



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

AUG 10 1988

Docket Nos. 50-277; 50-278  
License Nos. DPR-44; DPR-56  
EA 88-04

Philadelphia Electric Company  
ATTN: Mr. J. Paquette, Jr.  
President and Chief  
Operating Officer  
2301 Market Street  
Philadelphia, Pennsylvania 19101

Gentlemen:

SUBJECT: ORDER AND NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF  
CIVIL PENALTY (NRC Office of Investigation Report No. 1-87-003)

In March 1987, the NRC received information that control room operators at your Peach Bottom Atomic Power Station had been observed sleeping while on duty in the control room, reading materials not directly job related, and being otherwise inattentive to the obligations of their license. The NRC confirmed this information during the initial phase of the investigation and also determined that all levels of plant management at that time either knew or should have known of these facts and either took no action or inadequate action to correct this situation. As a result, the NRC no longer had reasonable assurance that the facility would be operated in a manner to assure that the health and safety of the public would be protected, and therefore, issued an Order to Philadelphia Electric Company (PECo) on March 31, 1987 suspending operations of the Peach Bottom reactors.

Subsequently, the NRC determined that the inattentiveness described in the Order had occurred over an extended period of time and was pervasive, and the failure by site and corporate management to identify, investigate, and correct these conditions, and report it to the NRC, demonstrated a significant lack of management attention to, and control of, operations at Peach Bottom. These deficiencies constitute serious violations of NRC requirements.

The violations, which are set forth in the enclosed Notice, involved:

(1) PECo's willful violation of control room staffing requirements, in that licensed operators and senior licensed operators were sufficiently inattentive so as not to be considered present for purposes of meeting the staffing requirements, and this inattentiveness was condoned by shift supervisors and shift superintendents; (2) the failure by plant operations management (Operations Engineer and Superintendent of Operations) who knew of this significant condition adverse to safety, and the failure by the then plant manager and corporate management who should have known of this condition, to investigate, identify and correct this condition; and (3) PECo's failure to report this adverse condition to the NRC even though operations management (including the former Operation Superintendent, former Operations Engineer, and former Shift Superintendents and Shift Supervisors) had credible information for an extended period regarding this significant safety concern.

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These instances of inattentiveness by licensed and senior licensed operators also included: control room personnel routinely reclined in a resting position with their head back and eyes closed for indeterminate periods of time; control room personnel playing video games either on a hand held computer or on a control room computer display; and horseplay in the control room. Such conduct was indicative of a complacent and unprofessional attitude by these individuals toward their responsibilities described in their licenses, and constituted serious dereliction of duties by these individuals in carrying out those responsibilities. While these adverse conditions in themselves are unacceptable and could have contributed to inadequate operator response to degraded plant conditions, this pervasive inattentiveness, as well as management's failure to detect and correct it, are even more disturbing when viewed in light of the overall enforcement history that existed at Peach Bottom in the four years prior to the shutdown. During that time, the NRC issued six civil penalties and an Order to PECO, and also conducted fourteen enforcement conferences with PECO senior management, to discuss numerous violations of NRC requirements at Peach Bottom, including violations involving inattention to detail, failure by licensed individuals to follow procedural requirements, failure to respond to indications of problems, and numerous personnel errors by several licensed individuals, including shift supervisors and shift superintendents.

In the letter transmitting a \$200,000 civil penalty issued on June 9, 1986, the NRC indicated that the problems that were the subject of that penalty were indicative of a "lack of management involvement in and attention to station activities to assure that the station personnel respect, understand the need for, and adhere to your policies and procedures for safe operation of the facility." Notwithstanding these prior NRC concerns, and a prior enforcement conference conducted on June 21, 1985 for another situation in which an operator gave the appearance of sleeping, operators continued to exhibit a generally complacent and unprofessional attitude toward their roles and responsibilities, and continued to disregard the administrative procedure which set forth the requirement that an operator be alert and attentive to his duties. Furthermore, shift supervisors and shift superintendents participated in and condoned this unacceptable performance; operations management outside the control room, when confronted with this problem, did not aggressively pursue resolution; and corporate and plant management did not aggressively pursue related problems, such as continuing inadequate staffing leading to chronic excessive overtime on the part of operators, which would have made identification and correction of this condition more likely. These deficiencies represented a continuation of a declining trend in performance at Peach Bottom, and demonstrated a significant lack of accountability throughout the PECO organization.

The NRC recognizes that PECO has, since the shutdown, (1) made extensive personnel changes within their organization, including the Chairman of the Board and Chief Executive Officer, President and Chief Operating Officer, Executive Vice-President - Nuclear, Vice President - Peach Bottom, Plant Manager, and Operations Management, and has created the new Shift Manager position responsible for the daily operation and supervision of each shift, and (2) replaced or rescinded, as applicable, the licenses and senior licenses of several individuals, including the former Superintendent of Operations, the former Operations Engineer, and the Shift Superintendents. Further, the other licensed individuals who comprised the operations staff at the time of the shutdown were

