

January 28, 2004

Mr. E. J. Ferland
Chairman, President and Chief Executive Officer
Public Service Enterprise Group
80 Park Plaza
P.O. Box 570
Newark, New Jersey 07101

**SUBJECT: WORK ENVIRONMENT FOR RAISING AND ADDRESSING SAFETY
CONCERNS AT THE SALEM AND HOPE CREEK GENERATING STATIONS**

Dear Mr. Ferland:

In late 2003, we initiated a special review at the Hope Creek and Salem Generating Stations to assess the environment for raising and addressing safety issues. This letter provides interim results of that ongoing review. We undertook the review in light of information received in various allegations and inspections over the past few years. Previous inspections included both baseline and special inspections following up on plant events. While to this point, we have not identified any serious safety violations, collectively, information gathered has led to concerns about the stations' work environment, particularly as it relates to the handling of emergent equipment issues and associated operational decision making. Concerns regarding the stations' ability to effectively address potential safety issues have been documented in inspection reports and periodic assessment letters. For example, a substantive cross cutting issue was identified in the problem identification and resolution area in both the last annual and mid-cycle performance review letters dated March 3 and August 27, 2003, respectively.

The ongoing special review has included in-depth interviews of numerous current and former Salem/Hope Creek employees, at various levels of the organization. Our interviews have sought to understand the extent to which a safety conscious work environment exists at the stations. Our review has accumulated information about a number of events which, to varying degrees, call into question the openness of management to concerns and alternative views, strength of communications, and effectiveness of the stations' corrective action and feedback processes. Several events involved disagreements or differing perspectives of operators and senior managers on plant operating decisions, particularly as they might impact on continuing plant operation and outage schedules. At a minimum, interviews to date at Hope Creek and Salem have raised questions about whether management has fully assessed and addressed the negative impact such disagreements have had on station personnel.

Our reviews are not yet complete but we consider it important to provide our perspective at this time on what we have found and to request that you initiate your own review. If left unresolved, negative outfall from events relayed to us can create an unacceptable, chilled environment for raising issues and making appropriate operational decisions. We recognize that virtually all plants, including those with strong safety performance, operate with aggressive schedules. Schedule pressure does not, by itself, lead to safety concerns. However, we consider it important for you to take action to thoroughly understand what "messages" the staffs at Salem and Hope Creek have taken from various events over the past few years and address any

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situations that significantly detract from maintenance of a strong safety conscious work environment.

We understand steps have been taken to realign management responsibilities in an attempt to better support the separate activities of Hope Creek and Salem and to improve implementation of your corrective action program, overall. While some interviewees have indicated that these steps may be leading to some change under new management, it is vital to assess the climate at the station, address the current impact of previous unresolved conflict, and take steps to assure the staffs at Salem and Hope Creek are willing to participate.

In summary, we request that you conduct your own in-depth assessment. Previous surveys conducted or directed by PSEG might form part of such an assessment. We ask that you provide your plan of action for addressing this matter to the NRC within 30 days of the date of this letter. Approximately two weeks after we receive your action plan, we would like to meet with you to discuss this matter in more detail, so that we may plan for appropriate NRC monitoring and follow up.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and your response will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>. To the extent possible, your response should not include any personal privacy, proprietary, or safeguards information so that it can be made available to the Public without redaction. If personal privacy information is necessary to provide an acceptable response, then please provide a bracketed copy of your response that identifies the personal privacy-related information and a redacted copy of your response that deletes the personal privacy-related information. Identify the particular portions of the response in question which, if disclosed, would create an unwarranted invasion of personal privacy, identify the individual whose privacy would be invaded in each instance, describe the nature of the privacy invasion, and indicate why, considering the public interest in the matter, the invasion of privacy is unwarranted. If you request withholding on any other grounds, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim of withholding (e.g., provide the information required by 10 CFR 2.790(b) to support a request for withholding confidential commercial or financial information). If safeguards information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

Sincerely,

Hubert J. Miller
Regional Administrator

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

cc:

F. Cassidy, President and Chief Operating Officer, PSEG Power LLC

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State of New Jersey

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N. Cohen, Coordinator - Unplug Salem Campaign

E. Gbur, Coordinator - Jersey Shore Nuclear Watch

E. Zobian, Coordinator - Jersey Shore Anti Nuclear Alliance

Background for Stakeholder Communications:

Today the NRC issued a letter to PSEG (James Ferland, Chairman) requesting that PSEG perform an in-depth assessment of the work environments at the Salem and Hope Creek stations regarding the raising and addressing of safety issues. The letter requests that PSEG provide a written plan of action within 30 days.

