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INVESTIGATIVE INTERVIEW
OF
JOHN B. WATERS

APPEARANCES:
DAN MURPHY
LEN WILLIAMSON
MARK REINHART
LARRY ROBINSON

DEBORAH BAUSER, ESQ.

TAKEN: April 23, 1987, at Knoxville, Tennessee.

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EXHIBIT 91

1 MR. MURPHY: For the record, it's now 3:30 p.m., April 23,
2 1987. This is an interview with John B. Waters,
3 is that correct?

4 MR. WATERS: Right.

5 MR. MURPHY: Who was employed by Tennessee Valley Authority.
6 Location of interview was at Tennessee Valley
7 Authority corporate headquarters Knoxville,
8 Tennessee. Present for interview is E. L.
9 Williamson, Mark Reinhart, Larry Robinson,
10 Deborah Bauser, an attorney representing Mr.
11 Waters, and Dan Murphy. As agreed, this is being
12 transcribed by a court reporter. The subject
13 matter of this interview concerns TVA's March 20,
14 1986 response NRC regarding their complaints with
15 10 CFR 50 Appendix B. Mr. Willis, will you please
16 stand and raise your right hand?

17 MR. WILLIAMSON: Waters.

18 MR. MURPHY: Do you swear or affirm that the statement you
19 are about to give is the whole truth and nothing
20 but the truth, so help you God?

21 MR. WATERS: I do. Are you going to make a copy of this
22 available to me?

23 MR. MURPHY: We will.

24 MR. WATERS: Thank you. I'd appreciate it, yeah.

25 MR. MURPHY: This is going to be at the end of our field

1 work. We've explained that or discussed that.

2 MR. WATERS: All right.

3

4 EXAMINATION OF MR. JOHN B. WATERS, JR.:

5

6 MR. MURPHY: Mr. Waters, would you please give us a little
7 bit of background about yourself?

8 MR. WILLIAMSON: Could we get...

9 MR. MURPHY: Oh, excuse me. I'm sorry.

10 MS. BAUSER: My name is Deborah Bauser. I'm a partner with
11 the law firm of Shaw, Pittman, Potts and Troubridge
12 of Washington, D.C. My firm has been hired by
13 TVA to provide assistance on certain NRC legal
14 regulatory matters, and I'm here today representing
15 Mr. Waters.

16 MR. MURPHY: Let me try it one more time, Mr. Waters. Would
17 you please give us a little background about your-
18 self?

19 MR. WATERS: Sure. My name is John B. Waters, Jr. I was
20 born and reared in Sevier County, Tennessee, which
21 is a county 25 miles east of here, Knoxville. Lived
22 there all my life with the exception of the time I
23 spent in the Navy and in school and some in
24 Washington. I graduated from the University of
25 Tennessee with a degree in finance. I spent three

1 years in the United States Navy as a naval officer
2 on a destroyer in the Atlantic during the Korean
3 War. Came back to law school, and practiced law
4 in Sevier County. Since that time, with the
5 exception that I was federal co-chairman of the
6 Appalachian Regional Commission from 1968 to 1971,
7 somewhere in there, I was appointed to the TVA
8 board by President Reagan, confirmed by the United
9 States Senate, and sworn in in August of 1984.
10 What else do you need?

11 Q That's fine. As we explained in our opening
12 remarks, we were looking into the March 20, 1986
13 letter by Mr. White to the NRC, and what we'd like
14 you to do, if you would, is give us some sort of
15 a chronology as you viewed it as a situation that
16 existed in TVA which led up to the hiring of Mr.
17 Whitehead as your nuclear manager.

18 A You mean you want dates, is this what you mean
19 when you say chronology?

20 Q Well, I don't -- I mean, you don't have to be
21 specific about the dates. Just -- I mean, as
22 best you can.

23 A Well, you know, I'm speaking without any notes, and
24 you're asking me here on chronology. I can
25 tell you that -- well, of course, when I came

1 to the board, in the fall of 1984, Sequoyah was
2 operating, Browns Ferry was operating. I was
3 informed that we expected Watts Bar plant to
4 come on the line the following spring, something
5 like April of 1985. I recall going to Watts Bar
6 and going in and getting my first tour through
7 the plant sometime earlier that spring. It
8 seemed that a number of problems commenced to
9 occur that year, the year of 1985, of course. We
10 closed down -- well, first, all units were down
11 in Browns Ferry, and had elected -- the board
12 decided not to bring them back up because there
13 were just so many modifications we hadn't made
14 and concerns we weren't comfortable with. We
15 closed down Sequoyah because of a report from
16 a consultant on our environmental qualification
17 problem there. We were -- the problems came to
18 light that we weren't aware of relative to Watts
19 Bar. We commenced the employee concern program.
20 I'm really going very fast over an awfully lot of
21 ground. We -- I began to be concerned that we
22 didn't have an adequate nuclear management team
23 in place. We, too, had lost a lot of senior
24 nuclear people because of inability to pay them,
25 and for other reasons. So we began to look first

1 for what we thought would be just a consultant.

