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NEW JERSEY DEPARTMENT OF ENERGY
BOARD OF PUBLIC UTILITIES

NEWARK, NEW JERSEY THURSDAY, OCTOBER 9, 1980

In the Matter of the Petition of Jersey Central Power and Light Company for Approval of an Increase in Rates for Electrical Service and for Amendment to the Levelized Energy Adjustment Clause and Factor for such service.	OAL DOCKET NO. PUC 3518-80 BPU DOCKET NO. 804-295 807-488

BEFORE: HON. STEPHEN G. MARSHALL
ADMINISTRATIVE LAW JUDGE

A P P E A R A N C E S:

For the Petitioner, Jersey Central Power and Light Company, appear:

KIRSTEN, FRIEDMAN & CHERIN, ESQS.,
BY: JACK B. KIRSTEN, ESQ., and
DOLORES DELABAR, ESQ.,
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Newark, New Jersey

and

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A P P E A R A N C E S: (continued)

For the Department of Public Advocate, Division of Rate Counsel, appears:

ALFRED L. NARDELLI, ESQ.,
Deputy Director
10 Commerce Court
Newark, New Jersey

For the Board of Public Utilities Staff, appears:

I. PAUL SLEVIN,
Supervising Rate Analyst

For the Board of Chosen Freeholders of Ocean County, appears:

BERRY, SUMMERILL, PISCAL, KAGAN & PRIVETERA, ESQS.,
34 Washington Street
Toms River, New Jersey

JUDGE MARSHALL: Good afternoon, gentlemen. This is the continued hearing in the matter of the Petition of Jersey Central Power and Light Company, OAL Docket No. PUC 3518-80 with Stephen Marshall presiding.

Before we go on with the cross-examination of the Company's witnesses, Mr. Nardelli wishes to make a statement for the record.

MR. NARDELLI: Thank you, Judge Marshall. On Thursday, October 2, Mr. Kirsten put in the record beginning at Page 1153 the Company's account of its dealing with a Ms. Eva Bird, B-i-r-d. I thought I would like to put into the record at this time Ms. Bird's response to that. She does disagree with much of what was said on the record last Thursday.

MR. NARDELLI: (Continuing) She represents that she in fact has had no electricity since April of 1980. She also represents that JCP&L never agreed to any deferred payment schedule which is reason why she was not making payments under any such schedule. She does suggest that perhaps some of the confusion, if that is what it is, may arise from the fact that there was a family upstairs from her and their meter, the family upstairs, was also removed under the allegation of charges of meter tampering. Both her meter and the meter of the family upstairs were removed in September of this year.

She adds that she has a son home sick now with a heart murmur. She is willing to come here on May 20th at our next hearing date to state under oath everything that I have just stated on her behalf and to clarify it if necessary.

MR. KIRSTEN: You mean October 20th as our next hearing date.

MR. NARDELLI: Did I say May? I don't know why. I'm sorry, you are right, on October 20th. Finally, she does say that the im-

portant thing is getting her electricity turned back on. She represents that she is willing to pay $300 now as a good faith payment to get it turned back on and she remains willing to attempt to work something out with the Company.

I would like this matter to be pursued in some form. The woman tells a rather moving story about her difficulties and health as well as financial, and I think maybe something can be worked out here.

JUDGE MARSHALL: Let's go off the record a moment.

(Whereupon, there was an off the record discussion.)

JUDGE MARSHALL: Back on the record. Let me state for the record that Ms. Bird is welcome to come down here on the 20th and we at that time could see what sort of arrangement, if any, could be worked out. The Company has also indicated they will have a witness here with the records at that time.

Are there any other matters the parties wish to bring up before we put Mr. Finfrock back on the stand?

(No response.)

JUDGE MARSHALL: Okay, in that case, Mr. Finfrock, could you please take the stand? I will note for the record that Mr. Finfrock has been previously sworn.

MR. KIRSTEN: We are considering the LEAC as part of this proceeding?

JUDGE MARSHALL: Off the record.

(Whereupon, there was an off the record discussion.)

JUDGE MARSHALL: Back on the record. We'll swear the witness in this manner.

I V A N R A Y F I N F R O C K, J R., sworn on behalf of Petitioner.

DIRECT EXAMINATION
BY MR. KIRSTEN:

Q Mr. Finfrock, will you please state for the record your position with Jersey Central Power and Light Company?

A Yes, I'm a Vice-President of Jersey Central Power and Light Company.

Q And what is the area of your responsibility?

A I'm responsible for the operation and maintenance of our Oyster Creek Nuclear Station.

Q Mr. Finfrock, there has been some questions raised concerning the level of O&M expenses for the Oyster Creek plant.. Are you familiar with that area?

A Yes, I am.

Q Has there been an increase in the level of O&M expenses for the Oyster Creek plant in the year 1980?

A Yes, there has.

Q Would you tell us generally the reason for that increase in the level of expenses and, in general terms, what the nature of the increases expenses were?

A Yes, I will. There were a number of reasons for the increases. First of all, we had to make rather extensive temporary repairs to the core spray spargers in the reactor vessel. We experienced --- that by the way was not anticipated --- we experienced more than anticipated work in the areas of what we call an in-service inspection program in order to meet additional NRC requirements and in order to

complete the first ten year cycle of that program. We have spent a good bit of money as a result of increasing the radiation protection program and along with that the housekeeping in the station. We instituted a program subsequent to some NRC inspections that did not turn out very favorable that greatly enhances the radiation protection program and housekeeping that goes along with that.

A (Continuing) We also found that as a result of the extended outage we created more waste material, lower level contaminated waste material that had to be disposed of and, of course, we were seeing increases in the cost of that disposal at the various burial sites.

There were in addition to that the necessity to process the chromated waters in the Torus to remove chlorides that had accumulated in it, and to some extent the Three Mile Island lessons learned activities increased more than we had originally anticipated.

Q Is the level of O&M expenses which you have experienced for 1980 to continue into the future at that level, a greater level or lesser level in your opinion?

A I believe in the future the level of expenditures will at least be as much as we experienced in 1980. The very much enhanced radiation protection programs, housekeeping programs, the continual need to comply with somewhat escalating Federal regulations makes it such that I certainly do not foresee a reduction in what we have observed this year.

Q In testimony which you gave during the LEAC proceedings in this matter, you referred to the age of the Oyster Creek facility as a factor in terms of at that time capacity. Does the age of the plant have any impact on the level of O&M expenses which you perceive for the future?

A Yes, I think it does. A nuclear power plant is not considerably different than any other piece of machinery. In general, as it gets older it requires more maintenance. So, I think the age of the plant is important. The plant has been operating now nearly 11 years. I don't mean to imply we do not continue to do maintenance on it, but as it does get older, we would anticipate more and perhaps even larger pieces of machinery to be repaired than we have seen in the past.

Q There was also some question raised in this proceeding in respect to the outage in the early part of 1980. As I understand it, there was a scheduled outage for January of 1980 which has become extended, is that correct, Mr. Finfrock?

