



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
611 RYAN PLAZA DRIVE, SUITE 400
ARLINGTON, TEXAS 76011-4005

August 1, 2006

John S. Keenan
Senior Vice President - Generation
and Chief Nuclear Officer
Pacific Gas and Electric Company
P.O. Box 770000
Mail Code B32
San Francisco, CA 94177-0001

SUBJECT: MEETING SUMMARY FOR END-OF-CYCLE PERFORMANCE
ASSESSMENT OF DIABLO CANYON POWER PLANT

Dear Mr. Keenan:

This refers to the end-of-cycle performance assessment meeting conducted at the Embassy Suites Hotel in San Luis Obispo, California, on July 25, 2006. Topics discussed during the meeting included the Reactor Oversight Process and the safety performance at Diablo Canyon. The meeting attendance list and a copy of the slides presented during the meeting are included as Enclosures 1 and 2.

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

Should you have any questions concerning this matter, we will be pleased to discuss them with you.

Sincerely,

A handwritten signature in black ink, appearing to read "W.B. Jones", is written over the typed name.

William B. Jones, Chief
Project Branch B
Division of Reactor Projects

Dockets: 50-275
50-323
Licenses: DPR-80
DPR-82

Enclosures:

1. Meeting Attendance List
2. NRC Presentation
3. Licensee Presentation

cc w/enclosures:

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Pacific Gas and Electric Company

-3-

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The Honorable Janice Peters
Mayor, City of Morro Bay
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The Honorable Dave Romero
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The Honorable Mary Ann Reiss
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END-OF-CYCLE MEETING ATTENDANCE

LICENSEE/FACILITY	Pacific Gas & Electric Company Diablo Canyon Power Plant
DATE/TIME	July 25, 2006 2:30 p.m.
LOCATION	Embassy Suites Hotel San Luis Obispo, CA 93405
NAME (PLEASE PRINT)	Organization
Bill Miller	PG&E
Chuck Dougherty	PG&E
Stan Ketelsen	PG&E
Bill Denneen	CITIZEN TO CLOSE DIABLO
Donna Jacobs	PG&E
Jeff Lewis	PG&E
Robert A. Waltos	PG&E
Jane Swanson	Mothers for Peace + individual
Cary Harbor	PG&E
Susan Westbrook	PG&E
Laurie Schaeemann	PG&E
Patricia Miller	Mothers for Peace

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NAME (PLEASE PRINT)	Organization
<i>Central CA Sally Abajon - Director</i>	<i>Senator Dianne Feinstein</i>
<i>Jim Masis</i>	<i>Public</i>
<i>Dave Taggart</i>	<i>PG&E</i>
<i>STEVE ZAWACK</i>	<i>PG&E</i>
<i>STEVE DAVID</i>	<i>PG&E</i>
<i>Ken Longden</i>	<i>PG&E</i>

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NAME (PLEASE PRINT)	Organization
<i>Nancy Norwood</i>	- self (live closeby) - Mother for Pacer

Diablo Canyon Annual Assessment Meeting

Reactor Oversight Program - CY 2005



Nuclear Regulatory Commission - Region IV

Arlington, Texas

July 25, 2006

Purpose of Today's Meeting

- A public forum for discussion of Diablo Canyon's performance
- NRC will address the licensee performance issues identified in the 2005 Annual Assessment Letter
- PG&E management will be given the opportunity to respond to the information in the letter and inform the NRC of new or existing programs to maintain or improve their performance

