



UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION III
801 WARRENVILLE ROAD
LISLE, ILLINOIS 60532-4351

May 6, 1994

Docket No. 50-255
License No. DPR-20
EA 94-041

Consumers Power Company
ATTN: Mr. Robert A. Fenech
Vice President - Nuclear
Operations
1945 West Parnall Road
Jackson, Michigan 49201

Dear Mr. Fenech:

SUBJECT: NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTY -
\$50,000
(INSPECTION REPORT NO. 50-255/94002(DRS))

This refers to the service water system operational performance inspection (SWSOPI) conducted from January 10 through February 11, 1994, at Palisades Nuclear Plant. The report documenting this inspection was sent to you by letter dated March 4, 1994. During the inspection, a violation of NRC requirements was identified. An enforcement conference was held on March 11, 1994, to discuss the apparent violation, its causes, and your corrective actions.

The inspection identified five examples where prompt corrective actions were not taken for significant conditions adverse to quality. One example involved a single failure vulnerability that could have led to the loss of all engineered safeguards system pumps. Four additional examples were identified by your service water Safety System Design Confirmation (SSDC) program in June 1989, and the component cooling water SSDC in June 1990. All examples exhibited inadequate engineering evaluations and lack of management involvement in the SSDC process.

We have concluded that weaknesses in management oversight and communications resulted in your engineering organization's not understanding the system's design and a failure to adequately define who was responsible for maintaining the design. These failures directly contributed to your failure to recognize and promptly correct the design deficiencies. We recognize you have taken significant actions to address management and engineering issues at Palisades. However, deficiencies of this nature take time to resolve and in the interim you are susceptible to additional problems, thus additional scrutiny of engineering activities is essential.

The enclosed Notice of Violation and Proposed Imposition of Civil Penalty (Notice) describes one violation involving five examples of failure to take appropriate and timely corrective action to correct significant conditions adverse to quality. The problem is considered to represent a significant

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breakdown in the control of your corrective action program. Therefore, in accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," (Enforcement Policy) 10 CFR Part 2, Appendix C, the problem has been categorized at-Severity Level III.

The base value of a civil penalty for a Severity Level III violation or problem is \$50,000, with consideration for additional escalation and mitigation as set forth in the Enforcement Policy. In this case, we considered escalating the civil penalty due to the NRC's identifying the problem, your poor past performance, and the length of time that most of the problem went uncorrected. We considered mitigation because of your prompt corrective action following our identification of the problem. As a result of these considerations and the application of these factors, the base penalty could have been increased significantly under the normal application of the Enforcement Policy.

We acknowledge your completed and ongoing corrective actions which include opening CCW valves CV-0913 and CV-0950, completing a pump cooling requirements analysis by April 30, 1994, reevaluating all SSDC findings by August 1, 1994, coordinating the pump inservice testing program with system performance verifications, enhancing the work order review process by June 1, 1994, conducting an individual accountability meeting with all employees, requiring systems engineers to walk down their systems and review all system work orders, and providing continuing training of system engineers on lessons learned regarding operability issues. We also acknowledge that you are actively developing a Performance Improvement Plan and expect to have it finalized by mid-May 1994. In addition to these corrective actions, we are aware of numerous senior management changes recently undertaken at Palisades and understand that these changes were made to increase the focus toward identifying and correcting problems and improving overall performance.

Because of the very significant and broad managerial changes you have made in an attempt to correct overall past poor performance at Palisades, and to encourage you to continue with such aggressive actions to improve performance, I have been authorized after consultation with the Director, Office of Enforcement, and the Deputy Executive Director for Nuclear Reactor Regulation, Regional Operations and Research, to exercise discretion under Section VII of the Enforcement Policy and issue the enclosed Notice in the base amount of \$50,000 for the problem described above, notwithstanding the fact that the normal application of the escalation and mitigation factors would have resulted in a substantially higher civil penalty. In exercising this discretion, I emphasize that the NRC expects Consumers Power Company to continue its recent aggressive actions to improve performance at Palisades and that the effectiveness of implementation of these actions will be examined closely by the NRC.

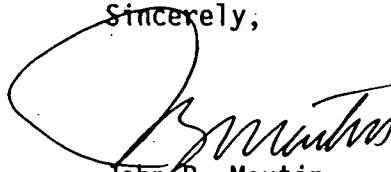
You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing your response. In your response, you should document the specific action taken and any additional actions you plan to prevent recurrence. After reviewing your response to this Notice, including your proposed corrective actions and the results of future

inspections, the NRC will determine whether further NRC enforcement action is necessary to ensure compliance with NRC regulatory requirements.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter, its enclosure, and your response will be placed in the NRC Public Document Room.

The response directed by this letter and the enclosed Notice are not subject to the clearance procedures of the Office of Management and Budget as required by the Paperwork Reduction Act of 1980, Public Law No. 96-511.

Sincerely,



John B. Martin
Regional Administrator

Enclosure:
Notice of Violation and Proposed
Imposition of Civil Penalty

cc w/enclosure:
Thomas Palmisano, Acting General
Manager
David W. Rogers, Safety
and Licensing Director
OC/LFDCB
Resident Inspector, RIII
James R. Padgett, Michigan Public
Service Commission
Michigan Department of
Public Health
Palisades, LPM, NRR
SRI, Big Rock Point
G. E. Grant, RIII

Consumers Power Company

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