



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

March 2, 2007

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: ANNUAL ASSESSMENT LETTER - DIABLO CANYON POWER PLANT
(NRC INSPECTION REPORT 05000275/2007001 and 05000323/2007001)

Dear Mr. Keenan:

On February 8, 2007, the NRC staff completed its performance review of Diablo Canyon Power Plant, Units 1 and 2. Our technical staff reviewed performance indicators for the most recent quarter and inspection results for the period from January 1 through December 31, 2006. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility.

This performance review and enclosed inspection plan do not include physical protection information. A separate letter designated and marked as "Official Use Only - Security-Related Information" will include the physical protection review and resultant inspection plan.

Overall, Diablo Canyon Power Plant, Units 1 and 2, operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter, as well as for the first three quarters of the assessment cycle, was within the Licensee Response column of the NRC's Action Matrix, based on all inspection findings being classified as having very low safety significance (Green) and all performance indicators indicating performance at a level requiring no additional NRC oversight (Green). Therefore, we plan to conduct reactor oversight process baseline inspections at your facility.

The NRC staff identified that there were more than three Green inspection findings for the current 12-month assessment period with documented crosscutting aspects in the human performance area. There is a crosscutting theme associated with these findings involving the adequacy of design documentation and procedures. In evaluating the scope of efforts and progress in addressing the crosscutting theme, we determined that your staff previously recognized this theme and are continuing to implement effective actions to address it. In March 2005, your staff initiated a comprehensive 5-year plan to improve the quality of plant procedures. Most of the findings identified during this assessment period were associated with procedures that had not been enhanced as part of this long-term improvement initiative. In addition to the procedure upgrade program, your staff initiated an apparent cause evaluation of

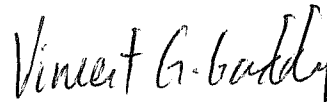
the most recent findings. At this time, we have determined that your current and planned corrective actions are effective in mitigating this crosscutting theme. Therefore, the NRC staff has concluded that a substantive crosscutting issue in human performance does not exist at this time.

The enclosed inspection plan details the inspections, except those related to physical protection, scheduled through September 30, 2008. In addition to the baseline inspections, the NRC will also be conducting inspections related to Temporary Instruction 2515/166, "Pressurized Water Reactor Containment Sump Blockage," for Units 1 and 2. The inspection plan is provided to allow for the resolution of any scheduling conflicts and personnel availability issues well in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The inspections in the last 9 months of the inspection plan are tentative and may be revised at the midcycle review.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and its enclosure 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).

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact me at 817-860-8141 with any questions you may have regarding this letter or the inspection plan.

Sincerely,



Vincent G. Gaddy, Chief
Project Branch B
Division of Reactor Projects

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

Enclosure:
Diablo Canyon Inspection/Activity Plan

cc w/enclosure:
Donna Jacobs
Vice President, Nuclear Services
Diablo Canyon Power Plant
P.O. Box 56
Avila Beach, CA 93424

James R. Becker, Vice President
Diablo Canyon Operations and
Station Director, Pacific Gas and
Electric Company
Diablo Canyon Power Plant
P.O. Box 56
Avila Beach, CA 93424

Sierra Club San Lucia Chapter
ATTN: Andrew Christie
P.O. Box 15755
San Luis Obispo, CA 93406

Nancy Culver
San Luis Obispo Mothers for Peace
P.O. Box 164
Pismo Beach, CA 93448

Chairman
San Luis Obispo County Board of
Supervisors
County Government Building
1055 Monterey Street, Suite D430
San Luis Obispo, CA 93408

Truman Burns\Robert Kinosian
California Public Utilities Commission
505 Van Ness Ave., Rm. 4102
San Francisco, CA 94102-3298

Diablo Canyon Independent Safety
Committee
Robert R. Wellington, Esq.
Legal Counsel
857 Cass Street, Suite D
Monterey, CA 93940

Director, Radiological Health Branch
State Department of Health Services
P.O. Box 997414 (MS 7610)
Sacramento, CA 95899-7414

Antonio Fernandez, Esq.
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120

City Editor
The Tribune
3825 South Higuera Street
P.O. Box 112
San Luis Obispo, CA 93406-0112

James D. Boyd, Commissioner
California Energy Commission
1516 Ninth Street (MS 34)
Sacramento, CA 95814

Jennifer Tang
Field Representative
United States Senator Barbara Boxer
1700 Montgomery Street, Suite 240
San Francisco, CA 94111

