



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

August 30, 2004

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: MIDCYCLE PERFORMANCE REVIEW AND INSPECTION PLAN - DIABLO
CANYON POWER PLANT**

Dear Mr. Rueger:

On August 4, 2004, the NRC staff completed its midcycle plant performance assessment of Diablo Canyon Power Plant. The midcycle review for Diablo Canyon involved all technical divisions in evaluating performance for the first half of the calendar year 2004 assessment cycle. The process included a review of performance indicators (PIs) for the most recent quarter and inspection results over the previous 12 months. 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 inspection plan does not include physical protection information. A separate 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.

Plant performance for the most recent quarter 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 baseline inspections at your facility through March 31, 2006, we also plan to conduct several inspections during the Unit 2 refueling outage, which include Temporary Instructions (TI) 2515/150, "Reactor Vessel Head and Vessel Head Penetration Nozzles;" TI 2515/152, "Reactor Pressure Vessel Lower Head Penetration Nozzles;" and TI 2515/153, "Reactor Containment Sump Blockage."

In our midcycle assessment letter dated August 27, 2003, and as updated in our annual assessment letter dated March 3, 2004, we advised you of a substantive crosscutting issue in the area of human performance. We indicated that findings identified in the initiating events, mitigating systems, barrier integrity, and occupational radiation safety cornerstone 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. A number of the human performance findings were identified during the 2003 Unit 2 refueling outage. This issue remained open to allow the NRC to assess the effectiveness of your corrective actions during the 2004 Unit 1 refueling outage and during the NRC's problem identification and resolution inspection performed during June 2004. In addition, this substantive crosscutting issue was discussed with you and your staff during the June 10, 2004, end-of-cycle meeting and during a subsequent meeting on July 27, 2004.

On the basis of NRC's independent inspection activities, we found that Pacific Gas and Electric has made significant improvements in the area of human performance. These noted improvements are consistent with the information that was provided during the June 10 and July 27 meetings. However, the NRC notes that the type of human performance issues that occurred during the Unit 1 refueling outage indicate continued focus is needed in this area, particularly with respect to the control and manipulation of plant systems. Although there was a reduction in the overall number of human performance errors, the NRC noted a common theme associated with shutdown activities in that system configuration challenges were not being effectively addressed from an organizational standpoint. There were a number of system alignment problems in which multiple barriers were not effectively utilized to identify the conditions and prevent their occurrences. As a result, the NRC will continue to review this substantive crosscutting issue through the baseline inspection program and will assess the effectiveness of the improvements that were implemented following the Unit 1 refueling outage. In particular, we will focus on those actions intended to enhance the control and operation of plant systems during the Unit 2 refueling outage scheduled for the latter part of 2004.

Also in our annual assessment letter dated March 3, 2004, we advised you of a substantive crosscutting issue in the area of problem identification and resolution. This substantive 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 and conditions previously identified by industry operating experience that were not sufficiently addressed at Diablo Canyon. These issues also involved inadequate root cause and problem analysis. The findings included activities performed by operations, maintenance, and engineering personnel.

The NRC reviewed this substantive crosscutting issue during the problem identification and resolution inspection performed during June 2004 and through focused baseline inspections. In addition, this substantive crosscutting issue was discussed with you and your staff during the June 10 and July 27 meetings. On the basis of NRC's independent reviews, we find that Pacific Gas and Electric has been aggressive in addressing the problem identification and resolution substantive crosscutting issue and the NRC's inspection activities have noted an overall improvement in the program. While the programs are now in place, Pacific Gas and Electric has not demonstrated consistency in implementing the corrective action program for those areas involving extent of condition. The NRC did note that the corrective action review board was more effective in ensuring the issues it reviewed appropriately addressed the extent of cause and the extent of conditions for significant conditions adverse to quality. The NRC has also identified several instances in which conditions adverse to quality were not properly

entered into the corrective action program, as well as instances in which there were inappropriate delays in determining the causes and corrective actions. Other corrective action program implementation problems included examples in which the corrective actions did not fully address the problems' causes. As a result, the NRC will continue to focus baseline inspections on your efforts to consistently address the extent of condition for identified problems and to identify and resolve any long-standing degraded conditions.

