



ALLEGATION PROGRAM ANNUAL TRENDS REPORT

Calendar Year 2006

**U.S. Nuclear Regulatory Commission
Office of Enforcement
Washington, DC 20555**

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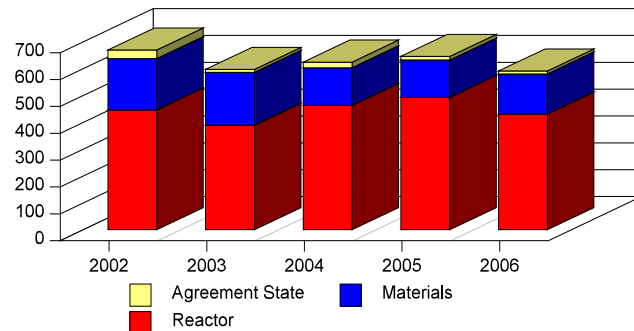
EXECUTIVE SUMMARY

U.S. Nuclear Regulatory Commission (NRC) Management Directive 8.8, "Management of Allegations," requires the Agency Allegation Advisor to prepare an annual report for the Executive Director for Operations that provides an analysis of allegation trends. This annual report fulfills that commitment by providing national, regional, and site-specific trend analyses.

In addition, several staff activities in 2006 involving the Allegation Program and related policies warrant mention in this report. The agency implemented changes to the Reactor Oversight Process to more fully address safety culture, including changes to the safety conscious work environment (SCWE) crosscutting area and subsequent inspector training. The allegation staff continues to implement the agency-sponsored alternative dispute resolution (ADR) process for discrimination allegations. One quarter of the discrimination cases offered Early-ADR reached settlement in 2006, reducing the number of necessary investigations by nine. Lastly, staff of the Offices of Enforcement and Nuclear Security and Incident Response developed a new policy for corresponding with alлегers who raise security-related concerns. The previous policy made it difficult for the staff to assure alлегers that their concerns had been addressed. The Commission approved the policy change on March 28, 2007 (see SECY/SRM-07-0032, "Recommended Staff Actions Regarding Correspondence with Alлегers Involving Security-Related Concerns").

With regard to allegation trends, as Figure 1 indicates, from calendar year 2002 through 2006 the number of allegations the NRC received has remained fairly steady, fluctuating each year on average by plus or minus 55 allegations. Reductions in allegations received from several Region I and Region III reactor facilities that had experienced significant allegation activity in recent years explain the approximate 10-percent drop in reactor allegations from 2005 to 2006. The number of materials allegations received dropped from an average of slightly less than 200 allegations per year in 2002 and 2003 to an average of slightly less than 150 allegations per year from 2004 through 2006, with two States achieving Agreement State status in the latter timeframe. Security-related issues comprised the largest percentage of alleged concerns received in 2006.

FIGURE 1 - ALLEGATIONS RECEIVED BY CY



For some reactor licensees, the NRC received allegations in numbers that warranted additional analysis. In preparing this report, the staff reviewed a 5-year history of allegations for reactor and material licensees and vendors to identify adverse trends. The analysis focused on allegations that originated from onsite sources to help inform the NRC's review of the SCWE.¹ The staff selected 11 reactor sites for a more in-depth review—Susquehanna Units 1 and 2; Turkey Point Units 3 and 4; Palo Verde Units 1, 2, and 3; Browns Ferry Unit 1; Indian Point Units 2 and 3; San Onofre Units 2 and 3; St. Lucie Units 1 and 2; Harris; Salem/Hope Creek, Sequoyah Units 1 and 2; and South Texas Units 1 and 2. The report discusses allegation trends at each of these sites. In summary, the trends either did not suggest a weakening SCWE or the licensee is taking steps to address an adverse trend and the NRC is monitoring those activities. No materials licensees or vendors were the subject of allegations at a level that warranted additional analysis.

¹ The total number of allegations received concerning reactor licensees from all sources, as well as other information concerning the Allegation Program, can be found on the NRC's public Web site at <http://www.nrc.gov/about-nrc/regulatory/allegations/statistics.html>.

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OVERVIEW OF SIGNIFICANT PROGRAM ACTIVITIES

In 2006, the U.S. Nuclear Regulatory Commission (NRC) undertook certain significant activities that affect the Allegation Program and related policies and warrant discussion in this report. The agency implemented changes to the Reactor Oversight Process (ROP) to more fully address safety culture and the safety conscious work environment (SCWE). In addition, the allegation staff continues to implement the agency-sponsored alternative dispute resolution (ADR) process for discrimination allegations. One quarter of the discrimination cases offered ADR reached settlement in 2006. Lastly, the Commission approved a new policy developed by the Offices of Enforcement and Nuclear Security and Incident Response for corresponding with allegers who raise security-related concerns. These areas are discussed in more detail below.

Safety Conscious Work Environment

The 1996 NRC Policy Statement, "Freedom of Employees in the Nuclear Industry to Raise Safety Concerns Without Fear of Retaliation," outlines the agency's expectations that licensees and other employers subject to NRC authority will establish and maintain a SCWE. A SCWE is defined as an environment in which (1) employees are encouraged to raise safety concerns to their employers or the NRC without fear of retaliation, (2) concerns are promptly reviewed, given the proper priority, and appropriately resolved, and (3) timely feedback is provided.

In 2006, the staff continued an initiative begun in 2005 to enhance the ROP to more fully address safety culture and the SCWE and to train NRC inspection staff based on the Commission direction described in SECY-04-0111, "Recommended Staff Actions Regarding Agency Guidance in the Areas of Safety Conscious Work Environment and Safety Culture," dated July 1, 2004, and its associated staff requirements memorandum (SRM). One aspect of the change involved how to document findings related to three crosscutting areas (SCWE, problem identification and resolution (PI&R), and human performance). To support the ROP assessment process, findings with a crosscutting aspect must meet certain requirements—the finding must be more than minor, the crosscutting aspect must be a significant contributor to the finding, and the finding is reflective of current licensee performance. During the internal review of the draft revised guidance, the staff expressed concern that potential findings with SCWE crosscutting aspects might not be handled through the most appropriate process (i.e., either through the ROP or the Agency Allegation Program). Staff noted that inspectors could have a difficult time making this decision in a consistent manner, and identified a need for additional multioffice management review of the findings with SCWE crosscutting aspects to ensure consistency across the regions. To meet that need, the agency formed the SCWE Finding Review Group (SCWE FRG). The purpose of the SCWE FRG review is to ensure regulatory consistency by reviewing and dispositioning all ROP potential findings in the SCWE crosscutting area. The review group will evaluate the potential finding and the proposed SCWE crosscutting aspects before the finding is documented in an inspection report. In addition, the regions will be encouraged to hold discussions with SCWE FRG during the conduct of their inspections when SCWE-related issues arise. The review group will ensure a consistent treatment of SCWE findings and appropriate handling within the ROP and/or the Allegation Program. The Agency Allegation Advisor chairs the SCWE FRG.

In addition to identifying findings with a SCWE crosscutting aspect, staff can gather insights into the SCWE at a particular site by reviewing the number and nature of allegations received concerning that site. Furthermore, during the baseline PI&R inspection, the staff documents observations concerning a site's SCWE based on interviews with licensee employees and pertinent document reviews. Should the staff discern that a work environment may be "chilled," that is, potentially not conducive to raising safety concerns internally, the NRC management can request, in writing, from the licensee information concerning its SCWE. Such correspondence is called a chilling effect letter. The agency also initiates chilling effect letters

after a finding of discrimination related to raising safety concerns by the Department of Labor (DOL) under Section 211 of the Energy Reorganization Act of 1974, as amended, or by the NRC under the following employee protection regulations:

- 10 CFR Part 19, "Notices, Instructions and Reports to Workers: Inspection and Investigations"
- 10 CFR Part 30, "Rules of General Applicability to Domestic Licensing of Byproduct Material"
- 10 CFR Part 40, "Domestic Licensing of Source Material"
- 10 CFR Part 50, "Domestic Licensing of Production and Utilization Facilities"
- 10 CFR Part 60, "Disposal of High-Level Radioactive Wastes in Geologic Repositories"
- 10 CFR Part 61, "Licensing Requirements for Land Disposal of Radioactive Waste"
- 10 CFR Part 63, "Disposal of High-Level Radioactive Wastes in a Geologic Repository at Yucca Mountain, Nevada"
- 10 CFR Part 70, "Domestic Licensing of Special Nuclear Material"
- 10 CFR Part 72, "Licensing Requirements for the Independent Storage of Spent Nuclear Fuel, High-Level Radioactive Waste, and Reactor-Related Greater Than Class C Waste"
- 10 CFR Part 76, "Certification of Gaseous Diffusion Plants"
- 10 CFR Part 150, "Exemptions and Continued Regulatory Authority in Agreement States and in Offshore Waters under Section 274"

In 2006, the agency issued two chilling effect letters, one to a materials certificatee as a result of a DOL finding of discrimination and the other to a reactor licensee based on indications of a potential chilled work environment. The NRC staff will continue to monitor the SCWE of both sites through normal inspection activities and allegation review.

Alternative Dispute Resolution for Discrimination Allegations

In October 2004, the staff implemented a pilot ADR program which included the opportunity for using ADR early in the allegation process for cases of alleged discrimination before the NRC conducts its investigation of the allegation. This allows additional opportunity for the parties to resolve their differences outside of the normal regulatory framework. Early-ADR involves the use of a neutral third party to facilitate discussion and timely settlement of the discrimination concern in an effort to minimize potential negative impact on the SCWE at the facility involved. At any time, either party can exit the ADR process and, if the allegor still wants to pursue the discrimination matter, the option of an NRC investigation remains. Under the Early-ADR pilot program, the staff will not pursue an investigation or subsequent enforcement of discrimination findings that have been settled through this process.

The pilot program operated through the first quarter of 2006. The staff's evaluation of the pilot program concluded that although there is no objective indication that Early-ADR has had an immediate positive impact on any particular facility's work environment, it is believed that voluntary dispute resolution by the parties using the communication opportunities afforded in Early-ADR can stem the inherent damage such disputes have on the SCWE more quickly than an investigation. Indications of positive improvements may be limited to facilities that have

successfully used ADR more than once and developed an improved environment over the long term. However, the staff concludes that the assumed benefits of the Early-ADR process, including decreased costs and the impact on the SCWE, warrant continued use of Early-ADR in the Allegation Program.

