

PHILADELPHIA ELECTRIC COMPANY

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JOSEPH F. PAQUETTE, JR.
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

September 8, 1988
Docket Nos. 50-277
50-278

Mr. James Lieberman, Director
Office of Enforcement
U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555

SUBJECT: Peach Bottom Atomic Power Station Units 2 and 3
Notice of Violation and Proposed Imposition of
Civil Penalty (dated August 10, 1988); EA 88-04

REFERENCE: August 10, 1988 Letter from J. M. Taylor, NRC,
to J. F. Paquette, Philadelphia Electric Co.

Dear Mr. Lieberman:

The above-referenced letter transmitted a Notice of Violation and Proposed Imposition of Civil Penalty ("Notice") related to NRC Office of Investigation Report No. 1-887-003 concerning the Peach Bottom Atomic Power Station, Units 2 and 3. Three violations were alleged in the Notice, and a Civil Penalty of \$1,250,000 was proposed. In accordance with Section 2.201 of the Commission's regulations and the instructions in the Notice, Philadelphia Electric Company's Reply to the alleged violations is attached.

At present, the Company's primary objectives regarding Peach Bottom are (1) to address fully the concerns by the NRC's actions regarding that facility and (2) to achieve a safe, prompt restart. As is noted in the attached Reply, much progress has been made toward those goals. Having come this far, the Company does not at this juncture wish to take any action that might divert its personnel or the NRC staff from attending to the many matters involved in reaching those two paramount objectives. Such diversion would inevitably occur were the Company to take action to protest or request mitigation of the proposed penalty since this step could lead to time-consuming and costly litigation. Accordingly, with a full appreciation of the concerns underlying the Commission's Notice and notwithstanding the Company's objections to the Civil Penalty and to aspects of the allegations set forth in the Notice, I am enclosing the Company's check in the amount of \$1,250,000 in payment of the proposed Civil Penalty.

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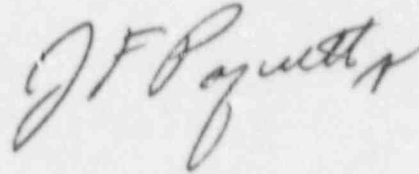
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REC'D WITHOUT CHECK

September 8, 1988

The Notice stated that "a substantial amount of material has been provided to the NRC concerning this matter," and it invited the Company "to make reference to such material in (its) response... where applicable." The Company's Reply therefore frequently cites to those previously submitted materials, including the "Plan for Restart of Peach Bottom Atomic Power Station," Revision 1 (dated April 8, 1988). If you have any questions or require additional information, please feel free to contact us.

Very truly yours,



Attachment: Reply to "Notice of Violation"

cc: Addressee

W. T. Russell, Administrator, Region I, USNRC
T. P. Johnson, USNRC Senior Resident Inspector
R. E. Martin, USNRC PB Project Manager
T. E. Magette, State of Maryland
J. Urban, Delmarva Power
J. T. Boettger, Public Service Electric & Gas
H. C. Schwemm, Atlantic Electric

PHILADELPHIA ELECTRIC COMPANY'S
REPLY TO NOTICE OF VIOLATION

Alleged Violation A

Response:

In various submissions to the NRC since the Commission ordered the shutdown of the Peach Bottom Atomic Power Station ("PBAPS") on March 31, 1987, Philadelphia Electric Company ("PECo" or the "Company") has acknowledged that certain events at PBAPS should not have occurred and that corrective changes in personnel, management, organization, and procedures were necessary. In this connection, PECo has also noted that NRC requirements and expectations concerning the operation and oversight of that facility were not met in all instances.

At the same time, the Company does not concede that all of the factual and conclusory allegations set forth in the August 10, 1988 Notice of Violation (the "Notice") are justified, nor that these allegations suffice to make out violations of each of the several regulatory requirements cited in the Notice. PECo also believes that particularly in light of the Company's swift and comprehensive response to the Commission's concerns about PBAPS, the proposed civil penalties are not warranted. As recognized by Mr. Taylor's August 10, 1988 letter transmitting the Notice,

PECo has, since the shutdown, (1) made extensive personnel changes within (its) 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 Operation 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.

Further, as Mr. Taylor's letter also observes, the Company has already incurred a substantial penalty in having PBAPS shut down for almost 18 months.

Nevertheless, the Company has concluded that devoting the resources that would be necessary to pursue these points would not be consistent with its paramount objectives at PBAPS. Those objectives are (1) to address fully the concerns raised by the NRC's actions regarding PBAPS and (2) to achieve a safe, prompt restart of that facility. As is outlined below and in other documents the Company has filed with the Commission, much progress has been made in this regard, and at this juncture, the Company does not wish to take any action that might divert its personnel or the NRC staff from attending to the many matters involved in reaching those immediate goals. Thus, notwithstanding any differences that it has with the contents of the Notice, the Company is prepared to settle the enforcement issues raised by the Notice by paying the proposed Civil Penalty, an action it has taken on this date.

