

February 3, 2004

EA 03-224

Mr. Christopher M. Crane
President and CNO
Exelon Nuclear
200 Exelon Way
KSA3-E
Kennett Square, PA 19348

SUBJECT: FINAL SIGNIFICANCE DETERMINATION FOR A WHITE FINDING AND
NOTICE OF VIOLATION
(NRC Inspection Report No. 50-277/03-13 and 50-278/03-13)
Peach Bottom Atomic Power Station, Units 2 and 3

Dear Mr. Crane:

The purpose of this letter is to provide you with the final results of our significance determination for the preliminary White finding identified at Unit 2 during an inspection completed on November 18, 2003. The results of the inspection were discussed with you and other members of your staff at an exit meeting on November 18, 2003. The inspection finding was assessed using the significance determination process and was preliminarily characterized as White, a finding with low to moderate importance to safety, which may require additional NRC inspections.

This preliminary White finding involved issues related to the E2 emergency diesel generator (EDG), one of four EDGs that constitute the highly risk important standby emergency AC power system. Specifically, implementation of a deficient maintenance procedure during installation of EDG cylinder liner adapter gaskets in 1992 eventually allowed combustion gas to leak into the jacket water cooling system over time. This condition ultimately led to a low jacket water pressure condition and an automatic trip of the EDG on September 15, 2003. In addition, corrective actions taken when low jacket water pressure conditions were observed on the E2 EDG in March and April 2003, were inadequate because an action request was closed without resolving the low jacket water pressure condition, which was indicative of a continuing EDG performance problem.

In a letter dated December 18, 2003, the NRC transmitted the referenced inspection report and provided you an opportunity to either request a regulatory conference to discuss this finding, or explain your position in a written response. In a telephone conversation on January 6, 2003, Mr. M. Gallagher, Director, Licensing and Regulatory Affairs, informed Mr. R. Crlenjak, NRC, Region I, that Exelon did not contest the risk significance of this finding, declined an opportunity to discuss this finding in a Regulatory Conference, and would not be providing a written response prior to issuance of this Final Significance Determination.

After considering the information developed during the inspection, the NRC has concluded that the inspection finding at Unit 2 is appropriately characterized as White, an issue with low to moderate importance to safety, which may require additional NRC inspections. You have 30 calendar days from the date of this letter to appeal the staff's determination of significance for the identified White finding. Such appeals will be considered to have merit only if they meet the criteria given in NRC Inspection Manual Chapter 0609, Attachment 2.

The NRC has also determined that the White finding resulted in two violations, as described in the enclosed Notice of Violation (Notice). The circumstances surrounding these violations were also described in detail in the subject inspection report. In accordance with the NRC Enforcement Policy, NUREG-1600, the Notice of Violation is considered escalated enforcement action because it is associated with a White finding.

The NRC has concluded that information regarding the reason for the violations, the corrective actions taken and planned to correct the violations and prevent recurrence, and the date when full compliance was achieved are already adequately addressed on the docket as summarized in NRC Inspection Report 50-277/03-13; 50-278/03-13 dated December 18, 2003. Therefore, you are not required to respond to this letter unless the description therein does not accurately reflect your corrective actions or your position. In that case, or if you choose to provide additional information, you should follow the instructions specified in the enclosed Notice.

Because plant performance for this issue has been determined to be in the regulatory response band, we will use the NRC Action Matrix to determine the most appropriate NRC response for this event. We will notify you, by separate correspondence, of that determination.

In addition, although the deficiency associated with the E2 EDG affected both Peach Bottom units, the NRC has concluded that the inspection finding for Unit 3 is appropriately characterized as Green, an issue of very low safety significance. The finding for Unit 3 is less risk significant than Unit 2 because there are fewer safety-related electrical loads powered by the E2 EDG on Unit 3.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be 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). The NRC also includes significant enforcement actions in its Web site at www.nrc.gov; select **What We Do, Enforcement**, then **Significant Enforcement Actions**.