Chief, Radiological Emergency
Preparedness Section
Oakland Field Office
Chemical and Nuclear Preparedness
and Protection Division
Department of Homeland Security
1111 Broadway, Suite 1200
Oakland, CA 94607-4052

Federal Emergency Management Agency
Region IX
Nancy Ward, Regional Director
1111 Broadway
Suite 1200
Oakland, CA 94607

The Honorable Tony Ferrara
Mayor, City of Arroyo Grande
P.O. Box 550
Arroyo Grande, CA 93421

The Honorable Stephen Lieberman
Mayor, City of Grover Beach
154 S. 8th Street
Grover Beach, CA 93433

The Honorable Janice Peters
Mayor, City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

Pacific Gas and Electric Company

- 4 -

The Honorable Dave Romero
Mayor, City of San Luis Obispo
990 Palm Street
San Luis Obispo, CA 93401

Institute of Nuclear Power Operations (INPO)
Records Center
700 Galleria Parkway SE, Suite 100
Atlanta, GA 30339

The Honorable Mary Ann Reiss
Mayor, City of Pismo Beach
760 Mattie Road
Pismo Beach, CA 93449

David Edge, County Administrative Officer
San Luis Obispo County Board of
Supervisors
1055 Monterey Street, Suite D430
San Luis Obispo, CA 93408

Harry Ovitt, Supervisor District One
San Luis Obispo County Board of
Supervisors
1055 Monterey Street, Suite D430
San Luis Obispo, CA 93408

Bruce Gibson, Supervisor District Two
San Luis Obispo County Board of
Supervisors
1055 Monterey Street, Suite D430
San Luis Obispo, CA 93408

Jerry Lenthall, Supervisor District Three
San Luis Obispo County Board of
Supervisors
1055 Monterey Street, Suite D430
San Luis Obispo, CA 93408

Khatchik Achadjian, Supervisor District Four
San Luis Obispo County Board of
Supervisors
1055 Monterey Street, Suite D430
San Luis Obispo, CA 93408

James Patterson, Supervisor District Five
San Luis Obispo County Board of
Supervisors
1055 Monterey Street, Suite D430
San Luis Obispo, CA 93408

Diablo Canyon 1
 Inspection / Activity Plan
 01/01/2007 - 09/30/2008

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
	EXAM - INITIAL EXAM		4			
1	X02326	DIABLO CANYON UNIT 1 INITIAL EXAM (3/5/07)		02/12/2007	02/16/2007	Not Applicable
1	X02326	DIABLO CANYON UNIT 1 INITIAL EXAM (3/5/07)		03/19/2007	03/23/2007	Not Applicable
	REQVAL - BIENNIAL REQUALIFICATION		2			
1	IP 7111111B	Licensed Operator Requalification Program		03/26/2007	03/30/2007	Baseline Inspections
	RP-ORS4 - OCCUPATIONAL RADIATION SAFETY-ACCESS		1			
1	IP 7112101	Access Control to Radiologically Significant Areas		04/30/2007	05/04/2007	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		04/30/2007	05/04/2007	Baseline Inspections
1	IP 71151	Performance Indicator Verification		04/30/2007	05/04/2007	Baseline Inspections
	EB1-08P - ISI & TI 166 UNIT 1		1			
1	IP 2515/166	Pressurized Water Reactor Containment Sump Blockage [NRC GENERIC LETTER 2004-0]		05/07/2007	05/18/2007	Safety Issues
1	IP 7111108P	Inservice Inspection Activities - PWR		05/07/2007	05/18/2007	Baseline Inspections
	EP2 - EP PROGRAM		1			
1	IP 7111402	Alert and Notification System Testing		07/09/2007	07/13/2007	Baseline Inspections
1	IP 7111403	Emergency Response Organization Augmentation Testing		07/09/2007	07/13/2007	Baseline Inspections
1	IP 7111404	Emergency Action Level and Emergency Plan Changes		07/09/2007	07/13/2007	Baseline Inspections
1	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		07/09/2007	07/13/2007	Baseline Inspections
1	IP 71151	Performance Indicator Verification		07/09/2007	07/13/2007	Baseline Inspections
	EB02/17 - 50.59 & PERMANENT PLANT MODS		3			
1	IP 7111102	Evaluation of Changes, Tests, or Experiments		09/10/2007	09/14/2007	Baseline Inspections
1	IP 711117B	Permanent Plant Modifications		09/10/2007	09/14/2007	Baseline Inspections
	EB1-2/17 - 50.59 & PERMANENT PLANT MODS		3			
1	IP 7111102	Evaluation of Changes, Tests, or Experiments		11/05/2007	11/09/2007	Baseline Inspections
1	IP 711117B	Permanent Plant Modifications		11/05/2007	11/09/2007	Baseline Inspections
	RP-ORS5 - OCCUPATIONAL RADIATION SAFETY-ALARA		1			
1	IP 7112101	Access Control to Radiologically Significant Areas		11/05/2007	11/09/2007	Baseline Inspections
1	IP 7112101	Access Control to Radiologically Significant Areas		11/05/2007	11/09/2007	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		11/05/2007	11/09/2007	Baseline Inspections
1	IP 71151	Performance Indicator Verification		11/05/2007	11/09/2007	Baseline Inspections
	BRQ-SIM - BIENNIAL REQUAL SIM ONLY		1			
1	IP 7111111B	Licensed Operator Requalification Program		12/10/2007	12/13/2007	Baseline Inspections
	RP-ORS1 - OCCUPATIONAL RADIATION SAFETY-ALARA		1			
1	IP 7112101	Access Control to Radiologically Significant Areas		04/07/2008	04/11/2008	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		04/07/2008	04/11/2008	Baseline Inspections
1	IP 71151-PR01	RETS/ODCM Radiological Effluent		04/07/2008	04/11/2008	Baseline Inspections