Reasons for Alleged Violation:

In the months following the March 1987 order to shut down PRAPS, the Company has undergone a comprehensive and candid self-assessment, including in-depth investigations of performance at Peach Bottom, and a root cause analysis of the situation which led to the Shutdown Order. Those matters are discussed in detail in the "Plan for Restart of Peach Bottom Atomic Power Station," Revision 1 (the "Plan") (dated April 8, 1988).

Responsive Steps:

Following issuance of the Shutdown Order, the Company promptly took steps to ensure that licensed duties in the Control Room were being conducted in accordance with NRC requirements and station procedures. Those steps are described in the Company's April 6, 1987 letter to the NRC Regional Administrator. Further, as noted in Mr. Taylor's August 10, 1988 letter to the Company, the Company "has replaced or rescinded, as applicable, the licenses and senior licenses of several individuals," and the "other licensed individuals who comprised the operations staff at the time of the shutdown have been placed in an extensive rehabilitation program and have been subjected to individual enforcement conferences with the NRC."

It also should be noted that since the Peach Bottom shutdown, a new management team has been created. The philosophies and objectives of the Company's new management team are reflected by Revision 1 of the Plan and by additional information submitted to the NRC by letters dated July 22, August 15, and August 22, 1988. Several objectives set forth in the Plan are directly or indirectly related to ensuring control room compliance with all applicable regulations and requirements and to otherwise improving the performance of all control room personnel. Those objectives are:

- 1) Establish a PBAPS management team with strong leadership and management skills.
- 2) Increase the number of site management positions to ensure effective supervision and accountability for each function.
- 3) Ensure an adequate reserve of licensed operators to provide flexibility for relief and rotational assignments and add additional supervisory and reactor operator coverage beyond the safety requirements on each shift.
- 4) Provide shift personnel with alternative career paths and opportunities for relief from shift work during their career progression.
- 5) Identify and communicate the cultural values which the Company and PBAPS management are committed to supporting in the pursuit of nuclear excellence.

6) Provide training and team building support for management to live by these values.

7) Provide training and communications processes which support employee commitment to these values.

8) Ensure that management policies, programs and control systems support these values.

The Plan describes in detail numerous specific activities (referred to in the Plan as "major activities") which PECO has undertaken to achieve each of these objectives. The NRC Regional Administrator is advised monthly of the status of these activities through a written schedule update from Corbin A. McNeill, Jr., the Company's Executive Vice President-Nuclear. Most of these "major activities" have been completed.

The actions outlined above and in the Plan also serve to prevent future alleged violations.

Compliance Date:

All of the "major activities" described in the Plan will be completed prior to the restart of Peach Bottom.

Alleged Violation B

Response:

The Company incorporates by reference its response to Alleged Violation A above.

Reasons for Alleged Violation:

The Company incorporates by reference its response to Alleged Violation A above.

Responsive Steps:

Following issuance of the Shutdown Order, the Company promptly took the steps described in the Company's April 6, 1987 letter to the NRC Regional Administrator. Further, the Company replaced a number of individuals, including the former Superintendent of Operations, the former Operations Engineer, and the Shift Superintendents. Further, under an August 10, 1988 Commission Order, the former Plant Manager, the former Superintendent of Operations, and the former Operations Engineer will henceforth not be employed without Commission approval in a site supervisory position responsible for controlling 10 CFR Part 50 activities or in any position involved with operation of a nuclear facility, the direction or supervision of NRC licensed operators, or independent oversight of operators.

It also should be noted that Revision 1 of the Plan outlines several objectives intended to address the Commission's concern (as expressed in the Notice) that the plant manager and corporate management "provide adequate attention to, (and) exercise adequate oversight of, facilities operation to identify and correct...conditions adverse to quality." These objectives include those listed in the response to alleged Violation A. Additionally, the Plan also sets forth the following objectives:

- 1) Change the organizational structure to increase control, accountability and corporate direction for nuclear operations.
- 2) Develop the management systems and managerial skills which will strengthen self-assessment and problem resolution capabilities within the Nuclear organization.
- 3) Strengthen the independent assessment process to increase upper management's involvement in timely problem solving.

The Plan describes in detail specific "major activities" which PECO has undertaken to achieve each of these objectives, as well as those listed above in the response to alleged Violation A. Many of these "major activities," which are related to oversight and problem-identification issues, have already been completed.

In particular, the Company has been reorganized and has made extensive personnel changes, including new senior executive management, Vice President of Peach Bottom, Plant Manager and Operations Management. A nuclear-dedicated organization (The Nuclear Group) with direct line management control over nuclear operations, nuclear maintenance, nuclear engineering and design, and nuclear construction, eliminates the prior, more matrixed organization. By reorganizing and restaffing, the Company has fully dedicated organizational resources to meet nuclear needs in a timely manner, has ensured timely corporate level management attention and decision-making for station concerns, has increased the level of corporate technical direction and oversight of plant programs, and has established clear management accountability and authority for each aspect of the Company's nuclear operations. Line management, which has the lead responsibility for monitoring the safety and quality of nuclear activities, now has the benefit of an improved Operating Experience Assessment Program, a Commitment Tracking Program, a shortened chain of command, and an on-site vice-president who has authority to plan and direct the work of all site organizations.

