



POLICY ISSUE
(Notation Vote)

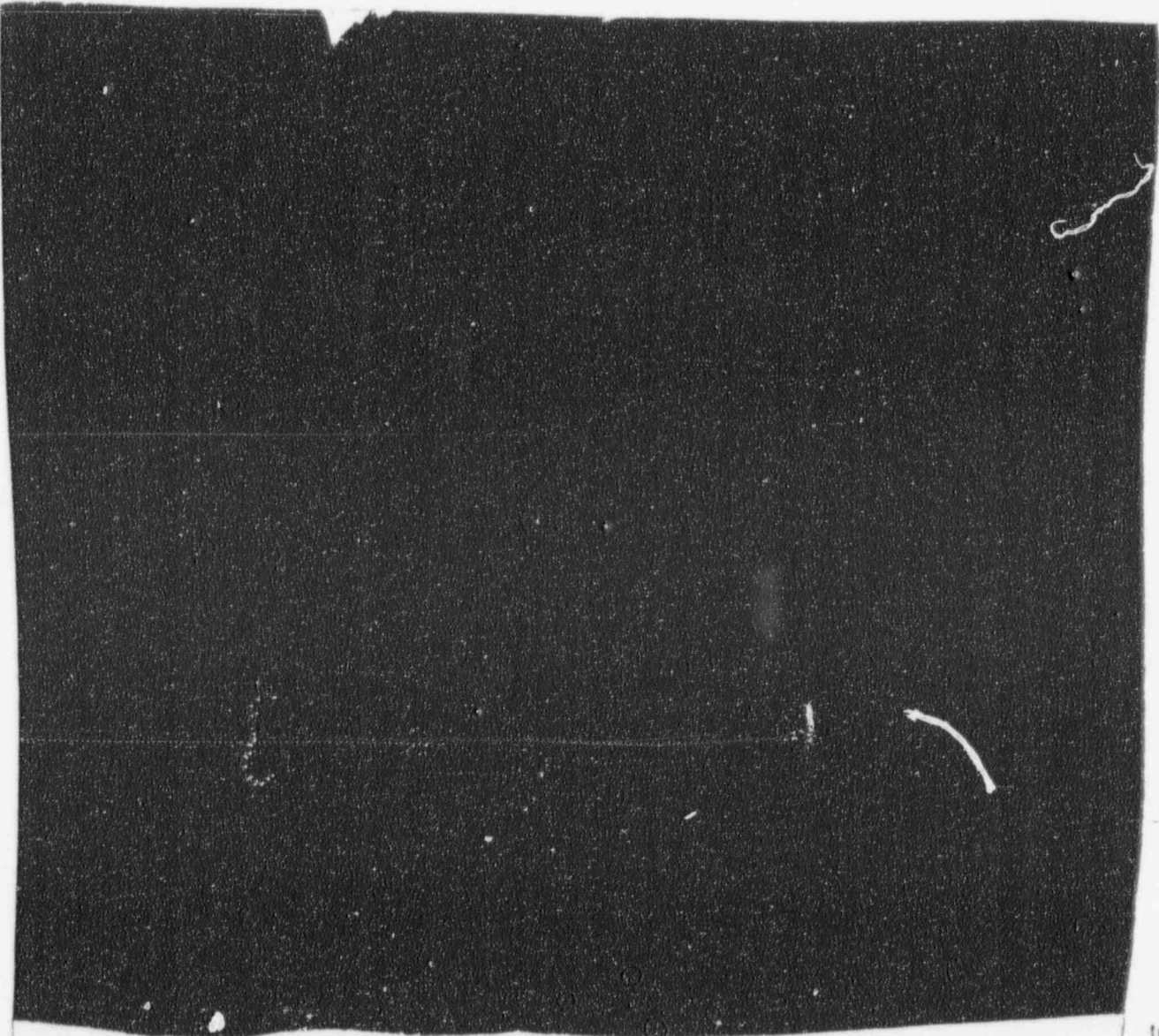
October 2, 1995

SECY-95-246

For: The Commissioners

From: James M. Taylor
Executive Director for Operations

Subject: PROPOSED CUMULATIVE CIVIL PENALTIES IN THE AMOUNT OF
\$600,000 TO PUBLIC SERVICE ELECTRIC & GAS (PSE&G) COMPANY
CONCERNING VIOLATIONS AT SALEM UNITS 1 & 2 (EA 95-062)



