition under the jurisdiction of the U. S. Nuclear Regulatory Commission. Neither S&W nor Bechtel had any true "takeover" experience.

(7) Flexibility

Both Bechtel and Ebasco indicated that they could alter their respective approaches and personnel assignments to meet the requirements of the STP as circumstances develop. Stone & Webster appeared to be less flexible, particularly in connection with personnel assignments. It was suggested, for example, at our meeting that S&W consider a person other than the individual designated in the proposal for Project Manager. S&W nevertheless pressed for its initial choice. Flexibility is regarded as an important factor because review of B&R's work, as well as licensing conditions, may require a shift of resources and changes in functional responsibilities.

(8) Commercial Considerations

Commercial arrangements were only briefly touched upon. Bechtel appeared to be the most forthcoming of the candidates by offering a fixed fee of \$12 million, together

DRAFT

with an incentive package which would provide up to an additional \$15 million in fee. Bechtel agreed to accept financial responsibility for defects in its workmanship up to \$10 million.

Stone & Webster initially offered a "cost plus percentage of cost" contract, but then modified its proposal by offering a fixed fee of \$24 million (adjustable for escalation and scope changes) with earned incentives expressed as a percentage of estimated costs and further incentives (in the sole discretion of HL&P) based on S&W's performance. S&W would, however, limit its liability for defective workmanship to \$3 million per unit.

Ebasco's proposal, likewise, initially contemplated a "cost plus percentage of cost" contract for Phase B activities. A fixed fee of approximately \$1 million was offered to cover a very brief Phase A effort. Ebasco has now furnished a proposal incorporating a fixed fee of \$ __ million and an opportunity to earn \$ __ million in incentive fees. Ebasco's proposal with respect to penalties for defective workmanship is not clear at this time.

In general, commercial considerations in a job of this type are secondary. We believe that, in the course of negotiations, all candidates can be "brought around" to a set of commercial arrangements of approximate parity.

DRAFT

(9) Licensing

Stone & Webster had clearly given more consideration to licensing questions than either Bechtel or Ebasco. S&W understood the potential necessity for a construction permit amendment and offered intelligent suggestions for meeting regulatory problems. Although less developed, Ebasco also reflected an understanding of licensing considerations associated with the transition to a new contractor, although its thinking was less developed than S&W. Bechtel was somewhat shallow in explaining its view of licensing matters, but this may be attributable to the fact that the chief licensing engineer it proposes to use on the STP was not available for discussion at the time of our meeting. A subsequent telephone conversation with the licensing engineer confirmed our impression that licensing requirements can only be evaluated after further discussions with NRC.

V. Operating Style and Approach
of Each Contractor

Each organization brought a different approach to the takeover of the STP job. Ebasco proposed a "blitzkrieg" evaluation over a period of four weeks by very senior people in order to perform a preliminary baseline evaluation of the progress on the STP. We are skeptical about this approach because none of the senior level personnel involved in the

DRAFT

evaluation have responsibilities thereafter for doing the job. Presumably, Ebasco would continue the baseline evaluation after it moved into Phase B but, in general, the Ebasco suggestion is somewhat naive; it fails to reflect the complexity involved in the transition from job evaluation and baselining to production activities.

Stone & Webster did not propose any change in staff between Phases "A" and "B." The same people charged with responsibility for assessing the project will also have responsibility for future engineering and construction. After an initial period of 4-6 weeks, S&W proposes an "intensive planning session" with HL&P to review the status of the job and planning future work. S&W suggested the possibility of several ~~and~~ "intensive planning sessions" over a period of about 6 months in order to establish priorities for verification activities, new engineering and further construction. Although S&W would assign personnel to Houston, the job would be controlled in virtually every important aspect from its Boston headquarters.

Bechtel proposes to have the STP administered by its Los Angeles Power Division, through its Houston office. We expressed concern that the movement of a large number of people to the Houston office (about 250) would almost double the size of that office and thereby create significant administrative problems. In addition, we noted that the

Houston office had no prior nuclear experience. We also expressed concern to Bechtel that its proposed Project Manager and Engineering Manager for Phase "A" did not carry over to Phase "B." Bechtel indicated that an appropriate provision would be made for an orderly transition between personnel in each phase. We remain concerned, however, that the administrative problems involved in establishing a large nuclear office in Houston could be extremely disruptive in the crucial early months of the work. This matter should be discussed further with Bechtel, if they are to get the assignment.

* * *

The foregoing is a subjective analysis of each proposal from several vantage points. In general, Ebasco appears to lag considerably behind Bechtel and S&W in the competition. In particular, we have significant concern regarding Ebasco's document control and records management systems, as well as the experience of certain of its key individuals.

The competition is extremely close between Bechtel and Stone & Webster. Stone & Webster appears to offer, at the outset, a stronger team with closer involvement by high level management. Bechtel, on the other hand, has fielded a good team and, more importantly, has enormous resources which can be called upon to accommodate presently unforeseen requirements

A serious concern, however, is whether access to the considerable resources of the Bechtel organization can be achieved through a fledgling Houston office.

An attempt at a quantitative, objective evaluation is incorporated in Attachment 2 to this report. It would show _____ slightly ahead of _____ in the competition with Ebasco trailing substantially.

VI. Timetables

All of the prospective candidates seemed ready to start work almost immediately.

Ebasco believes that it can release new drawings within 3 months while a review goes on of other existing drawings, specifications and designs. Ebasco projects a period of 6 months in order to establish a realistic formal schedule and cost estimate. Ebasco would plan to submit a transition program within one month after contract award, and complete the task of assessing and verifying B&R's work within 8 months. Ebasco would be prepared to assume construction management functions within 3-6 months after contract award.

Stone & Webster, as noted above, contemplates an initial evaluation period of 4-6 weeks, followed by an intensive planning session and similar intensive planning sessions over a period of about 6 months. S&W would plan to have a good schedule and cost estimate within 10 months

after contract award, and a projected schedule for the first year of work by December, 1981. S&W plans to assume construction management functions almost immediately after contract award on a phased basis. Their proposed schedule indicates that substantially all construction management responsibility could be assumed within 6 months after contract award.

Bechtel would plan to assume construction management functions about 4 weeks after contract award, and progressively increasing its construction management activities over a period of about six months. Bechtel projects that it will be 9 months after contract award before a definitive cost and schedule can be produced.

Bechtel and Stone & Webster contemplate a staff of about one thousand at the peak of work activity. Ebasco indicates that it could perform the job with a staff of 350.

VII. Licensing and Other Internal Considerations

Replacement of a contractor for architect-engineering and construction management is unprecedented in NRC experience. It is unclear whether a construction permit amendment will be required. If an amendment is required, there may be a need for a prior notice and hearing.^{*/} The process of implementing

^{*/} Whether or not an amendment is needed, the replacement of B&R will undoubtedly have to be considered in the current operating license hearing and complications may thus arise as to the timing of the take-over of responsibilities by the new contractor.

the decision to replace Brown & Root in A-E and construction management functions may be heavily influenced by licensing matters. We have informed two key officials in the NRC Staff regarding our consideration of releasing Brown & Root from all A-E and construction management functions. It is necessary, however, to have more definitive discussions with the NRC Staff and, especially, its legal arm to determine the nature of any licensing hurdles. An early decision is, therefore, very important; until the action is taken, we are effectively precluded from meaningful discussions with the NRC Staff, and cannot complete plans for the changeover.

In addition, word is leaking through several sources that this change is being contemplated. This, of course, could introduce a good deal of instability in STP activities. A decision at an early date is also important so that Brown & Root can be approached in a way conducive to gaining its cooperation in an orderly transition. All proposals stressed the importance of this cooperation.

VIII. Recommendation

* * *

REQUEST FOR PROPOSAL

I. Scope Of Work

A. General:

You are invited to submit a proposal for the take-over and performance of the remaining engineering, design, and construction management work of the project. Included in this is the need to review the existing engineering, design, and construction work to verify conformance with applicable regulatory, code, and sound industry practices and benchmark their status.

Changes would be required to be made to the completed engineering, design, and construction, where appropriate.

B. Detailed:

Also included in the work scope are the following activities which the successful contractor would be responsible to perform.

1. Preparation of procurement specifications
2. Preparation of erection specifications
3. Preparation of purchase requisitions and orders
4. Preparation of licensing reports, answers to inquiries, and amendments
5. Secure and maintain ASME III Design "N" stamp
6. Participate in monthly project status review meetings
7. Planning, scheduling, and cost control of Engineering and Construction
8. Training of client and contractor personnel
9. Review of supplier design drawings and procedures
10. Review of construction contractor programs and procedures
11. Administration of construction subcontracts
12. Development and maintenance of a document control and records management system
13. Institute a monthly change control system. Provide timely reports to the utility identifying potential changes and their estimated impact on project costs and schedule.

C. Responsibility:

The firm selected to complete the project would be responsible to perform those engineering and construction management services necessary to secure the requisite ASME certifications, as well as satisfy licensing and I & E requirements.

REQUEST FOR PROPOSAL

July 24, 1981

Construction work is currently planned to remain the responsibility of the existing contractor. This could change at a later date in the event it is determined that such a change would be in the best interests of the project.

D. Quality Assurance:

Engineering, Design, and Construction work will be performed under the "Engineers" QA Program, which will have to satisfy the QA commitments set forth in the SAR.

II. Conduct Of Work

It is envisioned that the required work will be done in two phases.

- A. Phase "A" work consists of those activities dealing with review of the existing engineering, design, and construction activities and their associated records to benchmark project status. Also included in Phase "A" is the preparation of a project completion cost and schedule forecast.
- B. Phase "B" work consists of resumption of productive engineering, design, and construction activities. It is anticipated that the Phase "B" work can be initiated prior to the completion of Phase "A" work provided the requisite licensing matters associated with this change of Engineer and Construction Manager have been resolved with the Nuclear Regulatory Commission.
- C. All work, irrespective of phase, is to be executed with dispatch. It is essential, therefore, that the project be staffed promptly with qualified and seasoned professionals in sufficient numbers to accomplish the required work.

III. Proposal Requirements

- A. Schedule of Submittal - within ten (10) working days upon receipt of this request. Based on receipt by afternoon of July 24, 1981, proposal due in Houston by 0800 AM, August 10, 1981. Award and start of work is anticipated on or before September 4, 1981.

B. Proposal Content

The proposal, as a minimum, should address those elements specified below. Any other areas not listed and which are believed to be significant, should be addressed as well.

- 1. Organization - Identify your plan for staffing the project for conduct of each phase of work. Provide organization charts, names of all key members of the management team (down to "Principal Engineer" and "Construction Supervisor" levels), and provide up-to-date resumes for each. Identify against each named individual their date of availability. IT SHOULD BE NOTED THAT "ORGANIZATION" IS LIKELY TO BE THE MOST IMPORTANT ELEMENT IN DECIDING WHO SHOULD FINISH THE PROJECT.

REQUEST FOR PROPOSAL

July 24, 1981

2. Logistics - Identify for each phase of work what portion of your organization will be working where. Particular attention should be paid to the following locations:
 - a. Houston
 - b. Job Site
 - c. Home Office
 - d. Other
3. Modus Operandi - Identify your plan for carrying out the important elements of work. This should include, but not be limited to, the following:
 - a. Review of SAR commitments
 - b. Review and statusing of engineering calculations
 - c. Review and statusing of engineering specifications and other technical reference documents
 - d. Review and statusing of engineered and bulk material procurement
 - e. Review and statusing engineering drawing development including "hold" status and "design change notices"
 - f. Review and statusing open non-conformance reports (NCR's)
 - g. Establishing required changes to the project document control and records management program
 - h. Review and statusing construction
 - i. Identification of unresolved field change requests (FCR's) to engineering for corrective action
 - j. Review adequacy of the project material control program
 - k. Development of a licensing strategy and plan to prepare a C.P. amendment and attend a conference with the NRC in order to address the following:
 - (1) A/E's technical qualifications
 - (2) A/E's QA Program
 - (3) Interface between old and new engineering (methodology and analyses)
 - (4) Interface of A/E's QA Program with Constructor's QC activities
 - (5) Retraining of constructor to A/E's QA Program requirements
 - (6) Changes to existing SAR commitments
 - (7) Changes to existing design criteria
 - (8) Interface between A/E's QA Program and that of the utility

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REQUEST FOR PROPOSAL

1. Identification of construction related activities to continue during Phase "A" and required manning resources
 - m. Review of construction facilities and equipment. Identify needs for job completion
 - n. Review, selection, and assimilation, where prudent, of current Engineer's human resources (both engineering, QC, and Construction Management personnel)
4. Preliminary Scheduling - Provide preliminary CPM style network schedules featuring the key work elements associated with the job takeover, execution, and completion. (Current estimated project status is as follows:)

<u>Unit</u>	<u>Engineering</u>	<u>Construction</u>
1	70%	50%
2	20%	15%
Total:	65%	45%

5. Manloading - Provide a preliminary manloading for engineering, design, and construction management activities reflected on the networks provided in response to "4" above.
6. Final Schedule and Cost Estimate - Identify how many months from contract award to prepare an official project cost and detailed schedule.
7. Identify what Engineering and Construction Management systems, if any, will be utilized for the work remaining to be done.
8. Contractual - For each type and phase of work, identify what forms of contracting would you recommend be utilized. A matrix-type response should be provided along the following guidelines:

	<u>Phase A</u>	<u>Phase B</u>
Engineering Design		
Construction Management		
Quality Assurance		

Maximum use of lump sum or incentive type contracting is encouraged.

Describe your position with respect to financial responsibility for defects in engineering and/or construction in existing work discovered after you have completed your review of, and accepted, such work.

9. Compensation - Provide your schedule of costs, markups, and fees for each type and phase of work based on the contractual options recommended in response to "8" above.

Identify what financial liability you are willing to accept for rework caused by your failure to properly execute Phase "B" work.

July 24, 1981

REQUEST FOR PROPOSAL

10. Special Experience

Identify any power plant related experience gained from assuming engineering and/or construction responsibilities from another organization.

11. Potential Transitional Considerations

If it were necessary for a transitional period that you perform your engineering function as a consultant to the utility reviewing the designs of its current Engineer prior to release to construction, would such a contractual relationship be acceptable?

12. If you have answered "11" above in the affirmative, describe how you would propose to interface with the utility and its current Engineer during the transitional period.

