

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

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BRIEFING ON RANCHO SECO

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PUBLIC MEETING

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Nuclear Regulatory Commission  
One White Flint North  
Rockville, Maryland

Friday, April 7, 1989

The Commission met in open session, pursuant to notice, at 10:00 a.m., the Honorable LANDO W. ZECH, JR., Chairman of the Commission, presiding.

COMMISSIONERS PRESENT:

- LANDO W. ZECH, JR., Chairman of the Commission
- THOMAS M. ROBERTS, Member of the Commission
- KENNETH M. CARR, Member of the Commission
- KENNETH C. ROGERS, Member of the Commission
- JAMES R. CURTISS, Member of the Commission

## 1 STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:

2 SAMUEL J. CHILK, Secretary

3 WILLIAM C. PARLER, General Counsel

4 VICTOR STELLO, Executive Director

5 THOMAS MURLEY, Director, NRR

6 BOBBY FAULKENBERRY

7 Deputy Regional Administrator, Region V

8 ANTHONY D'ANGELO

9 Senior Resident Inspector, Rancho Seco

10 ROY ZIMMERMAN

11 Chief, Reactor Project Branch, Region V

12 GEORGE KALMAN

## 13 SMUD BOARD OF DIRECTORS

14 JOE BUONAIUTO, President

15 DAVID COX, Vice President

16 PETER KEAT

17 EDWARD SMELOFF

## 18 SENIOR NUCLEAR MANAGEMENT

19 DAVID BOGGS, General Manager

20 JOSEPH FIRLIT, CEO, Nuclear

21

22

23

24

25

P R O C E E D I N G S

(10:03 a.m.)

CHAIRMAN ZECH: Good morning, ladies and gentlemen.

This morning the Commission has scheduled a meeting on the Rancho Seco Nuclear Generating Station. This meeting will be followed immediately by a brief affirmation session on the subject of Early Site Permits, Standard Design Certification and Combined License for Nuclear Power Reactors.

First this morning, the Commission will hear from the Sacramento Municipal Utility District, or SMUD, and from the NRC staff about the Rancho Seco Nuclear Generating Station. The Commission will hear from both the Board and the senior management responsible for operation of Rancho Seco.

This meeting this morning is intended to provide the Commission with first-hand information on the status of Rancho Seco, particularly as it relates to concerns raised by the Institute of Nuclear Power Operations, INPO, in its letter of April 4th, 1989, so that the Commission can determine if action is necessary to assure that Rancho Seco will continue to be operated safely.

In March of 1988, the NRC authorized restart of Rancho Seco following an extended shutdown period during

1 which time the licensee upgraded the physical condition of  
2 the plant and made numerous changes in the plant  
3 management and staff. The NRC has closely monitored  
4 operation of the facility and has found the performance of  
5 NRC licensed activities by the licensee to be acceptable  
6 and directed toward safe operation of Rancho Seco.

7 In fact, the NRC has viewed the activities  
8 performed by the licensee for the period July 1986 through  
9 December 1988, as improving, as noted in the recently  
10 issued NRC Systematic Assessment of Licensee Performance  
11 Report, or SALP. The NRC performance indicators for the  
12 last quarter of 1988 show that Rancho Seco, although below  
13 average when compared with older plants, has had some  
14 improving trends.

15 On Monday, April 3rd, 1989, the NRC became aware  
16 of INPO concerns which could potentially impact the  
17 operational safety of Rancho Seco. At that time, the  
18 licensee was investigating a reactor trip that occurred on  
19 March 28th, 1989. As a result of INPO concerns, the NRC  
20 requested, and the licensee agreed, that Rancho Seco  
21 remain shutdown until the INPO report had been received  
22 and evaluated by the licensee and the NRC staff.

23 Subsequently, the Commission decided that it  
24 should be briefed by the licensee and the staff on the  
25 issues raised in the INPO report.

1           The Commission this morning would first like the  
2 Board to address the concerns raised by INPO, and to hear  
3 first-hand of the Board's commitment concerning operating  
4 Rancho Seco safely.

5           Next, the Commission would like the senior  
6 licensee management, Mr. Boggs and Mr. Firlit, responsible  
7 for operating Rancho Seco, to address the readiness of  
8 Rancho Seco to continue safe operations, in light of the  
9 INPO report.

10           Lastly, the Commission would like to hear from  
11 the NRC staff, who will address the status of safety at  
12 the plant, in light of the INPO report and other staff  
13 assessments of Rancho Seco.

14           I understand that copies of the April 4th, 1989  
15 INPO letter are available as you enter the room.

16           Do any of my fellow Commissioners have any  
17 opening comments, before we begin?

18           (No response)

19           CHAIRMAN ZECH: Mr. Buonaiuto, the Commission  
20 would like to thank you and the members of your Board for  
21 coming to the Commission today on such very short notice.  
22 We are very grateful for your presence here this morning.  
23 You may proceed with your presentation when you are ready.

24           MR. BUONAIUTO: Thank you, Chairman Zech, and  
25 fellow Commissioners.

1 Good morning, my name is Joe Buonaiuto.

2 I would like to thank the Commission for the  
3 courtesy extended to us for this opportunity to appear  
4 before you. I emphasize the word "courtesy" because  
5 despite the media hype portrayal back in Sacramento, we  
6 are here by invitation, not by summons; though, had you  
7 summoned us, we would still be here.

8 I am the President of the Board of Directors of  
9 the Sacramento Municipal Utility District. Please let me  
10 introduce our team, my colleagues on the Board, and our  
11 staff.

12 To my right is our Board Vice President Dave  
13 Cox; to his right, Director Ed Smeloff; to my immediate  
14 left, Director Peter Keat; to Director Keat's left,  
15 General Manager David Boggs and, on the end, our CEO  
16 Nuclear Joe Firlit.

17 I regret that Director Cliff Wilcox was unable  
18 to join us, due to illness. And I believe you have a  
19 letter, he's has expressed his remarks in writing, and his  
20 positions on some of the issues here today.

21 CHAIRMAN ZECH: I have the letter, and I will  
22 comment on it, shortly after we begin the meeting.

23 MR. BUONAIUTO: With your permission, I intend  
24 to address the governance issues that are raised, the  
25 concerns raised in the INPO report, the report that

1 precipitated this meeting, but I would first like to state  
2 emphatically for the record that our Board understands  
3 that the primary responsibility for safety at Rancho Seco  
4 is ours. It is the responsibility of this Board, not the  
5 NRC's.

6 We accept that licensee responsibility as a  
7 matter of policy, and have communicated a policy of safety  
8 first to our staff.

9 With your indulgence, sir, I would like to talk  
10 about responsibility, leadership and, most of all, safety.  
11 And I would like to talk about these things from a  
12 personal point of reference, highlighting my personal  
13 experience with quotes from an interesting little book,  
14 first published in 1911. It was written by a young  
15 American Navy officer, and some of you may recognize this  
16 book, which has been holding a very special place in my  
17 personal library since 1975. It is the Watch Officer's  
18 Guide for Naval Officers.

19 I refer to this book this morning, not as a  
20 gratuitous gesture on my part for any retired Navy  
21 admirals that may be in this room today --

22 COMMISSIONER ROBERTS: I also spent three of the  
23 best years of my life in the Navy.

24 MR. BUONAIUTO: -- but I refer to the book  
25 rather to convey to all of you that my six and a half

1 years as a Coast Guard commissioned officer gives me a  
2 very uncommon opportunity -- gave me an uncommon  
3 opportunity to internalize a very unique value system, and  
4 that unique value system has stayed with me over the  
5 years, long after I returned to civilian life.

6 Now, the value system relates to responsibility,  
7 leadership and safety. And it is a value system that, in  
8 my mind -- that any of the expressed concern about the  
9 Board electing its president -- as its president, a new  
10 Board member, who has no previous experience at SMUD--  
11 that was one of the concerns in the INPO letter. I hope  
12 that that frame of reference helps put things into  
13 perspective regarding who I am.

14 I would like to talk about safety, and I am  
15 going to quote from this book. "Safety must be practiced  
16 on a 24-hour-day basis. Danger exists in every naval  
17 operation and aboard every naval vessel. Going to sea  
18 involves working with powerful machinery, high speed  
19 equipment, intensely high temperature and pressure steam,  
20 volatile and exotic fuels and propellants, stepped up  
21 electrical voltages and the unpredictable elemental forces  
22 of wind and wave. Particular care shall be exercised in  
23 heavy weather."

24 Now, in the context of Rancho Seco, which I like  
25 to think sometimes as a ship at permanent anchor in

1 Sacramento, the heavy weather, the forces of wave and  
2 wind, translate into a highly charged political  
3 environment. By raising the political issue, INPO  
4 actually did our community a favor. In Director Smeloff's  
5 words, "They shifted the debate away from the plant  
6 itself, to the larger issue of the political environment".

7 Now, INPO pointed out that our Board has a  
8 responsibility to foster an atmosphere conducive to safe  
9 and effective operation of our nuclear plant. Again, from  
10 the Watch Officer's Guide on safety, "There are certain  
11 psychological factors which have fully as much to do with  
12 safety at sea as any of the more strictly technical ones".

13 Now, perhaps we should all bear these words in  
14 mind and reflect on the relationship of leadership to  
15 morale. The subject of leadership, "The sum of those  
16 qualities of human understanding and of moral character  
17 that enable one to inspire and manage a group of people  
18 successfully".

19 Now, in terms of leadership, some assert that it  
20 is the Board's conduct -- that the Board's conduct has  
21 been, and to a degree remains -- and I am quoting from the  
22 INPO report, "The principal root cause of a uniquely  
23 troublesome environment, undermining performance at Rancho  
24 Seco".

25 Now, despite some leadership success since I

1 picked up the SMUD gavel on January 5th, 1989, I must  
2 admit that on the Rancho Seco issue I accept my share of  
3 the leadership failure. For several months I put the onus  
4 of responsibility for the plant on the voters. Rancho  
5 Seco will decide its own future, I said, the voice of the  
6 people will be heard on election day, the 6th of June.

7 Now, politically this is a very comfortable  
8 situation for me, and it illustrates that SMUD was no  
9 different than many other levels of governance in  
10 California, in the sense that elected officials avoid  
11 taking stands on difficult issues, and they pass the buck  
12 back to the voters, through the initiative or referendum  
13 process.

14 Now, meanwhile, the big picture was ignored. And  
15 by the big picture I mean this, Rancho Seco had carried  
16 out a successful restart. And this is a tribute to our  
17 entire nuclear team. Rancho Seco had been removed from  
18 NRC's Troubled Plant List. Rancho Seco had received  
19 improved INPO ratings. Rancho Seco had helped SMUD meet  
20 its peak demand requirements last summer. There has been  
21 a major reduction on the reliance of outside consultants  
22 at Rancho Seco. Rancho Seco's NRC SALP ratings had  
23 increase significantly.

