



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

July 22, 1998

MEMORANDUM TO: Chairman Jackson
Commissioner Diaz
Commissioner McGaffigan

FROM: L. Joseph Callan *[Signature]*
Executive Director for Operations

SUBJECT: RESULTS OF THE NRC SENIOR MANAGEMENT MEETING
HELD JULY 14-15, 1998

To purpose of this memorandum is to provide to the Commission with 1) a summary of the discussions held at the July 14-15, 1998, NRC Senior Management Meeting, 2) copies of letters to be sent to the licensees of plants on the Watch List that will be discussed at the July 29, 1998, Commission Meeting, and 3) copies of letters to be sent to plants whose performance was trending downward.

As the Commission is aware, NRC senior managers periodically meet to review the performance of operating nuclear power plants and materials facilities licensed by the NRC. For this meeting, the senior managers implemented the guidance described in Management Directive (MD) 8.14, "Senior Management Meeting (SMM)." MD 8.14 provides guidance for the preparation and conduct of the SMM while the process is undergoing review and modification, as described in SECY 97-122, "Integrated Review of the NRC Assessment Process for Operating Commercial Nuclear Reactors," and SECY 98-045, "Status of the Integrated Review of the NRC Assessment Process for Operating Commercial Nuclear Reactors (SRM 9700238)." NRC senior management will transition to an annual SMM schedule as directed in the SRM associated with SECY 98-045, though the ongoing review of the NRC's performance assessment process may result in a revised process in the near future.

As a result of the number of plants that were scheduled to be discussed during this SMM, nuclear power plant performance was the predominant topic of discussion at this Senior Management Meeting. The senior managers continued efforts to increase the use of objective performance indicators and risk information, increase the emphasis on obtaining and integrating the views of each senior manager, and enhance the application of information summaries (pro/con charts and Watch List removal matrices) used to facilitate the discussions related to the appropriate level of agency attention.

The Senior Management Meeting is conducted to focus agency-wide resources on those plants and issues that need to be addressed, to communicate the concerns of senior NRC managers to licensees with poor performance or adverse performance trends, and to ensure that coordinated

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courses of action are developed and implemented for licensees of concern before problems reveal themselves as significant events. The recommendations from this meeting reflect the emphasis that the NRC places on the staff's current assessment of plant safety performance as opposed to licensee plans and projections. I provided the Commission with a summary of the results of this meeting in a Commission Paper dated July 16, 1998.

On July 24, 1998, the following notifications and actions, which are timed to give licensee management an opportunity to attend the July 29, 1998, Commission Meeting, will occur:

- the Regional Administrators will place a telephone call to the licensee of each plant, receiving a trending letter or being placed in Categories 1, 2, and 3, informing them of the staff's assessment of their plants, and the basis for the conclusions made by the NRC Senior Managers; and
- the staff will transmit (by facsimile) letters to the Chief Executive Officer for the plants in Categories 1, 2, and 3 or whose plant was determined to have an adverse trend (Attachment 1).

Attachment 2 is a summary of the July 1998 Senior Management Meeting. Copies of the Senior Management Meeting Watch List Removal Evaluation Factors are provided in Attachment 3 and a list of attendees is provided in Attachment 4.

Please note that the information contained with this memorandum is Pre-Decisional and will be first discussed publicly at the July 29, 1998, Commission Meeting. Following the meeting, letters to licensees will be placed in the Public Document Room.

Attachments:

1. Senior Management Meeting Related Letters to Licensees
2. Senior Management Meeting Summary
3. Senior Management Meeting Watch List Removal Evaluation Factors
4. List of Attendees

cc:w/attachments

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ATTACHMENT 1

Senior Management Meeting Related Letters to Licensees

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

**Mr. E. James Ferland
Chief Executive Officer
Public Service Electric
and Gas Company
80 Park Plaza
Newark, NJ 07101**

Dear Mr. Ferland:

On July 14 and 15, 1998, the NRC senior managers met to evaluate the nuclear safety performance of operating reactors, fuel cycle facilities, and other materials licensees. The NRC conducts this meeting periodically to determine if the safety performance of various licensees exhibits sufficient weaknesses to warrant increased NRC attention or if it is trending adversely and requires steps be taken to communicate concerns to the utility's president or board of directors. At the July 1998 Senior Management Meeting (SMM), the Salem Generating Station was discussed.

