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October 29, 2004
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Mr. Samuel Collins, Regional Administrator
United States Nuclear Regulatory Commission
Region I
475 Allendale Road
King of Prussia, PA 19406-1415

**PSEG METRICS FOR IMPROVING THE WORK ENVIRONMENT
SALEM AND HOPE CREEK GENERATING STATIONS
QUARTERLY REPORT
DOCKET NOS. 50-272, 50-311 AND 50-354**

- 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 27, 2004; PSEG Plan for Addressing and Improving the Work Environment to Encourage Identification and Resolution of Issues
 - 3) PSEG Letter Dated June 25, 2004; PSEG Plan for Improving the Work Environment, Salem and Hope Creek Generating Stations
 - 4) NRC Letter dated July 30, 2004; Work Environment at the Salem and Hope Creek Generating Stations

Dear Mr. Collins:

This letter provides a copy of the published PSEG Nuclear quarterly metrics used to objectively measure the effectiveness of the Safety Conscious Work Environment (SCWE) improvements at Salem and Hope Creek Generating Stations.

In response to the Nuclear Regulatory Commission (NRC) letter of January 28, 2004, (Reference 1), our letter of February 27, 2004, (Reference 2) provided the plan of Public Service Enterprise Group (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 was described in further detail at a public meeting on March 18, 2004. An Independent Assessment Team completed this in-depth assessment in April of 2004. The Independent Assessment Team also reviewed available data, including NRC inspection records, the comprehensive survey administered by Synergy in December 2003, and the results of the assessment conducted by the Utility Service Alliance (USA). Additionally, the independent assessment also included a review of the impact on the work environment of operational decision-making, the corporate/site interface, the problem identification and resolution process (including timeliness of corrective action and communication), and the work management process.

The Independent Assessment Team Report, along with the USA Assessment Report, and the executive summary of the Synergy survey, were submitted to the NRC in May of 2004. The USA Assessment and the Independent Assessment Team concluded that Salem and Hope Creek were safe for continued operation, but identified issues that needed to be addressed.

The issues identified by these reports and management reviews of these reports were used to revise our Business Plan for the remainder of 2004 and for 2005. We presented a summary of our action plans at a public meeting on June 16, 2004.

During that meeting we discussed a number of short-term actions we were taking in parallel with the development of our longer-term action plans and we stated that we would follow up with a written summary of our actions to improve the work environment, the identification and resolution of issues, and the work management process. In our follow up June 25 letter (Reference 3) we restated our actions and the commitments made during the public meeting. These commitments included implementing, monitoring and publishing quarterly metrics to objectively measure the effectiveness of our SCWE improvements at Salem and Hope Creek.

In a follow up response letter, dated July 30, 2004, (Reference 4) the NRC acknowledged receipt and review of the PSEG action plan and stated that the PSEG plan appeared to address the key findings of both the NRC and PSEG assessments. The July 30 letter made reference to a July 27 telephone conversation with PSEG wherein an additional commitment was agreed upon with respect to the quarterly submittals. PSEG Nuclear agreed to include a brief description of any significant changes to the PSEG action plan. At this time, there have been no substantive changes to the PSEG action plan.

The following is a discussion of the performance indicators and an analysis of progress to date.

Performance Metrics

The metrics identified to the NRC in the June 25 letter are listed below, with minor title changes. Titles were modified to more accurately reflect the parameter being measured:

1. Knowledge of Alternative Avenues
2. Employee Perception of Management Commitment
3. Supervisor Communication Effectiveness
4. Trust and Respect Between Management & Site Personnel
5. SCWE Management Training Attendance
6. Executive Review Board (ERB) Action Approvals
7. Employee Concerns Program (ECP) Concerns Confidentiality/
Anonymity Request
8. Total Notifications Generated
9. Online Corrective Maintenance Backlog
10. Online Elective Maintenance Backlog
11. Corrective Action Problem Resolution
12. Nuclear Condition Report Activities Overdue
13. Open Nuclear Condition Report Evaluations with Due Date Extensions
14. Repeat Maintenance Issues
15. Operational Challenges
16. Unplanned Limiting Condition of Operation (LCO) Entries
17. Safety System Unavailability

In the metric package (attached), we have included more than seventeen charts since some measurement areas require multiple charts to view a complete picture.

Fundamentally, these indicators address three principal areas: people, processes and plant.