2 Q Uh-huh.

3 A And as time went on and it became more and more
4 obvious to me that we really needed to make a
5 change in our nuclear -- our senior nuclear
6 management. The manager of nuclear power,
7 number one, and probably some other additions
8 that we needed. We were looking for, as I said,
9 first a consultant. It's very hard to find people
10 that are qualified. Certainly when a program is
11 as big as TVA's program, in talking to a number
12 of people, Steven White's name was mentioned. We
13 interviewed and talked to him. He had fortunately
14 had had an opportunity as a consultant to Stone
15 Webster, who made a tour through some of the
16 nuclear facilities at TVA, so he had a very current
17 -- the least -- impression. We talked to him.
18 We decided to hire him, in I think in December,
19 and he came on board in January of 1986. That's
20 a very brief, sketchy summary. I could talk for
21 a lot longer, but I assume that's not what you want.

22 Q Do you recall a briefing given by Mr. White and
23 some consultants regarding that tour, that
24 initial assessment that they made of some of the
25 plants?

1 A Weekly, to the board?

2 Q Yes, Sir.

3 A Yes, there was a meeting, as I recall, in
4 December, that I think was the first time I
5 ever met White. I met him one time at Sequoyah,
6 and I'm not sure about which comes first, but
7 it was certainly in that time frame.

8 Q Did they give an assessment to you as to how
9 they viewed some of the problems of TVA?

10 A Well, this was a very general type assessment.
11 Didn't get into anything or real specifics. The
12 bottom line was we had some problems. We needed
13 an infusion, a new management, which we knew, or
14 I knew. And he knew we were looking for a
15 consultant. He -- I started to say he agreed
16 to come on as a consultant. He did not prefer
17 that. At least I think maybe he did. But at
18 any rate, he said we needed a new manager, and
19 I felt like that was true, and we asked him if
20 he would be interested, and he indicated he was,
21 and that opened up, commenced the negotiations.

22 Q Can you recall if during that briefing by Mr.
23 White and that group, were there any surprises?
24 I mean, did they bring up anything that you were
25 shocked to hear, let's say, or...

1 A At that time, I don't think so. My knowledge was
2 coming very fast. You've got to realize I was
3 new on the board and new in my knowledge of
4 nuclear matters was very limited. I was learning.
5 At that point, I had talked to an awfully lot of
6 people, and I can't say that he surprised me.
7 He more confirmed, I think, my opinions.

8 Q Uh-huh. Was it a suggestion Mr. White at that
9 time to hire him, or did you think that he was
10 your man?

11 A I'm not sure I understand.

12 Q Was it -- did Mr. White suggest to you that you
13 hire him, or did you offer Mr. White the job?

14 A We asked White, "Would you be interested in
15 taking the job as manager of nuclear power?"

16 Q Uh-huh.

17 A And he said yes.

18 MR. WILLIAMSON: Was this done at this hearing, at this
19 briefing to the board?

20 A Yes. That's my recollection.

21 MR. WILLIAMSON: Was Mr. Parris there at that time?

22 A Mr. Parris was not there at that time.

23 MR. WILLIAMSON: Had he been at the board meeting and been
24 excused from the meeting, or was he just not there?

25 A It's my recollection that he had not been there.

1 MR. WILLIAMSON: So the discussion about hiring Mr. White
2 was the same day, the same time frame, as was
3 this briefing to the board on the results of
4 the management assessment by Witt?

5 A Yes, but let me add that, you know, this is not
6 something we just thought of. We had been --
7 we were already looking at White in this regard.
8 We were first looking at him as a possible
9 consultant, and when we changed over exactly,
10 I can't tell you. I don't recall exactly. It was
11 a thing that we were discussing and talking about,
12 considering.

13 Q Do you recall how you first became aware of the
14 briefing that was given to Mr. Asselstine on the
15 19th of December by Bob Sauer?

16 A No, I do not recall the exact date. It's my
17 recollection that it was the next week. I think
18 that was on -- can you tell me what day of the
19 week was the 19th?

20 Q Thursday.

21 A As I recall, it was the end of the week, and
22 early the next week, I was informed they had some
23 conflicts in the briefing with Commissioner
24 Asselstine.

25 Q Did the board request that Mr. Sauer give them a

1 briefing, a similar type?

2 A Yes.

3 Q Can you tell us how that went?

4 A Yes. Mr. Sauer and Mr. Witt and the board, the
5 general manager, I think the general manager was
6 there, and perhaps others. I would say others.
7 I just don't remember, but I would say there
8 were others included in that meeting. And we
9 asked him to tell us exactly what you told
10 Commissioner Asselstine. So he -- in effect, he
11 had his slides, handouts, whatever they were,
12 I've forgotten, but he literally went through the
13 same briefing. At least he told us that, and
14 that's what we asked him to do, that he gave to
15 Commissioner Asselstine.

16 Q Did the board direct that anything be done as
17 a result of the briefing? Did they say, "Okay,
18 go out and align an organization over here and
19 NSR resolve these issues, tell us what you think?"

20 A Well, it was obvious that, you know, we had some
21 issues that we would liked to have had resolved
22 there, because of course, as the meeting went on,
23 Mr. Witt says, you know, which I understood was
24 the same thing he did in the meeting with
25 Commissioner Asselstine, he said, "At this point,

1 I told Commissioner Asselstine this is not
2 TVA policy or opinion or official position, nor
3 is it NSR's." So...

4 Q Okay. Do you know of any activity that did take
5 place between -- or any meeting between the line
6 organization and the NSR's representative in an
7 attempt to resolve these issues?

8 A Oh, yes. I knew that -- I can't tell you
9 specifically, but I know that they were meeting as
10 professionals to try to resolve this difference.

