March 3, 2008

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
(REPORT 05000498/2008001 AND 05000499/2008001)

Dear Mr. Sheppard:

On February 5, 2008, the NRC staff completed its performance review of the South Texas Project Electric Generating Station. Our technical staff reviewed performance indicators for the most recent quarter and inspection results for the period from January 1 through December 31, 2007. 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.

This performance review and enclosed inspection plan do not include security information. A separate letter designated and marked as "Official Use Only--Security Information" will include the security cornerstone review and resultant inspection plan.

Overall, South Texas Project Electric Generating Station Units 1 and 2 operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter, as well as for the first three quarters of the assessment cycle, 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 performance indicators indicating performance at a level requiring no additional NRC oversight (Green). Therefore, we plan to conduct reactor oversight process baseline inspections at your facility.

The enclosed inspection plan details the inspections, except those related to physical protection scheduled through June 30, 2009. The inspection plan is provided to allow for the resolution of any scheduling conflicts and personnel availability issues well in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The inspections in the last nine months of the inspection plan are tentative and may be revised at the midcycle review.

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 me at (817) 860-8148 with any
questions you may have regarding this letter or the inspection plan.

Sincerely,

Claude E. Johnson, Chief
Reactor Projects Branch
Division of Reactor Projects

Docket: 50-498, 50-499
License: NPF-76, NPF-80

Enclosure:
South Texas Project Electric Generating Station Inspection/ Activity Plan

cc.
E. D. Halpin
Site Vice President
STP Nuclear Operating Company
South Texas Project Electric
Generating Station
P.O. Box 289
Wadsworth, TX 77483

Marilyn Kistler
Sr. Staff Specialist, Licensing
STP Nuclear Operating Company
P.O. Box 289, Mail Code 5014
Wadsworth, TX 77483

C. M. Canady
City of Austin
Electric Utility Department
721 Barton Springs Road
Austin, TX 78704

J. J. Nerssta/R. K. Temple/
E. Alercon/Kevin Pollo
City Public Service Board
P.O. Box 1771
San Antonio, TX 78296

S. M. Head, Manager, Licensing
STP Nuclear Operating Company
P.O. Box 289, Mail Code: N5014
Wadsworth, TX 77483

Jon C. Wood
Cox Smith Matthews
112 E. Pecan, Suite 1800
San Antonio, TX 78205

C. T. Bowman
General Manager, Oversight
STP Nuclear Operating Company
P.O. Box 289
Wadsworth, TX 77483

A. H. Gutterman, Esq.
Morgan, Lewis & Bockius
1111 Pennsylvania Avenue NW
Washington, DC 20004
Director, Division of Compliance &
Inspection
Bureau of Radiation Control
Texas Department of State Health Services
1100 West 49th Street
Austin, TX  78756

Brian Almon
Public Utility Commission
William B. Travis Building
P.O. Box 13326
1701 North Congress Avenue
Austin, TX  78701-3326

Environmental and Natural
Resources Policy Director
P.O. Box 12428
Austin, TX  78711-3189

Judge, Matagorda County
Matagorda County Courthouse
1700 Seventh Street
Bay City, TX  77414

Anthony Jones, Chief Inspector
Texas Department of Licensing
and Regulation
Boiler Program
P.O. Box 12157
Austin, TX  78711

The Honorable Richard Knapik
Mayor, City of Bay City
City Hall
1901 Fifth Street
Bay City, TX  77414

The Honorable Joe Morton
Mayor, City of Palacios
P.O. Box 845
Palacios City Hall
Palacios, TX  77465

James Mitchell, Sheriff
Matagorda County
2323 Avenue E
Bay City, TX  77414

Susan M. Jablonski
Office of Permitting, Remediation and
Registration
Texas Commission on Environmental
Quality
MC-122, P.O. Box 13087
Austin, TX  78711-3087

Ted Enos
4200 South Hulen
Suite 422
Fort Worth, TX  76109

INPO
Records Center
700 Galleria Parkway
Atlanta, GA 30339-3064

Steve Winn/Christine Jacobs/
Eddy Daniels/Marty Ryan
NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ  08540

Lisa R. Hammond, Chief
Technological Hazards Branch
National Preparedness Division
FEMA Region VI
800 N. Loop 288
Denton, TX  76209

Jack Colley, State Coordinator
Governor's Division of Emergency
Management
P.O. Box 4087
Austin, TX  78773-0220

Richard A. Ratliff, Chief
Dept. of State Health Services
1100 W. 49th Street
Austin, TX  78756-3189

Julie Parsley, Commissioner
Public Utility Commission
William B. Travis Bldg.
P.O. Box 13326
Austin, TX  78711-3326
William "Dub" Taylor  
State Energy Conservation Office  
P.O. Box 13528  
Austin, TX 78711

The Honorable Nate McDonald  
Matagorda County Judge  
1700 7th Street  
Bay City, TX 77414-5094
<table>
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DRP Director (DDC)
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Senior Resident Inspector (JLD5)
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C. Haney, Director, DORL, NRR (CXH)
T. Hiltz, Chief, PLB IV, DORL, NRR (TGH)
D. Pelton, RIV OEDO Coordinator (DLP1)
M. Thadani, NRR Project Manager (MCT)

RidsNrrDirslpab@ncgov
ROPPreports@nrc.gov
mortensengk@INPO.org

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