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NUCLEAR REGULATORY COMMISSION

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BRIEFING ON STATUS OF NINE MILE POINT-1

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PUBLIC MEETING

Nuclear Regulatory Commission
One White Flint North
Rockville, Maryland

Wednesday, August 2, 1989

The Commission met in open session, pursuant to notice, at 10:00 a.m., Kenneth M. Carr, Chairman, presiding.

COMMISSIONERS PRESENT:

KENNETH M. CARR, Chairman of the Commission
THOMAS M. ROBERTS, Commissioner
KENNETH C. ROGERS, Commissioner
JAMES R. CURTISS, Commissioner

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STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:

SAMUEL J. CHILK, Secretary

WILLIAM C. PARLER, General Counsel

WILLIAM DONLON, Chairman/CEO, Niagara Mohawk

JOHN ENDRIES, President, Niagara Mohawk

LAWRENCE BURKHARDT, III, Executive V.P., Nuclear

JAMES WILLIS, Nuclear Superintendent

JAMES TAYLOR, Deputy Executive Director for Operations

THOMAS MURLEY, Director, NRR

WILLIAM RUSSELL, Regional Administrator

MARYLEE SLOSSON, Project Manager

WILLIAM COOK, Senior Resident, Nine Mile Point

P-R-O-C-E-E-D-I-N-G-S

10:00 a.m.

CHAIRMAN CARR: Good morning, ladies and gentlemen.

The purpose of today's meeting is for Niagara Mohawk Power Corporation and the NRC staff to brief the Commission on the current status of Nine Mile Point Unit 1.

Nine Mile Point Unit 1 has been shut down since December 1987. In July 1988, Nine Mile Point Unit 1 was identified by NRC senior management as a plant that the NRC will monitor closely. In addition, the NRC issued a confirmatory action letter documenting the licensee's commitment not to restart the unit without NRC permission.

Of particular interest to the Commission today are the status of plans to restart Nine Mile Point Unit 1, the effectiveness of Niagara Mohawk's corrective action plans in resolving problems, and the current financial status of the corporation as it relates to the operational safety of the Nine Mile Point units.

Copies of today's slide presentation are available at the entrance to the meeting room.

Do my fellow Commissioners have any opening

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1 comments?

2 I would like to welcome the representatives
3 of Niagara Mohawk here today.

4 Mr. Donlon, please proceed with your
5 presentation.

6 MR. DONLON: Thank you, Mr. Chairman, and
7 good morning, members of the Commission.

8 I am William J. Donlon, Chairman of the
9 Board and Chief Executive Officer of Niagara Mohawk
10 Power Corporation and I certainly appreciate the
11 opportunity to appear before you and speak to you this
12 morning regarding the progress that Niagara Mohawk has
13 made in addressing the issues identified at Nine Mile
14 Point Unit 1 and preparing the plant for restart and
15 successful long-term operation.

16 Seated with me at the table today are John
17 Endries, President of Niagara Mohawk; Larry Burkhardt,
18 Executive Vice President of Nuclear Operations; and
19 Jim Willis, General Superintendent, Nuclear
20 Generation.

21 In addition, key members of our operations
22 and support staffs are here today and are available to
23 answer any questions.

24 I am particularly pleased to introduce to
25 you Larry Burkhardt who joined our staff in the fall

1 of 1988 and who has responsibility for all of Niagara
2 Mohawk's nuclear activities. Mr. Burkhardt comes to
3 Niagara Mohawk following a distinguished naval career.
4 He's a graduate of the Naval Academy. Larry retired
5 after a 32 year distinguished, I might say, Naval
6 career, during which he rose to the rank of Rear
7 Admiral. Larry had a significant involvement in the
8 Nuclear Navy program and his last duty assignment was
9 as Deputy Chief of Naval Operations for Manpower
10 Personnel and Training.

11 Mr. Burkhardt will discuss the details of
12 our program to improve nuclear operations.

13 Following Mr. Burkhardt's presentation, Jack
14 Endries will discuss the current financial situation
15 at Niagara Mohawk and the impact of regulation by the
16 NRC and the New York State Public Service Commission.

17 Before we begin our presentation, I want to
18 emphasize at the outset that we are fully capable of
19 and committed to financing the improvements that are
20 needed for our nuclear operations and we intend to
21 totally address the needs, not only of Unit 1, but of
22 our entire nuclear operation.

23 As Mr. Endries will discuss in detail, we
24 continue to have full access to the financial markets
25 and are fully capable of providing funds needed to

1 assure safe operations. Even without near-term rate
2 relief on the part of the New York State Commission,
3 the company will continue to show a profit, although I
4 must admit that it will be smaller than we and our
5 shareholders would like to see.

6 In short, we have the capability to fund
7 both our near-term and our long-term improvement
8 programs, including our program to upgrade and add to
9 our operating staff.

10 I also want to state that everyone at
11 Niagara Mohawk associated with the nuclear program,
12 from the top down, now recognizes the significance of
13 the problems associated with our nuclear program and
14 the need for sustained improvement.

15 In performance at Unit 1, we also recognize
16 that while substantial progress has been made as we
17 sit here, overall superior performance over the long-
18 term can really only be sustained by assuring that
19 fundamental cultural changes have occurred.

20 It was a terrible disappointment to me to
21 recognize that a facility that we once probably
22 considered to be an industry leader has deteriorated
23 in performance to the extent that NRC intervention was
24 required. I can assure you that there has been much
25 soul searching by top management on the reasons for

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1 our fall. As CEO, I accept full responsibility for
2 our commitment to return our nuclear operations to a
3 level of performance that we can all be proud of and
4 we are taking effective actions toward that end, in my
5 opinion.

6 We believe we now know what our problems
7 are. We have committed thousands of manhours and
8 hundreds of people, from senior management to the day-
9 to-day operating staff, to the process of identifying
10 and correcting deficiencies in our performance. Our
11 process has been one of involvement of all levels of
12 our nuclear employees and not solutions dictated from
13 above.

14 We recognize that the problems are far
15 deeper than mere hardware concerns. We are where we
16 are because we have failed to keep pace with the
17 continuing changes in our industry and the
18 appropriately higher performance expectations that
19 exist. We became complacent evidently and satisfied
20 with the status quo, one could say.

21 We recognize now that we focused our
22 resources on the completion of Unit 2 to the detriment
23 of Unit 1 and we recognize that in order to get well,
24 we must continue to make changes to our corporate
25 culture. We must overcome the sense of complacency.

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1 We must become better at identifying and resolving
2 problems and we must hold all of our managers
3 accountable to follow through on commitments. We must
4 communicate better with our workers and we must listen
5 to them.

6 I can report to you today that we are making
7 substantial progress in this regard. Mr. Burkhardt
8 will describe that progress in some detail. But I
9 would like to point out that one significant step has
10 been the changes in our management staff. We have
11 substantially added to and reorganized our management
12 team. I believe our management team is now strong,
13 skilled and capable of running our nuclear operations
14 the way that they should and must be run.

15 I can also report that Unit 2 has been
16 operating for 98 consecutive days. While total days
17 of operation itself is certainly not an ultimate goal,
18 it does demonstrate that we have come to grips with
19 some of the equipment and personnel problems we have
20 encountered.

21 However, I must report to you that we have
22 had a recent setback with regard to operator
23 requalification at Unit 2. You can be assured that we
24 will get to the root of that problem and we'll
25 thoroughly evaluate its implications with regard to

1 Unit 1. Mr. Burkhardt will fill you in on those
2 details.

3 We are, with regard to our entire nuclear
4 program, not yet where we want to be and where we are
5 going to be. In fact, I don't believe that we will
6 ever be or should ever be completely satisfied with
7 our performance. As I noted, there is no such thing
8 as status quo in the nuclear industry and we realize
9 that now. Either we constantly work to get better or
10 we will almost certainly get worse.

11 Nevertheless, I hope that our presentation
12 will be useful to you and that I can report to you and
13 your staff shortly that we have made sufficient
14 progress such that we will be ready to resume
15 operation of Unit 1.

16 I now will ask Mr. Burkhardt to discuss our
17 restart efforts.

18 CHAIRMAN CARR: Thank you.

19 MR. BURKHARDT: Good morning, gentlemen.
20 I'm Larry Burkhardt. You Commissioners may recall
21 that I met individually with each of you in March to
22 discuss my goals.

23 I would like at this time also to introduce,
24 in addition to Jim Willis, others of our staff that
25 I've brought here in case you may have a desire or

1 reason to question them. Kim Dahlberg, who is the
2 Unit 1 Superintendent; Jim Perry, our Vice President
3 of QA and a member of our restart panel; Ed Hoffman,
4 who is the Staff Director for our restart panel and is
5 normally the Vice President of Non-nuclear QA for
6 Niagara Mohawk; and Stan Wilczek, who is our Manager
7 of Licensing and is a member of the integrated team of
8 key managers which is led by Kim Dahlberg, which I'll
9 be discussing as I discuss the status of the restart
10 effort.

11 You may note in your package that you've
12 been provided an organization chart for reference
13 during the discussion.

14 As Bill has mentioned, before discussing the
15 status of the restart effort of Unit 1, I wanted to
16 address an immediate concern with Unit 2 operator
17 requalification program.

18 In the past two weeks, we have experienced
19 an unacceptably high failure rate on requalification
20 exams. Clearly, our training program has been
21 ineffective in preparing our Unit 2 operators for
22 requalification. I was surprised and very
23 disappointed at this. Recent Unit 2 operator
24 evaluations by INPO and one by the NRC have been
25 positive. However, we have found weaknesses in

1 communication, our prioritization of actions and role
2 definition in our simulator scenarios. And we have
3 found what appears to be improper time and clarity
4 validation of a written examination. The result was
5 an unacceptably high failure rate and an appropriate
6 characterization of our training program of being
7 unsatisfactory.

8 While the training program is
9 unsatisfactory, I do not believe the rigor of the
10 examination process is in question. There was close
11 agreement in the past two weeks between our
12 examination results and the NRC's parallel grading.
13 So therefore, I believe that all those we have
14 examined for requalification in the past month are
15 truly qualified and those are the only operators that
16 we are using to man the plant at this time in a four
17 crew, 12 hour shift rotation.

18 We also have commenced remedial action for
19 those who have failed the examination in the last
20 month and we have instituted increased monitoring by
21 management of shift operations and in our four shift
22 crews have placed an additional SRO for three SROs on
23 each shift to make sure that until we have better
24 established the roles and the priorities, that we do
25 have plenty of SRO coverage per shift.

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1 We are examining the last crew this week
2 that had not yet been examined for requalification and
3 the NRC staff is participating with us in that
4 examination. They are, in fact, in the simulator as
5 we speak. The results of that examination will be
6 known by probably tomorrow afternoon. If they pass,
7 it is our intention to continue the remediation of
8 those who have failed the examination and also to
9 continue to operate in that four shift rotation until
10 a planned two week outage starts on the 9th of
11 September.

12 If, on the other hand, Crew D is not
13 successful in passing their requalification, it is our
14 decision to shut down the plant and prepare and
15 administer with the NRC another requalification
16 examination for those who requalified in the last
17 month on our exam only. We will probably at that
18 point consider starting the Unit 2 outage next week
19 and continue the outage while remediating the failures
20 and reexamining those who have passed only a Niagara
21 Mohawk exam. We are not certain that we have all of
22 the parts for diesel overhaul, and so we may or may
23 not commence the outage because of that.

24 Anyway, that's the situation and we're
25 distressed by it and we're going to fix it. We're in

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1 full agreement with the NRC staff in their evaluation
2 of the way things are.

