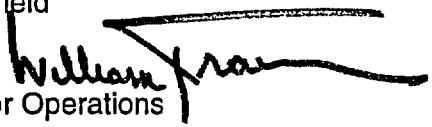




UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D.C. 20555-0001

May 2, 2003

MEMORANDUM TO: Chairman Diaz  
Commissioner Dicus  
Commissioner McGaffigan  
Commissioner Merrifield

FROM: William D. Travers   
Executive Director for Operations

SUBJECT: RESULTS OF THE NRC AGENCY ACTION REVIEW MEETING,  
APRIL 22-23, 2003

The purpose of this memorandum is to inform the Commission of the results of the third Agency Action Review Meeting (AARM) held on April 22-23, 2003, in Annapolis, Maryland. The AARM agenda is provided as Attachment 1. The AARM is an integral part of the evaluative process in the NRC's reactor oversight program (ROP) to review the operational safety performance of reactor licensees. The assessment period for the third year of the ROP was from January 1, 2002 to December 31, 2002. The AARM also addresses materials licensees and groups of licensees that meet the criteria for discussion at the AARM, as defined in SECY-02-0216, "Proposed Process for Providing Information on Significant Nuclear Materials Issues and Adverse Licensee Performance," dated December 11, 2002.

**BACKGROUND**

The April 2003 AARM was conducted in accordance with NRC Management Directive (MD) 8.14, "Agency Action Review Meeting," and in accordance with Inspection Manual Chapter (IMC) 0305, "Operating Reactor Assessment Program." As specified in MD 8.14, the AARM was held to achieve the following five objectives: (1) to allow senior NRC managers to review agency actions that have been taken for those plants with significant performance problems as determined by the ROP action matrix and identify additional actions, as appropriate; (2) to ensure that coordinated courses of action have been developed and implemented for licensees of concern; (3) to ensure the efficacy of the ROP in meeting the agency's strategic goals; (4) to ensure that trends in industry and licensee performance are recognized and appropriately addressed; and (5) to allow NRC senior managers to review agency actions that have been taken for those fuel cycle and other materials facilities with significant safety and safeguards issues and identify additional actions, as applicable.

Only those plants with significant performance problems are discussed at the AARM<sup>1</sup>. These discussions are intended to be informational and confirmatory. Under the ROP, NRC actions

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<sup>1</sup>The plants discussed are those whose performance has resulted in them being placed in either the multiple/repetitive degraded cornerstone or unacceptable performance columns of the ROP action matrix.

are taken as necessary to address plant performance issues as they are identified; that is, the agency does not wait for the annual review to take actions and allocate resources (e.g., NRC actions in response to the discovery of reactor pressure vessel head degradation at Davis-Besse). The ROP action matrix provides for a range of actions for the NRC to implement to address plant performance issues. Thus, at the AARM, senior managers review the agency's actions that are completed or are planned, to confirm their appropriateness and effectiveness.

The ROP also includes a self-assessment program that evaluates how well the ROP is meeting its goals of being objective, risk-informed, understandable, and predictable, as well as meeting the agency's strategic performance goals of (1) maintaining safety, (2) increasing public confidence, (3) improving effectiveness, efficiency, and realism of activities and decisions, and (4) reducing unnecessary regulatory burden. Under the ROP, the staff develops an annual report that includes an analysis of ROP performance metrics and other relevant information. This report is used as the basis for discussions at the AARM regarding the effectiveness of the ROP. The ROP self-assessment report is contained in SECY-03-0062, "Reactor Oversight Process Self-Assessment for Calendar Year 2002," dated April 21, 2003.