In 2006, the NRC made 33 Early-ADR offers, of which 12 (36 percent) resulted in agreements to mediate. Nine of the 12 (75 percent) mediated discrimination concerns resulted in the parties agreeing to settlement terms. The NRC has estimated that ADR reduces agency expenditures by approximately \$22,200 per Early-ADR settlement agreement.² Therefore, the nine cases that were successfully settled represent approximately a \$200,000 savings.

New Policy Regarding Correspondence with Allegers Involving Security-Related Concerns

In the aftermath of September 11, 2001, the NRC placed restrictions on the dissemination of sensitive security-related information outside the agency in an effort to preclude the release of information useful to potential adversaries. These controls were also applied to the information that is provided to allegers raising security-related concerns to the NRC. The restrictions have made it difficult for the staff to assure allegers that their concerns have been addressed, and a number of allegers have expressed dissatisfaction with the NRC's limited response. Some, in an effort to obtain a satisfactory response, have chosen to pursue their concerns publicly by engaging elected officials and public interest groups and disseminating their concerns by means of public Web sites or media outlets. In recent instances, these actions have required the staff to respond in a public manner to the allegers' concerns. While the allegers were receptive to the feedback provided, the staff does not consider a public response to be the most advisable primary means of addressing security-related concerns. In late 2006, the staff drafted new guidance for responding to individual allegers who raise security-related concerns with the goal of being as responsive to an allexer as is possible while continuing to protect any information that could be used by an adversary to exploit a potential security vulnerability. The staff proposed the revised policy to the Commission on February 12, 2007. The Commission approved the recommended policy change on March 28, 2007.³

The NRC will group security-related allegation concerns into three categories:

- Category I Concerns that involve a potential generic industry security vulnerability.
- Category II Security-related concerns that, if true, would constitute more than a minor finding or violation, as determined by applicable guidance or review panels.
- Category III Security-related concerns that, if true, would, at most, constitute a minor finding or violation, as determined by applicable guidance or review panels.

The following handling guidance applies to the categories:

Category I. As outlined in current guidance, the staff will provide limited information for both substantiated and unsubstantiated security-related concerns that involve a potential generic industry vulnerability. Letters to allegers will continue to reiterate the concerns raised in sufficient detail to ensure a common understanding of the concerns, however, a description of the actions taken by the staff to evaluate the concerns and the staff's conclusion regarding the

2 SECY-06-0102, "Evaluation of the Pilot Program on the Use of Alternative Dispute Resolution in the Allegation and Enforcement Programs," May 5, 2006.

3 SECY/SRM-07-0032, "Recommended Staff Actions Regarding Correspondence with Allegers Involving Security-Related Concerns," March 28, 2007.

validity of the concerns will not be shared with the alleged. Based on past trends, the staff estimates that less than 1 percent of security-related concerns will fall within this category.

Category II. For those security-related concerns that, if true, would constitute more than a minor finding or violation, as determined by applicable guidance or review panels, the staff will provide limited information in response to both substantiated and unsubstantiated concerns. Letters to allegeders will continue to reiterate the issues raised in sufficient detail to ensure a common understanding of the concerns. Although the staff will not provide specific details regarding its evaluation of the concerns, closure letters will document that an assessment was conducted in the security area that included a review of the concerns raised and whether that assessment resulted in a finding or not. Should deficiencies be identified, the staff will notify the allegeder that such deficiencies were promptly corrected or addressed by compensatory action, thereby establishing licensee compliance with applicable physical protection and security requirements. The allegeder will not be told, however, if any finding was specifically associated with the concerns he/she raised. It is estimated that approximately 10 percent of security-related concerns will fall within this category.

If the allegeder requests additional information and the staff can verify that he/she is currently employed at the NRC-licensed facility associated with the allegation concerns as a member of the security force with normal access to such information, the staff will offer to discuss the specifics of the agency's actions and conclusions with the allegeder. The agency will not seek employment and position verification without the allegeder's prior permission.

Category III. For those security-related concerns that, if true, would at most constitute a minor finding or violation, as determined by applicable guidance and review panels, the staff will provide a complete response to the allegeder, once required compensatory actions, if any, are in place. The response to both substantiated and unsubstantiated concerns will include a description of the actions taken by the staff to evaluate the concern and the staff's conclusion regarding the validity of the concern, but will not include a description of the compensatory actions taken.

If followup of a security-related concern results in a minor finding or violation requiring compensatory actions, and if the allegeder requests additional information and the staff can verify that he or she is currently employed at the NRC-licensed facility associated with the allegation concerns as a member of the security force with normal access to such information, the staff will offer to discuss the compensatory actions with the allegeder. The agency will not seek employment and position verification without the allegeder's prior permission.

Cognizant Office of Nuclear Security and Incident Response and/or regional security inspection management will concur on all closure letters to allegeders.

TRENDS IN ALLEGATIONS

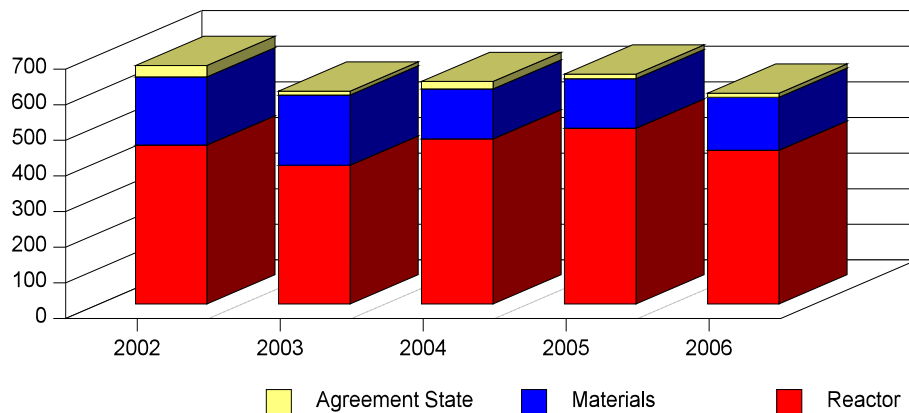
The NRC monitors allegations to discern trends or marked increases that might prompt the agency to question the licensee as to the causes of such changes or trends. In preparing this report, the staff reviewed a 5-year history of allegations received for reactor and material licensees and vendors. The staff focused on those allegations that have the potential to provide insights into the SCWE at a given facility. Such allegations include those submitted by current or former licensee or contractor employees or by anonymous sources that indicate an unwillingness to raise safety concerns internally. The staff performs an analysis of recent allegation activity twice a year in support of the ROP mid-cycle and end-of-cycle assessments. In addition, the staff may perform an analysis for a particular site or licensee whenever allegations or inspection findings indicate that such an analysis is warranted.

The staff also conducts reviews to identify national trends for reactor and materials allegations received, shifts in users of the Allegation Program, and the impact of Allegation Program implementation on the workload in the regions, the Office of Nuclear Reactor Regulation (NRR), and the Office of Nuclear Material Safety and Safeguards (NMSS). The Office of Federal and State Materials and Environmental Management Programs was established in late 2006 and, therefore, trends related to materials licensee's under that office's purview are included in NMSS's trends. The following section discusses these trends.

National Trends

National trends are of interest because they provide general information to the staff concerning the impact of external factors, plant events, and industry efforts to improve the SCWE at NRC-licensed facilities. In addition, they can be useful in developing budget and planning assumptions to support future agency and allegation program needs. Figure 1 shows that the 5-year national trend in allegation receipt has remained relatively steady with some fluctuation in the number of allegations received in the reactor area.

FIGURE 1 - ALLEGATIONS RECEIVED BY CY



Reductions in allegations received from several Region I and Region III reactor facilities that had experienced significant allegation activity in recent years explain the approximate 10-percent drop in reactor allegations from 2005 to 2006. The number of materials allegations received dropped from an average of slightly less than 200 allegations per year in 2002 and 2003 to an average of slightly less than 150 allegations per year from 2004 through 2006, with two States achieving Agreement State status in the latter timeframe.

Because each allegation can include multiple concerns, the number of concerns received can provide more specific information in terms of the staff effort needed for appropriate response.

The trend in the total number of concerns received has paralleled the trend of total allegation receipt over the last 5 years; that is, generally the number of concerns received about operating power reactor facilities increased in the 2002 to 2005 timeframe in all regions except Region III, while all regions experienced a decrease in the number of reactor concerns received in 2006. The number of materials concerns received in every region has trended downward in the 2002 to 2006 timeframe, with the exception of Region I.

From a regional perspective, the following activity is noteworthy. The volume of reactor concerns received in Region I trended upward from 2002 to 2005, but dropped in 2006, coinciding with the culmination of efforts by one Region I site to resolve concerns in the SCWE area identified in the 2003–2004 timeframe. The transfer of responsibility for oversight of all former Region II materials licensees to Region I in 2003 has sustained the rate of receipt of materials concerns in Region I. The volume of concerns in Region II trended upward from 2002 through 2005 which is likely associated with plant-specific occurrences related to construction activities at one reactor facility and an increasing number of security concerns at several Region II reactor facilities in 2005. The number of concerns in the reactor area decreased in Region II in 2006, although the number of security concerns continued to increase, primarily as a result of an increase in security issues at one Region II reactor facility. The number of concerns received in Region III was higher than the other regions in 2002 and 2003, but has decreased steadily since that timeframe. A significant contributor to the decrease in concerns received at Region III was the transfer of oversight responsibility for two large fuel cycle facilities from Region III to Region II in 2003. Also, since 2003, two States in the Region III geographical area have achieved Agreement State status, thus, materials licensee concerns that would have been processed by the NRC are now addressed by the Agreement State. Events that have also contributed to the reduction in Region III concerns were the resolution of union/strike issues at one plant and the end of the extended shutdown of another. The number of concerns received in Region IV fluctuated from 2002 through 2006, generally at lower totals than the other regions from 2002 through 2004. The number of reactor concerns received in Region IV in 2005 and 2006 were comparatively high, which are largely attributable to activity at one multiplant site.