A That's correct.

Q And to some extent was that extension of the outage due to the problem that was discovered in respect to the sparger?

A Yes, that is correct.

Q Can you tell us, if you know, to what extent the extension of the outage was due to that problem?

A Approximately two months of the extension I would contribute to the repair work that was required for the core spray sparger.

Q I know this has been the subject of your testi-

mony before, but just for the purposes of keeping the record complete, will you describe in general terms what the sparger problem was and what its status is now?

A All right. During the refueling outage that we had in 1978 as part of our in-service inspection program, we inspected the spargers. Now, perhaps I should explain these are circular pipes that go around the periphery of the reactor vessel on the inside just about a foot above the top of the reactor core.

A (Continuing) So, they need to be inspected remotely using television cameras that are extended on long poles, ropes, because from the working level on the reactor operating floor down to the spargers, it's approximately 50 feet all of which is under water. During the inspection in 1978, we discovered a crack in one of the spargers. We, of course, reported that to all of the necessary agencies, in particular the Nuclear Regulatory agency. We employed outside consultants to help us get an understanding of why the crack was there and we determined that it would appear that there had been stresses built up in the pipe, possibly but not for sure, possibly from the installation of it that had been subsequently relieved by the crack formation. And, the repair that was employed at that time was to clamp the one sparger pipe in the vicinity of the crack in order to mechanically restrain it.

That analysis and the repair, the proposed repair was all reviewed and approved by the Nuclear Regulatory Commission. And, it was our conclusion at that time based on everything we knew then, that that would be the end of the problem.

However, we were required as a result of that repair to reinspect the spargers at the next time that we shut down to refuel the reactor which would have been in the winter of 1980. When we performed the inspection

in 1980, we used a somewhat improved TV camera, a very much improved method of mounting the camera so we could get higher revolution pictures and in addition, we used some rather newly developed ultrasonic testing techniques.

The outcome of that inspection then was that we found a number of additional cracks which also had to be repaired. Before we did that, of course, we had to go back and reanalyze with an endeavor to figure out why we saw additional cracks. Our consultants tell us that the stresses in these pipes are very low ---.

MR. KIRSTEN: I'm sorry, I didn't hear that last couple of words.

A --- the stresses in the pipes are low and, therefore, one would not expect to find chloride stress corrosion cracking. However, the consultants all tell us that the cracks looked like that but no one to my knowledge really knows why they are there. We then proposed an extension of the 1978 mechanical restraints and that repair was accepted by the Nuclear Regulatory Commission. And as a result we had to install nine additional clamps. Again, all of the clamping work is done remotely, it's all underwater.

In the process of manufacturing the clamps a template is made to try to match up the exact configuration of the piping on which the clamp is going to be installed. But when the clamps arrive at the plant, they

then have to be hand fitted again remotely with additional tools to hold the clamps, plus all of the lighting and the TV cameras. That activity simply takes a lot of time. In fact, I sometimes wonder why it didn't take longer due to the difficult nature of the work. We had, I might add, a very responsive work force, the best kind of productivity one could expect in that kind of situation.

Now that machine is now operating and it has the clamps in place, but we are required by the Nuclear Regulatory Commission to replace the spargers at the next refueling outage which will be at the end of 1981 and will extend substantially into 1982.

A (Continuing) Our present plan is to remotely remove the existing spargers. We are doing that for two reasons. There is a concern that the clamps might come loose, that the pipes might continue to crack and therefore create what is known as loose parts inside the reactor vessel. And, that would be a rather unfortunate event. We are also going to cut out or at least have to cut the existing spargers so we have access to the pipes that bring water into the spargers because we intend to use those pipes to connect a new sparger system which will be an overhead grid system on top of the reactor that can be hopefully set all in one piece and connected to the existing inlet pipes for the sparger.

That new system is now being designed. It needs to be tested. We need to get it licensed. We anticipate that can be accomplished in time for the late 1981-82 outage.

Q A sparger is a device which is designed to distribute emergency cooling water into the reactor vessel?

A Yes, that is correct.

Q Is it charged with water all the time?

A No, it is not. It does not get charged with water until the large or small break event occurs that requires emergency water. And then the pumps which are called the core spray pumps automatically come on and pump water into the spargers and in turn have a showering effect, if you

will, over the top of the reactor core.

Q Have these spargers in Oyster Creek ever been in operation?

A Only on one occasion and that was during the start-up and testing program. Before the plant was really started, that system was tested. Since that time there has been no water pumped through the sparger although the pumps themselves are tested every other week.

Q Now, another area of concern was the reference that was made by you during the LEAC proceedings to an application to the NRC for delay in the schedule for the implementation of the schedule B, Lessons Learned Modifications to the Oyster Creek plant. At the time I believe you testified that such an application was going to be filed the end of August. Would you tell us what has happened with respect to that, since?

A All right. We did not quite make our end of August date. I forgot the exact date in very early September the NRC issued what was entitled a letter about the TMI-2 Lessons Learned. It was an extremely lengthy letter but the bottom line of that letter was to indicate to licensees of reactor plants that some of the items which had previously been designated and were required to be completed by January 1, 1981 could be deferred.

A (Continuing) I don't recall all of the dates. Some of the deferral dates are due April, some to June, some a little later. So, then we had to redue our letter and as a result of the relief, I will call it, to some extent we t en ended up the necessity to ask for a deferral of about three items that still remained in the January 1, 1981 completion category.

We submitted that letter on September 26th. Our submission as far as we know from our almost daily verbal conversations with the NRC staff people has been accepted and they are in the process of reviewing it. I have nothing official at this time to indicate that we will obtain the relief that we are asking for, although I am at this time at least not discouraged in that they are reviewing the letter and it will probably be I think several weeks before we will get an answer from the NRC.

I believe there are a number of other reactor operator licensees that are making similar requests and I am not aware at this point in time of whether or not the Commission has established a policy as to how they're going to handle these matters.

Q Is this a copy of the letter from the NRC to which you referred?

A Yes, it is.

MR. KIRSTEN: This is dated September 5,

1980, Your Honor. I have a problem with duplicating only because of its size. I have made copies available to the parties and I don't know whether it is appropriate to have it marked for identification, just one copy in the record or whether we should continue with the process that we had in having copies available to anyone who wants to see it.

JUDGE MARSHALL: Does anyone feel that it ought to be included in the record in the form of an exhibit?

MR. NARDELLI: I would not insist on that. I would suggest though that when the NRC responds to the Company's request as expressed in Mr. Finfrock's letter of September 26th, 1980 that that response be made part of the record.

MR. KIRSTEN: I am not at that point, yet, Mr. Nardelli, if you will bear with me a moment.

So, I just want to know for the record that we do have that available, the September 5, 1980 letter. I think it's important because it refers to the next exhibit which we have distributed.

BY MR. KIRSTEN:

Q Mr. Finfrock, I show you a letter dated September 26, 1980 directed to Mr. Darrell G. Eisenhut, Director, Division of Licensing, U.S. Nuclear Regulatory Commission. Do you recognize that?