Ebasco

S&W

Bechtel

Committed personnel

Corporate resources

Management systems

Understanding of
Verification Phase

C/S Controls

Document control & RMS

Transition Plan

QA Sophistication

Licensing Sophistication

Experience

Contractual provisions

Readiness to proceed

STP-

Sept 12 - 1981

Don Jordan - * B&L cannot make an acceptable schedule - * could complete but be late
 * July 24? req for proposals -

G.O. - ^{program}
 Jerry Goldberg - evaluation
 Newman - license impact.
 Cowan - rampup of B&L contract & P.M.C.
 Jordan - close on course.

- last 18 months, increasing concerns relating to engineering after showcase tangible evidence.
- Goldberg requested Quadrex study
 B&L not able to get qualified people, their mgmt system not effective.
 previous indication to mgmt committee re exploratory actions relating to alternate actions.
- NRC base tagged Denton, et.
- Cowan, P.M.C.; NRC region 4. wanted input from Quadrex report; advised them of exploratory action - indicated approved more; Design criteria report on breakdown requested but after action.

001315

Goldberg.

- Response from Bechtel, Stone and Webster, Ebasco (W) (W) deemed non responsive because they wanted S&P out.
- Renewed Ebasco 1718 S&W 31'-1 Bechtel lost.
- first project in which change made it's late.

Take over experience:

Bechtel - Ebasco
 WPSS 1, 2, 4 CM. La Duna Verde ECM
 Arnold 1 E, CM, C. Somerset E, CM, C (coal)
 Hope Creek E, CM, C
 S&W.
 Astoria 6 CM.

Management Systems - Bechtel - ~~Ebasco~~ S&W more advanced compared to Ebasco.

Prelim. Planning & Schedule - Bechtel - Ebasco - undefined.
 S&W 6 weeks after start

Defensive Cost & Schedule. Bechtel - 9 mo., Ebasco - 6 mo.
 S&W, 10 mo. iterations thereafter
 6 weeks.

p 3

Sept. 12, 1981

Mickosky take over -

Bechtel - work packages. - engineering
 const mgmt. - initiate work in 4 weeks
 full control 6 months after a.c.d.

Ebasco - Blitz it - problem report in one
 month - use team of chief engineers

Ebasco assume const mgmt

Ston and Webster - package system, use
 standardized plant correlation; construction
 mgmt on some immediately, full control

Jack Newman -

question -
 never been take over like this - do we need
 a EP amendment? about 70% probability amendment
 would be required. - special hearing underway
 puts NRC under unusual pressure. - might take
 about 1 year. - could do engineering modification
 but no new work under direction of new A.E.

If commission would approve just substitute
 engineer. - would take quite by NRC commission.
 Impact on present hearings,
 SEW & Bechtel strongest with NRC.

001313

p4 - Concur - B&R contract - contract provides authority for change - negotiate equitable adjustment; secure B&R cooperation? optimistic B&R will cooperate. - Still extremely cooperative. - Great letter from him - drafted with strategy of cooperativeness. Tough decision is identifying tolling agreement where do we start negotiating? If B&R does not extend priorities weakened but not obliterated. The way of life taking legislation within next 12 months. If B&R full of project. (not helping with transition) licensing very sensitive - got shut down. - overcome risk that got may never be completed as a result of licensing. The new engineer would be hard pressed to know the details of what had been done.

Holdberg - commercial terms -

Buckley. Phase A

2.38 X salary - no fee. -

Phase B

12,000,000 fee.

10,000,000 penalty for continuation errors.

15,000,000 incentives for mile studies.

Home of fee 2.38 - 3 m m h

2.24 - 3-4 m m h

2.18 - 4 m m h

Silver

1.35 - Professionals.

1.82

001314

Sept 15. - STP CEC & Mgmt. HLP 254/60. -

Confidant - 3:00 this afternoon with Tom Sechan.

George Oprea - been meeting over to Holdings later. -

Quasit study 200 items; 3 of which are
SSE.

Bar & not able to get people -

difficult in management, and management systems.
explored early July - followed by RFP & response
followed. -

Touched base with PAC, NRC generally. -

Region 4 advised in gen. sense.

Jerry Goldberg.

(W) response non responsive - (W) Take complete
charge become project manager. - use services of
Silbert associates for non NSS engineering.

3 response:

Bechtel, S&W, EDA500.

final detailed reviews: Aug 17 5 Sept. -

2 days at each location.

Resources: Bechtel EDA500 S&W
22,000 3400 21,000

Staff levels

	Bechtel	EDA500	S&W
emb.	90	60	110
2 mo.	160	200	280
6 mo.	720	530	600
12 mo.	880	530	1200 - 1400
Peak	880	530	1200 - 1400

001317

'Lalderg -

Take about 12 mo to benchmark all engineering
HLP project central work. - added 5 people.
on board licensing mgr. - made big change
need HLP engineer mgr. - been interviewing
but no choice yet.

(check this) add const site mgr. - (Williams)
add QA/QC mgr. -

Wesley - How will transition be managed?

^{Engineering}
Lalderg - his people identifying key people at B&R
as far as knowledge of information location to help A/E.

Const - useful work contained, review of
material, maintenance, construction const d/rev.
plus any feed up as A/E review developed.
will require cut for lack of work force.

QA/QC -

AE = QA for engineering. - B&R retain
const responsibility -

Wesley - budget and schedule? when reliable cost estimates.

B&R presented better line to HLP people. B&R made some
qualitative judgements. HLP ask questions re
those judgements. If AE changed B&R numbers
not app no reliable. - New AE should develop definitive
cost and schedule.

001318

William: - licensing:

more likely than not require amendment to C.P.

Sept 15 p 3.

critical is prior notice and hearing. -

because new ACQual. might not require prior hearing. -

because of politics and pressure. NRC. would probably
set pre notice and hearing. -

Board advised this week of potential changes.

3 or 4 weeks after retention of AE. describe
interface and structure. NRC needs reassurance
of orderly transfer. -

Lowen - B & L contract & tolling agreement.

contract provides for anticipated changes. Can be
done because we want to. - cannot total remove unless
cause cited -

tolling agreement -

p. 5 Comm Line -
Ebasco.

Sept 15, 1981.

Phase A - no fee.

2.10 home office
1.69 site

Phase "B" - fixed fee 5.4×10^6 on 350,000 man days
subject to adj. up or down after
definitive cost.

10.8×10^6 negotiated milestones.

penalty of $\frac{1}{2}$ of base fee.

bill ~~mark up~~ same as Phase A.

S&W. -

Phase A - $\$6 \times 10^6$ fee deferred.

incentive of $\frac{1}{2}$ of fee (3×10^6)
on work package punch list
mark up.

1.86 home office

1.31 site

B.

fixed $\$18 \times 10^6$ sub. esc. + adj.
up to 10% of est labor cost for schedule &
performance incentive.

1.5% / month
for most.

5×10^6 for construction errors
mark up 1.86 home

$\$1.31$ site

001320

Salisbury - $\$10,000$ or man hour effort. - pressure
salary = 35.00/h.

Judson:

H.C.P. - clear need change -

recommend change. -

look at best qualified organizations -

could take on const. if it became necessary. -

eliminated (W)

Bethel & S.W. better than CBASCO.

Bethel negotiate first. - Bethel, French.

accepted well by NEC, PDC. - intervenor.

well known to public. -

more experience than others put together.

most resources. -

what about schedule
and cost comments
by Bethel, C.B.A.S.C.O., S.W.

~~package comments~~

what do we say now. further negotiation?

Urgent need to say something?

from LPL: ~~from CEO~~ →

① when will we see cash flow reduction?

② what about (W)? applicant must be responsible
to NEC ~~not on~~. (W) cannot assume that
responsibility.



work out with B&L. -

settling?

001321

into.

STP

(1)

RESOURCES

1. Eng'g aspect is of initial greater import
- 2.

Chief Halligan - VP, GM
During schedule
to transfer all
operations.

3. Continue construction:

- a - Re-work
- b - Equipment Right Inspection
- c - Maintenance - in warehouse & installed.
- d - Reserve Mat'l

IMPORTANT
Above!

There will be some reduced construction - but we
don't feel we will delay the project any more through
the change.

LICENSING - The field question is there a requirement for a ^{CP} license
pertaining to change of A/E - there CP amendment.
- Have been a tolerance of this magnitude before.

- NRC never had to consider any thing of this dimension

- Can change construction Mgt - by memo

- Change H/E will be considerably more difficult

- Normally would not require a license
if we didn't have all the material.

- Because of licensing license now we
have 50/50 chance of going
into the license on this change of
A/E.

- Then we need to keep B&R on
board on Eng'g - with support as
Eng'g consultant until we have clearance
from NRC on acceptance of new
A/E - which could be up to one year
hence.

- We need to pursue a one stage approval
- Change A/E with E&H Amend.

70319811

0010000000

B&R Contract

Tolling agreement question
 — modifications to contract can be done by
 letter not by check

DDJ - wants a definitive agreed upon position
 as to what to do with B&R
 — what plan should we pursue?
 — extend tolling agreement?
 — relief from any liability

— movement of funds or management
 declaration on part of B&R
 due to % Comp. of Engg.
 in Dec. 1975 — is what
 our partners feel is a
 right to pursue against
 B&R.

ASSESSMENT/RECOMMENDATION

JAG - 1) JASTP was new job - Bechtel
 2) However, STS has a history of Engg neglect
 S&W - Stronger Engg & MIS
 — Strong Exec. Director

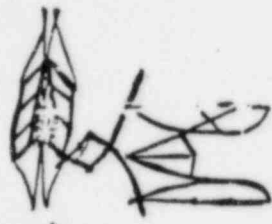
Executives
 S&W - Engg -
 — MIS -
 WBS

Bechtel - Lawrence R. Rini
 33 - Chairman

Exec -
 Hamilton - Off
 MIS

Personnel capability

- can defend our position more
 readily with Bechtel
- 1 - have possibility of taking
 over construction if B&R
 falters; Bechtel is better
 at construction
- 2 - Bechtel has greater overall
 organization & manpower
 resources & specialty
 experience.
- 3 - Bechtel must assign corporate
 Executives for nearly full time
 for 1st year. He (Chairman)
 Halligan must make the
 decision as to when Hamilton
 this is ready for the project.



1. ①
2. Domestic reactor —
3. Foreign — Foreign

Call Remond —
need to talk to
Halligan

STP- Management

1. DDS — open removal
2. GWT — Interdisciplinary
3. JHG — Evaluation
4. J. Newman — Training
5. F. Loran — B&R Contract

Haworth
Lacoste
Kaye
Munich
Parker
Van Rossum
DDS
JHG
J. Newman
F. Loran
C. Throck

Newman: If CP hearing & amendment in present collecting
Ken will need B&R support —
— We attempt to convince them that the change
does not constitute a safety related concern.
— Opinion

Munich — Union Stabilization Agreement —
Signatories are committed to the agreement
for nuclear projects! This may not be so! Is
the a case for local agreement instead
of the Stabilization Agreement.

B&R Contract

3.4 How may change of or delete
activities under the contract.

Technical Decisions — securing B&R cooperation
— How will B&R react?

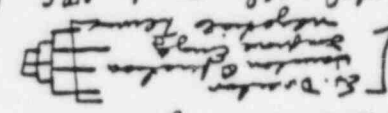
Tolling Agreement — Do we attempt to extend
at this time? Wait until
the end of year?

— what happens if B&R doesn't
sign? Our position could be
weakened to some extent if we
didn't get an agreement?

105 DAY
SEPT 15
1950

— Will be down w/ BGR down H. yet ??
 — How will get down w/ BGR?
 — How will get down w/ BGR? — what they should do
 and how they could support what
 he is to do?

— The other person should be down to down
 the matter. Sept 15 —
 — How do we give BGR — any way? — should we?



— Use BGR down — by BGR, PUC, BGR down
 — security would

2) BGR down in BGR down more than one

3) More small BGR down

4) Commitment of 700 mgd from BGR down

5) How BGR down BGR down in the
 BGR down BGR down in the BGR down

6) How BGR down BGR down in the BGR down
 7) How BGR down BGR down in the BGR down

① BGR down

② BGR down BGR down in the BGR down
 ③ BGR down BGR down in the BGR down
 ④ BGR down BGR down in the BGR down
 ⑤ BGR down BGR down in the BGR down
 ⑥ BGR down BGR down in the BGR down
 ⑦ BGR down BGR down in the BGR down
 ⑧ BGR down BGR down in the BGR down
 ⑨ BGR down BGR down in the BGR down
 ⑩ BGR down BGR down in the BGR down

Range: (1) What will be the BGR down cost — will the BGR down
 A/E & BGR down BGR down in the BGR down
 one BGR down BGR down in the BGR down
 BGR down BGR down in the BGR down

(2) BGR down BGR down in the BGR down

Get with BGR down BGR down in the BGR down
 — See contract!

B.R. Calculations

Home office

$$1.20 \times 1.75 = 2.10$$

price to receiving target

$$1.20 \times 1.60 = 1.92$$

after target of 375,000 MH

S. 6c

1.0845

Possible right to pursue:

1) All known mistakes that have been worked. (8-11-106)

2) Contract may have expired in first several

3) Re-work - premium in contract for who is responsible for the cost & effect on the schedule.

CIT

GCPokorny

SEPT. 12 - 1981 - HOUSTON, TEXAS

550

George Opina

- (1) Eng. def. becoming evident during show-cause
- (2) B & Z not able to get ~~management~~ proper people
- (3) Management grossly inadequate for such project

Westinghouse
Stone - Webster
Bechtel
Ebasco



NRC notified of what was being done
Stella - IHE David F. ...
Chairman of PUC at ...

Tues - met with NRC region 4 - got
concerned with Quadra
receptive - evidently agreed

at group meeting this. expected report (hand up)
however called next day - no report

. 057124

Jerry

RFP to 4 contractors on July 24

Ebasco	Aug. 17	18
S&W	30	31
Bichtel	Sep. 4	5

Resources;

outstate * outis • no 0

	Bichtel	Ebasco	Stonitz
Total	22000	3400	11000
Officer in charge	•	•	*
Proj Manager	*	•	•
Eng Manager	$\frac{1}{2}$	•	•
Proj Eng.	-	•	*
Asst Proj	00	-	*
Licenc. Manager	•	•	*
Const. Manager	*	-	•
Resid. Manager	•	*	•
Document Control	•	-	*
QA Manager	•	•	*0
Project Control	*	•	*

Takeover experience

<u>Bechtel</u>	<u>Ebasco</u>	<u>S&W</u>
WPSS 1, 2, 4 CM	Laguna Verde E, CM	Astoria 6 CM
Duane Arnold 1 E, CM, C	Somersot E, CM, C	
Hopa Creek E, CM, C		

Management Systems - Planning & Scheduling

Bechtel $\hat{=}$ S&W superior to Ebasco

Definitive Cost & Schedule:

Bechtel	9 mo
S&W	10 mo
Ebasco	6 mo.

