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Dear Mr. Pardee

On December 23, 2008, the U. S. Nuclear Regulatory Commission (NRC) completed an inspection at your Oyster Creek Generating Station. The enclosed report documents the inspection results, which were discussed on December 23, 2008, with Mr. T. Rausch, Site Vice President, Mr. M. Gallagher, Vice President License Renewal, and other members of your staff in a telephone conference observed by representatives from the State of New Jersey.

Part 50 results

With respect to activities authorized by 10 CFR 50, the inspectors found no findings of safety significance.

With respect to 10 CFR 54 activities, we observed and have come to understand that you are implementing regulatory commitments as listed in Appendix A of NUREG 1845 (ml.....) and the proposed license conditions of that document as though you have an approved renewed operating license. We also noted that the proposed license conditions of NUREG 1845 for license renewal have evolved to that listed as Attachment 1 of SECY 08-XXX (ml). As an example, the proposed license condition XXX indicated that you will be sending in a readiness letter to indicate readiness for inspection, this was not in the proposed license condition of NUREG 1845. [(b)(5)

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Further, as you well know, an appeal of a licensing board decision regarding the Oyster Creek application for a renewed license is pending before the Commission related to the adequacy of the aging management program for the Oyster Creek drywell.

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The NRC is conducting these inspections using the guidance of Inspection Procedure (IP) 71003 "Post-Approval Site Inspection for License Renewal" as a prudent measure in order to take the opportunity to make observations of Oyster Creek license renewal activities during the last refuel outage prior to entering the period of extended operation. The inspectors reviewed selected procedures and records, observed activities, and interviewed personnel.

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The enclosed report records the inspector's observations, absent any determinations on adequacy or significance. We are doing this because the proposed regulatory commitments made as a part of the 10 CFR 54 application are not in effect pending the final licensing action by the Director of NRR in conjunction with Commissioners' decision on the appeal of the hearing issue. If you have any questions in this regard, please let us know.

Further, the observation of your activities with respect to proposed activities for license renewal indicated that implementation did not go as expected associated with certain proposed regulatory commitments. These dealt with the installation of the strippable coating, the monitoring of the cavity drain trough drain, and the monitoring of the sand bed drains. At the exit meeting of December 23, 2008, you indicated that you were conducting a common cause analysis in addition to placing this information into your corrective action process, at a minimum, for future enhancement. With respect to the current situation for your 10 CFR 50 activities, we continue to believe that it is prudent for us to continue conducting observations of your license renewal activities and we plan a team inspection starting March 9, 2009 using the same guidance for this inspection [

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In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure 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/NRC/ADAMS/index.html> (the Public Electronic Reading Room).

IN LIGHT OF THE REUESTS FOR INFORMATION DD SHOULD SIGN

Sincerely,

Darrell Roberts, Director
Division of Reactor Safety

REPORT DETAILS

4. OTHER ACTIVITIES (OA)

4OA2 License Renewal Follow-up (IP 71003)

1. Background

Because the application for a renewed license remains under Commission review for final decision, and a renewed license has not been approved for Oyster Creek, the standards used to judge the adequacy of selected IP 71003 inspection samples do not apply.

This inspection was conducted in order to observe AmerGen's continuing license renewal activities during the last refueling outage prior to Oyster Creek (OC) entering the extended period of operation.

Accordingly, the inspectors recorded observations, without any assessment of implementation adequacy or safety significance.

IP 71003 verifies license conditions added as part of a renewed license, license renewal commitments, selected aging management programs, and license renewal commitments revised after the renewed license was granted, are implemented in accordance with Title 10 of the Code of Federal Regulations (CFR) Part 54, "Requirements for the Renewal of Operating Licenses for Nuclear Power Plants."

2. Inspection Sample Selection Process

The inspection team selected a number of inspection samples for review, using the NRC accepted guidance based on their importance in the license renewal application process, as an opportunity to make observations on license renewal activities.

Inspection observations were considered, in light of pending 10 CFR 54 license renewal commitments and license conditions, as documented in NUREG-1875, "Safety Evaluation Report (SER) Related to the License Renewal of Oyster Creek Generating Station," as well as programmatic performance under on-going implementation of 10 CFR 50 current licensing basis (CLB) requirements.

The reviewed SER proposed commitments and license conditions were selected based on several attributes including: the risk significance using insights gained from sources such as the NRC's "Significance Determination Process Risk Informed Inspection Notebooks," revision 2; the extent and results of previous license renewal audits and inspections of aging management programs; the extent or complexity of a commitment; and the extent that baseline inspection programs will inspect a system, structure, or component (SSC), or commodity group.

For each commitment and on a sampling basis, the inspectors reviewed supporting

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documents including completed surveillances, conducted interviews, performed visual inspection of structures and components including those not accessible during power operation, and observed selected activities described below. The inspectors also reviewed selected corrective actions taken as a consequence of previous license renewal inspections.

A-7

3. Review Details

3.1 NRC Unresolved Item

10 CFR 50 existing requirements (e.g., current licensing basis (CLB))

xxx USE words from PN

- The conclusions of PNO-1-08-012 remain unchanged

- An Unresolved Item (URI) will be opened to evaluate whether existing current licensing basis commitments were adequately performed and, if necessary, assess the safety significance for any related performance deficiency.

- The issues for follow-up include the strippable coating de-lamination, reactor cavity trough drain monitoring, and sand bed drain monitoring.

- The commitment tracking, implementation, and work control processes will be reviewed, based on corrective actions resulting from AmerGen's review of deficiencies and operating experience, as a Part 50 activity.

3.2 Drywell Floor Trench Inspections