3 Turning to Unit 1 training, in May of this
4 year five of six crews and all SROs and Unit 1
5 operators were found to be fully satisfactory by NRC
6 inspectors in carrying out EOPs. This was a great
7 improvement over the situation before because this was
8 one of the issues which resulted in the confirmatory
9 action letter, their inability to do that. So, we
10 were pleased with that great improvement. In fact,
11 the inspectors remark~~d~~ that considering all that they
12 had been through, that they were surprised at how well
13 they did.

14 However, there were weaknesses, weaknesses
15 related to communications and teamwork and in the
16 assignment of responsibilities of the crew. We have
17 clearly defined their role definition. We weren't
18 smart enough to get that definition over to Unit 2 in
19 time. They have it now. I have been asked in the
20 inspection report why the communications and teamwork
21 weaknesses still existed. They were far better than
22 would have been seen six months before and you don't
23 change those communications and teamwork practices
24 overnight.

25 There's been continual improvement and while

1 they were not up to the standards we would like to see
2 when they were examined, the fact that five of the six
3 crews did a very successful job indicates to me that
4 there was good progress and we continue to see further
5 progress and we'll press on to make sure that we
6 become excellent in that area of communications and
7 teamwork.

8 I will now discuss our Unit 1 restart
9 effort. By way of background, in December '87, Nine
10 Mile Point Unit 1 was shut down due to excessive
11 vibration in the feed water system. During the
12 shutdown, Niagara Mohawk found and committed to
13 resolve identified problems associated with the in-
14 service inspection program. In the course of the
15 outage, additional technical and management
16 deficiencies were identified both by Niagara Mohawk
17 and by the Nuclear Regulatory Commission. These
18 deficiencies led to the issuance of a confirmatory
19 action letter, 88-17, dated July 24, 1988.

20 The first two conditions of the confirmatory
21 action letter were:

22 One, determine and document our assessment
23 of the root causes of why Niagara Mohawk's line
24 management has not been effective in recognizing and
25 remedying problems.

1 Second, prepare a proposed restart action
2 plan which provides the corrective actions for those
3 root causes and submit it to the NRC Region I
4 administrator for review and approval.

5 In accordance with the third requirement of
6 the confirmatory action letter, a written report of
7 readiness of Nine Mile Point Unit 1 for restart will
8 be provided to the regional administrator as necessary
9 actions are nearing completion. This report will also
10 confirm that line leadership skills are sufficient for
11 restart. I will speak about that report a little
12 later.

13 As a result of the confirmatory action
14 letter, a restart action plan was developed. It was
15 developed deliberately and systematically to utilize
16 and build on the existing strengths of the Nuclear
17 Division and support organization of Niagara Mohawk.
18 We used input from throughout the nuclear organization
19 to determine, analyze and propose corrective actions
20 where problems had been encountered and weaknesses
21 experienced. The plan has been enhanced by feedback
22 and buy-in from all levels of personnel, from
23 operations, engineering and support operations. It
24 was also reviewed by the Institute of Nuclear Power
25 Operations.

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1 Niagara Mohawk's senior management, which
2 has been an integral part of the restart effort from
3 the outset, approved submission of the plan on
4 December 22nd of 1988. Based on discussion with an
5 NRC staff restart panel, chaired by Bill Kane, we
6 submitted a clarifying first revision to the plan on
7 March 2nd of this year and a limited second revision
8 on July 11th to amplify the plan in the areas of
9 standards of performance, chain of command strength
10 and training actions. This revision has been reviewed
11 with the NRC staff restart panel last week and a
12 public meeting is planned by them for August 23rd to
13 receive public comments on the plan.

14 The restart action plan constitutes the
15 short-term actions, that is those necessary for
16 restart of Nine Mile Point Unit 1, and represents
17 Niagara Mohawk's commitment to improved performance.

18 A nuclear improvement program has been
19 developed in parallel with the restart effort. It
20 includes near-term and long-term corrective actions
21 across our entire nuclear program for addressing
22 management and organizational effectiveness and longer
23 term programs associated with specific technical
24 issues. This nuclear improvement program is the
25 bridge to the future.

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1 In developing the restart action plant,
2 Niagara Mohawk implemented a systematic approach to
3 assure that issues were identified, and those were
4 both specific issues and underlying management
5 effectiveness issues; that issues were thoroughly
6 analyzed to determine their root causes; that
7 effective corrective actions were identified which
8 addressed these root causes; that appropriate
9 accountability was assigned such that corrective
10 actions are fully implemented; and that follow-up
11 evaluations are performed to assess whether corrective
12 actions are truly accomplishing the desired change in
13 performance.

14 The 18 specific issues are listed in your
15 handout. However, it is more important that I discuss
16 with you the underlying root causes of deficient
17 management effectiveness. These five underlying root
18 causes are:

19 One, management planning and goal setting
20 have not kept pace with the changing needs of the
21 Nuclear Division.

22 Two, the process of identifying and
23 resolving concerns and problems was less than
24 adequate.

25 Three, management had a technical rather

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1 than a people focus.

2 Four, standards of performance had not been
3 defined or described sufficiently for assessment and
4 self-assessments have not been consistent or
5 effective.

6 Five, lack of effective teamwork within the
7 Nuclear Division with support organizations was
8 evidenced by lack of coordination, cooperation and
9 communication in carrying out responsibilities.

10 These underlying root causes formed the
11 overall basis for specifying corrective action
12 objectives which characterize the direction and
13 performance level to be achieved. The plan contains
14 summaries of long-term strategies for continued
15 actions after restart. These actions, which are
16 contained in the nuclear improvement program, will
17 establish levels of performance beyond that necessary
18 to support safe operation and are therefore not
19 required before restart.

20 Niagara Mohawk recognizes that fully
21 addressing the underlying root causes is necessarily a
22 long-term effort involving, among other things,
23 cultural change. But a comprehensive effort to change
24 the culture of the Nuclear Division is already well
25 underway, as I will describe.

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1 Each specific issue in the restart action
2 plan was assigned to a Niagara Mohawk line manager to
3 oversee the analysis for root causes with
4 participation of line management from other
5 departments and assistance from a restart task force.
6 The same line manager was also responsible for
7 determining corrective and verification actions. The
8 line managers, in conjunction with the restart task
9 force and an integrated team of about 20 key
10 responsible managers, assured that proposed corrective
11 actions adequately addressed the issue and that the
12 verification steps provided sufficient evidence of
13 completion. This review was continued by senior
14 management who provided feedback to the line managers.

15 To assure management follow through on
16 commitments and corrective actions, each responsible
17 manager was required to establish and commit to
18 completion dates for his actions and will personally
19 certify satisfactory completion of those corrective
20 actions.

21 Independent verification is carried out in
22 accordance with the plan. Once verification of a
23 particular issue is complete, the matter is reviewed
24 by the site operations review committee before restart
25 requirements are deemed to be satisfied and before the

1 Nuclear Regulatory Commission staff is notified that a
2 specific action and its verification have been
3 completed.

4 Our safety review and audit board also
5 conducts independent review of selected completed
6 issues.

7 But we didn't think that was enough and so,
8 therefore, a structured, independent, self-assessment
9 process is being utilized to ensure successful
10 completion of the restart action plan and preparation
11 of the readiness for restart report. We have formed a
12 restart review panel chaired by myself and consisting
13 of Niagara Mohawk senior management, representatives
14 from other nuclear utilities and an outside
15 consultant. We have also requested an INPO assist
16 team restart assessment.

17 The Chief Executive Officer, the President,
18 and the Board of Directors, including its Nuclear
19 Oversight Committee, participate as well. The final
20 decision regarding the company's readiness for restart
21 will be made by the CEO and reported to the NRC Region
22 I administrator.

23 The purpose of the restart self-assessment
24 is to determine that the corrective actions contained
25 in the restart action plan have been effective in

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1 solving the problems identified. The key element of
2 this self-assessment process is the work carried out
3 by the restart review panel and its support staff.
4 Panel members have broad experience and extensive
5 knowledge of general management practices, nuclear
6 operations, maintenance, engineering, quality
7 assurance and regulation.

8 The panel members are: Mr. Joe Ash, Vice
9 President of Consumer Services for Niagara Mohawk; Mr.
10 Don Hall, Senior V.P., Illinois Power Company; Mr. Joe
11 Hendrie, a consultant and a former NRC Chairman; Mr.
12 Roger Kober, President of Rochester Gas and Electric
13 Company; and Mr. Jim Perry, the V.P. of Quality
14 Assurance for Niagara Mohawk; and I am on the panel as
15 Chairman.

16 The panel support staff consists of a staff
17 director, Ed Hoffman; three assessment area
18 coordinators, 19 primary assessors and 12
19 interviewers. Additional people contribute on an as-
20 needed basis. The assessors acted as the direct
21 extension of the panel members. Assessors were chosen
22 who had the knowledge of the subject areas and who
23 were independent of the line function that had direct
24 responsibility for executing the corrective actions.

25 The panel members, other than myself,

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1 divided the assessment issues and took personal
2 responsibility to act as advisors to the members of
3 the support staff for the panel for each of these
4 issues. This structure allowed each panel member to
5 focus his attention in areas where his expertise was
6 greatest.

7 Assessments were started well before the
8 corrective actions were scheduled to be completed.
9 The two main reasons for assessing in parallel to the
10 task activities were to provide early feedback to the
11 line organization when the assessment team saw
12 probably shortfalls and to allow the assessors to
13 develop multiple data points so that trends could be
14 observed in the management effectiveness issues.

15 The initial assessment activities started
16 back in March of '89 and have continued since that
17 time, with monthly panel meetings, one of which was
18 jointly conducted with our Nuclear Oversight
19 Committee. In addition to the guidance provided at
20 the formal panel meetings, each panel member, in his
21 advisor capacity, has met with assigned assessors and
22 task managers to participate in the assessment
23 analysis and the resolution of concerns brought about
24 through the assessment.

25 The panel members have also observed work

1 activities in the plant and inspected the plant for
2 cleanliness and material condition. The members have
3 observed simulator training at the training center and
4 observed operators in the plant. The panel members
5 have also observed Nuclear Division personnel in
6 various work situations to determine if employees
7 behavior exhibits the proper skills and attitudes to
8 support improvements in the five management
9 effectiveness areas.

10 The panel members were not easy to satisfy.
11 Those of you who may know some of them would not be
12 surprised by that. We had scheduled a new integrated
13 priority system as a longer term effort and an
14 integrated problem solving program as a longer term
15 effort in the nuclear improvement program and, based
16 on their insistence, we have expedited that and have
17 made considerable progress in those areas.

18 In the management effectiveness areas, there
19 are not absolute, quantitative criteria to rely on to
20 determine adequate progress toward achieving the
21 desired state. In many instances, the panel members
22 looked for the desired behavior being exhibited by
23 managers in the more senior levels of the organization
24 and for the required management programs being in
25 place.

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1 Where the right example is being modeled by
2 the senior managers and with the standards of
3 performance in place and being given high visibility,
4 the panel is more confident that the desired behaviors
5 and skills will become the norm in the Nuclear
6 Division.

7 As the panel finds that the unit is
8 achieving readiness for restart and has drafted the
9 required report, INPO will send in an assist team to
10 review our assessments and provide an independent look
11 at the unit's readiness for restart. This assessed
12 visit is scheduled to occur in mid-August.

13 I will then present our proposed readiness
14 for restart report to the Nuclear Oversight Committee
15 of the Board of Directors. After discussion with the
16 Oversight Committee, the report will be presented to
17 the Chairman of the Board, CEO, for final approval and
18 transmittal to the NRC Region I administrator.

19 To provide continuing self-assessment, a
20 permanent, independent assessment group reporting to
21 me has been established. This group will pick up the
22 lessons learned in the ongoing restart self-assessment
23 process and use them in the future. Assessments will
24 concentrate initially on the management effectiveness
25 areas to ensure that the positive momentum achieved to

1 date continues.

2 I would now like to discuss our progress.
3 There are several important Niagara Mohawk actions
4 that must be completed before restart. I will discuss
5 those now.