11 Q Do you know if the meeting took -- do you recall
12 also receiving the letter of January 3? Let me
13 show you the letter.

14 A Requesting the extension?

15 Q No, it's not the request...

16 A Oh, the request from NSR.

17 Q Yes, from the NRC.

18 A NRC.

19 Q NRC asking you to determine the given rule?

20 A I remember a letter. This doesn't look like it,
21 to be honest with you, but...

22 Q Well, it might not have had all the...

23 A This is a very poor copy, and I don't remember
24 who it was from. I know that we got a letter
25 which didn't surprise me a bit. "Tell us what

1 your corporate policy is, your position is." Is
2 this the letter?

3 Q Yes.

4 A Which, as I say, you know, is...

5 Q You expected that letter?

6 A After -- when we briefed a commissioner and a
7 disagreement right there in the briefing on what
8 he was told, you would expect them to want to
9 know what our position is.

10 Q Then you weren't surprised when the letter came in?

11 A No.

12 Q Do you know what steps were taken to address that
13 letter?

14 A Oh, yes. We -- you know, we asked the staff,
15 you know, to try to resolve the matter. See if
16 we can come up to a position that they were
17 comfortable with and that they could recommend
18 to the board.

19 Q Uh-huh. Do you -- this is a letter of January 9,
20 and it's from Mr. Dean to Mr. Denton at NRC
21 requesting an extension. Are you familiar with
22 that?

23 A I know that since the letter was written, this --
24 your letter just don't look like our letter, so
25 I take it that this is it.

1 Q In this case, that is your letter. That's one that
2 TVA gave to us, so...

3 A Yeah, that looks familiar, but -- okay.

4 Q Okay. Let me read a couple of lines to you and
5 just get your opinion as to what they mean. It
6 says in order to adequately respond to the inquiry,
7 TVA board concurrence would be needed after
8 consultation with the staff. What is your
9 view, right, because everyone has different views
10 as to what all this means. What is, in your view,
11 the board concurrence mean?

12 A Well, I don't know. I've never considered it
13 from that exact language, but it would seem to me
14 that it's rather apparent when you have a difference
15 of opinion in your staff, somebody has to resolve
16 that difference. Now, whether this was going to
17 arrive as finally to a decision that had to be
18 made by the board, at that time I don't think
19 we knew, but we knew that certainly NRC was entitled
20 to a corporate position.

21 Q Uh-huh.

22 A And that's what I think they meant.

23 Q I mean, was this ever raised to the point where
24 the board had to make the final decision on it,
25 do you know?

1 A Not that I recall.

2 Q Okay. And I think you probably at least, that

3 quotes to my next question. It says the situation

4 apparently involved differing professional

5 opinions within TVA. Did the board -- if an

6 issue was raised to the board on the difference

7 professional opinion, would you'all render --

8 would have rendered a decision on it? Is that

9 typical...

10 A Well, I don't know as that's ever happened. In

11 a situation where you had a very technical

12 matter, I think the board would make every effort

13 to get this resolved on a staff level, because

14 I would find it very difficult to take two

15 professional engineers who have a difference of

16 professional opinion, and try to resolve that.

17 One, it would take me an awfully long time to

18 do that, and I would prefer that it be done more

19 on a professional staff level, because I would

20 feel more comfortable with it. And in effect,

21 that's what happened here.

22 Q But as you view it, then, it was handled at that

23 professional level?

24 A Yes.

25 Q I know you can't always make everybody happy, but

1 you know if, in fact, Mr. Sauer was pleased with
2 the way Mr. White resolved this issue?

3 A I have never talked to Mr. Sauer about that, nor
4 have I -- do I recall hearing any expression that
5 he made.

6 Q Okay. And the only reason I'm suggesting it. I
7 think sometime after March 20 there appeared at
8 some formal congressional hearing, maybe a Dingle
9 hearing or something, where I think they did
10 express the fact that they were not satisfied.

11 A Yes. It was Sauer Dingle was on.

12 Q Yes, Sauer.

13 A Okay. I guess -- I'm sure that's right, then.
14 And I was there, so I should have heard him, but
15 I don't recall specifically his statement on it.
16 It's a matter of record down there.

17 Q Yes, Sir. But in your opinion, when the March 20
18 letter was rendered, you felt comfortable that
19 the issue had been put to rest?

20 A You know, after this conflict, this difference
21 of opinion occurred, I recall very shortly after
22 that, and it was probably after this meeting we
23 had, that I was advised that the matter still was
24 not resolved, but there was -- I know there was
25 a great deal of work done after that. You see,

1 we were not -- I don't mean to minimize this
2 matter, it was a very important matter and I
3 recognize it as an important matter, but we
4 were bringing White on board.

5 Q Uh-huh.

6 A We were looking at the entire situation, I was.
7 I mean, I had five licensed reactors that were
8 down. That had my first priority, so this was
9 not -- as important as it was, it was not
10 priority number one. We recognize -- this is
11 a matter you've got to resolve, and he says,
12 "Well, we'll get outside, independent help.
13 We will exhaust the expertise involved in TVA
14 and give everybody a chance. We'll go back
15 through NSR, and we'll go back through the TVA
16 process and make sure we've got all the input
17 there, then we'll..." White was very meticulous
18 in looking for what he says is the best help he
19 can get. I know for a fact -- the best QA
20 person he could find, because we did realize QA
21 was a problem. And we -- and then, as time went
22 on, I was advised, you know, the staff is
23 resolving the issue. It looks like they don't
24 agree with Sauer. The NSRS staff position is
25 more likely to be the staff's final position.

