



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

MAY 22 1984

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MEMORANDUM FOR: Harold R. Boher, Chief  
 Licensee Qualifications Branch, DHFS

THRU: Larry Crocker, Section Leader *hc*  
 Licensee Qualifications Branch, DHFS

FROM: Pete McLaughlin  
 Licensee Qualifications Branch, DHFS

SUBJECT: TRIP REPORT - MIDLAND, MICHIGAN, MAY 4, 1984

The purpose of this memo is to report on my May 4, 1984 trip to Midland, Michigan to participate in a public meeting on the Management Appraisal Program (MAP) to be performed on Consumer's Power Company's (CPCo) Midland Nuclear Project. Another program already in place at Midland, the Construction Completion Program (CCP), was also discussed. The all-day meeting was broken up into morning and afternoon sessions to discuss the CCP and MAP, respectively.

The morning discussion of the CCP was well attended by public and press (about 100 people), as well as, four television crews. The program's status was discussed and no major issues were identified. The program is a very ambitious one (a 100% reinspection of all available work with rework, as required) on a tight schedule (fuel load - July 1986).

The afternoon session was devoted to a presentation by Cresap, McCormick and Paget (CMP) on their proposed program to appraise management of the Midland Nuclear Project. Consumer's Power had engaged CMP to develop the program in response to a Confirmatory Order issued by Region III.

The format of the CMP presentation was to briefly discuss their plan, introduce the key team members and respond to the 11 comments that Region III had provided as a result of their review of the plan. I have enclosed a copy of the comments. I felt all the comments were successfully resolved except for 2 and 4 which I will now discuss.

CMP is an independent management consulting firm and is qualified to perform this type of appraisal program. However, for reasons not fully explained CMP has sub-contracted some of the work to TERA Corporation. Since, TERA is already doing the Independent Design and Construction Verification Program at the Midland Project, the question of conflict of interest can be raised. Several questions were asked concerning the conflict of interest issue and even though the plan was subsequently approved without bias to TERA's involvement, I believe it is still a potential problem. The fish-bowl environment in which the Midland Project exists makes it highly susceptible to public scrutiny and comment. I feel that the controversy surrounding the poor quality of work performed at Midland and CPCO's management involvement

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in it, will not be helped by even the suspicion of conflict of interest. I do not believe that the benefit to be received by TERA's involvement in the MAP is of sufficient magnitude to outweigh the potential damage to the credibility of the MAP's recommendations that can be caused by the inference of conflict of interest and/or whitewash.

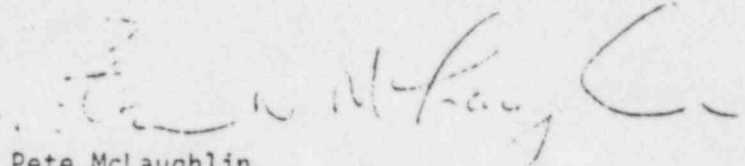
Another area in which I also believe that the MAP is flawed is in its assessment of the capability of the CPCo's management of the Midland Project. The Confirmatory Order directing that the MAP be performed, specifically stated that, "...the appraisal shall include a review of the licensee's site and corporate construction management and supervisory personnel involved in the Midland project to determine their capability and competency for managing construction activities consistent with regulatory requirements." The MAP proposal, as submitted, was not clear on whether or not the program would address this area or not. Under questioning at the meeting it was stated by CMP that they planned to do a function and roles analysis of all management/supervisory positions in the Midland Project organization. They then planned to evaluate each position incumbent "competency" through resume review and interview. I believe that the appraisal of "capability" or how well did the individual actually perform his job will not be addressed. Since this was a specific requirement of the Order, it appears that the MAP may not be responsive to the Order in this area. The seriousness of this lack of responsiveness depends on the importance of the "capability and competency" issue to the authors of the Order.

Finally, having sat through 8-9 hours of discussion related to the Midland Project I have two personal observations to make.