24 And most recently, nuclear industry confidence  
25 in Rancho Seco took the form of a Bechtel, Babcock and

1 Wilcox proposal, and a willingness to negotiate a  
2 partnership which shared economic risk.

3 Now, I have agreed with several concerns  
4 expressed by INPO's letter, and I recognize the  
5 seriousness of that letter and the concerns of this  
6 Commission, but I must put the comments relating to the  
7 frequency of three-two votes in perspective.

8 We have researched our Board minutes for the  
9 last few years, and have found only one three-two vote out  
10 of 35 Rancho Seco related issues. And only nine of those  
11 votes were not unanimous.

12 I am not suggesting that we do not have  
13 differences of opinion as a Board regarding the economics  
14 of Rancho Seco. What I am saying is this, regardless of  
15 these differences, we are all committed to a safe  
16 operation.

17 Now, regardless, also, of the numerical vote  
18 tallies, let us bear in mind that a publicly owned utility  
19 is different from an investor owned one. Democracy is  
20 alive and well in Sacramento. Besides, there is not an  
21 elected body on earth that achieves unanimity on all  
22 issues. Conflict is healthy, conflict is in the public  
23 interest. INPO is correct when they refer to the Board  
24 conduct, or follow-up actions of our minority voters after  
25 the vote is taken, that I will agree to but, again, from a

1 leadership standpoint, it is the post-vote Board member  
2 conduct that weakens us as a utility.

3 Those who hold a minority view may need to  
4 temper their public criticism with a sense of  
5 institutional responsibility and recognize that their  
6 actions can and do impact, adversely impact on plant  
7 performance and the psychological well-being of our  
8 nuclear personnel.

9 We are now two months away from the election.  
10 The political environment, the heavy weather, the forces  
11 of wind and wave will surely grow more severe each day,  
12 but I want to assure this Commission, strongly assure this  
13 Commission that we will pass through the eye of the storm  
14 without compromising on safety. We will hold course on  
15 safety, and regardless of our individual positions on  
16 Rancho Seco -- and I am sure I speak for all of us--  
17 safety comes first.

18 Now, to demonstrate this commitment and our  
19 responsiveness to INPO's concerns, as well as the concerns  
20 of this Commission, we hope to initiate some near-term  
21 improvements that I will detail after our other Board  
22 members have an opportunity to speak.

23 At this time I would like to ask -- start on the  
24 right -- Director Smeloff, if he has any remarks.

25 CHAIRMAN ZECH: Please proceed.

1 MR. SMELOFF: Thank you, Mr. Chairman.

2 It has been almost a year since I was here last  
3 and spoke with you. And I believe the key question here  
4 that you are asking us is, do we, as the elected Board  
5 members of this utility, believe that the plant can be  
6 operated safely over the next two months.

7 I would like to be able to tell you that my  
8 answer to that is yes, but to be perfectly honest, I can't  
9 tell you that. I don't know if the plant can be operated  
10 safely from now until the election.

11 I am troubled, troubled by what I saw at Rancho  
12 Seco on December 12th, 1988. I am troubled by the event  
13 that occurred on January 31st, 1989. I think what  
14 occurred there showed some lapses of judgment. I am  
15 concerned about the possibility that economics is given a  
16 higher priority than safety.

17 I would assure you that it is the policy of this  
18 Board to put safety first. And I believe -- I want to  
19 believe -- that it is the policy of our management to put  
20 safety first, but there is enormous pressure on the  
21 work force out at Rancho Seco to perform, to achieve a  
22 high output of that plant. They recognize at Rancho Seco,  
23 that their livelihood is on the line, that their jobs are  
24 on the line, and that this June a decision may be made on  
25 the plant to close the plant down, by the voters. That

1 June referendum undoubtedly weighs heavily on a lot of  
2 people out at Rancho Seco.

3 I think if you will look carefully at what  
4 occurred on December 12th, the decision to try to keep the  
5 plant operating at time when all the indicators indicated  
6 that it should be closed -- that it should be shutdown at  
7 that time, that has to be viewed as troubling.

8 Let me say I have nothing but sympathy for the  
9 situation that the employees at Rancho Seco find  
10 themselves in. And it is a very difficult situation.  
11 There is undoubtedly a great degree of truth in the INPO  
12 report's observation that there is a negative environment  
13 in Sacramento, that the employees do feel pressure when  
14 they go shopping, or when their kids attend school. And  
15 that is very unfortunate.

16 I think people are trying to do a job out there  
17 and deserve respect, but that is the reality of what is  
18 happening in Sacramento. There is an intense political  
19 debate over the future of that plant. The debate has both  
20 safety and economic parts to it.

21 As you know, because I told you a year ago, I  
22 felt that the former general manager's recommendation that  
23 the plant should be closed on economic grounds, was the  
24 correct recommendation. And I supported that. I continue  
25 to believe that to be the case.

1           If the decision of the voters is to operate the  
2 plant, I will fully support its safe operation. The  
3 record shows that I have always supported the safe  
4 operation of the plant and have voted consistently to give  
5 resources to that plant, to operate it safely. I have  
6 voted \$20 million to allow the construction of a  
7 simulator, which I believe is absolutely critical for the  
8 safe operation of that plant.

9           I do believe, though, there is an honest debate  
10 going on in our community about the economics of the  
11 plant, and that will continue.

12           I do have to comment about the Measure C  
13 criteria for performance. As I told you a year ago, I  
14 thought that that was a bad idea to put into a ballot  
15 measure, and to put into policy a very short-term  
16 criterion for the performance of the plant. I realize  
17 that INPO also expressed that concern, although INPO's  
18 concern was not made known to me at the time. I think  
19 people put politics ahead of safety at that time. Instead  
20 of saying remove that clause from Measure C, or take  
21 Measure C off the ballot last June, a decision was made to  
22 allow that to go forward, recognizing the troublesome  
23 nature of a short-term performance criteria.

24           A former member, Commissioner Bernthal, I  
25 thought, made a very eloquent statement about the ill-

1 advised nature of that criterion. That issue is before us  
2 right now. Rancho Seco has failed to meet the 50-percent  
3 performance criterion in the months of February and March.  
4 It may not make it in the month of April.

5 Obviously, the employees know what the criterion  
6 is, are aware that the plant would be automatically  
7 shutdown, if it fails to meet that indicator.

8 Right now we may restart the plant. We haven't  
9 identified the root cause of the last outage. We have not  
10 identified that, but we have taken some corrective actions  
11 to provide additional redundancy to the feedwater pumps.  
12 That's, I believe, our staff's intent, to operate the  
13 plant at a 60 percent capacity factor, so that if this  
14 outage or the cause of the outage reoccurs, we will be  
15 able to operate the plant with one feedwater pump.

16 The question is, I think, to the employees  
17 there, to management as well, if it is not going to make  
18 the 50 percent criterion, shouldn't we bring it up to 80  
19 percent, or 92 percent, to make that criterion? It is a  
20 tough decision that management has to make.

21 I want to reiterate that I think they will make  
22 the decision to put safety first, but it is a tough  
23 decision. Their jobs are at stake.

24 I would like to seek your advice. We can do  
25 things to change -- the Board still has the power to

1 change Measure C. It is going to get more and more  
2 difficult, as it approaches the automatic shutdown, if we  
3 get into May, and I would like to know what you advise us  
4 to do. I do think you share in the responsibility, as  
5 does INPO, for not advising us strongly a year ago to  
6 remove that provision from the ballot. It could have been  
7 done.

8 And so, at this time, I would like to extend the  
9 question to you, what do you think we should do to  
10 mitigate the pressure on the plant employees?

11 CHAIRMAN ZECH: All right. Thank you very much.

12 Well, before we address that, perhaps we should  
13 hear from your other colleagues.

14 MR. BUONAIUTO: Director Keat.

15 MR. KEAT: Thank you very much for the  
16 opportunity to address the Commission.

17 I am a newly elected member of the SMUD Board,  
18 took office in January of this year, but I've followed  
19 SMUD for quite sometime, since 1975, and followed SMUD  
20 very closely for the last two years, in the interest of  
21 becoming elected.

22 I attended all but three SMUD Board meetings,  
23 and went to numerous other meetings, both in the community  
24 and the Nuclear Advisory Committee meeting, Nuclear  
25 Performance Committee meetings, and the like.

1 Nuclear power is obviously a very controversial  
2 issue. And the SMUD Board, like other organizations, is  
3 not immune from this controversy. Like investor owned  
4 utilities and elected government officials, our Board, to  
5 some extent, reflects a lack of consensus that exists in  
6 the community, but there is consensus on one issue, and  
7 that is the consensus that crosses the Board among  
8 supporters of nuclear power, among critics of nuclear  
9 power, and among operators, and that is that the  
10 consequences of not making safety the top priority are  
11 totally unacceptable.

12 Our Board and management has consistently made  
13 safety the top priority and taken a very conservative  
14 approach. Now, whether I think the plant can be run  
15 safely -- I am not a nuclear expert. I didn't run as a  
16 nuclear expert, and I don't pretend to be a nuclear  
17 expert. I can't provide you with certainty.

18 I have attended lots of meetings out at Rancho  
19 Seco, and watched our management very closely. And on  
20 that basis, I have assured myself that the safety concerns  
21 that they have expressed are seriously held, that they are  
22 making every effort to translate those efforts on a daily  
23 basis to plant operators. And I have satisfied myself.

24 On the other hand, the events of December and  
25 January have been very troublesome. And I don't mean to

1 overlook those in my responsibilities as a Board director.  
2 In reading the transcript of the March 22nd, 1988 meeting,  
3 it was stated by the Chairman, Commissioner Zech, that  
4 "While the SMUD Board's decision whether to operate Rancho  
5 Seco stresses economic factors, our concern is safety, not  
6 economics".

7 Frankly, as a Board member, I have to rely on  
8 technical oversight from this Commission and other  
9 organizations like INPO, and really look to your advice in  
10 that regard. I certainly will take that input, as a  
11 director, very seriously and communicate that to  
12 management and staff as clearly as I possibly can. Also,  
13 like Director Smeloff, if the voters decide to continue  
14 operating the plant, my commitment is wholehearted support  
15 for the safe operation of the plant.

16 CHAIRMAN ZECH: Thank you very much.

17 MR. BUONAIUTO: Director Cox.

18 MR. COX: I, too, would like to thank you for  
19 allowing us the opportunity to meet with you, and to  
20 discuss the status of Rancho Seco.

21 I, too, am a newly elected director. I ran  
22 because I believed I could make a difference in SMUD.  
23 Gentlemen, there is no question that in the past we have  
24 had our problems. While this Board has been constituted  
25 for approximately 90-plus days, I see progress, greater in

1 some areas than in others but, nevertheless, progress.  
2 And I am sure you all recognize that management is not a  
3 destination, it is a journey.

