March 4, 2004

Mr. Gary D. Van Middlesworth
Site-Vice President
Point Beach Nuclear Plant
Nuclear Management Company, LLC
6610 Nuclear Road
Two Rivers, WI 54241-9516

SUBJECT: ANNUAL ASSESSMENT LETTER - POINT BEACH NUCLEAR PLANT (REPORT 50-266/04-01; 50-301/04-01)

Dear Mr. Van Middlesworth:

On February 11, 2004, the NRC staff completed its end-of-cycle performance assessment of Point Beach Nuclear Plant. The end-of-cycle review for Point Beach involved the participation of all technical divisions in evaluating performance indicators for the most recent quarter and inspection results for the period from January 1 through December 31, 2003. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility so that you will have an opportunity to prepare for these inspections and to inform us of any planned inspections that may conflict with your plant activities.

Overall, Point Beach operated in a manner that preserved public health and safety. While Point Beach met all cornerstone objectives, it remained within the Multiple/Repetitive Degraded cornerstone column of the Action Matrix with significant degradation in safety performance. Placement of Point Beach in this column was based on the Red finding for Unit 1 and Unit 2 associated with the auxiliary feedwater and instrument air systems and the Yellow finding for Unit 1 and the Red finding for Unit 2 associated with the potential failure of the AFW pumps because of plugging of recirculation line orifices. Details of these findings were provided in Inspection Reports (IRs) 50-266/01-17(DRS); 50-301/01-17(DRS), dated April 3, 2002, and 50-266/02-15(DRP); 50-301/02-15(DRP), dated April 2, 2003, and in Final Significance Determination letters dated July 12, 2002, and December 11, 2003.

From July 28, 2003, to December 16, 2003, a supplemental inspection was conducted at Point Beach in accordance with NRC Inspection Procedure (IP) 95003, “Supplemental Inspection for Repetitive Degraded Cornerstones, Multiple Degraded Cornerstones, Multiple Yellow Inputs, or One Red Input,” to review your actions in response to the two AFW findings and to conduct an overall assessment of performance at Point Beach. The results of that inspection were provided to you in IR 05000266/2003007; 05000301/2003007, dated February 4, 2004. From the inspection, we concluded that your evaluation of the causes of the significant AFW inspection findings was adequate; however, several corrective actions involving the AFW system were not completed and the implementation of other corrective actions was

weak as reflected in repeated extension of due dates and inconsistent quality of some completed actions. Because of this, we extended the IP 95003 inspection by one week to gain further assurance that the AFW system was operable.

Additionally, the NRC has identified substantive cross-cutting issues in the areas of human performance and problem identification and resolution. During the assessment period, 12 findings involving various plant work groups were identified where human performance issues contributed to the occurrence of the problems. Also, the second AFW Red finding, the six Green findings identified during the assessment period, and the observations during the IP 95003 inspection on corrective action program implementation indicated that performance in the problem identification and resolution cross-cutting area continued to be a problem. Specifically, once problems were identified, the quality of issue evaluation and resolution was inconsistent, which resulted in the recurrence of problems. In our Annual Assessment Letter for 2002 (letter dated March 4, 2003), we also identified a substantive cross-cutting issue in the area of problem identification and resolution. Station efforts to address this issue were contained in several action plans of your Excellence Plan. These efforts, to date, however, have not been effective in precluding recurrence of this cross-cutting issue.

On February 13, 2004, you submitted a letter to the NRC documenting commitments for performance improvement in the corrective action, human performance, engineering, and other areas. NRC review of your commitment letter and the recently revised Excellence Plan is currently in progress. We will notify you by separate correspondence regarding the regulatory actions that will be taken to evaluate and confirm the Point Beach performance improvement initiatives described in your letter.

During the IP 95003 inspection, an apparent violation of 10 CFR 50.54(q) and 50.47(b) was identified for changes Point Beach made between October 1998 and December 1999 to the previously NRC-approved Emergency Action Level (EAL) scheme. A predecisional enforcement conference to discuss this issue was held on January 13, 2004. From the information presented at the conference, it was apparent that corrective actions taken since the issue was first identified in August 2003 have been less than fully effective. On January 16, 2004, after discussions between the NRC and Nuclear Management Company (NMC) about the need to take corrective actions to return to compliance, NMC informed the NRC that the EALs had been corrected and compliance had been restored. A summary of the predecisional enforcement conference was provided to you in a letter dated January 27, 2004. You will be notified by separate correspondence of the results of the NRC's deliberations on the apparent violation.