placed in an extensive rehabilitation program and have been subjected to individual enforcement conferences with the NRC. Notwithstanding these actions, given the nature and number of previous NRC concerns, and the pervasive and extended inattentiveness and dereliction of duty identified during the NRC investigation, as well as an independent investigation conducted by PECO's Claims Security Division, the failure by corporate management to be aware of this condition at Peach Bottom and to take appropriate corrective action constitutes a significant regulatory concern, and is viewed by the NRC as a primary cause of the events that contributed to NRC issuance of the shutdown Order. While the NRC holds licensed operators individually accountable to the NRC for their actions, as evidenced by civil penalties issued concurrently to all but three of these individuals, this complacent and unprofessional attitude by the operators was consistent with the similar attitude exhibited by nine levels of management extending from shift supervisors to the Chairman of the Board. Additionally, should you seek to relicense the former shift superintendents the NRC may at a minimum require that either they (1) participate in a rehabilitation program similar to your "People, Foundation for Excellence," course or (2) justify to the NRC why participation in such a program is unnecessary.

Therefore, the violations described in the enclosed Notice of Violation and Proposed Imposition of Civil Penalty (Notice) are classified in the aggregate as a Severity Level II problem in accordance with Section III of the "General Statement of Policy and Procedure for NRC Enforcement Actions," 10 CFR 2, Appendix C (Enforcement Policy) (1988). A Severity Level II classification is warranted because of the very significant regulatory concern and the high potential impact on the public health and safety resulting from the number of operators involved, the nature of their actions, and the pervasiveness throughout the shift and operations management hierarchy. The NRC recognizes that (1) the Peach Bottom facilities were shut down by the NRC, have remained shutdown for over a year despite various submittals of corrective actions, and will remain shut down until the NRC has reasonable assurance that the measures taken to correct this condition are suitable to prevent recurrence; and (2) the Order and its associated shutdown costs should have sent a clear message to PECO, as well as all other licensees, that the NRC will not tolerate such conduct and will apply its maximum enforcement authority, when warranted, to ensure that such conduct does not occur. However, in recognition of the fact that weaknesses in both corporate and site management oversight and inattentiveness on the part of the operators were long standing problems at Peach Bottom that PECO could have addressed, I have decided that additional action is needed to (1) further emphasize to the licensee and its Board of Directors, as well as all other utilities, the significance of this problem, and to ensure that corrective actions taken are long lasting, and (2) emphasize to all licensees that in addition to the cost of corrective action, a licensee may face the additional costs of sanctions for significant safety violations. Therefore, after consultation with the Commission, I am issuing the enclosed Notice of Violation and Proposed Imposition of Civil Penalty in the cumulative amount of One Million Two Hundred and Fifty Thousand Dollars (\$1,250,000) for the violations set forth in the enclosed Notice. The amount of the civil penalty is based on issuance of a civil penalty of \$25,000 per day for the period extending from when your management personnel clearly had credible evidence of the problem on February 2, 1987 until the day (March 24, 1987) the NRC established 24-hour coverage in the Peach Bottom control room. By selecting this date the NRC staff does not mean to imply that prior to that date your plant and corporate management did

not know or should have not known of the inattentiveness in the control room rather, February 2, 1987 represents a date certain on which two levels of plant management knew of the problems.

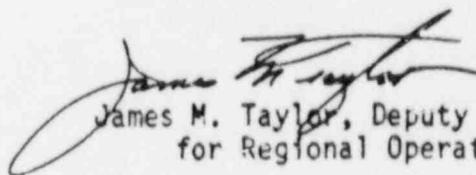
In addition to the civil penalty, although PECO has removed the three levels of plant management who knew or should have known of this condition, the NRC is also issuing the enclosed Order restricting their involvement in any responsible management or operations position with PECO without prior Commission approval. Such action is necessary because the then Operations Engineer and the then Superintendent of Operations knew of this condition, yet took no action to correct it, and the then Plant Manager as the senior site representative should have been aware of this condition.

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing your response. After reviewing your response to this Notice, including your proposed corrective actions and the results of future inspections, the NRC will determine whether further NRC enforcement action is necessary to ensure compliance with NRC regulatory requirements.

In accordance with Section 2.790 of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations, a copy of this letter and its enclosure will be placed in the NRC Public Document Room. Furthermore, a copy of this enforcement action is also being sent to the Chairman of the Board of each reactor utility in the United States as a notification and reminder that the NRC will not tolerate such activities.

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

Sincerely,



James M. Taylor, Deputy Executive Director  
for Regional Operations

Enclosures:

1. Notice of Violation and Proposed Imposition of Civil Penalty
2. Order Modifying License
3. OI Report Synopsis

See next page for cc's.

Philadelphia Electric Company

cc w/encls:

Corbin McNeill, Executive Vice President, Nuclear  
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John S. Kemper, Senior Vice President, Nuclear  
J. Gallagher, Vice President, Nuclear Services  
Thomas S. Shaw, Jr., Vice President, Production  
John F. Franz, Plant Manager, Peach Bottom Atomic Power Station  
Troy B. Conner, Jr., Esquire  
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Nuclear Safety Information Center (NSIC)  
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Commonwealth of Pennsylvania  
Chairman of the Board, all Reactor Utilities  
State of Maryland

Philadelphia Electric Company

bcc w/encls:

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