4 As a new director, I subscribe fully to the  
5 mission of the district which is, in brief, to provide a  
6 stable source of energy safely and as cost-effectively as  
7 possible. I, personally, believe that Rancho Seco is an  
8 important part of our resource package, which is necessary  
9 to serve our growing community, but, you know, since the  
10 restart in 1988, Rancho Seco has not operated as smoothly  
11 as most of us would have preferred. As a matter of fact,  
12 some predicted that it would take two or three years  
13 before we worked all the kinks out. And even though this  
14 Board is functioning within the confines of Measure C,  
15 this director and this Board have never wavered in its  
16 resolve that our number one objective is safety, to run  
17 that plant safely.

18 As you have already heard, some of our members  
19 have concern about the economics, but we are absolutely  
20 unanimous on our resolve to run Rancho Seco safely. And  
21 from time to time in our reviews with Mr. Firlit and his  
22 people, we have always stressed safety first. And I  
23 believe that later on Mr. Firlit will tell you that he and  
24 his operators understand that the Board has given them a  
25 mandate to run Rancho Seco safely.

1           And, gentlemen, there can be no question that  
2 the June 6th election, which was mandated by Measure C,  
3 has created more stress than most of us would prefer.  
4 Perhaps in reality, and in some instances -- it is reality  
5 and, in some instances, I believe our people are  
6 performing at a high level because of an intense desire to  
7 demonstrate that they can run a nuclear power facility  
8 safely and, ultimately, cost-effectively.

9           And from a Board standpoint, the old Board put  
10 in place some contingency planning, in the event that the  
11 Ranch was voted out of existence. Our people have  
12 packages, severance packages. So, it is not as if on June  
13 6th, if this community votes down the Ranch, that they  
14 would be out the door. We will, in fact, have packages  
15 for them.

16           Gentlemen, when I was a young guy growing up,  
17 the big boys used to say "Talk is cheap, but it takes  
18 money to buy whiskey". And, gentlemen, we have been  
19 putting our money where our mouth is. As you take a look  
20 at our voting record of this Board, and the last Board,  
21 not one time have we denied funds for the Ranch to get the  
22 job done. Our primary emphasis has been safety.

23           In recent days, Rancho Seco and other operating  
24 entities within SMUD have eliminated some staff positions.  
25 This Board has not said cut here, or cut there.

1 Management initiated a cost containment program. And as  
2 it specifically relates to Rancho Seco, Mr. Firlit has  
3 assured us that any staff reduction has not compromised  
4 safety.

5 And so, gentlemen, as one newly elected  
6 director, I sit before you with a pledge that I will  
7 continue to insist that Rancho Seco be run safely. And if  
8 we can't run it safely, I, for one, will vote to shut it  
9 down, but in each resource that we have, our primary  
10 objective in generating energy is public safety, it is our  
11 number one objective. Not because of laws or regulations,  
12 but because it is the right thing to do. Thank you.

13 CHAIRMAN ZECH: Thank you very much.

14 Does that conclude -- yes?

15 MR. BUONAIUTO: Mr. Chairman, would it be  
16 appropriate now to have our general manager make a  
17 statement?

18 CHAIRMAN ZECH: Yes. Before you do that,  
19 though, with your permission, President Buonaiuto, I would  
20 like to read the letter from your other Board member. And  
21 I would like my colleagues to hear it, too, because it is  
22 addressed to all of us.

23 "Dear Chairman Zech and members of the  
24 Commission: Due to illness, I am unable to attend your  
25 NRC meeting, but wanted to send a statement of my

1 position. I have been on the Board for over six years,  
2 during which time I have seen a great deal of change at  
3 the Rancho Seco Nuclear Generating Station. I am also  
4 well aware of the great difficulty an elected Board has  
5 with maintaining a focused approach to setting a long-term  
6 direction for operations.

7 "The one thing that I do know for sure is that  
8 during these six-plus years, the number one priority for  
9 the operation of Rancho Seco has always been safety. I am  
10 confident that this Board will continue with that  
11 commitment to safety.

12 "While the findings of the INPO report are  
13 troublesome, they are not findings that cause immediate  
14 worry about safety; rather, they are cause for concern in  
15 regard to long-term plant performance. It is my firm  
16 belief that now that INPO and others have brought these  
17 concerns to the forefront, this Board will solve these  
18 issues once and for all.

19 "It is clear with the experience that I have  
20 gained on this Board, while I can certainly operate--  
21 while we can certainly operate this plant safely, it is in  
22 the best interest of the community to continue the  
23 divestiture effort started last year. A first step is the  
24 upcoming negotiations in serious consideration of the  
25 Bechtel and Babcock and Wilcox proposal to share in the

1 management and risk of operating Rancho Seco. The Board  
2 clearly recognizes that as long as Rancho Seco is operated  
3 as an asset to this community, it will be operated safely.  
4 Therefore, we are all committed to maintaining safety as  
5 job one.

6 "Again, I apologize for being unable to attend.  
7 Sincerely, signed, Cliff Wilcox, Member, Board of  
8 Directors."

9 I wanted to include that as your fifth Board  
10 member. We have seen Mr. Wilcox here before, as we have  
11 Mr. Smeloff. And we welcome the three of you, again,  
12 here, but I thought it would be appropriate to include his  
13 remark with yours.

14 Now you may proceed, Mr. Buonaiuto, to Mr.  
15 Boggs, if you want to, or Mr. Firlit, as your choice.

16 MR. BUONAIUTO: It is interesting that Director  
17 Wilcox used the expression "Job One". I think he has been  
18 watching too many Ford commercials on TV.

19 At this time, our General Manager Dave Boggs.

20 CHAIRMAN ZECH: Please proceed, Mr. Boggs.

21 MR. BOGGS: Thank you, Chairman Zech, members of  
22 the Commission. I also appreciate the opportunity to  
23 address you today.

24 I would like to start off by indicating that I  
25 am not an engineer, that I am trained in, and have a

1 reputation, and enjoy a reputation as an effective  
2 manager. I have been involved in five different  
3 turnaround situations, and I have lived in and succeeded  
4 in the Sacramento political scene for approximately six  
5 years, as a chief executive officer.

6 Because of my management background, I have been  
7 concerned with issues raised in INPO's letter, as well as  
8 the Board has. I would like to make one point which, I  
9 believe, is a difference from how we were reporting  
10 previously, when we were here last time. I have full  
11 responsibility for SMUD, from a management standpoint.  
12 Joe Firlit, our Chief Executive Officer, reports directly  
13 to me. At the previous time he reported independently to  
14 the Board of Directors. So, we do have pinpoint  
15 accountability, which is directly to myself, as General  
16 Manager, however, I want to make it clear, if at anytime-  
17 - and Joe is fully aware of this -- that if he needs to  
18 meet with, or the Board needs to meet with him, on any  
19 issue, that he does have that access, but I am held  
20 accountable for the entire district, and that is a change  
21 from when we were here previously.

22 With Joe's efforts, we have made substantial  
23 progress at the Ranch. We concur with INPO that the plant  
24 is physically sound and that staff is qualified and  
25 capable. We also agree that we have long-term issues that

1 we have to address.

2 I am absolutely confident that we have a good  
3 team, very capable of resolving those issues. INPO has  
4 asked the Board to examine governance, oversight and  
5 management. Joe Buonaiuto will be addressing some short-  
6 term responses to those particular items. Long-term, we  
7 need to continue the efforts that have been ongoing  
8 regarding divestiture of the Ranch. There is a Board  
9 resolution that goes back into 1988. We have been working  
10 as a staff to try to divest the asset -- you heard those  
11 discussions previously -- and we have a commitment to  
12 continue on a long-term basis, the divestiture of Rancho  
13 Seco and have full support in that direction. And the  
14 Babcock and Wilcox and Bechtel proposal is a first step in  
15 that direction.

16 Board and staff are committed to safety and are  
17 not divided whatsoever on that issue. The December event  
18 was an unfortunate one, and we learned a number of lessons  
19 from that event. And the reason that I know we learned  
20 those lessons is, if you go to what happened in January  
21 when we had another significant event, staff acted very  
22 cautiously and clearly handled it in a very safe manner.  
23 And that is our approach of handling issues that do come  
24 up at the Ranch, and I am very pleased with how that has  
25 been handled. We learned our lessons, and I think we have

1 learned them well.

2 We are moving toward a stable team, and will  
3 continue to work on the issues that we have. We do have a  
4 referendum ahead of us, as you are well aware, and that  
5 does bring instability, but once that is over I am  
6 optimistic that our environment will change. And, again,  
7 we still have to move toward the long-term issue of  
8 divestiture.

9 As general manager, Joe Firlit enjoys my  
10 confidence and has full authority and my support to shut  
11 the plant down, to maintain a safe operation. That is  
12 unequivocal. There is no question about that whatsoever.  
13 And we are prepared to restart the Ranch.

14 And I would like to turn it over to Joe Firlit  
15 at this time.

16 CHAIRMAN ZECH: Thank you very much.

17 Mr. Firlit, welcome.

18 MR. FIRLIT: Thank you, Commissioner Zech, and  
19 fellow Commissioners.

20 I want to reassure you that public health and  
21 safety is my number one objective and always will be my  
22 number one objective. I have been in this nuclear  
23 industry for a while and I fully understand that  
24 responsibility. It is also a moral responsibility that  
25 everyone should have when operating a nuclear power plant.

1           Yes, we do work in a political environment out  
2 there at Rancho Seco. It is a difficult environment, but  
3 it is not impossible. Good things are happening out at  
4 Rancho Seco. You've heard our president, Joe Buonaiuto,  
5 state some of those good things that are happening. I  
6 would like to expand on those.

7           First of all, the mature condition of the plant  
8 has much improved in the last two years that I have been  
9 there. We have a sound maintenance program. When I came  
10 out there, the backlog of corrective maintenance was  
11 around 5200; today it is less than 700, and our goal is to  
12 drive it down to 600, where we have no greater than one  
13 month on the maintenance backlog.

14           We have a sound preventive maintenance program.  
15 Twenty-three months ago, the maintenance that we did in  
16 terms of preventive maintenance, represented less than 10  
17 percent; today it represents greater than 50 percent of  
18 the work that we do in maintenance, and I think that is a  
19 marked improvement at Rancho Seco.

20           Commissioner Zech, I can remember the time that  
21 you and I walked Palisades, and you explained to me what  
22 your expectations were in terms of a clean plant. I have  
23 taken those expectations and made them mine. And the  
24 first thing I did when I came out to Rancho Seco is I put  
25 a team together, and we have cleaned that plant up, 90

1 percent of the plant has been cleaned up, and 55 percent  
2 of the plant has been painted in the last 23 months. It  
3 looks very good, a marked improvement. Availability in  
4 1988, since restart, has been 80 percent.

