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SUBJECT: Requests issuance of order to show cause why util should not be directed to file requisite amend to pending OL applications.

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May 12, 1982

Mr. Harold Denton
Director of Nuclear Reactor
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United States Nuclear
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Washington, D.C. 20555

Dear Mr. Denton:

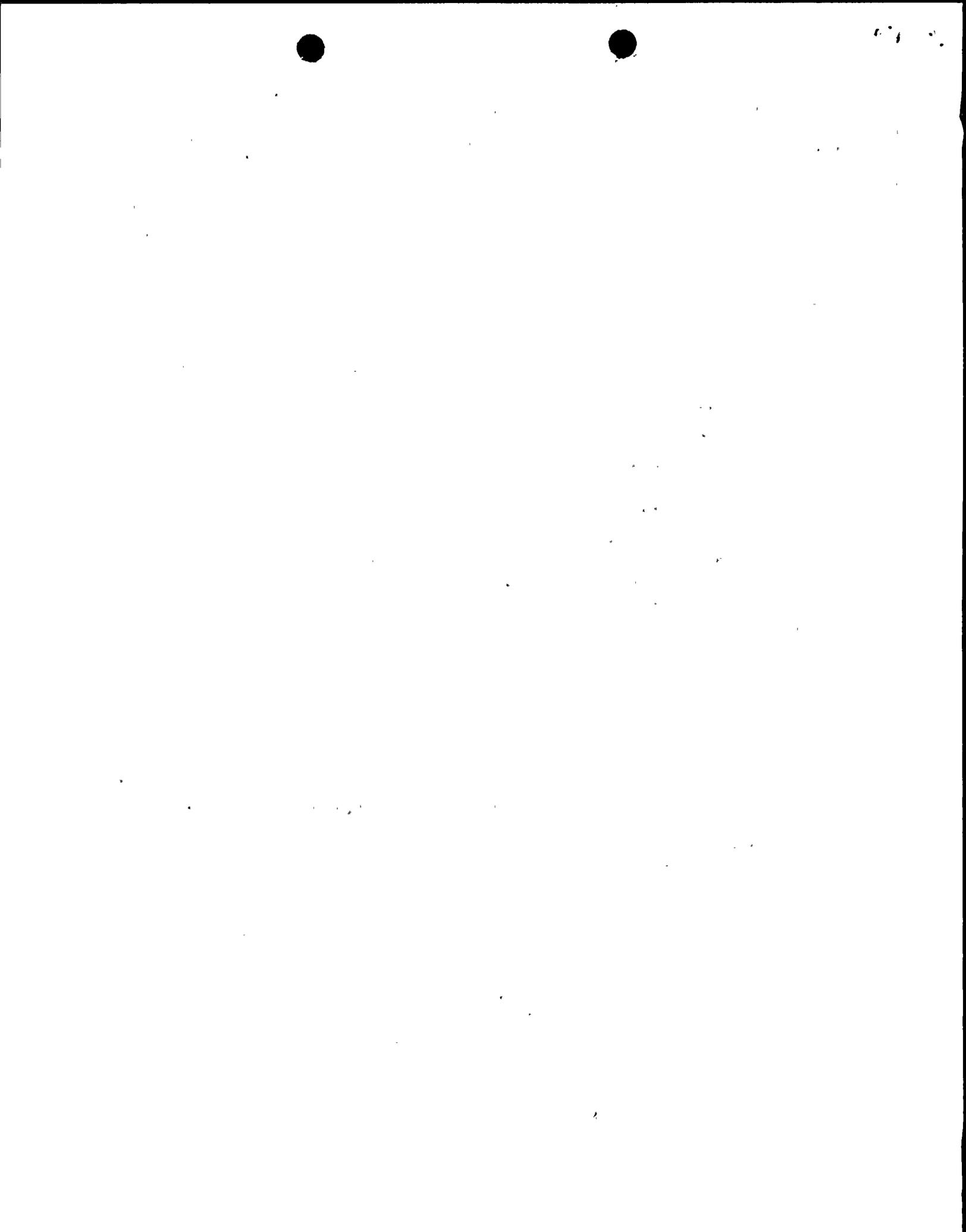
This is a request for action by the Director of the Office of Nuclear Reactor Regulation ("NRR") pursuant to 10 C.F.R. § 2.206(a).

On behalf of the Joint Intervenors^{1/} to the Diablo Canyon Nuclear Power Plant ("Diablo Canyon") licensing proceeding, we hereby request (1) the issuance of an order to show cause why Pacific Gas and Electric Company ("PG&E") should not be directed to file forthwith the requisite amendments to the pending operating license applications for Diablo Canyon in light of the extensive and conceded restructuring by PG&E of the Diablo Canyon Project organization and management; and (2) subsequent to the filing of such amendments, a hearing to determine the consistency of the restructured organization and management with all applicable provisions of the Atomic Energy Act, 42 U.S.C. §§ 2011 et seq., and the Commission's regulations.

^{1/} The San Luis Obispo Mothers for Peace, Scenic Shoreline Preservation Conference, Inc., Ecology Action Club, Sandra Silver, Gordon Silver, Elizabeth Apfelberg and John J. Forster.

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The actions requested are authorized by 10 C.F.R. § 2.202(a) and § 189(a) of the Atomic Energy Act, respectively, and are essential prerequisites to NRC approval of the pending license applications (or reinstatement of the suspended low power license) in order to assure compliance with 10 C.F.R. § 50.34 and 10 C.F.R. Part 50, Appendix B.

