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To: Anne Passarelli; Daniel Collins; Daniel Holody; Daniel Orr; George Malone; Marc Ferdas; Mel Gray; Scott Barber; Theodore Wingfield
Date: 5/7/04 9:02AM
Subject: PSEG SCWE Updates

Please see below for two recent summaries on PSEG's efforts in the SCWE area. The first discusses the IAT and the second describes PSEG's efforts in addressing Synergy Results. I pointed out some of the important info in bold, for quick viewing.

Independent Team Delivers Recommendations for Improvement at PSEG Nuclear
Report Prepared in Response to NRC Letter to Management

Members of an independent team chartered by Chairman and CEO Jim Ferland have delivered their final report evaluating the environment at Salem/Hope Creek for raising and addressing safety issues. The team was formed in response to a letter received on January 28th 2004 from the Nuclear Regulatory Commission (NRC) and was led by Jim O'Hanlon, the former head of Dominion Power's generation business. Team members consisted of outside consultants with extensive nuclear regulatory and management experience.

They conducted an extensive review that included some **190 interviews of current and former employees** at the station as well as at the Newark general office. As part of its work, **team members examined numerous records**. These included: survey results, NRC inspection reports, records of unresolved conflicts, management's operational decision-making, the Employee Concerns Program, management's effectiveness in detecting and preventing retaliation and chilling effect behavior, and the communication between Newark corporate management and PSEG Nuclear (corporate/site interface) and the effects of that communication on the work environment.

The bottom line: The results of the independent team are consistent with those of two major surveys recently conducted at the site and call for action to improve the work environment at Salem/Hope Creek. The findings of the team highlighted that employees at all levels contribute to a safety conscious work environment (SCWE) and that management must clearly express and continually reinforce its unwavering commitment to safety.

"The team's candid feedback and recommendations will help us improve our overall safety focus," said Ferland. "The report tells us that although we have always had a corporate ethic that favors safety over production, that message may not be coming through as loud and clear as we would like. Let there be no mistake about it -- safety will always be first in this company." Frank Cassidy, president of PSEG Power, said that in order to reinforce the priority of safety, the Power Behaviors will be modified to place safety at the top of the list for all employees as part of a "next steps" plan. "For our nuclear operations, these behavior standards will be used as a benchmark to track our specific efforts to improve the work environment at Salem/Hope Creek and to measure our progress going forward," said Cassidy. "We need to make it crystal clear - to everyone in the organization -- that a commitment to safety is the most important expectation we have."

"The work that lies ahead," said Cassidy, "will be a challenge to all of us." He noted that Roy Anderson, president and CNO of PSEG Nuclear and senior vice president Chris Bakken have the bulk of the responsibility on their shoulders to help effect change at the country's second largest nuclear installation. "The program we intend to implement will take everyone's best effort" he said, "but I pledge my own direct involvement and I know that Roy, Chris and I have very specific results we want to achieve."

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Bakken said an action plan is being prepared that will integrate the results of the team's recommendations along with the results of the Synergy and USA Assessment surveys. He also noted that **senior management at Nuclear will be meeting on May 10 and 11 to address these issues and to develop a plan to address the findings that will be presented to the NRC at a public meeting in June. Prior to that public meeting, the company will file all three reports - the extensive executive summary of the Synergy Survey, the USA Assessment Survey and the final report of the Independent Assessment Team - with the NRC and will present its action plan to all Nuclear employees as well.**

"In addition to the Independent Assessment Team's Report, we have a **renewed commitment from PSEG's senior management and the Nuclear Committee of the Board of Directors** to make significant improvements in the way we manage and operate at Salem/Hope Creek," said Roy Anderson. "The entire senior management team understands this message and recognizes that our actions must match our words. **"We must ensure that employees feel free to raise concerns, that we address concerns promptly and that we will not tolerate retaliation of any kind,"** Anderson said. **"We will also be enhancing our Employee Concerns Program** so that it remains an effective resource for employees.

We are fortunate to have Mike Brothers -- with his experience in safety conscious work environment improvements at Millstone and several other commercial and DOE nuclear facilities -- to lead our SCWE effort. I have every confidence we will succeed."

Synergy Phase II Work Culture Improvement Team

The second phase of our work culture improvement process occurred recently over the three-day period of April 20 through 22. There a cross-sectional group of employees, both union and mast associates, met and reviewed the

Problem Statements and recommendations from the original Synergy Phase I teams.

During this time, the team also reviewed the original data from the Synergy Culture survey to see if there were any recommendations that had not been addressed during Phase I. A couple of items of concern that were not completely covered in Phase I were added to the discussion.

After reviewing all the recommendations, the team felt the issues fell into three distinct, yet interrelated categories: People, Process, and Plant.

The Phase II team developed several prioritized recommendations that will have a positive impact upon People, Process, and the Plant (Facilities and Physical Plant), in both the short and long term. These recommendations, when implemented by involved employees, will make a definite successful difference in the way we do things. These findings and recommendations were rolled out to the Senior Executive Team on Thursday April 28 and include the formation of Employee Teams:

A cross-discipline team of employees from both Salem and Hope Creek Stations is being established to work on improving the facilities, where we do our work, so that we are not an outlier from the industry and will be more effective in our work and comfortable in our environment. This team will help oversee the improvements to our shops, plants and cafeteria.

Several other teams will be created to develop a 'Picture of Excellence' and then implement recommendations and improvements for both the CAP and Work Management processes to help realize that CAP and Work Management are not separate but interrelated processes. Here we need to establish alignment /accountability, effectively follow the process requirements, and utilize performance measures that accurately reflect implementation.

A final team will be created to make recommendations on improving our working relationships, communications and general work culture. These teams will help to ensure that the areas of concern identified during Phase I and Phase II will be addressed to improve our People, Process, and Plant.

CC: A. Randolph Blough; Hubert J. Miller