



UNITED STATES  
NUCLEAR REGULATORY COMMISSION

REGION IV  
611 RYAN PLAZA DRIVE, SUITE 1000  
ARLINGTON, TEXAS 76011

MAR 22 1989

Docket No. 50-382  
License No. NPF-38  
EA 89-03

Louisiana Power & Light Company  
ATTN: J. G. Dewease, Senior Vice President  
Nuclear Operations  
317 Baronne Street  
New Orleans, Louisiana 70160

Gentlemen:

Enclosed for LP&L's review is the synopsis from NRC Report of Investigation 4-84-010, which was completed by the NRC's Office of Investigations in August 1986 and subsequently referred to the U.S. Department of Justice for prosecutorial review. The Department of Justice informed the NRC, in October 1988, that it had elected not to pursue criminal prosecution relative to the matters described in this investigation report.

This investigation was related to activities occurring during the construction of Waterford 3 and focused on three general allegations: harassment and intimidation of quality assurance and quality control personnel; falsification of information on the resumes of quality control inspectors; and falsification of quality control records. Each of these was substantiated to varying degrees and is described in the enclosed synopsis.

The technical issues related to this investigation were the subject of a 1985 NRC enforcement action that resulted in a \$110,000 civil penalty. The investigation found evidence of wrongdoing, largely motivated by scheduler demands, associated with the quality assurance breakdown that was the subject of the 1985 enforcement action. However, the matters described in the enclosed synopsis were known to the NRC at the time the issuance of an operating license was being considered for the Waterford 3 plant. Their potential impact on the quality of the plant and operational safety was thoroughly reviewed and resolved. The NRC has, through its routine inspection programs, reviewed the corrective actions for the violations for which a civil penalty was assessed in 1985, and has monitored the plant since it began operations. No further evidence that scheduler demands have adversely affected plant safety have been found.

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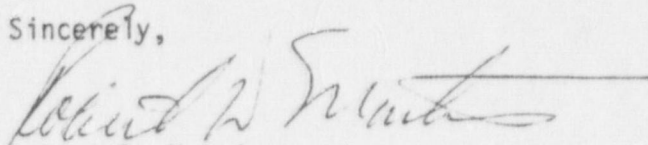
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The NRC requests that LP&L review the information contained in the enclosed synopsis to determine whether further action by LP&L is appropriate. Should you have any questions concerning this matter, please contact me.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations, a copy of this letter and the enclosures will be place in the NRC's Public Document Room.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert D. Martin", with a long horizontal flourish extending to the right.

Robert D. Martin  
Regional Administrator

Enclosure: As Stated

cc: Public Document Room  
Local Public Document Room  
Louisiana Radiation Control Program Director

## SYNOPSIS

On April 1, 1984, at the request of the Region IV Regional Administrator, the NRC Office of Investigations Field Office, Region IV (OI:RIV), initiated an investigation into alleged harassment and intimidation activities (management reprisals), and falsification of quality assurance/quality control (QA/QC) records at the Waterford Steam Electric Station, Unit III (Waterford), Taft, Louisiana. The scope of the investigation involved the instrumentation and control (I&C) contractor, Mercury Company of Norwood, Inc. (Mercury), the architect engineer, Ebasco Services, Inc. (Ebasco), and the licensee, Louisiana Power and Light Company (LP&L). The preliminary investigation identified additional allegations of resume falsification, cheating on Level II welding inspectors' certification tests and falsification of QA/QC records by Mercury.

One hundred and six present and former employees of Mercury, Ebasco and LP&L were interviewed regarding their knowledge of the allegations and all furnished information to OI on these issues. A position breakdown of persons interviewed includes 31 managers, 64 QA/QC personnel, 3 contract/coordinator personnel, 3 Authorized Nuclear Inspectors (ANI), and 5 Quality Assurance Engineers (QAE).

