

SAFEGUARDS INFORMATION

October 28, 2004

Mr. Gregg R. Overbeck
Senior Vice President, Nuclear
Arizona Public Service Company
Palo Verde Nuclear Generating Station, Units 1, 2 and 3
P. O. Box 52034
Phoenix, AZ 85072-2034

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2 AND 3 - ADMINISTRATIVE CHANGE TO FACILITY OPERATING LICENSES IN CONJUNCTION WITH THE COMMISSION ORDER EA-03-086 REGARDING REVISED DESIGN BASIS THREAT; AND REVISIONS TO PHYSICAL SECURITY PLAN, TRAINING AND QUALIFICATION PLAN, AND SAFEGUARDS CONTINGENCY PLAN (TAC NOS. MC2950, MC2951 AND MC2952)

Dear Mr. Overbeck:

By letter dated April 28, 2004, Arizona Public Service Company (APS) submitted a supplemental response in accordance with Order EA-03-086, the Order requiring compliance with the revised design basis threat, dated April 29, 2003, (DBT Order) for the Palo Verde Nuclear Generating Station, Units 1, 2 and 3. Section III.A of the DBT Order required licensees to revise physical security plans (PSPs), training and qualification plans (T&Q Plans), and safeguards contingency plans (SCPs) in order to provide protection against the revised DBT set forth in Attachment 2 to the DBT Order. These revised plans, along with an implementation schedule, were required to be submitted to the Nuclear Regulatory Commission (NRC or the Commission) for review and approval no later than April 29, 2004.

In the revised security plans for Palo Verde Nuclear Generating Station, Units 1, 2 and 3, you included information related to the independent spent fuel storage installation (ISFSI) co-located at the site. The DBT Order did not require this information to be included in the revised security plans for Palo Verde Nuclear Generating Station, Units 1, 2 and 3. However, Order EA-02-104, dated October 16, 2002, required licensees to comply with the requirements, set forth in an attachment to the Order, that described the compensatory measures necessary to protect the ISFSI as a result of the heightened threat environment following the September 11, 2001, terrorist attacks. On September 10, 2004, the NRC staff requested that you clarify whether the information provided in the revised security plans for Palo Verde Nuclear Generating Station, Units 1, 2 and 3 related to the ISFSI, modified the response you provided to Order EA-02-104.

NOTICE: Enclosure 2 contains Safeguards Information. Upon separation from Enclosure 2, this letter and Enclosure 1 is DECONTROLLED.

SAFEGUARDS INFORMATION

By letter dated September 22, 2004, you stated:

APS has maintained ISFSI-related security features and the Interim Compensatory Measures (ICMs) necessary to comply with the ISFSI Order. However, certain temporary barrier systems that were initially constructed to protect the ISFSI are being replaced with permanent barrier systems that will provide superior protection against the revised Design Basis Threat/Vehicle (NRC Order EA-03-086).

These improvements, as described by APS in the revised Security Plan (Reference 2 [to licensee's submittal]) will be completed October 29, 2004 and do not decrease the effectiveness of the implementation of ISFSI-related security provisions previously committed by APS.

The effectiveness of these security provisions will continue to be the subject of NRC review and inspection.

The NRC staff's review of the Palo Verde Nuclear Generating Station, Units 1, 2 and 3 PSP, SCP, and T&Q Plan submitted in your letter dated April 28, 2004, as supplemented on July 2, July 21, August 13, August 26, September 3, October 1, and October 22, 2004, has focused on ensuring the necessary programmatic elements are contained in these plans in order to provide the high assurance that activities involving special nuclear material are not inimical to the common defense and security and do not constitute an unreasonable risk to the public health and safety.

The NRC staff has determined that subject to subsequent inspection and evaluation, these plans contain the necessary programmatic elements that, when effectively implemented, will provide the required high assurance that Palo Verde Nuclear Generating Station, Units 1, 2 and 3 will be protected against the revised DBT. The NRC staff, therefore approves the **PSP, SCP, and T&Q Plan** for Palo Verde Nuclear Generating Station, Units 1, 2 and 3. However, ultimately the effectiveness of these plans will be judged on your ability to meet regulatory requirements through facility implementing procedures and site practices. As such your facility implementing procedures and practices will continue to be subject to future NRC review and inspection, including NRC-conducted force-on-force exercises.

In addition, the NRC staff noted that your PSP included alternatives to certain requirements of Title 10 of the *Code of Federal Regulations* (10 CFR) Section 73.55. In each case, the NRC staff found that the alternative measures provide an equivalent level of protection to that of the associated requirement and meet the high assurance objective of 10 CFR 73.55(a). The NRC staff, therefore, approves the alternatives shown in the table below. The NRC staff's evaluation is discussed further in the enclosed Safety Evaluation (SE).