5 Our industrial safety record has had a marked  
6 improvement. For the first time in the history of Rancho  
7 Seco, we have exceeded one million manhours without a lost  
8 time accident, and we are rapidly approaching two million  
9 manhours without a lost time accident. I think that  
10 reflects on the professionalism and the safety  
11 consciousness of our employees at Rancho Seco.

12 Manrem exposure has been less than 90 -- it was  
13 89 -- in the upper quartile of the INPO ratings of all  
14 plants in the United States for 1988.

15 The management programs are in place. We have  
16 established a formalized goal and objective program with  
17 safety being our number one priority. We are providing  
18 the leadership and the direction for our employees out  
19 there. Our goal is to be within the top 25 nuclear power  
20 plants in the United States by 1993. I feel it takes at  
21 least four years to turn a troubled plant around and to  
22 get in the top ratings of all plants in the United States.

23 Our controls are in place. We have performance  
24 indicators that we monitor as a senior management team on  
25 a monthly basis, some on a weekly basis. And we sit down

1 as a management team and review those. And if we have any  
2 degrading trends at all, we take immediate action to  
3 correct those degrading trends. There is a lot of  
4 management involvement.

5 If you come out to Rancho Seco, you will see the  
6 managers, the superintendents, the plant managers and  
7 myself out in the field. I spend at least two hours per  
8 day walking that plant, walking the shops, talking with  
9 people, and personally seeing what is going on at our  
10 plant.

11 The environment out there is difficult. The  
12 turnover of management has been high during the last year.  
13 In fact, if you take the organizational chart 12-months  
14 ago, when Carl Adognini was the Chief Executive Officer,  
15 and you were to put an overlay on it today, to take a look  
16 at the differences, you will find out that eight of the  
17 management personnel that were there 12 months ago, have  
18 physically left the site. The ninth one is a gentleman, a  
19 manager that we sent down to INPO, so that we could  
20 broaden him out in terms of other nuclear power plants in  
21 the United States, so that when we bring him back in a  
22 year, he will be much more beneficial to the whole team.

23 We have to shift people around, so there is--  
24 actually, if you take a look at it, there are only five  
25 managers that have stayed in the position that they were

1 12 months ago, 25 have shifted, or have left the plant  
2 totally.

3           The overall turnover rate at Rancho Seco last  
4 year was 12 percent. That's high. It's much higher than  
5 the industry's rate of 4.9 percent. I do not enjoy that,  
6 but we are doing everything we can on our part to minimize  
7 that. This year, for the first quarter, if you annualize  
8 the turnover rate, it is about 7 percent. Whether or not  
9 we have turned it around, I can't really judge it at this  
10 particular point. I would suspect that a lot of our  
11 managers and our people out there have sent some resumes  
12 out, not knowing exactly what is going to happen on June  
13 6th.

14           The morale is good, but it is affected by the  
15 political environment. This weekend we will have an open  
16 house at Rancho Seco. I want you to know that our  
17 employees have volunteered their time without pay,  
18 Saturday and Sunday, to take tours of people around this  
19 plant, from the community. I think that reflects  
20 dedication on our employees to show off their plant. They  
21 are proud of it, and they ought to be because they worked  
22 very hard to make it a very successful plant, and to  
23 improve the material condition of our particular plant.

24           The June 6th vote is coming up. Our employees  
25 are very involved in it. We don't enjoy the luxury of

1 being an investor-owned utility, where the utility can  
2 invest their money to have publicly paid ads to talk about  
3 their nuclear power plant. We have to do that with  
4 employee contributions and our employees have made those  
5 contributions. Our employees have made telephone calls,  
6 our employees walk the community, our employees give  
7 speeches in the community about Rancho Seco. We have had  
8 to carry the load in that perspective, but we are not  
9 complaining about that.

10 We have been criticized about the economics  
11 about our plant, and yet the economics are affected by the  
12 environment that we live in. It is a difficult  
13 environment and has got a direct effect on the turnover  
14 rate. And by having a direct effect on the turnover rate,  
15 it is very difficult for us to recruit people out at  
16 Rancho Seco, so we have to pay more than the rest of the  
17 industry does. In addition to that, in some cases, we  
18 can't get people to come out to Rancho Seco at this late  
19 date, but even despite that difficulty, I want you to know  
20 that for the first time in the history that I have been  
21 out at Rancho Seco, 29 of the 30 management positions are  
22 filled by SMUD employees. That has always been a goal of  
23 mine. And the Board of Directors has exempted the last  
24 remaining position for me, so that I can offer that  
25 position to an employee that currently is a contractor.

1 That offer has been made to him, and if he accepts the  
2 job, it will be the first time that we have a full SMUD  
3 management team. And I think that is the right direction  
4 that we need to go.

5 Do we live in a desirable situation? The answer  
6 is no. Does it affect me personally? The answer is yes.  
7 Will it affect plant safety? Absolutely not.

8 In the long range, I agree with, and concur  
9 with, the INPO letter that you received. Changes have to  
10 be made if Rancho Seco is to continue to be a valuable  
11 energy source and an economic asset for SMUD.

12 Yes, our plant is ready to come up. We have not  
13 determined the exact cause of what caused that plant to  
14 trip, but I can assure you with about a 90 percent  
15 confidence level, that we feel it is within the power  
16 supply that controls the feed pumps. We will very  
17 cautiously bring that plant up to about a 30 percent power  
18 level, stay there for several days, until we are satisfied  
19 that we can raise it to the next power level, which will  
20 be 60 percent, and then we will stay there for at least a  
21 week, with the main feed pumps heavily instrumented, so  
22 that if it does occur again, we will be at a power level  
23 where one feed pump can control the feed to the steam  
24 generators, and then we will also have it instrumented so  
25 if it happens again, we will be able to clearly determine

1 what the cause is.

2 It is not a difficult decision for us. Our  
3 decision is already made. Safety is our number one  
4 priority. The team at Rancho Seco are nuclear  
5 professionals and they would not jeopardize the health and  
6 safety of the public, nor would they jeopardize their  
7 personal careers in the nuclear industry in the future.  
8 The 52 percent capacity factor does not enter into our  
9 daily decisionmaking process.

10 And, again, I would like to reassure you that  
11 the health and safety of the public is my number one  
12 priority, and it is also the priority of my team.

13 Thank you for your time.

14 CHAIRMAN ZECH: Thank you very much.

15 Does that conclude your presentation, Mr.  
16 Buonaiuto?

17 MR. BUONAIUTO: Chairman Zech, that concludes  
18 our presentation, except for some summary comments that I  
19 would like to make.

20 CHAIRMAN ZECH: Please.

21 MR. BUONAIUTO: I think you have heard a  
22 consistent statement from all of us here, Board and staff,  
23 regarding our commitment to safety, regarding the  
24 political atmosphere. It might be useful to keep in mind  
25 that the heavy weather has existed for quite some time,

1 and in terms of that metaphor, the people at Rancho Seco  
2 are North Atlantic sailors, and they are used to it, and I  
3 don't feel that environment is going to impact on the  
4 plant.

5 In summary, I would just like to say that I  
6 spoke earlier about near-term improvements that we can  
7 make, things we can do as a Board to demonstrate our  
8 commitment to a safe operation. And there are several  
9 things that, as president, I will strive in very near  
10 future.

11 At our next Board meeting I will ask our Board  
12 to authorize our staff to begin negotiations with Bechtel  
13 and Babcock and Wilcox. This should add a greater  
14 expertise to our maintenance and engineering capability,  
15 if these negotiations are successful.

16 Secondly, as Board President, I will make every  
17 effort to reduce the opportunities for the Board to serve  
18 as a focus and forum for unproductive anti-plant rhetoric.

19 Third, with the approval of the Board, I will  
20 hence forth serve as coordinator and source of all  
21 direction from the Board to the SMUD general manager  
22 regarding Rancho Seco.

23 In short, I will ensure that the Board review of  
24 the Ranch is limited and clear in scope and  
25 responsibilities.

1           In summary, you have my pledge, Chairman Zech  
2 and fellow Commissioners, you have my pledge that Rancho  
3 Seco will be operated safely.

4           Thank you very much.

5           CHAIRMAN ZECH: Thank you very much.

6           MR. SMELOFF: Mr. Chairman, I would like to  
7 also place in the record a letter I sent to Zack Pate, the  
8 President of INPO, with a copy to you, on that.

9           CHAIRMAN ZECH: Certainly, we will be happy to  
10 do that.

11           Questions from my fellow Commissioners,  
12 Commissioner Roberts?

13           COMMISSIONER ROBERTS: No.

14           CHAIRMAN ZECH: Commissioner Carr?

15           COMMISSIONER CARR: I don't have any questions.  
16 I have one question, but I would like to compliment you  
17 all on your stand, and I think you have expressed your  
18 position very well.

19           For Mr. Smeloff, when you were here before, your  
20 position was that, as I see it, no different than it is  
21 today, except then you said you did believe that the plant  
22 could be operated safely. And you did believe it could be  
23 governed by an elected Board of directors, and you do  
24 believe that a municipal utility is qualified to run a  
25 nuclear power plant.

1           You didn't think it was in the best economic  
2 interest, which I assume is still your position. The only  
3 thing that looks like it has changed is you do not now  
4 believe it could be operated safely.

5           MR. SMELOFF: I do believe the plant, in the  
6 long run, can be operated safely. The point I attempted  
7 to make to you was that under the current circumstances at  
8 this present time, I do believe that there is enormous  
9 pressure on the employees of the plant, and I think that  
10 pressure, both of the 50 percent capacity factor criterion  
11 and of the election, cannot be ignored.

12           I think the events leading up -- particularly  
13 the event on December 12th, is an indication. And INPO  
14 itself says that they are concerned that the event on  
15 December 12th, when plant managers attempted, without  
16 proper procedures, to shunt steam into the main feedwater,  
17 to use steam to drive the main feedwater pump, high  
18 pressure steam, was an indication that people were trying  
19 to do something which was intended to keep the plant on-  
20 line for performance, when the safe, the cautious, the  
21 conservative approach would have been to close that plant  
22 down at that time. That, I think, is a concern.

23           COMMISSIONER CARR: But my understanding is  
24 plant management has separated that gentleman from  
25 employment, is that correct?

1 MR. SMELOFF: Well, I would ask Mr. Firlit to  
2 answer that.

3 Have we fired somebody over the December 12th  
4 incident?

5 MR. FIRLIT: We have not fired the individual,  
6 but we have removed him from that position as operations  
7 -- in the operations area.

8 COMMISSIONER CARR: So he is not in that  
9 decisionmaking position again, which is the right signal  
10 to send to the rest of the operators, I would think.

