June 29, 2005

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

SUBJECT: SALEM AND HOPE CREEK NUCLEAR GENERATING STATIONS - NRC EMPLOYEE CONCERNS PROGRAM INSPECTION REPORT 05000272/2005009, 05000311/2005009, AND 05000354/2005009

Dear Mr. Levis:

On May 20, 2005, the Nuclear Regulatory Commission completed an inspection at your Salem and Hope Creek Generating Stations. The enclosed report documents the inspection observations which were discussed on May 20, 2005, with Mr. Barnes and other members of your staff.

This inspection involved an examination of your Employee Concerns Program (ECP) and its function as an alternate path to raise safety concerns for licensee or contractor employees who do not choose to pursue their concern(s) with line management or through other established corrective action processes. The inspection involved examination of procedures and other program-related documentation, along with selected ECP case files. The inspectors also conducted interviews with the ECP program staff, selected managers and supervisors, employees who have used the ECP program, and the general workforce. This inspection was conducted under the auspices of the Reactor Oversight Process Deviation Memorandum for Salem and Hope Creek dated August 23, 2004. On the basis of the results of this inspection, no findings of significance were identified.

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Sincerely,

/RA/

Eugene W. Cobey, Chief
Project Branch 3
Division of Reactor Projects

Docket Nos. 50-272, 50-311, 50-354
License Nos. DPR-70, DPR-75, NPF-57

Enclosure: Inspection Report 50-272/05-009, 50-311/05-009, 50-354/05-009
w/Attachment: Supplemental Information

cc w/encl:
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U.S. NUCLEAR REGULATORY COMMISSION

REGION I

Docket Nos:	50-272, 50-311, 50-354
License Nos:	DPR-70, DPR-75, NPF-57
Report No:	05000272/2005009, 05000311/2005009, 05000354/2005009
Licensee:	PSEG Nuclear LLC
Facility:	Salem Nuclear Generating Station, Unit 1 and 2 Hope Creek Nuclear Generating Station
Location:	P.O. Box 236 Hancocks Bridge, NJ 08038
Dates:	May 16, 2005 - May 20, 2005
Inspectors:	D. Vito, Region 1 Sr. Allegation Coordinator (Team Leader) D. Werkheiser, Reactor Inspector
Approved by:	Eugene W. Cobey, Chief Project Branch 3 Division of Reactor Projects

Enclosure

SUMMARY OF FINDINGS

IR 05000272/2005009, IR 05000311/2005009, IR 05000354/2005009; 5/16/2005 - 5/20/2005; Salem Units 1 and 2 and Hope Creek; supplemental inspection of the Employee Concerns Program (ECP).

This inspection was conducted by two region-based inspectors. A number of observations were noted as documented in Section 4OA5 of this report. The inspection identified no findings of significance. The NRC's program for overseeing the safe operation of commercial nuclear power reactors is described in NUREG-1649, "Reactor Oversight Process," Revision 3, dated July 2000.

Other Activities - Resolution of Employee Concerns

The inspectors concluded that, although it was too early to assess the effectiveness of the very recent program improvements and initiatives, PSEG's ECP provides a framework for investigating concerns provided, maintaining the confidentiality of personnel who use the program, and protecting employees who use the program against retaliation. However, the inspectors identified that a statistically significant portion of the personnel interviewed during the inspection indicated that they would not use the ECP program. The primary reason involved a perception that the process mandates informing many levels of management soon after an issue is received by the ECP, regardless of a "need-to-know," and that such a process direction negates any other efforts that may be taken to protect confidentiality.

In addition, the inspectors noted that PSEG staff indicated a willingness to raise issues that they recognized as nuclear safety issues. However, the inspectors received numerous comments during interviews with PSEG staff regarding the advisability of raising issues or concerns in the current environment. The inspectors noted that these worker perceptions were attributable to a collection of factors with most being attributed to uncertainty about the impending merger and concerns about being identified as an individual who raises issues. While a range of worker perceptions exists at all facilities, the inspectors concluded that the extent of the perceptions at Salem and Hope Creek is significant.

