

Dominion Nuclear Connecticut, Inc.
Millstone Power Station
Rope Ferry Road
Waterford, CT 06385



DominionSM

JUL 19 2002

Docket No. 50-245
B18692

RE: 10 CFR 2.201
10 CFR 20.2201
10 CFR 70.51

Mr. Frank Congel, Director
Office of Enforcement
U.S. Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

Millstone Nuclear Power Station, Unit No. 1
Facility Operating License No. DPR-21
Reply to a Notice of Violation
NRC Special Inspection 50-245/01-013

Enclosed please find Dominion Nuclear Connecticut, Inc. (DNC's) response to Nuclear Regulatory Commission (NRC) letter "NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTY - \$288,000 (NRC Special Inspection Report No. 50-245/01-013)," dated June 25, 2002.⁽¹⁾ Payment for the proposed civil penalty will be wire transferred separately.

Although DNC does not contest the violations, DNC was not the licensee at the time the events that form the basis for the violations occurred. It is for this reason that DNC requests that going forward the NRC not consider these violations as having occurred within the past two years under Section VI.C.2 of the NRC Enforcement Policy ("Disposition of Violations, Civil Penalties").

DNC agrees with the NRC's conclusion that, despite the violations, the underlying events posed no threat to, nor had a realistic impact on, the public health and safety.

There are no regulatory commitments contained in this submittal. Attachments 1 and 2 provide DNC's response to the violations pursuant to the provisions of 10 CFR 2.201.

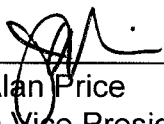
⁽¹⁾ NRC Letter to J. Alan Price, "NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTY - \$288,000 (NRC Special Inspection Report No. 50-245/01-013)," dated June 25, 2002.

U.S. Nuclear Regulatory Commission
B18692/Page 2

Should you have any questions regarding the information contained herein, please contact Mr. David A. Smith at (860) 437-5840.

Very truly yours,

DOMINION NUCLEAR CONNECTICUT, INC.



J. Alan Price
Site Vice President - Millstone

Attachment (1)

cc: H. J. Miller, Region I Administrator
J. B. Hickman, NRC Project Manager, Millstone Unit No. 1
J. R. Wray, NRC Inspector, Region 1, Millstone Unit No. 1

Docket No. 50-245
B18692

Attachment 1

Millstone Nuclear Power Station, Unit No. 1
Facility Operating License No. DPR-21
Reply to a Notice of Violation
Inspection 50-245/01-013

Millstone Unit No. 1
Facility Operating License No. DPR 21
Reply to a Notice of Violation
Inspection 50-245/01-013

Restatement of Violation

I VIOLATION ASSESSED A CIVIL PENALTY

10 CFR 70.51(b), (c) and (d) require, in part, that each licensee shall keep records showing the receipt, inventory (including location), disposal, acquisition, and transfer of all special nuclear material (SNM) in its possession regardless of origin or method of acquisition; each licensee who is authorized to possess at any one time SNM in a quantity exceeding one effective kilogram of SNM shall establish, maintain, and follow written material control and accounting procedures that are sufficient to enable the licensee to account for all SNM in his possession under license; and each licensee who is authorized to possess at any one time and location SNM in a quantity totaling more than 350 grams of contained uranium-235, uranium-233, or plutonium, or any combination thereof, shall conduct a physical inventory of all SNM in its possession under license at intervals not to exceed 12 months.

Contrary to the above, the licensee, who was authorized to possess SNM in excess of the quantities stated above, failed to:

1. keep adequate records showing the inventory (including location), disposal and transfer of the SNM in irradiated fuel rods BKO136 and BPO406, from the Fall of 1979 until November 16, 2000. Specifically, inventory records were in error (after the two fuel rods in the spent fuel pool most likely were mistakenly cut up, in the Fall of 1979), in that the records were not revised to reflect the change in the spent fuel pool. It was not until November 16, 2000, that the licensee documented in Condition Report M1-00-0548 that the location of the two fuel rods was not properly reflected in SNM records and their location could not be determined.
2. establish, maintain, and follow adequate written material control and accounting procedures sufficient to account for all SNM in his possession. Specifically, Operating Procedure 1001, "Fuel Inventory and Control," January 1972, and Reactor Engineering Procedure 1001, "SNM Inventory and Control," required preparation of a Material Transfer Form for any movement of SNM, and required maintaining database card file records with current location information. In several instances between May 4, 1974 to March 13, 1979, and several times after the fall of 1979, personnel failed to follow these procedures when SNM was moved without preparing a Material Transfer Form. In addition, although inventory cards were generated in May 1979 describing the two fuel rods and their location, the cards were not maintained after that time even though the

rods were moved several times. These records were in error until November 16, 2000, when the licensee generated Condition Report M1-00-0548; and

3. conduct adequate physical inventories of all SNM in its possession under license. Specifically, due to errors in SNM records, physical inventories conducted since 1980 did not identify that the two fuel rods were missing, until September 12, 2000, when the licensee determined that the two fuel rods were not in the locations as specified in the SNM records.

