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Meeting Title: Brief by Commonwealth Edison

Meeting Date: 2/28/94 Open X Closed _____

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

Title: BRIEFING BY COMMONWEALTH EDISON

Location: ROCKVILLE, MARYLAND

Date: FEBRUARY 28, 1994

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UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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BRIEFING BY COMMONWEALTH EDISON

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PUBLIC MEETING

Nuclear Regulatory Commission
One White Flint North
Rockville, Maryland

Monday, February 28, 1994

The Commission met in open session,
pursuant to notice, at 2:00 p.m., Ivan Selin,
Chairman, presiding.

COMMISSIONERS PRESENT:

IVAN SELIN, Chairman of the Commission
FORREST J. REMICK, Commissioner
E. GAIL de PLANQUE, Commissioner

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STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:

JOHN HOYLE, Assistant Secretary

KAREN CYR, Office of the General Counsel

J.J. O'CONNOR, Chairman and Chief Executive Officer,
Commonwealth Edison

M.J. WALLACE, Senior Vice President and Chief Nuclear
Officer, Commonwealth Edison

L. DelGEORGE, Vice President Nuclear, Operation
Support, Commonwealth Edison

J.C. BUKOVSKI, Vice President and Chief Financial
Officer, Commonwealth Edison

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P-R-O-C-E-E-D-I-N-G-S

2:00 p.m.

CHAIRMAN SELIN: Good afternoon, ladies and gentlemen.

We're pleased to welcome representatives from Commonwealth Edison, including Mr. O'Connor, the CEO, to brief the Commission on the status of their nuclear program. I should emphasize this is a voluntary presentation. We have been concerned about Commonwealth for quite awhile. We invited the management to come in and brief us about the performance of their nuclear program and particularly on the actions that they'll be taking to improve their performance.

I understand that copies of the viewgraphs are available at the entrance to the room.

Commissioners?

Mr. O'Connor, without further adieu, I'll just turn the floor over to you.

MR. O'CONNOR: Thank you very much, Chairman Selin, and good afternoon, Commissioner Remick, Commissioner de Planque.

My colleagues and I very much appreciate the opportunity to appear before all of you this afternoon to discuss our nuclear program and to

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1 underscore our deep commitment to improved performance
2 at all six of Commonwealth Edison's nuclear power
3 plants. Joining me today at the table are the
4 following individuals representing Commonwealth
5 Edison. To my immediate right is Mike Wallace, who is
6 our Senior Vice President and Chief Nuclear Officer.
7 To his right is Lou DelGeorge who is the Vice
8 President in charge of Nuclear Operation Support, and
9 to my immediate left is John Bukovski, our Vice
10 President and Chief Financial Officer.

11 Also with us this afternoon are the three
12 members of our Board Nuclear Operations Committee.
13 Doctor Edward Mason, who is the Chairman of that
14 Committee, Admiral Lando Zech and Byron Lee, Jr.
15 Later in the presentation I would like to ask Doctor
16 Mason to make remarks on behalf of the Committee.

17 (Slide) Our agenda this afternoon, and if
18 I could have the first slide, thank you, will cover
19 the following items. I will first comment on our
20 corporate commitment to nuclear power and then brief
21 the Commission on our present financial situation.
22 Mike Wallace will then provide an overview of our
23 nuclear operations, what he sees as the challenges we
24 face, discuss in detail our strategy with respect to
25 our BWR plants, and then describe our company's

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1 commitment in some detail to improvement. I will then
2 ask Doctor Mason to comment on behalf of the Nuclear
3 Operations Committee.

4 (Slide) The next slide, if I could.

5 As you know, Commonwealth Edison is a
6 nuclear utility. We have 12 units at six different
7 sites. Collectively these units aggregate a total of
8 11,500 megawatts, one-half of Edison's total capacity
9 and it represents an investment of roughly \$13.5
10 billion.

11 Whether viewed from the eyes of our
12 customers, of our employees or our stockholders, safe
13 operation of these plants is absolutely essential. We
14 know that we must have total respect for the
15 technology and we know that we must have conservative
16 operating policies. While nuclear represents 50
17 percent of our total capacity, it represents
18 approximately 75 percent of our total output on the
19 system, or roughly 60 billion kilowatt hours,
20 megawatt hours in 1993.

21 We work hard to keep our Board of
22 Directors informed on the status of our nuclear
23 program. At every single one of our Board meetings we
24 have a presentation on the status of our nuclear
25 program.

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1 Our Nuclear Ops. Committee of the Board
2 has been in existence for about a decade and has
3 become increasingly active in the past couple of
4 years. The Committee itself spends a great deal of
5 time at our sites where they tour the plants,
6 interview personnel and challenge the station's plans
7 and resources. We've been criticized in the past, and
8 rightfully so, as a company having good plans but poor
9 implementation. The focus of our Board committee is
10 clearly on execution and results. I believe you will
11 find that we are developing initiatives that will
12 produce these results.

13 I and the Board are committed to achieving
14 and to maintaining consistently high levels of
15 performance. Today we fall short of that measure, yet
16 it is our company's number one priority. We recognize
17 that our nuclear performance spans the spectrum. We
18 recognize that nothing short of consistently good
19 performance across all six stations will be
20 acceptable. Not just to the Nuclear Regulatory
21 Commission, not just to the Institute for Nuclear
22 Power Operations, but most importantly to our company.

23 Byron, an acknowledged good performer,
24 establishes our benchmark. Our goal is to bring all
25 of our plants to the level of Byron's performance, yet

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1 we know how much work remains to be done to achieve
2 that goal. We are not satisfied with our performance,
3 particularly at our three BWR plants, and they are the
4 focus of an intense level of interest. At the same
5 time, we know that we cannot tolerate any drop in
6 performance at those plants that are now operating
7 well.

8 The past two years have witnessed major
9 and we think fundamental changes in our nuclear
10 operations. The changes are both structural and
11 cultural. Structurally we've established the position
12 of site vice president at each of our six stations and
13 given that individual total responsibility and
14 accountability for the station's success. The site
15 V.P. is to provide leadership and to establish an
16 uncompromisingly high standard of performance. Three
17 of our six site vice presidents have come from outside
18 the company and are providing fresh insights on how to
19 achieve excellent performance. Very shortly we will
20 announce the addition of another new site vice
21 president from the outside, an individual who has been
22 very successful in leading the turnaround of a plant
23 that had been operating at suboptimal levels.

24 Until recently, going outside had not been
25 the Edison way. Our goal today is to put the best

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1 players on the field, whether from inside or outside
2 the company. In addition, five of our six station
3 managers are new to their positions in the past year,
4 and two of these came from outside.

5 Organizationaly, Mike Wallace, who is our
6 Chief Nuclear Officer, reports directly to me,
7 eliminating two intermediate reporting levels that we
8 had up until a year ago. Mike and I literally talk
9 everyday.

10 During the past year we have redeployed
11 many of the support services from the corporate area
12 directly to the sites. The biggest move has come in
13 transferring engineering services to bring prompt and
14 interactive support to the sites. But we recognize
15 that change has got to be more than structural. There
16 has to be a change in the values that every one of the
17 6,000 employees in the Nuclear Division bring to their
18 work everyday.

19 Am I behind a slide there? I'm not sure.

20 (Slide) We'll stay with the one before
21 for just a moment, if we could. Thank you.

22 We are determined to have a culture that
23 is committed to the highest standard of performance
24 and one where every single one of those 6,000 people
25 is accountable for achieving that level of

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1 performance. The people that we've recruited from
2 outside this past year and a half have helped greatly
3 in this process. The most important single cultural
4 change is to have our employees look inward and not
5 rely on the NRC or on INPO ratings as the barometer of
6 our performance, as important as those criteria are.
7 This requires a dedication to a critical self-
8 assessment and a mind set that says that the most
9 critical standards to meet are those that we set for
10 ourselves.

11 Finally, the changes that we are making in
12 critical processes such as how we purchase components
13 and our engineering services and how we do our work
14 have convinced us that we can improve the quality of
15 the work we do and at the same time do it more
16 productively.

17 (Slide) The next slide, please.

18 I would like to address the question of
19 whether or not our company has the willingness to
20 provide the resources that are necessary to reach a
21 high level of performance given our present financial
22 condition. I wish to state unequivocally that I and
23 our Board are committed to providing the resources,
24 both personnel and capital, to achieve and maintain a
25 high level of performance at all six of our sites.

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1 Since 1986, our company has sought to get
2 fair rate based treatment to the last three nuclear
3 units that we put in service, our Byron Unit 2 and our
4 Braidwood Units 1 and 2. The question of rate basing
5 these units had gone back and forth for a period of
6 seven years between the Illinois Commerce Commission
7 and the courts. It became very clear to us a year ago
8 that final resolution of the old rate cases would not
9 be had for at least two or three more years at the
10 earliest. In that vein, we decided to drop our
11 appeals and agreed to refund the monies that we had
12 collected under an earlier rate order.

13 The important point to make here is that
14 the decision to settle in no way altered or reduced
15 the level of work activity or the resources we had
16 budgeted for our nuclear division. Moreover, in the
17 wake of the settlement, we initiated unbudgeted
18 maintenance outages at two of our sites in an effort
19 to focus attention on areas that needed improvement.
20 Now we, as of earlier this month, have a new rate case
21 on file requesting an eight percent increase in base
22 rates for our company.

23 A portion of Byron 2 and virtually all of
24 Braidwood 1 were excluded from rate base treatment in
25 the Commission's previous order. However, with the

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1 increase in the peak demand on our system and with the
2 fact that these three latest units provide about 30
3 percent of the total output to the Edison system, we
4 are confident that given the Commission's traditional
5 rules for determining used and useful, that we will
6 get a favorable order. Yet we will not know the
7 outcome of that decision until early 1995.

8 CHAIRMAN SELIN: Mr. O'Connor, you raised
9 a question. I'd like to ask you just a couple of
10 simple fast questions.

11 MR. O'CONNOR: Sure.

12 CHAIRMAN SELIN: What was the overall
13 availability of the nuclear plants last year, 1993,
14 the 12 reactors roughly?

15 MR. O'CONNOR: About 75 percent in the
16 aggregate.

17 CHAIRMAN SELIN: And what was the overall
18 reserve margin of the system say during the year or
19 some particular peak period?

20 MR. O'CONNOR: It's about 24 or 25
21 percent. And coming into the summer it's expected to
22 be about 21 percent. The guideline for -- the main
23 system in which we operate, the Mid-America
24 Interconnective Network, the range is 18 to 23 is what
25 they suggested and we'll be at 21 percent, our

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1 projected peak.

2 CHAIRMAN SELIN: So, the system, including
3 all the nuclear plants, is roughly in balance between
4 supply and demand?

5 MR. O'CONNOR: Yes, sir.

6 CHAIRMAN SELIN: Because you're not going
7 to get down much -- I mean that's pretty good
8 availability, so you're not going to get much better
9 in terms of availability.

10 MR. O'CONNOR: We expect to, over time,
11 however, with the ability to bring down the time of
12 doing the fuel, refueling outages, to cut down on the
13 units being out of service, forced outages, and a
14 combination of those and even adding to the
15 productivity of the existing units by changes that
16 might be made we feel will give us some opportunities
17 to increase capacity factor and availability numbers.

18 CHAIRMAN SELIN: And how does that reflect
19 it? Do you then meet greater demand? Do you close
20 down some obsolete fossil units? Do you purchase
21 less? You don't on balance purchase.

22 MR. O'CONNOR: It's a combination of
23 several things that might be done. We anticipate that
24 if we were to close some of our facilities, that we
25 would have to do one of three things. We would have

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1 to purchase them back, sell them first to somebody
2 else, and then purchase them back, considering for
3 example an older coal-fired unit. We could purchase
4 off-system from other power companies, but that
5 reserve is shrinking in the middle west at the present
6 time, so we're not certain how much availability might
7 be out there. Or third, we can increase the output of
8 some of our existing plants by some changes.

9 CHAIRMAN SELIN: But turn it around the
10 other way. Even with the improvements you had hoped
11 to get in the operational efficiencies within the
12 nuclear plants --

13 MR. O'CONNOR: Yes, sir.

14 CHAIRMAN SELIN: What I'm missing is do
15 you expect demand to grow and you need this extra
16 capacity to meet demand or would you --

17 MR. O'CONNOR: We expect that demand will
18 grow on our system by 1.75 percent a year going
19 forward. That's the projections that we've placed on
20 record with the Illinois Commerce Commission.
21 However, we can always be surprised. This year
22 they're running for the year to date about eight
23 percent above a year ago. Now, that's not a real fair
24 comparison because of weather being so much colder
25 this year. So, we adjust for weather. Even adjusted

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1 for weather, our output is running about four and a
2 half percent above a year ago for the first eight
3 weeks of 1994. There does seem to be some buoyancy in
4 the economy that we serve in Northern Illinois.

