POLICY ISSUE
(Notation Vote)

January 12, 1999 SECY-99-010

FOR: The Commissioners

FROM: William D. Travers
Executive Director for Operations

SUBJECT: CLOSURE OF ORDER REQUIRING INDEPENDENT, THIRD-PARTY OVERSIGHT OF NORTHEAST NUCLEAR ENERGY COMPANY'S IMPLEMENTATION OF RESOLUTION OF THE MILLSTONE STATION EMPLOYEES' SAFETY CONCERNS

PURPOSE:

To provide the Commission with (1) the staff's assessment of Northeast Nuclear Energy Company's (NNECO's) activities related to its Employee Concerns Program (ECP) and safety conscious work environment (SCWE) since it issued SECY-98-090, "Selected Issues Related to Recovery of Millstone Nuclear Power Station Unit 3," dated April 24, 1998, and (2) the staff's recommendation regarding closure of the October 24, 1996, Order (Order) which required that NNECO engage an independent, third-party organization to oversee its implementation of plans to improve the ECP and SCWE. This information is being provided to the Commission in advance of the meeting on this topic currently scheduled for January 19, 1999. A summary discussion of these issues is presented in this paper and, where appropriate, a more detailed discussion is attached.

BACKGROUND:

SECY-98-090 provided the appropriate background on the issues surrounding the extended shutdown of the three Millstone Nuclear Station units, including major NRC and licensee activities. SECY-98-090 also provided the staff's assessment of the improvements made by NNECO in its ECP and SCWE and its recommendation that in this area, the licensee had made sufficient progress to warrant restart authorization. The staff also noted that it anticipated third-party oversight would be required at least six months beyond plant restart to evaluate the licensee's continuing performance in the ECP and SCWE areas.

Contact:
William M. Dean, MSPD/NRR
301-415-2240

The staff has frequently communicated with the Commission on this issue through various Commission papers and status reports over the past two and a half years since Millstone Station was designated as a watch list Category 3 facility in June 1996. Between January 1997 and June 1998, the Commission has also received briefings on about a quarterly basis from the staff, the licensee, and pertinent contract organizations involved in oversight activities. During the May 1 and June 2, 1998 meetings, the Commission also heard from members of the public and state and local officials.

DISCUSSION:

In its staff requirements memorandum (SRM) of March 18, 1998, the Commission gave guidance to the staff on the information it needed to make a restart decision on Millstone Unit 3. In the SRM, the Commission directed the staff to provide crisp, clear analyses of the restart-related issues with recommendations (where appropriate) and a summary of independent NRC actions supporting staff decision making on Millstone's restart. In developing this Commission Paper the staff has followed this guidance. An executive summary describing the basis for the staff's conclusions related to closure of the Order follows. In addition, a more detailed discussion of the licensee's and NRC's activities over the past seven months is contained in Attachment 1.

Following its review of SECY-98-090 and the first Commission meeting on the restart readiness of Millstone Unit 3 on May 1, 1998, (there was a second meeting conducted June 2, 1998, to address restart issues that remained after the May 1 briefing) the Commission issued an SRM dated May 19, 1998. In this SRM, the Commission agreed with the staff's conclusion that the licensee had made appropriate improvements related to the ECP and SCWE that supported restart of Millstone Unit 3. One of the conditions noted in the SRM was that Little Harbor Consultants (LHC) would continue its third-party oversight of the ECP and SCWE until the Commission decided third-party oversight was no longer necessary. The Commission also noted that future briefings should include recommendations regarding continuation of the third-party oversight. In its SRM of June 15, 1998, in which it provided its restart authorization for Unit 3, the Commission noted that the third-party oversight of ECP/SCWE should be eliminated as soon as feasible.

On November 24, 1998, the staff conducted a public meeting with NNECO and LHC to discuss the results of the NRC's most recent evaluation (see Attachment 1) and the current status of ECP- and SCWE-related activities. In advance of this meeting, LHC issued its third quarter report (Attachment 2) documenting its observations of NNECO's performance. LHC discussed this report during the meeting and stated that it would support the NRC if it determined that LHC's independent third party oversight role was no longer required. During this meeting, NNECO discussed its ongoing performance in the ECP and SCWE areas, including results of its self-assessment activities and the continued positive trends reflected in its performance measures. NNECO noted that their current level of performance supports closure of the Order. The licensee provided this same conclusion in a letter (Attachment 3) dated December 9, 1998, which includes the bases for their conclusion.

This letter also notes that if the Order is closed, NNECO intends to continue to utilize LHC to perform periodic independent assessments of its ECP and SCWE. This requires that NNECO alter its contract with LHC, which currently prohibits LHC from performing any future work at any Northeast Utility facility for 12 months after closure of the Order. The purpose of this

contractual stipulation is to provide added assurance that LHC would maintain its independence and not provide NNECO with overly positive reports in the hopes of obtaining future work. The staff affirms that over the past 20 months, LHC's performance has been appropriately independent and critical of NNECO's activities, highly professional, and of excellent quality. The staff also believes that LHC has established credibility among the local stakeholders, a number of whom have expressed the opinion in recent meetings that LHC should be retained in some capacity if the Order were to be closed. Therefore, the staff has no reservations about the continued use of LHC by NNECO and has no objections to NNECO changing its commitment regarding its contractual relationship with LHC.

(1) Employee Concerns Program

In SECY-98-090, the staff noted that it had reviewed the licensee's comprehensive plan for reviewing and dispositioning safety issues raised by employees without fear of retaliation, reviewed and approved LHC as the third-party oversight organization, and reviewed and approved LHC's oversight plan. In SECY-98-090, the staff described its activities and provided its assessment that led to the conclusion that NNECO had made substantial improvements to its ECP and that it was functioning effectively at Millstone. It noted that employee concerns are prioritized based on safety significance, identities of individuals are protected, case resolution is timely, and there is appropriate follow up on corrective actions.

Since it issued SECY-98-090, the staff's observations regarding the ECP are unchanged. As described in more detail in Attachment 1, the licensee has continued to sustain an effective and well-functioning ECP. This assessment is supported by the staff's review of appropriate documentation, conduct of NRC team evaluations, and observation of LHC activities. There have been even further enhancements in some aspects of the ECP, such as improved communications with individuals raising concerns, better quality case files, and improved timeliness in closing outstanding cases.

(2) Safety Conscious Work Environment

In SECY-98-090 the staff described its activities and provided an assessment that supported the conclusion that NNECO had made substantial improvements in establishing an SCWE and that the programs that were in place to foster an SCWE were functioning effectively at Millstone. Some of the programs that were established included the Executive Review Board, employee and manager training, leadership surveys, and Focus Area Plans. It was also noted that NNECO has devoted appropriate resources and management support to ensure that an SCWE was maintained and had developed adequate plans for monitoring the site's safety environment following restart of Unit 3. The staff also observed NNECO's response to several high visibility incidents involving the SCWE and ECP, including potential harassment, intimidation, retaliation, and discrimination (HIRD) issues. The staff determined that the licensee's response to these issues was prompt and thorough, and where appropriate, evinced management's willingness to admit problems with its processes and take effective corrective actions. This includes an issue that emerged during the summer of 1997 involving potential retaliation against employees engaged in protected activities (10 CFR 50.7) associated with the motor operated valve program. This issue, which was thoroughly reviewed by both the licensee and LHC, and for which effective remedial actions have been taken, is currently the subject of pending enforcement activities. The enforcement activity associated with this issue is expected to come to closure in the near future. However, it is not expected to be issued until after the Commission addresses the recommendations in this paper.

Since it issued SECY-98-090, the staff's observations regarding the SCWE are unchanged. As described in more detail in Attachment 1, the licensee has continued to sustain an SCWE. Although the ongoing management reorganization has the potential to add stress to the current work environment, the staff notes that the licensee has entered into this action with forethought and has proceeded in a well-organized manner through the first phases of the process. While the continued implementation of the process bears monitoring, the use of an outside organization in the planning and execution of the reorganization, as well as the licensee's response to the bottoms-up review of the proposed reorganization by its staff, has provided appropriate neutrality and organization buy-in to the process. Evidence that supports the staff's assessment that an SCWE has continued to be sustained includes a substantial decrease in the NRC's allegation rate over the past 4-5 months, the continued effectiveness of the SCWE staff, proactive efforts to resolve emerging issues in a timely manner, and sustained positive results out of the employee and leadership surveys.

CONCLUSION

The licensee has sustained the level of performance in its ECP and SCWE noted in SECY-98-090, and in some areas, made further improvements while transitioning to a less-resource intensive organization. The only issue described in the Order that remains to be satisfied before the Order can be closed is the demonstration by NNECO that the conditions which led to the requirement of the independent, third-party oversight have been corrected to the satisfaction of the NRC. The staff's conclusion is that the sustained performance by NNECO in implementing its ECP and in maintaining a SCWE with minimal involvement by LHC over the past 7 months indicates that the third-party oversight is no longer required and the Order can be closed.

RECOMMENDATION

That the Commission agree with the staff's conclusion that the licensee has demonstrated by its sustained performance in executing its ECP and in establishing an SCWE that the conditions that led to the requirement of having a third-party oversight organization have been corrected to the satisfaction of the NRC. Therefore LHC's presence is no longer required and the Order can be closed. A proposed letter to the licensee closing the order is provided in Attachment 4 for the Commission's consideration if it concurs with the staff's recommendation.

The staff conducted a public meeting on December 14, 1998, in Waterford, Connecticut, to solicit comments from the local stakeholders regarding the status of the ECP and SCWE at Millstone and whether the Order should be closed and the independent third-party oversight discontinued. By January 14, 1999, the staff will provide the Commission with a memorandum which will summarize the substantive comments and recommendations obtained from local stakeholders during this meeting.

William D. Travers
Executive Director
for Operations

Attachments:
1. Evaluation of ECP/SCWE
2. LHC's Third Quarter Report
3. NNECO's December 9, 1998, Letter Recommending Closure of Order
4. Draft Letter Closing Order

This paper will be discussed at a Commission meeting on January 19, 1999.

Commissioners' completed vote sheets/comments should be provided directly to the Office of the Secretary by COB January 26, 1999.

Commission Staff Office comments, if any, should be submitted to the Commissioners NLT January 19, 1999, with an information copy to the Office of the Secretary. If the paper is of such a nature that it requires additional review and comment, the Commissioners and the Secretariat should be apprised of when comments may be expected.

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ATTACHMENT 1

EVALUATION OF

NORTHEAST NUCLEAR ENERGY COMPANY'S

SAFETY-CONSCIOUS WORK ENVIRONMENT AND

EMPLOYEE CONCERNS PROGRAM

SINCE THE RESTART OF MILLSTONE UNIT 3

TABLE OF CONTENTS

I. INTRODUCTION 2

II. DISCUSSION 2

A. Background 2

B. NRC Assessment Activities 3

III. ASSESSMENT OF MILLSTONE'S ECP AND ITS SCWE PROGRAM 4

A. Employee Concerns Program 4

B. Employee Concerns Oversight Panel 5

C. Safety-Conscious Work Environment 7

IV. CLOSING OF THE ORDER REQUIRING THIRD-PARTY OVERSIGHT 9

I. INTRODUCTION

In SECY 98-090, "Selected Issues Related to Recovery of Millstone Nuclear Power Station, Unit 3," dated April 24, 1998, and in a Commission meeting on May 1, 1998, the staff concluded that Northeast Nuclear Energy Company (NNECO), the licensee for Millstone, had improved its Employee Concerns Program (ECP) and had established a safety-conscious work environment (SCWE) that would support restart of Unit 3. However, the staff also anticipated that the third-party oversight by Little Harbor Consultants (LHC) must be continued for 6 months beyond restart to allow for evaluation of the licensee's performance in the ECP and SCWE areas. This report covers the period from the staff's recommendation to the Commission in SECY 98-090 through November 1998. It also documents the status and the results of NRC's assessment of NNECO's efforts to sustain the improvements it made to its programs and processes for handling safety issues raised by employees and for ensuring that there is no discrimination against employees who raise safety concerns. It also contains the staff's recommendations to discontinue LHC's independent third-party oversight and to terminate the Order dated October 24, 1998.

II. DISCUSSION

A. Background

On October 24, 1996, the Director of NRR issued an Order to NNECO, requiring (1) the development of a comprehensive plan for handling the Millstone Station employees' safety concerns, (2) independent third-party oversight, and (3) development of a plan by the independent third-party organization for overseeing NNECO's implementation of the comprehensive plan.

Before restart of Unit 3, the NRC staff performed the following activities to ensure effective implementation of NNECO's programs for handling safety concerns and the independent third-party oversight program (ITPOP):

- **Reviewed** the comprehensive plan for reviewing and dispositioning safety issues raised by employees of NNECO.

- **Approved** the selection of the independent third-party oversight organization to ensure that it was composed of qualified individuals who would conduct the review adequately and independently of NNECO.

- Approved the ITPOP plan, which was used to audit the implementation of the Millstone ECP.

In SECY 98-090, the staff concluded that NNECO had sufficiently improved its ECP and established an SCWE to support restart of Unit 3. This recommendation was based on an evaluation conducted by the NRC during December 1997 and January 1998, and the observations of LHC as well as the staff's assessment of subsequent improvements made by NNECO. The Commission authorized restart on June 15, 1998, and Unit 3 was restarted in July 1998.

B. NRC Assessment Activities

Since May 1, 1998, the NRC staff has continued to monitor NNECO's programs and has visited the Millstone site about every 3 weeks to conduct onsite reviews of ongoing activities. In addition, the NRC staff has conducted two, week-long evaluations. The staff has continued its participation in periodic meetings involving NNECO, NRC, and LHC that are open to the public and during which the results of LHC's ongoing assessment and the status of the Millstone SCWE program and the ECP have been covered. The staff has also continued to periodically review NNECO's programs, procedures, and performance data and to evaluate the program success criteria, performance measures, and quantitative performance metrics established by NNECO.

On August 24-28, 1998, the NRC staff evaluated the Millstone ECP and the SCWE program to ascertain if the improvements that had been made in support of restart of Unit 3 had been sustained. The team found the ECP and the SCWE program had maintained the improved level of performance; however, it concluded that it needed to conduct another evaluation to monitor the following eight issues:

1. An emerging personnel issue that developed within the ECP organization during the week of its evaluation

2. Implementation of plans for, as well as the ability of, Human Resources (HR) to assume some of the ECP workload, as outlined in NNECO's Transition Plan

3. The Employee Concerns Oversight Panel's (ECOP's) new role to assess ECP's effectiveness and how some of the other ECOP functions will be incorporated within the SCWE and HR function

4. The effect on the SCWE of the transition of the site from a recovery organization to an operating organization

5. The effect on the organization's effectiveness of the recent transition to a new Vice-President of Human Services

6. The pending Millstone site-wide management reorganization

7. Plans for oversight of the SCWE to replace the role of the third-party oversight organization

8. Long-term plans for the SCWE training program that had not yet been finalized

On October 26-30, 1998, the NRC conducted another evaluation to assess NNECO's progress in these eight areas. The team determined that overall, adequate progress had been made in each of these areas. The results of the staff's last two evaluations are incorporated into the more detailed discussions of key areas that follow. In addition to a description of the staff's assessment of each of the above-mentioned eight areas, the following assessments also briefly summarize the NRC's previous assessment of the licensee's performance in these areas, which are described in more detail in SECY 98-090.

III. ASSESSMENT OF MILLSTONE'S ECP AND ITS SCWE PROGRAM

In response to the Order, NNECO initiated several programs and actions to correct the problems identified by both the NRC and its own staff. Some of the more significant actions and the staff's assessment of recent activities in these areas follow.

A. Employee Concerns Program

As noted in SECY 98-090, NNECO restructured the ECP to resolve any concern raised by an employee or by a contractor. This restructuring included three fundamental steps: intake, triage, and investigation. NNECO increased the number of people assigned to the ECP to more effectively address emerging issues and the backlog of cases that existed. In May 1998, the staff concluded that the ECP was established and functioning effectively at Millstone.

Since May 1998, the staff's observations of the ECP indicate that it has continued to improve, and the quality and thoroughness of its investigations are a particular strength. The ECP organization continues to possess the independence, resources, and management support necessary to perform thorough, unbiased investigations. The conclusions of the ECP cases were properly supported by the licensee's investigations, corrective actions were appropriate to resolve the issues, and communications with the concerned individuals were adequate. The ECP was adequately defining the issues of the concerned individuals and was protecting the

identities of those individuals bringing concerns to the ECP. NNECO's program for training Millstone staff for the ECP continues to be informative and effective.

Aside from the NRC's and LHC's observations, there are other independent assessments that support the staff's conclusions. An external assessment of the ECP organization conducted by GPU Nuclear personnel was very positive. Also, the employee survey results continue to rate the ECP highly and affirm that the ECP continues to function well.

Two of the eight followup areas were associated with the ECP.

Issue No. 1: Personnel issues that developed within the ECP organization

In the August 1998 evaluation, the team noted that it was going to continue to monitor personnel issues that developed in the ECP organization during the week of its evaluation and any other issues that may emerge in the near term. During the October 1998 evaluation, the team noted that the ECP handled these issues well, including not only the issues that emerged within the ECP organization itself but also another site-wide issue involving NNECO management.

Issue No. 2: Human Resources to assume some of the ECP workload

In August 1998, the NRC staff noted that the interface between the ECP and the HR organizations continued to be effective. The two organizations worked together closely and shared information to the benefit of both. The team stated that it will continue to monitor the plans for, and the ability of, HR to assume some of the ECP workload.

In October 1998, the NRC team found the plan to have HR assume responsibility for investigating all HR-related concerns still in the early stages of development. A draft plan was developed and has received some review by management, but the transfer of most of the pertinent responsibilities is not planned to take place until after the restart of Millstone Unit 2. Because the licensee has not significantly progressed in this area since the last evaluation, the team was unable to conclusively assess this area.

The team found some inconsistency in the level of cooperation between the HR and ECP staffs relating to the sharing of information since the previous evaluation. The ECP and the HR directors stated that they would meet to discuss the issue and to work on a long-term solution that would include developing written guidance on the type of information to be shared between the staffs. Because the transfer of responsibilities is not imminent and the ECP and the HR directors are working together to address the issues, the team believed that the licensee's actions were appropriate.

B. Employee Concerns Oversight Panel

The ECOP, which reports to NNECO's President/CEO-Nuclear, is composed of Millstone employees whose function is to monitor the employee workplace environment and to provide independent assessment of the ECP. The Administrator is assigned to the ECOP full-time. In SECY 98-090, the ECOP was noted to have provided some valuable insights. However, it was also noted that the ECOP had some difficulty in carving out an appropriate role. Since May 1998, the staff's observations of the ECOP indicate that it was necessary to better define ECOP's roles and responsibilities. During the August 1998 evaluation, the ECOP was determined to be functioning effectively but appeared overtaxed in its ability to perform all of its activities. Also, some documentation weaknesses were noted. Since that evaluation, NNECO determined that the ECOP would be restructured to better serve the needs of the future Millstone organization.

The ECOP is in a state of flux and will be reorganized soon. The President/CEO-Nuclear believes that, in the future, the ECOP should focus on assessing the climate of the site organization. It appears that the initial role of the ECOP was too broadly based to serve the site effectively. Although not yet finalized, one of the more valuable aspects of the ECOP (the employee surveys) will be moved to the SCWE organization and other appropriate functions will remain with the new ECOP (e.g., SCWE/ECP oversight, review of harassment cases, and focus group reports).

The ECOP focus group reports and the quarterly reports are useful products which provide management valuable insights on the work environment. The focus group reports are real-time summaries of specific, work-environment units within the organization, which allow management to be aware of and to handle problems before they escalate further, thus promoting an SCWE. Also, by virtue of providing site employees with an alternate method of resolving their concerns, the ECOP promotes an SCWE.

Issue No.3: ECOP's new role

As of August 1998, specific duties for the new ECOP were not yet formalized, but NNECO intended the new ECOP to be operational by November 1, 1998. This was one of the followup issues from the August evaluation. However, NNECO was slow to develop the new ECOP charter. It was not until November 17, 1998, that the new ECOP charter was signed. Those aspects of the ECOP which promote an SCWE are being maintained in the new charter. Also, the selection of the new ECOP chairman was recently announced.

The new ECOP Panel may not be fully in place until the end of the year. If this Panel receives full support from upper management, the new ECOP shall continue to provide site employees with an alternate method to resolve their concerns and contribute to an SCWE. The staff's observations are that NNECO has made measured progress addressing this issue and has the components in place to ensure an effective advisory panel is formed.

