ENCLOSURE 1

NOTICE OF VIOLATION

Northeast Nuclear Energy Company
Millstone Units 1,2,3

Docket Nos. 50-245; 50-336; 50-423
License Nos. DPR-21; DPR-65; NPF-49
EA 98-325

During NRC investigations conducted by the NRC Office of Investigations (OI) in OI Case Nos. 1-96-002 and 1-97-007, violations of NRC requirements were identified. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," NUREG-1600, Rev. 1, the violations are listed below:

10 CFR 50.7 prohibits, in part, discrimination by a Commission licensee against an employee for engaging in certain protected activities. Discrimination includes discharge, demotion or other actions relating to the compensation, terms, conditions and privileges of employment. Protected activities are described in Section 211 of the Energy Reorganization Act of 1974, as amended, and in general are related to the administration or enforcement of a requirement imposed under the Atomic Energy Act or the Energy Reorganization Act. Protected activities include, but are not limited to, reporting of safety concerns by an employee to his employer.

A. Contrary to the above the Licensee discriminated against a Supervisor in the Performance Engineering group at the Millstone station due to his involvement in protected activities. Specifically, in November 1993, the Licensee's Vice President for Nuclear Engineering Services removed from supervisory activities and demoted the Supervisor in the Performance Engineering group, at least in part, because the Supervisor had raised concerns about CU-29 check valve operability and had actively supported another Millstone employee who had raised safety concerns about spent fuel off-loading practices at Millstone.

This is a Severity Level II violation (Supplement VII). (01012)

B. Contrary to the above the Licensee discriminated against a Supervisor in the Engineering Mechanics group at the Millstone Station due to his involvement in protected activities. Specifically, the Director of the Engineering Department removed the responsibility of the Supervisor in the Engineering Mechanics group for the motor operated valve program in 1991 and the turbine-building secondary closed cooling water (TBSCCW) heat exchanger issues in 1992, and in November 1993, the Licensee's Vice President for Nuclear Engineering Services, supported by the then Director of the Engineering Department, removed from supervisory activities and demoted the Supervisor in the Engineering Mechanics group, at least in part, because the Supervisor had raised concerns about the safety-related motor-operated valve program, TBSCCW heat exchanger issues and reactor coolant pump maintenance matters. (02012)

This is a Severity Level II violation (Supplement VII).

C. Contrary to the above the Licensee discriminated against a Supervisor in the Engineering Services Department at the Millstone Station due to his involvement in protected activities. Specifically, in August 1995, the Licensee's Director of

Nuclear Engineering and the Manager of Nuclear Design Engineering recommended and obtained the dismissal of the Supervisor in the Engineering Services Department, at least in part, because the Supervisor had reported to higher management and the Millstone Safety Concerns Program threats and concerns about the timing of completion of modifications to the Engineered Safeguards Actuation System. (03012)

This is a Severity Level II violation (Supplement VII).

Pursuant to the provisions of 10 CFR 2.201, Northeast Nuclear Energy Company is hereby required to submit a written statement or explanation 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 of Violation (Notice). This reply should be clearly marked as a "Reply to a Notice of Violation" and should include for each violation: (1) the reason for the violation, or, if contested, the basis for disputing the violation or severity level, (2) the corrective steps that have been taken and the results achieved, (3) the corrective steps that will be taken to avoid further violations, and (4) the date when full compliance will be achieved. Your response may reference or include previous docketed correspondence, if the correspondence adequately addresses the required response. If an adequate reply is not received within the time specified in this Notice, an order or a Demand for Information may be issued as to why the license should not be modified, suspended, or revoked, or why such other action as may be proper should not be taken. Where good cause is shown, consideration will be given to extending the response time.

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.

Because your response will be placed in the NRC Public Document Room (PDR), to the extent possible, it should not include any personal privacy, proprietary, or safeguards information so that it can be placed in the PDR without redaction. If personal privacy or proprietary information is necessary to provide an acceptable response, please provide a bracketed copy of your response that identifies the information that should be protected and a redacted copy of your response that deletes such information. If you request withholding of such material, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim of withholding (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.790(b) to support a request for withholding confidential commercial or financial information). If safeguards information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

Dated this 6th day of April, 1999.

ENCLOSURE 2

SUMMARY - OI CASE NO. 1-96-002

OI Case No. 1-96-002 involves two Northeast Utilities (NU) supervisors -- a Supervisor in the Performance Engineering group and a Supervisor in the Engineering Mechanics group -- who were demoted in the course of a reorganization of NU's nuclear engineering functions at the Millstone facility in November 1993.

