March 9, 2001

Mr. John Paul Cowan
Site Vice President
Palisades Nuclear Generating Plant
Consumers Energy Company
27780 Blue Star Memorial Highway
Covert, MI 49043-9530

SUBJECT: PALISADES- NRC INSPECTION REPORT 50-255/01-04(DRS)

Dear Mr. Cowan:

On February 9, 2001, the NRC completed an inspection at your Palisades Nuclear Power Plant. The enclosed report documents the inspection findings which were discussed on February 9, 2001, with Mr. D. Cooper and other members of your staff.

This inspection examined activities conducted under your license as they relate to the Safeguards Strategic Performance Area and compliance with the Commission's rules and regulations and with the conditions of your license. Within this area, the inspection consisted of a selected examination of procedures and representative records, observations of activities, and interviews with personnel. The inspection focused on your response plan, defensive strategy and relevant implementing procedures and practices.

Based on the results of the inspection one finding of very low safety significance (Green) was identified in the report.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its 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/NRC/ADAMS/index.html (the Public Electronic Reading Room).

Sincerely,

/RA/

James R. Creed
Safeguards Program Manager
Division of Reactor Safety

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

Enclosure: Inspection Report 50-255/01-04(DRS);

See Attached Distribution

cc w/encl: R. Fenech, Senior Vice President, Nuclear
Fossil and Hydro Operations
N. Haskell, Director, Licensing and Performance Assessment
R. Whale, Michigan Public Service Commission
Michigan Department of Environmental Quality
Department of Attorney General (MI)
Emergency Management Division, MI Department
of State Police

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cc w/encl: R. Fenech, Senior Vice President, Nuclear
Fossil and Hydro Operations
N. Haskell, Director, Licensing and Performance Assessment
R. Whale, Michigan Public Service Commission
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Department of Attorney General (MI)
Emergency Management Division, MI Department
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U.S. NUCLEAR REGULATORY COMMISSION

REGION III

Docket No:	50-255
License No:	DPR-20
Report No:	50-255/01-04(DRS)
Licensee:	Nuclear Management Company, LLC
Facility:	Palisades Nuclear Generating Plant
Location:	27780 Blue Star Memorial Highway Covert, MI 49093-9530
Dates:	February 5-9, 2001
Inspectors:	T. J. Madeda, Physical Security Inspector D. E. Funk, Physical Security Inspector
Approved by:	James R. Creed, Safeguards Program Manager Division of Reactor Safety

NRC's REVISED REACTOR OVERSIGHT PROCESS

The federal Nuclear Regulatory Commission (NRC) recently revamped its inspection, assessment, and enforcement programs for commercial nuclear power plants. The new process takes into account improvements in the performance of the nuclear industry over the past 25 years and improved approaches of inspecting and assessing safety performance at NRC licensed plants.

The new process monitors licensee performance in three broad areas (called strategic performance areas) reactor safety (avoiding accidents and reducing the consequences of accidents if they occur), radiation safety (protecting plant employees and the public during routine operations), and safeguards (protecting the plant against sabotage or other security threats). The process focuses on licensee performance within each of seven cornerstones of safety in the three areas:

Reactor Safety	Radiation Safety	Safeguards
● Initiating Events	● Occupational	● Physical Protection
● Mitigating Systems	● Public	
● Barrier Integrity		
● Emergency Preparedness		

To monitor these seven cornerstones of safety, the NRC uses two processes that generate information about the safety significance of plant operations: inspections and performance indicators. Inspection findings will be evaluated according to their potential significance for safety, using the Significance Determination Process, and assigned colors of GREEN, WHITE, YELLOW or RED. GREEN findings are indicative of issues that, while they may not be desirable, represent very low safety significance. WHITE findings indicate issues that are of low to moderate safety significance. YELLOW findings are issues that are of substantial safety significance. RED findings represent issues that are of high safety significance with a significant reduction in safety margin.

Performance indicator data will be compared to established criteria for measuring licensee performance in terms of potential safety. Based on prescribed thresholds, the indicators will be classified by color representing varying levels of performance and incremental degradation in safety: GREEN, WHITE, YELLOW, and RED. GREEN indicators represent performance at a level requiring no additional NRC oversight beyond the baseline inspections. WHITE corresponds to performance that may result in increased NRC oversight. YELLOW represents performance that minimally reduces safety margin and requires even more NRC oversight. And RED indicates performance that represents a significant reduction in safety margin but still provides adequate protection to public health and safety.