Takeover Strategy:

Bechtel —

Eng. will immediately begin to develop ~~paper~~ packages which will identify status as each package complete. Bechtel will assume responsibility subject to required work.

Assume assumption of cost management in ~~10~~ 4 weeks - full control in 6 months

. 057126

Bechtel would be willing to function as Eng. Consult. to enhance receiving NEC approval.

Ebasco

would assemble a blitzkrieg team of chief engineers initially who would evaluate status of job and produce a transition plan. Phase A team would verify previous work in parallel with new design production. This will be completed in 8 months of start

Also would function as constr. manager-function

S & W

will assume responsibility & control by work packages, initial evaluation period 4-6 weeks followed by intensive planning to produce one year work plan.

~~would~~ would assume const. Manag. functions on some work immediately - full control in 6 months

willing to act as const.

Jack Newman - licensing

057127

(1) Never been a take over like this

in nuclear experience

2 { 1 cond. permit without prior notice
2 " " with prior notice

if prior notice hearing is required - would take about
a year

B & R would have to stay on good while
working closely with new AE

after discussion will within week to argue
about no prior hearing necessary.

Commercial Terms - Brash Numbers Bichte)

Phase A - mark up 2.38 (site & home office)

Phase B 1. Fixed 12 million fee
2. incentive addition \$15,000,000
based on negotiated milestones
3. penalty of \$40 million for errors
4. mark-up

home office	2.58 1.75	- 3 M Mhrs
	2.20 1.05	3-4 M mhrs
	2.18 1.60	over 4
site	1.82 1.35	Professionals

0572-3

Ebasco

	No	✓	
Phase A -	markup	2.10	home office
	B	1.69	site

Phase B .

5.4 million Fixed fee on 350,000 max day
estimate to completion subject to adjustment
up or down after definitive estimate

incentive of additional 16.8 million

Stora & Webster

Phase A - 6 million fee
incentive of $\frac{1}{2}$ of fixed fee
on work package punch list
remainder (2 million) on def est
completion

1.86	home off
1.35	site

. 057129

Phase B

Fixed ⁺18 million - adjustable for escalation
at % complete

up to 10% of est. labor costs for
schedule and performance incentives

⁺3 million per unit penalty for cost
errors

mark-up	h. office	1.8%
	site	1.35%

Larry's estimate - about 10 million markup

Don Jordan

Bechtel \pm 5% W

Bechtel

. 057130

- (1) Decision will be accepted well by NEC,
POC etc.
- (2) More experience than anyone
- (3) Good resources - best
- (4) Possibly const. might have to

be taken over - Bechtel is stronger in
construction

(5) Bechtel better equipped to do startup

SEPT. 15, 1981 - 9:30 AM

HLEP offices

George Open

Quadrox - 200 +

Jerry

Westinghouse - unresponsive, turn-key, act as
project Manager
were to use Gilbert Engineers

Staff Levels

	Bochtel	Ebasco	<u>SSW</u>
2 Mo	160	200	280
6	720	530	600
1 yr	850	530	1400 *

Licensing : Jack Newman

No other change like this before - very little experience
to go on

More than likely will require an amendment
for the construction permit.

Crucial question - whether you need a
prior notice and public hearing.

057132

B&P - HLP Contract

There is provision in contract now that
allows HLP to do this:



12-86

4.777

4.8

12-88

9-86

4.44

4.4

3-88

Plan APlan B

Fuel load

1
Dec. 86

5 months

9-86

Dec. 8

3-88

MINUTES
SPECIAL MEETING OF BOARD OF DIRECTORS
HOUSTON LIGHTING & POWER COMPANY

Houston, Texas
September 14, 1981

DELETE

The Chairman stated that the purpose of this meeting was to report on the evaluation of the progress of construction at the South Texas Project. He said that management had concluded that Brown & Root could not complete the project within the guidelines of the contracts and other agreements and directives. He then called on Mr. Oprea to report on investigations that have been made with regard to employing outside assistance.

DELETE

Mr. Goldberg said that his office had studied the possible replacement of Brown & Root as Architect-Engineers and Construction Manager for the South Texas Project. He then reported in detail the reasons for this study and described the method used to identify and evaluate capabilities of prospective replacement Architect-Engineers. He reported on the performance by Brown & Root on the project and outlined the most visible problems in their construction activities. He said that there are approximately seven Architect-Engineers in the United States who have experience in the nuclear field and that among those are Ebasco, Stone & Webster and Bechtel Power Corporation. He then handed to each member of the Board a written report on Contract Replacement at South Texas Project. He concluded his remarks by stating that, all things considered, the two most appropriate firms to be contacted for future work on the project were Stone & Webster and the Bechtel Corporation.

— DELETE —

Mr. Jordan then commented on the areas of expertise and experience of the Bechtel Corporation and Stone & Webster and said that we would need to obtain Brown & Root's cooperation in the transition of responsibilities at the project. He said it was the recommendation of management that the Board authorize the Officers of the Company to continue negotiations with Bechtel Corporation, Stone & Webster and others to serve as Construction Manager and Architect-Engineering at the South Texas Project.

— DELETE —

RESOLVED, that Management of the Company be authorized to continue negotiations with Bechtel Corporation, Stone & Webster, and any other qualified firm looking toward replacement of Brown & Root as Construction Manager and Architect-Engineer on the South Texas Project and to take such action in this regard as may be deemed appropriate.

9-15-81

STP - CEO's

Gravel - Ray - Mues
Spurr - Palmer - McRae
Hansen - Parkinson
Jensen - Goss - SHG
Hansen - Cunn - Thiel

JHG - Presentation on Evaluation

RESOURCES

MANPOWER LOADING

TAKOVER EXPENSES

MANAGEMENT SYSTEMS { C/S - 6 - 9 months
E - 6 "
S&W - 10 "

TAKOVER STRATEGY

B - airpower

- Cont. Mgt 4 hrs after assumption
6 months - full Cont./Mgt.

E - Blotting approach - 4 to 5 wk

check by

- produce transition
plan

- Cont. Mgt 3 to 6 months

S&W - WBS

- 4-6 construction planning sessions to
give one year work plan

- Cont. Mgt will be assumed
initially with full control
within 6 months.

BORCHERT

What are we going to do different to control the new MC
& be able to make demands for change should it
not perform.

What measures are there for putting a "schedule
incentive" factor into the contract?

- We need to have a milestone
the schedule to establish

H 0319812

0319812

2010011110

Bull's? - what is a mission in the 0-100 range -
 milestones for schedule achievement

— what is realistic for meeting purpose
 — Set target at time cost/schedule is determined.

12 mo.	3-11/74	0
24 mo	12-11/74	12
36 mo	18-11/74	18
48 mo	18-11/74	18
	51	48

NOTE!

How do we prove to Borellet that we
 have the team in place to assume we
 have visibility & control of the A/E
 to know what the A/E is doing &
 are not mis-led by them?

Sub-Organization

ON BOARD — License MGR

— Control (People)

— Selling

— ASME III

— System Engin

NEED — Eng Mgr.

— Subcontract Administrator

Organization - questions! [What are we doing & keep up the engineering]

I Need project Eng Mgr.

I

Borellet → what is transition program?

→

- Won't get production until 9-10 months hence
- What do we do during this period to control costs - program - during this time? Borellet thinks there is over 5000 people assigned — believe it in the 3000-3500 people.

JHG — We are reviewing what of B&R Eng people are best for 1st phase identification for use during the transition

— Core function useful work will continue where ever we can

— NCR, re-work

— Inspection of Material Receipt

— Equipment Maintenance (Laborer)

Plus — Work resulting from design release

8 7 6 5 4 3 2 1

- Budget approval

- Prog. Mgr. Basic Organizational Structure

Conduct

→ need budget & schedule - when will it be available -

JHG - B&R has given some cost/schedule info to DEP Staff. B&R does not have a foundation on a basis for some of their numbers.

SEN Antonio
CPL
C.A

} Feel there will be a demand for cost & schedule from the public!

- What must/should we do?

Spence - wants us to use the numbers on basis for making the change - however it already B&R

Outline For meeting with Tom Featon : 9-15-81

I. History of Project & Resulting Confidence Level

II. Decision to Look at others

- A. Discussion with Featon
- B. Request For Proposal - July 24
- C. Response Received - August 10
- D. Evaluation of Proposals
- E. Mgt. Committee - Sept. 12
- F. CEO meeting - Sept. 14

III. Decision made -

- A. Reserve B&R Role in Area of Engr & Prof mgt.
- B. Pursue A K with others for this work
- C. Continue to Have B&R Do Specific Construction
- D. Require Careful Co-ordination & Co-operation by B&R.

IV. Attitudes:

Prof. met -
Prof. Control -
ENGINEERING -

- A. Sensitive to B&R's Position
- B. Were not able to do it with existing experience & chose not to go get it --- Didn't understand
- C. That Decision has Cost us millions of Dollars
- D. Not mad A B&R to the point of wanting Retribution ---
 - 1. Future of Project still Affects it -- Needs to get finished.
 - 2. I believe it is in BOTH our Best interest to move it efficiently.

V. Schedule:

- A. Notification to Hearing EXAMINERS - Thursday (See Rules)
- B. Meet with others to firm up agreement
- C. Meet with N.R.E.

VI. Support Papers:

- A. Criteria For Evaluation & Overview of Proposals:
- B. Press Release For NRC Hearings
- C.

Houston Lighting & Power Company

DEPOSITION
EXHIBIT

Jordan B

OFFICE MEMORANDUM

To South Texas Project File
From D. D. Jordan
Subject Meeting with Project Partners and with Mr. Tom Feehan, President of Brown & Root

September 15, 1981

The CEO's of the partners on the South Texas Project met today at 9 a.m. to discuss whether or not some change should be made in the engineering construction management or construction of the South Texas Project. A detailed presentation was made to the group by Jerry Goldberg in which he outlined proposals from Westinghouse, Ebasco, Stone & Webster and Bechtel. The conclusion was that the Westinghouse bid was not responsive and that it offered no prospect for improvement to the project. Bids from Ebasco, Stone & Webster and Bechtel were responsive, and all three made a distinct effort to support the project with organization and experienced people. We determined that the Stone & Webster and Bechtel bids offered the most organizational strength and there was little difference in the commercial terms. It was, therefore, suggested that Houston Lighting & Power Company pursue a contract with Bechtel to take over the engineering and construction management of the project and that Brown & Root continue to serve as the constructor. After detailed discussion, the owners unanimously agreed with the suggestion.

I met with Mr. Feehan in the Brown & Root offices at 3 p.m. today to inform him of the decision made by Houston Lighting & Power Company and the owners of the project to remove Brown & Root from the engineering and construction management on South Texas. Mr. Feehan had been informed on three prior occasions that consideration was being given to replacing Brown & Root on portions or all of the work at South Texas and was, therefore, familiar with the possibility that Brown & Root would be removed. The initial reaction seemed to be one of surprise in that he really did not believe it would happen. He indicated that others had also had problems with the construction of nuclear power plants and that he thought Brown & Root could do as well as anyone else. We reviewed the history of the project, discussed the problems which have continued in engineering throughout the project's life, and the fact that Brown & Root either could not or would not respond to our request to "employ the strongest people available in the world" which was made over two years ago. I informed him that we had no confidence that Brown & Root could complete the engineering in a reasonable time

Houston Lighting & Power Company

OFFICE MEMORANDUM

To

From

Subject Meeting with Project Partners and with Mr. Tom Feehan, President of Brown & Root - page 2

frame and that we in effect had decided to change engineering and construction managers in order that we could get the engineering people we believe the project needs. Mr. Feehan said that he agreed they had problems in the engineering group and that if foresight was as good as hindsight, we probably should have made the change in 1974. We informed him that it would be necessary for us to make an oral statement to the licensing board through our attorney, Jack Newman, informing them that consideration was being given to reassignment of certain responsibilities on the project. I gave him a preliminary statement and told him that we were sensitive to the Brown & Root public image question, we needed and wanted their cooperation in the transition, and we would accept any sound changes he wished to make in the announcements as long as they were true. We discussed the contract, and he was informed that Houston Lighting & Power Company had the right, under the contract, to take the action proposed. He was also left with a preliminary list of activities which Brown & Root was asked to participate in. These included a request to meet during the week of September 22 with our people and hopefully the new architect/engineer to discuss transition plans, to assign the necessary people in his organization to effect the transition; and to meet with us, the new architect/engineer and the Nuclear Regulatory Commission to discuss this change. He indicated he would talk to his people about the change and would be prepared to discuss it with us later.

DDJ:sh

Brown & Root, Inc.

A Halliburton Company

Post Office Box Three, Houston, Texas 77001

Thomas J. Feenan
President and
Chief Executive Officer

(713) 676-4361



September 16, 1981

Mr. D. D. Jordan
Houston Lighting & Power Co.
P. O. Box 1700
Houston, TX 77001

Dear Don:

At our meeting on September 15 in my office, you advised me of HL&P's decision made that day to select a more experienced engineer-manager to replace Brown & Root for those specific portions of the STP contract. You suggested Brown & Root would remain on as constructor under this revised scheme of things and presented a schedule of events to start developing a transition plan within the next 10 days to satisfy the many demands which will be placed on the project by such a change. Since you had not identified the selected engineer-manager yet and many other equally significant unknown aspects of such a change exist, I advised you that I would take up the proposal with the officers involved on the project. You also presented me with a press release for my comments, which I promised to give you by telephone.

The reaction of the involved Brown & Root officers at the news was certainly one of abject disappointment since they had somehow never been able to officially convey to you and your officer staff the logic that went into the reforecast of the STP cost and schedule. This work resulted in proposals for management and procedural changes which are dedicated to the completion of STP in a timely and economic manner and probably at a lower cost than would be the case if a new AE is brought into the project. Ironically, many plants under the guidance of the AE's you're considering are experiencing cost and schedule difficulties, all with good reason I'm sure.

