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NUCLEAR REGULATORY COMMISSION
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NOTE TO: Darrell G. Eisenhut, Director, Division of Licensing, NRR
THRU: Robert L. Tedesco, Assistant Director for Licensing, DL
Frank J. Miraglia, Chief, Licensing Branch No. 3, DL
FROM: Donald E. Sells, Project Manager, Licensing Branch No. 3, DL
SUBJECT: COMMENTS ON SOUTH TEXAS CHRONOLOGY

Per your request of January 12, 1982, I have reviewed the South Texas Chronology (Enclosure 1) and my comments are provided in Enclosure 2.

[Signature]
Donald E. Sells, Project Manager
Licensing Branch No. 3
Division of Licensing

Enclosure:
As stated

cc: R. L. Tedesco
F. J. Miraglia

NUCLEAR REGULATORY COMMISSION

Docket No. STN 50498 OL Official Ex. No. CCANP 144

In the matter of _____

Staff	IDENTIFIED	✓
Applicant	RECEIVED	
Intervenor	REJECTED	✓
Cont'g Off'r		
Contractor	DATE	8/13/85
Other	Witness	
Reporter	TATE	

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CCANP 144

Chronology of the Alleged Quadrex Conspiracy

The following chronology is the best information available to Citizens Concerned About Nuclear Power, Inc. on how the Quadrex Report finally came to the attention of the Nuclear Regulatory Commission.

At appropriate points in the chronology, CCANP offers its interpretation of the events chronicled. This interpretation led CCANP to allege there was a deliberate attempt on the part of Houston Lighting and Power management personnel to withhold the Quadrex Report from the NRC. Since the Quadrex Report contains findings which cast doubt on the entire design and engineering of the South Texas Nuclear Project, the alleged conspiracy constitutes a deliberate attempt to prevent the NRC from learning of potentially serious safety-related deficiencies at a nuclear power plant.

The South Texas Nuclear Project is two 1250 megawatt reactors under construction in Bay City, Texas. The plant is roughly fifty percent completed.

The Chronology

- April 30, 1980: Based on a three month investigation conducted by a special NRC team from November, 1979 through January, 1980, the NRC Office of Inspection and Enforcement issues an Order to Show Cause to Houston Lighting and Power, holder of the construction permit for this project. The Order directs HL&P to admit or deny the allegations contained in the Order and to show cause why the construction permit should not be suspended. The Order includes the proposed imposition of a \$100,000 fine, the maximum allowed by law at that time. The basic findings in the Notice of Violation are that numerous construction practices at the project violated NRC regulations and that intimidation and harassment of Quality Control inspectors by construction workers repeatedly occurred.
- May 23, 1980: Houston Lighting and Power responds to the Order by paying the fine, admitting to almost all the findings, and declining to ask for a hearing. In response to the findings on intimidation and harassment of QC inspectors, HL&P claims the use of numbers and letters, rather than names, in the Notice of Violation made verification impossible. Still HL&P concludes that based on their review "such instances probably did occur."
- October, 1980: As part of their response to the Order, HL&P hires Mr. Jerome Goldberg to be Vice President for Nuclear Engineering and Construction. The hiring of Mr. Goldberg is portrayed as strengthening HL&P's capability to manage the project since Mr. Goldberg is so highly qualified.

October, 1980 -

January, 1981: Mr. Goldberg reviews the work being done on the project. He becomes disturbed about the Brown and Root design and engineering program.

January, 1981: At the suggestion of Mr. Goldberg, HL&P hires the Quadrex Corporation to do a study of the Brown and Root design and engineering program. The Quadrex study will not be a complete review of all work done to date but rather a sampling of each major area of work to seek out and identify items of concern. Mr. Goldberg instructs Quadrex that neither HL&P nor Brown and Root personnel are to be involved in the preparation or editing of the report. Further Mr. Goldberg tells Quadrex not to even show him a draft. The purpose of the study is to receive an independent third party review of the design and engineering program.