11 MR. SMELOFF: I would also say, in the February  
12 letter that we received from INPO, INPO expressed concerns  
13 that there was a lack of involvement by management in key  
14 decisionmaking in the operations of the plant, that there  
15 were several situations where the plant employees  
16 indicated they felt they were under undue pressure to  
17 perform jobs in a limited period of time, during LCOs.

18 I think there are some troubling incidents that  
19 I don't think the Commission should overlook. And that's  
20 why I say I don't know at the current time whether the  
21 plant can be operated safely.

22 COMMISSIONER CARR: Well, let me rephrase my  
23 question. Do you think it is undue risk to public health  
24 and safety, if they continue to operate through the June  
25 --

1 MR. SMELOFF: I don't know.

2 COMMISSIONER CARR: All right, thank you.  
3 That's all I have.

4 CHAIRMAN ZECH: Commissioner Rogers?

5 COMMISSIONER ROGERS: Well, just that I am very  
6 pleased to hear your responses today, and that you have  
7 come to us to personally tell us this, but I recognize  
8 that one of the problems, not only that we deal with but  
9 the entire industry has to deal with, is not the words,  
10 but the meaning of the words, and that we all make  
11 statements about things that we feel are sufficient to  
12 settle an issue, and yet the interpretation of those  
13 statements is always not the same.

14 And when one makes a commitment to quality, or a  
15 commitment to safety, that implies a certain collection of  
16 activities, or actions, or commitments that may be  
17 different in different individual's minds. And so while  
18 we have, indeed, heard the words, and they are very good  
19 words, and they are important for us to hear, I think that  
20 we must ultimately be assured that the interpretation of  
21 those words, in your view, is the same as the  
22 interpretation in our view.

23 And to that end, I am sure we can never be  
24 totally assured of that, but let me ask you, has the Board  
25 reviewed very carefully all the Board's commitments, or

1 implied commitments by the staff requiring Board action or  
2 approval, that have been made by your predecessor Boards  
3 to the NRC? Have you carefully gone through, in a step-  
4 by-step basis to look at each of those, and to see that  
5 you are comfortable with them, and that you, indeed, do  
6 support those same commitments because I think what we  
7 need to be sure is that we are talking about the same  
8 things when we say a commitment to safety, and that what  
9 the NRC is looking for is, in fact, what you understand  
10 you are committing to.

11 MR. BUONAIUTO: Peter?

12 MR. KEAT: I can speak to that briefly. I have  
13 sat in on meetings where plant management has gone over  
14 the process that they use to track the commitments that  
15 have been made to previous Boards -- I mean, by previous  
16 Boards to the NRC, and to other organizations, and I am  
17 satisfied that that process is satisfactory but, again,  
18 you know --

19 COMMISSIONER ROGERS: But now you are saying  
20 that on the basis of your having sat in on earlier  
21 meetings, and attended them. I am asking this now of the  
22 entire Board, have you -- each of you, as individuals--  
23 feel that you fully understand what the commitments are  
24 that have been made to the NRC, and that you support them?

25 MR. SMELOFF: Commissioner Rogers, I don't--

1 this new Board has been in place since the beginning of  
2 January. It's attended six regular Board meetings and, to  
3 answer your question candidly, there has not been, as of  
4 yet, a systematic process for this Board as a unit to  
5 review the previous commitments.

6 MR. BUONAIUTO: We have established that  
7 process, though, in the form of a committee structure,  
8 that various commitments regarding the Ranch will be  
9 reviewed from a finance perspective, from a policy  
10 perspective, from a Rancho Seco implementation committee  
11 perspective and my colleagues chair those committees and  
12 co-chair other committees. And we have made a vigorous  
13 effort to get into detail as far as those commitments that  
14 have been made, from not only a financial perspective, but  
15 also from an operational safety perspective.

16 MR. COX: Commissioner, let me speak from my  
17 vantage point, to answer your question specifically. I  
18 have not reviewed each and every item that the NRC has  
19 asked us to complete, and which you deem to be  
20 outstanding. I am aware that we have some outstanding  
21 commitments, and I want to assure you that from my vantage  
22 point, if we have outstanding commitments, we will meet  
23 those.

24 We need to assess the timeliness of them, to be  
25 sure that we are not promising more than, in fact, can be

1 completed but, from my vantage point, I want to assure you  
2 that if we have outstanding commitments to the NRC, we  
3 will meet those.

4 COMMISSIONER ROGERS: Well, it is just my  
5 concern that with such a substantial turnover of people on  
6 the Board, that the commitments that a Board, a SMUD  
7 Board, has made to the NRC, are commitments that every  
8 Board is going to follow through on, unless we  
9 specifically know that you've changed your intentions and  
10 so notify us.

11 MR. COX: Prior to this recent election, where  
12 we had three new Board members, which is a precedent in  
13 our community, the Board had greater stability than  
14 management, sir. So, from that standpoint, we understand  
15 what you are saying.

16 MR. SMELOFF: Commissioner Rogers, let me add  
17 one more point. There have been questions asked about the  
18 -- we developed an action plan, as you will recall, back  
19 in July or so, of 1987, for the restart, and made a number  
20 of commitments and prioritized those commitments, priority  
21 one, priority two and priority three commitments. And I  
22 have asked on several occasions to be provided with a list  
23 of those commitments and, unfortunately, we have -- and  
24 Mr. Firlit can elaborate on that -- I have been told  
25 because of the changes in the CEO nuclear -- we have had

1 three: John Ward, Carl Adognini and now Mr. Firlit -- and  
2 some difficulties of our tracking system, that all of the  
3 commitments made back in 1987 don't perfectly collate  
4 with the activities going on at the plant now, and we have  
5 asked to be provided with a list of those activities from  
6 that action plan back in 1987.

7 MR. BUONAIUTO: Commissioner Rogers, also, from  
8 the standpoint of the budget, the capital budget for the  
9 Ranch of \$80 million for 1989 remains intact also. And I  
10 am sure many of the commitments regarding -- to the NRC  
11 are somewhere in that budget.

12 As far as the turnover on the Board, again, we  
13 are a publicly owned utility. We are elected through a  
14 political process -- some of us won our elections by  
15 greater margins than others, some of us squeaked by -- but  
16 regardless of that process, I think that when we come on a  
17 Board of this kind, we assume some sense of institutional  
18 mantle than many of us rise to the occasion, and there is  
19 a transition of leadership that goes with the territory,  
20 so to speak.

21 So, though we are new, the three of us that are  
22 new, I think that the new members, in particular, have  
23 been working very hard to live up to this responsibility  
24 and come up to speed. And in terms of the election, based  
25 on what I have come to understand of history, the caliber

1 of candidates for this particular election -- last  
2 November the caliber of candidates in terms of intellect  
3 and experience and commitment to the community, was  
4 probably higher than any other previous election.

5 COMMISSIONER ROGERS: Well, I think you  
6 understand my concerns, that when NRC receives a  
7 commitment from an organization, that is an organizational  
8 commitment, it isn't just dependent on the particular  
9 personalities that are making that. It is made to us by  
10 your organization. And what I want to feel comfortable  
11 about is that there is a continuity in that point of view.

12 Thank you.

13 CHAIRMAN ZECH: Commissioner Curtiss?

14 COMMISSIONER CURTISS: I don't have any  
15 questions.

16 CHAIRMAN ZECH: Let me just ask Mr. Firlit, are  
17 you getting the, what you would term, adequate support you  
18 need to operate Rancho Seco safely?

19 MR. FIRLIT: The Board has approved all the  
20 funds that we have needed to run Rancho Seco. In fact,  
21 last year the Board had allocated \$205 million. Because  
22 of cutting back on contractors from 1200 to less than 700,  
23 and cutting back on some overtime that I felt was not  
24 needed, and prioritizing some of the projects but still  
25 meeting all of the commitments to the NRC, we came in with

1 a budget of \$165 million, which was adequate for us.

2 The budget this year is roughly, with loading,  
3 about \$200 million. I have approved a staff of 1105  
4 people, and that is more -- that is an adequate staff for  
5 me to run Rancho Seco safely, and the Board has provided  
6 me with funds to do that.

7 CHAIRMAN ZECH: All right. Do you think Rancho  
8 Seco can continue to operate safely?

9 MR. FIRLIT: I feel that Ranch Seco can continue  
10 to operate safely. There is a better environment, I  
11 think, in which it can operate, but it is not an  
12 impossible situation.

13 CHAIRMAN ZECH: All right.

14 Mr. Smeloff, to give you an answer to your  
15 specific question earlier, I think I can respond for my  
16 colleagues when I say that the Commission has grave  
17 concerns about any kind of an initiative, or referendum,  
18 or any kind of a public response that would provide an  
19 incentive, if you will, for economics over safety. Just  
20 no question about that. There shouldn't be any question  
21 in your mind that that's our feeling.

22 We would oppose any kind of a measure that would  
23 indicate that 50 percent, or 60 percent, or any percent  
24 overall operation should be your goal, as it might impact  
25 on safety. Safety has got to be first, in our judgment;

1 there shouldn't be any question about that.

2 Let me -- unless there are any questions -- yes,  
3 Mr. Keat?

4 MR. KEAT: I have one more comment with respect  
5 to something else, and that is, I spoke to one of the  
6 consensuses that exists, not just on this Board, but  
7 within the community, and that is that safety is a top  
8 priority.

9 I wanted to speak to one other consensus that I  
10 think exists -- again, not simply on the Board, but in the  
11 community as a whole -- and that is that while there are  
12 debates over the economics of Rancho Seco -- and that is  
13 something that is being clearly debated on a very rigorous  
14 level in the community -- my impression is that there is  
15 consensus that if the voters decide to continue operating  
16 Rancho Seco, the consequences of not making that work for  
17 the district are one that we are unwilling to accept.

18 This Board has committed itself to the viability  
19 of SMUD as a municipal utility district over the long  
20 haul. And so if the voters decide to continue operating  
21 the plant, we will make every effort to make that work.

22 CHAIRMAN ZECH: All right, thank you very much.

23 Any other questions?

24 (No response)

25 CHAIRMAN ZECH: Thank you very much, gentlemen.

1 We appreciate your being with us today.

2 We will call on the NRC staff now.

3 Thank you.

4 (Whereupon, the representatives of the SMUD  
5 Board of Directors and Senior Nuclear Management left the  
6 table, and the NRC staff came forward)

7 CHAIRMAN ZECH: Mr. Stello, you may proceed.

8 MR. STELLO: Thank you, Mr. Chairman.

9 We are prepared this morning to give you our  
10 views of the operation at Rancho Seco, where we have found  
11 problems, what we think about those problems, and we will  
12 specifically discuss some of the events that were  
13 mentioned in the earlier briefing.