A Yes, I do.

Q Is that the letter that the Company sent to the NRC in respect to the application for delay?

A Yes, it is.

MR. KIRSTEN: May we have that marked as JC-700?

JUDGE MARSHALL: Okay. If there is no objection, it shall be so marked JC-700.

(Letter dated September 26, 1980 from JCP&L to Mr. Darrell G. Eisenhut, Director, Division of LIcensing, U. S. Nuclear Regulatory Commission, marked JC-700 for identification.)

MR. KIRSTEN: I would like to also represent for the record in response to Mr. Nardelli's request that when we do receive any response to that letter, we will incorporate it in the record and I would suggest that it be designated as JC-700A as a response to that request. If that is satisfactory, we can reserve that number for that purpose.

JUDGE MARSHALL: If there is no objection, that number JC-700A will be so reserved.

(Exhibit No. JC-700A reserved for Response from NRC to JCP&L's letter of September 26, 1980.)

MR. KIRSTEN: I have no further questions of Mr. Finfrock.

CROSS EXAMINATION
BY MR. NARDELLI:

Q Mr. Finfrock, I believe you characterized your outlook upon the request you and the Company had made in your letter of September 26th that you are not discouraged about getting some kind of deferral from the NRC?

A That's correct.

Q Am I correct in understanding your testimony so far today as being that in its letter of September 5, 1980 the NRC in effect has already exceeded to the deferral of some of the items that we have been discussing?

A That is correct.

Q Are there many items left?

A The letter of September 26th refers to three items that we are asking to defer until the Spring of 1981.

Q Are those the only three items left?

A Those are the only three items that we are asking to have deferred. All the items are still there but

at later dates.

Q Okay, but it's the three items mentioned in your September 26th letter that would cause the plant to shut down by December 1st if the NRC does not agree to a deferral?

A That is correct.

Q Do you have the names of some of the other utilities that have filed similar requests?

A No, I don't.

Q Do you know the names of the reactors involved?

A No, I don't. I just have not read that information recently.

Q Is there any chance that there could be a deferral beyond April of 1981? Is your request to the NRC posed in such a way that that could be a possible response?

A No. We would intend to have the outage hopefully not too long a one in April for a number of reasons. First of all, the amount of reactivity that is loaded in the reactor core will not permit it to run at full power from now until the end of November of 1981, which means that we would be in a mode of coasting down, as we call it, in the power level, possibly more than we would care to.

A (Continuing) So, an outage in April I would say would save that reactivity for use in the summertime.

Furthermore, we have made some rather extensive reorganizations in the way we are going to do maintenance work and we would like to use a short outage in the Spring to make sure we have all of the kinks worked out of that organization before we get to the major outage for the sparger replacement and refueling in the winter of 1981.

Q How long of an outage do you project for April of 1981?

A Well, we have not completed all the details of that planning yet. In the order I will say though of three to four weeks.

Q If the NRC does not defer the three items mentioned in your letter of September 26th, am I correct in thinking that you would shut down by December 1st because of some environmental limitation upon shut downs between September 1 and April 1 is it?

A Yes.

Q You are currently projecting a refueling outage for Oyster Creek in the winter of '81-'82?

A That's correct.

Q How long would that outage be projected for?

A We anticipate that outage to begin, again because of the environmental restrictions, November the 30th

or thereabouts. That outage is not yet planned in very much detail but it will extensive in that we will need to completely unload the reactor core and obvicusly reload it back again, and of course, we would have to cut out the spargers, we will have to install the new spargers assembly and let me give you a ballpark number, if I might, in the order of five to six months.

Q Now, if you do have to shut down in 1980 for three to four weeks, would that have any impact on the refueling outage?

Would that have any impact upon this refueling schedule that you have just told us about?

A No, I don't think it would. I can't foresee that. We need the 1980, end of '81-'82 outage as late as we can make it in order to allow the time required to design and manufacture and test the new sparger assembly.

Q Even if it did not affect the beginning date of the refueling outage of NOvember 30, 1981, would an outage this year have any effect upon the duration of the winter '81-'82 refueling outage?

A No. The five, six, remember that I gave you, will be critical path work related to the sparger.

Q What was Oyster Creek's actual operating rate during September of this year?

A I didn't look at that number lately. I think

around 80-85 percent.

Q And from where you sit today, how does it look for this month? Higher?

A Higher, higher. This morning it was at 95.6 percent full capacity.

Q October has started very well in other words?

A Yes.

Q Do you have an expectation that it will continue to go well?

A Yes.

Q Now, in discussing Oyster Creek expenditures with Mr. Kirsten, am I correct in thinking that you were talking about O&M expenses?

A Yes.

Q Were you making any distinction when you were discussing Oyster Creek expenditures between O&M expenses and capital expenses?

A Yes. I addressed O&M expenses in answer to Mr. Kirsten's question. I did not address the capital.

Q Thank you. I thought as much but I thought I would make sure.

Well, let's begin by discussing O&M expenses. I gather from your discussion with Mr. Kirsten that those expenses were more than had originally been anticipated when, for example, the 1980 budget was made up.

A That's correct.

Q Do you know what was budgeted for Oyster Creek O&M? What number is in the budget for O&M expenses?

A I am not sure I recall. I don't like to guess. About something in the order of 18 million dollars, I think.

Q And do you know what the latest best estimate is for Oyster Creek O&M in 1980?

A In the order of $30 million.

Q Could you tell us in a little more detail about how that $18 million became $30 million in terms of categories and amounts? Do you have that kind of backup available?

A Yes, I have some. Perhaps I could mention some of the major increases rather than get into all of the little parts and pieces here.

Q Yes, certainly.

A One of the items was the necessity as a result of the in-service inspection program to perform more work around the reactor vessel and we lumped a lot of the reactor vessel work like the refueling work and reblading work into that category, and that is about a million and a half, $1.6 million.

Q When you say $1.6 million, is that an incremental amount between the budget and actual for 1980?

A That's correct.

Q Is that the kind of expense that you would have

in 1981 too? Is that an ongoing expense?

A I think it certainly will because the inspection requirements that we have now have been substantially increased and I would not expect 1981 to be any less than 1980.

Another item that --- do you want me to go on?

Q Yes.

A Another item that involved about $800,000 was increased turbine inspection work that was not anticipated as a result of suggestions or requests from the turbine manufacturer to inspect things that we had not previously planned to inspect when the outage was originally planned.

Q Is that the kind of inspection that you would anticipate having to do in 1981?

A Yes. In fact, in the area of the turbine itself, I expect to be substantially more increased than in 1980.

Q I might add Mr. Finfrock that this is the kind of analysis which is exactly what I am looking for, so please continue.

JUDGE MARSHALL: Excuse me, before you continue, for the record, who is the manufacturer of the turbine?

THE WITNESS: General Electric Company.

JUDGE MARSHALL: Okay.