CCANP Comment: Up to this point, Mr. Goldberg's approach and decisions are commendable. CCANP does note, however, that it is only after eight years of involvement in this project that HL&P hires someone competent to realize that there is a serious problem with the Brown and Root program and to take action to begin truly remedial measures.

January, 1981 -

May 7, 1981: At some time prior to the receipt of the Quadrex Report, Mr. Goldberg calls Mr. Don Sells, Licensing Project Manager, NRC to tell him a consultant has been hired to conduct an independent third party review of design and engineering. Subsequently, but also prior to receipt of the Quadrex Report, Mr. Goldberg again contacts Mr. Sells to say the receipt is imminent and to offer to meet with Mr. Sells to brief him on the findings. They agree to meet sometime the week of May 11, the first week of hearings in the operating license proceeding to be held in Bay City, Texas.

May 7, 1981: The Quadrex Report is delivered to a joint meeting of HL&P and Brown and Root personnel. Mr. Goldberg instructs Brown and Root to conduct an overnight review of the report to determine if any of the findings should be reported to the NRC pursuant to 10 C.F.R. 50.55(e).

May 8, 1981: Brown and Root tells Mr. Goldberg that only one of the more than 250 findings in the Quadrex Report are reportable to the NRC. Mr. Goldberg reviews the report and decides two others are reportable pursuant to 50.55(e). Mr. Goldberg calls the NRC office in Arlington, Texas to make the three 50.55(e) reports. The Quadrex Report is given to HL&P and Brown and Root personnel for further analysis.

CCANP Comment: On May 7, Mr. Goldberg was aware that the NRC knew a study was being done because he had already told Mr. Sells. For a major consultant study not to find at least a few reportable deficiencies would not be credible given the history of this project. An examination of the report itself shows that the findings Mr. Goldberg or Brown and Root picked are right next to other similar findings of equal or greater seriousness which were not reported. Mr. Goldberg is highly qualified. It is unlikely that on May 7 he lacked the capacity to judge the seriousness of the Quadrex findings. The Quadrex Report itself is more than 500 pages long, contains more than 250 findings, and in summary is a devastating critique of the entire design and engineering process to date at the South Texas Nuclear Project. 10 C.F.R. 50.55(e) required HL&P to report any potentially significant deficiency in design to the NRC within 24 hours of identification. But rather than even doing a 50.55(e) selection process, the hundreds of findings and the clear significance of the deficiencies found throughout the report mandated that this entire report be turned over to the NRC immediately. Instead, Mr. Goldberg reported only the three findings. This behavior coupled with the existing knowledge on the part of the NRC that the report was about to be received strongly suggests that the three findings were reported as a deliberate effort to mislead the NRC into believing the rest of the report was not seriously critical of the existing design and engineering program.

May 11 Week: The operating license hearings begin in Bay City, Texas. In the latter part of the week, Mr. Goldberg meets with Mr. Sells to discuss the results of the consultant's study. According to Mr. Sells, Mr. Goldberg mentions the three findings already reported to the NRC, tells Mr. Sells there are some general conclusions and other findings, and informs Mr. Sells that HL&P and Brown and Root are continuing their review of the consultant's report. Again according to Mr. Sells, Mr. Goldberg in no way conveyed the seriousness of the findings or sufficient detail for Mr. Sells to conclude there was a need for the NRC to see the report itself.

CCANP Comment: Mr. Goldberg's notification to Mr. Sells that a consultant had been hired and Mr. Goldberg's subsequent call to make an appointment with Mr. Sells both took place before Mr. Goldberg saw the Quadrex Report itself. The meeting took place after Mr. Goldberg had reviewed the Quadrex Report. Mr. Goldberg did not show Mr. Sells the report but

