OFFICE OF THE INSPECTOR GENERAL

U.S. NUCLEAR REGULATORY COMMISSION

OIG Review of NRC's Systematic Assessment of Licensee Performance Program (SALP)

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OFFICE OF THE
INSPECTOR GENERAL

MEMORANDUM FOR: Chairman Carr
Commissioner Roberts
Commissioner Rogers
Commissioner Curtiss

FROM: Martin G. Malsch
Inspector General (Acting)
Office of the Inspector General

SUBJECT: REVIEW OF NRC'S SYSTEMATIC ASSESSMENT OF LICENSEE PERFORMANCE PROGRAM

Attached is our report on the results of our review of NRC's Systematic Assessment of Licensee Performance (SALP) Program. The review was conducted in accordance with generally accepted Government auditing standards during the period September 1987 through October 1988. Audit work was performed at NRC Headquarters and Regions I, II, and III.

The purpose of our audit was to determine if the SALP program was being carried out as designed and if it was providing the benefits intended. The review included interviews with numerous officials involved with the SALP process at Headquarters and in Regions I, II, and III. We also interviewed management officials from three utilities that had recently gone through the SALP process. We observed SALP Board meetings in the regions, and observed SALP presentations to licensees. We reviewed the SALP Manual Chapter 0516, regional office instructions, SALP reports and other documents relating to the SALP process.

Our review found that overall the SALP program provides an important evaluation process that benefits both NRC and its power reactor licensees. We also found, however, that improvements could be made to the SALP program in the following areas:

- There should be greater consistency among the regions in the SALP process because the SALP report is the only NRC document available to the public that evaluates and rates comprehensively the performance of power reactor licensees through independent first-hand inspection and observation of the facilities.

- NRC should develop a system to monitor the effectiveness of the SALP program on allocating NRC's inspection resources.

- The Office of Nuclear Regulatory Research (NRR) and the regions should seek out more efficient ways of performing SALP evaluations through comparisons of regional procedures and processes.

The report makes seven recommendations which we believe will, if implemented, improve NRC's SALP program.

In commenting on a draft of the report, the Executive Director for Operations (EDO) agreed with four of the seven recommendations and offered an alternative action to a fifth. The EDO disagreed with Recommendation 2 and part of Recommendation 3. Based on the EDO's response and the results of a meeting with NRR officials to discuss the EDO's disagreement with the two recommendations, we have concluded that Recommendation 3 is significant enough to be elevated to the Commission for resolution. A separate Commission paper has been prepared for that purpose. Although the EDO disagreed with Recommendation 2, we do not believe the issue involved is significant enough to elevate it to the Commission for resolution. We will, however, review this issue again during our follow-up review to determine whether NRR's monitoring of SALP reports has resulted in increased consistency among the regions.

Regarding the remaining recommendations, the EDO indicated what actions had been or would be taken to implement them. We will follow up on the EDO's actions at an appropriate time in the future.

Martin G. Malsch
Inspector General (Acting)
Office of the Inspector General

Attachment:
As stated

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REVIEW OF NRC'S SYSTEMATIC ASSESSMENT OF LICENSEE PERFORMANCE PROGRAM

EXECUTIVE SUMMARY

INTRODUCTION

The Systematic Assessment of Licensee Performance (SALP) program is a comprehensive review by NRC of the manner in which licensee management directs, guides and provides resources for assuring plant safety. The objectives of the SALP program are to evaluate each power reactor licensee possessing an operating license or construction permit at least once every 12 to 18 months in order to improve licensee performance and provide a basis for management's allocation of NRC resources.

The NRC had been performing SALP evaluations since 1980. Prior to NRC's reorganization in April 1987, the SALP program was under the guidance of the Office of Inspection and Enforcement. After the reorganization, the SALP program was placed under the Performance Evaluation Branch, Division of Licensee Performance and Quality Evaluation, Office of Nuclear Reactor Regulation (NRR).

Scope

Our review was conducted in accordance with generally accepted Government auditing standards during the period September 1987 through October 1988. The purpose of our audit was to determine if the program was being carried out as designed and if it was providing the benefits intended. Our review focused only on operating reactors in Regions I, II, and III. The review included interviews with numerous officials involved with the SALP process at Headquarters and in Regions I, II, and III. We also interviewed management officials from three utilities that had recently gone through the SALP process. We observed SALP Board meetings in the regions, and observed SALP presentations to licensees. We reviewed the SALP Manual Chapter 0516, regional office instructions, SALP reports and other documents relating to the SALP process.

FINDINGS

Our review of NRC's SALP program found that overall the SALP program provides an important evaluation process that benefits both NRC and its power reactor licensees. The staff involved with the SALP process in the three regions we reviewed were dedicated to producing quality evaluations depicting what NRC senior management considered to be the true state of the licensees' operations. We believe, however, that improvements can be made in the SALP program. Specifically, we believe:

- There should be greater consistency among the regions in the SALP process because the SALP report is the only NRC document available to the public that evaluates and rates comprehensively the performance of power reactor licensees through independent first-hand inspection and observation of the facilities. All three regions we reviewed have implemented the SALP process somewhat differently. Each region has developed a distinct style for presenting the results of the SALP evaluations in the SALP reports making it difficult to compare SALP

reports from region to region. Because SALP reports are used by NRC and outside organizations for various purposes, the format and content of the reports should be consistent among the regions to enhance their usefulness. The SALP rating system does not include any failing grade for unacceptable performance. While our report does not address the issue of whether SALP should give failing grades to operating reactors, the lack of any failing grade leads to inconsistent SALP results for facilities that have been shutdown for poor performance. Each region we visited rates plants shutdown for poor performance in different ways. In addition, the regions do not consistently perform SALP assessments on plants that have either been shutdown during a SALP period or have been in extended shutdown for more than one SALP period.

- NRC should develop an adequate system to monitor the effectiveness of the SALP program on allocating NRC's inspection resources. The NRC inspection manual chapter gives general guidance regarding inspection resource allocation for operating reactors based upon SALP evaluations. However, there is no way of determining on an NRC-wide basis if the regions are allocating their resources based on the SALP evaluations. Each region we reviewed had a different means of tracking the inspection resources used in each functional area.

- NRR and the regions should seek more efficient ways of performing SALP evaluations through comparisons of regional procedures and processes. Each of the three regions we reviewed took between 21 and 52 days longer to complete the SALP process than was recommended in the SALP Manual Chapter. We were unable to draw specific conclusions as to the reasons behind the timing differences between the Manual Chapter and the regions' accomplishments, except that either the regions are not performing the SALP process as efficiently as they could or the Manual Chapter is not providing realistic guidelines for the completion of each phase of the SALP process.

RECOMMENDATIONS

Our report contains the following seven recommendations which we believe, if implemented, will improve NRC's SALP program.

We recommend that the Director, NRR:

1. ensure that a SALP Coordinator takes an active role in monitoring all aspects of the SALP program;

2. establish a more detailed SALP Manual Chapter in the area of report format and content enumerating the type of information to be included in the SALP report and the format of the information. The SALP Coordinator should monitor the regional SALP reports to ensure that the regions are conforming to the standardized format and content of the SALP report;

We recommend that the Executive Director for Operations (EDO):

3. determine whether plants that have been in extended shutdowns should have SALP evaluations performed. Establish a policy with specific guidelines and criteria that all regions must follow on performing or not performing

SALP evaluations for plants that have been in extended shutdowns. If it is determined that plants are to continue to be rated when they have been in extended shutdowns:

a. expand the SALP rating categories to include an unacceptable rating, to distinguish between plants with insufficient activity in an area and plants with unacceptable performance;

b. determine whether plants that are rated Category 3 on the Senior Management list of problem plants should have SALP evaluations performed while the plants remain Category 3's. If SALP evaluations are to be performed on plants that are on the NRC Senior Management Category 3 list of problem plants, establish a policy in the SALP Manual Chapter to ensure that no potentially conflicting messages are given to the public.

We recommend that the Director, NRR:

4. develop a system which will enable NRC to track inspection resources expended by region, facility and SALP functional area for power reactors. In addition, the system should be able to separate inspection resources expended into event related (unplanned) and planned resources;

5. monitor and analyze the results of the SALP program on the inspection resources expended for power reactors in all regions by facility and SALP functional area.

6. require the SALP Coordinator to monitor and track the regions' time-frames for performing the SALP evaluations with the objective of identifying causes of delays or specific regional efficiencies which other regions could adopt.

7. establish a program in which the staffs in each region and Headquarters involved in the SALP process periodically hold counterpart meetings to discuss the different regions' approaches and procedures in carrying out the SALP process.

Agency Comments

In his April 26, 1989, response to our draft report, the EDO agreed with four of the seven recommendations. The EDO disagreed with Recommendation 2 and part of Recommendation 3. The EDO neither agreed nor disagreed with Recommendation 7, although he offered an alternative action to that included in our recommendation which is acceptable to us. Because of the significance of Recommendation 3, we have decided to elevate it to the Commission for resolution and have prepared a separate Commission Action Paper for that purpose. We have decided not to elevate Recommendation 2 to the Commission for resolution but we will review this issue again during our follow-up review to determine whether NRR's monitoring of SALP reports has resulted in increased consistency among the regions.