5 CHAIRMAN SELIN: Okay. Thank you.

6 MR. O'CONNOR: Thank you, sir.

7 Regardless of the twists and turns that
8 the rate case might take, we simply will not
9 compromise our commitment of resources to our nuclear
10 program. The nuclear program will remain priority
11 number one.

12 At our shareholders meeting to be held on
13 May 10th, they will vote on a proposal to establish a
14 holding company. The holding company will in no way
15 change the responsibility of our officers and managers
16 associated with nuclear operations. Our proposal has
17 been submitted to the Nuclear Regulatory Commission
18 for review. I might point out that in the course of
19 events we are considering the establishment of an
20 operating company for nuclear power operations.
21 That's in its preliminary stages right now. We will,
22 of course, be counseling with the Nuclear Regulatory
23 Commission as that goes forward.

24 Let me conclude by saying that the
25 resources are there --

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1 CHAIRMAN SELIN: Is that all you're
2 prepared to say about that today?

3 MR. O'CONNOR: Yes, sir, because we're
4 still looking at the regulatory and legal aspects.
5 It's the direction that we think we wish to go and yet
6 there are significant financial, regulatory, legal
7 implications from doing so. But that is -- our goal
8 is to get to the point where we have an operating
9 nuclear power company.

10 CHAIRMAN SELIN: Would you further divide
11 Commonwealth into several subsidiaries, an operating
12 company and a marketing and transmission company or
13 would this be a --

14 MR. O'CONNOR: Yes.

15 CHAIRMAN SELIN: In other words, would
16 this be a subsidiary of the holding company or would
17 this be a subsidiary of the utility?

18 MR. O'CONNOR: It probably would not be a
19 subsidiary. It would be an operating company of the
20 utility. There is a model for that. When you get
21 into the subsidiary area, you have certain problems
22 associated with meeting the financial integrity
23 aspects that the Commission requires and there are
24 certain legal questions as to whether or not the power
25 from those plants then becomes subject to FERC

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1 jurisdiction rather than to state jurisdiction. There
2 are a whole host of issues that need to be addressed.

3 CHAIRMAN SELIN: What I'm trying to
4 understand is would you see -- I mean I don't know
5 what the titles are for the holding company. Would
6 you see the utility having an operating company, I
7 mean a nuclear generation company?

8 MR. O'CONNOR: Yes, sir.

9 CHAIRMAN SELIN: Would that be the only
10 company within that or would the other areas also be
11 of a comparable status?

12 MR. O'CONNOR: We're not certain how they
13 would work. We now have a couple of subsidiaries or
14 parts of our company. We have a company that provides
15 central district heating and cooling in the downtown
16 area of Chicago. We have another company that is set
17 up to work with our large customers on alliances for
18 handling the power production needs for that
19 particular customer and that is just getting off the
20 ground. With respect to whether or not we would have
21 a separate subsidiary for our fossil-fired plants, we
22 haven't made that determination yet, or a separate
23 operating company for those plants. We haven't
24 decided that yet. But it is one of the areas being
25 reviewed.

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1 Let me --

2 COMMISSIONER REMICK: Excuse me.

3 MR. O'CONNOR: Yes.

4 COMMISSIONER REMICK: A related question.
5 So the operating company may or may not have both
6 fossil and nuclear?

7 MR. O'CONNOR: That's correct. My own
8 view is that it would not have fossil. It would be a
9 separate nuclear operating company.

10 The resources are there. Our Board and
11 our management is focused and our commitment to
12 sustained improved performance is total.

13 Now I'd like to ask Mike Wallace, our CNO,
14 to provide details supporting the initiatives that
15 I've discussed. As you know, Mike was appointed our
16 Chief Nuclear Officer in June of 1993 and then was
17 promoted to his present position as Senior Vice
18 President of the company in December of last year.

19 Mike?

20 MR. WALLACE: Thank you, Mr. O'Connor.

21 I'd like to start by introducing the other
22 members of my senior team who are here with us today
23 besides Lou DelGeorge. Behind me, and I'll ask them
24 to identify themselves, Warren Murphy, our site Vice
25 President for LaSalle; Mike Lyster, our site Vice

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1 President for Dresden; and Rich Pleniewicz, our site
2 Vice President for Quad Cities.

3 (Slide) We're not here today to speak to
4 you about our good performers, but frankly to focus on
5 the boiling water reactors where we have our
6 challenge. This first slide merely highlights some
7 aspects of our better performers. I would like,
8 however, to spend just a minute on Zion.

9 We find ourselves today in a much improved
10 position on Zion compared to where we were three years
11 ago. I think the turn around that we've accomplished
12 at Zion has been a very meaningful learning experience
13 for us as well as serving in some respects as a
14 prototype for what it takes. I'm pleased to say that
15 in 1993 the two units at Zion experienced
16 correspondingly consecutive runs of 278 days and 224
17 days. I use that not as an indicator of a push on
18 production, but rather as an indicator of the
19 reliability of the equipment today far different than
20 what it was three years ago. Moreover, we are this
21 week completing our dual unit service water outage at
22 Zion that has been underway for the past six months
23 with both units shut down. We are on schedule for the
24 first unit to come back on-line next week and the
25 second unit two weeks later. That outage overall,

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1 besides being on schedule, is below budget and below
2 person rem exposure. So, we believe we've also
3 demonstrated the ability to plan and execute very
4 complicated work activities according to a very
5 exacting schedule.

6 Zion also serves as a prototype for how
7 we're moving forward now in the guise of the present
8 site Vice President, Dick Tutken who was general
9 manager there two years ago. In fact, nis position
10 was the prototype for what later became the site vice
11 presidents.

12 (Slide) If we can turn to slide 7, I will
13 tell you that we have work to do where our BWRs are
14 concerned and the latter part of my presentation will
15 focus specifically on them.

16 Additional improvement is still needed at
17 Dresden. We have come a ways. We have improved. We
18 believe the staff sees areas where that also has been
19 the case, but we simply have to pick up the pace at
20 Dresden and we have more to do.

21 In discussing Quad Cities and LaSalle, let
22 me tell you we are not satisfied with our performance
23 at those two sites today and we share the Commission's
24 concern for Quad Cities and LaSalle. In the pact,
25 quite frankly, we've not done as good a job as we

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1 should have. In the case of Quad Cities, we've
2 identified material condition and the acceptance of
3 work arounds as two of the more significant issues
4 that we are facing. In the case of LaSalle,
5 performance has been inconsistent. It is not at all
6 at the levels that it was at a half a dozen years ago
7 and performance needs to significantly be improved in
8 a number of areas including radiological work
9 practices, material condition and overall personnel
10 performance.

11 (Slide) If we can turn to slide 8.

12 A number of recent events that we've
13 experienced bring sharp focus to the sense of urgency
14 that we have accepted in moving forward with our BWR
15 improvements. This slide identifies a number of
16 those. I'll just highlight a couple.

17 In the area of human performance, we have
18 had incidents involving radiological work practices
19 that we find totally and wholly unacceptable. A
20 particular incident occurred at LaSalle involving two
21 radiological workers. I can tell you that we don't
22 know today exactly what caused that incident. We
23 believe it may have been horseplay. But regardless of
24 the cause, it is unacceptable. We're not going to
25 accept other than strict adherence to radiological

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1 work practices and a solid respect for radiation and
2 we're taking steps to move forward.

3 In fact, I might digress just to put focus
4 on LaSalle for a moment. Last week several times
5 Warren Murphy and I discussed our overall performance
6 at LaSalle and on Thursday last week decided to extend
7 the present forced outage on Unit 1 which was due to
8 come to completion this week into the refueling outage
9 which is scheduled to start on March 18th. We're
10 doing that in order to continue to work on degraded
11 equipment issues for LaSalle Unit 1 without changing
12 the ultimate end date of the refueling outage that
13 we've set for ourselves. That frankly is one
14 indicator of where our commitment to do what it takes
15 is irrespective of budgeted outage time set aside or,
16 frankly, budgeted funds set aside.

17 Further, on Friday of this week at
18 LaSalle, in the morning, we held a station stand-down.
19 That's something we've done at times in the past. I
20 have personally be involved with that, as a matter of
21 fact, and I find them at times, when done
22 appropriately, to be very effective. Warren Murphy,
23 the site Vice President, the union chief steward and
24 I addressed all workers on site, probably over 500
25 individuals, both Commonwealth Edison and contractors,

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1 expressed to them our dissatisfaction with the present
2 state of performance, expressed to them the urgency to
3 pay absolute attention to radiological work practices
4 and have a solid regard for safety in everything that
5 they do. We've provided to them then a series of
6 questions that we wanted them to ponder and we
7 suspended all work for the rest of that day and
8 through the weekend except for critical operations
9 associated with operating the unit and that work
10 activity which was tied to important safety system
11 activities that were ongoing.

12 The whole point of that was to grab the
13 attention of the site in a very dramatic way, in a way
14 that allowed us to emphatically indicate that we
15 simply won't tolerate the type of performance we've
16 seen in the past and it's going to change and it will
17 change.

18 This morning, additional stand-down
19 activities took place involving all the work groups
20 with their department heads through several hours of
21 discussion as the department heads pursued in more
22 detail just what needs to be done area by area to
23 improve performance at LaSalle. That activity is all
24 just the start of our thrust for raising expectations
25 at LaSalle.

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1 CHAIRMAN SELIN: Let me just make
2 something clear. I'm sure that what I'm going to say
3 to you is not all that different from what you may
4 have said to Mr. Murphy or the plant, but it wasn't an
5 isolated incident. There have been eight instances
6 just in the radiological area in about the last 12 or
7 13 months, including two in February after all the big
8 fuss about the problem before and I must stress that
9 there's just no excuse for radiological health and
10 health physics problems. Those don't involve fancy
11 engineering or anything else. The one thing a plant
12 should always be able to do just through effort and
13 attention is to control its health physics and
14 radiological health problems. There can't be a more
15 outstanding indicator of management or cultural
16 weaknesses than that kind of repeated set of just bad
17 practice at LaSalle in the radiological health area.

18 MR. WALLACE: Mr. Chairman, I share your
19 observation and concern precisely. That is what led
20 us to the dramatic actions we took on Friday with the
21 work force and that was exactly part of the message
22 that we delivered.

23 Continuing forward, there are a number of
24 areas that need improvement that fall into the
25 category of management effectiveness. Just one that

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1 I'd like to highlight, among those that are shown
2 here, quite frankly, relates to Dresden Unit 1. we
3 all missed focusing on Dresden Unit 1 in the way that
4 should have been appropriate for that facility.

5 Activities have been in our plans, but the
6 level of management attention and awareness at all
7 levels, corporate and site, was not clearly enough
8 focused to assure that we were taking the actions that
9 we need to be taken at Dresden Unit 1. Our plans are
10 now more focused. Responsible individuals are fully
11 in charge and accountable for Dresden Unit 1. We have
12 taken a number of steps already and have other actions
13 planned in a two week, one month and three month
14 series of actions that will bring that situation
15 totally and fully under control.

16 (Slide) If I can move to slide 9, please.

17 COMMISSIONER REMICK: I presume the thing
18 you're talking to is a recent pipe break because of
19 the weather conditions at Dresden 1? Is that right?

20 MR. WALLACE: Yes, sir, that's correct.

21 This slide identifies in a general way,
22 yet perhaps in a way that overstates a little bit our
23 problems, but the areas that we need to bring into
24 real sharp focus. We don't want to mince words. We
25 want to be very direct in the area that we think needs

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1 most improvement. Four root causes have been
2 identified here. They are the foundation to the
3 actions that we are taking as we move forward. This
4 is how we see our performance today.

5 (Slide) Moving to slide 10.

6 Our overall objective clearly is to set
7 and attain a consistent high level of performance
8 across all six of our sites. As Mr. O'Connor said,
9 our attention is riveted on the boiling water
10 reactors, but our site is not taken off of the three
11 pressurized water reactors as we go forward. We
12 believe we understand the nature of the challenge that
13 we have as shown on this slide to focus on that
14 objective and to obtain the results that we have not
15 been able to consistently attain in the past.

16 If we can move to slide 11.

17 COMMISSIONER de PLANQUE: Can you go back
18 one second? Back on 9, the multiple organizational
19 effectiveness studies. I assume what you mean there
20 is these various organizations studied your
21 organization.