On February 20, 2004, in accordance with the guidance in Inspection Manual Chapter 0305, "Operating Reactor Assessment Program," a public, regulatory performance meeting was held in Manitowoc, Wisconsin. During this meeting, the NRC Executive Director for Operations and I discussed with you and other senior NMC managers the NRC's overall assessment of Point Beach performance and our intent to closely monitor your progress in addressing the identified problem areas. We will evaluate the adequacy of your performance improvement efforts through baseline and other inspections. The baseline inspections, listed in the enclosed

inspection plan, will include an expanded-scope safety system design inspection and an expanded-scope problem identification and resolution inspection, and will assess the effectiveness of your long-term corrective actions for the two AFW findings and the substantive cross-cutting issues in the human performance and problem identification and resolution areas. In addition, we will adjust our inspection schedule as necessary to conduct followup inspections to ensure that the actions described in your February 13, 2004, commitment letter are adequately assessed.

A public meeting to discuss the details of our end-of-cycle performance assessment of Point Beach will be held in April 2004. My staff will arrange separately with your staff the date, time, and location of that meeting. In addition, in accordance with Inspection Manual Chapter 0305, Point Beach will be discussed at the Agency Action Review Meeting, in mid-April. We will notify you via separate correspondence if any agency actions change as an outcome of the meeting.

The enclosed inspection plan details the inspections scheduled through September 30, 2005. The inspection plan is provided to minimize the resource impact on your staff and to allow for scheduling conflicts and personnel availability to be resolved in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The inspections in the last 12 months of the inspection plan are tentative and may be revised at the mid-cycle review meeting. As you are aware, the NRC has issued several Orders and threat advisories to enhance security capabilities and improve guard force readiness since the terrorist attacks on September 11, 2001. We have conducted inspections to review your implementation of these requirements and have monitored your actions in response to changing threat conditions. For calendar year 2004, we plan to continue inspections of Order implementation combined with newly developed portions of the security baseline inspection program.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records System (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).

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact Pat Louden at (630) 829-9627 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

**/RA/**

James L. Caldwell
Regional Administrator

Docket Nos. 50-266; 50-301
License Nos. DPR-24; DPR-27

Enclosure: Point Beach Inspection/Activity Plan

See Attached Distribution

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact Pat Louden at (630) 829-9627 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

James L. Caldwell
Regional Administrator

Docket Nos. 50-266; 50-301
License Nos. DPR-24; DPR-27

Enclosure: Point Beach Inspection/Activity Plan

See Attached Distribution

DOCUMENT NAME: G:\Branch TSS\EOC Ltrs\eoc 030404\Pt.Bch EOC ltr 2004.wpd
**To receive a copy of this document, indicate in the box: "C" = Copy without attachment/enclosure "E" = Copy with attachment/enclosure "N" = No copy**

| OFFICE | RIII | | RIII | | NRR | | RIII | |
|---|---|---|---|---|---|---|---|---|
| NAME | MKunowski:co | | PLouden | | LRaghavan | | AVegel | |
| DATE | 02/25/04 | | 02/25/04 | | 02/ /04 | | 02/25/04 | |

| OFFICE | RIII | | RIII | | RIII | | | |
|---|---|---|---|---|---|---|---|---|
| NAME | CPederson | | SReynolds | | JCaldwell | | | |
| DATE | 02/25/04 | | 03/02/04 | | 03/04/04 | | | |

***OFFICIAL RECORD COPY***

cc w/encl: R. Kuester, President and Chief
Executive Officer, We Generation
J. Cowan, Executive Vice President
Chief Nuclear Officer
D. Cooper, Senior Vice President, Group Operations
D. Weaver, Nuclear Asset Manager
Plant Manager
Regulatory Affairs Manager
Training Manager
J. Rogoff, Vice President, Counsel & Secretary
K. Duveneck, Town Chairman
Town of Two Creeks
Chairperson
Public Service Commission of Wisconsin
J. Kitsembel, Electric Division
Public Service Commission of Wisconsin
State Liaison Officer
D. Markwardt, Manitowac County
Board Chairman
N. Crowley, Director, Manitowac
Emergency Management Agency
G. Novickis, Chairman, Kewaunee
County Board
The Honorable Darin A. Jeanquart
G. Buckley, Two Rivers City Manager
L. Hucek, Director, Kewaunee
Emergency Management
C. Meyer, President, Village of Mishicot
INPO

