



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

April 14, 2004

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

SUBJECT: MEETING SUMMARY FOR END-OF-CYCLE PERFORMANCE ASSESSMENT

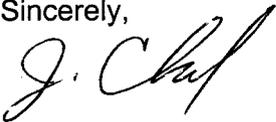
Dear Mr. Overbeck:

This refers to the end-of-cycle performance assessment meeting conducted at the Estrella Mountain Community College, Avondale, Arizona, on April 1, 2004. Topics discussed during the meeting included the Reactor Oversight Process and the safety performance at Palo Verde. The meeting attendance list, a copy of the slides presented during the meeting, and a transcript of the meeting are included as Enclosures 1, 2, and 3.

In accordance with Section 2.390 of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations, a copy of this letter and its enclosure will be available electronically for public inspection in the NRC's 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).

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

Sincerely,


for Troy W. Pruett, Chief
Project Branch D
Division of Reactor Projects

Dockets: 50-528
50-529
50-530
Licenses: NPF-41
NPF-51
NPF-74

Enclosures:

1. Meeting Attendance List
2. NRC Presentation
3. Transcript of Proceedings

cc w/enclosures:

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Chairman
Maricopa County Board of Supervisors
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Southern California Public Power Authority
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Southern California Edison Company
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Salt River Project
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Scottsdale, AZ 85251

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

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Arizona Division of Emergency Management
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Jeff Griffin, Regional Director
Federal Emergency Management Agency
Region IX
1111 Broadway, Suite 1200
Oakland, CA 94607-4052

The Honorable Ron Drake
Mayor of Avondale
525 North Central
Avondale, AZ 85323

The Honorable Dustin Hull
Mayor of Buckeye
100 North Apache Road
Buckeye, AZ 85326

The Honorable Robert Robles
Mayor of El Mirage
P.O. Box 26
El Mirage, AZ 85335

The Honorable Elaine Scruggs
Mayor of Glendale
5850 West Glendale Avenue
Glendale, AZ 85301

The Honorable Jim Cavanaugh
Mayor of Goodyear
119 North Litchfield Road
Goodyear, AZ 85338

The Honorable J. Woodfin Thomas
Mayor of Litchfield
244 West Wigwam Blvd.
Litchfield Park, AZ 85340

The Honorable John Keegan
Mayor of Peoria
8401 West Monroe Street
Peoria, AZ 85345

The Honorable Phil Gordon
Mayor of Phoenix
200 West Washington
Phoenix, AZ 85007

The Honorable Joan Shafer
Mayor of Surprise
12425 West Bell Road
Surprise, AZ 85374

The Honorable Adolfo Gamez
Mayor of Tolleson
9555 West Van Buren Street
Tolleson, AZ 85353

Arizona Public Service Company

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The Honorable Bryan Hackbarth
Mayor of Youngtown
12030 Clubhouse Square
Youngtown, AZ 85363

Electronic distribution by RIV:
 Regional Administrator (**BSM1**)
 DRP Director (**ATH**)
 DRS Director (**DDC**)
 Senior Resident Inspector (**GXW2**)
 Branch Chief, DRP/D (**TWP**)
 Senior Project Engineer, DRP/D (**JAC**)
 Staff Chief, DRP/TSS (**PHH**)
 RITS Coordinator (**KEG**)

ADAMS: Yes No Initials:
 Publicly Available Non-Publicly Available Sensitive Non-Sensitive

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RIV: SPE: DRP/D	C: DRP/D			
JAClark;df	TWPruett <i>for</i>			
<i>PH</i>	<i>PH</i>			
4/14/04	4/14/04			

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E=E-mail

F=Fax

ENCLOSURE 1

END-OF-CYCLE MEETING ATTENDANCE

LICENSEE/FACILITY	Arizona Public Service Company/Palo Verde
DATE/TIME	April 1, 2004; 7 p.m. (CST)
LOCATION	Estrella Mountain Community College, Avondale, Arizona
NAME	ORGANIZATION/Member of public
Silverio Garcia, Jr.	APS
Tim Andert	APS
David Misbeek	APS
Frank Garrett	APS
John Gaffney	APS
Peter Rail	APS
Michael Shea	APS
Fred Riedel	APS
Terry Radtke	APS
John Hesser	APS
Dwayne Carnes	APS
David Mauldin	APS
Gregg Overbeck	APS
Jim Levine	APS
Note: Other participants did not sign in.	

Palo Verde Annual Assessment Meeting

Reactor Oversight Program – 2003 Assessment



Nuclear Regulatory Commission - Region IV

Avondale, Arizona

April 1, 2004

Agenda

- Introduction
- NRC Organization and Goals
- Review of Reactor Oversight Process
- National Summary of Plant Performance
- Discussion of Plant Performance Results
- Licensee Response and Remarks
- NRC Closing Remarks
- NRC available to address public questions

NRC Representatives

- Art Howell, Director, Division of Reactor Projects
- (817) 860-8248
- Mark Satorius, Deputy Director, Division of Reactor Projects
- (817) 860-8291
- Jeffrey Clark, Branch Chief
- (817) 860-8166
- Greg Warnick, Senior Resident Inspector
- (623) 386-3638
- Jim Melfi, Resident Inspector
- (623) 386-3638
- Nancy Salgado, Senior Project Engineer
- (817) 276-6550
- Mel Fields, Project Manager, NRR
- (301) 415-3062