6 They include completing physical readiness,
7 completing the specific and underlying root cause
8 restart actions, and submitting the readiness for
9 restart report. The bulk of the physical work, such
10 as in-service inspection, is completed. System
11 testing is in progress, refueling is scheduled for
12 August and the physical plant readiness for restart is
13 planned for October.

14 As of last week, about two-thirds of the
15 specific issue corrective actions have been completed
16 and signed off and about one-half of the underlying
17 root cause issues have been completed and signed off.
18 We hope to submit the readiness for restart report in
19 late August, but in any case we will submit it only
20 when we are absolutely sure we will be ready for
21 restart.

22 I'd like to give you some physical examples
23 of the work that's been done and remains to be done.
24 We have completed since December of '87 some 10,000
25 work requests. We have 388 left to go for reload and

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1 about 1,000 left to be signed off before restart since
2 we're concentrating on the reload issues. We see
3 those being completed in accordance with the schedule
4 we've talked about. We've completed some 8,000
5 inspections and tests, including over 3500 ISI
6 inspections. There remain only four ISI inspections
7 before reload and 100 before restart that cannot be
8 done before reload. That's sort of where the status
9 is on the physical work to be done.

10 The underlying root cause~~s~~ assessors and the
11 panel members believe that substantial progress has
12 also been made in those areas, but we are continuing
13 to assess and check that progress. The foundation for
14 that belief is the changed behavior being modeled by
15 my direct reports and their managers. Some examples of
16 significant improvements are as I mentioned. There's
17 a draft Nuclear Division priority system already
18 developed.

19 Teamwork has improved significantly,
20 especially in areas where it had been poor, between
21 nuclear generation and nuclear engineering. There
22 have been off-sites between those two groups.

23 The concept of working to and being judged
24 by a standard, the Nuclear Division standards of
25 performance, is gaining wide acceptance. The unified

1 methodology for following a problem from
2 identification to implementation is being developed by
3 a team from across the division and is being used in
4 the restart effort.

5 I have held two series of what we call town
6 hall meetings. Those are ten, two hour sessions with
7 every employee in the Nuclear Division and all the
8 support employees. I conducted the first series in
9 December of '88 and the second series in June of '89.
10 I can tell you that the difference in attitudes,
11 questions and comments was very marked between those
12 two meetings. There was a tremendous improvement in
13 each one of those areas and the questions turned from
14 irritants to those things which can be done to help us
15 improve the operation.

16 At that town hall meeting, I addressed in
17 great detail our new standards of performance. At
18 this time I'd like to call to your attention the small
19 cards that have been handed out to you Commissioners.
20 These cards are wallet cards which each member of the
21 division is expected to have in his wallet or, as Jim
22 Willis does it, in his shirt pocket so it will be
23 close to his heart. They include a vision statement,
24 a mission statement, our objectives and goals and they
25 also include these standards of performance. The

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1 vision, mission and goals tell us what it is we're
2 trying to accomplish and the standards of performance
3 tell us how we want to achieve them. They are the
4 mirror by which we measure our performance.

5 I have seen repeatedly, and the assessors
6 have seen and reported these standards of performance
7 being embraced across the division from top to bottom.

8 In June I attended a conduct of operations
9 briefing with the operators. As they were talking
10 about professionalism in operations, the instructors
11 were, the operators broke out their standards of
12 performance to see if the instructors knew what they
13 were talking about and it turned out, of course, that
14 what they were talking about matched pretty well what
15 was in our standards of performance.

16 A first line supervisor reported that he
17 keeps them on his dresser at home. Jim Willis, as I
18 said, carries them in his shirt pocket. Managers are
19 asking their direct reports to call them on failure to
20 exemplify these standards of performance. I even got
21 questioned myself after losing my patience one day as
22 to why I hadn't demonstrated professionalism in that
23 regard.

24 So, it's a very healthy thing and the
25 standards are far more demanding on the management

1 than they are on the troops and they recognize that
2 and it gives them a way to deal with their managers
3 and say, "But, Manager, you don't seem to be doing
4 like it says in this little card here. Why aren't you
5 listening to us? Why aren't you getting our ideas?"
6 I would encourage you to talk to some of the other
7 people here, particularly Ed Hoffman, who's done a lot
8 of interviewing as the staff director of our restart
9 panel, to see what sort of impressions they've had of
10 these standards becoming not just written on a piece
11 of paper but engraved on people's hearts.

12 At any rate, in summary, I believe, and
13 Niagara Mohawk believes, that we have fulfilled the
14 first two steps required by the Nuclear Regulatory
15 Commission's confirmatory action letter for the
16 restart of Nine Mile Point Unit 1. The company has
17 established a comprehensive program to correct
18 identified problems in improved performance, drawing
19 on past successes, learning from past shortcomings and
20 utilizing a comprehensive self-evaluation process.

21 The restart action plan is being carried out
22 with the assistance and input from various levels of
23 personnel in the Nuclear Division and senior
24 management. Root causes have been identified,
25 corrective actions established, verification

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1 activities planned, and long-term strategies outlined.
2 The completion of those activities identified in the
3 restart action plan and their thorough verification,
4 review, assessment and acceptance by all levels of
5 Niagara Mohawk personnel, will be effective to prevent
6 recurring problems and permit a restart readiness
7 determination by the company.

8 And then, the nuclear improvement program is
9 the bridge to long-term effectiveness and our vision
10 to one day be the best.

11 In conclusion, we have made considerable
12 progress. We have an aggressive, success-oriented
13 schedule, but we will assure ourselves that we will be
14 ready for restart before we submit the readiness for
15 restart report. We will be back to update the
16 Commission after that report is submitted.

17 I am aware that Commissioner Curtiss is
18 planning to visit Nine Mile Point in late August and I
19 invite the other Commissioners to visit also and see
20 our progress first-hand, if your schedules permit.

21 Thank you very much. I'd like to turn it
22 over now to our President, Jack Endries, to discuss
23 the financial situation.

24 MR. ENDRIES: Thank you, Larry.

25 Good morning. I understand that you have an

1 interest in our financial situation and, in addition
2 related to that, some views that we have concerning
3 the state and federal regulations of the company.

4 As far as the federal and state regulation
5 of our operations, our situation is one illustration
6 of a generic issue, which undoubtedly impacts each
7 plant, although you have jurisdiction, albeit that
8 each one would be a little different, some more subtle
9 than others.

10 Of course, accountability of the regulated
11 utility is of overriding importance. Niagara Mohawk
12 readily acknowledges and willingly accepts its
13 responsibility to be accountable to the public through
14 both federal and state regulatory bodies. Niagara
15 Mohawk expects to be subject to regulation, on one
16 hand for safety and on the other hand for economic
17 matters.

18 Let me briefly discuss the substance of that
19 economic regulation, particularly as it applies to our
20 nuclear operations. During the construction of Nine
21 Mile Point Unit 2, the company was subject to a cap on
22 the construction costs imposed by the Public Service
23 Commission.

24 COMMISSIONER ROBERTS: When was that
25 imposed?

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1 MR. ENDRIES: In the early 1980s. The plant
2 was completed in 1988, but the cap was initiated in
3 the early 1980s. That cap evolved into a settlement
4 agreement in 1985 that resulted in Niagara Mohawk's
5 shareholders absorbing, ultimately, over \$800 million
6 in construction costs. I would note, however, that
7 neither unit, Unit 1 or 2, is subject to specific
8 performance incentives.

9 Under the New York scheme of regulation,
10 plant operation, except fuel, maintenance and
11 investment costs, are projected in rates. Variances
12 from projected costs are generally absorbed by
13 shareholders. Projected fuel costs --

14 CHAIRMAN CARR: Would you repeat that?

15 MR. ENDRIES: Sure. The operation expenses,
16 excluding fuel, maintenance and investment costs, are
17 projected in rate cases. You're going to haggle over
18 the projections, but once the projections are
19 established in rates, whatever happens in the way of
20 actual results are absorbed by shareholders. In other
21 words, their rates are specifically set for a given
22 period of time.

23 The fuel is handled somewhat differently in
24 that we have a fuel adjustment clause. So, projected
25 fuel and purchase power costs are used in establishing

1 a forecast. But actual fuel and replacement power
2 costs are generally recovered in rates through the
3 fuel costs. So, generally speaking, while there's
4 some incentive arrangements that relate to the fuel
5 cost, most differences are adjusted monthly through
6 the fuel adjustment clause.

7 Now, there is an important exception that's
8 existed related to Nine Mile 1 replacement power costs
9 from January 1st of 1989 through June 30th. I'll be
10 talking more about that in just a few minutes.

11 COMMISSIONER ROBERTS: Do you have any
12 service area outside the State of New York?

13 MR. ENDRIES: No, not subject to New York
14 regulation. We have a rather small service, electric
15 utility, in Canada, just over the border into Canada,
16 near Niagara Falls. But most of our operations are in
17 New York State, Upstate New York. We have both gas
18 and electric service that we offer.

19 In addition to the rate cases and the
20 projects that are made for that purpose, the company
21 is also subject to prudence evaluations, with
22 imprudently incurred costs being absorbed by
23 shareholders.

24 COMMISSIONER ROBERTS: Imprudently as
25 determined by the Public Service Commission?

1 MR. ENDRIES: That's correct. Yes. After
2 an investigation is made, generally speaking, with
3 testimony and hearings and that sort of thing, they
4 reach a conclusion that could be appealed in the
5 courts. But basically, they make the determination.

6 CHAIRMAN CARR: Is that a review of the
7 maintenance operating and investment costs then?

8 MR. ENDRIES: Yes, as well as fuel.

9 CHAIRMAN CARR: So, they --

10 MR. ENDRIES: Every part of our operations.

11 CHAIRMAN CARR: So, it's a review of the
12 contract they've already made with you.

13 MR. ENDRIES: I suppose you could look at it
14 that way, yes.

15 CHAIRMAN CARR: How well you've executed it
16 perhaps?

17 MR. ENDRIES: Yes. The standard of prudence
18 is applied in that situation.

19 CHAIRMAN CARR: Okay.

20 MR. ENDRIES: As far as our financial
21 situation, I can state with full confidence that we
22 fully expect to be able to finance the costs of our
23 nuclear operations and planned improvements.

24 Let me provide you with a brief overview of
25 our financial situation. At the end of last year, as

1 I mentioned, Niagara Mohawk agreed to suspend
2 collection of \$225,000.00 a day of Nine Mile 1
3 replacement power costs until June 30th or the return
4 of Nine Mile 1 to service if that were to occur
5 earlier. Of course, the unit is still out of service.

6 We hope, however, to resume full recovery of
7 replacement power costs shortly. In New York,
8 collection of replacement power costs through the fuel
9 adjustment clause is subject to refund the customers,
10 as I mentioned, if the fuel costs are subsequently
11 found to have been imprudently incurred.

12 In addition to foregoing these replacement
13 power costs of Unit 1, we have been incurring extra
14 expenses related to operation and maintenance as we
15 work to get the unit back into operation. These have
16 been running above the normal levels that were
17 projected to take place when our electric base rates
18 were set some time ago. These extra expenses have
19 been running at a rate of about \$5 to \$6 million per
20 month.

21 As a result of the replacement power costs
22 being absorbed and the extra operation and maintenance
23 expenses being absorbed, our earnings and cash flows
24 and interest coverage, which is important to our
25 credit ratings, have severely dropped. The company

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1 has petitioned the PSC to allow the recognition as
2 revenue of a portion of a pension fund settlement that
3 produced an \$83 million gain and a property tax refund
4 of about \$5 million.

5 In addition, the company plans to file on
6 August 4th, so that's this Friday, a rate case seeking
7 an increase in rates of about \$370 million, effective
8 July 1, 1990. So, next summer. There is the
9 possibility that the rate request might be settled
10 without litigation. Normally a rate case takes 11
11 months to decide. So that's why the rates wouldn't be
12 effective until July 1, 1990. But it may be settled
13 without litigation.