Sincerely,

/RA/ James T. Wiggins **Acting For/**

Hubert J. Miller
Regional Administrator

Docket Nos: 50-277, 50-278
License Nos: DPR-44, DPR-56

Enclosure: Notice of Violation

cc w/encl: President and CNO, Exelon Nuclear
Chief Operating Officer, Exelon Generation Company, LLC
Site Vice President, Peach Bottom Atomic Power Station
Plant Manager, Peach Bottom Atomic Power Station
Regulatory Assurance Manager - Peach Bottom
Senior Vice President, Nuclear Services
Vice President, Mid-Atlantic Operations
Vice President - Operations Support
Vice President - Licensing and Regulatory Affairs
Director, Licensing, Exelon Generation Company, LLC
Manager, Licensing - Limerick and Peach Bottom
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D. Quinlan, Manager, Financial Control, PSEG
R. McLean, Power Plant and Environmental Review Division
D. Levin, Acting Secretary of Harford County Council
Mr. & Mrs. Dennis Hiebert, Peach Bottom Alliance
Mr. & Mrs. Kip Adams
D. Allard, Director, Pennsylvania Bureau of Radiation Protection
R. Janati, Chief, Division of Nuclear Safety, Pennsylvania Bureau of
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TMI - Alert (TMIA)
Board of Supervisors, Peach Bottom Township
R. Fletcher, Department of Environment, Radiological Health Program
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Commonwealth of Pennsylvania
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Mr. C. M. Crane

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NOTICE OF VIOLATION

Exelon Generation Company, LLC
Peach Bottom Units 2 and 3

Docket Nos. 50-277; 50-278
License Nos. DPR-44; DPR-56
EA-03-224

During an NRC inspection conducted between September 24, 2003 - November 18, 2003, two violations of NRC requirements were identified. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," NUREG-1600, the violations are listed below:

- A. Technical Specification 5.4.1 states, in part, that written procedures shall be established, implemented, and maintained covering the applicable procedures recommended in Regulatory Guide 1.33, Appendix A, November 1972. Regulatory Guide 1.33 lists procedures for performing maintenance that can affect the performance of safety related equipment.

Contrary to the above, between July 1992 and September 2003, Exelon did not maintain maintenance procedure M-052-011, "Standby Diesel Generator Cylinder Liner Replacement," Revision 1, dated March 24, 1992, because it did not incorporate adequate guidance to ensure proper sealing of adaptor gaskets. Specifically, the procedure did not include directions to inspect the adaptor gaskets prior to installation to ensure that a required annealing process did not cause gasket damage or irregularities. Prior notice of this issue was specified in Fairbanks Morse Service Information Letter A-15 dated June 22, 1987.

- B. 10 CFR Part 50, Appendix B, Criterion XVI, "Corrective Actions," requires, in part, that measures be established to assure that conditions adverse to quality, such as malfunctions and deficiencies, are promptly identified and corrected.

Contrary to the above, when low, swinging jacket water pressure indications were identified in March and April 2003, actions taken to correct the condition were inadequate. Although Exelon initiated a maintenance action request for the observed conditions, the action request was closed without performing several troubleshooting steps that could have identified the problem, such as checks of air or combustion gas in-leakage and engine compression. These troubleshooting steps were specified in the Fairbanks Morse vendor manual.

These violations are associated with a WHITE significance determination process finding for Unit 2 and a GREEN significance determination process finding for Unit 3.

The NRC has concluded that information regarding the reason for the violations, the corrective actions taken and planned to correct the violations and prevent recurrence, and the date when full compliance was achieved are already adequately addressed on the docket in NRC Inspection Report 50-277/03-13; 50-278/03-13 dated December 18, 2003. However, you are required to submit a written statement or explanation pursuant to 10 CFR 2.201 if the description therein does not accurately reflect your corrective actions or your position. In that case, or if you choose to respond, clearly mark your response as a "Reply to a Notice of Violation; EA-03-224," and send it to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, DC 20555, with a copy to the Regional Administrator, Region I, and a copy to the NRC Resident Inspector at the facility that is the subject of this Notice, within 30 days of the date of the letter transmitting this Notice.

If you contest this enforcement action, you should also provide a copy of your response, with the basis for your denial, to the Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001.

If you choose to respond, your response will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>. Therefore, to the extent possible, the response should not include any personal privacy, proprietary, or safeguards information so that it can be made available to the Public without redaction.

In accordance with 10 CFR 19.11, you may be required to post this Notice within 2 working days.

Dated this 3rd day of February 2004.