Region IV Organization

Dr. Bruce Mallett
Regional Administrator

Pat Gwynn
Deputy Regional Administrator

Art Howell
Director Division of Reactor Projects

Mark Satorius
Deputy Director

Jeffrey Clark
Branch Chief

Palo Verde
Resident Inspectors
Greg Warnick
Jim Melfi

Project Engineers
Nancy Salgado
David Dumbacher

Dwight Chamberlain
Director Division of Reactor Safety

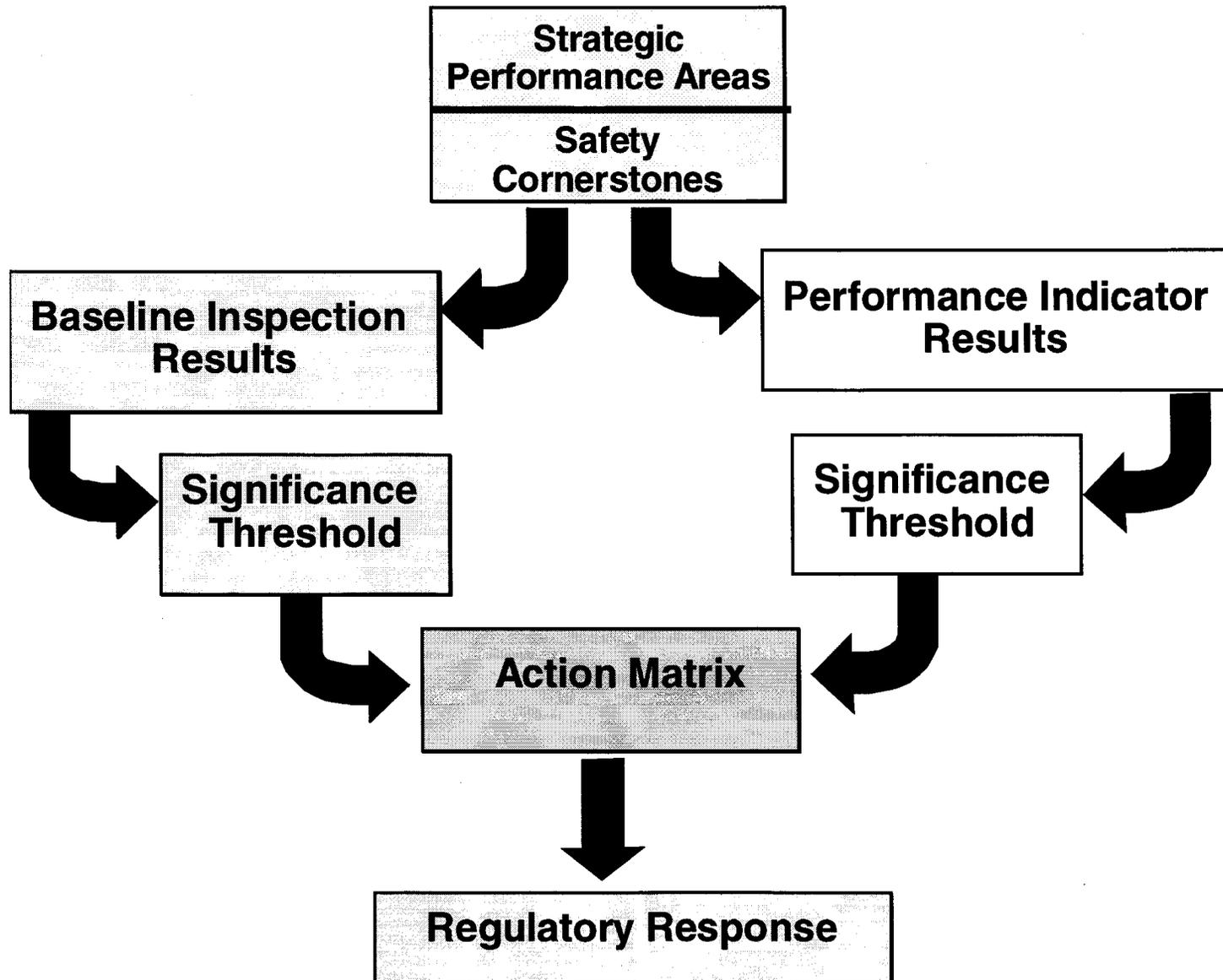
Gail Good
Deputy Director

Regional Specialists

NRC Performance Goals

- **Maintain safety and protect the environment**
- **Enhance public confidence**
- **Improve effectiveness, efficiency, and realism of processes and decision making**
- **Reduce unnecessary regulatory burden**

Reactor Oversight Process



Examples of Baseline Inspections

- Equipment Alignment ~92 hrs/yr
- Triennial Fire Protection ~200 hrs every 3 yrs
- Operator Response ~125 hrs/yr
- Emergency Preparedness ~80 hrs/yr
- Rad Release Controls ~100 hrs every 2 yrs
- Worker Radiation Protection ~100 hrs/yr
- Corrective Action Program ~200 hrs every 2 yrs
- Corrective Action Case Reviews ~60 hrs/yr

Significance Threshold

Performance Indicators

- Green:** Only Baseline Inspection
- White:** May increase NRC oversight
- Yellow:** Requires more NRC oversight
- Red:** Requires more NRC oversight

Inspection Findings

- Green:** Very Low safety issue
- White:** Low to moderate safety issue
- Yellow:** Substantial safety issue
- Red:** High safety issue

Action Matrix Concept



Increasing Safety Significance

Increasing NRC Inspection Efforts

Increasing NRC/Licensee Management Involvement

Increasing Regulatory Actions

Focus of Today's Meeting

- A public forum for discussion of the licensee's performance
- NRC will address the licensee performance issues identified in the annual assessment letter
- Licensee may respond to the information in the letter and inform the NRC of new or existing programs to maintain or improve their performance

National Summary of Plant Performance

Status at End of CY 2003

Licensee Response Column	75
Regulatory Response Column	22
Degraded Cornerstone Column	2
Multiple/Repetitive Degraded Cornerstones	3
Unacceptable	<u>0</u>
<hr/> Total	102*

*Davis-Besse is in IMC 0350 process

National Summary

- **Performance Indicator Results (at end of 2003)**

▶ Green	1825
▶ White	15
▶ Yellow	0
▶ Red	0

- **Total Inspection Findings (2003)**

▶ Green	748
▶ White	9
▶ Yellow	2
▶ Red	1

Palo Verde Assessment Results

(Jan 1 - Dec 31, 2003)

Assessment Based On:

- Licensee Response column
- No greater than green findings/PIs in baseline inspections
- Discussion of supplemental inspections

Palo Verde Inspection Activities

(Jan 1 - Dec 31, 2003)

- The resident and visiting inspectors from other branches combined to perform 5249 hours of inspection on all three units during 2003. This included a special inspection for the July 28, 2003 Unit 3 automatic trip due to grid disturbances. Unit 2 had additional inspection hours due to the Steam Generator replacement refueling outage in the fall.
- Jim Melfi filled the vacant resident inspector position in early 2003.
- For the year the plant had only very low safety significance findings: emergency core cooling sumps.

Palo Verde Additional Inspection Activities

(Jan 1 - Dec 31, 2003)

- Special inspections this year related to the grid disturbance and the Unit 2 steam generator replacement inspections.

Palo Verde

Annual Assessment Summary

(Jan 1 - Dec 31, 2003)

- APS operated Palo Verde Units 1 ,2, & 3 in a manner that preserved public health and safety
- All cornerstone safety objectives were met.
- NRC plans baseline inspections at PVNGS for the 2004 assessment period.
- A biennial Problem Identification & Resolution (PIR) inspection is scheduled for May.
- During the year the NRC also focused on the safety culture at the Palo Verde site.

Licensee Response and Remarks

Gregg Overbeck

**Senior Vice President, Nuclear
Arizona Public Service Company**

Contacting the NRC

- Report an emergency:
 - ▶ (301) 816-5100 (call collect)
- Report a safety concern:
 - ▶ (800) 695-7403
 - ▶ Allegation@nrc.gov
- General information or questions:
 - ▶ www.nrc.gov
 - ▶ Select “What We Do” to access Public Affairs

Reference Sources

- Reactor Oversight Process:

- ▶ <http://www.nrc.gov/NRR/OVERSIGHT/ASSESS/index.html>

- Public Electronic Reading Room:

- ▶ <http://www.nrc.gov/reading-rm.html>

- Public Document Room:

- ▶ 1-800-397-4209 (Toll Free)

ENCLOSURE 3

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NUCLEAR REGULATORY COMMISSION - REGION IV
PUBLIC MEETING

TRANSCRIPT OF PROCEEDINGS

Avondale, Arizona
April 1, 2004
6:30 p.m.

PREPARED BY:
Robin L. B. Osterode, RPR, CSR
AZ Certified Court Reporter No. 50695

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TRANSCRIPT OF PROCEEDINGS, commenced at
6:30 p.m. on April 1, 2004, at Avondale, Arizona,
before Robin L. B. Osterode, RPR, CSR, Arizona
Certified Court Reporter No. 50695.

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APPEARANCES:

For The United States Nuclear
Regulatory Commission:

JEFFREY A. CLARK, Branch Chief,
Division of Reactor Projects/Project Branch
VICTOR DRICKS, Public Affairs Officer
JAMES MELFI, Resident Inspector, Palo Verde
MARK A. SARTORIUS, Deputy Director,
Region IV - Division of Reactor Projects
GREG WARNICK, Resident Inspector, Palo Verde

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For APS:

DWAYNE CARNES, Director, Nuclear
Assurance and Regulatory Affairs,
Palo Verde Nuclear Generating Station
DAVID MAULDIN, Vice President,
Nuclear Engineering and Support
GREGG R. OVERBECK, Senior Vice

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1 Avondale, Arizona
2 April 1, 2004
3 6:30 p.m.

4 MR. WARNICK: Good evening, my name is
5 Greg Warnick, and I'd like to welcome you all to this
6 public meeting. This is a Category 1 public meeting
7 in accordance with the NRC public meeting policy.
8 Under that policy, Category 1 meetings are open to
9 public observation. The members of the public who
10 are in attendance should be aware that this is a
11 meeting between the Nuclear Regulatory Commission and
12 management of the Palo Verde Nuclear Generating
13 Station.