Approved Alternatives to the Requirements of 10 CFR Part 73

SE Section	PSP Section	Alternative to 10 CFR	Description
3.6.2	6.2	73.55(c)(3)	Isolation Zones
3.9.4.3	9.4.3	73.55(d)(4)	Protected Area (PA) vehicle search requirements
3.9.4.4	9.4.4	73.55(d)(1)	PA personnel search requirements
3.9.5.2	9.5	73.55(d)(4)	PA access control requirements
3.10.1	10.1	73.55(c)(5)	PA illumination requirements
3.13.1	14.1	73.55(c)(1) 73.55(d)(7)(i)(B)	Temporary reclassification of Vital Areas to PA status (devitalization)

Finally, consistent with the DBT Order, conforming administrative changes to Facility Operating Licenses (FOLs) are required to ensure implementation of DBT Order requirements. Therefore, administrative license changes to FOL Nos. NPF-41, NPF-51 and NPF-74 are being made to incorporate the reference to the revised PSP, SCP, and T&Q Plan required by the DBT Order. These changes comply with the standards and requirements of the Atomic Energy Act of 1954, as amended, and the Commission's rules and regulations set forth in 10 CFR Chapter I.

Please replace the enclosed pages to your FOLs as indicated in Enclosure 1.

G. R. Overbeck

- 4 -

A copy of our SE with regard to your security plans (designated as Safeguards Information) is provided in Enclosure 2.

Sincerely,

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-528, 50-529, AND 50-530

Enclosures: 1. Administrative Change to FOL Nos. NPF-41, NPF-51, and NPF-74
2. Safety Evaluation Regarding the Security Plans (**SAFEGUARDS INFORMATION**)

cc w/encl 1 only: See mailing list 1

cc w/encls 1 and 2: John Hesser, Site Security Manager

G. R. Overbeck

- 4 -

A copy of our SE with regard to your security plans (designated as Safeguards Information) is provided in Enclosure 2.

Sincerely,

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Docket Nos. 50-528, 50-529, and 50-530

Enclosures: 1. Administrative Change to FOL Nos. NPF-41, NPF-51, and NPF-74
2. Safety Evaluation Regarding the Security Plans (**SAFEGUARDS INFORMATION**)

cc w/encl 1 only: See mailing list 1

cc w/encls 1 and 2: John Hesser, Site Security Manager

DISTRIBUTION w/o Enclosure 2:

PUBLIC SPRT R/F OGC ACRS DBaxley MFields
SDembek HBerkow GHill (6) DLPM DPR TBoyce AHowell, RIV

Accession No.:

OFFICE	SPRT/TL	SPRT/PM	SPRT/LA	SPRT/PL	OGC	NSIR/SC	NRR/SC
NAME	JCreed	BBenney	CRaynor	JPeralta	JHeck	SMorris	JNakoski
DATE	10/28/04	10/28/04	10/28/04	10/28/04	10/26/04	10/28/04	10/28/04

OFFICIAL RECORD COPY

Palo Verde Generating Station, Units 1, 2, and 3

cc: w/o encl.:

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ARIZONA PUBLIC SERVICE COMPANY

DOCKET NO. 50-528

PALO VERDE NUCLEAR GENERATING STATION, UNIT 1

ADMINISTRATIVE LICENSE CHANGE TO FACILITY OPERATING LICENSE

License No. NPF-41

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. Consistent with Order EA-03-086, the Order requiring compliance with the revised design basis threat, (DBT Order) issued on April 29, 2003, conforming administrative changes to Facility Operating Licenses (FOLs) are required to ensure implementation of DBT Order requirements. Therefore, an administrative license change to FOL No. NPF-41 is being made to incorporate the reference to the revised Physical Security Plan, Safeguards Contingency Plan, and Training and Qualification Plan required by the DBT Order. These changes comply with the standards and requirements of the Atomic Energy Act of 1954 (the Act), as amended and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance (i) that the activities authorized by this administrative license change can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
 - D. The issuance of this administrative license change will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this administrative license change is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

Enclosure 1

2. Accordingly, the FOL is changed, as indicated in the attachment.
3. This administrative license change is effective as of its date of issuance and shall be implemented on or before October 29, 2004.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Attachment: Changes to the FOL

Date of Issuance: October 28, 2004

CHANGES TO FACILITY OPERATING LICENSE NO. NPF-41

DOCKET NO. 50-528

Replace the following page of the Facility Operating License No. NPF-41 with the attached revised page as indicated. The revised page is identified by a revision date and contains marginal lines indicating the area of change.