22 MR. WALLACE: That's correct.

23 COMMISSIONER de PLANQUE: How consistent
24 where their evaluations?

25 MR. WALLACE: The findings and

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1 observations coming from all of those studies
2 virtually give us a certain fix on what the root
3 causes are. The same issues have come up whether it
4 was the Quad Cities, BDT, business development team
5 which is our name of the group that really did the
6 internal self-assessment at Quad Cities, or the
7 LaSalle BDT which followed the model of Quad or the
8 outside reviews done by Tanara or INPO or FPI. Even
9 some of the observations made by the Commission
10 through the SRM really are coming to an identity of,
11 we believe, the same issues and we've summarized them
12 in the four root causes shown here.

13 COMMISSIONER REMICK: Mike, is there any
14 obvious reason or is it purely coincidence that the
15 plants currently giving you the greatest difficulty
16 are BWRs? My first reaction was, well, Dresden and
17 Quad are old plants, just like Zion was, and that was
18 in trouble a couple years ago. But LaSalle is not an
19 old plant. Is there anything generic about the BWRs
20 or is it purely coincidence that your plants that are
21 giving you difficulty are BWRs?

22 MR. WALLACE: Mr. Chairman, we don't think
23 we see it as something that's generic to the BWRs.
24 Zion was in need of solid attention three years ago
25 and we provided that for Zion. We think it's

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1 important to look at each of our plants given its
2 independent history, its culture, the makeup of the
3 work force, the level of talent that we have there,
4 the level of turnover that we may have experienced and
5 that creates a characterization that is unique for
6 each of our six sites. We think it's important that
7 we not be lulled into thinking that there are simple
8 breakdowns in -- category breakdowns that is, in where
9 we need to focus. We need to always look at each of
10 our six sites as independent facilities in light of
11 the environment that they are being operated in and
12 the history they've had behind them. That's the way
13 we intend to go forward. It is just an obvious sort,
14 but it is our BWRs that today are the area of intense
15 focus.

16 COMMISSIONER REMICK: Thank you.

17 MR. WALLACE: (Slide) Moving to slide
18 number 11.

19 We are meeting our Nuclear Division
20 challenge through four major steps. The first one is
21 the restructuring of the Nuclear Division. Second is
22 the areas of focus that I personally have for high-
23 level performance. Third is leadership development
24 succession planning, and fourth is our integrated BWR
25 strategy. In the following slides I'll expand on each

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1 of those a little bit.

2 (Slide) If we turn to slide 12.

3 This slide refers to the first and the
4 most significant of the steps we are taking, I
5 believe, to turn around the performance of
6 Commonwealth Edison's nuclear performance. It is at
7 the heart of our success. With our size and the
8 variety of our plants and to allow the right type of
9 flexibility, we simply have to have focused
10 accountability and responsibility at the sites and in
11 the hands of one individual, the site vice president.
12 It's crucial that that responsibility be vested at the
13 site. It's my strong philosophy that that's the case
14 and that the role of corporate is to do everything
15 possible to support the site while at the same time
16 overseeing their activities.

17 Shown here are several things that we've
18 done with respect to that particular philosophy. Mr.
19 O'Connor mentioned the engineering resources being
20 shifted to the site, moved under the direct control of
21 the site vice president. Site quality verification
22 has very recently been upgraded. The individuals in
23 the senior positions are more experienced and
24 qualified than we've had in the past, and we are in
25 the process of transitioning that group to where it

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1 too will report directly to the site vice presidents.

2 We've established site safety review
3 boards for each of our six sites. Those boards draw
4 from individuals inside as well as outside the
5 company. To give you a bit of an idea of the breadth
6 of experience and capability that comes through that
7 process, let me just address the make-up of the BWRs
8 for you. Each board has 10 to 11 people on it. They
9 meet four times a year by their own choice, two times
10 a year by my minimal expectations. At Quad Cities,
11 the outside members of the board include Graham
12 Lietch, who was site vice president for Limerick and
13 now is at Maine Yankee; Bob Martin who was previously
14 with the Commission. At LaSalle, the makeup of the
15 outside members is Bob Byrum who is senior vice
16 president for Pennsylvania Power and Light Susquehanna
17 and Ray Wyatt who is in charge of the quality program
18 at the Clinton plant.

19 At Dresden, our two outside members are
20 Lou Storz, previously site vice president at Davis-
21 Besse, now at Nine Mile; and Dave Ward, previously
22 Chairman of the ACRS.

23 Those individuals meet four times a year,
24 two days and perform an in-depth review in
25 interactions with the people to really focus on our

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1 challenges at those plants. They provide their report
2 principally to the site vice president, but also to me
3 as an awareness of what the activities are that need
4 focus at each of our sites.

5 CHAIRMAN SELIN: Mr. Wallace, I'll come
6 back to this a little later, but I'd like to stress a
7 couple of obvious points. One is the kind of comments
8 you're going to get from the Commission you wouldn't
9 be getting if the company had done better. Obviously
10 we're more concerned about details of organization and
11 management that we wouldn't be involved in if the
12 plant -- so, I'd like to just explain that in advance.

13 But it seems that -- remember, each of
14 these sites is operating between \$5 and \$10 billion
15 worth of assets and they're major organizations and
16 certainly moving more resources down there has got to
17 be a step in the right direction. But the key thing
18 is you've got to be able to get key senior people and
19 be able to keep them there for continuity. These
20 should not be looked on as a job that's a stepping
21 stone to something else. This is a major company by
22 standards of anybody outside of Commonwealth. Whether
23 it's compensation or support or what have you, you've
24 got to be able to get and then keep in the same place
25 long enough to do some real good.

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1 The turnover in site vice presidents is
2 one of the bothersome points, to be able to attract
3 and keep them. You've obviously given them at least
4 the resources, I hope the authority to do a job. But
5 they just have to stay.

6 Commissioner Remick put his finger on
7 something. Right now the problem is the BWRs. Two
8 years ago the problem was with the old plants. A
9 couple years before that it was a problem with the new
10 plants. You need to be able to put the resources and
11 build the resources and keep them there so that there
12 isn't a fixed number of problems, it just rotates
13 among the plants as they go.

14 MR. WALLACE: Mr. Chairman, we believe we
15 understand the concern that you have in that area and
16 we share that. I'll be addressing shortly here the
17 resource issue in terms of senior personnel and what
18 we're doing to attract, retain, as well as develop
19 individuals because we believe also it's absolutely
20 key to our long-term success.

21 (Slide) If I can have slide 13, please.

22 Complementary to the site vice presidents
23 is the role of what I term the nuclear operating
24 committee within my division. That's comprised of the
25 six site vice presidents, Lou DelGeorge, my nuclear

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1 operating manager, and myself. The nine of us focus
2 as a group to establish policy and direction overall
3 to the division. That is a key activity allowing us
4 to bring consistency and coordination among the six
5 sites. The priorities that we have as a group and
6 that I personally have in leading that group are the
7 three shown here. Among the many things that we need
8 to be doing, we believe it is essential that these
9 three move forward with absolute focus on success in
10 implementing the actions that we've identified. Self-
11 assessment, work control and maintenance strategy have
12 a number of things ongoing right now. It's the
13 implementation of those actions and the measured
14 results that they're supposed to produce that we are
15 staying focused on.

16 Finally, the nuclear oversight manager now
17 reports directly to me and I have made clear to him
18 that it's my expectation that he be intrusive in the
19 operations at the sites so as to get an independent
20 and very objective view of how our performance truly
21 is moving forward in those areas.

22 CHAIRMAN SELIN: What share of the site
23 vice president's time would you expect to be spent on
24 these corporate functions?

25 MR. WALLACE: In 1994 it is going to be

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1 far less than in 1993. If I had to guess a number, I
2 would say perhaps 15 percent of their time.

3 CHAIRMAN SELIN: And they'd be expected to
4 be on-site most of the rest of the --

5 MR. WALLACE: Yes, sir, that's exactly
6 correct. As a group, it's our norm to meet one day a
7 month. Whereas last year for the sake of forming the
8 group and getting the direction going, we felt it
9 necessary to meet one day a week. It's no longer
10 necessary to keep up that sort of pace where we are
11 right now.

12 CHAIRMAN SELIN: And these people will be
13 very well recognized at their plants? I mean they'll
14 really be there on-site and their managers will be
15 with them?

16 MR. WALLACE: We expect them to be the
17 unequivocal leaders at that site and recognized by
18 everyone throughout the plant as just that. Some of
19 the discussions we've had most recently, in fact at
20 Dresden, LaSalle and Quad Cities, that I've had with
21 the site vice president are around the need to be a
22 strong physical presence setting the standards, giving
23 direction, setting the overall focus in priorities and
24 getting the feedback as to how the organization is
25 truly performing. We haven't had as much time on site

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1 by those individuals last year as we would have liked.
2 We've got much sharper focus now with a foundation
3 laid that allows them to spend, and in fact I expect
4 them to spend the overwhelming majority of their time
5 on-site and physically involved with the people at the
6 plant.

7 (Slide) If we can move to slide 14.

8 I personally have set my own areas of
9 focus that reflect where I spend my time and where I
10 want the organization to recognize I see divisionally
11 we need to be focused as we move forward. There
12 are three major areas. First is safe operations. Mr.
13 O'Connor mentioned it. I'll reiterate it. It is
14 absolutely our number one priority and it can't ever
15 become subordinate to anything else. Safety has got
16 to be our number one area of focus. I believe the
17 actions that we have taken speak louder than the words
18 to show how important we believe safe operation is,
19 whether it's safe operations tied to material
20 condition or safe operations tied to human
21 performance. If it's not there the way we see it
22 needs to be there, we're going to take the action to
23 send a message home strong.

24 Personnel development, you referred to
25 that a little bit. We need to treat that area as a

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1 crisis today so that we're taking the actions that
2 will build the Commonwealth Edison team to be stronger
3 and deeper in bench strength in the future, and I'll
4 address that a little more in a minute.

5 In today's environment, we can't ignore
6 cost competitiveness. That has to be an area of
7 focus, but it has to be kept in proper balance all the
8 time as we move forward. We've made some significant
9 gains in that area in 1993. I'm clear in my own mind
10 to conclude that those gains were not made in any way
11 as a compromise of improving material condition or
12 performance at any of our sites. They were gains made
13 by overall process improvements and efficiencies in
14 the way we do work.

15 CHAIRMAN SELIN: In the type of
16 organization, reorganization that you're thinking
17 about, would the operating company be a profit and
18 loss entity?

19 MR. O'CONNOR: We would treat it as such,
20 yes, with the reservations that in no instance, as
21 Mike said, would the safety element be compromised.

22 CHAIRMAN SELIN: I'm sure you realize and
23 I'm sure your chief financial realizes the
24 implications in terms of putting resources under the
25 head of that organization.

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1 MR. O'CONNOR: We understand that.

2 CHAIRMAN SELIN: If in fact the resources
3 are there, then the person would be held responsible
4 for what is really a very large company. Twelve
5 nuclear plants is, I don't know, forty or fifty
6 million dollars worth of assets before depreciation.
7 If he doesn't have the resources available, then he's
8 just pre-doomed to fail, so how that unit is set up
9 could either be the step that might get you over the
10 hump once and for all or an enormous obstacle or an
11 enormous albatross around the neck of the person who's
12 running that organization.

13 MR. O'CONNOR: Yes, sir, we do appreciate
14 those comments.

15 MR. WALLACE: (Slide) If we could go to
16 slide 15, please, the NRC staff in the meeting that
17 took place here several weeks ago discussing some of
18 our plants referenced Byron and the bench strength of
19 Byron as one of the strengths that that site enjoyed.
20 That's not lost on us. That's where we think we need
21 to be for all six of our plants, and the area of
22 leadership development is therefore getting very
23 significant attention.

24 The first bullet reflects the fact that we
25 are drawing into our organization capable experienced

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1 outside talent at a variety of different levels. We
2 think that is absolutely essentially to immediately
3 arrest the decline in performance that we are
4 experiencing. There is no alternative to that for us
5 in the short term.

6 As Mr. O'Connor mentioned, three of our
7 site vice presidents are from the outside and before
8 the end of this week we will be announcing a fourth
9 individual joining us. Two of our station managers
10 are from the outside, the Quad City station manager
11 coming from experiences at Carolina Power and Light,
12 TVA, and Savannah River, and the LaSalle station
13 manager coming to us after a series of successes at
14 Haddam Neck. Both those individuals, we believe,
15 coming on board in September of last year and January
16 of this year are critical and will be very pivotal to
17 Quad Cities and LaSalle moving forward.

