

November 23, 1981

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In the Matter of
HOUSTON LIGHTING AND POWER COMPANY, ET AL.
(South Texas Project, Units 1 & 2)
Docket Nos. 50-498 and 50-499

Dear Administrative Judges:

This letter is filed by the Staff in response to a Board order of October 8, 1981, in which all parties were requested to file a written status report on or before November 23, 1981, relative to the future conduct of the expedited phase of this operating license proceeding. At the time of this order, it was hoped that all parties would file a report in the form of a joint recommendation. However, the parties after several meetings were unable to draft a letter all could agree upon in toto; therefore, the Staff herewith submits its position on how best to proceed.

Two recent developments have called into question the wisdom of continuing with the expedited hearings as originally conceived. These two events are the removal of Brown and Root from the South Texas Project and the Quadrex Report. It would appear that all parties are in agreement that this Board must consider the affect of the Quadrex Report and the new organizational arrangement between the Applicants (HL&P), their architect-engineer and constructor. All parties could not, however, agree upon the extent and timing of such testimony.

It is the position of the Staff that Contentions 1 and 2, as well as, Board Issues A, B, C and E can and should be decided as originally drafted during the expedited phase. This position assumes the Applicants' testimony will be supplemented as described below. In

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addition, Board Issue D could be decided during the expedited phase if re-drafted, as follows:

ISSUE D

In light of HL&P's prior performance in the construction of the STP as reflected, in part, in the Notice of Violation and Order to Show Cause dated April 30, 1980, and HL&P's responses thereto (filings of May 23, 1980, and July 28, 1980), and actions taken pursuant thereto, do the current HL&P [and], Brown & Root (B&R), Bechtel and construction contractor (if other than Bechtel) construction QA/QC organizations and practices meet the requirements of 10 C.F.R. Part 50, Appendix B; and is there reasonable assurance that they will be implemented so that construction of STP can be completed in conformance with the construction permits and other applicable requirements? (Note: underlined sections indicate additions and brackets indicate deletions from Issue D as originally drafted).

With respect to Issue F (Applicants' QA/QC program for operations), in light of the fact the recent developments will further delay the completion date of the project, the Staff feels more meaningful findings and conclusions could be written if taking evidence on this issue is deferred until the full operating license hearing.

The above contentions and issues can be decided during this phase of the operating license proceeding for varying reasons. Contentions 1 and 2, as well as Board Issue A, look to past actions of the Applicants and thus the two recent developments have no effect on the Board's ability to rule on these matters. Board Issues B, C and D look to such things as past management organization, construction performance and prior QA/QC deficiencies and ask, in light of remedial action, is there now reasonable assurance the plant will be constructed in accordance with applicable requirements and eventually will be safely operated. Thus, assuming upon further evaluation of the Quadrex Report serious flaws are confirmed, this Board can still decide Board Issues B, C, and D because these issues ask only whether there is reasonable assurance the Applicants have in place mechanisms to catch such flaws. From this perspective, the Quadrex Report itself may be viewed as remedial action following the show cause order. Similarly, Board Issue E asks if there is reasonable assurance the structures now in place are in conformity with applicable requirements, and if not, whether HL&P has taken steps to assure such structures are repaired. Assuming a structure is not in compliance with applicable codes, this issue asks whether HL&P has taken steps to assure it will conform at some date in the future, it doesn't

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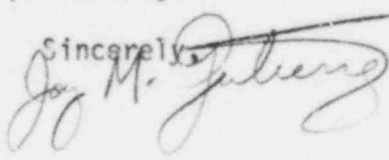
require this Board to make a positive finding that all structures are currently in compliance.

In order to decide the issues as outlined above, the Applicants must supplement their prefiled testimony by submitting (1) evidence on their revised QA/QC program for the balance of construction, (2) the functional relationships between HL&P, Bechtel and the constructor and (3) Bechtel's qualifications to perform architect-engineering and construction management services. Of course, when named, the constructor's qualifications should supplement the record. Although Issue F need not be decided, the Applicants should nonetheless present their general plans for overall management during operations in order for a finding to be made relative to Issue C.

For its part, the Staff should present the first three panels outlining the inspection and enforcement history of the South Texas Project and update the last of these panels to include inspection activity through the first of the year. In addition, the testimony of John Gilray should be amended to reflect any changes in the Applicants' QA/QC program for the balance of construction. The testimony of Jack Sprauls on the QA/QC program for operations should be deferred until Issue F is specifically addressed at the full operating license proceeding. In contrast, the general testimony of Lawrence Crocker and Frederick Allenspack on management for operations should be presented.

With the record supplemented as outlined above, all issues except for F can be decided within the context of the expedited hearing as directed by the Commission's September 22, 1980, order.

It remains for this Board to decide how best to address the findings of the Quadrex Report in this operating license proceeding (i.e., in the expedited or full operating license hearing). It is the position of the Staff that only after HL&P, through Bechtel, has evaluated the Quadrex findings, corrective measures are proposed and implemented and the Staff has reviewed those actions can it be determined if there are new meaningful contentions to be litigated. As indicated by the Applicants, such work could not be completed in the near future. The Staff would, therefore, counsel this Board to defer incorporating any Quadrex concerns in new contentions until the above process runs its course. Consequently, it is felt that any substantive aspects of the Quadrex Report can best be litigated in the context of the full, in contrast to the expedited, operating license proceeding.

Sincerely,


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Counsel for NRC Staff

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