

March 1, 2002

Mr. Oliver D. Kingsley
President and CNO
Exelon Nuclear
Exelon Generation Company, LLC
200 Exelon Way, KSA 3-E
Kennett Square, PA 19348

SUBJECT: ANNUAL ASSESSMENT LETTER - PEACH BOTTOM ATOMIC POWER
STATION (REPORT 50-277/02-01, 50-278/02-01)

Dear Mr. Kingsley:

On January 29, 2002, the NRC staff completed its end-of-cycle plant performance assessment of the Peach Bottom Atomic Power Station Units 2 and 3. The end-of-cycle review for Peach Bottom involved the participation of all technical divisions in evaluating performance indicators (PIs) for the most recent quarter and inspection results for the period from April 1 through December 31, 2001. 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 which may conflict with your plant activities.

As discussed in our previous annual assessment letter dated May 30, 2001, this inspection and assessment cycle consisted of three quarters (i.e. the second, third, and fourth calendar quarters of calendar year 2001) instead of the usual four quarters. This change was implemented in order to align the inspection and assessment cycle with the calendar year beginning on January 1, 2002.

Overall, both units of the Peach Bottom Atomic Power Station 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 an inspection finding of low to moderate safety significance (White) in the Emergency Preparedness cornerstone. The inspection finding in the Emergency Preparedness cornerstone involved inadequate maintenance of the on-site public address/evacuation alarm system. The significance of this finding was finalized in our letter dated August 22, 2001. We completed the supplemental inspection of this inspection finding on October 26, 2001, and determined that your causal evaluations, as well as your immediate and long-term actions, in response to this White finding were acceptable.

Additionally, on October 23, 2001, the staff issued a Severity Level III Notice of Violation in accordance with the enforcement policy. The violation was also associated with areas inspected and monitored in the Emergency Preparedness cornerstone. We issued the violation after your staff had become aware of and informed us of improper maintenance activities on several off-site sirens. The improper maintenance activities occurred when contractor personnel created false

maintenance and testing records and installed jumpers on several off-site sirens that bypassed the siren failure detection circuitry. We have completed an inspection of your actions in response to this violation and found them to be acceptable. Our baseline inspection program in the Emergency Preparedness cornerstone will provide us the information to monitor the effectiveness of your long-term corrective actions in response to both the White finding and the Notice of Violation.

The enclosed inspection plan details the inspections scheduled through March 31, 2003. The inspection plan also lists the inspections we plan to conduct that are associated with license renewal activities. 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 schedule for the last six months of the inspection plan is tentative and may be revised at the Mid-Cycle Review meeting.

Immediately following the terrorist attacks on the World Trade Center and the Pentagon, the NRC issued safeguards advisories recommending that nuclear power plant licensees go to the highest level of security, and all promptly did so. With continued uncertainty about the possibility of additional terrorist activities, the Nation's nuclear power plants, including the Peach Bottom Atomic Power Station, remain at a high level of security. On February 25, 2002, the NRC issued an Order to all nuclear power plant licensees, requiring them to take certain additional interim compensatory measures to address the generalized high-level threat environment. These additional compensatory requirements will provide the NRC with reasonable assurance that public health and safety and the common defense and security continue to be adequately protected in the current generalized high-level threat environment. These requirements will remain in effect pending notification from the Commission that a significant change in the threat environment occurs, or until the Commission determines that other changes are needed following a more comprehensive re-evaluation of current safeguards and security programs. To date, we have monitored Exelon's actions in response to the terrorist attacks through a series of audits. With the issuance of the Order, we will evaluate Exelon's compliance with these interim requirements.

