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

June 20, 2007

James J. Sheppard, President and
Chief Executive Officer
STP Nuclear Operating Company
P.O. Box 289
Wadsworth, TX 77483

SUBJECT: SUMMARY OF MEETING WITH SOUTH TEXAS PROJECT NUCLEAR OPERATING COMPANY REGARDING SOUTH TEXAS PROJECT ELECTRIC GENERATING STATIONS END-OF-CYCLE ASSESSMENT

Dear Mr. Sheppard:

This refers to the end-of-cycle meeting conducted at Bay City, Texas on June 14, 2007, between the NRC and your staff. The participants discussed performance at South Texas Project Electric Generating Station for the period of January 1 through December 31, 2006.

The attendance list is enclosed with this summary (Enclosure 1). A copy of the NRC presentation slides is also enclosed (Enclosure 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 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,

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

Dockets: 50-498
50-499
Licenses: NPF-76
NPF-80

Enclosures:
1. Attendance List
2. NRC Presentation Slides

cc w/Enclosures:
The Honorable Richard Knapik
Mayor, City of Bay City
City Hall
1901 Fifth Street
Bay City, TX 77414

The Honorable Joe Morton
Mayor, City of Palacios
P.O. Box 845
Palacios City Hall
Palacios, TX 77465

James Mitchell, Sheriff
Matagorda County
2323 Avenue E
Bay City, TX 77414

Jack Colley, State Coordinator
Governor's Division of Emergency Management
P.O. Box 4087
Austin, TX 78773-0220

Richard A. Ratliff, Chief
Dept. of State Health Services
1100 W. 49th Street
Austin, TX 78756-3189

Julie Parsley, Commissioner
Public Utility Commission
William B. Travis Bldg.
P.O. Box 13326
Austin, TX 78711-3326

William "Dub" Taylor
State Energy Conservation Office
P.O. Box 13528
Austin, TX 78711

The Honorable Nate McDonald
Matagorda County Judge
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Bay City, TX 77414-5094

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Site Vice President
STP Nuclear Operating Company
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Wadsworth, TX 77483

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Plant General Manager
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C. T. Bowman
General Manager, Oversight
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Marilyn Kistler
Sr. Staff Specialist, Licensing
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City of Austin
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E. Alercon/Kevin Pollo
City Public Service Board
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San Antonio, TX 78296

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Cox Smith Matthews
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San Antonio, TX 78205

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Washington, DC 20004

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Records Center
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Atlanta, GA 30339

Director, Division of Compliance & Inspection
Bureau of Radiation Control
Texas Department of State Health Services
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Austin, TX 78756

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Resources Policy Director
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Judge, Matagorda County
Matagorda County Courthouse
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Bay City, TX 77414

Terry Parks, Chief Inspector
Texas Department of Licensing
and Regulation
Boiler Program
P.O. Box 12157
Austin, TX 78711

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Office of Permitting, Remediation and Registration
Texas Commission on Environmental Quality
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Austin, TX 78711-3087

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Steve Winn/Christine Jacobs/
Eddy Daniels/Marty Ryan
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Princeton, NJ 08540

Lisa R. Hammond, Chief
Technological Hazards Branch
National Preparedness Division
FEMA Region VI
800 N. Loop 288
Denton, TX 76209

Enclosure 1

NRC End of Cycle
Public Meeting
South Texas Project
June 14, 2007

NAME	TITLE	DEPT	PHONE
Claude Johnson	Branch Chief	NRC	
John Dixon	Senior Resident	NRC	
Mahdi Hays	Project Engineer	NRC	
Ed Halpin	SITE VP	STPNOC	
Lynn Wright	Site Secretary	NRC	
Jim Ogden	Supervising Planner / Tech Hazards Group	GDEM	512/424-5677
David Rencurrel	VP Eng & Projects	STPNOC	
Tim Bowman	General Manager	STPNOC	361-972-7454
KEN COATES	Plant General MGR	STPNOC	361-972-8902
Harry Murray	Maintenance Mgr	STPNOC	361-972-7825
Bob Watts	EMC	MATAGORDA CO.	979-323-0707
Kerry Coffey	Chemistry	STP	979-244-5420
Joe Morton	MAYOR	City Palacios	361 972-3605
Scott Head	Mgr Licensing	STP	36-1972-7136
Cathy Gann	Communications	STP	361-972-7846
Mahdi Hayes	Project Engineer	NRC	
Lynn Grebe	Attorney		979.245-4261
Cory Bradshaw	Engineer Associate	STP	281 813 2951
Joe Sheppard	President / CEO	STP	361-972-8757
Tim Frawley	Plant Protection	STP	361 972 8555
Sam Duggan	Training Instructor	STP	361-972-8152
JIM VON SUSKIL	NRG Tx Owners Rep	NRG TEXAS	815 342 7868
JAMES MERTINK	OPS MGR	STP	361-972-4620