14 In addition to attempting to improve Niagara
15 Mohawk's financial situation through the PSC, we've
16 taken other steps. For example, we have negotiated
17 bank credit lines to exclude Nine Mile 1 outage
18 expenses from the coverage tests, the interest
19 coverage tests that I mentioned earlier, necessary to
20 qualify for the credit. As a result, we expect to
21 have continued access to our bank credit.

22 The company current has access to the
23 financial markets and while the terms of that access
24 may worsen in coming months, we do not expect to lose
25 that access.

1 We've recently deferred a decision on paying
2 our third quarter dividend to common shareholders.
3 Even if we ultimately decide not to pay it, we do not
4 foresee an inability to finance. There may be some
5 impact on the price of our stock and perhaps on the
6 rating of our debt, but we are confident that we will
7 have access to the funds that we need to carry out our
8 responsibilities, including those relating to nuclear
9 operations.

10 The PSC's statutory authority to exercise
11 general supervision of all electric corporations in
12 our state is extensive. As it applies to nuclear
13 operations, the PSC has a presence both at the site
14 and at Niagara Mohawk corporate headquarters and our
15 other offices. These PSC representatives have access
16 to substantially all documentation at the facility.
17 The PSC representatives also have access to all
18 employees at the site and meetings of the company
19 involving the nuclear units.

20 As you may know, the PSC staff, the Attorney
21 General, and the Consumer Protection Board in New York
22 State all are routinely copied on correspondence from
23 the Nuclear Regulatory Commission.

24 There exists a basic tension between the
25 requirements of NRC regulation and state regulation.

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1 The NRC's regulatory structure and enforcement
2 philosophy is largely prospective in its approach. It
3 seeks to encourage a utility to be self-critical and
4 completely open about its shortcomings and errors so
5 that root causes may be determined and corrective
6 action initiated.

7 The role of the state regulatory body has
8 tended to be both retrospective, in an effort to
9 insure the regulated company does not benefit
10 financially from imprudent acts, and prospective.
11 Compliance with the NRC's regulatory philosophy often
12 results in a documentary record that may occasion
13 financial penalties being imposed by the state
14 regulator.

15 Certainly, Niagara Mohawk, as a matter of
16 policy and practice, does not and will not sacrifice
17 compliance with safety regulations to protect itself
18 financially. To be frank, there probably always will
19 be a tension between this state and federal
20 regulation, the dual regulation that we encounter. We
21 do have discussions underway with the staff of the
22 state regulators to see how we might reduce that
23 tension.

24 In summary, Niagara Mohawk is confident it
25 can continue to assure that protection of the public

1 health and safety, improve its performance, and meet
2 NRC expectations while still satisfying the mandate of
3 the Public Service Commission to protect the rate
4 payers.

5 Thank you.

6 COMMISSIONER CURTISS: Is that contingent
7 upon achieving or realizing any or all of the
8 contingent steps that you identified, the rate
9 request, the pension settlement, the property tax
10 treatment? Or irrespective of those prospective
11 actions, do you still have that confidence?

12 MR. ENDRIES: Well, we feel, based on our
13 present expectations for the unit return to operation
14 and so forth, that even without these short-term
15 relief measures, we'll continue to have access to the
16 financial markets and so forth that we'll need. We
17 may suffer, as I indicated, some worsening in the
18 terms if our credit rating were to be lowered and so
19 forth, it may be more costly to borrow, I expect that
20 it would be, but we would still have access.

21 CHAIRMAN CARR: Is the \$250,000.00 a day
22 that was from January 1st to June 30, is that a given
23 that that's stopped and no longer being charged?

24 MR. ENDRIES: It's not a given. Maybe I
25 misspoke. Just to be precise, it's \$225,000.00 a day.

1 But that was withheld and not billed to customers and
2 put aside, not recorded as any income to the company
3 on the possibility that it might ultimately be billed.
4 But it is possible, I'll say theoretically possible,
5 that that money even could be billed to customers if
6 we undertake a prudence investigation and are able to
7 defend ourselves fully.

8 CHAIRMAN CARR: I guess my question is,
9 after June 30th, you can bill it to customers? Is
10 that a given?

11 MR. ENDRIES: Well, it's not a given. The
12 agreement indicates that after June 30th we should be
13 able to. But as a practical matter, we expect the
14 Public Service Commission to address this matter and
15 we have discussions underway dealing with it now.

16 CHAIRMAN CARR: Okay.

17 MR. DONLON: Well, I might conclude,
18 gentlemen, by stating that on behalf of Niagara
19 Mohawk, I would like to thank you for giving us the
20 opportunity to make this presentation this morning.
21 We have tried to give you a balanced and realistic
22 appraisal of our problems, why our performance
23 deteriorated, how we evaluated and grappled with those
24 problems and formulated a plan to overcome our
25 weaknesses.

1 As you have heard today, we have made
2 considerable progress towards our short-term goal of
3 ~~restart~~ ^{restart} of Unit 1 and our longer-term goal of nuclear
4 excellence. We are not there yet and we are not going
5 to come to your staff for permission to restart until
6 we have satisfied ourselves through a rigorous, in-
7 depth process that we are ready.

8 The final decisions as to whether the
9 restart report should be submitted and whether we are
10 ready are -- indeed, will be mine. These are
11 decisions I will not take lightly. I can tell you
12 that we are committed to do everything that is
13 necessary to reach our goals, both the short-term goal
14 of resuming Unit 1 again to service, and our long-term
15 goal of sustained, superior operation where our total
16 nuclear operations are concerned.

17 From a financial perspective, as Jack has
18 indicated and as I did also, the company is capable of
19 fulfilling all requirements to assure safe operations
20 in pursuing full implementation of its nuclear
21 improvement program.

22 I assure you that my commitment to fund
23 these programs will remain our highest priority.
24 Larry Burkhardt and our nuclear managers will have
25 sufficient financial resources so that they can

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1 accomplish their jobs.

2 Let me also assure you that we will continue
3 to meet both the letter and the spirit of all
4 requirements for safe operations. We will continue to
5 be up front with the resident inspectors, with the
6 region and with headquarters in reporting problems and
7 in discussing issues, all without regard to whether
8 any prudence issue might ultimately arise. There is
9 no other way that we can realistically operate.

10 We hope to return to this table in a
11 relatively short time to tell you about the completion
12 of our restart process and to present the reasons why
13 we believe that we will be ready for restart. In the
14 meantime, the company will leave no stone unturned in
15 assuring that it meets all regulatory and self-imposed
16 requirements for restart.

17 Again, I thank you for your time and your
18 attention and we certainly would welcome any questions
19 that you may have.

20 CHAIRMAN CARR: Thank you, sir.

21 Commissioner Roberts?

22 COMMISSIONER ROBERTS: No questions. It
23 seems to me you've been forthright and candid about
24 your previous shortcomings and problems and I
25 certainly wish you success in achieving your stated

1 goals.

2 MR. DONLON: Thank you, Commissioner.

3 CHAIRMAN CARR: Commissioner Rogers?

4 COMMISSIONER ROGERS: Yes, I've got a number
5 of little things that I'd like to hear a little bit
6 more about on.

7 A general comment. I didn't see your latest
8 SALP until just a little while ago. While, of course,
9 it does deal with a prior period, there are a number
10 of things in there that gave me considerable unease.
11 I considered it very bad.

12 MR. DONLON: We did too.

13 COMMISSIONER ROGERS: It's the kind of--
14 some of the things that were in there, I just -- it
15 kind of curled my hair. In terms of operator
16 attitudes toward training, the ability of experienced
17 operators to not understand or follow emergency
18 operating procedures and, in general, just indications
19 of a very bad attitude of experienced operators toward
20 their responsibilities. Their behavior during exams,
21 kinds of things that absolutely have to be rooted out
22 and changed without any question. One wonders in
23 reading that whether we're not seeing another Peach
24 Bottom situation developing.

25 So, of course, this is a review of the past

1 and not necessarily of the present and certainly, I
2 hope, not of the future. So I suppose it's really not
3 of great point to try to go specifically on each of
4 the points of deficiency in the SALP, but simply to
5 register a very strong concern over the operator
6 question and management oversight of operators.

7 The comment that Unit 1 operators during
8 this assessment period were not attending the
9 requalification classes as required was mind boggling.
10 Senior management was not insuring that all
11 requalification requirements were completed prior to
12 submitting licensed operator renewal applications.
13 Where were they? Where were these people?

14 There's no point in my reading through the
15 list, but the tone of it is something that's extremely
16 disquieting. As you know, it isn't easy to get into a
17 bad situation. It takes time and it takes time to get
18 out of it. I hope that somehow we can -- when the
19 time comes with all of your good work, which is very
20 impressive and very well presented -- when the time
21 comes for you to come before us again towards restart,
22 that somehow this question of attitudes of the people
23 who are going to run the plant in the control room,
24 can be addressed in a way that gives us confidence
25 that that problem really has been dealt with.

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1 MR. BURKHARDT: I'd be pleased to address
2 some indications of good progress in that area now, if
3 you don't mind. There was a special team inspection
4 that was conducted in February and early March, which
5 is just about the end of the SALP period. There was
6 an operator who displayed a completely unprofessional
7 attitude in the classroom and was removed from
8 operator duties. I personally talked to every one of
9 the operating crews and every manager and supervisor
10 after that. Shortly thereafter, we have an INPO
11 evaluation, site evaluation, in mid-March and a
12 corporate evaluation in early April. We were actually
13 commended for attitudes in that INPO evaluation. In
14 fact, the special team inspection in the first two
15 weeks commented on strongly positive attitudes but not
16 specifically in the operator area. So, I think that
17 that clearly is an accurate portrayal of the situation
18 as it was.

19 In May of this year, when your inspectors
20 came in to inspect the Unit 1 operator's proficiency
21 in conducting the EOPs, an area which they had been
22 unsatisfactory in as mentioned in the SALP, they found
23 that not only that five of the six crews were fully
24 satisfactory, but I questioned them at some length at
25 the exit and they found no indications of anything but

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1 professional attitudes and good cooperation between
2 training and operations, which was also noted by INPO.

3 So, while I'm the first one to say you don't
4 change attitudes overnight, I can tell you at least
5 this, that the behaviors have changed and the
6 operators know from me that if they demonstrate those
7 attitudes, that I'm going to pull their jersey and
8 pull them off the field. I said it to them in those
9 words and we've already demonstrated it with one of
10 them. I think they've gotten the message, but they
11 needed to get it. So, there's nothing wrong with that
12 report. It's just that it ended in February, before
13 we even issued our schedule of actions for the restart
14 action plan.

15 COMMISSIONER ROGERS: Well, it's just as
16 you've said, that behavior can change, you can change
17 behavior immediately, but attitudes are something
18 underlying, they're underneath that --

19 MR. BURKHARDT: Cultural change.

20 COMMISSIONER ROGERS: -- that take much
21 longer to address.

22 I think that it is a matter of grave concern
23 because it isn't easy to change those and you've got a
24 work force there, you've got a trained professional
25 force of operators you've got to deal with. The whole

1 culture of that group has to be somehow or other
2 register totally differently from --

3 MR. BURKHARDT: If you would permit me, I'd
4 like to ask Kim Dahlberg, who is the Unit
5 Superintendent, to talk about that because he's with
6 them constantly.

7 COMMISSIONER ROGERS: I think it's worth our
8 hearing.

9 CHAIRMAN CARR: Go to the microphone and
10 identify yourself, please.

11 MR. DAHLBERG: Commissioner, I'm Kim
12 Dahlberg, the Unit 1 Station Superintendent. It's
13 been -- I guess my anniversary has come and gone. It
14 was August 1st when I took over as Station
15 Superintendent Unit 1. My background was in
16 maintenance. I was Maintenance Superintendent for
17 nine years for the site.

