

# HOUSTON LIGHTING & POWER COMPANY

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W.T. COTTLE  
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Mr. Jack W. Roe  
Director, DRP III/IV/V  
Office of Nuclear Reactor Regulation  
U. S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

Dear Mr. Roe:

This is in response to your letter of October 24, 1994 regarding the report prepared by the Liberty Consulting Group in connection with proceedings at the Texas Public Utility Commission (PUC) and certain pleadings filed in the ongoing litigation between Houston Lighting & Power Company and the City of Austin over the operation of the South Texas Project (STP). You have asked about the relationship between the Liberty Report and the lawsuit pleadings and the report issued in June 1993 by the NRC's Diagnostic Evaluation Team (DER).

As you know, HL&P's response to the DER is set forth in the Operational Readiness Plans for STP Units 1 and 2 and the STP Business Plan. At the time HL&P received the DER, it was apparent to us that changes were warranted in a number of areas at STP, and we had already undertaken to address many of those issues. Accordingly, our efforts were directed toward restart of the STP units and laying the ground work for strong long-term performance. Rather than reinvestigating the bases for statements in the DER, or initiating debate about their merits, HL&P focused on developing Operational Readiness Plans and a Business Plan that, among other things, encompassed all actions necessary for a complete response to the DER. STP remains committed to the course of action set forth in those documents, and nothing filed at either the PUC or the State courts will affect those commitments or our dedication to these action plans in any way.

However, we are now involved in other regulatory and legal proceedings in which our past conduct will be judged. To the extent that specific statements made in the DER are at issue in those other proceedings, it is necessary for us to look into their specific factual underpinnings and context in light of the legal standards relevant to the particular proceeding. This analysis, however, has not and will not affect the plan of action set forth in the Operational Readiness Plans and the Business Plan.

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The Liberty Report was prepared by an independent consultant, not the STP staff. It was prepared for use in litigation, not for the ongoing operation of the plant. The authors of the Liberty Report had two benefits not available to the DET: an additional year of perspective and a longer time within which to do their work. The Liberty Report is not a response to the DER but is instead a review of decisions made and actions taken at STP under the standards applied by the PUC, not those applied by the NRC. As your letter correctly points out, the NRC uses its current knowledge of results to assess the effectiveness of prior project decisions, procedures and practices. The PUC, on the other hand, is prohibited from using hindsight and is required to assess whether management decisions or actions were reasonable in light of the information and options available at the time. STP's commitments to the NRC in response to the DER are forward looking and designed to improve management's future effectiveness in operating STP in a safe, reliable and cost efficient manner. In contrast, Liberty's retrospective review of reasonableness or prudence requires a greater emphasis on the facts as reasonably understood by management at the time decisions were made. This is the fundamental difference between the approaches taken by HL&P before the NRC and the Texas PUC.

As to the Requests for Admissions referred to in the last paragraph of your letter, our attorneys advise that under legal practice in Texas courts, HL&P was placed in the position of admitting or denying, without effective qualification or explanation, single sentences taken generally, but not always accurately, from the DER. Since these statements are potentially misleading and likely to be misunderstood out of context, the "deny" response is the only appropriate answer. For example, DET statements taken out of context might suggest to the average person not familiar with the NRC inspection process that STP was operated in an unsafe manner. This was not the case and neither the DET nor other NRC inspections reached such a conclusion. To prevent misunderstandings such as these, HL&P is required to deny the statements as presented by the City of Austin for purposes of its lawsuit.

Let me close by re-emphasizing our commitment to making STP a world class performer. HL&P has responded vigorously to the findings of the DER, and the effectiveness of that response has been the subject of numerous NRC on-site inspections and evaluations. We are pleased with the progress we have made to date, as reflected in the NRC's restart decisions, NRC inspection results, recent SALP and INPO ratings, our own self assessments, and the operating record of the units since restart. Nevertheless, we do not plan to stand on these accomplishments, but rather to continue our efforts at improvement. As noted above, current and future filings before the Texas PUC and the courts relate to prudence and contractual matters and do not affect the status of HL&P's commitments to the NRC. In particular, HL&P continues to implement those commitments made in response to the DER as described in the STP Business Plan.

I hope this letter addresses your concerns. Should you need further information, please do not hesitate to contact me.

Sincerely,



C:

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