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REVIEW OF NRC'S SYSTEMATIC ASSESSMENT OF LICENSEE PERFORMANCE PROGRAM

INTRODUCTION

In September of 1987, we initiated an audit of NRC's Systematic Assessment of Licensee Performance (SALP) program. The SALP program is intended to be an integrated NRC effort to collect available observations and data regarding nuclear power reactors on a periodic basis to evaluate licensee performance. The SALP program was implemented by NRC as a result of NUREG-0660, Volume 1, "NRC Action Plan Developed as a Result of the TMI-2 Accident." The objectives of the SALP program are to evaluate each power reactor licensee possessing an operating license or construction permit at least once every 12 to 18 months in order to:

- improve licensee performance;
- improve the NRC regulatory program;
- provide a basis for management's allocation of NRC resources.

The NRC has been performing SALP evaluations since 1980.

The purpose of our audit was to determine if the program was being carried out as designed and if it was providing the benefits intended. This report presents the results of our audit.

BACKGROUND

Prior to NRC's reorganization in April 1987, the SALP program was under the guidance of the Office of Inspection and Enforcement. After the reorganization, the SALP program was placed under the Performance Evaluation Branch, Division of Licensee Performance and Quality Evaluation, Office of Nuclear Reactor Regulation (NRR). It is the responsibility of NRR to monitor the SALP process, evaluate and develop SALP policy, criteria, and methodology, and assess the uniformity and adequacy of the implementation of the program.

The Regional Administrators are responsible for implementing the SALP program in their regions. The SALP program's evaluation process is composed of 1) a regional SALP assessment, 2) issuance of the SALP report, 3) a public meeting with the licensee's management to discuss the assessment, and 4) issuance of a final SALP report after consideration of the licensee's response.

The SALP Board participants vary from region to region, however, the SALP Board is usually composed of the SALP Board Chairperson, who is a regional Senior Executive Service (SES) level manager, the Senior Resident Inspector from the site being reviewed, the NRR Project Manager for the plant being reviewed, an NRR SES-level manager, and either the Division Director or a Branch Chief from each regional technical division. The Board reviews and discusses the draft SALP report, which is usually prepared by the regional Division of Reactor Projects based on inputs the regional technical staff and

NRR provide from observations made during routine activities and inspections throughout the SALP assessment period.

The SALP report is divided into various functional areas for operating and construction phase reactors. The functional areas represent a grouping of similar licensee activities. For instance, a few of the functional areas for operating reactors include Plant Operations, Radiological Controls and Maintenance/Surveillance, whereas in construction phase reactors the functional areas include Soils and Foundations, Containment, Major Structures and Major Steel Support, and Piping Systems and Supports. It is the SALP Board's purpose to discuss the licensee's performance in each functional area in order to assess and identify common themes and symptoms of that performance. The SALP Board then determines by a majority vote the rating the licensee will receive in each functional area. The SALP Board may also recommend changes to the NRC inspection program at the specific facility and identify weaknesses and recommended areas for licensee consideration.

The SALP process is intended to be sufficiently diagnostic to provide a rational basis for allocating NRC resources. The rating categories under the SALP program are from 1 to 3. A Category 1 rating in a functional area designates a high level of performance where reduced NRC attention may be appropriate. A Category 2 rating designates a satisfactory level of performance where NRC attention should be maintained at normal levels. A Category 3 rating designates a minimally acceptable level of performance where weaknesses are evident and both NRC and licensee attention should be increased.

After all the functional areas of the draft SALP report are discussed and rated by the SALP Board, the draft report is revised to reflect the Board's changes, recommendations and functional area ratings. The Regional Administrator reviews the SALP report, makes changes he feels appropriate and signs the report. At this point the SALP report is a public document. The licensee receives a copy of the SALP report and a meeting is usually scheduled between the licensee's management and NRC's management to discuss the report. These meetings are open to the public and usually held at the licensee's facility. The licensee has 30 days from the date of the meeting to respond in writing to the SALP report. NRC then has 30 days to make any changes to the report it deems necessary from the licensee's response. At this point the SALP report is final.

The SALP report is the only document available to the public that evaluates and rates the performance of power reactor licensees through independent first-hand inspections and observations of the facilities. The Institute of Nuclear Power Operators (INPO) also evaluates and rates the performance of member facilities through first-hand inspections; however, the results of the INPO evaluations are not available for public review or disclosure. As a result, the SALP report is a highly visible NRC product which affects the licensees significantly through their financial ratings, in the news-media and the general public's opinion, and to various extents through the Public Utility Commissions and the rates the utilities are allowed to charge.

On June 6, 1988, NRC issued a revised SALP Manual Chapter 0516. Some of the major modifications were:

1. An established range of assessment frequencies of 12 to 18 months such that licensees with several Category 3 ratings are assessed more frequently and licensees with Category 1 ratings are assessed less frequently.

2. Redefinition of the functional areas resulting in the reduction of the number of separate functional areas.

3. Mandatory meeting with the licensee after the SALP report is issued.

4. Changed definition of Categories 1, 2, and 3 for licensee performance ratings.

SCOPE

Our review was conducted in accordance with generally accepted Government auditing standards during the period September 1987 through October 1988. Our review focused only on operating reactors in Regions I, II, and III. The review included interviews with numerous officials involved with the SALP process at Headquarters and in Regions I, II, and III. We also interviewed management from three utilities that had recently gone through the SALP process. We observed SALP Board meetings in the regions, and observed SALP presentations to the licensees. We reviewed the SALP Manual Chapter 0516, regional office instructions, SALP reports and other documents relating to the SALP process.

FINDINGS

Overall, we believe the SALP program provides an important evaluation process that benefits both NRC and its power reactor licensees. The SALP process provides, among other important benefits, a tool for allocating NRC inspection resources. It also provides reactor licensees with valuable insights as to where NRC sees apparent weaknesses and needed improvements. The SALP process requires substantial integration of NRC staff inputs from the various technical sections, branches and divisions to produce an effective evaluation of a facility's operations. The staff involved with the SALP process in the three regions we reviewed were dedicated to producing quality evaluations depicting what NRC senior management considered to be the true state of the licensees' operations.

We believe, however, that improvements could be made in the SALP process by:

- establisning greater consistency among the regions in the SALP process to create a more useful NRC SALP report;

- developing a system to monitor the effectiveness of the SALP program on allocating NRC's inspection resources; and

- seeking more efficient ways of performing SALP evaluations through comparisons of regional procedures and processes.

Each of these areas is discussed in the following sections of this report.

CONSISTENCY

The SALP report is the only NRC document available to the public that evaluates and rates the performance of power reactor licensees through independent first-hand inspections and observations of the facilities. As a result, the SALP reports are often used by various groups outside NRC to compare licensees' performances. Therefore, it is important that there be some comparability among the SALP evaluations in the various NRC regions.

NRR is responsible for monitoring the SALP program and assessing the uniformity and adequacy of the implementation of the program. However, NRR has not monitored the SALP process for uniformity. Our review identified differences among the three regions we reviewed in the format and content of the reports, the use of the SALP ratings in the Historical Data Summary of the Systematic Assessment of Licensee Performance, and the treatment of plants in extended shutdowns.

Monitoring

NRC Manual Chapter 0516, Systematic Assessment of Licensee Performance, states that an objective of the SALP process is to assist NRC management in making sound decisions regarding allocation of NRC resources used to oversee, inspect, and assess licensee performance. It further states that the Director, NRR "monitors the SALP process; evaluates and develops SALP policy, criteria, and methodology; and assesses the uniformity and adequacy of the implementation of the program." The monitoring of the program has been further delegated to the Performance Evaluation Branch (PEB), Division of Licensee Performance and Quality Evaluation (DLPQ).

In a discussion with the Director, DLPQ, we were informed that with the April 1987 NRC reorganization and the reassignment of responsibility for the SALP program to NRR, NRR is taking a broader view of the SALP program and has reevaluated its role in the SALP program. He said as a result there will be a more balanced perspective between the regions and Headquarters. He further stated that NRR plans to evaluate the program two times a year and to re-evaluate the whole program in a year.

The Director, DLPQ, also stated that NRR is taking a more active role in the SALP program by more active interfacing within NRR. For example, the PEB coordinates the preparation and scheduling of SALP inputs with the staff of the Associate Director for Inspection and Technical Assistance (ADT), integrates the ADT inputs and provides the resulting assessment to the appropriate project director. As recently as October 6, 1988, the Director, NRR, issued to all NRR employees, NRR Office Letter No. 907, "NRR Participation In The SALP Process," which establishes new procedures for providing input to the SALP program. The NRR Office Letter further identifies and describes the various levels of NRR management having primary SALP responsibilities.

We were informed by the Director, DLPQ, that NRR is concerned with the timeliness of the SALP reports and uses the monthly NRR Management and Program Information (White Book) report to monitor the number of reports issued by month and the length of the assessment periods by region. It also provides information on the number of planned and actual SALP reports issued by month

and region. Although the SALP program is an integral part in evaluating a licensee's performance, the SALP program is not the major emphasis of DLPQ according to its Director.