The assessment process integrates performance indicators and inspection so the agency can reach objective conclusions regarding overall plant performance. The agency will use an Action Matrix to determine in a systematic, predictable manner which regulatory actions should be taken based on a licensee's performance. The NRC's actions in response to the significance (as represented by the color) of issues will be the same for performance indicators as for inspection findings. As a licensee's safety performance degrades, the NRC will take more and increasingly significant action, which can include shutting down a plant, as described in the Action Matrix.

More information can be found at: http://www.nrc.gov/NRR/OVERSIGHT/index.html.

SUMMARY OF FINDINGS

IR 05000255/01-04(DRS), on 2/5/01-2/9/01, Consumers Energy Company. Palisades Nuclear Generating Plant. Response to contingency events (Review of Target Sets and Defensive Strategy) and security plan changes. This inspection was conducted by two regional security specialists.

Cornerstone: Physical Protection

Green. The inspectors' determined the potential that some repeatable performance issues regarding security force-on-force tactical drills may not have been properly documented, and that corrective actions may not have been adequately taken to resolve identified deficiencies.

This issue, if left uncorrected, could become more safety significant because an identified contingency response problem may not be appropriately identified or corrected. The licensee's corrective action process (CAP) indicates that test failures, adverse trends, and lessons to be learned should be documented in the CAP. The problems identified during these force-on-force drills included lessons to be learned, and failures, which indicated the CAP process was not being followed (bypassed) as it relates to some contingency response activities. This is a finding of very low safety significance because no intrusions had occurred, and there had not been greater than two findings in the last four quarters.

Report Details

3. SAFEGUARDS

Cornerstone: Physical Protection

3PP3 Response to Contingency Events (71130.03)

a. Inspection Scope

The inspectors reviewed the licensee's current protective strategy which included designated targets and target sets, their associated analysis, and security and operation response procedures. The inspectors also reviewed security event reports, and the licensee's problem identification and resolution program to determine that issues related to the licensee's contingent event program were identified at the appropriate threshold and were entered into the licensee's corrective action program. Items reviewed included self-assessments, audits, and a sample of training records, force on force drill evaluations, and the licensee's procedure for their corrective action process. In addition, the inspectors conducted interviews with security officers and security management to evaluate their knowledge and use of the licensee's corrective action system.

The inspectors reviewed appropriate security records and procedures that were related to security drills, drill demonstrations, and drill critiques to verify the licensee's continuing capabilities to identify issues that represented uncorrected performance weaknesses or program vulnerabilities.

The inspectors reviewed records and interviewed three selected members of the uniform contract security force to evaluate and verify security training that related to alarm station operations, tactical "force-on-force" training, and weapon proficiency training.

The inspectors also reviewed performance indicator information related to alarm equipment performance to determine if isolated or system problems with the protected area intrusion alarm system and/or assessment system had become predictable and potentially exploitable by an adversary.

b. Findings

One Green finding was identified. Through interviews with security officers and staff the inspectors determined the potential that some repeatable performance issues regarding security force-on-force tactical drills may not have been properly documented, and that corrective actions may not have been adequately taken to resolve identified deficiencies. Additionally, when performance issues involving communications, individual officer tactical decisions, and possible drill failures were documented, they were not entered into the licensee's corrective action process. The inspectors determined that the security force-on-force drill program was not effectively documenting and trending drill performance because drill records did not indicate a pass or fail for individual drills and did not provide sufficient data to ensure that identified weaknesses were identified and

adequately resolved. This issue is of low safety significance because the problems identified did not affect the validation of the licensee's protective strategy, however, if left uncorrected, could result in evaluation of response performance not reflective of true capabilities.

In response to the inspectors' concerns noted above, licensee security management has entered this issue into their corrective action program by the initiation of a Condition Report, (CPAL0100454). As part of their review, the security staff will also review its threshold for entering items into the licensee Corrective Action Program for force-on-force drills, as delineated in the licensee's administrative procedure.

