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**Consumers
Power
Company**

James W Cook
Vice President - Projects, Engineering
and Construction

General Offices: 1945 West Parnall Road, Jackson, MI 49201 • (517) 788-0453

May 29, 1984

PRINCIPAL STAFF	
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	DMSP
	IRMA
	SCS
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Mr J G Keppler, Administrator
US Nuclear Regulatory Commission
Region III
799 Roosevelt Road
Glen Ellyn, IL 60137

MIDLAND ENERGY CENTER -
MIDLAND DOCKET NOS 50-329, 50-330 -
MANAGEMENT APPRAISAL PLAN
FILE 0505.2 SERIAL 29805

Enclosed is the information you requested during the May 4, 1984 meeting in Midland concerning the Independent Management Appraisal Plan. The information includes copies of slides used and responses to the questions asked in your April 16, 1984 letter to me. As explained in the enclosed May 23, 1984 letter from CMP, only the corrected information is being provided.

James W. Cook

JWC/JNL/bjw

CC DSHood, US NRC Licensing Branch #4
NRC Resident Inspector Office, Midland
OM/OL Service List

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A PDR

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OM/OL SERVICE LIST

Mr Frank J Kelley
Attorney General of the
State of Michigan
Ms Carole Steinberg
Assistant Attorney General
Environmental Protection Division
720 Law Building
Lansing, MI 48913

Mr Myron M Cherry, Esq
Suite 3700
Three First National Plaza
Chicago, IL 60602

Mr Wendell H Marshall
RFD 10
Midland, MI 48640

Mr Charles Bechhoefer, Esq
Atomic Safety & Licensing
Board Panel
U S Nuclear Regulatory Commission
East-West Towers, Room E-413
Bethesda, MD 20014

Dr Frederick P Cowan
6152 N Verde Trail
Apt B-125
Boca Raton, FL 33433

Mr Fred C Williams
Isham, Lincoln & Beale
1120 Connecticut Ave, NW, Suite 840
Washington, DC 20036

Mr James E Brunner, Esq
Consumers Power Company
212 West Michigan Avenue
Jackson, MI 49201

Mr D F Judd
Babcock & Wilcox
PO Box 1260
Lynchburg, VA 24505

Mr Steve Gadler, Esq
2120 Carter Avenue
St Paul, MN 55108

Mr P Robert Brown
Clark, Klein & Beaumont
1600 First Federal Bldg
Woodward Ave
Detroit, MI 48226

Atomic Safety & Licensing
Appeal Board
U S Nuclear Regulatory Commission
Washington, DC 20555

Mr C R Stephens (3)
Chief, Docketing & Services
U S Nuclear Regulatory Commission
Office of the Secretary
Washington, DC 20555

Ms Mary Sinclair
5711 Summerset Street
Midland, MI 48640

Mr William D Paton, Esq
Counsel for the NRC Staff
U S Nuclear Regulatory Commission
Washington, DC 20555

Atomic Safety & Licensing
Board Panel
U S Nuclear Regulatory Commission
Washington, DC 20555

Ms Barbara Stamaris
5795 North River Road
Rt 3
Freeland, MI 48623

Dr Jerry Harbour
Atomic Safety & Licensing
Board Panel
U S Nuclear Regulatory Commission
East-West Towers, Room E-454
Bethesda, MD 20014

Mr M I Miller, Esq
Isham, Lincoln & Beale
Three First National Plaza
52nd Floor
Chicago, IL 60602

Mr John DeMeester, Esq
Dow Chemical Building
Michigan Division
Midland MI 48640

Ms Lynne Bernabei
Government Accountability Project
1901 Q Street, NW
Washington, DC 20009

3/14/84

Cresap, McCormick and Paget
division of TOWERS, PERRIN, FORSTER & CROSBY
200 WEST MADISON STREET, CHICAGO, IL 60606
(312) 263-7125 TELEX: 254151

May 23, 1984

Mr. James W. Cook
Vice President
Projects, Engineering and Construction
Consumers Power Company
1945 West Parnall Road
Jackson, Michigan 49201

Dear Mr. Cook:

As I discussed by telephone with Mr. Nate Leech earlier today, I am forwarding revised copies of the CMP responses to the NRC's comments previously provided with Mr. L. R. Wass' letter of May 14, 1984. The revisions consist of inserting comment and response designators that had been omitted and correcting several typographical errors that existed. The wording of the responses has not been changed.

