March 3, 2004

James J. Sheppard, President and
Chief Executive Officer
STP Nuclear Operating Company
P.O. Box 289
Wadsworth, TX  77483

SUBJECT:  ANNUAL ASSESSMENT LETTER - SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION (NRC REPORT 05000498;499/2004001)

Dear Mr. Sheppard:

On February 3, 2004, the NRC staff completed its end-of-cycle plant performance assessment of South Texas Project Electric Generating Station. The end-of-cycle review for South Texas Project Electric Generating Station involved the participation of all technical divisions in evaluating performance indicators (PIs) for the most recent quarter and inspection results for the period from January 1 through December 31, 2003. 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.

Overall, South Texas Project Electric Generating Station operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant 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 addition to conducting baseline inspections at your facility, we plan to conduct inspections governed by Temporary Instruction TI 2515/152, “Reactor Pressure Vessel Lower Head Penetration Nozzles;” TI 2515/153, “Reactor Containment Sump Blockage;” and TI 2515/154, “Spent Fuel Material Control and Accounting at Nuclear Power Plants.”

While plant performance for the most recent three quarters was within the Licensee Response Column of the Action Matrix, there was a safety significant performance indicator during the first quarter of the assessment cycle. The performance of Unit 2 for the first quarter of the assessment period was in the Regulatory Response Column of the NRC’s Action Matrix, based on the performance indicator for scrams per 7000 critical hours of operation in the Initiating Events Cornerstone exceeding the White threshold. The NRC conducted a supplemental inspection for this White performance indicator and concluded that your corrective actions were adequate.

As you are aware, the NRC has issued several Orders and threat advisories to enhance security capabilities and improve guard force readiness since the terrorist attacks on September 11, 2001. We have conducted inspections to review your implementation of these
requirements and have monitored your actions in response to changing threat conditions. For calendar year 2004, we plan to continue inspections of Order implementation combined with newly developed portions of the security baseline inspection program.

The enclosed inspection plan details the inspections scheduled through September 30, 2005. 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 12 months of the inspection plan are tentative and may be revised at the midcycle 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 William D. Johnson at (817) 860-8148 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/ by MASatorius for

Arthur T. Howell III, Director
Division of Reactor Projects

Dockets:  50-498
          50-499
Licenses: NPF-76
          NPF-80

Enclosure:
South Texas Project Inspection/Activity Plan

cc w/enclosure:
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D. Jaffe, NRR Project Manager (DHJ)

ADAMS:  ✗Yes  □ No  Initials: __wdj___
  ✗ Publicly Available □ Non-Publicly Available  □ Sensitive  ✗ Non-Sensitive

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