

September 28, 2005

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

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3 -
AUDIT OF LICENSEE REGULATORY COMMITMENT MANAGEMENT
PROGRAM (TAC NOS. MC4380, MC4381 AND MC4382)

Dear Mr. Overbeck:

On September 7, 2004, the Office of Nuclear Reactor Regulation Office Instruction LIC-105, Revision 1, "Managing Regulatory Commitments Made by Licensees to the NRC [Nuclear Regulatory Commission]," was published. LIC-105 provides the NRC staff and its stakeholders with a common reference for handling regulatory commitments made to the NRC staff by licensees for commercial nuclear reactors. The guidance is consistent with the industry guidance prepared by the Nuclear Energy Institute (NEI), NEI 99-04, "Guidance for Managing NRC Commitment Changes." LIC-105 specifies that once every 3 years, the NRC staff will audit a licensee's regulatory commitment management program.

An audit of the Arizona Public Service Company (APS) regulatory commitment management program was performed at the Palo Verde Nuclear Generating Station on October 6-8, 2004. The NRC staff concludes that APS has an adequate program to implement and manage regulatory commitments. Details of the audit are provided in the enclosed audit report, including our observations and recommendations.

Sincerely,

/RA/

Mel B. Fields, Senior Project Manager, Section 2
Project Directorate IV
Division of Licensing Project Management
Office of Nuclear Reactor Regulation

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

Enclosure: Audit Report

cc w/encl: See next page

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AUDIT REPORT BY THE OFFICE OF NUCLEAR REACTOR REGULATION
REGULATORY COMMITMENTS MADE BY THE LICENSEE TO
THE NUCLEAR REGULATORY COMMISSION
ARIZONA PUBLIC SERVICE COMPANY, ET AL.
PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3
DOCKET NOS. STN 50-528, STN 50-529, AND STN 50-530

1.0 INTRODUCTION AND BACKGROUND

On September 7, 2004, the Nuclear Regulatory Commission (NRC), Office of Nuclear Reactor Regulation (NRR), published Office Instruction LIC-105, Revision 1, "Managing Regulatory Commitments Made by Licensees to the NRC." LIC-105, which is publicly available electronically from the Agencywide Documents Access and Management System under Accession Number ML042320463, provides the NRC staff and its stakeholders with a common reference for handling regulatory commitments made by commercial reactor licensees to the NRC staff. The Office Instruction is consistent with the industry guidance contained in Nuclear Energy Institute (NEI), NEI 99-04, "Guidance for Managing NRC Commitment Changes."

According to LIC-105, which cites the definition from NEI-99-04, a "regulatory commitment" is an explicit statement to take a specific action agreed to, or volunteered, by a licensee and submitted in writing on the docket to the NRC. LIC-105 further directs the NRR Project Manager to "audit a licensee's commitment management program by assessing the adequacy of the licensee's implementation of a sample of commitments made to the NRC in past licensing actions (amendments, relief requests, exemptions, etc.) and activities (bulletins, generic letters, etc.)." An audit is to be performed every 3 years.

2.0 AUDIT PROCEDURE AND RESULTS

An audit of the Arizona Public Service Company (APS, the licensee) program was performed at the Palo Verde site on October 6-8, 2004. Since no such audit was performed prior to the issuance of LIC-105, the NRC staff defined the period covered by this audit to encompass approximately 3 to 5 years prior to the date of the audit.

2.1 Verification of Licensee's Implementation of NRC Commitments

The primary focus of this part of the audit is to confirm that APS has implemented those commitments made to the NRC as part of past licensing actions/activities. For commitments that had not yet been implemented, the NRC staff aimed to ascertain that they have been captured in an effective program for future implementation.

2.1.1 Audit Scope

LIC-105 limits the audit of commitments to those made in writing to the NRC as a result of past licensing actions or licensing activities. Accordingly, the audit excluded the following types of commitments:

- (1) Commitments as a result of Licensee Event Reports (LER)s - These commitments are controlled by the licensee's LER process, which is imposed by Title 10 of the *Code of Federal Regulations* (10 CFR), Section 50.73.
- (2) Commitments made on the licensee's own initiative among internal organizational components.
- (3) Commitments that pertain to milestones of licensing actions/activities (e.g., respond to an NRC request for additional information by a certain date). Fulfillment of these commitments was indicated by the fact that the subject licensing action/activity was completed.
- (4) Commitments made as an internal reminder to take actions to comply with existing regulatory requirements such as regulations, Technical Specifications, and Updated Final Safety Analysis Reports. Fulfillment of these commitments was indicated by the licensee having taken timely action in accordance with the subject requirements.

Before the audit, a search was conducted of the APS licensing action and licensing activity submittals dated in the last 3 to 5 years. Several of the commitments contained in those submittals that met the definition in LIC-105 were selected for this audit.

2.1.2 Audit Results

The NRC staff reviewed reports generated by the APS's tracking program for the commitments listed in the attached table to evaluate the status of completion. The NRC staff found that APS's commitment tracking program had incorporated all the regulatory commitments that were selected by the NRC staff for this audit.

