

Attachment 1

DESIGNATED ORIGINAL

Certified By

Patty Henderson

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

February 1, 1982

Same letter to R. Ottinger

The Honorable John D. Dingell, Chairman
Committee on Energy and Commerce
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We share the concerns expressed in your November 13, 1981 letter regarding the implication of the recent seismic design errors detected at the Diablo Canyon nuclear power plant. The implication of these errors has been and will be thoughtfully considered by the Commission.

The timing of the detection of these errors, so soon after authorization for low-power operation, was indeed unfortunate and it is quite understandable that the Congress' and the public's perception of our licensing process has been adversely affected. Had this information been known to us on or prior to September 22, 1981, I am sure that the facility license would not have been issued until the questions raised by these disclosures had been resolved.

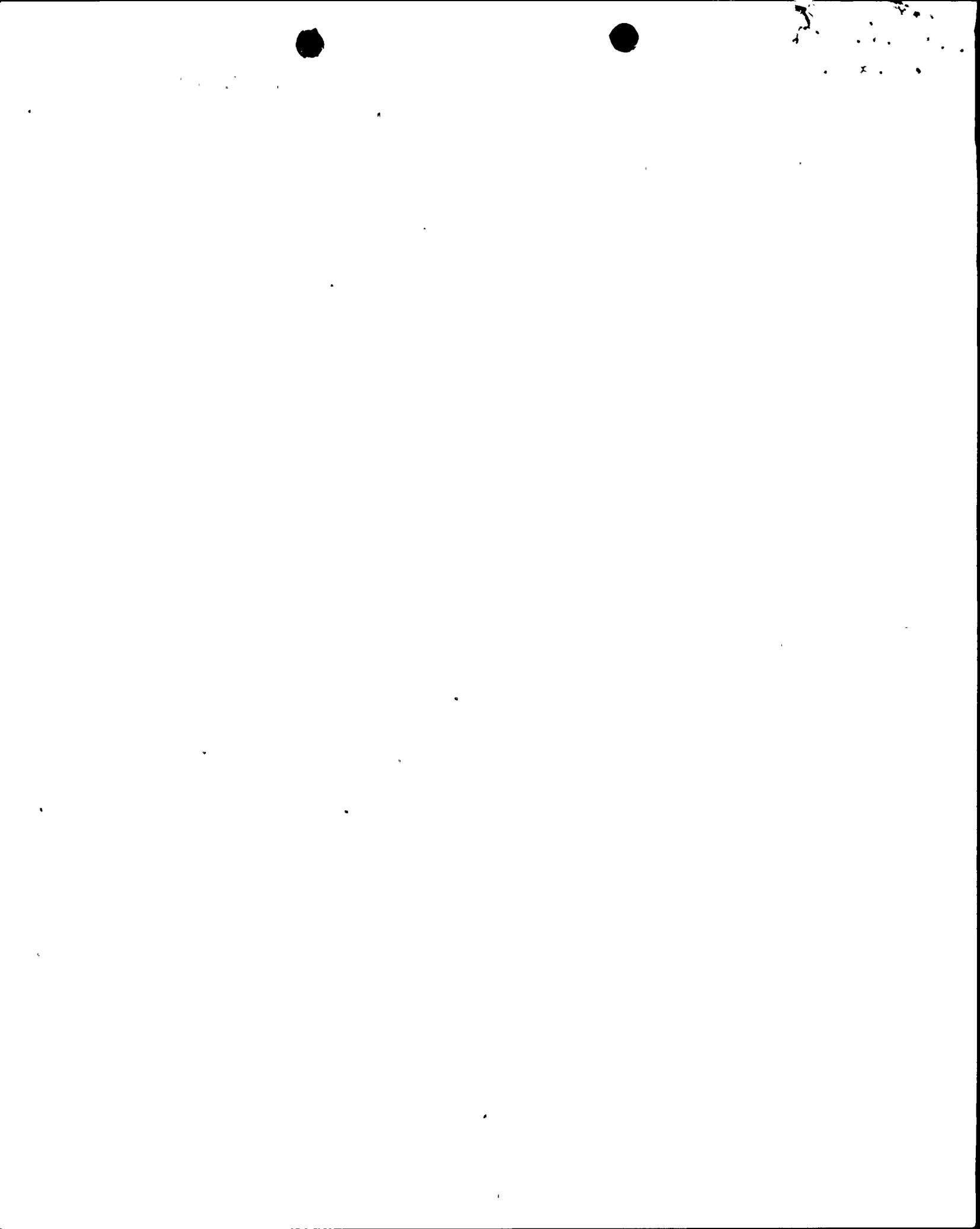
Because of these design errors, on November 19, 1981 we suspended Pacific Gas and Electric Company's (PG&E) license pending satisfactory completion of the following:

1. The conduct of an independent design review program of all safety-related activities performed prior to June 1, 1978 under all seismic-related service contracts used in the design of safety-related structures, systems and components.
2. A technical report that fully assesses the basic cause of all design errors identified by this program, the significance of the errors found and their impact on facility design.
3. PG&E's conclusions of the effectiveness of the design verification program in assuring the adequacy of facility design.
4. A schedule for completing any modifications to the facility that are required as a result of the design verification program.

In addition, the Commission ordered PG&E to provide for NRC review and approval:

1. A description and discussion of the corporate qualifications of the company or companies that PG&E would propose to carry out the

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independent design verification program, including information that demonstrates the independence of these companies.

2. A detailed program plan for conducting the design verification program.

In recognition of the need to assure the credibility of the design verification program, NRC will decide on the acceptability of the companies' proposed by PG&E to conduct this program after providing the Governor of California and Joint Intervenors in the pending operating licensing proceeding 15 days for comment. Also, the NRC will decide on the acceptability of the plan proposed by PG&E to conduct the program, after providing the Governor of California and the Joint Intervenors in the pending operating license proceeding 15 days for comment.

Prior to authorization to proceed with fuel loading, the NRC must be satisfied with the results of the seismic design verification program and with any plant modification resulting from that program that may be necessary prior to fuel loading. The NRC may impose additional requirements prior to fuel loading necessary to protect health and safety based upon its review of the program or any of the information provided by PG&E. This may include some or all of the requirements specified in the letter to PG&E dated November 19, 1981.

Responses to each of the four questions in your letter are enclosed.

A decision to permit PG&E to proceed with fuel loading will not be made until all the actions contained in the Commission's November 19, 1981 Order are fully satisfied.