instead gave Mr. Sells only Mr. Goldberg's view of the report, a view Mr. Sells now says hardly portrayed a devastating critique. If the May 8 reporting of only three findings was indeed an attempt to mislead the NRC as to the seriousness of the findings, the briefing of Mr. Sells, assuming Mr. Sells account to be accurate, furthered the effort to mislead. But the "briefing" is more serious than the initial failure to report. The reporting decision was an internal decision of HL&P. The "briefing" was a direct encounter with an NRC official known to be interested in the review. Highlighting the three reported findings and generalizing the rest in a cursory manner would increase the likelihood the NRC would be left with the impression the remainder of the report was not a matter for serious concern. There may be some grounds for criticism of Mr. Sells for not requesting to see the report in order to make his own assessment. The NRC is often less than aggressive in seeking out problems at nuclear power plants. At the same time, the NRC appears to have a high regard for Mr. Goldberg's expertise. Mr. Sells may well have assumed that if the findings were serious, Mr. Goldberg would have said so.

May 12, 1981: At the request of Intervenor, HL&P produces a list of consultants who have been hired by HL&P to date on the project. The Quadrex Corporation does not appear on this list.

CCANP Comment: At the moment, CCANP has no knowledge of who prepared this list or how it was prepared. But CCANP does note that the Quadrex Corporation was obviously a major consultant to this project. Given the other circumstances chronicled herein, the failure to include the Quadrex Corporation on this list is at least suspicious.

May 19, 1981: While testifying in the licensing proceedings, Mr. Goldberg is asked by NRC attorney Ed Reis where HL&P has found Brown and Root lacking in the area of design and engineering. Mr. Goldberg responds in a cursory fashion identifying three problem areas and making no mention of the Quadrex Report.

CCANP Comment: With a report in excess of 500 pages documenting hundreds of deficiencies in design and engineering already in hand, Mr. Goldberg's testimony in response to the NRC question is contained in 4 pages of a transcript now 9,000 pages long. Even NRC attorneys appear to view Mr. Goldberg's

testimony as something far less than forthright. If the intent was to cover up the Quadrex Report, Mr. Goldberg's testimony certainly furthers that goal. The effect of such testimony would be to reinforce Mr. Sells impression that the Quadrex Report had found very little wrong.

- June 21, 1981: Citizens Concerned About Nuclear Power receives a call from someone giving a name which later turns out to be false. The caller claims to be an HL&P Quality Control inspector. Among various allegations, the caller states that HL&P management blocked HL&P QA from issuing a stop work order to Brown and Root design and engineering based on the lack of an implementation plan for the past five years.
- June 22, 1981: CCANP reports the allegations to Mr. Richard Herr, NRC investigator, Region IV, Arlington, Texas.
- July 29, 1981: Mr. Herr and Mr. Joseph Tapia of Region IV come to San Antonio to discuss the allegations with CCANP. The purpose of the meeting is to clarify the allegations prior to investigation.
- August, 1981: Mssrs. Herr, Phillips, and Gagliardo of the NRC investigate the allegations. During the investigation, HL&P Quality Assurance personnel point to Brown and Root's access engineering as a long standing unresolved problem. The NRC investigators ask Mr. Goldberg for all documents since January, 1979 which contain information about the access engineering problem. In the documents produced by HL&P is the Quadrex Report. The investigators review the report, primarily to find substantiation for the allegation there is an access engineering problem. The investigators find such substantiation and report that information in their investigative findings. (Inspection and Enforcement Report 81-28) The investigators do not take a copy of the Quadrex Report with them.
- CCANP Comment: Mr. Goldberg did produce the Quadrex Report for the investigators. Four months after HL&P received the Quadrex Report, NRC personnel finally get a look at the findings. Mr. Goldberg knew that the investigators had been talking with HL&P QA personnel aware of the existence of the report. He could not know if the investigators were aware of the report when they requested documentation of the access engineering problem. Perhaps Mr. Goldberg was merely responsive to the request. Perhaps he decided that not producing it would clearly appear deliberate if the NRC had to ask for it. Perhaps he wanted to get rid of Brown and Root and revealed the report to force HL&P action. Only Mr. Goldberg knows, and no one is asking him.

Late August -

Early September: NRC investigators involved in 81-28 inform Mr. Sells that they have seen the Quadrex Report and that the report seems to be an important document. It is possible that Region IV, NRC initiated contacts with HL&P regarding Region IV receiving a copy of the report, but there is no indication that Region IV received such a copy prior to the first week of October.

