

March 4, 2002

Mr. Douglas E. Cooper
Site Vice President
Palisades Nuclear Plant
Nuclear Management Company, LLC
27780 Blue Star Memorial Highway
Covert, MI 49043-9530

SUBJECT: ANNUAL ASSESSMENT LETTER - PALISADES NUCLEAR PLANT
(REPORT 50-255/02-01)

Dear Mr. Cooper:

On January 31, 2002, the NRC staff completed its end-of-cycle plant performance assessment of the Palisades Nuclear Generating Plant. The end-of-cycle review for Palisades involved the participation of all technical divisions in evaluating performance indicators (PIs) for the most recent quarter and inspection results for the period from April 1 through December 31, 2001. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility so that you will have an opportunity to prepare for these inspections and to inform us of any planned inspections which may conflict with your plant activities.

As discussed in our previous annual assessment letter dated May 31, 2001, this inspection and assessment cycle consisted of three quarters (i.e., the second, third, and fourth calendar quarters of calendar year 2001) instead of the usual four quarters. This change was implemented in order to align the inspection and assessment cycle with the calendar year beginning on January 1, 2002.

Overall, Palisades operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter was within the Licensee Response Column of the NRC's Action Matrix, based on all inspection findings being classified as having very low safety significance (Green) and all PIs indicating performance at a level requiring no additional NRC oversight (Green).

While plant performance for the most recent quarter is within the licensee response column of the Action Matrix, there was a finding of low to moderate safety significance identified during the second quarter of the assessment cycle. This was a White finding involving smoke detectors in the northwest portion of the cable spreading room which were not located and installed in accordance with the applicable National Fire Protection Association code. Therefore, Palisades was in the Regulatory Response Column of the Action Matrix during the second quarter of the assessment cycle. A supplemental inspection will be conducted to review your evaluation to ensure that the root and contributing causes are understood, and reasonable corrective actions are planned or completed to prevent recurrence of the problem. Therefore, with the exception of the supplemental inspection for the fire protection issue, we plan to conduct only baseline inspections at your facility through March 31, 2003.

Additionally, the staff has identified a potential adverse trend in the cross-cutting areas of problem identification and resolution, and human performance. In the problem identification and resolution performance area, weak corrective action program implementation resulted in the inadequate resolution of equipment problems and failures to recognize adverse performance trends. Also, a substantive cross-cutting human performance issue was identified after reviewing multiple engineering work products. Several findings were identified which reflected a lack of rigor by your engineering staff in performing, checking, and verifying mechanical, structural, and metallurgical engineering work products.

Our plant performance review in March 2000 determined that a substantial cross-cutting issue existed regarding the failure to implement adequate corrective actions for identified problems which included repetitive equipment problems and cyclic operator performance. We conducted a Problem Identification and Resolution (PI&R) inspection in July 2000 and noted that you had initiated substantial changes to your corrective action program. However, because the changes to your corrective action program were then recently implemented, the effectiveness of the changes to the program could not be assessed. Sufficient time has since passed and we have determined that the corrective action program changes implemented in mid-2000 have not been fully effective, as reflected in current human performance issues and in the continuation of equipment problems.

Additionally, on June 27, 2001, the NRC issued a Severity Level III Notice of Violation in accordance with the enforcement policy. The violation involved the failure to provide the NRC complete and accurate information when requesting enforcement discretion and an exigent Technical Specification change in February 2000. Your staff has responded to the Notice of Violation and the NRC will follow-up on your corrective actions through the baseline inspection program.

The enclosed inspection plan details the inspections scheduled through March 31, 2003. The inspection plan is provided to minimize the resource impact on your staff and to allow for scheduling conflicts and personnel availability to be resolved in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The last 6 months of the inspection plan are tentative and may be revised at the Mid-Cycle Review meeting.

