

Arizona Public Service

PALO VERDE NUCLEAR GENERATING STATION  
P.O. BOX 12104 PHOENIX, ARIZONA 85072-2104

102-03583-WLS/AKK/ACR

January 11, 1996

WILLIAM L. STEWART  
EXECUTIVE VICE PRESIDENT  
NRC 239

Mr. L. J. Callan  
Regional Administrator, Region IV  
U.S. Nuclear Regulatory Commission  
611 Ryan Plaza Drive, Suite 400  
Arlington, TX 76011-8064

- References:
1. Letter dated November 27, 1995, from L. J. Callan, NRC, to William L. Stewart, APS.
  2. Letter 001-00655/OMD, dated April 21, 1994, from O. Mark DeMichele, APS, to James Taylor, NRC.
  3. Letter 212-01246/WFC/RJS, dated October 1, 1993, from William F. Conway, APS, to B. H. Faulkenberry, NRC.
  4. Letter 212-01232/WFC/RJS, dated August 20, 1993, from William F. Conway, APS, to B. H. Faulkenberry, NRC.
  5. Letter 212-01034/WFC/RJS, dated August 10, 1993, from William F. Conway, APS, to B. H. Faulkenberry, NRC.

Dear Mr. Callan:

**Subject: Palo Verde Nuclear Generating Station (Palo Verde)  
Units 1, 2 and 3  
Docket Nos. STN 50-528/529/530  
Response to an Apparent Violation**

This letter responds to your November 27, 1995 letter concerning an "apparent violation" of 10 C.F.R. § 50.7 that occurred in December 1991 at Palo Verde. Although APS has previously provided the NRC with considerable information on this matter in the above referenced letters, APS would like to provide the NRC with information that APS considers relevant to the NRC's decision regarding potential enforcement action.

As requested in your letter, this response discusses: (1) the reason for the apparent violation; (2) the corrective steps that have been taken and the results achieved; (3) the corrective steps that will be taken to avoid further violations; and (4) the date when full compliance was achieved. This response also provides the NRC with APS' perspective

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Should you need additional information, please contact Ms. Angela Krainik at (602) 393-5421.

Sincerely,

W L Stewart

WLS/AKK/ACR/pv

Attachments

cc: Document Control Desk All w/enclosures  
B. E. Holian  
K. E. Johnston  
K. E. Perkins  
G. F. Sanborn

on the significance of the violation (severity level) as well as information that APS believes is important relative to the NRC's civil penalty assessment process. Finally, this response provides information on: (1) APS' view of the adequacy of the initial efforts to investigate the I&C technician's claim that he was the subject of discrimination and (2) APS' view of the effectiveness of our corrective actions since many were initiated as long as three years ago and have had time to be evaluated. In some cases, this response references previously docketed correspondence when that correspondence adequately addresses the information requested.

## I. Overview<sup>1</sup>

### A. APS Self-Assessed; Self-Identified; and Self-Reported

On January 27, 1992, a contract instrumentation and control (I&C) technician filed a Section 210 complaint with the Department of Labor (DOL) against APS alleging that he had not been hired to work the 1992 Unit 1 refueling outage because he engaged in protected activity. Based on initial investigative findings, APS denied the charge and a trial was held before an Administrative Law Judge (ALJ). On May 10, 1993, the DOL ALJ issued a Recommended Decision and Order (recommended decision) finding that the contract I&C technician had been discriminated against, in violation of Section 210 of the Energy Reorganization Act, because he engaged in protected activities. In light of the findings made by the ALJ, APS immediately initiated efforts to more fully investigate the claim that led to the decision.

After issuance of the ALJ's recommended decision on May 10, 1993, APS senior management became concerned with some of the findings in the recommended decision and promptly initiated an investigation. APS hired a former chairman of the NRC, Marcus Rowden, who, with the assistance of counsel trained in the conduct of corporate investigations, conducted an independent investigation of the matter. Moreover, a parallel review occurred, under the direction of APS' Corporate Counsel, of privileged material to assure that nothing in that material would call into question the findings resulting from the documents that were available in the public record. APS also hired new trial counsel to assist the Company in responding to the recommended decision. Both the privileged and non-privileged reviews consisted of re-interviewing witnesses who had testified during the DOL hearing, re-examining documents that had been produced during the proceeding, and conducting a comparison between the ALJ's findings and the facts as understood by APS prior to the hearing.

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<sup>1</sup>For a detailed discussion of the facts associated with this matter, APS requests that the NRC review Attachment 1 to the April 21, 1994, submission from Mark DeMichele, APS President and Chief Executive Officer, to James Taylor, Executive Director for Operations, NRC (Reference 2).

In the course of the privileged review, during an interview with legal counsel, the Unit 1 I&C supervisor who made the decision not to hire the contract technician admitted that his prior sworn testimony during the DOL hearing was untruthful regarding his awareness of the contract technician's past protected activities and his reasons for not selecting the contract technician. The supervisor had previously stated to APS and to the ALJ that at the time of the employment decision he had no knowledge that the contract technician had raised safety concerns at Palo Verde and other nuclear power plants and that his basis for not selecting the contract technician related to certain job requirements that the technician did not fulfill. However, on August 6, 1993, the Unit 1 I&C supervisor informed counsel that he had previously learned of the contract technician's involvement in protected activities from the Unit 2 I&C supervisor and that thereafter he determined he would not select the contract technician to work the refueling outage. Upon identifying this information, APS promptly reported it to the NRC on August 10, 1993, pursuant to 10 C.F.R. § 50.9 (Reference 5)

In summary, had it not been for APS' proactive decision to promptly conduct an extensive self-assessment after issuance of the ALJ's decision, the supervisor's admission of misconduct, which forms the basis for the apparent violation, might never have been discovered. In fact, the NRC Office of Investigations' (OI) synopsis attached to your November 27, 1995 letter gives credit to APS for discovering and reporting the Unit 1 I&C supervisor's misconduct where it states:

After the DOL decision there were numerous inquiries by APS of their employees and attorneys about what transpired. In an August 10, 1993 letter, APS informed the NRC that the Unit 1 APS supervisor had admitted on August 6, 1993 that he declined to hire a contractor employee because he learned of the employee's [sic] protected activity.

Therefore, not only did APS identify and obtain through its comprehensive self-assessment an admission by the Unit 1 I&C supervisor of his misconduct, APS also promptly reported it to the NRC.



## II. Response to an Apparent Violation

As discussed below, the misconduct of the Unit 1 I&C supervisor in December 1991 caused APS to be in apparent violation of 10 C.F.R. § 50.7. Based upon our review of the NRC's Enforcement Policy, the apparent violation should be appropriately categorized as a Severity Level III violation because it involved the actions of an individual in first-line supervision. However, notwithstanding the apparent violation, the NRC should exercise discretion and refrain from imposing a civil penalty in this matter. APS deserves credit for identifying and reporting the supervisor's misconduct to the NRC. We also deserve credit for the prompt and comprehensive corrective actions that were taken in response to the apparent violation. These include: (1) taking immediate actions against the Unit 1 I&C supervisor; (2) fully cooperating with the NRC's investigation; (3) entering into a settlement agreement with the contract technician; and (4) taking a number of actions to ensure that employees and contractors working at Palo Verde feel free to raise concerns. Based on the many positive results that have been achieved, we believe that these efforts have been successful in assuring that an environment exists at Palo Verde where employees and contractors feel free to raise concerns without fear of retaliation.

### A. Statement of Apparent Violation

An APS supervisor caused APS to be in apparent violation of 10 C.F.R. § 50.7 when he declined in December 1991 to hire a contract I&C technician for a Palo Verde Unit 1 refueling outage.

### B. Reason for the Apparent Violation

In December 1991, an APS supervisor was informed by a co-worker that a contract I&C technician had engaged in protected activity by raising safety concerns at Palo Verde and other nuclear power plants. The supervisor inappropriately considered this information in deciding not to hire the contract technician for the Unit 1 1992 refueling outage. The supervisor has indicated that he made this decision on his own and no one at APS encouraged, pressured, or ordered him not to select the contract I&C technician. The supervisor's actions were in violation of APS' policies as well as an apparent violation of NRC regulations.

### C. Corrective Steps and Results Achieved

APS believes that it has acted appropriately at each step of the process. In response to the complaint filed by the contract technician, APS hired its longtime outside counsel to handle the case on the Company's behalf. This counsel had adequately represented APS in these types of matters in the past, and there was no

reason to believe that they would do otherwise in this matter. As discussed above, after the issuance of the ALJ's recommended decision on May 10, 1993, senior management became concerned about several issues raised in the recommended decision and initiated an investigation to determine the validity of the ALJ's conclusions. This included a non-privileged review as well as a detailed review of privileged documentation. These APS initiatives led to APS identifying the Unit 1 I&C supervisor's misconduct and promptly reporting this fact to the NRC. Furthermore, in response to this admission, APS took immediate actions against the offending employee; fully cooperated with the NRC's investigation; reached a settlement with the contract technician; and took a number of additional actions to ensure that employees and contractors working at Palo Verde feel free to raise concerns. APS believes that it has taken prompt and comprehensive corrective actions in response to this matter and that these actions have resulted in an atmosphere at Palo Verde where employees and contractors feel free to raise concerns without fear of retribution.

1. **APS took immediate actions against the offending employee -**

On the same day that APS obtained an admission from the Unit 1 I&C supervisor about his misconduct, his site access was suspended and he was placed on administrative leave. Subsequently, he was terminated for his misconduct. Additionally, although he denied any role in any improper actions, the Unit 2 I&C supervisor, who informed the Unit 1 I&C supervisor about the contract technician's protected activity, also had his site access suspended and later reached an agreement with APS that he would never return to work for the Company.

2. **APS fully cooperated** - From the outset, APS fully cooperated with the NRC's investigation of this matter. After issuance of the ALJ's May 10, 1993 recommended decision, the NRC's initial response was to send APS a July 7, 1993 letter requesting information relative to actions that APS was undertaking to ensure that a potential chilling effect did not exist at Palo Verde. APS responded to the NRC's letter on August 20, 1993 (Reference 4). On August 17, 1993, presumably as a result of APS identifying and reporting to the NRC the Unit 1 I&C supervisor's admission of misconduct, the NRC's Office of Investigations initiated an investigation to determine whether the contract I&C technician had been discriminated against. APS fully cooperated with the NRC OI investigation. The Company assisted in making both management and non-management employees available for interviews and in some cases, re-interviews. The Company provided numerous documents to the NRC and responded to specific requests for additional facts and information. Furthermore, because of the unique circumstances of this case, APS took the unusual action of partially waiving its attorney-client privilege with regard to this matter in order to facilitate the NRC's investigation. The timely full cooperation of APS in this matter reflected the highest integrity on the part of the management team.

3. **APS settled with the contract technician** - On December 15, 1993, APS entered into a settlement agreement with the contract technician. As a result of this settlement, the parties agreed to amicably resolve their differences and seek the dismissal of all pending actions and legal proceedings between the parties. APS also agreed to provide certain compensation to the contract technician. On June 19, 1995, the Secretary of Labor issued an order approving the settlements and dismissing the proceedings that were pending before the DOL. APS and the contract technician also entered into a separate settlement agreement that resolved potential matters under state law. As discussed in your November 27, 1995 letter, APS' actions in amicably resolving this matter with the contract technician should be considered a part of APS' corrective actions for the apparent violation.

