

### **GTFICIAL USE ONLY**



NUCLEAR REGULATORY COMMISSION WASHINGTON, D. C. 20655 August 19, 1981



Office of Inspector and Auditor

Note to Dudley Thompson

Attached for your information is a copy
of OIA's report of investigation into
the allegations by Thomas Applegate regarding
the Zimmer Nuclear Power Station.

Arthur Schnebelen Acting Assistant Director for Investigation

Attachment: OIA rpt of investigation re Zimmer dtd 8/7/81

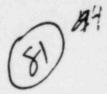
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#### UNITED STATES NUCLEAR REGULATORY COMMISSION WASHINGTON, D. C. 20555



September 17, 1981

MEMORANDUM FOR: Chairman Palladino

FROM:

William J. Dircks

Executive Director for Operations

SUBJECT:

JULY 30, 1981 CIA REPORT, "SPECIAL INQUIRY RE: ADEQUACY OF IE INVESTIGATION 50-358/30-9 AT THE WILLIAM H. ZIMMER

NUCLEAR POWER STATION"

Enclosed are the OIE comments relative to the OIA investigative findings. I would like to specifically direct your attention to the enclosed weld chronologies. Clearly, these welds had been identified and placed in a corrective action system prior to Applegate's involvement.

I believe the OIA report summary (page 2) best characterizes the safety issue.

"One of Applegate's main allegations was that defective welds in safety-related systems have been accepted, . . . By virtue of prior IE inspections . . , it is clear that Region III was well aware of the chronic and long history of welding problems at Zimmer: specifically, that unacceptable welds in safety-related systems had for all intents and purposes been accepted by both the contractor and, in some cases, the licensee. Based upon these inspections, Region III required the licensee to rereview radiographs and reports of all welds which had been accepted for turnover prior to operation; this review started in October 1979 and portions of this review are still being studied by Region III."

It appears to be irrelevant to debate whether or not the welds had been accepted; the pertinent fact is that the welds were in a system to obtain corrective action.

I am confident that the aggregate of licensee and NRC actions would have resulted in adequate welds prior to the operation of this plant, irrespective of Applegate's involvement.

> William J. Dircks Executive Director for

Operations

Enclosures:

Office of Inspection and Enforcement Comments
 Weld Chronologies

cc: See Page 2

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#### NUCLEAR REGULATORY COMMISSION WASHINGTON, D. C. 20024

NEWOCULOUS FOR: Chairman Palladiso

FROM:

William J. Dircks

Executive Director for Operations

SUBJECT :

JULY 30, 1981 OIA REPORT, "ADEQUACY OF IE INVESTIGATION 50-358/80-09 AT THE WILLIAM H. TIMMER MUCLEAR POWER

STATION"

The OIA findings and supporting arguments contained in the August 7, 1981 memorandum. J. Cummings to the Commissioners, disturb me deeply. I am forced to conclude that OIA may not clearly understand the NRC mission or priorities, nor the processes and controls involved in the construction of a nuclear power plant. I am unable to conclude that the OIE investigation of Applegate's allegations was unsatisfactory.

Our goal for plants under construction is to ensure that they are constructed a manner to provide adequate public protection after they are licensed operate. We attempt to ensure that all potential construction defects. Irrespective of how they are identified, are adequately corrected prior to the operation of a nuclear power plant. To that end, the sptimal use of our resources is achieved when identified defects are verified to be in a utility's corrective action system. The potential for further reduction of risk to the public is not commensurate with the incremental resources required to broaden the depth and breadth of this type of investigation as suggested in the OIA report.

I have been informed there are factual inaccuracies in the DIA report. I will be forwarding our detailed comments on the DIA report in a separate memorandum.

William J. Dircks Executive Director for Operations

cc: See next page

'TACT: T. L. Harpster, 1E 49-24774

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Commissioner Billasky & Commissioner Bradford Commissioner Ahoarne Commissioner Roberts SECY OPE OGC

#### LIES TO OIA FINDINGS

#### Ola Floding

OIA review of investigative file disclosed fradequate documentation.