18 I might mention just for a minute, we were
19 a bit delayed in filling our station manager position
20 at LaSalle, as you may be aware, and let me explain
21 why that was. When we moved the prior station manager
22 from LaSalle to Dresden, we had the perspective that
23 LaSalle was not a plant at the state of performance
24 that we are now finding it is in. Our first thrust
25 was to attempt to replace that station manager from

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1 inside.

2 After nearly two months of interviewing
3 individuals, the site Vice President, Warren Murphy,
4 and I concluded that we were not going to be satisfied
5 doing that and we therefore late launched an outside
6 search which only came to completion in December with
7 the individual reporting on board in January. We were
8 delayed in doing that, but we're very pleased to have
9 Don Ray on board as the Station Manager at LaSalle and
10 think that will be very important to us as we move
11 performance forward.

12 In the technical --

13 COMMISSIONER REMICK: Mike, my impression,
14 your station managers the last couple years, the
15 tenure has been exceedingly short. Am I correct? In
16 other words, it seemed like you changed station
17 managers, I think, at every station and they were
18 somewhat short-lived. That's the impression I have.
19 Please correct it if I'm wrong.

20 MR. WALLACE: We have changed five of our
21 six station managers in the past 13 months. Drawing
22 the resources in from the outside is the critical
23 immediate step that we need to take to start building
24 strength and stability into our organization and
25 that's why we are drawing people in from the outside.

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1 We fully appreciate that frequent movement
2 of senior level people at our sites is not going to be
3 conducive to sustained performance. We're building
4 the team now and as that team is built these
5 individuals are expected to be there for significant
6 periods of time. Drawing that resource in is critical
7 to preclude otherwise shifting resources around to try
8 and meet the needs.

9 The second step that goes right behind
10 that is we've got to then develop the bench strength
11 in our organization at a variety of levels so that
12 there are not just a few key people who are the ones
13 who are able to move around filling key positions.

14 COMMISSIONER REMICK: Of the five -- of
15 the six that are new, are they experienced as station
16 managers? What generally is their background, without
17 going into personalities?

18 MR. WALLACE: Well, two of the five are
19 drawn from the outside. I just identified, talked
20 about those two.

21 COMMISSIONER REMICK: Were they station
22 managers elsewhere or were they up and coming --

23 MR. WALLACE: One individual was at Haddam
24 Neck. The other individual was not in that position,
25 but his experiences in the industry impressed us that

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1 he had the leadership style and the skills that it
2 takes to function as a station manager and we're quite
3 impressed with what we see from that individual since
4 he's been in the job the past four months.

5 Among our other sites, one of the
6 individuals, the individual at Dresden was a short
7 time at LaSalle and prior to that Technical Production
8 Superintendent and prior to that a Technical
9 Superintendent, so he didn't serve as a station
10 manager for a long period of time.

11 We have a new individual, a station
12 manager at Zion. He was not previously a station
13 manager.

14 The station manager at Braidwood has been
15 there for some time.

16 And the present station manager at Byron
17 has been at that site as production manager for quite
18 a period of time and moved up one step.

19 So, it's a mixed bag in terms of previous
20 experience in the role of station manager.

21 COMMISSIONER REMICK: Do you have any view
22 on what the tenure on the average should be of
23 somebody like a station manager? What is your goal?

24 MR. WALLACE: I have a strong view on
25 that. We've had discussions of it. I believe a

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1 station manager should stay for about five years and
2 not much longer. After a five year period of time, I
3 believe there becomes too much ownership in the state
4 that a station has come to and there therefore may be
5 reluctance to actually change and move forward, and a
6 five year period of time planned properly I believe is
7 appropriate for a station manager to move on.

8 COMMISSIONER REMICK: What is their career
9 path after station manager in Commonwealth?

10 MR. WALLACE: There are opportunities
11 potentially as site vice president. There are
12 opportunities for general managers, positions in our
13 corporate office. There may be opportunities in other
14 areas of the company also as we go forward.

15 MR. O'CONNOR: We might take one example
16 of what we consider to be a very good station manager
17 at Zion, Tom Joyce. Tom Joyce, who had been there for
18 about three years and was largely responsible we think
19 for changing the culture, came into the corporate
20 offices in charge of the nuclear side of our new
21 procurement project which is a very major initiative
22 in the company and he has been extraordinarily
23 successful this past year in that role, but it's also
24 broadened him considerably from the role that he had
25 as a station manager.

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1 We did have a couple of station managers
2 there at the company at LaSalle and at Quad Cities,
3 who had been there a long time, over ten years in
4 their respective positions, and we are putting a lot
5 of attention on the question that was asked as to what
6 is the right period of time. I think Mike's answer is
7 pretty much what we've concluded, that there does come
8 a time where you become so invested in re you are
9 that it's very hard to change.

10 COMMISSIONER REMICK: Thank you.

11 MR. WALLACE: Moving on in the tech
12 superintendent area, two of those individuals have
13 been drawn in from the outside, one from Calvert
14 Cliffs, he now is at Quad Cities, and one an INPO
15 reverse loanee. That's the technical superint nt
16 at Zion who came on board this past January. Both
17 those individuals are new additions to the team.

18 In the area of system engineers, we have
19 recently established and are now implementing a
20 program for senior system engineers that we think is
21 going to be very valuable in bringing some high-level
22 very capable talent into our organization across all
23 six sites at the system engineer position. We've
24 established it with an objective of providing a career
25 path direction for individuals who really want to work

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1 with great technical focus and not necessarily
2 supervisory responsibilities.

3 We've established in this program three
4 knowledge and compensation levels that range from four
5 years and an undergraduate degree with 11 years
6 industry experience at the lower level to a masters
7 degree in engineering, 17 years industry experience,
8 11 in a systems type environment, registered
9 professional engineer, and a number of other
10 expectations in areas of certification and
11 qualification.

12 We are now in the process of identifying
13 36 individuals, six for each of our sites, and in
14 going through that process we have established a
15 selection board that will assure that we are bringing
16 consistent high standards to the selection of
17 individuals for this new career path. That board is
18 made up of five individuals, two of whom will come
19 from a number of individuals who have agreed to assist
20 us in this capacity from outside the company. Three
21 individuals who are part of the pool to serve on this
22 board include Howard Freund, recently retired Senior
23 Vice President from Bechtel Corporation; Bob Brodski,
24 who works as a consultant in the industry after a
25 number of years with Naval reactors; and Dave Ward,

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1 Former Chairman of the ACRS, who will also serve as a
2 member of this board.

3 We're bringing, we believe, a very
4 professional and high level of focus to the
5 requirements that we expect individuals to have in
6 assuming these positions. They will then become
7 mentors and coaches and role models for our other
8 system engineers out at the sites.

9 COMMISSIONER REMICK: In addition to the
10 qualifications of those people, have you decided what
11 their job will be? In other words, has it been
12 defined? I've seen cases where people have brought
13 systems engineers on board and it was kind of up to
14 them to find out what their job was.

15 MR. WALLACE: Yes, sir. We've gone
16 through a rather detailed process. This program, if
17 you will, I believe is very well thought out and
18 documented. Roles and responsibilities are
19 identified. Career path expectations are identified,
20 as well as I've mentioned the whole selection process
21 that includes competencies and skills as well as
22 credentials. So, there is a lot of effort that's gone
23 into defining their roles and responsibilities.

24 I might add, the group that we engaged to
25 help us frame this whole program is indicative of the

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1 strength I think we have, the diversity. Our six
2 station managers are the ones who put this program
3 together, not with a lot of time commitment on their
4 part, but they're the ones who now really own this
5 program and own the capabilities these individuals
6 will bring to them as resources on their site.

7 (Slide) If we can move to slide 16, in
8 terms of the challenges, there are a number of things
9 that we need to do immediately and some actions that
10 we've already taken.

11 My purpose today is to focus primarily on
12 the immediate areas that need attention for us to
13 arrest the decline in performance at our BWRs. There
14 are, of course, mid-term actions that deal with a
15 longer period of time, the next few years, and there
16 will be specific items that are part of the course of
17 action that we identify dealing with the mid-term.
18 Beyond that, there are long-term actions that we think
19 are important to take us forward to where all of our
20 plants are going after the benchmark level of
21 performance that Byron represents.

22 (Slide) But today, going to the next
23 slide, we need to focus on the immediate improvement
24 strategy at our BWRs. Clearly one of our shortcomings
25 in the past has been that we have not carried through

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1 on our programs. Therefore, as an important part of
2 our going forward, an important aspect of management
3 oversight is that we are able to demonstrate to
4 ourselves real time steady measured improvement at all
5 three BWRs.

6 These are the four areas that we've
7 identified as the ones that need most concentrated
8 focus and improvement. I'll discuss each area just a
9 little bit more, but first with slide 18 let me tell
10 you a little bit about how we, and "we" means both the
11 site and corporate, intend to track our progress in
12 this area.

13 CHAIRMAN SELIN: Mr. Wallace, I don't mean
14 to be flip, but there isn't much more than these four
15 areas in running a plant. I mean, this basically
16 covers just about all there is in operating a plant.

17 MR. WALLACE: I would suggest, Mr.
18 Chairman, in the way we've analyzed these four areas,
19 there are other things. These are the ones, the
20 areas, that we think need high profile focus to turn
21 around performance improvement.

22 What's most important here, I think, are
23 the metrics that we've identified and the targets that
24 we are setting and the mechanism that we are
25 implementing to assure that we're actually

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1 accomplishing the results that we expect to see.

2 We've established a series of metrics to
3 measure our progress as we go forward. They are the
4 standards against which we will hold ourselves
5 accountable, and for those metrics we're not only
6 establishing acceptable levels of performance
7 threshold but stretch goals. And not just where we
8 want to be in the long-term, but really with a bit of
9 a short-term focus. It's our intent to use these as
10 the basis of dialogue between myself and the site vice
11 presidents. I also expect to present them to our
12 Board, Nuclear Operations Committee, and for them to
13 track our progress month to month as we move forward
14 across the BWRs.

15 COMMISSIONER REMICK: Have you had
16 experience with these metrics in general, like at Zion
17 or Byron? Have you had any experience with them?
18 Will they be used across the board?

19 MR. WALLACE: In a number of cases, these
20 metrics are not new. They are metrics that are out
21 there right now to measure performance.

22 One of the things we are doing is using
23 Byron as our benchmark, internal benchmark, for an
24 adequate acceptable and even high performance level of
25 achievement that's realistically attainable.

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1 In some cases, these metrics are new and
2 they are focused specifically on the BWRs. They
3 relate to those areas where we think we need to make
4 the biggest change and assure that we're getting the
5 right results, so there's a combination of some things
6 that exist and can be benchmarked and some others that
7 are more focused just on the BWRs as we move forward.

8 In the area of material condition, our
9 overall objective is to improve the condition to
10 restore the safety margin at our sites. Some of the
11 examples of recent actions are identified here. I'm
12 not going to take the time to go into all of them.
13 I'll just mention Quad Cities, perhaps.

14 We have had two maintenance outages at
15 Quad Cities performed at the end of last year and we
16 think that itself represents another action that
17 speaks louder than words about our resolve to fix the
18 problems and get performance up. A lot of work was
19 done, again, unbudgeted outage weeks and in excess of
20 the resources that were intended to be provided, but
21 we're going to do what it takes and we understand that
22 we are expected to do what it takes to improve
23 performance. Those outages are one indication of
24 that.

25 CHAIRMAN SELIN: One of the things I had

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1 in mind when I was asking about reserve margins, et
2 cetera, is the possibility of setting less stringent
3 performance objectives for Quad Cities and some of the
4 others because the accumulated maintenance backlog
5 seems to be really horrendous there. The material
6 condition isn't that bad in the sense that the plant
7 operates, but it is in the sense that -- I haven't
8 been there, but it's been described to me that as you
9 go through the plant there are just so many different
10 places where maintenance is long overdue, where people
11 have worked around rather than fix the problems, that
12 you would have to set some kind of reasonable
13 objective to really work off this backlog and perhaps
14 that's not consistent with the kind of performance you
15 would expect from -- economic performance you would
16 expect from the plant in the short-run.

17 MR. WALLACE: Mr. Chairman, as we've set
18 our plans for Quad Cities, it's been first and
19 foremost with a focus of turning around plant
20 performance, not with obtaining some sort of capacity
21 factor or availability factor goal. That will come in
22 the long-run if we're paying the proper attention and
23 putting focus to upgrading the material condition of
24 the plant in the short-run. That's what's led to the
25 very specific plan that we've developed for Quad

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1 Cities. It includes a refueling outage on Unit 1 this
2 spring followed by a maintenance outage on Unit 1 next
3 fall followed by a refueling outage on Unit 2
4 beginning in January of next year.