Reactor Licensee Trends

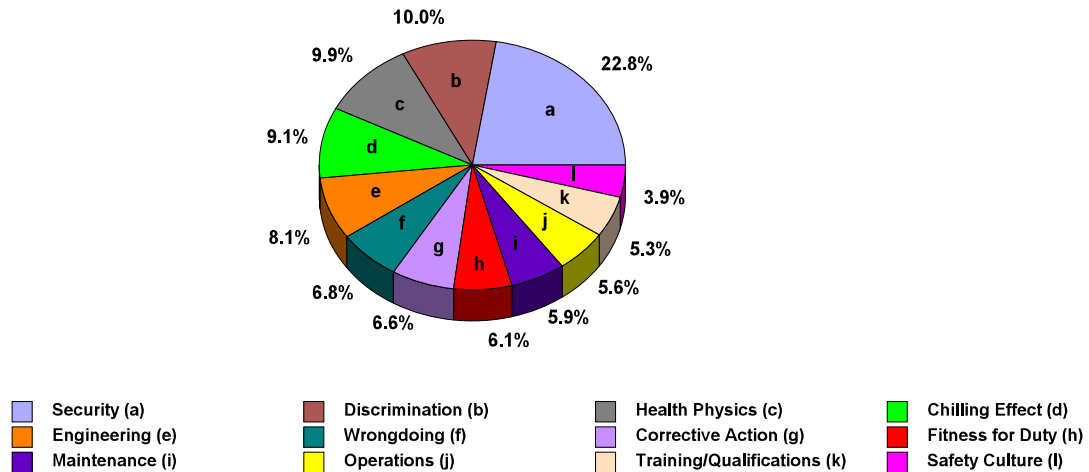
To provide further insight into areas in which the NRC is spending resources on reactor-related allegation followup, Figure 2 on the following page depicts the 12 functional areas that represent approximately 80 percent of the issues received nationwide in 2006.⁴

As indicated in the pie chart, security issues comprised the largest percentage of alleged concerns received in 2006. Since the terrorist attacks of September 11, 2001, security-related concerns have continued to represent the greatest percentage of allegation concerns received in each subsequent calendar year. The number of security concerns received has fluctuated between 2002 and 2006. In previous years, increases in the number of these concerns were attributable to issues related to the effectiveness with which reactor licensees implemented changes to the facility and the physical security plan based upon NRC security orders issued in 2003 (licensees were required to be in full compliance with the orders by October 2004). A sharp increase in the number of security-related concerns was noted in 2005 in association with a national broadcast in October 2005 regarding security at research and test reactors. In a public response, the NRC noted that, based on the agency's review of the observations, a continuing review of site-specific security enhancements, and knowledge of low potential risks

⁴ The agency received few concerns in the areas not depicted in Figure 2, which represent the remaining 20 percent of the issues received. These areas include Access Authorization, Chemistry, Civil/Structural, Construction, Electrical, Emergency Planning, Employee Concerns Programs, Environmental, Environmental Qualification, Falsification, Fatigue/Overtime, Industrial Safety, Inservice Testing, I&C, Licensing, Mechanical, Nondestructive Evaluation, Other, Procurement, Radwaste, and Safeguards.

associated with such small quantities of radioactive material, the Nation's research and test reactors remain safe and secure. The agency did not receive concerns in 2006 about security at the research and test reactors, causing the number of security concerns to decrease to the level of prior years.

FIGURE 2 - REACTOR ISSUES NATIONWIDE 2006



Assertions related to “chilling effect” or a “chilled” work environment in which individuals fear retaliation or are discouraged from raising safety concerns has trended slightly upward over the last 5 years, although the number of issues received in this area has declined from a peak in 2003. While positive industry accomplishments in the SCWE area are believed to have contributed to the decrease in the receipt of chilling effect concerns after 2003, the sustained percentage of chilling effect concerns received (approximately 7 percent of all reactor concerns received each year for the last 3 years) may reflect increasing awareness of SCWE concepts by the nuclear workforce resulting from an increased industry focus in this area, media interest concerning increased NRC focus on this area at some sites, and recent guidance made publicly available by the NRC (i.e., Regulatory Issue Summary 2005-018, “Guidance for Establishing and Maintaining a Safety Conscious Work Environment,” issued in August 2005). It is also noted that in 2005, the NRC modified the database that tracks allegations and allegation concerns to allow concerns to be attributed to the concept of “safety culture.” As such, concerns that reflect components of safety culture that are broader than the SCWE (or chilling effect) may now be placed in a separate category. Therefore, it is likely that part of the reason for the overall decrease in the number of chilling effect concerns in the past few years is the fact that concerns may now be applied to safety culture that in the past may have been applied to “chilling effect” in the absence of a more descriptive category.

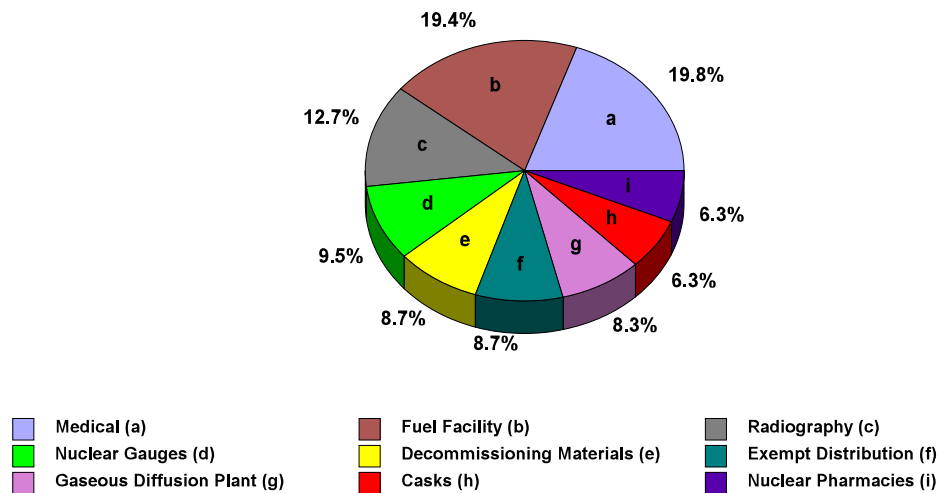
Some notable changes in the distribution of the same 12 concern categories illustrated in Figure 2 among the four regional offices and NRR occurred between 2005 and 2006. Specifically, the percentage of issues that relate to security in Region II and Region IV increased. These increases are the result of a series of security-related allegations at a site in each of these regions. Unlike 2005 when NRR received a considerable number of security concerns, the agency received no concerns in 2006 about the security at research and test reactors. The percentage of health physics issues in Region II and engineering issues in Region IV decreased significantly in 2006. The high numbers in 2005 were caused primarily by a health physics issue at one Region II site and specific incidents involving engineering matters at two Region IV sites. Figure 2 also identifies a substantive percentage of discrimination concerns. It should be noted that this area was not properly reflected in previous reports. This was the result of an error in data collection. In actuality, the percentage of discrimination

concerns raised in 2002 through 2005 (approximately 9 percent per year) was similar to the percentage reflected in Figure 2.

Materials Licensee Trends

Because of the many different types of materials licensees and because the activities performed by these licensees are not as homogeneous as those performed by reactor licensees, a comparison of the types of issues received does not produce meaningful results. For insights into the areas in which the NRC is spending resources on materials-related allegations, the following chart depicts the eight materials licensee types from which approximately 80 percent of the issues have been received nationwide.⁵

FIGURE 3 - MATERIALS LICENSEE TYPES NATIONWIDE 2006



Notable changes in the distribution of materials-related allegation issues received nationally include an increasing trend in the number of issues related to fuel facilities from 2002 through 2005, with a notable increase from 2004 to 2005. In 2006, the number of fuel facility allegations returned to the level received in 2004. The increase from 2004 to 2005 was largely attributable to a number of issues received about one fuel facility following a specific event, a change in management expectations regarding procedural adherence, and a planned workforce reduction in fall 2005. Allegations received regarding decommissioning reactors and gaseous diffusion plants have steadily decreased since 2004. Decreases in allegations regarding gaseous diffusion plants coincide with site efforts to enhance the SCWE, including management training and improvements to the processes for resolving employee concerns. Furthermore, it follows that the numbers of concerns regarding decommissioning reactors will diminish as the facilities' activities and staffing decrease over time. For example, the sharp decrease in the number of decommissioning reactor allegations in Region I from 2004 to 2005 coincided with the cessation of decommissioning activities at two sites. In addition, the functional area of exempt distribution has been one of the primary contributors to the allegations received in the materials area in 2005 and 2006, primarily because of concerns

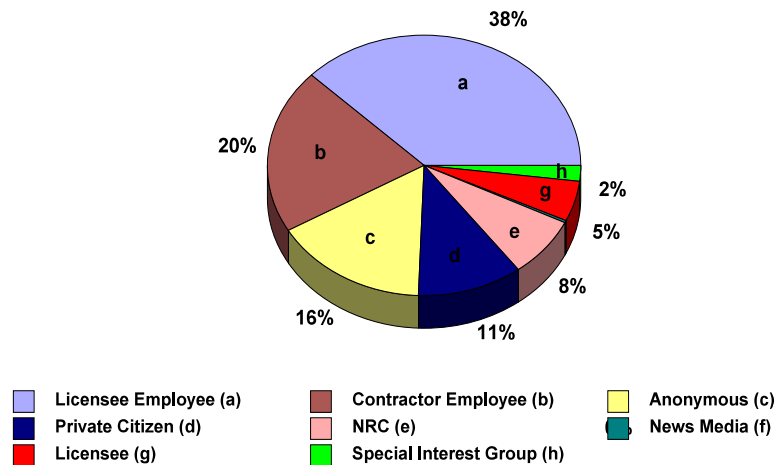
⁵ The agency received few concerns about the materials licensee types not depicted in Figure 3, which represent the remaining 20 percent of issues received. These licensee types include Decommissioning Reactors, General Licensee, Irradiators, Nuclear Pharmacies, Other, Transportation, Uranium Recovery, and Waste Disposal.

received regarding the Internet sale of products containing exempt quantities of radioactive material.

Source Trends

Figure 4 provides a breakdown of 99 percent of the sources for reactors and materials allegations received in 2006.⁶ The data indicate that the distribution of source categories remained consistent between 2003 and 2006. That is, the primary sources of allegations continue to be licensee (or former licensee) employees and contractor (or former contractor) employees. It follows that the percentage of reactors and materials allegations from other sources has also remained largely unchanged over the review period. The only notable change in the data resulted from the role of the news media as a more prominent source of allegations in 2005. The increase in allegations was primarily caused by the October 2005 national broadcast about security at research and test reactors discussed previously.