#### Discussion

The OIA comment on documentation (page 2) refers to the RIII investigative file, rather than the investigation report itself. They noted that no "results of interview" or dopies of weld documentation reviewed were in the file. On page 13, it is pointed out that no identification key was generated for the investigative file.

Neither NRC. IE, nor RIII procedures require a "results of interview" to be generated for each interview, and all interviews are not required to be portrayed in detail in an investigation report. Investigation reports should contain all pertinent information, whether obtained through observations, records or interviews, concerning the matter investigated.

There is no need for retention of copies of all documentation obtained during an investigation. If a document appears to be relevant to the case, it is often reviewed onsite, and no copy is obtained. If a document appears central to an allegation, it is then copied, and may be made an attachment to the report, if warranted by the issue involved.

#### - 2. Old Finding

If investigative report did not identify the dates on which the welding rework was conducted on weld K-811.

#### Discussion

Although the IE investigation report did not identify the date when weld K-Bll was removed (approximately January 16, 1980), the report did correctly identify that the weld had been removed as provided by the disposition of NR No. E-2138Rl. Thus, the weld alleged to be improper was nonexistent, having been removed eighty-two days prior to the investigation team's arrival at Zimmer. Determination of the date of rework was not necessary in our view.

#### 3. Ola Finding

The JE investigation report did not identify that a nonconformance report (NR) on weld K-Bll had initially been closed with the notation "accept as is," and was later voided and reopened to order the weld cut out.

#### Discussion

The finding as stated is incorrect. The "accept as is" statement on the MR was conditional in that it only applied if a radiograph showed the weld to be acceptable. Apparently the DIA investigator misunderstood

#### 4. OIA Finding

The investigation did not determine that weld RH-42 had been cut out and replaced after initiation of the investigation.

#### Discussion

The finding is correct. The investigation did, however, properly determine that weld defects had been identified and corrective action was planned. The actual date of corrective action is not significant.

#### 5. Old Finding

None of the welds alleged to have been deficient were inspected by the investigation team nor was all pertinent weld documentation reviewed.

#### Discussion

The finding is correct but considered irrelevant. The investigators did not inspect the welds but did review the radiographs, which was the correct method of evaluation. Visual examination of the weld would not identify internal defects. The investigators did not review all weld documentation but did review the pertinent documentation to establish proper weld disposition.

#### 6. CIA Finding

The IE investigators did not fully investigate or accurately report on the alteration of a noncomforance report (NR) related to spool pieces as a "CG&E official" vice "QA Manager," thus obscuring that this was the improper voiding of a NR.

#### Discussion

Investigator Phillip indicates that the matter was discussed with his supervisor, and the pursuit of who directed the lining-out was seen as having little significance. This was because a separate KR had been opened, providing tracing of the nonconformance. Finally, neither OIA nor QIE could substantiate the allegation.



## NUCLEAR REGULATORY COMMISSION

HORANDA FAR: Chairman Palladina

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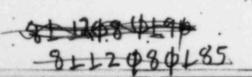
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#### OIA Finding

The IE investigators did not fully investigate or accurately report on the alteration of a noncomforance report (NR) related to spoul pieces containing defective welds. The IE report only identified an individual as a "CG&E official" vice "QA Manager," thus obscuring that this was the licensee's senior person responsible for the site QA program who ordered improper voiding of a NR.

#### Discussion

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MEMORANDUM FOR: R. F. Warnik, Chief, Reactor Projects Section 2B

FROM

A. Bert Davis, Deputy Director

SUBJECTI

ZIMMER INVESTIGATION, WELD CY-516

REJECTABLE

As you know weld CT-516 was letsrained to have indications when it was radiographed. This weld is in a system where RT is not required; the NDE for welds in this system is visual inspection. I understand based on the RT that the licensee plans to cut out and replace this weld. If the licensee is doing this because the RT has shown that the weld is unacceptable for the series intended, then this casts questions on other welds in this system. We then need to make an evaluation other welds in this system. We then need to make an evaluation whether the other welds need to be further reviewed. If, on the other hand, the licensee is replacing CT-516 just because the weld indications have come to the attention of many people, then there would be no reason to become concerned about other welds in the system.