September 14, 1981: The operating license proceedings are in session in Houston, Texas. Mr. Sells is present. Mr. Sells requests a copy of the Quadrex Report from HL&P and spends the morning reviewing the report. This is the first time Mr. Sells has seen the report itself.

September 14 Week: During this week of the hearings, Mr. Sells informs Mr. Ed Reis and Mr. Jay Gutierrez, NRC attorneys in the licensing proceeding, about the Quadrex Report and gives them a synopsis of the findings. Mr. Sells discusses with Mr. Reis and Mr. Gutierrez whether the report should be sent to the Licensing Board.

CCANP Comment: Four months after his meeting with Mr. Goldberg, Mr. Sells sees the Quadrex Report. His response is to go straight to Mr. Reis and Mr. Gutierrez, a response completely different from his inaction after the May meeting with Mr. Goldberg. Mr. Sells' response in September supports the proposition that Mr. Goldberg in no way informed Mr. Sells of the seriousness of the report during the May meeting. At the same time, Mr. Sells is aware in September that other NRC personnel have seen the report in August and that these personnel are concerned. This development may well have increased Mr. Sells motivation to go to Mr. Reis and Mr. Gutierrez.

September 21 Week: Upon their return to Washington, apparently in the first day or two of this week, Mr. Reis or Mr. Gutierrez call HL&P and offer them the option of sending the report to the Licensing Board or having the NRC do so. HL&P agrees to send the report.

September 24, 1981: In a rushed decision in which even the partners in the project are not consulted, HL&P announces their decision to remove Brown and Root as architect-engineer.

CCANP Comment: Now that Houston Lighting and Power is forced to release the Quadrex Report to the Licensing Board, they quickly decide to fire Brown and Root from design and engineering. HL&P had the Quadrex Report in hand for more than four months and did not fire Brown and Root. CCANP concludes that HL&P believed that once the Licensing Board saw the Quadrex Report, they would react strongly. This belief would be further support for the allegation that the withholding was a deliberate effort to prevent the NRC from taking regulatory enforcement actions. The allegation is that HL&P was afraid of what the NRC would do if they saw the report, so they hid the report.

September 28, 1981: HL&P sends a letter to the Licensing Board informing them that the Quadrex Report will soon be sent.

CCANP Comment: Even the final release of the Quadrex Report by HL&P was in a manner designed to minimize the impact. Only six copies went out. Three went to the members of the Licensing Board. One went to Mr. Reis. One went to Citizens for Equitable Utilities. One went to CCANP. No copy was sent to the Attorney General of Texas, an inactive party to the licensing proceeding but still a party. No copy was sent anywhere else within within the NRC structure, such as Nuclear Reactor Regulation.

October 6, 1981: At a meeting in Bethesda, Maryland, Victor Stello, Director, Inspection and Enforcement, NRC asks HL&P when Brown and Root will no longer be performing any design and engineering work on the project. Mr. Stello insists on an answer and appears angry over the revelation of deficiencies in the Quadrex Report. Mr. John Collins, Region IV Administrator, NRC asks if further 50.55(e) reports, other than the three from May 8, will be coming based on the Quadrex Report. HL&P responds that they have not decided yet.

October 16, 1981: HL&P sends a letter to Region IV NRC requesting permission to proceed with significant safety-related construction activities at the nuclear plant. Such permissions have been required since the Order to Show Cause.

CCANP Comment: Since the Quadrex Report called into question the entire design and engineering program at the project, CCANP believes the appropriate response on May 8 would have been to issue a stop work order and suspend construction until the concerns raised by the Quadrex Report were resolved. Instead, HL&P continued to request permission for further work.

October 28, 1981: Citizens for Equitable Utilities files a petition with the Nuclear Regulatory Commission to suspend all construction at the South Texas Nuclear Project until a thorough review of the Quadrex Report is completed and a full adjudicatory hearing convened before an NRC appointed board can evaluate that review.