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96-351

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UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

EAs 95-62; 95-65; 95-117

Mr. E. James Ferland
Chairman and Chief Executive Officer
Public Service Electric and Gas Company
80 Park Place
Newark, New Jersey 07101

SUBJECT: NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTIES
- \$600,000
(Inspection Reports Nos. 50-272/94-32; 50-311/94-32; 50-272/95-02;
50-311/95-02; 50-272/95-07; 50-311/95-07; 50-272/95-10;
50-311/95-10)

Dear Mr. Ferland:

Between December 5, 1994 and June 23, 1995, Region I staff conducted the four subject inspections at the Salem Nuclear Generating Station, Hancocks Bridge, New Jersey, and identified numerous violations of NRC requirements. The inspection reports were sent to you previously on March 30, April 7, May 24, and July 14, 1995, respectively. Several of the violations involved the failure to promptly identify and correct conditions adverse to quality at the Salem facility. On July 28, 1995, Mr. T. Martin, Regional Administrator, Region I, conducted a predecisional enforcement conference with Mr. B. Simpson and other members of your staff to discuss the violations, their causes, and your corrective actions. The violations are described in detail in the enclosed Notice of Violation and Proposed Imposition of Civil Penalties.

We have carefully considered these violations, several of which involve the failure to promptly respond to, and correct, conditions adverse to quality at Salem. The number and nature of the violations demonstrate inadequate performance by a licensee of the Commission. The past overall response by your staff and management relative to decision-making on operability issues and the approach to resolution of these issues has not been acceptable.

As you are aware, the NRC has sent four Augmented Inspection Teams (AIT) to Salem in the past four years. AIT inspections are relatively rare and reserved for significant occurrences. Four AIT inspections dispatched to one facility in four years is extremely rare. As a result of the last of those AIT inspections in April 1994, NRC issued a \$500,000 civil penalty on October 5, 1994, for numerous violations associated with an event at the facility, including similar violations involving failure to recognize and effectively correct conditions that challenged the safe operation of the Salem facility. In our letter transmitting that civil penalty, we expressed concerns about nonconservative operational decision-making at the facility. We raised questions regarding the manner in which management's expectations are established and communicated to the Salem staff regarding their performance at the station. We noted that while NRC found your immediate corrective actions

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acceptable for that event, the NRC was unwilling to predict or assume success for your long-term actions because historically, the implementation of such actions for past problems has proven to be ineffective. We further noted that it appeared that you have tolerated an atmosphere that accepts degraded conditions rather than establishing an atmosphere of a high quality operating environment.

Now, approximately one year later, our concerns remain. For example, although Westinghouse informed you in March 1993 of nonconservatism in the setpoint methodology for low temperature overpressure transient conditions, the problem remained unresolved for more than 18 months. Two other examples involved: 1) degraded equipment affecting switchgear ventilation equipment in Unit 1, and 2) residual heat removal (RHR) minimum flow recirculation valves in Unit 2. In these cases, your staff failed to respond promptly when component failures affecting these systems were first identified in December 1994 and January/February 1995, respectively. Even after it became more imperative to address these component issues, your staff delayed operability decision-making until it was apparent that a basis could not be established to justify continued operation. Subsequently, the two units were shut down in accordance with license requirements on May 16 and June 7, 1995. Numerous other examples are described in the Notice, including failures to perform adequate testing of modifications and evaluation of changes. These examples indicate a management and staff attitude that was not conducive to the safe operation of a nuclear power plant.

This attitude and inclination to delay decision-making regarding licensed activities at Salem must change. Problems must be addressed promptly and directly rather than worked around. Root causes must be identified and effective corrective actions established and implemented. Operability of safety-related equipment must be ensured. It is imperative that management assure that these changes occur before operation of the units is resumed.