5 We are going at Quad at what we believe is
6 the right pace to assure success. It's important,
7 recognizing all the work that we want to do, to assure
8 that we have a plan that can be carried out
9 successfully. That requires staging the work,
10 assuring the parts are there, getting the planning
11 done so the work can actually be executed as intended.

12 We've set the scope of this spring's
13 outage and the scope of the maintenance outage in the
14 fall fully devoted toward Unit 1, and yet with the
15 full awareness that at any point in that period of
16 time we may need also to address issues related to
17 Unit 2, but we're driven to improve performance at
18 those plants more so than right now in the short-term
19 attaining a capacity or availability factor.

20 CHAIRMAN SELIN: Does that suggest that
21 there's a date at which you would expect the
22 maintenance backlog at Unit 1 to be more comparable to
23 industry standards and thereafter at Unit 2?

24 MR. WALLACE: The process that we have set
25 in place, and this gets to the mid-term plan

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1 differentiated from the intermediate plan, but the
2 mid-term plan is four refueling outages on Quad
3 Cities. That takes us from now to the end of 1996.
4 That's the period of time that we think it will take
5 for us to address all of the issues and bring Quad
6 Cities to a level of performance that I would
7 characterize as good solid performance vis a vis the
8 industry standards. That does not take us to a level
9 of performance where I would think we can begin to
10 characterize as world class or among the best. That
11 comes after 1996.

12 But we think that kind of time frame is a
13 realistic planning horizon in light of lead times for
14 certain materials, in light of the fact that some of
15 the problems we have at Quad Cities we don't fully
16 understand well enough to identify the fix and thereby
17 get the parts and the design and so forth.

18 CHAIRMAN SELIN: I think I like what I
19 hear, but I want to make sure that -- you know,
20 sometimes people, when they say we want to get up to
21 solid performance in two years and world class in two
22 years, they're really just talking. I mean, they
23 don't have specific ways of measuring, so I understand
24 what you are saying.

25 You're saying that the definable,

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1 quantifiable elements which are in Quad Cities not
2 exclusively but heavily tied towards maintenance
3 backlogs and maintenance work to be done would be
4 worked off within two to three years to the point
5 where you would be at a sustainable level of backlog
6 that would not be embarrassing to the company. And
7 even if you wanted to go fast, it would be hard to go
8 fast just because there is so much to be done and
9 there are things to be scheduled. There are
10 resources, people as well as parts, to be scheduled,
11 et cetera.

12 MR. WALLACE: Mr. Chairman, by way of
13 direct comparison, if I can refer back to Zion, Zion
14 three years ago was dealing with a number of material
15 condition issues, backlogs, equipment reliability
16 issues. It simply was not possible for us to correct
17 all those in 12 months or 15 months time, but as we
18 sit here today, and I highlighted a little bit
19 earlier, three years later we believe we have a lot of
20 that behind us. We believe that performance in 1993
21 evidenced a station that is running more reliably and
22 we think realistically that's the time frame that it's
23 going to take us to fully deal with the issues that
24 need addressing at Quad Cities.

25 CHAIRMAN SELIN: You should know that

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1 there's some skepticism about, as the attention gets
2 elsewhere and Tom Joyce leaves the plant, that Zion
3 will stay at the level that it's achieved. I assume
4 that's a skepticism that's shared in your headquarters
5 and not just year.

6 MR. WALLACE: I think it's a healthy
7 skepticism to have, but I'll also identify that Dick
8 Tutken, our site Vice President, has been there for
9 the past two and a half years since he predates the
10 present site vice president role, and he is very much
11 a leader and the site Vice President in charge of
12 Zion. I have every confidence that Dick and the rest
13 of the team, even without Tom Joyce, are going to be
14 able to assure that Zion sustains excellent
15 performance as we go forward. It is a healthy
16 skepticism, I think, for us all to have and we will
17 continue to watch that as we go forward.

18 (Slide) Slide 20 identifies for the area
19 of material condition some of the metrics that we are
20 intending to look at. These are the ones that we are
21 intending to track at our BWRs to assure that we have
22 the right ones. I'm pleased to say that we will be
23 meeting with the staff on Thursday and it is our hope
24 on Thursday that in a more detailed discussion of some
25 of these metrics, if the staff has any comments that

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1 would be helpful to us to take into consideration as
2 we crystalize the ones we are solidly going to focus
3 on, we surely will be appreciative of that input.

4 (Slide) Moving to slide 21, the area of
5 radiation protection, I've talked about that a bit
6 earlier when I mentioned LaSalle.

7 It is our objective to reduce personnel
8 contamination, source term, and enhance worker respect
9 for low-level radiation across all three of our BWRs.

10 Some of the recent actions that we are
11 taking are shown here. I'll just highlight one.

12 For Dresden and LaSalle, we have broad
13 resources from the outside, from INPO, in both cases
14 reverse loanees. In the case of LaSalle, coming on
15 board next week will be the individual who is the
16 Director of the RP Division for INPO. He has a vast
17 perspective on the industry experiences in this area.
18 He will be with us for an extended period of time and
19 we are very appreciative of INPO providing him and
20 we're sure that he will help us bring focus in this
21 area.

22 CHAIRMAN SELIN: I'm glad you've mentioned
23 that, because I think it would be unfortunate if the
24 concentration at LaSalle were taken to suggest that
25 the other two BWRs had decent performance. I mean,

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1 they're all problems in this particular area. LaSalle
2 is a little bit more egregious because the incidents
3 have been more discrete and the plant is a newer plant
4 and sort of less reason to expect that, but that you
5 have a broad approach to this is really very positive.

6 MR. WALLACE: Mr. Chairman, our focus is
7 across all three BWRs. Performance today is not where
8 we want it to be. We are simply not satisfied and
9 we're going to be driving very hard on this area to
10 move it forward.

11 (Slide) If I can go to the next slide,
12 slide 22, I won't take the time, but that identifies
13 again some of the metrics that we are intending to use
14 here and which we will be discussing further with the
15 staff.

16 (Slide) Slide 23 moves into the area of
17 problem identification and corrective action. We need
18 to develop a self-critical culture across our BWRs.
19 We need people to be finding and quickly reporting
20 problems at the worker level so that we're able to
21 clearly and succinctly address them. We have had some
22 successes at Zion with our integrated reporting
23 program in this area and it's that model that we are
24 using in now moving into the BWRs. Moreover, Dresden
25 has also begun to see some successes in this

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1 particular program.

2 (Slide) The metrics, on page 24, that we
3 are going to use, PIF refers to problem identification
4 form. That's the acronym for the tool that our people
5 can use to identify problems.

6 (Slide) If we can move to slide 25, the
7 fourth area that we are focusing on is human
8 performance. While that is very broad-based, our
9 specific objective is error-free operation.

10 The recent actions we've taken, we
11 believe, evidence our commitment that the performance
12 we've had in the past is simply unacceptable and won't
13 be tolerated. The LaSalle stand-down and the feedback
14 we've received not only has an impact on LaSalle, but
15 the word of that activity moves around the system real
16 fast and has an almost equal impact on the other five
17 sites as they see management's direction speaking very
18 loudly through our actions that we are going to have
19 good performance in error-free operations.

20 The one other example I might highlight
21 here, at Dresden, two of our senior managers, the
22 station manager and the maintenance superintendent
23 themselves violated radiological work practices and
24 when they did they turned themselves in and
25 voluntarily took a day off without pay as further

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1 actions speaking louder than words of the standard
2 that we are holding all of our selves accountable to,
3 and that was a self-initiated activity by those
4 managers at Dresden that we think speaks very loudly
5 for where we're trying to take the whole organization.

6 COMMISSIONER REMICK: Mike, I realize
7 you're calling error-free operation an objective and
8 I certainly support that, but there are very few of us
9 who don't make errors, other than perhaps thee and me.
10 Any chance that your operators or your plant
11 personnel, excuse me, might misunderstand that and
12 therefore be reluctant to admit an error if the
13 objective is seen to be something that's too high or
14 there's a punishment and so forth? It seems to me
15 there's a balance somewhere. I realize you're talking
16 about it as an objective or a goal.

17 MR. WALLACE: We recognize it's very
18 important how they view actions that we take when
19 errors occur. There are instances where errors occur
20 and they clearly represent neglect and not the type of
21 forward thinking that an individual ought to have, in
22 which case discipline, even discharge is warranted and
23 we've taken that sort of disciplinary action. There
24 are other times when a much more positive form of
25 discipline is really called for and, in fact, we

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1 encourage our people to identify problems for us, via
2 the PIF process or by coming directly forward so that
3 we can analyze with them what the traps were that
4 caused them to make those errors.

5 It's a fine line and as we have any
6 personnel error, we balance very carefully whether
7 discipline is warranted or, frankly, whether that will
8 create disincentive for people coming forward with
9 errors because the culture we're trying to create is
10 a self-critical culture at the worker level and the
11 signals we give are very important.

12 COMMISSIONER REMICK: I agree.

13 MR. WALLACE: (Slide) Moving to slide 26,
14 some of the metrics that we will be tracking in that
15 area.

16 (Slide) And if I could have slide 27.

17 The oversight of these BWR improvement
18 initiatives, short-term immediate initiatives I think
19 is very important. At the officer level, we are going
20 to stay very specifically focused on the BWRs. In
21 particular, to assist with that, Lou DelGeorge will
22 put sharp focus on Dresden. I will put sharp focus on
23 Quad Cities and LaSalle. And yet we are not ignoring
24 the PWRs, we are merely recognizing that this is a
25 time for very extraordinary focus on BWR performance.

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1 Corporate will be involved in monitoring
2 the metrics that I've talked about here on a regular
3 basis to assure that the improvement strategy is being
4 carried out. And in any area where we don't make the
5 metrics, we're going to be looking for why that is,
6 lack of support, lack of attention, lack of resources
7 and whatever we identify that problem to be, we're
8 going to fix it on the spot and move forward.

9 The third bullet reflects the fact that we
10 continue where we see the benefit to use outside
11 resources to help us focus on how well we really are
12 moving forward. At Quad Cities, we brought on board
13 an independent team, management plant oversight team,
14 as we call it. It's comprised of three individuals
15 from the industry, Bob Brodski, O.J. Mavro and Phil
16 Hildebrand, who as a team have had experiences working
17 with Indian Point for Consolidated Edison, Davis-Besse
18 before that, Perry most recently. We're very
19 impressed with the approach that they can bring to the
20 table. And the discussions that I had with them have
21 been very clear where we in particular need their
22 focus is on assuring that we are implementing the
23 actions and getting the results since that's where in
24 the past we have traditionally fallen short in
25 creating performance improvement. They will be

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1 focused on Quad Cities generally three days a month
2 with some focus also provided to LaSalle.

3 I mentioned that on March 3rd, this
4 Thursday, we will be discussing the details of our
5 performance improvement initiative, the short-term
6 actions with the staff, and we welcome the opportunity
7 to discuss with staff at future meetings how we are
8 moving forward in these areas.

9 What I've outlined I hope you will see as
10 an aggressive approach to arrest the decline in
11 performance. Some actions taken, people actions,
12 process actions and some strong action by senior
13 management that is, we believe, getting the attention
14 of our people and setting what the standard is going
15 to be for the future. The way things have been done
16 in the past are not going to be tolerated for how
17 we're going to do things in the future, period. I
18 believe that message is getting across.

19 We will meet our commitments and we are
20 going to do whatever it takes to meet those
21 commitments. It's clear to me from Mr. O'Connor and
22 the Board of Directors that my job is to run these
23 plants safely and reliably and do whatever it takes to
24 make sure that happens, and I take that responsibility
25 personally and very directly and won't let a stone be

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1 unturned to assure that we get to where we want to be
2 in the intermediate, midterm and long-term with our
3 nuclear program.

4 (Slide) If I can go to the next slide,
5 I'll just highlight the specific resources that we
6 have provided for the Nuclear Division.

7 This shows where we've been over the past
8 several years, through 1993, and where we are
9 projected for '94 and '95. The downturn in '93 is
10 fully a function of our expenditure experience in a
11 year when we went aggressively after process
12 improvement without any compromising of safety or any
13 deferral of maintenance or needed work. Our budget
14 for that year was \$73 million higher than what our
15 actual performance turned out to be. The resources
16 were there if we needed them. We're finding ways to
17 do things much more efficiently.