C. Safety-Conscious Work Environment

An SCWE is an environment in which employees feel comfortable raising any issues important to them without fear of retaliation or discrimination. NNECO formed an official SCWE organization with a full-time staff. The group was responsible for coordinating SCWE activities for NNECO. The group consisted of about 15 people, including an SCWE Issue Manager, a Director of the ECP, and a Director of Nuclear Human Resources, all reporting to the Vice President of Human Services. With the pending reorganization, many of the SCWE functions will be retained, although they may be located elsewhere within the new organization. The various activities NNECO has performed to foster an SCWE include the following:

1. SCWE staffing and organizational support
2. Management surveys
3. Identification and resolution of focus (problem) areas
4. Lessons learned reviews
5. Self-assessment
6. Executive review board
7. Site response to LHC recommendations
8. SCWE training

Since May 1998, the staff's observations of the SCWE indicate that it has continued to improve. Management has shown it is willing and capable of immediately becoming involved to resolve problems and concerns as they arise indicating that the programs in place are working. Management has handled SCWE-related perturbations, promptly and decisively at all levels of the organization. Although SCWE-related programs and the management itself continue to evolve and mature, an SCWE has made substantial progress in becoming firmly established into the Millstone consciousness.

The remaining five followup issues are associated with SCWE-related activities.

Issue No. 4: SCWE Long-Range Plan

Since May 1, 1998, NNECO has been implementing its SCWE long-range plan; however, it has been slow in its transition from a recovery organization to an operating organization. The licensee's long-term vision of the work environment emphasizes, among other things, the following:

- Leadership that is strong and continually improving
- Establishment of clear standards for performance and accountability
- A healthy SCWE in which all employees feel comfortable that any issues they raise will be addressed with commitment, respect, and timeliness
- An ECP that is effective, continually improving, and held in high regard by employees
- A work force that is motivated, respectful, and takes pride in personal, team, and organizational accomplishments

The long-range plan states that the licensee will maintain the current structure of the SCWE organization through restart of the Millstone units. NNECO had previously committed in the March 31 submittal that "[t]he Human Services organization will be maintained as currently structured until Unit 2 is restarted. Any change to the SCWE area will be based on performance." Based on progress to date, and the upcoming site restructuring, Human Services will be restructured based on performance and assessment as part of the strategic organizational realignment at Millstone. Self-assessment will be used to verify that performance expectations are being met. The objectives, measures, and targets to assess performance are stated in the SCWE segment of the plan, along with specific action items to support each objective. These action plans are assigned to specific individuals and are given specific target dates for completion. Each action item is also tracked in the Action Item Tracking and Trending System (AITTS).

Issue No. 5: The New Vice-President of Human Services

Since May 1998, the individual assigned to the position of the Vice-President of Human Services has changed. In August 1998, the Vice-President of Human Services was reassigned to the position of Vice-President of Engineering Services, the position he was originally hired for in 1997. The team believes that he had been effective and instrumental in ensuring that the SCWE staff remained focused on improving the safety culture at Millstone. In August 1998, the NRC noted that it was going to continue to monitor the SCWE program for any signs of degradation as a result of this management change. In October 1998, the staff noted little, if any, change. The team interviewed the new Vice-President of Human

Services in both August and October 1998 and found that he has extensive experience in the nuclear industry and has an excellent attitude regarding maintaining an SCWE. He indicated that he intends to devote much time to meeting the staff and learning their concerns firsthand. He believes that one of his highest priorities is to unify the site in those areas than can be unified and to minimize the "silo" effect resulting from each of the three units operating as independent entities rather than as a unified site. He believes that these goals will improve the SCWE. He also indicated that the site must strive for organizational stability as soon as possible because the current instability and uncertainties are not healthy or conducive to good employee morale and raise the potential for SCWE problems. On the basis of LHC's and the NRC's observations, the new Vice-President has made a good effort to pursue his vision of an SCWE and is a positive addition to the SCWE organization at Millstone.

Issue No. 6: The Pending Millstone Site-Wide Management Reorganization

In August 1998, the team became aware of the pending management reorganization. The team noted that a lot of thought has been given to the pending reorganization and that NNECO had acquired professional assistance in formulating its reorganization plan. The staff indicated that the potential for substantial organizational stress existed and that it would continue to monitor the reorganization activities. Since August, NNECO solicited comments from its employees on the proposed reorganization and made some substantive changes in response to the concerns that were raised. NNECO has devoted much effort to this reorganization to minimize potential problems and to apply lessons learned from previous reorganization efforts to improve the proposed reorganization process. Currently, the reorganization has taken place only at the Director's level. Efforts to staff the Manager level positions are ongoing.

In August, the team commented that no communication concerning the reorganization occurred between management and the employees. Subsequently, the team has observed that NNECO has effectively communicated the status of the reorganization to its employees through various means, including a web page.

Issue No. 7: Plans for Oversight of the SCWE to Replace the Role of the Third-Party Oversight Organization

One long-term issue directly related to the SCWE that had not yet been resolved during the staff's August evaluation was oversight of the SCWE organization after LHC departs. During the team's August and October evaluations, NNECO had not finalized its plans on how this oversight would be accomplished. The Recovery Officer for Nuclear Oversight told the team that this issue had priority and that he intended to resolve it as soon as possible. Following its October site visit, NNECO provided the team its SCWE assessment plan which describes the

activities that will be executed by organizations both internal and external to NNECO. In addition to a number of internal oversight and assessment activities, NNECO also plans periodic third-party assessments. The team reviewed this Plan and found it adequate. The Plan is comprehensive and broad in scope. However, the Plan could be improved in describing areas of responsibility and methods of assessment.

Issue No. 8: Long-Term Plans for the SCWE Training Program

The team found that during the August evaluation, NNECO had plans for revising its long-term SCWE training program based on lessons-learned reviews. This included programs such as the SCWE refresher training for supervisors and managers and SCWE continuing training. Since that evaluation, the licensee introduced a "quick start" process, which ensures that new supervisors and new managers receive initial SCWE training within a short time of being selected for a supervisory position. In October 1998, the staff found that long-term plans for the SCWE training program had been developed. An SCWE refresher training class was scheduled to begin at the end of the first quarter in 1999. NNECO was already tracking recommendations to improve current training and to develop continuing training. The SCWE training program continues to be a key element in fostering a SCWE.

IV. CLOSING OF THE ORDER REQUIRING THIRD-PARTY OVERSIGHT

The actions required by the Order of October 24, 1996, which were to be accomplished before the restart of any Millstone units, have been completed. NNECO developed, submitted for NRC review, and implemented a comprehensive plan for reviewing and dispositioning safety issues raised by its employees and ensuring that employees who raise safety concerns are not subject to discrimination. NNECO proposed for NRC's approval an independent third-party organization, LHC, to oversee implementation of NNECO's comprehensive plan. LHC submitted for NRC's approval its plan to oversee NNECO's implementation of its comprehensive plan. As specified in the Order, third-party oversight will continue until NNECO demonstrates by its performance that the conditions that led to the requirement for that oversight have been corrected to the satisfaction of the NRC.

On the basis of the review of documentation, NRC team evaluations, and, in some instances, monitoring of LHC activities, the NRC staff concludes that NNECO improved the ECP and the SCWE at Millstone. Employee surveys and interviews indicate that the overwhelming majority of employees are willing to raise concerns, and of those who have used the ECP, a strong majority stated that they would use the program again. These attitudes were verified not only by the licensee through various surveys and questionnaires at its disposal, but by LHC as well.

On the basis of the review of documentation, monitoring of NNECO activities, NRC team evaluations, and LHC findings, the NRC staff concludes that NNECO's ECP and SCWE are established and functioning effectively at Millstone. Employee concerns are prioritized on the basis of safety significance, identities are protected, case resolution is timely, and there is appropriate followup on the adequacy of corrective actions. Further, significant improvements have been made in the training provided to employees and contractors regarding the SCWE and the ECP. In addition, NNECO has established effective supplemental measures (e.g., the Executive Review Board, focus area plans, and leadership surveys) that support the maintenance of an SCWE. The staff also concludes that NNECO has developed adequate plans for monitoring the site's safety environment, addressing problems as they arise, and applying necessary resources to support the ECP and the SCWE program.

Additionally, the key performance indicators used by NNECO to track its performance have shown no evidence of backsliding. Some of the key performance indicators include the ECP backlog, the number of harassment, intimidation, retaliation, and discrimination (HIRD) cases, the number of allegations received by the NRC, and the timeliness of ECP investigations.

Management has shown it is willing and capable of immediately becoming involved to resolve problems and concerns as they arise. There continues to be issues raised through the ECP, but relatively few allegations to the NRC. Those issues that do arise are typically lacking in safety significance and support the observation that the programs in place are working. Further evidence of this progress is the fact that LHC has stated that although it is still involved in assisting the licensee in responding to and resolving concerns, it functions only in an advisory capacity. LHC has already substantially reduced its involvement in site issues.

Nevertheless, there is still some fragility in the various programs that make up an SCWE. Given the potential problems that could arise from any number of areas, such as the impending reorganization and recent managerial changes the staff believes that future inspections or evaluations of the Millstone SCWE would be beneficial, as well as the independent, third-party audits contained in NNECO's long-range oversight plans.

The staff concludes that NNECO's programs for handling safety issues raised by employees and in ensuring that the employees who raise safety concerns are not discriminated against have significantly improved. The staff finds that as required by the NRC's Order of October 24, 1996, NNECO has demonstrated by its performance that the conditions that led to the requirement for oversight have been corrected to the satisfaction of the NRC. Therefore, the staff believes that independent, third-party oversight is no longer needed and recommends that the Order be closed.

ATTACHMENT 2

Little Harbor Consultants, Inc.
Millstone - ITPOP Project Office
P.O. Box 0630
Niantic, Connecticut 06357-0630
Telephone 860-447-1791, ext 5966 Fax 860-444-5758

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Docket Nos. 50-245
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50-423

ITPOP 98-0028

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555-0001

Millstone Nuclear Power Station, Unit Nos. 1, 2, and 3

Dear Sir:

Attached hereto is the Little Harbor Consultants, Inc. report for the third quarter of 1998 concerning the oversight of Northeast Utilities development of a safety conscious work environment at the Millstone Point Nuclear Station. The report covers the period from July 15 through October 31, 1998.

Sincerely,

John Beck /uew

John W. Beck
Team Leader, ITPOP
President, LHC

Attachment
cc: Distribution

Distribution:

John Streeter, NNECo

Harry L. Miller, NNECo

William J. Temple, NNECo

Susan Baranski, NNECo

Cheryl Grise, NNECo

Michael Quinn, ECOP

U.S. Nuclear Regulatory Commission
Attn: W.D. Travers
Mail Stop: 014D4
Washington, DC 20555-0001

U.S. Nuclear Regulatory Commission
Attn: W.M. Dean
Mail Stop: 014D4
Washington, DC 20555-0001

U.S. Nuclear Regulatory Commission
Attn: H.N. Pastis
Mail Stop: 014D4
Washington, DC 20555-0001

Mr. Wayne D. Lanning
US NRC Region I
475 Allendale Road
King of Prussia, PA 19406-1415

Kevin T. A. McCarthy, Director
Monitoring and Radiation Division
Department of Environmental Protection
79 Elm Street
Hartford, CT 06106-5127

Allan Johanson, Assistant Director
Office of Policy and Management
Policy Development and Planning Division
450 Capitol Avenue — MS 52ERN
P.O. Box 341441
Hartford, CT 06134-1441

First Selectmen
Town of Waterford
Hall of Records
200 Boston Post Road
Waterford, CT 06385

Charles Brinkman, Manager
Washington Nuclear Operations
ABB Combustion Engineering
12300 Twinbrook Pkwy, Suite 330
Rockville, MD 20852

Mr. John Buckingham
Department of Public Utility Control
Electric Unit
10 Liberty Square
New Britain, CT 06051

Citizens Regulatory Commission
ATTN: Ms. Susan Perry Luxton
180 Great Neck Road
Waterford, CT 06385

Citizens Awareness Network
54 Old Turnpike Road
Haddam, CT 06438

The Honorable Terry Concannon
Nuclear Energy Advisory Council
Legislative Office Building
Hartford, CT 06106

Mr. Evan W. Woollacott
Co-Chair
Nuclear Energy Advisory Council
128 Terry's Plain Road
Simsbury, CT 06070

Ernest C. Hadley, Esquire
1040 B Main Street
P.O. Box 549
West Wareham, MA 02576

Mr. Paul Choiniere
"The Day"
47 Eugene O'Neill Drive
New London, CT 06320

Bob DeFayette
100 King Street
Gettysburg, PA 17325

Don Beckman
1071 State, Route 136
Belle Vernon, PA 15012

QUARTERLY REPORT OF LITTLE HARBOR CONSULTANTS TO THE NUCLEAR REGULATORY COMMISSION

Concerning Oversight of Northeast Utilities' Development of a Safety Conscious Work Environment at Millstone Point Nuclear Station for the Period July 15-October 31, 1998

Pursuant to an order issued by the Nuclear Regulatory Commission (NRC) on October 24, 1996 and its Oversight Plan approved by the NRC on July 14, 1997, Little Harbor Consultants (LHC) has been overseeing the efforts of Northeast Utilities (NU) and its subsidiary Northeast Nuclear Energy Company (NNECo) to develop a Safety Conscious Work Environment (SCWE) at its Millstone Point Nuclear Station (Millstone). Under this program, LHC submits quarterly reports to the NRC on the status and progress of this process.

This report covers the period from July 15 through October 31,1998.

I. SUMMARY

Millstone Unit 3 returned to service, the retirement of Millstone 1 was announced, and a station-wide organizational realignment and downsizing was announced. LHC completed reviews of the Employee Concerns and Corrective Action programs along with periodic updates of its assessment of the "status of SCWE" to the NRC, and continued a ramping-down of its own level of activity as the station resumed normal operation. Despite one significant event, the "status of SCWE" was judged to be at a level of performance supportive of continued operation of the Millstone reactors.

II. SIGNIFICANT EVENTS DURING THE THIRD QUARTER

During this quarter a series of events took place that marked significant progress toward return of the Millstone station to normal operation and toward restructuring for operation in a competitive environment. With the NRC's approval, Unit 3 was restarted on July 6, and achieved full power on July 15. Within the following week, NU announced decisions to close Millstone Unit 1 permanently and to shift resources from that unit to Unit 2, to effect a high-level management restructuring, and to repurchase a portion of outstanding NU stock. Unit 3 returned to the regulatory rate base. At the end of July, NU announced a small profit for the quarter, after a series of quarterly losses. Millstone units 2 and 3 remained on the NRC's semiannual "Watch List," issued July 30, with Unit 2 still classified as a "Category 3" plant, meaning that explicit Commission approval would be needed to authorize its restart. On August 5, the NRC announced that it had closed a series of investigations into potential wrongdoing at the site without having been able to substantiate the allegations; and some two weeks later, on August 22, the NRC

closed the Special Projects Office for Millstone, through which it had exerted intense scrutiny of the station over the previous two years, and announced its return to normal review of the plant through its regional office.

At the end of August, the NNECo President and CEO, Bruce Kenyon, announced that a site-wide reorganization would take place after the restart of Millstone Unit 2, now slated for early 1999, and began the process of developing and publicizing a series of rules to ensure that the competition for remaining positions would be conducted in a fair and rigorous fashion. Under this program, to be known as the Leadership Selection Process of an Organizational Realignment Program, the number of management positions at the site would be reduced over a period of years to just slightly more than half the current number. All management jobs below the level of vice president would be open to competition in a "cascade" from more senior to less; NNECo would fill one level at a time, selecting and interviewing up to four highly qualified persons for each position. Persons not currently at Millstone would not be considered unless no qualified, current Millstone employee was found for a position.

Against this background, LHC's activities have shifted toward a phase-out mode. LHC focused attention on observing whether the substantial efforts made by NNECo at the plant to instill a safety-conscious work environment had taken firm root; and on presumptively close-out reviews of the plant's Corrective Action Program (CAP), its Employee Concerns Program (ECP), and the status of files alleging harassment, intimidation, retaliation or discrimination (HIRD) involving personnel at the plant. LHC presented its latest snapshot findings at meetings with the NRC staff on July 15 and August 27. Summaries of the reports on CAP and ECP are attached to this report, and a further update on HIRD case reviews is attached.

III. PRINCIPAL AREAS OF LHC ACTIVITY DURING THE THIRD QUARTER

a. Programmatic Reviews

During the third quarter, LHC completed presumptively final reviews of the Millstone Point Corrective Action Program and the Employee Concerns Program. These reviews are summarized in Attachments 1 and 2. In summary, LHC found as follows:

1. CAP Report

This is the third and final report in a series of three reports on the CAP. The first report focused on the overall structure and process of the CAP. The second focused on the implementation of the CAP at Unit 3 prior to its restart. The third report (Attachment 1 hereto) focuses on implementation of the CAP at Unit 2 prior to its restart. LHC members reviewed significant samples of Level 1 and Level 2 CRs, attended CAP meetings, interviewed pertinent personnel and reviewed the current version of the basic CAP directive, procedure RP-4. LHC found that the CAP for Unit 2 was functioning adequately to support startup. The report reaches four conclusions, focusing on the historic backlog of CRs, the resource-intensiveness of the

program, the need for continued focus on the importance of the CAP and the need to ensure adequate training for personnel preparing root cause analyses.

These conclusions have been communicated to Unit 2 management.

2. ECP Report

This report, based on observations during early September 1998, is the latest in a continuing series of reports on the Millstone Point ECP. The observations included a review of a wide range of ECP-related documentation; interviews with ECP staff members, ECP "customers", and others; and observations of ECP-related meetings. In general, the report concludes that the ECP at Millstone continues to function effectively and with increasing maturity and respect on the site. The report reaches various conclusions, focusing on the continuing relatively high level of substantiated HIRD incidents, the need to plan for station realignment, and the desirability of acting on certain pending suggestions for further ECP improvement.

These conclusions have been communicated to ECP management.

3. HIRD Case Review

LHC has completed its third review, extending through August 1998, of HIRD incidents and allegations and the response of Millstone's ECP to them. It is Attachment 3 to this report. In general, the current review finds continuing improvement in the quality of responses to HIRD incidents and allegations, including establishment of standards, conduct of investigations and audits, and management actions. These have resulted in progress in the areas of employee confidence and trust in management. However, the number of alleged incidents remains relatively high, and implementation of these improvements is still somewhat inconsistent. The extent of employee reaction to the "Voicemail incident" (see item "c" below) reveals the continuing fragility of this progress. LHC believes it is unlikely that employee trust and confidence will be fully re-established within the current calendar quarter.

The review contains six recommendations, all of which have been communicated to NNECo management.

b. Observations of the Apparent Status of SCWE

LHC also has observed, as an ongoing matter, the extent to which a safety-conscious work environment appears to have taken root at Millstone. These observations have taken place through regular and ad hoc meetings with Millstone management; through the reviews of the CAP and the ECP, and the status of HIRD files; and through NNECo's handling of pending incidents and alleged incidents. As reflected in its most recent "Windows" update (see discussion at ¶ IV. below and Attachments 4 and 5), the status of safety-consciousness at the Millstone site remains at or above the LHC evaluation objectives for resumption of operations.

c. "Voice Mail Incident"

LHC also observes, by a variety of means, incidents alleged to be inconsistent with a safety-conscious work environment. The most prominent such incident occurring during the current quarter involved a voice mail message sent by Dave Amerine, then Vice President of Human Services, on the afternoon of September 18 and intended for two other members of Millstone management. The message named a specific individual, not a Millstone employee but one whom Mr. Amerine believed to be highly qualified, as an example of the kind of person who would be a desirable nominee for the new position of Industrial Safety Supervisor (ISS) at the site, and described various aspects of the individual's qualifications. The message also was deposited, inadvertently, in the voice mailbox of an unintended recipient who became concerned, upon hearing it, that it might represent potential evidence of an evasion or undermining of the realignment process discussed above. The unintended recipient took his concern the next day to the ECP office.

The message was apparently classically ambiguous. It could have been interpreted (as Mr. Amerine, who was deeply embarrassed and chagrined by the incident, consistently contended) as an unfortunately phrased effort to illustrate characteristics appropriate for the ISS job; it also has been interpreted (as some on site feared) to mean that Mr. Amerine believed that the named individual should be hired without any competitive job posting, or that the posting description for this position should be tailored to this individual's qualifications rather than the needs of the position. The selection of any specific individual for this (or any) job without a legitimate competitive process would have been inconsistent with the hiring norms set out in the emerging Millstone realignment policy. Further, the individual named was and is presently not a Millstone or NU employee; since the realignment policy favors highly qualified Millstone employees, this fact further contributed to the concern about potential for evasion or subversion of the nascent realignment policy.

Since the voice mail message merely posed, but did not resolve, the all-important issue of Mr. Amerine's intent in sending it, the ECP promptly commissioned an investigation. Its results were presented to Millstone management in early October. On October 8, Bruce Kenyon announced his decision at an all-hands meeting. Mr. Kenyon observed, at the outset, that the individual who took his concern to the ECP had acted entirely appropriately. Mr. Kenyon then announced his conclusion, giving as its bases the ECP report; his knowledge of Mr. Amerine and his achievements and his response to this incident; his presumption of goodness in people, his acceptance of the fact that people make mistakes, and his belief in forgiveness; and his goal to do right by all concerned. He stated that his conclusion was consistent with that of the ECP, but that it was based on more than just the ECP report. Mr. Kenyon's conclusion was to agree that the message, with its ambiguity, represented a significant mistake on Mr. Amerine's part; but to accept Mr. Amerine's explanation that he had not intended to circumvent the realignment process but rather to describe, however infelicitously, the characteristics of an ISS director. Mr. Kenyon stated that he had determined not to ask Mr. Amerine for his resignation, noting that Mr. Amerine was clearly embarrassed and chagrined by the effects of his mistake. Mr. Kenyon then asked the entire station population to accept that his conclusions had been made in good faith, and to "rise above" the temptation to find fault. Mr. Kenyon characterized this event as a

turning-point for Millstone, stating that if station personnel could accept and forgive the good-faith mistakes of others, the station had the potential to return to a productive future; but that if they could not, and instead became governed by a "one-strike-and-out" norm, regardless of the circumstances, it would be on a "path to destruction."