Sincerely,

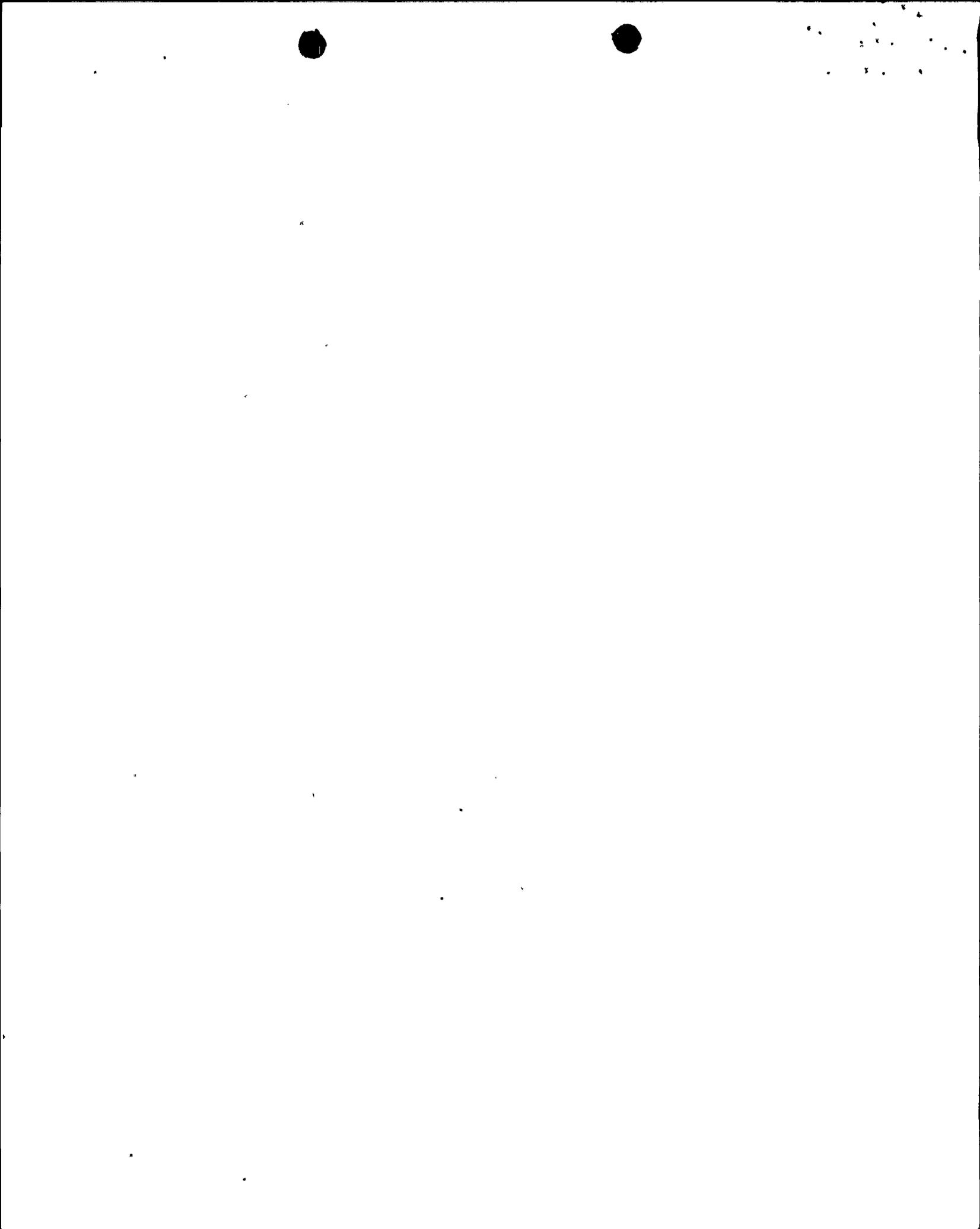


Nunzio J. Palladino

cc: Rep. Carlos Moorhead

Enclosures:

1. Commission Order, dated 11/19/81 — deleted
2. Ltr from Office of Nuclear Reactor Regulation, NRC to PG&E dated 11/19/81 — deleted
3. Responses to Questions — abbreviated



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Question 2: Please provide the criteria to be used in assuring that the proposed audit will be "independent."

Response: The competence of the individuals or companies is the most important factor in the selection of an auditor. Also, the companies or individuals may not have had any direct previous involvement with the activities at Diablo Canyon that they will be reviewing.

In addition, the following factors will be considered in evaluating the question of independence:

- 1) Whether the individuals or companies involved had been previously hired by PG&E to do similar seismic design work.
- 2) Whether any individual involved had been previously employed by PG&E (and the nature of the employment).
- 3) Whether the individual owns or controls significant amounts of PG&E stock.
- 4) Whether members of the present household of individuals involved are employed by PG&E...
- 5) Whether any relatives are employed by PG&E in a management capacity.

In addition to the above considerations, the following procedural guidelines will be used to assure independence:

- 1) An auditable record will be provided of all comments on draft or final reports, any changes made as a result of such comments, and the reasons for such changes; or the consultant will issue only a final report (without prior licensee comment).
- 2) NRC will assume and exercise the responsibility for serving the report on all parties.

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NUCLEAR REGULATORY COMMISSION

W.P.J.

Copy to
Denton
Cone
Bidenhut
Vollmer
Knight
Merritt
Harross

Bornal
Sullivan

Attachment 2

DESIGNATED ORIGINAL

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In the Matter of:

MEETING WITH PACIFIC GAS AND ELECTRIC COMPANY
TO DISCUSS SEISMIC DESIGN REVIEW, DIABLO CANYON UNIT 1

DATE: March 25, 1982

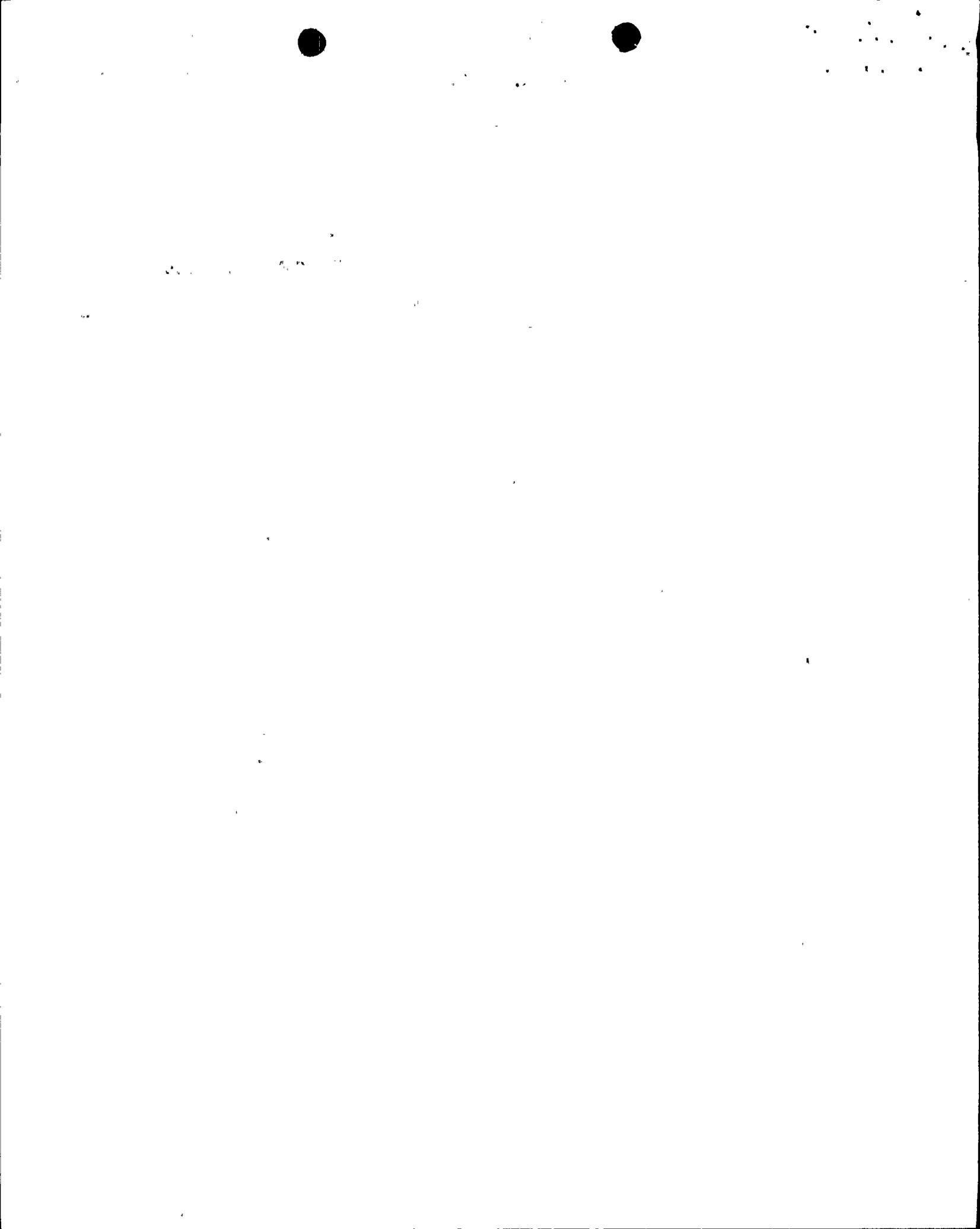
PAGES: 1 thru 177

AT: Bethesda, Maryland

ALDERSON REPORTING

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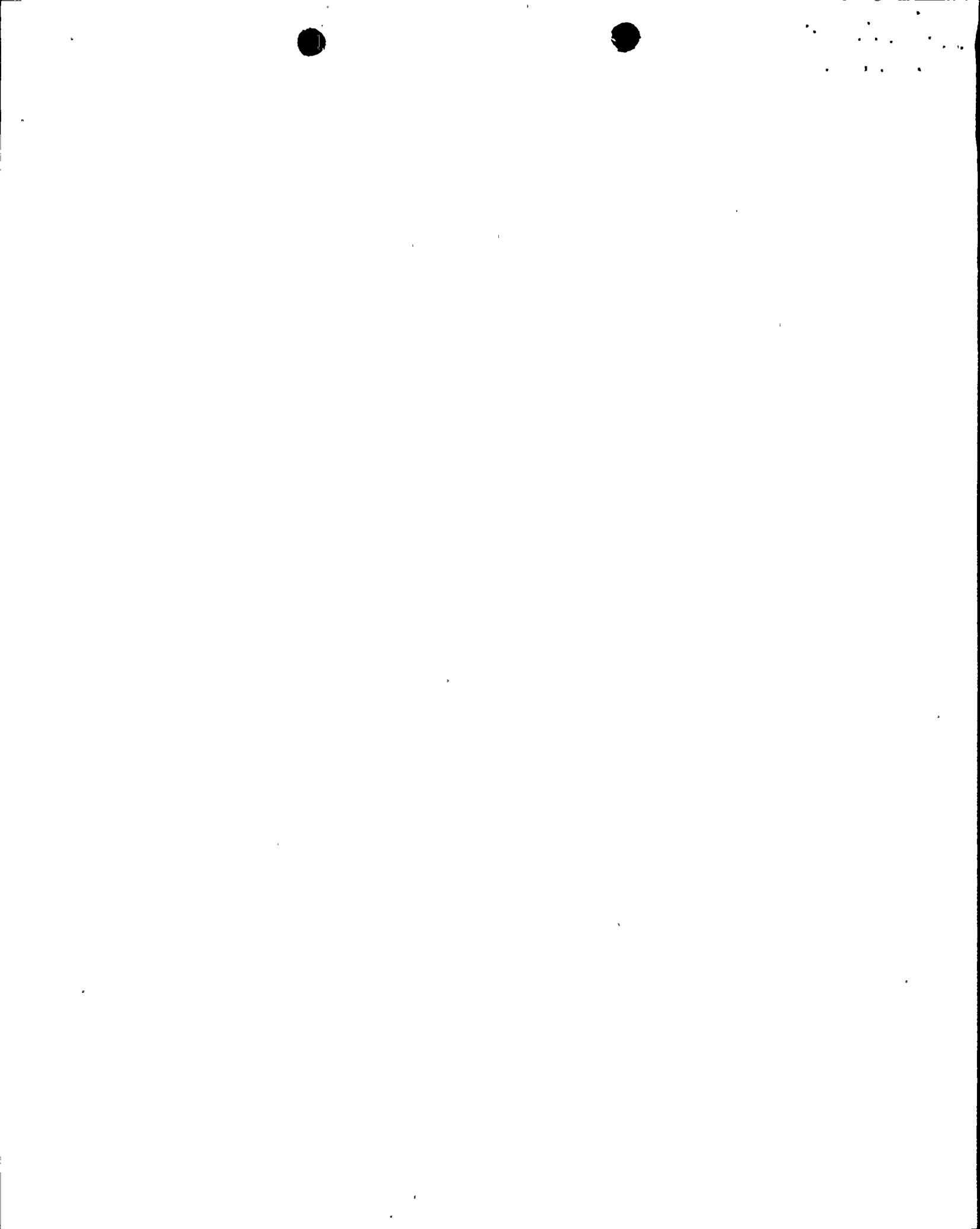
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MR. MIPAGLIA: One item that came up was an expression of clear indication of what the staff requirements are for the ~~conflict of interest statements~~. I think the staff would be receptive to each of the program plans describing the procedures and process that you proposed to use relative to these conflict of interest statements and the criteria which you would use to have an individual fill them out, the kind of records that you would propose to maintain and implement that requirement and if the procedures are explicit enough and acceptable to the staff. We understand that you have a process and that you have criteria by which you are going to implement that process.

MR. COOPER: That one gives me a lot of difficulty. Individual companies choose to handle that by different techniques. That has to be demonstrated to date in this program, and I think it's possible we might get these techniques together, but it's an administrative type of commission requirement, and until I have more guidance in -- than I have seen put forward at this time -- and noticing that there are differences in the way we handle the thing, our response to what we understand to be the requests, I would have great difficulty responding to that at least in the kind of time frames we are talking about for the plan submittal.

I would rather -- perhaps we could eventually include it as one of the things that I have called project procedures -- program procedures, but I certainly wouldn't want to commit to this for next week, and I might have trouble even after that.