1 and as time went on and on and on, we became
2 more and more comfortable with obviously the
3 position that was finally taken on the 20th.

4 Q Okay. And you were of the opinion that White had,
5 in fact, taken the necessary steps to resolve the
6 issues?

7 A I was comfortable with the program and steps
8 that he seemed to outline and the way he was
9 addressing, you know, the issue. I felt like
10 one, he had no dog in that fight. There was no
11 reason for him not to be totally objective. I
12 was impressed with his own credentials. I was
13 impressed with people he brought in from outside
14 TVA. I was impressed with the way he worked,
15 the expertise inside TVA, so I had no doubt at
16 all, or no reason to doubt, the way he was
17 approaching the determination of this problem.

18 Q TVA has a series of codes that tells who will
19 do certain things. In a case where there was
20 a strong difference of professional opinion, let's
21 say, between a group of NSR's people and the line
22 organization, is it kind of the board's
23 responsibility after, say it's been addressed
24 by the general manager and we can't resolve it.
25 It is the board's responsibility to finally kind

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of say, one is right and one is wrong.

A I don't know what the code says about that. I don't know whether the code refers to that or not, but I would think that finally, it's the manager, the top manager, of the office, whatever it is, that if it was a question that had to be resolved, would eventually have to come to the Board. The buck stops here, as they say.

Q Ironically, I think that's what your code says.

A It wouldn't surprise me.

Q Okay. I don't have anything else.

MR. ROBINSON: Did you review the final March 20, 1986 letter before it went to NRC?

A No.

Q Did you review any of the iterations of the drafts of that letter?

A No.

Q Approximately how long after March 20 or after the issuance of that letter was the first time you read it, to your recollection?

A Saw the letter? That's one day that I can remember, and I don't like to state dates, but I'm 99% sure that my staff shows I saw it on the 26th.

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1 Q What did you think of when you read it?
2 A I thought it was a good, honest, forthright
3 response. I had no problem with it.
4 Q Was there any conversation that you can
5 recollect that you either participated in or
6 overheard regarding the consequences of TVA
7 saying they were not in compliance with Appendix
8 B?
9 A I'm missing the thrust of the real meaning of
10 your question.
11 Q Did you overhear or participate in any
12 conversations about the possible consequences to
13 TVA if they had said they were not in compliance
14 with Appendix B?
15 A At that time, my best recollection is no.
16 Q Okay.
17 A Now, you know, if you've got a document that I
18 initialed, I did it, but I admire your asking
19 me to speak here from recollection, and I have
20 no recollection, but I have certainly considered
21 it since.
22 Q Okay.
23 A But, you know, at that time, I didn't.
24 MR. WILLIAMSON: Let me ask one question, if I may. Between
25 January and March of 1986, were you being briefed

- 1 on the progress of Mr. White's review, had a
2 number of things going wrong, were you being
3 briefed as a board member and by whom?
4
5 A It was one of a number of things that was
6 brought up regularly. I wouldn't say daily,
7 but, you know, quite often, it was brought up.
8 I recall asking or Willis would say, we're
9 progressing on the Watts Bar matter. Appendix
10 B was the Bar matter. The QA matter. You know,
11 as I said, I don't ever recall after the sour
12 briefing, and I recall one time after that, we
13 still had the matter resolved. Every report
14 after that, subsequent to that, was affirmative.
15 We are reaching a consensus. The staff is
16 coming to a consensus. It looks like the staff
17 is going to be comfortable with the position that
18 we're in compliance, which of course, we
19 ultimately took on the 20th.
20 Q Did the board make an independent assessment of
21 the quality of Mr. White's investigation and
22 research into that matter, or did the board just
23 accept Mr. White's...
24 A We made an independent? No.
25 Q Okay.
A I recall that we were, you know, that I had no

1 reason to doubt what he was doing, and I had no
2 problem with it. I was -- I was and still am
3 impressed with what I consider his thoroughness.

4 Q Going back to the earlier briefing when Mr.
5 -- before Mr. White was hired as new power
6 manager when he did that initial assessment back
7 in late 1985, and he briefed the board on it.
8 Did that briefing take place up here in Knoxville
9 or was that down in Chattanooga?

10 A Next door in the conference room.

11 Q Other than the management problems that he
12 expressed having found in his assessment, did
13 he express any quality assurance program problems?

14 A I can't recall that. As I look back, I would
15 probably guess that that was probably one of
16 the broad areas we went over. It certainly could
17 have been, but I can't recall that.

18 Q And in view of just your knowledge, even if that
19 knowledge had been general, of the existing
20 problems in the TVA nuclear plants, they had been
21 shut down, etc., when this March 20 letter came
22 out saying you were in compliance with Appendix
23 B, you were comfortable with that answer?

24 A I absolutely had no reason to doubt the statements
25 made in that letter. I had no reason to doubt the

1 procedures that had developed, so I was comfort-
2 able with it. I recognized that it was an issue,
3 you know, that there had been a difference of
4 professional opinion. The people that I talked
5 with thought were competent, and still think were
6 competent, that I felt like it had been resolved.

7 Q In the January 1986 and February time frame,
8 there was an analysis done of some 800 external
9 documents. NRC inspection reports, INPO reports,
10 congressional correspondence, etc., which
11 categorized areas of perceived problems at TVA.
12 Are you familiar with that effort at all?

