

July 29, 2005

MEMORANDUM TO: Luis A. Reyes
Executive Director for Operations

THRU: James E. Dyer, Director
Office of Nuclear Reactor Regulation

FROM: Samuel J. Collins */RA/*
Regional Administrator
Region I

SUBJECT: REQUEST FOR RENEWAL OF DEVIATION TO THE ACTION
MATRIX TO PROVIDE HEIGHTENED NRC OVERSIGHT OF
THE SALEM AND HOPE CREEK GENERATING STATIONS

This memorandum requests your approval to continue to deviate from the Reactor Oversight Process (ROP) Action Matrix for the Salem and Hope Creek Generating Stations to provide heightened NRC oversight throughout calendar year 2005 (ROP 6) and through the Mid-Cycle Assessment in 2006 (ROP 7). This action is requested to continue the deviation that was approved on August 23, 2004, because the exit criteria for the existing deviation have not been met. We intend to continue to closely monitor the licensee's actions to address significant issues associated with the safety conscious work environment (SCWE). The actions we propose in this memorandum for Salem and Hope Creek represent a customized approach that considers factors beyond each unit's Action Matrix categorization. This approach, albeit requiring your specific approval, is consistent with underlying concepts of Inspection Manual Chapter 0305, "Operating Reactor Assessment Program," and with Commission guidance stated in the Staff Requirements Memorandum (SRM) for SECY-98-176 that specifies that significant concerns related to SCWE at nuclear plants should be treated on a case-by-case basis.

Background

In late 2003, we initiated a special review of the environment for raising and addressing safety issues at the Salem and Hope Creek units. We undertook the review in light of information received in various allegations and inspections as well as NRC management insights related to the SCWE over the past few years. Information gathered had led to concerns about the work environment, particularly as it relates to the handling of emergent equipment issues and associated operational decision-making. Concerns regarding PSEG's ability to effectively address potential safety issues had been previously documented in inspection reports and periodic assessment letters. For example, a substantive cross cutting issue in the area of problem identification and resolution was initially identified based on inspections conducted in 2002 and has continued for five more assessment periods including the most recent End-of-Cycle Assessment period.

On July 30, 2004, NRC Region I issued a letter to PSEG that provided the results of our special review. This in-depth review generally agreed with the results of PSEG's self-assessments. Specifically, 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 which negatively impacted the 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.

The 2004 Deviation Memorandum, as well as correspondence with PSEG, established "exit criteria" by indicating the NRC would provide heightened oversight until licensee self-assessment has concluded that substantial, sustainable progress has been made, and the NRC has completed a review, the results of which confirm the licensee's assessment results. During the period of Region I's implementation of the Deviation Memorandum dated August 23, 2004, PSEG entered into a Nuclear Operating Services Contract (NOSC) with Exelon, made a number of senior management changes on site, and implemented improvement initiatives to address long-standing performance problems. However, we have not yet observed substantial progress in addressing the underlying issues related to the work environment. Specifically, we have noted continued weaknesses in the implementation of station processes, such as work management and corrective action, causing challenges with equipment reliability which have resulted in several unplanned power changes and forced outages at Salem and Hope Creek. In addition, PSEG's inconsistent use of the Executive Review Board process, numerous management changes, and PSEG staff uncertainty related to the implementation of the NOSC and the pending merger have contributed to a range of worker perceptions regarding the advisability of raising issues or challenging decisions in the current environment.

In addition, during the period of the implementation of the Deviation Memorandum, the number of allegations received by the NRC increased substantially, resulting in the additional expenditure of regional resources of approximately one full-time equivalent (FTE) person. The NRC received 7 allegations at Salem and Hope Creek in 2003, and 25 in 2004. Through June 30, 2005, the NRC has received 22 allegations, which is nearly double the 2004 rate. Approximately half of the allegations received during the period of the Deviation Memorandum had SCWE-related performance attributes.

In June 2005, Region I performed a self-assessment of the implementation of the Deviation Memorandum. This effort concluded that the Deviation Memorandum is accomplishing its intended purpose of providing heightened oversight of Salem and Hope Creek. The self-assessment provided recommendations for incorporation in this renewal request, including reducing the scope of selected activities for improved efficiency. These recommendations are reflected in this request.

Deviation Basis

Although there is no prescriptive guidance on SCWE, the Commission, in a May 14, 1996, policy statement, acknowledged that a strong SCWE is necessary at nuclear power plants and provided a number of issues for the staff to consider when assessing SCWE issues. Because of its importance, the Commission also recommended that SCWE issues be addressed on a case-by-case basis.