One of the measures to support the Agency's strategic performance goal to "maintain safety, protection of the environment, and the common defense and security" is no "statistically significant adverse trends in safety performance." To support this performance goal measure, the staff uses selected indicators compiled from industry data obtained from various sources. The staff examines this data for any significant adverse trends in performance. Under the ROP, the staff develops an annual report that includes a trend analysis of industry performance. This report is used as the basis for discussions at the AARM regarding the analysis of industry trends. The most recent report was provided to the Commission as SECY-03-0057, "FY 2002 Results of the Industry Trends Program for Operating Power Reactors and Status of Ongoing Development," dated April 17, 2003.

#### **APRIL 2003 AARM SUMMARY**

Mr. Samuel Collins, Director of the NRC Office of Nuclear Reactor Regulation (NRR) and Mr. Bill Borchardt, Acting Deputy Director, NRR led the AARM participants (a list of participants is provided as Attachment 2) through a review of the objectives of the AARM; the agenda for the May 15, 2003, Commission Briefing on the results of the AARM; and the status of completing the annual end-of-cycle summary meetings. There were some delays in completing all of the annual meetings due to the fact that licensee visitors centers (where annual meetings are typically held) were closed for security reasons and new venues needed to be identified.

#### **Reactor Facility Discussions**

Point Beach 1 and 2, Oconee 1, Indian Point 2, and Cooper were the plants identified with significant performance problems in the third year of the ROP. These plants will be discussed at the May 15, 2003 Commission Briefing on the AARM. The discussion of these plants at the AARM are summarized below.

### **1. Point Beach Nuclear Plant, Units 1 and 2**

Mr. Jim Dyer, Regional Administrator for NRC Region III, led a discussion of the Point Beach facility. This plant was discussed at the AARM because both units are in the Multiple/Repetitive Degraded cornerstone column of the IMC 0305 Action Matrix due to a red finding associated with a potential common mode failure of the auxiliary feedwater system (AFWS). At the time of the end of cycle assessment, this issue was under consideration for old design issue credit, but this credit was subsequently denied as documented in an April 2, 2003, inspection report. This inspection report also identified a second preliminary red finding associated with the AFWS for a similar common mode failure vulnerability created by a recent modification to the system.

Mr. Dyer outlined the actions that the NRC completed and has planned in response to the final and preliminary red findings associated with the AFWS. As a result of the AARM discussions, the senior managers confirmed that the NRC actions taken to date and planned for the future were appropriate and consistent with the ROP Action Matrix. The senior managers agreed that the NRC staff should update the end-of-cycle assessment letter to the Point Beach licensee to reflect Point Beach performance as being in the Multiple/Repetitive Degraded cornerstone column of the Action Matrix, and plans to conduct a 95003 inspection later in the year.

### **2. Oconee Nuclear Station, Unit 1**

Mr. Luis Reyes, Regional Administrator for NRC Region II, led a discussion of the Oconee 1 facility. The Unit 1 performance for the first two quarters of 2002 was in the Multiple/Repetitive Degraded cornerstone column of the ROP Action Matrix. This was due to the Mitigating Systems cornerstone being degraded for more than four quarters. Unit 1 performance for the third and fourth quarters of the 2002 assessment period was within the Regulatory Response Column of the ROP Action Matrix. This was due to a white Mitigating Systems cornerstone performance indicator (PI) that reflected performance at a level requiring increased regulatory response (white) and a Barrier Integrity cornerstone finding of a low to moderate safety significance (white). The white finding had only been in effect three of the four requisite quarters; therefore, it remains in effect through the first quarter of 2003. Mr. Reyes outlined the actions that NRC completed and have planned as detailed in the March 4, 2003, Annual Assessment Letter.

As a result of these discussions, the senior managers confirmed that the NRC actions taken to date and those that are planned for the future, were appropriate and consistent with the ROP Action Matrix. No recommendations for additional NRC action beyond those already implemented or planned were proposed.