Remove Page

6

Insert Page

6

- (9) Results of Piping Vibration Test Program (Section 3.9.2, SER)
Deleted
- (10) Response to Salem ATWS Event (Section 7.2, SSER 7, and Section 1.11, SSER 8)
Deleted
- (11) Supplement No. 1 to NUREG-0737 Requirements
Deleted
- (12) Radiochemistry Laboratoy (Section 7.3.1.5(3), Emergency Plan)
Deleted
- (13) RCP Shaft Vibration Monitoring Program (Section 5.4.1, SSER 12)
Deleted
- (14) Additional Conditions
Deleted

D. The facility requires an exemption from Paragraph III.D.2(b)(ii) of Appendix J to 10 CFR Part 50 (Section 6.2.6, SSER 7). This exemption is authorized by law and will not endanger life or property or the common defense and security and is otherwise in the public interest. This exemption is, therefore, hereby granted pursuant to 10 CFR 50.12. With the granting of this exemption, the facility will operate, to the extent authorized herein, in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission.

E. The licensees shall fully implement and maintain in effect all provisions of the Commission-approved physical security, training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10 CFR 73.55 (51 FR 27817 and 27822) and to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The combined set of plans, which contains Safeguards Information protected under 10 CFR 73.21, is entitled: "Palo Verde Nuclear Station Security Plan, Training and Qualification Plan, Safeguards Contingency Plan and Independent Spent Fuel Storage Installation Security Program Revision 0," submitted by letter dated October 22, 2004.

ARIZONA PUBLIC SERVICE COMPANY

DOCKET NO. 50-529

PALO VERDE NUCLEAR GENERATING STATION, UNIT 2

ADMINISTRATIVE LICENSE CHANGE TO FACILITY OPERATING LICENSE

License No. NPF-51

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. Consistent with Order EA-03-086, the Order requiring compliance with the revised design basis threat, (DBT Order) issued on April 29, 2003, conforming administrative changes to Facility Operating Licenses (FOLs) are required to ensure implementation of DBT Order requirements. Therefore, an administrative license change to FOL No. NPF-51 is being made to incorporate the reference to the revised Physical Security Plan, Safeguards Contingency Plan, and Training and Qualification Plan required by the DBT Order. These changes comply with the standards and requirements of the Atomic Energy Act of 1954 (the Act), as amended and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance (i) that the activities authorized by this administrative license change can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
 - D. The issuance of this administrative license change will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this administrative license change is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

2. Accordingly, the FOL is changed, as indicated in the attachment.
3. This administrative license change is effective as of its date of issuance and shall be implemented on or before October 29, 2004.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Attachment: Changes to the FOL

Date of Issuance: October 28, 2004

CHANGES TO FACILITY OPERATING LICENSE NO. NPF-51

DOCKET NO. 50-529

Replace the following page of the Facility Operating License No. NPF-51 with the attached revised page as indicated. The revised page is identified by a revision date and contains marginal lines indicating the area of change.

Remove Page

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(9) Additional Conditions

Deleted

D. (1) APS has previously been granted an exemption from Paragraph III.D.2(b)(ii) of Appendix J to 10 CFR Part 50. This exemption was previously granted in Facility Operating License NPF-46 pursuant to 10 CFR 50.12.

(2) Deleted

With the granting of these exemptions, the facility will operate, to the extent authorized herein, in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission.

E. The licensees shall fully implement and maintain in effect all provisions of the Commission-approved physical security, training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10 CFR 73.55 (51 FR 27817 and 27822) and to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The combined set of plans, which contains Safeguards Information protected under 10 CFR 73.21, is entitled: "Palo Verde Nuclear Station Security Plan, Training and Qualification Plan, Safeguards Contingency Plan and Independent Spent Fuel Storage Installation Security Program Revision 0," submitted by letter dated October 22, 2004.

F. Except as otherwise provided in the Technical Specifications or the Environmental Protection Plan, APS shall report any violations of the requirements contained in Section 2.C of this license in the following manner: Initial notification shall be made within 24 hours to the NRC Operations Center via the Emergency Notification System with written follow-up within 30 days in accordance with the procedures described in 10 CFR 50.73(b), (c) and (e);

ARIZONA PUBLIC SERVICE COMPANY

DOCKET NO. 50-530

PALO VERDE NUCLEAR GENERATING STATION, UNIT 3

ADMINISTRATIVE LICENSE CHANGE TO FACILITY OPERATING LICENSE

License No. NPF-74

1. The Nuclear Regulatory Commission (the Commission) has found that:
 - A. Consistent with Order EA-03-086, the Order requiring compliance with the revised design basis threat, (DBT Order) issued on April 29, 2003, conforming administrative changes to Facility Operating Licenses (FOLs) are required to ensure implementation of DBT Order requirements. Therefore, an administrative license change to FOL No. NPF-74 is being made to incorporate the reference to the revised Physical Security Plan, Safeguards Contingency Plan, and Training and Qualification Plan required by the DBT Order. These changes comply with the standards and requirements of the Atomic Energy Act of 1954 (the Act), as amended and the Commission's rules and regulations set forth in 10 CFR Chapter I;
 - B. The facility will operate in conformity with the application, the provisions of the Act, and the rules and regulations of the Commission;
 - C. There is reasonable assurance (i) that the activities authorized by this administrative license change can be conducted without endangering the health and safety of the public, and (ii) that such activities will be conducted in compliance with the Commission's regulations;
 - D. The issuance of this administrative license change will not be inimical to the common defense and security or to the health and safety of the public; and
 - E. The issuance of this administrative license change is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied.

