UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
612 EAST LAMAR BLVD, SUITE 400
ARLINGTON, TEXAS 76011-4125

November 21, 2008

Randall K. Edington, Executive
Vice President, Nuclear and
Chief Nuclear Officer
Mail Station 7602
Arizona Public Service Company
P.O. Box 52034
Phoenix, AZ 85072-2034

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION – NRC SECURITY BASELINE INSPECTION REPORT 05000528/2008402, 05000529/2008402 AND 05000530/2008402

Dear Mr. Mitchell:

On October 30, 2008, the U.S. Nuclear Regulatory Commission (NRC) completed a security baseline inspection at your Palo Verde Nuclear Generating Station. The inspection covered one or more of the key attributes of the security cornerstone of the NRC's Reactor Oversight Process. The enclosed inspection report documents the inspection results, which were discussed on October 30, 2008, with Mr. B. Bement, Vice President, Nuclear Operations and other members of your staff.

The inspection examined activities conducted under your license as they relate to security and compliance with the Commission's rules and regulations and with the conditions of your license. The inspectors reviewed selected procedures and records, observed activities, and interviewed personnel.

This report documents one NRC-identified finding of very low security significance (i.e., Green as determined by the Physical Protection Significance Determination Process). This finding was determined to involve a violation of NRC requirements. The deficiency was promptly corrected or compensated for, and the plant was in compliance with applicable

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physical protection and security requirements within the scope of this inspection before the inspectors left the site. The finding had a cross-cutting aspect in the area of Work Practices

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they are entered into your corrective action program, the NRC is treating these violations as non-cited violations consistent with Section VI.A.1 of the NRC Enforcement Policy. If you contest these non-cited violations, you should provide a response within 30 days of the date of this inspection report, with the basis for your denial, to the Nuclear Regulatory Commission, ATTN.: Document Control Desk, Washington DC 20555-0001; with copies to the Regional Administrator Region IV; the Director, Office of Enforcement, United States Nuclear Regulatory Commission, Washington, DC 20555-0001; and the NRC Resident Inspectors at the Palo Verde Nuclear Generating Station.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of the NRC's document system, ADAMS. ADAMS is accessible from the NRC Website at http://www.nrc.gov/reading-rm/adams.html (the Public Electronic Reading Room). However, because of the security-related concerns contained in the enclosure, and in accordance with 10 CFR 2.390, a copy of this letter's enclosure will not be available for public inspection.

In accordance with 10 CFR 2.390(b)(1)(ii), the NRC is waiving the affidavit requirements for your response, if any. This practice will ensure that your response will not be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system, ADAMS. If Safeguards Information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21. Otherwise, mark your entire response "Security-Related Information –Withhold Under 10 CFR 2.390," and follow the instructions for withholding in 10 CFR 2.390(b)(1).

Sincerely,

/RA/

Michael P. Shannon, Chief
Plant Support Branch
Division of Reactor Safety

Docket: 50-528; 50-529; 50-530
License: NPF-41; NPF-51; NPF- 74

Nonpublic Enclosure:
Inspection Report 05000528/2008402;
05000529/2008402; 05000530/2008402
w/Attachment: Supplemental Information

cc w/o enclosure:
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