During our review we found that the PEB has not had a staff member in any key position in the Branch long enough to have any in-depth knowledge of the SALP process and how the regions are implementing the SALP program. The PEB, which was created during the NRC reorganization in April 1987, assigned a SALP Coordinator to the program in August 1987. However, the staff member assigned as SALP Coordinator left the Branch in May of 1988, only ten months after being assigned the position. In July of 1988, the staff member who took over the functions of the prior SALP Coordinator left the Branch for another NRR position. In addition, the Acting Chief, PEB, who was concurrently the Section Chief in charge of the SALP program, was detailed in February 1988 to another office in NRR. The Branch Chief position was filled and an acting Section Chief was selected to fill the Section Chief vacancy. The result is that most of the staff and management in PEB are new to the Branch.

The acting Section Chief stated that the SALP Coordinator basically maintains the data base for the Historical Data Summary of the Systematic Assessment of Licensee Performance, although when the new Safety Information Network (SINET) system is implemented the regions will be able to enter their own information into the SALP data base system. The SALP Coordinator is also responsible for making revisions to the SALP Manual Chapter. The SALP Coordinator does not work on the SALP full time; the section was budgeted one-half a Full Time Equivalency (FTE) for the SALP program, so the SALP program is just a small portion of the work the SALP Coordinator does for the section. The acting Section Chief stated that because of the high turnover of SALP Coordinators within the past months no one has been selected for that position as of October 1988. Staff from within the Section and Branch perform the functions of the SALP Coordinator as needed.

The acting Section Chief stated, however, that the PEB will be performing Regional Assessments, as support for the SES appraisals, twice a year. The first of these assessments was held in November 1988 and covered, among other things, various aspects of the SALP program. The acting Section Chief also stated the PEB is becoming more involved with integrating the NRR technical divisions' inputs into the SALP process. In addition, staff from PEB attended four of the five Regional Counterpart Meetings to discuss the new SALP Manual Chapter. However, because the Section is budgeted only one-half an FTE for the SALP program and the PEB plans on becoming more involved with integrating NRR's inputs into the regional SALP reports, there will still be a very low level of resources allocated to monitoring the uniformity and adequacy of the SALP program.

Report Format and Content

Each of the three regions in which we reviewed the SALP program has developed distinct styles for presenting the results of the SALP evaluation in the SALP report. NRC Manual Chapter 0516 gives very basic guidelines on the format and content of the report, leaving most of the development of the SALP report to the discretion of the regions. As a result, some regions provide information which is different from the other regions, some regions provide more detailed

information in certain sections of the report, and some information common to all the regions is located in different parts of the SALP reports.

The July 25, 1986, version of Manual Chapter 0516, which was in effect during the majority of our review, and was applicable to the reports we sampled, stated "The SALP Board report shall be prepared in general conformance to the guidelines provided in Exhibit 2. The standard entries described in this Exhibit should be used to the extent possible." Exhibit 2 in the Manual Chapter divided the SALP report into five major sections:

I. Introduction
II. Criteria
III. Summary of Results
IV. Performance Analysis
V. Supporting Data and Summaries

The revised July 1988 Manual Chapter does not provide any more guidance on the report format and content than the July 1986 version. The regions in turn issued their office instructions and regional procedures based on the general guidance in the Manual Chapter. Each region detailed the SALP report format and content to be used in their region and in some cases altered the location of information to be contained in the report from where the Manual Chapter suggested.

As part of our review, we compared regional office instructions and procedures with the Manual Chapter in the area of report format and content. We found that the regional office instructions and procedures generally followed the guidance set out in the Manual Chapter; however, each of the region's instructions and procedures were different. For example, we examined samples of five recent SALP reports from each of the three regions. Differences were evident in the format of reports from each of the regions.

We also identified differences in the types of information contained in the SALP reports from the three regions we visited. This can readily be seen by comparing the Supporting Data and Summary section in the sample Table of Contents for the three regions (See Appendix I). Region I, for example, provides a Table of Inspection Hour Summaries on a regular basis in the SALP reports while the other two regions do not. The Table on Inspection Hour Summaries in Region I provides the total inspection hours expended in the different functional areas and the percentage of time spent in each area. Region I's management feels it can achieve a better perspective on inspection activities with the use of Inspection Hour Summaries.

Region II's management stated their SALP Boards receive information on inspection hours spent in each functional area, however, the information is purposely not included in the SALP report. Region II's management feels the information may distort the importance of some functional areas due to the number of inspection hours expended in the area. It is Region II management's concern that if the statistics show a large percentage of NRC inspection hours are expended in a given area the licensee may interpret that to mean that area is more important than other areas that may have received fewer inspection hours. In addition, Region II's management feels the utility may challenge the NRC inspection hours recorded in any given functional area which could possibly detract from the content of the SALP report.

Region III had not collected data on NRC inspection hours expended in the different functional areas for either the SALP Board or SALP report. At the time of our review, Region III had just recently started collecting and sorting the information manually from the NRC 766 System data due to a proposed revision in the SALP Manual Chapter requiring a breakdown of the total NRC inspection hours expended at each facility in percentages by functional area. However, it should be noted the final version of the Manual Chapter did not contain the inspection hour percentage reporting requirement. Region III's management finds the information useful but the information had not been collected or used until the proposed SALP Manual Chapter requirement was included in the draft.

Vague guidance in the SALP Manual Chapter on the information to be included in the Supporting Data and Summary section results in differences among the regions in the detail and presentation of that section. An example is the Supporting Data and Summary section entitled, "Review of Licensee Event Reports, Construction Deficiency Reports, and 10 CFR 21 Reports Submitted by the Licensee." (See Appendix II). Because the Manual Chapter provided only general guidance for that area, each of the three regions came up with different ways of presenting the information. As a result, the information contained in that section of the report in one region can not be compared effectively with information contained in the same section of the report in another region.

The SALP report is intended to be an NRC document expressing NRC senior management's observations and judgments on licensee performance. However, during our review we found that various organizations outside NRC use the SALP evaluations to compare power reactor licensees. For example, one utility representative we interviewed told us a former NRC Commissioner has written a book that is used heavily for financial ratings of nuclear utilities. The utility representative stated the book ranks all the nuclear power facilities in the United States and the SALP ratings are used as part of the financial ranking. In addition, "Inside N.R.C.", a McGraw-Hill publication, published an article in its August 15, 1988, issue comparing power reactor operating costs and performance factors with averaged SALP ratings of all the nuclear power facilities in the country. We are also aware that at least one Public Utility Commission has considered using the SALP for its performance incentive plan.

Since the SALP evaluations are used for comparison purposes by outside sources, the information included in the reports should be similiar from region to region. We believe each licensee in each region should be evaluated using the same data from their facilities.

SALP Ratings

The SALP rating system does not include any failing grade for unacceptable performance. Although our report does not address the issue of whether SALP should give failing grades to operating reactors, we did find that some inconsistencies in the SALP program result from the fact that the rating system does not account for facilities that have been shutdown for poor performance. As a result, each region we visited rates plants shutdown for poor performance in different ways. In addition, the regions do not consistently perform SALP assessments on plants that have either been shutdown during a SALP period or have been in extended shutdowns for more than one SALP period.

Expanding Rating Categories

The SALP program does not provide rating categories lower than the licensee minimally meeting NRC's regulatory requirements because NRC's philosophy is that a licensee would be shutdown before it ever reached an unacceptable performance level. However, there has been at least one instance in which a SALP Board found a licensee did not meet NRC's regulatory requirements. Because there is no SALP rating lower than minimally acceptable, the licensee was given ratings in some areas which did not accurately rate the licensee's performance. (Different regions handle plants in extended shutdowns differently; see Page 18, "Rating Plants in Extended Shutdowns.")

Currently, NRC rates each functional area in the SALP on a scale of 1-3. A Category 1 rating designates a high level of performance where reduced NRC attention may be appropriate. A Category 2 rating designates a satisfactory level of performance where NRC attention should be maintained at normal levels. A Category 3 rating designates a minimally acceptable level of performance where weaknesses are evident and both NRC and licensee attention should be increased. NRC does not have a rating through the SALP process for designating an unacceptable level of licensee performance.

NRC periodically issues an Historical Data Summary of the Systematic Assessment of Licensee Performance, NUREG-1214. It provides the results of all the assessments for each facility by NRC region and provides a summary of ratings for the most recent SALP reports for facilities under construction and in operation. The NUREG gives a brief definition of the three categories used in the SALP process and also states that an "N" in the summary tables indicates that no rating was given for that category.

Most regions have occasionally not rated plants in various functional areas due to a lack of enough inspection effort to form a conclusion for the SALP rating, such as in the area of Fire Protection, or due to the utilities not having enough activity in a given area to inspect, such as in the area of Outages. It is mostly in these cases that the "N" rating is used in the historical summaries.

In Region I, the Peach Bottom Atomic Power Station was ordered shutdown by NRC in March of 1987 for not meeting NRC regulatory requirements. A SALP report covering the assessment period of February 1, 1986, to May 31, 1987, was issued in September 1987. In that report Region I determined Peach Bottom's performance to be unacceptable in the functional areas that caused the issuance of the shutdown Order. The SALP report further stated no SALP ratings were appropriate for those functional areas.

The Historical Data Summary listed Peach Bottom as receiving an "N" rating in Plant Operations, Quality Assurance and Administrative Controls Affecting Quality, and Training and Qualification Effectiveness for the assessment period in which it was shutdown. The "N" rating was given because those areas were determined by the SALP Board to be at an unacceptable level and the SALP process does not provide for an unacceptable rating. We also found that Region III gave Davis-Besse "N" ratings in all functional areas for the SALP assessment period September 1, 1984, to October 31, 1986. In June 1985 Davis-Besse was shutdown because of a loss-of-feedwater event. It is unclear

whether the "N" ratings for Davis-Besse are indicative of poor performance by Davis-Besse (See Appendix III).