14 Before we adjourn the meeting, we will
15 open the floor to questions from public observers.
16 In addition, we would ask that comments or questions
17 from the audience be limited to five minutes each to

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18 allow for equal participation. We would appreciate
19 it if you would please use our sign-up sheet to help
20 organize the comment and question portion of the
21 meeting.

22 Following the meeting, an official
23 meeting summary will be available through our ADAMS
24 system. We have provided NRC public meeting feedback
25 forms. If you wish, either provide comments to one

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1 of our staff members or complete the forms. The
2 forms can be mailed or they can be given to us today.

3 We appreciate any feedback you wish to provide. This
4 meeting is also being transcribed so that any
5 concerns or questions are accurately captured.

6 At this point I will proceed with
7 introductions. As I stated, my name is Greg Warnick.

8 I'm the Senior Resident Inspector at Palo Verde.
9 With me from the NRC this evening are Mark Sartorius,
10 Deputy Director of the Division of Reactor Projects,
11 for our regional office, Region IV, which is located
12 in Arlington, Texas. Jeff Clark, our Branch Chief,
13 who has responsibility over Palo Verde; Victor

14 Dricks, Public Affairs Officer; and Jim Melfi,
15 Resident Inspector at Palo Verde. I'd also like to
16 note a state official here, Mr. Aubrey Goodwin; he's
17 the regional director of the Arizona Regulatory
18 Commission. I would now ask you, Mr. Overbeck, to
19 take this opportunity and introduce your staff.

20 MR. OVERBECK: Thank you, Mr. Warnick,
21 Mr. Clark, Mr. Melfi, for this opportunity to meet
22 with you concerning feedback on Palo Verde's annual
23 plant performance assessment; I would like to welcome
24 the members of the public and the media that are here
25 tonight, and I can see in the audience several of our

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1 Palo Verde employees. With me today in the audience
2 is my boss Mr. Jim Lebond (phonetic), Executive Vice
3 President, our Chief Nuclear Officer. At the table
4 with me today is David Mauldin, our Vice President of
5 Nuclear Engineering and Support; and Mr. Dwayne
6 Carnes, who is our Director of Nuclear Assurance.

7 The NRC's director oversight process has
8 improved station performance by focusing our
9 attention and resources on those areas important to
10 nuclear safety. The process allows our employees and

11 the public to monitor our performance on a quarterly
12 basis via the NRC Web page. We look forward to your
13 comments on Palo Verde's performance, and thank you
14 for this opportunity.

15 MR. WARNICK: Thank you. We appreciate
16 your staff -- you and your staff for coming to this
17 meeting. Although we have already provided you with
18 a written manual assessment, we would like to take
19 this opportunity to publicly share this assessment
20 with you in a little more detail. Our presentation
21 is in the form of slides. These slides will also be
22 available as an attachment to the meeting summary.

23 Our agenda for the presentation is shown
24 here. Having completed introductions, the balance of
25 the meeting will proceed with the discussion of the

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1 NRC organization and goals, review of the reactor
2 oversight process, the national summary of plant
3 performance, discussion of plant performance results,
4 licensee response and remarks. We will provide our
5 NRC closing remarks, and at that point we will be
6 available to address public questions.

7 This slide shows various NRC personnel in

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8 Region IV and headquarters who are assigned
9 responsibility for Palo Verde. Besides those already
10 introduced, we have Art Howell, he's our director of
11 the division of reactor projects; Nancy Salgado, who
12 is our senior project engineer; and Mel Fields, who
13 is our project manager who is located in Washington.

14 This is a summary of the Region IV
15 organization. As you can see here, our regional
16 administrator, Dr. Bruce Mallet (phonetic), has
17 responsibility for overall operations of our region.
18 There are two organizations, the division of reactor
19 projects and reactor safety, that help implement the
20 baseline inspection program. We inspectors fall
21 under the division of reactor projects and you can
22 see that Jeff Clark is our branch chief. Our
23 regional specialists help out coming to the site to
24 perform specialized inspections.

25 Next slide, Jim. Thank you.

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1 The NRC has four primary performance
2 goals, they are: to maintain safety and protect the
3 environment; to enhance public confidence; to improve
4 efficiency, effectiveness, and realism of processes

5 and decision making; and to reduce unnecessary
6 regulatory burden.

7 A brief overview of our reactor oversight
8 process is shown here. To illustrate this process
9 I'll use the reactor safety strategic performance
10 areas. This includes the initiating events,
11 mitigating systems, and barrier integrity safety
12 cornerstones. These cornerstones are monitored
13 through a combination of baseline inspections and
14 performance indicators. Findings associated with
15 baseline inspections and performance indicators that
16 don't meet established thresholds are reviewed for
17 significance. The significance of the issues will
18 determine, through the action matrix, what level of
19 regulatory response will be implemented.

20 This concludes our introductory comments.

21 Now we would like to get into more of the specifics
22 regarding the focus of today's meeting.

23 Let me get into some examples of baseline
24 inspection. The next few slides will briefly expand
25 on the key elements of this oversight process. These

1 are a few of the inspections performed and the

2 approximate time it takes to complete the
3 inspections. For instance, numerous equipment
4 alignment inspections are performed by the resident
5 inspectors. We do this to verify that the
6 safety-related equipment is properly aligned to
7 perform the safety functions that are required. In
8 addition to these inspections that the resident
9 inspectors perform, regional specialists perform
10 specialized inspections such as the triennial fire
11 protection and radiation release controls
12 inspections.

13 The NRC has developed a color scheme to
14 establish significance thresholds of performance
15 indicators and inspection findings. As the color or
16 significance changes from green to red, there is a
17 corresponding increase in NRC oversight. The action
18 matrix concept helps clarify this increase in
19 oversight. As the safety significance of an issue
20 increases, NRC inspection effort increases,
21 NRC/Licensee management involvement increases and
22 regulatory actions increase.

23 Today's meeting provides a public forum
24 to discuss the licensee's performance. The NRC will
25 address performance issues identified in the annual

1 assessment letter; and finally, the licensee may have
2 an opportunity to respond to the information in the
3 letter that's described on this slide.

4 Here's a national summary of the status
5 of plant performance at the end of cycle year 2003.
6 I'd like to highlight that Palo Verde is in the
7 licensee response column. The annotation there at
8 the bottom that Davis-Besse is in the Inspection
9 Manual Chapter 0350 process, that means that the
10 facility was shut down under order to perform
11 corrective actions for plant restart at the end of
12 2003.

13 These are the numbers per national plant
14 performance at the end of 2003. Under the revised
15 oversight process each licensee submits a fixed
16 number of performance indicators. The number of
17 inspection findings vary and is dependent upon what
18 we inspectors find at the different sites. As I
19 pointed out before, Palo Verde is in the licensee
20 response column, they had no greater than green
21 findings in baseline inspections, and all performance
22 indicators remained green. In addition to baseline
23 inspections, we had a couple supplemental or special

24 inspections as conditions warranted. No greater
25 than green findings were identified during these

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1 special inspections.

