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PDR

Public Service
Electric and Gas
Company

Louis F. Storz

Public Service Electric and Gas Company, P.O. Box 236, Hancocks Bridge, NJ 08038

609-339-5700

Senior Vice President - Nuclear Operations

JAN 10 1997

LR-N97018

Mr. James Lieberman, Director
Office of Enforcement
United States Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

REPLY TO NRC NOTICE OF VIOLATION
OFFICE OF INVESTIGATIONS (OI) REPORTS 1-94-006R AND 1-94-053
SALEM GENERATING STATION
UNIT NOS. 1 AND 2
DOCKET NOS. 50-272 AND 50-311

Dear Mr. Lieberman,

The Office of Investigations, United States Nuclear Regulatory Commission issued a Notice of Violation and proposed imposition of civil penalties on December 11, 1996 in response to investigations at the Salem Generating Station Units 1 and 2. Within the scope of this notice, violations of NRC requirements were cited.

In accordance with 10CFR2.201, PSE&G is submitting its response to these violations. Attachment 1 contains the violations as cited by NRC, Attachment 2 contains PSE&G's response to the violations, and Attachment 3 contains the oath or affirmation. The civil penalty was remitted under separate transmittal.

Should there be any questions regarding this submittal, please contact us.

Sincerely,

Attachment (3)

Louis F. Storz

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Mr. James Lieberman
LR-N97018

C Mr. Hubert J. Miller, Administrator - Region I
U. S. Nuclear Regulatory Commission
475 Allendale Road
King of Prussia, PA 19406

Mr. L. N. Olshan, Licensing Project Manager - Salem
U. S. Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Mail Stop 14E21
Rockville, MD 20852

Mr. C. Marschall - Salem (S09)
USNRC Senior Resident Inspector

Mr. K. Tosch, Manager, IV
NJ Department of Environmental Protection
Division of Environmental Quality
Bureau of Nuclear Engineering
CN 415
Trenton, NJ 08625



STATE OF NEW JERSEY)

) SS.

COUNTY OF SALEM)

L. F. Storz, being duly sworn according to law disposes and says:

I am Senior Vice President - Nuclear Operations of Public Service Electric and Gas Company, and as such, I find the matters set forth in the above referenced letter concerning Salem Generating Station, Units 1 and 2, are true to the best of my knowledge, information and belief.

Lucas 1872

Subscribed and Sworn to before me
this 10th day of January, 1996

Disinbury J. Braun
Notary Public of New Jersey

KIMBERLY JO BROWN

NOTARY PUBLIC OF NEW JERSEY

My Commission Expires April 21, 1898

My Commission expires on _____

ATTACHMENT 1

APPENDIX A
NOTICE OF VIOLATION

Public Service Electric and Gas Company
Salem Nuclear Generating Station
Units 1 and 2

Docket Nos: 50-272
50-311
License Nos: DPR-70
DPR-75

During NRC investigations conducted on February 18, 1994 to April 30, 1996 and on November 21, 1994 to April 25, 1996, violations of NRC requirements were identified. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," NUREG-1600, the NRC proposes to impose a civil penalty pursuant to Section 234 of The Atomic Energy Act of 1954, as amended (Act), 42 U.S.C. 2282, and 10 CFR 2.205. The particular violations and associated civil penalty are set forth below:

1. 10 CFR 50.7 prohibits, in part, discrimination by a Commission licensee against an employee for engaging in certain protected activities. Discrimination includes discharge or other actions relating to the compensation, terms, conditions, and privileges of employment. The activities which are protected include, but are not limited to, reporting of safety concerns by an employee to his employer.
 - A. Contrary to the above, the licensee, through its former manager of NSR, discriminated against a former Onsite Safety Review Engineer (OSRE) at the Salem generating Station. Specifically, by virtue of negative comments in his performance appraisals, the OSRE was harassed and retaliated against by the NSR manager due to his involvement in events associated with the December 3, 1992 incident, involving two of the OSRE's subordinates who were engaged in protected activity described in the Enforcement Action (EA 94-238) issued on April 11, 1995.
 - B. Contrary to the above, the licensee through its former manager of NSR, discriminated against a Safety Review Engineer (SRE) at the Salem Generating Station. Specifically, by virtue of an involuntary transfer to Hope Creek, the SRE was harassed and retaliated against

Mr. James Lieberman
LR-N97018

Attachment I

by the NSR Manager as a result of raising a safety issue during the December 3, 1992 incident described above.