No policy or guidance has been established in the SALP program for those facilities that have been shutdown for poor performance but are still being evaluated for the period in which they were operating prior to their shutdown. Assigning "N" ratings in the Historical Data Summaries to functional areas with unacceptable performance places these plants in the same category as plants for which NRC did not have sufficient inspection activity to assign a rating and plants without activity in an area. Because NRC does not have an unacceptable SALP rating, even though some facilities have performed at unacceptable levels, an uninformed reader may not be able to differentiate that some "N" ratings in the Historical Data Summary are unacceptable and others are not. If NRC is to rate facilities that have been shutdown, NRC may want to expand the SALP rating categories to include a rating for unacceptable performance. Otherwise, not rating functional areas that have been determined by a SALP Board to have unacceptable performance is contradictory and confusing in the SALP process.

Rating Plants in Extended Shutdowns

The SALP Manual Chapter 0516 does not give sufficient guidance on how to evaluate licensees that have spent all of an assessment period shutdown. As a result, each of the regions we reviewed had different policies for assessing licensees in extended shutdowns for SALP purposes.

The SALP Manual Chapter 0516 states that the SALP program applies to all licensees of power reactors with operating licenses or construction permits. Section 0516-04 further states, "The NRC will normally review and evaluate each power reactor licensee possessing an operating license or construction permit every 15 months except in the following instances: ..." The section proceeds to list four occasions when the SALP period may differ from the normal 15 month period. The occasions are when:

- The SALP period is extended to 18 months for utilities with clearly superior performance;

- The SALP period is reduced to about 12 months for utilities with several Category 3's in the previous evaluation;

- A SALP evaluation could be used as part of a determination of the readiness for new-plant startups or plant restarts from an extended outage or shutdown and thus be conducted approximately one month before the expected milestone date; or

- A new operating license is issued, so two consecutive SALP evaluations should be scheduled at approximately 12-month intervals.

The Manual Chapter does not specifically address plants that have been in extended shutdowns for more than one SALP period. It does not indicate whether the facility should be rated in the middle of its extended shutdown or whether the SALP periods should be skipped until the facility is ready to or has resumed normal operations. As a result, each region we visited has established its own policy for rating facilities in extended shutdowns.

Region I's policy is to continue rating licensees in extended shutdowns in all the operational functional areas for the standard assessment period of 12 to 18 months (See Appendix IV). The facilities in Region II that have been in extended shutdowns are Tennessee Valley Authority (TVA) facilities which, at the time of our review, were not under Region II's inspection program but were under the oversight of the Headquarters based Office of Special Projects. The TVA facilities have not had SALP assessments since they were shutdown in 1985 (See Appendix V). Furthermore, the SALP process will not resume until the facilities have started their preoperational phase testing, and the SALP cycle will not be completed until the TVA facilities have operated for an entire year or SALP period. On the other hand, Region III acknowledges that a SALP period has gone by but does not assign ratings to any of the functional areas (See Appendix VI). Region III resumes rating the functional areas when the facility resumes its power operations.

We noted that because of the lack of policy regarding plants in extended shutdowns there is a potential for the public to misinterpret the NRC's evaluations and determinations regarding the status of plants in this situation. We noted a special problem regarding plants that are in extended shutdowns and are on the semiannual Senior Management problem plant list. Specifically, during our review we identified one instance in which the SALP program evaluation and the semiannual Senior Management Meeting assessment do not appear to be compatible.

NRC's semiannual Senior Management Meeting on problem plants was first implemented in April 1986 as a result of an action plan to the June 1985 loss of feedwater event at Davis-Besse. At these meetings, senior NRC Headquarters managers and the five Regional Administrators discuss plants of greatest concern to the agency and plan a coordinated course of action. In preparation for the meetings, NRR, in conjunction with the five regional offices, the Office for Analysis and Evaluation of Operational Data (AEOD), the Office of Nuclear Regulatory Research (RES), and the Office of Enforcement prepare background documents on the plants to be discussed. Inputs for each plant include a summary of the most recent SALP and SALP history, a discussion of current operating experience, current NRC and licensee activities and performance indicator data. This information provides the basis for review and discussion of each plant's performance and for senior management identification of those plants warranting increased NRC attention.

The NRC senior managers, in reviewing the plants that have experienced significant performance problems, set various levels or categories of performance for these plants based upon plant actions to date to correct the problems and to achieve improved operations. The Senior Management Meeting separates the problem plants into three categories which are:

Category 1. Plants removed from the list of problem facilities. Plants in this category have taken effective action to correct identified problems and to implement programs for improved performance. No further NRC special attention is necessary beyond the regional office's current level of monitoring to ensure improvement continues.

Category 2. Plants authorized to operate that the NRC will monitor closely. Plants in this category have been identified as having weaknesses that warrant increased NRC attention from both headquarters and the regional office.

Category 3. Shutdown plants requiring NRC authorization to operate and which the NRC will monitor closely. Plants in this category have been identified as having significant weaknesses that warrant maintaining the plant in a shutdown condition until the licensee can demonstrate to the NRC that adequate programs have both been established and implemented to ensure substantial improvement.

NRC senior management meets approximatly every six months to review the status of licensees that were placed on the NRC problem plant list and to determine if licensees will be added to or deleted from this list based on demonstrated performance. At the time of our audit, there had been over five Senior Management meetings since the program was initiated in April 1986.

A semiannual Senior Management Meeting was held on June 28-29, 1988. During this meeting a number of plants were discussed, rated and included on the NRC problem plant list. Among the plants rated a Category 3 was Pilgrim Nuclear Power Station which is located in Region I. Pilgrim had been listed as a problem plant since the initial Senior Management Meeting in April 1986 and as a Category 3 plant for the last three Senior Management Meetings (See Appendix VII). The plant had been shutdown since April 12, 1986, following equipment problems that caused several automatic emergency shutdowns of the reactor.

Region I gave Pilgrim SALP Category 2 ratings in the majority of functional areas just days after the Senior Management Meeting. Region I held a SALP Board meeting for Pilgrim on July 5 and 6, 1988, for the SALP assessment period February 1, 1987, through May 15, 1988. A Category 1 was assigned in the functional area of Engineering and Technical Support, a Category 3 improving rating was assigned to the Radiological Controls functional area, and the rest of the applicable functional areas were given Category 2 ratings (See Appendix VIII). It appears that the ratings given to Pilgrim in the SALP evaluation are not indicative of a licensee which only a few days earlier was determined by the Senior Management Meeting to still have "significant weaknesses."

One of the purposes of both the Senior Management Meeting and the SALP process is to determine the NRC resources to be used in inspecting and monitoring plants. The semiannual Senior Management Meeting is supposed to identify and focus on plants of greatest concern to NRC and to plan a coordinated course of action for those plants. On the other hand, the SALP process is supposed to provide a means of expressing NRC senior management's observations and judgments on licensee performance. The SALP process is also intended to be sufficiently diagnostic to provide a rationale for allocating NRC resources and to provide meaningful feedback to a licensee's management. As a result, the ratings given to Pilgrim under the two programs should affect the level of inspection and monitoring given to the plant.

However, under the two evaluation programs it would appear that Pilgrim could receive two conflicting levels of inspections. Pilgrim should receive "normal levels" of inspections from Region I in the functional areas in which it

received SALP Category 2 ratings. On the other hand, Pilgrim should receive high levels of inspection and monitoring because of the Senior Management Meeting results. The July 27, 1988 transmittal letter to the Pilgrim SALP report informed senior licensee management that "... Pilgrim remains categorized by NRC Senior Management as a plant that requires continued close monitoring...." It would appear that although Pilgrim received mostly Category 2 ratings in the SALP evaluation, the level of inspection expected by the NRC's senior management is more aligned to that given to a SALP Category 3 plant.

It is the opinion of the Region I Administrator and various NRR management officials we spoke to that the two programs are not related and thus there is no conflict in the evaluations from NRC senior management. However, a news article released shortly after the Pilgrim SALP report was made public touched upon the apparent inconsistencies of the two programs through the eyes of the general public. An article written in the July 29, 1988, Cape Cod Times stated that, although the ratings in four of the categories were raised from its 1987 rating, Pilgrim "remains on the commission's list of 16 worst plants...." Although, the two evaluation programs are not related in the views of NRC senior management, when the information is translated to the public through the news media conflicting messages occur.

The SALP reports do more than improve licensee performance and provide a basis for allocating NRC resources. The SALP affects licensees through the news-media and public opinion, financial ratings, and the local Public Utility Commissions. The lack of guidance on how to handle plants in extended shutdowns has resulted in inconsistent actions from one region to another and therefore inconsistent treatment of licensees among the regions. Due to the impact the SALP reports have on the licensees, NRR should establish a policy that all regions must follow for assessing facilities in extended shutdowns.

