

50-498/499 01

I-CCANP-83  
7/14/85

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

September 22, 1981  
USNRC

'85 OCT -4 AM 1:16

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

8510290131 850716  
PDR ADOCK 05000498  
Q PDR

CCANP #83 E 81000

Report No. STN50-49802  
in the matter of CEALUP #83  
NULLAN REGULATORY COMMISSION

REPORTED ☒ RECEIVED ☒  
DATE 7/16/85

Witness \_\_\_\_\_

Other ☒ Contractor ☒ County Clerk ☒ Intervenor ☒ Applicant ☒ Sheriff ☒

Reported 1973

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.

At 3:08 Mr. Muench asked for the commercial slides, whereupon Mr. Goldberg presented the Bechtel commercial proposal, which involved a \$12 million fee, a \$15 million incentive item and a \$10 million penalty max. The Bechtel proposal also involved a 2.38 multiplier for manhours between 0 and three million, a 2.24 multiplier for manhours between three and four million and a 2.18 multiplier for manhours over four million. Site professionals would be billed at a multiplier of 1.82.

Mr. Goldberg next presented a slide concerning Ebasco commercial items, which included multipliers of 2.10 and 1.69. He then presented the Stone & Webster multipliers of 1.86 and 1.35.

Mr. Goldberg advised that 10 million manhours to go at \$35 per manhour would come out to \$350 million. [He first then multiplied this figure by 2 for the markup but later reversed this, explaining that the markup was already in the \$35 per manhour.]

About 2:27 there began a discussion regarding the completion date for Unit No. 1, based on the assumption that a 1.5% per month reflected full steam production. I am not certain that I got these numbers right but if '82 was assumed to produce 0%, '83 12%, '84 18% and '85 12%, this would make a total of 42% in those years on a plant which is now about 50% completed, leaving part of the work to be done in '86 (this would presumably be consistent with a late 1986 fuel load date?).

At 3:33 Mr. Jordan stated that HL&P was convinced, and will recommend to the other participants, that Brown & Root be replaced as engineer and construction manager. He then reviewed the potential replacements:

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.

E8-005



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.

Bechtel's total people resources, in the range of 22,000, are tremendously important (he noted that Brown & Root hasn't had the resources, couldn't get the resources or didn't know they needed the resources). If the new engineer has to take over construction, in addition to engineering and construction management, Bechtel is much stronger in this area.

Bechtel is better equipped to do the startup of the plant after the construction is complete.

Mr. Jordan reported that Mr. Reinsch of Bechtel is in London now and will try to get to Houston as soon as possible.

At 3:45 Mr. Hancock suggested periodic meetings between Jordan and Bechtel's CEO until construction progress is up to 1.5% per month.

Mr. von Rosenberg inquired whether Bechtel would accept the existing engineering, to which Mr. Jordan replied in the negative. Mr. Jordan explained that the engineering done to date would have to be checked and Bechtel would have to be satisfied with it before any additional work was done based thereupon.

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 four had proved to be acceptable. However, Mr. Goldberg mentioned (not by name) an engineer at Brown & Root who he thought was better if Goldberg 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.

Mr. Hancock inquired whether this meant that the new AE would be more responsible and HL&P less for the day to day work. I did not understand Mr. Goldberg's answer but it involved a long description of the staff changes he has made since he came in October of 1980. Mr. Poston asked if the changing of AEs was within the prerogative of the Project Manager, to which Mr. Jordan answered in the affirmative. Mr. Cowan, apparently thinking that Mr. Poston was talking about the Brown & Root contract, answered with respect to the Brown & Root contract, insofar as it involved a change in Brown & Root's scope under Section 3.4.

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-delegable 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:10

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.

EX-11