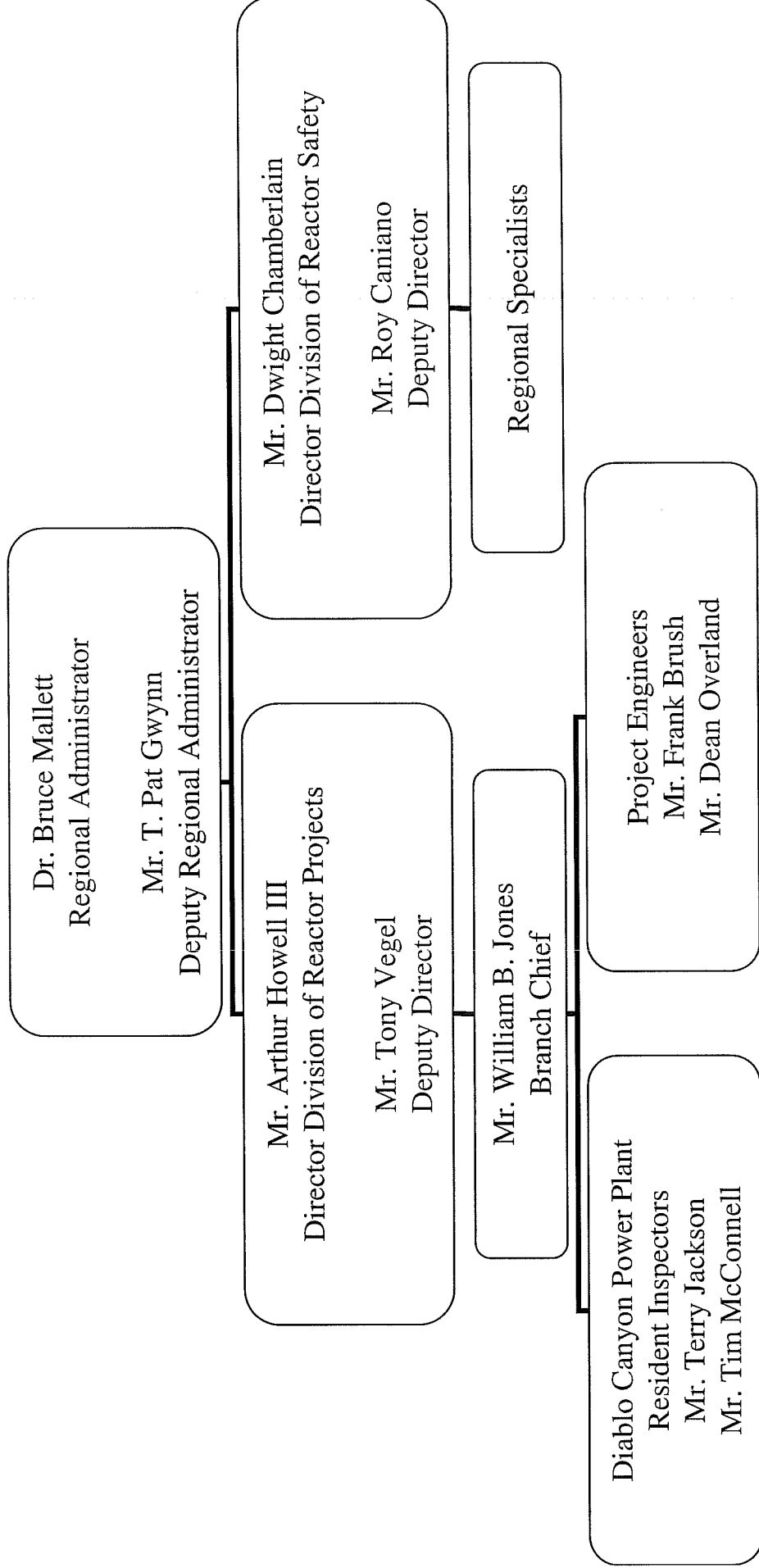
Agenda

- Introduction
- Review of Reactor Oversight Process
- National Summary of Plant Performance
- Discussion of Plant Performance Results
- Licensee Response and Remarks
- NRC Closing Remarks
- Conclusion of Meeting
- NRC available to address public questions

NRC Representatives

- Bill Jones, Branch Chief
Branch B, Division of Reactor Projects
- Terry Jackson , Senior Resident Inspector -
Diablo Canyon Power Plant
- Tim McConnell, Resident Inspector -
Diablo Canyon Power Plant
- Tony Vogel , Deputy Division Director
Division of Reactor Projects
- Victor Dricks, Public Affairs Officer
Region IV
- Tony Brown, Project Engineer
Region IV