2 Here I'd like to point out that 2,000
3 hours is approximately what an individual works in
4 one year; however, due to things like travel and
5 training, not all of those 2,000 hours are spent
6 directly performing inspections. The inspection
7 effort described in this first bullet represents
8 efforts of approximately six inspectors. Another
9 activity that occurred this year is that Jim Melfi,
10 resident inspector, arrived in 2003 to complete our
11 resident staffing; additionally, the plant had only
12 very low safety -- excuse me, for a year the plant
13 had only very low safety significance findings,
14 involving the emergency core cooling sumps during the
15 last outage on unit 2 and identified the grading
16 wasn't completely in accordance with design
17 documentations. And another issue was that material
18 that wasn't fully qualified to be in those sumps was
19 identified. The special inspections performed last
20 year related to the grid disturbance that occurred in

21 July and the unit 2 steam generator replacement
22 inspections.

23 In summary, our annual assessment is that
24 APS operated Palo Verde units 1, 2, and 3 in a manner
25 that preserved public health and safety. All

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1 cornerstone objectives were met. The NRC plans
2 baseline inspections at Palo Verde for the 2004
3 assessment period, which includes a biennial problem
4 identification and resolution inspection, which is
5 scheduled for May of this year. And finally, last
6 year we spent some time focusing on the safety
7 culture of Palo Verde and will continue to do so this
8 year.

9 At this point I'd like to turn some time
10 over to Jeff Clark, our Branch Chief, to further
11 elaborate this point.

12 MR. CLARK: Good evening. During our
13 assessment of the Palo Verde issues in 2003 one thing
14 we focused on was safety consciousness of individuals
15 in their ability to raise safety concerns through
16 their management. In 2003 we received an abnormally
17 high number of allegations from individuals at the

18 Palo Verde Nuclear Station. While we openly take
19 safety concerns from any individual, if it's an
20 employee, we usually inquire about their
21 communication of the issue with normal processes on
22 site.

23 During these discussions, as well as
24 other interviews we conducted with your personnel, we
25 identified a potential negative trend in employee

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1 perception of their freedom to raise such safety
2 issues at Palo Verde. Mr. Overbeck, we also note
3 that your staff also saw a very similar trend in the
4 issues within your systems and processes. We spoke
5 to you last year and we explained our observations
6 and described that this potentially indicated a
7 problem with your program.

8 Through last fall you conducted an
9 internal evaluation of the safety conscious work
10 environment at Palo Verde, you also commissioned an
11 independent assessment, you shared the results of
12 these reviews with us, and we also conducted our own
13 on-site review with specialists from the region in
14 December of last year. To discuss the overall issue,

15 you attended a public meeting with us held in
16 Arlington, Texas on January the 14th of this year.
17 From this we concluded that you do have an
18 environment where employees feel free to raise safety
19 concerns; however, you expressed, and we agreed, that
20 some areas of your program need improvement.

21 These areas include employee awareness
22 and familiarity with the employee concerns and
23 differing professional opinions process, as well as
24 the effectiveness of management issue tracking and
25 resolution processes in resolving non-nuclear

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1 concerns. You outlined at the January 14th meeting
2 corrective actions you were undertaking to sustain
3 and promote a safety conscious work environment at
4 Palo Verde. We have stated that we have no immediate
5 safety concerns in this area, but we will continue to
6 monitor your implementation of the corrective actions
7 you've already discussed. We will also continue to
8 independently conduct interviews and evaluations of
9 this area during upcoming inspection activities. One
10 area of focus will be we will plan to conduct
11 additional interviews and additional inspections in

12 this area in the upcoming problem identification and
13 resolution inspection, which is scheduled for May of
14 this year.

15 Let me further explain, as we have in
16 individual discussions over the year and in our
17 January 14th meeting with you in the region, that
18 while we do not regulate employee management
19 relations, we do see strong ties with how employees
20 perceive the safety culture through your relations
21 with them, and even the non-safety or noncritical
22 concerns.

23 If I could offer an analogy, I'm from
24 Texas and I live in Dallas County, and for the past
25 several years that I've lived in Dallas County,

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1 myself and the citizens of Dallas have complained
2 about the water. The water tastes horrible. I
3 advise people in my house, when they come visit,
4 "Don't drink the water," but we're consistently
5 reminded by the County of Dallas that the water meets
6 all regulatory parameters, and as a matter of fact,
7 it's very well within limits. That is not the issue
8 that we as the citizens -- that I was trying to

9 convey to the County of Dallas; the issue is that the
10 water did not taste good. That is not a safety
11 concern, it wasn't a public health concern, but it
12 was a concern raised by the individuals. What we're
13 saying is that there are some issues that are being
14 raised by your employees, we understand, and we think
15 you understand, that they're not nuclear safety
16 concerns, but they're issues that are important to
17 your people and we see that there could be a tie in
18 the way that they raise safety issues and the way
19 that you communicate on other issues not within the
20 nuclear safety realm.

21 In conclusion, we feel that you are
22 implementing a safety conscious work environment at
23 Palo Verde. We encourage you to foster and improve
24 communications and employee concerns in all areas,
25 including non-nuclear safety. We believe that open

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1 communication of issues between you and your
2 employees will help sustain and promote the best
3 safety environment at the Palo Verde Nuclear Station.

4 With that, I'll turn it back over to
5 Greg.

6 MR. WARNICK: Thanks, Jeff, I'm going to
7 look to the NRC staff now. Does any of the NRC staff
8 have any questions for Palo Verde management?

9 (No audible response.)

10 MR. WARNICK: Okay, Mr. Overbeck, at this
11 point I'd like to give you the opportunity to make
12 any comments to our assessment.

13 MR. OVERBECK: Palo Verde appreciates the
14 many thousands of hours that the NRC spent monitoring
15 our activities. Your agency's observations are not
16 only important to the public, but are important to
17 us. At Palo Verde we strive to be the safest and
18 best nuclear station in the country. We accept
19 critical feedback from wherever we can get it, and
20 appreciate the effort and candor of your inspectors.

21 We share a common goal, above all else we
22 are committed to protect the health and safety of the
23 public. We strive every day to operate Palo Verde in
24 a manner that exceeds regulatory requirements. We
25 are proud of your assessment and the performance of

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1 our employees. Your inspectors and our assessment
2 agree that we can do more to improve our employees'

3 understanding and use of our issues resolution
4 processes. As you know, we recently completed
5 additional training for our supervisors, and this
6 year we are extending that training to our employees.

7 Because of the NRC's oversight, and the hard work of
8 our 2,000 employees, Palo Verde operates safely
9 generating power for our seven owners and their
10 4 million customers. That power is good for Arizona
11 and it's good for the nation, and I thank you for
12 your comments.

13 MR. WARNICK: Thank you, Mr. Overbeck.
14 The next thing in our meeting is to ask members of
15 the public to present if you have any comments or
16 questions that you have for any of the participants
17 here. I'd like to reiterate, again, to limit your
18 comments and questions so that everybody can equally
19 participate who would like to. I think we had a
20 sign-up list that was out front there. We have three
21 individuals; since there's only three, I don't think
22 we need to force anybody to go in order; any of those
23 three, if they'd like to come up, we have a speaker
24 up here in front, you can address comments or
25 questions to either of the participants.

1 If you would like to, please state your
2 name so we all know who is speaking to us.

3 SPEAKER #1: Good evening, my name is
4 David Misbeek. I'd like to read from this statement
5 that I wrote.

6 The safety conscious work environment is
7 contingent on management trust. To have any trust
8 there must be a sense of fairness and respect. These
9 are not mutually exclusive terms. We have been told
10 time and time again how our company values its
11 employees. Pinnacle West just had its fourth best
12 year ever financially and Palo Verde is the envy of
13 the nuclear industry, yet the front line's annual
14 salary increase doesn't even match inflation;
15 meanwhile, management effectively doubled their
16 salaries. To say this is unfair is an
17 understatement. How can employees trust management
18 with these egregious acts of selfishness? To counter
19 that this compensation philosophy, both for
20 management and the front line, simply mirrors what
21 the industry is doing doesn't make it right. If this
22 kind of selfish behavior on the part of upper
23 management has occurred with salaries, is there any
24 doubt that this behavior hasn't also bled over into

25 areas directly affecting nuclear safety?