We recognize that you have shut down both of the Salem units and have agreed, as noted in the NRC Confirmatory Action Letter sent to you on June 9, 1995, not to restart either unit without first gaining NRC agreement. We also recognize that you recently have introduced an entirely new management team to oversee the Salem and Hope Creek facilities. We further recognize the commitments by your new management team, at the predecisional enforcement conference, to effect demonstrable performance improvement. Nonetheless, in light of your past failures to achieve lasting corrective actions and in order to reinforce to you, your management team, and your staff, the seriousness with which we regard the deficient conduct of operations at Salem, cumulative civil penalties in the amount of \$600,000 are proposed for six violations, each of which is classified at Severity Level III in accordance with the "General Statement of Policy and Procedures for NRC Enforcement Actions," (Enforcement Policy) (NUREG 1600; 60 FR 34381, June 30, 1995).

The base civil penalty amount for each Severity Level III violation is \$50,000. In each case, we have decided to exercise discretion, after consultation with the Commission, and propose a \$100,000 civil penalty for

each violation, so as to appropriately reflect the NRC's concern regarding the violations and causes, and to convey an appropriate message, given that (1) the Salem enforcement history has not been good, (2) the majority of the violations were identified by the NRC, and (3) your organizations's prior actions to ensure problems are identified and corrected in a timely manner have not been effective. Were it not for your voluntary action in maintaining both units at the facility in a shutdown condition for an extended period to implement broad-scope and long-term corrective actions, the enforcement action might have been more severe.

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing your response. In your response, you should document the specific actions taken and any additional actions you plan to prevent recurrence. After reviewing your response to this Notice, including your proposed corrective actions and the results of future inspections, the NRC will determine whether further NRC enforcement action is necessary to ensure compliance with NRC regulatory requirements.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter, its enclosure(s), and your response will be placed in the NRC Public Document Room (PDR). To the extent possible, your response should not include any personal privacy, proprietary, or safeguards information so that it can be placed in the PDR without redaction.

The responses directed by this letter and the enclosed Notice are not subject to the clearance procedures of the Office of Management and Budget as required by the Paperwork Reduction Act of 1980, Pub. L. No. 96.511.

Sincerely,

James L. Milhoan
Deputy Executive Director
for Nuclear Reactor Regulation
Regional Operations and Research

Docket Nos. 50-272; 50-311
License Nos. DPR-70; DPR-75

Enclosure: Notice of Violation and
Proposed Imposition of Civil Penalties

cc w/encl:

L. Eliason, Chief Nuclear Officer and President
J. Storz, Senior Vice President - Nuclear Operations
E. Simpson, Senior Vice President - Nuclear Engineering
J. Hagan, Vice President - Business Support
C. Schaefer, External Operations - Nuclear, Delmarva Power & Light Company

cc w/encl: (See Next Page)

Public Service Electric
and Gas Company

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cc w/encl: (Con't)

R. Burricelli, Director - External Affairs

C. Warren, General Manager - Salem Operations

J. Benjamin, General Manager - Quality Assurance and Nuclear Safety Review

F. Thomson, Manager - Licensing and Regulation

R. Kankus, Joint Owner Affairs

A. Tapert, Program Administrator

R. Fryling, Jr., Esquire

M. Wetterhahn, Esquire

P. MacFarland Goelz, Manager, Joint Generation Department, Atlantic Electric
Company

Consumer Advocate, Office of Consumer Advocate

W. Conklin, Public Safety Consultant, Lower Alloways Creek Township

State of New Jersey

State of Delaware

Public Service Electric
and Gas Company

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Enforcement Coordinators

RI, RII, RIII, RIV

WBeecher, GPA/PA

GCaputo, OI

RBangart, OSP

LNorton, OIG

EJordan, AEOD

MSatorius, OE

OE:EA

NUDOCS

Nuclear Safety Information Center (NSIC)

NRC Resident Inspector - Salem

VDricks, PAO-RI (2)

NOTICE OF VIOLATION
AND
PROPOSED IMPOSITION OF CIVIL PENALTIES

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

Docket Nos: 50-272; 50-311
License Nos. DPR-70; DPR-75
EAs 95-062; 95-065; 95-117

During four NRC inspections conducted between December 5, 1994 and June 23, 1995, at the Salem Nuclear Generating Station of the Public Services Electric and Gas Company (Licensee), violations of NRC requirements were identified. In accordance with the "General Statement of Policy and Procedures for NRC Enforcement Actions," (NUREG-1600; 60 FR 34381, June 30, 1995), the Nuclear Regulatory Commission proposes to impose civil penalties 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 penalties are set forth below:

- I. 10 CFR Part 50, Appendix B, Criterion XVI, Corrective Action, requires, in part, that conditions adverse to quality are promptly identified and corrected; and in the case of significant conditions adverse to quality, the cause of the condition shall be documented, appropriately reported to levels of management, and corrective action taken to preclude repetition.

