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

May 1, 2009

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, UNITS 1, 2, AND 3 –  
NRC MATERIAL CONTROL AND ACCOUNTING PROGRAM INSPECTION  
REPORT 05000528/2009404, 05000529/2009404 AND 05000530/2009404

Dear Mr. Edington:

On April 7, 2009, the U.S. Nuclear Regulatory Commission (NRC) completed an inspection of an event that occurred at your Palo Verde Nuclear Generating Station, Units 1, 2, and 3 on January 22, 2009. The inspection covered a key attribute of the Security Cornerstone of the NRC's Reactor Oversight Process, Material Control and Accounting of Special Nuclear Material. The enclosed inspection report documents the inspection results, which were discussed on April 9, 2009, with Mr. R. 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 inspection report documents one NRC-Identified violation of very low safety significance (i.e., Green as determined by the Physical Protection Significance Determination Process). In addition, this finding had a cross-cutting aspect in the area of Problem Identification and Resolution related to the component of Operating Experience because the licensee did not implement and institutionalize lessons learned to support safety changes in training, processes and procedures necessary to address non-fuel special nuclear material such as Pu-239 check sources. (P2.b) However, because the finding was of very low safety significance and was entered into your corrective action program, the NRC is treating this finding as a non-cited

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violation consistent with Section VI.A of the NRC Enforcement Policy. If you contest this non-cited violation or its significance, you should provide a response within 30 days of the date of this inspection report, with the basis for your denial, to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington D.C. 20555-0001; with copies to the Regional Administrator, U.S. Nuclear Regulatory Commission Region IV, 612 E. Lamar Blvd, Suite 400, Arlington, Texas 76011-4005; the Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, Washington, D. C. 20555-001; and the NRC Resident Inspector at the Palo Verde Nuclear Generating Station. In addition, if you disagree with the characterization of any finding in this report, you should provide a response within 30 days of the date of this inspection report, with the basis for your disagreement, to the Regional Administrator, Region IV, and the NRC Resident Inspector at the Palo Verde Nuclear Generating Station. The information you provide will be considered in accordance with Inspection Manual Chapter 0305.

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 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). 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/ Larry T. Ricketson for*

Gregory E. Werner, Chief  
Plant Support Branch 2  
Division of Reactor Safety

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

Nonpublic Enclosure:  
NRC Inspection Report 05000528/2009404,  
05000529/2009404 and 05000530/2009404 w/Attachment:  
Supplemental Information

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cc w/o enclosure:

Scott Bauer, Director

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Dwight C. Mims

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