18 One of the items that I first started
19 noticing was the attitudes of my operators. I've
20 spent many hours, four hour sessions, with a number of
21 groups of my ops. management. Not only my SSSs, my
22 station supervisors, but their leaders as well,
23 talking about change and talking about as we go
24 through this change that it is emotional, that there
25 is anger, there is fear of the unknown, that it's just

1 normal to have those emotions, and that we're going to
2 go through it together and that it's going to take
3 some time. Like you said, it doesn't get changed
4 overnight. Behaviors do get changed.

5 I had an experience a couple weeks ago where
6 I had one of my senior CSOs over in the simulator. He
7 had one of his reactor operators on the board and they
8 were going through a scenario. One of the areas that
9 we've been working on is feedback and communication.
10 The operator, at the same time he manipulated -- I
11 think it was either a pump or a valve, mentioned to
12 his SSS that he was doing it. At that time, the SSS
13 corrected him and said, "You need to make sure you let
14 me know prior to you manipulating a pump or a valve or
15 turning it on or off."

16 Over in the corner, a few minutes after,
17 that CSO went over to his E-man and reprimanded him
18 and said, "Don't you ever, ever turn on a pump or
19 valve without you letting our leader, our SSS, know."
20 He was a senior CSO, a peer, that did that to him.

21 I dare say a few months ago that wouldn't
22 have happened. That's just one example of numerous
23 examples that I've seen. But like you said and Larry
24 said, it's going to take some time to get to the point
25 that we want to get to.

1 COMMISSIONER ROGERS: Well, what we see is,
2 we see the effect -- the operators displaying a
3 certain attitude and so on and so forth. But we know
4 that that came about by a management deficiency.

5 MR. DONLON: No question.

6 COMMISSIONER ROGERS: That that's where
7 you're seeing it and that attitude has to be changed
8 to those folks. But they weren't necessarily
9 responsible for the creation of the environment that
10 had led to that.

11 MR. DONLON: Not at all.

12 COMMISSIONER ROGERS: So, while it's easy
13 for us to point to the end effect and decide that
14 that's a problem that has to be changed, that isn't
15 necessarily the root cause of that problem.

16 MR. DONLON: It starts at the top. That's
17 why this is his first anniversary as the station
18 superintendent.

19 COMMISSIONER ROGERS: Someplace there's a
20 management deficiency that led to that, either in
21 resentment against management or some wrong signals or
22 whatever it was that led to that and the correction
23 has to involve much more than the operators
24 themselves.

25 MR. DONLON: That's right and it has.

1 There's a whole new staff leading that unit now.

2 COMMISSIONER ROGERS: I was also concerned
3 about the deficiencies in engineering performance.
4 Very disquieting. I wonder if you can say something
5 about that, at least as mentioned in the SALP on pages
6 31 and 32. There were comments of inability of the
7 engineering department to consistently deliver quality
8 work. It isn't that they couldn't, but they just
9 didn't do it. Again, apparently, inadequate
10 management oversight of the engineering function.

11 So, I'd like to hear a few words about what
12 you're doing there and also I'd like to ask do you
13 have a systems engineer program and are you using
14 that? How does that possibly relate to this problem?

15 MR. BURKHARDT: With regard to engineering,
16 there were serious deficiencies in engineering support
17 of operations. One of them has been remedied by
18 establishing a site engineering function because the
19 engineering offices are about an hour's drive from the
20 plant. That has been very, very successful in the
21 support of our restart efforts.

22 Jim Willis is establishing, and we have
23 established positions for and are hiring people for
24 system engineers within nuclear generation, what
25 you're talking about there. We also are going to have

1 system design engineer expects back at the corporate
2 engineering function.

3 But it is true that the engineering
4 leadership and the proper management of the
5 engineering function was less than adequate. If you
6 look at our restart action plan and our nuclear
7 improvement program, which is an internal document,
8 you will see many actions to improve that.

9 I have been personally involved with the
10 Vice President of Nuclear Engineering and he very
11 readily admits the shortcomings that occurred before.
12 He's doing better. His people are doing better.

13 Part of our problem is there was an
14 excessive reliance on the AE to do the engineering
15 function. We have more contractors than employees in
16 our Engineering Department and we're trying to wean
17 ourselves away from that. There's a learning process
18 for some of those managers who never have really
19 properly managed before. But we've seen marked
20 improvement. They are trying very hard, but they're
21 still learning and it will be a while before they
22 learn.

23 We're bringing in some experienced advisors,
24 sort of sea daddies, is what we would call them in the
25 Navy, to help them during this process of getting up

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1 to speed. They were in over their head a little bit.
2 There's no question about that. They did good work,
3 but they didn't manage their work well enough such
4 that the prioritization was right and that was the
5 biggest problem. It was not so much that they were
6 doing poor work. It's just that they were trying to
7 so hard to do everything, that they didn't have their
8 priorities correct.

9 He was also assigning managers as project
10 managers and leaving them as absentee managers in the
11 organization where they should have been managing
12 rather than raising up another manager to take that
13 over, because you can't have an absentee manager.
14 He's learned those lessons and we've seen some marked
15 improvement there. But it was, I'd say, the most
16 difficult area we had to get the management
17 improvement, was in Engineering and we still have a
18 long way to go.

19 COMMISSIONER ROGERS: I think someone
20 mentioned it a little bit, perhaps yourself,
21 engineering participation in the ISI program.

22 MR. BURKHARDT: They're in charge of it.

23 COMMISSIONER ROGERS: Well, I think this
24 isn't the place to try to go into details on that.
25 But I am very interested in how detailed their

1 participation is in setting ISI procedures.

2 MR. BURKHARDT: Very. Very much so.

3 COMMISSIONER ROGERS: It's very important.

4 MR. BURKHARDT: Yes. The project manager
5 for ISI is a direct report to the Vice President of
6 Nuclear Engineering and we'd be glad to brief you on
7 our ISI program. It's one of the specific issues in
8 our restart action plan and one that has been assessed
9 very carefully by Doctor Joe Hendrie, as a matter of
10 fact. He's the one that's been assessing that area.

11 MR. DONLON: Commissioner, you did question
12 whether we had implemented or are planning to a system
13 engineer concept.

14 Larry, you may want to --

15 MR. BURKHARDT: I did mention it.

16 COMMISSIONER ROGERS: You did mention it,
17 yes.

18 MR. BURKHARDT: How many do you have
19 manpower?

20 MR. WILLIS: We have approximately 20 now
21 and we would expect that we'd add another 25 or so in
22 1990.

23 MR. BURKHARDT: For both units.

24 COMMISSIONER ROGERS: All right. I didn't
25 hear any words on the fire protection situation. That

1 was in decline during the SALP period. Are you
2 addressing that?

3 MR. BURKHARDT: That is a specific issue in
4 the restart action plan and has been well addressed,
5 verified and assessed.

6 COMMISSIONER ROGERS: Okay. Your little
7 booklet is very nice, very interesting, it looks
8 excellent. I haven't read it in detail --

9 MR. BURKHARDT: I would encourage you to
10 read it.

11 COMMISSIONER ROGERS: -- since it was
12 presented to us, but it looks like a very fine
13 initiative. Just along these lines, what is the
14 status of your operators having developed and signed a
15 professionalism code? Has that been done?

16 MR. BURKHARDT: Yes.

17 MR. WILLIS: Yes, that was developed --

18 MR. BURKHARDT: That was done before.

19 MR. WILLIS: That was developed, oh, about
20 the April, May, June time frame of last year.

21 MR. BURKHARDT: But it's more important to
22 me that we all live by a code.

23 COMMISSIONER ROGERS: Oh, absolutely.
24 Absolutely. No question about it. But I was just
25 curious about that because that's a focal point very

1 often of this kind of activity because in more plants
2 that I've visited the operator-developed, internally
3 developed, a code of professionalism is up next to the
4 control room with everybody's individually signed copy
5 of it, including usually top management as well.

6 Turning to the question of regulation that
7 Mr. Endries raised, I wonder if you could be so good
8 as to send us any kind of examples of situations in
9 which there is the possibility of some kind of a state
10 disagreement and adverse financial consequence to you
11 by the State Public Service Commission that is in
12 conflict with an NRC initiative or regulation. I'd
13 very much like to, and I'm sure the other
14 Commissioners as well would like to see any specific
15 cases of where that kind of disagreement and tension
16 that you're in the middle of exists.

17 It's a matter of personal concern to me. I
18 intend to represent the NRC on the NARUC Board and
19 these are issues which I try to bring up with NARUC.
20 I'd like very much to see documentation of any
21 specific examples of an NRC initiative which, if
22 followed by you, which I'm sure you will follow, would
23 put you in a financial penalty situation with respect
24 to the Public Service Commission. And if you'd be so
25 good as to send us any documentation of that.

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1 MR. ENDRIES: I'm not sure that we have any
2 situations where they would automatically put us into
3 a penalty, but it's the potential. The tension comes
4 from the potential of these things coming about.

5 COMMISSIONER ROGERS: Well, or where you see
6 you're being torn between two competing initiatives.

7 MR. ENDRIES: Sure.

8 COMMISSIONER ROGERS: Yes.

9 MR. ENDRIES: We have a very important
10 example of that right now with Nine Mile 1 outage. We
11 know that it's already been formally -- a proceeding
12 has already been formally initiated by the Public
13 Service Commission to examine the prudence of the Nine
14 Mile 1 outage. So, we know that all the
15 documentation, all these meetings and findings and so
16 forth associated with this that we provided to you is
17 available to them and --

18 CHAIRMAN CARR: But when you negotiate with
19 them, I assume you negotiate the scheduled outages.

20 MR. ENDRIES: Negotiate the scheduled
21 outages?

22 CHAIRMAN CARR: To get those on the rate
23 base.

24 MR. ENDRIES: Yes, we do make an estimate of
25 scheduled outages, right.

1 CHAIRMAN CARR: And you don't negotiate
2 unscheduled outages?

3 MR. ENDRIES: Well, there's a general
4 estimate made of what the capacity factor is likely to
5 be.

6 CHAIRMAN CARR: Okay.

7 MR. BURKHARDT: I think there's another
8 impact that I think is important and probably should
9 be mentioned to explain why we agreed to defer the
10 replacement power costs. The impact on the
11 organization of having to go through these prudence
12 hearings is a great drain. So, the principal reason
13 for doing that was to put off the prudence hearing
14 until after we could get restarted because if we tried
15 to do the prudence hearing in the middle of the
16 outage, we probably never would finish it. So that's
17 another impact, and they did that for us, but that's
18 what's cost us \$225,000.00 a day to do that.

19 COMMISSIONER ROGERS: I see that you said
20 that neither Units 1 nor 2 are subject to specific
21 performance incentives. Do you expect that to
22 continue or is that a possibility that that kind of
23 initiative might come back to you from the state?

24 MR. DONLON: That would be speculation on
25 our part. Although, to answer it to the best of my

1 ability based on an opinion, Commissioner, I would say
2 we do not see that in New York State. There was a
3 movement, if you will, back a few years ago among one
4 of the Commissioners in New York State to implement
5 those kind of incentives, or disincentives if you're
6 looking at it from a safety standpoint. But I think
7 they pulled away from that. I think they do recognize
8 the down sides of that.

9 COMMISSIONER ROGERS: Well, I want to say
10 that they're not always a very strong safety
11 disincentive. There might be a small one. But
12 sometimes they're very bad. It depends on how they're
13 constructed. The ones which just pose a very big
14 penalty for making a decision not to shut down, to get
15 another week's run-in in a measuring period, that's a
16 very bad kind of a situation that I'd like to try to
17 discourage any PUCs or PSCs from initiating.