NRC End of Cycle
Public Meeting
South Texas Project
June 14, 2007

NAME	TITLE	DEPT	PHONE
Ed CONAWAY	PUB. AFFAIRS	STP	361-972-7643
OWEN BLUDAU	EXEC. DIRECTOR MATAGORDA CO. EDC		979-245-8913
KEVIN POLLO	NUCLEAR ASSET ENGINEER	CPS ENERGY	210-353-3583
RICHARD K LEHMANN	RETIRED		979-245-5230
Jimmy G. Brown	Radiation Protect. Technician	STPNOC	979-240-0927
Sarah Wells	BC Tribune		979-245-5555
Eddie Simpson Kerch	STP OpsSpec.	STPNOC	979-245-7963
Laura Stoicescu	health Physicist	STP	361-972-4095
M. A. SCHAEFER	STP WC	STPNOC	979-429-0445
Justin Buehler	Reporter		928-814-0242

NRC End of Cycle
Public Meeting
South Texas Project
June 14, 2007

NAME	TITLE	DEPT	PHONE
Richard Kwapik	MAYOR	City of Bay City	979 245-2137
Charles Corporon	STP Engineer	STP	361-972-7749
Nate McDonald	County Judge	Matagorda Co.	979-244-7605
Kelly Crupe	STP Comm. Supervisor	STP	361 972-4634

Enclosure 2

South Texas Project Electric Generating Station Annual Assessment Meeting

Reactor Oversight Program - CY 2006

Nuclear Regulatory Commission - Region IV
Bay City, TX
June 14, 2007

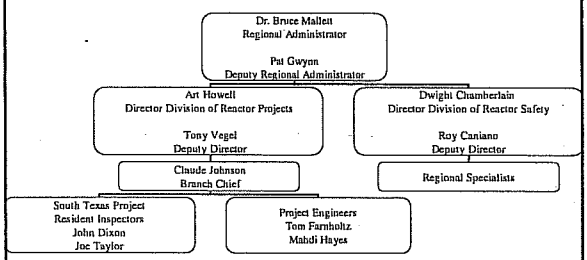
Purpose of Today's Meeting

- A public forum for discussion of the licensee's performance
- NRC will address the licensee performance issues identified in the annual assessment letter
- Licensee 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
- Break
- NRC available to address public questions

Region IV Organization



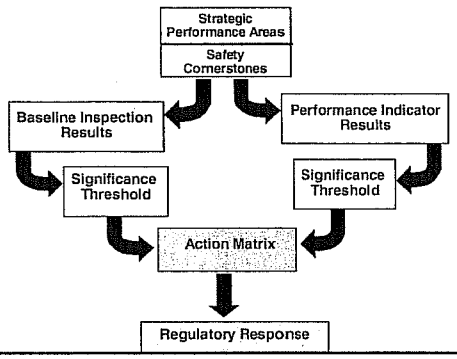
NRC Representatives

- John Dixon, Senior Resident Inspector
  - (361) 972-2507
- Joe Taylor, Resident Inspector
  - (361) 972-2507
- Claude Johnson, Branch Chief
  - (817) 860-8148
- Mahdi Hayes, Project Engineer
  - (817) 276-6546

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' strategic objective

Reactor Oversight Process



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

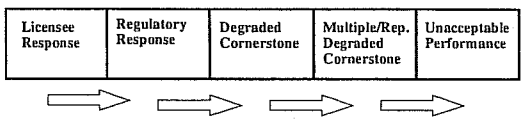
Performance Indicators

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

Action Matrix Concept



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 2006	
Licensee Response	84
Regulatory Response	12
Degraded Cornerstone	4
Multiple/Repetitive Degraded Cornerstone	3
Unacceptable	0
Total	103

National Summary

- **Performance Indicator Results (at end of CY 2006)**
  - **Green** 1843
  - **White** 11
  - **Yellow** 0
  - **Red** 0
- **Total Inspection Findings (CY 2006)**
  - **Green** 676
  - **White** 13
  - **Yellow** 0
  - **Red** 0

South Texas Project Electric Generating Station Assessment Results

(January 1 - December 31, 2006)

- Unit 1 was in the Licensee Response Column of the NRC Action Matrix
- Unit 2 was in the Regulatory Response Column of the NRC Action Matrix
- No Greater Than Green Inspection Findings
- One White Performance Indicator for Unit 2

South Texas Project Safety Significant Performance Indicators

- White Performance Indicator for Mitigating Systems Performance Index (MSPI) – Emergency AC Power Systems – Unit 2
- Standby Diesel Generator 22 Failed During a Test in December 2003
- New MSPI Calculated Differently Than Previous Performance Indicators
- Supplemental Inspection Indicated an Acceptable Response

South Texas Project Electric Generating Station Substantive Cross-Cutting Issues

- Substantive Cross-Cutting Issues Potentially Effect Multiple Cornerstones
- No Substantive Cross-Cutting Issues Identified