On the basis of our discussions, we concluded that Salem Units 1 & 2 have demonstrated sustained improvement sufficient to warrant their removal from the NRC Watch List category that requires increased attention from both NRC headquarters and Region I. Plants removed from the Watch List have taken effective actions to correct identified problems and implemented programs for improved performance. A summary of NRC discussions related to Salem Units 1 and 2 follows:

The NRC's inspection program and overview activities have determined that licensee management has substantially corrected the weaknesses and underlying root causes that led to previous performance problems at the Salem Generating Station. The NRC senior managers considered the Watch List removal matrix in determining the appropriate agency response to the identified performance concerns. The senior managers noted Salem met all the criteria for removal from the Watch List, including the demonstration of sustained successful plant performance. Startup and subsequent operation of Unit 1 have been successful and operational performance of Unit 2 has continued to be good. Also, the senior managers noted that plant material condition, safety culture, and management oversight and effectiveness had substantially improved. The Salem management team set high standards for performance at the site and provided the resources necessary to improve operational performance. This team also successfully instituted robust safety oversight and self-assessment at the site.

While the maintenance backlog remains high, the site management team has demonstrated an understanding of its individual and cumulative effects and is effectively managing the prioritization and resolution of backlog items. Steps have been taken to improve station work control processes. The senior managers also discussed

Mr. E. James Ferland

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engineering performance at Salem and concluded that, while it is dealing with the large backlogs that resulted from discovery efforts during the outage, the engineering organization is providing good support to the station.

In summary, licensee actions have been effective in improving the operational safety performance of Salem Units 1 & 2. Therefore, the NRC has determined that an enhanced level of regulatory monitoring is no longer warranted.

An NRC Commission Meeting, open to the public, is scheduled to be held in the Commissioners' Conference Room in Rockville, Maryland, on July 29, 1998, to review the results of the latest meeting of NRC senior managers.

Mr. Hubert Miller, the Region I Regional Administrator, has discussed our conclusions with regard to Salem Units 1 & 2 with members of your staff.

If you have any questions regarding this matter, do not hesitate to call me.

Sincerely,


L. Joseph Callan
Executive Director
for Operations

Docket Nos.: 50-272
50-311

cc: See next page

INDIAN POINT 2

Background Information:

Indian Point 2 was first discussed at the June 1997 SMM and has been discussed at each SMM since. During the period of late 1995 through mid-1997, the plant experienced nine trips and shutdowns as well as several power reductions as a result of equipment problems. Inspections during that period noted the poor condition of several systems, design control weaknesses, procedure adherence problems, informality in a number of station processes, and weaknesses in problem identification, root cause evaluation, and corrective action processes. In October 1997, the plant was shutdown to address on-demand failures of some DB-50 breakers. Subsequently, senior plant management decided to keep the plant shutdown to improve the material condition of the plant and address human performance and process weaknesses. Since the last SMM, Con Edison management kept the plant in an extended outage as it addressed these material condition, human performance, and process issues. During the last SMM, it was recommended that a focused operationally-oriented inspection be conducted to determine if some of the examples regarding human and operational performance issues were indicative of deeper-seated problems. As a result, an Independent Safety Assessment (ISA) was performed for Con Edison by a group of industry consultants.

Since the last SMM, the material condition of the plant continued to improve as a result of the considerable efforts taken during the outage to address long-standing equipment problems. Progress was especially evident in the reduction of the maintenance backlog, control room deficiencies, operator workarounds, and temporary modifications. The pace of improvement was hindered somewhat by an inefficient work management process.

The ISA identified that some important weaknesses existed at the facility, particularly in the area of management and operations. The ISA had the following observations: The chain of command was not clearly defined and that direct supervision in the control room was weak. The site has been isolated with respect to learning from the rest of the industry. Quality Assurance has been ineffectively used to improve plant performance due in part to a lack of line management support. The site corrective action processes were cumbersome and inefficient, and many corrective actions were untimely. Operators maintained insufficient control of plant status due to informal controls and insufficient adherence to procedures. Weaknesses were also identified in the conduct of operations especially in the areas of control room professionalism, teamwork, and cross-checking. Despite the above weaknesses, the ISA found the site staff to be energetic and willing to do the work necessary to address the station's problems.

Following the ISA, management changes occurred in the Operations, Engineering, and Work Control departments. A new Senior Vice President-Nuclear with extensive industry experience was assigned to the site in June. Also, a new Executive Oversight Team consisting of 5 members with considerable industry experience was formed to assist in the oversight of performance improvement initiatives. Two of the team members have been designated to be Vice Presidents. While early signs appear promising, it is too early to judge the overall

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effectiveness of their efforts. However, the new management team has demonstrated a commitment not to restart the plant until they are satisfied that human performance and plant material condition have adequately improved. Also, improvements have been noted in problem identification, system engineering support for plant operations, and housekeeping.