### **3. Indian Point Nuclear Generating Unit 2**

Mr. Hubert Miller, Regional Administrator for NRC Region I, led a discussion of the Indian Point 2 facility. Mr. Miller's assessment indicated that while there have been performance improvements, some weaknesses continue in human performance and corrective action, where substantive cross-cutting issues remain open. In the fourth quarter 2002, Indian Point 2's performance was in the Degraded cornerstone in the ROP Action Matrix based on a yellow finding associated with operator training, and a white finding relating to plant design. In the first three quarters of 2002, the plant had Multiple Degraded cornerstones based on a red finding in the Initiating Events cornerstone and yellow and white findings in the Mitigating Systems

cornerstone. In addition, the areas of site security, coordination with offsite emergency preparedness activities, and Unit 2/Unit 3 integration have challenged the plant.

Mr. Miller outlined the actions that NRC completed and have planned as detailed in the March 4, 2003 Annual Assessment Letter and a March 18, 2003 Deviation Memorandum that provides continuing heightened NRC management involvement and inspection of selected corrective action and design-related issues. As a result of these discussions, the senior managers confirmed that the NRC actions taken to date and those that are planned for the future, were appropriate and consistent with the ROP Action Matrix. No recommendations for additional NRC action beyond those already implemented or planned were proposed.

#### **4. Cooper Nuclear Station**

Mr. Ellis Merschoff, Regional Administrator for NRC Region IV, led a discussion of the Cooper facility. Cooper met the criteria for discussion at the AARM because plant performance in 2002 had declined to the Multiple/Repetitive Degraded cornerstone column of the ROP Action Matrix. This decline in performance was based on three white findings in the Emergency Preparedness cornerstone, one finding originating in the second quarter of 2001, and two findings originating in the third quarter of 2001. These findings are being held open in accordance with IMC 0305 for greater than four quarters because NRC supplemental inspections revealed that the licensee's root cause evaluation did not fully identify and assess all of the contributing causes that resulted in the breakdown of the Emergency Preparedness Program. In addition, substantive cross-cutting issues were identified during the previous end-of-cycle review, carried through the mid-cycle assessment and continue to be a concern during this assessment period.

Mr. Merschoff outlined the actions that NRC completed and have planned as detailed in the March 4, 2003 Annual Assessment Letter. As a result of these discussions, the senior managers confirmed that the NRC actions taken to date and those that are planned for the future, were appropriate and consistent with the ROP action matrix. No recommendations for additional NRC action beyond those already implemented or planned were proposed.

#### **Materials Licensee Discussions**

Mr. Martin Virgilio, Director of the NRC Office of Nuclear Materials Safety and Safeguards (NMSS) provided a brief description of the process that NMSS employed in assessing licensee performance trends to arrive at which licensees would be considered to be discussed at the AARM. This process is described in SECY-02-0216. Mr. Virgilio stated that NMSS worked with the Office of State and Tribal Programs and the Regional Administrators to perform a screening review and concluded that only one facility, Nuclear Fuel Services (NFS) in Erwin, Tennessee, needed to be discussed at the AARM.

##### **1. Nuclear Fuel Services, Inc.**

Mr. Luis Reyes led a discussion of Nuclear Fuel Services, Inc. The License Performance Review (LPR) identified the following areas as needing improvement: ensuring procedural compliance (identified in each of the last 3 years); implementation of material control and accounting (MC&A) program; and completeness of license amendment applications. Mr. Reyes discussed the uniqueness and importance of the facility, MC&A inspection findings which

resulted in a confirmatory action letter and an Office of Investigation (OI) investigation; unresolved items; and upcoming Licensee and NRC actions.

As a result of these discussions, the senior managers concluded that the performance of Nuclear Fuel Services, Inc. does not meet the criteria in SECY-02-0216 for discussion at the Commission briefing on the AARM.