13 A Not in the terms that you described it. I don't
14 remember hearing of 800 documents, but I...

15 Q Okay...

16 A I mean, there was an effort, an ongoing effort
17 to look into this matter.

18 Q I'm talking about a specific, just an analysis
19 of correspondence, okay, not looking actually
20 at the hardware, etc., I'm just talking about
21 an analysis.

22 A I'm not familiar with it.

23 Q Okay. Does the name Craig Lundean mean anything
24 to you?

25 A Craig Lundean?

1 Q Lundeau.

2 A Lundeau?

3 Q Lundeau, yes, sir.

4 A No.

5 Q Okay. Mr. Lundeau was tasked by Mr. Kelly, who
6 was the QA manager under Mr. White. Mr. Lundeau
7 was tasked to do an assessment of the accuracy
8 of the technical information that was being
9 received in response to the NSRS perceptions,
10 okay?

11 A I have some vague recollection that there was an
12 ongoing look into, but that's just -- I don't
13 remember who did it, or really...

14 Q Oh, you're not familiar with the results of it
15 at all?

16 A No.

17 Q Okay. You may have discussed this before, and
18 stop me if we have, but if the TVA board of
19 directors were to concur in a piece of
20 correspondence that was to go to NRC, realizing
21 that the TVA board may not have the technical
22 expertise to make a judgment on a particular
23 matter at hand, that concurrence would mean that
24 the TVA board agrees with the content of that
25 letter, wouldn't it? Not just the process that

1 was used to put together the contents?

2 A Well, I don't know, you know. Every letter has
3 a different purposes, maybe answers a different
4 question or speaks to address a different
5 concern. As a director of TVA, I see literally
6 hundreds of letters that I'm asked to look at
7 before they leave. You know, occasionally,
8 only rarely, do I have knowledge enough to make
9 an input in that particular letter. What I
10 look for is to make sure that I have the best
11 people I can in place, people that I have
12 confidence in, people that I think are qualified,
13 people that I think are using the right procedures
14 to, you know, manage whatever part of the operation
15 they're supposed to manage, and I generally look
16 at the top managers, and I expect them, if they
17 have problems with that, to come tell me, and I
18 check them as best I can, so I, you know, I'm
19 not trying to say that if a letter goes out signed
20 by TVA it's a TVA letter, now, but to say that I
21 pass on technical nuclear engineering or physics
22 or chemistry that that letter might refer to
23 just because I initial it down there...

24 Q Oh, I understand that.

25 MS. BAUSER: Let me ask you to clarify something. If

1 you're excluding the technical information,
2 what are you including?

3 Q Okay. I'll give a specific example. If I
4 exclude the technical information that was the
5 basis for making the statement that TVA is
6 in compliance with Appendix B, I am excluding
7 that technical information, but I am including
8 the statement that TVA is in compliance with
9 Appendix B.

10 MS. BAUSER: So are you asking him whether he would, as
11 a board member, he personally agrees that Watts
12 Bar was in compliance with Appendix B without
13 having any knowledge of the underlying technical
14 information?

15 Q Without having -- without having the knowledge
16 that the welding, that the issues in the welding
17 concern were resolved, or that type of specific
18 technical knowledge.

19 MS. BAUSER: And you're not asking him whether -- what his
20 response -- you're not asking him whether when
21 TVA speaks, that's a board responsibility, also.
22 If you're asking about the content, I think
23 you're asking an impossible question.

24 Q Well, I guess my example was, that when, or my
25 question was, when someone, anyone, concurs on a

1 letter, officially concurs on a letter which the
2 board did not do on the March 20 letter, is that
3 correct?

4 A I'm not trying to say that this is not a TVA
5 document that was sent out under -- on our
6 letterhead. There's nothing...

7 Q I know. But my point is, is that if the letter
8 says, you know, it is our corporate position that
9 we are in compliance with Appendix B, and the
10 TVA board of directors is asked to concur in that
11 letter, I'm saying that concurrence means more
12 than yes, I agree that the process used in
13 arriving at that conclusion was okay.

14 MS. BAUSER: Well, that's your testimony. That's not what
15 any of these people are testifying.

16 Q So, that's not concurrence. Concurrence is not
17 necessarily agreeing with the content of the letter.

18 A I do not hold myself out to be an expert in
19 nuclear power. I do not hold myself out to be
20 an expert in the interpretation of NRC regulations,
21 and certainly, this, you know, I'm a lawyer, and,
22 you know, it's a very difficult matter to
23 interpret what this thing says. And even after
24 I've read it many, many times now. So, you
25 know, the fact that you're here, there's some

1 question about what this means. I recognize that's
2 a question that somebody has to address, and
3 you're trying your best to do that, and we're
4 trying our best to help you, and, you know, this
5 is where we are today. And I don't know how it
6 can be any more specific.

7 MR. MURPHY: Let me address it a little different, and
8 I tend to agree that a person with a legal
9 background probably can address technical
10 issues without some form of training or something,
11 and I think what we're trying to get, is even
12 though Mr. White signed off on the letter, it
13 still represents TVA corporate position, and if
14 it turns out that it wasn't a good decision,
15 that would not relieve you of the responsibility
16 as a director for what took place in TVA basically
17 right?