A (Continuing) Now, I mentioned that we have really tightened up on our radiation protection program. We have decreased allowable contamination levels, decreased allowable exposure levels. That increased program accounts for --- I have got to add a few numbers together here --- about $1.3 million, and I fully expect that to be an ongoing endeavor.

Now, I mentioned the sparger repair. The manufacturing of the clamps and their installation is not provided for and that's a little over a million dollars.

Q Now that's something you would not have in 1981, correct?

A Well, I hope not but I don't know what there will be to take its place. I expect there will be.

Q Well, when you say, what would be to take its place, are you referring to the fact that you will need a new system?

A No, no. What I meant is, probably that's a poor choice of words, there will be I fully expect, at least I would plan for the contingency not to have any more cracks, any more cracked spargers, but to have a major piece of equipment somewhere else in the plant that will need significant repair.

Q But that kind of thing is what you have in your budget, correct?

A That allowance will be in the budget for 1981 and '82.

Q Where are you now, by the way, in the 1981 budget process?

A Not as far as I would like to have been. We hope to have the first review of the O&M budget completed by the end of this month.

Q How is the timing of the O&M budget compared to the timing of the capital budget?

A Well, there has been a lot of work done on the capital budget ahead of the O&M budget. It's further along, I would say, than the O&M budget is at this point in time.

Q While we are discussing capital versus O&M,

it would appear on first analysis that something like the sparger repair might be more of a capital expense than an O&M expense in that it's a one-time non-recurring item which is being used to improve the plant.

A I'm going to have to answer that by saying that I'm an engineer. We repaired the sparger as you repair many other things. And, I think repairs are generally capital items. When we replace the sparger, I suspect that will be another matter.

Q Well, you're saying when you replace the sparger that would clearly be a capital expense?

A I think so, but I do not want you to think that I am an expert in these areas.

Q All right. You have so far accounted for approximately 4.7 million of the increment of 12 million in the Oyster Creek O&M. I gather you have some other items.

A Yes, I do. Part of the in-service inspection program of which we kept a separate accounting and in which we grossly underestimated comes to about $800,000. This was the 10th year of our in-service inspection program and after the budget was made additional requirements were added to that 10 year program completion.

Q Is this increment of the nature that you anticipate it continuing in 1981?

A Yes. Another item is the fuel oil expense

overrun of about $700,000 which I believe principally occurred because we had the plant shut down during a much longer time in the winter months than we had anticipated. When the plant is shut down, it doesn't make any of its own heat for the workers.

Q Now that strikes me as an expense that is a nonrecurring expense and you would not anticipate it to happen next year. Is that correct?

A No, that is not correct. We are going to have an outage next winter. I expect it will be cold again and we will need to heat the plant.

Q But I mean you are budgeting for such items, aren't you?

A Not always in the wintertime to the extent that we are this year.

Q The outage you had this past winter was a planned outage, was it not? I mean the one beginning January 5th?

A Yes, but not to the extent that it went on to.

Q Well, the outage lasted longer than you anticipated, correct?

A Yes.

Q But it was a planned outage for the first two months of the outage which happened to coincide with the winter from January 5th to March 15th, correct?

A Yes, but the longer the outage goes on, the more wastewater is created and fuel oil is also used to provide steam to run the evaporators that process the waste part of it.

Q When you do your O&M budget, are you in the process of doing --- you will take into account the fact that you do have a planned outage for the winter of 1981-82, will you not?

A Yes, we will.

Q All right, go ahead with the next item, if you will?

A The extended outage in and of itself with a lot of men working creates a lot of low level waste. Mainly, the protective clothing that the men wear which has to be packaged and shipped and buried. That amounts to about 1.3 million.

Q When you say the extended outage, you mean the fact that the budget was anticipating an outage from January to March of 1980 and it wound up being from January to February of 1980 --- January to July of 1980, I'm sorry.

A Yes.

Q Have you given me an amount for that yet, Mr. Finfrock?

A Yes.

Q Is it 1.3 million?

A Yes, it is.

Q Now, surely that is a non-recurring incremental expense in terms of, you would not anticipate it in 1981, correct?

A I am anticipating another extended outage during the end of 1981 into 1982 with a lot of workers and with a very highly radiation exposure job cutting out the old spargers. So, there will be much contaminated waste that will have to be disposed of. I would not in the forthcoming outage, expect to have that decreased. And again, because of our tightening up of all the radiation control procedures, that in itself creates more waste.

Q All right, go to the next one.

A Again, as a result of the extended outage we had more corrective maintenance work than we would have otherwise done in the area of preventive maintenance. And, that amounted to about a half a million dollars.

Q Is that likely to reoccur in 1981?

A Yes. We are instituting a much expanded preventive maintenance program in the early part of 1981.

Q Why have you instituted such an expanded program?

A Why?

Q Yes.

A We probably should have always had the program

but now that the plant is getting older, it's becoming abundantly clear that we have to do more day to day preventive maintenance work in order to endeavor to maintain the reliability that the plant has enjoyed for the last 10 years.

JUDGE MARSHALL: Excuse me, Mr. Finfrock, does the Company take care of the job of the disposal of low level waste or does it contract that job out to some other organization?

THE WITNESS: The Company packages it and then uses a contractor to ship it and then we have, in addition to that a contract with the burial sites where the shipper takes it.

JUDGE MARSHALL: Who is the contract with, the Federal Government or private organizations?

THE WITNESS: No, no, they are private organizations licensed by the Federal Government to do what they do.

JUDGE MARSHALL: Are they in New Jersey or are they out of state?

THE WITNESS: The disposal sites are all out of state. We don't use the same contractors for everything. A couple of them, I think, are New Jersey firms though, yes.

JUDGE MARSHALL: Okay, thank you.

Q Go ahead to the next one.

A The licensing, the nuclear safety and licensing endeavor associated with the analysis of the sparger and perhaps a couple of other unanticipated things came to about 900,000.

Q Is that likely to reoccur in 1981?

A Yes, I think so.

Are you ready for another one?

Q Yes.

A The modification work that we are doing on the Torus structure which is part of the containment for the plant ---

Q What kind of structure?

A Containment. That required the removal of about a half a million gallons of chromated water from the Torus. And while we had it removed we also processed that water to reduce the level of the chloride content of the water. I'll use some round numbers, about a half a million dollars for that.

Q You don't anticipate this expense in 1981, do you?

A You bet. You have to take the water out again because we are getting ready to go back in to work on it. The work that we did in 1980 is only about half completed.

Q All right, go ahead.

A Some of the support activities like quality assurance, quality control, security --- we lumped those together to come to about a half a million dollars.

Q Why did they increase?

A Mainly because of increasing regulatory requirements.

Q Aren't some of those expenses a one time thing in that once you do them, you don't have to do them again?

A Well, those are people expenses. I can't get rid of the people.

Q Most of that 500,000 is a payroll expense?

A Yes, at least half of it is payroll expense. We use some contractors for quality assurance work. Now, I think we are getting down to some smaller items. We anticipate some of the activities of an O&M nature related to the Three Mile Island lessons learned projects and then, there were some added to that after we originally planned the budget so that's about another 120,000 worth.