The enclosed inspection plan details the inspections, except those related to physical protection, scheduled through March 31, 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 12 months of the inspection plant are tentative and may be revised at the end-of-cycle meeting.

In accordance with 10 CFR 2.390 of the NRC's "Rules 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 the 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 Inspection/Activity Plan

cc:
David H. Oatley, Vice President
and General Manager
Diablo Canyon Power Plant
P.O. Box 56
Avila Beach, CA 93424

Pacific Gas and Electric Company

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Lawrence F. Womack
Vice President, Nuclear Services
Diablo Canyon Power Plant
P.O. Box 56
Avila Beach, CA 93424

James R. Becker, Vice President
Diablo Canyon Operations and
Station Director, Pacific Gas and
Electric Company
Diablo Canyon Power Plant
P.O. Box 3
Avila Beach, CA 93424

Sierra Club San Lucia Chapter
ATTN: Andrew Christie
P.O. Box 15755
San Luis Obispo, CA 93406

Nancy Culver
San Luis Obispo Mothers for Peace
P.O. Box 164
Pismo Beach, CA 93448

Chairman
San Luis Obispo County Board of
Supervisors
Room 370
County Government Center
San Luis Obispo, CA 93408

Truman Burns\Robert Kinosian
California Public Utilities Commission
505 Van Ness Ave., Rm. 4102
San Francisco, CA 94102-3298

Diablo Canyon Independent Safety Committee
Robert R. Wellington, Esq.
Legal Counsel
857 Cass Street, Suite D
Monterey, CA 93940

Ed Bailey, Chief
Radiologic Health Branch
State Department of Health Services
P.O. Box 997414 (MS 7610)
Sacramento, CA 95899-7414

Pacific Gas and Electric Company

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Richard F. Locke, Esq.
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120

City Editor
The Tribune
3825 South Higuera Street
P.O. Box 112
San Luis Obispo, CA 93406-0112

James D. Boyd, Commissioner
California Energy Commission
1516 Ninth Street (MS 34)
Sacramento, CA 95814

Institute of Nuclear Power Operations (INPO)
Records Center
700 Galleria Parkway SE, Suite 100
Atlanta, GA 30339

Electronic distribution by RIV:
 Regional Administrator (**BSM1**)
 DRP Director (**ATH**)
 DRS Director (**DDC**)
 Senior Resident Inspector (**DLP**)
 Branch Chief, DRP/E (**WBJ**)
 Senior Project Engineer, DRP/E (**VGG**)
 Staff Chief, DRP/TSS (**PHH**)
 RITS Coordinator (**KEG**)

RidsNrrDipmLipb

V. Dricks, PAO (**VLD**)
 W. Maier, RSLO (**WAM**)
 C. Gordon (**CJG**)
 DRS Branch Chiefs (**LJS, MPS1, ATG, JAC**)
 L. Reyes, EDO (**LAR1**)
 S. Richards, Chief, NRR/DIPM/IIPB (**SAR**)
 R. Frahm, PPR Program Manager, NRR/DIPM/IIPB (**RKF**)
 C. Carpenter, Deputy Dir. for Inspection and Programs (**CAC**)
 B. Sheron, Associate Dir. for Project Licensing and Technical Analysis (**BWS**)
 T. Bergman, Chief, ROPMS, OEDO (**TAB**)
 H. Berkow, Director, LPD4, NRR/DLPM (**HNB**)
 S. Dembek, Chief, PDIV-2B, NRR/DLPM (**SXD**)
 G. S. Shukla, NRR Project Manager (**GSS**)

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Diablo Canyon
Inspection / Activity Plan
08/01/2004 - 03/31/2006