- A. Contrary to the above, a significant condition adverse to quality existed at the Salem Unit 2 facility from January 26, 1995, until June 7, 1995, in that the Licensee was aware that the No. 22 Residual Heat Removal (RHR) pump minimum recirculation flow valve would not open on low RHR flow as required to prevent pump failure. Similarly, the Licensee was aware that the same significant condition adverse to quality existed at the facility from February 9, 1995, until June 7, 1995, for the No. 21 RHR pump minimum recirculation flow valve. However, prior to June 7, 1995, the Licensee failed to determine the cause of the valve failures or initiate corrective measures. (01013)

This is a Severity Level III Violation (Supplement I)
Civil Penalty - \$100,000

- B. Contrary to the above, a significant condition adverse to quality existed at the Salem Unit 1 facility from December 12, 1994, until May 16, 1995, in that the No. 12 safety related switchgear ventilation supply fan failed on December 12, 1994, and the Licensee did not initiate resolution of the condition or effect any corrective measures to resolve the condition promptly. (02013)

This is a Severity Level III Violation (Supplement I).
Civil Penalty - \$100,000

- C. The Licensee was informed by Westinghouse on March 15, 1993, of a significant condition adverse to quality involving

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nonconservatisms in the setpoint methodology for the Pressurizer Overpressure Protection System (POPS) for low temperature overpressure transient conditions.

1. Contrary to Criterion XVI, the Licensee took nine months of analysis, from March 1993 to December 1993, to conclude that the corrected peak transient pressure would exceed pressure/temperature (P/T) limits as described in each unit's technical specifications limits. After completing the analysis, from December 30, 1993, and continuing for approximately one month, the Licensee dispositioned the matter of the nonconservatism in the setpoint methodology for the POPS by 1) administratively limiting RCS operation to two reactor coolant pumps when the RCS was less than 200°F and 2) increasing each unit's P/T limit by 10%; the latter corrective action was inadequate because it utilized as a basis an unauthorized ASME Code Case (N-514), which the Licensee was aware was not acceptable pursuant to 10 CFR 50.55(a). (03013)

This is a Severity Level III Violation (Supplement I)
Civil Penalty - \$100,000

2. Contrary to Criterion XVI, in January 1994, following the Licensee recognizing the unacceptability of using unauthorized Code Case N-514 as a corrective action to disposition the POPS setpoint methodology, the Licensee elected to implement corrective action by taking credit for the relief capacity provided by RHR system suction relief valve RH3 to augment POPS relief capacity. However, as the Salem FSAR (Section 7.6.3.2) describes the POPS system to include two Power Operated Relief Valves (PORVs) and does not describe Valve RH3, this corrective action was inadequate because an evaluation was not performed to determine the acceptability of the use of Valve RH3 as part of the POPS system. In addition, the Licensee failed to identify that on the receipt of a safety injection (SI) signal, a previously operating positive displacement charging pump's discharge, combined with the discharge from the high head safety injection pump that starts on receipt of the SI signal, could have injected water mass into the RCS at a rate that could have prevented POPS from performing its function. (04013)

This is a Severity Level III Violation (Supplement I)
Civil Penalty - \$100,000

- D. Contrary to the above, on several occasions, conditions adverse to quality existed, but were not identified and promptly corrected, as evidenced by the following examples:

1. On June 7, 1994, the Licensee identified that material management documentation limit switches related to the reactor head vent valves, properly classified the components as non-safety related. A nuclear design discrepancy evaluation form (DEF) identified that a switch short circuit could render two head vent valves inoperable since the components were powered from the same common circuit. Notwithstanding, the DEF did not identify any concern relative to operability or safety. In February 1995, the Licensee determined that non-safety related limit switches were actually installed in reactor head vent valves 1RC41 and 1RC43 at Salem Unit 1. Subsequently, the Licensee failed to perform and document an engineering evaluation to demonstrate the acceptability of continued Salem Unit 1 operation with non-safety-related parts installed in a safety-related application.
2. On February 24, 1995, Unit No. 1 operators placed control of a PORV in the manual mode, rendering it inoperable, and failed to adhere to the Technical Specification 3.4.3 action statement which required operators to close the block valve within one hour. A shift supervisor discovered that the PORV had been erroneously placed the manual mode and corrected it on February 25, 1995, about 23 hours later.
3. On July 6, 1994, safety-related reactor head vent valve 2RC40 failed to operate (stroke open) during testing while Unit No. 2 was in cold shutdown. Subsequently, the valve was returned to normal service on July 10, 1994, without any review or assessment in accordance with established procedures; that is, the Licensee failed to process this occurrence in accordance with the applicable "Work Control Process" procedure. Consequently, this failure of a safety-related component was never documented and formally assessed relative to preventive maintenance, operability, actions to prevent recurrence, or generic implications.
4. An oil sample laboratory report, dated August 4, 1994, recommended resampling and changing the oil on the No. 21 high-head safety injection pump based upon a ten-fold increase in wear particle concentration. An oil analysis, dated November 28, 1994, identified high wear particle concentration in the No. 22 high-head safety injection pump speed increaser oil. In both these cases, the system engineer, though aware of the findings of the lab reports, did not initiate any follow-up evaluation or corrective measure, nor establish a bases for operability or reliability in view of the apparent degraded condition of the equipment. The degraded nature of the equipment was not entered into the Equipment Malfunction Identification System (EMIS) until March 20, 1995.

5. A lab report, dated October 6, 1994, recommended resampling the No. 23 Auxiliary Feedwater (AFW) turbine lube oil due to a detectable amount of water contamination and an increase in wear particle concentration. However, the degraded nature of the equipment was not entered into the EMIS until March 27, 1995, and the system engineer did not initiate review, evaluation, or establish any basis for equipment operability or reliability.
6. LER 95-05 identified seven instances, between May 8, 1990 and January 14, 1995, of pressurizer safety valves (PSVs) being beyond the 1% tolerance required by TS 4.0.5 for Unit 1. Four instances were identified between November 14, 1994, and January 14, 1995, which involved 2 of the 3 installed PSVs. In all instances, the vendor notified the appropriate system engineer by telephone and written follow-up reports. However, the responsible system engineer never initiated an Incident Report. Consequently, root cause, operability, and reportability actions were not accomplished.
7. On March 6, 1995, May 3, 1995, and May 8, 1995, the Salem Unit 1 staff failed to determine the cause, correct, or prevent recurrence of failure of the Containment 100 foot elevation personnel airlock to pass its local leak rate test.
8. From February 29, 1992 until June 7, 1995, Salem Unit 1 staff failed to correctly determine the cause or take action to preclude recurrence of failures of instrument lines connected to the jacket water cooling system for the No. 1B and No. 1C emergency diesel generators.
9. From July 11, 1992 until June 10, 1995, Salem staff failed to determine the cause, evaluate the potential safety consequences, and establish corrective action for an abnormal condition affecting the No. 21 Residual Heat Removal discharge manual isolation valve (21RH10) associated with impact noise from the interior of the valve. (05013)

This is a Severity Level III violation. (Supplement I)
Civil Penalty - \$100,000

- II. 10 CFR Part 50, Appendix B, Criterion V, "Instructions, Procedures, and Drawings", requires that activities affecting quality shall be prescribed by documented instructions, procedures, or drawings of a type appropriate to the circumstances, and shall be accomplished in accordance with these instructions, procedures and drawings. Instructions, procedures, or drawings shall include appropriate quantitative or qualitative acceptance criteria for determining that important activities have been satisfactorily accomplished.

