

March 15, 2004

EA-04-033

Mr. Christopher M. Crane
President and CEO
AmerGen Energy Company, LLC
200 Exelon Way, KSA 3-E
Kennett Square, PA 19348

SUBJECT: FINAL SIGNIFICANCE DETERMINATION FOR A WHITE FINDING AND
NOTICE OF VIOLATION (NRC Inspection Report 05000219/2003005)
Oyster Creek Generating Station

Dear Mr. Crane:

The purpose of this letter is to provide you with the final results of our significance determination for the preliminary White finding identified at Oyster Creek Generating Station during an inspection completed on December 31, 2003. The results of the inspection were discussed with Mr. C. N. Swenson and other members of your staff on January 22, 2003. The inspection finding was assessed using the significance determination process and was preliminarily characterized as White, a finding with low to moderate importance to safety, which may require additional NRC inspections.

This preliminary White finding involves the failure to identify and take prompt and appropriate corrective actions for significant conditions adverse to quality involving power cables. Specifically, following the failure of similar power cables, one to the 480V unit substation in 2001, and another from the #2 emergency diesel generator output breaker to its associated 4kV emergency bus in 1996, both due to water intrusion and cable insulation breakdown, AmerGen did not take appropriate corrective actions to evaluate, inspect, test or replace similar power cables on site. Subsequently, a similar power cable from the #1 emergency diesel generator output breaker to its associated 4kV emergency bus failed on May 20, 2003, due to water intrusion and cable insulation breakdown, and resulted in a loss of the 4kV emergency bus and forced a plant shutdown.

In a letter dated February 12, 2004, the NRC transmitted the referenced inspection report and informed you that the staff had sufficient information to make an enforcement decision. However, you were given an opportunity to request a regulatory conference or to provide a written response. In a telephone conversation on February 20, 2004, Mr. M. Massaro, Plant Manager, informed Mr. P. Eselgroth, NRC, Region I, that AmerGen did not contest the risk significance of this finding, and did not feel it necessary to discuss this finding in a Regulatory Conference or provide a written response prior to issuance of this Final Significance Determination.

After considering the information developed during the inspection, the NRC has concluded that the inspection finding at Oyster Creek is appropriately characterized as White, an issue with low to moderate importance to safety, which may require additional NRC inspection. Although you have not indicated a desire to do so, our process allows 30 calendar days from the date of this letter to appeal the staff's determination of significance for the identified White finding. Such appeals will be considered to have merit only if they meet the criteria given in NRC Inspection Manual Chapter 0609, Attachment 2.

The NRC has also determined that the White finding resulted in a violation of 10 CFR 50, Appendix B, Criterion XVI, as described in the enclosed Notice of Violation (Notice). The circumstances surrounding this violation are described in detail in the subject inspection report. In accordance with the NRC Enforcement Policy, NUREG-1600, the Notice is considered escalated enforcement action because it is associated with a White finding. You are required to respond within 30 days and should follow the instructions specified in the enclosed Notice when preparing your response.

This issue causes the Oyster Creek facility to be in the regulatory response band of the NRC Action Matrix, and we will notify you, by separate correspondence, of any further action we plan to take.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and its enclosure 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). The NRC also includes significant enforcement actions in its Web site at <http://www.nrc.gov/reading-rm/doc-collections/enforcement/actions>.

Sincerely,

/RA/ James T. Wiggins *Acting For/*

Hubert J. Miller
Regional Administrator

Docket No: 50-219
License No. DPR-16

Enclosure: Notice of Violation

cc w/enc:

Chief Operating Officer, AmerGen

Site Vice President, Oyster Creek Nuclear Generating Station, AmerGen

Plant Manager, Oyster Creek Generating Station, AmerGen

Regulatory Assurance Manager Oyster Creek, AmerGen

Senior Vice President - Nuclear Services, AmerGen

Vice President - Mid-Atlantic Operations, AmerGen

Vice President - Operations Support, AmerGen

Vice President - Licensing and Regulatory Affairs, AmerGen

Director Licensing, AmerGen

Manager Licensing - Oyster Creek, AmerGen

Vice President, General Counsel and Secretary, AmerGen

Correspondence Control Desk, AmerGen

J. Matthews, Esquire, Morgan, Lewis & Bockius LLP

Mayor of Lacey Township

K. Tosch - Chief, New Jersey Department of Environmental Protection

R. Shadis, New England Coalition Staff

BNE Manager, State of New Jersey

N. Cohen, Coordinator - Unplug Salem Campaign

W. Costanzo, Technical Advisor - Jersey Shore Nuclear Watch

E. Zobian, Coordinator - Jersey Shore Anti Nuclear Alliance

DISTRIBUTION w/encl:

