

March 4, 2004

Mr. Daniel J. Malone
Site Vice President
Palisades Nuclear Plant
Nuclear Management Company, LLC
27780 Blue Star Memorial Highway
Covert, MI 49043-9530

SUBJECT: ANNUAL ASSESSMENT LETTER - PALISADES NUCLEAR PLANT
(REPORT 50-255/04-01)

Dear Mr. Malone:

On February 10, 2004, the NRC staff completed its end-of-cycle plant performance assessment of your Palisades Nuclear Plant. The end-of-cycle review for Palisades involved the participation of all technical divisions in evaluating performance indicators for the most recent quarter and inspection results for the period from January 1 through December 31, 2003. 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.

Overall, Palisades operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter was within the Regulatory Response column of the NRC's Action Matrix, based on one White inspection finding in the Initiating Events cornerstone that was identified in the second quarter of the assessment period. Otherwise, all inspection findings were classified as having very low safety significance (Green) and all performance indicators indicated performance at a level requiring no additional oversight.

Plant performance for the previous three quarters was also within the Regulatory Response Column of the NRC's Action Matrix, based on the White inspection finding discussed above. Otherwise, all inspection findings were classified as having very low safety significance (Green) and all performance indicators indicated performance at a level requiring no additional oversight.

In our 2002 mid-cycle assessment letter, we advised you of a substantive cross-cutting issue in the area of Problem Identification and Resolution. In particular, we identified that weak corrective action program implementation resulted in the inadequate resolution of equipment problems and the failure to recognize adverse performance trends. In our 2002 annual assessment letter, we indicated that this cross-cutting issue would remain open because we continued to identify corrective action implementation issues, and because some corrective action program improvements had only recently been implemented. In our 2003 mid-cycle

assessment letter, this cross-cutting issue remained open due to the continued identification of examples where the corrective action program failed to promptly identify and correct conditions adverse to quality. During this assessment period, we noted that the number of findings in the area of Problem Identification and Resolution had decreased since the substantive cross-cutting issue was discussed in the 2003 mid-cycle assessment letter. Therefore, this Problem Identification and Resolution substantive cross-cutting issue was closed.

The enclosed inspection plan details the inspections scheduled through September 30, 2005. This inspection plan includes an inspection activity to be accomplished in accordance with Inspection Procedure 95001, "Inspection For One Or Two White Inputs In A Strategic Performance Area," to review the circumstances and corrective actions to address the White finding identified during this annual assessment period. In addition, we also plan to conduct inspections of your independent spent fuel storage facility. The specific dates of these inspections will be coordinated with your staff. 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 plan are tentative and may be revised at the mid-cycle review meeting. As you are aware, the NRC has issued several Orders and threat advisories to enhance security capabilities and improve guard force readiness since the terrorist attacks on September 11, 2001. We have conducted inspections to review your implementation of these requirements and have monitored your actions in response to changing threat conditions. For calendar year 2004, we plan to continue inspections of order implementation combined with newly developed portions of the security baseline inspection program.

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).

D. Malone

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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 Eric Duncan, Chief, Reactor Projects Branch 6 at (630) 829-9628 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

Steven A. Reynolds, Acting Director
Division of Reactor Projects

Docket No. 50-255
License No. DPR-20

Enclosure: Palisades Inspection/Activity Plan

See Attached Distribution

D. Malone

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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 Eric Duncan, Chief, Reactor Projects Branch 6 at (630) 829-9628 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

Steven A. Reynolds, Acting Director
Division of Reactor Projects

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D. Malone

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cc w/encl: J. Cowan, Executive Vice President and Chief Nuclear Officer
R. Fenech, Senior Vice President, Nuclear
Fossil and Hydro Operations
D. Cooper, Senior Vice President - Group Operations
Manager, Regulatory Affairs
J. Rogoff, Esquire, Vice President, Counsel and Secretary
A. Udrys, Esquire, Consumers Energy Company
Director of Nuclear Assets, Consumers Energy Company
Supervisor, Covert Township
Office of the Governor
Michigan Department of Environmental Quality -
Waste and Hazardous Materials Division
Michigan Department of Attorney General
The Honorable Norm Johnson
L. Nielsen, City Manager of Bangor
The Honorable Ted Johnson
Y. Akinwale, City Manager of Hartford
The Honorable Dale Lewis
K. Anderson, City Manager of South Haven
M. Lombardo, Administrator, Allegan County Courthouse
B. Koops, Allegan County Sheriff
B. Brunett, Allegan County Emergency
Management Coordinator
J. M. Henry, Berrien County Coordinator
L. P. Bailey, Berrien County Sheriff
M. Bradley, Berrien County Emergency
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D. DeLeo, Van Buren County Board Chairman
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Sergeant Alaine Svilpe, Van Buren County
Emergency Preparedness Coordinator
The Honorable A. Gagliardo, Jr.
The Honorable Charles Owen
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Project Director, NRR

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Palisades
Inspection / Activity Plan
03/01/2004 - 09/30/2005