The request was based on interim results from an ongoing NRC special review, which has included interviews of a wide range of Salem and Hope Creek personnel. Although there have been no serious safety violations thus far, the results have led to some concerns about the station work environment. NRC is concerned that if work environment issues are left unaddressed, an unacceptable, chilled environment could be created for raising and addressing safety issues and for making appropriate operational decisions.

The letter also acknowledges that some improvements may have occurred under new management and that organizational realignments may have helped. PSEG has performed some surveys, which could be a part of their assessment.

In the last two periodic assessment letters to PSEG, the NRC has highlighted that, even though the plants have operated with good safety margin, there have been weaknesses at the stations in their efforts to identify, thoroughly evaluate, and correct problems. The next NRC assessment letter will be issued in early March.

We have found no serious safety violations and have not concluded there has been a breakdown in the work environment. We are providing information at this time to enable the company to address potential issues before they become serious and impact on plant safety.

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Salem & Hope Creek Work Environment Letter Q's and A's

(Information that may be discussed with the public and media.)

1. Why is the NRC issuing a letter to Salem and Hope Creek on its on work environment? What is the NRC doing to assess the work environment at Salem and Hope Creek?

The NRC is issuing the letter because of information received in various allegations and inspections over the past few years that raised some concerns about work environment.

Because of the number and nature of these general concerns, in late 2003 the NRC initiated a special review of the work environment for raising and addressing safety issues. This review has included in-depth interviews of numerous current and former Salem/Hope Creek employees at various levels of the organization. We also are continuing to review and assess previous events and inspection findings to evaluate how any new information obtained through interviews impacts our previous assessment of these issues.

We have found no serious safety violations and have not concluded there has been a breakdown in the work environment. We are providing information at this time to enable the company to address potential issues before they become serious and impact on plant safety.

2. What is meant by work environment?

Workers who raise safety concerns contribute to the larger objective of safety. Establishing and maintaining an environment that promotes the continued raising of safety concerns without fear of reprisal (i.e., a SCWE) is imperative and protected by regulation. Implicit in this is that an individual can raise issues that may involve disagreements or differing perspectives on plant operating decisions particularly as they might impact on continuing plant operation and outage schedules.

3. Why is the letter being issued now?

While our work environment review has been ongoing since late in 2003, we have accumulated information about a number of events which, to varying degrees, call into question the openness of management to concerns and alternative views, strength of communications, and effectiveness of station corrective action and feedback processes. Our ongoing review is not yet complete, but we felt that it was appropriate to share this information with PSEG management now in a proactive way to allow them to perform their own assessment and to enable them to address potential issues before the issues become serious and impact on plant safety.

4. Are the work environment issues at Salem and Hope Creek similar to those at Davis-Besse? Will Salem and Hope Creek be shutdown?

The situation at Salem and Hope Creek is different from Davis-Besse. Our assessments at Salem and Hope Creek have shown that the plants have been operated with good safety margin and that PSEG has some weaknesses in their efforts to identify, evaluate, and correct problems and issues.

Regardless of the similarity or differences, the NRC, as a part of its ongoing assessment processes, monitors the safety performance at all of the power reactors it regulates. These ongoing assessments do include reviews of the work environment and if sufficient concern is raised through the allegations and/or inspections, the NRC may take whatever additional action it deems appropriate. Because of the number and nature of concerns raised at Salem and Hope Creek, we initiated a review of the work environment.

Salem & Hope Creek Work Environment Letter Q's and A's

(Information that may be discussed with the public and media.)

We have not identified any serious safety violations to this point, and we have no basis to either request or order a shutdown of Salem or Hope Creek. If serious safety violations are detected, then the NRC will take whatever action is deemed appropriate.

5. How does the letter fit within the ROP?

The letter does not affect the action matrix, but the ROP recognizes that regulatory actions can be taken separately in this area.

SCWE is one of three main cross cutting areas. The current policy for addressing SCWE issues is derived from a number of NRC Commission papers that were issued from 1996 to 1998. Because of the potential wide variability in circumstances, the Commission chose not to provide a prescriptive policy, but instead chose to recommend that the staff address these circumstances on a case-by-case basis. The letter issued by NRC Rregion I is consistent with this approach.

6. What are the likely followup actions?

The letter requests that PSEG preform their own in-depth assessment of the work environment at Salem and Hope Creek. It also acknowledges that PSEG has performed some surveys of the safety culture to begin to address this issue. We also asked them to provide their plan of action within 30 days of the date of the letter. We will also conduct a meeting to better understand the details of their plan later.

7. Is the NRC investigating activities at Salem and Hope Creek?

It is NRC policy to neither confirm nor deny any ongoing investigation.