

SAFEGUARDS INFORMATION

October 28, 2004

Mr. Daniel J. Malone
Site Vice President
c/o Mr. Bruce Rowland
Nuclear Management Company, LLC
Palisades Nuclear Plant
27780 Blue Star Memorial Highway
Covert, MI 49043-9530

SUBJECT: PALISADES NUCLEAR PLANT- ADMINISTRATIVE CHANGE TO FACILITY OPERATING LICENSE IN CONJUNCTION WITH THE COMMISSION ORDER EA-03-086 REGARDING REVISED DESIGN BASIS THREAT (DBT); AND REVISIONS TO PHYSICAL SECURITY PLAN, TRAINING AND QUALIFICATION PLAN, AND SAFEGUARDS CONTINGENCY PLAN (TAC NO. MC2949)

Dear Mr. Malone:

By letter dated April 29, 2004, Nuclear Management Company, LLC submitted a supplemental response in accordance with Order EA-03-086, the Order requiring compliance with the revised design basis threat, dated April 29, 2003, (DBT Order) for the Palisades Nuclear Plant (PNP). Section III.A of the DBT Order required licensees to revise physical security plans (PSPs), training and qualification plans (T&Q Plans), and safeguards contingency plans (SCPs) in order to provide protection against the revised DBT set forth in Attachment 2 to the DBT Order. These revised plans, along with an implementation schedule, were required to be submitted to the Nuclear Regulatory Commission (NRC or the Commission) for review and approval no later than April 29, 2004.

In the revised security plans for PNP, you included information related to the independent spent fuel storage installation (ISFSI) co-located at the site. The DBT Order did not require this information to be included in the revised security plans for PNP. However, Order EA-02-104, dated October 16, 2002, required licensees to comply with the requirements, set forth in an attachment to the Order, that described the compensatory measures necessary to protect the ISFSI as a result of the heightened threat environment following the September 11, 2001, terrorist attacks. On September 10, 2004, the NRC staff requested that you clarify whether the information provided in the revised security plans for PNP related to the ISFSI modified the response you provided to Order EA-02-104. By letter dated September 24, 2004, you indicated that no modifications or revisions have been made which decrease the effectiveness of the implementation of the ISFSI-related security provisions carried out in response to the ISFSI

NOTICE: Enclosure 2 contains Safeguards Information. Upon separation from Enclosure 2, this letter and Enclosure 1 are DECONTROLLED.

SAFEGUARDS INFORMATION

Orders at PNP. The NRC staff review of the changes made to the ISFSI-related security information provided in your revised security plans is currently in progress and the NRC staff findings regarding this information will be provided to you under separate correspondence.

The NRC staff's review of the PNP PSP, SCP, and T&Q Plan submitted in your letter dated April 29, 2004, as supplemented on July 29, August 5, August 13, August 25, August 30, September 29, and October 18, 2004, has focused on ensuring the necessary programmatic elements are contained in these plans in order to provide high assurance that activities involving special nuclear material are not inimical to the common defense and security and do not constitute an unreasonable risk to the public health and safety.

The NRC staff has determined that, subject to subsequent inspection and evaluation, these plans contain the necessary programmatic elements that, when effectively implemented, will provide the required high assurance that PNP will be protected against the revised DBT. The NRC staff, therefore approves the **PSP, SCP, and T&Q Plan** for PNP. However, ultimately the effectiveness of these plans will be judged on your ability to meet regulatory requirements through facility implementing procedures and site practices. As such your facility implementing procedures and practices will continue to be subject to future NRC review and inspection, including NRC-conducted force-on-force exercises.

In addition, the NRC staff noted that your PSP included alternatives to certain requirements of Title 10 of the *Code of Federal Regulations* (10 CFR) Section 73.55. In each case, the NRC staff found that the alternative provides an equivalent level of protection to that of the associated requirement and meets the high assurance objective of 10 CFR 73.55(a). The NRC staff, therefore, approves the alternatives shown in the table below. The NRC staff's evaluation is discussed further in the enclosed Safety Evaluation (SE).