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
	PI&R	- PI&R INSPECTION	4			
1	IP 71152B	Identification and Resolution of Problems		02/23/2004	03/05/2004	Baseline Inspections
	IP 71122	- RP RAM PROCESS/TRANSPORTATION INSP	1			
1	IP 7112202	Radioactive Material Processing and Transportation		03/01/2004	03/05/2004	Baseline Inspections
	ISFSI	- ONSITE FAB AND CONSTRUCTION OF ISFSI	1			
1	IP 60853	On-Site Fabrication Of Components And Construction On An ISFSI		03/01/2004	05/31/2004	Other Routine
	IP 95001	- IP 95001 INSPECTION FOR WHITE FINDING	1			
1	IP 95001	Supplemental Inspection For One Or Two White Inputs In A Strategic Performance Area		03/08/2004	04/09/2004	Supplemental Progra
	SSDI	- SAFETY SYSTEM DESIGN	6			
1	IP 7111121	Safety System Design and Performance Capability		03/22/2004	04/09/2004	Baseline Inspections
	71111.11	- LIC OPERATOR REQUAL PROGRAM EVALUATION	2			
1	IP 7111111B	Licensed Operator Requalification Program		03/22/2004	03/26/2004	Baseline Inspections
	IP 71121	- RP INSTRUMENTATION INSPECTION	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		05/17/2004	05/21/2004	Baseline Inspections
1	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		05/17/2004	05/21/2004	Baseline Inspections
	ISFSI	- PREOP TEST OF ISFSI	1			
1	IP 60854	Preoperational Testing Of An ISFSI		06/01/2004	06/30/2004	Other Routine
	ISFSI	- OPERATION OF ISFSI	1			
1	IP 60855	Operation Of An ISFSI		07/01/2004	07/31/2004	Other Routine
	IP 71121	- RP PROT EQUIP/ACCESS CTRL INSPECTION	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		07/12/2004	07/16/2004	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		07/12/2004	07/16/2004	Baseline Inspections
1	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		07/12/2004	07/16/2004	Baseline Inspections
1	IP 71151	Performance Indicator Verification		07/12/2004	07/16/2004	Baseline Inspections
	71114	- BASELINE EP EXERCISE INSP	4			
1	IP 7111401	Exercise Evaluation		08/16/2004	08/20/2004	Baseline Inspections
1	IP 71151	Performance Indicator Verification		08/16/2004	08/20/2004	Baseline Inspections
	ISI/TI	- INSERVICE INSPECTION & TI-150	3			
1	IP 2515/150	Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles (NRC Bulletin 2002-0		09/20/2004	10/15/2004	Safety Issues
1	IP 7111108P	Inservice Inspection Activities - PWR		09/20/2004	10/15/2004	Baseline Inspections
	IP 71121	- RP OUTAGE ALARA & ACCESS CONTROL INSP	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		09/27/2004	10/01/2004	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		09/27/2004	10/01/2004	Baseline Inspections
	IP 71121	- RP POST-OUTAGE ALARA & ACCESS CNTRL INSP	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		12/13/2004	12/17/2004	Baseline Inspections

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

Palisades
Inspection / Activity Plan
03/01/2004 - 09/30/2005

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	IP 71121	- RP POST-OUTAGE ALARA & ACCESS CNTRL INSP	1			
1	IP 7112102	ALARA Planning and Controls		12/13/2004	12/17/2004	Baseline Inspections
1	IP 71151	Performance Indicator Verification		12/13/2004	12/17/2004	Baseline Inspections
	FPI	- TRIENNIAL FIRE PROTECTION INSPECTION	3			
1	IP 7111105T	Fire Protection		01/10/2005	01/28/2005	Baseline Inspections
	FY 2005	- PALISADES INIT PREP 04/2005	3			
1	W90126	OL - INITIAL EXAM - PALISADES - APR/MAY 2005		04/25/2005	04/29/2005	Not Applicable
	IP 71121	- RP ACCESS CTRL/ALARA INSPECTION	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		04/25/2005	04/29/2005	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		04/25/2005	04/29/2005	Baseline Inspections
1	IP 71151	Performance Indicator Verification		04/25/2005	04/29/2005	Baseline Inspections
	FY 2005	- PALISADES INIT EXAM 05/2005	3			
1	W90126	OL - INITIAL EXAM - PALISADES - APR/MAY 2005		05/23/2005	06/03/2005	Not Applicable
	71114	- BASELINE EP INSPECTION	1			
1	IP 7111402	Alert and Notification System Testing		06/27/2005	07/01/2005	Baseline Inspections
1	IP 7111403	Emergency Response Organization Augmentation Testing		06/27/2005	07/01/2005	Baseline Inspections
1	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		06/27/2005	07/01/2005	Baseline Inspections
1	IP 71151	Performance Indicator Verification		06/27/2005	07/01/2005	Baseline Inspections
	IP 71121	- RP ACCESS CTRL/ALARA INSPECTION	1			
1	IP 7112101	Access Control to Radiologically Significant Areas		06/27/2005	07/01/2005	Baseline Inspections
1	IP 7112102	ALARA Planning and Controls		06/27/2005	07/01/2005	Baseline Inspections
	MAINT	- BIENNIAL MAINTENANCE RULE INSPECTION	1			
1	IP 7111112B	Maintenance Effectiveness		08/29/2005	09/02/2005	Baseline Inspections
	IP 71122	- RP REMP/RAM CONTROL INSPECTION	1			
1	IP 7112203	Radiological Environmental Monitoring Program		08/29/2005	09/02/2005	Baseline Inspections
1	IP 71151	Performance Indicator Verification		08/29/2005	09/02/2005	Baseline Inspections