

May 3, 2002

Mr. Jack Skolds
President and CNO
Exelon Nuclear
Exelon Generation Company, LLC
4300 Winfield Road
5th Floor
Warrenville, IL 60555

SUBJECT: OYSTER CREEK GENERATING STATION - NRC SUPPLEMENTAL
INSPECTION REPORT NO. 50-219/02-04

Dear Mr. Skolds:

On March 29, 2002, the NRC completed a supplemental inspection at your Oyster Creek reactor facility. During this inspection, the NRC reviewed evaluations and corrective actions completed by your staff in response to a White finding (i.e. a matter having low to moderate safety significance) involving a response strategy weakness identified during an Operational Safeguards Response Evaluation (OSRE) conducted May 7 - 10, 2001. The enclosed report documents the inspection findings which were discussed on March 29, 2002, with Mr. Ron DeGregorio and other members of your staff.

Based on the inspection results, we concluded that your evaluations were of adequate detail and commensurate with the significance of this performance issue. The inspector confirmed that your staff effectively identified the underlying causes of this matter, and implemented appropriate corrective actions.

Due to your acceptable performance in addressing this performance issue, consistent with the guidance contained in NRC Inspection Manual Chapter (IMC) 0305, "Operating Reactor Assessment Program," this issue will only be considered in assessing plant performance for a total of four quarters from the date when the issue was identified on May 30, 2001. As specified in IMC 0305, a Regulatory Performance Meeting was conducted in a conference call on May 2, 2002, between your Security Manager, Mr. Rick Ewart, and Mr. John White of our staff. Previously, this matter was discussed in the Annual Public Meeting at Oyster Creek on April 11, 2002.

Mr. Jack Skolds

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This report contains Safeguards Information (SGI) that must be protected against unauthorized disclosure in accordance with 10 CFR 73.21. In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and the enclosed inspection report without the SGI enclosure will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

Sincerely,

/RA/

Wayne D. Lanning, Director
Division of Reactor Safety

Docket No: 50-219
License No: DPR-16

Enclosure: Inspection Report No. 50-219/02-04 **(Contains Safeguards Information)**

cc w/encl w/SGI: Vice President - Oyster Creek

cc w/encl w/o SGI: AmerGen Energy Company - Correspondence Control Deck
Licensing and Regulatory Affairs - Vice President, Exelon Corporation
Director-Licensing
Regulatory Assurance Manager
R. Shadis, New England Coalition Staff
State of New Jersey
N. Cohen, Coordinator - Unplug Salem Campaign
E. Gbur, Coordinator - Jersey Shore Nuclear Watch
E. Zobian, Coordinator - Jersey Shore Anti Nuclear Alliance

Mr. Jack Skolds

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U. S. NUCLEAR REGULATORY COMMISSION

REGION I

Docket No. 50-219

License No. DPR-16

Report No. 50-219/02-04

Licensee: AmerGen Energy Company, LLC

Facility: Oyster Creek Generating Station

Location: Forked River, New Jersey

Dates: March 26-29, 2002

Inspector: Gregory C. Smith, Senior Physical Security Inspector

Approved by: John R. White, Chief
Radiation Safety and Safeguards Branch
Division of Reactor Safety

SUMMARY OF FINDINGS

IR 05000219-02-04; on March 26-29, 2002; AmerGen Energy Company, LLC; Oyster Creek; Action on White finding in the area of Physical Protection; Safeguards.

Cornerstone: Physical Protection

This supplemental inspection was performed by the NRC to assess AmerGen's evaluations and corrective actions associated with a White finding involving a vulnerable protected strategy that resulted in the loss of a target set. This finding was identified during an Operational Safeguards Response Evaluation (OSRE) conducted May 7-10, 2001 and documented in inspection report 50-219/01-11 dated June 22, 2001. This current inspection was conducted in accordance with NRC Inspection Procedure 95001, "Inspection for One or Two White Inputs in a Strategic Performance Area". The inspector determined that AmerGen effectively evaluated the finding, identified root and contributing causes, and established and implemented appropriate corrective actions. Consistent with the guidance contained in NRC Inspection Manual Chapter (IMC) 0305, "Operating Reactor Assessment Program," this issue will only be considered in assessing plant performance for a total of four quarters from the date when the issue was identified on May 30, 2001.

01 INSPECTION SCOPE

This supplemental inspection was performed to assess the licensee's evaluations and corrective actions associated with a previously identified White finding involving the Physical Protection cornerstone of the Safeguards Strategic performance area. Specifically, the White finding involved a vulnerability in the licensee's protective strategy (i.e. the means and methods employed to protect against the design basis threat of radiological sabotage) that was identified as the result of an Operational Safeguard Response Evaluation (OSRE) conducted by the NRC on May 7-10, 2001.

Background

The finding was preliminarily characterized as White (low to moderate risk significance) in NRC Inspection Report 50-219/01-11 dated June 22, 2001. Subsequently, this matter was discussed in a Regulatory Conference on August 3, 2001. Following the Regulatory Conference, the NRC considered the information provided by the licensee, made a final determination that issue constituted a White finding, and so informed the licensee in a letter dated August 28, 2001.

On September 12, 2001, the licensee appealed the NRC's final significance determination. On April 15, 2002, the NRC provided the results of the appeal and notified the licensee that the appeal panel concluded that the finding had been appropriately characterized as White, in accordance with NRC Manual Chapter 0609, "Significance Determination Process".

02 EVALUATION OF INSPECTION REQUIREMENTS

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03 MANAGEMENT MEETINGS

The inspector and the Radiation Safety and Safeguards Branch Chief met with licensee representatives on March 29, 2002. At that time, the purpose, scope, and findings were summarized.

KEY POINTS OF CONTACT

Licensee

E. Harkness	Plant Manager
J. Rogers	Sr. Licensing Engineer
R. Ewert	Security Manager
R. Pezzella	Security Analyst
M. Basti	Security Analyst

State of New Jersey

D. Zannoni	Dept. of Environmental Resources
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NRC

L. Dudes	Senior Resident Inspector, Oyster Creek
J. White	Chief, Radiation Safety and Safeguards Branch, DRS

LIST OF ITEMS CLOSED

Closed

50-219/01-11-01	FIN	In an evaluated exercise (OSRE), the response strategy was insufficient to successfully interdict an adversary force. Based on this performance problem, the NRC OSRE team was unable to confirm that the design of the physical protection system was sufficient to protect against a design basis threat of radiological sabotage.
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DOCUMENTS REVIEWED

Root Cause Report, CAP 02001-0796
 Memo on OSRE, Lessons Learned, dated May 30, 2001
 Oyster Creek Generating Station Procedure 307, Isolation Condenser System, Rev. 79, dated January 18, 2002
 Force-on-Force drill critiques for selected Force-on-Force drills conducted since May 2001
 Oyster Creek Nuclear Generating Station NRC-Approved Physical Security Plan