As part of the reorganization, Nuclear Group mission statements have been developed and published, and team building meetings have been held to clarify responsibilities and communicate the objective for cultural change and improved performance.

A new Nuclear Quality Assurance (QA) organization has been established within The Nuclear Group, the General Manager of which reports to the Executive Vice President-Nuclear. This provides greater independence than in the past when QA reported to the corporate manager of nuclear production. A Performance Assessment Section was added to the Nuclear QA organization, and the Independent Safety Engineering Group (ISEG) is now part of Nuclear QA, with ISEG's functions now focused more on improving safety.

The Company has assembled a strong leadership team to provide new direction at Peach Bottom. All five senior site managers (the Vice President, Plant Manager, Project Manager, Support Manager and Training Superintendent) have demonstrated records of successful leadership and excellence across a broad spectrum of relevant backgrounds. Three of the five (the Vice President, Project Manager and Training Superintendent) are recent Company hires, and they contribute new managerial perspectives from other organizational cultures.

The new site organization includes a Superintendent-Operations and an Assistant Superintendent-Operations (both holding senior operator licenses) to ensure that one of the two senior operations managers is routinely available to shift operations personnel. The superintendent-Operations is now responsible solely for operations, whereas in the past, those areas reporting directly to him included the site engineering staff (test engineers, reactor engineers, I&C engineers and chemistry organization).

The newly created Shift Manager positions (replacing the Shift Superintendent positions) complete the new Operations Management team. The Shift Manager is a degreed engineer holding a senior operator license who reports to the Assistant Superintendent-Operations. This position provides a higher level of management authority on each shift and ensures that operations will not be isolated from management.

The actions outlined above, in the Plan, and in the additional information submitted to the NRC by letters dated July 22, August 15, and August 22, 1988, also serve as actions to prevent future alleged violations.

Compliance Date:

All of the "major activities" described in the Plan will be completed prior to the restart of Peach Bottom.

Alleged Violation C

Response:

The Company incorporates by reference its responses to alleged Violation A above.

Reasons for Alleged Violation:

The Company incorporates by reference the reasons set forth under Alleged Violation A above.

Responsive Steps:

Following issuance of the Shutdown Order, the Company promptly took the steps described in the Company's April 6, 1987 letter to the NRC Regional Administrator. Additionally, the Company made the personnel changes outlined in the foregoing responses to alleged Violations A and B.

It also should be noted that the Plan specifically addresses the issues raised by alleged Violation C. The Plan observes that "the establishment and maintenance of open, candid and constructive relationships with regulatory agencies and industry auditors is a key indicator of excellence in nuclear operations." The Plan outlines "steps (the Company has taken) to establish and maintain such relationships and to ensure that individual managers and employees understand the Company's expectations with respect to regular exchanges of information with resident NRC Inspectors and cooperative assistance to site auditors and visitors." In particular, the Plan states that the PBAPS Plant Manager will be meeting weekly with the NRC Senior Resident to discuss plant status, issues, and corrective actions. Further, the Plan notes that "(s)everal of the changes in organizational structure and many of the improvements being made to management systems will enable PE" to improve its ability to identify, to report, and to respond to problems.

The "major activities" outlined in the Plan which are related to the issues raised by alleged Violation C are also intended to prevent future alleged violations.

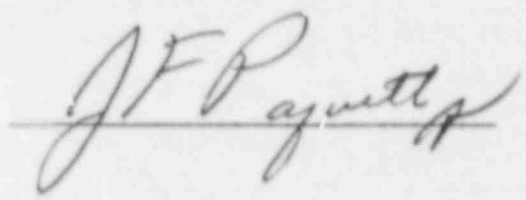
Compliance Date:

All of the "major activities" described in the Plan will be completed prior to the restart of Peach Bottom.


COMMONWEALTH OF PENNSYLVANIA :
 : SS.
COUNTY OF PHILADELPHIA :

J. F. Paquette, Jr., being first duly sworn, deposes and says:

That he is Chairman, President and Chief Executive Officer of Philadelphia Electric Company, Licensee under Facility Operating Licenses DPR-44 and DPR-56 for Peach Bottom Atomic Power Station, Units 2 and 3; that he has read the foregoing Reply to Notice of Violation and knows the contents thereof; and that the statements and matters set forth therein are true and correct to the best of his knowledge, information and belief.



Subscribed and sworn to
before me this 8th day
of September, 1988.


Notary Public

PATRICIA A. JONES
Notary Public, Phila., Phila. Co.
My Commission Expires Oct 13, 1990