

SAFEGUARDS INFORMATION



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

October 4, 2006

Mr. James J. Sheppard
President and Chief Executive Officer
STP Nuclear Operating Company
8 Miles West of Wadsworth on FM 521
Wadsworth, TX 77483

SUBJECT: SOUTH TEXAS PROJECT, UNITS 1 AND 2 - NRC INSPECTION REPORT
05000498/2006401 AND 05000499/2006401

Dear Mr. Sheppard:

On August 31, 2006, the U.S. Nuclear Regulatory Commission (NRC) completed an inspection at your South Texas Project, Units 1 and 2. The enclosed inspection report documents the inspection results, which were discussed on August 31, 2006, with Mr. Tim Bowman and other members of your staff.

The inspection examined activities conducted under your license as they relate to security and compliance with the Commission's rules and regulations and with the conditions of your license. The inspector reviewed selected procedures and records, observed activities, and interviewed personnel.

No findings of significance were identified.

In accordance with 10 CFR 2.390 and the NRC's "Rules of Practice," a copy of this letter will be 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 Website at <http://www.nrc.gov/reading-rm/adams.html> (The Public Electronic Reading Room). However, because of the security-related concerns contained in the enclosure, and in accordance with 10 CFR 2.390, a copy of this letter's enclosure will not be available for public inspection.

Enclosure Contains Safeguards Information.
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document is DECONTROLLED

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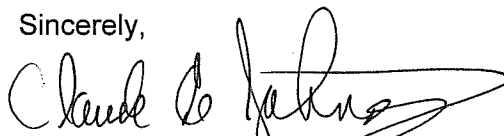
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James J. Sheppard

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In accordance with 10 CFR 2.390(b)(1)(ii), the NRC is waiving the affidavit requirements for your response, if any. This practice will ensure that your response will not be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system, ADAMS. If Safeguards Information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

Sincerely,



Claude E. Johnson, Chief
Reactor Projects Branch A
Division of Reactor Projects

Docket No. 50-498, 50-499
License No. NPF-76, NPF-80

Enclosure:

NRC Inspection Report 05000498/2006401 and 05000499/2006401
(SAFEGUARDS INFORMATION)

cc **without** Safeguards Information enclosure:

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