Twenty-one Mercury and Ebasco QA/QC personnel and 3 managers (2 Ebasco and 1 Mercury) maintained they were harassed and/or intimidated by supervisory and management personnel. This intimidation and harassment was an attempt to restrict and suppress their ability to identify and document construction and QC deficiencies in order to meet construction schedules "at all costs." Manifestations of these conditions included a lack of support by management; an emphasis on production rather than quality by establishing turnover quotas; inadequate, vague and lowered inspection procedures and requirements; procedures being changed and/or altered on a daily basis; QC inspectors' findings being ignored and negated; QA/QC inspectors and document review personnel being criticized and threatened with job termination; and inspectors being reassigned, demoted, terminated, or blacklisted in the nuclear industry. Thirteen individuals reported they actually suffered changes in their job status as a result of their refusal to comply with inappropriate management directives. Thirty-eight additional QA/QC individuals considered the pressures exerted on them by Ebasco and Mercury management to keep up with schedule completions as being unrealistic, and at times inhumane. This appeared to be a more subtle form of harassment and intimidation.

The OI investigation disclosed an atmosphere of harassment and intimidation permeating the QA/QC working arena as evidenced by a perceived verbal pressure placed upon Mercury and Ebasco QA/QC personnel by Mercury and Ebasco management. This pressure was created by LP&L, Ebasco and Mercury upper management in order to meet schedule completion dates. The LP&L Site Manager, during weekly schedule status meetings among LP&L, Ebasco and Mercury, set the tone by dictating schedule completion dates that had to be met regardless of the obstacles encountered. Non-management personnel from Mercury and Ebasco who attended these meetings and were unfamiliar with management problems and pressures at this level characterized these meetings as non-flexible with regard to schedules, and harassing and intimidating with regard to tone and



directives. Several management personnel from LP&L, Ebasco and Mercury who attended these meetings on a regular basis characterized the atmosphere as extremely intense, and felt that persons not accustomed to that type of meeting could easily construe the atmosphere to be one of harassment and intimidation. A Mid-South Utility manager who attended these meetings on a regular basis said that "he did not personally feel harassed at these meetings;" however, "if somebody that did not attend these meetings would come, all of a sudden, he could say, My God, it is a dictatorship." These meetings also generated considerable conflict between Ebasco and Mercury over schedule completion dates. This was evident in that the Mercury Site Project Manager eventually refused to attend the meetings because of what he perceived as the unrealistic schedule completion dates being established by Ebasco.

Several Ebasco and Mercury managers characterized the meetings as "pipelines of pressure," meaning LP&L set the tone and passed the pressures on schedule completion to Ebasco, who in turn passed it down to Mercury. By the time these schedule pressures from Ebasco and Mercury management were received at the QA/QC inspection and document review level, the pressures were directive in nature. This caused an atmosphere of intimidation and subsequently caused the QA/QC activity to become suppressed. Additionally, as a result of these pressures, Ebasco management issued verbal orders to QA/QC personnel to disregard written instructions and follow verbal instructions or the reviewer would be "walked to the gate," signifying the individual would be terminated.

Ebasco and Mercury QA/QC inspectors and document reviewers were required to obtain prior managerial approval before initiation of any NCR documentation. QA/QC personnel who identified too many deficiencies were subject to a variety of management reprisals, which had an intimidating effect on the remaining QA/QC personnel, and an inhibiting effect on their work product. These management actions were accomplished through reassignments and/or demotions of QA/QC personnel to non-inspection responsibilities, and the threatening of QA/QC personnel with termination.

There were also instances where Ebasco and Mercury QA/QC personnel were removed from their positions and sometimes from the site through what contractor management personnel described as a "reduction in force," or "routine de-staffing." Several of these incidents occurred after the individuals had identified and reported concerns indicating either a breakdown of the QA program, or discovering a generic problem such as loss of material traceability.

This investigation developed additional allegations of falsification of Mercury QC inspectors' backgrounds, cheating on Mercury QC certification tests, and falsification of Mercury QA/QC records.

