

December 2, 2003

EA-03-180

Mr. Daniel J. Malone
Site Vice President
Palisades Nuclear Plant
Nuclear Management Company, LLC
27780 Blue Star Memorial Highway
Covert, MI 49043-9530

SUBJECT: REGULATORY CONFERENCE TO DISCUSS A PRELIMINARY WHITE
INSPECTION FINDING AT THE PALISADES NUCLEAR PLANT
(NRC INSPECTION REPORT 50-255/03-05(DRP))

Dear Mr. Malone:

This letter refers to the Regulatory Conference held on November 25, 2003, at 9:00 a.m. Central Standard Time (CST), at the U.S. Nuclear Regulatory Commission Region III office in Lisle, Illinois. The purpose of the Regulatory Conference was for the Nuclear Management Company, LLC (NMC) to provide its perspective on the significance of the preliminary White inspection finding at the Palisades Nuclear Plant related to the March 25, 2003, loss of offsite power and loss of shutdown cooling event which occurred when a signpost being installed in the plant parking lot was driven into a conduit and damaged a cable which contained a combination of energized indication circuitry and de-energized protective relaying circuitry. The metal signpost cut and shorted together several of the conductors within the cable, generating a fault signal to the breakers supplying offsite power to the plant, causing the event. In addition, the Regulatory Conference was an opportunity for NMC to provide any revised or new information associated with the original risk analysis, and any other information related to the finding. The preliminary White inspection finding is discussed in Inspection Report 50-255/03-05(DRP) issued on May 19, 2003, and by letter dated October 3, 2003.

At the Regulatory Conference, your staff presented an overview of the event, related corrective actions, and the methodology and results of your independent safety assessment of the preliminary White finding. During the meeting, your staff also provided simulator testing and thermal-hydraulic analysis results which were used in your independent safety assessment following your receipt of our October 3, 2003, letter which characterized this issue as a preliminary White finding. Your staff's presentation also included a discussion, based upon the additional information presented, that it is your view that the finding would be more properly characterized as Green, that is, a finding of very low safety significance. The NRC and NMC staffs held extensive discussions regarding specific technical issues related to your analysis. Topics discussed included your use of a thermal-hydraulic analysis computer model which had not been specifically reviewed or endorsed by the NRC and contained potentially non-conservative input data, as well as your assumption that operators would be under only low to moderate stress levels during a station blackout event.

D. Malone

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The handout provided by NMC at the Regulatory Conference and a listing of principal NMC and NRC attendees are attached as Enclosures 1 and 2 to this letter.

In accordance with 10 CFR 2.790 of the NRC's "Rule of Practice," a copy of this letter and its enclosures will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

You will be advised of our final decision in this matter by separate correspondence.

If you have any questions regarding this letter, please contact Mr. Eric Duncan at (630) 829-9628.

Sincerely,

/RA/

Steven A. Reynolds, Acting Director
Division of Reactor Projects

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

Enclosures: 1) NMC Handout
2) List of Principal Attendees

cc w/encls: J. Cowan, Executive Vice President
and Chief Nuclear Officer
R. Fenech, Senior Vice President, Nuclear
Fossil and Hydro Operations
D. Cooper, Senior Vice President - Group Operations
L. Lahti, Manager, Regulatory Affairs
J. Rogoff, Vice President, Counsel and Secretary,
A. Udrys, Esquire, Consumers Energy Company
S. Wawro, Director of Nuclear Assets, Consumers Energy Company
Supervisor, Covert Township
Office of the Governor
Michigan Department of Environmental Quality -
Waste and Hazardous Materials Division
Michigan Department of Attorney General

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REGULATORY CONFERENCE PRINCIPAL ATTENDEES
November 25, 2003, at 9:00 a.m. CST

NMC - Palisades Nuclear Plant

D. Cooper, NMC Senior Vice President - Group Operations
D. J. Malone, Site Vice President - Palisades
R. Remus, Plant Manager - Palisades
M. Carlson, Site Engineering Director - Palisades
J. Kingseed, Program Engineering Manager - Palisades
G. Sleeper, Operations Training Coordinator - Palisades
F. Yanik, Acting Programs and Analysis Engineering Supervisor - Palisades
B. Brogan, Lead Probabilistic Risk Assessment Engineer - Palisades
L. Lahti, Regulatory Affairs Manager - Palisades
D. G. Malone, Regulatory Compliance Supervisor - Palisades

NRC

G. Grant, Deputy Regional Administrator, Region III
S. Reynolds, Acting Director, Division of Reactor Projects, Region III
M. Tschiltz, Chief, Probabilistic Safety Assessment (PSA) Branch, NRR
E. Duncan, Chief, Branch 6, Division of Reactor Projects, Region III
J. Lennartz, Palisades Senior Resident Inspector
M. Parker, Senior Reactor Analyst, Region III
S. Burgess, Senior Reactor Analyst, Region III
L. Ward, Reactor Systems Branch, Division of Systems Safety Analysis (DSSA), NRR
G. Parry, PSA Branch, DSSA, NRR
R. Perch, Plant Systems Branch, DSSA, NRR
P. Wilson, Plant Systems Branch, DSSA, NRR
M. Franovich, Plant Systems Branch, DSSA, NRR
R. Franovich, Division of Inspection Program Management, NRR
A. McMurtray, Project Manager, Division of Licensing Project Management, NRR
C. Weil, Enforcement Specialist, Region III