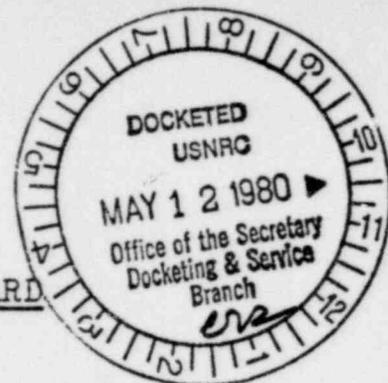


UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD



In the Matter of

Houston Lighting & Power Company  
(Allen's Creek Nuclear Generating  
Station, Unit 1)

DOCKET NUMBER

50-466

FINANCIAL QUALIFICATIONS CONTENTION

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CERTIFICATE OF SERVICE

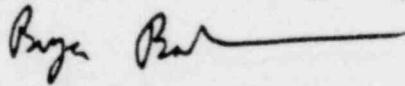
I hereby certify that \_\_\_\_\_ copies of these documents have been sent to the following agencies or individuals by deposit in the U.S. Mail, first class, on or before May 9, 1980.

Atomic Safety and Licensing Board Panel  
J. Gregory Copeland, Esq., of counsel for Applicant  
Richard Lowerre, Esq., Asst. Attorney General for the State of Texas  
Stephen M. Schinki, Esq., Counsel for NRC Staff  
Docketing and Service Section, Office of the Secretary, NRC  
Stephen A. Doggett, Esq., counsel for Intervenor Cumings  
James Scott Jr, Esq., counsel for Intervenor TexPIRG

Dated:

May 9, 1980

Signed:

  
Bryan Baker,  
for the Intervenor

8006170286

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Consolidation of Baker Contention 1, Cumings 1, and PIRG Additional Contention 32 (Financial Qualifications)

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The Licensing Board ordered (Mar 10, 1980) the consolidation of PIRG Additional Contention 32, Baker Contention 1, and Cumings Contention 1. Intervenor Bryan Baker, Steve Doggett as counsel for Intervenor Elinore Cumings, and James Scott and Clarence Johnson as representatives of Intervenor TexPIRG met and agreed that Intervenor Baker will conduct discovery, etc., for the consolidated contention.

These contentions concern Applicant's financial qualifications to safely construct and operate the proposed facility. Pending a uniform labelling of contentions by the Board, I will simply refer to the consolidated contention as the Financial Qualifications Contention.

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Request for Access to Material in Possession of Applicant

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Intervenors request that the Applicant make available for study and copying the following documents:

- 1) Transcript of Applicant's rate-hike hearing before the Texas Public Utilities Commission (PUC).
- 2) All documents submitted by Applicant and other parties in connection with rate-hike application.

Counsel for Applicant, J. Gregory Copeland, has told Intervenor Baker in a telephone conversation that he does not foresee any

objection to this request, and I feel sure that we can work out informally the details of access to the documents.

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Request for Access to "South Texas Nuclear Project, Quality Assurance and Quality Control, Management Assessment Survey for Brown and Root, Inc. (Jan 1980)"

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This document is covered by the Board's Protective Order of Apr 18, 1980. This document was protected even though the Board "explicitly decline(d) to find that Applicant, upon the behalf of Brown& Root, Inc., or Brown & Root itself, has met the burden of showing that the document in question and the commercial information contained therein are confidential in character and entitled to protection. . . ." (Order of Apr 18, 1980, p.2)

In general, Licensing Boards are required to consider an Applicant's financial qualifications because of a fear that financial difficulties on the part of a licensee might lead to a compromise of the public safety. In the case of a construction permit it is especially important to establish that a potential licensee will not become financially "strapped" during the lengthy and expensive construction of the facility and, under such stress, make decisions to "cut corners" in the safe construction of the facility. We maintain that evidence of such behavior on the part of an applicant is of obvious relevance to financial qualifications contentions.

This Applicant, as previously noted by Intervenors, has run

into problems on its South Texas Nuclear Project (STNP) which have led so far to a four-year construction delay and a tripling of estimated final construction cost. In addition, there have been numerous allegations of substandard construction, improper inspections and documentation, and lack of proper management at the STNP site. It should be one goal of this financial qualifications inquiry to determine what connection there may be between Applicant's financial difficulties at STNP and possible safety deficiencies at that facility.

The report entitled "South Texas Nuclear Project, Quality Assurance and Quality Control, Management Assessment Survey for Brown & Root, Inc. (Jan 1980)" is likely to have a bearing on this question, and I therefore request that Financial Qualifications Intervenors be allowed to examine it.

