



UNITED STATES  
**NUCLEAR REGULATORY COMMISSION**  
REGION IV  
1600 EAST LAMAR BLVD  
ARLINGTON, TEXAS 76011-4511

March 5, 2012

Randall K. Edington  
Executive vice President, Nuclear  
and Chief Nuclear Officer  
Arizona Public Service Company  
P.O. Box 52034  
Phoenix, AZ 85072-2034

SUBJECT: ANNUAL ASSESSMENT LETTER FOR PALO VERDE NUCLEAR  
GENERATING STATION, UNITS 1, 2, AND 3  
(REPORT 05000528;529;530/2011001)

Dear Mr. Edington:

On February 15, 2012, the NRC completed its end-of-cycle performance review of Palo Verde Nuclear Generating Station, Units 1, 2, and 3. The NRC reviewed the most recent quarterly performance indicators (PIs) in addition to inspection results and enforcement actions from January 1, 2011 through December 31, 2011. This letter informs you of the NRC's assessment of your facility during this period and its plans for future inspections at your facility. This performance review and enclosed inspection plan do not include security information. A separate letter will include the NRC's assessment of your performance in the Security Cornerstone and its security-related inspection plan.

The NRC determined that overall, Palo Verde Nuclear Generating Station, Units 1, 2, and 3, operated in a manner that preserved public health and safety and met all cornerstone objectives. The NRC determined the performance at Palo Verde Units 1, 2, and 3 during the most recent quarter was within the Licensee Response Column of the NRC's Reactor Oversight Process (ROP) Action Matrix because all inspection findings had very low (i.e., green) safety significance, and all PIs indicated that your performance was within the nominal, expected range (i.e., green). Therefore, the NRC plans to conduct ROP baseline inspections at your facility.

The enclosed inspection plan lists the inspections scheduled through June 30, 2013. Routine inspections performed by resident inspectors are not included in the inspection plan. The inspections listed during the last nine months of the inspection plan are tentative and may be revised at the mid-cycle performance review. The NRC provides the inspection plan to allow for the resolution of any scheduling conflicts and personnel availability issues. The NRC will contact you as soon as possible to discuss changes to the inspection plan should circumstances warrant any changes.

Temporary Instruction 2515/182 Inspection, "Review of the Implementation of the Industry Initiative to Control Degradation of Underground Piping and Tanks," which remains to be scheduled, will be completed during the 2012 or 2013 calendar year. The NRC will contact you to establish an appropriate time for this activity.

R. Edington

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In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter 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). [Note: Verify the Web site works, and update it, if necessary.]

Please contact me at 817-200-1173 with any questions you have regarding this letter.

Sincerely,

**/RA/**

Ryan E. Lantz, Chief  
Reactor Projects Branch D  
Division of Reactor Projects

Docket Nos.: 0500528, 05000529, 05000530

License Nos.: NPF-41, NPF-51, NPF-74

Enclosure: Palo Verde Nuclear Generating Station Inspection Plan

cc w/Enclosure: Electronic Distribution

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ML120610632

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Publicly Avail	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Sensitive	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Sens. Type Initials	RL
A:DRP/D	D:DRS	D:DRP			
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