



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

May 23, 2005

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

SUBJECT: SUMMARY OF PALO VERDE NUCLEAR GENERATING STATION
END-OF-CYCLE PUBLIC MEETING

Dear Mr. Overbeck:

This refers to the End-of-Cycle public meeting conducted at the Saddle Mountain School District building in Tonopah, Arizona on May 17, 2005, between the NRC and your staff. The participants discussed performance at Palo Verde Nuclear Generating Station for the period January 1 through December 31, 2004. The meeting attendance list and a copy of the presentations are included as Enclosures 1 and 2. No commitments were made by the licensee during the conference.

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 enclosures 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,

A handwritten signature in black ink, appearing to read "T. Pruett", written over a horizontal line.

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. Attendance List
2. Presentation Slides

cc w/enclosures:

Daniel Roe, Executive Director
Arizona Division of Emergency Management
5636 East McDowell Road
Building 101
Phoenix, AZ 85008-3495

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 Fred Waterman
Mayor of El Mirage
P.O. Box 26
El Mirage, AZ 85335

The Honorable Elaine Scruggs
Mayor of Glendale
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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

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

Robin Berry
Palo Verde School District
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Chad Turner
Arlington Elementary
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9410 S. 355th Avenue
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Carter Gable
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Arlington CATS Club
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Grace Molina
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Les Meredith
Arlington Lions Club
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Pam Miller
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Palo Verde, AZ 85343

Neil Peters
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Paul Roetto
Friends of Saddle Mountain
3708 N. 339th Avenue
Tonopah, AZ 85354

Roxanne Morris
Ruth Fisher Unified School District
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Tonopah, AZ 85354

Judy Shaw
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Tonopah, AZ 85354

Robert Hathaway
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Andy Jacobs
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Ruben H. Reyes, District Director
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Andrew Kunasek, Supervisor, District 3
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Max W. Wilson, Supervisor, District 4
Board of Supervisors
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Phoenix, AZ 85003

Arizona Public Service Company

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Senior Vice President and
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Vice President
Operations Support
Entergy Operations, Inc.
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Plant Operations
Entergy Operations, Inc.
River Bend Station
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St. Francisville, LA 70775

Director - Nuclear Safety
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Winston & Strawn
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St. Francisville, LA 70775

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Attorney General
Department of Justice
State of Louisiana
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Baton Rouge, LA 70806

Burt Babers, President
West Feliciana Parish Police Jury
P.O. Box 1921
St. Francisville, LA 70775

Michael E. Henry, State Liaison Officer
Department of Environmental Quality
Permits Division
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Baton Rouge, LA 70821-4313

Brian Almon
Public Utility Commission
William B. Travis Building
P.O. Box 13326
1701 North Congress Avenue
Austin, TX 78711-3326

END OF CYCLE PUBLIC MEETING ATTENDANCE

LICENSEE/FACILITY	Palo Verde Nuclear Generating Station
DATE/TIME	May 17, 2005 6:30 p.m.
CONFERENCE LOCATION	Ruth Fisher Elementary School Tonopah, Arizona

NRC REPRESENTATIVES

NAME (PLEASE PRINT)	ORGANIZATION	TITLE
TROY PRUETT	NRC	BRANCH CHIEF
Greg Werner	NRC	SENIOR PROJECT ENG.
John		
Randy Sorensen	APS	Chem mng.
Robert Hathaway		
Robert Hathaway	TVCC CAP	Rep
Bruce Roberts		
MARK MCGHEE	APS	DEPT LDR
Dave Crozier	APS	EO
Caryl G. Maniscalco	TVCC Council member	treasure/sec
James R. McDermott	APS	Comm.
James Chuan ^{Mayor}	Mayor, Goodyear	
John HESSER	APS	DIRECTOR EMERGENCY SERVICES

