



February 27, 2004  
LRN-04-0090

Mr. Hubert J. Miller, Regional Administrator  
United States Nuclear Regulatory Commission  
Region I  
475 Allendale Road  
King of Prussia, PA 19406-1415

Subject: PSEG Plan for Assessing and Improving the Work  
Environment to Encourage Identification and Resolution of  
Issues

Reference: 1) NRC Letter dated January 28, 2004; Work Environment  
for Raising and Addressing Safety Concerns at the Salem  
and Hope Creek Generating Stations

2) PSEG Letter dated February 13, 2004; NRC Letter dated  
January 28, 2004; Work Environment for Raising and  
Addressing Safety Concerns at the Salem and Hope Creek  
Generating Stations

Dear Mr. Miller:

In response to your letter of January 28, 2004 (Reference 1), this letter provides the plan of Public Service Enterprise Group Incorporated ("PSEG") to conduct an in-depth assessment of the work environment for raising and addressing safety concerns at the Salem and Hope Creek Generating Stations. This effort, which is currently being conducted by an Independent Assessment Team, is utilizing several sources of information including structured interviews of personnel at the stations and at PSEG corporate. The Independent Assessment Team is also reviewing available data, including NRC inspection records to address cross-cutting issues, and the comprehensive survey administered by Synergy in December 2003, and will review the results of a previously planned assessment by the Utility Service Alliance ("USA") when they are available in mid-March. The assessment will include a review of the impact on the work environment of operational decision-making and of problem identification and resolution, including timeliness of corrective action and communication.

In addition to the independent assessment, PSEG has initiated a number of immediate actions to emphasize the importance of a Safety Conscious Work Environment ("SCWE") and has begun to train managers and supervisors on the subject. We are also continuing our existing actions, commenced in 2003 under the new leadership of Mr. Roy Anderson, President and Chief Nuclear Officer and Mr. A. Christopher Bakken, III, Senior Vice President- Nuclear Operations, to bring fundamental change to the work environment. As you note in your letter, these ongoing efforts are beginning to make positive change at Salem and Hope Creek.

These three elements of our response are discussed below in more detail.

### 1. Independent Assessment Team

In response to the request in your letter, PSEG has assembled an Independent Assessment Team ("Assessment Team"). The Assessment Team will (1) assess the work environment at Salem and Hope Creek, including the effects on the work environment of operational decision making and problem identification and resolution, (2) review the sufficiency of management's initiatives to assess the work environment, (3) review the sufficiency of management's efforts to further enhance the work environment, (4) review the impact of the corporate-site interface on the work environment at the site, and (5) make recommendations as appropriate to senior management. The Assessment Team consists of former senior industry executives and regulators, with extensive management, regulatory or operating experience. The Assessment Team is being led by James O'Hanlon, most recently President and Chief Operating Officer of Dominion Energy, and previously the Chief Nuclear Officer at Dominion. Mr. O'Hanlon is also the lead in assessing the site-corporate interface. Jacque Durr, former NRC Region I manager, is the lead in addressing work place issues reflected in the NRC inspection record and also the effects of any unresolved conflicts. Wayne Kropp, former NRC Region III manager, is the lead member for problem identification and resolution. Neil Bergh, currently the PSEG Nuclear QA manager, is the lead member for assessment of PSEG Nuclear programs, such as the Employee Concerns Program (ECP), and will coordinate with the USA assessment. Barry Letts, former NRC Field Office Director, Office of Investigations, Region I, is assisting the Assessment Team in fact-finding interviews, including those associated with unresolved conflict. Joseph Callen, former NRC Executive Director for Operations, Michael Tuckman, former Duke Power Chief Nuclear Officer, and William Cottle, former Chief Executive at South Texas Nuclear Operating Company, are available to review plans, results and recommendations at the request of the Assessment Team or PSEG management.

The independent assessment will involve structured interviews of current and former PSEG personnel, with nuclear plant site and corporate responsibilities, document reviews, and analysis of the relevant information. The Assessment Team's review will also encompass the results of recent PSEG initiatives to better diagnose the site work environment. As indicated above, in the fall of 2003, PSEG Nuclear commissioned Synergy to conduct a comprehensive survey of the site in December 2003

in order to gain insight into both the safety culture and broader work place issues. We received the results of Synergy's survey in January 2004. Synergy's team leader is available to the Assessment Team for advice and consultation regarding the Synergy results. In addition, in late 2003, PSEG Nuclear requested the USA to conduct a safety culture assessment in part to evaluate the effectiveness of actions taken by PSEG Nuclear to improve the work environment. The USA assessment team is currently reviewing relevant documents and the onsite portion of the assessment begins next week. The preliminary results of the USA assessment are expected in the middle of March.