2. Accordingly, the FOL is changed, as indicated in the attachment.
3. This administrative license change is effective as of its date of issuance and shall be implemented on or before October 29, 2004.

FOR THE NUCLEAR REGULATORY COMMISSION

/RA/

John A. Nakoski, Section Chief
Security Plan Review Team
Project Directorate II
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

Attachment: Changes to the FOL

Date of Issuance: October 28, 2004

CHANGES TO FACILITY OPERATING LICENSE NO. NPF-74

DOCKET NO. 50-530

Replace the following pages of the Facility Operating License No. NPF-74 with the attached revised pages as indicated. The revised pages are identified by a revision date and contain marginal lines indicating the area of change.

Remove Pages

4 and 5

Insert Pages

4 and 5

(1) Maximum Power Level

Arizona Public Service Company (APS) is authorized to operate the facility at reactor core power levels not in excess of 3876 megawatts thermal (100% power) in accordance with the conditions specified herein.

(2) Technical Specifications and Environmental Protection Plan

The Technical Specifications contained in Appendix A, as revised through Amendment No. 152, and the Environmental Protection Plan contained in Appendix B, are hereby incorporated into this license. APS shall operate the facility in accordance with the Technical Specifications and the Environmental Protection Plan, except where otherwise stated in specific license conditions.

(3) Antitrust Conditions

This license is subject to the antitrust conditions delineated in Appendix C to this license.

(4) Initial Test Program (Section 14, SER and SSER 2)

Deleted

(5) Additional Conditions

Deleted

- D. APS has previously been granted an exemption from Paragraph III.D.2(b)(ii) of Appendix J to 10 CFR Part 50. This exemption was previously granted in Facility Operating License NPF-65 pursuant to 10 CFR 50.12.

With the granting of this exemption, the facility will operate, to the extent authorized herein, in conformity with the application, as amended, the provisions of the Act, and the rules and regulations of the Commission.

E.

The licensees shall fully implement and maintain in effect all provisions of the Commission-approved physical security, training and qualification, and safeguards contingency plans including amendments made pursuant to provisions of the Miscellaneous Amendments and Search Requirements revisions to 10 CFR 73.55 (51 FR 27817 and 27822) and to the authority of 10 CFR 50.90 and 10 CFR 50.54(p). The combined set of plans, which contains Safeguards Information protected under 10 CFR 73.21, is entitled: "Palo Verde Nuclear Station Security Plan, Training and Qualification Plan, Safeguards Contingency Plan and Independent Spent Fuel Storage Installation Security Program Revision 0," submitted by letter dated October 22, 2004.

- F. APS shall implement and maintain in effect all provisions of the approved fire protection program as described in the Final Safety analysis Report for the facility, as supplemented and amended, and as approved in the SER through Supplement 11, subject to the following provision:

APS may make changes to the approved fire protection program without approval of the Commission only if those changes would not adversely affect the ability to achieve and maintain safe shutdown in the event of a fire.

- G. Except as otherwise provided in the Technical Specifications or the Environmental Protection Plan, APS shall report any violations of the requirements contained in Section 2.C of this license in the following manner: Initial notification shall be made within 24 hours to the NRC Operations Center via the Emergency Notification System, with written follow-up within 30 days in accordance with the procedures described in 10 CFR 50.73(b), (c), and (e);
- H. The licensees shall have and maintain financial protection of such type and in such amounts as the Commission shall require in accordance with Section 170 of the Atomic Energy Act of 1954, as amended, to cover public liability claims; and
- I. This license is effective as of the date of issuance and shall expire at midnight on November 25, 2027.

FOR THE NUCLEAR REGULATORY COMMISSION

Original Signed By

Thomas E. Murley, Director
Office of Nuclear Reactor Regulation

Attachments:

1. [Requirements for Initial Mode 1 Entry] - Deleted
2. Appendix A -
 Technical Specifications
3. Appendix B -
 Environmental Protection Plan
4. Appendix C -
 Antitrust Conditions
5. Appendix D -
 [Additional Conditions] - Deleted

Date of Issuance: November 25, 1987