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PUBLIC PARTICIPANTS

NAME (PLEASE PRINT)	ORGANIZATION	TITLE
Andrew Fudwin	AZ Rad Reg Agency	Director
Michael Sontag	APS	Dept Ldr
PETE BOACHENY	APS	DIR
SCOTT BAUER	APS	Dept Ldr
GAYLE SCHAVON	APS	DEPT LDR
CHUCK ZELL	APS	DEPT LDR
Paul Kirker	APS	Dept Ldr
Alicia NIETO	Westinghouse/Resident	
JERRY L. RAY	APS	Director
FRED RIEDEL	APS	Director
Ray Webb	APS	Manager
DAVID S. KELLER	MCSO	DEPUTY
Ian Miller	Community Advisory Panel Member CAP for APS	Local Community Educator
PAUL ROETTO	Friend of Saddle Mountain	Volunteer Boarder

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LICENSEE REPRESENTATIVES

NAME (PLEASE PRINT)	ORGANIZATION	TITLE
DAVID SMITH	APS	PLANT MGR
Ken Monroe	PNV	Sr. Atty
Carl (Howard)	APS	Dir. Eng.
Shabbi Pittelwale	APS	Dir. Proj. Eng.
Tom Chang	SCS	Tech Spec Scientist
Rob Henry	SRP	Site Rep.
JOHN TAYLOR	PNM	Mac Provi. MGR
Eric Shouse	EPE	Site Rep.
GREGG OVERBEK	APS	SR VICE PRESIDENT
CRAIG K. SEAMAN	APS	DIRECTOR REG. AFF.
ROBIN L. BERRY	PALO VERDE ELEMENTARY SCHOOL DISTRICT	SUPERINTENDENT
DORIS HEISLER	TONOPAH VALLEY ASSN ARIZONA CITIZENS ADVISORY PANEL	PROJECTS DIRECTOR
KATHY HASSETT	ADEM	REP PROGRAM MGR.
LOU TRAMMELL	ADEM	DEPUTY DIRECTOR

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PUBLIC PARTICIPANTS

NAME (PLEASE PRINT)	ORGANIZATION	TITLE
Andy Black	APS	Security Manager
Darryl Henning	West Valley View Newspaper	Asst. Managing Editor
Betty Daygo	APS	Comm. Consult.
ART HOWELL	USNRC	DIRECTOR, DRP REGION IV
GREG WARWICK	USNRC	SENIOR RESIDENT INSPECTOR
JIM MELFI	USNRC	RESIDENT INSPECTOR
PABLO BENVENUTO	USNRC	RESIDENT INSPECTOR
STEVE ALFERINK	USNRC	REGIONAL INSPECTOR
VICTOR DRICKS	USNRC	REGION IV PAD
PAUL ROETTO		
PHYLLIS MONSON		
DAVID MISBEEK		
JUDETTE SLECEE		

Palo Verde Nuclear Generating Station Annual Assessment Meeting

Reactor Oversight Program - CY 2004



Nuclear Regulatory Commission - Region IV
Arlington, Texas
May 17, 2005

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Agenda

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

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Purpose of Today's Meeting

- A public forum for discussion of Palo Verde's performance
- NRC will address the Palo Verde performance issues identified in the annual assessment letter and the first quarter 2005 assessment letter
- Palo Verde will respond to the information in the letters and inform the NRC of new or existing programs to maintain or improve their performance

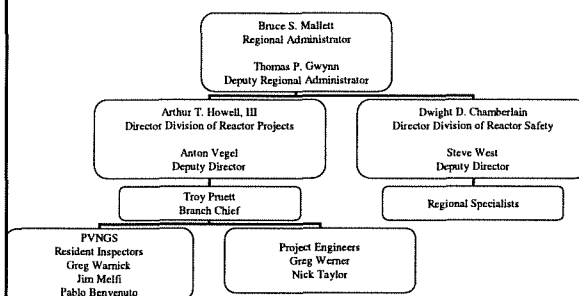
3

NRC Representatives

- Arthur T. Howell III, Director, Division Reactor Projects
- (817) 860-8248
- Troy Pruett, Branch Chief
- (817) 860-8173
- Greg Warnick, Senior Resident Inspector
- (623) 393-3736
- Jim Melfi, Resident Inspector
- (623) 393-3737
- Pablo Benvenuto, Resident Inspector
- (623) 386-3638
- Steven Alferink, Reactor Inspector
- (623) 386-3638
- Greg Werner, Senior Project Engineer
- (817) 860-8156