APS' initiatives in this regard should be afforded favorable consideration because compelling evidence exists that the contract technician made material omissions in providing background information as part of his access authorization. Nevertheless, APS entered into a settlement agreement with the contract technician. This action was taken, in part, so as not to give a false impression that APS was defending the inappropriate actions of the supervisor. *Compare* 10 C.F.R. § 50.7(a)(1) with 10 C.F.R. § 50.7(a)(3) (Individuals who deliberately cause a violation of NRC regulations are not afforded the protections of 10 C.F.R. § 50.7). *See also* Letter dated May 5, 1995 from James L. Milhoan, NRC to William T. Cottle, HL&P, withdrawing a notice of violation and proposed civil penalty based in substantial part on similar access authorization omissions made by this contract technician, EA 93-056.

4. **APS has taken comprehensive actions to ensure that employees and contractors feel free to raise concerns** - The supervisor's decision not to select the contract I&C technician to work the refueling outage occurred in December 1991, over four years ago. Since that time, APS has comprehensively reviewed and changed its programs to assure that employees feel free to raise safety concerns. Specifically, APS has taken an integrated series of initiatives to: (1) provide further assurance that Palo Verde employees and contractors understand that APS management encourages the identification and resolution of employee concerns; and (2) convey management's expectation that these concerns be addressed and resolved in an open, direct and professional manner. These actions include: (1) extensive evaluation and assessment of employee attitudes and relevant Palo Verde programs; (2) cultural changes; and (3) programmatic improvements. As acknowledged in your letter, many of these initiatives have been previously described by APS to the NRC in docketed correspondence. In particular, Attachment 2 of an April 21, 1994 submittal from Mark DeMichele, APS President and Chief Executive Officer, to James Taylor, Executive Director for Operations, NRC (Reference 2), presents a detailed account of the initiatives taken by APS to assure that there is an atmosphere at Palo Verde which

encourages employees to freely raise concerns. We request that the NRC review these previous submittals prior to making any decisions about enforcement.

In addition, APS' efforts in this area have not ended with the actions described in Attachment 2 of APS' April 21, 1994 submittal to the NRC and the other APS letters referenced above. In fact, as described below, APS continues to take actions to ensure that an environment and a process exists at Palo Verde which encourages the raising of concerns.

**a. Efforts to Resolve Employee Issues** - APS has established an integrated process for addressing employee concerns. This process, known as the "Integrated Palo Verde Management/Issues Tracking and Resolution Process" (Integrated Issues Resolution Process), allows employees to raise personnel or technical concerns either formally or informally. Although APS encourages the resolution of issues at the front-line management level, the Integrated Issues Resolution Process allows for the more formal review of: (1) employee issues through the Management Issues Tracking Resolution (MITR) process; and (2) technical concerns through the filing of a Condition Reporting/Disposition Request (CRDR), or the Differing Professional Opinion process (DPO).<sup>2</sup> Both MITR and CRDR are streamlined processes that provide a complete program for addressing and resolving concerns. The DPO process was designed primarily as an appeal to a CRDR, however, employees may also use it when they have an opinion about a technical issue that differs from a management accepted technical position. These programs provide for periodic feedback, timely resolution, and a right of review by the responsible area Vice President if the employee desires. The Integrated Issues Resolution Process is depicted in the diagram in Attachment 1.

Senior management also continues to be actively involved in this area. For example, I issued a November 29, 1994 memorandum (Attachment 2) which sets forth my expectation that "[t]he expedient and effective resolution of issues raised by employees is a top priority for all of us serving in a leadership capacity." To emphasize this commitment, I requested that all leaders at Palo Verde include a target in their 1995 Performance Enhancement Plan (PEP) regarding the need to:

Promote an open and positive work environment in which employees feel free to raise issues. Assure that any issues raised are effectively addressed and that all MITRs and

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<sup>2</sup> The MITR program is administered by the Palo Verde Client Services Department (Human Resources) and the CRDR program and the DPO process are administered by the Strategic Analysis Group.



Employee Concerns are processed within the appropriate time frames.

Furthermore, APS has elevated the responsibility for overseeing employee issues to the Nuclear Officer level. On December 12, 1994, I issued a memorandum (Attachment 3) to all Palo Verde employees informing them that effective January 2, 1995, the Employee Concerns Program (ECP) will report to the Vice President, Nuclear Support, and that this change represents the next step in consolidating and improving our process for dealing with employee issues. In addition to providing oversight of ECP, the current Vice President, Nuclear Support, Gregg Cverbeck, has been designated with the task of monitoring all employee issues at Palo Verde. He meets weekly with the leaders of ECP and Palo Verde Client Services to be briefed on current employee issues and ensure that they are being effectively and thoroughly addressed within appropriate time frames. This group also meets monthly with me to review ongoing employee issues and determine whether there are any potential emerging trends in a particular area. To determine whether any trends may be developing, employee issues are trended a number of different ways in a monthly report entitled *Employee Issues Update*. This trending system includes an evaluation of employee issues by type, departments, leaders, as well as how long it takes to close issues that are being addressed through MITRs, DPOs and Employee Concerns. Furthermore, once a month during one of my staff meetings, the Director of Palo Verde Client Services reviews this information with the Palo Verde management team so that they can have an understanding of how well we are doing in addressing employee issues.

**b. Open Communications and Recognition of Employee Contributions** - APS has also made a concerted effort to increase communications with employees and celebrate successes. In fact, in the spirit of open and comprehensive communications that I am promoting at Palo Verde, I issued a communiqué in the form of an *F.Y.I.* to all employees regarding your November 27, 1995 letter (Attachment 4). A copy of your letter was also posted on bulletin boards at the site. My purpose in doing this was to emphasize the importance of open communications to our employees and let them know that: (1) APS recognizes the significance of this matter; (2) employees are strongly encouraged to bring forward their concerns; and (3) harassment or intimidation of anyone working at Palo Verde will not be tolerated.

Additionally, we use other communication vehicles to ensure that the expectations regarding an open environment are understood and met. For example, each week, all employees are sent a copy of the *Palo Verde News* which is used as a forum to provide information to employees on a number of different topics concerning Palo Verde, including the Integrated Issues Resolution Process. (See

articles from *Palo Verde News* discussing resolution of employee issues. Attachment 5). I also periodically hold "All Hands" meetings with Palo Verde employees, with the next meetings scheduled on January 10, 11, and 12, 1996. I use these meetings as an opportunity to discuss important issues with employees. At each of these meetings, I make a point of emphasizing the importance of employees raising concerns, as well as my personal commitment to addressing employee issues.

Finally, although not directly tied to APS' efforts to resolve employee issues, I believe that it is important to recognize our employees for a job well done. This year, Palo Verde has completed three refueling outages in record time, demonstrating the ability to complete a full scope of refueling and maintenance activities for continued safe plant operations. To acknowledge these achievements, at the conclusion of each outage, celebration parades were held at the site. APS employees at Palo Verde were also given three extra vacation days in 1995 in recognition of their hard work on the outages. Even more noteworthy, Palo Verde set a record for capacity factor at 83.6 % for 1995. I believe that a combination of our efforts to resolve employee issues, increase communications, and celebrate successes have resulted in increased employee morale. This improvement in morale has promoted teamwork throughout the site and is an important factor with regard to our greatly improved plant performance.

c. **Actions With Regard to Contractors** - APS' actions in the area of employee concerns has not been limited to APS employees. APS also recognizes that contractors working at Palo Verde must also feel free to raise concerns without fear of retaliation. On September 21, 1994, the Palo Verde Employee Relations Manager sent a memorandum (Attachment 6) to all Palo Verde contractors informing them of the Integrated Issues Resolution Process. On June 2, 1995, a meeting was held with Fluor Daniels, the largest contractor at Palo Verde, to discuss with Fluor Daniels' management the importance of the Integrated Issues Resolution Process and ensure that they are committed to addressing employee issues at Palo Verde. A discussion of the Integrated Issues Resolution Process is also provided by the Employee Concerns Department Leader at new hire presentations for contractor employees.

Moreover, when an APS contractor, The Atlantic Group (TAG), was found by a DOL ALJ to have discriminated against a former contract employee who worked at Palo Verde, APS took swift action in the form of a June 12, 1995 letter from me to TAG's President (Attachment 7). In this letter, APS requested that TAG inform APS of the actions that TAG has taken to ensure that its site representative "will promote and foster an open and positive work environment in which all employees feel free to raise issues without fear of retribution." Additionally, I reiterated APS' expectation that "all managers working at Palo Verde, including

contractor management, promote and foster an open and positive work environment in which all APS and contractor employees working at Palo Verde feel free to raise issues without fear of retribution."<sup>3</sup> More recently, a similar letter was sent to approximately 170 companies performing work for Palo Verde. (A sample of the letter sent to the contracting companies is contained in Attachment 8). Therefore, APS has also taken a number of steps to ensure that contractors working at Palo Verde feel free to raise concerns without fear of retribution.

**5. Results achieved** - The actions described above represent a significant commitment in APS' resources, management time and attention. APS believes that these actions have been and will continue to be effective in assuring that an appropriate work environment exists at Palo Verde where all employees and contractors feel free to raise concerns without fear of retribution. The successes that APS has enjoyed in this area are illustrated by the positive trends with regard to employee issues. The number of complaints to the DOL, as well as allegations to the NRC, have decreased dramatically in the last few years (Attachment 9). Likewise, the time it takes to resolve internal complaints (MITRs and Employee Concerns) is 33 working days for 1995 as compared to 53 in 1994. Furthermore, recent investigations conducted by NRC OI at Palo Verde support this view. In letters dated August 4, 1995 and November 21, 1995, the NRC informed APS that NRC OI did not substantiate a number of claims of discrimination that were under review at Palo Verde.

**D. Corrective Steps That Will Be Taken To Avoid Further Violations**

APS believes that our Integrated Palo Verde Management/Issues Tracking and Resolution Process which encourages employees to raise management or technical concerns either informally with their front-line management or formally through programs such as MITRs and CRDRs is working well. This is evidenced by the increased employee morale and many other positive trends that are currently ongoing at Palo Verde. Therefore, from a programmatic standpoint, we do not believe that any additional actions need to be taken.

However, APS recognizes the importance of not becoming complacent in this area. We have committed to the NRC to have our Nuclear Assurance Department conduct a yearly audit of the Integrated Issues Resolution Process, and we will make any necessary refinements. We have also developed an internal Integrated Issues Resolution Process Self-Assessment. The purpose of the self-assessment is to measure the effectiveness of the Integrated Issues Resolution Process. The self-assessment will be conducted by interviewing a random sample of employees who had

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On June 30, 1995, TAG responded to my June 12, 1995 letter.



issues addressed through the Integrated Issues Resolution Process. The results will be reported to Palo Verde management on a quarterly basis.