A. NRC Identified and Self-Revealing Findings

No findings of significance were identified.

B. Licensee-Identified Violations

None.

Report Details

4. OTHER ACTIVITIES (OA)

4OA5 Other Activities

Resolution of Employee Concerns

a. Inspection Scope

The team evaluated PSEG's Employee Concerns Program (ECP) in three aspects. First, the inspectors reviewed the ECP process procedures and other ECP process-related documentation, including training material, a recently developed communication plan to promote knowledge of the program, and a recent program self-assessment conducted in April 2005. This review was conducted in an effort to determine whether the program guidance accurately describes program policy, responsibilities, implementation, assessment, and independence, as well as the means for promoting the program to assure that site personnel are aware of its availability.

Second, the inspectors reviewed 20 selected ECP files from the 2004-2005 time frame to assess how effectively submitted concerns were processed in accordance with established ECP guidance. Specifically, the inspectors assessed: the documentation and categorization of concerns received and the assignment of concern priority; the development, documentation, and implementation of corrective actions; the frequency and documentation of feedback to the concerned individual; and the documentation of file closure. Of note, since the ECP program at Salem and Hope Creek accepts issues that are not related to nuclear safety as well as issues that are, the inspectors selected ECP files for review which contained issues involving nuclear safety.

Lastly, the inspectors interviewed site personnel to obtain their views about the ECP process and to determine their confidence in the ability of the ECP process to document, evaluate, and resolve issues, while at the same time, protecting the confidentiality of concerned individuals who request it, and protecting concerned individuals against retaliation. In addition to discussions with the ECP program staff, 63 staff interviews were conducted during the inspection (6 interviews with selected managers, 7 interviews with employees who have used the ECP process, and 50 interviews with other employees selected at random). During the random interview process, the inspectors surveyed the site for ECP promotional information.

On August 23, 2004, the NRC's Executive Director for Operations approved a deviation from the NRC's Action Matrix to provide a greater level of oversight for the Salem and Hope Creek stations than would typically be called for in the Action Matrix. This inspection supports a provision of the deviation memorandum which provides for additional NRC actions/inspections to review performance attributes related to safety conscious work environment (SCWE).

b. Observations and Findings

The following observations relate the results of document reviews and interviews conducted during the inspection of the ECP attributes designated in Section 02.02 of NRC Inspection Procedure 40001.

(1) Documentation of Concerns

Based on the ECP file review and the interviews with the individuals who used the program, the inspectors found that concerns were adequately captured. Nearly all of the concerned individuals who were interviewed indicated that the ECP staff listened to and understood their concerns and went over the stated issues with them before the end of the initial interview.

The documented concerns were relatively easy to locate within the files because a copy of the ECP database file input sheet was included in the file. However, it was not as easy to locate the documentation of corrective actions and final closure within the files. The issue of file documentation and organization was an area that was identified during PSEG's April 2005 program self-assessment. The inspectors noted that a number of the suggested improvements had been worked into more recent files as a result of the self-assessment recommendations, including the development of a format for a more formal closure document for lower level ECP issues. However, most of these changes had been made so recently, that it was difficult for the inspectors to determine their effectiveness at the time of the inspection.

Lastly, the inspectors noted that the ECP files did contain a significant amount of hand-written material, documenting various aspects of issue processing (e.g., corrective action decisions and status, feedback to concerned individuals, interview records, etc.), and noted that it was often difficult to discern who had taken the hand-written notes or when they were taken. In many instances, the hand-written notes did not indicate the name or initials of the person who took the notes or the date the notes were taken.

(2) Corrective Actions

For the ECP files reviewed, the inspectors noted that the corrective actions planned or taken were acceptable and generally comprehensive. The inspectors noted in one instance, while the issue was specifically resolved for the concerned individual, the ECP process could have provided some additional information in the file to more accurately describe the extent of the condition which prompted the submittal of the concern to ECP. While the ECP staff indicated that they were aware of the circumstances, this information was not documented in the file.