3PP4 Security Plan Changes (71130.04)

a. Inspection Scope

The inspectors reviewed Revision 44 to the Palisades Nuclear Plant Security Plan to verify that the changes did not decrease the effectiveness of the submitted document. The referenced revision was submitted in accordance with regulatory requirements by a licensee letter dated January 19, 2001.

b. Findings

(Observation) The inspectors determined that the changes identified in Revision 44 did not appear to reduce the effectiveness of the approved security plan. However, during our review process a minor issue was identified. In Section 1.7.6 of the security plan, a new requirement was added that described protective measures used to secure containers that would transport previously searched materials between other licensee's protected areas, the details of which are considered safeguards information. Security plan language should describe the security integrity, quality, of a locking device. This issue involved a security concern, that if left uncorrected, could reduce the effectiveness of the licensee's program to ensure that unauthorized materials do not enter the licensee's protected area.

The licensee's Plant Protection Manager agreed to submit a revised security plan change that would provide detailed information regarding the security integrity of the locking device to secure searched material used during the transfer process. This issue was entered into the licensee's corrective action program (CPAL0100459). The inspector will conduct further evaluation of this issue upon receipt of the revision.

4OA6 Management Meetings

Exit Meeting Summary

The inspector presented the inspection results to Mr. D. Cooper and other members of licensee management at the conclusion of the onsite inspection on February 9, 2001. The licensee representatives acknowledged the inspector's remarks. No proprietary or safeguards information was discussed at this meeting.

On February 22 and 27, 2001, the licensee's director of licensing was advised of the inspection results of this inspection. The director acknowledged the inspection results, and a discussion regarding how the process (Manual Chapter 0610*, Group 1 and Group 2 questions, and the Physical Protection Significance Determination Process) was utilized to arrive at the conclusion described. The inspector indicated that the issue was evaluated under the Physical Protection Significant Determination Process (SDP) and was determined to be a finding of very low significance.

PARTIAL LIST OF PERSONS CONTACTED

Licensee

D. Cooper, Plant General Manager
D. Malone, Director Engineering
C. Ritt, Director Plant Support
N. Haskell, Director Licensing and Performance Assessment
M. Findlay, Director Security, Nuclear Management Company
S. Cote, Plant Protection Manager

Security Contractor - Burns

L. Bean, President, Corporate Nuclear Security
M. Sowers, Site Security Manager

NRC

J. Lennartz, Senior Resident Inspector
R. Krsek, Resident Inspector

ITEMS OPENED, CLOSED, AND DISCUSSED

Opened

None

Closed

None

Discussed

None

LIST OF DOCUMENTS REVIEWED

Security Event Decision Making Procedure No. SCP-16, September 4, 1998
Vital Target Success Path Reference Manual
Nuclear Management Company, Pre-03 Inspection, Self-Assessment, December 14 - 15, 2000
Tactical Weapons Training Program
Palisades Safeguards Event Logs, (April 2000 - February 2001)
Palisades Nuclear Plant (PNP) Administrative Procedure No. 3.03 “Corrective Action Process,” Revision 24, dated 1/22/01
PNP Security Personnel Individual Qualification Record, Revision 12
Table Top Exercise Evaluation, Revision 2, dated 05/12/97
Defensive Position Response Evaluation, Revision 2, dated 11/09/99
Tactical Movement and Weapons Use Evaluation, Revision 1, dated 4/11/97
Preparation Checklist, Attachment 1, Revision 3, dated 10/13/97
Responder Controller Checklist, Attachment 4, Revision 4, dated 01/27/01
Adversary Team Controller Checklist, Attachment 5, Revision 3, dated 10/13/97
Pre-Exercise Safety Plan Checklist, Attachment 6, Revision 3, dated 10/13/97
Participant Critique Sheet, Attachment 7, Revision 3 dated 10/13/97
Security Force Exercise Control Checklist, Attachment 8, Revision 3, dated 10/13/97
Plant Page Announcement/Control Room Notification, Attachment 9, Revision 3, dated 10/13/97
Force-on-Force Exercise, Attachment 10, Revision 3, dated 10/13/97
Force-on-Force Scenario Number Sheet, Attachment 11, Revision 3, dated 10/13/97
Force-on-Force Follow-Up Actions, Attachment 12, Revisions 3, dated 10/13/97 and 1/30/01