This violation has been categorized at Security Level II (Supplement VI). Civil Penalty - \$288,000.

Dominion Nuclear Connecticut, Inc. (DNC) does not contest the violation.

Reason for the Violation

As provided in DNC correspondence dated March 28, 2002,⁽¹⁾ the cause of this violation was a historical unrecognized over-reliance on Millstone Unit No. 1 reactor engineers to compensate for organizational and process weaknesses in implementing the special nuclear material (SNM) inventory and control procedures. That unrecognized over-reliance masked certain behaviors and conditions that led to the loss of the two fuel rods.

Corrective Steps Taken and Results Achieved

As described in DNC correspondence dated March 28, 2002, the following are the corrective steps taken and results achieved.

1. Each of the recommendations described in the root cause report⁽²⁾ have been incorporated into the Millstone Corrective Actions Program for implementation.
2. With the exception of the two missing fuel rods, all fuel at Millstone Unit No. 1 has been accounted for.
3. A dedicated DNC management level position has been assigned responsibility for physical fuel management activities on site. This includes spent fuel pool activities and is similar to the successful organizational structure at Dominion's other nuclear stations.

⁽¹⁾ J. Alan Price letter to the U.S. Nuclear Regulatory Commission, "Millstone Nuclear Power Station, Unit No. 1, "Response to Apparent Violations in Inspection Report No. 05000245/2001013," dated March 28, 2002.

⁽²⁾ J. Alan Price letter to the U.S. Nuclear Regulatory Commission, "Millstone Nuclear Power Station, Unit No. 1, "Issuance of Root Cause Investigation Pertaining to Unaccounted for Spent Fuel Rods," dated October 29, 2001.

4. Procedures have been enhanced to strengthen the SNM control and accountability program.
5. Procedures were temporarily modified to disallow the disposal of irradiated hardware. This will preclude the possibility of unauthorized and/or inadvertent shipment of SNM. Also, these procedures were upgraded with requirements for detailed waste characterization and verification of irradiated components being placed in disposal containers. These upgrades will not be implemented until Millstone is allowed to ship irradiated components to the facility licensed to accept the waste.

Corrective Steps That Will Be Taken to Avoid Further Violations

All necessary actions to preclude further violations are complete.

Date When Full Compliance Will Be Achieved

DNC is currently in compliance.

Docket No. 50-245
B18692

Attachment 2

Millstone Nuclear Power Station, Unit No. 1
Facility Operating License No. DPR-21
Reply to a Notice of Violation
Inspection 50-245/01-013

Restatement of Violation

II VIOLATION NOT ASSESSED A CIVIL PENALTY

10 CFR 20.2201(a)(1)(ii) requires the licensee to report by telephone within 30 days after the occurrence of any lost, stolen, or missing licensed material becomes known to the licensee, all licensed material in a quantity greater than 10 times the quantity specified in Appendix C to Part 20.

Contrary to the above, the licensee failed to notify the NRC by telephone within 30 days of the occurrence of missing licensed material in a quantity greater than 10 times the quantity specified in Appendix C to Part 20. Specifically, on September 12, 2000, following an unsuccessful search of the locations specified in the records (fuel assembly and certain areas of the spent fuel pool) for two spent fuel rods containing licensed material in a quantity greater than 10 times the quantity specified in Appendix C to Part 20, the licensee had sufficient information at the management level to conclude that two fuel rods were missing. Nevertheless, the NRC did not receive any notification that the fuel rods were missing until informally notified via telephone on November 16, 2000, followed by a formal notification via telephone to the NRC Operations Center on December 14, 2000. This notification was in excess of the 30 day notification requirement.

This violation has been categorized as Security Level IV (Supplement VI).

Dominion Nuclear Connecticut, Inc. (DNC) does not contest the violation.

Reason for the Violation

DNC's correspondence dated March 28, 2002,⁽¹⁾ cited previous NRC correspondence dated October 31, 2001,⁽²⁾ in identifying the reason for the violation as: "...the lack of aggressive licensee (Northeast Utilities/Entergy) management oversight of and accountability for contractors work...possibly contributed to the [condition report] being written on November 16, 2000 versus sometime sooner."