18 But some penalty, some small penalty for a
19 short period or a larger penalty for a longer period
20 of time of poor performance, I don't necessarily have
21 any problem with that. That's just the reality of
22 life. But I don't think that one should pay a very
23 big penalty for taking a safety action.

24 MR. DONLON: I would like to say on this
25 subject, Commissioner Rogers, to add a totally--

1 well, perhaps bleak picture where the New York State
2 Commission is concerned in this area. They have
3 become very interested in the self-assessment concept
4 employed by the NRC, to the extent that I know that
5 they've had some meetings with some staff people
6 inquiring as to how the NRC implements that. To this
7 extent, we've had some conversations with them about
8 employing a self-assessment type of program, not only
9 with the nuclear but throughout other parts of our
10 corporation.

11 Now, we don't know where this is going to
12 head, but up to this point in conversations with them,
13 the indications are that they recognize that if we're
14 going to be self-critical, even in a non-nuclear
15 arena, again, that they can't very well expect us to
16 do so fully and openly and totally, if you will, if
17 they're going to come back and hold it against us and
18 be punitive later on.

19 So, I think there's some hope, if you will,
20 in that regard where New York State is concerned.

21 COMMISSIONER ROGERS: Good. Well, thank you
22 very much.

23 CHAIRMAN CARR: Commissioner Curtiss?

24 COMMISSIONER CURTISS: Just one area that I
25 want to follow up on Commissioner Roger's point.

1 Mr. Endries, you spoke about the inherent
2 tension between the state and the federal regulators
3 and in particular the fact that that tension may be
4 exacerbated by the documentation that the Commission
5 requires and that's an inherent part of our process.

6 I guess the question I have is for you, Mr.
7 Burkhardt. Your shop is really where the rubber hits
8 the road on that question. And a concern that I think
9 our people have expressed in the past is that that
10 kind of tension, although not direct, may lead to
11 subtle influence over the willingness of people down
12 in the organization to identify problems within the
13 organization and take corrective actions. Corrective
14 actions in the special team inspections is a weakness
15 that had been identified.

16 I guess I'd appreciate your thoughts on what
17 steps you see as appropriate or that you've taken to
18 ensure that that subtle pressure that Mr. Endries
19 talked about, it may be inherent in the process, does
20 not lead to that kind of subtle diminution of the
21 responsibility to report and document in the manner
22 that I think our people expect.

23 MR. BURKHARDT: Yes. Well, I can't speak
24 too well for the past, since I was not there, but I
25 can say that when I arrived there was a tendency to

1 not report problems up the chain. I'm not so sure
2 that it was the tension on the Public Service
3 Commission, but perhaps the fact that there wasn't the
4 effective action taken when they were reported. You
5 know, the people down on the deck plates are more
6 likely to report if they think somebody's going to do
7 something about it rather than worrying about a
8 prudency hearing that would come out.

9 I think we've turned that around. In fact,
10 one of the things in the restart action plan was to
11 ask every person in the division to report every
12 problem that he was aware of that had not been
13 officially reported. We got a huge number of problems
14 reported. When we had the special team inspection and
15 when INPO came in, one of the things that they said
16 was that they were unable to find any problems that
17 they could find that we had not only had reported and
18 were in our corrective action plan.

19 So, I think our track record in the last
20 eight months of reporting problems has been excellent.
21 What we still have to complete is how to resolve them
22 in a more timely fashion than we do, but I think we
23 know what our problems are. As far as I'm concerned
24 and certainly I have tried to lead by example here,
25 one of my leadership principals is that any situation

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1 that's a problem, if I as the leader don't know about
2 it and I want to hear about it and no one ever gets
3 any sort of sanction for reporting a problem, but they
4 get a pretty good one for not reporting.

5 As I used to say, I learned that from
6 Admiral Rickover. The first messenger didn't get
7 shot, he got a medal. It was the second messenger
8 that got shot.

9 So that's the way that we are. I think if
10 you'll talk to your staff and I think if you talk to
11 the Public Service Commission staff -- in discussions
12 that I've had with them there has been a feeling of a
13 greater degree of openness and a greater degree of
14 candor on our part. In fact, even with the horrible
15 SALP we had, it was reported to me by the NRC staff
16 person who led the SALP that it was the worst SALP
17 that we'd ever had, but the SALP meeting we'd ever had
18 to discuss what we were going to do about it and where
19 it stood.

20 In fact, all of the items that are in the
21 SALP we can address by just referencing things in our
22 nuclear improvement program and our restart action
23 plan because we have them all ongoing.

24 COMMISSIONER CURTISS: Along the lines of
25 what Commissioner Rogers has suggested, I guess I'd be

1 interested since you have raised the topic here today
2 and questioned the tension between the federal and
3 state regulators. If it does appear that you see any
4 diminution, subtle or otherwise, in the documentation
5 or reporting or willingness that results from whatever
6 review the PSC might undertake --

7 MR. BURKHARDT: It's an absolute trap. You
8 can't win by doing that. I think we've convinced the
9 people by that. You're going to lose in the end.

10 I have to tell you this. There's some
11 tension in being totally open with the NRC. You can
12 get some penalties from that, although I've seen a
13 tremendous amount of constructive cooperation. We had
14 one situation where we had a violation and did not get
15 a penalty because we had been so effective in finding
16 it and reporting it.

17 But with any regulator, you might say to
18 yourself, "Maybe I shouldn't report it," but my
19 experience has been throughout my career that that's a
20 trap and the best way to be is to be totally open and
21 candid about where you stand. As an old shipmate of
22 mine used to say, "Whenever Naval Reactors calls, tell
23 them the truth. You don't have to remember what you
24 said."

25 CHAIRMAN CARR: That's an accurate report.

1 COMMISSIONER CURTISS: I'll turn it back to
2 him.

3 COMMISSIONER ROBERTS: Inside joke.

4 CHAIRMAN CARR: Are any of your operators
5 dual licensed for both plants?

6 MR. WILLIS: No.

7 CHAIRMAN CARR: Okay. And I can almost tell
8 you that one of the first clues you can look for to
9 going downhill is a record run. As I read through,
10 you had a record run at Nine Mile Point 1 in '85.

11 MR. BURKHARDT: Yes.

12 CHAIRMAN CARR: And there's nowhere to go
13 but down. You've got to expect those kinds of things.
14 The operators get the feeling that we're good and
15 things are running right and we just, as you said,
16 tend to get complacent.

17 I'm a little bit concerned because when they
18 put my book together I don't know where I got these
19 nice charts from that somebody sent me.

20 MR. BURKHARDT: Those are almost
21 meaningless, which is why I didn't discuss them,
22 because the work is done. A lot of the paperwork
23 hasn't been signed off.

24 CHAIRMAN CARR: I was worried about the
25 trends, needless to say.

1 MR. BURKHARDT: Yes. Right. When you look
2 at those, it looks like it will be 1991 before we get
3 done.

4 CHAIRMAN CARR: Right.

5 MR. BURKHARDT: That's why I didn't show you
6 those.

7 CHAIRMAN CARR: But that didn't keep me from
8 worrying about them. So, this is a case of more --

9 MR. BURKHARDT: Must have gotten them from
10 the Public Service Commission. I don't think we were
11 supposed to give them to you.

12 CHAIRMAN CARR: Oh, well, we've got guys
13 everywhere. What you're telling me is this is like a
14 paperwork follow-up rather than a lack of performance.

15 MR. BURKHARDT: That's exactly right.
16 Exactly right. And regardless of that, if the trend
17 doesn't come down to zero, we don't say we're ready.

18 CHAIRMAN CARR: I understand that.

19 MR. BURKHARDT: But we look at that every
20 Wednesday. We go over each one of those things and
21 we --

22 CHAIRMAN CARR: If there are no further
23 questions for you, why we'll excuse you and ask the
24 staff to step forward. Thank you very much.

25 MR. BURKHARDT: Thank you.

1 MR. DONLON: Thank you.

2 CHAIRMAN CARR: Mr. Taylor, you may proceed.

3 MR. TAYLOR: Good morning, sir. With me at
4 the table, to my right, Doctor Murley, and the Project
5 Manager for Nine Mile, Marylee Slessen. To my left,
6 of course, Bill Russell, the Regional Administrator,
7 and Bill Cook who is a Senior Resident at Nine Mile.

8 Before turning over, I'd like to mention
9 several things. First, the staff has been very
10 closely monitoring the recovery and the improvements
11 that have been outlined to you here today. We've had
12 extra efforts, we've had a diagnostic inspection. We
13 do have a restart panel which has been active and
14 which is keeping up with the company-projected
15 improvements and directing inspection effort to be
16 sure that the things are happening. So that will be
17 continuing and Bill will be giving you more details on
18 that.

19 I'd like to make a second point, that we'll
20 also attempt as a staff to be alert to any signs that
21 we can see that financial or PSC pressures are
22 detracting from current or planned nuclear safety
23 performance. That's difficult sometimes for us to do,
24 but we'll be alert to it as we are, wherever the
25 feeling is the tension is particularly strong. We'll

1 continue to do that.

2 The third point as mentioned by Mr. Donlon,
3 the staff and the company will plan to come to the
4 Commission shortly before the planned restart which,
5 as mentioned to you, is now projected in October. We
6 will continue to monitor that and be prepared to brief
7 you before the planned restart.

8 With that introduction, I'll now ask Bill
9 Russell to brief you on current staff work and what
10 we've planned.

11 MR. RUSSELL: My plan is to update the
12 Commission since I last briefed you on Nine Mile 1,
13 which as the June 1st meeting. Many of the issues I
14 was planning to discuss were covered and I won't
15 repeat those.

16 One area I think is significant, and it was
17 not discussed, and that was the special team
18 inspection that was conducted similar to a diagnostic.
19 It was a joint NRR, Region I inspection. The
20 important finding from that inspection was the
21 confirmation of the adequacy of the scope of the
22 restart plan as submitted by the licensee.

23 That is that the problems which the
24 inspection team found were, in fact, already covered
25 within the scope of the restart plan. That has given

1 us confidence that there is a good definition now of
2 the problems that need to be addressed. That's
3 particularly significant in light of the history of
4 problems not flowing up within the organization such
5 that they can be dealt with.

6 We currently have revision two of the plan
7 under review. This revision, as was mentioned by the
8 licensee, addresses two areas which I identified on
9 June 1st as being deficient. One was the area of
10 management follow through on commitments to ensure
11 that they have been effectively put in place and the
12 licensee did summarize their activities for assuring
13 that those commitments are met.

14 The second area has to do with training.
15 This is training in the broadest context to make sure
16 that the staff understands the organization's
17 approach, their policies. So it's not limited to
18 operated training or maintenance training, but really
19 an understanding of the goals and the objectives of
20 the organization.

21 The staff has formed a joint Region 1
22 Headquarters panel of senior managers and staff to
23 conduct the review of both the restart plan and to
24 coordinate inspection activities and to make
25 recommendations to senior management and assure that

1 problems are identified and raised early in that
2 review. That panel has met eight times and they are
3 currently in the stages of final review of revision
4 two of the plan.

5 We do intend to solicit public comments on
6 the plan now that we have a complete plan with this
7 latest revision and a public meeting is planned for
8 August 23rd in Oswego and we are receiving cooperation
9 from local officials to conduct that meeting.

10 As it relates to status --

11 COMMISSIONER ROGERS: Excuse me. What does
12 revision two mean? Does that mean that that's the
13 second version or the third version?

14 MR. RUSSELL: This is the third. The first
15 plan --

16 COMMISSIONER ROGERS: Okay. So it does mean
17 revision two. It's the second revision.

18 MR. RUSSELL: Yes, sir. The first plan came
19 in in December, approximately six months after issuing
20 the confirmation of action letter. The first revision
21 was in March, which was just about the time frame of
22 completion of the special team inspection and the
23 issuance of the SALP report.