South Texas Project Electric Generating Station Inspection Activities

(January 1 - December 31, 2006)

- Resident Inspectors Expended Approximately 2420 Hours Inspecting the South Texas Project Electric Generating Station in 2006
- Region Based Inspectors Expended Approximately 1990 Hours Inspecting the South Texas Project Electric Generating Station in 2006
- South Texas Project Unit 1 Completed a Scheduled Refueling Outage in 2006

South Texas Project Electric Generating Station Inspection Activities

(January 1 - December 31, 2006)

- Radiation Safety Team Inspection Conducted at South Texas Project
- Problem Identification and Resolution Team Inspection Conducted at South Texas Project
- Permanent Plant Modification Team Inspection Conducted at South Texas Project

South Texas Project Annual Assessment Summary

(January 1 - December 31, 2006)

- STPNOC operated the South Texas Project Electric Generating Station, Units 1 and 2 in a manner that preserved public health and safety
- All cornerstone objectives were met
- NRC plans to perform baseline inspections at South Texas Project

Licensee Response and Remarks

James Sheppard
President and Chief Executive Officer
STP Nuclear Operating 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

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)

Exhibit 4 - ACTION MATRIX

		Licensee Response column	Regulatory Response column	Degraded Cornerstone column	Multiple/ Repetitive Degraded Cornerstone column	Unacceptable Performance column	IMC 0350 Process
RESULTS		All Assessment Inputs (Performance Indicators (PIs) and Inspection Findings) Green; Cornerstone Objectives Fully Met	One or Two White Inputs (in different cornerstones) in a Strategic Performance Area; Cornerstone Objectives Fully Met	One Degraded Cornerstone (2 White Inputs or 1 Yellow Input) or any 3 White Inputs in a Strategic Performance Area; Cornerstone Objectives Met with Moderate Degradation in Safety Performance	Repetitive Degraded Cornerstone; Multiple Degraded Cornerstones; Multiple Yellow Inputs; or 1 Red Input; Cornerstone Objectives Met with Longstanding Issues or Significant Degradation in Safety Performance	Overall Unacceptable Performance; Plants Not Permitted to Operate Within this Band; Unacceptable Margin to Safety	Plants in a shutdown condition with performance problems placed under the IMC 0350 process
RESPONSE	Regulatory Performance Meeting	None	Branch Chief (BC) or Division Director (DD) Meet with Licensee	DD or Regional Administrator (RA) Meet with Licensee	RA (or EDO) Meet with Senior Licensee Management	Commission meeting with Senior Licensee Management	RA (or EDO) Meet with Senior Licensee Management
RESPONSE	Licensee Action	Licensee Corrective Action	Licensee root cause evaluation and corrective action with NRC Oversight	Licensee cumulative root cause evaluation with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight		Licensee Performance Improvement Plan / Restart Plan with NRC Oversight
RESPONSE	NRC Inspection	Risk-Informed Baseline Inspection Program	Baseline and supplemental inspection procedure 95001	Baseline and supplemental inspection procedure 95002	Baseline and supplemental inspection procedure 95003		Baseline and supplemental as practicable, plus special inspections per restart checklist.
RESPONSE	Regulatory Actions[1]	None	Supplemental inspection only	Supplemental inspection only	-10 CFR 2.204 DFI -10 CFR 50.54(f) Letter - CAL/Order	Order to Modify, Suspend, or Revoke Licensed Activities	CAL/order requiring NRC approval for restart.
COMMUNICATION	Assessment Letters	BC or DD review/sign assessment report (w/ inspection plan)	DD review/sign assessment report (w/ inspection plan)	RA review/sign assessment report (w/ inspection plan)	RA review/sign assessment report (w/ inspection plan)		N/A. RA (or 0350 Panel Chairman) review/ sign 0350-related correspondence
COMMUNICATION	Annual Public Meeting	SRI or BC Meet with Licensee	BC or DD Meet with Licensee	RA (or designee) Discuss Performance with Licensee	RA or EDO Discuss Performance with Senior Licensee Management		N/A. 0350 Panel Chairman conduct public status meetings periodically
COMMUNICATION	Commission Involvement	None	None	None	Plant discussed at AARM	Commission Meeting with Senior Licensee Management	Commission meetings as requested, restart approval in some cases.
	INCREASING SAFETY SIGNIFICANCE ---------->						

Note 1: Other than the CAL, the regulatory actions for plants in the Multiple/Repetitive Degraded Cornerstone column and IMC 0350 column are not mandatory agency actions. However, the regional office should consider each of these regulatory actions when significant new information regarding licensee performance becomes available.
Note 2: The IMC 0350 Process column is included for illustrative purposes only and is not necessarily representative of the worst level of licensee performance. Plants under the IMC 0350 oversight process are considered outside the auspices of the ROP Action Matrix. See IMC 0350, "Oversight of Reactor Facilities in a Shutdown Condition due to Significant Performance and/or Operational Concerns," for more detail.