18

1 For many years now Palo Verde has enjoyed
2 the recognition of being a leader in nuclear safety,
3 the number of allegations has been low. We have had
4 five straight IMPO-1s. Our nuclear safety indicators
5 have been and continue to be excellent, so therefore,
6 nuclear oversight has relaxed. The NRC trusts what
7 Palo Verde is doing, whatever Palo Verde has told the
8 regulator, the regulator has had little reason to
9 doubt or question because our track record has been
10 so good. The regulatory margin was so large that
11 there was even a time when Palo Verde requested that
12 we only have one NRC resident inspector on site. But
13 I believe Palo Verde management has taken advantage
14 of this trust by not being totally open and honest
15 with the NRC, and in turn, the NRC doesn't appear to
16 be up to the task of providing the necessary checks
17 and balances.

18 To illustrate, I submitted an allegation
19 to the NRC stating that the safety law channel set
20 points as described in the associated calculation
21 were not conservative to support safe operations

22 under all conditions. As proof, I submitted a
23 procedure that contained different set points that
24 were much more conservative than those contained in
25 the calculation along with the allegation. Palo

19

1 Verde addressed the allegation by saying that the set
2 points in that calculation were acceptable, and that
3 set point differences between procedures and
4 calculations were also acceptable as long as they
5 were conservative. Palo Verde knew that its answer
6 to the NRC wasn't totally honest, as a pending
7 revision to the calculation already acknowledged the
8 fact that two of the critical set points were
9 technical specification allowable values, and
10 therefore, they had to be set to values consistent
11 with those already in the procedure, and not to the
12 values listed in the approved revision of the
13 calculation, which is just what the allegation
14 stated.

15 When I received the NRC's resolution of
16 concerns to this allegation, I could see that the NRC
17 just copied Palo Verde's conclusion, the NRC
18 concluded, just as Palo Verde had, that everything

19 was acceptable. I assumed, when I included the
20 procedure with the allegation, that the NRC would
21 naturally adopt a questioning attitude: Why are the
22 set points significantly lower in the procedure? It
23 says here in the procedure that these more
24 conservative set points are used if there is a
25 significantly lower-than-predicted flux due to core

20

1 reload. What does the FSAR say? Shouldn't this more
2 conservative set point be listed in the FSAR, as it
3 appears more bounding than this higher, less
4 conservative set point?

5 To date I do not know if Palo Verde ever
6 revised its response to the NRC. As I haven't heard
7 anything back from the NRC on this topic, I don't
8 even know if the NRC cares to follow up. So now I've
9 asked the NRC's office of the inspector general to
10 investigate this and other examples of what I
11 consider substandard performance.

12 And these deceitful practices are not
13 just recent occurrences for Palo Verde, to be sure, a
14 five-fold increase in allegations in 2003 is not just
15 a statistical aberration, but something that is

16 indicative of frustration over a long-term festering
17 culture of management contradiction and disrespect
18 for its employees, all of its employees, not just one
19 or two work groups. To restore trust, leaders,
20 starting at the top down, are going to have to
21 restore a sense of fairness. This can only happen
22 through action and not words. The leadership has the
23 power to foster respect, fairness, and trust. The
24 question is, do they have the will? Thank you.

25 MR. CLARK: Thank you, Mr. Misbeek, I

21

1 would like to address a couple comments back with
2 you. We appreciate your comments. We appreciate
3 your concerns. One specific item is the allegation
4 that you raised, we can't specifically discuss that
5 this evening with you, because it is currently in our
6 process to work -- it's not our process to discuss
7 those with you in this forum. We could possibly
8 speak with you offline to discuss some of that, if
9 you like.

10 Another aspect I'd like to touch on, we,
11 as described in our presentation, do have three
12 resident inspectors at the facility; as you can see,

13 we spent several thousand inspector hours last year.
14 As to your comment regarding, I would say,
15 plagiarizing the licensee's response to an
16 allegation, not specific to this one, you
17 occasionally see that the NRC does use responses
18 provided from the licensees or wording used from the
19 licensees as a confirmatory action to respond back to
20 the licensee or to respond to the concerned
21 individual, that we saw, we understood, and this is
22 what we addressed from the licensee. It's not that
23 we're agreeing necessarily with that specific
24 statement, but we're saying that we understand what
25 your statement is, we make an independent action, as

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1 we do on all investigations, or actions of this
2 nature. We'll make an independent assessment on our
3 own of the safety significance or the actual
4 compliance of the issue, and that's what we will
5 respond to you. And as I said, in specific cases or
6 whatever, we can talk offline and discuss those with
7 you. Thank you again for your comments.

8 MR. WARNICK: We have two more
9 individuals here. The next one on our list here.

10 SPEAKER #2: Thanks for having me here.
11 My name is Tim Andert, I am INC tech on the FEN
12 (phonetic) team at Palo Verde. In February I wrote
13 CRDR number 2684654, which addressed a red rubber
14 hose eye wash station or safety shower station that
15 was in the yard to replace what I thought was one
16 safety shower that was out. I wrote that and got a
17 response back that was totally inappropriate. The
18 response back said that we did not have to follow the
19 ANSI standard in there, because OSHA did not adopt
20 the ANSI standard.

21 Unfortunately, any letters that I have
22 found that came from OSHA said they would hold
23 companies accountable to the latest standard and they
24 considered the latest industry standard to be the
25 current ANSI standard. It appears out there that in

23

1 1981, or whenever we actually wrote our safety
2 manual, we referenced ANSI 1981 standard, we wrote
3 our safety manual on there and apparently we have not
4 read that because it has become obsolete. ANSI 1990
5 came out, and 1998, and the current rev is now 2004.
6 Our safety department out there has never gotten a

7 copy of 1990, 1998, or 2004; they barely have a copy
8 of 1981. It seems like it's hard to find.

9 And the problem out there that I have,
10 Mr. Overbeck got a letter, I'm not sure who else got
11 a letter that I sent, it has eleven points about the
12 shower systems, they are so horrendous that, you
13 know, I can't see -- really what's horrible about
14 this whole bit, the main thing that I've been arguing
15 about and talking to a lot of people, we need to
16 notify employees we have this problem. Again, I was
17 out at the serve water towers, guys had no idea we
18 don't have safety showers. These ones do not have
19 any water whatsoever. These are bulk sulfuric acid
20 tanks; that I know of between the serve water and
21 inside the fence, there's at least 12 of them. Out
22 of these six stations, there's only two of them that
23 have working showers. And of those two working
24 showers, since we have never done an annual
25 inspection, which is according to ANSI 1998, we do

24

1 not do a weekly flush since 1986, OSHA stated that we
2 follow the Department of Energy guidelines they
3 recommended, but basically, the OSHA recommendation

4 you're going to follow, it required a three-minute
5 flush per station every week and an annual be
6 performed.

7 Nobody knows the last time we've ever
8 done an annual on an eye wash station. Those eye
9 wash stations are in areas like class battery rooms.
10 We send electricians to perform maintenance, and the
11 electricians I talk to do not know that problem
12 existed; chemists I've talked to do not realize his
13 safety shower had not been tested per ANSI, the 1998
14 standard. And we meet counts 3, 4 shut-down of the
15 plant.

16 I have been basically arguing with people
17 for two weeks over this, they keep coming back asking
18 me -- telling me they'll keep me informed, there's
19 people doing something out there, because there's a
20 lot of people informing me, but have still not
21 informed the employees. We definitely haven't
22 informed Bectel. We haven't informed our own people,
23 and I already sent a copy to Mr. Freeman, he should
24 have a copy of the letter that I sent to
25 Mr. Overbeck, and I filed an allegation against it,

1 because I think we are not protecting people in areas
2 that need to have maintenance done, and right now.

3 The other big problem is in looking at
4 OSHA is that we meet all the requirements to declare
5 this an imminent danger and here it is right here, I
6 can't see any reason why we don't meet this
7 requirement and, by law, according to OSHA, I'm
8 required to do it.