We will continue to communicate to management, employees, and contractors the importance of maintaining an environment where all personnel working at Palo Verde feel completely free to raise concerns without fear of retribution. Management will also continue to be held accountable for effectively and thoroughly addressing issues within appropriate time frames. For example, as part of the Palo Verde Business Plan for 1995, we included a target regarding the amount of time it takes to resolve employee issues addressed through the MITR process or by the Employee Concerns Program. A similar target is also included in the 1996 Business Plan. Additionally, this statistic is tracked in a report entitled *Palo Verde Nuclear Generating Station Monthly Trend Report*. This report is available to all employees for their review. Attachment 10 contains a copy of the slides entitled "1995 Issues Resolution" from the December edition of the *Monthly Trend Report*. In addition, the annual site access training at Palo Verde includes a section on workers' rights and responsibilities.

APS will also continue to promote awareness of our programs and processes for resolving issues to our employees and managers. For example, the Director of Palo Verde Client Services developed a communication plan for the Integrated Issues Resolution Process. This plan is designed to put in place a mechanism for communicating to employees the differences between the various programs available to them (MITR, CRDR, DPO, and Employee Concerns) and better identify which program will best serve their needs. To accomplish this goal, a poster was developed and posted on bulletin boards throughout the site. This poster informs employees about available programs to address their concerns and provides them with phone numbers to call for additional information. Attachment 11 is a reduced version of the poster. In addition to the poster, we have developed a brochure on the Integrated Issues Resolution Process which will be sent to all APS employees and contractors working at Palo Verde. The brochure contains a personal message from me emphasizing the importance of raising concerns. It also contains four inserts which provide employees with detailed instructions on how to resolve issues through each of our four programs (MITR, CRDR, DPO, and Employee Concerns). A draft copy of the brochure is contained in Attachment 12. Moreover, as a part of our internal self-assessment, we are planning to randomly survey employees at Palo Verde in order to determine the effectiveness of our communications regarding the Integrated Issues Resolution Process.

**E. Date When Full Compliance Was Achieved**

With regard to the apparent violation under review by the NRC, APS was in full compliance when we took disciplinary action against the offending Unit 1 I&C supervisor in August 1993 and provided remedial compensation to the contract technician in accordance with the settlement agreement reached on December 15, 1993. Nonetheless, we recognize that our efforts to assure compliance in this area are necessarily ongoing and evolving. These efforts include effective programs and management support to address employee concerns on a daily basis, as well as prompt investigation and corrective actions to address specific incidents of non-compliance by APS employees.

**III. APS' Perspective on the Significance of the Violation (Severity Level), and Information Relative to the NRC's Civil Penalty Assessment Process<sup>4</sup>**

**A. Significance of the Violation**

For purposes of determining the severity level of a violation of the NRC's employee protection provisions, the NRC's Enforcement Policy ties the severity level of the violation to the level of management who committed the violation. The Enforcement Policy describes three levels of management. They are: (1) senior corporate management (Severity Level I); (2) plant management above first-line supervision (Severity Level II); and (3) first-line supervision (Severity Level III). Based upon our understanding of the NRC's application of the Enforcement Policy in this area, the three levels of management can be defined as upper-level, mid-level, and lower-level management. In applying these three levels of management to the management organization in place at Palo Verde in the 1991 timeframe, upper-level management would be considered the Nuclear Vice Presidents, mid-level management would be considered the Directors and Managers, and lower-level management would be considered the Supervisors and Foremen. In this case, the apparent violation clearly involves the actions of a supervisor or a member of lower-level management. This view is supported by a review of the supervisor's job responsibilities as well as the fact that he reported to a manager, a member of mid-level management. Therefore, although the Unit 1 I&C supervisor had foremen reporting to him, based upon a review of his job responsibilities, his reporting relationship within the organization, and our understanding of the NRC's application of the Enforcement Policy in this area, the Unit 1 I&C supervisor should be considered a first-line supervisor for purposes of the Enforcement Policy.

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<sup>4</sup> The NRC's current Enforcement Policy is being referred to for purposes of this discussion. See 60 Fed. Reg. 34,481 (June 30, 1995). However, if after evaluation of the facts of this matter, the NRC believes that the prior version of the Enforcement Policy is most favorable to APS, then in accordance with the discussion in footnote 1 of your letter, APS would request that that version apply.

Such a violation is specifically set forth in the Enforcement Policy as a Severity Level III violation. See Enforcement Policy, Supplement VII, C. 4. Furthermore, there should be no question here that the supervisor acted alone. He stated in August 1993 and again in May and August 1995 that he made this decision on his own, that no one told him not to select the contract technician, and that he told no one that protected activity played any part in his nonselection decision. These facts were substantiated by APS' internal investigation. The investigation conducted by the NRC's Office of Investigations also did not substantiate the involvement of others at APS in discriminating against the contract technician.

**B. Information Relative to NRC's Civil Penalty Assessment Process**

Notwithstanding the apparent Severity Level III violation that is attributable to the supervisor's misconduct, NRC should exercise its discretion and refrain from issuing a civil penalty. In applying the facts of this case to the decisional points in the Enforcement Policy's civil penalty assessment process, APS deserves credit for identifying and reporting the violation to the NRC. APS also deserves credit for its prompt and comprehensive corrective actions that were taken in response to this matter. See Enforcement Policy, Section VI, B. 2.

For example, once placed on notice of possible wrongdoing, APS took all of the actions necessary to warrant the exercise of discretion under the Enforcement Policy. See Enforcement Policy, Section VII, B. 5. Prior to any investigation by the NRC's Office of Investigation, APS uncovered the key evidence - the admission of misconduct by the supervisor - supporting that an apparent violation had occurred. Upon identifying this key fact, APS promptly reported it to the NRC and the DOL. APS took immediate corrective action by suspending, and then terminating the supervisor. This immediate action was taken in a highly visible and public manner including the issuance of a press release. APS also conducted site-wide meetings to assure that all personnel clearly understood management's expectations in this area as well as the basis for the various actions taken by the Company in response to his matter. Moreover, as more fully discussed in Section II, C. 3. above, despite the applicability of 10 C.F.R. § 50.7 (a)(3), APS entered into a settlement agreement with the contract technician.

Beyond the specific response to the apparent violation, APS has taken extraordinary corrective actions to assure its place as an industry leader in creating an environment where individuals feel free to raise issues without fear of retaliation. These actions are described above in great detail as well as in previous letters to the NRC (References 2, 3, 4, and 5). In summary, a civil penalty is not warranted because APS identified and reported the key evidence supporting the apparent violation. Additionally, following identification, APS took prompt corrective actions to remedy the specific

violation as well as broad and comprehensive corrective actions to preclude recurrence. APS' record has been exemplary in this area since the matter which is the subject of this apparent violation occurred. Accordingly, applying the various factors contained in the Enforcement Policy, the NRC should exercise discretion and not impose a civil penalty for this matter.

#### **IV. Response to NRC Request to Provide Specific Information**

##### **A. APS' View of the Adequacy of its Initial Efforts to Investigate the Contract I&C Technician's Claim that he was the Subject of Discrimination.**

APS' position on the adequacy of the initial investigation into the contract I&C technician's claims of discrimination is discussed in detail on pages 17-35 and 94-96 of Attachment 1 to APS' April 21, 1994 submittal to the NRC (Reference 2).

##### **B. APS' View of the Effectiveness of its Corrective Actions Since Many were Initiated as Long as Three Years Ago.**

As described in greater detail in Section II. C. 4 and 5 above, APS believes that it has taken comprehensive and effective actions over the years to ensure that an environment exists at Palo Verde where APS employees and contractors feel free to raise concerns without fear of retribution. This belief is supported by the many positive trends that are currently ongoing at Palo Verde, not only with regard to employee issues, but in many other areas as well, such as plant performance and safety. Although APS has acknowledged in the past that some of our earlier actions to encourage appropriate behavior may not have been fully effective (Reference 4), we believe that when looked at as a whole, the actions we have taken in this area have been appropriate and have met or exceeded industry expectations and efforts in this evolving area.

#### **V. Conclusion**

APS believes that its efforts in this area have been successful in assuring that an environment exists at Palo Verde where APS employees and contractors feel free to raise concerns without fear of retribution. However, we will not become complacent. We will continue to promote a spirit of open communications at Palo Verde and stress to employees and contractors the importance of raising concerns. Additionally, I can assure you that management will continue to effectively and thoroughly address issues within appropriate time frames.

STATE OF ARIZONA     )  
  ) ss.  
COUNTY OF MARICOPA )

I, W. L. Stewart, represent that I am Executive Vice President - Nuclear, Arizona Public Service Company (APS), that the foregoing document has been signed by me on behalf of APS with full authority to do so, and that to the best of my knowledge and belief, the statements made therein are true and correct.

W L Stewart  
W. L. Stewart

Sworn To Before Me This 11<sup>th</sup> Day Of February 1996.

