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The Honorable Lando W. Zech, Jr.  
Chairman  
U.S. Nuclear Regulatory Commission  
Washington, D.C. 20555

Dear Chairman Zech:

SUBJECT: ACRS REPORT ON THE TENNESSEE VALLEY AUTHORITY'S MANAGEMENT  
REORGANIZATION

During the 328th, 331st, and 334th meetings of the Advisory Committee on Reactor Safeguards on August 6-8 and November 5-7, 1987 and February 11-13, 1988, respectively, we met with members of the NRC Staff and the Tennessee Valley Authority (TVA) Staff and reviewed the status of the resolution of the issues pertaining to reorganization of TVA's management structure as related to the operation of TVA's nuclear power plants. In this review, we had the benefit of meetings of our Subcommittee on TVA Organizational Issues on November 5, 1987 and February 2-3, 1988. In addition, we had the benefit of advice from two Committee consultants and the benefit of the documents referenced. We previously commented on this matter in a report dated August 12, 1986.

In the August 12 report several issues were identified that needed to be dealt with to correct TVA's problems and prevent their recurrence. The following measures have been taken by TVA to deal with these issues:

1. We recommended that TVA establish a forward-looking, longer range, structured management development program to ensure a continued supply of competent nuclear power managers. TVA has taken positive steps to address this need. Most of the critical positions have been filled with experienced TVA employees or experienced managers from outside the organization. TVA has initiated a formal program for the selection and development of individuals from within TVA who evidence management capabilities. This program is described in the Corporate Nuclear Performance Plan and, if properly implemented, should develop an adequate in-house source of management talent. Implementation will take considerable effort and time, and progress needs to be monitored by the NRC Staff.
2. We observed organizational ambiguity as to where the focal point in nuclear safety resided within the TVA corporate management structure, and recommended that this nuclear safety cognizance be reestablished and focused at the top management level. TVA has taken steps to reestablish a focus for nuclear safety by increasing upper management awareness of nuclear activities and clearly defining lines of responsibility and accountability. These measures include:
  - a. The Office of Inspector General has been established and reports

directly to the Board of Directors.

- b. The Manager of Nuclear Power reports directly to the General Manager and Board of Directors, thereby focusing top management attention on nuclear plant activities.
  - c. A separate Nuclear Safety Review Board to provide recommendations and advice independently to the Manager of the Office of Nuclear Power has been established for each plant.
  - d. Communication channels have been established to keep the Manager of the Office of Nuclear Power aware of the daily activities in each of the plants.
3. One of the concerns expressed in our August report related to the effectiveness of TVA procedures for the selection of personnel. TVA has taken steps to address this concern.

Although the present organizational chart of the Office of Nuclear Power still shows a large number of line and staff managers reporting directly to the Manager, this organization appears to have performed effectively to date. However, we still are concerned that an organization with as many people reporting to a single manager may cause serious problems if continued indefinitely. This issue should be revisited during the transition to a permanent organization.

The statutory limit on salaries at TVA remains in effect and the ability to retain top level nuclear managers over the long term will continue to be a problem. TVA has been successful in employing new top level managers by establishing home relocation services and relocation incentive plans for newly hired managers. However, nothing has been done to provide additional compensation to retain key personnel who have been with the TVA nuclear program through the difficult years.

In our report of August 12, 1986, we noted that the NRC Staff would be facing a difficult task in reviewing the reorganization efforts of TVA and reaching judgments about whether those efforts were adequate. This problem is not confined to the evaluation of management problems only at TVA, but extends to a number of other utilities. We intend to explore the NRC Staff's progress in developing the needed resources and reserve our judgment until the completion of that review.

An area that we explored in detail with both TVA and the NRC Staff was the effectiveness of TVA's internal safety reviews. Our concern was whether the process that TVA uses to address unresolved safety issues allows consideration of issues other than those relating directly to nonconformance with regulations or commitments. We believe that significant improvements have been made by TVA, but further improvements can and should be made.

Management systems and procedures for controlling the design and modifications have also been improved significantly. Particular attention needs to be given to the mechanisms which assure that systems integration is properly addressed.

In summary, we believe that significant improvements have been made in TVA's organization and management capability and that most of our previous concerns have been addressed.

Sincerely,

William Kerr  
Chairman

References:

1. U.S. Nuclear Regulatory Commission, Office of Special Projects, NUREG-1232, Volume 1, "Safety Evaluation Report on TVA Revised Corporate Nuclear Performance Plan," July 1987
2. U.S. Nuclear Regulatory Commission, Office of Special Projects, NUREG-1232, Volume 2, "Preliminary Safety Evaluation Report on TVA: Sequoyah Nuclear Performance Plan, Part 1: Programmatic Evaluation, January 1988
3. Letter dated November 6, 1987, from Stewart D. Ebnetter, Office of Special Projects, to S. A. White, TVA, Subject: Sequoyah Unit 2 Integrated Design Inspection (IDI)
4. Letter dated February 3, 1988, from Lynne Bernabei, Attorney for Andrew Bartlik, to NRC Commissioners, regarding TVA Nuclear Power Program
5. Letter dated December 24, 1987, from Kurt N. Larson, American Nuclear Insurers, to David H. Marks, TVA, Subject: ANI/MAELU Nuclear Liability Insurance Inspection

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