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First Set of Interrogatories to Applicant: FQ-1

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I will use the following system to designate these and future FQ Interrogatories, unless the Board prefers otherwise. All interrogatories in this submittal shall be designated FQ-1, in the next submittal FQ-2, etc. The first interrogatory in this submittal will be FQ-1.1, the second in this submittal FQ-1.2, etc.

FQ-1 Interrogatory 1

(a) ADMIT or DENY: Houston Lighting & Power Company took the following position before the Texas PUC in Docket 2676 as indicated

FQ-1.1 (a) . . . by its Brief to the Examiner (p.74) filed Oct. 29, 1979:

"If HL&P's revenue needs are not recognized today through adequate and timely rate relief, HL&P may be forced to defer construction at a time when additional generating capacity is most needed."

(b) The Request for Admission stated above cites a quote from p.74 of the Brief to the Examiner in PUC Docket 2676. Explain what "construction" is referred to in the clause "HL&P may be forced to defer construction"?

### Interrogatory 2

(a) What is the most current estimate of the final construction cost of ACNGS?

(b) When was this estimate made? By whom?

(c) This most current estimate will be based upon certain assumptions regarding future conditions. What are the assumptions with regard to:

(i) Construction schedule (year of start-year of completion)

(ii) Average annual rate of inflation

(iii) Percentage of Construction Works In Progress (CWIP) expected to be allowed in the rate base (average over construction period)

(iv) Cost of Capitalization (interest rates expected to prevail over financing period)

### Interrogatory 3

As pointed out in Baker 1 (Sep 18, 1979), the Applicant's chief financial officer has taken the position before the PUC that "100% inclusion (of CWIP in the rate base) is required to . . . enable the Company to achieve its financial integrity requirements." The rate increase requested by Applicant in 1979 is still being appealed

FQ-1.3 . . . before the PUC, but the probable outcome is that something less than 50% of CWIP will be allowed in the rate base.

(a) Does Applicant acknowledge that a 50% level of CWIP in the rate base would constitute a severe threat to its "financial integrity"?

(b) Does Applicant have any contingency plan by which construction of ACNGS might comfortably be financed in the event that substantial amounts of CWIP funds are eliminated from the rate base?

(c) Does Applicant have any construction-financing scenario in mind which differs substantially from that outlined in Sec. 20 of the SER? If so, how does it differ?

#### Interrogatory 4

Since the accident at Three Mile Island, a number of questions have arisen concerning (generally) a licensee's responsibility to maintain a non-productive facility and to finance its safe cleanup.

Regarding the case at hand:

(a) What is the estimated cost, for maintenance and cleanup of the facility, purchase of replacement power, and payment of any damage claims, in the event of the maximum credible accident (maximum in terms of cost) at ACNGS?

(b) What plan does Applicant have to pay such costs, or to insure itself against them?

#### Interrogatory 5

The Department of Energy (DOE) has placed upon utilities which generate radioactive waste the burden of paying for the storage and presumed eventual disposal of spent fuel (high-level waste).

FQ-1.5 (a) What does Applicant currently assume to be the total cost of safe storage and disposal of one year's component of spent fuel from ACNGS?

(b) What is the basis for this estimate of waste disposal costs?

(c) What is the degree of certainty of this estimate?

(d) How does Applicant propose to finance this disposal?

(e) Some scenarios for high-level waste disposal call for the monitoring and possible manipulation of wastes for periods of hundreds of years. What assurance does Applicant have that it will remain financially responsible for such a long period of time?

#### Interrogatory 6

In its most recent rate-hike application, Applicant stated that the final construction cost of its South Texas Nuclear Project was estimated to be 1.6 billion dollars. Three months after the initial filing, HL&P vice-president George Oprea Jr testified that the best estimate was actually 2.7 billion dollars and that the project was four years behind schedule. (Additional Material in Support of Contentions of Bryan L. Baker, Sep 29, 1979: EXHIBIT "HL&P official says nuclear plant cost to be \$2.7 billion", Houston Post 9/29/79 Page 1A)

(a) Have these figures changed significantly in the past eight months? If so, how?

(b) How do these cost overruns and construction delays at STNP affect the financing plan for ACNGS construction?

#### Interrogatory 7

According to the attached EXHIBIT, based on the report of an NRC task force investigating Applicant's STNP, "the project's quality

FQ-1.7 . . .assurance manager last Jan. 4 gave a lecture that 'repeatedly overemphasized . . . minimizing project cost and maintaining the construction schedule.'

- (a) Is this report substantially true?
- (b) What steps are contemplated to prevent the development of such an attitude on the part of QC and QA personnel at ACNGS?