Joy L Coon  
Notary Public

My Commission Expires

10-1-97

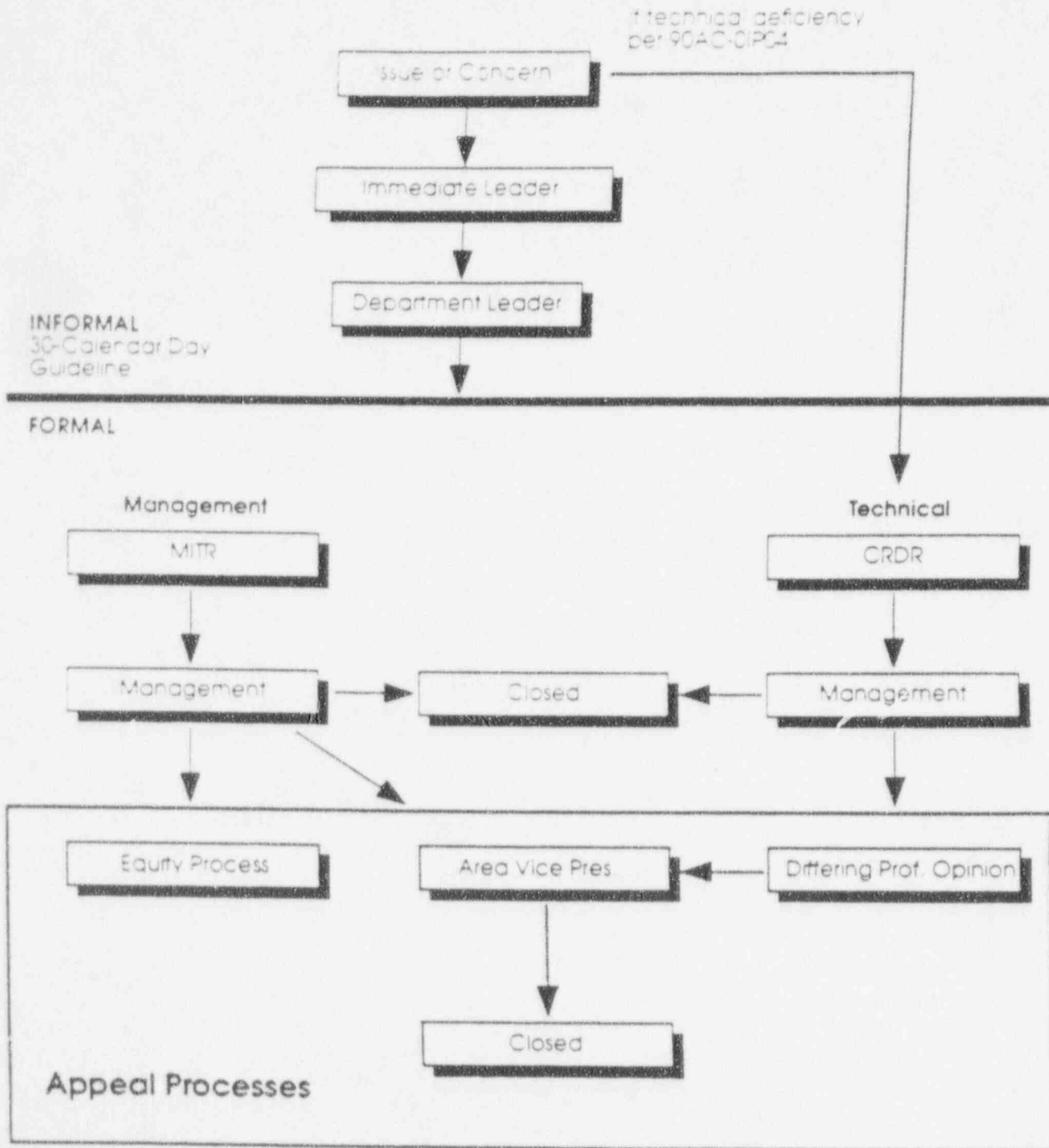


**ATTACHMENT 1**



# Problem Resolution

## Integrated Palo Verde Management/Issues Tracking and Resolution Process





**ATTACHMENT 2**

# APS

Arizona Public Service Company

COMPANY CORRESPONDENCE

DATE November 29, 1994  
TO Distribution  
Sta # (see list below)  
Ext #  
FROM W. L. Stewart *WLS*  
Sta # 9082  
Ext # 81-3900  
SUBJECT EMPLOYEE ISSUE RESOLUTION

The expedient and effective resolution of issues raised by employees is a top priority for all of us serving in a leadership capacity.

To emphasize this commitment, please assure that all leaders in your organization include a target in resolving employee issues in their 1995 PEP forms.

Human Resources has drafted the following as an example

"Promote an open and positive work environment in which employees feel free to raise issues. Assure that any issues raised are effectively addressed and that all MITRs and Employee Concerns are processed within the appropriate time frames."

Your leaders may modify this language to suit the needs of their participation areas. The important point is that we establish personal accountability for issues resolution with everyone on the management team.

If you have any questions or need help with this, please call Scott Macfarland at 82-6179.

SEM/WLS/sda

Distribution: J M Levine  
J A Bailey  
E C Simpson  
J E McDonald  
M K Shelton  
C K Seaman  
S M Terrigino

cc S E Macfarland


File # 94-001-350  
ID # 001-00690-WLS

**ATTACHMENT 3**

# APS

Arizona Public Service Company

COMPANY CORRESPONDENCE

DATE December 12, 1994  
TO All Palo Verde Employees  
Sta #  
Ext #  
FROM W L Stewart   
Sta # 9082  
Ext # 81-3900  
SUBJECT Employee Concerns Program - Reporting Changes

Effective January 2, 1995, the Employee Concerns Program (ECP) will report to Bert Simpson, Vice President Nuclear Support. This change represents the next step in consolidating and improving our process for dealing with employee issues.

I would like to take this opportunity to recognize the accomplishment of the ECP during the 18 months it was under the leadership of Craig Seaman, Director Nuclear Assurance. We have made good progress

To be among the best in the industry in this area though, there is still more work to do. I hope you will all join me in pledging your support to Mr. Simpson to ensure that we achieve that goal.

WLS/sda

cc B Simpson  
J Levine  
J Bailey  
M Shelton  
C Seaman

ID# 001-00692-WLS  
File: 94-001-350

**ATTACHMENT 4**

# FEYI.

## PALO VERDE INFORMATION

**Dec. 8, 1995**

*The following is a message to all employees from Bill Stewart. In the spirit of open and comprehensive communications at Palo Verde, this message describes the latest developments concerning a significant employment matter under review by the NRC.*

On November 27, 1995, the NRC asked us to provide the Commission with information we consider relevant to its apparent violation of NRC regulations, which prohibit discrimination against employees who raise safety concerns. The apparent violation under review stems from actions that were taken by a former APS first-line supervisor almost four years ago.

In December 1991, the supervisor came upon information that a contract technician had engaged in protected activity by raising safety concerns at Palo Verde and other nuclear power plants. The supervisor inappropriately used this information in deciding not to hire the contract technician for the Unit 1 1992 refueling outage.

The supervisor has indicated that he made this decision on his own, and no one at APS encouraged, pressured, or ordered him not to select the contract technician. The supervisor's actions were in violation of APS' policies, as well as an apparent violation of NRC regulations. On May 10, 1993, a Department of Labor Administrative Law Judge issued a recommended decision finding that the contract technician had been subjected to

more



discrimination when the supervisor decided not to hire him to work the refueling outage.

The NRC will use information we provide in deciding whether to take enforcement action. In particular, the NRC requests that we discuss the circumstances of the apparent violation, as well as the corrective steps that have been taken and the results achieved.

We will respond to the NRC by January 11, 1996, and the response will be made available in the NRC's Public Document Room. The NRC's November 27, 1995 letter to APS will be posted on bulletin boards at Palo Verde.

In the four years since this event, we have undertaken a number of initiatives to ensure that an environment exists at Palo Verde where employees and contractors feel free to raise concerns without fear of retribution. These efforts include the institution of a comprehensive program that strongly encourages employees and contractors to bring forward concerns and ensure that plant safety is maintained.

This program includes the Integrated Palo Verde Management/Issues Tracking and Resolution Process, which encourages employees to raise management or technical concerns either informally with their front-line management, or formally through MITRs, CRDRs, Differing Professional Opinions or Employee Concerns. Of course, employees and contractors always have the right to take concerns directly to the NRC if they desire. Additionally, harassment or intimidation of any employee or contractor who raises safety concerns, either internally or externally, cannot and will not be tolerated.

I want to reemphasize that our success ultimately is tied to our ability to communicate with one another on all issues. In that regard, I wanted to provide you with this update and ask for your continuing diligence and assistance in fostering cooperation and professionalism at Palo Verde.



**ATTACHMENT 5**

# Palo Verde

April 24, 1995

# NEWS

## Strong Palo Verde Performance Boosts 1st Quarter Earnings

### THIS WEEK

"We continue to make progress reducing our costs, and we continue to enjoy the excellent growth characteristics of our region."

— Richard Snell, chairman, Pinnacle West Capital Corporation

Unit 1 outage work continued with critical path activities on schedule and a new safety tracking system in place.

- ◆ Outage workers are shaving time from the schedule again. Page 3
- ◆ Safety tracking like you've never seen it before. Page 4
- ◆ Ever try juggling? Learn how. Outage and On-line schedulers juggle on a daily basis. Page 4
- ◆ A small group of super sleuths is working in the Maintenance Support department's oil testing lab. Page 5.
- ◆ Wednesday is not just another day. It's Professional Secretaries Day. Page 6.
- ◆ One employee collected enough pennies to make a difference. See PEOPLE, page 8.

A striking Palo Verde performance put dollars in the pockets of shareholders.

Last Wednesday, the Pinnacle West Capital Corporation board of directors declared a quarterly dividend of 22.5 cents per share of common stock, payable June 1.

The net income for the quarter ended at \$24.6 million or 28 cents per share of common stock compared with \$21.6 million or 25 cents per share for the same period last year.

Chairman Richard Snell attributed first quarter results to improved Palo Verde

see EARNINGS, page 7

### CRDRs Reach Milestone 10,000 Submitted

Ten thousand of anything is a significant quantity, even by Palo Verde standards. Yet, on April 14, the number of submittals to the Condition Report/Disposition Request (CRDR) Program reached that mark.

Created in May 1991, the CRDR Program brings immediate attention to any plant condition a worker thinks is not right. The program is administered by the Strategic

see CRDR, page 8

## CRDR, from cover

Analysis group but requires the attention to detail of all workers to succeed.

Employees submit 30 to 40 CRDRs each week. And during outages the weekly number typically increases to 65 or 70 because there are more workers and work being performed puts many systems under a microscope.

Strategic Analysis evaluators or engineers make an initial review of each report. Almost all then are screened by the CRDR Review Committee comprised of leaders from Operations, Engineering, Maintenance, Nuclear Assurance, Nuclear Regulatory Affairs and Radiological Protection.

The committee usually classifies CRDRs into one of three types: Type 1 — Significant, Type 2 — Adverse or Type 3 — Review, the least urgent level. As part of the screening, a CRDR owner is assigned who becomes responsible for the corrective actions. Significant or Adverse items are expected to be evaluated by the owner within 30 days.

A reduction to three types is new to Palo Verde. Major changes were made to the Corrective Action Program in February to simplify classifications. This reduced the number of categories from five.

The easy-to-complete form may be dropped off at any unit control room, the fifth floor of Unit 2's Operations Support Center or the CRDR Control Room on Building B's third floor. ■

## PEOPLE

**Richard Rogalski, engineer III,** participated in a 24-hour relay for Easter Seals this past weekend. He collected \$325 in pennies which was donated to the charity.

**Ron Younger, senior engineer,** Strategic Analysis, has been designated project manager for the Institute for Nuclear Power Operation's Plant Evaluation of Palo Verde scheduled in October. Younger will lead a team of experts that will work with Institute evaluators to ensure Palo Verde's involvement in the evaluation is efficient and responses are provided quickly.

### Employee Anniversaries This Week

#### 10-Year

Michael Gregory, Valve Services  
Frank Jimenez, Unit 2 Operations  
Miles Koudelka, Emergency Planning  
Charles Reynolds, Unit 1 Shift Operations  
Roxanna Van Dillen, Licensing  
James Webb, Transient Analysis

#### 5-Year

Timothy Bierney, I&C Maint  
Stacey Carmen, NIRM  
Tammy Corbin-Tennison, NIRM  
Nixon Graham, Maint Svcs  
Harry Hilderman, Operations  
Rachel Jordan, Design I&C  
David Lackey, Stores  
Gary Shanker, Engineering Assurance  
Ronnie Turnbow, Maint Svcs



## Solving Employee Issues One MITR At A Time

"Problems," "issues" or "concerns" are terms people use to describe situations where their opinion differs with someone else's. It can be even more of a problem if that "someone else" oversees your work. But regardless of the term you use to express a conflict, Palo Verde has a tool for resolution.

MITR — an acronym for Management Issues Tracking Resolution — is a mechanism that employees use for issue resolution. A relatively new and unfamiliar process, it resulted directly from a Nuclear Regulatory Commission evaluation of Palo Verde stating that employee issues were not being resolved in a timely manner.

Developed in 1994 by Human Resources personnel, the MITR process has a target to resolve issue within 30 calendar days.

For example, Jim Furnia's issue was resolved within two weeks after he filed a MITR. Before using the process, Furnia, a Maintenance Services team leader, had spent a great deal of time trying to resolve issues informally, but without success.

"I had no idea what a MITR was when I first met with my Human Resources representative," Furnia said. "What I found is that it's a positive tool to professionally address issues, not people or personalities.

"The MITR process took the confrontational aspect out of the situation and we worked to a timeline that was fair," he said. "I'd recommend it to anyone who's having difficulties getting problems resolved."