14 We, in summary, have been satisfied that the  
15 operation at the facility, as you have heard this morning,  
16 is, in fact, improved and improved substantially over what  
17 we had seen over the past many years. And the most recent  
18 performance and recent start up, as reflected by our SALP  
19 indicates, as you have already said, clearly improving  
20 trends.

21 We will discuss those issues, and have with us a  
22 number of people this morning, and will go through them.  
23 I will ask Dr. Murley to introduce people, and he has some  
24 comments to make to start with.

25 There is one point, I think, that I wanted to

1 bring to the Commission's attention. We are, for the very  
2 first time, using our video system here at the facility,  
3 to allow our Region V office to observe this meeting but,  
4 in addition, we have invited the media who are interested,  
5 to observe the meeting from the Sacramento area, in the  
6 regional office, so that they would have first-hand  
7 access, and this is a milestone and the very first attempt  
8 to use the very sophisticated and important equipment that  
9 we have in this room.

10 CHAIRMAN ZECH: We will hope it is working.

11 COMMISSIONER CARR: Not on California TV,  
12 though?

13 MR. STELLO: I don't know if they're  
14 representing California TV or not, but the media is  
15 present, and is observing the meeting directly. And it is  
16 the very first time that we have done that. I thought--  
17 we'll see how it works.

18 CHAIRMAN ZECH: All right, fine.

19 MR. STELLO: With that, let me turn to Dr.  
20 Murley to make some opening comments.

21 DR. MURLEY: Thank you.

22 Mr. Chairman, on my right is George Kalman, who  
23 is our project manager for Rancho Seco in headquarters;  
24 immediately to Mr. Stello's left is Tony D'Angelo, the  
25 senior resident inspector; to his left is Bobby

1 Faulkenberry, the Deputy Regional Administrator, and to  
2 the far left is Roy Zimmerman, from the regional office.

3           When we last met with the Commission on Rancho  
4 Seco, March 22nd, 1988, it was to recommend restart, after  
5 a 27-month shutdown. Staff concluded at that time, a year  
6 ago, that the material condition of the plant had been  
7 substantially improved, that the management of the plant  
8 had been completely changed and was a major improvement,  
9 and that there were improved safety attitudes among the  
10 workers at the plant.

11           Based on those conclusions, we recommended, and  
12 the Commission agreed, that the plant be permitted to  
13 resume operation.

14           The staff view now is that post-startup  
15 operating experience at Rancho Seco has been generally  
16 good. There have been two operating events in recent  
17 months that are of some concern to us. These are the same  
18 events that were noted by INPO in their report, and Bobby  
19 Faulkenberry and his staff will talk in detail about our  
20 views of that operational experience.

21           The INPO report appears to tie these recent  
22 operational events to the historical problems at Rancho  
23 Seco of five to 10 years ago, but we think, in fact, there  
24 has been a fundamental change in the operation of Rancho  
25 Seco since the shutdown.

1           The information in the INPO report is not new to  
2 the NRC staff. We have discussed it extensively in our  
3 senior management meetings, and we have taken it into  
4 consideration in our regulatory judgments.

5           In addition to that information, of course, we  
6 have our own extensive inspection coverage of the plant,  
7 and Bobby Faulkenberry now will discuss our views of the  
8 operational experience at Rancho Seco.

9           CHAIRMAN ZECH: Thank you very much.

10           You may proceed.

11           MR. FAULKENBERRY: The Region V's evaluation of  
12 the overall operation and performance of Rancho Seco since  
13 its startup in March of 1988 is that it has been good.  
14 Now, this evaluation was documented by us in our March  
15 28th, 1989 SALP report. That's been on the street for a  
16 couple of weeks.

17           We feel that -- and as we stated in the SALP  
18 report -- we feel that the events of December the 12th and  
19 January the 31st, are exceptions to what we feel is an  
20 overall strong operations and careful operations program  
21 in the last 12-months out at Rancho. Our inspection  
22 activities since startup in March of 1988, have found  
23 little evidence that poor operational performance, or  
24 problems associated with the December the 12th, or January  
25 31st operational events were caused by the March '88 Board

1 ordinance relating to 50 percent power capacity.

2 To the contrary, we have found that the post-  
3 event reviews and the root cause analysis investigations  
4 performed by the licensee after these events were  
5 extensive, they were thorough, and there were no  
6 indications of a rush to restart the facility.

7 Now, our evaluations of the December 12th event  
8 showed that the basic problems involved in the event were  
9 caused primarily from poor communications between mid-  
10 level and upper-level management, and a poor  
11 decisionmaking process, rather than from pressure to keep  
12 the facility on-line. We are very conscious of this  
13 potential problem, as well as possible negative impacts of  
14 SMUD Board actions on plant operations, and we fully  
15 intend to make an issue of either of these, if we see them  
16 happening.

17 I would like to say that since restart, we have  
18 seen no negative impact on operational safety at the site,  
19 as a result of SMUD Board actions. We have had in the  
20 past, and we will continue to have increased oversight at  
21 Rancho, until we are satisfied that they have reached a  
22 sustained period of satisfactory performance at that site.

23 Now, with this, I will ask Tony D'Angelo, on my  
24 right, who is the senior resident inspector at Rancho  
25 Seco, to give us a briefing of the December the 12th and

1 the January 31st, as well as the most recent event, the  
2 March 28th event, and we will discuss our analysis of the  
3 problems associated with these events.

4 CHAIRMAN ZECH: Thank you very much.

5 You may proceed.

6 MR. D'ANGELO: Commissioners, we have a slide  
7 that we will put up on the monitor. (Slide) This slide  
8 is the auxiliary steam system at the facility. At the  
9 time of the event, the facility was operating at  
10 approximately 12 percent reactor power. Now, at this  
11 power level, the auxiliary steam system is contained --

12 CHAIRMAN ZECH: Which event is this now?

13 MR. D'ANGELO: This is the December 12th event.

14 CHAIRMAN ZECH: December 12th, thank you.

15 MR. D'ANGELO: At this power level, this system  
16 is under its greatest load and, also, the auxiliary steam  
17 system is being supplied from the main steam system, not  
18 the auxiliary boiler.

19 On the slide there are two pressure control  
20 stations which are in series. Okay. That's the first  
21 station. That station had experienced the first failure,  
22 which was related to the controller. The second station  
23 had also experienced a failure several hours later, due to  
24 a foreign object that was inside the steam system,  
25 traveled to the valve, and caused the valve to stick in

1 approximately mid-position, so it could not control  
2 pressure any longer.

3           The sequence of events that led up to the  
4 reactor trip were that the first steam station had failed.  
5 There is a designed bypass around that system, the  
6 operators had taken advantage of that bypass valve and  
7 taken manual control for pressure regulation in the  
8 auxiliary steam system. Unfortunately, prior to  
9 completion of the repair effort on the operator, the  
10 second valve station had failed. There is no designed  
11 bypass around that valve.

12           They had attempted to control pressure at the  
13 second station by using an upstream gate valve, which is  
14 not an evolution controlled by procedure. In this case,  
15 they had essentially two pressure regulating valves in  
16 series for controlling the system pressures. What  
17 subsequently led to the trip was the fact that they had  
18 the two valves in series, they were controlling pressure,  
19 the second station -- the valve that they were throttling  
20 was not designed to control pressure. They had a pressure  
21 transient in the system that led to the main feedwater  
22 pumps which were powered off this system at the time, to  
23 coast down slightly, feedwater flow reduced as a result of  
24 the coast down on the pumps, level decayed in the steam  
25 generators, the EFIC system, which is an auxiliary

1 feedwater system control, had detected the reduced level,  
2 started the EFIC system, started injecting auxiliary  
3 feedwater --

4 CHAIRMAN ZECH: Started up automatically, did  
5 it?

6 MR. D'ANGELO: That's correct, sir.

7 CHAIRMAN ZECH: All right.

8 MR. D'ANGELO: And the operators then tripped  
9 the reactor, per procedure, did not permit it to remain  
10 critical on the auxiliary feedwater system. That is  
11 basically the design of the system.

12 We have a second slide -- (slide) -- which  
13 covers the outcome of our inspections on December 12th.  
14 We conducted a special inspection, this inspection was led  
15 by the section chief in the region. I was a member, and  
16 there was also an NRC license examiner, who was a member.

17 We interviewed all the individuals involved in  
18 the event and we also gathered information from one of the  
19 NRC residents who was in the control room and turbine  
20 building at the time of the event. Our primary  
21 conclusions were that the major problem was inadequate  
22 communication among plant management. Essentially, the  
23 decision to continue with this evolution -- the two  
24 stations in manual operation, in essence -- was a decision  
25 that was made by one of the department managers at the

1 facility.

2           The entire situation was not clearly understood  
3 by the other department managers, for example, maintenance  
4 and the plant performance department, which is their  
5 system engineers. It was also not well understood by the  
6 plant manager and senior management on-site.

7           There was a second issue involving communication  
8 which also existed among the operators. Specifically,  
9 what we are talking about is this system is located in the  
10 turbine plant, it is a high noise environment. They did  
11 not have good communications abilities among all of the  
12 operators involved in the control room, to take direction.

13           The second major issue that we identified was  
14 the failure, of course, of two pressure control valves in  
15 series, which just complicates the physics of the whole  
16 evolution.

17           Our third difficulty identified was an attempt  
18 to return the first pressure control valve back to  
19 automatic function. Unfortunately, the procedure did not  
20 exist for that evolution. In addition, there was also no  
21 procedure for controlling the pressure with the failure of  
22 the second downstream regulator.

23           The next item identified was essentially  
24 inadequate local pressure indication at the second control  
25 valve for the operator to control his valve. There was no

1 pressure gauge located at the valve. He would have to  
2 walk several feet.

3 Another issue that came up was the first  
4 pressure regulator had a history of failure. It was not  
5 the first failure that they have experienced on it. It  
6 had a number of failures, mostly due to -- you know,  
7 vibration related failures, either in the control system  
8 tubing, or the local valve positioner located right on the  
9 valve.

10 The final item that we have here is, of course,  
11 the bypass valve that was used. This is a design installed  
12 valve to be used in case the first regulator fails. Its  
13 design was not appropriate for controlling the system.  
14 For example, what we are talking about essentially is the  
15 number of turns required -- it was very fine controlled,  
16 very difficult for the operators. Also, that valve  
17 experienced an internal failure, a piece of metal came  
18 loose -- essentially, it is a bottom-guided globe valve.  
19 The bottom guide ruptured, traveled through the system and  
20 that is the piece of metal that obstructed the operation  
21 of this second downstream regulator.

22 Those are the events that we see coming out of  
23 the December 12th, based on our inspections, which  
24 involved interviews of all of the people involved and  
25 also the resident who was in the control room at the time,

1 our indications are that there was not evidence to us of  
2 any external pressure to cause the operators to continue  
3 operation because of any other external influences.