Please replace the initial version of the responses with those enclosed and forward to the NRC.

We apologize for any inconvenience that this may have caused.

Sincerely,



A. D. Fakonas
Principal

cc: S. H. Howell - CFCO
J. A. Schmidt - CMP
A. D. Fakonas - CMP
D. Davis - TERA
H. Levin - TERA

Enclosures

PRESENTATION OBJECTIVES

- TO INTRODUCE THE PROPOSED APPRAISAL TEAM LEADERS.
- TO BRIEFLY REVIEW THE INDEPENDENT MANAGEMENT APPRAISAL PLAN SUBMITTED BY CMP AND TERA.
- TO RESPOND TO NRC COMMENTS AND QUESTIONS REGARDING THE PROPOSED PLAN.

OBJECTIVE AND SCOPE

OBJECTIVE

- REVIEW AND EVALUATE CONSUMER POWER COMPANY'S (CPCO'S) MANAGEMENT APPROACH TO COMPLETION OF THE MIDLAND NUCLEAR PROJECT.

SCOPE

- CPCO'S MANAGEMENT CAPABILITIES (DEFINED BY ORGANIZATION, WORK METHODS, AND SYSTEMS) TO MEET REGULATORY AND OWNER REQUIREMENTS.
- ACTIVITIES AND PLANS OF VARIOUS CONTRACTORS.

APPROACH

- APPRAISAL TEAM ORIENTATION
- RECONNAISSANCE TO DETERMINE PROJECT STATUS AND IDENTIFY ISSUES
- ASSESSMENT OF CPCo'S MANAGEMENT PLAN TO COMPLETE THE MIDLAND PROJECT
- REPORT PREPARATION

STUDY TEAM COMPOSITION

- CMP HAS OVERALL RESPONSIBILITY FOR CONDUCTING THE STUDY
- TERA WILL SUPPORT IN TECHNICAL AREAS, AS DIRECTED BY CMP
- APPRAISAL TEAM LEADERSHIP:
 - OFFICER-IN-CHARGE: LEONARD WASS
 - OFFICER ASSISTING: JEFFREY SCHMIDT
 - ENGAGEMENT MANAGER: TONY FAKONAS
 - SENIOR TERA REPRESENTATIVE: DONALD DAVIS

TOPICS OF NRC COMMENTS

1. ROLES AND RESPONSIBILITIES OF CMP AND TERA
2. CONFLICT OF INTEREST
3. STUDY TEAM STAFFING
4. REVIEW OF MANAGEMENT CAPABILITIES
5. DEPTH OF CMP APPRAISAL
6. EVALUATION OF MANAGEMENT COMMUNICATION SYSTEMS AND MANAGEMENT PRACTICES

TOPICS OF NRC COMMENTS (CONT'D)

7. APPRAISAL PLAN RECOMMENDATIONS
8. RETROSPECTIVE REVIEW
9. IDENTIFICATION OF "VARIOUS CONTRACTORS"
10. EXPANSION OF TENTATIVE INTERVIEW LIST
11. REVIEW OF LICENSEE'S RESPONSES TO SALP 3 RECOMMENDATIONS

CMP RESPONSES TO NRC COMMENTS ON THE PROPOSED
MIDLAND INDEPENDENT MANAGEMENT APPRAISAL PLAN

The ensuing material contains CMP's responses to NRC comments on the proposed Midland independent management appraisal plan, dated March 7, 1984. These comments were originally contained in Enclosure 1 of an NRC Region III letter dated April 16, 1984. Comments (C) are presented verbatim prior to each CMP response (R).