Region IV Organization

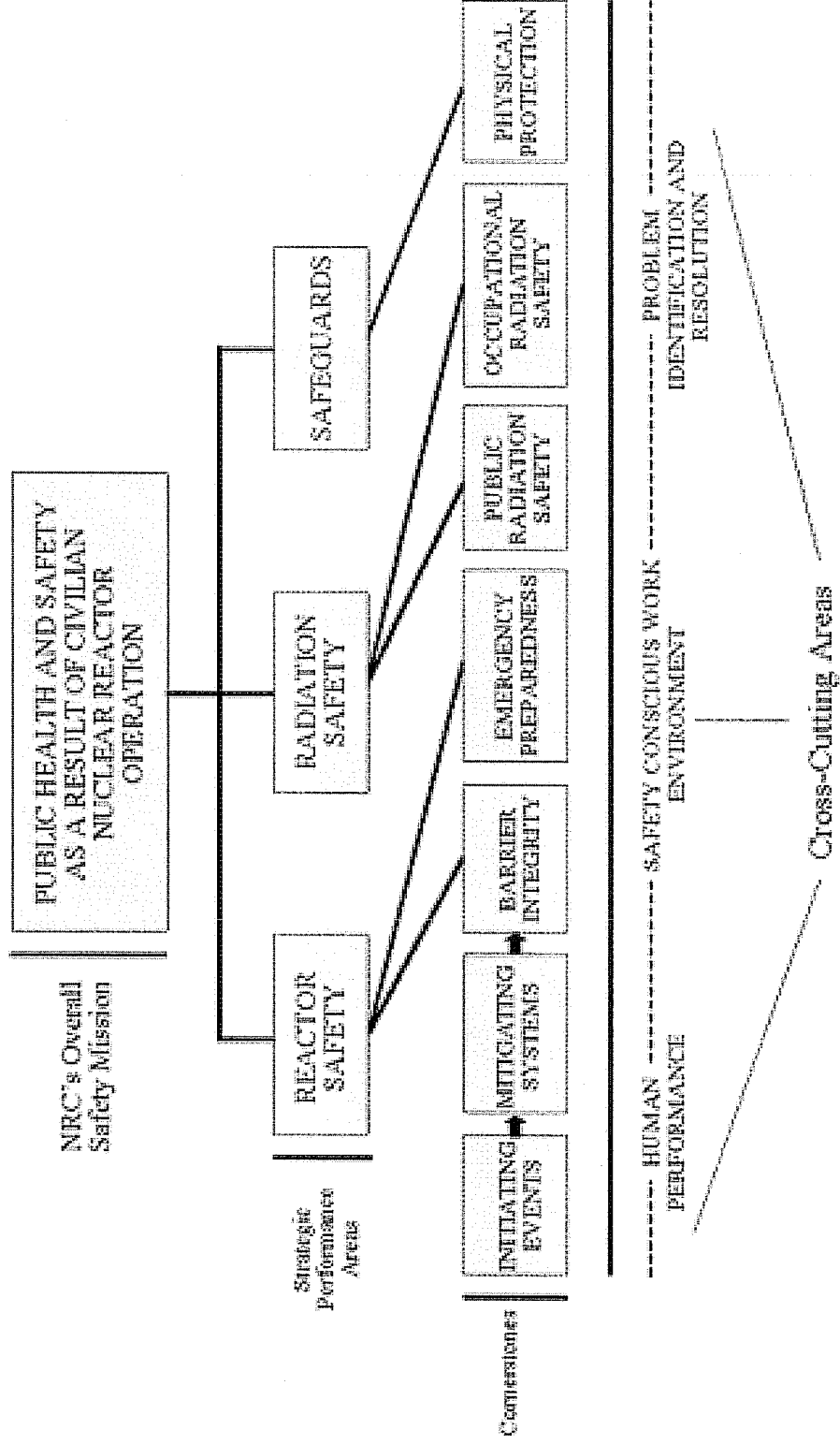


NRC Performance Goals

- Safety: Ensure protection of the public health and safety and the environment
- Security: Ensure the secure use and management of radioactive materials
- Openness: Ensure openness in our regulatory process
- Effectiveness: Ensure that NRC actions are effective, efficient, realistic, and timely
- Management: Ensure excellence in agency management to carry out the NRC's strategic objective

Reactor Oversight Process

REGULATORY FRAMEWORK



Examples of Baseline Inspections

- Equipment Alignment ~80 hrs/yr
- Triennial Fire Protection ~200 hrs every 3 yrs
- Operator Response ~125 hrs/yr
- Emergency Preparedness ~80 hrs/yr
- Rad Release Controls ~110 hrs every 2 yrs
- Worker Radiation Protection ~90 hrs/yr
- Corrective Action Program ~250 hrs every 2 yrs
- Corrective Action Case Reviews ~60 hrs/yr

Significance Threshold

Performance Indicators

Green:	Only Baseline Inspection
White:	May increase NRC oversight
Yellow:	Requires more NRC oversight
Red:	Requires more NRC oversight

Inspection Findings

Green:	Very Low safety issue
White:	Low to moderate safety issue
Yellow:	Substantial safety issue
Red:	High safety issue

