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ATTACHMENT A REMOVED
UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

Docket No. 50-346

JAN 21 1981

Toledo Edison Company
ATTN: Mr. W. A. Johnson
President and Chief
Operating Officer
Edison Plaza
300 Madison Avenue
Toledo, Ohio 43652

Gentlemen:

Subject: Management Inspection 50-346/80-3 (PAS)

This refers to the management inspection conducted by Messrs. L. W. Gage, A. T. Gody, D. G. Hinckley, P. H. Johnson, W. L. Kushner, C. R. Oberg, and J. D. Woessner of the Performance Appraisal Section of the Division of Program Development and Appraisal, Office of Inspection and Enforcement, on October 27-31, November 1, 3-7, and November 17-21, 1980, of activities authorized by NRC Operating License No. NPF-3, for the Davis-Besse Nuclear Power Station at Oak Harbor, Ohio and the Toledo Edison Company corporate office at Toledo, Ohio; and to the significant observations discussed with you and others of your staff on October 31, November 7, and November 21, 1980, at the Davis-Besse Nuclear Power Station and the Toledo Edison Company corporate Office.

The enclosed Appraisal Report No. 50-346/80-3 (PAS) identifies the areas examined during the inspection. Within these areas, the inspection consisted of a comprehensive examination of your management controls over licensed activities which included examination of procedures and records and interviews with management and other personnel.

This inspection is one of a series of management appraisal inspections being conducted by the Performance Appraisal Section of the Division of Program Development and Appraisal, Office of Inspection and Enforcement. The results of this inspection will be used to evaluate the performance of your management control systems on a national perspective. The enclosed appraisal report includes observations which may be potential enforcement findings. These items will be followed by the IE Regional Office. The enclosed appraisal report also addresses other observations and the conclusions made by the team for this inspection. Section 2 of the report provides further information regarding the observations and how they will be utilized. Appendix A to this letter is an Executive Summary of the conclusions drawn for the nine functional areas inspected.

Of the nine areas inspected and evaluated, the Training Program received a highest rating of good. Seven areas were considered to be average; however, significant weaknesses were identified in several areas which require

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management attention. The Procurement Program received an evaluation of poor. A summary of the bases of these ratings is included in the attached Executive Summary. The generally favorable evaluation is considered a reflection of the efforts and resources applied by the Toledo Edison Company toward problems that were recognized earlier by the NRC Region III office and Toledo Edison management.

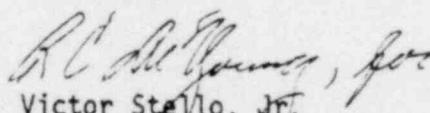
As a result of the conclusions regarding Procurement, you are requested to inform this office within 30 days of receipt of this report of the actions you have taken or plan to take to improve the management controls in the area identified as poor. In addition you are also requested to inform this office in this same submittal of the actions you have taken or plan to take in regard to the excessive backlog of outstanding maintenance work and facility change requests, a problem discussed in the attached Executive Summary. Your response to this office concerning these matters, as well as your action regarding the identified weaknesses, will subsequently be followed by the IE Regional Office.

In accordance with Section 2.790(d) of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations, your facility security procedures are exempt from disclosure; therefore, the pertinent section of the Appraisal Report, Attachment 'A', will not be placed in the Public Document Room and will receive limited distribution.

In accordance with Section 2.790 of the NRC's "Rules of Practice", Part 2, Title 10, Code of Federal Regulations, a copy of this letter and the enclosed appraisal report will be placed in the NRC's Public Document Room. If this report contains any information that you or your contractor believe to be proprietary, it is necessary that you make a written application within five (5) days to this office to withhold such information from public disclosure. Any such application must include a full statement of the reasons for which it is claimed that the information is proprietary, and should be prepared so that the proprietary information identified in the application is contained in a separate part of the document. If we do not hear from you in this regard within the specified period, the report will be placed in the Public Document Room.