Approved Alternatives to the Requirements of 10 CFR Part 73

SE Section	PSP Section	Alternative to 10 CFR	Description
3.6.2	6.2	73.55(c)(3)	Isolation Zones
3.9.4.3	9.4.3	73.55(d)(4)	Protected Area (PA) vehicle search requirements
3.9.4.4	9.4.4	73.55(d)(1)	PA personnel search requirements
3.9.5.2	9.5	73.55(d)(1) 73.55(d)(4)	PA access control requirements
3.10.1	10.1	73.55(c)(5)	PA illumination requirements
3.13.1	14.1	73.55(c)(1) 73.55(d)(7)(i)(B)	Temporary reclassification of Vital Areas to PA status (devitalization)

Finally, consistent with the DBT Order, conforming administrative changes to Facility Operating Licenses (FOLs) are required to ensure implementation of DBT Order requirements. Therefore, an administrative license change to FOL No. DPR-20 is being made to incorporate the reference to the revised PSP, SCP, and T&Q Plan required by the DBT Order. This change complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's rules and regulations set forth in 10 CFR Chapter I.

Please replace the enclosed page to your FOL as indicated in Enclosure 1.

A copy of our SE with regard to your security plans (designated as Safeguards Information) is provided in Enclosure 2.

Sincerely,

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket No. 50-255

Enclosures: 1. Administrative Change to FOL No. DPR-20
2. SE Regarding the Security Plans (SAFEGUARDS)

cc w/encl 1 only: See mailing list 1
cc w/encls 1 and 2: Bruce Rowland, Security Manager

Finally, consistent with the DBT Order, conforming administrative changes to Facility Operating Licenses (FOLs) are required to ensure implementation of DBT Order requirements. Therefore, an administrative license change to FOL No. DPR-20 is being made to incorporate the reference to the revised PSP, SCP, and T&Q Plan required by the DBT Order. This change complies with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's rules and regulations set forth in 10 CFR Chapter I.

Please replace the enclosed page to your FOL as indicated in Enclosure 1.

A copy of our SE with regard to your security plans (designated as Safeguards Information) is provided in Enclosure 2.

Sincerely,

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket No. 50-255

- Enclosures: 1. Administrative Change to FOL No. DPR-20
2. SE Regarding the Security Plans (SAFEGUARDS)

cc w/encl 1only: See mailing list 1
cc w/encls 1 and 2: Bruce Rowland, Security Manager

DISTRIBUTION:

PUBLIC SPRT R/F OGC ACRS THarris JStang
LRaghavan WRuland GHill (2) DLPM DPR TBoyce SReynolds, RIII

Accession No.: ML043170657

OFFICE	SPRT/TL	SPRT/PM	SPRT/LA	SPRT/PL	OGC	NSIR/SC	NRR/SC
NAME	MBurrell	BVaidya	CRaynor	JPeralta	DCummings	SMorris	JNakoski
DATE	10/28/04	10/28/04	10/28/04	10/28/04	10/28/04	10/27/04	10/27/04

Palisades Plant

cc w/o encl.:

Robert A. Fenech, Senior Vice President
Nuclear, Fossil, and Hydro Operations
Consumers Energy Company
1945 Parnall Rd.
Jackson, MI 49201

Arunas T. Udryns, Esquire
Consumers Energy Company
1 Energy Plaza
Jackson, MI 49201

Regional Administrator, Region III
U.S. Nuclear Regulatory Commission
801 Warrenville Road
Lisle, IL 60532-4351

Supervisor
Covert Township
P. O. Box 35
Covert, MI 49043

Office of the Governor
P. O. Box 30013
Lansing, MI 48909

U.S. Nuclear Regulatory Commission
Resident Inspector's Office
Palisades Plant
27782 Blue Star Memorial Highway
Covert, MI 49043

Michigan Department of Environmental
Quality
Waste and Hazardous Materials Division
Hazardous Waste and Radiological
Protection Section
Nuclear Facilities Unit
Constitution Hall, Lower-Level North
525 West Allegan Street
P.O. Box 30241
Lansing, MI 48909-7741