Prior to the demotions to the positions of senior engineer and principal engineer respectively, each of the former supervisors engaged in a variety of protected activities. In particular, the Supervisor in the Performance Engineering group engaged in protected activities with regard to CU-29 check valve operability issues and active support for another employee who had raised safety concerns about spent fuel off-loading practices at Millstone. Similarly, the Supervisor in the Engineering Mechanics group engaged in protected activities with regard to the safety-related motor-operated valve (MOVs) program, turbine-building secondary closed cooling water heat exchanger issues, and reactor coolant pump maintenance problems at Millstone. The OI investigative record establishes that the cognizant managers of the former supervisors were aware of the former supervisors' protected activities.

Following the announcement of the reorganization of NU's nuclear engineering functions, NU's Vice President for Nuclear Engineering Services, with input from, among others, the Director of the Engineering Department, directed the implementation of a number of personnel actions to effect the reorganization, including the demotion and removal from supervisory responsibilities of the Supervisor in the Performance Engineering group and the Supervisor in the Engineering Mechanics group. Previously, a former Director of the Engineering Department removed the responsibility for the motor operated valve program and turbine-building secondary closed cooling water heat exchanger issues from the Supervisor in the Engineering Mechanics group.

In concluding that discrimination occurred with regard to the Supervisor in the Performance Engineering group, NRC's considerations included: 1) the reasons for the demotion appear to be pretextual given his previous high performance ratings in the areas that NU claimed it sought in a supervisor such as customer orientation, interpersonal skills, and teamwork; 2) the person selected to replace him had limited prior experience as a supervisor and was the only new supervisor not interviewed by NU's outside personnel consultant; and 3) he was denied a spot recognition award that had been recommended because the Vice President for Nuclear Engineering Services thought that the Supervisor would not appreciate the award.

In concluding that discrimination occurred with regard to the Supervisor in the Engineering Mechanics group, NRC's considerations included: 1) he had his responsibility for substantive activities removed after expressing views which were contrary to other managers; 2) the reasons for the demotion appear to be pretextual given his previous high performance ratings in the areas that NU claimed it sought in a supervisor such as customer orientation, interpersonal skills, and teamwork and his experience at the Millstone site; 3) his second level supervisor was visibly upset, about a month before the demotion, with a memorandum that the Engineering Mechanics group Supervisor had written questioning how a heat exchanger issue had been handled; and 4) he had raised questions about how the Motor Operated Valve program was being handled shortly before the demotion decision.

Overall both of these Supervisors were strong technical performers with good performance

appraisals who had raised substantive issues in opposition to management's positions. The "chilled" environment at the Millstone site during this time period and the subjective nature of the selection process were also considered.

In sum, the OI investigative record establishes that the Supervisors' participation in protected activities were contributing factors in their demotion and removal from supervisory positions and in the removal of substantive responsibilities from the Supervisor in the Engineering Mechanics group.

ENCLOSURE 3

SUMMARY - OI CASE NO. 1-97-007

OI Case No. 1-97-007 involves a Supervisor, Electrical Engineering, in the Engineering Services Department at Millstone Unit 2 whose employment was terminated in August 1995. The assigned justification for the Supervisor's termination was that his performance as a supervisor was unsatisfactory and, under a newly-formulated accountability policy, dismissal rather than demotion was warranted.

Prior to his dismissal, the supervisor engaged in protected activities when he reported in November 1994, to higher-level management and the Millstone Nuclear Safety Concerns Program that his immediate superior -- the Manager of Nuclear Design Engineering -- had threatened him and another employee with dismissal if work on an Engineered Safeguards Actuation System modification to which his electrical engineering group had been assigned were not completed before the scheduled conclusion of the 1994 Millstone Unit 2 refueling outage. The OI investigative record establishes that the cognizant managers of the supervisor, including his immediate superior who made the threat, were aware of the supervisor's protected activity.

Following the supervisor's protected activity, his performance assessment for the first time, since becoming a supervisor in the early 1980s, indicated he needed improvement in monitoring and controlling work progress. In addition, the supervisor was held accountable for the failures of a senior engineer, who was acting for him, during a July 1995 Anticipated Transient Without Scram (ATWS) testing problem occurring while the supervisor was on leave. Even though the Manager of Nuclear Design Engineering had approved the selection of the senior engineer in the acting position and this engineer was thereafter assigned supervisory responsibilities, the Director of Nuclear Engineering, with input from the Manager of Nuclear Design Engineering, recommended that the supervisor be dismissed because of the July 1995 issue. By letter dated August 2, 1995, the supervisor was informed that, as of that date, his employment with Northeast Utilities was being terminated "due to performance deficiencies and poor supervisory judgement" (which were not specified or otherwise documented). (The supervisor termination was reversed by an internal Northeast grievance committee on the basis that the termination was not in accordance with Northeast's policies because the supervisor was not given an opportunity to improve his performance.)

In sum, the OI investigative record establishes that the supervisor's participation in protected activities was a contributing factor in his dismissal.