

September 1, 2004

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SUBJECT: QUESTIONS YOU RAISED REGARDING NRC ACTIONS TO ADDRESS THE SAFETY CULTURE AT THE SALEM AND HOPE CREEK NUCLEAR GENERATING STATION

Mr. Lochbaum:

This letter is in response to your letters dated June 9, 21, and 25, 2004, in which you suggested U.S. Nuclear Regulatory Commission (NRC) take action to address the safety culture and performance issues at the Salem and Hope Creek Nuclear Generating Stations (Stations), up to and including ordering the units shutdown. You also suggested that if the NRC decides shutdown of the units is not needed to address these issues, we should order PSEG to demonstrate tangible improvements in safety culture, and plant physical condition within an explicit time frame. In your letter dated June 9, you indicated that the results of third party assessments performed for PSEG and longstanding corrective action program weaknesses dictated the need for this action. In your letters dated June 21 and 25, you indicated that the current problems at the Stations are the same as those that existed in 1995 which resulted in an extended shutdown of the Salem units. In your letter dated June 25, you also asserted that PSEG's presentation during the June 16, 2004, public meeting on work environment at the Stations was similar to the Salem restart presentation made to the NRC in December 1995. You requested that the NRC not treat your letters as petitions under the auspices of 10 CFR Part 2.206, but you preferred a written response from the NRC. This letter is intended to satisfy your request.

As you know, late in 2003, the NRC initiated a special review at the Stations to assess the environment for raising and addressing safety issues. We undertook this review in light of information received in various allegations and NRC inspections over the past few years, as well as our annual and mid-year performance reviews in 2003 which identified a substantive cross-cutting issue in the problem identification and resolution area. As part of our review, we conducted in-depth interviews, between October 2003 and June 2004, of over 60 current and former Salem/Hope Creek employees, from various levels of the organization up to and including nuclear executives. Our review also considered our inspection and assessment record over the past several years, as well as allegations involving the Stations. Throughout our review, a panel of NRC managers, technical staff, program support staff, and investigators was periodically convened to evaluate the information obtained.

On January 28, 2004, the NRC Region I issued a letter to PSEG that provided interim results of our special review. Our review had accumulated information about a number of events which, to varying degrees, called into question the PSEG management's openness to concerns and

alternative views, strength of communications, and effectiveness of the stations' corrective action and feedback processes. Several events had involved disagreements or differing perspectives of operators and senior PSEG managers regarding plant operating decisions, particularly as they might impact on continuing plant operation and outage schedules. At a minimum, these interviews raised questions about whether management had fully assessed and addressed the negative impact such disagreements have had on station personnel.

In response to our January 28, 2004, letter, PSEG committed to provide significant financial resources to improve station performance and discussed their plans to assess the work environment in their February 13, and February 27, 2004, letters, respectively. In a March 18, 2004, management meeting, PSEG outlined the methodologies and provided some preliminary results of three major assessments of the safety culture and work environment at the station and subsequently communicated the results in a letter dated May 21, 2004. These assessments included: (1) a safety culture survey conducted by Synergy Corporation in December 2003; (2) a safety culture assessment conducted by the Utility Service Alliance (USA) in March 2004 to evaluate the Salem and Hope Creek safety culture against standards of excellence; and (3) an in depth evaluation of the work environment for raising and addressing safety issues conducted by an Independent Assessment Team (IAT) between February and April 2004. This last assessment was in direct response to the interim findings documented in our January 28, 2004, letter. The reports of these assessments are available on the NRC Web Site at www.nrc.gov/reading-rm/adams.html using accession number ML040610856. The assessments identified the need for improvement of the work environment and equipment reliability. These assessments also identified that better implementation of station processes, such as corrective actions and work management, were important to achieving improvements. Subsequently, PSEG managers discussed their plans to address Safety Conscious Work Environment (SCWE) issues in a June 16, 2004, management meeting with the NRC staff and in a letter dated June 25, 2004, in which they indicated the methods they intended to use to improve the work environment at the station.