National Summary

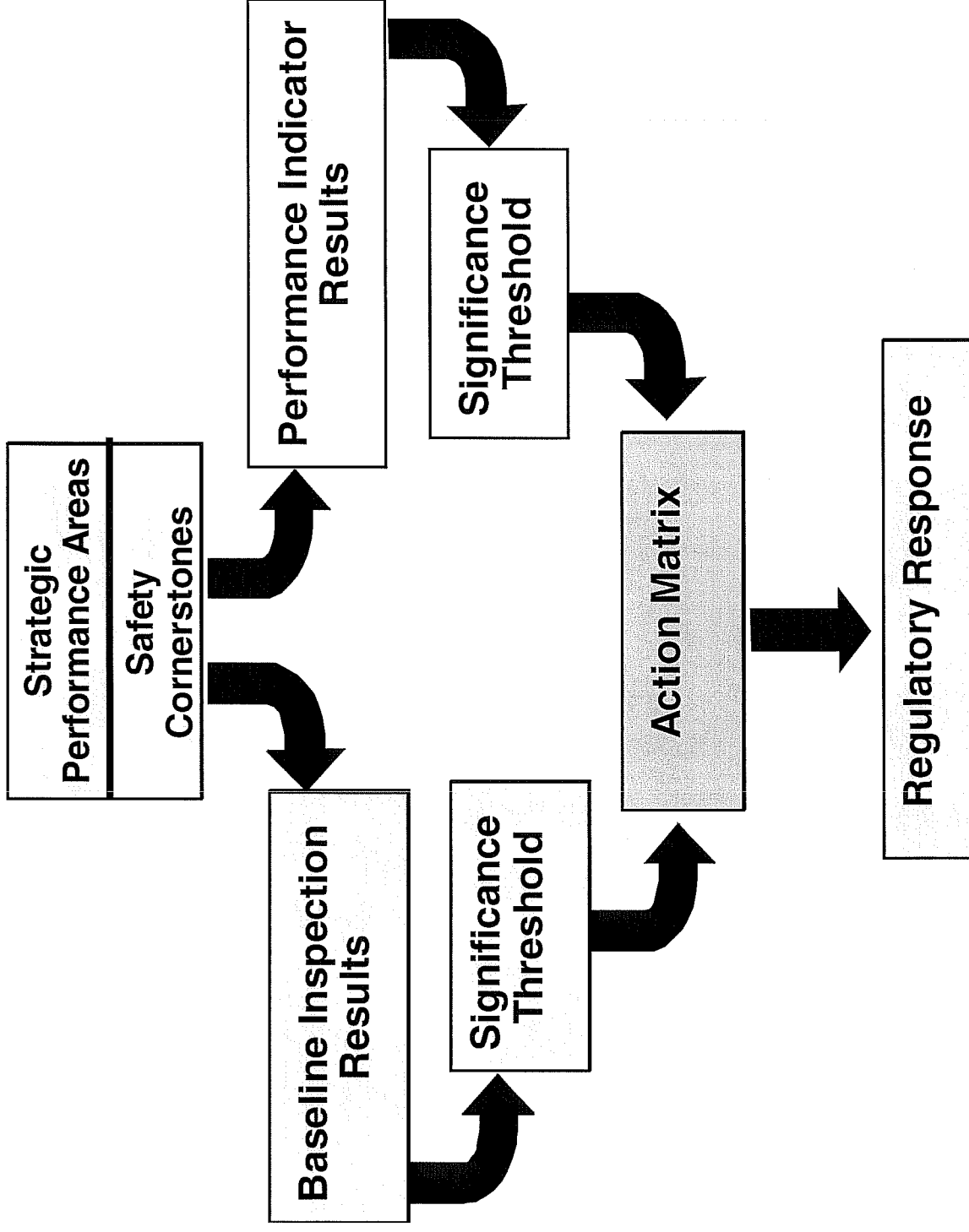
- **Performance Indicator Results (at end of CY 2005)**

▶ Green	1850
▶ White	4
▶ Yellow	0
▶ Red	0

- **Total Inspection Findings (CY 2005)**

▶ Green	849
▶ White	10
▶ Yellow	1
▶ Red	0

Reactor Oversight Process



Action Matrix Concept

Licensee Response	Regulatory Response	Degraded Cornerstone	Multiple/Rep. Degraded Cornerstone	Unacceptable Performance
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Increasing Safety Significance

