



**UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
611 RYAN PLAZA DRIVE, SUITE 400
ARLINGTON, TEXAS 76011-8064**

March 4, 2002

Gregg R. Overbeck, Senior Vice
President, Nuclear
Arizona Public Service Company
P.O. Box 52034
Phoenix, Arizona 85072-2034

**SUBJECT: ANNUAL ASSESSMENT - PALO VERDE NUCLEAR GENERATING STATION
(REPORT 50-528; 50-529: 50-530/02-01)**

Dear Mr. Overbeck:

On February 13, 2002, the NRC staff completed its end-of-cycle plant performance assessment of Palo Verde Nuclear Generating Station. The end-of-cycle review for Palo Verde Nuclear Generating Station involved the participation of all technical divisions in evaluating performance indicators for the most recent quarter and inspection results for the period from April 1 through December 31, 2001. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility. This will provide you an opportunity to prepare for these inspections and to inform us of any planned inspections which may conflict with your plant activities.

As discussed in our previous annual assessment letter, dated May 29, 2001, this inspection and assessment cycle consisted of three quarters (i.e., the second, third, and fourth quarters of Calendar Year 2001) instead of the usual four quarters. This change was implemented in order to align the inspection and assessment cycle with the calendar year beginning on January 1, 2002.

Overall, Palo Verde Nuclear Generating Station operated in a manner that preserved public health and safety, and fully met all cornerstone objectives. Plant performance for the most recent quarter, as well as the first two quarters of the assessment cycle, was within the Licensee Response Column of the NRC's Action Matrix. This is based on all inspection findings being classified as having very low safety significance (Green) and all performance indicators indicating performance at a level requiring no additional NRC oversight (Green). Therefore, we plan to conduct only baseline inspections at your facility through December 28, 2002. NRC will also be reviewing your actions to evaluate vessel head penetrations in response to Bulletin 2001-01.

Immediately following the terrorist attacks on the World Trade Center and the Pentagon, the NRC issued safeguards advisories recommending that nuclear power plant licensees go to the highest level of security, and all promptly did so. With continued uncertainty about the possibility of additional terrorist activities, the Nation's nuclear power plants, including Palo Verde Nuclear Generating Station, remain at a high level of security. On February 25, 2002,

the NRC issued an Order to all nuclear power plant licensees, requiring them to take certain additional interim compensatory measures to address the generalized high-level threat environment. These additional compensatory requirements will provide the NRC with reasonable assurance that public health and safety and the common defense and security continue to be adequately protected in the current generalized high-level threat environment. These requirements will remain in effect pending notification from the Commission that a significant change in the threat environment occurs or until the Commission determines that other changes are needed following a more comprehensive re-evaluation of current safeguards and security programs. To date we have monitored Arizona Public Service Company's actions in response to the terrorist attacks through a series of audits. With the issuance of the Order, we will evaluate Arizona Public Service Company's compliance with these interim requirements.

The enclosed inspection plan details the inspections scheduled through March 31, 2003. The inspection plan is provided to minimize the resource impact on your staff and to allow for scheduling conflicts and personnel availability to be resolved in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The last 6 months of the inspection plan are tentative and may be revised at the Midcycle Review meeting.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact me at 817/860-8137 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

Linda Joy Smith, Chief
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Dockets: 50-528
50-529
50-530
Licenses: NPF-41
NPF-51
NPF-74

Enclosure:
Palo Verde Inspection/Activity Plan

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For review	2/27/02	3/4/02	3/4/02	

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Palo Verde
Inspection / Activity Plan
03/01/2002 - 03/30/2003