C1 The independent management appraisal of CPCo is proposed to be performed by Cresap, McCormick and Paget (CMP) and TERA Corporation (TERA). The plan does not identify how the two organizations will function and interface nor how the responsibilities for performing the appraisal, analyzing the findings, and making recommendations will be assigned or shared between the two organizations. The plan should identify the roles and responsibilities of CMP and TERA in working together as a team in performing this appraisal.

R1 CMP will have overall responsibility for directing the study, analyzing the findings, and making recommendations. As such, the CMP project manager will assign specific work tasks to team members, including TERA.

TERA will provide support, as directed by CMP, in areas where TERA's engineering and technical expertise are relevant. Specific areas where TERA will be assigned can not be determined until the reconnaissance step is completed, but it is expected that they might be involved in evaluation of areas such as:

- o NRC regulatory requirements
- o Nuclear engineering and construction practices
- o Information systems and records management
- o QA/QC practices
- o Soils issues.

It is a common practice for CMP to subcontract with technical personnel to supplement our resources in areas where management and technical issues are closely interrelated. We are experienced in managing subcontractors on our project teams and do not envision any difficulties in that regard on this study.

C2 The participation of TERA in the independent management appraisal has the potential for creating a conflict of interest based on previous and current TERA involvement at Midland. Please explain the basis for your conclusions that TERA's participation does not represent a conflict of interest.

R2 CMP believes that TERA's participation on this study does not represent a conflict of interest for several reasons. First, the NRC has previously approved TERA's independence from CPCo for the Independent Design and Construction Verification Program (IDCVP) and implicitly continues to do so. Second, CMP's understanding (and we have reviewed this with TERA) is that the scope of the IDCVP is independent from the proposed study. TERA's activities on the IDCVP involve evaluation of engineering results for three specific plant systems and do not consider evaluation of management processes at all. Finally, and most importantly, since CMP will be making all project assignments, CMP will require that no TERA staff with direct responsibility for the IDCVP would be assigned conflicting responsibility on the proposed study. Specifically, we will not allow any TERA employee to participate on any aspect of the proposed appraisal that would involve review of activities related to TERA's IDCVP efforts.

CMP believes that TERA's participation would benefit the proposed study. Because of TERA's previous familiarity with the project, they can immediately provide insight into CPCo's management operations. Any other consultants would probably be able to develop a similar understanding of CPCo only after substantial expenditures of time and effort.

CMP had originally suggested TERA to CPCo for the proposed assignment for the previously cited reasons.

C3 Appendix A includes a list of "likely" members of the appraisal team. CMP and TERA should provide the list of actually assigned team members. This list, together with independence statements and resumes for all actual team members, needs to be furnished to Region III for the NRC staff evaluation of team members' competence and independence. Additional or substitute team members are expected to also meet the competence and independence criteria.

R3 CMP intends to select our project team members from among those whose resumes are included in Appendix A of the appraisal plan. Because of uncertainty in the authorization of commencement of the proposed study and CMP's on-going workload, identification of the complete project team staff can not be made at this time.

CMP's project team leadership, however, can be specified and will be as follows:

- Leonard Wass, Vice President and head of CMP's utility consulting practice, will have overall responsibility for the appraisal.
- Jeffrey Schmidt, Vice President, will assist Mr. Wass in key aspects of the work.
- Tony Fakonas, Principal, will oversee day-to-day administration and coordination of the study team's work.

Since the original plan was developed, TERA's proposed team staffing has changed. Mr. Donald Davis, whose resume was included in the plan, will replace Mr. John Beck as TERA's senior representative. Also, Mr. Jim Owens will be unavailable for this assignment.

Copies of the independence statements for the potential team members were provided to the NRC during the May 4, 1984 meeting.

Should either CMP or TERA find it necessary to utilize any personnel other than those identified in the plan, we would be happy to submit resumes and independence statements to the NRC for approval prior to placing other personnel on the appraisal team. We would also be happy to arrange interviews between the NRC staff and our team members, if desired. A list of the specific staff that will be assigned to the appraisal team will be provided to the NRC at the start of the study.