18 A I don't know that there is anybody that can write
19 a letter that's going to relieve me of my
20 responsibility.

21 MR. MURPHY: So when you concur with something like this,
22 even though you may not basically be able to
23 make that highly technical determination of the
24 facts of the letter, you still are responsible
25 for what the contents of the letter are.

1 A I'm responsible for TVA's nuclear power program,
2 as a member of the board of directors. Now you
3 can sift that down to whatever fine place you
4 want to, and you know, we're still going to get
5 back to what a reasonable assurance is. I
6 recognize that as a legal term.

7 Q Maybe I'll -- I understand what you're saying.
8 Maybe so you understand our concern, in Mr.
9 Dean's letter, he just -- whether he wishes this
10 weren't there now or not, I don't know. It says,
11 "In order to adequately respond to the inquiry,
12 TVA board concurrence would be needed after
13 consultation with staff." It's just based on
14 the English language. We were imagining some
15 sort of communication between the board and the
16 staff after the staff came to what they proposed
17 as the conclusion, say, "Board, here's our
18 conclusion. Here's the letter we propose to
19 write. We told the NRC that you'd consult with
20 us and you'd concur. Here's the letter, do
21 you have any questions?" I guess we're
22 imagining some process like that. From talking
23 to yourself, Mr. Dean and Mr. Willis, we're
24 coming to the conclusion nothing like that ever
25 happened. We're just trying to say, are we sure?

1 That's what we're really hearing.

2 A There was never, on my part, I only speak for
3 myself. I had never any reason to order that.
4 Now, the situation could have come along, and
5 it's happened, where I said, "I don't want this
6 out until I, you know, I want to see everything."
7 I've done that when I thought it was necessary.
8 I never had any reason to do that on this matter.

9 Q Okay.

10 A I don't know whether that answers your question
11 or not, but, you know, and I understand your
12 language. You know, this is part of -- NRC
13 says TVA is not communicating, communicative,
14 communicating. We need to, you know, be more
15 open. This is what happens when you're more
16 open, and...

17 Q Is it -- I guess the feeling I'm getting, we're
18 all getting this, that y'all took Mr. White and
19 placed nearly complete confidence in him to handle
20 this \$17 billion dollar investment in the nuclear
21 field. Would some communication...

22 A We were testing him almost daily at that point
23 in time. Not on this matter, but on his duties
24 as manager of nuclear power. Testing him just
25 daily. Looking, you know, tracking him, watching

1 him. We're getting, as I say, reports along on
2 this matter. And at the risk of, you know,
3 being overly repetitious, this matter, along
4 with many others that he was handling, I thought
5 he was thorough, I thought he was doing everything
6 that I could think of that he should be doing,
7 but I was looking at the programatic type
8 situation, because I'm not going to ever get
9 involved in those kind of details. Does what
10 he's doing appear to be handling the way a regular
11 prudent man would do? The way I have to look at
12 something in my background as a lawyer, what is
13 he doing? Is he demonstrating that kind of care
14 that I would expect him to? Is he taking charge?
15 Is he in command? Is he exercising leadership?
16 Is he bringing in what appear to be the right
17 kind of people? All those things I've got
18 affirmatives, comfortable feeling from.

19 Q Did the situation that arose when the NRC
20 started questioning, say, this issue, among
21 other issues. We've gone into hearings with
22 the commission, the board talking to the
23 commission, talking to congressmen. Did that
24 start to raise a question that maybe things
25 weren't going exactly as smooth as we had hoped?

1 MS. BAUSER: I'm sorry. I just lost concentration and I
2 didn't understand your question.

3 Q Okay. I'm saying that, on this daily communication,
4 we see Mr. White and his team doing well from the
5 feedback you're getting. Then, all of a sudden,
6 from the board's perspective, the board finds
7 itself getting questioned by the commissioners
8 of the NRC...

9 MS. BAUSER: What time frame are you talking about?

10 Q Between then and now.

11 A You're up to Dingle, I guess.

12 Q Yes, Sir.

13 MS. BAUSER: But it wasn't really all of a sudden. That's
14 why -- your interpretation is that it had been
15 going on already.

16 Q I'm kind of -- okay. White stepped in, and kept
17 on going. I'm building to that.

18 MS. BAUSER: Okay.

19 Q All of these things are happening. Does that
20 come up with any kind of a thought that maybe
21 things aren't going as smoothly as...

22 A No. When this happened, the lawyers come in,
23 everybody starts going back over it with a fine
24 toothed comb, you know, looking at things. What
25 did we do, you know, should we have done something

1 else? In all candor and fairness, you know, I
2 don't see anything else as we look back. Obviously
3 maybe hindsight maybe is better, but I really
4 don't know -- I can't say, ah-ha! Why didn't we
5 do this? That just doesn't come out to me in
6 this matter.

7 Q So that was kind of -- the congressional hearings,
8 a commission hearing, and the other questions all
9 compiled together was kind of normal business?

10 A I wouldn't call it normal business, you know. We
11 started reading this 20th letter, you know,
12 over and over and over, and as a lawyer, I've
13 read the thing. As a lawyer, I don't see --
14 you know, I can't say, oh well. I mean, I can
15 say, well, we should have never sent the letter.
16 Wish we'd have never sent the letter. Obviously,
17 I wish we'd never sent the letter, but you asked
18 for a corporate position, you were entitled to
19 a corporate position, and we gave you a corporate
20 position. Now, I'm not trying to be evasive, I
21 just...