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Region IV Organization

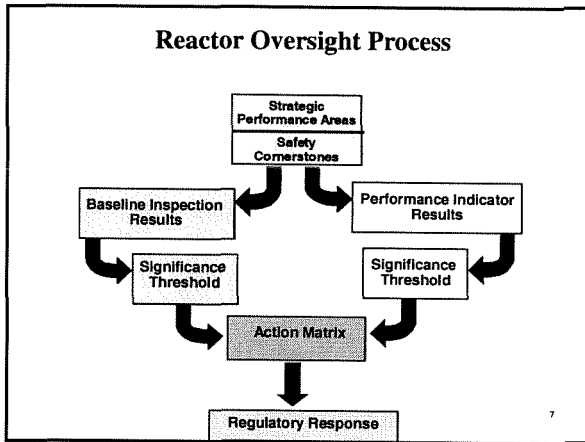


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NRC Performance Goals

- **Safety:** Ensure protection of the public health and safety and the environment
- **Security:** Ensure the secure use and management of radioactive materials
- **Openness:** Ensure openness in our regulatory process
- **Effectiveness:** Ensure that NRC actions are effective, efficient, realistic, and timely
- **Management:** Ensure excellence in agency management to carry out the NRC's strategic objective

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

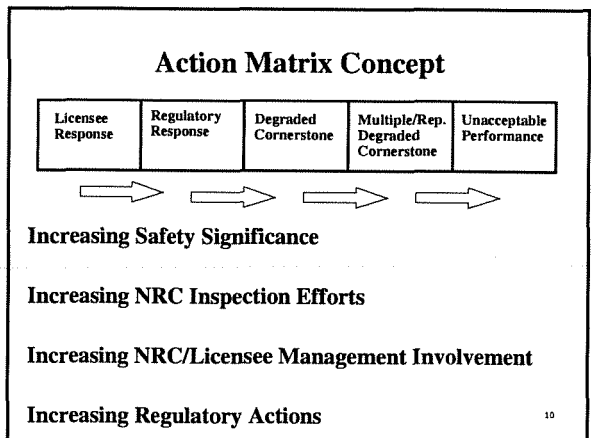
Significance Threshold

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 significant issue
White: Low to moderate safety significant issue
Yellow: Substantial safety significant issue
Red: High safety significant issue



National Summary of Plant Performance

Status at End of CY 2004

Licensee Response	75
Regulatory Response	21
Degraded Cornerstone	3
Multiple/Repetitive Degraded Cornerstone	3
Unacceptable	0
Total	102*

*Davis-Besse is in IMC 0350 process

National Summary

- **Performance Indicator Results (at end of CY 2004)**
 - Green 1834
 - White 6
 - Yellow 0
 - Red 0
- **Total Inspection Findings (CY 2004)**
 - Green 778
 - White 11
 - Yellow 1
 - Red 0

Palo Verde Assessment Results

(Jan 1 - Dec 31, 2004)

- Arizona Public Service Company operated Palo Verde Nuclear Generating Station within the Licensee Response Column of the NRC's Action Matrix
 - All inspection findings and performance indicators were of very low safety significance (licensee response)
- No Supplemental Inspections

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Palo Verde Inspection Activities

(Jan 1 - Dec 31, 2004)

- Regional Inspection Hours (includes all hours charged to the licensee including direct inspection and office preparation and documentation)
 - Division of Reactor Projects 6545 hours
 - Division of Reactor Safety 5129 hours

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Palo Verde Inspection Activities

(Jan 1 - Dec 31, 2004)

- Baseline Inspection Program
- February 2004 Special Inspection for Forced Outage for Primary-to-Secondary Leakage
- June 2004 Augmented Inspection for Loss of Offsite Power Event
- August 2004 Special Inspection for Voiding of Emergency Core Cooling System
- September 2004 Augmented Inspection follow-up for Loss of Offsite Power Event
- Six Temporary Instructions

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Criteria for identifying a Substantive Cross-Cutting Issue

- Multiple green or safety significant inspection findings with cross-cutting aspects
- Causal factors have a common theme.
- Concern with the Licensee's scope of effort or progress in addressing cross-cutting performance deficiencies

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Substantive Cross-Cutting Issues Identified in 2004

- Problem Identification and Resolution Cross-Cutting Issue
- Human Performance Cross-Cutting Issue