Each of our companies should be thinking of a selected team to discuss in detail the proposed transition plans and the necessary contractual revisions which would be appropriate in light of your decision.

I will be in touch with you upon my return.

Sincerely,

T. J. Feenan

RECEIVED
SEP 18 1981
D. D. JORDAN

TJF:sr

9-18-81

- A. EXPLAIN what we DID - - why
- B. DISCUSS how we can continue working together
- C. ANSWER any questions

Force \rightarrow

1. Sensitive to Public Perception
2. Want Co-operation & want to Convince

Secundo \rightarrow

1. Discussion with Tom Faxon
2. Sent out Request for Interest
3. met with Tom AGRIUS -- (Bio Data & ^{Assessing} Continued --)
4. Received Bios
5. Discussed on telephone with Tom
6. Evaluated Bios
7. Decisions by owners -- (Some Risk)
8. meeting with Tom

Tiduro → *

1. Lost Confidence in B+R Ability to Do Engr. Job

- a. For over 2 years Asks for Strong People
- b. Nothing Done until Few mo. AGO - (Meeting in Queens Court!)

Taken just too Little -- too Late.

a. Excavation Southwell
b. Few Boredom New People
c. Reflects in neg. light
more engis - but
d. no obvious direction

(a) 1981 -- Salmon First yr.
(b) 3 mo. AGO - (3% - 6 mo.) (9% 18 mo.)
only .2%.

- (a) Engr. may be Biggie Problem
- (b) Possibility of Situations as Engrs

Parsons West!

- E. No one seems to Take Charge & make us Comfort
 - a. ASKED each meeting if they had anything to say - Rarely!
 - b. Came away feeling we had been to a funeral
- F. Belief that we need EXPERIENCE to FINISH JOBS -- we can't get it from B & R as we have to get it ELSEWHERE

III. ! we need to continue to work together :

A. my judgement this is the best for Project, Owners & B & R. -

1. Shock - Relief
2. Future of all Depends on How we Handle it

B. B & R Remain as Constructors

C. we need your Co-operation

1. meet within 10 days to Plan Transition
~~on Monday~~
2. Assign People to Continue to work in Transition
3. meet with us at the WRC within 3-4 weeks
4. Work to Finish Plant as EFFICIENTLY as POSSIBLE

IV. Discussion:

- A. Rice Activities
- B. N.L. & P. organization
- C. Future of B & R in Power Business
- D. No. Management Systems

meeting Tom Feetham — 9-15
Harrison — 9-17
Feetham — 9-21

Re: Discussions among STP participants
regarding replacement of Architect/
Engineer and Construction Manager

September 22, 1981

1 At 9:00 a.m. on September 12, 1981 Messrs. Jordan, Oprea, Goldberg, Newman and Cowan and the writer met in the 25th floor conference room at Houston Lighting & Power Company to review the presentation that was to be made by HL&P during the afternoon to the other STP participants.

2 Mr. Goldberg began by presenting a series of slides that would be shown during the afternoon. The slides were as follows:

3 The first two slides compared personnel by name in the eleven key slots for Bechtel, Ebasco and Stone & Webster and the total resources of each organization and the places where different types of work would be done by each. Mr. Goldberg explained that the Westinghouse turnkey proposal was not responsive to the Company's request for proposals and, therefore, had been disregarded.

The next slide concerned logistics.

4 The next slide showed proposed staffing levels at various stages of the work over the next year for each of the three organizations.

5 The takeover experience of each of the organizations was compared on the next slide.

6 Planning, scheduling and cost estimate projections were next compared, Bechtel expecting to complete this work in nine months, Stone & Webster in ten months and Ebasco in six months (again indicating, according to Mr. Goldberg, that Ebasco simply did not understand the scope of the work required).

7 The final slides compared the takeover strategies of the three bidders. Each would be willing to work as a consultant to HL&P during the time required to phase out the existing contractor and phase in the successful bidder. Mr. Goldberg explained that the construction of safety-related work will cease during the transitional period and that "construction", as it is used on the slides, will consist of rework, maintenance of equipment already delivered, etc.

9

10

At 10:25 Mr. Newman passed out and discussed the
11 "implementing actions" schedule sheet, which discussion continued until 10:40.

12

Messrs. Goldberg, Newman and Oprea thereupon, at 11:00
13 a.m., gave their individual assessments of the relative merits of the several contractors, which assessments were as follows:

14 Mr. Goldberg expressed the view that if the Company were starting from scratch he would choose Bechtel but this job is not starting from scratch. He felt that the Stone & Webster plan for sorting out the present difficulties is best and that Stone & Webster is offering the best people. He expressed the opinion that Bechtel would be better in Phase B and that a panacea would be to have Stone & Webster do Phase A and Bechtel do Phase B but that can't be done. Considering all factors, he favored Stone & Webster.

15 Mr. Newman said that he leans toward Stone & Webster on a close call but recognizes that the job may overtax Stone & Webster. He concluded by saying that either Bechtel or Stone & Webster was a good choice.

16 Mr. Oprea expressed the opinion that Stone & Webster is very impressive technically and that he was concerned somewhat about Bechtel's work "packages". He concluded that in his opinion it was almost a tie between Bechtel and Stone & Webster but he felt that the edge had to go to Bechtel.

081002

A discussion of these views followed until noon when
17 the meeting was adjourned for lunch.

Re: Discussions among STP participants regarding replacement of Architect/Engineer and Construction Manager

September 22, 1981

18 At 9:00 a.m. on September ¹²~~20~~, 1981 Messrs. Jordan, Oprea, Goldberg, Newman and Cowan and the writer met in the 25th floor conference room at Houston Lighting & Power Company to review the presentation that was to be made ^{by H&P} during the afternoon to the other STP participants.

19 Mr. Goldberg began by presenting a series of slides that would be shown during the afternoon. The slides were as follows:

20 The first two slides compared personnel by name in the eleven key slots for Bechtel, Ebasco and Stone & Webster and the total resources of ^{each} the organization and the places where different types of work would be done. ^{by each.} Mr. Goldberg explained that the Westinghouse turn-key proposal was not responsive to the Company's request for proposals and, therefore, ^{had} ~~have~~ been disregarded.

21 The next slide concerned logistics. The next slide showed proposed staffing levels at various stages of the work over the next year for each of the three organizations.

22 ^{The} take-over experience of each of the organizations was compared on the next slide.

23 Planning, scheduling and cost estimate projections were next compared, Bechtel expecting to complete this work in nine months, Stone & Webster in ten months and Ebasco in six months (again indicating, according to

081003

23 Mr. Goldberg, that Ebasco simply did not understand the scope of the work required).

24 The final slides compared the take-over strategies of the three bidders. Each would be willing to work as a consultant to HL&P during the time required to phase out the existing contractor and phase in the successful bidder. Mr. Goldberg explained that the construction of safety-related work will cease during the transitional period and that "construction", as it is used on the slides, will consist of rework, maintenance ^{of} equipment already delivered, etc.

25

27 At 10:25 Mr. Newman passed out and discussed the "implementing actions" schedule sheet, which discussion continued until 10:40.

28

0 81003A

28

Goldberg

Messrs. ~~Exxx~~, Newman and Oprea thereupon, at 11:00

29 a.m., gave their individual assessments of the relative merits of the several contractors, which assessments were as follows:

30

Mr. Goldberg expressed the view that if the Company were starting from scratch he would choose Bechtel but this job is not starting from scratch. He felt that the Stone & Webster plan for sorting out the present difficulties is best and that Stone & Webster is offering the best people. He expressed the opinion that Bechtel would be better in Phase B and that a panacea would be to have Stone & Webster do Phase A and Bechtel do Phase B but that can't be done. Considering all factors, he favored Stone & Webster.

31

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32

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33 A discussion of these views followed until noon, when the meeting was adjourned for lunch.

0 81001

Re: Discussions among STP participants
regarding replacement of Architect/
Engineer and Construction Manager

September 22, 1981

At 1:00 p.m. on September 12, 1981 the following
representatives of the participants met to discuss this
subject:

City of Austin, Messrs. Hancock and Pokorny
City of San Antonio, Messrs. Poston and
von Rosenberg
CPL, Messrs. Range and Muench
HL&P, Messrs. Oprea, Goldberg and Jordan

Messrs. Newman and Cowan and the writer were also in attendance.

Mr. Jordan began the meeting by explaining that the
CEOs of the participants had wanted members of the Management
Committee to meet with HL&P today, prior to the meeting of the
CEOs and members of the Management Committee with HL&P on
September 15. Mr. Jordan offered to stay as long as the persons
present wished to stay to get any questions answered. Mr. Jordan
explained that Messrs. Oprea and Goldberg would describe the
analysis procedure and then that he, Mr. Jordan, would explain
the decision HL&P had made.

Mr. Oprea outlined the presentation to be made by
Messrs. Goldberg, Newman and Cowan, concerning proposal analysis,
licensing and contract problems, respectively. Mr. Oprea
explained briefly the procedure that had been followed in request-
ing proposals and also explained the meeting which he and Mr.
Goldberg had recently had with Messrs. Syphert and Collins of the
NRC's Region IV office in Arlington. Mr. Oprea reported that
the NRC was leaning in the direction of a decision that the
Quadrex report required a 55e report by HL&P on an "engineering
control breakdown" under criterion 7.

At 1:16 Mr. Goldberg began a discussion of the following
documents which had been passed out by Mr. Oprea:

Exhibit A. A page entitled "IV. Criteria for
Evaluation and Overview of Proposals"

Exhibit B. Request for proposals, dated July 24,
1981 (five pages)

Exhibit C. August 24 letter to Bechtel

Exhibit D. August 18 letter to Ebasco

Exhibit E. August 21 letter to Stone & Webster

E 81005

At 1:20 Mr. Goldberg started the slides on resources, which slides compared the key eleven men for each of the bidders, the total resources of the organizations and the places where each plans to do the work. Mr. Goldberg commented that there would be a "pause" during which rework gets done and engineering gets reviewed. He commented that this is essentially what Mr. Salterelli of Brown & Root is doing now.

At 1:54 Mr. Goldberg began a discussion of the slide regarding takeover experience. Mr. Poston inquired what Bechtel's dirty linen consisted of, in response to which Mr. Goldberg named Calvert Cliffs and Mr. Newman named Midland. Mr. Muench commented that Shorcham was Stone & Webster's dirty linen and that the plant may never get built.

At 2:04 Mr. Goldberg began a discussion of his slide regarding planning, scheduling and cost estimates.

At 2:10 Mr. Goldberg presented the slide on takeover strategy by Bechtel, noting that Bechtel would initiate construction management in four weeks and have full control of construction management in six weeks. Mr. Poston inquired what happens between now and the takeover of construction management. Mr. Muench commented that no safety work would be done during this period and the main problem would be to keep welders busy.

Between 2:17 and 2:24 Mr. Goldberg presented and discussed the slides regarding Ebasco's and Stone & Webster's takeover strategies.

At 2:24 Mr. Newman began his discussion of licensing, noting that a takeover at this point in engineering and construction is unprecedented in the NRC annals of nuclear plants. Mr. Newman explained that the threshold question is whether a CP amendment will be needed and he felt there was a 70% probability that it would. If a CP amendment is required Mr. Newman felt there was a 50-50 chance that it would require a notice and hearing and possibly a year to complete such a hearing, during which the new AE could design but could not build. Mr. Newman explained that this would require a long interface with Brown & Root.

The discussion at this point drifted to the possibility of the new engineer eventually having to take over the construction as well.

At 2:40 Mr. Muench started a discussion of which contractors could do construction only under the national union agreement versus contractors who could work open shop.

At 2:47 Mr. Cowan began a discussion of the HL&P-Brown & Root contract, citing Section 3.4 as a basis for HL&P's legal right to do what HL&P wants to do in limiting Brown & Root's scope. Mr. Cowan said that this scope reduction program would

E 8-000

be initiated "if it's approved" (it was not clear to the writer who must approve it - NRC? HL&P? Participants?). Mr. Cowan discussed tactics for getting Brown & Root's cooperation, expressing the view that Brown & Root knows about the proposed replacement of Brown & Root as engineer but is nevertheless being cooperative in the licensing hearings. Mr. Cowan also commented upon a letter which HL&P had received from Mr. Rice of Brown & Root, blaming cost increases and schedule delays on actions that had been taken or not taken by HL&P.

Mr. Cowan brought up the subject of the "tolling" agreement (which had been executed by HL&P, B&R and Halliburton at the end of 1979 to cover a two year period and which provided that neither HL&P nor Brown & Root would plead the statute of limitations during such two year period) and inquired what shape the Participants would be in if there is no extension of the "tolling" agreement. Cowan offered his own opinion that the Participants' legal positions would be weakened but not obliterated. Mr. Cowan commented that the Participants can't be suing Brown & Root for 1.5 billion and also expect to get their cooperation during the transitional period.

Mr. Jordan inquired what the effect would be if suit is filed against Brown & Root and Brown & Root is replaced as the constructor (as well as being replaced as the engineer and construction manager). Mr. Newman ventured the opinion that the NRC would shut the job down. Mr. Cowan opined that the plant would never get built.

Mr. Jordan discussed further the question of the hard dollar effect of Brown & Root cooperation and stated that there needed to be an understanding among the partners (about who might sue whom?).

Mr. Cowan commented that we could not put the licensing case together without Brown & Root.

Mr. Poston interjected that no statute of limitations runs against the municipalities, therefore there is no incentive for the municipalities to file suit at this time.

Mr. Poston (at 2:58 p.m.) inquired what position HL&P will take if B&R refuses to sign a tolling agreement. Mr. Cowan said he would make a strong plea that suit not be filed and that the tolling agreement be allowed to die because "We couldn't recover enough in a lawsuit to offset the cost of Brown & Root non-cooperation". Mr. Range opined that Brown & Root will not sign an extension of the "tolling" agreement because they understand the leverage they have.

Mr. Poston stated that Mr. Rice of Brown & Root has all of the details about the request for proposals, etc., such having been given by Westinghouse to Gibbs & Hill and thence by Gibbs & Hill to Mr. Rice. Mr. Rice expressed the hope to Mr. Poston two or three days ago that Brown & Root can keep a piece of the work.

