

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

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50-275

February 22, 1982



CHAIRMAN



The Honorable Alan K. Simpson
Chairman
Subcommittee on Nuclear Regulation
Committee on Environment and Public Works
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This is in response to your December 22, 1981 letter which requested a copy of the criteria we intend to apply in reviewing and approving the independent design reverification program, and the selection of contractors to conduct the program, for the Diablo Canyon plant.

Section 1(a) of Attachment 1 to the Commission's November 19, 1981 Order outlines the information we are requesting from the independent contractor for the design verification program. Additional information may be required as our review continues.

The criteria we will use for selection of the independent auditor are enclosed.

I trust that this information is responsive to your request.

Sincerely,


Nunzio J. Palladino

Enclosure:
Criteria for Selection of
Independent Auditor

cc: Senator Gary Hart

CRITERIA FOR SELECTION OF INDEPENDENT AUDITOR

The most important factor in NRC's evaluation of the individuals or companies proposed by Pacific Gas and Electric to complete the required design verification program is their competence. This competence must be based on knowledge and experience in the matters under review. These individuals or companies should also be independent. Independence means that the individuals or companies selected must be able to provide an objective, dispassionate technical judgement, provided solely on the basis of technical merit. Their integrity must be such that they are regarded as reputable companies or individuals.

Also, the companies or individuals may not have had any direct previous involvement with the activities at Diablo Canyon that they will be reviewing.

In addition, the following factors will be considered in evaluating the question of independence:

- (1) Whether the individuals or companies involved had been previously hired by PG&E to do similar seismic design work.
- (2) Whether any individual involved had been previously employed by PG&E (and the nature of the employment).
- (3) Whether the individual owns or controls significant amounts of PG&E stock.

(4) Whether members of the present household of individuals involved are employed by PG&E.

(5) Whether any relatives are employed by PG&E in a management capacity.

In addition to the above considerations, the following procedural guidelines will be used to assure independence:

(1) An auditable record will be provided of all comments on draft or final reports, any changes made as a result of such comments, and the reasons for such changes; or the consultant will issue only a final report (without prior licensee comment).

(2) NRC will assume and exercise the responsibility for serving the report on all parties.

We are requiring that PG&E provide the NRC with a description and a discussion of the corporate qualifications of the companies proposed to carry out the various design verification programs, including information that demonstrates the independence of these companies. This information will be provided to the Governor of California and the Joint Intervenors for comments. Based upon review of the information provided by PG&E and the comments of the Governor and Joint Intervenor, the NRC will decide on the acceptability of the NRC companies with respect to their "independence" and "competence." In addition, approval will not be given by NRC if we determine that a potential conflict of interest exists in the performance of any required audits that cannot be adequately addressed by procedural safeguards.

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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, D.C. 20510

December 22, 1981

Honorable Nunzio J. Palladino
Chairman
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Nunzio
Dear Chairman Palladino:

On November 19, 1981, the Commission issued an order suspending the authority of the Pacific Gas and Electric Company to load fuel and conduct low power testing at the Diablo Canyon nuclear power plant. Among other things, the order specifies certain actions that the licensee must complete satisfactorily before this suspension will be lifted. In particular, the order requires NRC review and approval of an independent design verification program for the plant, to be proposed by the licensee, and the qualifications of the contractors proposed by the licensee to conduct the program.

I understand that the Commission will be considering in the near future possible criteria to be used in assessing the independence of this design verification program and the suitability of the contractors proposed by the utility to conduct the program. I believe that the Commission, in establishing these criteria in this particular case, should consider the implications of these criteria for possible broader, industry-wide application.

Your recent statements have noted the possible need for independent, third party auditing in order to improve quality assurance in the construction of nuclear power plants. In addition, I intend to cosponsor an amendment, to be proposed by Senator Ford when the Senate considers the NRC authorization bill early next year, that would require a study and pilot program of alternate concepts for improving quality assurance programs. These alternate concepts include the use of independent, third party auditing. That amendment, a copy of which is enclosed, defines an independent auditor as a third party who has no responsibility for the design or construction of the plant.

