



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
611 RYAN PLAZA DRIVE, SUITE 400
ARLINGTON, TEXAS 76011-4005

March 2, 2005

Gregory M. Rueger, Senior Vice
President, Generation and
Chief Nuclear Officer
Pacific Gas and Electric Company
Diablo Canyon Power Plant
P.O. Box 3
Avila Beach, CA 93424

SUBJECT: ANNUAL ASSESSMENT LETTER - DIABLO CANYON POWER PLANT
(REPORT 05000275/2005001, 05000323/2005001)

Dear Mr Rueger:

On February 1, 2005, the NRC staff completed its end-of-cycle plant performance assessment of Diablo Canyon Power Plant. The end-of-cycle review for Diablo Canyon involved the participation of the reactor technical divisions in evaluating performance indicators (PIs) for the most recent quarter and inspection results for the period from January 1 through December 31, 2004. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility so that you will have an opportunity to prepare for these inspections and to inform us of any planned inspections that may conflict with your plant activities.

This performance review and enclosed inspection plan do not include physical protection information. A separate end-of-cycle performance review letter designated and marked as "Exempt from Public Disclosure in Accordance with 10 CFR 2.390" will include the physical protection review and resultant inspection plan.

Overall, Diablo Canyon operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter, as well as for the first three quarters of the assessment cycle, was within the Licensee Response Column of the NRC's Action Matrix, based on all inspection findings being classified as having very low safety significance (Green) and all PIs indicating performance at a level requiring no additional NRC oversight (Green). In addition to conducting reactor oversight process (ROP) baseline inspections at your facility through September 30, 2006, we also plan to conduct Temporary Instruction (TI) 2515/150, "Reactor Vessel Head and Vessel Head Penetration Nozzles" and TI 2515/160, "Pressurizer Penetration and Steam Space Piping Connections in U.S. Pressurized Water Reactors."

In our annual assessment letter dated March 3, 2004, and as updated in our midcycle assessment letter dated August 30, 2004, we advised you of a substantive crosscutting issue in the area of problem identification and resolution. This crosscutting issue was identified based on a number of corrective action findings. Specifically, there were degraded conditions

identified by your staff in which the extent of condition was not always fully addressed. In addition, there were examples of long-standing degraded conditions, as well as conditions previously identified by industry operating experience that were not sufficiently addressed. These issues also involved inadequate root cause and problem analysis.

The NRC recognizes the improvements that have been made regarding the implementation of the corrective action program. These improvements were discussed during two public meetings held in San Luis Obispo, California, on June 10 and on July 27, 2004. The improvements included establishment of a corrective action review board, an assessment and correction of the quality of cause analyses and corrective actions during the previous 2 years, lowering the threshold for operability determinations, and improvements in the troubleshooting process. However, the problem identification and resolution substantive crosscutting issue is still of concern because inspection findings, particularly those involving long-standing degraded conditions and the adequacy of evaluations, continued to be identified subsequent to the implementation of the corrective action program improvements. The NRC has not found that the corrective action program improvements have been consistently implemented in a manner to assure continued improvement.

During this assessment period, multiple findings were identified in the initiating events, mitigating systems, barrier integrity, occupational radiation safety, and public radiation safety cornerstones. Each finding was determined to be of very low safety significance. Specifically, the NRC identified that the corrective actions taken had not been fully effective in assuring problems were thoroughly evaluated and the appropriate corrective actions taken. For example, three findings were identified after Pacific Gas and Electric had implemented many of the corrective action program improvements. Two of these findings involved long-standing degraded conditions with the containment fan coolers and voided conditions within the emergency core cooling system piping. A third finding involved Pacific Gas and Electric's initial evaluation and corrective action to resolve a degraded containment spray pump electrical cable.

The NRC will assess closing the problem identification and resolution substantive crosscutting issue based on a higher degree of consistency in implementing the corrective action program. The basis for closure will be made, in part, on an assessment of the number of findings that are identified. A separate indicator will be the quality of reviews that are brought before the Corrective Action Review Board. The NRC's reviews will be accomplished as a followup inspection item in accordance with Inspection Procedure 71152, "Identification and Resolution of Problems," Section 03.02, "Selected Issue Followup Inspection," and through semi-annual reviews conducted during the next midcycle review.

During the upcoming end-of-cycle public meeting, we request that you respond to this substantive crosscutting issue. We request that you provide any additional actions you intend to develop and implement to address this problem identification and resolution substantive crosscutting issue.

In our assessment letters dated August 27, 2003, March 3 and August 30, 2004, we advised you of a substantive crosscutting issue in the area of human performance. We indicated that findings in the initiating events, mitigating systems, barrier integrity and occupational radiation safety cornerstones contributed to this issue. The findings included activities performed by operations and maintenance personnel, and the majority of the issues involved instances of failing to ensure procedure quality or failing to follow procedures. During this assessment

period, there were a number of human performance findings; however, there were fewer findings involving operations and maintenance personnel errors during refueling outages. We have concluded that the improved performance stems directly from the implementation of your human performance improvement plan. Elements of the plan included an analysis of the human performance problems (procedural issues, control of work activities, personnel performance, and outage schedule changes). While performance in this area has not been error free, this issue has been satisfactorily addressed and the NRC plans no further focused inspections of this human performance substantive crosscutting issue.

The enclosed inspection plan details the inspections, less those related to physical protection, scheduled through September 30, 2006. The inspection plan is provided to minimize the resource impact on your staff and to allow for scheduling conflicts and personnel availability to be resolved in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The inspections in the last 9 months of the inspection plan are tentative and may be revised at the midcycle review meeting.