This report does not include INPO and OUTAGE activities.
 This report shows only on-site and announced inspection procedures.

Diablo Canyon 1
 Inspection / Activity Plan
 01/01/2007 - 09/30/2008

Page 2 of 2
 02/26/2007 07:37:51
 Report 22

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
1	EB2-07B - BIENNIAL HEAT SINK INSPECTION		1	07/21/2008	07/25/2008	Baseline Inspections
	IP 711107B	Heat Sink Performance				
	EXAM - INITIAL EXAMINATION		4			
1	X02377	DIABLO CANYON UNIT1-INITIAL EXAM (08-01-08)		07/28/2008	08/01/2008	Not Applicable
1	X02377	DIABLO CANYON UNIT1-INITIAL EXAM (08-01-08)		08/04/2008	08/15/2008	Not Applicable
	EB2-52B - BIENNIAL PI&R INSPECTION		1			
1	IP 71152B	Identification and Resolution of Problems		08/11/2008	08/15/2008	Baseline Inspections
1	IP 71152B	Identification and Resolution of Problems		08/25/2008	08/29/2008	Baseline Inspections
	EB1-21 - CDBI		4			
1	IP 7111121	Component Design Bases Inspection		09/08/2008	10/03/2008	Baseline Inspections

This report does not include INPO and OUTAGE activities.
 This report shows only on-site and announced inspection procedures.

Diablo Canyon 2
 Inspection / Activity Plan
 01/01/2007 - 09/30/2008

Page 1 of 2
 02/26/2007 07:37:25
 Report 22

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
	EXAM - INITIAL EXAM		4			
2	X02327	DIABLO CANYON UNIT 2 INITIAL EXAM (3/5/07)		02/12/2007	02/16/2007	Not Applicable
2	X02327	DIABLO CANYON UNIT 2 INITIAL EXAM (3/5/07)		03/19/2007	03/23/2007	Not Applicable
	REQUAL - BIENNIAL REQUALIFICATION		2			
2	IP 7111111B	Licensed Operator Requalification Program		03/26/2007	03/30/2007	Baseline Inspections
	RP-ORS4 - OCCUPATIONAL RADIATION SAFETY-ACCESS		1			
2	IP 7112101	Access Control to Radiologically Significant Areas		04/30/2007	05/04/2007	Baseline Inspections
2	IP 7112102	ALARA Planning and Controls		04/30/2007	05/04/2007	Baseline Inspections
2	IP 71151	Performance Indicator Verification		04/30/2007	05/04/2007	Baseline Inspections
	EP2 - EP PROGRAM		1			
2	IP 7111402	Alert and Notification System Testing		07/09/2007	07/13/2007	Baseline Inspections
2	IP 7111403	Emergency Response Organization Augmentation Testing		07/09/2007	07/13/2007	Baseline Inspections
2	IP 7111404	Emergency Action Level and Emergency Plan Changes		07/09/2007	07/13/2007	Baseline Inspections
2	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		07/09/2007	07/13/2007	Baseline Inspections
2	IP 71151	Performance Indicator Verification		07/09/2007	07/13/2007	Baseline Inspections
	EB02/17 - 50.59 & PERMANENT PLANT MODS		3			
2	IP 7111102	Evaluation of Changes, Tests, or Experiments		09/10/2007	09/14/2007	Baseline Inspections
2	IP 711117B	Permanent Plant Modifications		09/10/2007	09/14/2007	Baseline Inspections
	EB1-2/17 - 50.59 & PERMANENT PLANT MODS		3			
2	IP 7111102	Evaluation of Changes, Tests, or Experiments		11/05/2007	11/09/2007	Baseline Inspections
2	IP 711117B	Permanent Plant Modifications		11/05/2007	11/09/2007	Baseline Inspections
	RP-ORS5 - OCCUPATIONAL RADIATION SAFETY-ALARA		1			
2	IP 7112101	Access Control to Radiologically Significant Areas		11/05/2007	11/09/2007	Baseline Inspections
2	IP 7112101	Access Control to Radiologically Significant Areas		11/05/2007	11/09/2007	Baseline Inspections
2	IP 7112102	ALARA Planning and Controls		11/05/2007	11/09/2007	Baseline Inspections
2	IP 71151	Performance Indicator Verification		11/05/2007	11/09/2007	Baseline Inspections
	BRQ-SIM - BIENNIAL REQUAL SIM ONLY		1			
2	IP 711111B	Licensed Operator Requalification Program		12/10/2007	12/13/2007	Baseline Inspections
	SUMP - PWR SUMP TI 166		1			
2	IP 2515/166	Pressurized Water Reactor Containment Sump Blockage [NRC GENERIC LETTER 2004-04]		02/04/2008	04/13/2008	Safety Issues
	RP-ORS1 - OCCUPATIONAL RADIATION SAFETY-ALARA		1			
2	IP 7112101	Access Control to Radiologically Significant Areas		04/07/2008	04/11/2008	Baseline Inspections
2	IP 7112102	ALARA Planning and Controls		04/07/2008	04/11/2008	Baseline Inspections
2	IP 71151-OR01	Occupational Exposure Control Effectiveness		04/07/2008	04/11/2008	Baseline Inspections