Most MITR issues are sensitive to both the employee and management, according to Scott Macfarland, Employee Relations manager.

"The process is designed to desensitize highly emotional issues," he said. "It puts both parties on the same plane and, with intervention, gets to the root of the problem."

Management involvement is the key to the

MITR process. MITRs are assigned to department leaders and it becomes the leader's responsibility to address and resolve the issue within 30 days. Only the employee who originates the MITR can grant an extension to the 30-day deadline.

An issue that had lasted six months was resolved in 45 days, according to Russell Dorian, utility worker. Dorian brought the issue to his management for resolution without success. Three weeks later, he sought the help of Human Resources.

"The system worked well for me," Dorian said. "I'm very satisfied with the outcome and would recommend it to anyone."

MITRs are being resolved within 28 days on average.

However, the process took a bit longer for Tom Sloan, Security safety analyst.

"It took almost 4-1/2 months to resolve my issue," Sloan said. "Human Resources, Employee Concerns, my management and finally a vice president were involved."


Some issues are a little more complex and take more than 30 days to resolve, according to Macfarland.

"Like anything, it takes a little while to get it right," he said.

Regardless of the time, Sloan was satisfied with the outcome.

"The bottom line is that my issue was resolved fairly and equitably," Sloan said. "I was especially impressed with the level of commitment to this process that goes all the way to the vice presidential level."

Outstanding MITR issues are tracked by senior management, according to Bert Simpson, vice president — Nuclear Support. He reviews MITR status and resolution with Bill Stewart on a monthly basis.

"Senior management takes MITR issues very seriously," he said. "Employee concerns and issues are high priority." 

"The MITR

process took the

confrontational aspect

out of the situation

and we worked to a

timeline that was fair.

I'd recommend it to

anyone who's having

difficulties getting

problems resolved."

— Jim Furnia,

team leader

Maintenance Services

## CRDR Program Supports INPO 1 Goal In October

*This is the third article in a series to keep Palo Verde employees informed and ready for the upcoming INPO inspection.*

A program doesn't have to be new to be effective in helping achieve an Institute of Nuclear Power Operation 1 rating during Palo Verde's October inspection.

The Condition Report/Disposition Request, or CRDR process, promises to be a bright spot in INPO's October evaluation of Palo Verde because it's much more effective than it was during previous evaluations.

"The CRDR process wasn't an INPO 1 program the last time evaluators were here," said Tim O'Keefe, Strategic Analysis senior engineer. "The process wasn't consistently and routinely finding problems."

Although Nuclear Assurance had already identified and corrected the program's deficiencies prior to the June 1994 INPO evaluation, it took time to mature, O'Keefe said.

World class nuclear plants with INPO 1 ratings have the ability to identify and correct problems. This is essential for continuous improvement.

The CRDR process allows correction of individual issues so they don't become major problems. But more importantly, CRDRs allow for trending of individual issues to determine where larger scale corrective measures may be necessary.


What changed with the CRDR program since the last INPO visit?

According to O'Keefe, the process was too complex and problems weren't always properly classified. Also, evaluations weren't always complete and there was a lack of follow through on identified issues.

Now the process is simplified with

classification and evaluation guidelines in place. Both line organizations and the Nuclear Assurance group are more focused on solving problems rather than just managing them or closing CRDRs.

Reporting of near misses is another important contribution. This is vital for evaluating trends, said O'Keefe.

But people are the most important ingredient, he said. Palo Verde workers see the problems. By recognizing and communicating them, workers might prevent others from dealing with the same issues in the future while contributing to the plant's success. 

## OPS SUMMARY

### Week Ending July 7

#### Unit 1

Unit 1 was at 99 percent power in its 36th day on-line. The Unit has been operating at 99 percent power while performing high-rate blowdowns in an effort to reduce sulfate concentrations in the steam generators.

On July 1, a worker who fell approximately four feet from a truck strained and sprained the left elbow. The injury is recordable.

#### Unit 2

Unit 2 was at 100 percent power in its 100th day on-line.

#### Unit 3

Unit 3 was at 100 percent power in its 202nd day on-line.



## MITR Process Resolves Leader, Frontline Conflicts

Palo Verde offers many paths to employees looking for solutions to concerns and problems. The Management Issues Tracking and Resolution, or MITR process, is one of those paths.

Part of the Integrated Issues Resolution Process, MITRs are used to resolve management issues that cannot be worked out between employees and their leaders. Management issues are non-technical, human resource-type concerns such as pay and equity. The process uses objective third parties who investigate issues and develop solutions.

To initiate a MITR, employees must work with their leader, a Client Services representative or an Employee Concerns representative, who will help them fill out the paperwork. This ensures employees understand the process, according to Marlene Shelton, director, Client Services.

"We want to be sure concerns are addressed through the proper issue resolution program and that employees know their rights and obligations," she said. "Having someone explain the process up front helps maximize understanding and reduce uncertainty and stress."

Employees may remain anonymous, if desired. In this case an Employee Concerns or Human Resources representative acts as a mediator between the employee and department leader. While the mediator knows who the employee is, the person's identity is not disclosed.

Once a MITR is initiated, it is assigned to a leader who works with Client Services to develop a fair and equitable resolution. The leader has 30 days to investigate the concern and develop a resolution. Extending beyond 30 days requires an agreement between the employee and the leader.

Once a resolution has been developed, it

is presented to the employee who can either accept or reject it. If the employee accepts the resolution, the MITR is closed. If not, the employee can appeal through the equity process or through their vice president, depending on the issue at hand.

"The process has been very successful so far," Shelton said. "Since February 1994 when the program began, 88 MITRs have been filed. All except four recently filed MITRs have been resolved."

As with all Palo Verde issue resolution programs, the MITR process is not intended to discourage employees from discussing concerns with the NRC or other outside organizations.

"Employees may do so at any time without fear of retaliation," Shelton said.

Questions? Client Services 393-6929. **PV**

## WASTE, from cover

storage facility in Nevada and begin accepting commercial spent fuel at the site by January 1998. Current law expressly forbids co-location of an interim storage facility with a permanent repository and rules out Yucca Mountain, Nev. as a potential interim storage site.

Robbie Aiken, APS government relations representative, said that this action is a positive first step toward a definitive answer to the spent fuel storage issue.

"The bill's overwhelming bipartisan support will be significant in moving the legislation through Congress for final approval," he said. "This is not rocket science legislatively. What we need, and I think Bill Stewart said it best, is a 'national pad' for utilities to ship their spent fuel to."

A national pad is a flat concrete structure designed and built for the storage of dry casks containing spent fuel.

As the congressional support builds momentum, Aiken said he is optimistic that the legislation will be ready for final house approval this fall. **PV**

"Since February 1994 when the program began, 88 MITRs have been filed. All except four recently filed MITRs have been resolved."

Marlene Shelton, director, Client Services



## CRDRs Help Prevent Escalation of Problems

Lessons learned is what the Condition Reporting/Disposition Request program is all about.

Known by its acronym CRDR, its purpose is to resolve conditions that could adversely affect the safe, reliable and economic production of electricity, according to Tim O'Keefe, senior engineer, Strategic Analysis group.

"Whether a concern relates to safety, equipment use or the feasibility of a new process," he said, "the CRDR program ensures issues are reviewed objectively and resolutions are developed."

Correcting conditions before they become big problems is the primary objective.

"Employees must report the little things," O'Keefe said, "so they don't become big things."

Passing lessons learned between organizations supports continually improving plant performance. Sharing the information helps ensure problems don't recur.

"All CRDRs are looked at so we can identify and focus on potential problem areas to prevent more serious situations from developing," O'Keefe said.

Anyone at Palo Verde can submit a CRDR to his or her leader. Once submitted, the leader has three days to review it, initiate corrective actions and forward it to Strategic Analysis group, which controls the process.

Most CRDRs are resolved within 30 to 60 days. However, sometimes opinions differ. When that happens, employees are encouraged to express their viewpoints through the Differing Professional Opinion — DPO — process.

CRDR forms are available in Framemaker on Unix stations, forms drawers, the CRDR room or Strategic Analysis, both in building B, 3rd floor.

Questions? CRDR control desk 393-5758 or 5788. **PV**

## DPOs Offers Appeal Path For CRDR Resolutions

All employees are encouraged to express opinions based on their professional judgment. In a highly technical environment such as the one at Palo Verde, people's opinions may differ.

When there is a disagreement, employees are urged to speak with their leaders to resolve the concern. If a problem can't be resolved, they should initiate a CRDR.

If the filing employee disagrees with the CRDR's response, the individual can use the Differing Professional Opinion — DPO — process.

"Although DPO was designed primarily as an appeal to a CRDR, employees may use the process when they have an opinion about a technical issue that differs from established policy," Tim O'Keefe, senior engineer, Strategic Analysis, said.

Employees must complete a DPO form and submit it to their leader. The leader reviews the form and forwards it to the Strategic Analysis Group.

Strategic Analysis reviews the DPO and assigns it to a member of senior management for resolution within 30 days.

Since the program began in February 1994, all five DPOs filed have been resolved. In two cases, the opinion expressed by the originating employee was adopted by senior management, O'Keefe reported.

"Leaders take each issue seriously. They seek to understand the originator's viewpoint and take the actions required to implement the right solution," he said. "The fact that Palo Verde has a process to resolve these kinds of problems in a professional and non-confrontational fashion is a real strength."

Employees who are not satisfied with a DPO resolution can approach Employee Concerns.

Questions? Tim O'Keefe 393-5682. **PV**

Correcting

conditions before they

become big problems

is the primary

objective.



## Electronic CRDR Forms Now Available On Vista

CRDR forms are the first of many site-specific forms to make their debut electronically in Vista e-mail.

This is a major milestone in the movement toward electronically processing information, according to Shila Tijerina, NIRM technical publishing team leader. Electronic forms are simple to access, complete and send.

"The electronic CRDR form should prove to be a benefit with the upcoming outage and INPO visit," she said.

Technical Publishing and Information Technology formed a partnership to provide electronic forms on site. The list of available forms will continue to grow as new forms are added to the system.

The electronic forms may be accessed in Vista mail by choosing the "Forms" menu, then selecting the "Electronic Forms" option and then "Site Specific Forms."

Some printers may not have sufficient memory to print forms. Sending the form to a network-connected printer should eliminate the problem.

Questions? Shila Tijerina 393-6045, or Ann Orr 393-6623. **PV**

## INPO, from cover

followed by a one-week accreditation visit by INPO's National Academy for Nuclear Training. All are chances for Palo Verde employees to gain widespread recognition for what they do all the time — run one of the best nuclear plants in America, Levine said.

"Success next month will boil down to a collection of individual efforts," he said. "A lot of this is pride and getting

acknowledgment from the industry for what we've done and what we're doing.

"We're not getting the recognition we deserve from the industry. This is the best way to start getting it."

Beginning Oct. 2, 25 INPO evaluators will put Palo Verde under an industrial-strength microscope — watching how employees perform, listening to what they say about the plant, looking at how they work as a team and reviewing Palo Verde programs.

Evaluators are likely to be anywhere at any time, Levine said, including office buildings and other support areas.

Anyone can be interviewed by an INPO evaluator, he said. Employees should relax and do things the way they normally do them.