The Assessment Team will conduct a review of the following areas and make recommendations:

- (a) Analyses of events involving operational decision making and unresolved conflict, including events involving the corporate-site interface;
- (b) Selection of interview populations based upon any such events that may have negatively affected the work environment; as well as any pockets of concern identified in the Synergy survey or the USA assessment. Initially, approximately 60 interviews are being scheduled. Based on the results of these initial interviews, a determination will be made if additional interviews should be conducted. The interviews have begun with an emphasis on Operations personnel;
- (c) ECP Performance Indicators and survey results; and
- (d) The NRC inspection record, including cross-cutting issues, and sampling to ensure adequate and timely closure of inspection findings and indicated program enhancements.

The Assessment Team's analysis, findings and recommendations will be developed in a logical framework consisting of the four basic elements of a SCWE: (a) employee willingness to raise concerns; (b) management effectiveness in resolving safety issues; (c) ECP effectiveness; and (d) management effectiveness in resolving retaliation and chilling effects issues. This framework will be augmented by "Best Practices to Establish and Maintain a Safety Conscious Work Environment" posted on the NRC's website and other industry-wide guidance.

The Assessment Team will provide recommendations in consideration of the following areas:

- (a) Policies, procedures and metrics implementing PSEG's expectations to maintain a SCWE with respect to the four basic elements noted above;
- (b) Training as to those policies and procedures, including general site access training, periodic refresher training, and supervisory skills training;

- (c) The effectiveness of the Corrective Action Program (CAP) and any management actions to improve CAP effectiveness;
- (d) The effectiveness of the ECP, including, to the extent possible, any correlation to concerns raised to NRC, ECP, and the CAP;
- (e) The interface among Human Resources, Labor Relations, and line management in addressing work place issues;
- (f) The interfaces and interactions between corporate office personnel and site personnel and the impact of those interfaces and interactions on the work environment at Hope Creek and Salem;
- (g) The number, nature, and trend in NRC allegations, including NRC referred allegations and PSEG's response to these referred allegations; and
- (h) Claims of retaliation over the past several years, including management actions to address any chilling effect in response to such claims.

Based upon the composition of the Assessment Team, the methods of assessment and objectives, we are confident that the Assessment Team will comprehensively assess the current work environment within PSEG for raising and addressing concerns and management's initiatives to address issues in this area. We are similarly confident that the Assessment Team will provide meaningful and constructive recommendations to further enhance the work environment.

I anticipate that the Assessment Team's fieldwork will be completed by mid-April 2004, at which time the Assessment Team will provide its findings and recommendations to me, to Frank Cassidy, President of PSEG Power, and to Messrs. Anderson and Bakken. Senior PSEG Nuclear leadership will integrate those recommendations into ongoing efforts to improve the site work environment and assure that specific actions are documented in our CAP or Business Plan as appropriate. Mr. Cassidy and Mr. R. Edwin Selover, Senior Vice President and General Counsel of PSEG, will be responsible for implementing recommendations related to the corporate-site interface. I anticipate that PSEG will be in a position to brief the NRC concerning our actions by mid-May 2004.

As stated in my February 13, 2004 letter to you, the Assessment Team will keep me informed of its activities. Mr. Cassidy and I will provide close oversight of this effort and continue to report on it to the Nuclear Committee of our Board of Directors. In this regard, the Nuclear Committee and the Board of Directors will hold their March meetings at the Salem and Hope Creek site. This was previously scheduled as part of our normal practice to periodically hold Board meetings at the nuclear plant site. The meetings will be structured to provide interface among the Board, senior management and site personnel and to emphasize the importance of safe and reliable operation through all levels of the organization.

## 2. Immediate Actions in Response to NRC 1/28/04 Letter

In order to emphasize the importance of the issues raised in your letter and to give greater impetus to our ongoing initiatives, we have taken or have underway the following immediate actions:

- (a) We have held focused meetings with managers and supervisors to explain the importance of your January 28, 2004 letter;
- (b) Mr. Anderson has already discussed the importance of your letter in two sets of all-hands meetings where he reinforced his expectation that finding and fixing our own problems is what "keeps us safe." This was stated in the context of reinforcing PSEG's responsibility to protect the health and safety of the public and NRC's role in assuring the public that PSEG meets its obligation;
- (c) During the second set of the two sets of all-hands meetings, Mr. Anderson stressed the need to focus on the fundamentals of SCWE, Industrial Safety, Communications/Relationships, CAP Effectiveness and Equipment Reliability;
- (d) We are consolidating our existing requirements for a SCWE into a formal overall SCWE policy. This will assist us in placing emphasis on the importance of a SCWE and in effectively integrating our existing activities. This Policy will be carefully structured to assure that everyone on the site understands his or her responsibility for a SCWE. This policy will be formally adopted in the near future, and a roll-out and training program will convey its substance and importance to all site personnel, including contractors;
- (e) We are continuing to reinforce the importance of finding and fixing our own problems through the open letters to site personnel that are written by Mr. Anderson; and
- (f) We have also modified our plan for this spring's outage at Salem Unit 1 to prioritize the completion of many on-line corrective maintenance items. This increased outage scope should help reinforce the priority of safety and reliability over production to the workforce and demonstrate PSEG's commitment to address the maintenance backlog, operator burdens and control room instrument improvements. In parallel, our broader initiatives include actions to improve the planning, scheduling and quality of maintenance in order to improve our effectiveness in resolving equipment issues during outage and non-outage periods.