These violations represent a Severity Level II problem Supplement VI), and a Civil Penalty of \$80,000.

ATTACHMENT II

PSE&G RESPONSE

Response to Notice of Violation

Public Service Electric and Gas (PSE&G) does not dispute the Notice of Violation. We acknowledge that the NRC has found that discrete actions by a former Manager of Nuclear Safety Review (NSR) violated 10 CFR 50.7. These discrete actions were his performance evaluation of a former Supervisor of the Onsite Safety Review Group (SRG) for the Salem Generating Station, and his transfer of an SRG engineer from Salem to Hope Creek Generating Station.

Root Cause of the Violation

The root cause of these violations was imprudence on the part of the former Manager of NSR in taking the actions described above, failing to account for the sensitivity of the incident on December 3, 1992 and the events thereafter, involving the protected activity described in the Enforcement Action (EA 94-239) issued on April 11, 1995. In addition to the lack of sensitivity in this particular situation, prior management had not adequately communicated its expectations regarding the degree of sensitivity generally appropriate when employees raise, or may be perceived as having raised, plant safety issues.

Corrective Actions Taken and Results Achieved

Since coming on board, new management of the Nuclear Business Unit (NBU) has communicated its policy on nuclear safety in plain, unambiguous terms. For example, in an FYI to employees on April 12, 1995, the Chief Nuclear Officer (CNO) reiterated: "I must emphasize again my expectation that we provide for our employees an open, honest work environment that is receptive to all concerns. Safety is and always will be the NBU's #1 priority. Any actions that can be interpreted as harassment or intimidation or hostile behavior on the part of any NBU employee are unacceptable and they will not be tolerated. Any incident of this nature will be promptly addressed by management and appropriate actions taken." To assure that its expectations are effectively communicated and understood, management has required NBU supervisors to undergo additional training in the handling of safety concerns or potential safety concerns raised by employees.

Supervisors and management currently receive enhanced supervisory training on the handling of safety concerns and responsibilities for compliance under 10 CFR 50.7 as part of their Management Action Response Checklist (MARC) training. This training emphasizes the need for supervisors to foster within work units a welcoming environment for raising safety as well as any other concerns, and develop rapport with employees on the reporting of safety issues, before safety concerns develop. In this way, employees are assured that their concern will be positively received. There will be a required annual MARC refresher course, which includes a segment on the Employment Concerns Program (ECP). This training uses a video produced by Employment Learning Innovations to stimulate discussion among the training group as to possible scenarios in which safety concerns might be raised and discussions of appropriate management responses. Additionally, about 500 PSE&G employees have taken advantage of the Breakthrough Leadership Program, which focuses on the development of leadership, communications and teamwork skills. While not directly focused on employee concerns, this program builds skills supportive of employees who do raise safety concerns.

As a structured outlet for safety concerns, management established in July 1995 a new ECP staffed by a Manager and two full-time investigators. This comprehensive program is available to all NBU employees as well as contractors. The ECP encourages identification of safety concerns and may be accessed by walk-in interviews, drop boxes, telephone, a 24-hour toll-free hotline, and exit interviews. These safety concerns are confidential and may be anonymous. The availability of the ECP has been publicized extensively, including in the daily newsletter "Nuclear Today," at CNO staff meetings and other management meetings, and personal letters to NBU employees from the CNO and the Director of QA/NSR. Additionally, an explanatory video presentation featuring the CNO and the Manager of the newly created ECP has been mailed to each NBU Employee as well as key contractor organizations for roll-down to their employees. Since its inception, the ECP has received 230 concerns. After each concern has been investigated and resolved, the ECP staff, where possible, contacts the concerned individual to provide feedback. More recently, the ECP has heightened its emphasis on "early intervention" -- mediating potential disputes between an employee and his supervisor before the matter escalates into a confrontation.