E 8:00:

Mr. Hancock inquired whether there will be a problem between Brown & Root and Bechtel if the recommendation of HL&P should be Bechtel. Mr. Oprea commented that the "tom-toms" have Bechtel as already having been selected.

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Gibbs & Hill was eliminated from the list.

Westinghouse was disqualified because of a non-responsive quote.

Ebasco is less qualified than either Bechtel or Stone & Webster.

This would narrow the gap to a decision between Bechtel and Stone & Webster, with respect to which Mr. Jordan stated he would pursue Bechtel's qualifications first.

Mr. Jordan said he comes down on Bechtel's side for several reasons:

The change will be accepted well by NRC, PUC and the public that has been following the plant.

E8-003

The participants will not get another chance to change engineers and should, therefore, go to the organization that has more nuclear plant design experience than all of the others combined.

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E 8-000

Mr. Poston inquired where we were on the reforecast. Mr. Cowan replied that the decision to recommend to the Management Committee a change of AE was made before the reforecast (?).

At 4:09 the discussion continued regarding the reforecast and its current status. Mr. Goldberg described the work shop at Bay City a week or so ago, from which a 10-page list of questions by HL&P to Brown & Root resulted. He reported that Brown & Root is working on the answers to those questions now.

Mr. Jordan expressed the view that it would be bad to put out the flawed forecast now because everyone knows it's wrong and whether it is wrong high or wrong low, it will operate to the disadvantage of the Project. If it proves to be high it will remove the incentive to the new contractor to keep it down. On the other hand, if it proves to be low the participants will take heat now for part of the increase and then heat again in nine months when the correct forecast is made.

Mr. Hancock asked if it would be possible to publish a press release regarding the change but which release would not name the new AE. Mr. Jordan replied that all of the transitional changes could be completed in two weeks and he saw no need to do anything sooner. A discussion followed about the selling of securities by several of the participants. Mr. Hancock noted that Austin is selling bonds on September 27 and Mr. Range noted that San Antonio is pricing its bonds next week for delivery in about a month.

At 4:18 p.m. Mr. Poston expressed the view that San Antonio will endorse the change 100%.

Mr. Jordan reported that the first time he can see Reinsch of Bechtel (either in Houston or San Francisco) is next Thursday (September 17).

Mr. Range requested more information concerning cost estimates and schedule, saying something about B&R decreases and _____ (?) increases (question and answer not clear).

Mr. Range also requested more information about why the Westinghouse proposal had been discarded, to which Mr. Goldberg replied that a turnkey price was not responsive to the request for proposals and that Westinghouse's proposal to exercise all discretion on the Project would, if permitted, be a usurpation of HL&P's non-delagable responsibilities under NRC regulations.

At 4:30 Mr. Goldberg continued his discussion of the infirmities in the Westinghouse proposal and recounted Westinghouse's experience on a project in Yugoslavia (a project which Stone & Webster was later requested to get involved in but which Stone & Webster wouldn't touch). Mr. Jordan said that Westinghouse has never built a reactor in the United States.

ES:000

Mr. Hancock reported that the nuclear election would be held in the City of Austin on Tuesday, November 3. Mr. Hancock then gave some figures of about 5.9 at a probable growth rate of about 6% and 5.1 at a slow growth rate at 4%, said something about looking at 4.5 to 2.8 (Gibbs & Hill), a 30-month slip on Unit No. 1 and 18 more on Unit No. 2 (but I did not understand any of his data). The question at the election will be whether to sell all or nothing of Austin's share. Mr. Hancock noted that Austin is funded through 1982 but does not have any bond money after that.

Mr. Hancock asked what legal questions would be presented to the CEOs on Tuesday, in answer to which Mr. Jordan referred to the Cost Audit Team (1980) results and suggested that Brown & Root will want to settle (i.e., be released from any past responsibilities) as the price of cooperating in the transition. [Mr. Jordan requested that Messrs. Oprea, Dean and Thrash get together Monday to review the Cost Audit Team's 1980 results.] Mr. Hancock asked if Mr. Jordan wanted a moratorium on lawsuits by the participants. I never heard any clear answer. Mr. Range said that CPL would forebear if Brown & Root can get their act together.

At 4:55 the meeting was adjourned, with 9:30 a.m. Tuesday morning being set as the time for the meeting of the CEOs and the Management Committee representatives with HL&P.

Encl

Re: Discussions among STP participants
regarding replacement of Architect/
Engineer and Construction Manager

September 22, 1981

At 1:00 p.m. on September 12, 1981 the following
representatives of the participants met to discuss this
subject:

City of Austin, Messrs. Hancock and Pokorny
City of San Antonio, Messrs. Poston and von Rosenberg
CPL, Messrs. Range and Muench
HL&P, Messrs. Oprea, Goldberg and Jordan

Messrs. Newman and Cowan and the writer were also in attendance.

Mr. Jordan began the meeting by explaining that the
CEO's of the participants had wanted ^{members of} the Management Committee
to meet with HL&P today, prior to the meeting of the CEO's and
^{members of} the Management Committee with HL&P ^{on September 15.} ~~next Tuesday~~ Mr. Jordan
offered to stay as long as the persons present wished to stay
to get any questions answered. Mr. Jordan explained that Messrs.
Oprea and Goldberg ^{would describe} ~~will explain~~ the analysis procedure and then
that he, Mr. Jordan, would explain the decision HL&P had made.

Mr. Oprea outlined the presentation to be made by
Messrs. Goldberg, Newman and Cowan, concerning proposal analysis,
licensing and contract problems, respectively. Mr. Oprea
explained briefly the procedure that had been followed in request-
ing proposals and also explained the meeting which he and Mr.
Goldberg had ^{recently} ~~had~~ with Messrs. Syphert and Collins of the NRC's
Region IV office in Arlington. Mr. Oprea reported that the NRC
was leaning in the direction of a decision that the Quadrex
report required a 55 ~~et~~ report by HL&P on an "engineer^{ing} control
breakdown" under criterion 7.

At 1:16 Mr. Goldberg began a discussion of the following
documents which had been passed out by Mr. Oprea:

ES-1010

Exhibit A. A page entitled "IV. Criteria for evaluation and overview of proposals"

Exhibit B. Request for proposals, dated July 24, 1981 (five pages)

Exhibit C. August 24 letter to Bechtel

Exhibit D. August 18 letter to Ebasco

Exhibit E. August 21 letter to Stone & Webster

At 1:20 Mr. Goldberg started the slides on resources, which slides compared the key eleven men for each of the bidders, the total resources of the organizations and the places where ~~they~~ ^{each} plans to do the work. Mr. Goldberg commented that there would be a "pause" during which rework gets done and engineering gets reviewed. He ~~also~~ commented that this is essentially what Mr. Salterelli of Brown & Root is doing now.

Mr. Goldberg ^{At 1:54} began a discussion of the slide regarding takeover experience. Mr. Poston inquired what Bechtel's dirty linen consisted of, ^{in response} to which Mr. Goldberg ^{named} ~~replied~~ Calvert Cliffs and Mr. Newman ^{named} ~~replied~~ Midland. Mr. Muench commented that Shoram ^{ch} was Stone & Webster's dirty linen and that the plant may never get built.

At 2:04 Mr. Goldberg began a discussion of his slide regarding planning, scheduling and cost estimates.

At 2:10 Mr. Goldberg presented the slide on takeover strategy by Bechtel, noting that Bechtel would initiate construction management in four weeks and have full control of construction management in six weeks. Mr. Poston inquired what happens between now and the takeover of construction management. Mr. Muench commented that no safety work would be done during this period

E 8-0-13

and the main problem would be to keep welders busy.

Between 2:17 and 2:24 Mr. Goldberg presented and discussed the slides regarding Ebasco³ and Stone & Webster's takeover strategies.

At 2:24 Mr. Newman began his discussion of licensing, noting that a takeover at this point in engineering and construction is unprecedented in the NRC annals of nuclear plants. Mr. Newman explained that the threshold question is whether a CP amendment will be needed and he felt there was a 70% probability that it would. If a CP amendment is required Mr. Newman felt there was a 50-50 chance that it would require a notice and hearing and possibly a year to complete such a hearing, during which the new AE could design but could not build. Mr. Newman explained that this would require a long interface with Brown & Root.

The discussion at ^{this} ~~the~~ point drifted to the possibility of the new engineer eventually having to takeover the construction as well.

At 2:40 Mr. Muench started a discussion of which contractors could do ~~the~~ construction ^{only} under the national union agreement ~~on~~ versus contractors who could work open shop.

At 2:47 Mr. Cowan began a discussion of the HL&P-Brown & Root contract, citing Section 3.4 as a basis for HL&P's legal limiting right to do what HL&P wants to do in ~~XXXXXXXXXXXX~~ Brown & Root's scope. Mr. Cowan said that this scope reduction program would be initiated "if it's approved" ~~by~~ (it was not clear to the writer who must approve it ^{- NRC? HL&P? Participants?}) Mr. Cowan discussed tactics for getting Brown & Root's cooperation, expressing the view that Brown & Root

E 8-11

knows about the proposed replacement of Brown & Root as engineer but is ^{nevertheless} ~~still~~ being cooperative in the licensing hearings. Mr. Cowan also commented upon a letter which HL&P had received from Mr. Rice of Brown & Root, blaming cost increases and schedule delays on actions that had been taken or not taken by HL&P.

Mr. Cowan brought up the subject of the "tolling" agreement (which had been executed ^{by HLP, B & R and Halliburton} at the end of 1979 to cover a two year period and which provided that neither HL&P nor Brown & Root would plead the statute of limitations during such two year period) and inquired what shape the Participants would be in if there is no extension of the tolling agreement. Cowan offered his own opinion that the Participants' legal positions would be weakened but not obliterated. Mr. Cowan commented that the participants can't be suing Brown & Root for 1.5 billion and ~~also~~ expect to get their cooperation ~~also~~ during the transitional period.

Mr. Jordan inquired what ^{the} ~~effect~~ ^{would be} if suit is filed against Brown & Root and Brown & Root is replaced as the constructor (as well as ^{being replaced as} the engineer and construction manager). Mr. Newman ventured the opinion that the NRC would shut the job down. Mr. Cowan opined that the plant would never get built.

Mr. Jordan discussed further the question of the hard dollar effect of Brown & Root cooperation and stated that there needed to be an understanding among the partners (about who might sue whom?).

Mr. Cowan commented that we could ^{not} ~~put~~ the licensing case together without Brown & Root.

Mr. Poston interjected that no statute of limitations

E 8-0-5

runs against the municipalities, therefore there is no incentive for the municipalities to file suit at this time.

Mr. Poston (at 2:58 p.m.) inquired what position HL&P will take if B&R refuses to sign a tolling agreement. Mr. Cowan said he would make a strong plea that suit not be filed and that the tolling agreement be allowed to die because "we couldn't recover enough in a lawsuit to offset the cost of Brown & Root non-cooperation". Mr. Range opined that Brown & Root will not sign an extension of the tolling agreement because they understand the leverage they have.

Mr. Poston ~~explained~~ ^{stated} that Mr. Rice of Brown & Root has all of the details about the request for proposals, etc., such having been given by Westinghouse to Gibbs & Hill and thence by Gibbs & Hill to Mr. Rice. Mr. Rice expressed the hope to Mr. Poston two or three days ago that Brown & Root can keep a piece of the work.

Mr. Hancock inquired whether there will be a problem ^{between} ~~with~~ Brown & Root and Bechtel if the recommendation of HL&P should be Bechtel. Mr. Oprea commented that the "tom-toms" have Bechtel as already ^{having been} ~~being~~ selected.

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E 8:07

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E 81015

Mr. Hancock asked Mr. Goldberg about HL&P's organization, to which Mr. Goldberg replied that he had interviewed 15 additional engineering people and that 4 had proved to be acceptable. However, Mr. Goldberg mentioned (not by name) an engineer at Brown & Root who he thought was better if ^{Goldberg} he could get him to leave Brown & Root and join the HL&P organization. Mr. Goldberg said that he is also looking for a good contract administrator. Mr. Goldberg explained that HL&P will have excess people after the change because HL&P has had to staff to compensate for Brown & Root weaknesses. Mr. Goldberg also noted that there are several people who will not be needed in the short term but who will be needed later, it being his plan to have these people stay on the HL&P payroll and work for the contractor during the interim.

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E 81070

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E 81011

Mr. Jordan wanted a moratorium on lawsuits by the participants. I never heard any clear answer. Mr. Range said that CPL would forebear if Brown & Root can get their act together.

At 4:55 the meeting was adjourned, with 9:30 a.m. Tuesday morning being set as the time for the meeting of the CEOs and the Management Committee representatives with HL&P.

SOUTH TEXAS PROJECT

Re: Meeting held at 9:30 a.m. on
September 15, 1981 to discuss
the possible replacement of
Brown & Root as engineer and
construction manager

September 22, 1981

CEOs and Management Committee principals and representatives of the participants who were present were as follows:

<u>Participant</u>	<u>CEO</u>	<u>MC Principal</u>	<u>MC Alternate</u>
City of Austin		Hancock	Pokorny
City of San Antonio	Spruce	Poston	von Rosenberg
CPL	Borchelt	Range	Muench
HL&P	Jordan	Oprea	Goldberg

Also present were Messrs. Cowan and Newman and the writer.

At 9:37 Mr. Jordan began the meeting and stated that same format would be followed as on Saturday. Mr. Jordan stated that HL&P had made its decision and hoped that the other participants concur. Mr. Jordan also reported that he had a conference scheduled with Mr. Feehan, CEO of Brown & Root, for 3:00 p.m. that afternoon.

Mr. Oprea passed out a draft of a press release, attached as Exhibit A, and retraced the deficiencies that had been discovered beginning in late 1979 and early 1980 to date. Mr. Oprea stated that Brown & Root had been unable to develop the human engineering resources, the management systems and the senior management attitudes necessary to successfully prosecute the Project. Mr. Oprea also briefly discussed the visit which he and Mr. Goldberg had had during the last few days with NRC Region IV representatives and the advance notice that HL&P had given to Region IV of the changes.

At 9:42 Mr. Goldberg began a description of the proposals by first describing the Westinghouse turnkey proposal and why HL&P had disregarded it. He explained that the NRC would not have allowed HL&P to turn over all responsibility to Westinghouse, as Westinghouse desired. He also noted that Westinghouse would have used the Gilbert organization.

