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

EA 96-293

AUG 21 1996

William L. Stewart, Executive Vice
President, Nuclear
Arizona Public Service Company
P.O. Box 53999
Phoenix, Arizona 85072-3999

SUBJECT: NRC INSPECTION REPORT 50-528/96-09; 50-529/96-09; 50-530/96-09

Dear Mr. Stewart:

An NRC inspection was conducted July 15-19, 1996, at your Palo Verde Nuclear Generating Station, Units 1, 2, and 3, reactor facilities with inoffice review continuing until August 20, 1996. This was an inspection of your implementation of the requirements of 10 CFR 50.65, "Requirements for Monitoring the Effectiveness of Maintenance at Nuclear Power Plants" [the Maintenance Rule]. The enclosed report presents the scope and results of that inspection.

On August 16, 1996, a supplemental telephonic exit was held with Mr. S. Bauer and others of your staff to discuss enforcement findings from the inspection. A potential violation of NRC requirements was discussed during the telephonic exit. At that time, your staff presented additional information about the potential violation. Consequently, we reopened the inspection and reviewed the additional information. Resulting from that review, we concluded that the potential violation was not warranted. This result was discussed by telephone with Mr. S. Bauer on August 20, 1996.

Your program for implementing the requirements of the Maintenance Rule followed the guidance provided in NUMARC 93-01, "Industry Guideline for Monitoring the Effectiveness of Maintenance at Nuclear Power Plants," dated May 1993, which was endorsed in Regulatory Guide 1.160, "Monitoring the Effectiveness of Maintenance at Nuclear Power Plants," dated January 1995. Your program was well developed, comprehensive, and generally met the requirements of the Maintenance Rule. Noteworthy aspects of your program were the methods used to monitor all functional failures of structures, systems and components, the expanded use of the expert panel, and the centralized data collection process.

One unresolved item was identified concerning goals and performance criteria for certain structures, systems, and components. This matter is discussed in Section M1.6 of the enclosed inspection report. No response to this item is necessary at this time.

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It is our understanding that, during the supplemental telephonic exit on August 16, 1996, Mr. Jim Levine stated Arizona Public Service Company would establish specific structures performance criteria within 90 days (of July 19, 1996), and review, and if necessary, revise procedures to clarify when structures should be moved to Category (a)(1). Please confirm this regulatory commitment in writing within 30 days of the date of this letter that our understanding of this commitment is correct.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter, its enclosure(s), and your response will be placed in the NRC Public Document Room (PDR).

Should you have any questions concerning this inspection, we will be pleased to discuss them with you.

Sincerely,

Kenneth E. Brockman, Acting Director
Division of Reactor Safety

Docket Nos.: 50-528
50-529
50-530
License Nos.: NPF-41
NPF-51
NPF-74

Enclosure:
NRC Inspection Report 50-528/96-09;
50-529/96-09;50-530/96-09

cc w/enclosure:
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E-Mail report to D. Nelson (DJN)
E-Mail report to NRR Event Tracking System (IPAS)

bcc to DMB (IE01)

bcc distrib. by RIV:

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Branch Chief (DRP/F, WCFO)
Senior Project Inspector (DRP/F, WCFO)
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Leah Tremper (OC/LFDCB, MS: TWFN 9E10)
Resident Inspector
DRS-PSB
MIS System
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M. Hammond (PAO, WCFO)

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