Michigan Department of Attorney General
Special Litigation Division
525 West Ottawa St.
Sixth Floor, G. Mennen Williams Building
Lansing, MI 48913

Manager, Regulatory Affairs
Nuclear Management Company, LLC
27780 Blue Star Memorial Highway
Covert, MI 49043

Director of Nuclear Assets
Consumers Energy Company
Palisades Nuclear Plant
27780 Blue Star Memorial Highway
Covert, MI 49043

John Paul Cowan
Executive Vice President & Chief Nuclear
Officer
Nuclear Management Company, LLC
700 First Street
Hudson, WI 54016

Jonathan Rogoff, Esquire
Vice President, Counsel & Secretary
Nuclear Management Company, LLC
700 First Street
Hudson, WI 54016

Douglas E. Cooper
Senior Vice President - Group Operations
Palisades Nuclear Plant
Nuclear Management Company, LLC
27780 Blue Star Memorial Highway
Covert, MI 49043

Daniel J. Malone
Site Vice President
Palisades Nuclear Plant
Nuclear Management Company, LLC
27780 Blue Star Memorial Highway
Covert, MI 49043

NUCLEAR MANAGEMENT COMPANY, LLC.

DOCKET NO. 50-255

PALISADES NUCLEAR PLANT

ADMINISTRATIVE LICENSE CHANGE TO FACILITY OPERATING LICENSE

License No. DPR-20

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. Consistent with Order EA-03-086, the Order requiring compliance with revised design basis threat, (DBT Order) issued on April 29, 2003, conforming administrative changes to Facility Operating Licenses (FOLs) are required to ensure implementation of DBT Order requirements. Therefore, an administrative license change to FOL No. DPR-20 is being made to incorporate the reference to the revised Physical Security Plan, Safeguards Contingency Plan, and Training and Qualification Plan required by the DBT Order. These changes comply with the standards and requirements of the Atomic Energy Act of 1954, as amended and the Commission's rules and regulations set forth in 10 CFR Chapter I.
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance (i) that the activities authorized by this administrative license change can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
 - D. The issuance of this administrative license change will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this administrative license change is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

Enclosure 1

2. Accordingly, the FOL is changed as indicated in the attachment.
3. This administrative license change is effective as of its date of issuance and shall be implemented on or before October 29, 2004.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Attachment: Changes to the FOL

Date of Issuance: October 28, 2004

CHANGES TO FACILITY OPERATING LICENSE NO. DPR-20

DOCKET NO. 50-255

Replace the following page of the Facility Operating License No. DPR-20 with the attached revised page as indicated. The revised page is identified by a revision date and contains marginal lines indicating the area of change.

Remove Page

5

Insert Page

5

- E. NMC shall fully implement and maintain in effect all provisions of the Commission-approved physical security, training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10 CFR 73.55 (51 FR 27817 and 27822) and to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The combined set of plans, which contains Safeguards Information protected under 10 CFR 73.21, is entitled: "Nuclear Management Company Palisades Nuclear Plant Physical Security Plan, Revision 0, " submitted by letter dated October 18, 2004.
- F. The licensee shall report any violations of Section 2.C(1) of this license within 24 hours to the NRC Operations Center via the Emergency Notification System with written follow-up within 60 days in accordance with 10 CFR 50.73(b), (c), and (e).
- G. Consumers Energy Company shall have and maintain financial protection of such type and in such amounts as the Commission shall require in accordance with Section 170 of the Atomic Energy Act of 1954, as amended, to cover public liability claims.
- H. This license is effective as of the date of issuance and shall expire at midnight on March 24, 2011.

FOR THE NUCLEAR REGULATORY COMMISSION

Original Signed By: Thomas E. Murley

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Attachments:

- 1. Appendix A - Technical Specifications
- 2. Appendix B - Environmental Protection Plan

Date of Issuance: February 21, 1991