FIGURE 4 - ALLEGATIONS BY SOURCE CATEGORY



In comparing the sources of materials allegations to those of reactor allegations over the past few years, the largest source for both is consistently licensee (or former licensee) employees. It is worth noting, however, that while contractor employees are the second most frequent source of reactor allegations, private citizens are the second most frequent source of materials-related allegations. This is understandable given that materials licensees employ fewer contract personnel and their activities involve more direct interaction with the public.

Two of the source categories deserve some explanation. The source category designation of “NRC” is used when an NRC staff member suspects that a regulatory requirement has been violated deliberately or as a result of careless disregard, prompting the initiation of an investigation by the NRC Office of Investigations. The source category of “Licensee” is applied when a licensee representative, acting in his/her official capacity, reports a potential wrongdoing to the NRC. Agency staff assigns an allegation process tracking number to such items which allows staff to track the progress of efforts to review the potential wrongdoing issue.

6 The NRC received few concerns from the 1 percent of sources not depicted in Figure 4. These sources include Federal and State agencies.

Allegation Trends for Selected Reactor Sites

Trending the number and nature of allegations received concerning individual reactor sites is one method the NRC staff uses to monitor the SCWE at reactor sites. Appendix 1 to this report provides statistics on allegations received concerning all operating reactor sites. The listed allegations were received during the 5-year period between January 2002 and December 2006 and include only allegations received from onsite sources (i.e., those that may be indicative of the health of the SCWE). Onsite sources include current or former licensee employees, current or former contractor employees, or anonymous allegers. For the purpose of this analysis, the NRC assumes anonymous allegations are submitted by onsite personnel.

In determining which reactor sites should receive a more in-depth review, the staff applied either of the following two criteria:

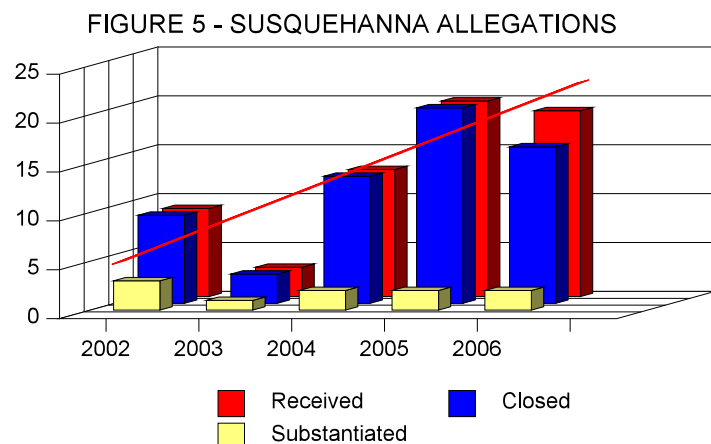
- (1) The number of onsite allegations received exceeds 2 times the median value for the reactor industry, but does not exceed 3 times the median, and there is a 50-percent increase in the number of allegations received over the previous year.
- (2) The number of onsite allegations received exceeds 3 times the median value.

For 2006, the median number of onsite allegations per reactor site was three. The 11 reactor sites that met one of these criteria are Susquehanna Units 1 and 2 (19); Turkey Point Units 3 and 4 (18); Palo Verde Units 1, 2, and 3 (16); Browns Ferry Unit 1 (16); Indian Point Units 2 and 3 (15); San Onofre Units 2 and 3 (15); St. Lucie Units 1 and 2 (15); Harris (14); Salem/Hope Creek (14); Sequoyah Units 1 and 2 (11); and South Texas Units 1 and 2 (8). The first 10 sites listed exceeded 3 times the industry median, while South Texas exceeded 2 times the median and experienced more than a 50-percent increase in the number of allegations concerning the site. A detailed discussion of each of the sites follows. In summary, the trends either do not suggest a weakening SCWE or the licensee is taking steps to address trends, and the NRC is monitoring those activities.

Susquehanna Units 1 and 2

The volume of allegations regarding Susquehanna was comparable to last year's numbers, and, like last year, the allegations continue to exhibit a trend in the Maintenance discipline. The bulk of the allegations was received in the first three quarters of the year. The NRC conducted a PI&R inspection in early 2006 (Inspection Report Nos. 05000387/2006006 and 05000388/2006006), including a review of the site's SCWE. Agency staff interviewed licensee employees from each functional organization during the inspection; these employees expressed a willingness to raise issues and believed the work environment was free from retaliation.

The licensee has taken a number of actions in the past few years to improve the site's SCWE, including revising the company policy, improving communications regarding management's SCWE commitment, improving visibility of the Employee Concerns Program (ECP), and improving supervisory training. The licensee has conducted SCWE surveys at Susquehanna periodically since 1997, most recently in fall 2006.



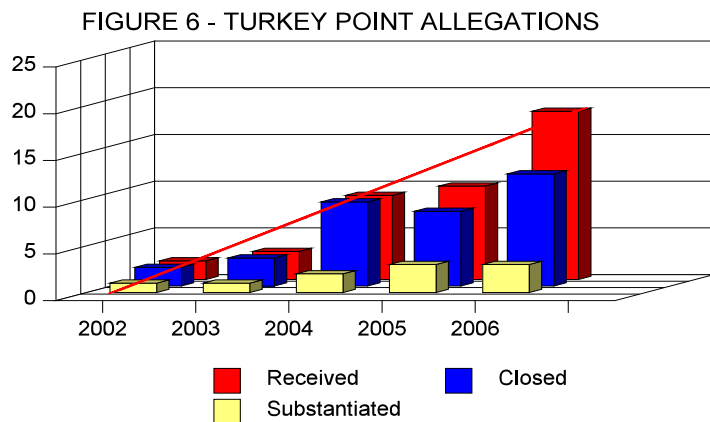
The NRC staff reviewed the results and documented that review in a fourth quarter 2006 inspection report (Inspection Report Nos. 05000387/2006005 and 05000388/2006005). The survey showed a slightly improving trend in the overall SCWE and ECP ratings. Survey results revealed a significant improvement in the workforce's perception of the ECP. An increase in the volume of concerns being raised to the ECP also indicates that the workforce considers the ECP to be a viable avenue for raising concerns. Finally, the survey showed a notable improvement in employee willingness to raise issues as a result of the responsiveness of the Corrective Action Program and management's reaction to workers who raise issues. The survey confirmed work environment concerns in the maintenance organization where the negative response rate to questions concerning the SCWE was higher than the site norm. The licensee plans to take further corrective actions in the maintenance area, as well as in other organizations noted in the survey as needing management attention. The NRC will continue to follow these developments.

The volume of discrimination allegations over the review period concerning Susquehanna has been high. Three such allegations were filed in 2006. One was withdrawn by the allegor; one was investigated but not substantiated; and one did not meet the requirements for initiation of an investigation. In order for the NRC to pursue a matter of potential discrimination, pursuant to 10 CFR Part 50.7, "Employee Protection," a certain pattern of facts, called a prima facie showing, must be articulated. Specifically, it must be initially established that an employee has engaged in a protected activity, that an adverse personnel action was taken against the employee, that management knew that the employee had engaged in the protected activity, and that the protected activity was, in part, a reason for the adverse personnel action. In the previous 4 years (2002 through 2005), 13 allegations of discrimination were raised. Four of these allegations were closed because a prima facie showing of potential discrimination was not articulated, and, although the remaining nine were investigated, none were substantiated.

The NRC will maintain oversight of the Susquehanna SCWE through normal inspection activities to assess the licensee's progress with its indicated initiatives and corrective actions.

Turkey Point Units 3 and 4

The number of allegations received from onsite sources at Turkey Point increased in 2006, with the overall allegation receipt rate increasing from 2002 through 2006. More than half of the allegations received in 2006 were focused in the security area, and most of these were received in the first half of the year. The site Speakout Program (now the Employee Concerns Program (ECP)) received concerns in the security area in a similar concentration and timeframe. A review of the allegation data suggests that a considerable amount of focused NRC investigation activity in the security area in the first half of 2006 may have impacted the volume of security issues received. Only one allegation concern was received in 2006 that involved an issue related to the willingness of employees to raise concerns.



A SCWE survey conducted by the licensee in August 2005 revealed the reluctance of some individuals to raise concerns through one or more of the methods available and, in particular, identified the condition reporting system as an area of concern. In response, the licensee implemented a new electronic reporting system, established a performance improvement department which monitors the Corrective Action Program's effectiveness, and completed

training on the new program. The purpose of the training was to ensure that employees understand how management prioritizes issues raised based on their safety significance. The licensee has acknowledged that negative perceptions continue to exist about the ECP, as evidenced by the internal SCWE survey results. In response, the licensee is taking actions to address these perceptions, including the standardization of the organizational makeup and function of the ECP across the Florida Power & Light fleet (St. Lucie, Turkey Point, Seabrook, and Duane Arnold), better communications about ECP program functions and policies, and the initiation of “cultural meetings” with employees to discuss topics related to the SCWE and safety culture. The licensee completed a subsequent SCWE survey in late 2006, but the analysis of the survey results had not been completed at the time of this report.

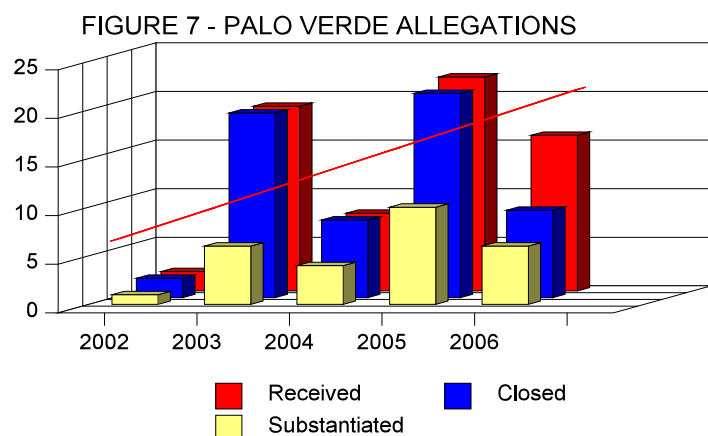
In addition to interviewing site personnel about the environment for raising safety issues during the PI&R inspection in February 2006 (Inspection Report Nos. 05000250/2006007 and 05000251/2006007), the NRC inspection team reviewed a sample of ECP files from the 2004–2005 timeframe to verify that the licensee had properly reviewed and addressed concerns and entered them into the Corrective Action Program when appropriate. In general, the inspection team concluded that a SCWE exists at Turkey Point and that ECP reviews were complete and appropriate.