9 MR. CLARK: Let me answer the questions
10 you've raised so far. Again, I appreciate you
11 bringing the concerns to us. Typically, again, for
12 reasons for protection of identity, or whatever, we
13 do not normally discuss allegations.

14 SPEAKER #2: Let me tell you one thing
15 before I go, I have no problem with it. The problem
16 is after this article came out I had enough people
17 asking if I was one of the five unnamed people, the
18 suspicion follows. If I don't file the allegation,
19 somebody feels you did anyway. People tell me what
20 they think, it's the others I don't -- it pains me to
21 come up here and say this, because I've had other
22 problems out here before that have never been truly
23 addressed from the supervisors -- I shouldn't say
24 supervisor, one level above supervisors. Department
25 heads, in front of HR, MF'd me, and HR out there

1 never ever pursued it. It was up to me to pursue it,
2 and at that point if HR won't pursue it, I'm not
3 going to. It's just that bad. It's pretty bad. But
4 I'm really surprised I did this. I almost regret I
5 brought up these showers, it's been consuming, it's
6 even been a problem with me and my wife at home.

7 MR. CLARK: We did receive those, we have
8 already taken action on those, we have turned those
9 concerns over to OSHA, and we have contacted the
10 licensee and informed them that we have turned the
11 issue over to OSHA. That is not typically something
12 that's under NRC purview, but we do have an agreement
13 with OSHA to notify them of certain conditions, as
14 you have alluded to in your document.

15 SPEAKER #2: I understand that.

16 MR. CLARK: So we've already taken steps.
17 We'd like to further discuss this with you if you
18 would like to, but I assure you that we have taken
19 some steps.

20 SPEAKER #2: The problem that comes in is
21 the other one about not being able to bring up
22 concerns and having to address -- this is all part

23 of -- I've never seen a group that's argued and
24 fought and tried to -- you've got people who are
25 going out in these areas in imminent danger, any of

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1 this stuff can kill them, blind them for life, and
2 they still have not informed the employees. An
3 employee does not distinguish a difference between
4 personal safety and nuclear safety. If they can't
5 get their company to sit down and at least put out
6 something saying maybe we don't know if whatever ANSI
7 standard we need to follow is out there, but we have
8 a problem where safety showers do not even flow
9 water, serve water inside the places where you've got
10 high concentrations of sulfuric acid. The ones
11 myself and a carpenter have been going out on, 75
12 percent of the eye pieces for these things are
13 unacceptable, they're dangerous, they could blind
14 you, and most of the employees out there don't know
15 this. They will go over, if they get something in
16 their eyes when they're not doing a regular job,
17 they'll go to that safety shower and could get
18 blinded, that's a minimum.

19 And that basically comes down to right

20 here, that right now, we're in imminent danger and
21 there's four or five things here, we meet each of
22 those criteria for imminent danger. When I've got a
23 safety guy saying they've never looked at 1990, 1998,
24 2004, what makes you think -- why would any employee
25 think they're doing anything different for nuclear

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1 safety? It's trust they have to build with the
2 public and the employees, it's not working. I'm up
3 here figuring I'm committing suicide, I have once
4 before when the FEN team got shut down, I was told by
5 Mr. Mules (phonetic), it was through Gregg Overbeck,
6 it was a done deal, nothing else was going to happen,
7 nothing you could do. So I went above Mr. Overbeck's
8 head.

9 Mr. Overbeck had me in there, nice
10 meeting, no problem, but sure as hell a year later I
11 had it showed up in my PEP that I didn't use the
12 train. My department head told me it was already
13 past him, PEP changed it for pay raises, they said
14 okay, we'll take it out. I said I want my pay
15 reevaluated, they said it had no effect on it
16 whatsoever, this is ridiculous. And we're up here,

17 if you want our trust, you know, this bit right now,
18 and the thing is you've got safety stations, these
19 chemists can't -- any strong acid base they're
20 required to have a shower and have an eye wash there
21 that's plumbed and working. You've still got
22 electricians going out and doing work on class
23 batteries, those are required for safe shutdown.

24 MR. CLARK: I understand, and we're
25 looking for OSHA --

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1 SPEAKER #2: I'd like to get a commitment
2 to tell your employees tomorrow there's a problem
3 with the showers. They cannot expect to walk up
4 there and have 120 pounds of water blasting out of
5 these things, it's unreal. I can't believe you guys
6 are that callous, and it's bad, you guys are some
7 real good people, you want to go home too, but your
8 workers are going out in these conditions. You don't
9 have one station that's been certified, period. You
10 do not have any --

11 MR. OVERBECK: Mr. Andert, let me assure
12 you that we do appreciate your concerns. We do have
13 people that are looking into your concerns. We have

14 people working on eye wash stations, and I know there
15 have been communications at every one of the meetings
16 I have been at about the issue and what we're trying
17 to do about it. Thank you for your concerns.

18 SPEAKER #2: Let me hand you this and
19 read exactly what it is. According to OSHA when I
20 read it, as an employee, I am legally obliged, after
21 reading that, to file an imminent danger complaint,
22 because I haven't seen it happen. When workers are
23 standing next to me and do not know there's a problem
24 with the eye wash stations, after two and a half
25 weeks after the CRDR came back, there's a problem out

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1 there. I'm not saying you guys are bad people,
2 necessarily, but it sure shows -- I mean, you are in
3 charge of the plant. I'm asking you right now to go
4 back in there and say there is a problem with our
5 showers, there is no doubt about it. When you have
6 so many nonfunctional things around sulfuric acid,
7 large amounts of it, that's callous. There's no call
8 for it. Your employees are relying on you to give
9 them the info. The people in the middle and bottom
10 are running around like crazy to correct problems we

11 don't know how to correct. We're doing more harm
12 than good. People are thinking you just went out and
13 fixed that station. I don't have the standard in
14 front of me on site anywhere to tell me what the flow
15 pattern is supposed to be. I have not flushed the
16 system. And that came out in 1986 for a three-minute
17 flush to get rid of one of the amoebas that can blind
18 you and give you Legionnaire's disease.

19 The little cans out there, they are
20 substituting those for a plumb safety system, and
21 that's totally unacceptable. If you get covered with
22 acid in the middle of a yard, you want that 30- to
23 40-gallon per minute shower, you don't want something
24 that puts out 5 or 6 gallons for three minutes and
25 then that's it, you're toast. We don't even follow

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1 our own procedure when we send people out to work on
2 sulfuric acid, most of us didn't even know there was
3 a sulfuric acid part in our safety manual, it isn't
4 readily available. If you get into it, people don't
5 even know you have to go into SWIMS to get into DMI
6 Main. If you don't check the block that says
7 "current rev," you can't get a copy, unless somebody

040401nu.txt

8 has an old copy.

9 A 20-year-old copy is probably the most
10 current, it's atrocious. You can't fix it tomorrow,
11 I guarantee you there's no way, but the employees
12 need to know this, period. That's the least you owe
13 them. There's no way around it, that's the least you
14 owe them. If it comes from the top, it's much better
15 than having a bunch of people running around knowing
16 what the properties are, holding meetings, and trying
17 to do their best, but they still need to tell the
18 site it's unsafe in those areas, period. And just
19 because is a safety shower and flows water doesn't
20 mean it's going to be good. When I've washed them
21 out, there's 120 pounds of pressure coming out, a guy
22 who is scrambling because he's got crap in his eyes
23 like that, if the acid don't blind him, the water
24 will. That's all I got.

25 MR. OVERBECK: Thank you for your

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1 comments.

2 SPEAKER #2: It's been a nightmare, this
3 whole thing.

4 MR. CLARK: Understand we appreciate your

5 comments.