"This is a positive thing," Levine said. "Don't get nervous if you are approached by an INPO evaluator. Show them your abilities. Stick to the program. Help them understand what you are doing and be yourself."

INPO evaluators can be valuable sources of information as well. In any conversation, employees should feel free to ask an evaluator's opinion or inquire how other nuclear plants do business, he said.

Unit 3's fifth refueling outage is scheduled to begin Oct. 14.

Two days later, on Oct. 16, a team of 18 training academy evaluators will begin a week-long accreditation renewal review of Maintenance, Radiation Protection and Chemistry programs. The visit, preceded by a self-evaluation submitted to the INPO team, will include interviews with employees.

Lessons from INPO evaluations should help improve operations and contribute to rising production, lower costs and shorter refueling outages, Levine said.

"Look at all the positives," he said. "Do we want to get credit for those things? Then let's show them we're as good as the indicators say." **PV**

## UNDERWATER, from page 3

used to identify and locate damaged pipe sections prior to failure.

Once the system is on board, the first objective is to target a one- to three-mile section of pipeline, put in the hydrophones and test the area for two or three weeks to establish a baseline sound level, Rittenhouse said.

"The hydrophones can listen for the sound of prestressed wire breaking and eventually may be used to identify cracking concrete," she said. "Since sound travels at a known speed in water, we'll be able to pinpoint problem areas between any two hydrophones."

"The advantage to this detection system is that its nondestructive and the pipe doesn't have to be uncovered," Rittenhouse said.

"We'll be able to listen to the effects of the corrosion process. Where the pipe is distressed, we should get lots of noise." **PV**

## APS Bulletin Boards For Company Use Only

A new set of guidelines is in place regarding company bulletin boards. APS-designated boards are for company-related information only.

All company information should be sent to the Strategic Communications department. Members from the group will ensure the message is being delivered in the most efficient way and work with area owners to post information.

With section leader approval, personal items, such as "for sale" signs, may be placed on department bulletin boards.

Area owners are responsible for ensuring boards are kept neat and up-to-date.

Questions? Janet Terry 393-6060. **PV**

## Employee Concerns Program Is Safety Net

Initially, Palo Verde's Employee Concerns department was set up to address only nuclear and industrial safety concerns. But because Palo Verde's management team wants an opportunity to hear all employee issues, the program evolved and serves as a safety net for the Integrated Issues Resolution Process.

In addition to the Employee Concerns Program, the IIRP includes Management Issues Tracking Resolution, Condition Reporting/Disposition Request and Differing Professional Opinion programs.

Although these programs are in place, the fastest and most efficient way for employees to get problems resolved is by working with their immediate leaders.

Employees are encouraged to work within their own organizations, according to Peter Rail, employee concerns department leader.

If employees choose to work outside their immediate departments, they may use the IIRP or go immediately to Employee Concerns.

"While we act primarily as a safety net, Employee Concerns representatives are available to discuss concerns with all employees," Rail said. "If necessary, we will investigate any issue while maintaining credibility and confidentiality."

And the program works. The number of employees in the department recently went from six to two because there are fewer concerns.

"This is a good sign," Rail said.

"The reduced number of issues reported to our office is a direct reflection on Palo Verde's leadership and employee teamwork." **PV**

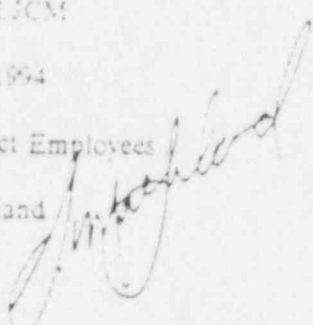
Personal  
items, such as "for sale"  
signs, may be placed  
on department  
bulletin boards.

**ATTACHMENT 6**

# APS

ARIZONA PUBLIC SERVICE COMPANY  
COMPANY CORRESPONDENCE

ID# 94-0365-SEM/JCM  
DATE: September 28, 1994  
TO: PVNGS Contract Employees  
FROM: Scott E. Macfarland  
Sta. # 7496  
Ext. # 82-6179  
FILE #: 94-001-350  
SUBJECT: INTEGRATED RESOLUTION PROCESS



Human Resources would like to let every contract employee at PVNGS know that the Integrated Resolution Process at Palo Verde is available to everyone working here. If you have a technical or safety concern, you should go through the Condition Report Disposition Request (CRDR) process. If you have a management or personnel concern, you should go through the Management Issue Tracking and Resolution (MITR) process.

We expect that the majority of your problems at PVNGS will be resolved through your Contract Site Representative and/or the PVNGS supervision in your assigned area. However, in those situations where this is not the case, we would like you to know that these processes are available to you.

The Human Resource Employee Relations Representative assigned to contractors at PVNGS is Joe McLaren. If you have any questions about any of the processes or if you have concerns that you need to talk about, you can contact Joe at extension 6275, beeper 2821.

It is important to note that, while we would prefer to resolve any issues internally, these processes are not designed to keep you from contacting outside agencies. If you feel that you need to speak to an outside agency, i.e., NRC, EEOC, DOL, at anytime, please feel free to do so.

Arizona Public Service wants every employee and contractor to feel they can openly discuss concerns with management and receive prompt and reasonable responses.

SEM/JCM/sh

# Integrated Palo Verde Management/Issues Tracking and Resolution Process

Issue or Concern



Immediate Supervisor



Manager



Closed

*Informal  
30-Calendar Day  
Guideline*



Management

MITR



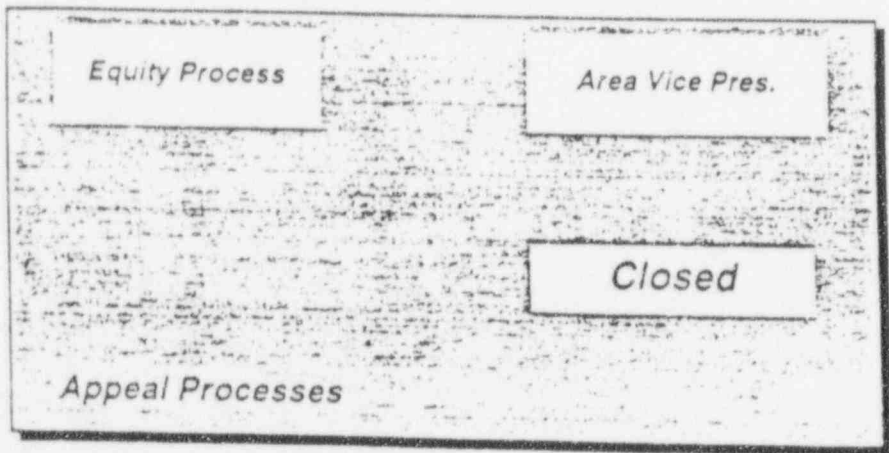
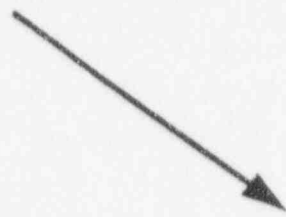
Management



Closed

*Formal*

*Formal  
30-Calendar Day  
Guideline*



*Employee Can Request  
Extension*

*Employee Concerns  
Program*

**ATTACHMENT 7**



Arizona Public Service Company

001-01716-WLS

June 12, 1995

Mr Dennis McLaughlin, President  
The Atlantic Group  
North Commerce Park  
5426 Robinhood Road  
Norfolk, VA 23513

Re Department of Labor Administrative Law Judge's  
Recommended Decision and Order

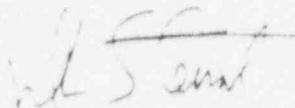
Dear Mr. McLaughlin:

APS has received the Department of Labor (DOL) Administrative Law Judge's (ALJ) Recommended Decision and Order in Maged Gaballa v. The Atlantic Group, Case No. 94-ERA-9 (May 16, 1995). Please describe the actions that The Atlantic Group (TAG) has taken, or is planning to take, in response to the ALJ's recommended decision, including the ALJ's recommended findings with regard to the conduct of TAG's site representative at Palo Verde. In particular, please describe TAG's actions to assure that its site representative will promote and foster an open and positive work environment in which all employees feel free to raise issues without fear of retribution. Also, please describe TAG's actions to address any potential chilling effect resulting from the ALJ's decision. Finally, please describe the policies and programs that TAG has in place to assure that TAG employees and management are aware of the importance of raising and resolving issues, as well as the mechanisms TAG has in place for raising issues.

It is APS' expectation that all managers working at Palo Verde, including contractor management, promote and foster an open and positive work environment in which all APS and contractor employees working at Palo Verde feel free to raise issues without fear of retribution. Further, any issues raised must be effectively and thoroughly addressed within appropriate time frames. Additionally, all APS and contractor employees at Palo Verde have the right to raise issues directly with the NRC. Harassment and intimidation of employees who raise issues, either internally or externally, cannot and will not be tolerated. Although your contract with APS more fully discusses your obligations regarding the right of employees to raise issues, I wanted to take this opportunity to remind you of these important obligations.

Thank you for your attention to this matter and I await your timely response. If you have any questions, please call me at (602) 250-3900.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. S. Smith", is written over a horizontal line.

**ATTACHMENT 8**

# APS

Arizona Public Service Company

PALO VERDE NUCLEAR GENERATING STATION  
P O BOX 52034 PHOENIX, ARIZONA 85072-2034

TO CONTRACT COMPANY:

SUBJECT RESOLUTION OF ISSUES RAISED BY EMPLOYEES

This sets forth the expectations of Arizona Public Service Company (APS) relative to the obligations of Contract Companies at PVNGS to comply with all laws including Section 211 of the Energy Reorganization Act of 1974 (ERA), as amended, 42 U S C. Section 5851 (1988), and the Nuclear Regulatory Commission's (NRC) regulations, 10 CFR Section 50.7. The NRC has established explicit regulatory requirements which prohibit any employer, including a Commission Licensee or a contractor or subcontractor of a Commission Licensee, from discriminating against any employee who engages in certain "protected activities" identified by the statute and the regulations. Such activities include but are not limited to providing information to the NRC concerning possible violations of requirements imposed under the Atomic Energy Act or ERA, requesting the NRC to institute action against his/her employer, and testifying in any NRC proceeding. Discrimination for engaging in protected activity is broadly construed to include not only discharge but other actions that relate to compensation, terms, conditions and privileges of employment.

This letter is intended to remind your Company that, as a contractor with personnel and subcontractor personnel who may engage in protected activities, you must notify APS immediately of any discriminate claim related in any way to PVNGS and afford APS the opportunity to participate as it deems appropriate. Then your Company must conduct a thorough and prompt investigation of the claim and advise APS of the findings, conclusions, and actions planned to resolve the matter.

Additionally, you should notify all subcontractors of their obligations under Section 211 of the ERA, as amended, and 10 CFR Section 50.7.

Page 2

438-01376-CDC.WDP

September 27, 1995

APS, as the Commission Licensee, will determine the extent of its involvement and may elect to perform an independent investigation and/or review to ascertain that appropriate action is being taken by your Company or your subcontractor to resolve the matter. I would also request that you inform APS of the policies, programs and mechanisms your company has in place to ensure that contractor employees and management are aware of the importance of raising and resolving issues.

Thank you for your full cooperation in this matter. If you have any questions, please call me at (602) 393-6006

Sincerely,

A handwritten signature in cursive script that reads "Carl Churchman" with a checkmark at the end.