SMM Discussion:

The senior managers considered the following factors in determining the appropriate agency response to the identified performance concerns:

ARGUMENTS FOR MAINTAINING AGENCY ACTION

Effectiveness of Licensee Self-Assessment

- Recent management changes made. New Senior VP Nuclear Operations has extensive industry experience. VPs of Ops and Engineering have had positive impact on equipment issues.
- In response to NRC OSTI plans, an Independent Safety Assessment (ISA) performed. Well qualified team produced a critical and insightful report. Licensee committed to addressing key issues before restart. (For some issues, plans still being formulated.)
- Increased problem reporting in the last year, especially with respect to equipment issues.

Operational Performance (Frequency of Transients)

- Plant shutdown much of last 18 months – continuously since October 1997

Human Performance

- Licensee planning to complete operations "intervention" and training program before restart (scope and content yet to be assessed).

Material Condition (Safety System Reliability/Availability)

- Progress made in current forced outage. Substantial emphasis on reporting and fixing deficiencies. A number of longstanding equipment issues resolved (e.g., annunciator wiring, piping supports, containment liner paint and piping insulation).
- Housekeeping Improving
- A/E team found problems, but sampled systems found operable.

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Engineering and Design

- System health review initiative slowly improving system engineering involvement and standards.

ARGUMENTS FOR INCREASING AGENCY ATTENTION

Effectiveness of Licensee Self-Assessment

- While some improvement in identifying equipment issues, human performance related problems continued to surface through events or be identified by NRC or third parties.
- Corrective action process is cumbersome, fragmented and often untimely.
- QA ineffectively used; management support of, and responsiveness to QA is lacking. Offsite safety committee is not strong or independent; insufficient senior management involvement with committee. (ISA: "isolationist culture".)
- Inadequate follow through on past performance improvement program (SIP).

Operational Performance (Frequency of Transients)

- Plant has not operated for substantial period, but lapses in control of plant activities challenged plant systems and operators (e.g., RV head vent issue).

Human Performance

- Informalities in station processes and procedural adherence problems continued to exist across the station. Control of plant activities was weak in numerous instances. (ISA: Control room supervision is weak and operations chain of command is not clear.)

Material Condition (Safety System Reliability/Availability)

- Equipment problems stemming from past inadequate maintenance and modification activities continued to surface. Effect of current outage work yet to be demonstrated during plant operations.
- Weak, fragmented work management processes impact on efforts to reduce backlogs, control work and limit equipment out-of-service time.
- Housekeeping below average.

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Engineering and Design

- Problems with control of system configurations and design information in modification and technical support activities.
- Mixed performance as evidenced by the inconsistent quality and effectiveness of engineering products.

In reviewing the plant's performance, the senior managers acknowledged that there were significant performance weaknesses identified during the Independent Safety Assessment (ISA). The discussions focused heavily on the three deficiencies identified by the ISA associated with 1) the chain of command responsibilities not being clearly defined, 2) the failure of operators to maintain sufficient control of plant status, and 3) surveillance program deficiencies which could challenge adherence to the requirements of the technical specifications.

The senior managers stressed the importance of differentiating performance before and after the ISA. The senior managers acknowledged that a declining trend in material condition and human performance had emerged over the past two years at Indian Point 2. The senior managers noted that the plant material condition had improved during the extended outage as a result of the licensee's management efforts to address long-standing equipment problems. Subsequent to the ISA, the licensee took steps to identify and address deficiencies. Management changes have been made, most notably at the level of the Senior Vice President. Management's expectations regarding the conduct of operations have been more clearly communicated, an effective mentoring program for control room operators has been established, and management intervention in the area of operator training has been noted. Licensee management demonstrated their willingness to maintain the unit shutdown until human performance and plant material condition adequately improved. NRC performance indicators show some improving trends. The senior managers discussed risk insights associated with the deficiencies identified at the site and did not identify any issues of high risk significance within the results of the A/E inspection or ISA. Some issues associated with recirculation system operability have arisen during the follow-up of the A/E inspection; however, senior managers determined these issues were appropriately addressed at the regional level. Also, Region I and NRR are coordinating inspections and oversight of plant restart activities through a Manual Chapter 0350 assessment panel process.

On balance, the senior managers determined that given the steps taken by the licensee since the ISA and recent indications that the licensee is responding to the region's concerns, the considerations for maintaining agency attention and giving the licensee a period of time to execute its performance improvement initiatives outweighed those for increasing agency attention and that no agency-level action was required.

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