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

June 15, 1994

Docket No. 50-255
Licensee No. DPR-20

Mr. W.T. McCormick, Jr.
Chairman
Consumers Power Company
1945 West Parnall Road
M-115
Jackson, MI 49201

Dear Mr. McCormick:

This letter forwards the Diagnostic Evaluation Team (DET) report for the Palisades Nuclear Generating Facility. The team assessed the effectiveness of licensed activities performed by Consumers Power Company (CPCo) in achieving safe operation at Palisades, and determined the causes of performance deficiencies. The team of evaluators, led by a Nuclear Regulatory Commission (NRC) manager, evaluated safety activities at Palisades from March 14-25, 1994, and April 18 through 22, 1994. Evaluations were also conducted at the corporate offices during these periods. Findings were discussed with you at an exit meeting on May 31, 1994, at Lake Michigan College. This exit meeting was open for public observation.

To gain an independent perspective, the team was staffed with members having no recent responsibility for the regulation of CPCo. Safety performance was evaluated in the areas of operations and training, maintenance and testing, engineering and technical support, and management.

The DET identified performance and programmatic deficiencies during its evaluation and found that weaknesses in management of Palisades significantly contributed to these deficiencies. I urge you to read the entire report because in multiple areas management failed to carryout its responsibilities. The details of these management failures are discussed in the Executive Summary with supporting information provided in related sections of the Team Report. The lack of an effective corrective action program coupled with ineffective quality oversight/self assessment appears to have contributed to these management failures.

The significant findings of the Diagnostic Evaluation (DE) include: the failure of plant management to address and correct human performance problems despite numerous internal and external assessments that indicated that these problems continued to be significant contributors to operational events;

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ineffective and untimely engineering evaluations of degraded components and systems in support of operability determinations and root cause evaluations for equipment failures; a high threshold for identifying deficiencies coupled with ineffective or untimely evaluations that resulted in your failure to take needed corrective action; and, ineffective independent quality oversight by the Nuclear Performance Assessment Department (NPAD), as well as line organization self assessments, that resulted in not identifying or correcting performance and programmatic problems at Palisades. The team found that a significant contributor to the weaknesses in Engineering and its support of the plant stemmed from your failure to clearly define and communicate to your staff the organizational roles and responsibilities between the Nuclear Engineering and Construction Organization and the Systems Engineering Department. In fact, I note that you only recently designated the Nuclear Engineering and Construction Organization as the design authority for Palisades, which previously had been abrogated to Systems Engineering and engineering contractors in many cases. Having single-point accountability and ownership of this significant function is particularly important at Palisades given the historical condition of design basis information for your facility and the problems that you have had in maintaining configuration control of your plant.

I note that some of the performance and equipment problems identified by the DET were ones that you had prior opportunity to resolve through review of operating experience feedback. A significant example of this is the deficient containment closeout identified by the DET that had been performed after the 1993 refueling outage. An excessive amount of loose material had been left in the building that rendered the containment sump inoperable. Deficiencies of this nature had been addressed in numerous generic NRC communications. This underscores your need to ensure objective and thorough evaluation of industry experience as it pertains to Palisades. This is of particular importance at Palisades in recognition of your lack of managers and staff who have nuclear industry experience and perspectives outside of your company.

During the exit meeting, you were informed that the team identified a programmatic breakdown in the area of pump and valve testing. Subsequently, the team reviewed additional information that you provided and discussed this and other information with the Region and the Office of Nuclear Reactor Regulation. This review resulted in a decrease in the significance of the performance weaknesses in the area of pump and valve testing. Although weaknesses in this area still exist and are highlighted in the report, the team concluded that they do not collectively represent a programmatic breakdown. The exit slides have been appropriately revised and are attached as Appendix A to the report.

I recognize that CPCo is in a period of transition because of the management changes that you made in early 1994 in key senior level positions in the company. I am encouraged by your having brought some managers from outside CPCo into some of these positions to provide much needed industry perspectives to your organization. I am also encouraged that the DET found that your new management team is taking ownership of problems and has begun to introduce

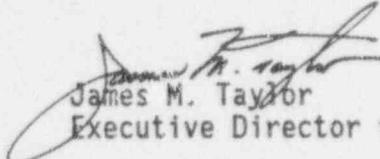
higher performance standards and expectations into the plant organization. Your recent infusion of individuals with nuclear experience outside of CPCo into your newly formed Nuclear Management Safety Review Committee is also a positive step.

I also note that CPCo, since the announcement of this DE, has developed and begun to implement the integrated Palisades Performance Enhancement Plan to broadly address the performance and programmatic deficiencies that exist at Palisades. The May 12, 1994, letter from your President and Chief Executive Officer to the DET manager that outlined the actions you have taken and plan to take to improve the performance at Palisades indicated your commitment to achieve and maintain sustained improvement and to make the Palisades Performance Enhancement Plan a living plan.

It is important that you and other CPCo managers carefully review the enclosed report, and place special emphasis on the areas requiring additional management attention. Following this review, I request that CPCo determine the actions needed to ensure a long-term resolution of poor performance by assuring you have addressed your understanding of the root causes. I also request, within 60 days of the date of this letter, that CPCo respond to my office to explain how the DET findings and your further evaluations of root causes are being addressed.

In accordance with 10 CFR 2.790(a), a copy of this letter and the enclosure will be placed in the NRC Public Document Room. Should you have any questions concerning this evaluation, we would be pleased to discuss them with you.

Sincerely,



James M. Taylor

Executive Director for Operations

Enclosure:
Diagnostic Evaluation Team Report
for Palisades Nuclear Generating Facility

cc w/encl: See next page

Consumers Power Company

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cc w/enclosure:

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