

June 1, 2005

Mr. William Levis  
Chief Nuclear Officer and President  
PSEG LLC - N09  
P. O. Box 236  
Hancocks Bridge, NJ 08038

SUBJECT: NRC REVIEW OF USE OF THE EXECUTIVE REVIEW BOARD PROCESS  
AND REQUEST FOR RESPONSE

Dear Mr. Levis:

This letter provides preliminary results of an on-site review of your use of the Executive Review Board (ERB) process at the Salem and Hope Creek Generating Stations and requests an additional response from PSEG in this matter.

In a June 25, 2004, letter to the NRC, PSEG stated that an ERB had been established to review PSEG and contractor personnel actions to preclude retaliation and/or chilling effect at Salem and Hope Creek. This action was one of a variety of initiatives taken to generally improve management effectiveness and provide for an improved safety conscious work environment (SCWE) at the stations. In addition, in this letter PSEG committed to providing to the NRC, on a quarterly basis, selected performance metrics related to safety conscious work environment. These metrics include a metric on ERB effectiveness.

In December 2004, PSEG announced that it had entered into a Nuclear Operating Services Contract (NOSC) with Exelon to provide management services for plant operations at the Salem and Hope Creek Generating Stations. Prior to implementation of the NOSC, PSEG, in cooperation with Exelon, identified a number of personnel changes that would be necessary to implement the Exelon management model at the stations.

While onsite on January 7, 2005, an NRC Region I manager learned that the initial set of personnel actions associated with the NOSC had not been reviewed by the ERB. NRC management requested that PSEG explain why the personnel actions had been taken without being reviewed by the ERB. The NRC also requested that PSEG describe what actions they intended to take in order to accomplish the intended function of the ERB. During follow-up discussions with PSEG management, the NRC learned that several other personnel actions, not associated with implementation of the NOSC, had also occurred without being subjected to the ERB process.

In a letter dated January 31, 2005, PSEG notified the NRC of its intent to commission an independent review of those personnel actions related to the implementation of the NOSC to ensure that they complied with 10 CFR 50.7, "Employee Protection," requirements. The NRC acknowledged PSEG's intention to perform this review in a letter dated February 17, 2005, and requested a written response to specific items. PSEG responded to the NRC in a letter dated March 21, 2005.

On April 25 through 27, 2005, the NRC performed an inspection into PSEG's use of the ERB process. During this inspection, the inspectors interviewed selected involved personnel and reviewed the independent review team's report, PSEG's March 21, 2005 letter and supporting documents. Based on the results of this inspection, the NRC has preliminarily determined that the lapses in the use of the ERB process constituted an inspection finding for not implementing an identified corrective action which had been designed to improve management effectiveness in detecting and preventing retaliation and the creation of a chilling effect. The NRC determined that although PSEG had taken corrective actions for some of the early instances of not using the ERB process, these actions were not fully effective because they did not prevent recurrence. These inspection results will be documented in the NRC's next quarterly inspection report for the Salem and Hope Creek facilities.

With regard to the work environment, PSEG concluded that neither the lack of an ERB review of the personnel actions taken nor the personnel actions themselves created a chilling effect where individuals would be reluctant to raise nuclear safety concerns. However, PSEG's review brought forth information about perceptions of workers in the broader context of the work environment such as: some personnel indicated a reluctance to raise questions and/or challenge decisions out of concern that they may appear in some negative light; and some personnel expressed concern about the creation of a chilled environment and PSEG management's adherence to policies and commitments. PSEG attributed these perceptions to uncertainty about the merger, along with ineffective communication about the personnel actions, and in some cases, the decision to not conduct an ERB review of these actions.

The NRC's review determined that with few exceptions workers indicated that they would raise issues that they recognized as nuclear safety issues. However, the NRC also noted evidence of a range of worker perceptions regarding the advisability of raising issues or challenging decisions in the current environment. The NRC determined that these perceptions were related to a collection of factors and were not just attributable to the inconsistent use of the ERB process. These factors included personnel actions that have been taken at the stations, the inconsistent use of the ERB process, uncertainty about the merger, and possibly others. While the NRC recognizes that a range of worker perceptions exists at all facilities, the NRC considers the extent of the perceptions at Salem and Hope Creek to be significant. In our letter to PSEG on January 28, 2004, we stated that we consider it important for PSEG to thoroughly understand what "messages" employees take from experiences at the site and address any situations that can detract from maintenance of a strong SCWE. Therefore, in the same vein, the NRC requests that you re-assess, in the broader context of the work environment, this information emanating from your review of the ERB issue; identify additional actions you have taken or plan to take to address worker perceptions; and provide a written response within 30 days. In addition, the NRC requests that PSEG be prepared to discuss this issue with the NRC at the June 8, 2005, public meeting. If you have any questions on this matter, please contact Mr. Eugene Cobey at 610-337-5171.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and your response will be available electronically for public inspection in the NRC Public Document

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Room or from the Publicly Available Records (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/**

A. Randolph Blough, Director  
Division of Reactor Safety

Docket No: 50-272, 50-311, 50-354  
License No: DPR-70, DPR-75, NPF-57

cc w/encl:

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G. Barnes, Hope Creek Site Vice President

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