



**UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
REGION IV  
611 RYAN PLAZA DRIVE, SUITE 400  
ARLINGTON, TEXAS 76011-4005**

March 4, 2003

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

**SUBJECT: ANNUAL ASSESSMENT LETTER - PALO VERDE NUCLEAR GENERATING  
STATION (REPORT 50-528/03-01; 50-529/03-01; 50-530/03-01)**

Dear Mr. Overbeck:

On February 6, 2003, the NRC completed its end-of-cycle plant performance assessment of the Palo Verde Nuclear Generating Station. The end-of-cycle review for Palo Verde involved the participation of all technical divisions in evaluating performance indicators for the most recent quarter and inspection results for the period from January 1 through December 31, 2002. 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 so that you will have an opportunity to prepare for these inspections and to inform us of any planned inspections that may conflict with your plant activities.

Overall, Palo Verde 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 for the first three quarters of the assessment cycle, was within the Licensee Response Column of the NRC's Action Matrix, 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 March 31, 2004.

The enclosed inspection plan details the inspections scheduled through March 31, 2004. In addition to the normal baseline inspections, the schedule contains some additional inspection associated with our review of your Unit 2 steam generator replacement activities. We also plan to conduct Temporary Instruction 2515/150, Revision 1, "Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles," on Units 1 and 2 to confirm satisfactory implementation of NRC Bulletin 2002-02. 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 inspections in the last six months of the inspection plan are tentative and may be revised at the midcycle review meeting.

As you are aware, since the terrorist attacks on September 11, 2001, the NRC has issued several Orders and threat advisories to enhance security capabilities and improve guard force readiness. We have conducted inspections to review your implementation of these

requirements and have monitored your actions in response to changing threat conditions. For calendar year 2003, we plan to continue these inspections and conduct portions of the security baseline inspection program, as well as perform additional inspections to evaluate your compliance with new requirements that may be ordered. Based on our final determinations in this regard, we will notify you of any inspection plan changes.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter, its enclosure, and your response 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  
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Inspection/Activity Plan

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/RA/	/RA/	/RA/	/RA/	
2/28/03	2/28/03	3/2/03	3/3/03	

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**Palo Verde**  
**Inspection / Activity Plan**  
**03/02/2003 - 03/31/2004**