In accordance with 10 CFR 2.790 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/NRC/ADAMS/index.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 Dr. Mohamed Shanbaky at 610-337-5209 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

A. Randolph Blough, Director
Division of Reactor Projects

Docket Nos. 50-277; 50-278
License Nos.: DPR-44, DPR-56

Enclosure: Peach Bottom Inspection/Activity Plan

cc w/encl: C. G. Pardee, Senior Vice President, Mid-Atlantic Regional Operating Group
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W. Bohlke, Senior Vice President, Nuclear Services
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| OFFICE | RI/DRP | | RI/DRP | | RI/DRP | |
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| DATE | 02/28/02 | | 02/28/02 | | 03/1/02 | |

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Peach Bottom
Inspection / Activity Plan
12/30/2001 - 03/31/2003

| Unit Number | Inspection Activity | Title | No. of Staff on Site | Planned Dates | | Inspection Type |
|----------------|---------------------|--|-------------------------|---------------|------------|----------------------|
| | | | | Start | End | |
| | 7112201 | - PUB RAD SAFETY - RETS | 1 | | | |
| 2, 3 | IP 7112201 | Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems | | 01/28/2002 | 02/01/2002 | Baseline Inspections |
| | 71121 | - OCC RAD SAFETY - INSTRUMENTATION | 1 | | | |
| 2, 3 | IP 7112103 | Radiation Monitoring Instrumentation | | 02/04/2002 | 02/08/2002 | Baseline Inspections |
| | 7112202 | - PUB RAD SAFETY - RADWASTE | 1 | | | |
| 2, 3 | IP 7112202 | Radioactive Material Processing and Transportation | | 04/01/2002 | 04/05/2002 | Baseline Inspections |
| | 71002 | - LICENSE RENEWAL | 6 | | | |
| 2, 3 | IP 71002 | License Renewal Inspection | | 04/15/2002 | 04/19/2002 | Other Routine |
| 2, 3 | IP 71002 | License Renewal Inspection | | 04/29/2002 | 05/03/2002 | Other Routine |
| | 71130 | - SECURITY | 1 | | | |
| 2, 3 | IP 7113001 | Access Authorization Program (Behavior Observation Only) | | 04/15/2002 | 04/19/2002 | Baseline Inspections |
| 2, 3 | IP 7113002 | Access Control (Search of Personnel, Packages, and Vehicles: Identification and Authorizatio | | 04/15/2002 | 04/19/2002 | Baseline Inspections |
| | 6/3+EXM | - PB//LM LSRO INITIAL EXAMS | 3 | | | |
| 2 | U01471 | LSRO-PEACH BOTTOM INITIAL EXAM 6/3-9/02 | | 05/13/2002 | 05/18/2002 | Not Applicable |
| 2 | U01471 | LSRO-PEACH BOTTOM INITIAL EXAM 6/3-9/02 | | 06/03/2002 | 06/14/2002 | Not Applicable |
| | 7111111B | - PB/LM LSRO REQUALIFICATION PROGRAM | 2 | | | |
| 2, 3 | IP 7111111B | Licensed Operator Requalification | | 05/20/2002 | 05/24/2002 | Baseline Inspections |
| | 7111121 | - SSDI | 6 | | | |
| 2, 3 | IP 7111121 | Safety System Design and Performance Capability | | 06/03/2002 | 06/07/2002 | Baseline Inspections |
| 2, 3 | IP 7111121 | Safety System Design and Performance Capability | | 06/17/2002 | 06/21/2002 | Baseline Inspections |
| | 71002 | - LICENSE RENEWAL | 6 | | | |
| 2, 3 | IP 71002 | License Renewal Inspection | | 07/08/2002 | 07/12/2002 | Other Routine |
| 2, 3 | IP 71002 | License Renewal Inspection | | 07/22/2002 | 07/26/2002 | Other Routine |
| | 7111107B | - HEAT SINK | 1 | | | |
| 2, 3 | IP 7111107B | Heat Sink Performance | | 08/19/2002 | 08/23/2002 | Baseline Inspections |
| | 9/23 EXM | - OPERATOR LICENSING INITIAL EXAMS | 2 | | | |
| 2 | U01446 | PEACH BOTTOM 2&3 O/L INITIAL EXAM 9/23-27/2002 | | 08/26/2002 | 08/30/2002 | Not Applicable |
| 2 | U01446 | PEACH BOTTOM 2&3 O/L INITIAL EXAM 9/23-27/2002 | | 09/23/2002 | 09/27/2002 | Not Applicable |
| | 7112203 | - PUB RAD SAFETY - REMP | 1 | | | |
| 2, 3 | IP 7112203 | Radiological Environmental Monitoring Program | | 08/26/2002 | 08/30/2002 | Baseline Inspections |
| | 71121 | - OCC RAD SAFETY | 1 | | | |
| 2, 3 | IP 7112101 | Access Control to Radiologically Significant Areas | | 09/23/2002 | 09/27/2002 | Baseline Inspections |
| 2, 3 | IP 7112102 | ALARA Planning and Controls | | 09/23/2002 | 09/27/2002 | Baseline Inspections |
| | 71121 | - OCC RAD SAFETY | 1 | | | |
| 2, 3 | IP 7112101 | Access Control to Radiologically Significant Areas | | 10/21/2002 | 10/25/2002 | Baseline Inspections |