One allegation of discrimination was raised in 2006, but no followup was conducted because the concerned individual was not responsive to repeated contact efforts. In 2005, three allegations of discrimination were received. One was resolved via Early-ADR, and, although the NRC did not open investigations into the other two, the agency is monitoring the DOL review. The agency received four allegations of discrimination from 2002 through 2004. Two of these allegations were investigated, but not substantiated. One was not investigated because the allogger reached a prompt settlement with the licensee through DOL/Occupational Safety and Health Administration which met the intent of an Early-ADR settlement, and the other was not investigated because a prima facie showing of potential discrimination was not articulated.

Based upon the similarity in the nature and number of the allegations received regarding Turkey Point to concerns being raised internally, as well as the coincidence of the increase in receipt of security-related allegations with a period of focused NRC investigation activity in the security area in the first half of 2006, there does not appear to be a problem with the SCWE at Turkey Point. The NRC will continue to monitor the work environment at Turkey Point through normal inspection activities, including a review of internal SCWE surveys, any actions taken by the licensee to address issues that could have a negative impact on SCWE if they went unaddressed (such as the current licensee actions to mitigate certain negative perceptions about the ECP), and allegation trends.

Palo Verde Units 1, 2, and 3

The number of allegations received from onsite sources at Palo Verde remained relatively high, but decreased approximately 25 percent from the previous year. Since the 16 allegations received in 2006 came from a variety of different plant functional areas, and a very small percentage of the allegation concerns raised involved issues directly related to the willingness of employees to raise concerns, the number and nature of allegations received regarding Palo Verde do not appear to indicate a broader SCWE problem. The licensee’s



Employee Concerns Program saw a decrease in the number of concerns raised in 2006 from the previous year, which is likely because outage activity in 2006 did not involve major equipment replacement (as occurred in 2005).

The NRC received two allegations of discrimination in 2006. One was settled via Early-ADR and the other was investigated and not substantiated. Of the four allegations of discrimination received in 2005, two were investigated and not substantiated, one was not investigated because the concerned individual did not wish to participate in an investigation, and the other remains under investigation. The agency received five allegations of discrimination from 2002 through 2004. All were investigated but none were substantiated.

To monitor the status of the SCWE at Palo Verde, Arizona Public Service (APS) plans to administer an independent assessment and survey of the safety culture and SCWE approximately every 2 years and perform directed assessments in alternate years of workgroups identified by the independent assessment and survey as being in need of focused attention. The results of the last independent assessment and survey in 2005 produced very positive results regarding the health of the SCWE at Palo Verde. The directed assessments conducted by the licensee in 2006 did not reveal any significant SCWE-related concerns, but did identify some leadership and morale issues.

The NRC PI&R inspection conducted in early 2006 (Inspection Report Nos. 05000528/2006008, 05000529/2006008, and 05000530/2006008) found that a SCWE exists at Palo Verde but noted isolated concerns regarding the effectiveness of corrective actions and the corrective action process. For example, issues were raised with regard to corrective action timeliness, confusion with methods of entering items into the Corrective Action Program, and insufficient staffing to accomplish long-term improvements. It is noted that an ROP Yellow finding has been in effect for all three units at Palo Verde since late 2004 because of problems with the scope and effectiveness of corrective actions. A supplemental inspection of the Yellow finding completed in July 2006 found that corrective actions taken in response to the root causes and related programmatic concerns involving questioning attitude, technical rigor, and operability determinations had not been fully effective. Additionally, special inspections in the second half of 2006 involving the ultimate heat sink for all three units and an inoperable emergency diesel generator at Palo Verde Unit 3 resulted in similar findings with regard to the effectiveness of corrective actions.

The NRC assessment of facility performance in 2006 has resulted in the continuation of ROP substantive crosscutting issues in the areas of human performance and PI&R at Palo Verde. Additionally, the NRC annual assessment of performance at Palo Verde for 2006 resulted in maintaining Palo Verde Units 1 and 2 in the Degraded Cornerstone Column and moving Palo Verde Unit 3 to the Multiple/Repetitive Degraded Cornerstone Column of the ROP Action Matrix. In accordance with NRC Manual Chapter 0305, "Operating Reactor Assessment Program," APS is expected to perform an independent assessment of the Palo Verde safety culture in addition to evaluating the root and contributing causes for the identified issues. As part of the performance of Inspection Procedure 95003, "Inspection for Repetitive Degraded Cornerstones, Multiple Degraded Cornerstones, Multiple Yellow Inputs, or One Red Input," the NRC will review the APS independent safety culture evaluation and will subsequently perform an independent assessment of the safety culture at Palo Verde.

Although the number and nature of allegations received regarding Palo Verde, as well as the results of both the 2006 NRC P&IR inspection assessment of SCWE and the licensee's 2005 independent evaluation of the safety culture and SCWE have not indicated a broader SCWE problem, sustained problems in the ROP crosscutting areas of human performance (decisionmaking, resources, work practices) and PI&R could have a deleterious effect on the safety culture, including the SCWE, if conditions persist. The completion of an independent safety culture assessment by APS at Palo Verde in 2007 and the NRC's followup assessments via the implementation of Inspection Procedure 95003 will provide an appropriate and timely

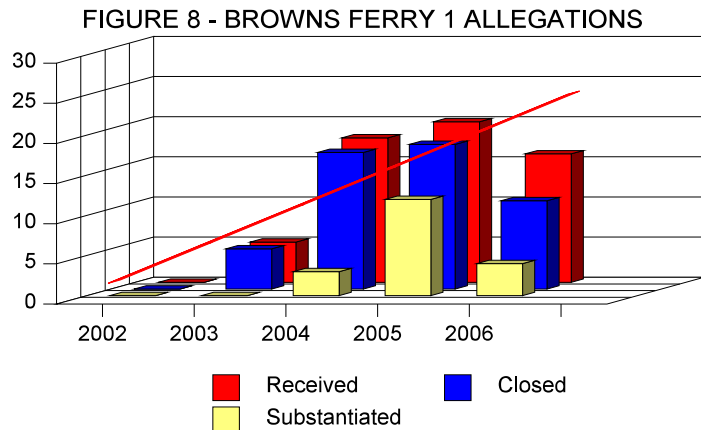
opportunity for a thorough overview of the safety culture and environment for raising safety concerns at Palo Verde.

Browns Ferry Unit 1

Although the 5-year trend line in Figure 8 indicates an increase in the number of allegations, the volume of allegations received concerning the Browns Ferry Unit 1 site decreased between 2005 and 2006 as construction activities wound down. The allegations received in 2006 addressed a variety of issues with no clear trend of interest noted. The licensee also indicated that the volume of concerns received internally through the Employee Concerns Program also declined.

The licensee's Office of the Inspector General completes a SCWE assessment of all Tennessee Valley Authority (TVA) sites every other year. Based on discussions with the licensee, the assessment in 2006 concluded that the work environment was healthy, but employee confidence in the Corrective Action Program had declined, particularly regarding nonsafety issue resolution. An

NRC inspection in late 2005 found that the licensee maintained an effective program for identifying and resolving conditions adverse to quality and, based on interviews of employees from various departments, did not reveal any reluctance on the part of employees to report safety concerns.



The number of discrimination allegations also declined in 2006 to two after receiving five the previous year. The two were withdrawn before investigations could be initiated. Of the five received in 2005, one remains under investigation, two were investigated, but the staff was unable to substantiate them, one was withdrawn by the alleger, and one was investigated and substantiated. The NRC acknowledged that the contractor involved identified the issue and took prompt corrective actions to address the specific issue and the SCWE within its organization with little government intervention. In view of the immediate investigation and prompt corrective action, the NRC exercised enforcement discretion in accordance with Section VII.B.5 of the Enforcement Policy⁷ and did not issue a Notice of Violation in this matter. The agency will consider any future violation of 10 CFR 50.7 for full application of the Enforcement Policy. In the previous 3 years, the agency received five discrimination allegations. Of the four received in 2004, two were investigated, but could not be substantiated, one was closed after repeated unsuccessful attempts to contact the alleger for interview, and one was withdrawn by the alleger. The one allegation received in 2003 was investigated, but not substantiated.

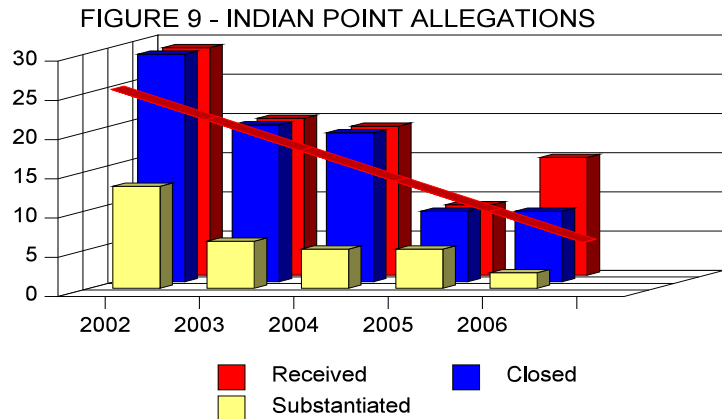
The nature of allegations received in 2006 does not indicate a concern with the SCWE at the Browns Ferry Unit 1 site. The NRC will continue to monitor the site's work environment through normal inspection activities.

⁷ The NRC's Enforcement Policy can be found on the NRC's public Web site at: <http://www.nrc.gov/about-nrc/regulatory/enforcement/enforce-pol.html>

Indian Point Units 2 and 3

After a declining trend over the last 4 years, the number of allegations concerning the Indian Point site increased in 2006. The rate of receipt was steady throughout the year. Many of the allegations raised to the NRC indicated concerns with the environment for raising issues internally. A decline in the volume of concerns received by the licensee's internal Employee Concerns Program also suggested a potentially weakening SCWE.

Four allegations of discrimination were raised in 2006. Two of these are still open and under investigation. The alleege for the third allegation withdrew the allegation, and the final case was not pursued because a prima facie showing was not articulated. In the previous 4 years (2002 through 2005), 16 discrimination allegations were raised. Of these sixteen, 10 were investigated, but were not substantiated. The others were not investigated because the alleegers did not make a prima facie showing.