This report does not include INPO and OUTAGE activities.
 This report shows only on-site and announced inspection procedures.

Diablo Canyon 2
 Inspection / Activity Plan
 01/01/2007 - 09/30/2008

Page 2 of 2
 02/26/2007 07:37:25
 Report 22

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
2	EB2-07B - BIENNIAL HEAT SINK INSPECTION	Heat Sink Performance	1	07/21/2008	07/25/2008	Baseline Inspections
2	EB2-52B - BIENNIAL PI&R INSPECTION	Identification and Resolution of Problems	1	08/11/2008	08/15/2008	Baseline Inspections
2	IP 71152B	Identification and Resolution of Problems	4	08/25/2008	08/29/2008	Baseline Inspections
2	EB1-21 - CDBI	Component Design Bases Inspection		09/08/2008	10/03/2008	Baseline Inspections

This report does not include INPO and OUTAGE activities.
 This report shows only on-site and announced inspection procedures.

Electronic distribution by RIV:

- Regional Administrator (**BSM1**)
- DRP Director (**ATH**)
- DRS Director (**DDC**)
- DRS Deputy Director (**RJC1**)
- Senior Resident Inspector (**TWJ**)
- Branch Chief, DRP/B (**VGG**)
- Senior Project Engineer, DRP/E (**FLB2**)
- Team Leader, DRP/TSS (**FLB2**)
- RITS Coordinator (**MSH3**)
- V. Dricks, PAO (**VLD**)
- W. Maier, RSLO (**WAM**)
- L. Owen, RA Secretary (**LAO**)
- DRS Branch Chiefs (**WBJ, ATG, LJS, MPS1**)
- C. Miller, Chief, TRPS, OEDO (**CGM**)
- S. Richards, Deputy Director, DIRS, NRR (**SAR**)
- J. Lubinski, Deputy Director, DORL, NRR (**JWL**)
- C. Haney, Director, DORL, NRR (**CXH**)
- D. Terao, Chief, PLB IV, DORL, NRR (**DXT**)
- A. Wang, NRR Project Manager for DC (**ABW**)
- RidsNrrDirslpab@nrc.gov
- ROPreports@nrc.gov

SUNSI Review Completed: _____ ADAMS: Yes No Initials: _____
 Publicly Available Non-Publicly Available Sensitive Non-Sensitive

R:\ REACTORS\EOC and Midcycle\EOC Assessment Letters\2006 - dated 3-2-07\DC.wpd

RIV/C:DRP/B	D:DRS	D:DRP	C:DRP/B:Signature
VGGaddy;df	DDChamberlain	ATHowell III	VGGaddy
/RA/		/RA/	
2/22/07	2/ /07	2/24/07	3/ /07

OFFICIAL RECORD COPY

T=Telephone

E=E-mail

F=Fax