Q MOst of the TMI lessons learned expenses were capitalized, I assume? I mean the ones other than these?

A You said most, and I am not --- I think that's correct, yes.

Q Well, the figure you gave for the O&M TMI lessons learned was about 100,000. Is that correct?

A A hundred thousand above whatever the original

number was.

Q You're right. It's the increment. Would you happen to have the, on this TMI lessons learned, would you happen to have what was budgeted for 1980 and what the actual was as far as O&M expenses go?

A I don't have that with me.

Q Is that the kind of information that Mr. Baldassari would have?

A I don't know.

JUDGE MARSHALL: Off the record.

(Whereupon, there was an off the record discussion.)

JUDGE MARSHALL: Back on the record.

MR. NARDELLI: Mr. Kirsten has told us off the record that he would endeavor to get that information for us.

Q Well, you are now up to about 10 million of the 12 million incrementals. Are there any other items of more than one or 200,000?

A No, I don't think so.

Q Of the remaining two million of the incremental increment, O&M expenses that we have not discussed, are any of those expenditures likely to be non-recurring in 1981?

A No, I think not. There are things here like administrative expenses for overseeing contractors and their

timesheets, th[illegible] is training expenses, environmental activity expenses, none of which I think are going to go away or become red[illegible].

Q Do you know what the Company is budgeting for Oyster Creek's O&M in 1981?

A That budget is not completed yet but it would appear tha[illegible] it will be at least in the order of 30 million.

MR. NARDELLI: Can we go off the record?

JUDGE MARSHALL: Surely.

(Whereupon, there was an off the record discussion.)

(After the recess.)

JUDGE MARSHALL: All right, back on the record.

FURTHER CROSS EXAMINATION
BY MR. NARDELLI:

Q Mr. Finfrock, I know that you were giving rough numbers but on one of them I happen to have a backup paper on it, on the sparger repairs. Would you accept subject to check that a more exact number for that is $1,014,000?

A Yes, subject to check.

Q Now, I do have some backup material and I think you might have it before you now which does analyze the Oyster Creek O&M expenses for the eight months to date in 1980 versus the budget. One item that is of interest to me is the item for the outside contractors, and I note that the actual through August 31, 1980 is about $11,070,000 while the budget was $5,090,000.

Could you give me some idea what kind of outside contractors the Company was hiring and what they did, and while you are at it, what accounted for that over $5 million difference over just eight months?

A First of all, in that period there was a rather substantial work force at the site, about twice as long as we had originally anticipated they would be there. Now the work force did a lot of the reactor vessel work connected with

the sparger. They retubed some heat exchangers that we had not planned on doing. They did a great deal of plant cleanup work. And, also in that number ---

Q You are talking about the outside contractors?

A You bet, laborers to mechanics.

Q Go ahead.

A Also in that number, although I do not know the exact extent of it, would be a substantial amount of money for many contract radiation technician kind of people that were required simply because of the extent of the outage and the expanded program.

Q Now staying with this difference between the budget and actual for the first eight months of 1980 on outside contractors, we are talking about more than $5 million. Do you have any idea as to the number of people involved and whether the difference in over $5 million was an increase in the number of people or an increase in the time spent by the same number of people or some combination of both?

A I don't have that break down but I think it is predominantly driven by having the people there longer than was originally planned and possibly also somewhat driven by a larger number of people than we had planned. The number of workers during the course of an outage, of course, changes and builds up to a peak during the central part of it, and this outage at Oyster Creek that was in the order of 1500

people.

Q Now you mentioned a figure of 1500 people. Exactly what does that number represent? The number of outside contractors?

A That's where the number of outside contractors of all kind peaked, or close to that number.

Q So would you say that the actual expense of over $11 million for the first eight months of 1980 that was run up by some 1500 employees as a maximum, --- I said employees, there was a maximum of 1300 outside contractors that ---

A Approximately.

Q Do you know how many outside contractors are involved in Oyster Creek today, approximately?

A I would say 100 or so. There's about 50 laborers that are there now and about 50 contract radiation technicians. I am sure there is some miscellaneous ones but it's substantially reduced when the plant is running.

Q Is that figure of 100 that you just gave me, would that be the low point for 1980? You have said the high point was about 1500.

A That may be the low point in terms of contractors but not in terms of people.

Q Okay. Let's stay with outside contractors just for the time being anyway.

A Okay.

Q Do you see this figure of 100 today as continuing for the rest of the year?

A Yes, either as contractors or being replaced by Jersey Central employees.

Q Do you see this figure of 100 continuing into 1981, at least the first few months?

A Yes, I do. In fact, I see the total number of employees increasing as we implement new programs.

Q I am still just focusing on the outside contractors. I don't really understand your answer. I'm asking if this level of 100 outside contractors, and you have said it will continue for the rest of 1980 approximately, and then I asked you whether this level of 100 outside contractors will continue into 1981, and I believe your answer is yes, it will.

A Yes, and I wanted to clarify that in that the bodies are required but as we can replace them with trained Jersey Central employees, we will eliminate them. But, the payroll, the work force will continue to be at least what it is today and I fully expect it will increase over the next six months or so.

Q But I would assume that one reason you would replace outside contractors with Jersey Central employees is that there would be some savings involved to the Company.

A I would hope so, either in terms of payroll or the productivity.

Q Now, you spoke of the outside contractors building up to 1500 at the peak of the 1980 Oyster Creek outage. May I assume that at no point in 1981 would the outside contractors build up to a peak of 1500?

A It could do that toward the end of December in 1981 when you get into the extended outage. I do not anticipate that large a number for what we now hope will be an April outage.

Q We have discussed, Mr. Finfrock, this difference of $5,170,000 between the Oyster Creek budget for outside contractors in 1980 and the actual for that period. I said for 1980, I meant the budget through August 31, 1980 and the actual through August 31, 1980.

Given what you have said about the peak of 1500 and the current level of 100 which you anticipate to continue for the rest of the year, would it be fair to say that for the rest of the year the actual O&M for outside contractors should run close to the budget?

A No, I think not, because we have a good number of contractors in the radiation protection area and in the housekeeping area, and those programs to the extent to which we are now conducting them were not anticipated when the 1980 budget was originally put together. But, those same

programs will indeed continue, I would expect, forever.

Q But those programs you have just mentioned, they were part of the 100 people that we were talking about, are they not? We are talking about 100 people, outside contractors, from now until the end of the year?

A Yes.

Q And are you saying that the budget contained no outside contractors from now until the end of the year?

A I am not sure I can answer that. There were probably some outside contractors budgeted.

Q But a number substantially less than 100?

A I would think so.

Q Mr. Finfrock, on those work sheets there is a breakdown of the total non-outage costs for Oyster Creek O&M or production expenses. That figure happens to be $7,864,000. But, there is a further breakdown where $962,000 --- well, either $962,000 or $952,000 of those costs are referred to as non-recurring costs. Do you have that backup in front of you?

A Yes.