Conclusion

The Performance Evaluation Branch in NRR needs to take an active role in overseeing the implementation and uniformity of the SALP program in the regions. Although all the regions sincerely work at making the best SALP possible, the regions have all implemented the SALP process somewhat differently. Each region we reviewed developed a distinct style for presenting the results of the SALP evaluation in the SALP reports. These differences hinder NRR's ability to analyze SALP data. In addition, the SALP program does not provide a rating category for unacceptable performance although there have been licensees that have performed unacceptably. The lack of an unacceptable rating can lead to contradiction and confusion in the SALP process if NRC is to rate plants that have been shutdown for unacceptable performance. Also, plants that have been in extended shutdowns are treated differently for SALP evaluations depending on the region in which they are located.

In addition, the results of the Senior Management Meeting and the SALP evaluation for Pilgrim appear to provide conflicting views to the public from NRC Senior Management at least in the definitions established for the two programs. NRC needs to more fully coordinate and integrate the SALP program with the results of the semiannual Senior Management Meetings to ensure compatibility. This would enable NRC to avoid projecting contrasting messages to the public and utilities.

Recommendations

We recommend that the Director, NRR:

1. ensure that a SALP Coordinator takes an active role in monitoring all aspects of the SALP program;

2. establish a more detailed SALP Manual Chapter in the area of report format and content enumerating the type of information to be included in the SALP report and the format of the information. The SALP Coordinator should monitor the regional SALP reports to ensure that the regions are conforming to the standardized format and content guidance;

We recommend that the EDO:

3. determine whether plants that have been in extended shutdowns should have SALP evaluations performed. Establish a policy with specific guidelines and criteria that all regions must follow on performing or not performing SALP evaluations for plants that have been in extended shutdowns. If it is determined that plants are to continue to be rated when they have been in extended shutdowns:

    a. expand the SALP rating categories to include an unacceptable rating, to distinguish between plants with insufficient activity in an area and plants with unacceptable performance;

    b. determine whether plants that are rated Category 3 on the Senior Management's list of problem plants should have SALP evaluations performed while the plants remain Category 3's. If SALP evaluations are to be performed on plants that are on the NRC Senior Management's Category 3 list of problem plants, establish a policy in the SALP Manual Chapter to ensure that no potentially conflicting messages are given to the public.

INSPECTION RESOURCES

NRC does not have an adequate system in place to monitor the effectiveness of the SALP program on allocating NRC's inspection resources. We were unable to determine the effectiveness of the SALP program on the allocation of NRC's inspection resources due to the differences in regional tracking systems and the reactive nature of some inspections. NRC has an Inspection Manual Chapter for operating reactors that gives general guidance regarding inspection resource allocation; however, NRC does not have a system in place that can readily be used for monitoring the effectiveness of the allocation of inspection hours used at each facility for each functional area.

The NRC Inspection and Enforcement Manual Chapter (MC) 2515, "Light-Water Reactor Inspection Program - Operations Phase," gives general guidance regarding inspection resource allocation for operating reactors based upon SALP evaluations. MC 2515 was divided into three parts: Minimum, Basic, and Supplemental. The Minimum Program was to be completed at all operating nuclear facilities without exception. In addition, the Regional supervisors selected Basic Program and Supplemental Program inspection procedures for

completion on a basis of assessed need or problems at a facility. Inspection resources were to be allocated based on the latest SALP evaluation ratings.

Although NRC had guidelines for allocating inspection resources based on the SALP evaluations, there was no way of determining how the regions were allocating their inspection resources based on the SALP ratings. Each region we reviewed had different ways of tracking inspection hours based on the SALP evaluations.

Region I had developed a personal computer program for planning and tracking the inspection hours used in each functional area for each facility. Region II developed a regional program to breakdown the inspection hours in the 766 System into functional areas for tracking purposes. Around October 1987, Region III began manually tracking inspection hours by functional area for each facility at the time of the SALP evaluation. Furthermore, we believe comparisons would be hard to make between regional facilities due to some event related and Headquarters based inspections.

In addition, NRC has just recently revised MC 2515. The revised program became fully effective October 1, 1988. The objective of the new inspection program is to give the Regional Administrators greater discretion as to where and what type of inspection resources would be allocated among facilities located within their regions. As a result, there is a greater need for both consistency in the SALP process and data on inspection resource utilization throughout the regions for monitoring of inspection resources. NRC should have a more effective system for monitoring and tracking inspection resources used in the regions at the different facilities in the different functional areas.

Conclusion

NRC does not have a system in place to monitor the effectiveness of the SALP program on allocating NRC's inspection resources. While MC 2515 gives general guidance regarding inspection resource allocation for operating reactors based upon SALP evaluations, there is no way of verifying on an NRC-wide basis how effectively the regions are allocating their resources based on the SALP evaluations. Each region we reviewed had a different means of tracking the inspection resources used in each functional area.

In October 1988, NRC revised the light-water reactor inspection program. With the implementation of the revised program, NRC will be giving the Regional Administrators greater discretion in the allocation of inspection resources among the facilities located within their regions. It is important for NRC to be able to monitor and track NRC's inspection resources by region, facility and SALP functional area to more effectively determine how well resources are being allocated on a regional level.

Recommendations

We recommend that the Director, NRR:

4. develop a system which will enable NRC to track inspection resources expended by region, facility and SALP functional area for power reactors. In addition, the system should be able to separate inspection resources expended into event related (unplanned) and planned resources;

5. monitor and analyze the results of the SALP program on the inspection resources expended for power reactors in all regions by facility and SALP functional area.

SALP TIME FRAME

Only four of the fifteen SALP reports we reviewed from the regions were completed in the time period recommended by the SALP Manual Chapter. The SALP Manual Chapter recommends that the SALP process should take 150 days from the end of the assessment period to the final SALP report. However, of the three regions we reviewed each region took at least three weeks longer than the recommended time-period to complete the SALP process.

The SALP Manual Chapter states that NRC will conduct a review and evaluation of each power reactor licensee possessing an operating license or construction permit every 12 to 18 months. In addition, the SALP Board meetings are to be conducted within 45 days of the end of the assessment period. A meeting with the licensee should be held within 90 days of the end of the assessment period and the licensee should respond in writing to the SALP report within 30 days after the licensee meeting. NRC then issues the final SALP report within 30 days after the licensee's written comments to the initial SALP report. All of these steps should take place within 150 days of the end of the assessment period (See Section C of table below).

We selected five SALP reports from each of the three regions in our review to determine how long the regions took to complete the SALP process (See Table below).

Average Timeframe For The SALP Process

Section A

	Region I Average	Region II Average	Region III Average	Per July 1986 Manual Chapter
Assessment Period	15½ months	17 months	15 months	12 - 18 months

Section B

	Region I Average	Region II Average	Region III Average	Per July 1986 Manual Chapter
Days from End of Assessment Period to SALP Board Meeting	42 days	56 days	67 days	45 days
Days from SALP Board Meeting to Issuance of SALP Report	63 days	19 days	28 days	-

	Region I Average	Region II Average	Region III Average	Per July 1986 Manual Chapter
Days from End of Assessment Period to SALP Report	105 days	74 days	95 days	-

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Section C

	Region I Average	Region II Average	Region III Average	Per July 1986 Manual Chapter
Days from End of Assessment Period to Licensee Meeting	129 days	84 days	114 days	90 days
Days from Licensee Meeting to Licensee Comments	32 days	34 days	27 days	30 days
Days from Licensee Comments to Final Report	41 days	54 days	35 days	30 days
Days from End of Assessment Period to Final Report	202 days	172 days	176 days	150 days

All of the regions we reviewed had assessment periods under the 18 month guideline (See Section A). However, from there the regional time-frames for performing SALP evaluations varied extensively for some phases of the SALP process. The regions we reviewed were able to perform some phases of the SALP process in less time than the Manual Chapter recommended; however, in other areas the regions took more time than recommended. As a whole the SALP process took 21 to 52 days longer (See Section C) for the regions to complete than recommended in the SALP Manual Chapter.

We were unable to draw specific conclusions as to the reasons behind the variances in time-frames between the SALP Manual Chapter recommendations and the regions' accomplishments in the various phases of the SALP process because the regions have established their own unique ways of performing each phase of the SALP process. For example, regions have established different organizational structures to carryout SALP responsibilities. Regions II and III each have a Technical Support Section in their regional Division of Reactor Projects (DRP) responsible for the administrative work and various other data collection involved in the SALP process. Region I, on the other hand, until April 1988, did not have a Technical Support Section. Most of the administrative work and data collection was performed by the Senior Resident Inspector and the DRP Section Chief when the time came for their plant to be evaluated. In the regional SALP reports we reviewed, Region I took longer to go through the SALP process than the other two regions.

The SALP process requires a substantial amount of NRC resources to complete. There are 124 commercial nuclear power plants in operation or under construction at 75 sites in the United States that are supposed to have SALP evaluations performed every 12 to 18 months. The SALP Boards, comprised of at least four of NRC's regional and Headquarters management, can spend up to two days at each SALP Board meeting. In addition, information must be gathered from NRC Headquarters offices and the regional technical divisions. Supporting data must be prepared and written input must be provided by various staff members for the draft SALP report.

We were informed by the Director, DLPQ, that NRR is concerned with the timeliness of the SALP reports and uses the monthly NRR Management and Program Information (White Book) report to monitor the number of reports issued by month and the length of the assessment periods by region. It also provides information on the number of planned and actual SALP reports issued by month and region.