### 3. Ongoing Actions Under New Management to Improve Performance

PSEG recognizes that it needs to improve and that fundamental and lasting change takes time. We began actively addressing the need for change in 2003 with new leadership and a site reorganization. By the summer of 2003, the new management had redesigned the site organization and established the new structure. Staffing of the new organization was carefully performed to augment existing management personnel with experienced managers brought in from the outside. Other managers were chosen to fill positions based on their skills and the requirements of the position they were selected to fill. As we proceed, further changes will be made as required to improve accountability, assure that the workforce feels free to raise issues, that issues are addressed, and that the results are communicated. The purpose of the reorganization is to align our structure and staffing with our mission: "We Will Be Recognized as the Best Run Energy Business Wherever We Compete -We Will Be Known for Our Leadership in Safety, Reliability, Environmental Stewardship, and Shareholder Value."

As we completed the reorganization, we designed a hierarchy of metrics to evaluate the performance of departments and jobs. These metrics will provide the workforce a clear understanding of individual roles and responsibilities to improve accountability and create a clear "line of sight" from the mission statement to the roles and responsibilities of individual workers. This model has been explained and subsequently reinforced at all-hands meetings that are regularly held by Mr. Anderson. We are measuring our progress against these metrics, and we are developing metrics to measure our efforts to enhance the SCWE. We will analyze the gaps between performance and these standards and hold people accountable for their performance.

An early step in our new management team's effort was to improve the strategic planning process. This effort started in 2003 and is yielding positive results in 2004. Specifically, we have in place fully funded plans to focus and improve safety culture relative to the Corrective Action Program, Industrial Safety, Operational Focus/Decision Making and Working Relationships. We are also taking actions to improve reliability with actions to establish a Culture of Low Tolerance for Equipment Failures, to build a High Performance Maintenance Team, to improve the Effectiveness of Work Management, to resolve Long Standing Equipment Issues and to establish a Life Cycle Management Program. The next level of detail consists of action plans to address specific aspects of the above areas. For example, a Corrective Action Program improvement plan has been initiated that identifies areas for improvement in CAP. Additionally, in 2003 we completed more than one thousand actions in our Corrective Action Program related to improving the plant and industrial safety.

Our planning process is strategically focused over a five-year period and is updated annually during the budget cycle. This is intended to ensure that resources are available for improvement initiatives and projects that will take more than one year to complete. The various parts of the Plan were developed by the responsible organizations and approved by the appropriate management. The action plans include expected results, schedule and relevant performance indicators. Similarly, we have established seven

working level interdisciplinary teams to review the results of the Synergy survey and develop workable, meaningful improvements in our work environment.

Our approach, coupled with our willingness to further evaluate our plans, reflects our recognition that an essential component of assuring safe operation is a safety conscious work environment. I also recognize that it is important to provide the capital needed to maintain and improve the material condition of PSEG's nuclear plants. Management must provide the resources and the workforce must see expenditure of those funds in a manner consistent with having safety as the highest priority. In this regard, I previously mentioned in my February 13, 2004 letter to you, our substantial and ongoing plan for maintenance and capital improvement at the site.

At the meeting with Region I in March 2004, Frank Cassidy, along with Messrs. Anderson, Bakken, other key site leaders, and representatives from the Assessment Team, will be prepared to brief you on our current improvement efforts in more detail. They will describe how we plan to measure our progress, provide an update on the Assessment Team's work, and answer your questions. The management team's objective for this meeting is to reach a common perspective on the issues and that our plans will address them.

We will keep you apprised of our progress. I would be glad to have you come to the site to personally view our progress. In the interim, or at any time as we go forward, if you have any questions or need to talk about any matters, please call Frank Cassidy, Roy Anderson or me directly.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. F. [unclear]". The signature is written in a cursive style with a large, looped final letter.

## Salem & Hope Creek Distribution List

Mr. H. J. Miller, Administrator - Region I  
U. S. Nuclear Regulatory Commission  
475 Allendale Road  
King of Prussia, PA 19406

Mr. John Boska, Licensing Project Manager – HC  
U.S. Nuclear Regulatory Commission  
One White Flint North  
Mail Stop O8B1  
Washington, DC 20555-001

Mr. R. Fretz, Licensing Project Manager - Salem  
U. S. Nuclear Regulatory Commission  
One White Flint North  
Mail Stop O8B2  
11555 Rockville Pike  
Rockville, MD 20852

USNRC Senior Resident Inspector - HC (X24)

USNRC Senior Resident Inspector - Salem (X24)

Mr. K. Tosch, Manager IV  
Bureau of Nuclear Engineering  
PO Box 415  
Trenton, NJ 08625