Mr. Goldberg next began a comparison of the resources (eleven individuals in key slots) that had been proposed by Bechtel, Ebasco and Stone & Webster. He continued with the take-over experience, plan, schedule and cost approaches and takeover strategies.

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Mr. Hancock asked how long it would take us to know where we are, to which Mr. Goldberg replied that a preliminary idea should be available in six months and a good idea available in twelve months.

At 1:07 Mr. Goldberg continued with the takeover strategy charts, with respect to which Mr. Spruce inquired about how one of the bidders would work as a "consultant". Mr. Spruce inquired whether Brown & Root would stay on as AE with Stone & Webster, for example, being a consultant for Brown & Root. Mr. Goldberg explained that the successful bidder would be a consultant to HL&P during the transition.

With respect to commercial terms, Mr. Goldberg reported that the Company can negotiate satisfactory terms with any of the bidders.

Mr. Poston inquired whether the Bechtel rates (multipliers) will be the same as the others? Mr. Goldberg explained that Bechtel's proposed multipliers are higher but that the subject is negotiable.

At 10:13 a.m. Mr. Goldberg completed the slide projection portion of his presentation.

Mr. Range expressed the view that there should be an incentive to complete the job quickly and a disincentive to lengthening the job and increasing the manhours. There followed a long discussion here regarding Bechtel multipliers versus other multipliers, it being noted that if the Project gets into this sort of detail with Bechtel they will likely know they have the job wrapped up. Mr. Oprea stated that this item would be the last item on the discussion agenda with Bechtel because there are many other things to talk about.

Mr. Spruce inquired whether HL&P would go to Stone & Webster if it can't work out the multiplier question with Bechtel. The answer was not clear but it sounded like "yes".

Mr. Borchelt inquired whether HL&P would have any more control over Bechtel or Stone & Webster than it has had over Brown & Root. Mr. Goldberg replied that he didn't believe that Brown & Root had meant to overrun, but believed that they simply did not know how to do the job properly.

Mr. Borchelt observed that Brown & Root has had no incentive to hire good people.

At 10:20 Mr. Oprea contrasted Bechtel's and Stone & Webster's comprehension of the problems and solutions involved, as evidenced in the interviews that he and Goldberg and Newman had had with the three bidders, with the comprehension of Brown & Root. This resulted in a long colloquy between Goldberg

and Borchelt, Borchelt taking the position that HL&P has to control Bechtel so that this project does not turn out to be "one of their bad ones". Mr. Goldberg felt that companies want to protect and enhance their reputations, plus the fact that all three bidders (Stone & Webster, Ebasco and Bechtel) are putting forth good people and the contract will require approval by HL&P before such people could be taken off the job.

At 10:26 Mr. Goldberg continued with the discussion of the commercial terms, as proposed by Bechtel and Stone & Webster, noting that Stone & Webster was proposing a bonus of 10% of labor for timely completion. Mr. Borchelt inquired how the owners and contractor agree as to what is a good schedule.

There followed a discussion of what the various bidders might accept in terms of fee incentives and how it could be determined what true costs were attempted to be recovered by the arbitrary multipliers.

At 10:37 Mr. Borchelt asked Mr. Goldberg what he was going to do in negotiating with Bechtel. He cited the difficulty with Brown & Root regarding schedule and budget (he sarcastically remarked that he thought he had been getting one for the last nine months) and asked how Goldberg would control Bechtel on schedule and budget. Mr. Borchelt continued and inquired how HL&P would know in nine months whether it had a good schedule and budget. In reply, Mr. Goldberg explained that Brown & Root would not divulge how its schedule and budget had been developed - in essence Brown & Root refused to talk to HL&P about the subject. Mr. Goldberg explained that the basic problem was that Brown & Root does not work for the participants, but rather the participants are deemed by Brown & Root to work for them. Mr. Goldberg contrasted this attitude with the philosophy he had learned: i.e. the client is always right - you can argue with the client but finally, if he won't agree, he is always right. Mr. Borchelt inquired whether, if the Project does not have economic incentives and disincentives built into the contract, the Project will have the same thing over again. Mr. Goldberg replied in terms of the "peculiar chemistry" of Brown & Root - the intent to schnooper, deceive, etc.

At 10:43 Mr. Oprea began an explanation of Bechtel's cathode ray tube (CRT) system, under which not only Bechtel but HL&P could access Bechtel's data bank to produce required information immediately.

Mr. Borchelt responded by pointing out that "that's what Brown & Root told us two years ago with respect to Artemis". Mr. Borchelt cited MAC's advice that the owner must control the contractor and noted that "We haven't been able to do this - one man should be in charge". He continued, "We've dicked around with Brown & Root too long but there are some reasons for that".

FS103

Mr. Borchelt asked "How is Goldberg going to pull this off with a new contract?" He then commented "I am a systems man and can't be comfortable until I can get an answer to _____ (I did not understand the rest of the statement)".

At 10:47 Mr. Poston inquired whether Mr. Goldberg would get more involved than he's ever been, to which Mr. Goldberg replied in the affirmative. Mr. Poston observed that TU says that HL&P is not involved enough. Mr. Poston inquired whether NRC had also made this charge. Mr. Goldberg responded that he thought it was an intervenor charge and inquired "If we're so deeply involved, why are there so many problems?" (?) Mr. Goldberg said he would also like to know who at Texas Utilities was critiquing the Project.

Mr. Goldberg explained that HL&P could not engineer this Project. However, Brown & Root has failed to do everything and HL&P has tried to reinforce Brown & Root.

Mr. Poston repeated his question, "Will HL&P be more or less involved?" Mr. Goldberg replied that HL&P will be less involved but with better people. Mr. Borchelt inquired whether there was going to be an increase in the quality of HL&P involvement, to which Mr. Goldberg replied "Yes, we are now hiring only experienced people, whereas in the past we have hired out-of-college people without experience". Mr. Borchelt inquired how far along Goldberg was, to which Mr. Goldberg replied that there are few positions vacant except the key man, the head of the Project engineering team (he reiterated that he has a Brown & Root man in mind for this job).

Mr. Goldberg also stated that he has one good controls man that may work out.

Mr. ~~Goldberg~~ inquired what will happen to Gibson, to which Mr. Goldberg replied that Gibson may stay with Brown & Root.

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With respect to engineering, Mr. Goldberg replied that HL&P is getting reports on the qualified Brown & Root engineering "hitters", whom HL&P hopes to retain under service contracts. Mr. Goldberg explained that Bechtel will want certain design work to proceed by Brown & Root under Bechtel's direction.

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Mr. Goldberg also explained that new work could be done as the new engineers free it up. He felt that useful work could be found for 1,000 people and that possibly warehousing and maintenance would employ another 500. He said that only 1600 people were on the site now (?).

Mr. Goldberg explained that Mr. Salterelli at Brown & Root was going through much the same thing but that Salterelli was sitting on quicksand. He explained that the engineering review has impeded the normal engineering new work production, therefore a new contractor will not change much what is being done. Mr. Goldberg noted that Mr. Salterelli's projected manhours to completion of the engineering are more than most engineers use for a whole job. Mr. Goldberg explained that much work can be done now on turbine building supports, for example.

Mr. Hancock questioned whether construction craft forces would be reduced and engineering increased. Mr. Goldberg replied that this would be the case and reported that Mr. Thompson is doing cutting in the construction forces at the site now. Mr. Goldberg noted that 1100 people (mostly engineers) are on Brown & Root's home office payroll.

Mr. Spruce inquired where the QA and QC functions would wind up. Mr. Goldberg explained that the engineering QA would go to the new engineer, that the QA for construction would be done by HL&P and that the QC for the construction would be left with Brown & Root.

At 11:13 Mr. Borchelt said that the Management Committee does not have control of much, but that it does control budget and the structure of the project management team. He then noted again that the thing that's not in place is a budget and schedule that the participants can rely on. He asked again, "When can we get it"? Mr. Goldberg replied that Brown & Root has presented a bottom line number and has made qualitative judgments for which there is no rationale. He reiterated the questions that HL&P had sent to Brown & Root. Mr. Goldberg said that with the activity we now have going on it would be counterproductive to put out Brown & Root's numbers, explaining again that if B&R's numbers are erroneously high they would be adopted by other contractors and if erroneously low the Project would have to explain higher numbers now and even higher numbers later. Mr. Goldberg felt that the Brown & Root numbers are probably not representative of what the new contractor will come up with and felt that the schedule is too long (although the new contractor would probably love to adopt the long schedule).

Mr. Borchelt raised the question of what the participants tell the outside world, at which time the discussion shifted to the "tolling" agreement and the extension thereof and the effect that the replacement will have upon Brown & Root (Borchelt(?) said "Brown & Root will be badly hurt and will need assurances, possibly a release").

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Mr. Spruce explained that in San Antonio there was a confrontation over the schedule and budget issues and that something had to be said.

At 11:23 Mr. Newman was requested to discuss licensing and explain the probable need for a CP amendment and the possible requirement of a prior notice and hearing. Mr. Newman explained this could take up to a year, depending upon the intervenors, to qualify a new AE and construction manager completely although the construction manager functions would probably be qualified sooner. Mr. Newman commented that if there is not much construction anyway for a year, the CP amendment procedure will not likely be important insofar as schedule effect is concerned.

Mr. Newman explained that the intervenors start on September 28 with a witness (Hubbard) who will emphasize the need for a split between the engineer and constructor and that he, therefore, felt that the licensing board should be advised this week (Wednesday or Thursday) that "changes are in the offing" and that the September 28 hearing should probably be deferred. Mr. Newman felt that three or four weeks after the new contractor is aboard a meeting could be held with the NRC staff (including the NRC legal staff) to arrange for an orderly transfer.

At this point the discussion turned to the press release (Exhibit A) which had been distributed earlier and Mr. Poston inquired if the reason for telling the board is to keep the GE witness off the stand. Mr. Newman explained that this was not the case, but rather that if we proceed without telling the board on September 28, the participants' credibility will be damaged when the board later learns what has been going on. Mr. Newman also noted that such a concealment would probably be a breach of the rules.

Mr. Hancock inquired what safety-related work can be done during the time of the transition (such as coating, welding repair, etc.)? Mr. Newman replied that this work could be done under Brown & Root's aegis and under Bechtel's supervision as consultant to HL&P.

At 11:35 Mr. Borchelt came back to the "tolling" agreement, but was asked to defer to Cowan who would discuss the matter later. Mr. Borchelt asked Mr. Newman what was the downside risk of the CP amendment hearing. Mr. Newman replied that if there are other intervenors, with greater resources and who sense in the weakness of the Project an opportunity to shut it down, the result could be serious.

At 11:40 Mr. Cowan began a discussion of the legal/contractual elements and reported that HL&P could shrink Brown & Root's scope with or without any reason. With respect to the

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"tolling" agreement, Mr. Cowan said that the ideal thing would be to get Brown & Root to sign an extension thereof. He said it would be a tough decision before the end of the year because Brown & Root's cooperation is essential to the transition but such cooperation could not be expected if Brown & Root and the participants are in life or death litigation.

Mr. von Rosenberg inquired whether Cowan thought Brown & Root will demand a release as the price of their cooperation, noting that the section that Cowan was relying on required renegotiation and "an equitable adjustment".

Mr. Cowan stated that going past the end of the year without the "tolling" agreement extension would reduce but not destroy it (what? - the participants' cause of action?). Mr. Cowan said something about "the participants would get the benefit of two years (?) even if the agreement expired".

Mr. Borchelt asked Mr. Jordan what procedure would be followed about the announcement, to which Mr. Jordan replied that he would let Feehan look at the proposed press release and then advise the licensing board Thursday morning (September 17).

There followed a long discussion here (at 11:50) regarding the "tolling" agreement. Mr. Jordan noted that Brown & Root and Halliburton don't like the "tolling" agreement and that an extension will be more difficult than the original agreement. Mr. Jordan said he favors Mr. Cowan's idea that the amount to be recovered in litigation would be less than the damages from non-cooperation. Mr. Cowan said it is hard to tell the licensing board how good the construction is and be litigating against Brown & Root about how bad it is. He also reiterated his point that the plant can't be licensed without Brown & Root's cooperation. Mr. Cowan also noted, however, that after the transition Brown & Root will have less to bargain with. During this discussion Mr. Poston said something about the "privates" losing one year of damages.

At 12:02 the group returned to a discussion of the reforecast, Mr. Spruce stating that San Antonio can't live without a reforecast but that he would be happy to bring the mayor of San Antonio and others and let HL&P explain the problem to them. At this point Mr. Jordan noted that San Antonio's mayor would not return his telephone calls. Mr. Range suggested the possibility of concentrating on the slipped schedule, rather than the budget, and using it as a predicate for the change.

Mr. Borchelt emphasized a need for a reforecast to (a) enable the Management Committee to set a budget and (b) give the nuclear fuel contractors better dates (he noted that we had already given changed dates to some of them).

Mr. Goldberg reported that Gibbs & Hill had reviewed Brown & Root's reforecast (for Brown & Root?) and thought it

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high. A long discussion here followed concerning Brown & Root's reforecast of budget (4.8 billion) and schedule (late 1987 fuel load for Unit No. 1), according to Mr. Goldberg. This discussion continued until 12:40 p.m., when the group recessed for lunch at the Houston Club. Mr. Cowan excused himself to return to the STP hearings, which were in progress, and did not join the group for lunch or thereafter.

At 2:16 the group resumed, after having asked Mr. Barker to join. Mr. Barker's notes on the information that had been furnished to him by Brown & Root were as follows:

	<u>Plan A</u> (continue past practices)	<u>Plan B</u> (incorporate Gibbs & Hill improvements)
Manhours required	19 million	17 million
Fuel load date No. 1	12/86	9/86
Fuel load date No. 2	12/88	3/88
Total cost	4.779 billion	4.44 billion

Mr. Barker thought these costs included a 10% contingency, and owners' costs of about \$875 million.

Mr. Borchelt asked a question about how, if we have already spent about \$300 million and have the nuclear steam supply sytems and turbine generators, we can spend another \$600 million.

Mr. Barker stated (about 2:30 p.m.) that Brown & Root wants to go on a "risk" basis, put in now and do paper work later (apparently this remark applied to all construction work to be done by Brown & Root, and not just the owners' costs to which Mr. Borchelt's question had been directed).