18 Just one example, and there are literally
19 thousands, in the area of security, we reduced our
20 expenditures in 1993 by 15 percent, reduced our guard
21 force by 25 percent, saved over \$5 million and we're
22 confident we did not decrease the level of
23 effectiveness of security at any of our six sites in
24 doing that. That's indicative of the type of process
25 improvement that we need to make and, once made,

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1 becomes sustained going forward. You can see that in
2 '94 and '95 our resources are not only not down, but
3 in fact up a tad from '93. I'm absolutely confident
4 that these resources are adequate to do what needs to
5 be done, but I also understand why charge is to get
6 the job done. If there are problems with the
7 resources, my expectation is that Mr. O'Connor and the
8 Board of Directors expect me to tell them that that's
9 the case. But at this point we're quite confident
10 that our plan can be implemented with the resource
11 levels shown here.

12 (Slide) Finally, with slide 29.

13 To summarize, we are committed to
14 improvement. The integrated improvement strategy
15 charts our course and it allows us to set out very
16 specific performance levels that we will hold our
17 people accountable to and measure them against. The
18 standards in the past have been too low. The
19 standards are going to be raised significantly and
20 inability to meet the standards is not going to be
21 tolerated across the board. We're taking immediate
22 actions to accomplish just those sort of results and
23 we think that's what will create fundamental culture
24 and ultimately get us in a position where we are
25 performing to the goals that we think are achievable

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1 in the long-term.

2 I'll tell you finally, a bit pedantic, but
3 to say it again, I'm absolutely in control of the
4 nuclear program at Commonwealth Edison. I take that
5 personally in my commitment that we are going to turn
6 around. BWR performance is as solid as I can tell you
7 that it can be. Moreover, I'm supported by Mr.
8 O'Connor and the Board of Directors in any way that I
9 could ask to be supported to make that happen. The
10 actions that need to be taken will be taken, whatever
11 they are, dealing with people or process or changes to
12 our plans for the physical plant. We simply are going
13 to turn around our performance and put us in a
14 position where our BWRs are at and moving above
15 industry average going forward.

16 With that, I'll turn it back to Mr.
17 O'Connor.

18 MR. O'CONNOR: Mr. Chairman, with your
19 permission, I'd like to ask Doctor Edward Mason, who
20 is the Chairman of our Nuclear Operations Committee,
21 to make a brief statement.

22 CHAIRMAN SELIN: Of course.

23 COMMISSIONER REMICK: I'd just like to say
24 before Doctor Mason starts, I'd like to welcome him.
25 He's a former academic colleague and also a former

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1 Commissioner.

2 DOCTOR MASON: Thank you. Thank you.

3 I'm pleased to be here. As I walked in
4 the room, I'd never been here before. The facilities
5 are much better than what I enjoyed some 17 years ago
6 when I was sitting on your side of the table.

7 But as Chairman of the Nuclear Operations
8 Committee of Edison's Board, I appreciate this
9 opportunity to make these comments to you. I intend
10 to review the Committee makeup, its activities and its
11 perceptions.

12 The Committee is comprised of retired Vice
13 Admiral Lando Zech, as you know, and Byron Lee, who
14 was an Executive Vice President of Commonwealth Edison
15 before he went to NUMARC, and myself. We represent a
16 number of years of nuclear regulatory, nuclear
17 utility, and Navy experience, ACRS experience and
18 consulting experience in the nuclear field, somewhat
19 unusual I think for nuclear utilities to have this
20 much experience on its Board of Directors.

21 The Committee receives -- in addition to
22 our past experience, we receive monthly reports from
23 Edison.

24 Is there a light here? Oh, it doesn't
25 come on. That's all right.

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1 CHAIRMAN SELIN: Doctor Mason, do you want
2 to just come up to the table here?

3 DOCTOR MASON: All right. Thank you.

4 The Committee receives semi-monthly
5 reports on all of its nuclear activities, as well as
6 other internal topical reports. We receive copies of
7 all SALP and INPO reports and we also follow the
8 nuclear industry and its technical developments
9 through its technical publications.

10 In addition to the Committee, we have two
11 consultants which were added about six months ago at
12 the request of and the suggestion by the Committee.
13 They are Doctor Arden Namen' and retired Vice Admiral
14 Peter Heckman, who bring extensive experience in the
15 field of nuclear materials, operations, maintenance
16 and construction of large engineering systems,
17 including nuclear systems, plus management of large
18 technical organizations. Already they've made
19 valuable contributions to our deliberations and
20 reviews.

21 The Nuclear Operations Committee of Edison
22 is proactive and as intrusive as we can be without
23 preempting nuclear management. We make visits to each
24 of Edison's nuclear stations at least once a year to
25 hear presentations on station performance and plans,

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1 to interview station on associated central staff
2 personnel, praising their knowledge, their aptitude
3 and their attitudes. We also make inspection tours of
4 the stations.

5 At each meeting we review any unusual
6 events that have occurred at any of the stations since
7 the last meeting, giving special attention to root
8 cause analysis and findings. At our last two meetings
9 we also went over the O&M budgets for the Nuclear
10 Division to assure ourselves that sufficient
11 funding -- and to assure the Board as well whom we
12 represent, that sufficient funding is being provided
13 to maintain station safety system readiness and
14 effectiveness.

15 In addition these meetings at the
16 stations, we have three to four generic meetings per
17 year in which we receive briefings on issues which
18 apply across Edison's nuclear operations, such as
19 planning and execution of outages, high and low level
20 waste management, coolant chemistry, training and
21 requalification of operators, exchange of experience
22 with other operators and organizational effectiveness.

23 At the Committee's initiative, Admiral
24 Zech and Admiral Dennis Wilkinson, who may of you know
25 from his experience in the Nuclear Navy, and Dennis

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1 was formerly a Board and Committee member, made
2 multiple day visits to Zion, Dresden and Quad Cities
3 stations. They conducted in-depth interviews and
4 plant inspections to gain insights into the status and
5 trends of station cultural personnel and material
6 condition. The Committee also meets regularly with
7 any consulting organization which are brought in by
8 Edison to help in analysis and reorganization of our
9 nuclear operations.

10 Another example of our involvement is the
11 active role the Committee played making suggestions
12 regarding Edison's programs for reviewing safety-
13 related matters which have led to the new safety board
14 organizations with outside consultants which Mike
15 Wallace described to you in his presentation.

16 The chairman of the Committee reports to
17 the Board at each meeting to increase the awareness of
18 the full Board of both progress and problems. We meet
19 with the Board in executive session about every other
20 Board meeting in order to review our impressions of
21 personnel performance and potential.

22 Since we see nuclear management quite
23 frequently but not constantly, the Committee has been
24 in the unique position to perceive both strengths and,
25 more importantly perhaps, any weaknesses in leadership

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1 abilities. Beginning about two years ago, several of
2 us on the Committee requested private meetings with
3 Jim O'Connor to give him our impressions on leadership
4 in nuclear operations and to make sure that he was
5 aware where we saw there were opportunities for
6 strengthening those operations. Thus we are fully
7 supportive of the significant changes in the division
8 and station organizations and leadership which have
9 taken place over the past year and a half.

10 At each Committee meeting Mike Wallace and
11 Lou DelGeorge meet with the Committee in executive
12 session for very frank discussions appraising station
13 management programs. We're informed in advance by
14 Mike whenever he contemplates changes and we're
15 invited to make comments and suggestions. For some
16 time now, we have suggested bringing in some people
17 with nuclear experience from outside Edison in order
18 to broaden Edison's in-house management viewpoint and
19 we are very pleased to see that this has taken place
20 over the last year and a half.

21 In the Committee opinion, Edison is
22 fortunate to have Mike Wallace as its senior officer
23 in charge of its nuclear operations. Formerly, as
24 corporate vice president responsible for Edison's
25 PWRs, he has shown ability to achieve excellent

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1 performance in those stations under his
2 responsibility. He has inherited a large operation
3 with extensive history and culture in his present job
4 at Edison. Mike has recognized the need to place
5 emphasis on leadership, accountability and other
6 cultural changes. Already he has made a number of
7 insightful and tough decisions. His esteem in the
8 industry is evidenced by the excellent new site vice
9 presidents and plant managers he has been able to
10 convince to join his team at Edison.

11 In summary and on behalf of the Nuclear
12 Operations Committee of Edison's Board, we believe
13 that the continuing commitment of Jim O'Connor and the
14 Board of Directors, plus the recently installed
15 management organization on personnel and the Nuclear
16 Operations Division, as well as the progress already
17 shown over the last year at Zion and Dresden give
18 every indication of success towards achievement of
19 Edison's goal for overall excellence in nuclear
20 operations in the future.

21 Having said that, we often ask ourselves
22 are we content with what's going on in the nuclear
23 operations at Edison? Our response is that
24 substantial programmatic personnel and organizational
25 improvements are now in place, but we will not be

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1 content until we see real positive results coming
2 forth from these changes.

3 Thank you very much.

4 CHAIRMAN SELIN: Mr. O'Connor?

5 MR. O'CONNOR: Thank you, Chairman Selin.

6 Thank you, Doctor Mason.

7 From what you have heard today, we
8 acknowledge that our nuclear operations have neither
9 been consistently nor uniformly at a level that you or
10 that we find acceptable. But we do believe that we
11 are on the right track and know that we must pick up
12 the pace. Like Doctor Mason, I have the utmost
13 confidence in Mike Wallace. He has truly made a
14 difference during his brief tenure as Chief Nuclear
15 Officer. He has recruited, continues to recruit and
16 is developing new leaders in our organizations,
17 leaders who will not settle for less than excellent
18 performance.

19 Mr. Chairman, that completes our formal
20 presentation and we would be happy to try to respond
21 to any questions that you might have.

22 CHAIRMAN SELIN: I have some remarks I'd
23 like to make based on this presentation. They were
24 not prepared in advance.

25 First of all, it's unusual that we'd be so

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1 interested in corporate governance that our job is to
2 make sure the plants are safe. But the record at
3 Commonwealth has been to the point where we can't stop
4 at the plants. Awhile ago you were having some
5 problems bringing in some of the new plants. Then it
6 was the old plants. Now it's the BWRs, et cetera, and
7 it's just hard to avoid the conclusion that looking
8 only at the plants without looking at the overall
9 governance causes us to lose sight of the problem.
10 It's like looking at a three dimensional figure in two
11 dimensions. You're bound to miss something. It's
12 quite unusual for the Commission. It's very unusual,
13 for instance, for Commissioner Remick who is extremely
14 careful and fastidious about what our authority is to
15 ask questions about corporate governance. I think you
16 should take that as modestly as it's put as a serious
17 concern on all our parts that the governance be such
18 that all the plants, not just the three we're focusing
19 on now, continue to be operated, that will be operated
20 properly.

21 In the two and a half years that I've been
22 in this job, it's always been one something or
23 something else. I have to say that I don't think your
24 Board has done its job. I think that the NRC has had
25 to do things that the Board should have done earlier

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1 about calling your attention to the problems. I don't
2 think management has done its job. Until today I had
3 the impression that your problems were being treated
4 as kind of a question of putting in some resources and
5 paying some attention, an operational problem and
6 they're clearly not an operational problem. They go
7 far beyond that.

8 Having said that, I do feel very good
9 about what we've heard today because it's the first
10 time since I've been dealing with this particular
11 company that I hear concrete evidence to say this is
12 not a short-term problem. It's not just a question of
13 turning the screws tighter and bringing in a couple of
14 people and paying some attention.

15 I know that you have felt, Mr. O'Connor,
16 that you've gone through enormous cultural changes to
17 get where you are, but I think you've just started.
18 I really think that the cultural changes you've seen
19 are just starting. I don't want to draw too much on
20 what Doctor Mason said, but the idea -- one could get
21 the impression that the fixes have been made and it's
22 a question of watching the results and I don't think
23 that's true at all. It is true that the resources
24 seem to be there. We don't monitor how much you spend
25 and say there's a right amount or wrong amount, but

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1 you've clearly made the case that not only the
2 financial resources are there but perhaps by bringing
3 in this number of outside people, to use a phrase
4 you've used before, you're not trying to stretch a
5 five site blanket to cover six sites, that your
6 discussions at Byron clearly make it clear that you're
7 not going to fix the rest of your system by taking
8 bleeding people off Byron. You can't possibly do that
9 and still be consistent with the commitments you've
10 made today. You've clearly said you're going to keep
11 Byron where it is and bring the others up to that
12 point and that can't be done by robbing Peter to pay
13 Paul.

14 For the first time, I get the impression
15 that Commonwealth management realizes that this is not
16 a short-term problem, that you're just starting to
17 make the structural fixes which in themselves will
18 eventually bring the operational changes. The
19 reorganization you're talking about, without trying to
20 run your business, does give the potential for being
21 a major step forward because being the chief executive
22 of an organization that runs 12 reactors is certainly
23 a job that's important enough to be recognized, to be
24 compensated, to be given the authority to do the
25 position and not just looking at it as one of two

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1 chief operating officers in effect because the
2 problems go beyond operations, they go to the control
3 of resources and the authority over a large number of
4 functions.

