



**UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
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October 21, 2004

EA-04-100

Gregg R. Overbeck, Senior Vice President, Nuclear
Arizona Public Service Company
P.O. Box 52034
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**SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3 - NRC
INSPECTION REPORT 05000528/2004011, 05000529/2004011,
05000530/2004011 AND INVESTIGATION REPORT 4-2002-052**

Dear Mr. Overbeck:

This refers to the predecisional enforcement conference conducted on August 20, 2004, in the NRC's Region IV office to discuss an apparent willful violation stemming from an incident involving the movement of irradiated fuel. Specifically, the apparent violation involved the failure to promptly and adequately communicate important aspects of this incident to appropriate Palo Verde Nuclear Generating Station management. The NRC discussed this apparent violation with you and members of your staff on June 10, 2004, and the results of our inspection and investigation were documented in a report dated July 8, 2004.

During the August 20, 2004, conference, your staff stated that there was no violation involving the immediate notification aspects of your condition reporting process described in Procedure 90DPOIP10, "Condition Reporting," and, therefore, willfulness would not be a consideration. Nevertheless, your staff did acknowledge that Palo Verde Nuclear Generating Station management expectations for internal communications and event response were not met.

Based on the information your staff provided at the conference and the information obtained from our investigation and inspection, the NRC has concluded there was no violation of Procedure 90DPOIP10 as it applied to immediate notification and, consequently, there was no willfulness. The NRC conclusion that no violation occurred is based on the following information described by your staff during the conference: (1) the proper managers were notified of the event when it took place, albeit that notification was not entirely effective; (2) the condition reporting process for this error had not yet been implemented at the time of the event; and (3) other procedures in effect at the time of the event accomplished your requirements for communications. Additionally, the NRC has concluded that the enforcement actions described in the subject NRC inspection report are sufficient to facilitate corrective actions to correct the deficiencies acknowledged by your staff during both the conference and the subsequent public meeting.

Your staff's discussion on August 20, 2004, highlighted several key insights into the circumstances of the October 4, 2002, incident involving the movement of irradiated fuel. Your staff discussed that the communication and notification requirements of Procedure 721C-9RX03 were not fully effective in conveying the significance of the event to the control room or management and that some additional measures should have been taken that night. Your staff discussed that refueling operations suffered from a multitude of problems, including limited management oversight; a lack of formality and procedure use; a weak training program; inconsistent use of the corrective action program; and poor identification, review and evaluation of issues, which contributed to the problems Palo Verde Nuclear Generating Station had been having in refueling operations. Your staff also discussed what appeared to be a reliance on a single operator for critical tasks and a failure of your peer checking process as a back up to your "STAR" program. We agree with all of these insights.

The NRC acknowledges that you and your staff understand the significance of the deficiencies in internal communications, material condition of refueling equipment, training, procedure quality and use issues, and methods for fuel recovery associated with fuel handling at your Palo Verde Nuclear Generating Station. The subject inspection report issued three noncited violations and one green finding for deficiencies identified during the event. Corrective actions you discussed during the predecisional enforcement conference and the subsequent public meeting appear to be responsive to the deficiencies identified during the inspection. The NRC will continue to monitor your refueling activities under the baseline inspection program.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

/RA/

Dwight D. Chamberlain, Director
Division of Reactor Safety

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