First, the Midland Project got into the position it is presently in because of certain shortcomings, maybe in management and maybe not, but in any case, to correct the situation, in October of last year they proposed and we accepted their Construction Completion Program (CCP) plan. Part of that plan involved changes and realignments in management of the Midland Project. It also strengthened the Company's commitment to quality and schedule. Since, the situation has changed so significantly from what existed previously and we, the NRC have already approved and are monitoring their CCP, I don't know what purpose is to really be served by performing a Management Appraisal Program at this time. As a matter of fact, I would say that the MAP may have a deleterious impact on the CCP since performance of the MAP will require several people on site and at corporate offices doing interviews and observing administrative procedure and control implementation. I think this "mucking about" in the Project could divert attention from the CCP and cause more problems than it fixes. Also, the results of the MAP will not be known until Fall of this year, about a year and a half from fuel load, not much time will be left to implement recommendations much less make a difference to past and/or existing quality problems.

Second, the afternoon session of the Midland meeting was to discuss the CMP's proposed plan and the NRC's comments on it. To hold that kind of pre-decisional meeting in a public forum seemed inappropriate to me. I

believe the presence of the public and media inhibited to some degree the unrestricted meaningful exchange of information on the MAP and any constructive changes to the Program that might have resulted from that exchange of information. Depending on the topic, the constriction of free information exchange may be worth the cost, but I don't think that this was one of those topics.



Pete McLaughlin  
Licensee Qualifications Branch, DHFS

Enclosure:  
11 Comments of CMP Plan

cc: H. Thompson, NRR  
J. Taylor, I&E  
J. Keppler, Region III  
R. Purple, NRR

## Enclosure 1

### NRC Comments on the Independent Management Appraisal of CPCo By Cresap, McCormick, and Paget

1. 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.
2. 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 conclusion that TERA's participation does not represent a conflict of interest.
3. 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.
4. 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.
5. 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.
6. 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.



7. 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.
8. 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.
9. 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.
10. 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.
11. 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.

MAY 11 1984

Docket No. 50-329  
Docket No. 50-330

Consumers Power Company  
ATTN: Mr. James W. Cook  
Vice President  
Midland Project  
1945 West Parnall Road  
Jackson, MI 49201

Gentlemen:

By letter dated March 7, 1984, Consumers Power Company (CPCo) submitted in accordance with the Confirmatory Order, dated January 12, 1984, its proposed Plan to Conduct an Independent Management Appraisal of the Midland Nuclear Project. The letter further identified that CPCo had selected the firm of Cresap, McCormick and Paget (CMP) to conduct the Appraisal and that CMP would be assisted by Tera Corporation (TERA). The NRC staff reviewed the Management Appraisal Plan and on April 16, 1984, submitted comments to CPCo regarding the Plan.

A public meeting was held in Midland Michigan on May 4, 1984, between CMP, TERA and the staff. During the meeting, CMP described the Management Appraisal Plan including their response to the submitted NRC comments. Following the meeting, the public was afforded the opportunity to comment on the Plan.

The staff has considered the proposed Management Appraisal Plan and the qualifications of CMP to conduct the proposed Management Appraisal. Based on the NRC staff review of the submitted Appraisal Plan, the CMP response to the NRC comments regarding the Plan, and consideration of comments by members of the public, the NRC concludes that the Independent Management Appraisal Plan, to be performed by CMP and TERA, meets the requirements of the NRC Confirmatory Order dated January 12, 1984, and is adequate to provide for an assessment of the licensee's management capabilities. However, as stated during the public meeting, TERA is not to participate in any facet of the Management Appraisal which involves matters previously reviewed by TERA during performance of the Independent Design and Construction Verification Program (IDCVP). In addition, a followup public meeting to further discuss the Appraisal Plan is to be scheduled once CMP completes the Reconnaissance portion of the proposed Plan.

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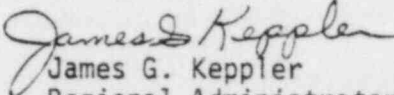
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This letter confirms the verbal approval of the proposed Independent Management Appraisal granted at the conclusion of the May 4, 1984, public meeting.

Should you have any questions regarding this letter, please contact R. F. Warnick of my staff.

Sincerely,

  
James G. Keppler  
Regional Administrator

cc: DMB/Document Control Desk (RIDS)  
Resident Inspector, RIII  
The Honorable Charles Becihoefer,  
ASLB  
The Honorable Jerry Harbour, ASLB  
The Honorable Frederick P. Cowan,  
ASLB  
William Paton, ELD  
Michael Miller  
Ronald Callen, Michigan  
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Stone and Webster Michigan, Inc.