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Request for Documents of NRC

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Intervenors request that the NRC Staff provide the following materials from other dockets:

7912040481--Memo in support of Seacoast Anti-Pollution League request for show cause order re suspension of construction permit. DOCKET #50-443 24 pages.

7911280551--Denying Intervenor Seacoast Anti-Pollution League request for show cause. DOCKET #50-443 20 pages

Report of NRC Task Force on construction and inspection irregularities at South Texas Nuclear Project (See EXHIBIT: Page 8 of this submittal. I know of this report, issued on or about May 1, 1980, only from newspaper accounts.)

This statement of consolidation, first set of interrogatories, and three requests for documents are submitted by the Financial Qualifications Intervenors.

DATE:

May 9, 1980

FOR THE INTERVENORS

*Bryan Baker*  
 Bryan Baker  
 1923 Hawthorne  
 Houston TX 77098

Houston Post; May 2, 1980; Page 7A



# Threats, harassment claimed in NRC nuclear project report

By HAROLD SCARLETT  
Post Environment Writer

After an inspector questioned a concrete pour at the South Texas Nuclear Project last fall, a general foreman stormed onto the scene and warned the inspector:

"You long-haired hippie —, get your — together or I'll kick your —."

At a conference on another concrete problem, the same general foreman threatened to "come across the table" at another inspector.

These are just two of many instances detailed in a Nuclear Regulatory Commission report — of threats and harassment heaped on quality control inspectors by construction personnel at the \$2.7 billion nuclear project.

**THE REPORT** catalogued the findings of a massive 1,100-hour investigation by a six-man NRC team of problems at the construction site near Bay City.

Thursday, the investigation led to a proposed \$100,000 penalty against Houston Lighting & Power Co., managing partner of the four-utility venture.

The investigators in their report concluded the root of the problem appears to be a "lack of detailed involvement" by HL&P in the construction of the nuclear project by Brown & Root Inc.

While they reported finding no major

deficiencies in any construction already completed, the NRC team said harassment, threats and intimidation of Brown & Root quality control people were "common knowledge" around the construction site.

"These conditions have gone unchallenged by HL&P and B&R," the investigators said, "to the point that the quality of work at the South Texas Project could be affected."

**EVEN WHILE THEIR** investigation was in progress, the NRC team said, the project's quality assurance manager last Jan. 4 gave a lecture that "repeatedly overemphasized . . . minimizing project cost and maintaining the construction schedule."

The quality assurance chief strongly emphasized that decisions by quality control inspectors were subject to challenge and reversal, the NRC said.

Apparently, the NRC commented, the quality assurance management did not really understand the "organizational freedom" required by quality control inspectors to assure construction of a safe plant.

The NRC team said it substantiated instances where construction personnel got quality control supervisors to overrule the decisions of inspectors in the field.

**AND IN INTERVIEWS** of more than 100 workers, 24 of whom gave sworn statements, the NRC turned up repeated recent instances of threats and bullying — a problem that has evaded solution by HL&P and Brown & Root since 1977.

One quality control inspector said he questioned a concrete pour last fall while atop a 60-foot concrete wall. He said a construction man warned him: "Don't give us any trouble. We'll throw you off the wall and you can pick the side."

A quality control supervisor said he was threatened with bodily harm at least three times in the past two years:

■ A construction man threatened to hit him with a shovel, picking it up and walking toward him. "I picked up some rebar to defend myself," the supervisor said laconically, "and we finally resolved the problem."

■ The same construction man, infuriated because his work had not passed inspection in another run-in, "told me that he would be waiting for me in the parking lot with a .357 magnum."

■ "A construction civil engineer took a swing at me on one occasion and as a result he was transferred to another area by Brown & Root."

Many inspectors complained that their

supervisors failed to back them up in such disputes. Several asserted they were also warned by Brown & Root supervisors against taking complaints to the NRC.

The NRC said one concrete foreman was notorious for breaking regulations when inspectors' backs were turned, and he later started ignoring procedures as inspectors watched.

This same foreman, the NRC reported, was responsible for 95 percent of the critical pours on the inner wall of the reactor containment buildings.

**AS ANOTHER GAUGE** of the problem, the NRC team studied employee turnover on two quality control inspection teams during a 10-month period of 1979.

Twenty-two of 38 persons on one team were either fired, transferred or quit during the 10 months. On the other team, 28 of 40 departed. Both the team supervisors were replaced.

The NRC team commented that such high personnel turnover "frequently indicates poor management or management practice."

It was also observed the high turnover tends to reduce the quality of construction and adds significantly to training requirements and costs.