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

Sincerely,


Victor Steffo, Jr.
Director
Office of Inspection
and Enforcement

Enclosures:
(See next page)

Enclosures:

1. IE Appraisal Report No.
50-346/80-3 (PAS)
2. Appendix A
3. Attachment A*

*Contains 10 CFR 2.790 Information

Distribution: (w/Attachment A*)

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w/o Attachment A*:

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Appendix A

Executive Summary

A team of seven NRC Inspection Specialists from the Performance Appraisal Section conducted an announced inspection at the Davis-Besse site and Toledo Edison Corporate office during October 27 - November 21, 1980. Management controls in nine areas were inspected. A summary of results of the inspection is given below. While improvements were noted in most of the areas examined, a number of weaknesses were identified during the appraisal. One area was considered good, seven average, and one poor.

Training: Good (Section 9). The effectiveness of the Training program was enhanced by active management support, a number of highly motivated and qualified instructors, and continuing program development. Improvement was needed in the area of continuing training for maintenance personnel.

Committee Activities: Average (Section 3). The review committees were composed of capable individuals who possessed positive attitudes toward improving the adequacy and effectiveness of facility activities. Both committees, however, needed to expand their review activities, increase their responsiveness to identified problem areas, and direct management attention to needed improvements.

Quality Assurance Audits: Average (Section 4). Audit findings were well researched and involved substantial safety issues. However, significant weaknesses were noted regarding audit guidance, checklists, audit followup, and certain aspects of management support for the program.

Design Changes and Modifications: Average (Section 5). While there were a large backlog of Facility Change Requests and an apparent lack of safety evaluations in the interface between construction activities and the plant during operation, the established program appeared to have been implemented in a satisfactory manner.

Maintenance: Average (Section 6). Most of the maintenance personnel were familiar with the requirements of the maintenance program, and except for some minor instances, the program was being satisfactorily implemented. Two significant weaknesses were noted during the inspection. Some routine safety related maintenance activities, which were beyond the skill of the crafts, were being performed using unreviewed maintenance instructions. There was also an excessive backlog of outstanding maintenance work.

Review and Control of Licensed Activities: Average (Section 7). The licensee had an effective operating organization. Improvements were needed in equipment operator staffing and control of procedures. Weaknesses were noted in certain Control Room operations such as the tolerance of excessive numbers of alarm indications.

Corrective Action Systems: Average (Section 8). The licensee had not established a system to prioritize the different methods used to identify deficiencies. Engineering activities had been redirected to reduce an existing backlog of these identified deficiencies.

Physical Protection: Average (Section 11). Management involvement has been increasing to minimize items of noncompliance, resolve equipment problems, and improve the overall effectiveness of the security program. However, additional management attention was needed in the areas of personnel screening, search procedures, the number of persons granted access to the vital areas, and equipment problems.

Procurement: Poor (Section 10). Numerous violations of regulatory requirements were observed in the area of material storage and handling. These are detailed in the body of the report. Procurement should be recognized as an activity which both impacts and is affected by the full range of utility organizations: Operations, engineering, quality assurance, quality control, administration, security and training. Effective procurement is directly related to safety of operation as well as plant reliability.

There appeared to be three root causes of the nonconforming conditions found in procurement: (1) an indifferent attitude on the part of upper management toward Quality Assurance in procurement activities, (2) the failure of middle management to control procurement actions and storeroom personnel activity, and (3) the failure to train procurement personnel in the basics of quality assurance and ANSI standards.

As documented in previous NRC correspondence, the past regulatory and operating performance of the Davis-Besse Nuclear Power Plant had been less than desired. However, it was the Performance Appraisal Section's judgment that actions initiated by Toledo Edison Company since late 1979, partly in response to the inspection and enforcement efforts of Region III, have been responsive to identified concerns and should provide for improved future performance. These actions included a corporate reorganization which has increased emphasis on activities affecting the Davis-Besse plant.

The Performance Appraisal Section did conclude that management emphasis was weighted too heavily to complete activities which immediately affected on-line operation of the facility or which were specific license requirements. As a result, other outstanding plant-affecting work has accumulated as evidenced by over 1100 outstanding Facility Change Requests (FCR's) and approximately 1400 Maintenance Work Orders (MWO's). During his plant tour the Director, IE, personally witnessed the results of a deferred maintenance item involving clogged lines in a level indicating instrument on a radioactive waste collecting tank; the absence of this level indication contributed to the tank rupture disc parting and a resulting spill of contaminated water. Management should ensure that work, as identified in the outstanding FCR's and MWO's, is carefully reviewed for any potential to disrupt safe, continued operation of the facility.