The investigation into the cheating on QC inspector tests and resume falsification revealed that Ebasco placed pressure on Mercury to correct deficiencies found in their work and to meet established construction turnover schedules. Because of this pressure, Ebasco authorized a large increase in the Mercury QA/QC staff. Mercury had problems obtaining qualified people within the time constraints set by Ebasco; therefore, cheating and false resumes resulted.

Two former Mercury QC inspectors stated that the Mercury Training Coordinator had improperly corrected wrong answers on their QC certification tests. A third former Mercury QC inspector said he was given an "open book" certification examination. Four other former Mercury QA/QC employees stated that they had heard of the allegation, but did not witness it. Eight other former Mercury QA/QC personnel were unaware of or did not have knowledge of this allegation. The Mercury Training Coordinator denied the allegation and investigation was unable to further corroborate the statements of former Mercury QC inspectors concerning cheating on certification tests.

The investigation resulted in the discovery of false resumes for three former Mercury QC inspectors.—A fourth former Mercury QA document reviewer/QC inspector alleged his resume was also falsified, but this could not be corroborated. A former Ebasco document reviewer said that one of the Mercury document reviewers admitted to him that he had falsified his own resume because he did not have any nuclear experience. This Mercury document reviewer claimed that an identified person within Mercury had falsified the resume for him. Two of the other individuals with falsified resumes denied knowledge of who was responsible for the falsification of their resumes. The third inspector said his resume was prepared by the Mercury Training Coordinator. A former Ebasco document reviewer alleged that the Mercury Training Coordinator had added a false amount of experience to one of these individuals' resume at the instruction of the Mercury Site QA Manager. Both the Mercury Site QA Manager and the Training Coordinator denied the allegations.

As a result of two NRC inspections in 1982 and 1983, LP&L, Ebasco, and Mercury were aware of allegations of unqualified inspectors and the cheating on certification tests. LP&L, Ebasco, and Mercury management conducted audits and inspections of these allegations and determined that the allegations were baseless.

As a result of the NRC staff's findings in 1984 concerning unqualified inspectors at Mercury, the licensee (LP&L) conducted a review of Mercury QC inspectors' backgrounds. LP&L's review determined that 136 inspectors had what LP&L termed "discrepancies" in the background information used to qualify these individuals as inspectors.

The investigation found that falsification of Mercury QC inspectors' resumes was a widespread occurrence.

The investigation into the QA/QC record falsification allegation identified eight separate issues. Four issues are broad and generic in nature. The other issues are single events or attributable to a specific individual.

In Issue 1, a former Ebasco document reviewer alleged that two Mercury document reviewers improperly documented heat numbers from a heat chart without proper field verifications. One of these document reviewers admitted doing this at the instruction of another unidentified Mercury employee. The other document reviewer denied the allegation, but acknowledged the practice was common. Twelve other witnesses were aware of this practice and one other Mercury document reviewer admitted doing it. Several Mercury NCRs were written on incidents where the heat numbers on the QA records differed from



those found on the hardware. The OI investigation determined that Mercury document reviewers arbitrarily documented heat numbers without following proper procedures and verification.

Issue 2 was an allegation that the Mercury QA Manager and the ANI certified the N-5 documents (QA documents) knowing deficiencies existed. The N-5 Data Report is a QA document stating that the hardware was installed and is in conformance to all ASME Section III criteria. The investigation revealed that approximately 180 nonconformance report (NCRs) were written against the Mercury installations after the N-5 certification process. Both the Mercury QA Manager and the Kemper Insurance Company ANIs denied falsifying the N-5 documents. The 180 post N-5 NCRs identified three general areas of deficiencies. Prior to N-5 certification, Ebasco incorrectly informed Mercury that deficiencies in these areas were corrected to their satisfaction. Based on Ebasco's notification, Mercury certified the N-5 Data Reports. After Mercury completed N-5 certification, Ebasco reopened NCRs on these same problems and performed the corrective work. The investigation determined that Mercury site QA management certified the N-5 documents while deficiencies existed, based on the false information from Ebasco.