October 30, 1981: The Commissioners request copies of the Quadrex Report from their staff. Apparently, the Commission was unaware of the report until the motion to suspend construction was filed.

CCANP Comment: The NRC staff received the Quadrex Report the first week of October. Yet by October 28, the staff had not provided the report to the Commission. CCANP has seen extensive evidence over the last three years that the NRC staff tries to retain complete control over what happens in the agency. In the licensing proceeding, NRC attorneys often treat the Licensing Board as totally dependent on the desires of the staff in conducting the hearing process.

October 30, 1981: The October 16 letter requesting permission for HL&P to continue major safety-related construction prompts the Licensing Board to hold a special meeting in Washington, D.C.. The purpose of the meeting is to consider whether a hearing should be scheduled to discuss the proposed construction. The Board is disturbed by the removal of Brown and Root as architect-engineer, the repeated reports Brown and Root will also lose the construction contract, and the Quadrex Report.

October 30, 1981: Houston Lighting and Power attorneys hand deliver a letter to the Board requesting they not schedule a special hearing or that they at least have a conference call to discuss whether to hold such a hearing.

October 30, 1981: The Board ignores the HL&P letter and issues an order scheduling a special hearing the week of December 8. The Board raises eight questions to be answered, two directly relating to the Quadrex Report findings.

November 5, 1981: HL&P announces they are unable to negotiate a contract with Brown and Root for continued construction. Brown and Root will, therefore, be leaving the project as constructor.

November 9, 1981: HL&P announces the suspension of all work at the project except maintenance and protection of existing structures. The suspension will probably last for six months.

November 19, 1981: The NRC is called before the Subcommittee on Energy and the Environment of the House Interior Committee. Mr. William J. Dircks, Executive Director for Operations, NRC testifies that "Though we were aware of Quality Assurance problems at South Texas and had cited the licensee for a breakdown in their Quality Assurance program in April, 1980, the magnitude of potential problems was not fully appreciated until we first reviewed the [Quadrex] report in August, 1981."

CCANP Comment: In judging the conspiracy allegation, it is useful to note the reaction of various NRC personnel when they get a chance to see the report. The NRC investigators who saw the report in August went to Mr. Sells to alert him to its importance. After Mr. Sells saw the report September 14, he went to Mr. Reis and Mr. Gutierrez to brief them on the report and to discuss the need for the Board to see the report. Mr. Reis and Mr. Gutierrez decided very shortly thereafter to tell HL&P to send the report to the Board or NRC would do so. When the Board saw the report, they held a special meeting and scheduled a special hearing, in part to consider an immediate response to the report. When Mr. Stello saw the report, he was determined to stop Brown and Root from doing any further design and engineering work. When Mr. Dircks saw the report, he concluded the magnitude of potential problems revealed was greater than the problems producing the Order to Show Cause of April, 1980. So from top to bottom, the NRC reacted to the Quadrex Report as a very significant document to them as regulators of this plant. While subsequently the NRC has begun backing away from the implications of the alleged conspiracy, the initial reactions show the truly shocking nature of the findings. Yet HL&P would have us believe that there was no need for the NRC to see this report.

November 23, 1981: CCANP files a lengthy motion with the Licensing Board requesting admission of 26 new contentions to the expedited proceeding now in progress. Among the new contentions are the alleged conspiracy and the failure to report Quadrex findings within 24 hours pursuant to 10 C.F.R. 50.55(a).

November 25, 1981: CCANP files a motion requesting the Licensing Board issue a recommendation to the Commission that an order to show cause be issued as to why the construction permit for this plant should not be revoked. The bases for the motion are the handling and substance of the Quadrex Report and the past history of HL&P.

December 3, 1981: HL&P attorneys send all parties to the licensing proceeding a letter setting forth their views on where the licensing proceedings should go from here. They state that the CCANP contention on conspiracy is baseless. They further state that the purpose of the Goldberg-Sells meeting the week of May 11 was to bring Mr. Sells "up to date" on the third party independent review of design and engineering. The letter says: "Mr. Goldberg described the report as containing a number of specified findings, as well as certain general conclusions, and pointed out a number of matters requiring detailed review had been identified, mentioned that Region IV had been notified of three deficiencies deemed reportable, and summarized the Company's plans for reviewing and evaluating the report."

