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

NOV 2 1978

MEMORANDUM FOR: Harold D. Thornburg, Director, Division of Reactor Construction Inspection, IE

FROM: Donald J. Skovholt, Assistant Director for Quality Assurance and Operations, DPM

SUBJECT: REQUEST FOR IE INPUT RELATIVE TO FINANCIAL QUALIFICATIONS STUDY

10 CFR 50 requires the NRC staff to make a determination of the financial qualifications of an applicant prior to issuing a construction permit or operating license. This requirement stems from the Atomic Energy Act and reflects the belief that adequate financial resources is an issue important to the protection of public health and safety.

In January 1978, the Commission directed the staff to initiate a rulemaking proceeding in which the factual, legal and policy aspects of the financial qualifications issue will be considered. The scope of this inquiry will involve both the criteria and methodology for making the financial qualifications determination and the relevance of the financial qualifications issue to assurance of public health and safety. The staff has commenced this effort and, in response to a Federal Register notice, has received public comments on the matter.

Several of the public comments from representatives of the utility industry were in refutation of the presumption that lack of adequate finances may lead to "corner-cutting" which would adversely impact on assurance of public health and safety. Commenters contended that this was a specious argument in that a utility must rely on safe and reliable operation of a generating station for many years, and it would be contrary to its own self interests, as well as to its public responsibilities, to cut corners or scrimp if this had adverse impact on safety or reliability.

In order to consider the experiences acquired by NPC during the two decades of power reactor construction and operation, we request input from the Office of Inspection and Enforcement regarding the following question: In light of the inspection activities and consideration of construction deficiency reports and licensee event reports by IE, what instances, if any, have been discovered in which a utility performed or authorized an action detrimental to public health and safety for the purpose of reducing expenditures? Citation of the particulars concerning each such action is requested. I

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should note that we are aware of instances in which suppliers and contractors have taken such actions but these would not be germane to this study unless the utility had authorized them and thereby reduced its costs. Further, prudence in fiscal management by utilities and efforts to improve efficiency would not be relevant unless they detracted from meeting commitments to NRC, were in opposition to standard good practice or otherwise adversely impacted the assurance of public health and safety.

Since the financial qualifications requirement has greater impact at the CP stage, instances involving plant design, construction and initial testing are most relevant; however, identification of instances during plant operations, maintenance and modifications is also requested.

We would be happy to discuss this matter if you desire. In order to meet our schedule for reporting to the Commission, a response from IE by December 15, 1978 is requested.

Original Signed by:
Donald J. Skovholt

Donald J. Skovholt
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cc: R. S. Boyd
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