ADAMS Distribution:
WDR
DFT
DWS
DWW
Project Director, NRR
Project Mgr., NRR
RidsNrrDipmlipb
JLC1
GEG
HBC
RML2
SRI Point Beach
DRPIII
DRSIII
PLB1
JRK1

# Point Beach
## Inspection / Activity Plan
## 03/01/2004 - 09/30/2005

| Unit Number | Inspection Activity | Title | No. of Staff on Site | Planned Dates Start | Planned Dates End | Inspection Type |
|---|---|---|---|---|---|---|
| | **ISI/TI 1** | **- INSERVICE INSP/TI-150/152 UNIT 1** | **3** | | | |
| 1 | IP 2515/150 | Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles (NRC Bulletin 2002-0 | | 04/05/2004 | 04/23/2004 | Safety Issues |
| 1 | IP 2515/152 | Reactor Pressure Vessel Lower Head Penetration Nozzles (NRC Bulletin 2003-02) | | 04/05/2004 | 04/23/2004 | Safety Issues |
| 1 | IP 7111108P | Inservice Inspection Activities - PWR | | 04/05/2004 | 04/23/2004 | Baseline Inspections |
| | **IP 71121** | **- RP OUTAGE ALARA & ACCESS CONTROL INSP** | **1** | | | |
| 1, 2 | IP 7112101 | Access Control to Radiologically Significant Areas | | 04/12/2004 | 04/16/2004 | Baseline Inspections |
| 1, 2 | IP 7112102 | ALARA Planning and Controls | | 04/12/2004 | 04/16/2004 | Baseline Inspections |
| | **HT SNK B** | **- HEAT SINK BIENNIAL (DRS)** | **1** | | | |
| 1, 2 | IP 7111107B | Heat Sink Performance | | 06/14/2004 | 06/18/2004 | Baseline Inspections |
| | **ISFSI** | **- ONSITE FAB AND CONSTRUCTION OF ISFSI** | **1** | | | |
| 1, 2 | IP 60853 | On-Site Fabrication Of Components And Construction On An ISFSI | | 06/01/2004 | 07/31/2004 | Other Routine |
| | **SSDI** | **- SAFETY SYSTEM DESIGN INSPECTION** | **8** | | | |
| 1, 2 | IP 7111121 | Safety System Design and Performance Capability | | 06/28/2004 | 07/16/2004 | Baseline Inspections |
| | **IP 71122** | **- RP LIQ/GAS EFFLUENTS INSPECTION** | **1** | | | |
| 1, 2 | IP 7112201 | Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems | | 07/26/2004 | 07/30/2004 | Baseline Inspections |
| 1, 2 | IP 71151 | Performance Indicator Verification | | 07/26/2004 | 07/30/2004 | Baseline Inspections |
| | **ISFSI** | **- PREOP TESTING OS ISFSI** | **1** | | | |
| 1, 2 | IP 60854 | Preoperational Testing Of An ISFSI | | 08/01/2004 | 08/31/2004 | Other Routine |
| | **SG BASE** | **- SG BASELINE 2004** | **2** | | | |
| 1, 2 | IP 7113001 | Access Authorization | | 08/16/2004 | 08/20/2004 | Baseline Inspections |
| 1, 2 | IP 7113002 | Access Control | | 08/16/2004 | 08/20/2004 | Baseline Inspections |
| 1, 2 | IP 7113008 | Fitness For Duty Program | | 08/16/2004 | 08/20/2004 | Baseline Inspections |
| 1, 2 | IP 71151 | Performance Indicator Verification | | 08/16/2004 | 08/20/2004 | Baseline Inspections |
| | **71152B** | **- PROBLEM ID & RESOLUTION** | **6** | | | |
| 1, 2 | IP 71152B | Identification and Resolution of Problems | | 08/30/2004 | 09/17/2004 | Baseline Inspections |
| | **ISFSI** | **- OPERATION OF ISFSI** | **1** | | | |
| 1, 2 | IP 60855 | Operation Of An ISFSI | | 09/01/2004 | 09/30/2004 | Other Routine |
| | **IP 71121** | **- RP POST-OUTAGE ALARA & ACCESS CTRL INSP** | **1** | | | |
| 1, 2 | IP 7112101 | Access Control to Radiologically Significant Areas | | 10/18/2004 | 10/22/2004 | Baseline Inspections |
| 1, 2 | IP 7112102 | ALARA Planning and Controls | | 10/18/2004 | 10/22/2004 | Baseline Inspections |
| 1, 2 | IP 71151 | Performance Indicator Verification | | 10/18/2004 | 10/22/2004 | Baseline Inspections |
| | **FPI** | **- TRIENNIAL FIRE PROTECTION** | **3** | | | |
| 1, 2 | IP 7111105T | Fire Protection | | 11/01/2004 | 11/19/2004 | Baseline Inspections |

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.