In addition to the baseline inspection program, the NRC issued safeguards advisories recommending that nuclear power plant licensees go to the highest level of security immediately following the terrorist attacks on the World Trade Center and the Pentagon, and all promptly did so. With continued uncertainty about the possibility of additional terrorist activities, the Nation's nuclear power plants, including the Palisades Nuclear Generating Plant, remain at a high level of security. On February 25, 2002, the NRC issued an Order to all nuclear power plant licensees, requiring them to take certain additional interim compensatory measures to address the generalized high-level threat environment. These additional compensatory requirements will provide the NRC with reasonable assurance that public health and safety and the common defense and security continue to be adequately protected in the current generalized high-level threat environment. These requirements will remain in effect pending notification from the Commission that a significant change in the threat environment has occurred, or until the Commission determines that other changes are needed following a more comprehensive re-evaluation of current safeguards and security programs. To date, we have

monitored the actions of the Palisades Nuclear Generating Plant in response to the terrorist attacks through a series of audits. With the issuance of the Order, we will evaluate the Palisades Nuclear Generating Plant's compliance with these interim requirements.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/NRC/ADAMS/index.html> (the Public Electronic Reading Room).

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact me at (630-829-9600) with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

Geoffrey E. Grant, Director
Division of Reactor Projects

Docket No. 50-255
License No. DPR-20

Enclosure: Palisades Inspection/Activity Plan

cc w/encl: R. Fenech, Senior Vice President, Nuclear
Fossil and Hydro Operations
L. Lahti, Manager, Licensing
R. Anderson, Chief Nuclear Officer, NMC
A. Udrys, Esquire, Consumers Energy Company
S. Wawro, Nuclear Asset Director, Consumers Energy Company
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Palisades
Inspection / Activity Plan
03/04/2002 - 03/31/2003

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	SSDI	- SAFETY SYSTEM DESIGN INSPECTION	5			
1	IP 7111121	Safety System Design and Performance Capability		04/29/2002	05/17/2002	Baseline Inspections
	IP 71114	- BIENNIAL EP EXERCISE INSP	3			
1	IP 7111401	Exercise Evaluation		06/03/2002	06/07/2002	Baseline Inspections
1	IP 71151	Performance Indicator Verification		06/03/2002	06/07/2002	Baseline Inspections
	71130	- SAFEGUARDS INSPECTION-AA/AC/PI/PC	1			
1	IP 7113001	Access Authorization Program (Behavior Observation Only)		08/12/2002	08/16/2002	Baseline Inspections
1	IP 7113002	Access Control (Search of Personnel, Packages, and Vehicles: Identification and Authorizator		08/12/2002	08/16/2002	Baseline Inspections
1	IP 7113004	Security Plan Changes		08/12/2002	08/16/2002	Baseline Inspections
1	IP 71151	Performance Indicator Verification		08/12/2002	08/16/2002	Baseline Inspections
	IP 71121	- RP ACCESS CONTROLS & ALARA INSPECTION	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		08/19/2002	08/23/2002	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		08/19/2002	08/23/2002	Baseline Inspections
1	IP 71151	Performance Indicator Verification		08/19/2002	08/23/2002	Baseline Inspections
	PI&R	- PROBLEM IDENTIFICATION AND RESOLUTION	3			
1	IP 71152	Identification and Resolution of Problems		08/26/2002	09/13/2002	Baseline Inspections
	IP 71121	- RAD INSTRUMENTS INSPECTION	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		11/18/2002	11/22/2002	Baseline Inspections
1	IP 7112103	Radiation Monitoring Instrumentation		11/18/2002	11/22/2002	Baseline Inspections
1	IP 71151	Performance Indicator Verification		11/18/2002	11/22/2002	Baseline Inspections
	MOD50.59	- BIENNIAL PLANT MODS AND 50.59	4			
1	IP 7111102	Evaluation of Changes, Tests, or Experiments		01/13/2003	01/17/2003	Baseline Inspections
1	IP 711117B	Permanent Plant Modifications		01/13/2003	01/17/2003	Baseline Inspections
	IP 71121	- OUTAGE ALARA INSPECTION	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		03/24/2003	03/28/2003	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		03/24/2003	03/28/2003	Baseline Inspections

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.