

SAFEGUARDS INFORMATION

October 26, 2006

Mr. Paul A. Harden
Site Vice President
Nuclear Management Company, LLC
Palisades Nuclear Plant
27780 Blue Star Memorial Highway
Covert, MI 49043-9530

SUBJECT: PALISADES NUCLEAR PLANT
NRC PHYSICAL SECURITY BASELINE INSPECTION REPORT
NO. 05000255/2006401(DRS)

Dear Mr. Harden:

On September 15, 2006, the U.S. Nuclear Regulatory Commission (NRC) completed a baseline security inspection of your Palisades Nuclear Plant. The inspection covered one or more of the key attributes of the security cornerstone of the NRC's Reactor Oversight Process. The enclosed inspection report documents the inspection results, which were discussed on September 15, 2006, with you and other members of your staff.

This 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.

<p>EXEMPT FROM PUBLIC DISCLOSURE May be exempt from public release under the Freedom of Information Act (5 U.S.C. 552)</p> <p>Exemption number: <u>5</u> Nuclear Regulatory Commission review required before public release.</p> <p><u>G.Hansen, RIII/DRS/PSB</u> Name and organization of person making determination.</p> <p>Date of determination: <u>10/17/06</u></p>

<p>Enclosure Contains SAFEGUARDS INFORMATION. Upon separation, this page is Decontrolled.</p>
--

SAFEGUARDS INFORMATION

P. Harden

-2-

This report documents one finding of very low security significance (i.e., Green as determined by the Physical Protection Significance Determination Process). The deficiency was promptly corrected or compensated for, and the plant was in compliance with applicable physical protection and security requirements within the scope of this inspection before the inspector left the site.

Nuclear Regulatory Commission is treating this violation as a Non-Cited Violation (NCV) consistent with Section VI.A.1 of the NRC Enforcement Policy because of the very low security significance of this violation, and because it was entered into your corrective action program. If you contest this Non-Cited Violation, you should provide a response within 30 days of the date of this inspection report, with the basis for your denial, to the Nuclear Regulatory Commission, ATTN.: Document Control Desk, Washington DC 20555-0001; with copies to the Regional Administrator, Region III; the Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001; and the NRC Resident Inspector at the Palisades Nuclear Plant.

The finding was licensee-identified.

In accordance with 10 CFR 2.390 of 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), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room). However, because of the security-related information 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.

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. Otherwise, mark your entire response "Security-Related Information-Withhold Under 10 CFR 2.390" and follow the instructions for withholding in 10 CFR 2.390

<p>Enclosure Contains SAFEGUARDS INFORMATION. Upon separation, this page is Decontrolled.</p>
--

SAFEGUARDS INFORMATION

SAFEGUARDS INFORMATION

P. Harden

-3-

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

Sincerely,

/RA/

Kenneth Riemer, Chief
Plant Support Branch
Division of Reactor Safety

Docket No. 50-255
License No. DPR-20

Enclosure: Inspection Report 05000255/2006401(DRS);
w/Attachment: Supplemental Information (**SAFEGUARDS INFORMATION**)

cc w/encl (**SAFEGUARDS INFORMATION**):

B. Westriech, NSIR/DNS
Licensing Assistant, NSIR/DNS/RSS
State Liaison Office, State of Michigan

cc w/o encl (**SAFEGUARDS INFORMATION**):

J. Cowan, Executive Vice President
and Chief Nuclear Officer
R. Fenech, Senior Vice President, Nuclear
Fossil and Hydro Operations
D. Cooper, Senior Vice President - Group Operations
L. Lahti, Manager, Regulatory Affairs
J. Rogoff, Vice President, Counsel and Secretary
A. Udrys, Esquire, Consumers Energy Company
S. Wawro, Director of Nuclear Assets, Consumers Energy Company
Supervisor, Covert Township
Office of the Governor
L. Brandon, Michigan Department of Environmental Quality -
Waste and Hazardous Materials Division

Enclosure Contains SAFEGUARDS INFORMATION. Upon separation, this page is Decontrolled.

SAFEGUARDS INFORMATION

SAFEGUARDS INFORMATION

P. Harden

-3-

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

Sincerely,

/RA/

Kenneth Riemer, Chief
Plant Support Branch
Division of Reactor Safety

Docket No. 50-255
License No. DPR-20

Enclosure: Inspection Report 05000255/2006401(DRS);
w/Attachment: Supplemental Information **(SAFEGUARDS INFORMATION)**

cc w/encl **(SAFEGUARDS INFORMATION)**:
B. Westriech, NSIR/DNS
Licensing Assistant, NSIR/DNS/RSS
State Liaison Office, State of Michigan

cc w/o encl **(SAFEGUARDS INFORMATION)**:
J. Cowan, Executive Vice President
and Chief Nuclear Officer
R. Fenech, Senior Vice President, Nuclear
Fossil and Hydro Operations
D. Cooper, Senior Vice President - Group Operations
L. Lahti, Manager, Regulatory Affairs
J. Rogoff, Vice President, Counsel and Secretary
A. Udrys, Esquire, Consumers Energy Company
S. Wawro, Director of Nuclear Assets, Consumers Energy Company
Supervisor, Covert Township
Office of the Governor
L. Brandon, Michigan Department of Environmental Quality -
Waste and Hazardous Materials Division

Enclosure Contains SAFEGUARDS INFORMATION.
Upon separation, this page is Decontrolled.

DOCUMENT NAME: C:\FileNet\ML063040472.wpd
 Publicly Available Non-Publicly Available Sensitive Non-Sensitive
To receive a copy of this document, indicate in the concurrence box "C" = Copy without attach/encl "E" = Copy with attach/encl "N" = No copy

OFFICE	RIII	RIII	RIII	RIII
NAME	GHansen:co	CLipa	DFunk JMaynen for	KRiemer
DATE	10/23/06	10/26/06	10/25/06	10/26/06

OFFICIAL RECORD COPY

SAFEGUARDS INFORMATION

SAFEGUARDS INFORMATION

P. Harden

-4-

ADAMS Distribution: w/out encl (**SAFEGUARDS INFORMATION**)

LMP

TEB

RidsNrrDirslrib

GEG

KGO

JBG

JAE

CAA1

LSL (electronic IR's only)

C. Pederson, DRS (hard copy - IR's only)

DRPIII

DRSIII

PLB1

TXN

ROPreports@nrc.gov

Enclosure Contains SAFEGUARDS INFORMATION.
Upon separation, this page is Decontrolled.

SAFEGUARDS INFORMATION