LHC observed closely the efforts of the ECP and of the station's management to ascertain the facts associated with this event and understand their significance, and observed also the conduct of Mr. Amerine following the revelation of his voice mail. As a result, LHC was in a position, without conducting a formal independent investigation of its own, to appraise the reaction of the station to the event and the efficacy of ECP's and station management's response to it. LHC concluded that the investigation of the event had been undertaken promptly, professionally and thoroughly; that its conclusions and recommendations to station management were timely, persuasive and persuasively documented; that the process it had followed in reaching them was fair and professional. LHC representatives communicated these observations to station management, and to all hands at the October 8 meeting.

d. Overall Allocation of LHC Work

The overall LHC workload continued to taper off during the third quarter. LHC devoted a total of 1983.5 hours to work at the site, as compared with 2312 hours for the second quarter and 4875 for the first quarter of 1998. The allocation of hours was as follows:

Time Code	Time Spent (hours)	Time Spent (percent)
Investigations	17.00	1
Document Review	245.50	12
ECP Reviews	163.50	8
Structured Interviews	0	0
NRC/Public Meetings	87.25	5
Technical Reviews	245.00	12
Interviews/Meetings/Observations	420.50	22
Administrative Support	619.75	31
Management	185.00	9
TOTALS	**1983.50**	**100**

This time was allocated among a variety of matters. In addition to the two major status reports to the NRC, time was spent updating reports on the Corrective Action Program, the Employee Concerns Program, and a host of ongoing issues. The following table, arranged by week and with some deliberate generality in description in order to avoid compromising confidentiality, gives a general idea of the run of endeavor during this quarter:

June 29-July 3	Report on LHC assessment of site independent oversight and self-assessment program: Start oversight effort on Unit 2 implementation of CAP and self-assessment program: Start 2nd quarter report; meetings re contents; Unit 2 MRT meeting; regular weekly meeting with station management

July 6-10	Attend and participate in NRC Public Meeting; Meeting with NRC Staff; regular weekly meeting with station management; prepare for forthcoming 7/15 public meeting with NRC and NNECo
July 13-17	Meeting with NRC staff on general status; Mtg with ECP staff re case investigation; Unit 2 MRT meeting; Interviews with CAP, Self-Assessment Program management; Continue oversight of CAP and self-assessment programs; ERB meeting; ECP File Corrective Actions mtg with NNECo; review SCWE Handbook revision; prepare for, participate in July 15 NRC public meeting with NNECo, LHC; meet with new NU General Counsel; regular weekly meeting with station management
July 20-24	Debrief consultant; Meet with NRC re ECOP; telecon with NRC; Meet with NU counsel re legal status; Work on quarterly report; meet with Millstone employee re concerns over efficiency; mtg re Culture Survey training; regular weekly meeting with station management
July 27-August 1	Telecon re reorganization and downsizing; interviews with CAP and Self-Assessment Program personnel; Review Unit 2 CRs, Unit 2 1998 Self-Assessment reports; attend Leadership conference; Unit 2 MD-MRT mtg; regular weekly meeting with station management
August 3-7	Continue review of Unit 2 CRs, Self-Assessment reports; Interview with Millstone personnel; Focus Area/case update mtg w/NNECo, NRC; Interview Millstone personnel re June culture survey; Interview NRC re case file; culture survey; leadership assessment status discussions; Interviews with Millstone personnel re Focus Area issues; Complete preliminary reviews of FAs from 1997; Unit 2 MT-MRT meetings; Interview NU counsel re HR/Legal status, SCWE issues, ECP issues; Unit 2 MD-MRT meetings; regular weekly meeting with station management
August 10-14	Interviews with Millstone personnel re HR, Focus Area, Culture Survey; interview with potential concernee; Report re open/closed status of 97 Focus Areas, 98 SCWE cases, May 1998 Leadership assessment, June 98 culture survey; Meeting with NNECo management re reorganization; meet with NNECo re NRC order; re ECP status; regular weekly meeting with station management
August 17-21	Continued review of Unit 2 CAP and 98 SA programs: Interviews Millstone CAP management; obtain and review 1997-98 Focus Area, Culture Survey, Leadership Survey data; Unit 2 MD-MRT meeting; regular weekly meeting with station management

August 24-28	NRC Inspection Entrance Mtg; Continued review of Unit 2 CAP and 98 SA programs; LHC personnel interviewed as part of NRC 40001 inspection; Unit 2 MD-MRT meeting; Prepare "Windows" and other presentations for, attend, and participate in NRC meeting with NNECo and LHC, 8/27; regular weekly meeting with station management
August 31-4 September	Continued review of ECP case files, CI reviews, ECP Self-Assessment reviews, ECOP reviews of ECP, ECP Processing Manual; draft LHC presentation on ECP; attend ECP Staff, "Standup" meetings; interview 19 ECP members; review and closing out ECP disposition of LHC recommendations; Unit 2 MD-MRT meetings; regular weekly meeting with station management
Sept 7-11	Reviewed Unit 2 CRs, 98 SA Program reports; Begin drafting input on Unit 2 CAP and S/A reports; begin preparation for Weekly call with NRC; Unit 2 MD-MRT meetings; regular weekly meeting with station management;
Sept 14-18	Meet with personnel from CY; numerous meetings, interviews to monitor progress of event involving Amerine; Reviewed HIRD files; met with potential Concerned Individual; regular meeting with station management; meeting with ECP management
Sept 21-25	Special late afternoon mtg of "people team" to address ongoing Amerine issue fallout; Completed review of Unit 2 Level 1 CRs; interviewed Millstone personnel se status and closure path for several of them; Worked on drafting report on Unit 2 CR review Update for 3rd Qtr report; monitor meetings between Amerine and Millstone personnel; Meeting re NRC exit interview on NRC 40001 inspection performed in August; NRC Conf call ; meet with Millstone management; regular weekly meeting with station management

IV. FORMAL PRESENTATIONS DURING THE QUARTER

LHC participated during the quarter in two presentations to the NRC Staff and NNECo concerning the status of a safety-conscious work environment at Millstone Point. On July 15, LHC presented an update of its "Windows" evaluation of the "Status of SCWE", presenting its views and comparing them to the evaluation criteria used by NNECo. LHC found the status of these criteria to be essentially unchanged since late May, i.e, acceptable for resumed operation. In further comments based on oversight of the ECP and the ECP's evaluation of incidents of alleged retaliation, LHC observed continued overall improvement – including the perception that concerned employees were taking their issues increasingly directly to NNECo entities rather than to LHC, and that within NNECo, they were taking them increasingly to the Human Resources personnel rather than to the safety-valve of the ECP. LHC still found room for further improvement in the quality of files and file reviews. As to the status of the 104 formal recommendations by LHC to NNECo, LHC will provide an updated matrix of recommendations

and their individual status as Attachment 6 to this report within a few weeks. As for further activities, LHC stated that it would continue to monitor the status of responses to its recommendations; the status of ECP files and investigations; and the transition of Unit 2 to startup. A summary of LHC's presentation is contained at Attachment 4.

On August 27, LHC presented a further update of its "Windows" assessment of the safety-consciousness of the Millstone work environment. The status was unchanged from July. The summary of the presentation is Attachment 5 to this report.

V. CONCLUSION

The workforce of Millstone continued to demonstrate, during the third quarter of 1998 with Unit 3 operating, a safety-conscious work environment consistent with resumed plant operation. Management began to present and discuss the necessary realignments which will follow from the decision to decommission Millstone Unit 1 and operate the remaining two units in a competitive environment. These realignments will involve both reductions in force at all levels and adjustments in individual positions throughout the plant, without losing a focus on safety. Maintaining this focus in the potential turbulence of these realignments and reorganizations will be a continuing challenge for all personnel at the plant. The only significant SCWE-related perturbation at the plant during this quarter – the Amerine matter discussed above – was handled with promptness, decisiveness and apparent maturity at all levels of the organization. If its disposition is an accurate indication, it suggests that a safety-conscious work environment is in fact in the process of being engrafted into the Millstone consciousness, though, as evidenced by the HIRD report's conclusions, that process is not yet complete.

ATTACHMENTS

1. Millstone Point Corrective Action Program: Final Report of Little Harbor Consultants (October 1998)
2. Millstone Employee Concerns Program: Periodic Report of Little Harbor Consultants (October 1998)
3. Millstone Employee Concerns Program: Harassment, Intimidation, Retaliation and Discrimination Investigative File Review (October 1998)
4. LHC Presentation to NRC and NNECO, Status of SCWE at Millstone (LHC Update), July 15, 1998
5. LHC Presentation to NRC and NNECO, Status of SCWE at Millstone (LHC Update), August 27, 1998
6. LHC Recommendation Matrix (to be provided later)

October 1998

MILLSTONE POINT CORRECTIVE ACTION PROGRAM: FINAL REPORT OF LITTLE HARBOR CONSULTANTS

INTRODUCTION

Purpose

During the implementation of the Independent Third-Party Oversight Program (ITPOP) at the Millstone Nuclear Power Station, Little Harbor Consultants (LHC) has focused attention on Northeast Utilities' efforts to strengthen several programs that play particularly critical roles in supporting the existence of a safety-conscious work environment. These programs include the Employee Concerns Program (ECP), the Corrective Action Program (CAP), and the Self-Assessment Program. This brief report summarizes the oversight activities that LHC has conducted on the Millstone CAP.

Background

LHC has completed its oversight of the Millstone CAP in three distinct phases. The first phase was completed in July–September 1997. It included a review of procedures that govern implementation of the CAP, the organizational infrastructure that had been established to implement the program, and the effectiveness of the program in identifying problems and developing corrective actions for them. The results of the first phase of LHC's review were presented to the NRC and NNECo at a public meeting on September 24, 1997. LHC concluded from this phase that the procedures governing the CAP were consistent with industry best practices and that the infrastructure that had been established to implement the program was in place and functioning. LHC also concluded that, while the CAP was effective in identifying problems and developing corrective actions for them, insufficient progress had been made at that time in implementing these corrective actions reach a conclusion regarding its overall effectiveness. LHC offered a number of recommendations for further improving the effectiveness and efficiency of the program.

LHC conducted a second review of the CAP in early 1998. This review focused on the implementation of the CAP for Unit 3, since Unit 3 had made the most progress in implementing corrective actions developed through the program and was the first unit for which approval to restart was to be requested. Results of this second phase of the LHC review were presented by LHC at a public meeting with the NRC and NNECo on April 7, 1998. LHC concluded that sufficient progress had been made in implementing corrective actions developed through the CAP in Unit 3 to warrant a conclusion that it was acceptable to support restart of that unit.

The third phase of LHC's review of the Millstone CAP was conducted during the months of July and August 1998. This phase consisted of a repeat of the activities completed

during phase 2, with the focus this time being on Unit 2's implementation of the program. The balance of this section addresses this third phase.

ASSESSMENT ACTIVITIES COMPLETED

LHC team members completed the following activities during the course of this phase of the assessment of the Millstone CAP:

1. Reviewed 29 Significance Level 1 CRs that had been written on Unit 2 between October 1997 and mid-July 1998.
2. Reviewed a number of Significance Level 2 CRs that had been written on Unit 2 since early 1998 as each was brought before the Unit 2 Multi-Discipline Management Review Team (MD-MRT).
3. Attended 8 Unit 2 MD-MRT meetings between mid-July and late August 1998.
4. Interviewed the Unit 2 Corrective Action Department (CAD) manager and the site Director who is responsible for the CAP.
5. Reviewed Revision 7 of procedure RP-4, *Corrective Action Program.*

ASSESSMENT RESULTS

The 29 Unit 2 Significance Level 1 CRs that were reviewed are listed in the table on the following page. Twenty-one of the CRs had been processed through to approval by the MD-MRT and subsequent release for implementation of corrective actions. The remaining eight CRs were still in various stages of processing prior to submittal to the MD-MRT for approval.

Review of the 21 completed CRs led to the following conclusions:

1. The CRs were generally well prepared, with the various sections completed so that someone unfamiliar with the events and subsequent investigations could obtain a reasonable understanding of the circumstances surrounding each with a reasonable effort.
2. Where a root cause analysis was required to be performed, the root cause report accompanying the CR was of acceptable quality. While the LHC team did not perform an independent analysis of the causes of any of the events, they were able to conclude in every case that the process of determining the cause(s) and the causes that were specified seemed appropriate, based on documentation contained in the CR. The team did note that the root cause analyses were not documented in as consistent a fashion as those prepared by the Unit 3 CAD staff reviewed earlier this year. It was subsequently explained the Unit 2 CAD manager that fewer of the Unit 2 staff had received the formal root cause analysis training that had been offered by the site Training Dept. in 1997 until it was suspended in August 1997.

Unit 2 Significance Level 1 Condition Reports Reviewed by LHC

Initiated	CR#	Title	Reportable?	Status, 9/10/98	Comments
17-Nov-97	M2-97-2656	DRAWING ERROR RESULTED IN NOT TAGGING THE CORRECT BREAKER IN SUPPORT OF HEATER WORK	N	Completed	Acceptable
20-Nov-97	M2-97-2693	CONTAINMENT PURGE VALVES NOT SURVEILLED EVERY 31 DAYS AS REQUIRED BY TS 4.6.1.1	Y	Completed, CAs being implemented	Acceptable
26-Nov-97	M2-97-2745	NOV 50-336/97-203-17, COMMITTED CHANGE TO AFW PROC REMOVED BY SUBSEQUENT REVISION W/O ADDRESSING ITEM	N	Completed, CAs being implemented	Acceptable
26-Nov-97	M2-97-2749	PIECE OF SERVICE WATER PIPING PVC LINER FOUND IN "B" DIESEL GENERATOR DUPLEX STRAINER	Y	Completed, CAs being implemented	Acceptable
26-Nov-97	M2-97-2751	C21'S HANDSWITCHES HS-4188C & HS-4188D MANUAL START OR RESET INHIBIT ARE NOT SURVEILLED	Y	Completed, CAs being implemented	Acceptable
14-Jan-98	M2-98-0100	ADVERSE TREND NOTED IN PROPER APPLICATION OF SECTION XI REPAIR PLANS	N	Completed, CAs being implemented	Acceptable
03-Feb-98	M2-98-0299	PERSONNEL SAFETY EVENT: INFLATABLE BLADDER DISLODGED WHEN SERVICE WATER ALIGNMENT CHANGED	N	Completed, CAs being implemented	Acceptable
04-Feb-98	M2-98-0307	POTENTIAL VIOLATION-EQUIPMENT IMPROPERLY STORED IN CONTROL ROOM	N	Completed	Acceptable
19-Feb-98	M2-98-0435	ADVERSE TREND OF MISSED READINGS THAT ARE REQUIRED BY ARCOR PROCEDURES	N	Completed, CAs being implemented	Acceptable
20-Feb-98	M2-98-0460	MULTIPLE FAILURES OF RECENTLY REPLACED SOLENOID VALVES CAUSED BY RESTRICTED AIR FLOW THROUGH ASCO SOLENOID EXHAUST PORTS	N	Completed, CAs being implemented	Acceptable
03-Mar-98	M2-98-0579	SUBSTANTIAL WORK COMMENCED WITHOUT PROPER PROCESSING OF PURCHASE ORDERS	N	Completed	Acceptable
19-Mar-98	M2-98-0760	MULTIPLE DEFICIENCIES NOTED REGARDING COMPLIANCE WITH WC-4	N	Completed, CAs being implemented	Acceptable
24-Mar-98	M2-98-0798	"B" D/G ROOM ENTERED THRU DOOR 206 WITHOUT LOGGING ON TO RWP AFTER ROOM RESTORED AS PART OF RCA	N	Completed	Acceptable
01-Apr-98	M2-98-0909	PIPING MODIFICATION CUT LINE WITHOUT PROPER ISOLATION, WATER SPILLED, FLOOR CONTAMINATED	N	Completed, CAs being implemented	Acceptable
09-Apr-98	M2-98-0999	WET LAYUP CONDITION OF FEEDWATER PIPING NOT PROPERLY MAINTAINED	N	Completed	Acceptable
30-Apr-98	M2-98-1197	MSLB ASSUMPTIONS FOR FAILED FUEL IMPACT CHANGED TO EXPECT FUEL FAILURE AS A CONSEQUENCE	Y	Completed	Acceptable
07-May-98	M2-98-1265	WORK ORDER RELEASED PRIOR TO TAGS BEING HUNG	N	Completed, CAs being implemented	Acceptable
09-May-98	M2-98-1288	FME INFLATABLE BLADDER INSTALLATION PROCESS HAS MULTIPLE PROBLEMS ON SW PIPE DISCHARGE FROM "A" D/G	N	Completed, CAs being implemented	Acceptable
19-May-98	M2-98-1411	POTENTIAL VIOLATION (TS 6.8.1) ID'D AT NRC RESIDENT EXIT MTG., "DRAINING AND FILLING ACTIVITIES"	N	Investigation not yet complete	
19-May-98	M2-98-1412	POTENTIAL VIOLATION (50.9) ID'D AT NRC RESIDENT EXIT MTG., NO	N	Completed, CAs being implemented	Acceptable

Initiated	CR#	Title	Reportable?	Status, 9/10/98	Comments
		PREDEFINED METHOD TO FILL EDG DAY TANK FROM OFF-SITE SOURCE			
19-May-98	M2-98-1413	POTENTIAL VIOLATION (TS 6.8.1) ID'D AT NRC RESIDENT EXIT MTG., POOR IMPLEMENTATION OF PROCEDURE OP 2330A, "RBCCW"	N	Investigation not yet complete	
22-May-98	M2-98-1468	AUDIT FINDING: MP2 SBO PROGRAM DEFICIENCIES PREVIOUSLY IDENTIFIED WITH NO TIMELY CORRECTIVE ACTION TAKEN	N	Completed, CAs being implemented	Acceptable
28-May-98	M2-98-1533	ALL REQUIRED HP PROCEDURE STEPS MAY NOT HAVE BEEN PERFORMED FOLLOWING A WORKER CONTAMINATION WITH POTENTIAL FOR INTERNAL CONTAMINATION	N	Completed, CAs being implemented	Acceptable
23-Jun-98	M2-98-1820	NOV/SSFI: INCOMPLETE ACCEPTANCE TEST FOR AIR ACCUMULATOR CHECK VALVE TEST	N	Returned to investigators for additional work on root cause	
23-Jun-98	M2-98-1821	NOV/SSFI: TWO INSTANCES OF INADEQUATE CORRECTIVE ACTION NOTED. ONE FOR RBCCW LOW FLOW SPIKING AND ONE FOR SWITCHYARD TS	N	Returned to investigators for additional work on root cause	
23-Jun-98	M2-98-1825	NOV/SSFI: ANNUNCIATOR RESPONSE PROCEDURE FOR RBCCW SYS.POORLY INTEGRATED W/OPERATING & ABNORMAL PROCEDURES,VARYING LEVEL OF DETAIL&NUMEROUS INCONS	N	Returned to investigators for additional work on root cause	
23-Jun-98	M2-98-1827	NOV/SSFI: CHANGE TO ELECTRICAL SEPARATION CRITERIA INCORRECTLY DETERMINED NO USQ	N	Returned to investigators for additional work on root cause	
07-Jul-98	M2-98-1940	ICAVP: POWER CABLES CIRCUIT PROTECTION CHALLENGED BY REDUCED AMPACITY DUE TO INADEQUATE TEMPERATURE RATINGS	N	Complete, downgraded to S/L 2	Acceptable
15-Jul-98	M2-98-2026	POWER SUPPLY FOR "A" LOGIC SUPPLY +15VDC ACTUATION CABINET FAILED	N	Investigation not yet complete	

3. Based on the same qualitative assessment approach, the LHC team concluded that the corrective actions specified for these CRs were reasonable and implementable by the various responsible organizations. Likewise, although delays had occurred for the implementation of some corrective actions, progress to date appeared to be reasonable, given the many activities competing for resources in the plant.

4. The team reviewed existing documentation for the eight uncompleted CRs (all written since early May 1998) and discussed the status of the investigation for each with the Unit 2 CAD manager. They concluded that acceptable progress was being made on these CRs. It was noted that four of the eight CRs had been written as the result of a Notice of Violation; these four had been submitted to the MD-MRT for approval but had been sent back for additional work.

5. The team's evaluation of the level 2 CRs that were being reviewed by the MD-MRT during the time frame of the assessment led to the conclusion these CRs had been properly classified for significance level and that they had processed generally in accordance with the requirements of RP-4. It was specifically noted that the corrective actions specified for these CRs were typically focused on correcting the reported problems and not more broadly at addressing postulated causes. This approach is consistent with the recommendation made by LHC in September 1997 that corrective actions on Level 2 CRs be so focused. Subsequent revisions of RP-4 have provided guidance consistent with this approach.

