

October 3, 2003

EA-03-180

Mr. Daniel J. Malone  
Site Vice President  
Palisades Nuclear Plant  
Nuclear Management Company, LLC  
27780 Blue Star Memorial Highway  
Covert, MI 49043-9530

SUBJECT: PALISADES PRELIMINARY WHITE FINDING;  
NRC INSPECTION REPORT 50-255/03-05

Dear Mr. Malone:

On March 25, 2003, with the plant in Mode 6 (Refueling), plant maintenance workers were installing signs in the parking lot designating parking spaces. One of the signposts was driven into a conduit and damaged a cable which contained a combination of energized indication circuitry and de-energized protective relay circuitry. The metal signpost cut and shorted together several of the conductors within the cable which resulted in a loss of offsite power and loss of shutdown cooling. An Alert was initially declared based on the loss of offsite power combined with the loss of shutdown cooling and was subsequently downgraded to an Unusual Event after about one hour when shutdown cooling was restored. Your staff secured from the Unusual Event on March 27, 2003, when offsite power was reliably restored.

As discussed in NRC Special Inspection Report 50-255/03-05, we reviewed the circumstances surrounding this event and identified a finding with a significance which was to be determined. As described in Section 02.2 of the subject report, the finding involved the failure to have established controls in place in the form of administrative policies and procedures for digging or excavating activities and the failure to address previous problems involving digging and excavating activities.

We have recently completed our preliminary assessment of this finding. This finding was assessed based upon the best available information, including influential assumptions, using the applicable Significance Determination Process (SDP) and was preliminarily determined to be a White finding which means the finding has a low to moderate safety significance. This is due to the increase in initiating event likelihood (IEL) which resulted from the loss of the preferred source of offsite power and the reliance on the onsite emergency diesel generators to provide power to needed mitigating systems.

The preliminary significance of the finding is based on a Phase 3 SDP assessment that used the plant-specific Phase 2 SDP worksheets and assigned a value to the change in IEL based on a best estimate. The Palisades loss of offsite power event caused by digging on March 25, 2003, was treated as a random, plant-centered event. However, this particular event was the result of a performance deficiency that would increase the IEL over that which would be

expected to cause plant-centered occurrences, such as random equipment failures. Therefore, from a significance determination process viewpoint, the IEL associated with the March 25, 2003, event was treated by the NRC as a new mechanism that should be additive to the loss of offsite power IEL expected from all other plant-centered causes. The NRC concluded that an appropriate estimate of the change in plant-centered loss of offsite power IEL, resulting from this deficiency, was about 1 event in 32.1 years or 3.11 E-2/year. When the change in plant-centered loss of offsite power event frequency is considered, the resulting change in Core Damage Frequency value is on the order of 1E-6/year for this finding, or White. To validate this result, the NRC used the Standardized Plant Analysis Risk (SPAR) model for Palisades. This model produced results that were consistent with the results using the plant-specific Phase 2 worksheets discussed above.

Before we make a final decision on this matter, we are providing you an opportunity to: (1) present to the NRC your perspectives on the facts and assumptions, used by the NRC to arrive at the finding and its significance, at a Regulatory Conference; or (2) submit your position on the finding to the NRC in writing. If you request a Regulatory Conference, it should be held within 30 days of the receipt of this letter; and we encourage you to submit supporting documentation at least one week prior to the conference in an effort to make the conference more efficient and effective. If a Regulatory Conference is held, it will be open for public observation. If you decide to submit only a written response, such submittal should be sent to the NRC within 30 days of the receipt of this letter.

Please contact Eric Duncan at (630) 829-9628 within 10 business days of the date of your receipt of this letter to notify the NRC of your intentions. If we have not heard from you within 10 days, we will continue with our significance determination and enforcement decision and you will be advised by separate correspondence of the results of our deliberations on this matter.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter 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/reading-rm/adams.html> (the Public Electronic Reading Room).

Sincerely,

**/RA by Patrick L. Hiland acting for/**

Steven A. Reynolds, Acting Director  
Division of Reactor Projects

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

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**(\*See Previous Concurrence)**

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