Overall, performance at the Salem and Hope Creek Units has been inconsistent, with frequent challenges to plant operation from equipment and human performance issues. These challenges, which are occasionally repetitive, have contributed to plant staff's negative perception of management's willingness to address performance issues. These and other factors have contributed to concerns about the SCWE at the stations.

While PSEG has begun initial efforts to address work environment problems, the NRC staff believes that the situation at the Salem and Hope Creek units warrants continued close NRC oversight. The staff considers this approach to be consistent with Commission policy.

The ROP Action Matrix includes a range of licensee and NRC actions for each column of the Matrix. However, as discussed in Inspection Manual Chapter 0305, there may be instances in which the actions prescribed by the Action Matrix may not be appropriate. In the case of Salem and Hope Creek, the actions associated with the Licensee Response and Regulatory Response Columns (which encompass the performance assessments of the three units) do not provide the level of oversight needed to appropriately monitor licensee improvement efforts in SCWE and related performance attributes. Therefore, Region I believes that continued heightened oversight as discussed in the following sections should be performed at a level of effort above that of the Regulatory Response Column for the Salem and Hope Creek units throughout 2005 (ROP 6) and through the Mid-Cycle Assessment in 2006 (ROP 7). Although we will re-evaluate the need for the deviation at the End-of-Cycle review in February 2006, our assessment to date indicates that it is prudent to plan for an additional year of supplemental oversight, which is reflected in the resource estimates provided below.

Planned Actions

Requested Deviation

The region requests your approval to continue to deviate from the ROP Action Matrix to provide the following oversight for Salem and Hope Creek throughout calendar year 2005 and through the Mid-Cycle Assessment in 2006. As discussed above, the NRC intends to perform the following actions to closely monitor PSEG's improvement efforts.

- C Continue to conduct periodic management meetings and site visits focused on reviewing results of licensee improvement initiatives, such as efforts to improve work management and corrective actions. Continue the increased frequency of senior management involvement in meetings, site visits, and correspondence. This includes Regional Administrator involvement in periodic meetings and site visits. (Resource Estimate - 0.11 full time equivalent (FTE) personnel)

- C Continue to use an internal NRC coordination team, involving regional and headquarters experts in reactor oversight and in SCWE and related performance attributes, to help coordinate NRC review efforts. The team assists in focusing NRC staff resources for the evaluation of licensee self-assessment efforts, including providing a quarterly review of PSEG SCWE performance metrics. (Resource Estimate - 0.38 FTE)
- C Continue inspector reviews of SCWE performance improvement plans, but place the inspection emphasis on changes to the plans. (Resource Estimate - 0.03 FTE)
- C Continue plans to supplement the Hope Creek Problem Identification and Resolution (PI&R) inspection team, currently scheduled for December 2005, with two additional inspectors to review site-wide performance issues. (Resource Estimate - 0.35 FTE)
- C Continue plans to perform additional Inspection Procedure 71152 PI&R sample inspections to monitor licensee progress in addressing performance problems in this substantive cross cutting area. Perform approximately 8 PI&R samples per station and allow for additional inspection hours per sample to match what trending data shows is necessary for sample completion. In addition, perform a PI&R sample that reviews PSEG's engineering improvement plans. (Resource Estimate - 0.65 FTE)
- C Continue with plans to perform a SCWE team inspection in Fall 2005, to monitor licensee progress in this substantive cross cutting area. (Resource Estimate - 0.77 FTE)

The above FTE expenditures are current estimates of the inspections and reviews planned by the Internal Coordination Team and Region I. The total estimated effort takes into account efficiencies identified in the recently completed self-assessment of activities completed under the existing Deviation Memorandum and is approximately 2.29 FTE (Region I - 1.69 FTE, OE - 0.2 FTE, NRR - 0.2 FTE, and RES - 0.2 FTE). This level of effort is less than expended under the previous Deviation Memorandum, considering that this year's effort includes an additional SCWE team inspection deferred from last year. This effort represents approximately 28 percent of the Region's budget for plant specific/supplemental inspection activities; and with current projections, can be accommodated within the existing budget projections for next year. We will continue to identify efficiencies in order to be able to support emergent regional and agency-wide supplemental inspection needs.

The staff plans to return to normal NRC monitoring efforts consistent with the Action Matrix, if and when: licensee self-assessment has concluded that substantial, sustainable progress has been made, and the NRC has completed a review, the results of which confirm the licensee's assessment results. In coming to this determination, the NRC will consider the following:

- C Resolution of the substantive cross cutting issue in SCWE;
- C The significance and characteristics of inspection findings; and
- C The number and nature of allegations received by the NRC not being indicative of significant problems with SCWE at the stations.

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Luis A. Reyes

7

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