People:

We have focused our efforts on the fair and consistent treatment of employees through the creation of an Executive Review Board (ERB). The ERB is serving its function of ensuring that proposed personnel actions (e.g. promotions and disciplinary actions) are conducted in a manner consistent with PSEG policy. The approval rate for the Board has shown improvement since the Board's inception in April. A near-term temporary decline in rate is expected as the result of the recent introduction of a broader range of supplemental personnel issues. Overall, a greater degree of management awareness of the process is required.

Therefore, formal training to address this awareness began in September and will be completed in the first quarter of 2005.

A number of the indicators that focus on the relationship between management and the work force (Knowledge of Alternative Avenues, Employee Perception of Management Commitment, Supervisor Communication Effectiveness and Trust and Respect Between Management & Site Personnel) rely on current survey data. Consistent with our Business Plan objectives, these survey and assessment tools are under development and will serve to establish an understanding of future areas of focus. Currently, the Synergy Assessment, a key component to this understanding, will be administered during the first quarter of 2005 and will assess employees' perception of management commitment, mutual trust and respect between management and associates, communication effectiveness, and associate knowledge of safety concern avenues.

Processes:

Process adherence is improving as evidenced by the results of the Corrective Action Closure Board and maintenance backlogs. Our principal focus this quarter on quality and completeness in evaluating our issues has resulted in improvement. Correspondingly, our focus on adhering to work week schedules has resulted in a steady reduction of items in our maintenance backlogs.

Our next process focus area will be on the timely response to fixing our problems. Improvements in evaluating both the quality and completeness of our issues have been achieved, in part, at the expense of timeliness. This is demonstrated by the lack of improvement in overdue items and extensions metrics. This was an expected outcome. Management attention is now being focused on the objective of improving our response time to issues. In parallel, we will work to ensure sustainable performance with the quality improvements recently achieved in the evaluation portion of the process.

Plant:

Overall, we have not experienced consistent improvement in equipment performance nor was this expected at this point in the plan. Equipment performance is anticipated to improve as a result of our first addressing the people and process issues. Specific information regarding individual performance of key systems for Salem and Hope Creek is included in the attached performance indicators. While equipment performance is meeting our goals in some areas, we have further work to do in other areas.

We extended the scope and duration of both the Salem Unit 1 refueling outage last spring as well as the current Hope Creek refueling outage in order to reduce

our backlogs and improve our plant performance. Major scope added includes extensive work on our control rod drive mechanisms. This was an item of concern identified in the USA assessment and by our operators. We also added maintenance to both outages that would normally be performed on line.

Management Assessment

The overall performance represented by our key metrics demonstrates progress and improvement. The key to sustained improvement is to improve the foundation, which is why we have concentrated our efforts on our corrective action program and work management. It is not surprising that we have made the most measurable progress in those areas. That progress is represented by positive trends in backlog, schedule adherence and corrective action quality.

Additionally, we have improved our communications with employees, specifically as they relate to operational decision-making. While the results of our efforts will not be evident until our Synergy Assessment is conducted in the first quarter of 2005, I feel we are making progress. This is based on recent feedback I have received from our operating crews and other employees.

The area that is expected to require the most time to demonstrate marked improvement is equipment performance. These metrics have not shown consistent progress at this time. However, as we focus on our corrective action program and work management process, I expect improvement in our equipment performance will follow.

Over the last quarter, equipment performance has affected our operation and the impact is evident in our Unplanned LCO Metrics. Equipment performance issues have also affected unit reliability. In September, Salem Unit 2 automatically tripped offline due to loss of excitation in the main generator. More recently in October, Hope Creek was manually taken offline due to a pipe break in the Turbine Building. The causes of these events, as well as our response, demonstrate a gap still exists between our current organizational performance and excellence. However, the manner in which we responded demonstrates to me progress has been made relative to fostering a SCWE.

In closing, I want to reaffirm our commitment to operate our plants safely. Our fundamental responsibility for the safe operation of these facilities will not be compromised, and we continue to have the full resources and support of the Corporation. We are making measured progress in improving our performance and work environment. I expect that to continue. I also remain confident that should a safety issue arise, we will not hesitate to take timely, deliberate action to address such an issue up to and including plant shutdown. I feel we clearly demonstrated this most recently in our response to the pipe break at Hope Creek and our decision to transition directly into the scheduled refueling outage.

Mr. Samuel Collins
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October 29, 2004

If you have any further questions please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "A. Christopher Bakken, III". The signature is fluid and cursive, with a large loop at the end.

A. Christopher Bakken, III
President & CNO
PSEG Nuclear, LLC

Attachments

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