



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

JAN 14 1985

MEMORANDUM FOR: William J. Dircks,
Executive Director for Operations

FROM: Guy H. Cunningham, III
Executive Legal Director

SUBJECT: GUNNAR HARSTEAD CONFLICT OF INTEREST

By copy of a November 23, 1984 memorandum to the Licensing Appeal Board for the Waterford proceeding, from James A. Fitzgerald, Assistant General Counsel, OGC, the staff was informed of OGC's conclusion that Mr. Gunnar Harstead, a former special government employee at NRC, had violated criminal conflict of interest laws while employed at the NRC. Mr. Harstead was assigned by the NRC in 1981 to work on the Waterford license application. The conflict of interest arose in 1983 when Mr. Harstead, while a special government employee advising NRC on matters other than Waterford, represented his consulting firm, Harstead Engineering Associates, in meetings with the NRC staff on Waterford matters. The Harstead firm had been hired by the Waterford licensee, Louisiana Power and Light, to study the design adequacy and structural integrity of certain Waterford components. Thus, Mr. Harstead violated the rule prohibiting him from representing a third party before NRC on a matter in which he was substantially involved (in 1981) while working for NRC.

In light of Mr. Harstead's violation of conflict of interest laws two types of administrative action may be initiated against him. First, a record of the violation may be placed in his official personnel folder (OPF). This information could impact on Mr. Harstead's ability to gain employment, especially in the public sector. Accordingly, prior to including this information in the OPF Mr. Harstead should have an opportunity to respond orally and/or in writing to the allegation against him.

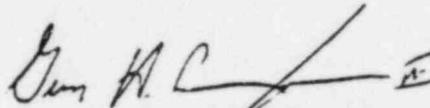
Alternatively, NRC has a legal right to recoup from Mr. Harstead any money paid to him by Harstead Engineering Associates, Inc. for work performed on Waterford while he was in violation of NRC conflict of interest regulations. Recoupment could be accomplished by demanding an accounting from Mr. Harstead and payment to NRC of the appropriate amounts, in accordance with established debt collection procedures. Should NRC demands for accounting and payment fail, the matter may be referred to the Department of Justice for civil action.

We do not believe it is necessary or in the best interests of NRC to take either of the actions described above. Mr. Harstead did not perform work for

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NRC after 1981 on the Waterford application, although he did provide services for NRC on other matters. Thus, when representing his consulting firm before the NRC staff in 1983 on Waterford issues it had been more than two years since he had completed his Waterford work for NRC. In our view Mr. Harstead's action was in no way egregious and probably occurred without any knowledge on his part that his actions could result in a violation of law.

We have been informed that the staff has a continuing need for Mr. Harstead's services on projects other than Waterford. Should it be decided to renew Mr. Harstead's appointment the staff will assure (a) that Mr. Harstead does not work on the Waterford project; (b) that he is fully aware of NRC conflict of interest regulations and policies and (c) that he is informed of the Agency's findings regarding his prior conduct and cautioned against committing future improprieties of this kind.



Guy H. Cunningham, III
Executive Legal Director

cc:
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V. Stello
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ASLAB
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