1 I just -- maybe some who have been involved in this issue longer
2 than I have a thought on it.

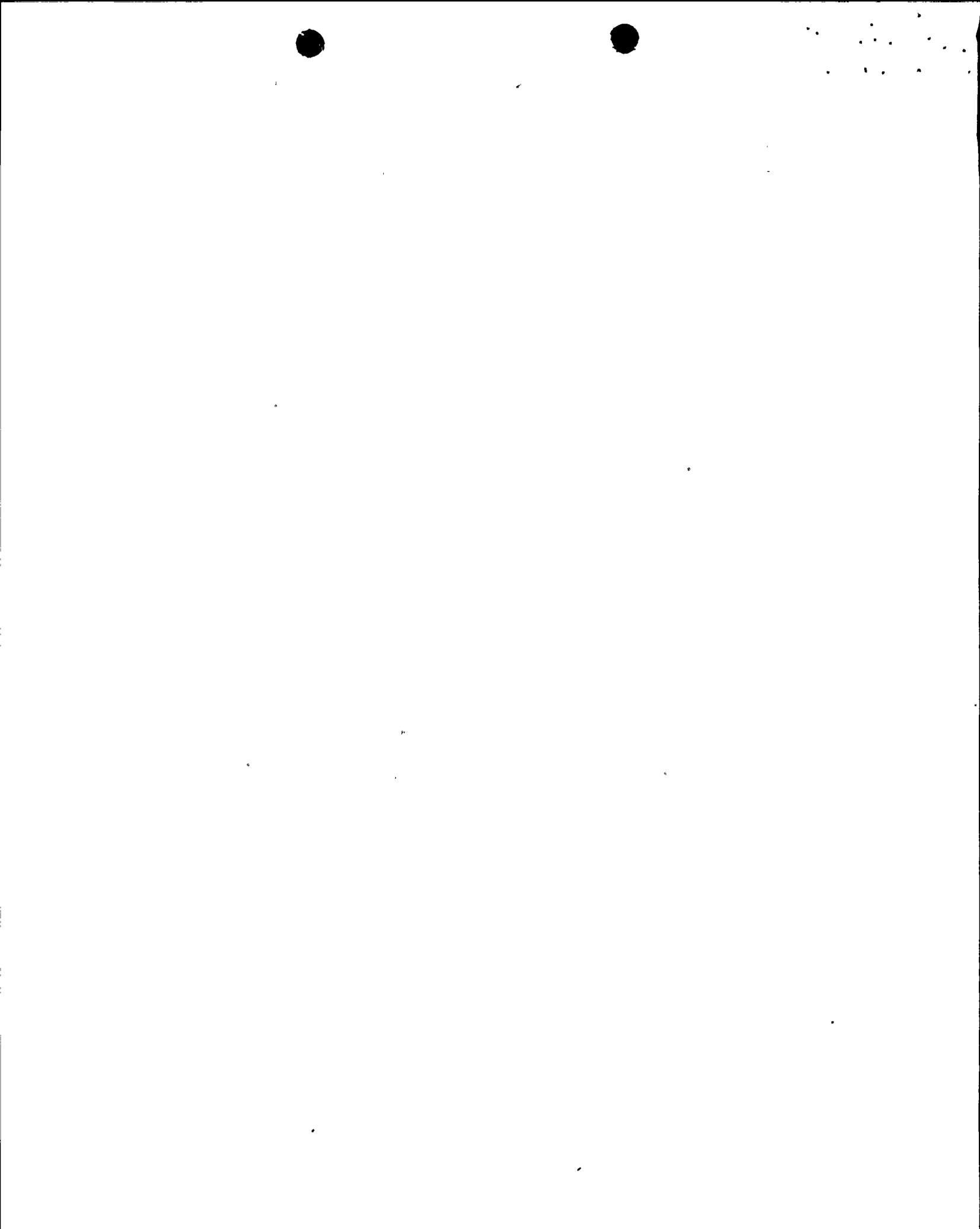
3 Bob?

4 MR. CLOUD: Yeah. Having enjoyed the benefits of
5 participating in this program for some period of time, my first
6 question is would you want such procedures to be addressed to all
7 individuals that might be involved?

8 MR. MIRAGLIA: I think what we are saying is that we
9 would leave it to ~~you to propose the criteria by which you would~~
10 ~~use, what individuals you would identify, propose that criteria,~~
11 ~~and indicate that you will develop procedures to implement this~~
12 ~~kind of a program and that you will maintain some kind of audit~~
13 ~~directives.~~

14 MR. CLOUD: I wouldn't have any objection to that
15 except that I would propose that such procedures should be
16 confined to the management offices involved with the program.
17 Just as a matter of practice. Don't misunderstand me. I don't
18 have the -- you know -- the son-in-law of any of the PG&E people
19 on my staff. I am just saying as a matter of practice that it's
20 going too far that each professional not own stock in PG&E, for
21 example. It's sort of -- to quote an eminent member of the NPC
22 staff, it would be contrary to the American way.

23 MR. COOPER: Let me cite an example. I showed a
24 Figure 1 and 2 today. I had scribbled those out, and I went to
25 Ron Wray and I said, Wray, you got somebody -- Ron, can you get



1 somebody that can letter these up for me in a hurry and get the
2 in this report? He said yeah, and one of our co-op students did
3 it; and about ten minutes after they were given to me, the QA
4 engineer in the program came in and said I'm going to cite you
5 for not having those guys cleared through personnel department
6 before he did it, and I said, Gee whiz, don't I even have two days
7 to get that guy to fill out the thing? I got in this bind and
8 had Ron do it five minutes ago.