On July 30, 2004, the NRC Region I issued a letter to PSEG that provided the final results of our review. This in-depth review confirmed our interim results and generally agreed with the results of PSEG's self-assessments. Specifically, we did not identify any serious safety violations; however, we concluded that there were numerous indications of weaknesses in corrective actions and management efforts to establish an environment where employees are consistently willing to raise safety concerns. Some PSEG staff and managers felt that the company had emphasized production to a point which negatively impacted the handling of emergent equipment issues and associated operational decision-making. Additionally, management had not been consistent in its support of Station staff identifying concerns and providing alternate views. We found examples of unresolved conflict and poor communication between management and staff, as well as underlying staff and management frustration with poor equipment reliability. The equipment issues stemmed, in part, from weaknesses in implementation of station processes such as work management and corrective action. The letter also indicated that the NRC staff was continuing to review certain discrete issues and events to establish whether violations of regulatory requirements, beyond those already identified in NRC reports and correspondence, occurred.

The NRC has taken pro-active steps to engage PSEG before the work environment and related issues manifest themselves in significant plant events or serious safety violations. Our activities have included the conduct of an extensive review of the work environment at the Stations which

included the issuance of a very significant letter to PSEG articulating interim results of our review and requesting PSEG perform an in-depth assessment of the issues. Throughout the last couple of years, the NRC has increased the frequency of senior management site visits and meetings with PSEG to ensure that the company has identified the Station's performance issues and has developed appropriate improvement plans. In addition to the oversight provided for by the Reactor Oversight Process, the NRC plans to: 1) establish an internal NRC coordination team, involving regional and headquarters experts in reactor oversight, SCWE and related performance attributes, to coordinate NRC review efforts and assist in evaluation of licensee self-assessment efforts; 2) review PSEG's detailed improvement plans to identify SCWE and related performance attributes for further NRC review; and 3) enhance existing baseline inspections by adjusting inspection scope, as necessary, to verify the effectiveness of licensee improvement efforts in these areas. In order to provide this appropriate level of NRC oversight for Salem and Hope Creek, the NRC's Executive Director for Operations approved a deviation from the NRC's Action Matrix on August 23, 2004 that authorized the staff to provide a greater level of oversight for the Stations than would typically be called for by the Regulatory Response Column of the Action Matrix. The NRC plans to continue with this heightened oversight until PSEG has concluded that substantial, sustainable progress has been made; and the NRC has completed a review, the results of which confirm PSEG's assessment results.

In response to your letter, we have evaluated your assertions that the existing performance issues at the Stations are the same as those that resulted in the extended shutdown of the Salem units in the mid 1990s. In the years preceding the Salem dual unit shutdown in 1995, the NRC conducted four augmented inspection teams (AITs) in a four year period due to station problems, the depth and breadth of which the NRC considered significant. As a result of these performance problems, the NRC issued a confirmatory action letter to PSEG and conducted oversight activities of the Salem units in accordance with NRC Inspection Manual Chapter 0350, "Oversight of Operating Reactor Facilities in an Extended Shutdown as a Result of Significant Performance Problems." This process provided a structured review of PSEG's restart activities for the Salem units. Prior to the restart of these units, PSEG resolved specific technical issues and made substantial programmatic improvements.

Although we recognize that the current program implementation issues are in some of the same general areas as those that resulted in the extended shutdown of the Salem units, we have concluded that the scope, significance, and impact has been less than the Stations' problems exhibited in the mid 1990s. While we have noted, as has the UCS, that there have been longstanding weaknesses in PSEG's implementation of the corrective actions process, we believe the Stations have maintained acceptable margins of safety, in that these weaknesses have not manifested themselves in significant plant events or serious safety violations at the Stations; and PSEG's performance has remained in either the licensee or regulatory response columns of the NRC Action Matrix for the past several years. Consequently, we have concluded that the actions taken by the NRC in the mid 1990s (e.g., issuance of a CAL) are not appropriate for the current conditions at the Stations. We will continue our ongoing assessment of the Stations' performance and consider the need for additional action, as necessary.

Thank you for your analysis and thoughtful commentary on these matters. Your input provides us a valuable and useful perspective. Should you have any further questions or concerns related to this issue, please contact Eugene Cobey of my staff at 610-337-5171.

Sincerely,

D. Lochbaum

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/RA/

Samuel J. Collins
Regional Administrator

D. Lochbaum

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