### **Review of Industry Trends**

Mr. Tom Boyce, of the Inspection Program Branch in NRR, briefed the senior managers on the results of the Industry Trends Program for CY 2002. The structure of the program and the CY 2002 results are described in detail in SECY-03-0057, "FY 2002 Results of the Industry Trends Program for Operating Power Reactors and Status of Ongoing Development," dated April 17, 2003. Mr. Boyce reported that the staff's analysis of CY 2002 industry trend data did not identify any statistically significant adverse trends in safety performance. The senior managers acknowledged this conclusion and did not recommend any additional actions beyond those already implemented or planned. These conclusions and actions are fully described in the above referenced SECY paper.

At the conclusion of this discussion, Mr. Borchardt stated that next year's AARM will have a separate discussion on trends in the materials and waste arenas. This future discussion would be based on the information provided in the annual update on significant nuclear materials issues, as well as performance trends in the materials and waste arenas. The first annual update was provided to the Commission in SECY-03-0060 "Annual Report to the Commission on Performance in the Materials and Waste Arenas," dated April 18, 2003.

### **Review of ROP Self-Assessment**

Ms. Cynthia Carpenter, Chief, Inspection Program Branch in NRR, briefed the senior managers on the results, lessons learned, and planned actions following the third year of implementation of the ROP. SECY-03-0062, "Reactor Oversight Process Self-Assessment for Calendar Year 2002," dated April 21, 2003, provides a detailed review of these activities and was used as a basis for the discussion. Diverse data sources for the self-assessment included: self-assessment metrics described in IMC 0307; ROP internal feedback process; recommendations from special task groups; concerns noted by the Advisory Committee on Reactor Safeguards and the Office of the Inspector General; comments from external survey/federal register notice solicitation; insights from the internal survey; feedback received at various meetings, workshops, and conferences; and direction and insights from Commission Staff Requirements Memoranda.

The overall results of the self-assessment are: (1) the ROP was successfully supporting the Agency's performance goals and ROP goals; (2) the ROP was effective in monitoring plant activities and focusing resources; (3) the ROP continued to improve as a result of feedback and lessons learned; (4) that most self assessment metrics were met; (4) that stakeholder perception on ROP effectiveness is mixed; and (5) that recommendations from Davis-Besse Lessons Learned Task Force and the Significance Determination Process Task Group will be addressed. The senior managers acknowledged the above results, identified challenges and

planned actions, and did not recommend any other actions beyond those that were described in SECY-03-0062.

**Information Brief on Davis-Besse**

Mr. Jim Dyer, provided an information brief on Davis-Besse Oversight Status. He discussed the Oversight Panel's (IMC 0350 Panel) restart checklist; completed and upcoming oversight inspections and assessments; restart decision criteria; post-restart oversight activities (should plant restart be authorized); public access and stakeholder involvement; and NRC budget implications. The senior managers acknowledged the on-going and planned actions and did not recommend any other actions than those discussed.

**Attachments:**

1. AARM Agenda
2. List of Attendees

cc: SECY  
OCA  
OGC  
OPA  
CFO

**AGENCY ACTION REVIEW MEETING AGENDA**  
**APRIL 22-23, 2003**  
**ANNAPOLIS, MARYLAND**

**TUESDAY, APRIL 22<sup>nd</sup> - AGENCY ACTION REVIEW MEETING (AARM)**

12:00 - 12:15	Welcome to the AARM	W. TRAVERS
12:15 - 12:30	Overview of the AARM Process	S. COLLINS/W. BORCHARDT
12:30 - 1:30	Reactor Plant Discussion - Point Beach	J. DYER
1:30 - 2:30	Reactor Plant Discussion- Oconee 1	L. REYES
2:30 - 2:45	<i>Break</i>	
2:45 - 3:45	Reactor Plant Discussion- Indian Point 2	H. MILLER
3:45 - 4:45	Reactor Plant Discussion- Cooper	E. MERSCHOFF
4:45 - 5:45	Material Licensee Discussion - Nuclear Fuel Services	L. REYES
5:45	Adjourn	