Increasing NRC Inspection Efforts

Increasing NRC/Licensee Management Involvement

Increasing Regulatory Actions

National Summary of Plant Performance

Status at End of CY 2005

Licensee Response 84

Regulatory Response 12

Degraded Cornerstone 4

Multiple/Repetitive Degraded Cornerstone 3

Unacceptable 0

Total 103

Diablo Canyon Inspection Activities

(Jan 1 - Dec 31, 2005)

- Baseline Inspection Program
 - Regional Inspectors
 - Resident Inspectors
- Unit 1 Refueling Outage 1R13
- Pilot Engineering Inspection
 - Temporary Instruction 2515/158
 - Now Component Design Basis Inspection

Safety Significant Findings or Pls

- Emergency Preparedness Cornerstone – White Performance Indicator for Drill/Exercise Performance
 - An emergency preparedness inspection found that 3 of 33 emergency drill opportunities were incorrectly classified as successful. A re-analysis of the performance indicator data resulted in the indicator being white for the 2nd and 3rd quarters of 2005.
 - Failure of the drill opportunities were largely administrative in nature.
 - The root cause of the declining drill performance was poor communication and training involving operator implementation of the emergency plan.

Safety Significant Findings or Pls (cont.)

- Corrective actions included: (1) revision to procedures, policies, and guides; (2) periodic meetings between managers of operations, training, and emergency planning to resolve identified issues; and (3) improve and implement training to emergency response organizations.
- NRC used supplemental inspection procedure 95001 in April 2006 to review PG&E's root cause and corrective actions.

Safety Significant Findings or Pls (cont.)

- All other Performance Indicators were Green for CY 2005.
- All Inspection Findings were of Very Low Safety Significance (Green).

Diablo Canyon Annual Assessment Summary

January 1 - December 31, 2005

- PG&E operated Diablo Canyon Units 1 & 2 in a manner that preserved public health and safety
- All cornerstone objectives were met with only one White Performance Indicator (Emergency Preparedness Drill/Exercise Performance)
- NRC planned baseline inspections at Diablo Canyon for CY 2006, including a supplemental EP follow-on inspection performed in April 2006

2006 Planned Inspection Activities

- Baseline Inspection Program, including
 - Component Design Bases Inspection
 - Triennial Fire Protection
 - Problem Identification and Resolution
 - Emergency Preparedness
 - Radiation Safety
 - Physical Security

Licensee Response and Remarks

James Becker, Vice President Diablo Canyon Operations
and Station Director

Donna Jacobs, Vice President – Nuclear Services

Pacific Gas and Electric Company

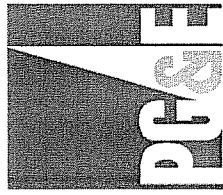
Contacting the NRC

- Report an emergency
 - ▶ (301) 816-5100 (call collect)
- Report a safety concern:
 - ▶ (800) 695-7403
 - ▶ Allegation@nrc.gov
- General information or questions
 - ▶ www.nrc.gov
 - ▶ Select “What We Do” for Public Affairs
 - ▶ Victor Dricks at (800) 952-9677

Reference Sources

- Reactor Oversight Process
 - ▶ <http://www.nrc.gov/NRR/OVERSIGHT/ASSESS/index.html>
- Public Electronic Reading Room
 - ▶ <http://www.nrc.gov/reading-rm.html>
- Public Document Room
 - ▶ 1-800-397-4209 (Toll Free)

ENCLOSURE 3



***Pacific Gas and
Electric Company[®]***

Diablo Canyon Power Plant

**Actions Taken and Current Status
Drill and Exercise Performance
(DEP)**

July 25, 2006

Agenda

- Background
- 2005 Performance
- Initial Actions
- Performance Results
- Long-Term Actions
- Conclusion

Background

Drill and Exercise Performance Indicator (PI) reported to the NRC:

- Reflects effectiveness of:
 - Event classification; and
 - Timely notifications to State, County, and NRC
- Evaluated during drills and exercises
- Reported over rolling 8-quarter period
- Threshold from “Green” to “White” less than 90%

