

March 22, 2002

James M. Levine  
Executive Vice President and Chief Operating Officer  
Palo Verde Nuclear Generating Station, Units 1, 2 & 3  
Arizona Public Service Company  
400 North 5th Street, MS 9046  
Phoenix, AZ 85004

Dear Mr. Levine:

As a result of the recent terrorist threats, the U.S. Nuclear Regulatory Commission (NRC) is taking steps to enhance its licensees' ability to respond to the continuing heightened security environment. Currently, the NRC is authorized to disseminate classified information to uncleared persons only under special circumstances when timeliness is critical to mitigating an emergency situation. However, the NRC has decided to process security clearances for licensees so that they may have access to classified information under more routine circumstances.

Under this program, those licensees who desire to participate may be granted up to five personnel security clearances for access to classified information to key licensee staff at each nuclear power reactor site. Two-unit and three-unit sites should be treated as one location for these purposes. The Facility Security Officer for each site must be included as one of the five persons cleared. Classified information will eventually be disseminated to these licensee contacts through the NRC resident inspector office, which will be provided the ability to receive and store classified national security information.

Each individual to be cleared will be required to complete Form SF 86, "Questionnaire for National Security Positions" (enclosed), as part of the clearance process. Individuals must agree to execute the SF-312, "Classified Information Nondisclosure Agreement" (enclosed), before the clearance is granted. Individual clearances must be updated every 10 years. Licensees will be expected to cover the initial and recurring costs of the individual clearances, which will be \$145.00 each. In order for the NRC to make a Facility Security Clearance determination, participating licensees will also be required to develop a security plan as a user of classified information (Standard Practice Procedures Plan enclosed) and be subject to Foreign Ownership Control or Influence (FOCI) determinations made by the NRC. An overview of these requirements can be found in Title 10, Code of Federal Regulations (10 CFR) Part 95. A sample FOCI package including Form SF 328, "Certificate Pertaining To Foreign Interests," is also enclosed. Please note that your organization will be asked to certify annually to the NRC whether significant changes have occurred in the extent and nature of FOCI that would affect your responses to the SF 328 form. You will also be required to submit a new SF 328 every 5 years as part of a FOCI redetermination. Lastly, the President, Chairman of the Board of Directors, or other key management officials for each licensee may also need to be cleared, which may or may not include the original five personnel you select to receive a clearance.

J. Levine

- 2 -

The NRC will identify these individuals as necessary. Licensees will not be required to pay for the NRC's costs related to the FOCI determinations conducted in FY 2002.

Please respond within 30 days of receiving this letter indicating whether you desire to participate in this effort and, if appropriate, naming a point of contact (name, title, telephone number, and e-mail address) for your site. Each person nominated for a security clearance should return the form SF-86 and entire security package when complete in the envelope provided along with a check made out to the U.S. Nuclear Regulatory Commission for \$145 for each clearance. One check can be provided for the total number of clearances requested.

Your response to this letter, the FOCI package along with the SF-328, and a Standard Practice Procedures Plan should be sent separately as they are completed to the following address:

ATTN: LICENSEE CLEARANCES, MAIL STOP O2-D15  
DIVISION OF FACILITIES AND SECURITY  
OFFICE OF ADMINISTRATION  
U.S. NUCLEAR REGULATORY COMMISSION  
11555 ROCKVILLE PIKE  
ROCKVILLE, MARYLAND 20852

Questions regarding FOCI or the Standard Practice Procedures Plan should be referred to J. Keith Everly at 301-415-7048 or jke@nrc.gov. Questions regarding the SF-86 or the security clearances should be referred to Cheryl Stone at 301-415-7404 or cms2@nrc.gov.

Sincerely,  
**/RA/**  
Michael L. Springer, Director  
Office of Administration

Docket Nos. 50-528, 50-529 and 50-530

Enclosures: As stated

cc without enclosures (see next page):

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Sincerely,

**/RA/**

Michael L. Springer, Director  
Office of Administration

Docket Nos. 50-528, 50-529 and 50-530

Enclosures: As stated

cc without enclosures: See next page

Palo Verde Generating Station, Units 1, 2, and 3  
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