24 This second revision addressed the two
25 principal issues of management follow through and

1 training and the staff has concluded overall at this
2 point that it is a reasonable plan and that the
3 company should proceed with implementation while we
4 finish our review. We don't have any serious
5 fundamental problems with the plan as it exists now
6 and we are in the process of finalizing our review.

7 The panel is, in addition to tracking
8 routine items from inspection reports, open items,
9 things like that. There are a subset of 24 specific
10 items, some of which were identified in the handout
11 materials provided by the licensee and some were
12 discussed. We presently have six of those items
13 closed.

14 One of the items which we've closed is an
15 issue associated with the Torus wall thinning. To
16 give you a feel for the quality of the company's
17 review of items, through their assessment process and
18 their review, they have decided that some aspects of
19 their analysis of Torus wall thinning was not
20 sufficient to meet their own standards. That is being
21 reopened and additional measurements are being taken
22 to resolve their internal questions. This is one that
23 the staff had, in fact, closed out.

24 I wanted to highlight this because it is a
25 case where their standards in this instance are more

1 rigorous than the standards that were imposed by the
2 staff.

3 Let me focus mostly on activities that are
4 planned between now and the time of restart. I've
5 mentioned the public meeting. An additional issue is
6 we have a team inspection that's planned for late
7 August to review some allegations of past harassment
8 and intimidation issues.

9 In addition, we plan a thorough review of
10 the licensee's self-assessment report and their
11 readiness for restart. We expect to have that report
12 in hand for approximately two weeks prior to
13 conducting a major team inspection, which we call an
14 integrated assessment team inspection. The purpose of
15 that inspection is to independently confirm the
16 adequacy and the effectiveness of the corrective
17 actions taken by the licensee and to assure that the
18 organization fully understands its own structure,
19 responsibilities and that the issues that we've seen
20 in the past with management effectiveness have been
21 addressed to the extent they can be with the plant
22 shutdown.

23 We are presently having discussion with the
24 licensee on the approach to power ascension, how they
25 are going to conduct self-assessment during the power

1 increase, and at what points there will be discussion
2 between the staff and the licensee in a phased
3 approach to resumption of power. We have not yet
4 completed that review, but it is currently ongoing and
5 we would expect to be in a position to brief the
6 Commission on that at the next meeting.

7 We are planning augmented inspection
8 coverage during the power ascension, similar to what
9 we have done at Peach Bottom and Pilgrim with periods
10 of time being covered around the clock and when
11 activities are stable with lesser coverage.

12 Those were the principal points I wished to
13 cover with respect to Unit 1. There are some issues
14 related to the requalification program at Unit 2 that
15 I wanted to highlight.

16 The company has identified clearly that they
17 also concluded the program was unsatisfactory. But I
18 think it's important to note that in the grading of
19 the examinations, we grade crew performance, command
20 and control, communications, teamwork and how they
21 handle the plant on the simulator. The NRC concluded
22 that two of six crews performed unsatisfactorily. The
23 licensee concluded that three crews were
24 unsatisfactory.

25 On the written examination that was

1 mentioned, the grading was essentially identical with
2 both the NRC and the licensee failing seven
3 individuals. On the operating test, this is the
4 individual performance on the simulator as well as the
5 plant walk through portion of the examination, the NRC
6 in the plant walk through concluded that three
7 individuals did not perform satisfactorily. The
8 utility also concluded three were unsatisfactory.
9 There was one difference in grading between the two
10 staffs.

11 On the simulator examination, the NRC
12 concluded five of 24 were unsatisfactory. The
13 licensee failed seven individuals. The reason I go
14 through this is this is an important finding in our
15 basis for continued operation. This licensee has
16 demonstrated a rigorous approach to evaluation of
17 candidates and we feel that while there are
18 deficiencies in the program and that a number of
19 people were not capable of passing the examination, it
20 does not raise a question about those who did indeed
21 pass.

22 We have, as it relates to corrective action,
23 it was discussed that they have gone to four shifts
24 with three crews that have been examined by the
25 licensee, crews A, B, and C. Two crews that had

1 extensive failures, Crews E and F, during the
2 requalification examination have had a total of 15
3 individuals removed from watch standing duties who
4 failed portions of that exam. Those who passed have
5 been used to augment the remaining shifts. One crew
6 is being examined today on the simulator and we expect
7 the plant walk through portion will be done tomorrow
8 and it is using the same examination team that
9 conducted the requalification exams over the previous
10 two week period.

11 COMMISSIONER CURTISS: On that crew that's
12 being reexamined and Crew D, is that a crew made up of
13 people who have been on the board or are those staff
14 licenses?

15 MR. RUSSELL: It is the crew that would be
16 standing the watch. This examination would be the
17 station shift supervisor and the assistance shift
18 supervisor with the ROs from that crew. So, it is not
19 a mixed crew with staff licenses performing in the
20 position of the second SRO.

21 COMMISSIONER CURTISS: Okay.

22 MR. RUSSELL: The NRC, in addition,
23 increased our coverage of activities across the
24 weekend once we had the results of the examination
25 last Friday.

1 We, in particular, focused on how well the
2 company had defined responsibilities for emergency
3 roles and how they would be using their procedures.
4 We addressed their tentatives to duty. We looked at
5 operator attitudes as to whether those attitudes were
6 positive or not. There was substantial management
7 oversight of those activities, including discussion
8 with each crew prior to relieving the watch with the
9 operations supervisor and the station superintendent
10 present and providing additional back shift coverage.

11 We don't know at this time what the results
12 will be of the examination. I intend to keep the
13 staff on site until they have completed grading and
14 will advise the Commission as soon as we have those
15 results.

16 That covers the items that I wanted to
17 address and I believe that we're ready to respond to
18 questions.

19 CHAIRMAN CARR: Commissioner Rogers?

20 Commissioner Curtiss?

21 COMMISSIONER CURTISS: Just one quick
22 question. This is the fourth program that we've had
23 that hasn't requalified coming unsat. When we go
24 through an evaluation of the steps that the licensee
25 takes from here on out to requalify the program, is

1 that a review that's conducted pretty much on a case
2 by case basis or do we have standards that we would
3 use that would define when that program reaches the
4 point that it's ready for requal.?

5 DOCTOR MURLEY: Yes, that's a very good
6 question. We have not written out standards that
7 would tell us when a plant is satisfactory again. We
8 recognize now that we've got this experience under our
9 belts that we need to do that. I've instructed my
10 staff to draft up, based on the experience we've got,
11 what should be standards for requalifying. So we
12 don't have it, but we will be doing that.

13 CHAIRMAN CARR: Was the question whether the
14 program would be requalified as being satisfactory or
15 whether the operators?

16 COMMISSIONER CURTISS: The program, not the
17 operators. Once we find an unsat. program, and I
18 think we found them now, what, in four cases?

19 MR. TAYLOR: Yes.

20 COMMISSIONER CURTISS: Ginna, Point Beach,
21 Turkey Point and now here. I guess the question I
22 have as we get into the six year cycle is what
23 standards we have that we apply. I think you've
24 answered that.

25 DOCTOR MURLEY: Now, each case there,

1 Commissioner, has been slightly different, the
2 weaknesses.

3 COMMISSIONER CURTISS: I understand that.

4 DOCTOR MURLEY: But I think we've learned
5 enough now to draft some general guidelines.

6 CHAIRMAN CARR: Well, it sounds like the
7 program requalified some people. It sounds like the
8 problem is in implementation of the program. Some of
9 their people qualified. So the program can qualify
10 people and, as he said, they have a good program in
11 that it's tough and it's probably more strict than our
12 grading would indicate. So, if the program can
13 qualify one person, obviously it can qualify enough
14 people if you spread it enough.

15 DOCTOR MURLEY: Mr. Chairman, I'm not sure I
16 would go that far. If we see that two out of five or
17 three out of six or some significant number of teams
18 fail, and people fail, we say that that's really an
19 unsatisfactory program. Now we need to draft some
20 guidelines of how to get it back up to where we would
21 expect nearly everyone to pass an exam.

22 CHAIRMAN CARR: We're saying the same thing,
23 I think. But whether it's an unsatisfactory program
24 or an unsatisfactory implementation, the results are
25 unsatisfactory.

1 DOCTOR MURLEY: I see what you're saying,
2 yes.

3 MR. RUSSELL: In fact, one element of the
4 program that's been endorsed by the policy statement
5 is candidate evaluation. On that element, we
6 concluded, they did very well and they had rigorous
7 standards. It's the preparation of the candidates for
8 that examination which is in question. Whether that's
9 an implementation issue or it's a program issue, we're
10 not certain of yet.

11 The focus of our meetings with the company
12 over the last few days, last Friday and again the
13 discussions we've had this week with the meeting on
14 Monday, has been on short-term actions to assure the
15 safety of operation for Unit 2. The company has
16 agreed to provide an action plan to address the
17 deficiencies. A draft of that plan was discussed on
18 Monday. They appear to have the right elements in the
19 plan. It addresses programmatic issues with respect
20 to quality of the written examination because there is
21 a question about the second written exam which six of
22 12 candidates failed, and there are questions about
23 how they generated and validated the scenarios for use
24 on the simulator. So, there are programmatic issues,
25 there are performance issues and it's a mixed bag of

1 issues where there were weaknesses which the company
2 needs to sort out and describe to the staff. We
3 expect to have that for review by mid-week of next
4 week.

5 CHAIRMAN CARR: And I might also add this is
6 our new program and there's going to be some growing
7 pains as people get used to it. We're going to find
8 that they didn't know what they had to do to run a
9 good requalification program and I think it's
10 indicative of the fact that we're finally looking at
11 them in the right vein, if you will.

12 COMMISSIONER CURTISS: Just one other quick
13 question. I guess it surprised me here that the
14 training crews that they run through the program
15 aren't the same as the operating crews. They're not
16 training their crews that are actually on the board
17 operating together.. Is that unusual or is that a
18 cause for concern?

19 MR. RUSSELL: It raised questions. We were
20 aware of that even prior to the examination being
21 conducted. We have not taken a position one way or
22 the other. They do have extra watch standards on each
23 crew. For example, you take one crew with six
24 individuals, two SROs and four ROs, they broke that up
25 into two crews of four and augmented it with a staff

1 SRO for each one. So you had three watch standers
2 together, plus a staff individual who held a license
3 and that was the mechanism which they chose to put the
4 candidates up to judge the requalification program.

5 CHAIRMAN CARR: No wonder they flunked.

6 MR. RUSSELL: We raised concerns about that
7 even prior to the examination. The crew that's being
8 evaluated today is the normal crew from the watch
9 standers with four candidates, which is the way that
10 they have been training in the past.

11 DOCTOR MURLEY: You might recall that two
12 years ago we were severely criticized because our
13 examination procedure required the split-up. So, we
14 stood back from that and we said, "No, no, do it the
15 way you normally operate." And yet they chose to
16 break it up differently. I think that's probably a
17 part of the problem.

18 MR. TAYLOR: Many of the utilities are
19 sticking with the crew idea which makes a lot of
20 sense.

21 MR. RUSSELL: Yes. They're typically
22 putting up watch standing crews and then a crew of
23 staff operators augmented with extra ROs who are
24 qualified is typically what we see.

25 COMMISSIONER CURTISS: Okay. That's all I

1 have.

2 CHAIRMAN CARR: I don't have any questions.
3 Do you all have any other questions?

4 COMMISSIONER CURTISS: No questions.

5 CHAIRMAN CARR: Well, I would like to thank
6 the representatives of Niagara Mohawk Power
7 Corporation and the NRC staff for this briefing.

8 It appears that Niagara Mohawk has made
9 progress in their restart program for Nine Mile Unit
10 1. However, given recent inspection results with
11 regard to their training program, I continue to be
12 concerned about training at the facility. The
13 training program should receive top management
14 attention to resolve the root cause of the training
15 problems.