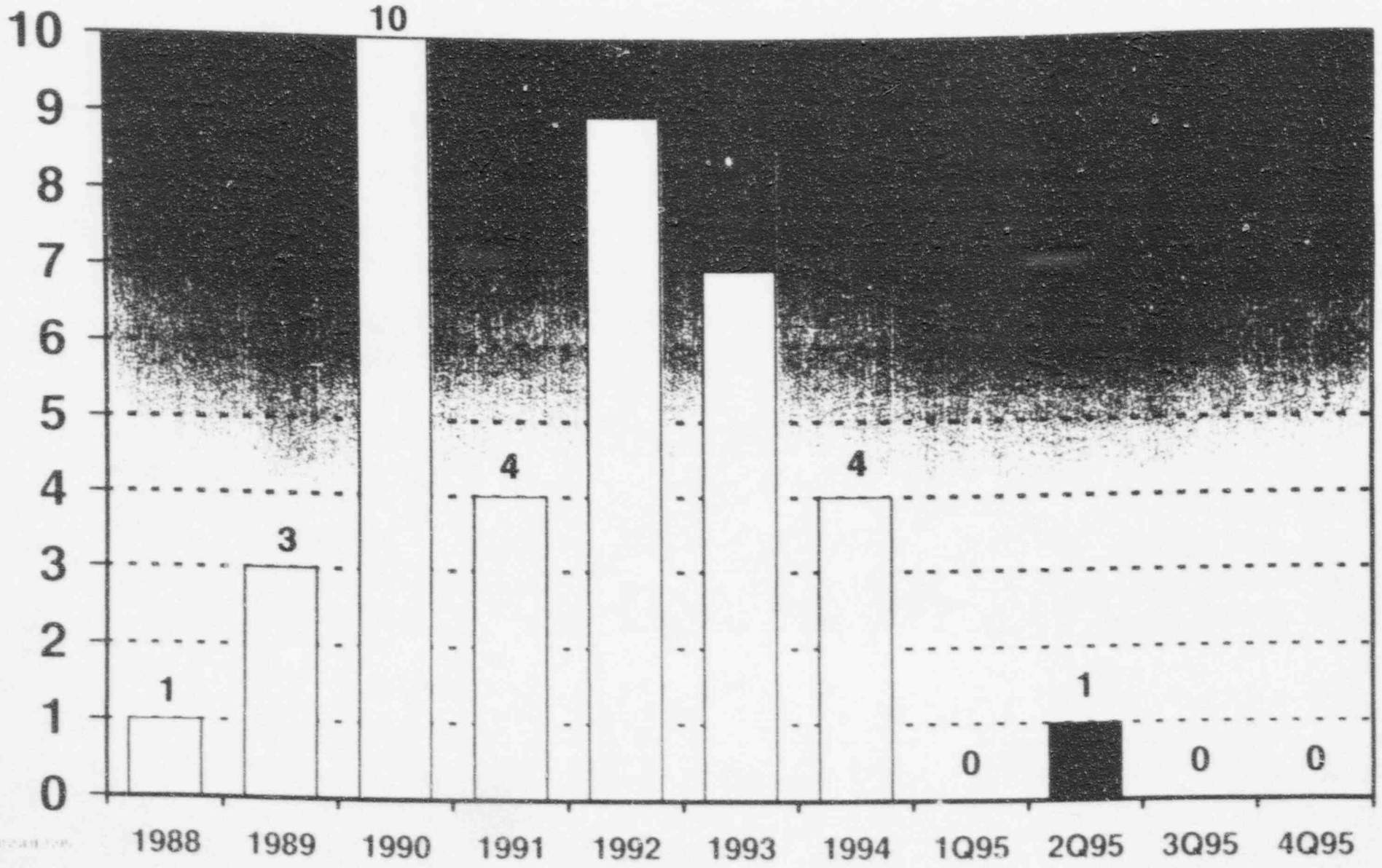
Carl D. Churchman  
Director, Materials Mgmt & Budgets

**ATTACHMENT 9**



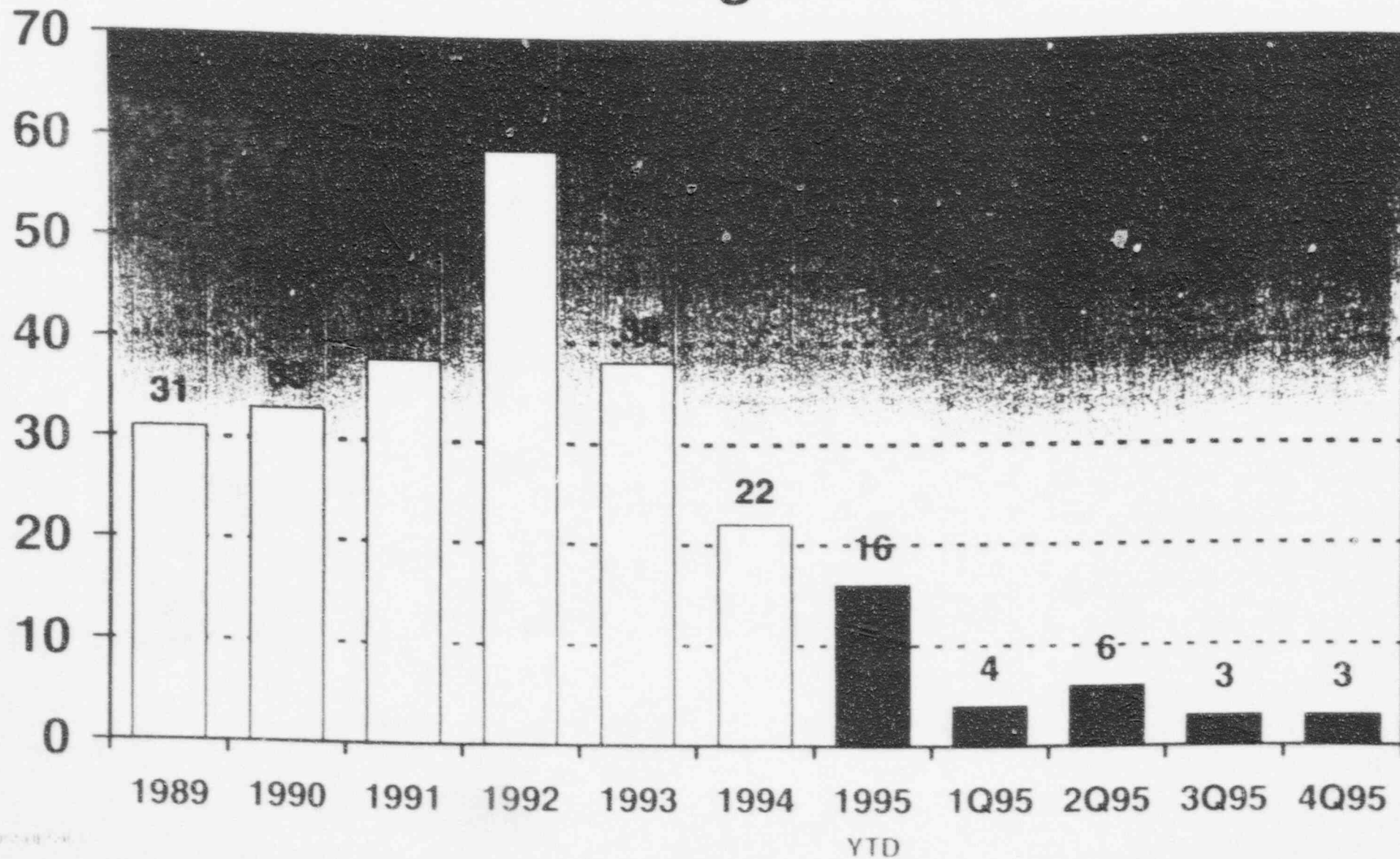
**CONFIDENTIAL**

**Department of Labor Issues**



# CONFIDENTIAL

## Allegations to NRC Concerning PVNGS



**ATTACHMENT 10**

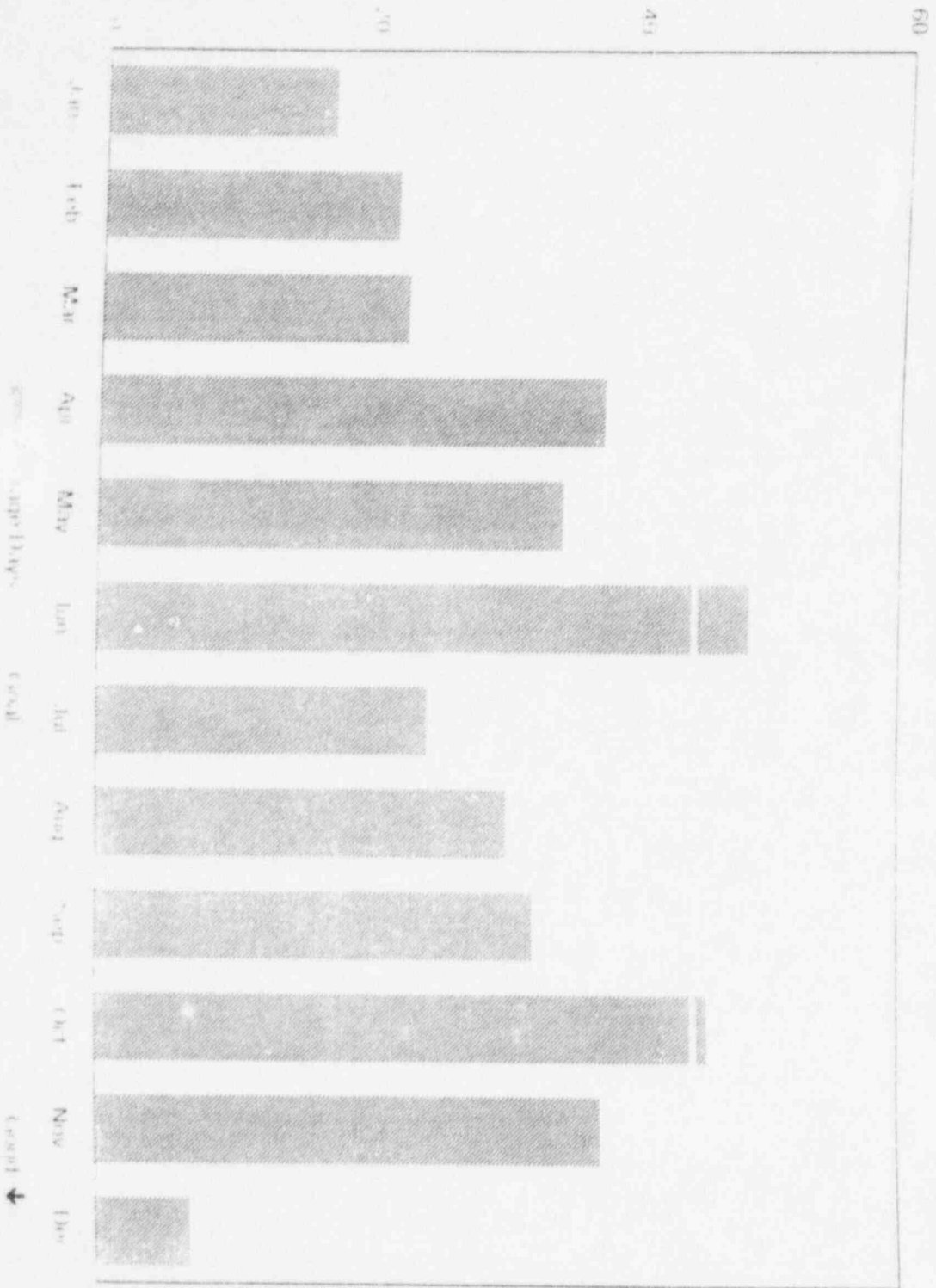
# 41. 1995 Issues Resolution

Definition: The time required to resolve employee issues through the MITR process, or through the employee concerns program