6. The Unit 2 CAD staff is providing strong support to the other organizations in the Unit.

7. Unit 2 management is also providing adequate support for the CAP, primarily through the strong day-to-day involvement of the MD-MRT.

8. Revision 7 of RP-4 contains some additional program enhancements. It integrates the site's NCR program into the CR process except that NCRs will continue to be written against purchased items that fail to meet specifications. Revision 7 also contains some features aimed at improving the efficiency of the corrective action process.

CONCLUSIONS

The LHC team concluded that Unit 2's implementation of the CAP is adequate to support restart of the unit. Several challenges will continue to confront Unit 2 management during the time leading up to and following restart. These challenges include the following:

1. A large backlog of corrective actions remains to be implemented prior to the unit being restarted. These corrective actions are the result of the several discovery efforts that have been conducted over the past 2 –1/2 years.

2. The program as currently implemented is quite resource intensive. Site management will have to develop means for improving the efficiency of the program while not reducing its effectiveness.

3. Unit senior management will also have to ensure that management throughout the unit maintains its focus on supporting the program if it is to remain effective.

4. Unit 2 CAD management needs to ensure that its staff members who perform root cause analyses receive appropriate training in the various root cause analysis methodologies that are employed at the site. This should result in improved consistency in the root cause analyses performed for Unit 2.

The LHC team conveyed these observations to Unit 2 CAD management.

October 1998

MILLSTONE POINT EMPLOYEE CONCERNS PROGRAM: PERIODIC REPORT OF LITTLE HARBOR CONSULTANTS

INTRODUCTION

Purpose

During the implementation of the Independent Third-Party Oversight Program (ITPOP) at the Millstone Nuclear Power Station, Little Harbor Consultants (LHC) has focused attention on Northeast Utilities' efforts to strengthen several programs that play particularly critical roles in supporting the existence of a safety conscious work environment. These programs include the Employee Concerns Program (ECP), the Corrective Action Program (CAP), and the Self-Assessment Program. This brief report summarizes the most recent oversight activities that LHC has conducted on the Millstone ECP.

Background

LHC began its oversight of the Millstone ECP in the second quarter of 1997. The results of the first round of oversight activities were presented in May and July of 1997. LHC has conducted follow-up assessments periodically since that initial effort. This report describes the results of the most recent oversight effort, conducted by members of the LHC team in early September 1998.

OVERSIGHT ACTIVITIES COMPLETED

The following oversight activities were completed during the first half of September 1998:

1. Reviewed selected documents:

    - 32 Concerned Individual (CI) feedback questionnaires/interviews
    - 11 ECP files that had been closed since the last LHC assessment
    - The latest revision of the *ECP Processing Manual*, Rev 4
    - Rev. 8 of the ECP Administration Control Documents
    - The Employee Concerns Oversight Panel (ECOP) Second Quarter Report
    - The ECP Monthly Reports for July and August, 1998

- The Culture and Leadership Assessment Surveys related to ECP and ECP management
- The report of the external self-assessment of Millstone Employee Concerns Program and Millstone management's draft responses
- A comparison of Revision 4 of the *ECP Processing Manual* to Revision 3 of that manual
- The ECOP ECP Focus Group Report
- Millstone management's implementation of the ECP exit process
- Several ECP Self-assessment reports

2. Interviewed the following people:

   - 18 ECP staff members
   - 7 Millstone employees who have used the ECP
   - 2 ECOP staff members

3. Observed an ECP staff meeting
4. Observed an ECP "standup" meeting

ASSESSMENT RESULTS

The LHC team performing the latest assessment reached the following conclusions regarding the Millstone ECP:

1. The ECP's governing documents continue to improve.

   - Revision 4 to the *ECP Processing Manual* should result in continued improvement.
   - The revised administrative controls should improve ECP corrective action development, implementation, and follow-up.
   - Changes are being made to the database that should improve ECP's ability to trend and analyze collective cases.
   - Self-assessments are being done per plan and are effective in identifying compliance issues and areas for improvement.

2. Implementation of the ECP continues to improve.

   - ECP investigations continue to be well performed and documented.
   - The ECP exit process is now being consistently implemented.
   - Implementation of the rapid response option is acceptable and effective in resolving issues.

- Operability and reportability issues are now being documented on CRs.

3. Various measures of the ECP's performance indicate that the program has gained respect at the Millstone site.

   - Morale and teamwork among the ECP staff continue to be high.
   - Customer satisfaction continues at a high level -- 94% would reuse ECP.
   - Cultural and leadership assessments related to ECP are positive.

4. The following observations indicate that opportunities exist for further improvements to the program and its implementation.

   - The number of allegations of incidents involving HIRD and subsequent substantiations have remained level; and the numbers are still high enough to warrant continuing management vigilance.
   - Preparations have not been made for the upcoming restructuring of the ECP organization as a part of the organizational realignment program. This realignment will result in some functions being transferred from the ECP organization to other organizations at the site.
   - One closed file does not contain evidence of adequate resolution of a potential nuclear safety significant issue (the file number has been brought to ECP management's attention).
   - Valuable observations and suggestions for improving ECP performance have been generated both internal and external to ECP that have yet to be embraced by ECP management.
   - Recommendations identified during self-assessments have not always been implemented in a timely manner.

These observations were brought to the attention of ECP management.

October 1998

MILLSTONE EMPLOYEE CONCERNS PROGRAM HARASSMENT, INTIMIDATION, RETALIATION AND DISCRIMINATION INVESTIGATION FILE REVIEW

PURPOSE:

The Nuclear Regulatory Commission's October 24, 1996 Order imposing a Third-Party Independent Oversight Program (ITPOP) at the Millstone Nuclear Power Station required that the oversight activities include a detailed review and analysis of the handling of complaints and allegations within the Millstone workforce of harassment, intimidation, retaliation and discrimination (HIRD) related to engagement in activities protected by NRC regulations at 10 CFR Sec. 50.7. This report summarizes the continuing activities of Little Harbor Consultants, Inc. (LHC) with respect to reviewing how HIRD allegations have been investigated by the Millstone Employee Concerns Program (ECP), and contains the observations from the file and program review conducted by LHC, as well as recommendations for improvements.

BACKGROUND:

LHC began its review of HIRD files in the second quarter of 1997. The results of the initial HIRD review were presented in January 1998, and covered all of the HIRD files opened since January and closed through mid-December, 1997. An update of the HIRD files was presented at a public meeting in April 1998. The third update was undertaken in July 1998 and completed in August 1998. With the completion of this quarter's file review, LHC has reviewed 100% of all HIRD files closed through August 1998, alleging some form of retaliatory action for engaging in protected activity.

OVERSIGHT ACTIVITIES COMPLETED:

During this quarter LHC reviewed the ECP's updated HIRD investigative criteria, training for ECP investigators in the updated HIRD criteria, use of more advanced analytical processes, and integration of self-critical assessments into the ECP.

During July and August 1998, LHC reviewed 32 files alleging that HIRD had taken place, at least in part, because of engagement in legally protected activity. In addition, LHC reviewed 7 ECP reports in which HIRD for non-50.7 reasons had taken place. LHC reviewed the ECP self-assessment activities, including internal and external audits of HIRD files and several self-assessments of HIRD investigative files. LHC interviewed employees who had raised HIRD allegations and/or were interviewed as witnesses by ECP investigators.

LHC reviewed and compared the internally reported statistics in the ECP monthly reports with its own assessments. LHC completed an in-depth review of several high-profile HIRD investigations

that were the subject of criticism by the Concerned Individual (CI) or witnesses contacted in connection with an investigation.

LHC staff attended a number of ECP staff meetings, investigative meetings, interviews with CIs, closure panels on HIRD allegations, and ERB reviews on HIRD allegations; and reviewed SCWE work plans to address the potential "chilling effect" of HIRD allegations on work environments.

ASSESSMENT RESULTS:

The following is a summary of the assessment results of the HIRD review for the third quarter of 1998.

1) HIRD investigative criteria:

In late spring 1997, Millstone management adopted a review process for analyzing whether allegations of harassment, intimidation, retaliation or discrimination were potentially violations of 10 CFR 50.7. This review process utilizes conservative criteria, modeled on the analytical process used by the United States Department of Labor and the NRC in conducting similar analyses. LHC has already reviewed these criteria and identified them as the most advanced in the industry. While the adoption of the criteria is laudatory, their use in the HIRD files reviewed this quarter was inconsistent, and in some instances LHC could not find evidence that the criteria had been applied at all. LHC identified 14 HIRD case files that were not analyzed consistently with the criteria. Of additional concern was the fact that the internal self-assessment of the ECP files did not identify this issue. However, the external file review did identify some of the same issues which LHC has pointed out.

2) Additional training for ECP investigators on use of new criteria:

The ECP was in the process of providing additional training for ECP investigators in connection with analyzing cases under the HIRD criteria adopted by Millstone management. This training was conducted on June 9, 1998. A review of the curriculum indicated that additional guidance and training was provided. LHC expects that further training of the ECP staff will result in better investigation plans and analysis of information gathered during their investigations.

3) Use of self-critical assessments of the ECP case files:

LHC also reviewed several different self-critical assessment tools developed during the third quarter and used by the ECP in conducting internal reviews, specifically, the August 28, 1998 and September 14, 1998 ECP Concern Case File Reviews done internal to the ECP and the August 20, 1998, external assessment of ECP allegations involving allegations of violations of 10 CFR 50.7 closed between April and June 1998. Both the internal and external assessments provided a detailed review of ECP implementation in the context of investigations.

The internal ECP assessment was, for the most part, limited to identification of weaknesses in administrative controls, i.e., missing signatures, incomplete forms. The internal assessments did not contain significant attempts to answer whether fundamental problems existed with investigation analyses and conclusions. The external assessment, conducted by NNECo's outside legal advisors, was an in-depth review of analytical strengths and weaknesses in investigation methodology and conclusions. The external review identified several areas in need of improvement, which overlap with LHC's observations identified below. When LHC had completed this quarterly assessment, the recommendations had not yet been incorporated into revised training for ECP investigators or into new analytical processes.

LHC would expect that the self-critical analysis of HIRD files will continue, including a review of whether ECP has responded effectively to all findings by both internal and external assessments.

4) LHC HIRD file reviews:

LHC reviewed 32 files that alleged some aspect of 50.7 HIRD, and 7 non-50.7 HIRD files. In general the investigations and analysis conducted by the ECP were very good. In some case files the work done was exceptional. In other cases there was a weakness in the investigation, analysis or conclusion. Additionally, LHC identified other areas that were in need of improvement.

Specifically, LHC identified 14 cases in which review of the ECP file generated a question, concern, or disagreement with the conclusions or corrective action evidenced on the face of the file. Those comments were provided to the ECP for review and reconsideration. Of those files, LHC agrees with the action or disposition of 11 of the findings. The issues from the remaining 3 case files have been provided to the ECP for further review.

LHC expects that implementation of the upgraded investigation guidelines, increased training, and continuing self analysis, will result in further improvement of the ECP investigations in this area.

5) LHC interviews of employees who had raised HIRD allegations and/or were interviewed as witnesses by ECP investigators:

During the third quarter LHC continued to be available to employees who were involved in the ECP investigative process. These interactions included employees who were contacted as witnesses, accused individuals, and concerned employees. LHC interviewed each contact, and pursued the concern of the employee through the ECP process. In most cases the ECP resolved the issue raised by the concerned employees. In some instances, ECP was not able to address the concern within the ongoing investigation.

However, the ECP has revised its current manual to address the rights and expectations of all users of the ECP going forward. ECP expects that this revised process will eliminate many of

the issues that were brought to LHC in connection with ECP investigative methodology.

6) Review and comparison of ECP's internally reported statistics to LHC assessment:

Following the completion of LHC's review of the HIRD files there was a concern that some of the statistics in the ECP's monthly report were not consistent with the classifications of ECP investigative files. This concern was also raised to LHC by an outside source. LHC reviewed the classification of issues in some detail with ECP and their external review process, which confirmed that some files may have been mis-classified during the intake process. However, a review of the completed files demonstrated that the HIRD 50.7 classification conducted at the conclusion of the investigation was consistent with the ECP results.

7) LHC review of several high profile HIRD incidents and investigations:

During the third quarter there were several high profile events with elements of HIRD. The most significant of these was the "voice mail" incident involving a Vice President. The details of this incident are included in the LHC quarterly report, and are included here only in the context of the handling of the incident by Millstone management. In that context, LHC observed the Rapid Response Resolution planning of the response to the event by ECP and Millstone management. The response was immediate, it provoked an investigation conducted over the weekend after a late Friday revelation of the incident, and the planning anticipated a potential "chilling effect" from the disclosure of the incident. The management "roll out" of the response was implemented effectively and in accordance with the plan. However, management may have underestimated the degree of cynicism and distrust that resulted from the disclosure. This attitude in the workplace reflects the tenuous nature of the workplace environment recovery identified by LHC in May and June 1998, and confirms that the progress is still fragile.

LHC also observed the conclusion of a long-standing ECP concern, opened in 1995. While the issues were not timely resolved, ultimately the ECP reinvestigation of the issues satisfied the concerned individual as being accurate. A single remaining issue was unresolved at the end of the third quarter, and will be monitored in the following quarter.

Finally, another high profile ECP case involving a member of Millstone management was concluded. This investigation was highly controversial and resulted in cross-allegations of the ECP process being abused by both accused and accuser. LHC reviewed the investigation process and the ECP report, as well as the closure process and final resolution. LHC made several observations on investigation weaknesses and reported those to the ECP Director. LHC also disagreed with some of the analysis of the facts by the ECP, and communicated that to the ECP Director. Finally, LHC observed the failure to communicate effectively with persons involved in the investigation and the resulting lack of trust in the credibility of the investigation, and communicated all of these observations to Millstone and ECP management. Ultimately management resolved the issues with the employees.

It should be noted that in all 3 of the cases identified above, Millstone management took an appropriately active role in evaluation of the ECP investigation and collection of other data by the Safety Conscious Work Environment (SCWE) organization and site managers in order to reach a final resolution for the cases. This is seen as a sign of a maturing organization.

LHC would expect that Millstone management will continue to become involved in and aware of the ECP investigation results, and to incorporate those ECP findings into management actions appropriate for the company and the involved individuals.

8) Observations of meetings and panel reviews related to HIRD allegations:

LHC staff also attended a number of ECP staff meetings, investigative meetings, interviews with Concerned Individuals, closure panels on HIRD allegations, Executive Review Board (ERB) reviews on HIRD allegations, SCWE meetings addressing potential HIRD issues, as well as reviewing SCWE work plans to address the potential "chilling effect" on work environments of HIRD allegations. LHC also monitored the work environment in several locations that have been the subject of previous HIRD allegations.

With a few exceptions, the Millstone management team and ECP have continued to demonstrate a sensitivity to the potential for a "chilling effect" from perceptions of retaliatory treatment, and to make management decisions that address those concerns. Millstone, like other plants throughout the industry, continues to receive complaints that personnel actions have been taken unfairly, unjustly and for retaliatory reasons. In general, Millstone has also responded to these accusations in a timely and effective manner, showing respect to the accuser and accused.

However, there have been a number of cases in which accused managers have not been handled with appropriate consideration, generating a fear among managers that simple accusations will result in termination of employment. Several complaints have been received by LHC and others that some ECP investigators employ a hostile attitude toward managers, and are less than forthright in their investigative techniques. These issues have resulted in complex and difficult cases becoming more so, and adding layers of complaints upon the initial investigation. The ECP has adopted new guidelines for dealing with both those accused of wrongdoing and witnesses interviewed in ECP investigations. LHC expects that these new guidelines will effectively address this concern.

RECOMMENDATIONS:

1) Improve the quality of ECP HIRD investigation reports, eliminating extraneous personal commentary and opinions of the investigators, and clarifying the basis for the ECP conclusions;

2) Improve quality of internal self-assessment file reviews to provide greater depth in evaluating investigations of 50.7 HIRD issues;

3) Implement the new investigative guidelines in conducting interviews with employees accused of wrongdoing and witnesses, including measuring performance of investigators in conducting investigation interviews through use of customer feedback forms;

4) Continue to provide training to ECP investigators on understanding the elements of a 50.7 HIRD concern, in order to properly investigate HIRD complaints, analyze the evidence collected, and provide logical conclusions in the basis for ECP findings;

5) Develop a consistent definition and understanding among all ECP investigators and staff, as well as other Millstone entities involved in ECP activities, of relevant terms and concepts, such as "chilling effect," "adverse actions," and "blacklisting;"

6) Continue self-assessment and external assessment activities of 50.7 HIRD files and follow through on all observations and recommendations from such activities.

CONCLUSION:

The Millstone Employee Concerns Program continues to receive a relatively high number (compared to the rest of the commercial nuclear industry) of ECP allegations of harassment, intimidation, retaliation and discrimination from its workforce. As a result it is critical that the ECP continue to improve its program in this area, thus assisting the company in identifying and resolving HIRD concerns promptly and effectively. This situation will likely continue until employees re-establish sufficient trust with management to address HIRD issues directly through their chain of command. Based on third-quarter observations, LHC does not expect that level of trust to be fully re-established during the fourth quarter of 1998. However, the Millstone Employee Concerns Program is among the best in the industry even though the implementation of ECP is not consistently at that same level. While many of the programmatic and individual case file weaknesses were self-identified, others were not. LHC expects that ECP management will address all of the issues raised in this report, and continue their self-assessments.

STATUS OF A SAFETY CONSCIOUS WORK ENVIRONMENT AT MILLSTONE: LHC UPDATE

Little Harbor Consultants
Presentation to NRC and NNECo
July 15, 1998

AGENDA
LHC PRESENTATION

- Windows Update - John Beck
- Employee Concerns Oversight Panel - John Beck
- ECP/Retaliation Files Review - Billie Garde
- ITPOP Recommendations - John Griffin
- Future LHC Activities - John Griffin

STATUS OF A SAFETY CONSCIOUS WORK ENVIRONMENT AT MILLSTONE

LHC Assessment of NNECo Success Criteria

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Yellow →	Yellow ↑	+ Yellow ↑	+ Yellow ↑	+ Yellow ↑
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

NNECo Success Criteria

1. Demonstrate the willingness to raise concerns.

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
Yellow ↑	Yellow ↑	Yellow ↑	Yellow ↑	Yellow ↑

NNECo Success Criteria

2. Demonstrate that issues are being effectively resolved by line management. (Corrective Action Program)

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
Yellow ↑	Yellow ↑	Yellow ↑	Yellow ↑	+ Yellow ↑

NNECo Success Criteria

3. Demonstrate that the ECP is effective.

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Factors Considered in Evaluation

- Continued Customer Satisfaction
- Implementation of 50.7 Review Process
- Training for ECP Investigators
  - 50.7
  - Lessons Learned
- Concerns Backlog Reduction
- Tracking of ECP Commitments in AITTS

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Red ↑	Red ↑	Yellow ↑	Yellow →	Yellow ↑
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

NNECo Success Criteria

4. Demonstrate that management can recognize and effectively deal with alleged instances of HIR&D, or other circumstances which have created a chilling effect, which collectively are referred to as problem areas.