The third issue concerned an allegation made by a Mercury document reviewer. The document reviewer alleged that instrumentation support inspection data was falsified by a Mercury lead document reviewer on Mercury QC records. The allegation was corroborated by two other Mercury QA personnel.

Several Mercury and Ebasco document reviewers alleged in Issue 4, that Mercury QC inspections used photocopies of one QC inspection to document another inspection. After reviewing the questioned documents, the OI investigation could not substantiate any act of falsification in this issue.

The fifth issue concerned the review of Mercury's QA documentation, wherein several Ebasco Quality Assurance Installation Review Group (QAIRG) document reviewers noted that several documents in one turnover package lacked the heat numbers on tubing. Mercury wrote an NCR on the problem on July 19, 1983. On July 21, 1983, the NCR was closed by a Mercury QC inspector claiming that the heat numbers were added and now appeared on the QA records. On July 23, 1983, Ebasco reviewed the NCR closure and determined that the Mercury QC inspector, whose signature appeared next to the added heat numbers, had not worked at Waterford since June 28, 1983. A QC inspection of the hardware discovered that it did not have any heat numbers. The QC inspector whose name appeared on the questioned documents confirmed that the signature was not his.

The sixth issue concerned an allegation of falsification by Mercury craft of heat numbers on hardware installed by Mercury. The investigation revealed that missing heat numbers on hardware were a common occurrence. It was also determined that QC had developed a heat chart to determine the validity of heat numbers and that craft personnel had access to this heat chart. A Mercury QC inspector documented a case where craft personnel added an invalid heat number to an installation. This heat number was then changed to coincide with the heat chart. The inspector wrote an NCR on the problem and subsequently discovered another heat number was added. A Mercury QC supervisor said that a Mercury foreman admitted altering the heat number to coincide with the heat chart. The foreman said he was told by unnamed persons to perform

the alteration. Both Ebasco and Mercury QA management were aware of the allegation and investigated it. The NRC:OI investigation determined that although several individuals stated that the improper addition of heat numbers to hardware was common, only the above described incident could be substantiated.

The seventh issue involved an allegation made by a former Mercury document reviewer that Mercury management falsified QC records to close an NCR. An Ebasco lead document reviewer told the Mercury document reviewer making the allegation that Mercury obtained the information used to close out the NCR from a notebook maintained by the Mercury Construction Superintendent. The Mercury Construction Superintendent was unfamiliar with the incident described by the alleged, but confirmed he kept a notebook on the type of data that would have been used to close the NCR. The OI investigation did not substantiate this allegation.

The last issue was precipitated by an allegation made by a former Ebasco document reviewer and a former Mercury QA supervisor concerning the falsification of Mercury QA documentation by a Mercury document review supervisor. The former Ebasco document reviewer said that the Mercury document review supervisor had falsified work submitted by two Mercury document reviewers. These two reviewers denied having any knowledge of falsification by the supervisor. The supervisor denied ever falsifying QA documentation. The OI investigation did not substantiate any falsification perpetrated by the Mercury document review supervisor.

Falsification Issues 2, 4, 5, and 6 were brought to the attention of both Mercury and Ebasco QA site management by subordinates at the time of occurrence. The Ebasco QA Manager once kept a falsification file which has now disappeared. Both Ebasco and LP&L site QA management were aware of allegations of falsification. Ebasco assigned a QA supervisor to investigate falsification allegations. Neither the Ebasco Site QA Manager nor the Ebasco QA Director claimed to have received any reports concerning falsification from this subordinate (this individual is out of the country and could not be interviewed). The LP&L Site Director was concerned that the schedule pressure placed on Mercury might cause falsification, and as a result, he assigned two people to look for it. The LP&L Site Director was never subsequently made aware of any falsification incidents as a result of their inquiries.

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