Q Do you have any explanation of that $952,000 or $962,000 of non-recurring costs? Do you know what it is?

A No, I don't.

Q Is that something that you could provide for us not necessarily in person but perhaps give the information

to a witness that will be here on another day?

JUDGE MARSHALL: Off the record.

(Whereupon, there was an off the record discussion.)

JUDGE MARSHALL: Back on the record..

MR. NARDELLI: I understand the Company will make some effort to get a breakdown on that figure of $962,000 for non-recurring costs.

BY MR. NARDELLI:

Q Mr. Finfrock, do you know anything about the outside services in connection with TMI-1?

A No, sir.

Q Now for these O&M expenses, there is a breakdown between outage and non-outage. I assume the outage is the sparger outage.

A I assume --- you mean the outage when we worked on the sparger?

Q Yes.

A Yes.

Q There is an explanation of the expenses and they are divided between outage expenses and non-outage expenses and that outage refers to the sparger outage in the first part of 1980?

A Yes.

Q Now, I'm interested in more explanation on the non-outage expenditures that are listed there. Why don't we start with outside contractors, 2,830,000. I should note that that's a breakdown of the difference between the budget and the actual for those first eight months of 1980. Do you consider yourself as having described that sufficiently so far? Do you have anything more to say on that? What would be the non-outage related expenses for outside contractors?

A I'm not familiar with how the category of non-outage was established.

Q Do you know if there is anyone in the room who is familiar with that breakdown?

MR. KIRSTEN: I'm not so sure he understands. I think Mr. Finfrock's response was he wasn't familiar how you defined this, not that he wasn't familiar with the items. He just wasn't familiar with the category as you described it but he's familiar with the items.

MR. NARDELLI: I understood that and I was asking if there was anyone in the room who could tell us how it was determined whether something was an outage expense or a non-outage expense.

JUDGE MARSHALL: Off the record.

(Whereupon, there was an off the record

discussion.)

JUDGE MARSHALL: Back on the record.

Q For the category of Material, Labor and Supply only 437,000 of the difference was termed outage while some 2,343,000 was termed non-outage. Can you add anything to clarify that 2.3 million of expenses on Oyster Creek for non-outage?

A I think I need to say again I'm not sure how the category was developed. The 2.3 million you referred to is certainly included into all of the numbers I gave you that make up the $12 million.

Q There is a category here of, Other, for Oyster Creek and it shows that it was budgeted for the first eight months of 1980 at 695,000 and the actual through August of 1980 was 2,507,000, a difference of more than 1.8 million. Do you know what that other category is and what accounts for the difference between actual and budget?

A Well, there are a lot of items that appear to make that up. I guess I can say that if it isn't payroll, M&S or contract, it's other. I don't have the details to break down all of those others into smaller pieces for you, though.

Q Now, there is a number for total Oyster Creek budget for the eight months through August of 1980 of 15,540,000. Does that compare to the 18 million that you

estimated for the total of 1980?

A Yes, I believe it does.

Q And the actual for the first eight months total Oyster Creek O&M is 27,678,000. Am I correct in saying though that your best estimate for the entire 1980 period would be about 30 million?

A That's right.

Q That was not a trick question, but have you seen JC-301B, page 1 of 2 where it shows the actual projected for Oyster Creek as 31 million 78 thousand? Will you accept that figure as being the Company's best estimate?

A It's pretty close to my 30.

Q It certainly is. I did not mean to imply otherwise.

MR. NARDELLI: Could we go off the record, Judge Marshall?

JUDGE MARSHALL: Certainly.

(Whereupon, there was an off the record discussion.)

JUDGE MARSHALL: Back on the record.

Q Mr. Finfrock, do you see the line for Oyster Creek's construction expenditures?

Mr. Finfrock, we are talking about two different things here, aren't we? When you gave a figure of 30 million for your O&M, that's something different than this

31 million on JC-301B, isn't it?

A Yes.

MR. KIRSTEN: That's exactly why I question if that's the exhibit you want to look at.

Q But I still would like to discuss JC-301B. Do you see the figure budgeted for August? I shouldn't say budgeted, projected for August of 2,527,000?

A Yes.

Q Now will you accept subject to check --- excuse me --- will you accept subject to check that the actual figure was $1,023,000?

A Yes.

Q Will you accept subject to check that JC-301B was prepared in late July or at least July of 1980?

A I don't know, but I'll accept that.

Q So apparently there was a substantial reduction in August in what was projected to be spent on Oyster Creek's construction and what was actually spent on such construction? Do you know how that came about?

A Probably not in its entirety but as a result of the commitment of manpower to the extended outage including a lot of our engineering manpower we did not get a lot of projects engineered and sent to the field for construction as early as we thought we would. I don't know the details of that number. It could also reflect not obtaining, therefore,

not paying for new equipment that was purchased.

Q Is there a possibility that this phenomenon will continue or did continue, excuse me, into September of 1980 where some 2,350,000 was budgeted for Oyster Creek? Would you anticipate that the actual for September might also be in the vicinity of one million?

A No, I don't know that. I haven't looked at September separately. I anticipate that the total for the year is going to be very close to what we said it was.

Q Which is 31 million 79 thousand?

A Yes.

Q Do you recall what was budgeted for construction on Oyster Creek?

A For 1980?

Q Yes.

A I don't think I have those details with me. I certainly don't recall. There are a large number of items that comprise this 30 million dollar figure.

MR. KIRSTEN: $31 million.

THE WITNESS: $31 million.

Some of them are related to items that are regulatory required, some are categorized as other environmental matters, other items are categorized in the area of performance or improving performance. There are a number of

items that are regulatory required from the standpoint of a nuclear regulatory commission. There are a large number of items here.

BY MR. NARDELLI:

Q Do you recall --- I'm not asking for an exact number, but do you recall whether the number budgeted for Oyster Creek construction was less than the 31 million that is now projected for Oyster Creek in 1980?

A I think it was.

Q Would you care to make an estimate as to how much lower than 31 million it was?

A I think a few million.

Q Do you know what accounted for the increase between the construction budget and the 31 million that the Company is now projecting?

A I think a number of those items would fall into the category of the Lessons Learned activities that were added since the capital budget was originally prepared. Some other items go into the category of improving some of our processing systems.

Q Turning to page 2 of 2 of JC-301B, is that the Oyster Creek capital budget for 1981, the 26,320,000 that is shown?

A It was, when this information was prepared, yes. I'm quite confident the final number is going to be

higher.

Q Is that connected with Lessons Learned, also?

A Part of it.

Q Mr. Finfrock, how many employees, and I am saying employees not, not outside contractors, were budgeted for Oyster Creek in 1980?

A Initially about 350.

Q And what level have you been running at?

A I would think that now we are around 400. I would anticipate by the end of the year that number will be closer to 500.

Q Now, you have put on the record today some reason for this increase. Do you have anything else to add for the reason for the increase in the budget of 350 employees for Oyster Creek as to what you anticipate might be a year-end level of 500 employees?