Some tasks of the SALP process, such as the administrative work and data collection, can be assigned to a given organizational unit to enhance overall efficiency. Some of the regions may have regional procedures that, on the whole, are less time consuming and more effective in an area of the SALP process than other regions. However, the same regions may have less efficient procedures in other areas making the entire SALP process take longer than anticipated in the SALP Manual Chapter. It is also possible that the SALP Manual Chapter may not give realistic goals for the completion of the SALP process. Because significant amounts of resources are expended in developing and performing SALP evaluations, we believe NRR and the regions should try to find the most efficient way of performing SALP evaluations without detracting from the quality of the SALP process.

Conclusion

Each of the three regions we reviewed took 21 to 52 days longer to complete the SALP process than recommended in the SALP Manual Chapter. We were unable to determine whether missing the time schedules resulted from inefficiencies in the system or unrealistic time schedules. We do know that each region carries out the process slightly differently and that a meeting among the regional and Headquarters personnel responsible for carrying out the SALP process could improve the process in all regions through sharing ideas and procedures.

Recommendations

We recommend that the Director, NRR:

6. require the SALP Coordinator to monitor and track the regions' time-frames for performing the SALP evaluations with the objective of identifying causes of delays or specific regional efficiencies which other regions could adopt.

7. establish a program in which the staffs in each region and headquarters involved in the SALP process periodically hold counterpart meetings to discuss the different regions' approaches and procedures in carrying out the SALP process.

AGENCY COMMENTS

On April 26, 1989, the EDO commented on a draft of this report. The EDO agreed with four of the seven recommendations contained in the report. However the EDO did not agree with Recommendation 2 and part of Recommendation 3. The EDO neither agreed nor disagreed with Recommendation 7, but offered an alternative action to our recommendation which we have accepted as resolving our concern. We will follow up on that action, as well as the action to implement the recommendations with which the EDO agreed, as part of a follow-up audit in the future.

In Recommendation 2, we recommended that a more detailed SALP Manual Chapter in the area of report format and content be established enumerating the type of information to be included in the SALP report and its format. We also suggested that the SALP coordinator monitor the regional SALP reports to ensure that the regions are conforming to the standardized format and content of the SALP report.

The EDO disagreed stating that the current SALP Manual Chapter provides the necessary detail concerning report format and content. The response stated that the Manual Chapter was developed so that a rigid format is not established, allowing the regions flexibility to transmit their assessment to the licensee. The EDO further stated that the Performance and Quality Evaluation Branch will continue to monitor the regional SALP reports to ensure that the regions are conforming to the Manual Chapter format.

Our review found that a standard format is not used by all regions for SALP reports and the regions use different types of information in their evaluations and reports. It is our belief that a more detailed SALP Manual Chapter in the area of report format and content (especially in the Supporting Data and Summary Section) would make reports more consistent and comparable without inhibiting the transmission of assessments to licensees. The SALP report has been presented and emphasized by NRC senior management as an NRC report. When one region consistently provides information that other regions do not, the reports appear to be regional rather than NRC products. We do not believe the issue involved in this recommendation is significant enough to elevate to the Commission for resolution. We will, however, follow-up to determine whether NRR's monitoring of SALP reports results in increased consistency among to regions.

In Recommendation 3, we recommended the EDO determine whether plants that have been in extended shutdowns should have SALP evaluations performed. If it was determined that plants were to continue to be rated when they have been in extended shutdowns, we recommended the SALP rating categories be expanded to include an unacceptable rating, to distinguish between plants with insufficient activity in an area and plants with unacceptable performance. We also recommended that the EDO determine whether plants that are rated Category 3 on the Senior Management list of problem plants should have SALP evaluations performed while the plants remain Category 3's.

The EDO's response stated that the need for SALP evaluations for problem plants would be determined by NRC Senior Management and a policy established. However, he stated the use of an unacceptable rating was previously considered by NRC Senior Managers who elected not to incorporate an additional category. We accept the EDO's commitment to have Senior Management establish a policy on

the need for SALP evaluation on problem plants as resolving that portion of our recommendation. We will follow up on the actions taken at an appropriate time in the future.

In regard to the use of an unacceptable rating to distinguish between plants with unacceptable performance and plants with insufficient activity to be rated, the EDO response does not resolve our concern. We believe that the practice of assigning "N" ratings in the historical SALP summaries to functional areas with unacceptable performance and to plants without activity in an area or without sufficient inspection activity in an area, does not accurately communicate NRC's evaluation of the poor performance. Because NRC does not have an unacceptable SALP rating category, even though some facilities have performed at unacceptable levels, an uninformed reader may not be able to differentiate that some "N" ratings in the historical summary are unacceptable and others are not. NRC, by not rating plants that have, in effect, been rated unacceptable, has made the information in the Historical Data Summary less accurate, and as a result possibly less useful.

It should be noted that we are not recommending unacceptable or Category 4 ratings for operating plants. We are recommending, for those plants that have been shutdown for unacceptable performance but are still being rated for the period in which they were shutdown, expanding the rating categories to include an unacceptable rating, whether that rating be a Category "4", a Category "U", or some other designation. Otherwise, not rating functional areas that have been determined by a SALP Board to have unacceptable performance is contradictory and confusing in the SALP process. Because we believe this recommendation to be important, we are elevating our disagreement with the EDO on Recommendation 3 to the Commission for resolution.

The EDO's comments are included in their entirety in Appendix IX to this report. We will follow up on the actions taken to implement the recommendations with which the EDO agreed at an appropriate time in the future.

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EXHIBIT 2 (Cont'd)

H. Review of Licensee Event Reports, Construction Deficiency Reports, and 10 CFR 21 Reports Submitted by the Licensee

[Provide a brief summary of significant findings and trends resulting from a review of these reports. If this information is contained in another section of the report, this item may be omitted.]

D. Review of Licensee Event Reports Submitted by the Licensee

The overall quality of Licensee Event Reports (LERs) is good. Over the assessment period there was a significant improvement noted in the discussions of safety consequences. Improvements were also noted in discussions of corrective actions and operator actions. Areas which would benefit from added attention include descriptions of personnel/procedure errors, component failures and safety system responses.

Two LERs (317/86-04 and 318/86-06) concerned failed reactor coolant pump surge capacitors. Those failures led to reactor trips. A modification to remove the capacitors and use inductors for surge suppression is nearing the end of the engineering design phase.

Two LERs (318/87-03 and 318/87-04) reported repeat cracking on a branch line for a relief valve for the Low Pressure Safety Injection System.

Three LERs (318/86-04, 318/86-07, and 318/87-02) involved grounds and component failures in Unit 2 feed water control systems. Corrective actions taken in this area may have largely resolved the problems as evidenced by no recurrences for a major portion of the SALP period.

Two LERs (317/87-07 and 317/87-09) describe problems with improper electrical splices on components in the Equipment Qualification program and use of improper fasteners in code class systems. Both problems largely resulted from inadequate engineering guidance to field personnel.

Four LERs (317/87-03, 317/87-05, 317/87-08, and 317/87-11) involved personnel errors and three LERs (317/86-07, 317/87-04, and 318/87-05) involved procedure errors.

H. Licensee Event Report Analysis

During the assessment period, 57 LERs for Units 3 & 4 were analyzed. The distribution of these events by cause, as determined by the NRC staff, was as follows:

Cause	Unit 3	Unit 4	Total
Component Failure	5	14	19
Design	5	1	6
Construction, Fabrication, or Installation	2	-	2
Personnel:			
- Operating Activity	2	1	3
- Maintenance Activity	4	2	6
- Test/Calibration Activity	8	3	11
- Other	-	2	2
Out of Calibration	3	-	3
Other	2	3	5
TOTAL	31	26	57

G. A Review of Licensee Events Reports and 10 CFR 21 Reports Submitted by the Licensee

1. Licensee Event Reports (LERs)

Facility Name: Clinton

Docket Number: 50-461
LER Numbers: 86001 through 86025
87001 through 87051

During this assessment period, 76 LERs were issued; of these 36 LERs were the result of personnel errors; 15 LERs were the result of procedural inadequacies; 25 LERs were the result of component/equipment failures.

Nearly half of the LERs (47%) were related to personnel errors. Of these personnel errors 12% resulted in reactor trips, and 50% resulted in engineered safety feature actuations.

The above information was derived from review of LER's performed by NRC Staff and may not completely coincide with the licensee's cause assignments. In addition, this data is based on assigning one cause code for each LER and does not necessarily coorespond to the identification of LERs addressed in the Performance Analysis Section (Section IV) where multiple cause codes may be assigned to each event.

During the SALP 6 period, Clinton was in the construction phase, and the licensee was not required to submit LERs.

2. 10 CFR 21 Reports

One 10 CFR 21 report concerning damaged diesel generator exciter leads was submitted by the licensee at the conclusion of the SALP period. The number of vendor defect reports during this period decreased by six from the number during the previous assessment period.

3. Analysis and Evaluation of Operational Data (AEOD)

This was the first time Clinton Power Station was evaluated by the Office of Analysis and Evaluation of Operational Data (AEOD). The AEOD review of LERs for this assessment period indicated that Clinton had prepared and issued quality LERs.

AEOD gave Clinton an overall average score of 9.2 points out of a possible 10 points; thus, Clinton is above the current industry average of 8.5 points for those units/stations that have been evaluated to date. However, Clinton's LERs were also considered deficient in two important areas: the identification of all components with manufacturer and model numbers and the summarization of cause and corrective action information in the abstract portion of the LERs. These weak areas warrant improvement.

