

SAFEGUARDS INFORMATION

July 29, 2008

EA-08-195

Mr. Christopher J. Schwarz
Vice President, Operations
Entergy Nuclear Operations, Inc.
Palisades Nuclear Plant
27780 Blue Star Memorial Highway
Covert, MI 49043-9530

SUBJECT: NRC INSPECTION REPORT 05000255/2008404(DRS); PRELIMINARY
GREATER THAN GREEN FINDING FOR PALISADES NUCLEAR PLANT

Dear Mr. Schwarz:

On May 22, 2008, the U.S. Nuclear Regulatory Commission (NRC) completed a security baseline inspection at 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 July 10, 2008, with Ms. L. Lahti 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.

This report documents a finding that has the potential for significance of greater than very low security significance (i.e., greater than Green as determined by the Physical Protection Significance Determination Process). The final resolution of this finding will convey the increment in the importance to safety by assigning the corresponding color. The deficiencies were corrected or compensated for, and the plant was in compliance with applicable physical protection and security requirements within the scope of this inspection.

EXEMPT FROM PUBLIC DISCLOSURE

May be exempt from public release under the Freedom of Information Act (5 U.S.C. 552)

Exemption number: 5
Nuclear Regulatory Commission review required before public release.

Gregory Hansen, RIII/DRS/PSB
Name and organization of person making determination.

Date of determination: 07/10/2008

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A cross-cutting aspect was identified in the area of Problem Identification and Resolution (P.3(a)) because you failed to properly assess elements of your security program, consistent with physical protection. The finding was NRC identified. The finding is also an apparent violation (AV) of NRC requirements and is being considered for escalated enforcement action in accordance with the Enforcement policy, which can be found on the NRC's web site at <http://www.nrc.gov/about-nrc/regulatory/enforcement/enforce-pol.html>.

In accordance with Inspection Manual Chapter (IMC) 0609, Significance Determination Process (SDP), we intend to complete our evaluation using the best available information and issue our final determination of security significance within 90 days of the date of this letter.

The significance determination process encourages an open dialog between the staff and the licensee, however, the dialogue should not impact the timeliness of the staff's final significance determination. Before we make a final decision on this matter, we are providing you an opportunity: (1) to present to the NRC your perspectives on the facts and assumptions, used by the NRC to arrive at the finding and its significance, at a Regulatory Conference; or (2) submit your position on the finding to the NRC in writing. If you decline to request a Regulatory Conference or submit a written response, your ability to appeal the final SDP determination can be affected, in that by not doing either, you fail to meet the appeal requirements stated in the Prerequisite and Limitation sections of Attachment 2 of IMC 0609.

If you request a Regulatory Conference, it should be held within 30 days of the receipt of this letter and we encourage you to submit supporting documentation at least one week prior to the conference in an effort to make the conference more efficient and effective. In the interest of protecting sensitive, security-related information, if a Regulatory Conference is held, it will not be open for public observation. If you decide to submit only a written response, such submittal should be sent to the NRC within 30 days of the receipt of this letter. Because this issue involves security-related information, if you choose to respond, 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), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>. 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(b)(1).

Please contact Eric Duncan, Chief, Plant Support Branch at (630) 829-9757 within 10 business days of the date of your receipt of this letter to notify the NRC of your intentions. If we have not heard from you within 10 days, we will continue with our significance determination and enforcement decision and you will be advised by separate correspondence of the results of our deliberations on this matter.

Since the NRC has not made a final determination in this matter, no Notice of Violation is being issued for this inspection finding at this time. In addition, please be advised that the number and characterization of the AV described in the enclosed inspection report may change as a result of further NRC review.

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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 System (PARS) component of NRC's Agencywide Documents Access and Management System (ADAMS). ADAMS is 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 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.

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

Sincerely,

/RA by A. Boland for/

Steven West, Director
Division of Reactor Safety

Docket Nos. 50-255
License Nos. DPR-20

Nonpublic Enclosure: Inspection Report 05000255/2008404(DRS)
w/Attachment: Supplemental Information
(SAFEGUARDS INFORMATION)

cc w/encl **(SAFEGUARDS INFORMATION)**:
D. Riffle, NSIR/DSO/DDSO
T. Strong, State Liaison Officer

cc w/o encl **(SAFEGUARDS INFORMATION)**:
Senior Vice President
Vice President Oversight
Senior Manager, Nuclear Safety & Licensing
Senior Vice President and COO
Assistant General Counsel
Manager, Licensing
W. DiProfio
W. Russell
G. Randolph
Supervisor, Covert Township
Office of the Governor
Michigan Department of Environmental Quality
Michigan Office of the Attorney General

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cc w/o encl **(SAFEGUARDS INFORMATION)**:
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Vice President Oversight
Senior Manager, Nuclear Safety & Licensing
Senior Vice President and COO
Assistant General Counsel
Manager, Licensing
W. DiProffio
W. Russell
G. Randolph
Supervisor, Covert Township
Office of the Governor
Michigan Department of Environmental Quality
Michigan Office of the Attorney General

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Letter to Christopher J. Schwarz from Steven West dated July 29, 2008.

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