4 CHAIRMAN ZECH: Okay, can we go on to the next  
5 event?

6 MR. D'ANGELO: Sure. There were two more  
7 events, the January 31 event was an overpressurization  
8 event of the auxiliary feedwater system. We do not have a  
9 slide for that but, essentially, the difficulty there was  
10 that they had replaced a governor on the steam turbine  
11 driver. They experienced difficulty in the procurement  
12 process in that they did not clearly communicate to the  
13 maintenance people and to the operations people the  
14 modification that was made to the governor. This  
15 modification made the governor operable only in one  
16 direction. Unfortunately, it was the incorrect direction  
17 for rotation of the steam turbine.

18 The other major difficulty was their method of  
19 post-maintenance testing. When the governor was installed  
20 there had been no previous test of the governor, no bench  
21 test, for example, on-site. The post-maintenance test was  
22 to install the governor on the machine and then open up  
23 the steam admission valve. The valve lineup was such that  
24 should the machine overspeed and, therefore, the pump's  
25 discharge pressure be significantly higher, it would

1 cause, essentially, the entire auxiliary feed system  
2 outside containment to see that pressure. There was  
3 direct communication. There was no isolation of block  
4 valves locally to the pump.

5 We see the January 31st event essentially as a  
6 post-maintenance testing problem, in that the appropriate  
7 post-maintenance testing --

8 CHAIRMAN ZECH: Have they taken action to  
9 correct it?

10 MR. D'ANGELO: Yes, sir. They have taken very  
11 quick action right now to cause more elaborate review of  
12 the work request. There is a longer-term action that they  
13 have committed to, and that is to develop a post-  
14 maintenance test manual for each component.

15 CHAIRMAN ZECH: Okay, can we go on to the next  
16 event then?

17 MR. D'ANGELO: The final event, the March 28th,  
18 was a transient in the main feedwater system. We believe  
19 that is a component related event only. There doesn't  
20 appear to be any failures in the operations department, in  
21 terms of judgment. The cause of that trip is not conclu-  
22 sively known right now. However, they have done a consid-  
23 erable amount of testing, and they have located areas of  
24 the component, essentially, the electronic controller on the  
25 turbine which, when they induce the transient at the

1 component level, they can recreate the transient, but they  
2 have not actually found an item clearly indicating that it  
3 caused the trip itself, and they have taken actions to  
4 repair those components that are susceptible.

5 CHAIRMAN ZECH: All right. Thank you very much.  
6 Anything else?

7 DR. MURLEY: In summary, Mr. Chairman, the staff  
8 has been following the operation at Rancho Seco very  
9 closely. We have analyzed these events very carefully.  
10 Staff believes that Rancho Seco can continue to be  
11 operated safely. We will continue to give enhanced  
12 inspection coverage during these coming months, to be sure  
13 there is no change in performance at the plant.

14 That concludes our discussion.

15 CHAIRMAN ZECH: All right. Thank you very much.

16 MR. STELLO: Mr. Chairman, if the Commission  
17 does not object, it would be our intention to allow the  
18 restart of the plant.

19 CHAIRMAN ZECH: All right, thank you very much.

20 Questions, comments from my fellow  
21 Commissioners? Commissioner Roberts?

22 COMMISSIONER ROBERTS: No.

23 CHAIRMAN ZECH: Commissioner Carr?

24 COMMISSIONER CARR: The plant has had a long  
25 history of feed pump problems, of variation, that fall and

1 up and down, and this looked like -- March 31 looks like  
2 another in that series of "have we ever really found the  
3 problem", and so you think they've got an adequate program  
4 now to maybe pin down what the real problem is?

5 MR. D'ANGELO: Commissioner, they have  
6 established elaborate testing and monitoring of the  
7 equipment, so the answer is yes. Also, they have made a  
8 commitment to the agency to completely remove the current  
9 control system and replace it with a new control system,  
10 manufactured by the same vendor as the ICS.

11 COMMISSIONER CARR: Has this one been there  
12 since the plant was built?

13 MR. D'ANGELO: No, sir, this was a system that  
14 was added approximately 1980.

15 COMMISSIONER CARR: Okay.

16 CHAIRMAN ZECH: Commissioner Rogers?

17 COMMISSIONER ROGERS: Yes, on the B&W owners  
18 group safety and performance improvement program, is there  
19 a site level procedure that has been developed to look at  
20 the implementation of all of the recommendations of that  
21 performance improvement program, and where does it stand?

22 MR. SMELOFF: Yes, sir. At restart in 1988,  
23 Rancho Seco was ahead of other B&W plants in implementing  
24 those recommendations. We have an inspection team  
25 scheduled to go out in June, to verify that all the

1 applicable recommendations to Rancho Seco have been  
2 completed. We don't have those results at this point, but  
3 we feel that based on communications with Rancho Seco  
4 staff, that they have --

5 COMMISSIONER ROGERS: But it's your  
6 understanding that they are essentially completed then,  
7 and that you are planning to go out and verify that?

8 MR. SMELOFF: That's correct, sir.

9 COMMISSIONER ROGERS: All right, thank you.

10 CHAIRMAN ZECH: Commissioner Curtiss?

11 COMMISSIONER CURTISS: Just one quick question.  
12 There has been considerable and frequent turnover in the  
13 top of the company and senior management within this  
14 utility, that is obviously of concern to INPO. I take it  
15 from what you say here that while that is a matter of  
16 concern, that doesn't, in your judgment, affect your  
17 recommendation here.

18 My question is you have heard the three  
19 recommendations for near-term improvements that Mr.  
20 Buonaiuto made this morning. Will those three  
21 recommendations, if adopted, contribute to some stability  
22 in the management of this company?

23 MR. STELLO: I think the results of the  
24 referendum in June will be critical. As to what the  
25 outcome of that is for predicting long-term effects, I

1 think we will need to see what happens in June, to give a  
2 fairly complete answer to your question.

3 COMMISSIONER CURTISS: Okay. That's all I have.

4 CHAIRMAN ZECH: Well, let me just say one thing.  
5 First of all, the INPO report in many ways was a useful  
6 document in that it did, indeed, document the history of  
7 performance at Rancho Seco Nuclear Power Plant, which has  
8 not been good, as we know. It has certainly been well  
9 below average. It also showed the troublesome pattern of  
10 operational events which we are well aware of here at NRC,  
11 it is not new information to us, but I think it should be  
12 pointed out that those are facts.

13 And there have been a number of management  
14 movements and changes there that the licensee himself  
15 indicated would be preferable to improve upon. So, I  
16 think the report should be viewed upon with some  
17 seriousness, as the licensee has indicated, he intends to  
18 do. So, I think that's important.

19 If there are no other questions from my  
20 colleagues, then let me summarize briefly what I believe  
21 we have heard here this morning. First of all, the SMUD  
22 Board has indicated that they are committed to safe  
23 operation of Rancho Seco. I think we heard that the  
24 senior management at Rancho Seco believes that they do  
25 have responsibility for safe operation of Rancho Seco, and

1 have stated that they are getting the adequate support  
2 they need to operate Rancho Seco safely, and that they  
3 believe that Rancho Seco can continue to be operated  
4 safely.

5 I believe we have heard from the NRC staff state  
6 that they have found the NRC licensed activities at Rancho  
7 Seco are being handled in an adequate manner. And I  
8 understand, Mr. Stello, what you are saying is that you  
9 see no reason why Rancho Seco should not proceed with  
10 power operations, is that correct?

11 MR. STELLO: That's correct, Mr. Chairman.

12 CHAIRMAN ZECH: I believe it is essential that  
13 top management at Rancho Seco, including the Board of  
14 Directors, recognize that concern for safety must be first  
15 and foremost in all decisions that are made.

16 The Nuclear Regulatory Commission places safety  
17 first in all of our priorities and we expect all our  
18 licensees to do the same. Nuclear power is a demanding  
19 technology. People and organizations involved in nuclear  
20 power must be willing to make a strong, unwavering  
21 commitment to assure safe operations of this demanding  
22 technology.

23 I would request that the NRC staff continue to  
24 stay closely involved in monitoring Rancho Seco for any  
25 trends that would indicate a performance that is not

1 continuing to improve.

2 Based on our review of the available information  
3 that we have seen here and what we have heard today, and  
4 the presentations that we have heard today, and the  
5 assurances of the continuation of close monitoring by the  
6 NRC staff, I propose that the Commission not object to  
7 resumption of power operations at Rancho Seco.

8 I would ask my fellow Commissioners if they have  
9 any objections to that proposal?

10 (No response)

11 CHAIRMAN ZECH: I hear none. And that's the  
12 position the Commission will take.

13 As I mentioned earlier in the meeting, when we  
14 conclude this meeting, we will move right into a very  
15 short affirmation meeting, which will just take a few  
16 minutes.

17 And with that, thank you very much. We stand  
18 adjourned.

19 (Whereupon, at 11:32 a.m., the meeting was  
20 adjourned)

21

22

23

24

25

CERTIFICATE OF TRANSCRIBER

This is to certify that the attached events of a meeting  
of the United States Nuclear Regulatory Commission entitled:

TITLE OF MEETING: BRIEFING ON RANCHO SECO

PLACE OF MEETING: ROCKVILLE, MARYLAND

DATE OF MEETING: APRIL 7, 1989

were transcribed by me. I further certify that said transcription  
is accurate and complete, to the best of my ability, and that the  
transcript is a true and accurate record of the foregoing events.