C4 The Order specifically requires the appraisal to include review of "management and supervisory personnel involved in the Midland project to determine their capability and competency for managing construction activities consistent with regulatory requirements," but the appraisal plan makes no reference to such an evaluation. The appraisal plan should address this requirement.

R4 In these kinds of studies, it is customary to conduct an overall review of management capabilities. For this study, CMP intends to first identify the management and supervisory capabilities needed to effectively manage completion of the Midland Project. In light of these requirements, CMP will then review CPCo's and key contractor's current capabilities, focusing on number of personnel and types of skills needed at appropriate levels of management, to identify shortcomings.

In those instances where the positions as constituted of management or supervisory staff are influencing factors to the issues or problems identified, we would comment. Such comment would focus on the content of the job or structural design of the organization and the implications for the issues or problems being addressed. As appropriate, we would observe whether the affected positions or family of positions fully or partially meet the requirements that we feel are needed in these positions. Our recommendations in those cases where requirements are partially met might include the addition of staff, realignment of responsibilities, or other actions to shore up a management or specialty function. Other recommendations may restructure a position to free it of unnecessary or distracting work.

C5 The depth of the CMP management appraisal is not clear. No reference is made to specific events or cases to be independently examined to determine if the information developed through the interview process can be substantiated.

R5 The interview process is only one of many fact-finding sources and techniques used by CMP in conducting assignments. As a matter of practice, CMP will not base conclusions solely on information gathered from interviews, especially from a single source. This approach will be applied to the proposed study.

Every attempt will be made to confirm information gained through interviews with tangible evidence. Typically, the confirmation process may include review of one or more of the following items:

- External correspondence
- Internal memoranda
- Reports
- Existing CPCo and contractor analyses
- Established procedures, and
- Other relevant, available documentation.

Section V of our proposed work plan contains a preliminary data request to allow us to begin this process. Additional data and documentation will be requested during the course of the assignment.

Other methods that we often use to substantiate information include our own analyses of data and, if appropriate, direct observation. The specific methods used to substantiate information obtained in interviews will be tailored to fit the item being investigated.

Because we can not yet identify the issues that will arise during our fact-finding, a more specific identification of the events, cases, or documents that will be independently examined can not be made at this time.

C6 The Order specifically requires the appraisal to include a review of "management controls, (management) communication systems and (management) practices, both at the Midland site and between the corporate office and the site." The appraisal plan should describe the intended evaluation of management communication systems and management practices.

R6 CMP intends to evaluate CPCo's management communication systems and management practices as part of the overall appraisal, as required by the NRC. The comprehensive list of systems and practices to be examined will be determined in light of the significant issues that are identified during the fact-finding; however, some of the items that we expect will need to be reviewed based on our experience from similar studies include:

- Reporting relationships and lines of communications within and between CPCo home office and site organizations as well as their attention to detail
- Interface relationships and lines of communication between CPCo and its contractors, regulators, and other involved external parties
- Methods of communications, such as letters, memoranda, telexes, meetings, briefings, conversations, or others, and circumstances in which each are used
- Documented interface procedures
- Adherence to approved guidelines for communications
- Participation of appropriate levels of management in project monitoring and decision-making
- Processes for identification of potential problems and implementation of corrective actions
- Processes for ensuring follow-up to corrective actions and ensuring results

- CPCo delegation of authority

These evaluations are broadly incorporated in the major tasks identified in Step III of our work plan, which covers the assessments of project management concepts, organization and staffing, monitoring and control processes, and close-out and start-up plans.

