



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

October 16, 1995

EAs 95-62; 95-65; 95-117

Mr. E. James Ferland
Chairman and Chief Executive Officer
Public Service Electric and Gas Company
80 Park Place
Newark, New Jersey 07101

SUBJECT: NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTIES
- \$600,000
(Inspection Reports Nos. 50-272/94-32; 50-311/94-32; 50-272/95-02;
50-311/95-02; 50-272/95-07; 50-311/95-07; 50-272/95-10;
50-311/95-10)

Dear Mr. Ferland:

Between December 5, 1994 and June 23, 1995, Region I staff conducted the four subject inspections at the Salem Nuclear Generating Station, Hancocks Bridge, New Jersey, and identified numerous violations of NRC requirements. The inspection reports were sent to you previously on March 30, April 7, May 24, and July 14, 1995, respectively. Several of the violations involved the failure to promptly identify and correct conditions adverse to quality at the Salem facility. On July 28, 1995, Mr. T. Martin, Regional Administrator, Region I, conducted a predecisional enforcement conference with Mr. B. Simpson and other members of your staff to discuss the violations, their causes, and your corrective actions. The violations are described in detail in the enclosed Notice of Violation and Proposed Imposition of Civil Penalties.

We have carefully considered these violations, several of which involve the failure to promptly respond to, and correct, conditions adverse to quality at Salem. The number and nature of the violations demonstrate inadequate performance by a licensee of the Commission. The past overall response by your staff and management relative to decision-making on operability issues and the approach to resolution of these issues has not been acceptable.

As you are aware, the NRC has sent four Augmented Inspection Teams (AIT) to Salem in the past four years. AIT inspections are relatively rare and reserved for significant occurrences. Four AIT inspections dispatched to one facility in four years is extremely rare. As a result of the last of those AIT inspections in April 1994, NRC issued a \$500,000 civil penalty on October 5, 1994, for numerous violations associated with an event at the facility, including similar violations involving failure to recognize and effectively correct conditions that challenged the safe operation of the Salem facility. In our letter transmitting that civil penalty, we expressed concerns about nonconservative operational decision-making at the facility. We raised questions regarding the manner in which management's expectations are established and communicated to the Salem staff regarding their performance at the station. We noted that while NRC found your immediate corrective actions

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acceptable for that event, the NRC was unwilling to predict or assume success for your long-term actions because historically, the implementation of such actions for past problems has proven to be ineffective. We further noted that it appeared that you have tolerated an atmosphere that accepts degraded conditions rather than establishing an atmosphere of a high quality operating environment.

Now, approximately one year later, our concerns remain. For example, although Westinghouse informed you in March 1993 of nonconservatism in the setpoint methodology for low temperature overpressure transient conditions, the problem remained unresolved for more than 18 months. Two other examples involved: 1) degraded equipment affecting switchgear ventilation equipment in Unit 1, and 2) residual heat removal (RHR) minimum flow recirculation valves in Unit 2. In these cases, your staff failed to respond promptly when component failures affecting these systems were first identified in December 1994 and January/February 1995, respectively. Even after it became more imperative to address these component issues, your staff delayed operability decision-making until it was apparent that a basis could not be established to justify continued operation. Subsequently, the two units were shut down in accordance with license requirements on May 16 and June 7, 1995. Numerous other examples are described in the Notice, including failures to perform adequate testing of modifications and evaluation of changes. These examples indicate a management and staff attitude that was not conducive to the safe operation of a nuclear power plant.

This attitude and inclination to delay decision-making regarding licensed activities at Salem must change. Problems must be addressed promptly and directly rather than worked around. Root causes must be identified and effective corrective actions established and implemented. Operability of safety-related equipment must be ensured. It is imperative that management assure that these changes occur before operation of the units is resumed.

We recognize that you have shut down both of the Salem units and have agreed, as noted in the NRC Confirmatory Action Letter sent to you on June 9, 1995, not to restart either unit without first gaining NRC agreement. We also recognize that you recently have introduced an entirely new management team to oversee the Salem and Hope Creek facilities. We further recognize the commitments by your new management team, at the predecisional enforcement conference, to effect demonstrable performance improvement. Nonetheless, in light of your past failures to achieve lasting corrective actions and in order to reinforce to you, your management team, and your staff, the seriousness with which we regard the deficient conduct of operations at Salem, cumulative civil penalties in the amount of \$600,000 are proposed for six violations, each of which is classified at Severity Level III in accordance with the "General Statement of Policy and Procedures for NRC Enforcement Actions," (Enforcement Policy) (NUREG 1600; 60 FR 34381, June 30, 1995).

The base civil penalty amount for each Severity Level III violation is \$50,000. In each case, we have decided to exercise discretion, after consultation with the Commission, and propose a \$100,000 civil penalty for

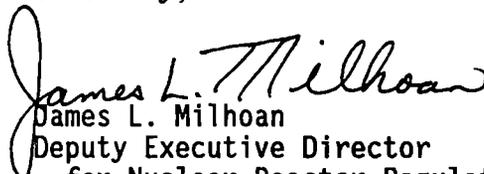
each violation, so as to appropriately reflect the NRC's concern regarding the violations and causes, and to convey an appropriate message, given that (1) the Salem enforcement history has not been good, (2) the majority of the violations were identified by the NRC, and (3) your organizations's prior actions to ensure problems are identified and corrected in a timely manner have not been effective. Were it not for your voluntary action in maintaining both units at the facility in a shutdown condition for an extended period to implement broad-scope and long-term corrective actions, the enforcement action might have been more severe.

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 actions 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(s), and your response will be placed in the NRC Public Document Room (PDR). To the extent possible, your response should not include any personal privacy, proprietary, or safeguards information so that it can be placed in the PDR without redaction.

The responses 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, Pub. L. No. 96.511.

Sincerely,


James L. Milhoan
Deputy Executive Director
for Nuclear Reactor Regulation
Regional Operations and Research

Docket Nos. 50-272; 50-311
License Nos. DPR-70; DPR-75

Enclosure: Notice of Violation and
Proposed Imposition of Civil Penalties

cc w/encl:

L. Eliason, Chief Nuclear Officer and President
J. Storz, Senior Vice President - Nuclear Operations
E. Simpson, Senior Vice President - Nuclear Engineering
J. Hagan, Vice President - Business Support
C. Schaefer, External Operations - Nuclear, Delmarva Power & Light Company

cc w/encl: (See Next Page)

Public Service Electric
and Gas Company

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cc w/encl: (Con't)

R. Burricelli, Director - External Affairs

C. Warren, General Manager - Salem Operations

J. Benjamin, General Manager - Quality Assurance and Nuclear Safety Review

F. Thomson, Manager - Licensing and Regulation

R. Kankus, Joint Owner Affairs

A. Tapert, Program Administrator

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W. Conklin, Public Safety Consultant, Lower Alloways Creek Township

State of New Jersey

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