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Factors Considered in Evaluation

- Training for New Supervisors and Managers
- Grass Roots Enthusiasm of Work Force
- Professional Behavior at Meetings
- Management Response to Emerging Issues

STATUS OF NNECo SUCCESS CRITERIA

+ Yellow	Workforce willing to raise concerns	Ready for Restart
Yellow	CAP is effective	Ready for Restart
+ Yellow	ECP is effective	Ready for Restart
Yellow	Able to deal with HIR&D	Ready for Restart

OVERSIGHT OF MILLSTONE WORK ENVIRONMENT

Little Harbor Consultants
Attributes

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Green	Green	Green	Green	Green
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

LHC Expectation 1

Senior management endorses a policy that places priority on nuclear safety, supports the workers' rights to raise safety issues and ensures that workers will not be subjected to harassment, discrimination or intimidation if they do so.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
Yellow →	Yellow →	Yellow ↑	Yellow ↑	Yellow ↑

LHC Expectation 2

Employee perceptions of the policy and its implementation are favorable.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
Yellow ↑	Yellow ↑	Yellow →	Yellow →	Yellow ↑

LHC Expectation 3

Senior management provides training to all managers and supervisors to ensure that they understand and employ good management practices when dealing with employees who have safety concerns and do so with understanding.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Factors Considered in Evaluation

- "Quick Start" Training for New Supervisors
- Training for Supervisors and Managers
- Training Backlog Reduction

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow →	Yellow →	Yellow →	Yellow →	Yellow ↑
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

LHC Expectation 4

Members of the workforce have a sense of identity and are committed to the publicly stated goals and objectives of the organization, have respect for each other, communicate effectively both horizontally and vertically, and feel responsible for their own behavior.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Factors Considered in Evaluation

- Grass Roots Enthusiasm of Work Force

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow →	Yellow →	Yellow →	Yellow →	Yellow ↑
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

LHC Expectation 5

People at all levels of the organization treat each other with mutual respect.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Factors Considered in Evaluation

- Professional Behavior in Meetings

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
+ → Yellow	+ → Yellow	+ → Yellow	+ → Yellow	+ → Yellow

LHC Expectation 6

Employees exhibit a "questioning attitude" toward work and the work environment with respect to nuclear safety.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
− → Yellow	→ Yellow	+ → Yellow	+ ↑ Yellow	+ ↑ Yellow

LHC Expectation 7

Positive recognition is given to employees who identify safety issues.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
↑ Red	↑ Red	− ↑ Yellow	→ Yellow	↑ Yellow

LHC Expectation 8

Incidents leading to allegations of harassment, intimidation, retaliation or discrimination rarely occur, and management is timely and effective in taking action for resolution and prevention.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Factors Considered in Evaluation

- Management Response to Emerging Issues (+)
- Approximately 50 % of ECP Concerns that Involve HIRD (-)
- Timely Training for New Supervisors and Managers (+)

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

1/27/98	2/19/98	3/3/98	4/7/98	5/27/98
— Yellow	↑ Yellow	↑ Yellow	↑ Yellow	↑ Yellow

LHC Expectation 9

There is no evidence that an atmosphere exists that has a "chilling effect" on the willingness of employees to report safety issues.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow	Yellow	Yellow	Yellow	Yellow
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

LHC Expectation 10

An effective and efficient corrective action program is functioning and all employees recognize the normal (and preferred method) for addressing safety issues is through the line organization.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow	Yellow	Yellow	Yellow	+ Yellow
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

LHC Expectation 11

Senior management recognizes that some concerns may not be addressed through the normal line organization and has established an [effective] Employee Concerns Program (ECP) for handling such concerns.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Factors Considered in Evaluation

- Continued Customer Satisfaction
- Implementation of 50.7 Review Process
- Training for ECP Investigators
  - 50.7
  - Lessons Learned
- Concerns Backlog Reduction
- Tracking of ECP Commitments in AITTS

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow	Yellow	Yellow	Yellow	Yellow
1/27/98	2/19/98	3/3/98	4/7/98	5/27/98

LHC Expectation 12

Independent and self-assessments are performed periodically to monitor performance and correct identified deficiencies.

LHC ATTRIBUTES CONTRIBUTING TO NNECo SUCCESS CRITERIA 1

Demonstrate the willingness to raise concerns.

2. Employee perception of SCWE... Yellow
6. Employees exhibit a questioning attitude... Yellow
7. Positive recognition is given to employees... Yellow
9. No evidence of "chilling effect"... Yellow
12. Independent and self-assessments are performed... Yellow

LHC ATTRIBUTES CONTRIBUTING TO NNECo SUCCESS CRITERIA 4

Demonstrate that management can recognize and ... deal with ... HIR&D.

3. Senior management provides training to all managers ... Yellow
4. Members of the workforce have a sense of identity and are committed to the ...goals ... Yellow
5. People ... treat each other with mutual respect. Yellow
8. Incidents leading to allegations of HIR&D...rarely occur... Yellow
9. There is no evidence that an atmosphere exists that has a "chilling effect." Yellow

OVERSIGHT OF MILLSTONE WORK ENVIRONMENT

Status Report:
Continuing LHC Oversight of ECP
and
ECP Retaliation Investigations

LHC OBSERVATIONS FROM CONTINUING OVERSIGHT OF ECP

- Incidents of HIRD Continue to Decrease in Number and Severity
- Resolution of High Profile Disputes Continue
- Anticipation and Prevention of Potential "Chilling Effect" Situations Has Improved
- HR Processes and Customer Based Activities Continue to Improve

STATUS OF ECP INVESTIGATIONS OF ALLEGED RETALIATION

- Twenty Retaliation Investigations Completed by ECP Since May 1
  - LHC Has Reviewed 10 Investigative Files
  - Files Are Generally Markedly Improved
  - Investigators Are Following HIRD Investigative Criteria
  - Investigative Findings Are Generally Supported by the Evidence
  - Customer Satisfaction Is Improving
  - Communications Are More Customer Sensitive

STATUS OF ECP INVESTIGATIONS OF ALLEGED RETALIATION

- Some Files Lack Necessary Analytical Depth to Support Conclusions or Contain Commentary or Opinions by Investigator Not Tied to Investigative Findings or Observations
- ECP Review Process of Investigative Findings Should Be Strengthened

OVERSIGHT OF MILLSTONE WORK ENVIRONMENT

LHC Recommendations to NNECo: Status Report

STATUS OF IMPLEMENTATION OF LHC RECOMMENDATIONS

- 104 LHC Recommendations
- 104 NNECo Responses Are Acceptable
- 24 Open Recommendations
- 7 Recommendations Are Closed With Monitoring Required

OVERSIGHT OF MILLSTONE WORK ENVIRONMENT

LHC Future Activities

FUTURE LHC ACTIVITIES

- Monitoring of Responses to Recommendations
- Monitoring of ECP Files and Investigations
- Unit 2 Corrective Action Program
- Monitoring Transition Plan

STATUS OF A SAFETY CONSCIOUS WORK ENVIRONMENT AT MILLSTONE: LHC UPDATE

Little Harbor Consultants
Presentation to NRC and NNECo
August 27, 1998

AGENDA
LHC PRESENTATION

- Windows Update
- Status of LHC Recommendations

OVERSIGHT OF MILLSTONE WORK ENVIRONMENT

LHC Assessment of NNECo Success Criteria

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Yellow	+ Yellow	+ Yellow	+ Yellow	+ Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

NNECo Success Criteria

1. Demonstrate the willingness to raise concerns.

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Yellow	Yellow	Yellow	Yellow	Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

NNECo Success Criteria

2. Demonstrate that issues are being effectively resolved by line management. (Corrective Action Program)

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Yellow	Yellow	Yellow	+ Yellow	+ Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

NNECo Success Criteria

3. Demonstrate that the ECP is effective.

STATUS OF NNECo SUCCESS CRITERIA FROM LHC ATTRIBUTES

Red	Yellow	Yellow	Yellow	Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

NNECo Success Criteria

4. Demonstrate that management can recognize and effectively deal with alleged instances of HIR&D, or other circumstances which have created a chilling effect, which collectively are referred to as problem areas.

OVERSIGHT OF MILLSTONE WORK ENVIRONMENT

Little Harbor Consultants
Attributes

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Green	Green	Green	Green	Green
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

LHC Expectation 1

Senior management endorses a policy that places priority on nuclear safety, supports the workers' rights to raise safety issues and ensures that workers will not be subjected to harassment, discrimination or intimidation if they do so.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow →	Yellow ↑	Yellow ↑	Yellow ↑	Yellow ↑
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

LHC Expectation 2

Employee perceptions of the policy and its implementation are favorable.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

2/19/98	3/3/98	4/7/98	5/27/98	8/20/98
Yellow ↑	Yellow →	Yellow →	Yellow ↑	Yellow ↑

LHC Expectation 3

Senior management provides training to all managers and supervisors to ensure that they understand and employ good management practices when dealing with employees who have safety concerns and do so with understanding.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

2/19/98	3/3/98	4/7/98	5/27/98	8/20/98
Yellow →	Yellow →	Yellow →	Yellow ↑	Yellow ↑

LHC Expectation 4

Members of the workforce have a sense of identity and are committed to the publicly stated goals and objectives of the organization, have respect for each other, communicate effectively both horizontally and vertically, and feel responsible for their own behavior.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

2/19/98	3/3/98	4/7/98	5/27/98	8/20/98
Yellow →	Yellow →	Yellow →	Yellow ↑	Yellow ↑

LHC Expectation 5

People at all levels of the organization treat each other with mutual respect.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

2/19/98	3/3/98	4/7/98	5/27/98	8/20/98
+ Yellow →	+ Yellow →	+ Yellow →	+ Yellow →	+ Yellow →

LHC Expectation 6

Employees exhibit a "questioning attitude" toward work and the work environment with respect to nuclear safety.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

2/19/98	3/3/98	4/7/98	5/27/98	8/20/98
Yellow →	+ Yellow →	+ Yellow ↑	+ Yellow ↑	+ Yellow ↑

LHC Expectation 7

Positive recognition is given to employees who identify safety issues.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

2/19/98	3/3/98	4/7/98	5/27/98	8/20/98
Red ↑	− Yellow ↑	Yellow →	Yellow ↑	Yellow ↑

LHC Expectation 8

Incidents leading to allegations of harassment, intimidation, retaliation or discrimination rarely occur, and management is timely and effective in taking action for resolution and prevention.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow	Yellow	Yellow	Yellow	Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

LHC Expectation 9

There is no evidence that an atmosphere exists that has a "chilling effect" on the willingness of employees to report safety issues.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow	Yellow	Yellow	Yellow	Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

LHC Expectation 10

An effective and efficient corrective action program is functioning and all employees recognize the normal (and preferred method) for addressing safety issues is through the line organization.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow	Yellow	Yellow	+ Yellow	+ Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

LHC Expectation 11

Senior management recognizes that some concerns may not be addressed through the normal line organization and has established an [effective] Employee Concerns Program (ECP) for handling such concerns.

LHC SAFETY CONSCIOUS WORK ENVIRONMENT ATTRIBUTE STATUS

Yellow	Yellow	Yellow	Yellow	Yellow
2/19/98	3/3/98	4/7/98	5/27/98	8/20/98

LHC Expectation 12

Independent and self-assessments are performed periodically to monitor performance and correct identified deficiencies.

LHC ATTRIBUTES CONTRIBUTING TO NNECo SUCCESS CRITERIA 1

Demonstrate the willingness to raise concerns.

2. Employee perception of SCWE... Yellow
6. Employees exhibit a questioning attitude... Yellow
7. Positive recognition is given to employees... Yellow
9. No evidence of "chilling effect"... Yellow
12. Independent and self-assessments are performed... Yellow

LHC ATTRIBUTES CONTRIBUTING TO NNECo SUCCESS CRITERIA 4

Demonstrate that management can recognize and ... deal with ... HIR&D.

3. Senior management provides training to all managers ... Yellow
4. Members of the workforce have a sense of identity and are committed to the ...goals ... Yellow
5. People ... treat each other with mutual respect. Yellow
8. Incidents leading to allegations of HIR&D...rarely occur... Yellow
9. There is no evidence that an atmosphere exists that has a "chilling effect." Yellow

ATTACHMENT 3

Northeast
Nuclear Energy

Rope Ferry Rd. (Route 156), Waterford, CT 06385

Millstone Nuclear Power Station
Northeast Nuclear Energy Company
P.O. Box 128
Waterford, CT 06385-0128
(860) 447-1791
Fax (860) 444-4277

The Northeast Utilities System

DEC 9 1998

Docket Nos. 50-245
50-336
50-423
B17501

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555

Millstone Nuclear Power Station, Unit Nos. 1, 2, and 3
Request for Closure of NRC Order dated October 24, 1996, Requiring Independent, Third-Party Oversight of NNECO's Implementation of Resolution of Employee Concerns

In its submittal dated March 31, 1998,[1] Northeast Nuclear Energy Company (NNECO) reported to the NRC that it had established a Safety Conscious Work Environment (SCWE) at Millstone which supported the restart of Unit 3. On April 24, 1998,[2] NNECO supplemented the March 31st letter, providing detailed plans for the transition of the SCWE organization from its recovery structure to a future equilibrium organization. In a Staff Requirements Memorandum of May 19, 1998, the NRC Staff also concluded that the work environment at Millstone supported the restart of Unit 3, subject to the continued oversight of Little Harbor Consultants (LHC). On that basis, the Commission approved the restart of Unit 3.

The work environment at Millstone remains healthy. Enhancements made to support the restart of Unit 3 have been institutionalized. In some cases, the improvements have been tailored to support an operational site, as opposed to a site in recovery. Other enhancements have been made in anticipation of the eventual departure of LHC. Consistent with these efforts, LHC has reported in its most recent quarterly report[3] that Millstone continues to have a safety conscious work environment and that, in recognition of this, LHC has begun phase-out activities.

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(1) NNECO letter B17138, "Establishment of a Safety Conscious Work Environment," dated March 31, 1998.
(2) NNECO letter B17214, "Supplement to the Millstone SCWE Readiness Letter of March 31, 1998," dated April 24, 1998.
(3) LHC letter, "Quarterly Report of Little Harbor Consultants," dated November 13, 1998.

Given these developments, it is time to determine whether the conditions which led to the imposition of the Commission's Order of October 24, 1996, (Order) still exist. The purpose of this letter is to demonstrate: (a) that NNECO has corrected the conditions which led to the imposition of the Order; (b) that the corrective actions taken to date have produced sustained, acceptable performance; and (c) that programs, plans, and processes are in place to continue to enhance future performance. Accordingly, NNECO requests that the Commission rescind the Order.

The Order contains four specific requirements, all of which have now been satisfied. Specifically:

- NNECO has submitted and implemented a comprehensive plan for (a) reviewing and dispositioning safety issues raised by employees and (b) ensuring that employees who raise safety concerns are not subject to discrimination.
- LHC has provided third-party oversight for NNECO's comprehensive plan implementation.
- The LHC's oversight of Millstone has been conducted in accordance with an NRC-approved plan which contains details regarding allegations.
- NNECO's performance demonstrates that the conditions which led to the requirement of the third-party oversight have been corrected.

The final requirement of the Order is the focus of this submittal. In determining that the conditions which led to the imposition of the Order no longer exist, NNECO has assessed its performance by: (a) continuing to evaluate its performance under the four success criteria originally used to determine its readiness for the restart of the units; and (b) assessing its response to recent challenges and comparing the causes of, and responses to, those events to the causes and responses which led to the imposition of the Order. Having determined that its performance merits the lifting of the Order, NNECO has in place an integrated plan to monitor the future work environment at Millstone and a specific action plan (the 1998-2000 Performance Plan) to enhance the work environment.

Since the first quarter of 1998, NNECO's performance under the four success criteria has remained acceptable. First - surveys, assessments, and performance monitoring consistently indicate that employees at Millstone are willing to raise concerns. Reliable data shows that virtually all employees are willing to raise concerns and over 90% will do so with their supervision. Second - NNECO's Corrective Action Program (CAP) continues to demonstrate that employees' issues are being effectively resolved by line management. A NNECO Independent Review Team conducted an assessment of the CAP in October 1998, and concluded that the program was performing satisfactorily and continuing to improve. Third - the NNECO Employee Concerns Program (ECP) continues to function effectively. Performance indicators reflect a reduction in the backlog of cases and in the time under investigation. Additional data confirms an

increase in customer satisfaction as well. Fourth - management has consistently demonstrated that it can effectively address concerns of retaliation and respond to events which could potentially harm the work environment. Continued training remains a hallmark of management's efforts to prevent retaliation. But when allegations arise or events occur, management has been actively involved in finding solutions to the issues.

Wholly apart from the assessment of these four success criteria, NNECO has also conducted a qualitative assessment of recent events to evaluate its response to these events and to determine whether the conditions which led to the imposition of the Order remain. This "Common Cause" review identified both strengths and weaknesses in management's responses to the events studied. Based upon their findings, the team developed recommendations and compared them to the actions contemplated in the 1998-2000 Performance Plan. To the extent that the Plan did not already address a recommendation, that Plan has been supplemented. Significantly, the review team concluded that the adverse conditions identified by the FCAT and the MIRG did not appear to be present in the recent events.

Satisfied that it has demonstrated sustained acceptable performance since at least January 1998, and satisfied that the conditions giving rise to the Order no longer exist, NNECO has begun implementation of plans to prevent backsliding and to enhance performance after the departure of LHC. To assure itself that it will continue to have a timely and accurate assessment of the work environment, NNECO has developed a SCWE Assessment Plan. That plan calls for the conduct of regular assessments and audits by a variety of company resources, e.g., self assessment by line management, Nuclear Oversight, Employee Concerns Oversight Panel (ECOP), and Nuclear Safety Assessment Board. Supplementing these internal reviews, NNECO will use external resources to provide independent and expert assessments of the work environment. Central to this effort will be hiring of LHC for the conduct of periodic reviews during the year following the rescission of the Order. The experience and insight obtained by LHC during its period of formal oversight will be invaluable to NNECO in gauging its continued performance and, more importantly, in finding new ways to improve the work environment at Millstone.

With accurate assessments of the work environment providing continuing feedback, management can adjust, as necessary, its ongoing 1998-2000 Performance Plan. NNECO began implementation of the Work Environment Section of that Plan during the first quarter of 1998. The purpose of this section of the Plan is to ensure that NNECO builds on the successes achieved thus far in the restoration of a healthy work environment so that the organization can perform at a higher and safer level in the future. The overall Performance Plan recognizes that future operational success in a competitive market depends upon the conduct of the safe operations in an environment which embraces open, candid communications.

As part of its oversight of Millstone and in anticipation of its consideration of a request for the lifting of the Order, the NRC Staff has conducted a number of inspections. During an August 1998 inspection, the Staff identified eight items which required some action and returned to Millstone for a follow-up inspection in October. NNECO has taken the action necessary, or provided the information, as appropriate, for each of the items and discussed its response with the Staff. In a public exit meeting conducted on November 24, 1998, the Staff indicated its satisfaction with NNECO's responsive actions for the eight items.

In addition, NNECO's oversight groups, the Nuclear Oversight organization and the Nuclear Safety Assessment Board (NSAB) have separately concurred that the conditions which led to the establishment of the Order have been corrected.

For all these reasons, NNECO requests that the Commission rescind the Order.

Attachment 1 identifies the regulatory commitments in this letter.

Attachment 2 is a more complete discussion of the facts and data supporting this request for rescission.

Attachment 3 is an outline of the specific requirements set forth by the Commission in its Order of October 24, 1996, and an outline indicating how NNECO has complied with each of those requirements.

Attachment 4 is the latest update of the Work Environment Focus Area of the 1998-2000 Performance Plan to be incorporated into the next revision of the Performance Plan. NNECO provided an earlier version of this document when it submitted its letter of March 31, 1998, before the restart of Unit 3.

Attachment 5 reports the status of NNECO's SCWE Transition Plan. Again, this document is an update of the plan submitted by NNECO in its submittal of April 24, 1998.

Attachment 6 is the SCWE Assessment Plan Matrix. As noted above, the SCWE Assessment Plan will provide the basis for NNECO's monitoring of the work environment after the rescission of the Order.

If there are any questions on the information provided in this letter, please contact Mr. John T. Carlin at 860-437-5938.

Very truly yours,

NORTHEAST NUCLEAR ENERGY COMPANY

Leon J. Olivier
Senior Vice President and
Chief Nuclear Officer

Attachment 1
Attachment 2
Attachment 3
Attachment 4
Attachment 5
Attachment 6

cc: H. J. Miller, Region I Administrator
W. M. Dean, Director, Millstone Project Directorate
W. D. Lanning, Director, Millstone Inspections
J. P. Durr, Chief, Inspections Branch, Millstone Inspections
S. Dembek, NRC Project Manager, Millstone Unit No. 2
D. P. Beaulieu, Senior Resident Inspector, Millstone Unit No. 2
J. W. Andersen, NRC Project Manager, Millstone Unit No. 3
A. C. Cerne, Senior Resident Inspector, Millstone Unit No. 3
E. V. Imbro, Director, Millstone ICAVP Inspections
H. N. Pastis, ECP and SCWE Oversight, Senior Project Manager

Docket Nos. 50-245
50-336
50-423
B17501

Attachment 1

Millstone Nuclear Power Station, Unit Nos. 1, 2, 3
Regulatory Commitments

December 1998

List of Regulatory Commitments

The following table identifies those actions committed to by NNECO in this document.

Commitment Number	Regulatory Commitment	Committed Date or Outage
B17501-01[1]	The Human Services Organization will be restructured based on performance and assessment as part of the strategic organizational realignment at Millstone.	12/31/99
B17501-02[2]	NNECO will remove contractual restrictions which preclude LHC from pursuing, for a specified period following closure of the Order, future work opportunities at NU facilities.	1/31/99

(1) This modifies commitment B17138-02, NNECO letter B17138, "Establishment of a Safety Conscious Work Environment," dated March 31, 1998.

(2) This modifies B16232-01, NNECO letter B16232, "Proposed Third Party Oversight of Comprehensive Plan for Reviewing and Dispositioning Safety Concerns Raised by Employees, Response to Request for Additional Information," dated February 14, 1997.

Docket Nos. 50-245
50-336
50-423
B17501

Attachment 2

Millstone Nuclear Power Station, Unit Nos. 1, 2, 3

Information Demonstrating that the Conditions Which Led to the Imposition of Independent Third Party Oversight at Millstone Station Have Been Corrected

December 1998

Information Demonstrating that the Conditions Which Led to the Imposition of Independent Third Party Oversight at Millstone Station Have Been Corrected

I. Introduction

The Commission's Order of October 24, 1996, contains four requirements. The first three requirements were either administrative in nature or directed at LHC. Attachment 2 provides a summary of the individual requirements of the Order and the actions taken to address each requirement. The fourth requirement of the Order is the focus of this attachment.