In accordance with 10 CFR 2.390 of the NRC's "Rule of Practice," a copy of this letter and its enclosure will be made 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.)

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact me at 817/860-8147 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

William B. Jones, Chief
Project Branch E
Division of Reactor Projects

Dockets: 50-275
50-323

Licenses: DPR-80
DPR-82

Enclosure:
Diablo Canyon Power Plant
Inspection/Activity Plan

Pacific Gas and Electric Company

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cc w/enclosure:

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Pacific Gas and Electric Company

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The Honorable Mary Ann Reiss
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SISP Review Completed: __wbj__ ADAMS: / Yes G No Initials: __wbj__
 / Publicly Available G Non-Publicly Available G Sensitive / Non-Sensitive

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| RIV:DRP/E | D:DRS | D:DRP | For signature | |
|-------------|---------------|----------|---------------|--|
| WBJones;mjs | DDChamberlain | ATHowell | WBJones | |
| /RA/ | /RA/ | /RA/ | /RA/ | |
| 2/23/05 | 2/24/05 | 2/25/05 | 3/1/05 | |

OFFICIAL RECORD COPY

T=Telephone

E=E-mail

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Diablo Canyon
Inspection / Activity Plan
03/04/2005 - 09/30/2006

| Unit Number | Inspection Activity | Title | No. of Staff on Site | Planned Dates Start | Planned Dates End | Inspection Type |
|-------------|---------------------|---|----------------------|---------------------|-------------------|----------------------|
| | OB-RQ | - REQUAL INSPECTION | 3 | | | |
| 1,2 | IP 7111111B | Licensed Operator Requalification Program | | 05/16/2005 | 05/20/2005 | Baseline Inspections |
| | OB-EP1 | - EMER PREPAREDNESS PROGRAM INSPECTION | 1 | | | |
| 1,2 | IP 7111402 | Alert and Notification System Testing | | 10/17/2005 | 10/21/2005 | Baseline Inspections |
| 1,2 | IP 7111403 | Emergency Response Organization Augmentation Testing | | 10/17/2005 | 10/21/2005 | Baseline Inspections |
| 1,2 | IP 7111404 | Emergency Action Level and Emergency Plan Changes | | 10/17/2005 | 10/21/2005 | Baseline Inspections |
| 1,2 | IP 7111405 | Correction of Emergency Preparedness Weaknesses and Deficiencies | | 10/17/2005 | 10/21/2005 | Baseline Inspections |
| 1,2 | IP 711151 | Performance Indicator Verification | | 10/17/2005 | 10/21/2005 | Baseline Inspections |
| | EB08P | - ISI U1 - VESS VOL (TI 150/152) AS REQ | 1 | | | |
| 1 | IP 7111108P | Inservice Inspection Activities - PWR | | 10/24/2005 | 11/04/2005 | Baseline Inspections |
| 1 | IP 7111108P | Inservice Inspection Activities - PWR | | 10/24/2005 | 11/04/2005 | Baseline Inspections |
| | TI 160 | - TI 160- PZR PENE & STM SPACE PIPING CONN | 1 | | | |
| 1 | IP 2515/160 | Pzr Pene Nozzles & Stm Space Piping Connections in U.S. PWRs [NRC Bulletin 2004-01] | | 10/02/2005 | 11/15/2005 | Safety Issues |
| | ACRSA | - ACCESS CONTROL TO RAD SIGNIFICANT AREAS | 1 | | | |
| 1,2 | IP 7112101 | Access Control to Radiologically Significant Areas | | 10/17/2005 | 10/21/2005 | Baseline Inspections |
| | PEB-05T | - TRIENNIAL FIRE PROTECTION | 4 | | | |
| 1,2 | IP 7111105T | Fire Protection | | 01/23/2006 | 01/27/2006 | Baseline Inspections |
| 1,2 | IP 7111105T | Fire Protection | | 02/06/2006 | 02/10/2006 | Baseline Inspections |
| | ALARA1 | - ALARA PLANNING AND CONTROLS | 1 | | | |
| 1,2 | IP 7112102 | ALARA Planning and Controls | | 02/06/2006 | 02/06/2006 | Baseline Inspections |
| | ISI-08 | - ISI U2 | 1 | | | |
| 2 | IP 7111108P | Inservice Inspection Activities - PWR | | 02/27/2006 | 04/07/2006 | Baseline Inspections |
| | ACRSA | - ACCESS CONTROL TO RAD SIGNIFICANT AREAS | 1 | | | |
| 1,2 | IP 7112101 | Access Control to Radiologically Significant Areas | | 03/13/2006 | 03/17/2006 | Baseline Inspections |
| | PEB | - DC PIR INSPECTION | 3 | | | |
| 1,2 | IP 71152B | Identification and Resolution of Problems | | 06/05/2006 | 06/09/2006 | Baseline Inspections |
| 1,2 | IP 71152B | Identification and Resolution of Problems | | 06/19/2006 | 06/23/2006 | Baseline Inspections |
| | ALARA2 | - ALARA PLANNING AND CONTROLS | 1 | | | |
| 1,2 | IP 7112102 | ALARA Planning and Controls | | 07/31/2006 | 08/04/2006 | Baseline Inspections |
| | PEB | - MAINTENANCE RULE BIENNIAL | 1 | | | |
| 1,2 | IP 7111112B | Maintenance Effectiveness | | 08/21/2006 | 08/25/2006 | Baseline Inspections |