(3) Prioritization of Concerns

Concerns submitted to ECP are prioritized into two categories. Priority 1 issues involve concerns that are of a more significant or urgent nature or that legally require prompt or immediate action. ECP files prioritized at Category 1 require full investigations. Priority

2 issues involve concerns that do not meet Priority 1 criteria as indicated in Procedure NC.QN-AS.ZZ-0001(Z), Revision 12, "Processing Employee Concerns." Priority 2 concerns are concerns of lesser significance that can typically be resolved within 30 days. Based on inspector review of specific ECP files along with a summary listing of concerns filed with ECP since January 1, 2003, the established prioritization method appeared to be applied appropriately, commensurate with the significance of the submitted issue.

It is noted that up until the recent ECP process procedure changes made in May 2005 (after the April 2005 self-assessment), the ECP process retained three levels of priority, with Priority 3 concerns being of even less significance and of a less urgent nature than Priority 2 concerns. The self-assessment noted that issues were rarely categorized at Priority 3, and suggested removal of the Priority 3 category. The inspectors noted that removal of the Priority 3 category has had no discernible impact on the effectiveness of the ECP process.

(4) Feedback to Employees

Based on the review of the ECP files and the interviews with individuals who had submitted concerns to ECP, the inspectors noted that good initial contact was made, with discussions well documented in the file. Nearly all of the concerned individuals who were interviewed indicated that the ECP staff appropriately captured their concerns and went over the stated issues before the end of the initial interview. Interim contacts with the concerned individual were documented if such subsequent contacts were needed to obtain more information, or if the ECP staff felt that an interim contact was necessary to update the concerned individual on the status of his/her concern(s). Closure with the concerned individual was normally accomplished by a phone call, with a record being placed in the file documenting the discussion.

(5) Independence of ECP Staff Review

The current organizational structure places ECP in the most independent position it can be in at the site, i.e., reporting directly to the Senior Vice President and Chief Nuclear Officer. A large majority of the personnel interviewed were satisfied with the level of independence afforded to ECP by the current organizational arrangement. As some Exelon personnel have been relocated to the site since January 2005, a number of the personnel interviewed by the inspectors were aware that organizationally, Exelon plants place ECP differently in the organization, wherein ECP is a collateral activity within the quality assurance function. All who were aware of the organizational difference offered that while the standard Exelon placement of ECP may work eventually at Salem and Hope Creek, the current arrangement would be looked upon more favorably by the workforce at this time given the level of independence provided and the sensitivity of safety conscious work environment issues at the site.

(6) Environment for Reporting Concerns

The inspectors reviewed this ECP attribute in two parts. First, the inspectors assessed how site employees acquire knowledge about the existence and function of the ECP. In this area the inspectors assessed how employees are trained with regard to the process, how the process is publicized and promoted, and whether exiting employees are debriefed by ECP.

Secondly, the inspectors assessed how employees are assured that their confidentiality will be preserved by way of the ECP process, if that is of concern to them.

(a) Employee Knowledge of ECP

Nearly all of the employees interviewed during the inspection indicated that they had heard of the ECP process. However, how they had heard about ECP, how much they knew about ECP, and how well they knew ECP personnel varied widely. Most individuals remembered hearing about ECP from some form of orientation training, some only knew about it from TV monitors and other promotional material posted around the site that advertise the program, and a few knew nothing about it. While some did not make the connection, most of those interviewed were aware that ECP is an alternate method to raise safety concerns, if normal processes are unsuccessful. The inspectors acknowledged ECP knowledge improvement efforts initiated by the licensee; however, it was too soon for the inspectors to assess their effectiveness.

