

July 30, 2004

Mr. E. J. Ferland
Chairman, President and Chief Executive Officer
Public Service Enterprise Group
80 Park Plaza
P.O. Box 570
Newark, New Jersey 07101

SUBJECT: Work Environment at the Salem and Hope Creek Generating Stations

Dear Mr. Ferland:

In late 2003, we initiated a special review at the Salem and Hope Creek Generating Stations (Stations) to assess the environment for raising and addressing safety issues. We undertook this special review in light of information received in various allegations and NRC inspections over the past few years, as well as our annual and mid-cycle performance reviews in 2003 which identified a substantive cross-cutting issue in the problem identification and resolution area. As part of our special review, we conducted in-depth interviews, between October 2003 and June 2004, of over 60 current and former Salem/Hope Creek employees, from various levels of the organization up to and including nuclear executives. Our review also considered our inspection and assessment record over the past several years, as well as allegations involving the Stations. Throughout our review, a panel of NRC managers, technical staff, program support staff, and investigators was periodically convened to evaluate the information obtained. On January 28, 2004, we transmitted interim results to you. We have now completed our review and our results are provided herein. Even though this letter provides the results of our review of the work environment, the NRC staff will continue to review certain discrete issues or events to determine whether violations of regulatory requirements occurred, beyond those already identified in the NRC reports and correspondence.

Our review has validated the interim results provided in our January 28 letter. We have not identified any serious safety violations. Nonetheless, we have found numerous indications of weaknesses in corrective actions and management efforts to establish an environment where employees are consistently willing to raise safety concerns. Weaknesses in leadership and management approaches have led to a perception among some staff and managers that the company has emphasized production to the point that negatively impacts handling of emergent equipment issues and associated operational decision making. Management has 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.

Although the plants have continued to operate safely, and at this point, some of the examples are somewhat dated, continued management attention and action are needed to realize

sustainable improvement from the efforts initiated by you and your staff. This need was demonstrated by your own assessments, the findings of which are consistent with the results of our review. The PSEG assessments provided to the NRC in a letter dated May 21, 2004, as well as at a public meeting on June 16, 2004, include: (1) a survey conducted by Synergy Corporation in December 2003 to, in part, characterize the Station's attitude and culture; (2) an onsite safety culture assessment conducted by the Utility Service Alliance (USA) in March 2004, involving reviews and observations by industry peers; and (3) an examination of the work environment conducted by an Independent Assessment Team (IAT) between February and April 2004. The IAT examination, which included interviews of 190 current and former employees as well as analysis of specific events, was conducted in response to the interim findings of the NRC review.

These PSEG assessments found that, while no issues or events have put the plant or public at risk and staff would raise significant nuclear safety concerns, problems in the work environment exist. Synergy concluded that site staff were concerned with longstanding and recurring equipment problems, and perceived equipment condition to be worsening as of late 2003. The IAT concluded that some in management and the workforce exhibited behaviors that, at least, appeared to place greater emphasis on production and schedule considerations than conservative decision making, and tolerated degraded equipment conditions and procedural non-adherence. The IAT concluded that some site staff perceive longstanding problems are not being fixed because the corporate organization had not provided necessary funding. The IAT concluded that some in management became involved in decisions more appropriately the responsibility of licensed operators and the Operations Department, communicated poorly, and took actions that had a chilling effect on certain employees. Both USA and IAT concluded that repetitive events indicate some weaknesses in the Station's process for learning from industry operating experience. USA concluded that senior management has not adequately demonstrated support for the Quality Assurance (QA) function. Both USA and IAT concluded some self assessments have been ineffective. The IAT concluded that, although the Employee Concerns Program has requisite elements, a significant portion of the staff does not view it as a viable path for raising concerns. Finally, as you indicated during the June 16 public meeting and in your May 21 letter, addressing corrective action and work management weaknesses will be key to making improvements in the work environment.

As noted above, in response to these assessments, your staff developed an action plan to improve the work environment, and described that plan at the June 16, 2004 public meeting, as well as in the PSEG letter, dated June 25, 2004. We have reviewed the PSEG action plan and it appears that it will address the key findings of both the NRC and PSEG assessments.

We recognize that you made a number of management changes in 2003, and have taken steps to realign management responsibilities in an attempt to better support the separate activities of Salem and Hope Creek. You also initiated steps to improve implementation of your corrective action program. The IAT report indicated that, although PSEG management had not yet regained the trust and confidence of operations personnel affected by plant events, the current management team is beginning to address underlying issues. The USA report noted that senior management has recently been in the plant more, has begun to recognize individuals for making conservative decisions, and has an improved relationship with the workforce. However, much work needs to be done to implement the action plan in a way that will effect sustainable improvements to the work environment at the Stations. We expect that you will closely monitor

implementation of the action plans, frequently evaluate progress towards achieving intended outcomes, and adjust your plans and efforts accordingly.

The PSEG June 25 letter also provided several commitments, including quarterly submittal to the NRC of a set of metrics for measuring work environment improvements, conduct of periodic cultural assessments for the next several years, and a meeting with the NRC during the second quarter of 2005. Also, following our review of your letter, and during a telephone conversation between Mr. Randy Blough, NRC Region I, and Mr. Chris Bakken, PSEG, on July 27, 2004, you committed to take the following additional actions:

1. Meet with the NRC in late 2004 to discuss your overall progress in improving the work environment. In addition, you will also cover the following topics: (a) role and function of QA; (b) procedure adherence and other elements of human performance; and (c) quality of engineering products particularly as they relate to evaluation of degraded equipment and associated operational decision making. Subsequent meetings, including the meeting in early 2005 to which you had already committed, will continue periodically until PSEG has made substantial, sustainable progress in improving the work environment.
2. Include in your quarterly submittals a brief description of any significant changes to your action plan.
3. At a point when you believe you have made substantial progress in addressing work environment, corrective action, and work management issues at the Stations, obtain a peer assessment to evaluate the effectiveness of your efforts and provide the results to NRC.

We will continue to closely monitor PSEG performance and your efforts to improve the work environment. Specific plans for inspections and related oversight activities will be provided in our Reactor Oversight Program Mid-Cycle Assessment letter to be issued in several weeks.

Prior correspondence pertaining to the work environment at the Salem and Hope Creek Generating Stations can be found in the NRC's document system (ADAMS) using accession number ML040610856. In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be made available electronically for public inspection in the NRC Public Document Room or from ADAMS which is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

/RA/

Hubert J. Miller
Regional Administrator

Docket Nos. 50-272; 50-311; 50-354
License Nos. DPR-70; DPR-75; NPF-57

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