10/03/87

SALP SUMMARY

REGION 1

* REACTORS IN OPERATION

PLANT NAME	RPT	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	OP	LIC	TRG
BEAVER VALLEY 1	05/87	2	2	2	2	2	1	1	2	2	2	2
CALVERT CLIFFS 1/2	07/86	2	1	2	1	N	1	1	2	2	1	2
FITZPATRICK	07/87	2	2	2	2	N	1	1	2	2	2	2
GINNA	09/86	2	1	2	1	N	2	1	1	2	1	2
HADDAM NECK	09/87	2	2	2	2	3	2	1	2	2	2	2
HOPE CREEK 1	04/87	2	2	1	2	N	1	1	N	2	1	2
INDIAN POINT 2	01/87	2	2	2	1	1	2	2	1	2	2	2
INDIAN POINT 3	03/86	2	1	1	1	N	1	1	1	2	2	2
LIMERICK 1	06/87	1	1	1	1	N	1	2	N	1	2	1
MAINE YANKEE	01/86	2	2	2	1	1	1	1	2	N	2	N
MILLSTONE 1/2	08/86	1	3	2	1	N	1	1	1	1	1	2
MILLSTONE 3	09/87	2	2	1	2	N	1	1	1	1	1	2
NINE MILE POINT 1	07/87	2	2	3	2	N	1	1	2	3	1	2
NINE MILE POINT 2	08/87	2	2	N	2	N	1	1	N	2	3	2
OYSTER CREEK 1	06/87	2	2	2	1	N	1	1	2	2	2	1
*PEACH BOTTOM 2/3	09/87	N	2	2	2	3	2	2	N	N	2	N
PILGRIM 1	06/87	2	3	2	3	3	2	3	1	3	2	2
SALEM 1/2	01/87	2	1	1	2	N	1	1	2	2	2	2
SHOREHAM	07/86	2	3	2	N	N	1	1	2	2	3	3
SUSQUEHANNA 1/2	12/86	1	1	1	1	N	1	1	1	2	1	1
THREE MILE ISLAND 1	01/87	2	1	1	1	N	1	2	N	2	1	1
VERMONT YANKEE 1	03/87	1	2	2	1	N	2	1	1	2	1	1
YANKEE-ROWE 1	12/86	1	1	1	1	1	2	2	1	1	1	2

10/03/87

SALP SUMMARY

REGION 3

REACTORS IN OPERATION

PLANT NAME	RPT	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	OP	LIC	TRG
BIG ROCK POINT 1	07/86	2	2	2	2	2	1	1	3	2	1	1
BYRON 1	01/87	2	2	2	2	2	1	2	1	2	2	2
CALLAWAY 1	08/87	2	2	1	2	N	1	1	1	1	1	1
CLINTON 1	11/86	N	2	3	N	2	2	2	N	3	2	N
COOK 1/2	01/87	2	2	2	2	2	2	2	1	2	2	2
*DAVIS-BESSE 1	09/87	N	N	N	N	N	N	N	N	N	N	N
DRESDEN 1/2/3	04/87	2	2	2	2	3	2	2	2	3	1	2
*DUANE ARNOLD	08/87	1	2	2	2	1	2	2	1	3	1	2
FERMI 2	05/87	N	N	N	N	N	N	N	N	N	N	N
*KEWAUNEE	09/87	1	1	1	1	1	1	2	1	1	1	1
LA CROSSE	09/86	2	2	3	1	2	2	2	3	2	1	2
LASALLE 1/2	03/87	2	2	2	2	2	2	2	2	2	2	2
MONTICELLO	08/86	1	1	1	2	1	1	1	1	2	1	2
*PALISADES	09/87	2	2	3	2	2	2	2	2	3	2	2
PERRY 1	07/87	2	2	2	2	2	1	1	N	2	2	2
POINT BEACH 1/2	11/86	1	2	1	1	2	2	1	1	2	2	1
PRAIRIE ISLAND 1/2	08/86	2	1	1	2	2	1	1	1	2	1	2
QUAD CITIES 1/2	09/87	2	1	2	1	N	2	1	2	2	1	2
ZION 1/2	03/87	2	2	2	2	2	2	1	1	2	1	1

SALP HISTORY AS OF OCTOBER 1988

FOR REGION I PLANTS THAT HAVE

BEEN IN EXTENDED SHUTDOWN

PLANT NAME: THREE MILE ISLAND 1 closed 7/79 to 10/85
REGION: 1

RPT	ASSMT. PERIOD	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	QP	LIC	TRG
06/81	04/01/80-03/31/81	2	2	2	2	2	N	2	N	2	N	N
01/83	10/01/81-09/30/82	1	2	2	1	1	1	1	N	1	1	N
07/84	10/01/82-01/31/84	2	1	1	1	1	1	1	N	1	2	N
04/85	02/01/84-01/31/85	1	1	1	1	1	1	1	N	N	2	N
[1]03/86	09/16/85-01/10/86	2	1	2	1	N	N	N	N	1	N	N
07/86	09/16/85-04/30/86	2	1	2	1	N	1	2	N	1	2	1
01/87	05/01/86-10/31/86	2	1	1	1	N	1	2	N	2	1	1
[2]02/88	11/01/86-10/31/87	2	1	1	1	2	1	1	2	2	2	1

[1] Interim SALP evaluation

[2] eng supp=2

PLANT NAME: PILGRIM 1 closed 4/86 to present
REGION: 1

RPT	ASSMT. PERIOD	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	QP	LIC	TRG
04/81	01/01/80-12/31/80	2	3	2	2	2	3	2	3	3	N	N
10/81	09/01/80-08/31/81	3	2	3	2	2	1	2	2	3	N	N
11/82	09/01/81-06/30/82	3	2	2	2	3	1	2	2	N	2	N
01/84	07/01/82-06/30/83	2	2	2	1	1	1	2	N	N	1	N
12/84	07/01/83-09/30/84	2	3	1	1	2	3	2	1	N	1	N
02/86	10/01/84-10/31/85	3	3	2	2	N	3	2	1	N	1	N
[1]06/87	11/15/85-01/15/87	2	3	2	3	3	2	3	1	3	2	2

[1] Must enter correct report dates

PLANT NAME: PEACH BOTTOM 2/3 closed 3/87 to present
REGION: 1

RPT	ASSMT. PERIOD	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	QP	LIC	TRG
07/80	05/01/79-05/01/80	2	N	3	2	2	2	3	2	3	N	N
09/81	07/01/80-06/30/81	2	2	2	1	3	2	2	1	2	N	N
10/82	07/01/81-06/30/82	2	3	2	2	3	2	2	2	N	1	N
09/83	03/01/82-02/28/83	2	3	2	3	3	1	1	2	N	2	N
05/84	03/01/83-12/31/83	2	2	2	2	2	2	1	2	N	1	N
06/85	01/01/84-03/31/85	2	3	1	2	2	2	3	1	N	1	N
06/86	04/01/85-01/31/86	2	2	2	2	2	2	3	1	3	2	2
[1]12/87	02/01/86-05/31/87	N	2	2	2	3	2	2	N	N	2	N

[1] ops, QP unaccep; tech supp=2 improving; maint, FP improving

SALP HISTORY AS OF OCTOBER 1988

FOR REGION II PLANTS THAT HAVE BEEN IN EXTENDED SHUTDOWN

PLANT NAME: BROWNS FERRY 1/2/3 (closed 6/85 to present)
REGION: 2

RPT	ASSMT. PERIOD	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	QP	LIC	TRG
01/81	04/01/79 - 03/31/80	2	3	2	2	2	2	2	2	3	N	N
11/82	07/01/80 - 06/30/81	3	3	2	2	3	N	2	2	3	N	N
06/83	07/01/81 - 12/31/82	3	3	3	2	2	2	3	1	3	2	N
06/84	01/01/83 - 02/29/84	3	3	3	2	N	2	3	3	3	2	N
09/85	03/01/84 - 05/31/85	3	2	3	3	3	2	3	N	3	3	2

PLANT NAME: SEQUOYAH 1/2 Sequoyah 1 Closed 8/85 to present
REGION: 2 Sequoyah 2 Closed 8/85 - 5/88

RPT	ASSMT. PERIOD	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	QP	LIC	TRG
01/81*	08/01/79 - 03/29/80	2	2	2	2	3	2	2	2	2	N	N
11/82	07/01/80 - 06/30/81	3	2	2	2	2	2	2	N	3	N	N
06/83	07/01/81 - 12/31/82	2	2	2	1	N	2	3	2	3	2	N
06/84	01/01/83 - 02/29/84	2	1	1	1	1	3	2	1	3	2	N
09/85	03/01/84 - 05/31/85	2	2	3	2	2	2	2	2	3	2	2

* Ratings for reports 1/81 and 11/82 are for Unit 1 only.