(b) Assurance of Employee Confidentiality

Based on the results of the documentation review and the personnel interviews, the inspectors concluded that the ECP provides a framework for effectively maintaining the confidentiality of personnel who use the program. Based on the ECP file review and discussions with and observation of the ECP staff during the inspection, the inspectors noted that efforts are taken to protect the confidentiality of concerned individuals to the extent possible. Significant efforts are made to protect information that is provided to ECP and to minimize the number of personnel with knowledge of an issue to those with a “need-to-know.” These efforts are made even in those instances where a concerned individual does not request confidentiality from ECP.

However, during the interviews with site personnel, the inspectors noted that a statistically significant portion of the personnel interviewed (21% - 12 of the 57 total concerned individuals and random employees interviewed) indicated that they would not use the program. The primary reason for this response was a perception that the ECP program could not maintain confidentiality. Specifically, the inspectors noted that there is a perception that the ECP process mandates informing many levels of management soon after an issue is received by ECP, regardless of a “need-to-know,” and that such process direction may impact other efforts at confidentiality protection.

While the licensee acknowledged that there may have been past occurrences that created this perception and resulted in the anecdotal information provided to the inspectors during employee interviews, the licensee indicated that this is not what is done in practice, and that every effort is made to protect confidentiality and to limit knowledge of an ECP issue to people with a "need-to-know." Nonetheless, the inspectors noted that there was a section of the ECP process implementation procedure (Step 4.1.3 of Procedure NC.QN-AS.ZZ-0001(Z), Revision 12, "Processing Employee Concerns") which provides a chart indicating which managers/supervisors should be informed after an issue is provided to ECP. The inspectors offered that the procedural direction given by this chart appeared, to some degree, to affirm the comments of those individuals who had a negative perception of the ability of ECP to maintain confidentiality, i.e., that a pre-established set of managers/supervisors who are to be contacted exists for any issue submitted to ECP. The licensee acknowledged that the procedure should be changed to reflect what is actually done, emphasizing efforts that are made to protect confidentiality and to limit knowledge about an ECP issue.

Regarding methods of contact with ECP, the inspectors noted that there are multiple means provided for contacting the ECP staff, i.e., by phone, fax, mail, e-mail, drop box, or during exit interviews (ECP interviews departing employees). Most of the employees interviewed by the inspectors were aware of one or more of the methods of contacting ECP. The inspectors commented to the licensee that one of the two drop box locations had the potential to discourage use by employees seeking anonymity because the area was constantly occupied and received heavy traffic.

(7) Protection Against Retaliation

The inspectors noted that efforts are made by the ECP staff to limit the number of persons aware of the submitted concern regardless of whether confidentiality is requested, and to minimize negative feedback to the concerned individual. The managers and supervisors who were interviewed during the inspection understood this concept. It was not obvious to the inspectors that this concept was reinforced in periodic training (this was also identified by the April 2005-self-assessment).

The ECP process procedures do discuss the concept of protection against retaliation; however, there was no formal guidance for appealing the outcome of an investigation (this was also identified by the April 2005 self-assessment).

Based on the ECP file review and the interviews with individuals who had used ECP, the inspectors did not identify any instances in which an individual who had submitted a concern to ECP was retaliated against for that reason. However, the inspectors noted that, regardless of the ongoing efforts that are taken to protect concerned individuals against retaliation, the "negative perception" issue mentioned above has likely also imparted some doubt among the general workforce as to whether individuals who raise concerns to ECP can truly be protected against retaliation.

(8) Expertise of ECP Staff

From the results of the interviews conducted during the inspection, the inspectors found that there is a considerable amount of trust in and respect for the current ECP staff as an independent reviewer. There is also a considerable amount of respect for the ECP staff's experience and knowledge of the facility and their ability to thoroughly review issues that are within their areas of knowledge and experience.

The ECP manager has also recognized the importance of documenting the qualifications of the ECP investigators by establishing qualification records. The ECP manager is actively identifying training opportunities that will help him and his staff do their jobs better.