22 Q No. I don't think you are. From your lawyer's
23 review, what does the word "pervasive" mean?

24 A Oh, I -- you know, fifty lawyers -- well, not
25 fifty lawyers, but a lot of lawyers to use this

1 great pervasive word. School's out, you know.
2 You cannot live past pervasive. If it's
3 pervasive, you know, it's no good. You've got
4 a defeated quality assurance program. You can
5 live through breakdown, you can live through
6 difficult problems, discrepancies, but when
7 pervasive comes, the jury finds against us.

8 MS. BAUSER: Let me ask you to clarify your question. What
9 time frame were these discussions.

10 A Oh, we're talking about way late. You know,
11 we -- as time went on, we got more serious about
12 it.

13 MS. BAUSER: When you say way late, you're talking about
14 after the letter was sent in?

15 A Oh, I'm talking about Dingle time frame.
16 The Dingle committee...

17 Q My question is, what does pervasive mean to you?
18 If it's changed over a period of time, I'd like
19 to know...

20 A Pervasive to me, you know, it's a word of art
21 that the commission and the courts have given
22 a particular meaning relative to 10 CFR, what is
23 it, 50 Appendix B. Now, I've read some of the
24 case law and briefings on it. But as I've
25 already described it, it is the word that makes

1 the difference. But it's a word of art, it's
2 not a word that you can apply to other things
3 that have the same meaning.

4 Q Has your view of that word changed from the time..

5 A Oh, yes. I never use it on any matter anymore.
6 I have erased it from my vocabulary. As President
7 Nixon's staff would say, it's inoperative.

8 Q But in your mind...

9 A I apologize.

10 Q That's fine. That's fine. I tend not to use
11 it myself. In fact, when I see it, my teeth
12 grit. From your opinion from the first time
13 you saw it in the March 20 letter till today,
14 is the definition the same to you?

15 A Oh, I didn't know -- back then, in the March 20
16 letter, I didn't realize it was that it was the
17 critical word.

18 Q I see.

19 A I read the letter. Our staff thinks we are
20 in compliance to what we've said before, we're
21 comfortable with the program. That's the way --
22 in very general terms.

23 Q Okay. Let me just switch subjects if I could
24 a minute. When the board set up the arrangement
25 with Mr. White and his advisors, the people he

1 would bring on board, how did the board view
2 Mr. Mason's role?

3 A Chuck Mason?

4 Q Yes, Sir.

5 A Mason was deputy manager of nuclear power. He
6 was number 2.

7 Q Okay. That raises a question in my mind in that
8 when you look at the March 20 letter, there was
9 a list of people that Mr. White had sign a piece
10 of paper that he called concurrence. His view
11 of concurrence. And none of those people,
12 with the exception of Kermit Witt, and if you'll
13 notice his comment, he said, "Well, I just read
14 the letter. My signature means I read the letter."
15 So other than Mr. Witt reading the letter, the
16 people that say they concur on it by their
17 signature were not permanent TVA people. I
18 guess I question why Mr. Mason wasn't more closely
19 involved.

20 A I have no idea.

21 Q Okay.

22 A I've never seen this before.

23 Q Okay.

24 MR. MURPHY: Would you have expected Mr. Mason to be closely
25 involved with...

1 A I really wouldn't have an opinion on it, you know.
2 White views Mason, I take it, in whatever role
3 they would identify him and read on.

4 Q It's White's responsibility, then?

5 A Well, you know, I think that it's both their --
6 he is the number 2 man, and I just don't have
7 an opinion about it. Didn't know that, either.

8 Q That's fine.

9 MR. WILLIAMSON: Let me ask you. Did you review the letter
10 subsequent to the March 20 letter that was June 5?
11 Well, actually, there was a May 16 letter, I
12 believe, from NRC back to Mr. White saying they
13 had some problems with the March 20 letter. Mr.
14 White replied in a June 5 letter, 1986, elaborating
15 on the March 20 letter, and than again on January
16 11, 1987, he corresponded with NRC. Did you have
17 occasion to review any of those subsequent letters?

18 A Before they went out?

19 MR. WILLIAMSON: Yes, Sir. Or before, yes, and then since
20 that time.

21 A If my initial's on them, I saw them, and I don't
22 have any specific recollection. I have seen them
23 since that time, but I'm not sure I've seen all
24 of them, but I have some -- how many letters did
25 you mention there? I do know I've seen...

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1 MR. WILLIAMSON: I mentioned...

2 A Three. He elaborated on the March 20 letter, I
3 recall, whatever date that is.

4 MR. REINHOLT: It was the June 5, 1986.

5 MS. BAUSER: Do you have the letters?

6 MR. REINHOLT: Yes.

7 A Yes, I think I read this letter -- I'm a little
8 bit more familiar with this one here, this
9 January one.

10 MR. WILLIAMSON: 1987?

11 A Yeah. I remember that. Okay.

12 MR. WILLIAMSON: Do these letters, do they pass through
13 you for review before they go out, or were
14 these -- the contents of these letters discussed
15 with you at all prior to being issued to NRC?

16 A Not content specifically. I knew that White was
17 trying to clarify there had been questions
18 raised and he was trying to clarify that position.