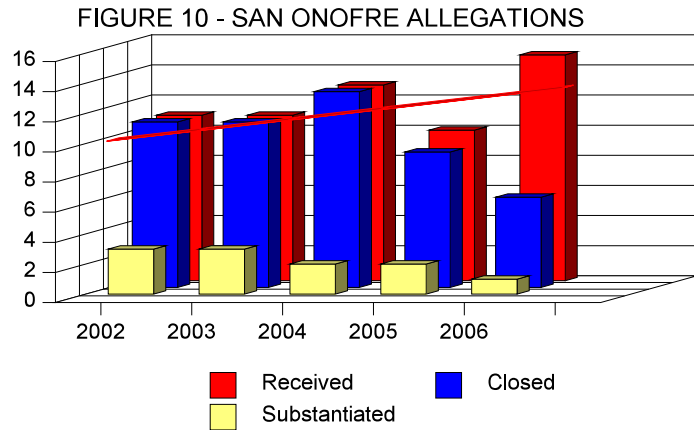


In June 2006, the NRC referred a concern to the licensee, Entergy, regarding a potential chilling effect. The alleged concern was based on the findings of a teamwork assessment conducted in 2005 and the results of a sitewide assessment of the safety culture in early 2006. In the fall, the NRC conducted a P&IR inspection (Inspection Reports 05000247/2006006 and 05000286/2006006). Based on interviews with site personnel, the NRC team observed that most workers indicated that they would raise issues that they recognized as nuclear safety issues. However, as indicated by the allegations received, and supported by the licensee's earlier self-assessments, the interviews also identified some workers who expressed reluctance to raise issues under certain circumstances because of the perception that there would be negative consequences from management for doing so. While most workers made a distinction between nuclear safety issues and other concerns, the NRC team found, through illustrative examples, that some of the types of issues that employees indicated that they may be hesitant to raise, could, in fact, have nuclear safety implications. The team also found that Entergy had made only limited progress in evaluating and responding to both the referred NRC concern and the results of the licensee's safety culture assessment, specifically the declining trends related to the SCWE. As a result, in a letter dated December 21, 2006, transmitting the results of the NRC inspection, the agency requested that the licensee provide a plan for evaluating and responding to the potential chilling effect on site. In January 2007, Entergy responded to the NRC's December 21, 2006, letter with a plan of actions intended to (1) improve communications, (2) identify and prevent retaliation, chilling effect, and the perception of retaliation, (3) enhance the Corrective Action Program, (4) enhance the Employee Concerns Program, and (5) improve the broader work environment at Indian Point. On February 26, 2007, the NRC responded that Entergy's proposed actions appear to be reasonable and emphasized the importance of effective metrics to monitor progress.

The NRC will continue to monitor the results of the licensee's ongoing and proposed actions through baseline inspection activities at Indian Point.

San Onofre Units 2 and 3

The number of allegations received from onsite sources at San Onofre increased in 2006, and the allegation receipt rate has trended slightly upward from 2002 through 2006. The 15 allegations received in 2006 came from several different plant functional areas, with the largest contributions being from the maintenance and security areas. A very small percentage of the allegation concerns raised directly involved issues related to the willingness of employees to raise concerns. As such, the number and nature of allegations received regarding San Onofre do not appear to indicate a SCWE problem at the facility. The licensee's Nuclear Safety Concerns Program received concerns at a rate consistent with previous years and saw concentrations in functional areas similar to those seen in the allegations provided to the NRC.



The NRC received three allegations of discrimination in 2006, and all are still under investigation at this time. Of the three allegations of discrimination received in 2005, two were investigated and not substantiated, and the other was not pursued because the concerned individual would not provide his/her identity. The agency received nine allegations of discrimination between 2002 through 2004. Seven of these allegations were investigated, but not substantiated. One was closed because a prima facie showing of potential discrimination was not articulated, and the other was not investigated because the concerned individual did not wish to participate in the investigation.

The NRC PI&R inspection conducted in September 2006 (Inspection Report Nos. 05000361/2006/013 and 05000362/2006/013) found that a healthy SCWE exists at San Onofre. Site personnel interviewed during the inspection demonstrated a willingness to raise safety concerns and an awareness of the means available for raising concerns. A few individuals voiced concerns to the PI&R team about a decrease in confidence that the Corrective Action Program will adequately address low-level problems, but none of the individuals indicated that this would inhibit them from raising concerns in the future. The NRC also reviewed the results of the licensee's 2005 third-party independent survey of safety culture at San Onofre and the licensee's efforts in response. The results were similar to those of a previous survey conducted in 2003 and were very positive with regard to the health of the SCWE at San Onofre. The NRC staff found the licensee's action plan for identified areas for improvement to be appropriately focused, including extensive efforts to train managers at all levels on numerous elements of safety culture.

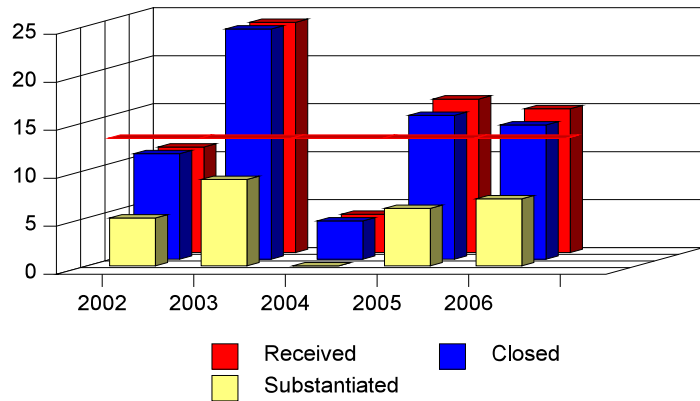
In general, the nature and number of the allegations received regarding San Onofre and the similarity in trends of concerns raised internally do not indicate a SCWE problem. The NRC will continue to monitor the work environment through normal inspection activities, including a review of the periodic efforts by the licensee to monitor the SCWE and the general allegation trends at San Onofre.

St. Lucie Units 1 and 2

The number of allegations received from onsite sources at St. Lucie in 2006 (15) was similar to that received in 2005 (16). The NRC received two-thirds of the allegations in 2006 during the timeframe of the mid-year refueling outage at St. Lucie Unit 2 (late April to late June 2006). The St. Lucie Unit 2 refueling outage included reactor vessel head inspection activity and

control rod drive mechanism work, but did not involve major equipment replacement. One-third of the allegations received were in the security area, with the disciplines of the remaining allegations being spread among multiple workgroups. The site's Speakout Program (now the Employee Concerns Program (ECP)) received similar concentrations of concerns. Some of the allegation concerns received in 2006 involved issues directly related to the willingness of employees to raise concerns. However, a review of the specific concerns found that they involved different issues with different workgroups and were not indicative of a broader SCWE problem. It is also noted that the NRC did not receive any allegations regarding St. Lucie during the last 4 months of 2006.

FIGURE 11 - ST. LUCIE ALLEGATIONS



In response to an NRC-identified concern with the SCWE at St. Lucie in 2003, the licensee took actions to measure and improve the onsite work environment, including restructuring the organization, monitoring the SCWE annually using survey tools, providing SCWE training, enhancing the Corrective Action Program, and initiating a Leadership Development Academy. The licensee noted evidence of an improving SCWE in 2004, and a 2004 NRC PI&R inspection (Inspection Report Nos. 05000335/2004007 and 05000389/2004007) did not identify any reluctance on the part of plant staff to report safety concerns. In 2005, the NRC reviewed the effectiveness of the ECP and Corrective Action Program in dealing with SCWE issues (Inspection Report Nos. 05000335/2005003 and 05000389/2005003) with generally positive results. In addition to interviewing site personnel about the environment for raising safety issues during the PI&R inspection in August 2006 (Inspection Report Nos. 05000335/2006008 and 05000389/2006008), the NRC inspection team reviewed a large sample of ECP files to assess the effectiveness of the ECP in capturing and resolving concerns received that involved conditions adverse to quality and the responsiveness and quality of feedback provided to concerned individuals. In general, the inspection team found that the SCWE at St. Lucie is healthy and that employees feel free to raise issues to their management without fear of retaliation. The ECP was found to be generally effective in investigating and facilitating the resolution of employee concerns. However, during the 2006 P&IR inspection, some individuals indicated a problem with the timeliness of ECP feedback and suggested that this may cause some to be reluctant to use the ECP in the future. The licensee has acknowledged that negative perceptions continue to exist about the ECP, as evidenced by both recent internal SCWE survey results and the results of the NRC 2006 PI&R inspection. In response, the licensee is taking actions to address these perceptions, including the standardization of the organizational makeup and function of the ECP across the Florida Power & Light fleet (St. Lucie, Turkey Point, Seabrook, and Duane Arnold), better communications about ECP program functions and policies, and the initiation of "cultural meetings" with employees to discuss topics related to the SCWE and safety culture.

As indicated in the previous discussion about Turkey Point, another in the Florida Power & Light fleet, the licensee's annual SCWE survey in August 2005 indicated that some individuals may be reluctant to raise concerns through one or more of the methods available and, in particular, identified the condition reporting system as an area of concern. In response, the licensee implemented a new electronic reporting system, established a performance improvement department which monitors the Corrective Action Program's effectiveness, and completed training on the new program. The purpose of the training was to ensure that employees understand how management prioritizes issues raised based on their safety significance. The licensee completed a subsequent SCWE survey in late 2006, but the analysis of the survey results had not been completed at the time of this report. The results of this more recent

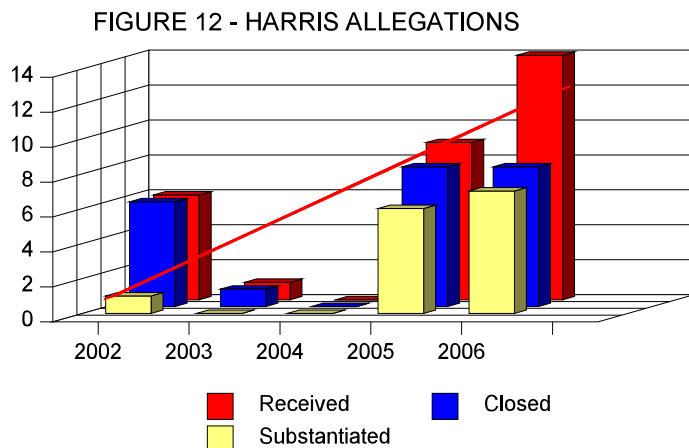
survey should provide insight as to whether any SCWE issues remain. It is noted that, while the August 2006 NRC PI&R inspection did identify some weaknesses in selected corrective action process items involving trending, extent of condition review, and program administration, the agency concluded that, in general, the licensee is effective in identifying problems, prioritizing and scheduling corrective actions, considering operating experience, and implementing corrective actions in a timely manner.