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

Peach Bottom
Inspection / Activity Plan
12/30/2001 - 03/31/2003

| Unit Number | Inspection Activity | Title | No. of Staff on Site | Planned Dates | | Inspection Type |
|----------------|---|--|-------------------------|---------------|------------|----------------------|
| | | | | Start | End | |
| 2, 3 | IP 7112102 | ALARA Planning and Controls | | 10/21/2002 | 10/25/2002 | Baseline Inspections |
| 2, 3 | IP 71151 | Performance Indicator Verification | | 10/21/2002 | 10/25/2002 | Baseline Inspections |
| | 7111108 - INSERVICE INSPECTION | | 1 | | | |
| 2 | IP 7111108 | Inservice Inspection Activities | | 10/21/2002 | 10/25/2002 | Baseline Inspections |
| | 7111401 - EP EXERCISE & EP PI VERIFICATION | | 5 | | | |
| 2, 3 | IP 7111401 | Exercise Evaluation | | 11/18/2002 | 11/22/2002 | Baseline Inspections |
| 2, 3 | IP 71151 | Performance Indicator Verification | | 11/18/2002 | 11/22/2002 | Baseline Inspections |
| | 71121 - OCC RAD SAFETY | | 1 | | | |
| 2, 3 | IP 7112101 | Access Control to Radiologically Significant Areas | | 11/18/2002 | 11/22/2002 | Baseline Inspections |
| 2, 3 | IP 7112102 | ALARA Planning and Controls | | 11/18/2002 | 11/22/2002 | Baseline Inspections |
| 2, 3 | IP 71151 | Performance Indicator Verification | | 11/18/2002 | 11/22/2002 | Baseline Inspections |
| | 71151 - PUB RAD SAFETY PI VERIFICATION | | 1 | | | |
| 2, 3 | IP 71151 | Performance Indicator Verification | | 12/02/2002 | 12/06/2002 | Baseline Inspections |
| | 71121 - OCC RAD SAFETY | | 1 | | | |
| 2, 3 | IP 7112101 | Access Control to Radiologically Significant Areas | | 01/20/2003 | 01/24/2003 | Baseline Inspections |
| 2, 3 | IP 7112102 | ALARA Planning and Controls | | 01/20/2003 | 01/24/2003 | Baseline Inspections |
| 2, 3 | IP 7112103 | Radiation Monitoring Instrumentation | | 01/20/2003 | 01/24/2003 | Baseline Inspections |
| | 711117B - PERMANENT PLANT MODS | | 3 | | | |
| 2, 3 | IP 7111102 | Evaluation of Changes, Tests, or Experiments | | 02/10/2003 | 02/14/2003 | Baseline Inspections |
| 2, 3 | IP 711117B | Permanent Plant Modifications | | 02/10/2003 | 02/14/2003 | Baseline Inspections |
| | 71130 - SECURITY | | 1 | | | |
| 2, 3 | IP 7113001 | Access Authorization Program (Behavior Observation Only) | | 02/24/2003 | 02/28/2003 | Baseline Inspections |
| 2, 3 | IP 7113002 | Access Control (Search of Personnel, Packages, and Vehicles: Identification and Authorizator | | 02/24/2003 | 02/28/2003 | Baseline Inspections |