

August 30, 2004

Mr. A. Christopher Bakken
President and Chief Nuclear Officer
PSEG Nuclear LLC - N09
P. O. Box 236
Hancocks Bridge, NJ 08038

SUBJECT: MID-CYCLE PERFORMANCE REVIEW AND INSPECTION PLAN - SALEM
NUCLEAR GENERATING STATION

Dear Mr. Bakken:

On August 3, 2004, the NRC staff completed its mid-cycle plant performance assessment of the Salem Nuclear Generating Station. The mid-cycle review for Salem involved the participation of all technical divisions in evaluating performance for the first half of the calendar year 2004 assessment cycle. The process included a review of performance indicators (PIs) for the most recent quarter and inspection results over the previous twelve months. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility so that you will have an opportunity to prepare for these inspections and to inform us of any planned inspections that may conflict with your plant activities. This performance review and enclosed inspection plan do not include physical protection information. A separate letter designated and marked as "Proprietary Information in accordance with 10 CFR 2.390(d)(1)" will include the physical protection review and resultant inspection plan.

Salem Unit 1 performance for the most recent quarter was within the Regulatory Response Column of the NRC's Action Matrix based on an inspection finding in the Mitigating System Cornerstone being classified as having low to moderate safety significance (White) and all PIs indicating performance at a level requiring no additional NRC oversight (Green). The White inspection finding involved inadequate corrective actions which resulted in the 1C emergency diesel generator turbocharger failure in September 2002. Completion of the initial and supplemental inspections into the issue were delayed to allow PSEG time to complete their root cause evaluation and implement corrective actions. As described in an NRC supplemental inspection report dated January 30, 2004, [ADAMS Ref. ML040330012] the staff kept this finding open beyond four quarters pending completion of PSEG's extent of condition evaluation and until additional NRC inspection confirmed that final corrective actions had been implemented. Additional follow-up inspection has been conducted, and the results are currently under NRC management review. These inspection results will be provided in a future inspection report.

Salem Unit 2 performance for the most recent quarter was within the Licensee Response Column of the NRC's Action Matrix based on all inspection findings being classified as having very low safety significance (Green) and all PIs indicating performance at a level requiring no additional NRC oversight (Green).

In our letter to you dated July 30, 2004, [ADAMS Ref. ML042120284] we informed you of the results of our review of the work environment at the Salem station. Specifically, in that review we did not identify any serious safety violations; however, we concluded that there were numerous indications of weaknesses in corrective actions and management efforts to establish an environment where employees are consistently willing to raise safety concerns. Some PSEG staff and managers felt that the company had emphasized production to a point that negatively impacted handling of emergent equipment issues and associated operational decision making. Additionally, management had not been consistent in its support of station staff identifying concerns and providing alternate views. We found examples of unresolved conflict and poor communication between management and staff, as well as underlying staff and management frustration with poor equipment reliability. The equipment issues stemmed, in part, from weaknesses in implementation of station processes, such as work management and corrective action. Based upon these results, our mid-cycle assessment has concluded that a substantive cross-cutting issue in safety conscious work environment (SCWE) exists at the Salem station.

In addition, as discussed in the last three assessment letters dated March 3, 2003, August 27, 2003, and March 3, 2004, [ADAMS Refs. ML030620693, ML032390511, and ML040630798, respectively] the staff identified a substantive cross-cutting issue in the area of problem identification and resolution (PI&R). The staff determined that the cross-cutting issue continued through the first half of calendar year 2004 based on the continuation of inspection findings and documented shortcomings within the PI&R area. During the assessment period, there were 22 inspection findings, 10 of which occurred in the last six months, that were attributable, at least in part, to shortcomings in the PI&R area. These shortcomings, which involved problem identification, problem evaluation, and effectiveness of corrective action, continued to allow problems to recur and longstanding problems to go uncorrected. A few noteworthy examples included PSEG personnel not identifying a leaking spray wash valve associated with a service water traveling screen as a degraded condition, which ultimately resulted in the unavailability of a service water pump train due to excessive ice buildup; the inadequate evaluation of a significant change in the stroke time test results of a containment fan cooler unit service water flow control valve which delayed by several months the recognition of a mechanical problem inside the valve; and ineffective corrective actions to prevent the recurring failure of an auxiliary feedwater pump steam supply valve.

We recognize that PSEG has taken significant steps to evaluate the station's work environment and to initiate actions to address work environment issues and corrective action effectiveness. As mentioned in our letter dated July 30, 2004, we expect that you will discuss your progress in improving the work environment and the effectiveness of your corrective action program in the public meeting planned for late 2004.