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	<b>PSB-EP1</b>	<b>- EP EXERCISE INSPECTION</b>	<b>3</b>			
1, 2, 3	IP 7111401	Exercise Evaluation		03/10/2003	03/14/2003	Baseline Inspections
1, 2, 3	IP 7111404	Emergency Action Level and Emergency Plan Changes		03/10/2003	03/14/2003	Baseline Inspections
1, 2, 3	IP 711151	Performance Indicator Verification		03/10/2003	03/14/2003	Baseline Inspections
	<b>EMB</b>	<b>- ISI INSPECTION U3</b>	<b>1</b>			
3	IP 7111108P	Inservice Inspection Activities - PWR		04/14/2003	04/25/2003	Baseline Inspections
	<b>2515/150</b>	<b>- PWR RPV HEAD CRACKING - BULLETIN 2002-02</b>	<b>1</b>			
3	IP 2515/150	Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles (NRC Bulletin 2002-0		04/14/2003	04/18/2003	Safety Issues
	<b>EMB</b>	<b>- BIENNIAL MR INSPECTION</b>	<b>1</b>			
1, 2, 3	IP 7111112B	Maintenance Effectiveness		04/28/2003	05/02/2003	Baseline Inspections
	<b>EMB</b>	<b>- TRIENNIAL FIRE PROTECTION</b>	<b>5</b>			
1, 2, 3	IP 7111105T	Fire Protection		06/16/2003	06/20/2003	Baseline Inspections
1, 2, 3	IP 7111105T	Fire Protection		06/30/2003	07/04/2003	Baseline Inspections
	<b>OB-IN</b>	<b>- INITIAL EXAM PREP</b>	<b>3</b>			
1	X02249	PALO VERDE - UNIT 1 EXAM (07/03)		07/07/2003	07/11/2003	Not Applicable
2	X02250	PALO VERDE - UNIT 2 EXAM (07/03)		07/07/2003	07/11/2003	Not Applicable
3	X02251	PALO VERDE - UNIT 3 EXAM (07/03)		07/07/2003	07/11/2003	Not Applicable
	<b>OB-IN</b>	<b>- INITIAL EXAMS</b>	<b>4</b>			
1	X02249	PALO VERDE - UNIT 1 EXAM (07/03)		07/21/2003	07/25/2003	Not Applicable
2	X02250	PALO VERDE - UNIT 2 EXAM (07/03)		07/21/2003	07/25/2003	Not Applicable
3	X02251	PALO VERDE - UNIT 3 EXAM (07/03)		07/21/2003	07/25/2003	Not Applicable
	<b>SGR-P</b>	<b>- U-2 SG REPLACEMENT PREP ACTIVITIES</b>	<b>1</b>			
2	IP 50001	Steam Generator Replacement Inspection		08/01/2003	09/20/2003	Other Routine
	<b>PSB-S1</b>	<b>- SECURITY BASELINE INSPECTION</b>	<b>1</b>			
1, 2, 3	IP 7113002	Access Control (Search of Personnel, Packages, and Vehicles: Identification and Authorizat		09/08/2003	09/12/2003	Baseline Inspections
1, 2, 3	IP 7113003	Response to Contingency Events (Protective Strategy and Implementation of Protective Str		09/08/2003	09/12/2003	Baseline Inspections
1, 2, 3	IP 711151	Performance Indicator Verification		09/08/2003	09/12/2003	Baseline Inspections
	<b>SGR2</b>	<b>- U-2 SG REPLACEMENT INSPECTIONS</b>	<b>1</b>			
2	IP 50001	Steam Generator Replacement Inspection		09/26/2003	12/27/2003	Other Routine
	<b>ACCESSPI</b>	<b>- ACRSA/PI</b>	<b>1</b>			
1, 2, 3	IP 7112101	Access Control to Radiologically Significant Areas		10/06/2003	10/10/2003	Baseline Inspections
1, 2, 3	IP 711151	Performance Indicator Verification		10/06/2003	10/10/2003	Baseline Inspections
	<b>TI -150</b>	<b>- PWR RPV HEAD CRACKING- BULLETIN 2002-02</b>	<b>1</b>			
2	IP 2515/150	Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles (NRC Bulletin 2002-0		10/13/2003	10/17/2003	Safety Issues

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

**Palo Verde**  
**Inspection / Activity Plan**  
**03/02/2003 - 03/31/2004**

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	<b>EMB</b>	<b>- ISI &amp; SG INSPECTIONS U2</b>	<b>1</b>			
2	IP 7111108P	Inservice Inspection Activities - PWR		10/13/2003	10/17/2003	Baseline Inspections
2	IP 7111108P	Inservice Inspection Activities - PWR		11/03/2003	11/07/2003	Baseline Inspections
	<b>ALARA2</b>	<b>- ALARA</b>	<b>1</b>			
1, 2, 3	IP 7112102	ALARA Planning and Controls		11/17/2003	11/21/2003	Baseline Inspections
	<b>PSB-EP1</b>	<b>- EP PROGRAM INSPECTION</b>	<b>1</b>			
1, 2, 3	IP 7111402	Alert and Notification System Testing		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 7111403	Emergency Response Organization Augmentation Testing		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 7111404	Emergency Action Level and Emergency Plan Changes		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		02/02/2004	02/06/2004	Baseline Inspections
	<b>EMB</b>	<b>- SAFETY SYS. DESIGN AND PERF. CAPABILITY</b>	<b>4</b>			
1, 2, 3	IP 7111121	Safety System Design and Performance Capability		03/01/2004	03/05/2004	Baseline Inspections
1, 2, 3	IP 7111121	Safety System Design and Performance Capability		03/15/2004	03/19/2004	Baseline Inspections
	<b>EMB</b>	<b>- CHANGES, TESTS &amp; EXPERIMENTS</b>	<b>1</b>			
1, 2, 3	IP 7111102	Evaluation of Changes, Tests, or Experiments		03/01/2004	03/05/2004	Baseline Inspections