19 MR. WILLIAMSON: And how do you know that?

20 A I was told that. He told me that.

21 MR. WILLIAMSON: By Mr. White?

22 A Yeah. And through Willis.

23 MR. WILLIAMSON: Did he explain why he was doing this?

24 A Oh, I knew why he was doing it, the question
25 had been raised, and, you know, they wanted more

1 explanation. There was a question about it. I
2 -- I've forgotten when -- I can't tell you when
3 the first time material misrepresentation --
4 statement of facts began to loom, but certainly,
5 you know, that prompted -- I know it was raised
6 prior to the last letter. Now, whether it was
7 raised prior to June, did you say? I can't
8 remember.

9 MR. WILLIAMSON: Are you aware of anyone within TVA that
10 -- with regard to the March 20 letter that had
11 any intentions of trying to mislead or deceive
12 the NRC with regards to TVA's compliance with
13 Appendix B at Watts Bar?

14 A No, certainly not, and if I had been, I would
15 have moved very quickly. You know, I look on
16 it as my duty, is to send a clear signal to these
17 people, you know. We're not -- our commitment
18 to safety is absolute. We can't tolerate anything
19 that diminishes that, or even an attitude that
20 diminishes that. Not in this business. And I
21 try to be very careful as a director, you know,
22 what I -- what signals I send and what
23 impression I might leave sometimes. You might,
24 you know, inadvertently leave the signal that you,
25 you know, you want to move too quickly or

1 something, you know, and we just have to be very,
2 very careful. And I'm always very careful about
3 that, and then obviously, the lawyer in me would
4 get kind of exorcised if I thought somebody was
5 making a material misstatement of fact. We try
6 not to put our position -- our people in a position
7 so they're tempted to do that. It's difficult,
8 but, you know, we've gotta spend the money that's
9 necessary. I don't want these plants -- I don't
10 want quality assurance short-circuited into any
11 situation. And I have to be very careful of that.
12 I count that as an important part of board duties,
13 whereas I don't count getting involved in deciding
14 on whether this engineer is right in his or her
15 professional opinion, as opposed to engineer B,
16 as to whether or not he or she is right. Somebody
17 else has to help me in those.

18 MS. BAUSER: Would you just give us a minute?

19 (OFF RECORD)

20 MS. BAUSER: I don't -- we don't have any follow-up
21 questions, but I would like to get on the record
22 what we talked about this morning. This morning,
23 Doug Nichols, the general counsel's office, and I
24 talked to you folks about using a tape recorder
25 during these interviews, which we wanted to do so

1 that we could be sure of the accuracy of the
2 information. In other words, that nobody made
3 a mistake which they didn't have the opportunity
4 to correct. You stated that it was LY's policy
5 not to allow a tape recorder, and you didn't want
6 us to have the tape recorder. And I asked you
7 if that was your position, would we be able to
8 get a copy of the transcript in a timely manner
9 such that we could do what I described in the way
10 of correcting information. And as I understand
11 the agreement, you'all agreed that we would be
12 in a short time frame after you completed your
13 last interview, and I was talking in the time
14 frame of a week. If it's sooner, that would be
15 great, but we're not talking about a month's
16 period of time. You will send to those people
17 who have requested transcripts, which includes
18 all the people you've talked to today, a copy of
19 their transcript so that they could review it,
20 and if there are any changes, you'all will, if
21 you see fit, go back and talk to people, but they
22 will certainly have the opportunity to correct
23 their transcript if they would like to. And as
24 I understand it, that will take place before
25 you'all have synthesized all this information that

1 you've been gathering so that there is the
2 opportunity for that information to be part of
3 the input into your report, which is what's
4 important to us. Do you agree?

5 MR. MURPHY: That's what we agreed.

6 MS. BAUSER: Okay. Thank you. We have no further questions.

7 MR. MURPHY: No further questions. Do you have anything?

8 MR. WILLIAMSON: No, uh-huh.

9 MR. MURPHY: Mr. Waters, I have closing remarks. Mr.
10 Waters, have I or any other NRC representative
11 here threatened you in any manner or offered
12 you any reward in return for this tape?

13 MR. WATERS: No.

14 MR. MURPHY: Have you given this statement freely and
15 voluntarily?

16 MR. WATERS: Yes.

17 MR. MURPHY: Is there any additional information you'd
18 like to add to the record?

19 MR. WATERS: None that I can think of at this time.

20 MR. MURPHY: Mr. Waters, we appreciate you taking the
21 time to talk with us today, and sharing with us
22 your views on this matter. Thank you.

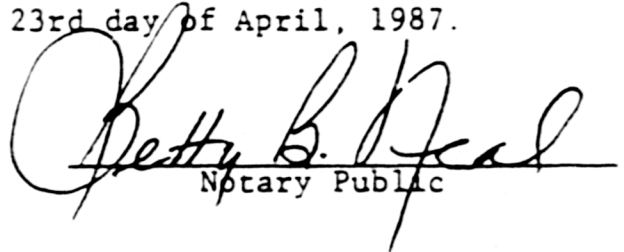
23 MR. WATERS: Thank you.

24 MR. MURPHY: This interview is concluded at 4:45, April 23,
25 1987.

C E R T I F I C A T E

I, Betty B. Neal, Notary Public and Court Reporter, Barringer Court Reporting, hereby certify that the foregoing is a true and complete transcript to the best of my ability and understanding of the testimony of MR. JOHN B. WATERS, JR., as taken on April 23, 1987.

WITNESS my hand and official seal at office at Gray, Tennessee, this the 23rd day of April, 1987.


Notary Public

My Commission Expires April 27, 1988.

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