16 It has been reassuring to us to hear that
17 top management has confirmed that there will be made
18 available sufficient resources to support safe
19 operation of the units and also that employees are
20 raising problems to upper management's attention.

21 I must also caution Niagara Mohawk to
22 closely monitor operation of Unit 2 while you're
23 preparing Unit 1 for restart. I request the NRC staff
24 to continue its close monitoring of both the Nine Mile
25 Point units and keep the Commission informed.

1 If my fellow Commissioners have no other
2 comments, we stand adjourned.

3 (Whereupon, at 11:52 a.m., the above-
4 entitled matter was concluded.)

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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 STATUS OF NINE MILE POINT-1

PLACE OF MEETING: ROCKVILLE, MARYLAND

DATE OF MEETING: AUGUST 2, 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.

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Reporter's name: Peter Lynch

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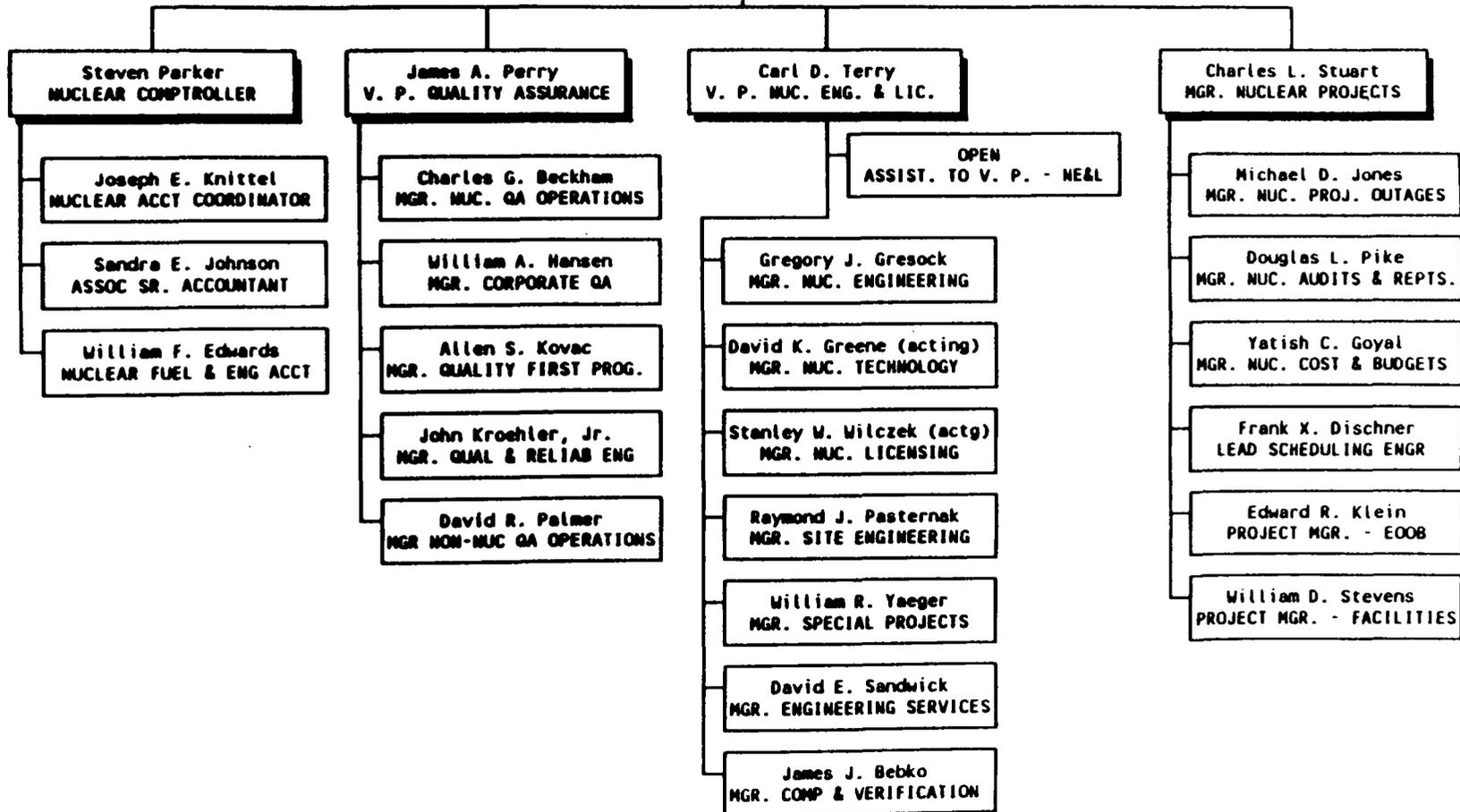
AUGUST 2, 1989
PRESENTATION
TO THE
NRC COMMISSIONERS:

NINE MILE POINT 1 RESTART

AGENDA

1. OPENING REMARKS WILLIAM DONLON, CHAIRMAN AND CEO
2. BACKGROUND AND CURRENT STATUS LAWRENCE BURKHARDT, III
EXECUTIVE V.P. - NUCLEAR
3. FINANCIAL STATUS JOHN ENDRIES, PRESIDENT
4. CONCLUDING REMARKS WILLIAM DONLON

Lawrence Burkhardt, III
EXECUTIVE V.P. - NUCLEAR
Syracuse Organization



Lawrence Burkhardt, III
EXECUTIVE V.P. - NUCLEAR
Nine Mile Organization

Charles V. Mangan
SENIOR V. P. - NUCLEAR

Norman L. Rademacher
EXECUTIVE ASSISTANT

Robert B. Burtch
DIR. NUCLEAR INFORMATION

Linda A. Zimmerman
MGR. SELF ASSESSMENT

Joseph P. Beratta
MGR. NUCLEAR SECURITY

Howard G. Christensen
MGR. NUC. SECURITY ADMIN.

Dennis K. MacVittie
MGR. NUC SEC PROJ & SERV

Daniel D. O'Hara
DIR. NUC. SEC. COMPLIANCE

Patrick J. Carroll
MGR. NUC. SEC. OPERATIONS

James L. Willis
GEN SUPT NUC. GENERATION

Kim A. Dahlberg
STATION SUPT. NMP 1

Richard B. Abbott
STATION SUPT. NMP 2

William C. Drews
SITE SUPT. MAINTENANCE

Michael J. Colomb
NUC. REG. COMPLIANCE DIR.

James R. Spadafore
TECHNICAL SUPT. NUC.

Richard A. Remus
SUPT. CHEMISTRY & RAD MGT

Mark A. Peifer
MGR. NUCLEAR SERVICES

Kathy M. Miles
SUPT. ADMIN. SERVICES

Almon D. Rivers
SUPT. TRAINING - NUC.

Thomas J. Chwalek
MGR. EMERGENCY PREP.

Hugh J. Flanagan
MGR. ENVIRONMENTAL PROT.

**BACKGROUND LEADING TO ISSUANCE
OF CONFIRMATORY ACTION LETTER 88-17
DATED JULY 24, 1988**

- 1. FEEDWATER TRANSIENT (DECEMBER 1987)**
- 2. NMPC PLANT SHUTDOWN**
- 3. TECHNICAL AND MANAGEMENT ISSUES**

CONFIRMATORY ACTION LETTER REQUIREMENTS

- 1. IDENTIFY PROBLEMS**
- 2. ROOT CAUSE DETERMINATION**
- 3. CORRECTIVE ACTION PLAN**
- 4. RESTART READINESS REPORT**
- 5. LINE MANAGEMENT LEADERSHIP**

RESTART ACTION PLAN

- 1. PROCESS FOR DEVELOPMENT**

- 2. CONTENT**
 - A. SPECIFIC ISSUES (18)**
 - B. UNDERLYING MANAGEMENT &
ORGANIZATIONAL EFFECTIVENESS
ISSUES (5)**
 - C. ROOT CAUSES**
 - D. RESTART CORRECTIVE ACTIONS**
 - E. LONG-TERM STRATEGIES**

RESTART ACTION PLAN ISSUES

- 1. EIGHTEEN SPECIFIC ISSUES**

- 2. UNDERLYING MANAGEMENT & ORGANIZATIONAL ISSUES**
 - A. PLANNING & GOAL SETTING**
 - B. PROBLEM IDENTIFICATION AND RESOLUTION**
 - C. MANAGEMENT TECHNICAL FOCUS**
 - D. STANDARDS OF PERFORMANCE & SELF ASSESSMENT**
 - E. TEAMWORK**

RESTART ACTIONS CLOSURE

- 1. ASSIGNED TO LINE MANAGER**
- 2. CORRECTIVE ACTION IMPLEMENTATION**
- 3. VERIFICATION**
- 4. MANAGEMENT REVIEW**

SPECIFIC ISSUES

- 1. OUTAGE MANAGEMENT OVERSIGHT**
- 2. MAINTENANCE OF OPERATOR LICENSES**
- 3. EMERGENCY OPERATING PROCEDURES**
- 4. INSERVICE INSPECTION**
- 5. CONTROL OF COMMERCIAL GRADE ITEMS**
- 6. FIRE BARRIER PENETRATIONS**
- 7. TORUS WALL THINNING**
- 8. SCRAM DISCHARGE VOLUME**
- 9. APPENDIX J TESTING OF EMERGENCY CONDENSER
AND SHUTDOWN COOLING VALVES**

SPECIFIC ISSUES (CONT.)

- 10. REACTOR PRESSURE VESSEL PRESSURE/TEMPERATURE CURVES**
- 11. EROSION/CORROSION PROGRAM**
- 12. MOTOR GENERATOR SET BATTERY CHARGERS**
- 13. IMPLEMENTATION OF LONG-TERM PROGRAMS RELATED
TO I&C TECHNICIAN ALLEGATION ISSUE**
- 14. SAFETY SYSTEM FUNCTIONAL INSPECTION**
- 15. CRACKS IN WALLS AND FLOORS**
- 16. FEEDWATER NOZZLES**
- 17. INSERVICE TESTING**
- 18. 125 VDC SYSTEM CONCERNS**

SELF ASSESSMENT PROCESS

- 1. RESTART PANEL ASSESSMENT**
- 2. INPO ASSIST VISIT**
- 3. EXECUTIVE REVIEW**
- 4. CONTINUING ASSESSMENTS**

RESTART PANEL MEMBERS

MR. L. BURKHARDT (NMPC) EXEC. VICE PRES. - CHAIRMAN
MR. J. T. ASH (NMPC) VP CONSUMER SERVICES
MR. D. P. HALL (ILLINOIS POWER CO.) SENIOR VP
DR. J. M. HENDRIE CONSULTANT
MR. R. W. KOBER (ROCHESTER GAS & ELECTRIC) PRESIDENT
MR. J. A. PERRY (NMPC) VP QUALITY ASSURANCE

NMPC ACTIONS FOR RESTART

- 1. COMPLETE PHYSICAL READINESS**
- 2. COMPLETE RESTART ACTIONS FOR
SPECIFIC ISSUES**
- 3. COMPLETE RESTART ACTIONS FOR
UNDERLYING MANAGEMENT
EFFECTIVENESS ISSUES**
- 4. SUBMIT READINESS FOR RESTART REPORT**

SUMMARY

- 1. RAP DEVELOPED AND BEING IMPLEMENTED**
- 2. CORRECTIVE ACTIONS EFFECTIVE TO
PREVENT RECURRING PROBLEMS**
- 3. NUCLEAR IMPROVEMENT PROGRAM IS
BRIDGE TO LONG-TERM EFFECTIVENESS**

CONCLUSION

- 1. CONSIDERABLE PROGRESS**
- 2. ASSURE OURSELVES WE ARE READY**
- 3. SUBMIT READINESS FOR RESTART REPORT**