



Palo Verde Nuclear
Generating Station

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102-05104-CDM/DJS
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U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Reference: March 5, 2004 letter from Roy P. Zimmerman, U.S. Nuclear Regulatory Commission, to Stephen D. Floyd, Nuclear Energy Institute.

Subject: Request for Use of Encryption Software for Processing Safeguards Information – NEI Project Number 689

Dear Sirs:

**Subject: Palo Verde Nuclear Generating Station (PVNGS)
Units 1, 2 and 3
Dockets: STN 50-528, 50-529 and 50-530
Use of Encryption Software for Electronic Transmission of
Safeguards Information**

Pursuant to the requirements of 10 CFR 73.21(g)(3), Arizona Public Service Company (APS) requests approval to process and transmit Safeguards Information (SGI) using PGP Software (Enterprise, Corporate, or Personal) Desktop Version 8.0 or the latest validated version, developed with PGP SDK 3.0.3. National Institute of Standards and Technology Certificate 394 validates compliance of this SDK with FIPS 140-2 requirements.

An information protection system for SGI that meets the requirements of 10 CFR 73.21(b) through (i) has been established and is being maintained. Prior to the first use of encryption software for SGI material, written procedures shall be in place to describe, as a minimum: access controls; where and when encrypted communications can be made; how encryption keys, codes and passwords will be protected from compromise; actions to be taken if the encryption keys, codes or passwords are, or are suspected to have been, compromised (for example, notification of all authorized users); and how the identity and access authorization of the recipient will be verified.

A member of the **STARS** (Strategic Teaming and Resource Sharing) Alliance

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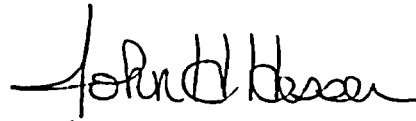
APS intends to exchange SGI with the NRC, Nuclear Energy Institute (NEI), and other SGI holders who have received NRC approval to use PGP software. A. D. Huttie, Emergency Services Program Department Leader is responsible for the overall implementation of the SGI encryption program at PVNGS. R. J. Minchella, ESD Program Senior Advisor is responsible for collecting, safeguarding, and disseminating the software tools needed for encryption and disseminating the software tools needed for encryption and decryption of SGI.

Pursuant to 10 CFR 73.21(g)(3), the transmission of encrypted material to other authorized SGI holders, who have received NRC approval to use PGP software, would be considered a protected telecommunications system. The transmission and dissemination of unencrypted SGI is subject to the provisions of 10 CFR 73.21(g)(1) and (2).

Should you have any questions or require additional information, please contact A. D. Huttie at 623-393-3525.

No commitments are made to the NRC in this submittal. Should you have any questions regarding this matter please contact John Hesser at 623-393-2099.

Sincerely,



for C. D. MAULDIN

cc: Scott Morris, NRC/NISR
Lynn Silvious, NRC/NSIR
Louis Grosman, NRC/OCIO
James Davis, NEI
Gregory Pick, NRC Region IV, Senior Physical Security Inspector
B. S. Mallett, NRC Region IV Regional Administrator
M. B. Fields, NRC NRR Project Manager + (send electronic and paper)
N. L. Salgado, NRC Senior Resident Inspector for PVNGS

CDM/DJS/kg