ADAMS (PARS)
 SECY
 CA
 OEMAIL
 OEWEB
 WTravers, EDO
 SCollins, DEDR
 FCongel, OE
 DDambly, OGC
 LChandler, OGC
 JDyer, NRR
 BBorchardt, NRR
 JJolicoeur, OEDO
 BRogers, NRR
 MCheck, RES
 Enforcement Coordinators RII, RIII, RIV
 SGagner, OPA
 HBell, OIG
 GCaputo, OI
 LTremper, OC
 JClifford, NRR
 GVissing, NRR
 TColburn, NRR
 PTam, PM, NRR
 HMiller, RA/JWiggins, DRA (1)
 PEselgroth, DRP, RI
 RBarkley, DRP, RI
 RSummers, DRP, Senior Resident Inspector
 JHerrera, DRP, Resident Inspector
 Region I Docket Room (with concurrences)
 RCrlenjak, DRS
 DScrenci/NSheehan, PAO-RI
 KFarrar, RI
 DHolody, RI
 RUrban, RI
 CBixler, RI
 Region I OE Files (with concurrences)

After declaring this document "An Official Agency Record" it **will** be released to the Public.

To receive a copy of this document, indicate in the box: "C" = Copy without attachment/enclosure "E" = Copy with attachment/enclosure "N" = No copy

OFFICE	RI/ORA	RI/ORA	RI/DRP	RI/DRP	RI/DRS
NAME	R Urban RJU	DHolody DH	PEselgroth RSB for	RBlough BEH for	WLanning WDL
DATE	03/01/04	03/03/04	03/02/04	03/02/04	03/03/04

OFFICE	RI/ORA	RA/RI	HQ/OE	HQ/NRR/DIPM	RI/DRS
NAME	KFarrar KLF	HMiller JTW for	FCongel RJU for	R Franovich RJU for	N DellaGreca ALD
DATE	03/03/04	03/03/04 ++	03/09/04 *	03/09/04 *	03/02/04

OFFICIAL RECORD COPY

* per J. Dixon - Kerrity e-mail
 ++w/comments/suggested changes

NOTICE OF VIOLATION

AmerGen Energy Company, LLC
Oyster Creek Generating Station

Docket No. 50-219
License No. DPR-16
EA-04-033

During an NRC inspection conducted between September 29, 2003 - December 31, 2003, a violation of NRC requirements was identified. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," NUREG-1600, the violation is listed below:

10 CFR 50, Appendix B, Criterion XVI, states, in part, that measures shall be established to assure that conditions adverse to quality, such as deficiencies, are promptly identified and corrected. In the case of significant conditions adverse to quality, the measures shall assure that the cause of the condition is determined and corrective action taken to preclude repetition.

Contrary to the above, following ground faults of an Anaconda power cable to the 1B2 480V unit substation in November 2001, and an Anaconda power cable from the #2 emergency diesel generator output breaker to the 1D 4kV emergency bus in October 1996, both of which were caused by water intrusion and cable insulation breakdown, AmerGen did not identify and take prompt and appropriate corrective actions to preclude repetition. Subsequently, on May 20, 2003, with the plant operating at 100% power, a ground fault occurred in an Anaconda power cable from the #1 emergency diesel generator output breaker, which was caused by water intrusion and cable insulation breakdown, and resulted in a loss of power to the 1C 4kV emergency bus and forced a plant shutdown.

This violation is associated with a WHITE significance determination process finding.

Pursuant to the provisions of 10 CFR 2.201, AmerGen Energy Company LLC is hereby required to submit a written statement or explanation to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, DC 20555 with a copy to the Regional Administrator, Region I, and a copy to the NRC Resident Inspector at the facility that is the subject of this Notice, within 30 days of the date of the letter transmitting this Notice of Violation (Notice). This reply should be clearly marked as a "Reply to a Notice of Violation; EA-04-033" and should include for the violation: (1) the reason for the violation, or, if contested, the basis for disputing the violation or severity level, (2) the corrective steps that have been taken and the results achieved, (3) the corrective steps that will be taken to avoid further violations, and (4) the date when full compliance will be achieved. Your response may reference or include previous docketed correspondence, if the correspondence adequately addresses the required response. 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 to why the license should not be modified, suspended, or revoked, or why such other action as may be proper should not be taken. Where good cause is shown, consideration will be given to extending the response time.

If you contest this enforcement action, you should also provide a copy of your response, with the basis for your denial, to the Director, Office of Enforcement, United States Nuclear Regulatory Commission, Washington, DC 20555-0001.

Because your response will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>. Therefore, to the extent possible, the response should not include any personal privacy, proprietary, or safeguards information so that it can be made available to the Public without redaction. If personal privacy or proprietary information is necessary to provide an acceptable response, then please provide a bracketed copy of your response that identifies the information that should be protected and a redacted copy of your response that deletes such information. If you request withholding of such material, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim of withholding (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.390(b) to support a request for withholding confidential commercial or financial information). If safeguards information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21

In accordance with 10 CFR 19.11, you may be required to post this Notice within two working days.

Dated this 15th day of March, 2004