The fourth requirement of the Order provides that "[t]he plan for independent third-party oversight will continue to be implemented until the Licensee demonstrates, by its performance, that the conditions which lead to the requirement of that oversight have been corrected to the satisfaction of the NRC." As discussed below, NNECO's review of Millstone's performance and supporting data demonstrate that the conditions which led to the imposition of the Order have been corrected.

II. NNECO has Addressed the Fourth Requirement of the October 24, 1996, Order

The conditions which led to the imposition of the Order were the subject of two significant inquiries. First, in May 1996, NNECO established a Fundamental Cause Assessment Team (FCAT) which identified three fundamental causes in the decline in Millstone's performance:

- Senior management did not consistently exercise effective leadership and articulate and implement appropriate vision and direction;
- The Nuclear organization did not establish and maintain high standards and expectations; and
- The Nuclear organization's leadership, management, and interpersonal skills were weak.

These same general themes were apparent in a second inquiry – the NRC's Millstone Independent Review Group (MIRG). The MIRG reached five principal conclusions about the work environment at Millstone:

- The large number of concerns being brought to the NRC indicated that NNECO's programs were ineffective in resolving employees' concerns;
- Managers who were responsible for discrimination were not appropriately disciplined;

- Management was ineffective in implementing corrective action;
- Management was reluctant to admit mistakes; and
- Managers lacked the skills necessary to handle their employees' concerns and were generally not supportive of those employees.

NNECO's March 31, 1998, letter[1] provided data and described how these causes had been addressed to the point where a safety conscious work environment had been established. Since the submission of that letter, NNECO has continued to enhance the quality of its work environment and to focus attention on implementing corrective actions to address the conditions which led to the issuance of the Commission's Order. During the past year, NNECO has assessed its performance by using four principal success criteria: (1) the willingness of the employees to raise concerns; (2) the effectiveness of dealing with issues, largely measured by the effectiveness of the Corrective Action Program; (3) the effectiveness of the Employee Concerns Program; and (4) the effectiveness of management's response to allegations of harassment, intimidation, retaliation, and discrimination. NNECO's letter of March 31st provided an assessment of each of these criteria as of that date and concluded that Millstone's performance in each of these areas was satisfactory for restart. A review of Millstone's performance since that time indicates that overall performance remains satisfactory to support station operation and continues to improve.[2],[3] This sustained performance demonstrates that the fundamental causes identified by the FCAT and MIRG have been corrected.

A. NNECO Continues to Satisfy Its Four SCWE Success Criteria

The following discussion updates the information provided in the March 31st submittal. Specific SCWE assessment and performance data is provided in NNECO's Second and Third Quarter Performance Reports.[2],[3]

The First Success Criterion

The first success criterion requires that the employees at Millstone be willing to raise safety concerns. Performance monitoring and assessments continue to confirm that the workforce not only possesses the willingness to raise concerns, but it also has the confidence that the concerns will be addressed with commitment, respect and timeliness; and with no fear of retaliation.

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(1) NNECO letter B17138, "Establishment of a Safety Conscious Work Environment," dated March 31, 1998.

(2) NNECO Letter B17379 "Millstone Nuclear Power Station, Unit 3 - Second Quarter Performance Report," dated August 11, 1998.

(3) NNECO Letter B17380 "Millstone Nuclear Power Station, Unit 3 - Third Quarter Performance Report," November 16,1998.

In February 1998, LHC conducted structured interviews which indicated that 100 percent of Millstone employees would raise a concern if they became aware of a problem that could affect the safe operation of the plant. Consistent with these results, the most recent Millstone Leadership Assessment, performed in the second quarter of 1998, found that over 98 percent of supervisors were rated as effective in handling employee concerns. In addition, the highest scores in the Leadership Assessment were on management's willingness to listen to employee concerns and a heightened sensitivity to concerns by management, both of which were rated as "very effective." In the third quarter of 1998, a survey conducted by NNECO's Employee Concerns Oversight Panel (ECOP) reached similar conclusions. In the ECOP survey, 91 percent of respondents indicated that if they had a concern, they would raise it with their immediate supervisor.

A NNECO sponsored Culture Survey, conducted in the second quarter of 1998, indicated that over 86 percent of respondents agreed that their work area supported a willingness to raise concerns. Although this number does not meet NNECO's long-term goal of 90 percent, it is a four percent increase from the previous survey conducted in the fourth quarter of 1997. When considered in conjunction with the numbers from the Leadership Assessment, this data shows that in most cases employees will raise concerns to their immediate supervisor. Moreover, 94 percent of respondents to the ECOP survey indicated that they would use the Employee Concerns Program (ECP) if they were reluctant to approach their supervision.

Employee willingness to raise concerns also finds support in the increasing number of issues that are being brought to Human Resources (HR) for resolution. A discussion of the renewed credibility of HR is provided under Criterion 4.

ECP data confirms that employees are willing to raise concerns. Since the beginning of 1998, ECP has received about 20 concerns per month. Given that the ECP addresses concerns of all kinds -- not just those related to SCWE issues -- these numbers reflect a respected organization and a workforce willing to use it. Despite the relatively stable number of concerns being filed, the egregiousness of the concerns has diminished. The number of concerns alleging potential violations of 10CFR50.7 has been steadily declining.

<u>The Second Success Criterion</u>

The second success criterion requires that management effectively resolve issues. This issue is fundamental to creating a normal, healthy environment, where employees see issues resolved effectively and efficiently by management through normal processes, primarily the Corrective Action Program (CAP). NNECO has made substantial reforms and progress in upgrading the quality of its CAP, and improvements continue.

In February 1997, NNECO established and implemented a site-wide Corrective Action Program. To ensure that sufficient management focus was applied across the station, a Director and three Managers, one for each Unit, were put in place to implement and improve the program. Because of its importance to the success of the station, this program was included as a Key Issue for restart of the units. The leadership of the CAP has been instrumental in changing the culture of the station to be responsive to issues identified by individual contributors, self-assessments, and oversight organizations. The effectiveness of the process to identify problems and concerns, properly classify the significance of those issues, develop action plans in a timely manner, and implement the actions is continually monitored. Issues are being addressed in a timely manner as part of normal line process for resolution of concerns. Personnel identifying the issues are apprised of the actions to be taken to resolve the issues and are provided the opportunity to provide feedback on the plan. Assessment of the effectiveness of the actions taken is performed through self-assessments, trending, and independent review. Recurrence of significant problems is identified as an adverse trend and are monitored by senior leadership.

As reported in the March 31st letter, the CAP was reported as "ready for restart" of Unit 3. In SECY-98-119,[4] the NRC staff stated that the CAP, as assessed relating to the establishment of a SCWE, was acceptable. In a Staff Requirements Memorandum,[5] the NRC concluded that NNECO's corrective action program was adequate to support the restart of Unit 3, and noted that the lasting effectiveness of the corrective action program can best be assessed by evaluating long-term performance. The CAP at Unit 3 continues to be successfully implemented as reported in recent updates to the NRC.[6],[7]

The success path that has been achieved on Unit 3 is similarly being pursued on Unit 2. In September and October, 1998, a NNECO Independent Review Team (IRT) performed an assessment of the Unit 2 CAP. The assessment concluded that the program was adequate, contained the necessary elements, and was continuing to improve. Unit 2 Corrective Actions are currently tracking to satisfactory, with assessments continuing. Overall, the Millstone site Corrective Action Program continues to be effective in resolving issues as determined by self assessments and internal independent reviews.

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(4) SECY-98-119, "Remaining Issues Related to Recovery of Millstone Nuclear Power Station, Unit 3," dated May 28, 1998.

(5) Staff Requirements Memorandum 98-119, "Remaining Issues Related To Recovery Of Millstone Nuclear Power Station, Unit 3, And Briefing On Remaining Issues Related To Proposed Restart Of Millstone Unit 3," dated June 15, 1998.

(6) NNECO Letter B17379 "Millstone Nuclear Power Station, Unit 3 - Second Quarter Performance Report," dated August 11, 1998.

(7) NNECO Letter B17380 "Millstone Nuclear Power Station, Unit 3 - Third Quarter Performance Report," November 16,1998.

The Third Success Criterion

The third success criterion requires that the Employee Concerns Program (ECP) operate effectively. NNECO's ECP is operating effectively and continues to improve.

In the second and third quarters of 1998, the enhanced Millstone ECP was both assessed and benchmarked by utility peers. An external assessment of the ECP effectiveness, conducted by General Public Utilities (GPU) Nuclear, identified ten strengths of the program and no weaknesses. GPU specifically noted that the Millstone ECP establishes a standard for the nuclear industry. At the request of another utility, Ontario Hydro, NNECO gave a presentation on the elements of the Millstone ECP and SCWE, to provide input and benchmarking for improving their respective programs and work environments. In addition, at one of the recent NRC public meetings, LHC noted that the Millstone ECP could be considered "near world class."

NNECO's performance indicators also continue to show sustained performance of the Millstone ECP. As of the end of October 1998, customer satisfaction has been steadily improving, the backlog of concerns under investigation has been eliminated, and time to complete an investigation has been reduced, on average, by about one half, to 26 days. The median age of concerns under investigation is 24 days. The ECP staff now consists primarily of NNECO personnel; the reliance on contractor support has been significantly reduced and the expertise has been transferred in-house.

The ECP has also improved its processes to be more efficient and customer service oriented. For example, all participants involved in an ECP investigation receive a feedback form to solicit information about ECP performance during the investigation. In addition, to ensure the Concernee is aware that the concern has been fully resolved, the ECP sends a letter providing notification when corrective actions have been completed. These changes reflect a program that learns from its experiences and from assessments, and strives to continuously improve its service to the Millstone workforce. The process enhancements have borne results. The vast majority of those who have used the ECP have stated that they would use the program again.

The Fourth Success Criterion

The fourth success criterion requires that management demonstrate that it can recognize and successfully respond to allegations of harassment, intimidation, retaliation, and discrimination, or other circumstances creating a chilling effect. To achieve success under this criterion and, more importantly, to achieve and sustain a safety conscious work environment, NNECO has focused on steps necessary to: (a) prevent retaliation from taking place in the first instance, and (b) take prompt, appropriate remedial action if retaliation occurs.

The initial actions taken to address the above steps were discussed in the March 31st letter. There have been no substantiated cases involving a potential violation of

10CFR50.7 at Millstone since August 1997 (the MOV incident). This is testimony to the training and sensitivity of the leadership, the workforce empowerment, and the effectiveness of the corrective actions to establish and sustain the Millstone SCWE.

Preventing Retaliation. The training programs that NNECO has established continue to be refined and enhanced. NNECO has implemented a "quick start" process for new leaders so they can be rapidly provided the training and tools they need to work effectively in a SCWE. The "quick start" process includes a video tape providing immediate indoctrination into SCWE concepts, the SCWE Handbook, and a training requirements memorandum. Each new leader is responsible for viewing the video tape, reading the handbook, and completing the required SCWE training courses: "Managing for Nuclear Safety"; "Fitness for Duty and Civil Treatment for Managers," "Employee Relations"; and "SCWE."

The "Employee Relations" course is a new training module recently introduced that replaces the Management Action Response Checklists (MARC) training. The objective of this training is to provide supervision with the interpersonal skills and knowledge of the NU / Millstone HR policies and procedures necessary to establish and maintain effective employee relations. This training includes a discussion of:

- Partnership responsibilities between HR and Line Management
- Employee Coaching / Counseling
- Personnel performance documentation
- Discipline guidelines
- Grievance and Dispute resolution processes
- Recognition / Response to claims of retaliation
- Recognition / Response to potential chilling effects

On an even broader level, a "Setting the Winning Standard" (or "Vision and Values") workshop, designed to engage the workforce in implementation of the vision and mission of the company, and to help transition the workforce to an operational and business focus, is currently being provided to the Millstone team – the leadership, the employees, and long-term contractors. Begun in August 1998, approximately one-third of the team has already completed the workshop. The workshop focuses on the concept of teambuilding to continue to foster an open environment, with continuous feedback and communications, and a strong sense of accountability in setting the winning standard. Integral to this winning standard is establishing Millstone as the industry benchmark for a safety conscious work environment. In addition, the workshop includes a change management model and introduces methods to allow employees to provide each other with feedback on behaviors.

Further enhancements to SCWE-related training are planned, as specified in the Work Environment Section of the 1998 - 2000 Performance Plan (updated and provided as Attachment 4). To follow-up and build on the initial SCWE training NNECO plans to conduct SCWE refresher training for the management team. This training will review

the key principles taught in the initial course, drawing on examples from recent events. The planned topics for discussion include management's response to allegations of discrimination and chilling effects, contractor supervision, managing employees engaged in protected activity, and balancing communication of event details to the workforce with respect for personnel privacy of employees.

To maintain and mature the Millstone SCWE, NNECO continues to provide resources to the leadership team. In particular, an integrated Human Services organization, including the SCWE organization, ECP and Human Resources, work together to champion the SCWE concept, to resolve issues, and to coach and counsel the leadership as more and more issues are resolved through normal line action and processes. The Human Services team meets daily to address ongoing and emergent SCWE-related issues, ensuring responsibility and schedules are assigned for follow-up and closure. The effectiveness of this integrated team continues to serve the organization well. At public meetings between the NRC, LHC and NNECO, on July 15, August 27, and November 24, 1998, LHC reported that it not only continues to see a workforce that is willing to bring issues and concerns forward, and that management continues to remain focused on SCWE, but that the ongoing training, the daily Human Services meetings, the Executive Review Board, and the ongoing ECP improvements, continue to ensure the SCWE is sustained. Further, LHC stated that the detection and prevention of issues was becoming more frequent than after the fact mitigation, and that the emerging issues were less severe. Significantly, LHC also reported that it had observed an unexpectedly rapid renewed credibility in Human Resources (HR), and the increased resolution of issues via normal processes (i.e., line management and HR) versus the extraordinary SCWE measures that have been established.

Recently, NNECO filled the position of Vice-President - Human Services with a permanent selection. To ensure an effective transition, the incoming and outgoing Vice-Presidents conducted a methodical and gradual turnover in responsibilities. This permanent appointment ensures the Human Services organization will maintain its structured role, and will continue to provide the focus on sustaining and improving the Millstone SCWE. The new Vice-President is now the Chairman of the Executive Review Board (ERB) which continues to review all proposed discipline more serious than a verbal reprimand to (1) ensure that the discipline is based on legitimate reasons and not on any protected activity, and (2) to anticipate and counter any potential chilling effect.

The Human Services organization remains a resource-heavy organization, designed to achieve the recovery of the work environment. But NNECO has started to implement a deliberate, performance-driven transition to a more equilibrium Human Services organization. NNECO's submittal of April 24, 1998,[8] provided the principles and mechanisms for this transition. The ground work for these transitions has occurred as outlined in the April submittal, driven not by schedule, but by performance and the

[8] NNECO letter B17214, "Supplement to the Millstone SCWE Readiness Letter of March 31, 1998," dated April 24, 1998.

requirements of the workforce. As discussed previously, Millstone is seeing many more issues being resolved by line management and HR. Consistent with this performance, resources are being applied to HR to support this normalizing trend. These changes are consistent with the planned transition, along with other complementary functional transfers. A current status of these function transfers is provided in Attachment 5.

NNECO had previously committed in the March 31st submittal that "[t]he Human Services organization will be maintained as currently structured until Unit 2 is restarted. Any change to the SCWE area will be based on performance." NNECO would like to modify this commitment. Based on progress to date, and the upcoming site restructuring (see below, Section III. A), Human Services will be restructured based on performance and assessment as part of the strategic organizational realignment at Millstone.

The efforts to detect potential areas where a healthy work environment is either in jeopardy or suspect also continue, but like the ECP concerns the severity of these areas is decreasing. Concurrently, the Human Services team is now identifying these areas sooner and providing support and counsel to resolve potential issues before they evolve. Consequently, what would have been previously characterized as Focus Areas are now more appropriately identified as SCWE Cases as NNECO is becoming more responsive to issues before they start to cause a degradation in the work environment. A formal process is in place to identify, prioritize, correct and assess SCWE Cases. SCWE Cases, and the remaining Focus Areas, are tracked as a Key Performance Indicator.

ECOP Role

ECOP is in the process of being restructured to better serve the organization as it moves forward. A new charter has been approved and a deliberate transition is in progress. The future ECOP will consist of a panel to advise the President and CEO, serving as his eyes and ears in monitoring the health of the Millstone SCWE. ECOP's focus will be on networking with the workforce to maintain a pulse on the SCWE, and on monitoring the culture change at Millstone.

This transition is appropriate for two primary reasons. First, ECOP came into existence before NNECO identified and gathered the internal and external resources necessary to squarely address the needs and deficiencies in the work environment. As the additional resources were developed and integrated into an effective team, ECOP's role changed. For example, the creation of the ERB substantially eclipsed original responsibilities concerning employee discipline. Over time, ECOP has evolved into an organization which primarily serves as the eyes and ears of the President and CEO. Second, the performance of NNECO and the progress it has achieved in improving the work environment permit ECOP to take on a more advisory monitoring role and less of an oversight role. This change in focus also capitalizes on the skills traditionally contained within ECOP. Its members are not necessarily chosen for their "human

services' expertise. Rather, they bring to bear their experience in the workforce, their relationships with co-workers, their perception of people and events, and their common sense. These attributes are better suited to fulfill an advisory role.

This change in ECOP's focus does not reflect a diminished stature. To the contrary, by relieving ECOP of its oversight responsibility, the members will be able to devote attention to providing input to the President and CEO. The restructuring of ECOP will be controlled with appropriate turnover and overlap.

B. Recent Performance Results

The most recent performance reports on the Millstone SCWE are included in the Second and Third Quarter Performance Reports for Millstone Station / Unit 3.[9][10] As discussed above, the recent assessments and performance indicators qualitatively and quantitatively demonstrate sustained performance and progress. NNECO will continue to provide the NRC with updates on the Key Issue of SCWE, as committed to in the Backlog Management Plan Update - Second Quarter 1998.[11]

Common Cause Review

The Human Services organization has recently completed a structured analysis of the original causes of Millstone's Safety Conscious Work Environment (SCWE) performance issues, NNECO's subsequent experience in responding to SCWE-related events, and the current status of NNECO's actions to address underlying causes of SCWE-related performance. The analysis report is available on site for NRC review and evaluation.

The analysis began with an identification of the underlying causes of SCWE-related performance issues at Millstone. The two existing major analyses of the causes – the NU-sponsored FCAT report, and the NRC-sponsored MIRG – were reviewed in an effort to establish a baseline set of causes as of late 1996, when NU began extensive efforts to restore a SCWE at Millstone. That review disclosed that the causes identified in both reports were similar in kind but articulated and organized somewhat differently. In order to facilitate future analysis and establish a common language for discussion, a side-by-side comparison of the respective FCAT and MIRG causes was performed. From this comparison, a set of common causal factors was derived to represent the underlying causes of SCWE-related performance at Millstone in late 1996.

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(9) NNECO Letter B17379 "Millstone Nuclear Power Station, Unit 3 - Second Quarter Performance Report," dated August 11, 1998.

(10) NNECO Letter B17380 "Millstone Nuclear Power Station, Unit 3 - Third Quarter Performance Report," November 16,1998.

(11) NNECO Letter B17287, "Backlog Management Plan Update - Second Quarter 1998," dated June 30, 1998.

Since July 1997, Millstone management has faced challenges from a number of SCWE-related events. The Common Cause review focused its review of the major SCWE-related events with several basic questions in mind: (1) how and why did the events occur; and (2) how might those events have been avoided or mitigated? The Review Team was looking for not only how poorly or how well management responded, but also whether management responses reflected improvement over time.

On the basis of the analysis, the Common Cause review team concluded that: (1) the basic causes of Millstone SCWE-related performance issues have been addressed and appear to be resolved; (2) the Work Environment Section of the 1998 - 2000 Performance Plan is well-designed to address the major residual causal factors; and (3) with implementation of some additional actions Millstone can sustain and improve its SCWE. The additional recommendations include actions already in progress (e.g., Human Services organization transition, SCWE refresher training, and deliberate organization realignment), and additional enhancements to processes which are being tracked for completion in the site Corrective Action Program.

On a qualitative level, the collective evaluation of events over time reveals that those events that do occur are increasingly both less frequent and severe. This observation is consistent with the available ECP data which show declines in total concerns and alleged HIRD concerns and no substantiated 10CFR50.7 concerns for over a year. Further, the organization and its processes are more mature and generally intervene to catch issues at an earlier stage. This is borne out by the success of the Human Services group and maturation of the ERB. In parallel, the workforce appears more patient, if not more trusting, in allowing the system to work in resolving issues. While no quantitative data are available to conclusively demonstrate this, the ECP customer satisfaction data are supportive.

Disposition of Open / Emergent Issues

The ECP intends to continue to conduct reviews of open ECP concerns to ensure that any issues that have bearing on Unit 2 restart and Unit 1 license basis changes for decommissioning have been appropriately dispositioned (including operability, reportability, compliance with design and licensing basis, and compliance with regulations). Additionally, the SCWE organization intends to continue to evaluate the open SCWE Cases / Focus Areas to ensure that there are no issues within these areas which would impact Unit 2 restart or Unit 1 decommissioning. Finally, NNECO also intends to review any SCWE-related items in the corrective action program for relevance to Unit 2 restart and Unit 1 decommissioning.

