

Audit: TVA contractor inflated bill, took bonus

KNOXVILLE (AP)— The contractor overseeing the replacement of steam generators at a Tennessee Valley Authority nuclear station inflated its bill for labor, materials, travel, entertainment and supplies, then gave itself a \$250,000 bonus, according to an internal audit.

Bechtel Power Corp. billed TVA for \$3 million in questionable charges for the work at the Sequoyah nuclear station project near Chattanooga in 2003, according a TVA inspector general audit. The audit was released after a Freedom of Information Act request.

TVA, the nation's largest public utility, has agreed to pay half the charges in dispute.

The contractor also billed TVA \$1.64 million for equipment used at Sequoyah, then bought it back at the cut-rate price of \$250,000, saying it would be used again at its next TVA steam generator project at the Watts Bar plant near Spring City in 2006.

Surplus gear

A TVA spokesman said TVA agreed to the deal because the equipment was surplus after being exposed to radiation in the Sequoyah reactor. But the audit contains photos of

unused scaffolding and a pristine \$277,000 crane that Bechtel was able to buy for a fraction of their original cost.

The auditors also said some equipment, including 70 handheld radios worth \$51,000, apparently disappeared — shipped off to other job sites for other Bechtel customers.

Steam generators, which contain thousands of pipes, convert heat from the reactor into steam that drives turbines that produce electricity. The generators are being replaced because of pipe leaks.

"The vast majority of our billings for the Sequoyah nuclear plant steam generator replacement project reflected legitimate costs incurred and were consistent with our contract and with industry practice," Bechtel Corp. spokesman Jonathan Marshall said.

Marshall suggested the questioned expenses were small for such a large job. The total cost of the Sequoyah project was \$176 million, and Bechtel's share was \$91.9 million.

"The TVA inspector general questioned \$3 million, or about 3 percent, of our billings," Marshall said. "Our detailed analysis, provided in a reply to the TVA, found only \$200,000, or 0.2 percent of billings, to have been unreimbursable."

TVA spokesman John Moulton said the utility agreed to pay only \$1.6 million of the \$3 million in disputed charges following months of negotiations.

TVA also accepted a \$500,000 price break on the Watts Bar project to settle the equipment issue from Sequoyah. Bechtel's bid for Watts Bar was cut from \$105.7 million to

\$105.2 million.

"We have not lost confidence in Bechtel. No, absolutely not," Moulton said. "Bechtel is one of the top engineering and design and construction firms in the nuclear business and they did a good job of installing the steam generator at Sequoyah."

The TVA inspector general found all sorts of overcharges, duplicate bills and questionable spending. Among them, \$117,000 in travel expenses; \$1 million in compensation for executives back at Bechtel's project headquarters in Frederick, Md.; \$28,000 in rental furniture for Bechtel managers at Sequoyah; and the \$250,000 bonus, which was permitted under the original contract but struck when it was renegotiated in the face of rising costs.

There also was \$98,000 in entertainment expenses for meals, golf fees, wine, flowers, hunting vests and a television — at least some of which was spent on TVA employees.

The TVA inspector general completed the audit March 5, 2004. But the 23-page document wasn't released publicly until this month. And even then many details were blanked out, including all recommendations from the auditors and all formal responses from TVA management and Bechtel.

Copyright 2005 Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.