We plan to conduct Reactor Oversight Process baseline inspections at Salem, as well as to inspect the reactor vessel head replacement at Salem Unit 2 in the spring of 2005. Further, in order to provide an appropriate level of NRC oversight for your facility, in view of the substantive cross-cutting issue in SCWE and the longstanding cross-cutting issue in PI&R, the NRC's Executive Director for Operations approved a deviation from the NRC's Action Matrix on August 23, 2004 [ADAMS Ref. ML042290139]. This deviation authorized the staff to provide a greater level of oversight for the Salem station than would typically be called for by the Regulatory Response Column of the Action Matrix including: (1) conduct of periodic management meetings

and site visits; (2) elevation of the level of NRC management involvement in meetings, site visits, and correspondence; (3) establishment of an internal NRC coordination team, involving regional and headquarters experts in reactor oversight, SCWE and related performance attributes, to coordinate NRC review efforts and assist in evaluation of licensee self-assessment efforts; (4) review of PSEG's detailed improvement plans to identify SCWE and related performance attributes for further NRC inspection; and (5) enhancement of existing baseline inspections by adjusting inspection scope, as necessary, to verify the effectiveness of licensee improvement efforts in these areas. The NRC plans to continue with this heightened oversight until PSEG has concluded that substantial, sustainable progress has been made; and the NRC has completed a review, the results of which confirm PSEG's assessment results.

The enclosed inspection plan details the inspection, less those related to physical protection, scheduled through March 31, 2006. The inspection plan is provided to minimize the resource impact on your staff and to allow for scheduling conflicts and personnel availability to be resolved in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The inspections in the last twelve months of the inspection plan are tentative and may be revised at the end-of-cycle review meeting.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact Eugene Cobey of my staff at (610) 337-5171 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

Samuel J. Collins
Regional Administrator

Docket Nos. 50-272; 50-311
License Nos. DPR-70; DPR-75

Enclosure: Salem Generating Station Inspection / Activity Plan

Mr. A. Christopher Bakken

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cc w/encl:

M. Brothers, Vice President - Site Operations

J. T. Carlin, Vice President Nuclear Assessment

D. F. Garchow, Vice President, Engineering and Technical Support

W. F. Sperry, Director Business Support

S. Mannon, Manager - Nuclear Safety and Licensing

C. J. Fricker, Salem Plant Manager

R. Kankus, Joint Owner Affairs

J. J. Keenan, Esquire

M. Wetterhahn, Esquire

F. Pompper, Chief of Police and Emergency Management Coordinator

J. Lipoti Ph.D., State of New Jersey, Ass't Director Radiation Protection & Release Prevention

H. Otto, Ph.D., DNREC Division of Water Resources, State of Delaware

Consumer Advocate, Office of Consumer Advocate

N. Cohen, Coordinator - Unplug Salem Campaign

W. Costanzo, Technical Advisor - Jersey Shore Nuclear Watch

E. Zobian, Coordinator - Jersey Shore Anti Nuclear Alliance

Distribution w/encl:

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S. Collins, RA

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S. Barber, DRP

C. Miller, OEDO

R. Laufer, NRR

D. Collins, PM, NRR

DRS Director, Region I

C. O'Daniell, DRP

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OFFICE	RI/DRP		R1/DRP		R1/DRP		RI/RA	
NAME	Dorr/ EWC for		ECobey/ EWC		ABlough/ ARB		SCollins/ SJC	
DATE	08/27/04		08/27/04		08/27/04		08/30/04	

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Salem
Inspection / Activity Plan
07/01/2004 - 03/31/2006