CCANP Comment: The December 3 letter appears to be a direct challenge to Mr. Sells' recollection of the meeting. (See Page 3 above). At the same time, the letter does not say Mr. Goldberg told Mr. Sells what the specified findings were, what the general conclusions were, or what matters required detailed review. 50.55(e) requires construction permit holders to report the identification of any significant design deficiency requiring extensive evaluation within 24 hours. If Mr. Goldberg did say a number of matters requiring detailed review had been identified, Mr. Sells might well have inquired whether all those matters were included in the 50.55(e) reports. Still, the burden in the NRC process was on Mr. Goldberg to be forthcoming. Given the circumstances, his failure to actually give the report to Mr. Sells is far more serious than Mr. Sells failure to inquire as to more detail. The self policing nature of the NRC regulatory process and Mr. Sells opinion of Mr. Goldberg may well have given Mr. Sells a false sense of security that the report or further findings would be turned over to the NRC if warranted.

December 8, 1981: The Licensing Board convenes a prehearing conference to discuss further hearings in the expedited phase. (The hearing scheduled in the Board's October 30 order was later cancelled when HL&P suspended construction and withdrew the October 16 letter.) At the prehearing conference, the Board initially suggests that the ongoing proceeding be expanded to include the handling of the Quadrex Report. The NRC staff and HL&P attorneys argue that all Quadrex related matters should wait until the Bechtel Power Corporation, recently engaged by HL&P, completes their review of the Quadrex Report.

The Bechtel review and analysis are expected to take six months to a year. CCANP argues that the alleged conspiracy and failure to report are not affected in any way by what Bechtel finds. CCANP further argues that these allegations are so serious that they should be treated in an expeditious fashion by including them in the current proceeding. The Board backs away from its original position and puts off any inquiry into the alleged conspiracy or failure to report until Bechtel is finished. The actual hearings on these allegations will probably not be held until late 1982.

CCANP Comment: Basically what the NRC staff did on December 8 was to convince the Board to ignore the seriousness of the alleged conspiracy and failure to report until the record can be loaded up with Bechtel criticisms of everything Quadrex Corporation did. The NRC staff went so far as to downplay the testimony of their highest staff officer to Congress, emphasizing that Mr. Dircks was only saying there might be a problem, not that the Quadrex Report itself is evidence of a serious breakdown in Quality Assurance which should have immediately been reported to the NRC. CCANP believes the NRC attorneys, involved in this chronology, knew enough to know that the conspiracy allegation and the failure to report might well be proven if hearings were held immediately. They took a position designed to give HL&P the longest possible opportunity to direct attention to irrelevant considerations in an effort to minimize the allegations. Furthermore, HL&P had an opportunity to urge immediate hearings to remove the cloud these allegations place over their management. They argued against being given that opportunity. The NRC had an opportunity to urge an immediate hearing to remove the cloud of incompetence created by HL&P's representations in the December 3 letter. The NRC argued against being given that opportunity. There is also the impact of the Board's decision on the Bechtel evaluation of the Quadrex Report. CCANP was already concerned that Bechtel has been asked by HL&P to take over the design and engineering program from Brown and Root. Bechtel has an incentive, therefore, not to conclude previous work cannot be remedied. Now Bechtel must produce a report which can ultimately be used as a defense against allegations which, if proven, would disqualify HL&P from getting an operating license. In both cases, Bechtel must produce a favorable report on Brown and Root work to date or risk losing a very lucrative contract. In the case of Quadrex, there were no such temptations.

December 14, 1981: To date, the NRC has taken no enforcement action on either the findings of the Quadrex Report or the failure of HL&P to reveal the report to the NRC.