**WEDNESDAY, APRIL 23<sup>rd</sup> - AGENCY ACTION REVIEW MEETING (continued)**

***Breakfast Buffet in Meeting Room***

8:00 - 8:45	Industry Trends	T. BOYCE
8:45 - 10:00	ROP Self-Assessment	C. CARPENTER
10:00 - 10:15	<i>Break</i>	
10:15 - 10:45	Information Brief on Davis-Besse	J. DYER
10:45 - 11:15	AARM Wrap Up and Closing Remarks	S. COLLINS/W. TRAVERS

**AGENCY ACTION REVIEW MEETING ATTENDEES**  
**APRIL 22-23, 2003**  
**ANNAPOLIS, MARYLAND**

**Mail Stop**

William D. Travers, Executive Director for Operations	O-16	E15
William F. Kane, Deputy Executive Director for Reactor Programs	O-16	E15
Carl J. Paperiello, Deputy Executive Director for Materials, Research and State Programs	O-16	E15
Patricia G. Norry, Deputy Executive Director for Management Services	O-16	E15
Jesse L. Funches, Chief Financial Officer	O-17	F3
Jacqueline E. Silber, Acting Chief Information Officer	O-16	C1
Karen D. Cyr, General Counsel	O-15	D21
Stephen G. Burns, Deputy, General Counsel	O-15	D21
Hubert J. Miller, Regional Administrator, Region I	RGN-I	
Luis A. Reyes, Regional Administrator, Region II	RGN-II	
James E. Dyer, Regional Administrator, Region III	RGN-III	
Ellis W. Merschoff, Regional Administrator, Region IV	RGN-IV	
Samuel J. Collins, Director, Office of Nuclear Reactor Regulation	O-5	E7
Martin J. Virgilio, Director, Office of Nuclear Material Safety and Safeguards	T-8	A23
Ashok C. Thadani, Director, Office of Nuclear Regulatory Research	T-10	F12
Roy P. Zimmerman, Director, Office of Nuclear Security and Incident Response	T-4	D18
Frank J. Congel, Director, Office of Enforcement	O-14	E1
Guy P. Caputo, Director, Office of Investigations	O-3	F1
Paul H. Lohaus, Director, Office of State and Tribal Programs	O-3	C10
William M. Beecher, Director, Office of Public Affairs	O-2	A13
Edward Baker, Deputy Director, Office of International Programs	O-4	E21
John T. Larkins, Executive Director, Advisory Committee on Reactor Safeguards/Advisory Committee on Nuclear Waste	T-2	E26
Michael L. Springer, Director, Office of Administration	T-7	D57
Paul E. Bird, Director, Office of Human Resources	T-3	A2
Corenthis B. Kelley, Director, Office of Small Business and Civil Rights	T-2	F18
R. William Borchardt, Acting Deputy Director, Office of Nuclear Reactor Regulation	O-5	E7
Thomas Boyce, Inspection Program Branch, Office of Nuclear Reactor Regulation	O-7	A15
Douglas Coe, Inspection Program Branch, Office of Nuclear Reactor Regulation	O-7	A15
Cynthia A. Carpenter, Chief Inspection Program Branch, Office of Nuclear Reactor Regulation	O-7	H4
Mark A. Satorius, Inspection Program Branch, Office of Nuclear Reactor Regulation	O-7	A15
Robert J. Pascarelli, Inspection Program Branch, Office of Nuclear Reactor Regulation	O-7	A15
Scott A. Morris, Office of the Executive Director for Operations	O-16	E15
Isabelle Schoenfeld, Office of the Executive Director for Operations	O-6	E15



planned actions, and did not recommend any other actions beyond those that were described in SECY-03-0062.

**Information Brief on Davis-Besse**

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CFO

**Distribution:**

EDO r/f  
DEDR r/f  
Meeting Attendees  
S. Morris  
I. Schoenfeld  
S. Burns

\*See previous concurrence

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NAME	ISchoenfeld		Smorris by BSmith		WTravers					
DATE	5/ 2 /03		5/01/03		5/ 2 /03					

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