



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

March 10, 2004

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

**SUBJECT: EVALUATION OF THE SAFETY CONSCIOUS WORK ENVIRONMENT AND
INTEGRATED ISSUES RESOLUTION PROCESS**

Dear Mr. Overbeck:

This letter provides you the results of the NRC's evaluation of the adequacy of the safety conscious work environment at the Palo Verde Nuclear Station. As indicated in our October 22, 2003, letter, we had a number of questions regarding the results and actions associated with your independent assessment of the safety conscious work environment at Palo Verde, especially in the Instrumentation and Controls (I&C) Department. The information you provided to us at the January 14, 2004, meeting was responsive to these questions and aided us in our review. A transcript of that meeting is available in our ADAMS, accession number ML040290630.

Your assessments and our independent reviews indicate that your employees feel free to raise nuclear safety issues for resolution. You stated that the safety conscious work environment is strong and you have taken additional steps to strengthen it. While we recognize these steps at Palo Verde and overall, conclude these steps and the results of your assessments support an environment where employees feel free to raise safety concerns, we continue to have concern as to whether these actions are sufficient to promote a sustained, best environment at Palo Verde. At the January 14 meeting, you also indicated that there are a number of areas needing further attention. These areas include employee awareness and familiarity with your Employee Concerns Program and Differing Professional Opinions Process, as well as, the effectiveness of the Management Issues Tracking and Resolution Process in resolving non-nuclear concerns. You indicated a number of actions, which should improve these areas. We agree that the actions are necessary.

During the NRC's problem identification and resolution inspection activities in December 2003, we determined that some employees do not always use, or feel free to use, the condition reporting process to identify and document problems. As discussed during the January 14 meeting, these inspection results differ, somewhat, from your assessment results. Accordingly, we believe you need to understand and address these differences.

Again, we have concluded that you do have an environment where employees feel free to raise safety concerns. While we have no immediate concern, we have determined that you need to complete those actions proposed at the January 14, 2004, meeting in order to sustain and promote the best environment at the Palo Verde Nuclear Station.

Should you have any further questions regarding our reply, please call Russell Wise, Senior Allegations Coordinator, at 817-860-8245.

Sincerely,

/RA/ by Mark A. Satorius for

Arthur T. Howell III, Director
Division of Reactor Projects

Dockets: 50-528

50-529

50-530

Licenses: NPF-41

NPF-51

NPF-74

cc:

Steve Olea

Arizona Corporation Commission

1200 W. Washington Street

Phoenix, AZ 85007

Douglas K. Porter, Senior Counsel

Southern California Edison Company

Law Department, Generation Resources

P.O. Box 800

Rosemead, CA 91770

Chairman

Maricopa County Board of Supervisors

301 W. Jefferson, 10th Floor

Phoenix, AZ 85003

Aubrey V. Godwin, Director

Arizona Radiation Regulatory Agency

4814 South 40 Street

Phoenix, AZ 85040

M. Dwayne Carnes, Director

Regulatory Affairs/Nuclear Assurance

Palo Verde Nuclear Generating Station

Mail Station 7636

P.O. Box 52034

Phoenix, AZ 85072-2034

Hector R. Puente
Vice President, Power Generation
El Paso Electric Company
340 E. Palm Lane, Suite 310
Phoenix, AZ 85004

Terry Bassham, Esq.
General Counsel
El Paso Electric Company
123 W. Mills
El Paso, TX 79901

John W. Schumann
Los Angeles Department of Water & Power
Southern California Public Power Authority
P.O. Box 51111, Room 1255-C
Los Angeles, CA 90051-0100

John Taylor
Public Service Company of New Mexico
2401 Aztec NE, MS Z110
Albuquerque, NM 87107-4224

Cheryl Adams
Southern California Edison Company
5000 Pacific Coast Hwy. Bldg. DIN
San Clemente, CA 92672

Robert Henry
Salt River Project
6504 East Thomas Road
Scottsdale, AZ 85251

Brian Almon
Public Utility Commission
William B. Travis Building
P.O. Box 13326
1701 North Congress Avenue
Austin, TX 78701-3326

Electronic distribution by RIV:

Regional Administrator (**BSM1**)

DRP Director (**ATH**)

DRS Director (**DDC**)

Senior Resident Inspector (**GXW2**)

Branch Chief, DRP/D (**JAC**)

Senior Project Engineer, DRP/D (**NLS**)

D. Jackson, OEDO RIV Coordinator (**DAJ1**)

Hard Copy:

G. Sanborn, D:ACES

ADAMS: ☒ Yes ☐ No Initials: __ath__

☒ Publicly Available ☐ Non-Publicly Available ☐ Sensitive ☒ Non-Sensitive

S:\DRP\DRPDIR\DAISY\Daisy 02-04 Response.wpd

DRP DAISY 02-04

RIV:C:DRP/D	D:DRP (concurrency)	AC	D:ACES	DRA
JAClark;mjs	ATHowell	RWise	GFSanborn	TPGwynn
NLSalgado for	MASatorius for	/RA/	NA	/RA/
3/4/2004	3/4/2004	3/5/2004	3/ /2004	3/10/2004
RA	D:DRP (signature)			
BSMallett	ATHowell			
TPGwynn for	MASatorius for			
3/10/04	3/10/04			

OFFICIAL RECORD COPY

T=Telephone

E=E-mail

F=Fax