Final Comment: Citizens Concerned About Nuclear Power, Inc. is opposed to the use of fission nuclear reactors. But we do not believe one has to be opposed to nuclear power to find the events chronicled herein disturbing. In fact, over the past three years of involvement with the South Texas Nuclear Project, CCANP's role has changed from one of raising concerns about nuclear power to becoming a private law enforcement group substituting for the NRC.

Congress created the NRC because the Atomic Energy Commission was too busy promoting nuclear power to also regulate the nuclear industry. The only job Congress gave the NRC was protection of public health and safety.

Chairman Nuncio Palladino of the NRC seems committed to a new toughness on the part of the agency, particularly where failures in the Quality Assurance program are concerned. Recent NRC actions, particularly at Diablo Canyon, supposedly manifest this commitment.

Yet in the history of the Quadrex affair, CCANP finds the NRC determined to grant an operating license to Houston Lighting and Power no matter how serious their failures in the Quality Assurance area. Even more disturbing, when a potentially disqualifying act appears to have occurred, the NRC moves to give HL&P every possible opportunity to minimize, cover up, or otherwise direct regulatory attention away from the act.

If CCANP had not received the telephone call in June and cooperated with the NRC in the investigation of the allegations, the Quadrex Report might still be hidden from NRC and public view, Brown and Root might still be architect-engineer on this project, and the construction of this nuclear plant might have continued with no NRC awareness that the design and engineering to date may have been fundamentally deficient.

It may well be that the NRC believes that getting Brown and Root kicked off this project will solve the problems. They may want to give HL&P time to get their house in order.

Mr. Goldberg is reported to be a very competent person spending seven days a week and nights trying to straighten out the mess at this project. CCANP understands that Mr. Goldberg is fighting to take greater control of the project, but he is surrounded by incompetence.

Nevertheless, the alleged conspiracy and failure to report involve HL&P top management personnel and cannot be blamed on Brown and Root. The central figure is the very person everyone was counting on to do things right. It is precisely Mr. Goldberg who bore the greatest burden in restoring some measure of credibility to HL&P's management of the project.

CCANP can sympathize with the position Mr. Goldberg may have found himself in on May 7, 1981. As a new employee, one of his first major acts - the hiring of the Quadrex Corporation - threatened to rock the project to its foundations. If he was really committed to cleaning up this project, we believe he should have turned the report over to the NRC immediately and let the chips fall wherever they landed.

Furthermore, the NRC regulatory process is almost entirely dependent on self policing by the utilities. Nothing could be more adverse to the regulatory process than the deliberate withholding of significant safety-related information by a regulatee. We cannot help but wonder how HL&P would behave if this were an operating reactor where such a report could well cause a lengthy and expensive shutdown. Would they continue to operate the reactor and not notify the NRC?

We are concerned that the NRC will give an operating license even to a company that appears to have behaved as HL&P appears to have behaved. All of South Texas, Northern Mexico, and the Gulf of Mexico stand to be the victims of such a decision.

This experience has certainly solidified our resolve in terms of opposing nuclear power plants. More importantly, we are convinced the NRC only acts when exposed, criticized, and otherwise forced to act. We hope this chronology will serve that purpose.

Dated: December 14, 1981
Austin, Texas

COMMENTS ON CHRONOLOGY OF ACTIONS RELATED
TO THE QUADREX CONSPIRACY

Page 2 January '81 - May 7, 1981

First indication and knowledge of use of an outside consultant did not come in the form of a phone call. I was verbally informed during a brief visit in Bethesda or at the meeting in Houston in February when LQB was doing the management review for preparing input to the partial SER.

The exact date of the next contact indicated was in fact on April 21. Mr. Goldberg said the report was due and some 50.55(e) reports would likely result. Subsequent to this telecon, a meeting was held in Bethesda to discuss structural backfill, Region IV representatives at that meeting were J. Tapia and R. Hall. I took this opportunity to inform R. Hall that a consultant report was due to HL&P and 50.55(e) reports may result. I suggested to Hall he notify Region IV. I have no first-hand knowledge as to whether he did or not. The offer to brief me on the report was not made until the week of the hearings in Bay City the week of May 12. The offer to brief me was made on Tuesday or Wednesday and the short 15 to 20 minutes briefing took place on Thursday or Friday.

