



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

December 21, 1981

MEMORANDUM FOR: R. H. Vollmer, Director  
Division of Engineering

THRU: D. R. Muller, Assistant Director  
for Environmental Technology

FROM: S. S. Skjel, Chief  
Antitrust and Economic Analysis  
Branch

SUBJECT: DIABLO CANYON UNIT 1, SEISMIC VERIFICATION

The December 14 Eisenhower memo lists six proposed criteria for judging the independence of the companies chosen to conduct the design verification programs at Diablo Canyon. Based on our examination of the material currently in hand, we conclude that PG&E has not demonstrated the independence of either Robert L. Cloud Associates, Inc. (Cloud) or Teledyne Engineering Services (TES) under these criteria.

Two of the criteria deal with previous work done on Diablo Canyon:

- (1) Whether or not the companies or individuals had any previous involvement in any way with the activities at Diablo Canyon that they will now be reviewing;
- (2) Whether or not the individuals or companies involved had been previously hired by PG&E to do any seismic design work.

Both Cloud and TES fail the test of independence under the second criteria.

Cloud was previously retained by PG&E for work on Diablo Canyon including a minor project on whip restraints in 1979, and a major project on Seismic System Interaction that began in October, 1979. Teledyne Engineering Services was also retained by PG&E for a \$1.2 million project in response to NRC I & E Bulletin 79-02 concerning pipe support systems plus other consulting work.

An additional conflict of interest may exist between Cloud and TES. Cloud and William Cooper both worked at TES during the period 1969-1971

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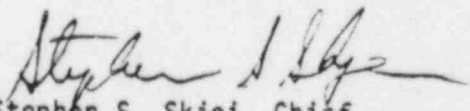
In addition, Cloud and Cooper have been members of the ASME Boiler and Pressure Vessel Code sub-committee, which is currently chaired by R. F. Reedy, subcontractor to Cloud.

Clear conclusion cannot be drawn at this time with respect to the Commission other three criteria for independence,

- (3) whether or not any individual involved had been previously employed by PG&E;
- (4) whether or not the individual owns or controls significant amounts of PG&E stock; and
- (5) whether or not any relatives are employed by PG&E in a management capacity.

According to Moody's there are neither interlocking directors between Teledyne and PG&E nor does either company own a controlling interest in the other. We will continue to explore the question of financial interests.

Finally, previous employment (criteria 3) and employment by relatives (criteria 5) are probably not relevant in determining the independence of the proposed contractors except for individuals who had been managers of PG&E within the past ten years. Only PG&E could provide this information to the staff on a timely basis. Such individuals should not own or control any PG&E stock at the time they accept a contract for the PG&E verification programs.

  
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