III. Future Initiatives to Sustain the Millstone SCWE

Attachment 4 provides the current update to the Work Environment Section of the 1998 - 2000 Performance Plan. Details of the Plan structure were provided in the March 31st submittal. The Plan is a living document and as such will continue to evolve as dictated by performance and lessons-learned. The Plan is available on site for NRC review and evaluation.

Implementation of the Plan is well underway and will continue to provide the path forward. The action items not only target specific improvements in SCWE functions and processes, they are also part of, and support, the planned transition of the Human Services organization as discussed above. The results of these actions have been positive. The continued improvements in the ECP, in SCWE training, and the renewed credibility of Human Resources, demonstrate that NNECO remains on a path of continuing improvement.

A. Organizational Realignment

NNECO is preparing for a site-wide organizational realignment as the site moves away from a recovery situation and towards a more equilibrium operating site. The proposed organization streamlines the management structure and aligns positions more closely with the needs of the site as a whole. There will be fewer and different management positions representing an approach which moves the emphasis from individual units in recovery to an integrated management structure for a station with two operating units and a third unit in a decommissioning mode.

NNECO has carefully and deliberately incorporated the necessary SCWE elements into this realignment. Input has been solicited from the Millstone workforce. A "bottom-up" review of the proposed organization was conducted by nearly 70 teams and many dozens of individual contributors. As a result, about 41 percent of the positions had some change to their level of control, or reporting relationship. These changes included maintaining the head of the ECP at a "Director" position, and maintaining a vice-president position as the head of Nuclear Oversight. The draft Millstone organizational realignment was presented to the Millstone team on September 14 and 15, 1998. Regular communications to the workforce, including a regularly updated "Web" page, have provided "question and answers" on the realignment.

Under the sponsorship of the Vice-President of Human Services, an organization transition task team was formed to coordinate people, process, and procedure change sequencing to ensure safety, regulatory compliance, and a SCWE are maintained during the transition. Organizational development consultants have been hired to facilitate the realignment, and are specifically providing training and counseling to affected personnel.

B. SCWE Assessment Plan

SCWE Action Item C.2.d.4 of the 1998 - 2000 Performance Plan provides a high level description of the SCWE Assessment Plan NNECO is implementing. This plan includes provisions for early detection of issues which, if not corrected, could result in erosion of SCWE results NNECO has achieved to date.

NNECO intends, on an annual basis, to reevaluate the SCWE Assessment Plan and to make changes as indicated based on performance achieved. In addition, the SCWE Transition Plan indicates that the results from these assessments will also be an important performance input in pacing the transition of SCWE related functions from a recovery organization to an equilibrium organization. A more detailed description of this plan is available for on-site NRC inspection.

The SCWE Assessment Plan also integrates contributions from various internal and external assessment activities. Currently planned internal (NNECO) activities include use of self-assessments, appropriate Nuclear Oversight audits and surveillances, and periodic feedback from NSAB and ECOP. Currently planned external assessments include continued contributions from the Nuclear Committee Advisory Team to the NU Board of Trustees and third-party assessments. Attachment 6 describes these plans in more detail.

LHC Role

NNECO is convinced that its on-going third-party assessment plan will be substantially more effective if Little Harbor Consultants could conduct several multiple week assessments during the one year period following closure of the ITPOP Order. The basis for NNECO's desire to retain LHC is that they are highly qualified to provide an independent assessment of the Millstone SCWE and have a full understanding and appreciation of the Millstone work environment and how it has evolved over the last several years.

NNECO intends that the existing LHC contract would be terminated when the Order is rescinded. NNECO would then put in place a new contract between NNECO and LHC which includes provisions to adequately maintain LHC's independence. In addition, NNECO envisions that a provision would be included which would permit the results of the LHC audits to be made available to the NRC and members of the public.

Commitment Change

In addition, this correspondence serves to update the NRC of NNECO's intention to modify NNECO's contractual relationship with LHC. In a January 30, 1997, letter,[12] the NRC sought clarification of NNECO's intentions to place contractual restrictions on

[12] NRC letter, W. D. Travers to B. D. Kenyon, dated January 30, 1997.

future work LHC may seek to perform at NU facilities. The NRC correspondence suggests that this clarification may have been considered by the NRC Staff in assessing whether the proposed independent third party contractor met the independence criteria of the Order. In a subsequent letter,[13] NNECO indicated that contractual restrictions would be put in place which would preclude LHC from seeking new work at any NU facility for a period of twelve months following closure of the Order. Although NNECO has found no docketed correspondence that suggests formal NRC approval of this contractual provision took place, NNECO has been tracking this item as a regulatory commitment. Accordingly, and after addressing any concerns the NRC may have, NNECO intends to revise its current contract with LHC to remove a clause which restricts LHC from pursuing other work at NU facilities for a period of time following completion of its work under the Order.

IV. Conclusion

The Commission's Order of October 24, 1996, provided that independent third-party oversight would continue until NNECO's performance demonstrated that the conditions which led to the imposition of the Order had been corrected. Those conditions no longer exist.

Senior management has exercised visible leadership and active daily involvement in establishing a healthy work environment. It has established high performance standards and an intolerance for any action which interferes with or jeopardizes the uninhibited communication of employee concerns. To encourage the raising of concerns and to ensure the effective resolution of those concerns, NNECO has rebuilt the Corrective Action Program and the Employee Concerns Program. More importantly, management has recognized that, more than any program, good leadership builds trust and resolves employee concerns. Employees have demonstrated that they are willing to raise concerns with the confidence that the concerns will be addressed with commitment, respect, and timeliness.

NNECO requests rescission of the Order based on the development of effective leadership which treats people with respect and an empowered workforce who holds themselves and management accountable for behaviors consistent with a SCWE.

NNECO recognizes that this good performance is not necessarily self-sustaining. To ensure that progress continues, NNECO will continue efforts to monitor and develop the work environment after closure of the Order. Internal and external reviews will continually provide for the integrated assessment of the Millstone work environment. Management will continue to take the lead in resolution of employee concerns and in the implementation of the 1998 - 2000 Performance Plan. As Millstone prepares for

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[13] NNECO letter B16232, "Proposed Third Party Oversight of Comprehensive Plan for Reviewing and Dispositioning Safety Concerns Raised by Employees, Response to Request for Additional Information," dated February 14, 1997.

operational and organizational changes to achieve operational excellence, management will keep the maintenance of a safe, healthy work environment central to the decision making process and central to the core values of the organization.

Docket Nos. 50-245
50-336
50-423
B17501

Attachment 3

Millstone Nuclear Power Station, Unit Nos. 1, 2, 3

Requirements of the NRC Order, dated October 24, 1996, and NNECO's Actions in Compliance

December 1998

Requirements of the NRC Order, dated October 24, 1996, and NNECO's Actions in Compliance

The information below indicates how the four requirements of the Order have been addressed.

1. <u>Requirement of Order</u>

"Within 60 days from the date of this Order, the Licensee shall develop, submit for NRC review, and begin to implement a comprehensive plan for (a) reviewing and dispositioning safety issues raised by its employees and (b) ensuring that employees who raise safety concerns are not subject to discrimination. The comprehensive plan shall address the root causes of past performance failures as described in the Licensee's July 12, 1996, report of the Fundamental Cause Assessment Team and the NRC's September 1996 report of the Millstone Independent Review Group, with the objective of meeting a goal of achieving a safety-conscious environment."

Status

NNECO's comprehensive plan was submitted to the NRC and implemented on January 31, 1997.[1] Based on recommendations from the independent third party (Little Harbor Consultants) the remaining open items were rolled into the Safety Conscious Work Environment Comprehensive Plan which was submitted on the docket on December 11, 1997.[2] The remaining ongoing items, that are part of the continuous improvement strategy, are included as the Work Environment Section of the 1998 - 2000 Performance Plan.[3]

2. <u>Requirement of Order</u>

"Within 30 days from the date of this Order, the Licensee shall submit, for NRC approval, a proposed independent, third-party organization to oversee implementation of the above comprehensive plan. The independent third-party shall be approved by the NRC and its activities, under this Order, are subject to continuing NRC oversight. The independent third-party shall oversee plan implementation by (a) observing and monitoring the Licensee's activities; (b) performing technical reviews; (c) auditing and investigating, when necessary, cases of alleged harassment, intimidation, and discrimination; (d) auditing and reviewing the Licensee's handling of employee safety concerns; and (e) assessing and monitoring the Licensee's performance. Within 30 days of the NRC's approval of the third-party, an oversight plan for conduct of this third-

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(1) NNECO letter B16154, "Comprehensive Plan for Reviewing and Dispositioning Safety Concerns Raised by Employees," dated January, 31,1997.
(2) NNECO letter B16905, "SCWE Comprehensive Plan," dated December 11,1997.
(3) Previously provided by NNECO letter B17138, and updated in this submittal as Attachment 4.

party oversight shall be developed by the third-party and forwarded for NRC review. NRC approval of the oversight plan is required prior to its implementation. Reports on oversight activities, findings, and recommendations shall be provided to both the licensee and the NRC at least quarterly following NRC approval of the oversight plan. The plan shall specify procedures for concurrent reporting of oversight activities, findings, and recommendations to the NRC and the Licensee. The Licensee will provide a response to each recommendation. The Licensee's comprehensive plan shall allow for revisions based upon the Licensee's experience in implementation of its plan and comments and recommendations of the independent third-party and/or the NRC."

Status

- The independent third-party organization was proposed to the NRC in letters dated December 23, 1996, January 14, 1997, and February 4, 1997.[4]

- Based on NRC letters dated July 14, 1997, and August 19, 1997, LHC was approved as the ITPOP Contractor.

- LHC's Oversight Plan and Revision 1 of the Oversight Plan were submitted to the NRC on May 2, 1997, and June 13, 1997, respectively. Revision 2 of the Oversight Plan was submitted on March 20, 1998.

- The NRC approved Revision 1 the Oversight Plan on July 14, 1997, and Revision 2 on April 30, 1998.

- Based on recommendations from the independent third party (Little Harbor Consultants) the Comprehensive Plan was revised and updated as the Safety Conscious Work Environment Comprehensive Plan, which was submitted on the docket on December 11, 1997.[5]

- LHC has held eleven meetings with NNECO and the NRC which were open for public observation on May 13, June 3, July 22, September 24, November 13, 1997; January 27, March 3, April 7, July 16, August 27, and November 24, 1998. LHC has made a number of recommendations during these meetings. LHC has also made additional recommendations in a number of docketed letters. NNECO has provided written responses to these recommendations, except for six recent recommendations provided in

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(4) NNECO letters B16116, B16153, and B16230, dated respectively, December 23, 1996, January 14, 1997, and February 4, 1997: "Proposed Third Party Oversight of Comprehensive Plan for Reviewing and Dispositioning Safety Concerns Raised by Employees."

(5) NNECO letter B16905, "SCWE Comprehensive Plan," dated December 11,1997.

the latest LHC quarterly report.[6] These six new recommendations are specific to enhancements to the ECP investigation process. The ECP itself is described by LHC as "among the best in the industry." The majority of the LHC recommendations have been closed by LHC, the remainder are currently being addressed by ECP.

3. <u>Requirement of Order</u>

"If the independent third-party receives allegations of safety concerns, it is to encourage the alleger to bring those concerns to the attention of the Licensee. If the alleger elects not to do so, the independent third-party is to encourage the alleger to report the concerns to the NRC. If the alleger does not elect to report the safety concerns to either the Licensee or the NRC, the independent third-party is to accept the allegation and forward it directly to the NRC. The independent third-party is to develop procedures for protecting the identity of any such allegers and limiting the disclosure of the allegers' identity to those with a need to know."

Status

Little Harbor Consultants Oversight Plan, submitted and approved as indicated in Requirement 2, above, contained the required controls for disposition of allegations.

4. <u>Requirement of Order</u>

"The plan for independent, third-party oversight will continue to be implemented until the Licensee demonstrates, by its performance, that the conditions which led to the requirement of that oversight have been corrected to the satisfaction of the NRC."

Status

See Attachment 2 for a discussion of NNECO's basis for concluding that the conditions which led to the imposition of the Order have been satisfied.

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(6) LHC letter, "Quarterly Report of Little Harbor Consultants," dated November 13, 1998.

Docket Nos. 50-245
50-336
50-423
B17501

Attachment 4

Millstone Nuclear Power Station, Unit Nos. 1, 2, 3

1998 – 2000 Performance Plan - Work Environment Focus Area Update
(to be incorporated into next revision of the Performance Plan)

December 1998

WORK ENVIRONMENT

The Long-Term Vision

The WORK ENVIRONMENT Strategic Focus Area includes the following overarching accomplishments:

- Leadership is strong and continually improving;
- Clear standards of performance and accountabilities are established, communicated and embraced by the organization;
- A healthy safety conscious work environment exists where all employees feel comfortable that any issues they raise will be addressed with commitment, respect, and timeliness;
- The employee concerns program is effective, continuously improving, held in high regard by employees, and viewed as an industry leader;
- The workforce is motivated, respectful, and has pride in personal, team, and organizational accomplishments;
- Compensation is competitive and based on performance; and
- Employees have a high quality of life, both at work and in their personal life.

The strategic focus area of Work Environment encompasses:

- Leadership
- Safety Conscious Work Environment
- Human Resource Performance

This section summarizes initiatives specifically targeted at improving the work environment at Millstone Station. While only the areas of Leadership, Safety Conscious Work Environment (SCWE), and HR Performance are specifically included in this Strategic Focus Area, other topics discussed in the 1998 - 2000 Performance Plan (Plan) affect our SCWE in some fashion, and contribute to improvements on this front. In particular, our actions in the areas of safety and operating excellence will fundamentally influence and determine our success in sustaining improved performance in regard to SCWE.

Significant progress has been made since issuance of the NRC Order in October of 1996. The Work Environment initiatives will be carried out by the responsible organizational units that are presently reporting to the Vice President, Human Services. These functions are coordinated through meetings amongst the leaders of the

responsible functions (HR, ECOP, SCWE, Legal, ECP, etc.) and more recently, through a rapid response protocol developed for urgent events.

As performance dictates, these organizational relationships will be re-examined and adjusted as follows:

- All changes to the Safety Conscious Work Environment (SCWE) organizations and processes will occur based on performance demonstrated and results achieved, and not based on schedule;
- Most non-10CFR50.7 SCWE functions ultimately will transition to the Human Resources organization, and over time, the demands on HR would be reduced because of increased line management effectiveness;
- The scope of the Employee Concerns Program (ECP) will be reduced to focus primarily on nuclear safety significant issues, consistent with typical programs at other nuclear facilities;
- The Employee Concerns Oversight Panel (ECOP) will evolve to an independent panel, similar to Nuclear Safety Assessment Board, continuing to report to our President and CEO;
- Consistent with regulatory consent and dependent upon solid performance, the gradual and conservative reduction in the degree of independent oversight. This reduction could include periodic (e.g., quarterly) independent evaluations until results and self-assessments demonstrate that the independent oversight presence is no longer warranted; and
- Self-assessment will be used to verify that performance expectations are being met. Self-assessment will be considered effective when internal oversight or external evaluations have limited value because they simply validate self-identified issues. The measures to assess performance are stated in the SCWE segment of this Plan. These self-assessments are designed to assure that the progress realized to date is sustained, any backsliding is promptly detected, and corrective actions are promptly taken.

While this plan maintains our present organizational strengths, it also seeks to shift our emphasis from mitigative to more effective preventive actions. As we have identified and addressed the major causes of past SCWE performance issues, we have used these insights to refocus and retarget our actions, accelerating toward our performance improvements. Our plan does that with three interrelated components:

- Leadership
- Safety Conscious Work Environment
- Human Resources Performance

In the area of Leadership our initiatives focus on:

- Skill Development - Ensure management attendance to requisite training, measure leadership effectiveness and adjust training as appropriate
- Standards and Expectations - Establishing, communicating and reinforcing consistent standards and management expectations
- Succession Planning - Establish plans to prepare for the transition from recovery organizations and ensuring qualified candidates are identified to fill vacated positions on short notice.
- Self Assessment - Use of mentoring to improve Leadership effectiveness and to ensure continuous improvement.

In the area of Safety Conscious Work Environment our initiatives focus on:

- Lessons Learned – Systematically evaluate SCWE events and experiences, identify important lessons learned and adjust / augment our actions accordingly
- Training – Conduct an integrated assessment of SCWE-related employee, supervisory and management training and implement more efficient and effective SCWE-related training
- Organizational Structure – Based on assessments of SCWE performance objectives and measures, deliberately transition into the organizational realignments needed to maintain effective and efficient management of SCWE activities
- Monitoring and Methodology / Tools – Improved monitoring of SCWE performance and develop methodology / tools to improve the effectiveness and efficiency of SCWE activities

In the area of Human Resources Performance our initiatives focus on:

- Organizational Diversity
- Personnel Management
- Personnel Development
- Cultural Improvement

C.1 Leadership Goal

Leadership throughout the Millstone organization is strong and continually improving. Standards of performance and accountability are clear. Supervisors are providing meaningful and constructive feedback – both oral and written – and the organization is well coached by the leadership team. The leadership provided by the management team is perceived as a strength by the employees, INPO, the NRC and the general public.

Objectives, Performance Measures and Targets

Item No.	Objective	Performance Measure	Performance Targets
C.1.a	Leadership skill development has been provided to all personnel in supervisory positions	Requisite Management Training Attendance	90% by 10/99
		Requisite Management Requalification Training Attendance	90% by 10/99
		Leadership Assessment	> 5.5 (Reflecting an improvement of at least 5% average of all categories) No Leaders are ranked "less than effective" in two consecutive assessments (Complete by 11/98)
		"Skip Level" Leadership Surveys	Maintain or improve upon level achieved in summer 1998 survey

Item No.	Objective	Performance Measure	Performance Targets
C.1.b	Leaders are personally committed to the establishment and nurturing of a Safety Conscious Work Environment (SCWE)	Leadership Survey and PII Culture Survey (Employees Willing to Bring Concerns to Immediate Supervisors)	90% of respondents would bring concerns to their immediate supervisor.
		Millstone Employee Concerns Confidentiality Trend (anonymous or confidential employee concerns filed)	No adverse trends in requests for confidentiality or anonymity, based on analysis of concerns and data.
		PII Culture Survey	Continuing positive trend
C.1.c	Leaders are committed to high standards of performance and establishing clear expectations for their employees	Assessment Index (self-assessments results vs. nuclear oversight results)	Line Self-Assessments are more critical, indicated by a + index value.
C.1.d	Leaders embrace Millstone's Core Values: Do what is right; Respect and care for the individual; Be a team, Be customer focused	"Skip Level" Leadership Surveys	Maintain or improve upon level achieved in summer 1998 survey
C.1.e	Safety is the first priority for all in a leadership position and is sponsored as such to their employees.	"Skip Level" Leadership Surveys	Maintain or improve upon level achieved in summer 1998 survey

Item No.	Objective	Performance Measure	Performance Targets
C.1.f	Leaders have planned for succession and phase out of recovery teams	Plans to transition from recovery to operating organizations developed and in place.	Plans in place 3 months after realignment
		Actions required by Transition Plans completed on schedule.	Recovery Teams are phased out and replaced by NU line management within 6 months of unit restart

Action Items

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.1.a.1	Develop the metric for "skip level" leadership assessments and conduct the assessments at least annually in 1998, 1999, and 2000	HR	5/98	Complete
C.1.a.2	Incorporated into C.1.a.4			
C.1.a.3	Supervisors provide meaningful and constructive feedback, both oral and written, and good coaching as measured annually by leadership surveys and the LINKS process	HR	3/99	
C.1.a.4	Develop a leadership program curriculum that includes a continuous learning approach and utilizes industry best practices and aligns to the Millstone Organization.	Training	3/31/99	
C.1.a.5	Conduct Leadership Training - Training will be provided to all incoming/promoted management personnel.	Training	Ongoing	
C.1.a.6	Conduct Leadership Assessments	HR	6/98 11/98	Complete
C.1.b.1	All managers and supervisors complete initial SCWE training	Line Mgmt	11/98	Complete
C.1.b.2	Complete the evaluation of the need for additional leadership training, particularly with respect to SCWE issues and all the related ramifications and schedule periodic reevaluations.	SCWE	10/98	Complete

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.1.b.3	Conduct PII Culture Survey	SCWE	7/98	Complete
C.1.b.4	Complete development and implement the SCWE Guidebook which provides the process for addressing leadership inadequacies	SCWE	4/98	Complete
C.1.c.1	Deleted			
C.1.e.1	Deleted			
C.1.e.2	Develop and implement management transition plan to replace recovery teams with NU line management within six months of each unit restart	Officers	7/99	
C.1.f.1	All managers and above will have developed a succession plan	Line Mgmt	3 mos after Realign-ment	

C.2 Safety Conscious Work Environment Goal

A safety conscious work environment (SCWE) exists whereby all members of the NU Nuclear team feel comfortable with, and accept responsibility for, raising any issue important to them with high confidence that the issue will be addressed with commitment, respect and timeliness. Our Employee Concerns Program should set the standard to which others in the industry aspire.

