ENCLOSURE 1

NOTICE OF VIOLATION

STP Nuclear Operating Company — Docket Nos.: 50-498; 50-499

South Texas Project Electric Generating Station — License Nos.: NPF-76; NPF-80

During an NRC inspection conducted on March 23-27, 1998, with inoffice inspection continuing until June 10, 1998, three violations of NRC requirements were identified. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," NUREG-1600, the violations are listed below:

A. 10 CFR 50.65(b)(2) requires, in part, that the scope of the monitoring program specified in paragraph (a)(1) shall include certain structures, systems, and components that are relied upon to mitigate accidents or transients or are used in plant emergency operating procedures. 10 CFR 50.65(c) states that the requirements of this section shall be implemented by each licensee no later than July 10, 1996.

Contrary to the above, from July 10, 1996, the digital rod position indication system and the function of the electrical auxiliary building heating, ventilating, and air conditioning system to automatically and manually transfer control room envelope ventilation to the recirculation operating mode upon smoke detection at the heating, ventilating, and air-conditioning inlet were not in the scope of the Maintenance Rule program.

This is a Severity Level IV violation (Supplement I) (50-498;-499/9801-01).

B. 10 CFR 50.65(a)(1) requires, in part, that the holders of an operating license shall monitor the performance or condition of structures, systems, or components, as defined in 10 CFR 50.65(b), against licensee-established goals, in a manner sufficient to provide reasonable assurance that such structures, systems, or components are capable of fulfilling their intended functions. When the performance or condition of a structure, system, or component does not meet established goals, appropriate corrective action shall be taken.

10 CFR 50.65(a)(2) requires, in part, that monitoring as specified in 10 CFR 50.65(a)(1) is not required where it has been demonstrated that the performance or condition of a structure, system, or component is being effectively controlled through the performance of appropriate preventive maintenance, such that, the structure, system, or component remains capable of performing its intended function. 10 CFR 50.65(c) states that the requirements of this section shall be implemented by each licensee no later than July 10, 1996.

Contrary to 10 CFR 50.65(a)(2), as of July 10, 1996, the time that the licensee elected to not monitor the performance or condition of certain structures, systems or components

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against licensee-established goals pursuant to the requirements of Section (a)(1), the licensee had not demonstrated that the performance or condition of certain structures, systems or components within the scope of 10 CFR 50.65 had been effectively controlled through the performance of appropriate preventive maintenance, as evidenced by the following example:

The licensee failed to establish adequate measures to evaluate the appropriateness of the performance of preventive maintenance for the solid state protection system. Specifically, the licensee had no performance measure established for availability of the solid state protection system. The licensee considered the solid state protection system's availability to be tracked under the performance measure for reliability (i.e., functional failures). Reliability and availability measures were both necessary to demonstrate that preventive maintenance had been effective to ensure that system functions will perform as required.

This is a Severity Level IV violation (Supplement I) (50-498;-499/9801-03).

Pursuant to the provisions of 10 CFR 2.201, STP Nuclear Operating Company is hereby required to submit a written statement or explanation to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, D.C. 20555 with a copy to the Regional Administrator, Region IV, 611 Ryan Plaza Drive, Suite 400, Arlington, Texas 76011, and a copy to the NRC Resident Inspector at the facility that is the subject of this Notice, within 30 days of the date of the letter transmitting this Notice of Violation (Notice). This reply should be clearly marked as a "Reply to a Notice of Violation" and should include for each violation: (1) the reason for the violation, or, if contested, the basis for disputing the violation or severity level, (2) the corrective steps that have been taken and the results achieved, (3) the corrective steps that will be taken to avoid further violations, and (4) the date when full compliance will be achieved. Your response may reference or include previous docketed correspondence, if the correspondence adequately addresses the required response. If an adequate reply is not received within the time specified in this Notice, an order or a Demand for Information may be issued as to why the license should not be modified, suspended, or revoked, or why such other action as may be proper should not be taken. Where good cause is shown, consideration will be given to extending the response time.

If you contest this enforcement action, you should also provide a copy of your response to the Director, Office of Enforcement, United States Nuclear Regulatory Commission, Washington, DC 20555-0001.

Because your response will be placed in the NRC Public Document Room (PDR), to the extent possible, it should not include any personal privacy, proprietary, or safeguards information so that it can be placed in the PDR without redaction. If personal privacy or proprietary information is necessary to provide an acceptable response, then please provide a bracketed copy of your response that identifies the information that should be protected and a redacted copy of your response that deletes such information. If you request withholding of such material, you must

specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim of withholding (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.790(b) to support a request for withholding confidential commercial or financial information). If safeguards information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

Dated at Arlington, Texas,
this 16th day of June 1998.