Mr. Barker noted that out of the previous (1979) estimated cost of 2.7 billion, 498 million had been owners' costs.

There followed here a discussion of manhours but it is not clear to the writer what the assumptions were. These totals were as follows:

	<u>Engineering</u>	<u>Construction</u>	<u>Total</u>
Total manhours	15	100	115
Spent to date	8	20	28
Left	7	80	87

At 2:40 Mr. Jordan reiterated HL&P's decision (based upon Bechtel's record of successfully completed and operating units, the size of Bechtel's organization, the commitment of Bechtel to the Project and Bechtel's ability to manage startup) no negotiate

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with Bechtel to replace Brown & Root on engineering and construction management. Mr. Jordan stated that he would initiate negotiations with Mr. Reinsch to this end either Thursday or Friday. He asked if there were any objections from any of the participants and there was none.

At 2:47 Mr. Jordan left for his meeting with Mr. Feehan and Mr. Barker was excused from the meeting.

At 2:52 Mr. Borchelt stated that he felt the schedule and budget were completely unacceptable and that he would like to "sleep on", for the rest of the week, the B&R replacement.

Mr. Poston announced that the Management Committee meetings originally scheduled for next Thursday and Friday, September 24 and 25, had been cancelled.

At 3:12 p.m. the meeting was adjourned.

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STP

Re: Meeting held at 9:30 a.m. on
September 15, 1981 to discuss
the possible replacement of
Brown & Root as engineering and
construction manager

September 22, 1981

CEOs and Management Committee principals and repre-
sentatives of the participants who were present were as follows:

<u>Participant</u>	<u>CEO</u>	<u>MC Principal</u>	<u>MC Alternate</u>
City of Austin		Hancock	Pokorny
City of San Antonio	Spruce	Poston	von Rosenberg
CPL	Borchelt	Range	Muench
HL&P	Jordan	Oprea	Goldberg

Also present were Messrs. Cowan and Newman and the writer.

At 9:37 Mr. Jordan began the meeting and stated that the same format would be followed as on Saturday. Mr. Jordan stated that HL&P had made its decision and hoped that the other participants concur. Mr. Jordan also reported that he had a conference scheduled with Mr. Feehan, CEO of Brown & Root, for 3:00 p.m. that afternoon.

Mr. Oprea passed out a draft of a press release, attached as Exhibit A, and retraced the deficiencies that had been discovered beginning in late 1979 and early 1980 to date. Mr. Oprea stated that Brown & Root had been unable to develop the human engineering resources, the management systems and the senior management attitudes necessary to successfully prosecute the Project. Mr. Oprea also briefly discussed the visit which he and Mr. Goldberg had had during the last few days with NRC Region IV representatives and the advance notice that HL&P had given to Region IV of the changes.

At 9:42 Mr. Goldberg began a description of the proposals by first describing the Westinghouse turnkey proposal and why HL&P

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had disregarded it. He explained that the NRC would not have allowed HL&P to turn over all responsibility to Westinghouse, as Westinghouse desired. He also noted that Westinghouse would have used the Gilbert organization.

Mr. Goldberg next began a comparison of the resources (eleven individuals in key slots) that had been proposed by Bechtel, Ebasco and Stone & Webster. He continued with the takeover experience, planned schedule and cost approaches and takeover strategies.

Mr. Hancock ^{asked} ~~XXXXXXXXXX~~ how long it would take us to know where we are, to which Mr. Goldberg replied that a preliminary idea should be available in six months and a good idea available in twelve months.

At 1:07 Mr. Goldberg continued with the takeover strategy charts, with respect to which Mr. Spruce inquired about how one of the bidders would work as a "consultant". Mr. Spruce inquired whether Brown & Root would stay on as AE with Stone & Webster, for example, being a consultant for Brown & Root. Mr. Goldberg explained that the successful bidder would be a consultant to HL&P *during the transition.*

With respect to commercial terms, Mr. Goldberg reported that the Company can negotiate satisfactory terms with any of the bidders.

Mr. Poston inquired whether the Bechtel rates (multipliers) will be the same as the others? Mr. Goldberg explained that Bechtel's proposed multipliers are higher but that the subject is negotiable.

At 10:13 a.m. Mr. Goldberg completed the slide projection portion of his presentation.

Mr. Range expressed the view that there should be ~~an~~ incentive to complete the job quickly and a disincentive to lengthening the job and increasing the manhours. There followed a long discussion here regarding Bechtel multipliers versus other multipliers, it being noted that if ^{the Project} ~~you~~ get into this sort of detail with Bechtel they will likely know they have the job wrapped up. Mr. Oprea stated that this item would be the last item on the discussion agenda with Bechtel because there are many other things to talk about.

Mr. Spruce inquired whether HL&P would go to Stone & Webster if it can't work out the multiplier question with Bechtel. The answer was not clear but it sounded like "yes".

Mr. Borchelt inquired whether HL&P would have any more control over Bechtel or Stone & Webster than it has had over Brown & Root. Mr. Goldberg replied that he didn't believe that Brown & Root had meant to overrun, but believed that they simply did not know how to do the job properly.

Mr. Borchelt observed that Brown & Root has had no incentive to hire good people.

At 10:20 Mr. Oprea contrasted Bechtel's and Stone & Webster's comprehension of the problems/^{and solutions}involved, as evidenced in the interviews that he and Goldberg and Newman had had with the three bidders, with the comprehension of Brown & Root.^W This resulted in a long colloquy between Goldberg and Borchelt, Borchelt taking the position that HL&P has to control Bechtel so that this project does not turn out to be "one of their bad ones". Mr. Goldberg felt that companies want to protect and

enhance their reputations, plus the fact that all three bidders (Stone & Webster, Ebasco and Bechtel) are putting forth good people and the contract will require approval by HL&P before such people could be taken off the job).

At 10:26 Mr. Goldberg continued with the discussion of the commercial terms, as proposed by Bechtel and Stone & Webster, noting that Stone & Webster was proposing a bonus of 10% of labor for timely completion. Mr. Borchelt inquired how the owners and contractor agree as to what is a good schedule.

There followed a discussion of what the various bidders might accept in terms of fee incentives and how it could be determined what true costs were attempted to be recovered by the arbitrary multipliers.

At 10:37 Mr. Borchelt asked Mr. Goldberg what he was going to do in negotiating with Bechtel. He cited the ~~difference~~ ^{with} Brown & Root regarding schedule and budget (he sarcastically remarked that he thought he had been getting one for the last nine months) and ^{asked} how ^{Goldberg would} control Bechtel on a schedule and budget. Mr. Borchelt continued and inquired how HL&P would know in nine months whether it had a good schedule and budget. In reply, Mr. Goldberg explained that Brown & Root would not divulge how its schedule and budget had been developed ^{so?} in essence Brown & Root refused to talk to HL&P about the subject. Mr. Goldberg explained that the basic problem was that Brown & Root does not work for the participants, but rather the participants are deemed by Brown & Root to work for them. Mr. Goldberg contrasted this attitude with the philosophy ^{he had learned} i.e. the client ^{is} ~~was~~ ~~right~~ always right - you can argue with the client but finally, if he won't agree, he is always right. Mr. Borchelt inquired whether, if the ~~is~~

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Project does not have economic incentives and disincentives built into the contract, ~~went~~ ^{will} the Project ^{will} have the same thing over again. Mr. Goldberg replied in terms of the "peculiar chemistry" of Brown & Root - ^{so?} ^{so?} the intent to schnooker, deceive, etc.

At 10:43 Mr. Oprea began an explanation of Bechtel's cathode ~~ray~~ tube (CRT) system, under which not only Bechtel but HL&P could access Bechtel's data bank to produce required information immediately.

Mr. Borchelt responded by pointing out that "that's what Brown & Root told us two years ago with respect to Artemis". Mr. Borchelt cited MAC's ^Cadvice that the owner must control the contractor and noted that "we haven't been able to do this - one man should be in charge". He continued, "we've dicked around with Brown & Root too long but there are some reasons for that". Mr. Borchelt asked "how is Goldberg going to pull this off with a new contract?" He then commented "I am a systems man and can't be comfortable until I can get an answer to _____ (I did not understand the rest of the statement)".

At 10:47 Mr. Poston inquired whether Mr. Golberg would get more involved than ~~you've~~ ^{he's} ever been, to which Mr. Goldberg replied in the affirmative. Mr. Poston observed that TU says that ~~HL&P~~ ^{HL&P} is not involved enough. Mr. Poston inquired whether NRC had also made this charge. Mr. Goldberg responded that he thought it was an intervenor charge and inquired "if we're so deeply involved, why are there so many problems?" ^(?) Mr. Goldberg said he would also like to know who at Texas Utilities was critiqueing the Project.

Mr. Goldberg explained that HL&P could not engineer this Project. However, Brown & Root has failed to do everything and HL&P has tried to reinforce Brown & Root.

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Mr. Poston repeated his question, "will HL&P be more or less involved"? Mr. Goldberg replied that HL&P will be less involved but with better people. Mr. Borchelt inquired whether there was going to be an increase in the quality of HL&P involvement, to which Mr. Goldberg replied "yes, we are now hiring only experienced people, whereas in the past we have hired out-of-college people without experience". Mr. Borchelt inquired how far along ~~Goldberg was~~ ^{are you}, to which Mr. Goldberg replied that there are few positions vacant except the key man, the head of the Project engineering team (he reiterated that he has a Brown & Root man in mind for this job).

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new engineers free it up. He felt that useful work could be found for 1,000 people and that possibly warehousing and maintenance would employ another 500. He said that only 1600 people were on the site now (?). ~~[Reorganize the foregoing to separate between engineering, first two items, and construction, latter two items.]~~

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At this point ^{the} ~~is~~ discussion turned to the press release/ (Exhibit A) which had been distributed earlier and Mr. Poston inquired if the reason for telling the board is to keep the GE witness off the stand. Mr. Newman explained that this was not the case, but rather that if we proceed without telling the board on September 28, the participants' credibility will be damaged when the board later learns what has been going on. Mr. Newman also noted that such a concealment would probably be a breach of the rules.

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Mr. Hancock inquired what safety-related work can be done during the time of the ~~XXXXXXXXXX~~ transition (such as coating, welding repair, etc.)? Mr. Newman replied that this work could be done under Brown & Root's ~~legis~~ ^{and} ~~the~~ ¹ under Bechtel's ² supervision as consultant to HL&P.

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would get the benefit of two years (?) even if the agreement expired."

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Mr. Borchelt emphasized a need for a reforecast to (a) enable the Management Committee to set a budget and (b) give the nuclear fuel contractors better dates (he noted that we had already given change^Q dates to some of them).

Mr. Goldberg reported that Gibbs & Hill had reviewed Brown & Root's reforecast (for Brown & Root?) and thought it was high. A long discussion here followed concerning Brown & Root's ~~xxxxxxx~~ reforecast of budget (4.8 billion) and schedule (late 1987 fuel load for Unit No. 1), according to Mr. Goldberg. This discussion continued until 12:40 p.m., when the group recessed for lunch at the Houston Club. Mr. Cowan excused himself to return to the STP hearings, which were in progress, and did not join the group for lunch *or thereafter*

At 2:16 the group resumed, after having asked Mr. Barker to join. Mr. Barker's notes on the information that had been furnished to him by Brown & Root were as follows:

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At 2:47 Mr. Jordan left for his meeting with Mr. Feehan and Mr. Barker was excused from the meeting.

At 2:52 Mr. Borchelt stated that he felt the schedule and budget were completely unacceptable and that he would like to "sleep on", for the rest of the week, the B&R replacement.

Mr. Poston announced that the Management Committee meetings originally scheduled for ^{next} Thursday and Friday, September 24 and 25, had been cancelled.

At 3:12 p.m. the meeting was adjourned.

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B4002409

CONFIDENTIAL

BROWN & ROOT, INC.
OFFICE MEMO

TO: W. M. Rice September 22, 1981
FROM: E. M. Broom:
SUBJECT: Telephone Call to George Oprea of 9/22/81

At your suggestion, I telephoned George Oprea to suggest an alternate plan that HL&P might consider with respect to replacement of Brown & Root as the engineer-construction manager for STP. The alternate I described was that which you suggested, whereby Stone & Webster (or any other suitable AE, not Bechtel) would be brought in as an "overlord" overseeing Brown & Root's activities for a period of 6 to 12 months, following which any division of engineering responsibilities up to complete removal of Brown & Root from the job, could be made. This would introduce the new AE to the project with much less risk of precipitating licensing problems, and, after the 6 to 12 months, their involvement up to that time would make possible their assumption of the "engineer of record" role, should HL&P desire.

George Oprea listened with no comment until I finished. He then responded by recounting the events that led them to their present decision that Brown & Root engineering simply cannot support the field activities. He stated that after the Show Cause Order, he became very concerned when engineering problems continued to surface. He stated that he concluded that our engineering was not well integrated between disciplines. He referred to the Quadrex audit and he referred to the 50.55e items, which have been reported since Show Cause. He said that they feel we lack sophisticated management systems that although we could ultimately provide, the time required would simply be too long for this project. They concluded that a new engineer can come in with a proven system immediately, and begin to show progress with regard to licensing. He stated that he felt they had a 50/50 chance under the circumstances of replacing the engineer of record without a serious licensing problem, i.e., revocation of the construction permit or new public hearings, etc.

He stated that they had considered many alternatives, but felt that a significant change on the engineering side was necessary because Region IV was aware of the Quadrex Audit and was looking very carefully for a significant change.

Memo to W. M. Rice
September 22, 1981
Page 2

He conceded at the same time that many of the Quadrex findings were invalid.

He stated that through all of this change H&P does not wish to replace Brown & Root, nor to be charlatanistic. He stated that they feel that our construction work is much more credible and want us to finish the construction.

I got no real indication from Mr. Oprea that he would give any serious consideration to your proposal; however, he did seem at least casually interested in some of his questions. He specifically wanted to know why we could work more easily with Stone & Webster than with Bechtel.

E. M. Broom

bb

0483137

Second draft of policy story/statement from HL&P/Sept. 23, 1981

For Release 9 A.M. Friday, September 25

Bechtel to Take Over Engineering
At South Texas Nuclear Project

Houston Lighting and Power Company, managing ^{to transfer} ~~power~~ of the South Texas Nuclear Project, Friday announced that Bechtel Corporation will assume engineering and construction management responsibilities from Brown and Root on the vast South Texas Nuclear Project. Bechtel Corporation is the most experienced nuclear power plant architect/engineer in the world, having successfully completed and licensed more nuclear units than any other single organization.