9 He said, Okay. I'll give you two days. I said, Fine.
10 He will have gone back to school in two days.

11 (Laughter)

12 MR. COOPER: This is how ridiculous it is really
13 getting as we are trying to do this thing through what we are
14 committed to today, and guidance -- ~~real broad guidance is needed~~

15 MR. HOCH: Can I ask you a question? I don't know
16 if I reviewed all these things. Have you found any of your
17 employees who have a conflict yet?

18 MR. COOPER: No.

19 MR. CLOUD: No.

20 ~~MR. VOLLMER: Okay. We will try to come up with~~
21 ~~something that will help.~~

22 MR. COOPER: Excuse me. The answer would have been
23 yes only we knew better than to ask him to fill out the form
24 because he worked on Diablo Canyon. Now --

25 MR. DENISON: The answer is yes in one instance. My



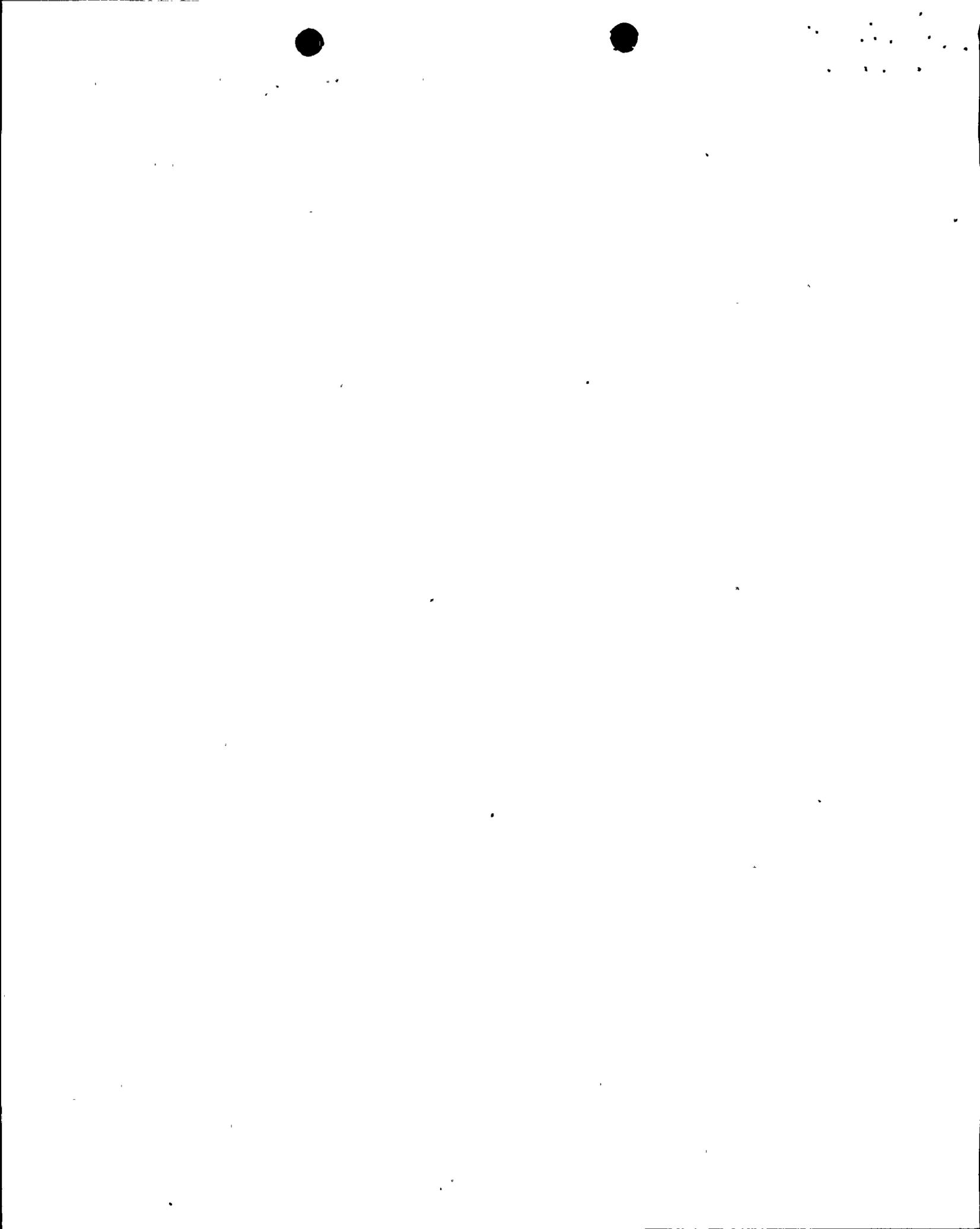
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1 father owns sixty-three shares of stock.