In addition, DNC's March 28, 2002, correspondence further stated that, "This circumstance, compounded by a belief of those involved that the rods were located in an unspecified location in the spent fuel pool, resulted in what appears to be a delay in

⁽¹⁾ J. Alan Price letter to the U.S. Nuclear Regulatory Commission, "Millstone Nuclear Power Station, Unit No. 1, "Response to Apparent Violations in Inspection Report No. 05000245/2001013," dated March 28, 2002.

⁽²⁾ G. Pangburn, U.S. Nuclear Regulatory Commission letter to Raymond P. Necci, "Investigation of Millstone Nuclear Power Station, Unit 1: Failure to Report Missing or Lost Radioactive Fuel Rods in a Timely Manner," dated October 31, 2001.

issuing condition report (CR) No. M1-00-0548 and, consequently, reporting the situation to the NRC.” Further details as to the specific circumstances which resulted in the violation are described in the referenced DNC and NRC letters.

Page 3, paragraph 3 of the cover letter, “NOTICE OF VIOLATION AND PROPOSED CIVIL PENALTY - \$288,000” dated June 25, 2002⁽³⁾, acknowledges DNC’s response to the apparent violation for untimely reporting. However, some of the context of the underlying event, described in DNC’s response has been lost, including a description of the corrective actions taken. Therefore, DNC provides the following as a clarification.

As noted by the NRC, Condition Report (CR-02-02376) dated March 4, 2002, was initiated by DNC in response to the NRC letter dated February 27, 2002⁽⁴⁾, which identified the apparent violation of NRC reporting requirements associated with the matter of the Unit No. 1 fuel pins. At the time of the disposition of the March 4, 2002, CR, DNC had already instituted corrective actions to address Northeast Nuclear Energy Company’s disposition of CR M1-00-0548 dated November 16, 2000. Specifically, and as indicated in DNC’s March 28 correspondence (Attachment 1, Page 1, “Corrective Steps Taken and Results Achieved”) responding to the apparent violation associated with loss of SNM accountability:

“A dedicated DNC management level position has been assigned responsibility for physical fuel management activities on site. This includes spent fuel pool activities and is similar to the successful organizational structure at Dominion’s other nuclear stations.”

This DNC corrective action applied equally to the apparent violation of reporting requirements. The failure to report the missing fuel rods in a timely manner involves effective licensee control and real-time management of contractor work as well as implementation of performance expectations for the Corrective Action Program. A dedicated management level position addresses the reporting issue, as it relates to spent fuel pool activities, by increasing oversight of contractor activities.

The section of DNC’s March 28, 2002, letter, (Attachment 2, Page 3, “Corrective Steps Taken and Results Achieved”) that specifically responded to the apparent reporting violation, also identified corrective actions intended to address the more general aspects of contractor control in stating that:

⁽³⁾ NRC Letter to J. Alan Price, “NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTY - \$288,000 (NRC Special Inspection Report No. 50-245/01-013),” dated June 25, 2002.

⁽⁴⁾ NRC Letter to J. Alan Price, “SPECIAL INSPECTION 05000245/2001013, DOMINION NUCLEAR CONNECTICUT, INC., MILLSTONE POWER STATION UNIT 1, WATERFORD, CONNECTICUT, dated February 27, 2002.

“DNC oversight of contractors is reinforced through emphasis on performance and accountability expectations. DNC accomplishes continuous process improvement within the Corrective Action Program by maintaining a management-directed low threshold for CR initiation and concomitant reportability determinations.”

In summary, DNC’s implementation of the corrective action program was enhanced from the program used by Northeast Utilities/Entergy at the time of the initial investigation of the missing Unit No. 1 fuel pins. The combination of dedicated DNC management for the spent fuel pools, including oversight of spent fuel pool activities and maintaining a management-directed low threshold for CR initiation and concomitant reportability determinations fully addresses the cause of this event.

For completeness, DNC sets forth restated corrective actions below which are applicable to this violation. DNC regrets any confusion on this issue.

Corrective Steps Taken and Results Achieved

1. A dedicated DNC management level position has been assigned responsibility for physical fuel management activities on site. This includes spent fuel pool activities and is similar to the successful organizational structure at Dominion’s other nuclear stations.
2. DNC’s oversight of contractors is reinforced through emphasis on performance and accountability expectations. DNC accomplishes continuous process improvement within the Corrective Action Program by maintaining a management-directed low threshold for CR initiation and concomitant reportability determinations.

Corrective Steps That Will Be Taken to Avoid Further Violations

Continuous vigilance of Corrective Action Program expectations.

Date When Full Compliance Will Be Achieved

DNC is currently in compliance.