

HENRY B. GONZALEZ  
10TH DISTRICT, TEXAS

2252 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
202-225-3236

HOME OFFICE:  
B-124 FEDERAL BUILDING  
727 E. DURANGO STREET  
SAN ANTONIO, TEXAS 78206  
512-229-6199

ZONE WHIP:  
TEXAS DEMOCRATIC DELEGATION  
HOUSE MAJORITY WHIP ORGANIZATION

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

December 29, 1981

COMMITTEES:  
BANKING, FINANCE AND  
URBAN AFFAIRS

SUBCOMMITTEES:  
CHAIRMAN,  
HOUSING AND COMMUNITY DEVELOPMENT  
GENERAL OVERSIGHT AND RENEGOTIATION  
CONSUMER AFFAIRS AND COINAGE

'81 SMALL BUSINESS 47 JR  
SUBCOMMITTEES:

ANTI-TRUST, AND RESTRAINT OF TRADE  
ACTIVITIES AFFECTING SMALL BUSINESS  
SBA AND SBIC AUTHORITY, MINORITY  
ENTERPRISE, AND GENERAL SMALL BUSINESS  
PROBLEMS

The Honorable Nuncio Palladino  
Chairman  
U.S. Nuclear Regulatory Commission  
Washington, D. C. 20555

FILE REF: A23:lgi

Dear Mr. Palladino:

I am certain that you are aware of the numerous problems at the South Texas Nuclear Project, a power plant consisting of two 1250 megawatt reactors at Bay City, Texas. You are aware, I know, that the Nuclear Regulatory Commission ordered that the plant owner be fined the maximum of \$100,000 and to show cause why its construction permit should not be suspended, given numerous violations of NRC regulations. Since that time, the project manager has dismissed the project engineers and constructors, and has placed the plant on a hold status until new engineering studies can be completed and new constructors employed.

As part of its response to the Show Cause order, the Houston Lighting and Power Company (HL&P) in its capacity as project manager ordered an independent study of the South Texas Nuclear Project. This study, performed by the Quadrex Corporation, was delivered on or about May 7, 1981. As required by NRC regulations, Houston Lighting and Power advised the Commission that the report contained three items that might fall within the reporting requirements of 10 CFR 50.55(e). The company did not advise the Commission of the scope of the report, nor did it make a copy available at that time. Subsequent events reveal that the report was considerably more critical than the Commission had been led to believe. Coincidentally, hearings on the operating license petition for the South Texas Nuclear project commenced the same week that the Quadrex report became available to the project manager. During the course of the hearings, HL&P's vice president for nuclear engineering and construction referred to findings of the Quadrex report, but did not mention the report by name, nor state its length or refer to the large number of findings therein. At about the same time, a listing of consultants on the project supplied to intervenors by the company, failed to show the Quadrex Corporation as a consultant.

8201070063 811229  
PDR ADOCK 05000498  
U PDR

D503  
1/6

December 29, 1981

On June 21, 1981, Citizens Concerned About Nuclear Power received allegations that the management of Houston Lighting and Power had blocked a stop work order by its own quality assurance personnel. The information was reported to the NRC the next day. In the course of investigating this matter, NRC investigators saw the Quadrex report, which had been produced in response to a request for all documents since January 1979. The investigators reported that the document appeared important, and it was reviewed by Don Sells, NRS's licensing manager, on September 14. Immediately thereafter, NRC asked that the report be sent to its Licensing Board. Houston Lighting and Power agreed to send the report, and that same week dismissed the project engineers, Brown and Root.

Testifying before the House Interior Committee's Subcommittee on Energy and the Environment on November 19, the Commission's Executive Director for Operations stated that "...the magnitude of potential problems (at the South Texas Nuclear Project) was not fully appreciated until we first reviewed the report in August, 1981." His reference was to the Quadrex report.

Clearly, the Quadrex document is significant, and it is of more than passing curiosity that Houston Lighting and Power did not make the report available to the NRC until it was specifically requested to do so, and then only as part of a request for all relevant documents. The company did not deny the existence of the report, but neither did it volunteer significant information about it. The Commission plainly felt the document was important, as indicated by the testimony referred to above. Once the report was promised to the Commission, Houston Lighting and Power moved to dismiss Brown and Root, first as architect-engineer and then as constructor, which suggests that HL&P also knew how critical the Quadrex report was.

The Commission had earlier found that Houston Lighting and Power knew, or should have known, of the numerous problems and deficiencies at the South Texas Nuclear Project. The April 30, 1980 order was a blunt warning that the project manager had been grossly negligent. The treatment of the Quadrex report is evidence that the company either was unaware of the continuing deficiencies or did not want the NRC to know of the scope of the problems. In either case, confidence in the management capability of Houston Lighting and Power is not inspired by the treatment of the Quadrex report.

The South Texas Nuclear Project is not only years behind schedule and billions of dollars over projected costs, it is now completely frozen, pending new studies by new contractors. For years, the project

December 29, 1981

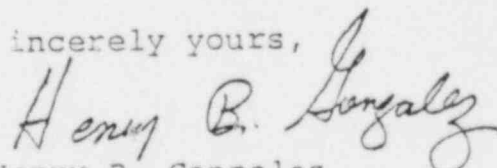
managers have been unwilling or unable to assure that the plant is adequately planned, that its quality is anywhere close to NRC requirements, or that it has the confidence and ability to deal with complete candor with the NRC. All of this raises serious questions about the fitness of the Houston Lighting and Power Company as project manager or prospective operator, assuming the South Texas Nuclear Project ever qualifies for an operating license.

I commend you for the actions and statements you have undertaken to date by way of demanding that nuclear power plant licensees improve the quality of their management and product. Yet it seems clear to me that the South Texas Nuclear Project licensee fails to understand the seriousness of its management failures in the past, and that the Commission has done nothing to correct matters. The critical nature of those failures is only suggested by the necessity of the project management's move to dismiss the plant designers and builders, at the very midstream of the construction program. That drastic action suggests a kind of repentance, but the failure of Houston Lighting and Power to appreciate the significance of, or to promptly report the Quadrex document indicates that the project managers are not only guilty of continued neglect, but may be responsible for deliberate obstruction of the whole regulatory process. As you so well understand, Mr. Chairman, the completion and operation of a nuclear plant can never be permitted to become more important than quality control and plant safety. The project manager in this instance appears to take an opposite view of matters.

The Commission has earlier found the South Texas Nuclear Project management grossly deficient. In light of the developments of the past year or so, I wonder what actions the Commission will now take to insure that the project management will not continue to fail in its responsibilities. It seems to me that the licensing issues are made much more critical now than at any previous time, given the amply demonstrated failures of the project management to gain control over quality control or even to comply with the plain responsibilities of NRC licensees. I believe the Commission should immediately review the qualifications of the South Texas Nuclear Project Managers, and decide at once whether or not Houston Lighting and Power should continue to hold its license. Surely it would be better to correct the problems and errors now than to wait longer, when the costs of corrective action will be immeasurably higher.

With best wishes, I am

Sincerely yours,



Henry B. Gonzalez  
Member of Congress