Page 3 CCANP Comment at top of Page

The fact that more basic data was available to both HL&P and B&R could lead to a determination that other items were not reportable under the provisions of 50.55(e). This is a judgment call.

Page 3 May 11 week

HL&P and B&R were in fact doing with the report what I would expect any one to do, i.e., analyzing a report that had been generated at its own request. Many corporations, not just nuclear, will commission outside reviews in order to identify problem areas and then initiate steps to improve the operation. The HL&P in-house handling of the report appears to be proper and appropriate. Handling after receipt by HL&P is subject to litigation of Phase II of the STP hearing. Comment on this by me would be premature at this time.

Page 3 CCANP Comment at the bottom of the Page

The appointment was not made prior to the receipt of the report by Mr. Goldberg. In the briefing Mr. Goldberg identified the areas reviewed and briefly described the categories of findings. I should note that Mr. Goldberg gave me the impression that he fully intended to pursue each item in detail and take any necessary action to assure adequate coverage.

Page 4 CCANP comment after May 12 entry

Although not identified as Quadrex, Nuclear Services Corporation, that is identified in the list, later became the Quadrex Corporation. A request for a list of consultants was made by CEU at the hearings. I was told that subsequent to that request on the record; applicant counsel and CEU counsel discussed what the list should consist of. Without knowledge of that discussion and assuming agreement was reached, I cannot make a judgment as to why Quadrex was not identified on list.

Page 5 Last of CCANP comment which begins on the bottom of Page 4

I have never stated that my impression was "that the Quadrex Report had found very little wrong." On the contrary, I was aware that there were a large number of findings and that each needed to be addressed and corrective action initiated where necessary. The choice of words by CCANP is misleading and putting thoughts in my mind that are simply not true.

Page 6 CCANP comment after September 14 week entry

Interesting conclusion by CCANP. The fact is that the Region IV investigators advised me of the content of the report on August 27. At that time I advised management that I felt it would be important for me to see the report, which I did in September. Again recognizing the general nature of the report and lack of detailed basic information, I was not alarmed but did feel that the case attorney's should be aware of the contents of the report.

Page 6 September 21 week

I recall that the option given to HL&P was made during the hearings the previous week. HL&P's agreement to supply the report was made subsequent to that conversation and could well have been during the week of September 21.

Page 7 CCANP comment at top of Page

CCANP conclusion only. In actual fact I am aware that HL&P was considering a range of options with regard to design before even receiving the Quadrex Report. These options varied from hiring outside firms to do all or part of subsystem design, even the thought of complete replacement of B&R was considered an option. Hence, I can not conclude, as does CCANP, that the release of the Quadrex Report to the Board forced HL&P to the decision to "fire" B&R.

Page 7 October 6, 1981 Entry

My recollection of the October 6 meeting does not include the response given in the last sentence. In my conversations with HL&P since my briefing in May, I have been consistently informed that further review of the Quadrex items confirmed that no additional 50.55(e) items have been found. This is significant since I am certain detailed review continued during the entire period and in fact is still being pursued now by Bechtel.

Page 7 CCANP comment at bottom of Page

I have a problem with the May 8 dates. NRC did not have a basis for such an order on that date since the entire contents of the Quadrex Report were not known at that time.

Page 10 CCANP comment

I do not agree with CCANP's conclusion. I have no argument with the content of the HL&P December 3 letter. Mr. Goldberg's recollection of topics covered may not be identical to mine but I cannot discount the fact that his recollection may be more accurate. I see no direct challenge. I should also state that I took no notes at the May briefing. Referring to my previous comments, I would like to reiterate that Mr. Goldberg did not down-play the magnitude of the items in the report; but left me with the impression that he fully intended to evaluate them all.

Page 12 Final comment continuing on Page 13

An interesting final argument, but uses CCANP interpretation of the facts which in my view are not entirely in accord with my recollection and understanding as reflected in my preceding comments.


Don E. Sells