The NRC staff also reviewed plant procedures that had been revised as a result of commitments made by APS to the NRC. The attached table summarizes what the NRC staff observed as the current status of licensee regulatory commitments for those selected.

2.2 Verification of APS's Program for Managing NRC Commitment Changes

At Palo Verde, Procedure 93DP-OLC08, "Regulatory Commitment Tracking," is used for managing regulatory commitments. The NRC staff reviewed this procedure and concluded that, in general, this procedure follows the guidance of NEI-99-04 and sets forth the process for identifying, tracking, and reporting commitments, and provides a mechanism for changing commitments.

The effectiveness of a procedure can be indicated by the products that are produced by the procedure. As noted in Section 2.1.2 above, the NRC staff has found that the licensee had properly addressed each regulatory commitment selected for this audit.

As a result of reviewing APS's information, as well as information from other sources, the NRC staff concludes that the procedure used by APS for managing NRC commitment changes is appropriate and effective.

2.3 APS's Self-Assessment of the Regulatory Commitment Management Program

The NRC staff requested information from APS regarding any self-assessments performed on the regulatory commitment management program. The NRC staff learned that a self-assessment had been performed at Palo Verde on September 7-9, 2004. The assessment was performed as part of a Strategic Teaming and Resource Sharing initiative and included a Diablo Canyon licensee representative on the assessment team. The self-assessment team concluded that overall the commitment management process at Palo Verde is working and no missed commitments were identified during the assessment. Some areas for improvement/recommendations were identified by this team. The major recommendation, which the NRC agrees with, is that APS should establish a single point of contact for the commitment management program to oversee the program.

2.4 Additional Observations and Recommendations

- (a) APS explicitly identifies regulatory commitments in outgoing correspondence to the NRC and when outgoing correspondence does not include any commitments, APS will include a statement to the effect, "There are no commitments being made to the NRC by this letter." These explicit statements that the correspondence contain or do not contain commitments represent clear and effective communications, and is considered by the NRC staff to be a positive initiative on the part of the licensee.
- (b) APS reviews all existing commitments for possible changes on an annual basis but only reports to the NRC when changes have been made to any of these commitments. The last APS letter identifying changes was dated April 19, 2002. Because commitment changes are performed so infrequently and in the interest of improving communications with the NRC, consideration should be given to providing an annual statement when there are no changes to commitments. A convenient reporting method would be to include this statement with the annual report of 10 CFR 50.59 changes.

3.0 CONCLUSION

The NRC staff concludes that, based on the above audit findings, (1) APS has an adequate program to implement and manage regulatory commitments, (2) APS has an adequate program to implement and manage changes to regulatory commitments, and (3) APS has an adequate program for identifying regulatory commitments in outgoing correspondence to the NRC.

4.0 APS PERSONNEL CONTACTED FOR THIS AUDIT

Rob Roehler
Ray Buzard
James Proctor
Tom Weber
Scott Bauer

Principal Contributor: Mel Fields

Date: September 28, 2005

TABLE -APS'S REGULATORY COMMITMENTS REVIEWED

External Source Documents	Licensee Internal Document/ Tracking #	Description	Implementation Status
<p>APS Relief Request dated 4-1-2001 (ML011000052)</p> <p>NRC Approval dated 10-01-2001 (ML012680076)</p>	<p>Document 73DP-9ZZ17</p> <p>RCTSAI # 2372945</p>	<p>Multiple Commitments - APS letter contained several commitments that would be carried out if mechanical nozzle seal assemblies need to be utilized in any of the Palo Verde Units. These commitments were appropriately incorporated into plant procedures.</p>	<p>Completed</p>
<p>NRC Bulletin 2003-01</p> <p>APS Letter dated 8-8-2003 (ML032310432)</p>	<p>Document 40ST-9ZZ09</p> <p>RCTSAI #s 262902/3/4</p>	<p>Multiple Commitments - Licensee committed to update internal procedures to provide additional guidance related to an ECCS sump blockage from debris. These commitments were appropriately incorporated into plant procedures.</p>	<p>Completed</p>
<p>APS Amend. Request dated 11-7-2002 (ML023190027)</p> <p>NRC Approval dated 10-24-2003 (ML033030363)</p>	<p>RCTS # 2551124</p>	<p>Numerous Commitments - Licensee committed to complete items contained in its submittal, and repeated in the NRC SE, related to the Common Qualified Platform topical report (CPC Upgrade). Audit only confirmed completion of several of the commitments. The commitments audited were appropriately incorporated into the commitment tracking system.</p>	<p>Partially Completed - Others on schedule</p>
<p>NRC Generic Letter 99-02</p> <p>APS Letter dated 11-19-1999 (ML993340447)</p>	<p>RCTS # 2266</p>	<p>Multiple Commitments - Licensee made changes to procedures to incorporate the GL 99-02 requirements in advance of a TS amendment request. These commitments were appropriately incorporated into the commitment tracking system.</p>	<p>Completed</p>

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

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