A There is at least one item I think that I neglected to mention. We are going to be embarking --- at least we plan to embark on an extensive training program that in itself provides two areas of increased personnel. One is in the trainers, if you will, teachers, and then the other one is increasing the numbers of people on the operating shifts or perhaps increasing the numbers of shifts so that we have men available to be trained while the plant is running, while the others are running the plant.

Q To some extent, this increase from 350 to 500 employees at Oyster Creek, did it consist of a replacement of outside contractors?

A Yes. That number would replace all of the laborers, all of the radiation technicians which is a substantial fraction of the current outside contractors.

Q So to some degree then the increase in employees at Oyster Creek might actually result in a reduction of expenses in connection with Oyster Creek to the extent that the employee expenses are less than the outside contractors expenses?

A I think there will be cases when our outside contractors replaced by a Jersey Central employee, the cost per hour may go down. I think there are cases where it will certainly go up.

Q Now, do you have a sense of where the employee level is going for Oyster Creek in 1981? I gather that in the beginning of '81 ---

A That the number will ---

Q Let me add something else and then you can elaborate at will. I gather at the beginning of 1981 you are anticipating an employee level of perhaps 500 for Oyster Creek.

A Yes.

Q Now, I interrupted you. If you have anything to add about 1981, please do so.

A If we can find them fast enough, I think we will get to 500. I might regard that somewhat as an optimistic number. I believe the number, if you add everybody you wanted operating Oyster Creek by the end of 1981 would then only go to around 520, but I should clarify that number

for you. In the process of forming our GPU nuclear group as it stands today, there will be a substantial number of support people at the site that are not counted in my 520 number and that additional support increment is currently in the order of 200 more.

Q Are those people in the 1981 budget for Oyster Creek?

A They will be when we get finished with it.

MR. KIRSTEN: This might be a convenient time to respond. You were trying to nail down what the 1980 Oyster Creek capital requirements were in the original budget. The figure that I have just been advised is $22,559,000.

Q To pick up on that just for a second, Mr. Finfrock, how much of the increase between 22 million dollars in the 1980 budget, the capital budget for Oyster Creek, and the $31 million that is the Company's best estimate now, how much is accounted for by the lessons learned from TMI, that $9 million increment?

A I'm afraid I don't have that number either.

Q Would you care to make a percentage estimate? Do you think it's more than 50 percent, less than 50 percent?

A We are going from 26 million dollar/to $30 million?

Q From $22 million to $31 million.

A From $22 million to $31 million. I would say

the lessons learned item is about three to $4 million.

Q Associated with TMI-1 lessons learned?

A Yes.

Q But of the increase in the O&M budget from $18 million to the $30 million actual that is now projected, only some $100,000 was connected with TMI-1 lessons learned?

A I think so, yes. That's $100,000 of the overrun.

Q Yes.

Now, are you familiar with Jersey Central's transmission system around Oyster Creek?

A I am familiar with the two 230 KV lines that leave the plant and go to Larrabee.

Q And is that system adequate?

A I am not sure I know how to answer that.

Q Is the transmission system in existence now with Oyster Creek sufficient to meet the needs?

MR. KIRSTEN: Which needs?

MR. NARDELLI: The present needs let's begin with.

MR. KIRSTEN: Of Oyster Creek?

MR. NARDELLI: Yes.

THE WITNESS: Yes, to the extent that one applies to Oyster Creek the electrical supply criteria that existed in 1965 or '66.

To the extent one would apply that criteria to --- apply the system to the 1980's criteria, perhaps not.

Q You are inferring that the criteria has changed?

A Oh, yes, mainly in the area of separate backup power supplies to get power into the plant. The transmission lines that exist now are adequate to get all of the power out of the plant and have been for some time.

Q So the transmission into the plant is very adequate --- excuse me, is it the other way? The transmission out of the plant is very adequate but you can envision a need to improve the transmission into the plant?

A That might be necessary some day. It may become a Federal requirement, but we do not know that yet. I should perhaps comment a little bit on the differences in the criteria.

Q That's fine.

A Oyster Creek is more dependent on diesel generators for backup power supplies for emergency systems than other plants would be. In other words, a more modern new plant would have perhaps another transmission line coming from some place else.

Q Into the plant?

A Into the plant. It could be used both ways, if you wanted it in for some emergency in the event that one

of the transmission lines was damaged by an airplane or something and you could get power into the plant on another line or maybe even out if the plant was still running.

Q Now what form would this other line be? Would it be another 230 line?

A I am not a transmission engineer, I'm sorry.

MR. KIRSTEN: I didn't mean to interrupt your questioning. I think you and Mr. Finfrock are talking about two different things. You meant adequacy and he meant adequacy as far as backup supply of power for the plant. I think you were relating it to adequacy as far as customer needs. I think you were talking about two different things.

Q Well, following up on Mr. Kirsten's point, what about adequacy for customer needs? Well, okay, I think I know your answer.

A That's not my responsibility.

Q You are interested in generating it.

A That's correct.

Q Are you at all familiar with the Forked River nuclear project?

A I know where it is.

Q It's right next door, as a matter of fact, isn't it?

A Yes.

Q Are you familiar with some of the equipment there?

A I have seen the equipment that is stored there.

Q Do you think there might be a market for it some place if the Company decided to sell it?

A I don't know.

MR. NARDELLI: I have no further questions for Mr. Finfrock.

JUDGE MARSHALL: Okay. Mr. Sahradnik, do you have any questions?

MR. SAHRADNIK: Yes, I do.

JUDGE MARSHALL: Would you want a few moments to prepare that?

MR. SAHRADNIK: No, I think we can go ahead.

CROSS EXAMINATION
BY MR. SAHRADNIK:

Q Mr. Finfrock, when we were talking about the O&M expenses or when you were talking about the O&M expenses with Mr. Nardelli, you made reference to the fact that you are in the budgetary process for 1981 in determining what the projected O&M expenses for Oyster Creek will be. When do you expect the budget to be in its final form?

A I believe we are targeted for the end of this month. I am not sure that will be its final form, but we soon hope to begin the review process.

Q Is there any revision later than the $30 million

figure that you are aware of?

A For 1981?

Q For 1981.

MR. NARDELLI: For clarification, can I ask, are we talking about the $30 million O&M budget number or the $31 million capital number?

MR. SAHRADNIK: I was talking about the O&M budget.

THE WITNESS: I believe I testified previously I anticipate it would be in the order of $30 million or more.

Q Is that testimony based on a draft of something that you have seen?

A No. It is based on my verbal discussions with people that are working on the budget.

Q Have you sat down and calculated any figures on a piece of paper which led you to come up with this $30 million figure?

A That much has been done.

Q Is there anything available that the parties can /in this proceeding review concerning how that figure was arrived at?

A Not that I am aware of at this time.

Q When will that be available?

A Well, if the review process goes as scheduled,

perhaps by the end of the month. But, I am perhaps not the one to answer that.

Q Now at the present time then, there is no definite figure with respect to what the O&M expenses will be then of Oyster Creek for 1981.

