April 21, 2004

CAL 3-04-001

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: CONFIRMATORY ACTION LETTER

Dear Mr. Van Middlesworth:

In the first quarter of 2003, Point Beach Nuclear Plant entered the Multiple/Repetitive Degraded Cornerstone Column (Column IV) of the Action Matrix of NRC Inspection Manual Chapter 0305, "Operating Reactor Assessment Program," as a result of a high safety significance (Red) inspection finding involving the potential for a common mode failure of the auxiliary feedwater system (AFW) following a loss of the instrument air system. A second Red inspection finding (Yellow for Unit 1 and Red for Unit 2) was subsequently identified which involved the potential common mode failure of the AFW pumps due to plugging of the recirculation line pressure reduction orifices. The NRC performed a three-phase supplemental inspection to review the corrective actions for the two AFW issues in accordance with NRC Inspection Procedure (IP) 95003, "Supplemental Inspection for Repetitive Degraded Cornerstones, Multiple Degraded Cornerstones, Multiple Yellow Inputs, or One Red Input." The results of this inspection were discussed with you during a public exit meeting held on December 16, 2003, and were documented in inspection report 05000266/2003007; 05000301/2003007, dated February 4, 2004.

As described in Inspection Manual Chapter 0305, due to the depth and breadth of performance issues reflected by a plant being in Column IV of the Action Matrix, it is prudent for the NRC to ensure that actual performance improvements (which typically take longer than several quarters to achieve) have been made prior to closing out the inspection findings and removing a plant from Column IV. In making that determination, the NRC will consider the following:

(a) New plant events or findings do not reveal similar significant performance weaknesses.

(b) NRC and Nuclear Management Company (NMC) performance indicators do not indicate similar significant performance weaknesses that have not been adequately addressed.

(c) NMC's performance improvement program has demonstrated sustained performance.

(d) NRC supplemental inspections show NMC progress in the principal areas of weakness.

(e) There were no issues that led the NRC to take additional regulatory actions beyond those listed in Column IV of the Action Matrix. Additionally, NMC has made significant progress on any regulatory actions which were imposed (i.e., Confirmatory Action Letters, orders, 50.54(f) letters) because of performance deficiencies which led to the Column IV designation.

In part, as a result of the first Red finding, NMC developed an improvement plan, called the Excellence Plan. As stated in a letter from A. J. Cayia to the NRC, dated July 18, 2003, the purpose of the Excellence Plan is to focus the Point Beach organization, site programs, and initiatives on NMC's goal of excellent performance. Following the IP 95003 inspection, NMC developed and submitted to the NRC a letter, dated February 13, 2004, that described the actions that NMC would take to address the performance issues that were identified by the NRC and through internal assessments. A public meeting was then held on March 16, 2004, at the Region III Office to discuss the details of the February 13th letter. During this meeting, extensive discussions were held between your staff and NRC staff regarding the items contained in the February 13th letter to better understand the actions you plan to take to address performance deficiencies and to better define what objectives or metrics would be used by NMC to demonstrate improved performance.

As a result of this meeting, you submitted a revised letter on March 22, 2004, "Commitments in Response to 95003 Supplemental Inspection," (hereafter referred to as the Commitment Letter). We have included your Commitment Letter as an attachment to this Confirmatory Action Letter to provide a description of how you plan to improve Point Beach performance. In addition, on April 1, 2004, you submitted an updated Excellence Plan that reflected the revised commitments.

In the Commitment Letter, you committed to make sustained improvement to address issues in the following areas, as paraphrased below:

(1) Human Performance - problems as a result of human performance errors.

(2) Engineering Design Control - programmatic process problems associated with the control and understanding of the plant design basis.

(3) Engineering/Operations Interface - a lack of common understanding of plant system design and operation.

(4) Emergency Preparedness - longstanding issues associated with the implementation of the emergency preparedness program and a lack of understanding of emergency preparedness regulatory requirements that resulted in an inadequate Emergency Action Level scheme.

(5) Corrective Action Program - longstanding problems with the implementation of the corrective action program, including the implementation of corrective actions associated with the two significant AFW findings, and the inconsistent effectiveness of the self-assessment program.

The NRC will conduct periodic inspections, in addition to the normal baseline program inspections, to assess the status and confirm the effectiveness of your specific commitments as documented in the referenced correspondence. Our actions will include enhanced engineering design inspections and corrective action program inspections, special inspections to assess and evaluate improvement program progress, and frequent public meetings held approximately every six weeks.

This Confirmatory Action Letter will remain open until the NRC has concluded that your actions have resulted in demonstrated improved performance in the five areas listed above. Based on Point Beach's performance, we will evaluate whether or not Point Beach will remain in Column IV of the Action Matrix or whether further regulatory action is warranted.

Pursuant to Section 182 of the Atomic Energy Act, 42 U.S.C. 2232, you are required to:

(1) Notify me immediately if your understanding differs from that set forth above;

(2) Notify me in writing, if for any reason, you cannot complete the actions within the specified schedule in your Commitment Letter and advise me in writing of your modified schedule in advance of the change;

(3) Notify me in writing if you intend to change, deviate from, or not complete any of the actions documented in your Commitment Letter, prior to the change or deviation; and

(4) Notify me in writing when you have completed the actions addressed in your Commitment Letter.

Issuance of this Confirmatory Action Letter does not preclude issuance of an order formalizing the above commitments or requiring other actions on the part of NMC, nor does it preclude the NRC from taking enforcement action for violations of NRC requirements that may have prompted the issuance of this letter. In addition, failure to take the actions addressed in the Confirmatory Action Letter may result in enforcement action.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter, its enclosure, and any responses you provide will be made 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).

Sincerely,

/RA/

James L. Caldwell
Regional Administrator

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

Enclosure: Letter from NMC to NRC, dated March 22, 2004

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
J. McCarthy, Site Director of Operations
D. Weaver, Nuclear Asset Manager
Plant Manager
Regulatory Affairs Manager
Training Manager
Site Assessment Manager
Site Engineering Director
Emergency Planning 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

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