A recent PSE&G Self-Assessment of its Employee Concerns Program in July 1996 confirmed that this program has been effective in gaining employee confidence and resolving

employee safety concerns. Part of this program involved a review of ECP investigative files by the firm of Stier, Anderson & Malone. The firm reviewed ECP files for compliance with overall departmental procedures as well as implementing procedures of the program. The reviewers also examined the effectiveness of ECP's identification, tracking and close-out of issues. The adequacy and depth of training activities were likewise reviewed. Another critical area examined was the effectiveness of the program's use of industry feedback on issues important to the ECP identified in industry publications, NRC inspection reports and other documents.

The review also focused on ECP compliance with NRC policy on employee safety concerns as expressed in 10 CFR 50.7 and such documents as NUREG-1499, "Reassessment of the NRC's Program for Protecting Allegers Against Retaliation"; SECY 96-056, "Freedom of Employees in the Nuclear Industry to Raise Safety Concerns Without Fears of Retaliation"; NRC Inspection Procedure 40500, "Effectiveness of Licensee Controls in Identifying, Resolving and Presenting Problems"; the NRC inspection module for employee protection; and NRC Manual Chapter 517, "Management of Allegations." The findings of the Self-Assessment, including the independent review, were positive, both as to the adequacy of ECP personnel and compliance with programmatic objectives.

Beyond the independent file review, the Self-Assessment also considered the adequacy of ECP coverage of issues identified by the NRC at other facilities as to programmatic shortcomings in licensees' protection of employees against illegal retaliation and harassment. Also, the ECP revisited its assessment of exit procedures, upgraded first in 1995, and determined that additional measures could be implemented to coordinate activities among Human Relations, ECP and managers responsible for assuring employees an opportunity for an exit interview.

Also, in July 1996, the ECP repeated a survey of employees to determine their awareness of and confidence in the Program. The results confirmed an increasingly positive response in both respects compared to results of the same survey in April 1995. For example, the new survey showed that 97% of employees were aware of the Program in July 1996, where only 76% were aware a year earlier. Confidence in using the ECP to escalate the safety concern increased from 55% of surveyed employees in 1995 to 76% in 1996.

Another aspect of improving the environment for "issue resolution" within the NBU is the new procedure for filing

and processing a corrective Action Request. This improvement has particular significance, because the underlying dispute in December 1992 (i.e., the protected activity by the former employees involved in the discrimination found by the NRC here) resulted from a disagreement over which of several forms should be prepared to document the employees' safety concern. Under the present system, anyone can initiate an Action Request and, unlike the forms at issue in 1992, no supervisor must review or approve the document before the action request is initiated. Accordingly, the scenario which led to the underlying dispute in December 1992 -- the debate between the affected employees and plant managers over what form to fill out -- should not reoccur under the present system of corrective action identification, tracking and resolution.

Additionally, with respect to the particular issue here involving the evaluation of former SRG supervisor, management has substantially revised the employee performance appraisal process. Performance will now be evaluated through an integrated process of quarterly reviews and previously defined performance objectives for the particular employee. Further, this review will include work group peer ranking to validate the supervisor's rating of employee. Review Boards, chartered by each General Manager/Director, will review results to ensure compliance with procedures. Senior management will also review results to provide appropriate leveling of cross-departments and the NBU. An Appeals Board will respond to individual concerns about the fairness of his or her evaluation. Hence, the process for annual evaluations, based almost exclusively on the observations of a single supervisor, which led to issues in one of the discrimination cases of concern, will no longer be used.

PSE&G has also taken corrective actions with respect to the specific individuals involved in the discrimination found by the NRC here. The responsible Manager was replaced on August 13, 1995 and left the Company on March 1, 1996. Finally, PSE&G has settled the employment claims brought by the two affected employees in proceedings before the Secretary of Labor. First and foremost, this action has satisfied the two former employees directly involved.

Date When Compliance Will Be Achieved

PSE&G believes that full compliance has been achieved.

Corrective Steps That Will Be Taken to Avoid Further Violations

No additional actions are required.