A That's correct.

Q Now, Mr. Finfrock, with respect to the sparger outage, is there any possibility of pursuing warranty plans or insurance recoveries to offset any of these expenditures?

A I do not know.

Q Who would know something about that? Are you aware of whether the Company has discussed either insurance or the possibility of insurance reimbursement or warranty claims?

A I am not aware of that.

MR. KIRSTEN: I am not sure I understood the question.

MR. SAHRADNIK: I was wondering whether there was any possibility of pursuing any type of warranty claim or if there was any insurance covering ---

MR. KIRSTEN: Covering what?

MR. SAHRADNIK: The prolonged outage due to the sparger outage?

MR. KIRSTEN: The answer is that as of

the moment there is no claims contemplated, that the plant is 11 years old and we know of no warranties, at least expressed warranties, that would be involved.

Q Mr. Finfrock, with respect to the employee levels you made reference to the fact that you expect a number of outside contractors to be placed with Jersey Central personnel?

A That is correct.

Q Now, you also stated that in some instances this would result in a decrease of costs or expenses, correct?

A Yes, it could, in some instances.

Q And in other instances you said you thought that there may be an increase in costs or expenses?

A Yes.

Q Now, can you just explain to me why you would replace an outside contractor if it wasn't at a cost savings to the Company?

A I was addressing myself to the labor rate aspect. If one of our employees does cost more, I would anticipate our productivity of him would be higher and offset any change.

Q But in general then, any replacement would be viewed as achieving maximum cost savings to the Company?

A Yes, indeed. In some areas where we have high level technical people under contract, they are far more expensive than our own people would be and that savings will more than offset perhaps the few cases where ---

Q I'm sorry, I can't hear your answer over Mr. Kirsten's discussion. Can you back up a little bit? We were talking about replacement of outside contractors by Company personnel, and my question was, why would you replace an outside contractor if it would not generate a cost savings to the Company?

A I expect that the net effect to the Company will be a savings. A good number of people being replaced are rather highly paid technicians that are in great demand today. That's why they are highly paid. The few cases where we may replace the labor force may be, for instance, a mechanic or some other person in a labor force, it would be a little higher there, the payment would be a little higher there than the craft individual. However, I think our productivity would offset that as well as the high priced labor that we are going to replace.

So, the net effect to the Company will be a savings.

MR. SAHRADNIK: That's all I have.

JUDGE MARSHALL: Does the Board's Staff have any questions?

MR. SLEVIN: No questions.

JUDGE MARSHALL: Mr. Kirsten, do you have any redirect?

MR. KIRSTEN: May I have a few minutes?

JUDGE MARSHALL: Certainly. We'll take a five minute recess.

(Whereupon, a recess was taken.)

JUDGE MARSHALL: Back on the record. Mr. Kirsten, do you have any redirect?

MR. KIRSTEN: Yes, I just have one or two

questions.

REDIRECT EXAMINATION
BY MR. KIRSTEN:

Q First of all, just to clarify the record, I believe I heard you say that in respect to your characterization of some of the O&M expenses, you first said that replacement of a piece of equipment you would consider capital and then at another point you said, repair of a piece of equipment you would consider capital. Could you clarify that for us?

A If I said that, I made a mistake. Repair I would consider to be O&M.

Q An expense?

A An expense, yes.

Q And replacement?

A Replacement, a capital expense.

Q Now Mr. Sahradnik asked you about, would there ever be a case where you would replace contract personnel with permanent Company personnel where there wasn't a cost savings involved. Are there instances where you might replace Company personnel where costs were not a consideration?

A You mean replace contract personnel with Company personnel?

Q Right.

A Oh sure, there are a lot of other reasons. We

have much better control over our own personnel. It certainly increases the morale of the people who work there when they are all employees of the Company. It alleviates difficulties with our internal union because they don't like contractors around, and we could get a much better employee when we have an opportunity to train him and the opportunity to keep him.

Some of these contractor people, when they are trained they go away. And, we have lost the benefit of all of that when they do. So yes, there are reasons like that.

Q Now, I think there was a question posed by Mr. Nardelli as far as non-outage related expenses and at the time you were unable to give us a breakdown. Have you since been able to get any information which would provide a better answer to that question?

A Yes, I believe he asked me about the composition of the $962,000 that was noted as non-recurring.

Q That's correct.

A And, I have some numbers in that regard that I can now give you. The one item was $472,000 for processing the Torus water. I believe I referred to that in earlier testimony as removing the chlorides from the chromated water. Another item is $56,000 for the review of the new health physics program. And, another item is $434,000 for miscellaneous employee expenses.

Q I have one other question, Mr. Finfrock. In respect to some of the modifications of the plant and some of the changes and procedures, you refer to a term, Lessons Learned. Would you tell us if you can to what extent are these Lessons Learned items related to the TMI-2 unit accident of last year?

A Unfortunately, I guess it was the Nuclear Regulatory Commission that created the buzz words, TMI Lessons Learned. And, that is in good regard perhaps a misnomer. When something happens, whether it's at Three Mile Island

or at some other plant which enables us to see ways to improve the system, to modify it, to enhance its safety, we do that. And I wouldn't want you to think that it's only Three Mile Island that's brought to light modifications because if we had found out by any other mechanism, they would have surely been made. We have, for example, a major expenditure in an increased fire protection system because of another plant's fire where it became apparent the cable trays in the plant had to be protected far more than they were in the original design.

We are designing a modification now in which it became apparent one of our systems has an inadequacy in it because of another plant's --- not an accident but because of a failure. So, all of these things are done to change the plant so that what we had perceived to have happened, doesn't happen again.

Q In referring to the plant that had the fire, you said because of, and you just said now, perceived. Is the fire the cause of the changes or is the fire creating the perception of the danger which made such changes important?

A The fire causes more awareness or perception of the danger that exists if you don't do something.

Q Would that be analgous to the Lessons Learned with respect to TMI-2?

A Yes.

MR. KIRSTEN: Those are all the questions I have of Mr. Finfrock.

JUDGE MARSHALL: Mr. Nardelli, do you have any further questions?

MR. NARDELLI: No.

JUDGE MARSHALL: Does any other party have any questions of this witness?

(No response.)

JUDGE MARSHALL: In that case, I'd like to thank you very much for testifying, Mr. Finfrock. You may step down.

Off the record.

(Whereupon, there was an off the record discussion.)

JUDGE MARSHALL: Back on the record. The parties have no more questions today so we will adjourn until the morning of October 20th back here at nine o'clock as is the set OAL policy. Thank you for attending.

(ADJOURNED TO MONDAY, OCTOBER 20, 1980, 9:00 A.M., NEWARK, NEW JERSEY.)

E X H I B I T S

Number	Identification	Page
JC-700	Letter dated September 26, 1980 from JCP&L to Mr. D. G. Eisenhut, Director, U.S. Nuclear Regulatory Commission, Division of Licensing.	1567
JC-700A	Reserved for Response from NRC to JCP&L's letter of September 26, 1980.	1568

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