One allegation of discrimination was raised in 2006, but was not investigated because the concerned individual did not wish to participate in an investigation. In 2005, the NRC received four allegations of discrimination. Three were investigated and not substantiated, and the other alleged did not wish to participate in an investigation. For the three allegations of discrimination raised in 2004, the concerned individuals in two of the cases indicated that they did not wish to pursue the matter via NRC investigation. The other case was investigated, but not substantiated. In 2003, four discrimination allegations were raised. All were investigated, but none were substantiated. No discrimination allegations were raised in 2002.

In general, the nature and number of the allegations received regarding St. Lucie, similar trends in concerns being raised internally, and the coincidence of allegation receipt with a period of increased activity at the facility do not indicate a problem with SCWE. The NRC will continue to monitor the work environment through normal inspection activities, including a review of the annual internal SCWE surveys, any actions taken by the licensee to address issues that could have a negative impact on the SCWE if left unaddressed (such as the current licensee actions to mitigate certain negative perceptions about the ECP), and allegation trends.

Harris

The NRC receipt of allegations concerning the Harris plant trended upward in 2006 from an already high level in 2005, although most of the allegations were received in the first quarter of the calendar year. As in the previous year, the majority of the concerns received were in the area of security. To ensure that the agency avoids the unnecessary release of information that would reveal any potential security-related vulnerabilities, the NRC staff is not at liberty to discuss specific information concerning actions taken by the agency or the licensee in the security area. Nonetheless, the agency did release limited information to the public concerning inspection activities at the plant in the security area in early 2006. These activities, which involved interviews with 91 contract security officers and reviews of numerous security-related documents, identified no findings of significance. The NRC also did not identify widespread reluctance among workers at the plant to raise safety concerns.



The licensee indicated that it also saw an increase in concerns raised internally to its Employee Concerns Program in 2006, and it also noted a trend in the security area in early to mid-2006. Of note, the licensee reports that the new security force union is actively encouraging improvements to the environment for raising concerns internally. The licensee conducted an assessment of the safety culture, including the SCWE, in summer 2006. The licensee communicated to the staff that no significant SCWE issues were identified.

The number of discrimination concerns raised in the last 5 years is low. The agency received one allegation of discrimination in 2002, which was later withdrawn at the request of the individual. An issue raised in 2006 is currently under investigation.

An analysis of the trends and nature of the allegations raised concerning the Harris plant do not suggest a concern with the SCWE. Similarly, trends in the licensee's Employee Concerns Program suggest an improving environment and willingness to raise concerns internally. The NRC will continue through the normal inspection and oversight processes to monitor allegation trends and the work environment.

Salem/Hope Creek

The number of allegations concerning Salem/Hope Creek decreased significantly from 23 in 2005 to 14 in 2006. This is reflective of improvements made in the SCWE area in response to significant SCWE findings identified during the 2003–2004 timeframe.

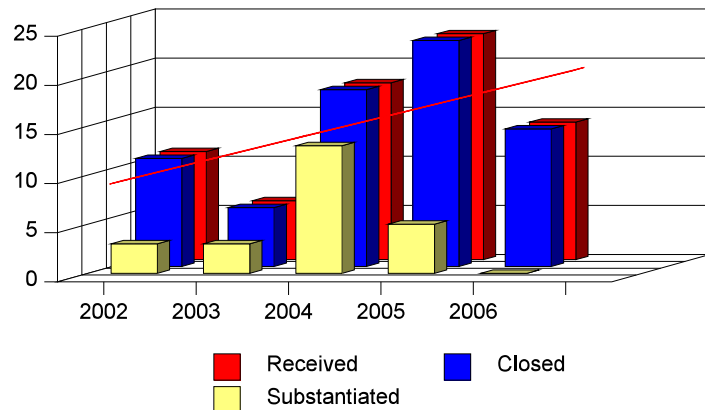
Before 2006, the number of allegations received concerning Salem/Hope Creek had steadily increased from 2003 through 2005 as the SCWE issues emerged and as the efforts of the licensee's Public Service Enterprise Group (PSEG) to resolve them progressed.

In mid-2004, the NRC informed PSEG of the final results of a special NRC SCWE review. While no serious safety violations were identified, the agency concluded that there were numerous indications of weaknesses in corrective actions and management efforts to establish an SCWE. The licensee's self-assessments during this timeframe revealed similar findings. The 2004 ROP mid-cycle assessment for Salem/Hope Creek prompted a Deviation from the ROP Action Matrix to provide enhanced oversight for the SCWE area, including management meetings with the licensee, the establishment of an oversight coordination team, and additional inspections.

While the licensee put forth significant effort in 2004–2005 to address the SCWE findings, facility changes in 2005 presented new challenges to SCWE improvement, including PSEG entrance into a nuclear operating services contract with Exelon, numerous senior management changes, and the implementation of initiatives to address long-standing performance problems. These changes contributed to continuing negative worker perceptions regarding the advisability of raising issues or challenging decisions. As a result, the 2005 ROP mid-cycle assessment for Salem/Hope Creek identified a substantive crosscutting issue in the SCWE area based on the results of the NRC's ongoing review. The agency renewed the ROP Deviation Memorandum to allow for continued close monitoring of PSEG efforts to address issues associated with SCWE. In September 2005, the staff completed a SCWE inspection at the site which concluded that progress had been made in addressing work environment issues, but noted some issues requiring additional action and focused attention. The results of a PI&R inspection conducted in late 2005 (Inspection Report Nos. 05000354/2005007, 05000272/2005012, and 05000311/2005012) revealed progress in the SCWE area. However, the agency retained the SCWE substantive crosscutting issue at the 2005 ROP end-of-cycle assessment because of remaining followup actions from the 2005 NRC SCWE inspection.

The results of a third-party site safety culture survey administered by PSEG in early 2006 indicated improvement in nearly all cultural metrics when compared to the results of a similar

FIGURE 13 - SALEM/HOPE CREEK ALLEGATIONS



survey conducted in 2005. Also in that timeframe, PSEG commissioned an independent peer assessment of SCWE at Salem/Hope Creek. The peer assessment team concluded that substantial and sustainable progress had been made in the work environment at both facilities. In June 2006, the NRC completed a followup SCWE team inspection which also concluded that the progress realized in the SCWE area at Salem/Hope Creek was substantial and that processes are in place for sustaining these improvements (Inspection Report Nos. 05000354/2006011, 05000272/2006012, and 05000311/2006012). As a result, the NRC closed the SCWE substantive crosscutting issue at the 2006 ROP mid-cycle assessment. The agency had previously closed a substantive crosscutting issue in PI&R in early 2006 after actions taken by PSEG to improve the resolution of concerns proved effective.

The receipt of allegations by the NRC in 2006 from Salem/Hope Creek onsite sources was spread evenly throughout the calendar year. A significant portion of the allegations received in 2006 involved a particular workgroup at one of the facilities. PSEG was aware of communications and accountability issues within this workgroup based upon the receipt of similar concerns internally and is taking actions to address them.

There were four allegations of discrimination at Salem/Hope Creek in 2006. One of these is being considered for mediation under Early-ADR, and the other three did not meet the requirements for initiation of an investigation. In the previous 4 years (2002 through 2005), 14 allegations of discrimination were raised. Four of these were closed because a prima facie showing of potential discrimination was not articulated, and four were not investigated because the concerned individuals did not wish to participate in the investigation. The remaining six were investigated, but none were substantiated.

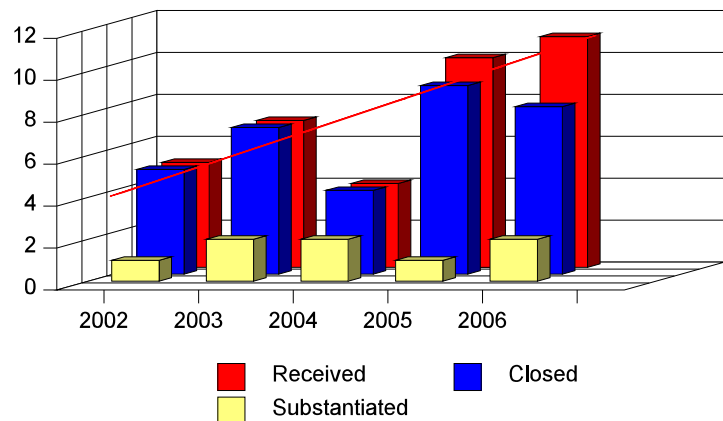
The NRC has concluded that the progress realized in the SCWE area at Salem/Hope Creek in 2006 was substantial and that processes are in place for sustaining these improvements. As a result, the agency closed the SCWE substantive crosscutting issue at the 2006 ROP mid-cycle assessment. The NRC will continue to monitor the SCWE at Salem/Hope Creek by means of the baseline inspection program and allegation trending, with attention given to PSEG efforts to resolve communications and accountability issues within a particular workgroup at one facility that has recently been the source of a number of concerns raised both internally to PSEG and as allegations to the NRC.

Sequoyah Units 1 and 2

The volume of allegations concerning the Sequoyah site remained fairly steady when compared to the previous year, and, like the previous year, the allegations addressed a variety of issues with no trends of interest noted.

Discussions with the licensee indicate the number of concerns going to the Employee Concerns Program (ECP) increased significantly over the same time period. The increase is credited to the addition of a new, full-time ECP manager on site. It should be noted that the number of concerns requiring investigation, after a spike in 2005, actually dropped in 2006 to levels typically seen in the program. The increase in overall traffic to the ECP was from informal ECP contacts, which tripled last year. The ECP data noted trends in the concerns about a particular demographic, and the

FIGURE 14 - SEQUOYAH ALLEGATIONS



licensee has taken steps to improve communications within that demographic.