HL&P President and Chief Executive Officer Don Jordan made the announcement and said that discussions already are underway to help assure an orderly transition. Brown & Root will continue to do construction work on the mammoth Bay City power plant and has pledged cooperation in the management move, he said.

"Bechtel was chosen to undertake heavy responsibility at STP only after extended evaluation and study of progress on the project by HL&P top management over recent months. We are convinced that the vast nuclear power plant experience of the firm and the breadth and depth of resources it can commit to the task will help complete the project as quickly and economically as humanly possible consistent with maintenance of high safety standards," Jordan said.

Jordan said the change, which was ^{considered} ~~prompted~~ ^{with HL&P's} ~~to~~ contract with Brown & Root, was prompted by growing concern over the need for ^{improving} engineering support of construction activities, and an inability despite ongoing efforts by the present engineering contractor to attract and maintain resources sufficient to complete the project in a timely manner.

"Subsequent to our evaluation and the decision to make a change, Brown & Root has within the past few days provided us new cost estimates on the project ranging from \$4.442 billion to \$4.779 billion and revised target dates for fuel load of Unit One from September to December of 1986," Jordan continued.

"While we now have the Brown & Root forecasts in hand, it is our judgment that further evaluation and study must be made of the remaining engineering and construction management tasks before we can have full confidence in any forecast. Such study is part of the priority assignment given to Bechtel, and until that exercise is completed, we cannot commit to a more definitive projection. In the meantime, we will do everything possible to expedite the transition process.

Harry Reinsch, president of Bechtel Power Corporation, said that the world-wide engineering firm has placed top priority on the South Texas Project.

"The South Texas Project is a viable one which ultimately can provide an important part of the future Texas energy supply at lower cost than alternatives," he said. "We are dedicating a major portion of our resources and talent to helping bring about its reality."

Bechtel has done engineering or construction work on _____ of the nuclear power plants in operation in the United States as well as installations in _____ and _____

Jordan pointed out that while the South Texas Project is a partnership with three other owners -- Central Power & Light, City of Austin and City Public Service of San Antonio -- HL&P retains the largest single stake -- 30 percent -- in the realization of STP.

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p. 10
dev. to
p. 11

OUT

"You may be assured that no one is more interested in the ultimate completion and operation of the South Texas Project than Houston Lighting & Power," Jordan emphasized. "Every day of delay and increase in cost which hurts one of our partners hurts HL&P even more. Nothing carries a higher concern priority with us than the South Texas Project."

Jordan said that the partners were apprised and are supportive of the management changes.

Brown & Root, Inc. Post Office Box Three, Houston, Texas 77001

Thomas J. Feehan
President and
Chief Executive Officer

(713) 676-4361



September 24, 1981

Mr. D. D. Jordan
Houston Lighting & Power Co.
P. O. Box 1700
Houston, TX 77001

Dear Don:

I'm returning your proposed press release draft with our comments; namely, deleting the last paragraph. We've prepared a statement of our own which in essence says the same thing and believe it is advisable that we speak for ourselves.

Sincerely,

T. J. Feehan

TJF:sr

RECEIVED
SEP 24 1981
D. D. JORDAN

September 23, 1981

HL&P Co. Press Release

Houston Lighting & Power Company (HL&P) announced today that it has decided to reallocate responsibilities for certain functions for the completion of the South Texas Project (STP).

Although contractual negotiations have not yet been completed, HL&P and the Bechtel Power Corporation (Bechtel) have agreed in principle that Bechtel will provide technical assistance consisting of the review of the existing engineering, design and construction activities and their associated records in order to "benchmark" project status, to verify conformance with applicable requirements and practices and to prepare a project completion cost and schedule forecast. In addition, after an orderly transition period, Bechtel will assume responsibility for engineering, design and construction management services necessary to complete the project. Brown & Root (B&R), the current contractor at STP has been asked by HL&P to continue to perform the construction work at the STP.

"These steps are being taken after careful review of the status of the project," said Don Jordan, President of HL&P, "in order to bolster engineering and construction management activities. The availability of Bechtel's personnel will enable design and engineering to progress more expeditiously, and will strengthen the scheduling and planning functions.

~~Jordan said that these matters had been discussed with Mr. Thomas Feehan, President of B&R, who had expressed B&R's determination to cooperate fully in the transition.~~

Delet
JF
9/24/81

September 23, 1981

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Remove
Per Tom Feehan
9-24-81
9:30 A.M.
no other Citings

SW PRESS DAL

HOU LP HOU

STATEMENT BY DON D. JORDAN, PRESIDENT, HOUSTON LIGHTING & POWER COMPANY

SEPT 24--HOUSTON LIGHTING & POWER COMPANY HAS DECIDED TO REALLOCATE RESPONSIBILITIES FOR CERTAIN FUNCTIONS FOR COMPLETION OF THE SOUTH TEXAS PROJECT.

ALTHOUGH CONTRACTUAL NEGOTIATIONS HAVE NOT YET BEEN COMPLETED, HL&P AND THE BECHTEL POWER CORPORATION HAVE AGREED IN PRINCIPLE THAT BECHTEL WILL PROVIDE TECHNICAL ASSISTANCE CONSISTING OF THE REVIEW OF THE EXISTING ENGINEERING, DESIGN AND CONSTRUCTION ACTIVITIES AND THEIR ASSOCIATED RECORDS IN ORDER TO "BENCHMARK" PROJECT STATUS, TO VERIFY CONFORMANCE WITH APPLICABLE REQUIREMENTS AND PRACTICES AND TO PREPARE A PROJECT COMPLETION COST AND SCHEDULE FORECAST. IN ADDITION, AFTER AN ORDERLY TRANSITION PERIOD, BECHTEL WILL ASSUME RESPONSIBILITY FOR ENGINEERING, DESIGN AND CONSTRUCTION MANAGEMENT SERVICES NECESSARY TO COMPLETE THE PROJECT. BROWN & ROOT, THE CURRENT CONTRACTOR AT STP, HAS BEEN ASKED BY HL&P TO CONTINUE TO PERFORM THE CONSTRUCTION WORK AT STP.

THESE STEPS ARE BEING TAKEN AFTER CAREFUL REVIEW OF THE STATUS OF THE PROJECT IN ORDER TO BOLSTER ENGINEERING AND CONSTRUCTION MANAGEMENT ACTIVITIES. THE AVAILABILITY OF BECHTEL'S PERSONNEL WILL ENABLE DESIGN AND ENGINEERING TO PROGRESS MORE EXPEDITIOUSLY AND WILL STRENGTHEN THE SCHEDULING AND PLANNING FUNCTIONS.

-30-

FOR MORE INFORMATION CONTACT DR. DON BEETH, (713) 229-7305

SW PRESS DAL

Management Bulletin

Houston Lighting & Power Company

H0303927

September 24, 1981

The following statement was issued this afternoon by Mr. Jordan:

Houston Lighting & Power Company has decided to reallocate responsibilities for certain functions for completion of the South Texas Project.

Although contractual negotiations have not yet been completed, HL&P and Bechtel Power Corporation have agreed in principle that Bechtel will provide technical assistance consisting of the review of the existing engineering, design and construction activities and their associated records in order to "benchmark" project status, to verify conformance with applicable requirements and practices and to prepare a project completion cost and schedule forecast. In addition, after an orderly transition period, Bechtel will assume responsibility for engineering, design and construction management services necessary to complete the project. Brown & Root, the current contractor at STP, has been asked by HL&P to continue to perform the construction work at STP.

These steps are being taken after careful review of the status of the project in order to bolster engineering and construction management activities. The availability of Bechtel's personnel will enable design and engineering to progress more expeditiously and will strengthen the scheduling and planning functions.

###

Received
9-24-81

DSG

1:30 P.M.

Proposed release from B&R:

HL&P has informed Brown & Root that it has decided to make a basic change in Brown & Root's role in the South Texas Project. HL&P has negotiated with another firm to assume the engineering and construction management responsibilities for the project and has asked Brown & Root to continue to perform construction. Brown & Root intends to cooperate fully with HL&P in making this change, and it has the question of its future role in the project under study.

0319916

TEXT OF HOUSTON LIGHTING & POWER CO.
PRESS RELEASE

On September 24, 1981, HL&P announced that it had decided to reallocate responsibilities for certain functions of the South Texas Project. The planned reallocation contemplated that Bechtel would assume responsibility for engineering, design and construction management services. Brown & Root was asked by HL&P to continue to perform the construction work. It became apparent Wednesday that Brown & Root and HL&P could not reach agreement on the basis for Brown & Root's remaining as constructor. As a result, HL&P is considering several options regarding a new construction contractor.

HL&P said that the details of the transition will be worked out over the next several weeks."

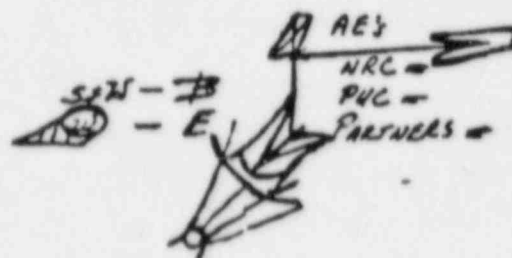
Houston Lighting & Power Company (HL&P) announced today that it is considering a change in responsibility for certain functions on the South Texas Project (STP). "We are reviewing this matter very carefully", said Don Jordan, President of HL&P, "and expect to reach a decision in the next few weeks."

"While the quality of the construction to date is satisfactory" said Don Jordan "we are considering these measures in order to strengthen engineering and construction management activities."

Jordan said that these matters had been discussed with Mr. Thomas Feehan, President of Brown & Root, current contractor on the STP. Mr. Feehan expressed Brown & Root's determination to cooperate fully in order to complete the Project successfully.

H 0319827

- CHANGE
- ENG'G — OTHERS
 - CONSTRUCTION — MGT OTHERS
 - CONSTRUCTION B&R



150,000

POTENTIAL PROBLEMS

— ~~REACTION~~ REACTION BY B&R
NRC
PUC

B&R

1. Threaten Salaries
2. Close job down
3. FACE SAVING
3. Support Change
4. Expedite & allow transfer of people.

NRC

1. Amend B&R
2. Trigger Hearing
3. Don't Force significant problem
4. Intervenor — claim victory
5. Would Construction be suspect?

PUC

1. Troubled by our last report
 - poor construction practices
 - Engineering
 - more efficient management
 - project well behind 1979 schedule

1. New Cost & Schedule

2. Attitude of City of Austin

a. CPL

a. Pres. Charles Rendon

b. HLP

3. [!]Forced to look at every option --- urged to do so for 8 years!

a. Going to do so --- want you to know in advance

b. No one knows this

c. ~~Obviously~~ No Decision has been made

d. Obviously move will be made without discussion with you

~~e. Cannot be done without your discussion~~

e. IF anything is done, it will be done after a great deal of discussion -- be done in such a way as to protect owners, B&R, & Project.

e

4. ENGR. IS A Question --

1. Project is of concern ^{to} all nuclear industry

2. No one believes B&R can do ENGR. job

(1) ~~Just~~ Dr. Jones is bigger now

(2) Presumably no one will get into it now

(3) Just did not bring our experience to support it when it should have been done.

(4) Didn't go out & get "the best in the world"

1. We Now Report 60% Complete on Unit 1 + Common (May 31, 1981)
2. This has to be Re-Schedule because of additional scope items (Three mile island; B&R has over-reacted punchlist installed; No. of man hours for ENGR. was estimated too low;)
On Jan. 1, 1982 There will be only 50-52% of Construction Completed.

3. Projected Construction Completion:
 - a. Last 6 mo. 1981 - 3%
 - b. Calendar yr. 1982 - 6%
 - c. " " 1983 - 12%
 - d. " " 1984 - 18%

4. Projected Slip: (\$200,000,000 Cutoff)
 - A. Golberg - 21-27 Mo. - 3.5 + 4 Billion
 - B. Barker - 24 Mo. - 1 Billion - 3.7 Total
 - C. Oprea - 24 mo. - 3.5 Billion

5. IF Brown & Root were Removed From:
 - A. ENGINEERING only - Perhaps Positive with NRC
 - B. ENGR. + Construction - " " " "

6. ENGR. Change Has occurred only once Before:

7. IF Brown & Root were Removed From:
 - A. ENGINEERING only - 1 yr. Before Sig. Production
 - B. ENGR. + Construction - Probably better to keep B&R as ENGINEERING

Time - Same
Cost - Same

8. ENGINEERING - Bechtel, Ebasco, Westinghouse.

- ✓ 1. Complete Exploratory - 7/16/81
- 2. Contract Review - 7/20 - 7/24
- 3. NRC Review - 7/20 - 7/24
- ✓ 4. M.NI - PACKAGE - 7/22
- ✓ 5. Receive M.NI - PACKAGE RESPONSE - 8/5
- 6. Review RESPONSE - 8/5 - 8/12
- 7. ESTABLISH POSITION - 8/13 - 8/14
- ✓ 8. DISCUSS WITH T.F. - 8/17
- ✓ 9. DISCUSS WITH OTHERS - 8/19
- ✓ 10. INFORM PUC - 8/27
- 11. INFORM NRR, I&E, ASLB. - 8/28
- 12. NEW AGREEMENT - 9/1

OTHER CONSIDERATIONS:

- ✓ 1) CONTACT CSW
COFA
- ✓ 2) INFORM BOARD
- 3) NEWS RELEASE

- 8/19 TIME FRAME
- 8/19 TIME FRAME
- 8/15

?

1. Complete Exploratory - 7/16/81
2. MINI-Package - 7/22/81
3. CONTRACT - REVIEW - 7/20 - 7/24
4. NRC - REVIEW - 7/20 - 7/24
5. Review Mini Package ~~and~~ Response - 8-5-81
6. Review Response - 8/5 - 8/12
7. Establish Position 8/13 - 8/14
8. Discuss with ~~Team~~ 8/17
9. ~~Have New Agreement~~
10. Inform Owner 8/19
11. New Agreement 8/28 [B&P Settlement
Tailing Agreement]
12. Inform PUC [12x3] = 36
13. Inform NRC] NRR
I & E
ASLB

[New Release - Sept 2 plus]

[illegible]