Contrary to the above, following a modification in May 1993, that installed a drain system for the Salem Unit 2 pressurizer code safety loop seals, the Licensee did not ensure that an activity affecting quality was satisfactorily accomplished in that the procedure that directed the installation of the modification to the pressurizer code safety loop seals drains did not adequately ensure that the drain valves were properly positioned prior to plant startup after the modification. Specifically, valve 2PR66, a valve in a common drain line for the 2PR3, 2PR4, and 2PR5, pressurizer safety valves, was left closed throughout the operating cycle between May 1993 and October 1994. (06013)

This is a Severity Level III Violation. (Supplement I)
Civil Penalty - \$100,000

Pursuant to the provisions of 10 CFR 2.201, Public Service Electric and Gas Company (Licensee) is hereby required to submit a written statement or explanation to the Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, within 30 days of the date of this Notice of Violation and Proposed Imposition of Civil Penalties (Notice). This reply should be clearly marked as a "Reply to a Notice of Violation" and should include for each alleged violation: (1) admission or denial of the alleged violation, (2) the reasons for the violation if admitted, and if denied, the reasons why, (3) the corrective steps that have been taken and the results achieved, (4) the corrective steps that will be taken to avoid further violations, and (5) the date when full compliance will be achieved.

If an adequate reply is not received within the time specified in this Notice, an order or a Demand for Information may be issued as why the license should not be modified, suspended, or revoked or why such other action as may be proper should not be taken. Consideration may be given to extending the response time for good cause shown. Under the authority of Section 182 of the Act, 42 U.S.C. 2232, this response shall be submitted under oath or affirmation.

Within the same time as provided for the response required above under 10 CFR 2.201, the Licensee may pay the civil penalties by letter addressed to the Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, with a check, draft, money order, or electronic transfer payable to the Treasurer of the United States in the amount of the civil penalty proposed above, or the cumulative amount of the civil penalties if more than one civil penalty is proposed, or may protest imposition of the civil penalties in whole or in part, by a written answer addressed to the Director, Office of Enforcement, U.S. Nuclear Regulatory Commission. Should the Licensee fail to answer within the time specified, an order imposing the civil penalties will be issued. Should the Licensee elect to file an answer in accordance with 10 CFR 2.205 protesting the civil penalties, in whole or in part, such answer should be clearly marked as an "Answer to a Notice of Violation" and may: (1) deny the violations listed in this Notice, in whole or in part, (2) demonstrate

extenuating circumstances, (3) show error in this Notice, or (4) show other reasons why the penalties should not be imposed. In addition to protesting the civil penalties in whole or in part, such answer may request remission or mitigation of the penalties.

In requesting mitigation of the proposed penalties, the factors addressed in Section VI.B.2 of the Enforcement Policy should be addressed. Any written answer in accordance with 10 CFR 2.205 should be set forth separately from the statement or explanation in reply pursuant to 10 CFR 2.201, but may incorporate parts of the 10 CFR 2.201 reply by specific reference (e.g., citing page and paragraph numbers) to avoid repetition. The attention of the Licensee is directed to the other provisions of 10 CFR 2.205, regarding the procedure for imposing civil penalties.

Upon failure to pay any civil penalties due which subsequently have been determined in accordance with the applicable provisions of 10 CFR 2.205, this matter may be referred to the Attorney General, and the penalties, unless compromised, remitted, or mitigated, may be collected by civil action pursuant to Section 234c of the Act, 42 U.S.C. 2282c.

The response noted above (Reply to Notice of Violation, letter with payment of civil penalties, and Answer to a Notice of Violation) should be addressed to: Mr. James Lieberman, Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, One White Flint North, 11555 Rockville Pike, Rockville, MD 20852-2738, with a copy to the Regional Administrator, U.S. Nuclear Regulatory Commission, Region I, and a copy to the NRC Resident Inspector at the facility that is the subject of this Notice.

Because your response will be placed in the NRC Public Document Room (PDR), to the extent possible, it should not include any personal privacy, proprietary, or safeguards information so that it can be placed in the PDR without redaction. However, if you find it necessary to include such information, you should clearly indicate the specific information that you desire not to be placed in the PDR, and provide the legal basis to support your request for withholding the information from the public.

Dated at Rockville, Maryland
this day of 1995