# Point Beach
## Inspection / Activity Plan
## 03/01/2004 - 09/30/2005

| Unit Number | Inspection Activity | Title | No. of Staff on Site | Planned Dates Start | Planned Dates End | Inspection Type |
|---|---|---|---|---|---|---|
| | **71114 - BASELINE EP EXERCISE INSP** | | **2** | | | |
| 1, 2 | IP 7111401 | Exercise Evaluation | | 12/06/2004 | 12/10/2004 | Baseline Inspections |
| 1, 2 | IP 71151 | Performance Indicator Verification | | 12/06/2004 | 12/10/2004 | Baseline Inspections |
| | **IP 71121 - RP INSTRUMENTATION/PROT EQUIP INSP** | | **1** | | | |
| 1, 2 | IP 7112103 | Radiation Monitoring Instrumentation and Protective Equipment | | 01/03/2005 | 01/07/2005 | Baseline Inspections |
| 1, 2 | IP 71151 | Performance Indicator Verification | | 01/03/2005 | 01/07/2005 | Baseline Inspections |
| | **LRI - LICENSE RENEWAL INSPECTION - SCOPING** | | **5** | | | |
| 1, 2 | IP 71002 | License Renewal Inspection | | 01/10/2005 | 01/14/2005 | License Renewal Ins |
| | **LRI - LICENSE RENEWAL INSPECTION - AGING EVAL** | | **5** | | | |
| 1, 2 | IP 71002 | License Renewal Inspection | | 02/28/2005 | 03/18/2005 | License Renewal Ins |
| | **MAINT - BIENNIAL MAINTENANCE RULE INSPECTION** | | **1** | | | |
| 1, 2 | IP 7111112B | Maintenance Effectiveness | | 03/07/2005 | 03/11/2005 | Baseline Inspections |
| | **ISI - UNIT 2 ISI/RPV HEAD REPLACEMENT INSP** | | **2** | | | |
| 2 | IP 71007 | Reactor Vessel Head Replacement Inspection | | 04/04/2005 | 05/06/2005 | Other Routine |
| 2 | IP 7111108P | Inservice Inspection Activities - PWR | | 04/04/2005 | 05/06/2005 | Baseline Inspections |
| | **IP 71121 - RP OUTAGE ACCESS CTRL/ALARA INSPECTION** | | **1** | | | |
| 1, 2 | IP 7112101 | Access Control to Radiologically Significant Areas | | 04/04/2005 | 04/08/2005 | Baseline Inspections |
| 1, 2 | IP 7112102 | ALARA Planning and Controls | | 04/04/2005 | 04/08/2005 | Baseline Inspections |
| | **IP 71122 - RP REMP/RAM CTRL INSPECTION** | | **1** | | | |
| 1, 2 | IP 7112203 | Radiological Environmental Monitoring Program | | 08/01/2005 | 08/05/2005 | Baseline Inspections |
| 1, 2 | IP 71151 | Performance Indicator Verification | | 08/01/2005 | 08/05/2005 | Baseline Inspections |
| | **71114 - BASELINE EP INSP** | | **1** | | | |
| 1, 2 | IP 7111402 | Alert and Notification System Testing | | 08/08/2005 | 08/12/2005 | Baseline Inspections |
| 1, 2 | IP 7111403 | Emergency Response Organization Augmentation Testing | | 08/08/2005 | 08/12/2005 | Baseline Inspections |
| 1, 2 | IP 7111405 | Correction of Emergency Preparedness Weaknesses and Deficiencies | | 08/08/2005 | 08/12/2005 | Baseline Inspections |
| 1, 2 | IP 71151 | Performance Indicator Verification | | 08/08/2005 | 08/12/2005 | Baseline Inspections |
| | **71111.11 - LIC OPERATOR REQUAL PROGRAM EVALUATION** | | **2** | | | |
| 1, 2 | IP 7111111B | Licensed Operator Requalification Program | | 08/22/2005 | 08/26/2005 | Baseline Inspections |
| | **BR7 - PI&R** | | **4** | | | |
| 1, 2 | IP 71152B | Identification and Resolution of Problems | | 09/06/2005 | 10/07/2005 | Baseline Inspections |

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.