5 One of the impressions I have from last
6 year and before was that all the improvements at the
7 corporate level were done at the expense of the site
8 level and that can't continue. Mr. Wallace has said
9 it won't continue and we take that seriously.

10 But down to specific things about how much
11 time health physics managers spend on the site to the
12 corporate vice presidents, et cetera, an idea I had
13 before is wrong. You have the resources and you have
14 the people, but they have to start at the bottom and
15 really get the sites set up. Then you can take care
16 of corporate practices and procurement once those
17 things are fixed.

18 I do think, and this is the first time
19 I've felt this since we've talked to you, that you
20 finally are on the right direction. Mr. Wallace's
21 presentation, I set aside the exhortation part of it,
22 the exhoritory part of it to the commitment to the
23 resources and the problems. I think that's a serious
24 and positive impression. But I think you're going to
25 have to be doing organizations and changes that are

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1 far beyond anything you've done before. Just the
2 nuclear side is a very big company and has to be run
3 as a very large company. I hope you'll come back
4 around this time next year and report on results, be
5 they positive or not, and not wait so long as we have
6 this time to hear from you again on how you're doing.

7 MR. O'CONNOR: We'd like very much to do
8 that. Thank you.

9 CHAIRMAN SELIN: Commissioner Remick?

10 COMMISSIONER REMICK: First a couple
11 questions.

12 Have you had any particular adverse fuel
13 experience which has contributed to some of your
14 health physics problems, especially in the BWRs?

15 MR. WALLACE: We have source term issues
16 that are significant among our BWRs and, in fact, have
17 a source term reduction production that is getting
18 highest focus at LaSalle and also next Dresden, Quad
19 Cities. I don't think it's indicative of fuel
20 problems, I think it's indicative of just an area that
21 has needed attention and is going to take us some time
22 to move forward with.

23 The other thing that we observe is as we
24 are picking up the pace in our BWRs working on
25 material condition, we have that many more

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1 opportunities for exposure and other problems to
2 occur. Just as one data point, in 1993 we had nearly
3 four times the number of entries into the RCA as we
4 had the prior year. That, of course, is because we're
5 doing a lot of work in there to improve our physical
6 equipment. But you noticed among the RP area, our
7 metrics that relate particularly to source term
8 reduction, because we think that's got to be an area
9 of principal focus along with improving adherence to
10 radiological work practices.

11 COMMISSIONER REMICK: Okay. Well, I also
12 agree that I've been very impressed with what I've
13 heard today, but I agree with much of what Chairman
14 Selin has said as an admonishment that the real proof
15 will be in whether you carry through. As you openly
16 admit, the company has not in the past carried through
17 on some of the improvement programs that you've
18 instituted. I have found that both somewhat
19 surprising and disappointing because Commonwealth
20 unquestionably has been an industry leader going back
21 many, many years ago and is looked as an industry
22 leader. It certainly has strongly supported many of
23 the industry initiatives that have led to improved
24 safety of operation of plants throughout the country
25 and the world. One of the first utilities I know of

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1 used simulators in training of personnel and so forth.

2 So, as I say, it's been somewhat
3 surprising and disappointing to me. But I am
4 impressed with what you have said today. The real
5 test will be in following through and I hope that you
6 will and you'll be successful in bringing all of your
7 plants up to a high standard.

8 Thank you for the candid presentation.

9 CHAIRMAN SELIN: Commissioner de Planque?

10 COMMISSIONER de PLANQUE: I just have one
11 more question in the radiation protection area.

12 I notice that one of your key actions is
13 to bring in the INPO reverse loanee. It strikes me to
14 ask the question do you see the root causes of your
15 problems here as being similar to the generic ones
16 that you gave on slide 9 or do you see them as being
17 different? You just mentioned the source term
18 problem. I'm curious as to how you intend to use the
19 reverse loanees to affect the -- or get at the root
20 cause of the problems in this area.

21 MR. WALLACE: There is a direct
22 correlation between the problems in the RP area and
23 the problems we've identified overall. Material
24 condition has an impact on exposure and contaminations
25 and so forth, as I just talked about. Low RP

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1 standards, which is expectation, has a real impact and
2 that's affecting standards for the entire radiological
3 workers force, not just the RP group. Management
4 effectiveness in general, if it's not there it's not
5 driving the standards and the problems that exist are
6 not being corrected. Then development of our
7 leadership. We have RP management people who in
8 general are lacking in experience compared to where we
9 would like for them to be. Bringing reverse loanees
10 from INPO is one step that helps us mentor, coach and
11 develop our own RP supervision.

12 But, Commissioner, you're exactly right.
13 This cuts a broad swatch across all those areas. They
14 all need attention for RP performance to improve.

15 COMMISSIONER de PLANQUE: And if you look
16 at the eight or so incidents in the last six months at
17 LaSalle, they all seem to be connected with human
18 error or negligence rather than a true source term
19 problem.

20 MR. WALLACE: Yes. The specific incidents
21 at LaSalle are not really related to source term.
22 They're related to lack of respect for radiation and
23 in some cases just lack of full focus on how an
24 individual should be taking his responsibilities
25 seriously and doing their job. That gets back to

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1 standards and management effectiveness much more so
2 than source term.

3 MR. O'CONNOR: I might just add to that.
4 At LaSalle especially, we may have set ourselves with
5 our traps in the number of entries and exit points
6 that we have to the RCA. Saturday, in meeting with
7 Warren Murphy and Don Ray for the better part of the
8 day, we focused a lot on looking at the entire process
9 and how we could attack it from a global standpoint
10 and look at everything from beginning to end. It is
11 a very high priority at that station and we think we
12 know some of the things we need to do, not all of
13 them.

14 The other thing that Mike has done is
15 assigned his number one staff person on an emergency
16 basis to that plant for that area.

17 COMMISSIONER de PLANQUE: Okay.

18 MR. O'CONNOR: So it is getting our most
19 important attention.

20 COMMISSIONER de PLANQUE: Okay. Well, I
21 won't repeat everything that's been said before me,
22 but I do appreciate your coming here today.

23 MR. O'CONNOR: Thank you.

24 CHAIRMAN SELIN: Thank you very much, Mr.
25 O'Connor.

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MR. O'CONNOR: Thank you very much.

(Whereupon, at 3:44 p.m., the above-entitled matter was concluded.)

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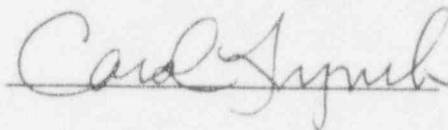
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TITLE OF MEETING: BRIEFING BY COMMONWEALTH EDISON

PLACE OF MEETING: ROCKVILLE, MARYLAND

DATE OF MEETING: FEBRUARY 28, 1994

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**COMMONWEALTH EDISON
PRESENTATION TO THE
NUCLEAR REGULATORY COMMISSION**

FEBRUARY 28, 1994

AGENDA

J. O'CONNOR

**CORPORATE COMMITMENT TO NUCLEAR
SAFETY**

CORPORATE FINANCIAL OVERVIEW

M. WALLACE

**OVERVIEW OF NUCLEAR DIVISION
PERFORMANCE**

NUCLEAR DIVISION CHALLENGE

INTEGRATED BWR STRATEGY

COMMITMENT TO IMPROVEMENT

J. O'CONNOR

CLOSING REMARKS

CORPORATE COMMITMENT TO NUCLEAR SAFETY

- **CECO IS A NUCLEAR UTILITY**
 - **SAFE RELIABLE OPERATION IS ESSENTIAL**
- **NUCLEAR PLANTS ARE CORNERSTONE**
 - **75% OF CUSTOMER LOAD IS SERVED BY NUCLEAR**
- **BOARD OF DIRECTORS ATTENTION COMMENSURATE WITH IMPORTANCE OF NUCLEAR**
 - **ACTIVE INVOLVEMENT BY NUCLEAR OPERATIONS COMMITTEE**

CORPORATE COMMITMENT TO NUCLEAR SAFETY (continued)

- **BOARD OF DIRECTORS IS COMMITTED TO CONSISTENT HIGH LEVELS OF PERFORMANCE**
 - **CONSISTENT, SAFE, RELIABLE PERFORMANCE IS OUR NUMBER ONE PRIORITY**

- **RECOGNIZE NUCLEAR DIVISION PERFORMANCE SPANS THE SPECTRUM**
 - **BYRON SETS OUR BENCHMARK**

 - **NOT SATISFIED WITH BWR PERFORMANCE**

- **CECO WELCOMES THE OPPORTUNITY TO DISCUSS OUR PROGRAM**

CORPORATE RESOURCES

- AVAILABLE TO SUPPORT HIGH LEVEL OF PERFORMANCE
- 1993 RATE CASE SETTLEMENT
 - \$ 1.3 BILLION
 - NO IMPACT ON NUCLEAR DIVISION
- 1994 RATE REQUEST
 - 8% INCREASE
 - BRINGS BYRON 2 AND BRAIDWOOD 1 AND 2 FULLY INTO RATE BASE
- FORMATION OF PROPOSED HOLDING COMPANY
 - SUBMITTED FOR NRC REVIEW
 - SHAREHOLDER VOTE MAY 10, 1994
 - NO IMPACT ON NUCLEAR DIVISION

OUR NUCLEAR PERFORMANCE TODAY SPANS THE SPECTRUM

- **BYRON CONSISTENTLY GOOD PERFORMER**
 - DESIGNATED "GOOD PERFORMER" BY NRC
 - CONSISTENTLY HIGH SALP SCORES

- **BRAIDWOOD SOLID PERFORMER**
 - AGGRESSIVELY PURSUING PERFORMANCE ENHANCEMENTS

- **ZION CONTINUES TO IMPROVE**
 - STRONG FOCUS ON IMPROVEMENT STRATEGY

NUCLEAR PERFORMANCE (CONTINUED)

- DRESDEN RATE OF IMPROVEMENT NEEDS TO ACCELERATE
 - LONG STANDING EQUIPMENT PROBLEMS IMPROVING
 - MORE WORK NEEDED ON PLANNING/SCHEDULING
- QUAD CITIES PERFORMANCE DECLINING
 - MATERIAL CONDITION KEY ISSUE
 - ACCEPTANCE OF EQUIPMENT PROBLEMS/WORK AROUNDS
- LASALLE PERFORMANCE INCONSISTENT
 - PREVIOUS HIGH PERFORMANCE LEVEL NOT MAINTAINED

OPPORTUNITIES FOR IMPROVEMENT HAVE BEEN IDENTIFIED

- **MULTIPLE ORGANIZATION EFFECTIVENESS STUDIES
(DET, BDT, LBDT, TENERA, INPO, SRM, FPI)**
- **ROOT CAUSES OF INCONSISTENT PERFORMANCE IDENTIFIED**
 - **INEFFECTIVE CORPORATE LEADERSHIP, OVERSIGHT,
INVOLVEMENT, AND FOLLOW THROUGH**
 - **SITE MANAGEMENT DOES NOT ASSURE RESOLUTION OF
IDENTIFIED SAFETY PROBLEMS**
 - **LOW STANDARDS OF PERFORMANCE ARE SET**
 - **SITE MANAGEMENT FAILS TO EXERCISE EFFECTIVE
LEADERSHIP**

CECO OBJECTIVE

- **SET AND ATTAIN CONSISTENT HIGH LEVEL SAFE PERFORMANCE AT ALL NUCLEAR STATIONS**

NUCLEAR DIVISION CHALLENGE TO ACHIEVE OBJECTIVE

- **FOCUS ACCOUNTABILITY AND RESPONSIBILITY FOR EFFECTIVE LEADERSHIP AT THE SITES**
- **IMPROVE EFFECTIVENESS OF CORPORATE LEADERSHIP, OVERSIGHT, INVOLVEMENT AND FOLLOW THROUGH**
- **ENSURE EFFECTIVE ALLOCATION OF RESOURCES TO IMPROVE MATERIAL CONDITION**
- **FACILITATE SHARING OF EXPERIENCE/INFORMATION AMONG THE SITES**

MEETING THE NUCLEAR DIVISION CHALLENGE

- NOD RESTRUCTURED TO CLARIFY RESPONSIBILITY AND ACCOUNTABILITY
 - SITE FOCUS
 - CORPORATE COORDINATION
- CNO FOCUS FOR HIGH LEVEL SAFE PERFORMANCE
- LEADERSHIP DEVELOPMENT/SUCCESSION PLANNING
- INTEGRATED BWR STRATEGY