Month	Average Days	Goal
Jan	17	45
Feb	22	45
Mar	23	45
Apr	38	45
May	35	45
Jun	49	45
Jul	25	45
Aug	31	45
Sep	33	45
Oct	46	45
Nov	38	45
Dec	7	45

Data Source: Deborah Leuthold - 393-6352    Indicator Owner: Marlene Williams - 393-6318

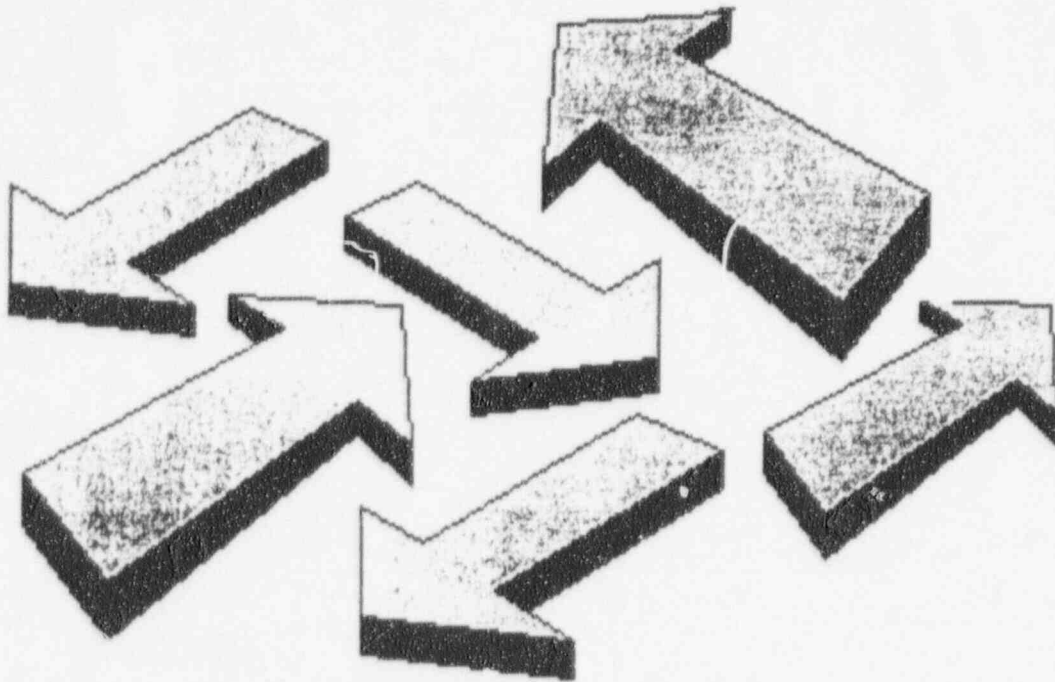
# 41. 1995 Issues Resolution



**ATTACHMENT 11**



# Got a problem and don't know where to turn?



**393-6352**

**MITR -- *people problems***

**393-5758**

**CRDR -- *technical/safety concerns***

**393-5682**

**DPO -- *escalation of technical/safety concerns***

**393-2704**

**Employee Concerns -- *any type of problem or issue***

**ATTACHMENT 12**

## You and Your Leader

At Palo Verde, we strive to maintain an environment in which employees feel free to address all types of concerns with their leaders. If you identify a problem, we encourage you to sit down with your leader to resolve it. Addressing issues this way is the most effective means of solving a problem.

Not all problems can be resolved between leaders and employees, however. That is why the Integrated Issues Resolution Process was developed.

Comprised of four programs that meet different needs, the IIRP ensures your problem will be addressed quickly and equitably.

Familiarize yourself with the programs described in this brochure. Your willingness to raise concerns will help ensure Palo Verde remains a safe, reliable and cost-effective plant that will achieve world-class status.

*Bill Stewart*  
executive vice president-Nuclear

## Problem Resolution Resources

**MITR 393-6352**

**CRDR 393-5758**

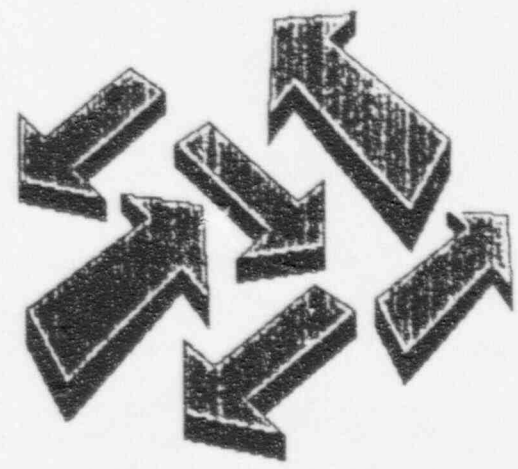
**DPO 393-5682**

**Employee Concerns 393-2702**



Palo Verde Nuclear Generating Station

# Got a problem and don't know where to turn?



Integrated Issues Resolution Process

# Problem Solvers

## People Problems

These non-technical, human-relations issues deal with problems like pay, equity and harassment. When employees cannot resolve these kinds of issues with their leaders, they can turn to the Management Issues Tracking and Resolution — MITR — program.

## Safety Concerns

These are issues that can affect the safety of Palo Verde employees and the public. Employees must bring these concerns to their leaders' attention immediately for resolution through the Condition Reporting/Disposition Request — CRDR — process or the Industrial Safety Department.

## Technical/Procedural Problems

Technical problems deal with engineering, equipment, design and operating issues. These issues are addressed through the CRDR or Differing Professional Opinion — DPO — programs. DPOs generally are filed as an appeal when an employee does not agree with a CRDR resolution.

## Employee Concerns Program

When employees feel their concerns have not been addressed through MITR, CRDR or DPO, they can contact the Employee Concerns Program — ECP. Employees also should use ECP when they feel they can't approach their management or Human Resources. ECP ensures employees are protected from retaliation of any kind and offers anonymity.

## Confidentiality

Palo Verde strives to maintain an atmosphere in which employees feel they can speak openly about concerns. At times, however, some employees may not feel they can do so. Anonymous resolution is, therefore, available through two programs — MITR and ECP. In cases in which anonymity is not requested, information is released only on a need-to-know basis, to maintain confidentiality.

## A Few Last Words

Each of us at Palo Verde is responsible for the safe and effective operation of the plant and for creating a work environment in which employees and leaders work together toward common goals. To achieve this, we all must take responsibility for reporting concerns. If at any time you have a concern, you are encouraged to raise it to your leader. If it cannot be resolved informally with your leader, you have an alternative course of action through IIRP programs. Employees may, at any time, discuss concerns with the Nuclear Regulatory Commission and other outside agencies without fear of retaliation.

# ECP

*Employee Concerns Program*

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## How ECP Works

The Employee Concerns Program is available to all Palo Verde and contract employees.

Employees should contact ECP when they do not feel their issues were addressed at other levels or if they feel they cannot approach their management or Human Resources.

When employees contact ECP, they are interviewed to determine the specifics of the concern, who the employee has discussed it with, what formal action has been taken and if the employee wants to remain anonymous.

Based on employee responses, Employee Concerns pursues resolution.

# ECP

*Employee Concerns Program*

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## Possible Outcomes

As with all IIRP program resolutions, the solution may or may not support the employee's opinion.

## Recourse

When employees feel their concerns have not been addressed, or at any time, they may try to resolve the issue externally. All employees have the right to speak freely with external agencies at any time.

# DPO

## Differing Professional Opinions

### Filing a DPO

All employees are encouraged to express opinions based on their professional judgement. DPOs offer employees a formal mechanism to identify, resolve or appeal technically based differences of opinion.

Employees are urged to speak with their leaders first when a disagreement arises. If a resolution cannot be reached, or an employee does not agree with a CRDR solution, the employee may file a DPO.

DPO forms are located in Strategic Analysis, on VISTA in Electronic Forms and in Framemaker on UNIX systems.

# DPO

## Differing Professional Opinions

To submit a DPO, employees must complete a form and submit it to their leaders. The leader will review the form and forward it to Strategic Analysis.

Strategic Analysis will review the DPO and assign it to a member of senior management for resolution. The manager should resolve the issue within 30 days.

### Possible Outcomes

The resolution will either support the prevailing viewpoint or the employee's opinion. Follow-up actions will be initiated as needed.

### Recourse

Employees whose viewpoints are not upheld may contact the Employee Concerns Program.



# CRDR

*Condition Reporting/Disposition Request*

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## Filing a CRDR

The CRDR program controls and resolves conditions that could adversely affect the safe, reliable and economic production of electricity.

Anyone at Palo Verde may submit a CRDR to their leader.

Forms are available in form drawers, the Control Room, on VISTA in Electronic Forms, in Framemaker on UNIX work stations or in the CRDR room or Strategic Analysis, located in Admin B on the third floor.

After receiving a CRDR, leaders have three days to review it, initiate corrective action and forward it to Strategic Analysis.

If the issue requires no further action, the CRDR will be closed. If the leader could not resolve the issue or if corrective actions are under way, the CRDR Review Committee will assign the issue to the originating or other leader for resolution.

# CRDR

*Condition Reporting/Disposition Request*

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## Possible Outcomes

When a resolution is developed, corrective actions are taken if necessary. The filing employee receives a copy of the CRDR as notification of resolution.

## Recourse

When employees and their leaders cannot resolve a technical issue, employees may appeal a decision through the Differing Professional Opinion process.

# MITR

*Management Issues Tracking Resolution Program*

## Filing a MITR

MITRs are used to resolve human-relations issues such as pay, equity and harassment, that cannot be worked out between employees and their leaders.

To file MITRs, employees must work through one of the following:

- The employee's leader
- A Human Resources representative
- An Employee Concerns Program representative

Whoever the employee chooses will help him or her with the paperwork and explain the process. This ensures employees know their rights and obligations.

Employees may file anonymously, if desired. In this case, an Employee Concerns or Human Resources representative will act as a mediator between the employee and department leader. No one except the mediator will know who the filing employee is.

Once opened, the MITR will be assigned to a leader who will work with Client Services to

# MITR

*Management Issues Tracking Resolution Program*

develop a resolution. The leader will have 30 days to investigate the concern and develop a resolution. Extensions require agreement between the employee and leader.

## Possible Outcomes

Once a resolution has been developed, it will be presented to the employee who can either accept or reject the solution. Acceptance closes the MITR.

## Recourse

Employees who disagree with a resolution can appeal through the Equity process or their area vice president.

If an employee is dissatisfied at any time during the process, he or she may contact Employee Concerns.