Please determine the reason for replacing CT-516 and if appropriate, assure other welds in the system are resvaluated.

A. Bert Davis Deputy Director

cc: P. A. Barrett

D. H. Danielson

C. E. Morelius

R. L. Spessard

E. D. Ward

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# UNITED STATES NUCLEAR REGULATORY COMMISSION REGION III 799 ROOSEVELT ROAD GLEN ELLYN, ILLINOIS 60137

MEMORANDUM FOR: James G. Keppler, Director, Region III

FROM: James E. Foster, Investigator

SUBJECT: SUPPLEMENTARY COMMENTS ON OIA REPORT "ADEQUACY OF ISE

INVESTIGATION 50-358/80-09 AT THE WILLIAM H. ZIMMER NUCLEAR

POWER STATION"

I have reviewed the subject report several times now, and have supplementary comments to add to my memo of September 3, 1981.

One major point in the OIA report is where they indicate (page 3, bottom) "it was suspected and later confirmed that many of the [GAP] allegations described in the petition were, in fact, not brought to the attention of Region III personnel at the time of the initial investigation." This conclusion is apparently based on a two month review of GAP-supplied material and other information.

No information is provided regarding the GAP-supplied information studied or which allegations were determined to be subsequent to the Region III investigation, or the method of confirmation of their suspicions. Mr. Phillip believes that the sole "confirmation" was his statements to OIA personnel. The finding is one of the central findings of the report, apparently involving two months work, but is given only one short paragraph in the report.

Less significantly, the following errors were noted:

Location	Error
Transmittal, Page 1	Wrong date for OIA report (report was apparently finalized July 30, 1981).
Transmittal, Page 2	No mention of W. Ward involvement in investigation.
Page 2, Paragraph 4, Line 8	Region III did not "require" this action, it was a licensee response.
Page 8, Paragraph 1, Line 5	Wrong title for Schwiers, Manager, QA&S.
Page 23, Paragraph 2, Line 9	Duane Danielson.
Page 29, Paragraph 2, Line 4	Tom Daniels.

Page 31, Paragraph 2, Line 8

Ed Lee.

Page 39, Paragraph 1, Line 1

February 19, 1981 date appears to be in error if comment on document request (page 34, paragraph 5, line 3) is correct.

Page 39, Paragraph 2, Lines 4, 5, and 8

Date is actually 1980.

J. E. Foster Investigator MEMORANDUM FOR: James G. Keppler, Director, Region III

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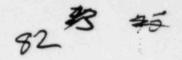
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## UNITED STATES NUCLEAR REGULATORY COMMISSION WASHINGTON, D. C. 20555



September 17, 1981

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FROM:

William J. Dircks

Executive Director for Operations

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William J. Dircks

Executive Director for

Operations

cc: See next page

CONTACT: T. L. Harpster, IE

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Chairman Palladino

cc: Commissioner Gilinsky
Commissioner Bradford
Commissioner Ahearne
Commissioner Roberts
SECY
OPE

OGC OIA JKMATION

October 3, 1981

10/3/81

NOT PUBLICLY RELEASED



POLICY ISSUE

(Notation Vote)

For:

The Commissioners

From:

Executive Director for Operations

Subject:

INVESTIGATIVE JURISDICTION OF THE OFFICE OF INSPECTION AN

ENFORCEMENT

Purpose:

To clarify the authority of the Office of Inspection and Enforcement to conduct external investigations within the jurisdiction of the NRC.

Discussion:

Two NRC offices have been delegated the authority to conduct investigations: the Office of Inspection and Enforcement (IE) and the Office of Inspector and Auditor (OIA). There has been a continuing lack of clarity regarding the investigative jurisdiction of IE as compared to that of OIA. This has resulted in problems affecting the effective functioning of both offices. The purpose of this paper is (1) advise the Commission of this problem because of its impact on both IE and OIA operations and (2) to seek Commission clarification of its desires in this area.