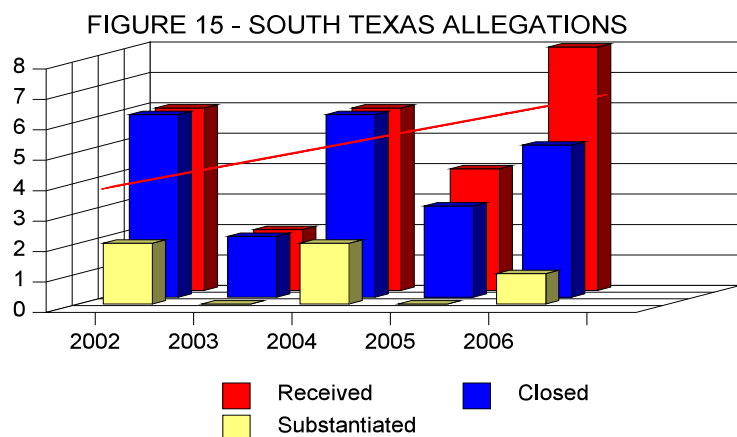
The licensee conducted an assessment of its safety culture, including the SCWE in June 2006. Ninety percent of the work force participated in this assessment, which was primarily conducted through a survey. Results show that SCWE ratings were high overall, including employee willingness to raise issues without fear of retaliation. Organizations that had lower ratings in SCWE and other categories, as compared to the site norm, developed action plans to address the findings. Other actions have been identified to improve the SCWE sitewide, including increased monitoring and accountability of management support of SCWE principles. Additionally, the licensee established an Employee Advisory Counsel (EAC) to improve communications between employees and company executives. Representatives from the rated organizations were added to the EAC. A second assessment, the Cultural Health Index, conducted every 2 years at TVA plants, and a third conducted by the Inspector General, also identified high SCWE ratings, but found that employees were concerned with the effectiveness of the Corrective Action Program and the visibility of the ECP. The licensee is addressing these findings as well.

One allegation of discrimination was made in 2006. Four discrimination allegations were raised in 2005; three were investigated, but the NRC was unable to substantiate them, while one was withdrawn at the request of the alleger. No other claims of discrimination were alleged during the review period (2002 through 2006).

An analysis of the trends and nature of the allegations raised concerning the Sequoyah plant do not suggest a concern with the SCWE. Similarly, trends in the licensee's Employee Concerns Program suggest an improving environment and willingness to raise concerns internally. The NRC will continue to monitor allegation trends and the work environment through the normal inspection and oversight processes.

South Texas Units 1 and 2

The number of allegations received by the NRC concerning the South Texas site increased in 2006. A trend in the security area was evident. The NRC staff is generally not at liberty to discuss specific information concerning actions taken by the agency or the licensee in the security area to ensure that staff avoids the unnecessary release of information that would reveal any potential security-related vulnerabilities. However, the agency did release to the public limited information concerning inspection activities at the plant in the security area in late 2006. That inspection included interviews with 75 security officers and other plant personnel and a review of a number of security-related documents. The inspectors concluded that a SCWE existed on site. In general, interviewed employees felt free to raise nuclear-safety-related concerns through a variety of avenues, both internally and externally. However, some issues identified, although outside NRC regulatory jurisdiction, could potentially impact the SCWE on site if not effectively addressed by the licensee.



Discussions with the licensee indicated that the volume of concerns raised internally through the Employee Concerns Program during the last 2 years remained steady, however, a much larger percentage of issues were security related in 2006 as compared to 2005. The licensee

conducted a safety culture assessment in mid-2005, which included a review of the SCWE. Overall, that assessment found that the majority of those surveyed felt free to raise concerns without fear of retaliation and believed their managers wanted concerns raised. The security organization rated aspects of the culture lower than the rest of the site. The licensee continues to address those findings. In 2006, the licensee integrated security contract personnel into the licensee's training program, formed an officers/management team to strengthen relationships and communications, and implemented an oversight panel to monitor security contractor personnel actions.

Two allegations of discrimination were raised in 2006; one is still under investigation, while the other was investigated, but not substantiated. Between 2002 and 2005, three discrimination allegations were raised. One raised in 2002 was withdrawn after the allexer did not respond to NRC requests for contact, and the remaining two were investigated, but the staff was unable to substantiate that discrimination took place.

Based on recent inspections and the trends noted above, the NRC believes that the SCWE at South Texas is conducive to raising nuclear safety concerns. The staff will continue to monitor the work environment, particularly in the security area, through normal inspection activities.

Allegation Trends for Selected Materials Licensees

The NRC Web site posts allegation statistics for certain fuel cycle facilities (see Appendix 1). Because of the small number of allegations received concerning other smaller materials licensees and because of the potential for a licensee or contractor to identify an allexer, tables of statistics on allegations concerning materials licensees other than fuel cycle facilities have not been provided publicly or included in this report. None of the material licensees, fuel cycle facilities or otherwise, received a sufficient number of allegations to discern a trend or pattern or to provide insights into the SCWE, therefore, this report does not include more in-depth reviews of specific materials licensees.

Allegation Trends for Selected Vendors

Because none of the vendors received a sufficient number of allegations to discern a trend or pattern or to provide insights into the work environment, this report does not include more in-depth reviews of specific vendors. The report also does not provide statistics by contractor or vendor because publishing the number of allegations received has the potential of identifying an allexer.

CONCLUSIONS

From calendar year 2002 through 2006 the number of allegations received by the NRC has remained fairly steady, fluctuating each year on average by plus or minus 55 allegations. Reductions in allegations received from some reactor facilities that had experienced significant allegation activity in recent years explain the approximate 10-percent drop in reactor allegations from 2005 to 2006. From a regional perspective, the number of concerns received at operating power reactor facilities decreased slightly in all regions in 2006. The number of materials issues received in each region has trended downward, with the exception of Region I. The transfer of responsibility for oversight of all former Region II materials licensees to Region I in 2003 has sustained the rate of receipt of materials allegation concerns in Region I. Security-related concerns continue to be the largest percentage of concerns received.

The analyses of allegations have provided insights into the SCWE at several facilities. The staff has taken action to engage licensees concerning their work environment when warranted and will continue to monitor these sites with interest. The agency has also provided additional training and guidance in this area to the NRC inspection staff as part of the initiative to enhance the ROP to more fully address safety culture and SCWE.

The agency's Early-ADR process resulted in nine cases in which discrimination allegations were successfully settled between the parties before the start of an NRC investigation. The staff believes that voluntary dispute resolution by the parties using the communication opportunities afforded in Early-ADR can stem the inherent damage such disputes have on the SCWE more quickly than an investigation.

Finally, the allegation and security staff successfully developed a new policy for corresponding with allegers who raise security-related concerns. The previous policy had made it difficult for the staff to assure allegers that their concerns had been addressed. The Commission approved the policy change on March 28, 2007.

RECOMMENDATIONS

The Agency Allegation Advisor has no recommendations for program changes at this time.

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APPENDIX 1

ALLEGATION STATISTICS
OPERATING REACTORS AND FUEL FACILITIES

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OPERATING REACTOR ALLEGATIONS RECEIVED FROM ONSITE SOURCES

Site	2002	2003	2004	2005	2006
Arkansas 1 & 2	3	4	6	4	4
Beaver Valley 1 & 2	1	1	9	7	3
Braidwood 1 & 2	5	1	3	4	6
Browns Ferry 2 & 3	2		6	5	1
Brunswick 1 & 2	1	3	2	3	1
Byron 1 & 2	13	11	6	12	3
Callaway	7	3	1	11	3
Calvert Cliffs 1 & 2	3	4	5	1	2
Catawba 1 & 2		2	2		
Clinton	3	2	4	1	3
Columbia Plant	5	4	6	7	3
Comanche Peak 1 & 2	2	1	2	9	3
Cook 1 & 2	14	9	12	7	7
Cooper	6	8	10	1	3
Crystal River	2	3	4	2	4
Davis-besse	26	18	12	9	
Diablo Canyon 1 & 2	3	2	2	2	2
Dresden 2 & 3	11	3	3	9	7
Duane Arnold	2	2	8	1	1
Farley 1 & 2	1	3	1	4	4
Fermi	4	2	2	2	3
Fitzpatrick	1	7		3	3
Fort Calhoun	2	3	2	2	6
Ginna	1	2		2	2
Grand Gulf	6		6	7	4
Harris	6	1		9	14
Hatch 1 & 2	3	2	1	3	1
Indian Point 2 & 3	29	20	19	9	15
Kewaunee	3	4	3	3	4
Lasalle 1 & 2	1	2		2	1
Limerick 1 & 2	7	4	4	8	4
Mcguire 1 & 2		2	2	2	
Millstone 2 & 3	7	6	1	10	9
Monticello		1		2	1
Nine Mile Point 1 & 2	5	2	4	4	5
North Anna 1 & 2	10	1	4	2	1
Oconee 1, 2, & 3	1	3	11	3	2
Oyster Creek	9	18	8	14	4
Palisades	9	7	10	3	6
Palo Verde 1, 2, & 3	2	19	8	22	16
Peach Bottom 2 & 3	1	2	1	5	6
Perry	5	5	12	4	1
Pilgrim	2	5	14	9	6
Point Beach 1 & 2	7	9	11	13	2
Prairie Island 1 & 2	5	2	4	5	5
Quad Cities 1 & 2	3	1	1	2	1
River Bend	1	4	3	2	3
Robinson				1	1
Salem/Hope Creek	11	6	18	23	14
San Onofre 2 & 3	11	11	13	10	15
Seabrook	6	3	3	9	4

Site	2002	2003	2004	2005	2006
Sequoyah 1 & 2	5	7	4	10	11
South Texas 1 & 2	6	2	6	4	8
St Lucie 1 & 2	11	24	4	16	15
Summer	2	4	3		3
Surry 1 & 2	4	2	1	2	1
Susquehanna 1 & 2	9	3	13	20	19
Three Mile Island	5	1	6	4	1
Turkey Point 3 & 4	2	3	9	10	17
Vermont Yankee	4		3	1	4
Vogtle 1 & 2	3	1	1	5	5
Waterford	7		1	2	2
Watts Bar	8	2	4	2	6
Wolf Creek	1			3	1

FUEL CYCLE FACILITY ALLEGATIONS RECEIVED FROM ONSITE SOURCES

Site	2002	2003	2004	2005	2006
Framatone-Lynchburg			1		
Framatone-Richland		1	1		1
Global Nuclear Fuel			1	2	
Honeywell	3		2	7	
Paducah	15	22	10	7	3
Portsmouth	6	2	7	2	4
Westinghouse			1	8	2