Objectives, Performance Measures and Targets

Item No.	Objective	Performance Measure	Performance Targets
C.2.a	Establish and maintain high confidence that employees are willing to raise concerns	Leadership and PII Culture Survey - (Willingness to Raise Concerns)	90%.
		Millstone Employee Concerns Confidentiality Trend	No adverse trends in requests for confidentiality or anonymity, based on analysis of concerns and data.
C.2.b	Establish and maintain high confidence that management is effective in evaluating, prioritizing, and resolving employee issues	Condition Report Evaluation Timeliness (Time for Condition Report (CR) Evaluation)	CR average age ≤ 30 days.
		Condition Report Quality Score (condition report quality)	Condition Report Quality Score is ≥ 3.0 on a scale of 0.0 to 4.0.
		Overdue Corrective Actions (overdue corrective actions from Level 1 or 2 CRs)	Overdue corrective actions are < 3% during recovery and 1% after restart.

Item No.	Objective	Performance Measure	Performance Targets
C.2.c	Establish and maintain high confidence that the Employee Concerns Program (ECP) is continuously improving and effective in addressing issues raised by employees that are not resolved satisfactorily by other means within the organization	Employee Concern Resolution Timeliness (average age of unresolved concerns)	No Adverse Trend
		Employee Satisfaction With ECP (Employees using ECP would use it again, ECOP survey data)	A substantial majority (70%) of employees indicate they would use the program again.
		NU Concerns and NRC Allegations Received.	No quantitative Goal. It is desirable to have a relatively small number of allegations submitted to the NRC as a measure of employee confidence in the various NU resolution systems.
		Investigation Quality	Positive Trends

Item No.	Objective	Performance Measure	Performance Targets
C.2.d	Establish and maintain high confidence that line management is effective in identifying, investigating, and resolving focus areas and 50.7-related events, where the attributes of a SCWE are challenged or lacking	Substantiated Concerns Involving Potential Violations of 10CFR50.7	Infrequent and Handled Effectively
		Supervisory and Management Training Attendance	95% of requisite training completed and Requalification maintained

Action Items

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.2.a.1	Deleted			
C.2.a.2	Develop and implement 50.7 module for incorporation in "Partnership 2000" employee training	Training	7/98	Complete
C.2.b.1	Develop and implement "quick start" training for new managers and supervisors, and enforce 90 day window for new training	Training	4/98	Complete
C.2.b.2	Develop and implement integrated, one-stop supervisory training from current training courses	Training	5/98	Complete
C.2.b.3	Develop and implement 50.7-related Requalification / refresher training for managers and supervisors	Training	3/99	
C.2.b.4	Implement a peer review process by year-end 1998 including selection of a design committee	Line Mgmt	12/98	Complete
C.2.c.1	Conduct lessons learned reviews of completed ECP cases	ECP	Ongoing	
C.2.c.2	Provide increased staff training on investigation consistency and process, and interpersonal skills. Enhance the ECP continuing training program	ECP	6/98	Complete
C.2.c.3	Transition ECP from contractor-staffed to NU-staffed organization	ECP	12/98	
C.2.c.4	Develop and implement improved methodology for 50.7 case classification, elements of proof for 50.7 and HIRD investigations, investigation lessons learned	ECP	4/98	Complete
C.2.c.5	Develop metric to measure investigation quality	ECP	10/98	Complete

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.2.d.1	Based on assessment of SCWE performance objectives and measures, evaluate and transition into the organizational structure necessary to maintain effective / efficient management of SCWE activities	SCWE	3/99	
C.2.d.2	Evaluate and implement phased plan for ECOP realignment, if dictated by performance	ECOP	12/98	
C.2.d.3	Evaluate and implement phased plan for realignment of SCWE functions, including transfer of non-50.7 HIRD functions from ECP and SCWE to HR, and incorporation of SCWE into the line organization	All	3/99	
C.2.d.4	Evaluate and implement phased plan for realignment of SCWE oversight in response to sustained, positive performance trends, including rampdown of LHC oversight (e.g., quarterly audits); develop and implement phased plan for complementary, enhanced oversight from Nuclear Oversight, ECOP, NSAB, self-assessment, and potentially third party assessments	All	10/98	Complete
C.2.d.5	Address all Focus Areas effectively, continuing use of organization effectiveness consultants, and factoring learning process from those activities into the permanent organization	SCWE	12/98	

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.2.d.6	Complete the development of and implement the SCWE Guidelines, which provide the process for addressing Focus Area definition, action plan development, monitoring and close out.	SCWE	6/98	Complete
C.2.d.7	Develop and implement an improved set of performance measures for measurement of continuous improvement	SCWE	3/99	Nuclear Safety Indicator Complete
C.2.d.8	Systematically evaluate SCWE events and experience and identify causal factors and important lessons learned. Perform comparative analysis and baseline causal factors and current conditions against the MIRG Report. Implement enhancements, as appropriate.	All	8/98	Complete
C.2.d.9	Evaluate current SCWE Plan actions and adjust and augment as necessary to address causal factors and lessons learned	SCWE	8/98	Complete
C.2.d.10	Develop and implement process for ongoing systematic evaluations and assessments of lessons learned	SCWE	11/98	Complete
C.2.d.11	Conduct periodic benchmarking and implement methods for sharing lessons learned from highly rated plants	All	Ongoing	

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.2.d.12	Enhance SCWE monitoring to include assessment Windows scoring criteria which requires: a) a Level 2 Condition Report to be initiated if a SCWE KPI reaches a 'yellow' indication in 2 consecutive months or if any SCWE KPI reaches 'red', and b) a Level 1 Condition Report, requiring formal root cause investigation, to be issued in the event of 4 consecutive 'yellows' or 2 consecutive 'red' windows	SCWE	10/98	Complete

C.3 Human Resources Performance Goal

Millstone recognizes that a strong site team is fundamental to sustaining full recovery and makes effective use of its human resources as a source of competitive advantage. It further acknowledges that achieving a high quality of work life balanced with strong worker productivity is the best way to meet the needs of all its stakeholders.

Objectives, Performance Measures and Targets

Item No.	Objective	Performance Measure	Performance Targets
C.3.a	Employees view the Human Resources (HR) organization as vigorously championing their issues to management	HR Customer Feedback	"Satisfactory" by 12/98 "Good" by 12/99 "Excellent" by 12/00
C.3.b	Management seeks HR as a resource for counsel and guidance	HR Customer Feedback	"Satisfactory" by 12/98 "Good" by 12/99 "Excellent" by 12/00
C.3.c	Diversity is valued and regarded as an integral component of the organization's ability to compete successfully	Organizational Minority and Female Staffing Diversity Events	Desired Levels by 12/98 ≥ 2 annually
C.3.d	A culture exists that holds dear demonstrating respect for one another, celebrating successes, embracing worthwhile work, maintaining reasonable work hours, fostering pride in personal, team, and organizational accomplishment, and engaging all workers, remembering the unique needs of shift workers	Human Resources Culture Survey Overtime Levels Nuclear Performance Incentive Plan Achievement	TBD Minimum of one event targeted at shift workers

Item No.	Objective	Performance Measure	Performance Targets
C.3.e	The workforce plan is in place that takes into consideration bench strength and employee development	Succession Plan	At least one candidate for each identified key position
C.3.f	Performance management is owned by line management, and along with coaching, is viewed as an important part of setting expectations and holding one another accountable	Performance Appraisal Schedule Adherence Audits of Performance Reviews Leadership Assessment, Performance Development Section	> 90% are performed as scheduled Overall audit rating of at least "Satisfactory" with regard to quality, including a development plan Positive trend in year-to-year assessment results
C.3.g	HR policies are viewed as consistent	HR Customer Feedback Ratings	"Satisfactory" by 12/98 "Good" by 12/99 "Excellent" by 12/00
C.3.h	Compensation strategy is aligned with industry benchmarks and with the organization's desired culture and business objectives	Competitiveness of Compensation Senior Management Evaluation	At Market by end of 1999

Action Items

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.3.c.1	Continue to implement diversity initiatives in concert with line management and successfully implement and complete the Summer Hire Diversity Program	HR	10/98	Complete
C.3.d.1	Conduct at minimum the following self assessment activities: investigation record-keeping; 1997 exempt performance reviews; and implementation of a customer satisfaction methodology	HR	12/98	
C.3.d.2	Conduct vision and values workshop and development of teambuilding concept; introduce the "We" concept	Officers	3/99	
C.3.d.3	Implement "Working Backshift" module for affected workers (focus groups)	HR	3/99	
C.3.e.1	Develop and present a workforce plan that includes a methodology for implementing succession planning and workforce demographics analysis	HR	1/99	
C.3.f.1	Conduct an audit of the 1997 performance reviews for quality and timeliness. Present results to Millstone line-management for action	HR	8/98	Complete
C.3.g.1	Implement Unit 1 redeployment, including development and publication of an officer-approved process	Officers	4/98	Complete

Item No.	Action	Responsibility	Target Date	Supporting Plan Ref./Status
C.3.g.2	In concert with Corporate HR, review HR Northeast Utilities Policies (NUPs) to assure applicability to Millstone, competitiveness with benchmark companies, clarity, and consistency with industry practice	HR	4/99	
C.3.h.1	Develop, present, and gain approval for implementing broad banding at Millstone in 1999	HR	9/99	
C.3.h.2	Deleted			
C.3.h.3	Develop criteria for justifying senior level positions at Millstone Station, including the establishment of a multi-discipline task force by 4/98	HR	4/98 8/98	Complete Complete

Docket Nos. 50-245
50-336
50-423
B17501

Attachment 5

Millstone Nuclear Power Station, Unit Nos. 1, 2, 3

Transition Plan Progress[1]

December 1998

[1] Organization titles reflect post-realignment positions

Human Services Transition Plan Progress

ECP

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Receives and investigates all employee issues	ECP train or transfer trained investigators to Human Performance and Development (HPD) ECP and Human Performance and Development educate customers on capability and availability of new owners	Receives and investigates principally nuclear safety related issues and failed resolutions. Non 50.7 HIRD and employment related issues will be transferred to appropriate groups i.e. HPD, Security.	Ongoing Action plan developed by HR / ECP
Largely contractor investigators	ECP obtain and train NU investigators	Largely NU investigators	In Progress - No. of contractors reduced

Human Services Transition Plan Progress

ECOP

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Panel oversight function and staff functions are mixed.	Employee Concerns Oversight Panel Going Forward Plan approved by President and CEO	Panel and staff functions will be separated. ECOP Panel will retain oversight role	Charter approved - transition in progress
ECOP Staff Functions Surveys Assessments	Employee Concerns Oversight Panel Going Forward Plan approved by President and CEO	Move to HPD	Complete
	ECOP, SCWE, ECP Train personnel or transfer staff	ECOP, SCWE, ECP	Complete
Observations Oversight	ECP and Nuclear Oversight develop and implement an external and self assessment Plan	Responsibility divided between Nuclear Oversight and ECOP Panel	Complete
	ECOP and Nuclear Oversight Train personnel or transfer staff	Responsibility divided between Nuclear Oversight and ECOP Panel	Pending

Human Services Transition Plan Progress

ERB

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Review and approve contractor discipline and reductions	ERB develop and implement case screening criteria ERB trains line and Contracts organization on screening criteria	Phased transfer of reviews into line with Contacts Department concurrence ERB would provide periodic assessments of actions. The assessment function would ultimately revert to senior management	ASSESSMENT COMPLETE - determined ERB should continue for the present.
Review and approve employee discipline and reductions	ERB develop and implement case screening criteria ERB trains line and HPD personnel on screening criteria	Phased transfer of reviews to line with HPD concurrence ERB would provide periodic assessments of actions. The assessment function would ultimately revert to senior management	Ongoing
Advise management on issues/precursors	ERB trains Business Partners and HPD	HPD	Pending

Human Services Transition Plan Progress

HR

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Onsite Senior HR presence in tandem with Vice President of Human Services.	Establish more responsive corporate Human Resources support	Vice President of Human Services, with Director level management providing day-to-day guidance and oversight of HPD organization.	Senior HR presence has decreased as needs have decreased. There is still frequent communication and periodic visits

Legal

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Outside senior level counsel onsite	Legal department hires or assigns NU Counsel. Onsite senior counsel trains NU Counsel	Dedicated NU counsel experienced in nuclear and personnel issues onsite	Ongoing - To complete prior to 1st Quarter 1999 - NU Counsel on site 80 % of time

Human Services Transition Plan Progress

Little Harbor

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Oversight and Assessments	ECP and Nuclear Oversight develop and implement an external and self assessment plan Little Harbor concurs with assessment plans	Periodic External Assessments Increased Self-Assessment ♦ Line ♦ Nuclear Oversight ♦ NSAB ♦ ECOP	Ongoing, with reduced frequency - Recent events observed by LHC confirmed management is handling issues well
Surveys Observations Interviews Issue Intake	These areas are presently being performed by NU groups. They will be consolidated into the departments as defined in this matrix	Human Performance and Development ECP, ECOP	Ongoing

Human Services Transition Plan Progress

Nilsson & Associates

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Culture Change Support Team Development Leader Coaching Interventions Communication Training Outage Support	Nilsson and Associates develop and train line organization and Human Performance and Development staff	HPD	Facilitators trained Teambuilding working on Unit 2 and 3 Technology transfer planned for mid-1999

SCWE

CURRENT RESPONSIBILITIES TO BE CHANGED	PREREQUISITES	FUTURE RESPONSIBILITIES OR FUTURE OWNER OF TASK	CURRENT STATUS
Manager/Supervisor Assistance	SCWE train HPD	HPD	Ongoing
Focus Areas Management Culture Survey Chilling Effects Identification Interventions	SCWE Develop and document process Train or transfer Staff Educate customers on capability and availability of new owners	HPD	SCWE positions approved Case process in place HR staff training in progress

Docket Nos. 50-245
50-336
50-423
B17501

Attachment 6

Millstone Nuclear Power Station, Unit Nos. 1, 2, 3

SCWE Assessment Plan Matrix

December 1998

Oversight Mechanism	Current Scope	Current Frequency/ Intensity	Rationale for Current Oversight	Proposed Scope	Proposed Frequency/ Intensity	Rationale for Proposed Oversight
LHC	Decreased intensity and man loading; Shifting toward event driven focus and areas of remaining weakness.	Continuous, with reduced man loading.	• Intensive oversight required for establishment of SCWE and restart readiness. • Assess NU's ability to perform Oversight role	Oversight of NU SCWE oversight plan, audit of selected topics, including Corrective Action Program. Review of ECP, HR, SCWE Case files	Periodic reviews of Program	See Third Party assessments below
ECOP	• Oversight Surveys • ECP oversight • Advisor to CEO • Third Party reviews • Witness ERB • Review HIRD cases • Network • Observe Meetings • Focus Groups	Continuous; Panel meetings with CEO at >monthly intervals.	Intensive oversight required for establishment of SCWE and restart readiness.	• Panel, 4 staff, administrator, with shift to advisory role. • Review 50.7 HIRD cases • Third party ECP reviews • Witness ERB	Continuous staff; monthly panel meetings with CEO.	Advisory role has highest value; Staff role should be re-examined in Summer 1999.

Oversight Mechanism	Current Scope	Current Frequency/ Intensity	Rationale for Current Oversight	Proposed Scope	Proposed Frequency/ Intensity	Rationale for Proposed Oversight
Human Services	• Self-assessments, • KPIs • Leadership/Culture Surveys. • Periodic Meeting	• Limited Self-Assessments. • Continuous monitoring of KPIs, • Semi-annual surveys. • Periodic group reviews.	Intensive efforts required to establish SCWE and support restart.	• Increased Self-Assessments. • Frequent assessments of KPIs, • Leadership, Culture survey. • Incorporation of ECOP survey into a "rollup" type survey feeding Culture Survey. • Common Threads / Lessons Learned	Self-Assessment Plan reviewed by LHC, ECOP and Nuclear Oversight. KPI monitoring and surveys should continue current practice.	Increased emphasis on Self-Assessment will be necessary for sustaining excellence over the long term.
Nuclear Oversight	Assessment of Corrective Action Program (SCWE previously assessed by NOVRP - complete).	• Monthly surveillances of CAP activities • Annual audit of CAP activities.	Audits required by Tech Specs. Surveillances necessary to support restart readiness	• Assessment of programmatic elements of SCWE. • Assessments of Corrective Action Program.	Quarterly assessments of SCWE functions. Annual audit of CAP. Monthly CAP assessments until Unit 2 restart.	Nuclear Oversight should continue to assess programmatic elements of SCWE and CAP performance.

Oversight Mechanism	Current Scope	Current Frequency/ Intensity	Rationale for Current Oversight	Proposed Scope	Proposed Frequency/ Intensity	Rationale for Proposed Oversight
Officers	• Review of KPIs • Monthly review of ECP data • Executive sponsor review of Key Issues	Monthly	Periodic review by management In depth review of Key Issues at intervals necessary to support issuance of NRC briefing book, Public Meeting, and presentations to NRC	• Review of KPIs • Review of ECP data • Bi- monthly reviews of issues with Officers, direct reports, B. Kenyon Executive sponsor review of Key Issues as part of quarterly update on previously resolved Key Issues	Continuously	Requirement of good management
Corporate Center	None	None	None	• ECP, SCWE, HR file quality	Quarterly to Semiannual	Independent review using outside expertise

Oversight Mechanism	Current Scope	Current Frequency/ Intensity	Rationale for Current Oversight	Proposed Scope	Proposed Frequency/ Intensity	Rationale for Proposed Oversight
Third Parties (this will include LHC periodic reviews)	Currently under company auspices	None	None	• Periodic formal Assessments of HR, ECP, SCWE processes files and effectiveness • Specific assessments or investigations as necessitated by events.	Periodically.	Augment assessment and investigate capability as necessary. LHC can best assess adequacy of NU programs on a periodic basis (LHC has established performance baseline.) Event management will drive SCWE performance. Performance Plan actions are key areas for improvement.
Other Utilities	ECP Program	Annual Audit	Outside Utility perspective	Review of selected elements of ECP and Nuclear Oversight effectiveness.	Annual audit through exchange programs. Similar to JUMA	Focus on specific areas of programmatic weakness.

Oversight Mechanism	Current Scope	Current Frequency/ Intensity	Rationale for Current Oversight	Proposed Scope	Proposed Frequency/ Intensity	Rationale for Proposed Oversight
ERB	• Reviews all discipline above a verbal warning. • Reviews all contractor reductions • Provides advisory service on SCWE and HR issues	Weekly or as needed	Intensive effort needed to establish SCWE	Same	As needed	We will continue to have a large contract workforce into early next year. As the number of cases decreases the frequency of ERB meeting can decrease.
NSAB	Review of KPIs, Nuclear Safety Index Restart Assessment	Quarterly	Restart verification	• Continue reviews of KPI. • Transfer to the Nuclear Safety Indicator	Quarterly	Ongoing review of SCWE performance

Oversight Mechanism	Current Scope	Current Frequency/ Intensity	Rationale for Current Oversight	Proposed Scope	Proposed Frequency/ Intensity	Rationale for Proposed Oversight
NCAT	Regular visits to meet with employees and management, and subsequent reporting to the Nuclear Committee on the status of SCWE matters	Periodic	Reports its observations on SCWE matters to the Nuclear Committee	Same	Periodic	Provides independent source of information about SCWE conditions at the site. Identifies areas in which the Committee might seek further information from management or ways in which management might approach certain issues
Peer Review	None	None	None	Peer appeal process will provide another vehicle for employees to address their issues.	As requested	Increase Employee options

ATTACHMENT 4

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

Mr. Bruce D. Kenyon
President and Chief Executive Officer
Northeast Nuclear Energy Company
P.O. Box 128
Waterford, CT 06385-0128

SUBJECT: ORDER REQUIRING INDEPENDENT, THIRD-PARTY, OVERSIGHT OF NORTHEAST NUCLEAR ENERGY COMPANY'S IMPLEMENTATION OF RESOLUTION OF THE MILLSTONE STATION EMPLOYEES' SAFETY CONCERNS

Dear Mr. Kenyon:

On October 24, 1996, the Nuclear Regulatory Commission (NRC) issued an Order requiring an independent, third-party, oversight of Northeast Nuclear Energy Company's (licensee) efforts to correct and prevent repetition of its failures regarding its treatment of employee concerns and of the employees who raised concerns. These failures were documented in the NRC's Order.

The Order specified that third-party oversight will be implemented until the licensee demonstrates by its performance, that the conditions which led to the requirements of that oversight have been corrected to the satisfaction of the NRC. The NRC is now satisfied that the licensee has demonstrated by its sustained performance in executing its Employee Concerns Program, and in establishing a safety-conscious work environment that the conditions that led to the requirement of third-party oversight, have been adequately corrected. Therefore, no further actions need to be done with respect to the Order.

Sincerely,

Samuel J. Collins, Director
Office of Nuclear Reactor Regulation

Docket Nos: 50-245, 50-336, 50-423

cc: See next page