By letters dated March 22 and April 22, 1982, and in a meeting held on March 25, 1982, PG&E informed the NRC Staff that the Diablo Canyon Project organization would be substantially restructured in order to integrate Bechtel Power Corporation ("Bechtel") as the new project manager. Although the scope of the work and the precise division of functions has not yet been specified in detail, PG&E has apparently delegated to Bechtel the responsibility for completing the remaining work necessary to obtain operating licenses for Units 1 and 2. As G.A. Maneatis, PG&E Senior Vice President for Facilities Development, explained in a General Information Bulletin (see attached) submitted to the NRC on April 22:

Effective immediately, the existing Diablo Canyon Project organization is restructured. . . . Mr. Howard B. Friend of Bechtel Corporation is Project Completion Manager and will direct a closely integrated project team of PG&E and Bechtel personnel. . . .

Reporting to Mr. Friend will be a Management Team which will direct the day-to-day work required to bring Units 1 and 2 into early commercial operation. The project team will be supported by a matrix of chief engineers, managers, and staff specialists from both companies. . . .



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The contemplated reorganization affects every essential component of the Diablo Canyon Project organizational structure. According to the new project organization chart, Bechtel will supervise quality assurance for the project, licensing management, engineering management, quality assurance management, and various other functions essential to design, construction, and completion of the facility. The magnitude of this organizational change is plainly evidenced by the fact that, in order to accomplish its task, Bechtel expects to assign 150 to 200 of its personnel to the project. Meeting Transcript, at 17 (March 25, 1982). Moreover, with regard specifically to the critical question of quality assurance at Diablo Canyon, project manager Friend has informed the NRC Staff that "PG&E will use Bechtel['s quality] assurance program" and that "it may be a more beneficial way for the project to proceed to have the Bechtel people . . . work under the traditional Bechtel [quality assurance] program. . . ." Id., at 18.

Despite the obvious significance of this reorganization, PG&E has failed to submit any amendment to its applications for operating licenses at Diablo Canyon. In so doing, it has ignored the explicit regulatory requirements imposed by 10 C.F.R. § 50.34, regarding the information essential to applications for construction permits and operating licenses, and 10 C.F.R. Part 50, Appendix B, regarding quality assurance. Subsection (b) of 50.34 requires that:

[e]ach application for a license to operate a facility shall include a final safety analysis report . . . [which] . . . shall include the following:

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(6) The following information concerning facility operation:

(i) The applicant's organizational structure, allocations or responsibilities and authorities, and personnel qualifications requirements.

(ii) Managerial and administrative controls to be used to assure safe operations. Appendix B, "Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants," sets forth the requirements for such controls for nuclear power plants and fuel reprocessing plants. The information on the controls to be used for a nuclear power plant or a fuel reprocessing plant shall include a discussion of how the applicable requirements of Appendix B will be satisfied.

* * *

(7) The technical qualifications of the applicant to engage in the proposed activities in accordance with the regulations in this chapter.

* * *

10 C.F.R. Part 50, Appendix B, incorporates the provisions of § 50.34 as follows:

Every applicant for a construction permit is required by the provisions of § 50.34 to include in its preliminary safety analysis report a description of the quality assurance program to be applied to the design, fabrication, construction, and testing of the structures, systems, and components of the facility. Every applicant for an operating license is required to include, in its final safety analysis report,



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information pertaining to the managerial
and administrative controls to be used to
assure safe operations.

* * *

Appendix B then details specific requirements governing the applicant's quality assurance program, requirements plainly applicable at Diablo Canyon regardless of the fact that the responsibility for design, management, and control of the quality assurance program for the facility has now been unilaterally transferred by PG&E to Bechtel.

Neither PG&E nor Bechtel has even acknowledged -- much less complied with -- these unequivocal regulatory requirements. No demonstration of the adequacy of Bechtel's quality assurance program has been made, no amendment to PG&E's license applications or to the Diablo Canyon FSAR has been submitted, and no detailed delineation of the changes in the Diablo Canyon Project organizational structure, responsibilities, or managerial controls has been provided. Given the undeniable breakdown of PG&E's quality assurance,^{2/} program revealed during the past several months,

^{2/} See R.F. Reedy, Inc., "Quality Assurance Review and Audit Report of Pacific Gas and Electric Company" (March 8, 1982), which concluded that:

1. The PG&E Quality Assurance program for design work was not adequate in areas of policy, procedures and implementation. The Quality Assurance organization had insufficient program responsibility.
2. A general weakness existed in internal and external interface and document controls. This questions



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the extensive restructuring by PG&E and the delegation of its obligations under the regulations must be closely scrutinized to assure that PG&E's past failures will not be repeated.

Section 50.34 and Appendix B to 10 C.F.R. Part 50 require license application amendments in order to reflect the precise nature and effect of Bechtel's involvement in the design, construction, and management of Diablo Canyon. Issuance of an order to show cause is clearly warranted, therefore, to compel the filing of such amendments by PG&E. In order to determine the propriety and implications of such amendments, the parties to this proceeding are entitled to a hearing prior to approval or denial by the NRC of any of the pending Diablo Canyon operating license applications. See Sholly v. U.S. Nuclear Regulatory Commission, 651 F.2d 780 (D.C. Cir. 1980), cert. granted, 101 U.S. 3004 (1981); Brooks v. Atomic Energy Commission, 476 F.2d 924 (D.C. Cir. 1973) (per curiam); Westinghouse

(footnote 2 cont'd)

whether appropriate design information was being exchanged and utilized by design groups and consultants. One concern is if the latest Hosgri seismic data was (sic) inputted for design analysis.

3. The design verification program was not formalized and was inconsistently implemented and documented. This included major gaps in design overviews of the design approach for mechanical and other equipment.



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Electric Corporation v. U.S. Nuclear Regulatory
Commission, 598 F.2d 759 (3d Cir. 1979).

Very truly yours,

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Enclosures

cc: Diablo Canyon Service List