(9) Self-Assessment

A self-assessment of the ECP program was performed in April 2005, by a team which included ECP managers from Millstone and Exelon, an outside consultant knowledgeable in SCWE, and a PSEG legal representative. There had been no recent specific self-assessments of ECP prior to that time as the licensee relied upon the broader-based assessments of SCWE done in 2004 to gauge the health of the ECP program. The inspectors found the April 2005 self-assessment to be critical and comprehensive, identifying 27 opportunities for improvement. The inspectors noted that many of the program improvements and initiatives identified during the inspection were efforts prompted by the findings of the April 2005 self-assessment.

To highlight the findings of the April 2005 self-assessment, the inspectors noted that 5 of the 27 identified opportunities for improvement were related to needs for improvement in training related to ECP. This comports with the inspectors' observations with regard to the wide variance of employee knowledge about the ECP process. The self-assessment recommended that overall communications about the ECP program be improved. The inspectors noted that changes are already being made in this area in the form of visual advertisement and promotion of the program (posters, TV monitor information) and efforts are underway to increase the visibility of the ECP staff around the site. The self-assessment also recommended that ECP develop a process for recording lessons learned during the implementation of the process and a means to communicate those lessons learned. A lessons learned database was initiated in January 2005, and the ECP manager is now considering how to convey lessons learned to appropriate personnel.

The April 2005 self-assessment also suggested that future self-assessments be performed on an annual basis. This has been incorporated into procedural guidance, NC.QN-AS.ZZ-0001(Z), Revision 12, "Processing Employee Concerns."

4OA6 Meetings, Including Exit

The team presented the inspection results to Mr. Barnes and other members of PSEG management on May 20, 2005. PSEG management acknowledged the results presented. No proprietary information was identified during the inspection. All files containing privacy information were returned to the PSEG ECP Manager.

ATTACHMENT 1

SUPPLEMENTAL INFORMATION

KEY POINTS OF CONTACT

Licensee Personnel

G. Barnes Hope Creek Site Vice President
C. Fricker Salem Plant Manager
S. Jones Employee Concerns Manager
T. Lake SCWE Supervisor
E. Villar Senior Licensing Engineer

LIST OF DOCUMENTS REVIEWED

Audits, QA Reports, and Self-Assessments
ECP-FSA-2005-01, Employee Concerns Program Focused Self-Assessment Report, April 2005

Procedures
NC.PF-AP.ZZ-0078(Z) Employee Concerns Program, Rev. 1, December 2004
NC.QN-AS.ZZ-0001(Z) Processing Employee Concerns, Rev. 12, May 2005
NC.QN-AS.ZZ-0004(Z) Control of Files/Records, Rev. 5, May 2005
NC.QN-AS.ZZ-0007(Z) Investigation Protocol, Rev. 0, May 2005

System Health Reports and Trending Data
Employee Concerns Program Report 2003-2004
Exception Report - Employee Survey SCWE Summary - By Department, May 2005

NRC
Inspection Procedure 40001, “Resolution of Employee Concerns”, June 03, 1997

Miscellaneous
Employee Concerns Program 2005 Communication Plan, May 2005
Employee Concerns Program Lessons Learned Matrix, May 2005
PSEG Nuclear General Employee Training Slides, May 2005
PSEG Nuclear - Employee Concerns Confidentiality Option Form
2005 Employee Concerns Program case file summary
2004 Employee Concerns Program case file summary
2003 Employee Concerns Program case file summary

LIST OF ACRONYMS USED

CAP Corrective Action Program
CFR Code of Federal Regulations
ECP Employee Concerns Program

IMC	Inspection Manual Chapter
NOTF	Notification (PSEG input into their CAP)
PI&R	Problem Identification and Resolution
PSEG	Public Service Enterprise Group, LLC
QA	Quality Assessment
ROP	Reactor Oversight Process
SCWE	Safety Conscious Work Environment
SDP	Significant Determination Process
UFSAR	Updated Final Safety Analysis Report