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
	PEB-12B	- EVAL. OF MAINTENANCE EFFECTIVENESS	1			
1,2	IP 7111112B	Maintenance Effectiveness		08/16/2004	08/20/2004	Baseline Inspections
	TI-152	- TI-152 RPV LOWER HEAD (U2)	1			
2	IP 2515/152	Reactor Pressure Vessel Lower Head Penetration Nozzles (NRC Bulletin 2003-02)		10/03/2004	11/18/2004	Safety Issues
	TI-153	- TI-153, RX SUMP BOCKAGE (U-2)	1			
2	IP 2515/153	Reactor Containment Sump Blockage (NRC Bulletin 2003-01)		10/03/2004	11/18/2004	Safety Issues
	EB-08P	- ISI U2 - VESS VOL (TI 150/152) AS REQ	1			
2	IP 7111108P	Inservice Inspection Activities - PWR		11/01/2004	11/05/2004	Baseline Inspections
2	IP 7111108P	Inservice Inspection Activities - PWR		11/15/2004	11/19/2004	Baseline Inspections
	ACCESSPI	- ACRSA/PIV	1			
1,2	IP 7112101	Access Control to Radiologically Significant Areas		11/15/2004	11/19/2004	Baseline Inspections
	OB-INIT	- OB - INITIAL EXAMIANTION	6			
1	X02271	DIABLO CANYON UNIT 1 (12/04) INITIAL		01/10/2005	01/14/2005	Not Applicable
2	X02272	DIABLO CANYON UNIT 2 (12/04) INITIAL		01/10/2005	01/14/2005	Not Applicable
1	X02271	DIABLO CANYON UNIT 1 (12/04) INITIAL		02/07/2005	02/18/2005	Not Applicable
2	X02272	DIABLO CANYON UNIT 2 (12/04) INITIAL		02/07/2005	02/18/2005	Not Applicable
	OB-EP2	- EP EXERCISE	3			
1,2	IP 7111401	Exercise Evaluation		12/06/2004	12/10/2004	Baseline Inspections
1,2	IP 7111404	Emergency Action Level and Emergency Plan Changes		12/06/2004	12/10/2004	Baseline Inspections
1,2	IP 71151	Performance Indicator Verification		12/06/2004	12/10/2004	Baseline Inspections
	RP TEAM	- RAD SAFETY TEAM	4			
1,2	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		12/13/2004	12/17/2004	Baseline Inspections
1,2	IP 7112201	Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems		12/13/2004	12/17/2004	Baseline Inspections
1,2	IP 7112202	Radioactive Material Processing and Transportation		12/13/2004	12/17/2004	Baseline Inspections
1,2	IP 7112203	Radiological Environmental Monitoring Program		12/13/2004	12/17/2004	Baseline Inspections
	EB-TI	- ENG-TI (ENG PILOT) LOW SAFETY MARGIN	4			
1,2	IP 2515/158	Functional Review of Low Margin/Risk Significant Components and Human Actions		01/03/2005	02/18/2005	Safety Issues
	ALARA2	- ALARA PLANNING AND CONTROLS	1			
1,2	IP 7112102	ALARA Planning and Controls		01/10/2005	01/14/2005	Baseline Inspections
	OB-RQ	- REQUAL INSPECTION	2			
1,2	IP 7111111B	Licensed Operator Requalification Program		05/16/2005	05/20/2005	Baseline Inspections
	EB08P	- ISI U1 - VESS VOL (TI 150/152) AS REQ	1			
1	IP 7111108P	Inservice Inspection Activities - PWR		10/03/2005	10/07/2005	Baseline Inspections
1	IP 7111108P	Inservice Inspection Activities - PWR		10/17/2005	10/21/2005	Baseline Inspections

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.

Diablo Canyon
Inspection / Activity Plan
08/01/2004 - 03/31/2006

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	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
	OB-EP1	- EMER PREPAREDNESS PROGRAM INSPECTION	1			
1,2	IP 7111402	Alert and Notification System Testing		11/28/2005	12/02/2005	Baseline Inspections
1,2	IP 7111403	Emergency Response Organization Augmentation Testing		11/28/2005	12/02/2005	Baseline Inspections
1,2	IP 7111404	Emergency Action Level and Emergency Plan Changes		11/28/2005	12/02/2005	Baseline Inspections
1,2	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		11/28/2005	12/02/2005	Baseline Inspections
1,2	IP 711151	Performance Indicator Verification		11/28/2005	12/02/2005	Baseline Inspections
	PEB	- TRIENNIAL FIRE PROTECTION	3			
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
	ISI-08	- ISI U2	1			
2	IP 7111108P	Inservice Inspection Activities - PWR		02/27/2006	04/07/2006	Baseline Inspections