It is my view that the distinction between the investigative responsibilities and authority of the two offices should be determined by whether the matter to be investigated is internal or external, rather than on the basis of whether potential criminality is involved. By internal I mean that the focus of the investigation involves the NRC and its employees or contractors; by external I mean that the focus of the investigation involves the licensed nuclear industry or a matter of NRC regulatory interest.

I believe that IE has and should have exclusive authority and responsibility for the conduct of all external investigations and that OIA has and should have similar exclusive authority for the conduct of internal investigations. In this regard the official Delegations of Authority embodied in the NRC Manual Chapters as well as Chapter 1 of 10 CFR pertaining to the two offices are instructive. Manual Chapter 0113 (as well as 10 CFR 1.30) pertains to OIA.

CONTACT: W. Ward, II

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This Chapter and 10 CFR 1.30 establish OIA as an internal investigative and auditing organization.

In contrast, Manual Chapter 0127 (as well as 10 CFR 1.64), gives IE a broad external investigative mandate. Among other things, it confers on IE the responsibility to investigate licensees, their contractors or suppliers, applicants, individuals, and any organization subject to MRC jurisdiction. MC 0127 describes the purpose of these investigations as being "to ascertain the status of compliance with NRC requirements" and to "identify conditions...that may adversely affect the public health and safety, the common defense and security, the environment, or the safeguarding of nuclear materials and facilities." In addition, MC 0127 specifically charges IE to "investigate incidents, accidents, allegations, and other unusual circumstances involving matters in the nuclear industry which may be subject to NRC jurisdiction..." Neither the Manual Chapter nor the regulation limit IE's investigative role in matters that may involve potential criminality.

The issue of authority as specified in the NRC Manual and Regulations notwithstanding, there are several other compelling reasons that lead me to conclude that IE requires a clear external investigative mandate. For instance, it appears to me that it is inconsistent to have OIA perform external investigations, thus involving a Commission staff office in an operational activity. Commission policy has been to place operational activities under the cognizance of the Executive Director for Operations. Assigning external investigative authority to OIA represents a departure from this practice.

Even more important, however, is the impact of OIA involvement in external investigations on the inspection and enforcement program in general and on enforcement coordination in particular. Indeed, the problems already encountered in such investigations as South Texas, Nuclear

Pharmacy Incorporated, Stepan Chemical Zimmer and the various TMI investigations have demonstrated the need to have this conflict corrected. In these cases, all of which involved potential criminality as well as major health and safety issues, it is not clear that all developed information has been provided to IE or the Department of Justice, enforcement actions have been delayed, and licensees have been confused by having to deal with two sets of NRC investigators. The Department of Justice has been brought into some of these matters with only limited IE consultation regarding the program implication of such an action. The latter has caused elevated enforcement actions to be held in abeyance pending DOJ resolution of relatively minor criminality. There have also been occasions where DOJ has declined prosecution in cases where IE believed prosecution to be warranted for reasons of program impact.

Relatedly, there have been instances where IE Enforcement meetings with licensees have led to NRC/Licensee Agreements which were later challenged by DOJ. The Niagara Mohawk, Stepan Chemical, & Nuclear Pharmacy cases are examples where this has occurred.

These examples point out the need for IE's authority to deal directly with DOJ regarding those external matters that IE investigates. This would afford IE an opportunity to ensure that all relevant information is made available to DOJ in a manner sufficient for DOJ to understand the relationship of the data to the public health and safety. Such direct contact would also enhance mutual understanding of the respective roles of DOJ and NRC, and could be expected to shorten the length of time that it now requires to obtain a prosecutive determination. I believe these factors demonstrate that the present procedures that require IE to deal with DOJ via a third party are not satisfactory, and provide no discernable benefit to the NRC.