Reporter's name: Phyllis Young

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4/7/89

SCHEDULING NOTES

TITLE: BRIEFING ON RANCHO SECO

SCHEDULED: 10:00 A.M., FRIDAY, APRIL 7, 1989 (OPEN)

DURATION: APPROX 1-1/2 HRS

PARTICIPANTS: SMUD BOARD OF DIRECTORS 20 MINS

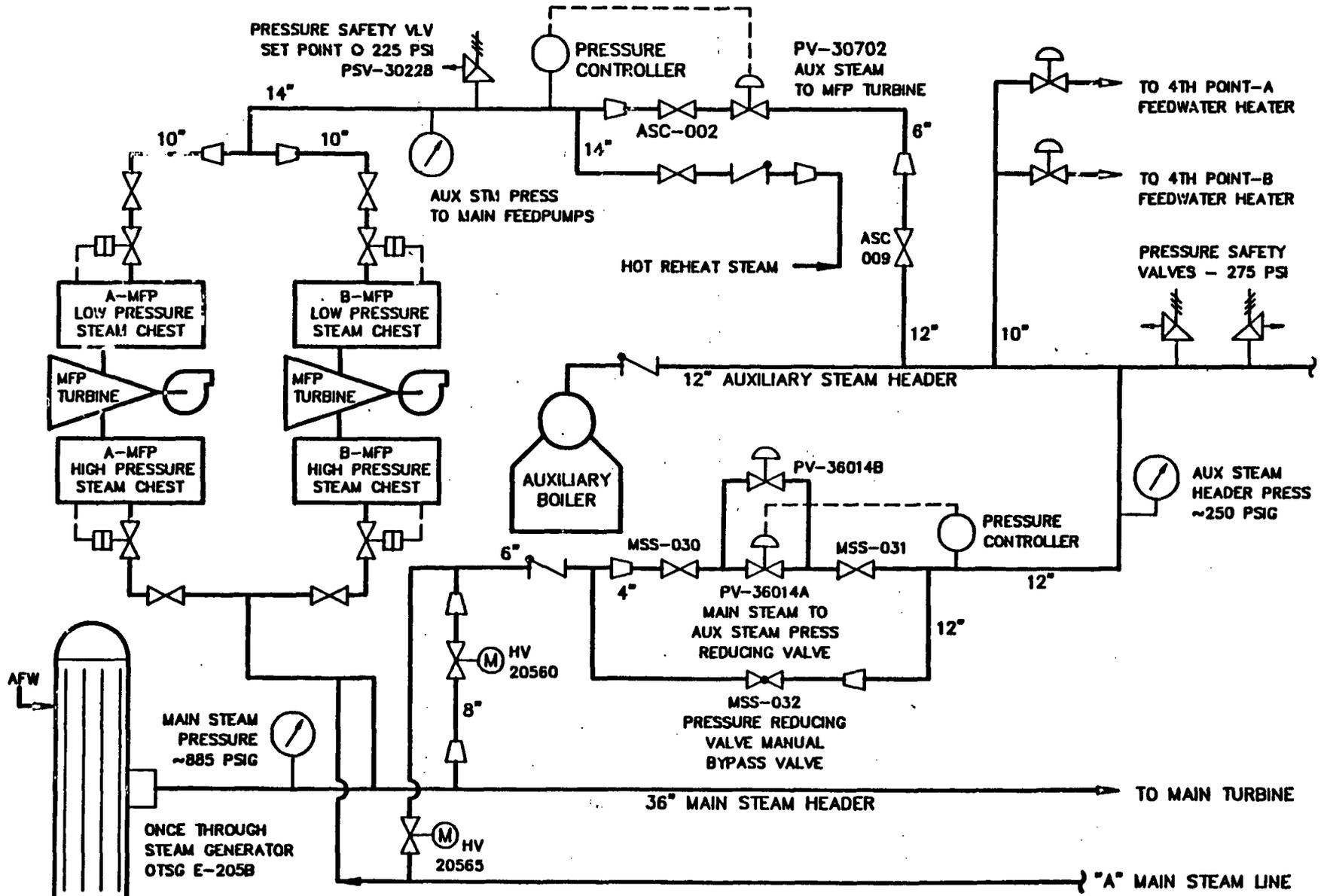
- JOE BUONAIUTO, PRESIDENT
- DAVID COX, VICE PRESIDENT
- PETER KEAT
- EDWARD SMELOFF

SENIOR NUCLEAR MANAGEMENT 20 MINS

- DAVID BOGGS, GENERAL MANAGER
- JOSEPH FIRLIT, CEO, NUCLEAR
- STEVE CRUNK, MANAGER  
NUCLEAR LICENSING
- STEVE REDEKER  
OPERATIONS ENGINEERING SUPERINTENDENT
- WARREN PEABODY, MANAGER  
NUCLEAR ENGINEERING

NRC 20 MINS

- VICTOR STELLO, EDO
- THOMAS MURLEY, DIRECTOR, NRR
- BOBBY FAULKENBERRY, DEPUTY REGIONAL  
ADMINISTRATOR, REGION V
- ANTHONY D'ANGELO  
SENIOR RESIDENT INSPECTOR, RANCHO SECO
- ROY ZIMMERMAN, CHIEF  
REACTOR PROJECT BRANCH, REGION V
- GEORGE KALMAN



AUXILIARY STEAM TO MAIN FEEDWATER TURBINES

PROBLEMS WHICH LED TO DECEMBER 12, 1988  
REACTOR TRIP

- INADEQUATE COMMUNICATION BETWEEN PLANT MANAGEMENT TO EVALUATE CONTINGENCY PLANS FOR DEALING WITH MULTIPLE VALVE FAILURES OR POTENTIAL REACTOR TRIP.
- FAILURE OF TWO IN SERIES AUXILIARY STEAM PRESSURE REDUCING VALVES.
- ATTEMPT TO TRANSFER CONTROL OF ONE PRESSURE REDUCING STATION FROM MANUAL TO AUTO WITHOUT A PROCEDURE.
- INADEQUATE LOCAL PRESSURE INDICATION FOR THE OPERATOR AT ONE OF THE PRESSURE REDUCING STATION CONTROL.
- HISTORY OF FAILURES ON ONE OF THE PRESSURE REDUCING STATIONS.
- BYPASS VALVE WHICH WAS USED DURING THE EVENT WAS OF QUESTIONABLE DESIGN CHARACTERISTICS FOR THE APPLICATION.

**FOR THE RECORD**

**THE ATTACHED APRIL 6, 1989 LETTER  
FROM MR. ED SMELOFF (SMUD BOARD MEMBER)  
TO ZACK T. PATE, PRESIDENT OF THE  
INSTITUTE OF NUCLEAR POWER OPERATIONS  
IS PLACED IN THE RECORD AT THE REQUEST OF  
MR. SMELOFF.**

April 6, 1989

Zack T. Pate  
President  
Institute of Nuclear Power Operations  
Suite 1500  
1100 Circle 75 Parkway  
Atlanta GA 30330-3064

Dear Mr. Pate:

I received your letter on April 5, 1989. As one member of the Board of Directors it is my intent to express to you that I am in agreement with much of your letter.

I agree that the history of the performance of Rancho Seco over the past 14 years has been poor. I also strongly agree that the incidents at Rancho Seco on December 12, 1988 and January 31, 1989 are troublesome and indicate management deficiencies.

I, too, am deeply troubled by the sudden loss of senior managers at SMUD last year. I had great confidence in former general manager Richard Byrne and Carl Andognini, our top nuclear executive. The precipitous firing of Richard Byrne by the Board of Directors on a three-to-two vote was a grave mistake. Before firing Byrne, the Board had asked Joseph Firlit to replace Mr. Andognini, who resigned the same evening, as CEO, Nuclear. Mr. Firlit stated to the Board that he did not trust Mr. Byrne and that he would be uncomfortable reporting to him. Following the statement of Mr. Firlit's concerns the Board decided to fire Mr. Byrne and hire Mr. Firlit as CEO, Nuclear. Obviously, the decision to fire a recently recruited general manager represented a deep division in the organization, caused a loss of morale among SMUD employees and damaged the institution's credibility in the community.

Your criticism of the provision in Measure C (Ordinance 88-1) which established short-term performance criteria for Rancho Seco is valid. Although I was not informed of the concerns you expressed in a telephone conversation with Cliff Wilcox on March 15, 1988, I expressed similar concerns about the Board's judgment in setting short-term performance criteria (Enclosed you will find my comments made to the Nuclear Regulatory Commission on March 22, 1988.)

The plant has failed to meet the 50 percent capacity factor criterion for the months of February and March and has been shut down for the first week in April. The automatic shut down provision of Measure C may come into play during the month of May. I would appreciate INPO's specific advice on

how to insulate the plant employees from undue pressure created by this provision.

While I agree with your findings about Rancho Seco I must dispute your conclusion that this Board of Directors is largely responsible for the situation. The Board consists of three newly elected Board members, six-year incumbent Cliff Wilcox and myself, who has been on the Board for two years. This Board has only met six times and has neither hired nor fired any SMUD managers. Furthermore, most decisions about management of Rancho Seco made by the previous Board have been unanimous (see the attached table of Rancho Seco related votes).

The no votes I have cast during the past two years in regard to Rancho Seco have been for economic reasons. Indeed, most of the discussion among community leaders about the future of Rancho Seco has focused on its economic viability. With the expiration of SMUD's integration agreement with PG&E, our ratepayers must bear the full economic consequences of future outages at Rancho Seco. The additional costs to SMUD can be as much as \$200 million in any year. For a utility with an annual budget of \$680 million a future extended outage at the plant would be disastrous.

I welcome the opportunity to discuss with you or your staff my views about SMUD and Rancho Seco.

Because of the concerns expressed by the Nuclear Regulatory Commission as a result of your letter, I will provide them with a copy of this letter.

Sincerely,

  
Ed Smeloff  
SMUD Board Member  
Ward 3

cc: Nuclear Regulatory Commission  
SMUD Board Members

**FOR THE RECORD**

**THE ATTACHED APRIL 11, 1989 LETTER  
FROM MR. JOSEPH F. FIRLIT (CEO NUCLEAR,  
RANCHO SECO) TO MR. ZACK T. PATE,  
PRESIDENT OF THE INSTITUTE OF NUCLEAR  
POWER OPERATIONS, IS PLACED IN THE RECORD  
AT THE REQUEST OF MR. FIRLIT TO CORRECT  
AN INACCURATE STATEMENT.**

April 11, 1989

Institute of Nuclear Power Operations  
Mr. Zack T. Pate  
President  
Suite 1500  
1100 Circle 75 Parkway  
Atlanta, GA 30330-3064

Dear Mr. Pate:

Attached is a copy of a letter dated April 6, 1989, which you recently received from Sacramento Municipal Utility District (SMUD) Board Member, Ed Smeloff.

After reading the letter, I recognized that an inaccurate statement was made in paragraph three. This inaccurate statement is as follows:

"Mr. Firlit stated to the Board that he did not trust Mr. Byrne and that he would be uncomfortable reporting to him."

In a private session with the Board Members in June, 1988, I recall they asked me the following question and I provided them with the following response:

Question: Would you have any problem reporting directly to Richard Byrne?

Response: I would have a problem reporting to a General Manager who has publicly recommended the closure of Rancho Seco, since the main reason I left Consumer Power Company was to help save the plant from closure. However, I have always been able to work with people, and I would continue to do so with Richard Byrne.

I made no comments regarding the subject of trusting Richard Byrne.

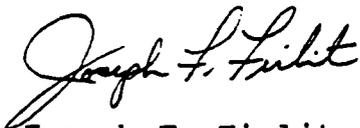
Mr. Pate

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April 11, 1989

Since SMUD Board Member, Ed Smeloff, has asked Chairman Zech to enter his letter of April 6, 1989, into the Public Nuclear Regulatory Commission Hearing Meeting Record of April 7, 1989, I feel obligated to notify both you and Chairman Zech of the inaccuracy of this document.

Sincerely,



Joseph F. Firlit

7022 Pescado Circle  
Rancho Murieta, CA 95683

Attachment

cc: Lando W. Zech  
David A. Boggs  
SMUD Board of Directors