6 SPEAKER #2: I appreciate being here.

7 MR. CLARK: We'll look into it.

8 Next person, please.

9 SPEAKER #3: Good evening. My name is
10 Silverio Garcia, I've been an employee for 18 years
11 at Palo Verde. Just one quick note, I read that CRDR
12 that this gentleman talked about, if you go read the
13 CRDR there's no problem. I got a phone message from
14 Mr. Beling (phonetic) saying the action plan is in
15 motion; how can the action plan be in motion when the
16 CRDR says there's no problem. I've got a problem
17 with the CRDR process and management and CRDR, that's
18 my problem with that CRDR there. I wasn't going to
19 talk about it, but that's just one of about a billion
20 things I've got with the power plant. What I would
21 like to do is read some comments to you, I wrote them
22 down as quick as I can. I don't really have any
23 questions for you, I just got something for you to
24 contemplate about based on life at Palo Verde.

25 On January 14 you had a meeting with Palo

1 Verde management and what was written in the minutes

2 is that there's a trust problem between management
3 and the employees at Palo Verde. My question to you,
4 and I don't want a response, how can you have a
5 safety conscious work environment and have a trust
6 issue between labor and management? If you look at
7 the definition in your process oversight -- reactor
8 oversight process, you can't have one. You can't
9 have an issue of trust and then say we have safety
10 conscious work environment, because I don't trust
11 management. That contradicts itself. That's one.

12 The next one is Millstone 1996, where I
13 learned about the safety conscious work environment.
14 I got on the Internet after living out there and said
15 I've got to be living in an environment that's sick.
16 I got on the Internet before January of 2003, and I
17 said there's got to be something out here. I typed
18 in "safety conscious work environment," and sure
19 enough, Millstone 1996. Actually, you guys held
20 public meetings in 1996, and yet I, as a federal
21 oversighted nuclear worker, was never given the
22 training or fallout of Millstone '96. As a matter of
23 fact, my local management hadn't even heard of
24 "safety conscious work environment" until two or
25 three weeks ago, until I forwarded him those Internet

1 sites. So I've got a big problem with people in
2 management, all they worry about is the almighty
3 dollar.

4 The next one is there's a practice at
5 Palo Verde that if you become a manager, you become a
6 department leader, you become in charge of a
7 department, not necessarily the hands-on guy, but a
8 little bit above that, then they say you need to go
9 get training somewhere else, even though you don't
10 know the procedures or policies in that area, you go
11 over there and get some experience. Well, I read
12 Davis-Besse; in my opinion, if you close your eyes
13 and read about Davis-Besse and put Palo Verde, we're
14 there, or just about opening the door, except we
15 haven't been documented Davis-Besse. One of the
16 problems there is we had management oscillating and
17 nobody really knew what was below them. We've had
18 that at Palo Verde, that's what happens.

19 Getting back to the safety conscious work
20 environment, you had people in charge of departments,
21 they know they're going to be there for one or two
22 years, why fix the personnel problems when they're
23 out the door? That's the problem at Palo Verde, all
24 we do is swap people. That's all we do. Management,

25 we don't fix the problem, we just shift it. So

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1 nothing ever gets fixed. And in the INC world, I can
2 tell you that's the way it's been.

3 Another comment I'd like to make is
4 Mr. Overbeck said there's quite a few Palo Verde
5 employees in the audience. You know, I get a lot of
6 meaningless e-mails about golf tournaments, things
7 going on that Arizona APS wants us there. I would
8 like to know why this meeting wasn't disseminated to
9 employees at Palo Verde. I look in the crowd and I
10 look at the hands-on people at Palo Verde, there's
11 hardly nobody here. I would like to know why this
12 meeting, and I'll sent you an e-mail, Mr. Clark, I
13 would like to know why this meeting wasn't publicized
14 at Palo Verde for the employees to come and listen.
15 That's another example that I'm going to give you.
16 Yeah, we're right there with the regulators and the
17 feds and we're doing fine, but if you really look
18 inside, like the example you gave about the dirty
19 water, bad water, great analogy, that's where we are.

20 The next one is the allegations, I think

21 we hit 28 allegations in 2003. We led the nation for
22 most of the year. We tied at the end of the year,
23 not something you want to applaud yourself for. My
24 question is, when was Palo Verde going to tell the
25 public, and I don't want you to answer, just at what

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1 point does a licensee have a responsibility to the
2 public to tell them we have a trust issue at this
3 nuclear facility between labor and management?
4 Because when you don't have trust, pick an area, it's
5 worthless, because trust is not something that you
6 are going to pick and choose. It's not your
7 neighbor, if you don't trust your neighbor, you're
8 not going to trust him in anything A to Z, or out at
9 Palo Verde, from Alpha to Zulu. Do you think I trust
10 management in anything? No, because it's
11 well-documented that there's no trust out there.

12 So with these allegations, I'm curious, I
13 had somebody locally, when they saw the News Times
14 article, call me and say "Silverio, I didn't know
15 this was going on. Thank you for at least doing
16 something. I live 8 miles from the power plant and I
17 don't know beans, because I never get told anything."

18 So to you, the NRC, what does it take or what is the
19 law or what are you going to do to put responsibility
20 on the licensee to tell the public something may be
21 wrong here? And once again, back to the dirty water,
22 we're not violating federal code or law, but there's
23 something wrong here. Where does it cross the line
24 of public trust?

25 The next one is I want to just thank you.

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1 I want to thank you, Mr. Melfi; I want to thank Nancy
2 Salgado; I want to thank you, Mr. Warnick. Locally,
3 I don't have a problem with the NRC, they have more
4 than captured the employees' comments, especially
5 mine. This is a great avenue. And I'm going to
6 cover something about HR, since we don't have an HR
7 department out there, you're my HR department. I
8 want to thank you, Mr. Melfi, Ms. Salgado, and
9 Mr. Warnick.

10 Getting back with what Dave Misbeek said
11 and other things, I do question the quality and
12 sincerity of what came out at Arlington's regional
13 office, out of the review board. I don't know what

14 the hell is going on, maybe we'll get to the bottom
15 of that someday. Also, I want to tell you
16 everything -- I've been in the nuclear world since I
17 was 18 years old, I joined the Navy, and that's all
18 I've known since I graduated high school. And
19 everywhere I've always gone they say you have the
20 option to go to the NRC if you want. I've always
21 heard it, you can go to some federal agency, here's a
22 problem we have. I've been in this thing for 18
23 years out at Palo Verde; I've never received any
24 training that tells me when you open that door to the
25 feds, this is what life's like. I had to spend hours

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1 and hours, many nights, learning your work chart and
2 learning what do you do when I open that door
3 voluntarily as an oversights federal nuclear worker.

4 And I went to you, I've never received any training
5 as to what my options are. What if I disagreed with
6 the review board? What if I don't like the answer?
7 I never heard of the office of enforcement before. I
8 never knew what the Christmas tree is with the
9 five-member commission. I never received any
10 training. I went to you guys, and I felt like I was

11 free falling. I didn't -- I've dealt with feds
12 before, I'm a civil rights activist in education, and
13 I never get your federal world.

14 The employees at Palo Verde have never
15 received any training as to what happens when you
16 voluntarily open that door. I go into that power
17 plant every day, I see three photos, I see yours,
18 Mr. Warnick and Mr. Melfi, and Nancy Salgado's, and
19 there's small writing there about who you are. We
20 need some training, either from you or from the
21 licensee, as to this is what the NRC is and this is
22 your road path if you like or don't like what you
23 get. And that's what we really need. I had to do a
24 lot of studying, I'm still learning, that is a great
25 thing, because I didn't know this.

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1 And the other thing, I want to talk about
2 HR, I said it earlier, I spoke to a federal NRC
3 member recently, and he said "Silverio, this is what
4 nuclear safety is, you have to have three things, you
5 have to have good equipment, you gotta have good
6 procedures and training, and you've got to have good
7 people, to some degree, in order to have nuclear

8 safety and act properly in the nuclear world." I
9 thought about that for about a second, and I said
10 wow, the "people" slice out there is missing, it's
11 been missing. We don't have an HR department.