In the above-cited investigations, OIA involvement was predicated on evidence of apparent criminality. It is my view that investigations of actual or potential criminality are only a subset of each of the larger categories of internal versus external investigations. Hence, it is instructive to examine the topic of criminality in light of our experience to date.

Pursuant to section 221(b) of the Atomic Energy Act, the FRI is required to investigate all alleged or suspected criminal violations of the Atomic : Energy Act.

As it pertains to the NRC, actual or potential criminality can be considered as falling into two categories. The first category is encountered during inspections or investibilities (or is brought to the attention of the NRC in some other fashion) and is only peripheral to NRC's principal criminal activity range from theft of private property or embezzlement of licensee funds to violations of specific payment of income tax. In such cases, we make the information available to the Federal, State, or local law enforcation available to the Federal, State, or local law enforcations enter the authority nor the desire to investigate such matters except to the extent that they may bear upon NRC statutory responsibilities.

In the second category are those instances of potential criminality that are clearly related to matters within the jurisdiction of the NRC. The vast majority of these involve potential violations of the Atomic Energy Act or the General Fraud Against the Government Statutes (such as WSC 1001 or 18 USC 371). Some examples of these are willful violations of NRC regulations made criminal by investigator, unlicensed possession of nuclear material, or attempts to deceive the NRC in order to obtain a license.

It is important to note that the vast majority of investigations conducted by IE involve, at least at the outset of the investigation, the possibility of criminality. IE is dealing with, or has dealt with recently, dozens of instances where the initial information indicated either possible falsification of records relied upon by the NRC or the knowing and willful violation of NRC regulations.

In each of these examples, the elements of potential criminality and NRC's regulatory interests are inextricably intertwined. No decisions can be made regarding either health and safety actions or criminal prosecution until there is an adequate amount of information available on which to base such a decision. It is my be lief that the appropriate way to acquire this information is to initiate or continue an investigation concerning the matter at issue. By following this course of action IE would be able to ensure that it promptly possesses information of sufficient quantity and quality on which to make its decisions involving the health and safety of the public. At the same time, such an approach would not foreclose a future decision to pursue criminal prosecution. In that regard it should be noted that most instances of potential criminality encountered by IE are not of the "smoking gun" type. The

existing NRC-Department of Justice agreement covering criminal referrals provides guidelines for making such referrals and for the conduct of necessary health and safety investigations and the taking of necessary enforcement actions, even after such referrals.

In those rare cases in which prompt field response by the FBI might be warranted, such as theft of Special Nuclear Material (SNM) or sabotage, IE investigators could either assist the FBI or conduct a parallel investigation in Coordination with the FBI as was done in the recent Beaver Valley investigation and three other cases in the past year. Provisions for such actions are currently contained in the NRC/DOJ agreement.

Whether or not criminality is involved, IE investigators need to collect sufficient information to support successful NRC enforcement actions. To this end, they need to identify and collect copies of pertinent records, and information. When warranted by the nature of the case, statements must be obtained. It should be noted that investigators could be used for prosecutive as well as would enhance rather than hinder any subsequent criminal investigation or prosecution.

In summation, IE and OIA have both had difficulty regarding the respective investigative jurisdictions of the two offices. Thus I feel that this matter needs to be clarified by the Commission. I believe that the following points support the IE position:

- (1) The appropriate NRC Manual Chapters and Regulations presently give IE rather than OIA broad authority to conduct external investigations. This external authority is not further conditioned by whether the matter also involves potential criminality.
- (2) A thorough IE investigation could provide the basis for NRC health and safety as well as referral decisions.
- (3) External investigations, as an operational activity, belong under the cognizance of an EDO line office.
- (4) IE has the capability to conduct such investigations.

The Commissioners

- 1 -

- (5) The current situation is having an adverse impact on the inspection and enforcement program and is causing confusion among licensees.
- (6) It is reasonable for IE to present the issues of a care directly to DOJ rather than through an intermediary. Such direct communication would facilitate mutual understanding and promote the ultimate objective of advancing the safety of nuclear activities.
- (7) The July 9, 1981 GAO report on OIA notes the need for OIA to concentrate on its legitimate internal audit role.