MEETING THE NUCLEAR DIVISION CHALLENGE

NUCLEAR OPERATIONS DIVISION RESTRUCTURED

- **REALIGNED/REFOCUSED TO STRENGTHEN SITE RESPONSIBILITY AND ACCOUNTABILITY**
 - **ESTABLISHMENT OF SITE VICE-PRESIDENTS**
 - **ENGINEERING FUNCTION AND RESOURCES TRANSFERRED TO SITE VICE-PRESIDENTS**
 - **SITE QUALITY VERIFICATION STRENGTHENED AND EXPANDED**
 - **SITE SAFETY REVIEW BOARDS ESTABLISHED**

**MEETING THE NUCLEAR DIVISION CHALLENGE
NUCLEAR OPERATIONS DIVISION RESTRUCTURED
(continued)**

- **REALIGNED/REFOCUSED TO STRENGTHEN CORPORATE
OVERSIGHT/SITE COORDINATION**
 - **NUCLEAR OPERATING COMMITTEE (NOC) ESTABLISHED**
 - **NOC PRIORITIES FORM FOUNDATION FOR CONSISTENCY**
 - . **SELF ASSESSMENT**
 - . **WORK CONTROL SYSTEM**
 - . **MAINTENANCE STRATEGY**
 - **NUCLEAR OVERSIGHT MANAGER REPORTS TO CNO**

MEETING THE NUCLEAR DIVISION CHALLENGE

CHIEF NUCLEAR OFFICER FOCUS FOR HIGH LEVEL SAFE PERFORMANCE

- **CNO KEY FOCUS AREAS FOR 1994**
 - **SAFE OPERATION**
 - **PERSONNEL DEVELOPMENT**
 - **COST COMPETITIVENESS**

LEADERSHIP DEVELOPMENT ACTIONS WILL ASSURE LONG TERM IMPROVED PERFORMANCE

- **A NUMBER OF KEY POSITIONS FILLED BY OUTSIDE MANAGERS TO BROADEN EXPERIENCE BASE**
 - **SITE VICE PRESIDENTS - 3 SITES**
 - **STATION MANAGERS - 2 SITES**
 - **TECHNICAL SUPERINTENDENTS - 2 SITES**
 - **SENIOR SYSTEM ENGINEERS - IN PROGRESS AT ALL SITES**
 - **OTHER "SEARCH ACTIVITIES" IN PROGRESS**

- **INTERNAL MANAGEMENT REASSIGNMENTS TO BROADEN EXPERIENCE OF CECO PERSONNEL**

- **LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING TO INCREASE "BENCH DEPTH"**

INTEGRATED BWR STRATEGY

- **IMMEDIATE - FOCUS ON CURRENT MANIFESTATIONS OF ROOT CAUSES**
- **MID TERM - STATION MANAGEMENT/BUSINESS UNIT PLANS TO COMPLETE ACTIONS ON ROOT CAUSES**
- **LONG TERM - NOD STRATEGIES TO BRING ALL STATIONS TO HIGH LEVEL OF PERFORMANCE**

BWR IMMEDIATE IMPROVEMENT STRATEGY

- **IMMEDIATE IMPROVEMENT INITIATIVES TO ARREST THE DECLINE IN THE FOUR CRITICAL AREAS**
 - **MATERIAL CONDITION**
 - **RADIATION PROTECTION**
 - **PROBLEM IDENTIFICATION**
 - **HUMAN PERFORMANCE**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

- **ESTABLISHING TARGETS TO MEASURE RESULTS, AND ASSURE ADEQUATE RATE OF IMPROVEMENT AND REVERSAL OF ADVERSE TRENDS**
- **WILL APPLY APPROPRIATE "METRICS" FOR MEASURING PROGRESS**
- **"METRICS" ESTABLISH MEASUREMENT STANDARDS AGAINST WHICH WE WILL HOLD OURSELVES ACCOUNTABLE**
- **THRESHOLD LEVELS AND STRETCH GOALS ESTABLISHED FOR EACH METRICS ELEMENT**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

ISSUE: MATERIAL CONDITION

● OBJECTIVE:

- **IMPROVE MATERIAL CONDITION TO RESTORE SAFETY MARGIN**

● RECENT ACTIONS:

- **DRESDEN PROGRESS ON LONG-STANDING EQUIPMENT PROBLEMS**
- **QUAD CITIES PLANNED MAINTENANCE OUTAGES**
- **LASALLE INTEGRATED MINOR MAINTENANCE TEAM**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

- **METRICS:**

- **TEMPORARY ALTERATIONS, NUCLEAR WORK REQUESTS (NWR'S), CONTROL ROOM NWR'S, MOV WORK COMPLETED, % PLANNED OUTAGE WORK COMPLETED, SAFETY SYSTEM PERFORMANCE AND REDUCTION IN OPERATOR WORK AROUNDS**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

ISSUE: RADIATION PROTECTION

● OBJECTIVE:

- **REDUCE PERSONNEL CONTAMINATIONS, REDUCE SOURCE TERM, AND ENHANCE WORKER RESPECT FOR LOW-LEVELS OF RADIATION**

● RECENT ACTIONS:

- **DRESDEN/LASALLE ADDITION OF INPO REVERSE LOANEE**
- **QUAD CITIES ACTION PLAN TO REDUCE HOT SPOTS CONTRIBUTION TO SOURCE TERM**
- **LASALLE ZINC INJECTION PROGRAM**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

- **METRICS:**

- **REDUCTION IN COLLECTIVE EXPOSURE, HOT SPOT REDUCTION, SOURCE TERM REDUCTION, REDUCTION IN RAD WORKER PRACTICES/ADHERENCE EVENTS, RP RELATED PIF'S, HIGH RAD DOOR AND RAD MATERIAL VIOLATIONS, SHOE AND CONTAMINATED AREA REDUCTION AND PERSONNEL CONTAMINATION EVENTS**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

ISSUE: PROBLEM IDENTIFICATION AND CORRECTIVE ACTIONS

● **OBJECTIVE:**

- **DEVELOP A SELF CRITICAL CORRECTIVE ACTION CULTURE THAT PROMOTES TIMELY IDENTIFICATION AND RESOLUTION OF PROBLEMS**

● **RECENT ACTIONS:**

- **QUAD CITIES/LASALLE DEDICATED ROOT CAUSE ANALYSIS GROUP**
- **DRESDEN IMPROVED INTEGRATED REPORTING PROGRAM**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

- **METRICS:**

- **NUMBER OF PIF'S, AVERAGE PIF AGE, LEVEL 1, 2, AND 3 INVESTIGATIONS, COMPLETION OF QA RELATED FINDINGS, RECURRING/REPEAT PROBLEMS, AND SELF IDENTIFIED VIOLATIONS**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

ISSUE: HUMAN PERFORMANCE

- **OBJECTIVE:**

- **ERROR FREE OPERATION**

- **RECENT ACTIONS:**

- **QUAD CITIES/LASALLE STANDOWNS HEIGHTEN TOTAL STATION AWARENESS OF PERSONNEL ERRORS**
- **DRESDEN DEMONSTRATED PERSONAL ACCOUNTABILITY FOR ADHERENCE TO RP PROCEDURES**

BWR IMMEDIATE IMPROVEMENT STRATEGY (continued)

- **METRICS:**

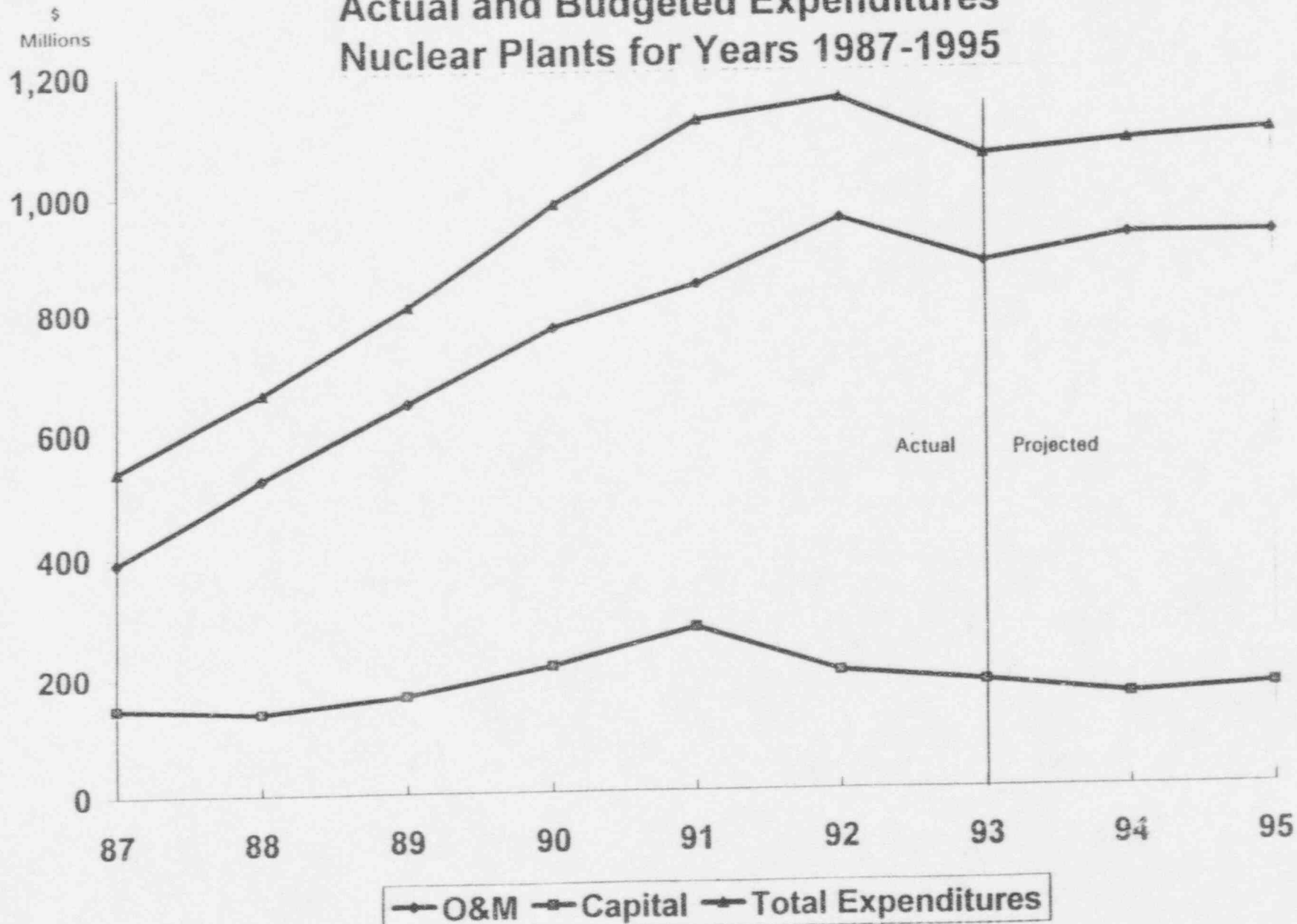
- **PERSONNEL ERROR EVENTS, INDUSTRIAL SAFETY ACCIDENT RATE, REACTIVITY EVENTS AND PROCEDURE ADHERENCE EVENTS**

OVERSIGHT OF BWR IMPROVEMENT INITIATIVES

- **OFFICER LEVEL OVERSIGHT FOCUSED ON BWRS**
- **ENHANCED CORPORATE INVOLVEMENT IN MONITORING PROGRESS OF BWR IMMEDIATE IMPROVEMENT STRATEGY**
- **MANAGEMENT PLAN OVERSIGHT TEAM (INDEPENDENT ASSESSORS) INVOLVED IN DAY TO DAY OVERSIGHT OF QUAD CITIES**
- **DISCUSS DETAILS WITH MESSRS. TAYLOR AND RUSSELL ON MARCH 3, 1994**
- **DISCUSS PROGRESS IN SUBSEQUENT MEETINGS WITH NRC STAFF**

ADEQUATE RESOURCES AVAILABLE

Commonwealth Edison Company Actual and Budgeted Expenditures Nuclear Plants for Years 1987-1995



COMMITMENT TO IMPROVEMENT

- **BWR INTEGRATED IMPROVEMENT STRATEGIES CHART COURSE TO EXPECTED PERFORMANCE LEVELS**
- **OUR PAST STANDARDS HAVE BEEN TOO LOW**
- **TAKING IMMEDIATE STEPS TO ACHIEVE RESULTS THAT DEMONSTRATE NEW DIRECTION**
- **FUNDAMENTAL CHANGES IN CULTURE AND OUR OWN EXPECTATIONS FOR PERFORMANCE ARE THE GOALS**

CLOSING

J. O'CONNOR

CNO Organization