12 I would ask you, in your free time, or
13 whoever the inspectors are, why don't you go to the
14 security headquarters and do a query on the HR
15 representatives in the last ten years, and I'd like
16 to see how many of them went into the fence. They
17 sit out there in the buildings in Alpha and Bravo in
18 the air conditioning, and we're living in hell inside
19 the fence. We've got issues from A to Z. We don't
20 take care of the people and don't care about the
21 people. I personally have gone to corporate. I have
22 personally sat down with Bill Post and looked at him
23 in the eyes and told him "We've got problems." It
24 hasn't worked and anybody in the middle it ain't
25 worked. We've got people problems, so you can't have

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1 good nuclear safety, because they don't care about
2 the people. They care about the money. It's been
3 about money. And it's sad, it's really sad.

4 Oh, but we're number 1. But then your

5 analogy about the water comes right on in there.
6 Something needs to be done. A third party needs to
7 come in, a viable, credible one with integrity. We
8 get these things all the time. I just got one in a
9 safety meeting that says the APS business plan. If
10 you look at the back of it, it says we value the
11 employees and it's got all these great words we are
12 focused on, and all these excellent words. But this
13 isn't worth crap, because in the fence people are so
14 pissed off. I even had an employee come to me one
15 day, he was so upset he couldn't even shut the door
16 behind him. He kept hitting his heel, his hand. He
17 couldn't shut the door, so we could talk in private.

18 APS don't give you this, they're going to
19 tell you the water is good. I say the water stinks.
20 Okay, 18 years, I've been in management, I've lived
21 that side, learned a lot. I stepped down because I
22 wanted to go do something useful. I like what I do.
23 There's a lot of people who come to me and I got sick
24 and tired of it. I had a longer line at my cube than
25 HR has had all year, because I'm in the fence. I'm

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1 where the tools are. I'm where the money maker is.

2 And I'm asking you, the NRC, you've got to step in
3 and don't just take the administrative answers. I
4 welcome you in May, because I think you're going to
5 hear where we are.

6 Russell Weiss and Mr. Freeman stepped in
7 and they came in for that investigation, do you think
8 it was put out properly? So I've got another problem
9 with management out there, they can't announce the
10 meetings properly, especially the investigation in
11 the INC department. We have trust issues, people
12 issues. And I'm going to finish with one last thing.

13 Last week I got a phone call, I want to say 1998 I
14 and all the other INC people were corraled on the
15 third floor, Mr. Overbeck ran the meeting, "There's
16 been an allegation filed against INC," and I don't
17 recall correctly, but the topic of the meeting was
18 sexual harassment, a female had filed sexual
19 harassment against my department, the department I
20 resigned earlier from. I used to tell my guys "I'm
21 not going to court. If we don't know how to treat
22 women, we're not worth a damn." Guess what happened,
23 the EEOC sided with this female, she went to court,
24 she won. They settled the money with APS, settled
25 her attorney fees.

1 Our environment out there is so bad,
2 don't even know how to treat women. You've got
3 arrogance, you've got hate, and discontent and low
4 morale. I'm talking about the INC tools. I have a
5 transcript -- I have a tape, as soon as the EEOC
6 thing broke, Mr. Overbeck, in all his arrogance,
7 corrals us into the INC and starts giving us the "you
8 guys" type of speech, it's on tape, and what he said
9 on there really irated the INC guys. There's one
10 statement that keeps ringing in the back of my mind;
11 he said "I know we've got problems sitewide, but
12 we're going to use you guys as guinea pigs." My
13 question is what do we do to save the site, because
14 it's cost the site. INC is standing up, and I'll
15 tell you why, because we're ex-reactor operators, and
16 we're used to crossing the t's and dotting the i's,
17 because we're running these systems. We've been the
18 closest to the license and the FSAR, because that's
19 our world, because that's what we base it on. If
20 that's no good, we better stop doing what we're
21 doing.

22 If the public don't trust us, we better
23 shut it down. That's the kind of guys we are. If

24 you tell me to read something or obey it, that's the
25 world you mess with when you are talking about INC.

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1 You're not talking about other reputable jobs, we're
2 talking about ex-reactor operators that crossed the
3 t's and dotted the i's for many years. People who
4 will take a lot of crap and we're still hanging in
5 there with the FSAR and tech specs. I will close
6 this and I will say there's many changes that need to
7 occur, but if all we're going to do is paper changes,
8 it's not going to work, because you're my HR.
9 Because what needs to happen out there, like I told
10 you about the neighbor and trust, the neighbor has
11 got to go. That's how you fix trust. You just don't
12 say we're going to train the employees in management.
13 We got the necessary training in '94, '95, we got all
14 the training we needed. What you got is a mentality
15 that's in the concrete and the concrete needs to be
16 chipped up. That's the problem. We've all had the
17 training, we don't need any more training. We don't
18 even know how to treat women, we just settled a
19 lawsuit, so it doesn't go public. Here's IMPO-1,

20 what IMPO-1 says is the performance of the labor is
21 good. The question here is not whether we can
22 perform. We can perform, and I think five IMPO-1s
23 show it. And I think the fact that what you're
24 looking at is a climate where never has IMPO come in
25 here and used as a judgment indicator management

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1 climate for the employee, nobody has done that.
2 That's on the Web site. I see where you, the NRC,
3 is.

4 Finally, on your Web site, you're dealing
5 with the safety conscious work environment, but
6 nobody has ever gone to Palo Verde and said let's
7 measure the climate with the employees, and I applaud
8 the fact we're going to do this. I'm going to end
9 this and say the allegations will never stop, I think
10 we had three more this week. The allegations will
11 never stop at Palo Verde. People are fed up. Some
12 of us have been there a little under 20 years; we
13 don't need to be treated this way.

14 I thank you for having this meeting and
15 maybe next year we can publicize this meeting so more
16 employees can come. Thank you very much. Have a

17 good night.

18 MR. CLARK: Thank you, Mr. Garcia. Thank
19 you for your comments, we're going to look through --
20 again, the reason we are here tonight, we'll look
21 through and pick out the individual issues that you
22 gave us. Specifically, we're going to take a look
23 and see what we can find throughout your concerns
24 that we have not possibly already addressed in our
25 processes. I understand you stated you did not want

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1 a response necessarily from us tonight, but one thing
2 I'm going to do is invite you to speak with me
3 tonight or offline or sometime this week. I am
4 available, my number was up there; if you would like
5 to stop by after the meeting and discuss some things,
6 I welcome that.

7 Are there any other people from the
8 public that would like to make comments or ask a
9 question this evening?

10 Okay, Greg, I'll turn it back over to
11 you.

12 MR. WARNICK: I appreciate the
13 participation tonight. I thank everybody for their

14 attendance. We hope this meeting has been
15 informative and helpful. This concludes our meeting
16 tonight. Thank you very much.

17 MR. CLARK: We're off record.

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19 (Hearing concluded at 8:16 p.m.)

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CERTIFICATE

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I, ROBIN L. B. OSTERODE, Certified Court
Reporter for the State of Arizona, certify:

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That the foregoing proceeding was taken
by me; that the questions and the answers were taken
down by me in shorthand and thereafter reduced to
print by computer-aided transcription under my
direction; that the foregoing pages are a full, true,

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11 and accurate transcript of all proceedings to the
12 best of my skill and ability.

13 I FURTHER CERTIFY that I am in no way
14 related to nor employed by any of the parties hereto,
15 nor am I in any way interested in the outcome hereof.

16 DATED this 12th day of April, 2004.

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ROBIN L. B. OSTERODE
Certified Court Reporter No. 50695
For the State of Arizona

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