- C7 The NRC Order specifically requires the appraisal plan to include the provision of recommendations for changes that will provide assurance that the licensee will implement NRC requirements. The appraisal plan should confirm that the required recommendations will be made. The appraisal should also consider whether or not any past consideration of cost and schedule factors affected construction quality.
- R7 As an end product of the appraisal, CMP will make specific recommendations to help ensure that CPCo is able to effectively manage completion of the project in a way that is consistent with the NRC's regulatory requirements. We will attempt to elaborate on our recommendations so that they are clear and unambiguous. In addition, after the final report is submitted, we will meet with CPCo management to explain the recommendations and answer any questions it may have.
- To address the NRC's final point, CMP's review will focus on management, not technical, issues; thus, an evaluation of physical construction quality will not be made.
- C8 The CMP management appraisal appears to be limited to a prospective evaluation to determine how CPCo should proceed in completing the Midland project. The Order requiring the management appraisal was issued because of the past history of continued quality problems. The appraisal plan needs to include a retrospective evaluation of sufficient past events/ problems to identify the contributing factors and causes of problems and management's responses to them. This will provide CMP with an understanding of how the project got to where it is today, in order to permit CMP to develop recommendations where necessary for improvements in organizational responsibilities, management controls, communications, and practices to comply with the Order.
- R8 CMP has no disagreement with the NRC's comment. CMP's understanding is that the NRC's objective for this appraisal is to provide an independent assessment of the adequacy and practicality of CPCo's planned management approach for completing the Midland project in conformance with regulatory requirements. In light of this, CMP's proposed approach focuses primarily on a prospective

evaluation of CPCo's plans, with a limited retrospective evaluation to orient our consultants to the unique circumstances surrounding this project.

We believe that our work plan is consistent with item 8 of the NRC's comments. As indicated on Page 1 of Exhibit II-1 of CMP's proposed work plan, the objective of the reconnaissance step includes sufficient fact-finding to understand the evolution of the current situation and the steps CPCo is taking to correct past problems. We intend to review past events to the extent necessary to allow us to determine whether unique factors contributing to past problems still exist and might potentially detract from CPCo's ability to manage the project in the future.

CMP had not envisioned conducting and documenting an in-depth and definitive evaluation of the root causes of past problems. Given the duration and complexity of the Midland Project, a comprehensive, retrospective review would be a very large undertaking (and in our opinion, not useful to the intent of the NRC order).

C9 The plan should identify the "various contractors" referred to in Part I, Objective and Scope, of the appraisal plan. The list of interviewees includes only Bechtel; no other contractors are identified.

R9 In conducting the appraisal, CMP intends to consider the activities and plans of key contractors involved in completion of the plant. Because we have not yet conducted any fact-finding, CMP is not familiar with the key contractors (except for Bechtel) that are or will be on site and what their roles are or will be. For this reason, potential interviews with contractors other than Bechtel were not included on the Tentative Interview List (Section IV of CMP's plan).

The Tentative Interview List included in the plan was developed from limited information and is not intended to be exhaustive. As indicated in the first page of Section IV, we intend to modify the list as the study proceeds and other appropriate interviewees are identified. In fact, we will invite suggestions from the NRC staff regarding candidate interviewees that we should consider.

C10 CMP should consider interviewing representatives from all levels of supervision and management, as well as construction workers, QA/QC inspectors, and other workers. CMP should also consider interviewing previous workers of CPCo and Bechtel.

R10 CMP agrees with the NRC comment. By conducting interviews, we are looking to expand our factual base of information. As explained in the response to NRC comment #9, we intend to modify the Tentative Interview List as we become more familiar with the project and are able to identify additional, appropriate interviewees. We will consider all candidates suggested to us to determine how they could help expand the factual base. In previous studies of this nature, we have interviewed such external parties as intervenors, former employees, industrial and consumer representatives, and members of the print and electronic media.

We would like to emphasize, however, that these interviews will be strictly one-way, in that we will be seeking facts and will not be providing information in return.

C11 The SALP 3 for Midland, dated September 16, 1983, identified continuing problems in the soils area. The SALP Board recommended that the licensee review the performance of construction, engineering, and Quality Assurance managers in the soils area. The management appraisal should include a review of the licensee's followup actions in response to this NRC recommendation.

R11 CMP agrees with the NRC and intends to review CPCo's follow-up actions in response to the SALP 3 recommendation. Review of this topic had been anticipated in our proposal, as indicated on page 1 of Exhibit II-1 and by the soils-related interviews already identified in the Tentative Interview List.