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
	EMB - ISI UNIT 2		1			
2	IP 7111108	Inservice Inspection Activities		03/25/2002	03/29/2002	Baseline Inspections
	2515/145 - PWR RPV HEAD CRACKING - BULLETIN 2001-01		1			
2	IP 2515/145	Circumferential Cracking of Reactor Pressure Vessel Head Penetration Nozzles (NRC Bulletin :		03/25/2002	03/29/2002	Safety Issues
	EMB - ISI/SG		1			
2	IP 7111108	Inservice Inspection Activities		04/15/2002	04/19/2002	Baseline Inspections
	PSB-S1 - ACCESS AUTH/CONTROL, SEC PLAN & PIV		1			
1, 2, 3	IP 7113001	Access Authorization Program (Behavior Observation Only)		05/13/2002	05/17/2002	Baseline Inspections
1, 2, 3	IP 7113002	Access Control (Search of Personnel, Packages, and Vehicles: Identification and Authorizatio		05/13/2002	05/17/2002	Baseline Inspections
1, 2, 3	IP 7113004	Security Plan Changes		05/13/2002	05/17/2002	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		05/13/2002	05/17/2002	Baseline Inspections
	PSB-EP1 - EP PROGRAM BASELINE INSPECTION		1			
1, 2, 3	IP 7111402	Alert and Notification System Testing		06/24/2002	06/28/2002	Baseline Inspections
1, 2, 3	IP 7111403	Emergency Response Organization Augmentation Testing		06/24/2002	06/28/2002	Baseline Inspections
1, 2, 3	IP 7111404	Emergency Action Level and Emergency Plan Changes		06/24/2002	06/28/2002	Baseline Inspections
1, 2, 3	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		06/24/2002	06/28/2002	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		06/24/2002	06/28/2002	Baseline Inspections
	EMB - SSD&PC INSPECTION		5			
1	IP 7111121	Safety System Design and Performance Capability		07/29/2002	08/02/2002	Baseline Inspections
1, 2	IP 7111121	Safety System Design and Performance Capability		08/05/2002	08/09/2002	Baseline Inspections
2	IP 7111121	Safety System Design and Performance Capability		08/12/2002	08/16/2002	Baseline Inspections
	EMB - HEAT SINKS		1			
1, 2, 3	IP 7111107B	Heat Sink Performance		08/26/2002	08/30/2002	Baseline Inspections
	EMB - BIENNIAL MODS		2			
1, 2, 3	IP 7111117B	Permanent Plant Modifications		08/26/2002	08/30/2002	Baseline Inspections
	OB-RQ - PV REQUAL INSPECTION		2			
1, 2, 3	IP 7111111B	Licensed Operator Requalification		09/09/2002	09/13/2002	Baseline Inspections
	RP-3 - ALARA		1			
1, 2, 3	IP 7112102	ALARA Planning and Controls		10/07/2002	10/07/2002	Baseline Inspections
	2515/145 - PWR RPV HEAD CRACKING - BULLETIN 2001-01		1			
1	IP 2515/145	Circumferential Cracking of Reactor Pressure Vessel Head Penetration Nozzles (NRC Bulletin :		10/07/2002	10/11/2002	Safety Issues
	RP-1 - ACRSA AND PIV		1			
1, 2, 3	IP 7112101	Access Control to Radiologically Significant Areas		10/07/2002	10/11/2002	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		10/07/2002	10/11/2002	Baseline Inspections

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

Palo Verde
Inspection / Activity Plan
03/01/2002 - 03/30/2003

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	EMB	- ISI & ISI/SG - UNIT 1	1			
1	IP 7111108	Inservice Inspection Activities		10/21/2002	11/01/2002	Baseline Inspections
	OB-IN	- INITIAL EXAM PREP - FUEL HANDLING SRO	2			
1	X02238	PALO VERDE UNIT 1 - INITIAL EXAM (11/02)		10/28/2002	11/02/2002	Not Applicable
2	X02239	PALO VERDE UNIT 2 - INITIAL EXAM (11/02)		10/28/2002	11/02/2002	Not Applicable
3	X02240	PALO VERDE UNIT 3 - INITIAL EXAM (11/02)		10/28/2002	11/02/2002	Not Applicable
	OB-IN	- INITIAL EXAM - FUEL HANDLING SRO	3			
1	X02238	PALO VERDE UNIT 1 - INITIAL EXAM (11/02)		11/18/2002	11/22/2002	Not Applicable
2	X02239	PALO VERDE UNIT 2 - INITIAL EXAM (11/02)		11/18/2002	11/22/2002	Not Applicable
3	X02240	PALO VERDE UNIT 3 - INITIAL EXAM (11/02)		11/18/2002	11/22/2002	Not Applicable
	RP-TM	- RAD SAFETY TEAM	6			
1, 2, 3	IP 7112103	Radiation Monitoring Instrumentation		02/24/2003	02/28/2003	Baseline Inspections
1, 2, 3	IP 7112201	Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems		02/24/2003	02/28/2003	Baseline Inspections
1, 2, 3	IP 7112202	Radioactive Material Processing and Transportation		02/24/2003	02/28/2003	Baseline Inspections
1, 2, 3	IP 7112203	Radiological Environmental Monitoring Program		02/24/2003	02/28/2003	Baseline Inspections
	RP-4	- ALARA(4)	1			
1, 2, 3	IP 7112102	ALARA Planning and Controls		03/17/2003	03/21/2003	Baseline Inspections

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