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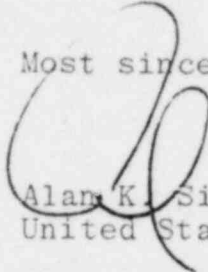
Honorable Nunzio J. Palladino
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I am concerned that if the Commission or the Congress at some point in the future decides that independent, third party auditing is appropriate on an industry-wide basis, the criteria now being developed in the Diablo Canyon case will set an important precedent for the industry-wide program. Therefore, I believe it appropriate for the Commission in this case to consider, to the extent possible, criteria that would be appropriate and workable on an industry-wide basis, and that would assure the availability of a sufficient number of qualified experts to conduct the necessary third party audits, should they be subsequently required throughout the industry.

In that regard, I would appreciate receiving a copy of any criteria that the Commission intends to apply in reviewing and approving the independent design verification program, and the selection of contractors to conduct this program, for the Diablo Canyon plant.

With best regards,

Most sincerely,



Alan K. Simpson
United States Senator

AKS/phh

INTENDED to be proposed by Mr. Ford (for himself, Mr. Simpson and Mr. Hart)

Viz: On page 15, after line 23, add a new section to read as follows:

Sec. _____. (a) The Nuclear Regulatory Commission is authorized and directed to implement and accelerate the resident inspector program so as to assure the assignment of at least one resident inspector by the end of fiscal year 1982 at each site at which a commercial nuclear powerplant is under construction and construction is more than 15 percent complete.

(b) The Commission shall conduct a study of alternate concepts and existing programs for improving quality assurance and quality control performance in the construction of commercial nuclear powerplants. In conducting the study, the Commission shall obtain the comments of the public, licenseesholding construction permits and operating licenses for nuclear powerplants, and the Advisory Committee on Reactor Safeguards. The study shall include, but not be limited to, the following alternative concepts for improving quality assurance and quality control:

(1) adopting a more prescriptive approach to defining principal architectural and engineering criteria for the construction of commercial nuclear powerplants that would serve as a basis for quality assurance and quality control, inspection, and enforcement actions:

(2) requiring, as a condition of the issuance of construction permits for commercial nuclear powerplants, that the licensee demonstrate the capability of independently performing all quality assurance and quality control responsibilities for the plant;

(3) encouraging and obtaining more effective inspections or audits of commercial nuclear powerplant construction by independent industry and institutional organizations;

(4) reexamining the Commission's organization and method for quality assurance development, review and inspection, with the objective of deriving improvements in the agency's program; and

(5) requiring, as a condition of the issuance of construction permits for commercial nuclear powerplants, that the licensee contract or make other arrangements with an independent inspector for auditing quality assurance responsibilities for the purpose of verifying quality assurance performance. An independent inspector is a third party who has no responsibilities for the design or construction of the plant.

The study shall also include a survey of representative sites at which quality assurance and quality control programs are operating satisfactorily, and an assessment of the reasons therefor.

(c) The Commission shall undertake a pilot program for assessing the feasibility and benefits of implementing one or more of the alternative concepts identified in subsection (b), provided, that the pilot program shall include the use of independent, third-

party inspectors for auditing quality assurance responsibilities of the licensee for the construction of commercial nuclear powerplants, as described in paragraph (5) of subsection (a). The pilot program shall include at least three sites at which commercial nuclear powerplants are under construction. In selecting the sites to be included in the pilot program, the Commission shall select at least one site at which quality assurance and quality control programs have operated satisfactorily, and at least two sites at which significant construction, quality assurance and quality control deficiencies have been identified in the past. The Commission may require any changes in existing quality assurance and quality control organizations and relationships that may be necessary at the selected sites to implement this pilot program.

(d) Not later than eighteen months after the date of enactment of this Act, the Commission shall submit a report to the Senate and the House of Representatives on the results of the study and the pilot program required by this section. The report shall include the recommendations of the Commission, including any necessary legislative changes, and a description of any administrative changes that the Commission has undertaken or intends to undertake, for improving quality assurance and quality control performance in the construction of nuclear powerplants.