2005 Performance

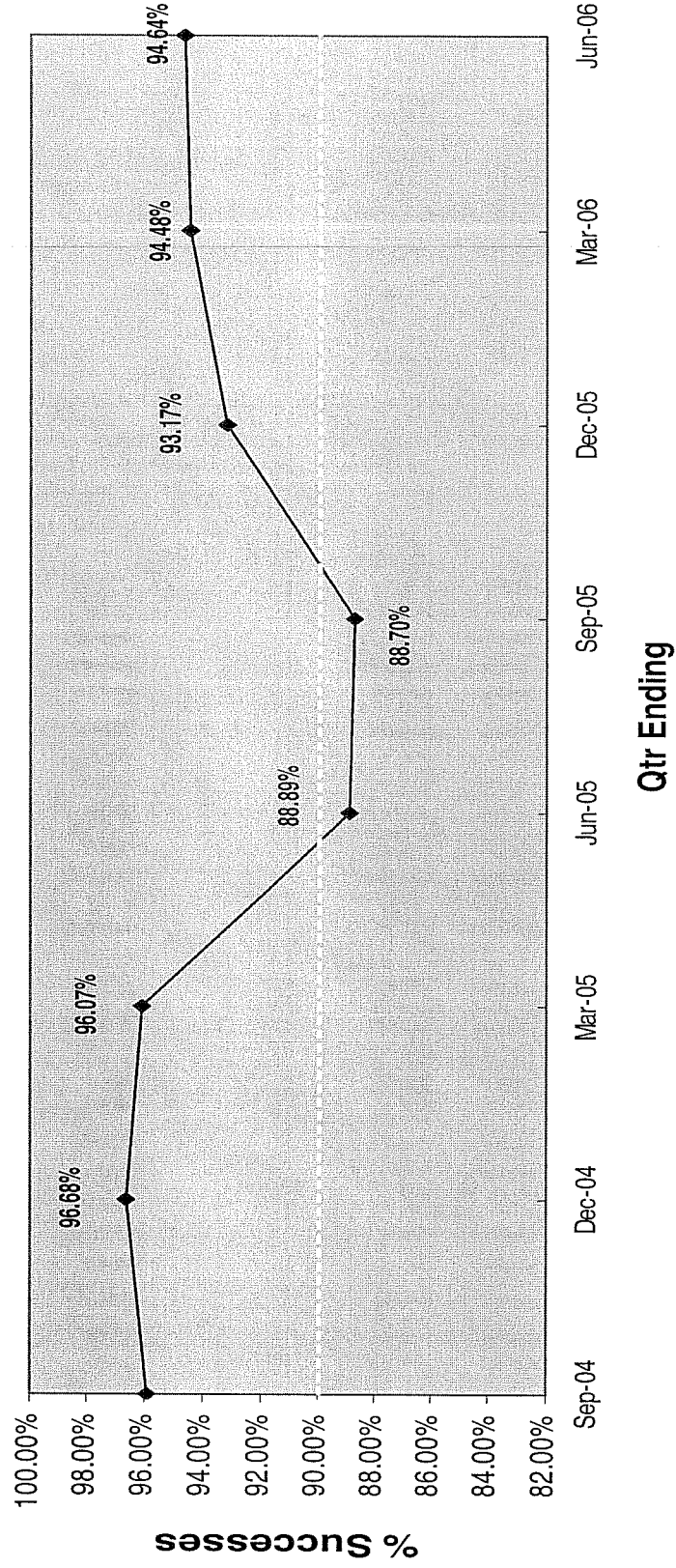
- Downward trend in DEP PI Performance
 - 2nd and 3rd Quarters of 2005
 - Contributors:
 - Accuracy of information on Notification Forms
 - Errors in event classification
 - Corrective actions initiated in response to performance decline
- NRC identified 3 additional errors during annual EP Inspection
 - Notification Form marked as “Emergency” instead of “Drill”
 - Resulted in crossing NRC PI threshold from “Green” to “White” status
 - Required “Increased Regulatory Response” via follow-up inspection

Initial Actions

- Goal:
 - Improve effectiveness of Event Classification and Notifications as reflected in the NRC DEP PI
- Initial Actions:
 - Root Cause Analysis (NCR)
 - Change to procedure for classifications
 - Training on Event Classification and Notification
 - Over 500 training opportunities through 2nd quarter of 2006 for all ERO decision makers

Performance Results

DEP Rolling Eight Quarter Trend



Long-Term Actions

- Assurance of sustained performance
- 15 Corrective Actions, which encompass:
 - Improved procedural guidance
 - Additional training and qualification for key ERO decision makers
 - New Notification tool – “Smart” Form
 - Implemented Emergency Plan Program Health Report

Conclusion

- Actions taken to address DEP performance have been effective
- Immediate actions improved DEP PI performance resulting in “Green” status
- Assurance of sustained performance through programmatic improvements
- NRC follow-up inspection found response to problem comprehensive and timely