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
	95001	- EDG SUPPLEMENTAL - EDG	1			
1	IP 95001	Supplemental Inspection For One Or Two White Inputs In A Strategic Performance Area		05/03/2004	09/03/2004	Supplemental Program
	7111107B	- HEAT SINK	1			
1, 2	IP 7111107B	Heat Sink Performance		08/16/2004	08/20/2004	Baseline Inspections
	71121	- OCC RAD SAFETY	1			
1, 2	IP 7112101	Access Control to Radiologically Significant Areas		08/30/2004	09/03/2004	Baseline Inspections
1, 2	IP 7112102	ALARA Planning and Controls		08/30/2004	09/03/2004	Baseline Inspections
1, 2	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		08/30/2004	09/03/2004	Baseline Inspections
1, 2	IP 71151	Performance Indicator Verification		08/30/2004	09/03/2004	Baseline Inspections
	7111404	- EP PIS AND E-PLAN CHANGE REVIEWS	1			
1, 2	IP 7111404	Emergency Action Level and Emergency Plan Changes		12/13/2004	12/17/2004	Baseline Inspections
1, 2	IP 71151	Performance Indicator Verification		12/13/2004	12/17/2004	Baseline Inspections
	71121	- OCC RAD SAFETY	1			
1, 2	IP 7112101	Access Control to Radiologically Significant Areas		01/10/2005	01/14/2005	Baseline Inspections
1, 2	IP 7112102	ALARA Planning and Controls		01/10/2005	01/14/2005	Baseline Inspections
1, 2	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		01/10/2005	01/14/2005	Baseline Inspections
	7112201	- PUB RAD SAFETY - RETS	1			
1, 2	IP 7112201	Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems		01/24/2005	01/28/2005	Baseline Inspections
	711117B	- MODS & 50.59	5			
1, 2	IP 7111102	Evaluation of Changes, Tests, or Experiments		02/14/2005	02/18/2005	Baseline Inspections
1, 2	IP 711117B	Permanent Plant Modifications		02/14/2005	02/18/2005	Baseline Inspections
	71152B	- PROBLEM IDENTIFICATION AND RESOLUTION	4			
1, 2	IP 71152B	Identification and Resolution of Problems		02/28/2005	03/04/2005	Baseline Inspections
1, 2	IP 71152B	Identification and Resolution of Problems		03/14/2005	03/18/2005	Baseline Inspections
	71121	- OCC RAD SAFETY	1			
2	IP 71007	Reactor Vessel Head Replacement Inspection		04/11/2005	04/15/2005	Other Routine
1, 2	IP 7112101	Access Control to Radiologically Significant Areas		04/11/2005	04/15/2005	Baseline Inspections
1, 2	IP 7112102	ALARA Planning and Controls		04/11/2005	04/15/2005	Baseline Inspections
1, 2	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		04/11/2005	04/15/2005	Baseline Inspections
	7111108P	- INSERVICE INSPECTION - U2	2			
2	IP 7111108P	Inservice Inspection Activities - PWR		04/18/2005	04/22/2005	Baseline Inspections
	7112203	- PUB RAD SAFETY - REMP	1			
1, 2	IP 7112203	Radiological Environmental Monitoring Program		06/20/2005	06/24/2005	Baseline Inspections

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.

Salem
Inspection / Activity Plan
07/01/2004 - 03/31/2006

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	71114	- EP PROGRAM INSP & PI VERIFICATION	1			
1, 2	IP 7111402	Alert and Notification System Testing		08/29/2005	09/02/2005	Baseline Inspections
1, 2	IP 7111403	Emergency Response Organization Augmentation Testing		08/29/2005	09/02/2005	Baseline Inspections
1, 2	IP 7111404	Emergency Action Level and Emergency Plan Changes		08/29/2005	09/02/2005	Baseline Inspections
1, 2	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		08/29/2005	09/02/2005	Baseline Inspections
1, 2	IP 71151	Performance Indicator Verification		08/29/2005	09/02/2005	Baseline Inspections
	7111111B	- LO REQUAL INSPECTION	2			
1, 2	IP 7111111B	Licensed Operator Requalification Program		09/12/2005	09/16/2005	Baseline Inspections
	7111108P	- INSERVICE INSPECTION - U1	1			
1	IP 7111108P	Inservice Inspection Activities - PWR		10/17/2005	10/21/2005	Baseline Inspections
	71121	- OCC RAD SAFETY	1			
1	IP 71007	Reactor Vessel Head Replacement Inspection		10/17/2005	10/21/2005	Other Routine
1, 2	IP 7112101	Access Control to Radiologically Significant Areas		10/17/2005	10/21/2005	Baseline Inspections
1, 2	IP 7112102	ALARA Planning and Controls		10/17/2005	10/21/2005	Baseline Inspections
1, 2	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		10/17/2005	10/21/2005	Baseline Inspections
1, 2	IP 71151	Performance Indicator Verification		10/17/2005	10/21/2005	Baseline Inspections
	7112202	- PUB RAD SAFETY - RADWASTE	1			
1, 2	IP 7112202	Radioactive Material Processing and Transportation		12/05/2005	12/16/2005	Baseline Inspections
	71121	- OCC RAD SAFETY	1			
1, 2	IP 7112101	Access Control to Radiologically Significant Areas		01/09/2006	01/13/2006	Baseline Inspections
1, 2	IP 7112102	ALARA Planning and Controls		01/09/2006	01/13/2006	Baseline Inspections
1, 2	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		01/09/2006	01/13/2006	Baseline Inspections
	7111112B	- MAINTENANCE RULE	1			
1, 2	IP 7111112B	Maintenance Effectiveness		01/16/2006	01/20/2006	Baseline Inspections
	7111105T	- TRIENNIAL FIRE PROTECTION INSPECTION	3			
1, 2	IP 7111105T	Fire Protection		01/23/2006	01/27/2006	Baseline Inspections
1, 2	IP 7111105T	Fire Protection		02/06/2006	02/10/2006	Baseline Inspections
	7112201	- PUB RAD SAFETY - RETS	1			
1, 2	IP 7112201	Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems		02/06/2006	02/10/2006	Baseline Inspections
	SSDI	- SSDI	7			
1, 2	IP 7111121	Safety System Design and Performance Capability		03/06/2006	03/10/2006	Baseline Inspections
1, 2	IP 7111121	Safety System Design and Performance Capability		03/20/2006	03/24/2006	Baseline Inspections

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