SALP HISTORY AS OF OCTOBER 1988

FOR REGION III PLANTS THAT HAVE BEEN IN EXTENDED SHUTDOWN

PLANT NAME: DAVIS-BESSE 1 closed 6/85 - 12/86
REGION: 3

RPT	ASSMT. PERIOD	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	OP	LIC	TRG
12/80	11/01/79 - 10/31/80	2	2	2	2	2	3	3	2	2	N	N
09/82	11/01/80 - 03/31/82	2	1	3	2	2	1	2	1	3	2	N
10/83	04/01/82 - 03/31/83	2	1	3	2	2	2	2	1	N	2	N
12/84	04/01/83 - 08/31/84	2	1	3	2	3	3	2	1	3	2	3
[1]09/87	09/01/84 - 10/31/86	N	N	N	N	N	N	N	N	N	N	N
[2]03/88	11/01/86 - 12/31/87	2	1	2	1	3	2	1	1	2	2	2

[1] no ratings assigned in salp period 5

[2] Engineering support rated 2

PLANT NAME: FERMI 2 closed 7/85 - 3/86
REGION: 3

RPT	ASSMT. PERIOD	OPS	RADCON	MAINT	SURV	FP	EP	SEC	OUTG	OP	LIC	TRG
[1]09/85	10/01/84 - 06/30/85	2	2	2	2	3	1	2	N	2	2	N
[2]05/87	07/01/85 - 03/31/86	N	N	N	N	N	N	N	N	N	N	N
[3]01/88	04/01/86 - 03/31/87	3	2	2	3	N	1	2	2	2	2	3

[1] Construction ratings were also assigned.

[2] No ratings were assigned due to lack of operating performance.

[3] startup testing=1

PLANT NAME: [illegible] closed 5/86 - 4/87
REGION: 3

INIT	ASSMT PERIOD		OPS	EVALUATION	MAINT	SURV	EP	LP	SEC	QUAL	OP	EXC	TRG
02/81	09/01/79	09/01/80	3	3	2	3	2	2	2	2	2	N	N
07/82	07/01/80	06/30/81	2	2	2	3	1	2	2	2	3	3	N
01/83	07/01/81	06/30/82	2	3	2	1	2	2	2	2	2	2	N
10/83	07/01/82	06/30/83	1	2	2	1	2	1	2	N	1	2	N
01/85	07/01/83	10/31/84	2	2	2	2	2	2	2	1	2	2	N
02/86	11/01/84	10/31/85	2	2	3	3	2	2	2	N	3	2	N
12/87	11/01/85	04/30/87	2	2	3	2	2	2	2	2	3	2	2

SUMMARY OF SENIOR MANAGEMENT MEETING RESULTS

MEETING DATES	CATEGORY 3	CATEGORY 2	CATEGORY 1
JUNE 28-29, 1988	BROWNS FERRY SEQUOYAH 1 PEACH BOTTOM PILGRIM	TURKEY POINT DRESDEN FERMI SEQUOYAH 2 RANCHO SECO NINE MILE POINT 1 FORT CALHOUN	FORT ST. VRAIN
NOVEMBER 16-18, 1987	BROWNS FERRY SEQUOYAH PEACH BOTTOM PILGRIM RANCHO SECO	TURKEY POINT DRESDEN FERMI FORT ST. VRAIN	PALISADES
JUNE 2-3, 1987	BROWNS FERRY SEQUOYAH PEACH BOTTOM PILGRIM RANCHO SECO	TURKEY POINT DRESDEN FERMI FORT ST. VRAIN PALISADES	
OCTOBER 21-22, 1986	BROWNS FERRY SEQUOYAH RANCHO SECO FORT ST. VRAIN PALISADES	FERMI PEACH BOTTOM PILGRIM	TURKEY POINT DAVIS BESSE LASALLE
APRIL 23-24, 1986	PILGRIM LASALLE TURKEY POINT RANCHO SECO PEACH BOTTOM FERMI		

DEFINITIONS:

CATEGORY 3 - [illegible]

CATEGORY 2 - [illegible]

CATEGORY 1 - [illegible]

Appendix VII

3.2 Facility Performance

Functional Area		Category Last Period*	Category This Period**	Recent Trend
1.	Plant Operations	2	2	
2.	Radiological Controls	3	3	Improving
3.	Maintenance and Modifications	2	2	
4.	Surveillance	3	2	
5.	Fire Protection	3	2	
6.	Emergency Preparedness	2	2	Improving
7.	Security and Safeguards	3	2	
8.	Engineering and Technical Support	1	1	
9.	Licensing Activities	2	2	
10.	Training and Qualification Effectiveness	2	2	
11.	Assurance of Quality	3	2	
	Outage Management and Modifications Activities	1	***	

* November 1, 1985 to January 31, 1987

** February 1, 1987 to May 15, 1988

*** Not evaluated as a separate functional area; findings relative to outage activities are integrated into "Engineering and Technical Support", "Maintenance and Modifications", and other functional areas as appropriate

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

APR 2 6 1989

MEMORANDUM FOR: Marty Malsch, Acting Inspector General

FROM: Victor Stello, Jr.
Executive Director for Operations

SUBJECT: REVIEW OF NRC'S SYSTEMATIC ASSESSMENT OF LICENSEE PERFORMANCE PROGRAM

This responds to the OIA March 20, 1989, memorandum transmitting the subject audit report. I note your conclusion that the SALP program provides an important evaluation process that benefits both NRC and its power reactor licensees.

The major objectives of SALP are 1) to improve licensee performance in the construction and operation of nuclear plants and 2) to provide a basis for allocating NRC's inspection resources. The staff implemented SALP to provide a means for integration of staff findings and observations in several functional areas to enhance our ability to effectively assess utility management's strengths and weaknesses. The SALP reports and subsequent Management Meetings are used to directly communicate the NRC staff's conclusions to the licensee.

SALP is a dynamic process and its continuing evolution is reflected by a recent change to the NRC Manual Chapter (MC) in June 1988. The regions, using their daily interfaces with licensees, have responsibility for preparation, presentation, and follow-up of the SALP report. The process has been developed so that a rigid format is not established, allowing the regions some flexibility to transmit their assessment to the utility. General guidance is provided in the MC, and the proper implementation of this guidance is monitored by the SALP Coordinator, and other NRC offices. We recognize that other outside organizations utilize the SALP report for various reasons, but the major objectives of SALP (improve licensee performance and provide a basis for allocating inspection resources) should be maintained as the first priority.

With respect to your specific recommendations, I submit the following:

Recommendation 1

1. Ensure that a SALP Coordinator takes an active role in monitoring all aspects of the SALP program.

Response

We agree. Although the SALP Coordinator function is performed by various individuals in the Performance and Quality Evaluation Branch (PQEB), all will take an active role in monitoring the SALP program.

Recommendation 2

2. Establish a more detailed SALP MC in the area of report format and content enumerating the type of information to be included in the SALP report and the format of the information. The SALP Coordinator should monitor the regional SALP reports to ensure that the regions are conforming to the standardized format and content of the SALP report.

Response

We disagree. The current SALP MC provides the necessary detail concerning report format and content. The MC has been developed so that a rigid format is not established, allowing the regions flexibility to transmit their assessment to the licensee. However, PQEB will continue to monitor the regional SALP reports to ensure that the regions are conforming to the MC format.

Recommendation 3

3. Determine whether plants that have been in extended shutdowns should have SALP evaluations performed. Establish a policy with specific guidelines and criteria that all regions must follow on performing or not performing SALP evaluations for plants that have been in extended shutdowns:

   a. expand the SALP rating categories to include an unacceptable rating to distinguish between plants with insufficient activity in an area and plants with unacceptable performance;

   b. determine whether plants that are rated Category 3 on the Senior Management's list of problem plants should have SALP evaluations performed while the plants remain Category 3's. If SALP evaluations are to be performed on plants that are on the NRC Senior Management's Category 3 list of problem plants, establish a policy in the SALP MC to ensure that no potentially conflicting messages are given to the public.

Response

We agree in part. The need for SALP evaluations for problem plants will be determined by NRC Senior Management and a policy established. The use of an unacceptable rating was previously considered by NRC Senior Managers who elected not to incorporate an additional category.

Recommendation 4

4. Develop a system which will enable NRC to track inspection resources expended by region, facility and SALP functional area for power reactors. In addition, the system should be able to separate inspection resources expended into reactionary and planned resources.

Response

We agree. A new system was recently implemented to track inspection resources. The Master Inspection Planning System (MIP) will track inspection resources by SALP functional area.

Recommendation 5

5. Require the SALP Coordinator to monitor and analyze the results of the SALP program on the inspection resources expended for power reactors in all regions by facility and SALP functional area.

Response

We agree in part. Total inspection hours expended by facility will be analyzed since we believe this data provides a more accurate measure of the level of monitoring provided by the regions. The regions monitor inspection hours by SALP functional area and the information is considered during SALP boards.

Recommendation 6

6. Require the SALP Coordinator to monitor and track the regions' time-frames for performing the SALP evaluations with the objective of identifying causes of delays or specific regional efficiencies which other regions could adopt.

Response

We agree. The PQEB monitors and tracks the regions' time-frames for performing SALP evaluations and the results are reported bi-monthly in the NRR Management and Program Information (White Book). Causes of delays will be reviewed and corrective action taken if warranted.

Recommendation 7

7. Establish a program in which the staffs in each region and headquarters involved in the SALP process periodically hold counterpart meetings to discuss the different regions' approaches and procedures in carrying out the SALP process.

Response

Separate counterpart meetings regarding SALP will not be held; however, when deemed warranted for the increase in efficiency or effectiveness, SALP issues will be on the agenda for periodic Division Director meetings.

Victor Stello, Jr.
Executive Director
for Operations