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Problem Identification and Resolution Cross-Cutting Issue

- Problems included identifying problems and entering them in the corrective action program, evaluating conditions in the corrective action program, and implementing effective corrective actions
- Adverse trend in problem identification and resolution issues indicated that Palo Verde did not effectively address the underlying causes associated with this substantive crosscutting area
- Will be addressed through baseline inspection program 18

Human Performance Cross-Cutting Issue

- Several common performance characteristics - dominated by personnel errors (e.g., instances of failing to follow procedure) and resource issues (e.g., inadequate procedures and work instructions)
- Adverse trend in human performance issues indicates that Palo Verde did not effectively address the underlying causes associated with this substantive crosscutting area
- Will be addressed through baseline inspection program

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Palo Verde Annual Assessment Summary

January 1 - December 31, 2004

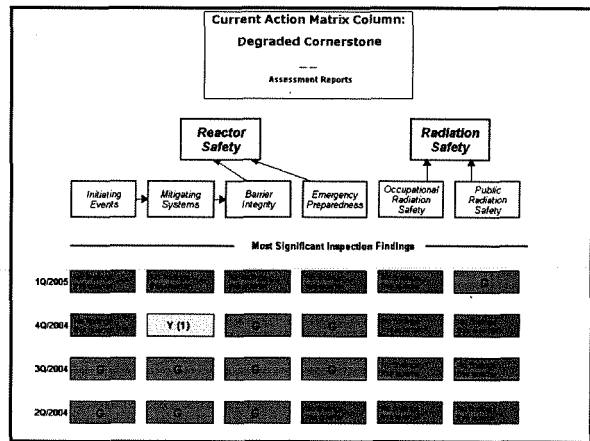
- Arizona Public Service Company operated Palo Verde Nuclear Generating Station in a manner that preserved public health and safety and all cornerstone objectives were met.
- Based on 2004 inspection results, NRC assessed Palo Verde Nuclear Generating Station within the Licensee Response Column of the Action Matrix.
- Based on 2004 inspection results, NRC would have conducted only baseline inspections in 2005

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Assessment Results - First Quarter 2005

- A Pre-decisional Enforcement and Regulatory Conference was conducted on February 17, 2005 to discuss voiding of the emergency core cooling system. The findings were identified during a Special Inspection in August 2004.
- One finding was determined to be a Yellow Finding, a substantial safety issue. Another resulted in a proposed \$50,000 civil penalty.
- Neither finding represents a current safety problem, since both were corrected within a short time after discovery.
- The Yellow Finding was a significant input into the assessment process and resulted in reassessment of Palo Verde's position in the NRC Action Matrix in the spring of 2005.

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NRC Action Matrix

RESULTS	Licensee Response Column		Regulatory Response Column		Degraded Cornerstone Column		Minor Response Degraded Cornerstone Column		Unsatisfactory Performance Column		NRC OIG Process	
	None	None	None	None	None	None	None	None	None	None	None	None
Professional Peer Review	None	Branch Chief (BC) or District Director (DD) Meet with Licensee	DD or Regional Administrator (RA) Meet with Licensee	RA or EDC Meet with Licensee	Commission meeting with Senior Licensee Management	None	RA or EDC Meet with Senior Licensee Management	None	None	None	None	None
Licensee Action	Licensee Corrective Action	Licensee not take additional oral testimony upon with LIRC Oversight	Licensee submit a risk issue resolution to NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight	Licensee Performance Improvement Plan with NRC Oversight
NRC Inspection	Non-internal Barrier Inspector Project	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)	Baseline and supplemental inspection program (SIP)
Regulatory Action	None	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only	Supplemental inspection only
Additional Action	BC or DD re-assign inspection report (or inspection plan)	DD investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)	RA investigate and submit report (or inspection plan)
Annual Public Meeting	SIP or BC Meet with Licensee	BC or DD Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee	RA or EDC Meet with Licensee
Commission Oversight	None	None	None	None	None	None	None	None	None	None	None	None

INCREASING SAFETY SIGNIFICANCE →

Licensee Response and Remarks

Gregg R. Overbeck
Senior Vice President, Nuclear
Arizona Public Service Company

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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” for Public Affairs

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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)

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