#### Recommendation:

I recommend that the Commission clarify the Delegations of Authority in MC 0113 and 0127, designating IE as the NRC agent for all investigations external to the agency and OIA as the NRC agent for all internal investigations. Further, both offices should have coordination and referral responsibilities with DOJ for matters falling within their respective jurisdictions.

#### Coordination:

The Offices of NRR, NMSS, RES, ADM and OELD concur in this recommendation. We have provided a copy of this paper to OIA for their information. OIA has indicated its desirate withhold written comment until such time at this paper is forwarded to the Commission.

William J. Dircks

Executive Director for Operations

Commissioners' comments should be provided directly to the Office of the Secretary by c.o.b. Monday, October 26, 1981.

Commission staff office comments, if any, should be submitted to the Commissioners NLT October 19, 1981, with an information copy to the Office of the Secretary. If the paper is of such a nature that it requires additional time for analytical review and comment, the Commissioners and the Secretariat should be apprised of when comments may be expected.

Distribution: Commissioners Commission Staff Offices EDO ELD ASLBP

November 20, 1981 Docket No. 50-358 Mr. Douglas Lowenstein Cox Newspapers 1901 Pennsylvania Avenue, N.W. IN RESPONSE REFER Suite 501 TO FOIA-81-376 Washington, DC 20006 Dear Mr. Lowenstein: This is in partial response to your letter dated September 18, 1981, in which you requested, pursuant to the Freedom of Information Act, copies of (1) the Office of Inspector and Auditor's report entitled "Adequacy of IE Investigation 50-358/80-09 at the William H. Zimmer Nuclear Power Station," (2) all written material regarding the report and (3) transcripts of any meetings at which the request was discussed. The seven documents listed on Appendix A are subject to your request. I understand that you received the first five documents on Novmeber 17, 1981. The last two documents are enclosed. We will be in touch with you further regarding any transcripts. Sincerely. (Signed) J. M. Falton J. M. Felton, Director Division of Rules and Records Office of Administration Enclosures: As stated DISTRIBUTION DRR Rdg POR DRR Subj LPDR DJDonoghue JLSouder JMaynard Fouchard ECShomaker JCCarr CAReed WMullinix ASchnebelen + Concurred by stone RParrish orrice! ADM: DRR . (-1 ADM:DRR ...11///81....

Re: FOIA-81-376

#### Appendix A

- Memorandum to Chairman Palladino, et. al., from J. J. Cummings dated August 7, 1981 re: "Adequacy of IE Investigation 50-358/ 80-09 at the William H. Zimmer Nuclear Power Station" with attachment.
- Memorandum to Chairman Palladino from W. J. Dircks dated September 17, 1981 re: "July 30, 1981 OIA Report, 'Adequacy of IE Investigation 50-358/80-09 at the William H. Zimmer Nuclear Power Station.'"
- Memorandum to Chairman Palladino from W. J. Dircks dated September 17, 1981 re: "July 30, 1981 OIA Report, 'Special Inquiry Re: Adequacy of IE Investigation 50-358/80-09 at the William H. Zimmer Nuclear Power Station'" with enclosures.
- Memorandum to Chairman Palladino from J. J. Cummings dated October 8, 1981 re: "OIA Report Dated August 7, 1981, 'Adequacy of IE Investigation 50-358/80-09 at the William H. Zimmer Nuclear Power Station'" without attachments.
- Letter to M. K. Udall from N. J. Palladino dated November 16, 1981.
- 6. Memorandum to J. G. Keppler from G. A. Phillip, undated, re: "Comments on OIA Report of Adequacy of IE Investigation Report No. 50-358/80-09 at the William H. Zimmer Nuclear Power Station" with attachment.
- Memorandum to J. G. Keppler from J. E. Foster dated September 3, 1981 re: "OIA Report 'Adequacy of I&E Investigation 50-358/80-09 at the William H. Zimmer Nuclear Power Station" with attachments.