2 MR. BROWN: I don't think anyone is satisfied with the
 3 ultimate resolution of -- the governor, the joint intervenors --
 4 we all would have liked it differently, but I think the staff
 5 better be cautious in not getting into a position and backing
 6 down just because somebody suggests that it might not be
 7 convenient. The bottom line was that there were pretty
 8 thoroughly understood guidelines. Nobody liked exactly what
 9 they were because they came out of different stuff, but I think
 10 it would be proven and we would insist from a literal reading of
 11 what the commission did, ~~to assure that the people don't have~~
 12 ~~conflict of interests defined by the commission sent to the~~
 13 ~~workmen by the chairman.~~ I don't recall the subsequent
 14 extensive conversation that went on, and this ended in two days
 15 of inconvenience. That is something that we have to live with
 16 or we will end up quibbling over something that we should have
 17 long behind us.

18 MR. VOLLMER: I think those guidelines were fairly
 19 clear. I don't think they caused the problem. I think the
 20 problem being posed was one share of PG&E or a hundred shares is
 21 a conflict of interest or things of that nature. Is that right?
 22 I hope that there is no question in anybody's mind that people
 23 who are part of this program ~~should not be reviewing work that~~
 24 ~~they were a party to before, and that has been made clear all along.~~
 25 I hope that is not the problem.



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1 MR. FRIEND: Doesn't seem to have anything to do with
2 stock ownership whatsoever.

3 MR. VOLLMER: No, but that was another matter that was
4 brought up in a number of other meetings to which you weren't a party

5 MR. FRIEND: But the whole dialogue has been about
6 owning stock and financial interests, and you just enunciated
7 some different rules. ~~I think that is probably why it's~~
8 ~~important that you do give us some guidance. Maybe both of these~~
9 ~~apply.~~ Maybe only one.

10 MR. MIRAGLIA: ~~Both of them do apply as it is~~
11 ~~currently written. We will do that.~~

12 MR. CLOUD: I would say that the issue of persons
13 reviewing work that they have participated in is a non-issue. N
14 one ever does that. What I'm suggesting -- and perhaps we are
15 going overboard when we require that every person involved in the
16 project not own stock, not have a relative in PG&E, et cetera. I
17 mean half the people in the Bay area worked for PG&E at one time
18 or have relatives that worked for them or whatever.

19 MR. HOCH: As an alternative to -- I'm a little unclear
20 If we didn't take advantage of what you stated or the program
21 people didn't take advantage of what you stated with respect to
22 putting a procedure together and stating what the procedure was,
23 in the near term at least, is it acceptable to just continue with
24 the policy of having everyone do what they've been doing? That
25 is, sign the statement and so forth?



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1 MR. MIRAGLIA: Yes.

2 MR. HOCH: Because in the short term that may be the
3 most expedient way to handle it.

4 MR. MIRAGLIA: Yes.

5 MR. COOPER: If we can agree on that, I will try to
6 put together a program procedure as defined in our program plan.
7 It's the implementation of the criteria I am concerned about,
8 and I will try to put together such, but I won't implement it
9 prior to sending it in for your comments because it is in
10 response to a direct procedural issue that you folks have raised.
11 Ordinarily I would plan to implement a procedure and send it to
12 you for information.

13 MR. CLOUD: I think we could right now with complete
14 and full assurance know that no engineers will be involved in
15 reviewing work that they have done.

16 MR. COOPER: That is true.

17 MR. CLOUD: So -- and I would suggest that sooner or
18 later people will have to accept the fact that most of the
19 people doing this are honest men.

20 MR. MIRAGLIA: There was some comments raised by the
21 parties, and I think we said with respect to undocketed reports
22 that we are still -- there is still a question that the staff
23 had on February 3rd and that PG&E is attempting to deal with.
24 Again, I guess the appropriate plan is to address that matter to
25 some degree as well.

