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

September 1, 2009

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

SUBJECT: MIDCYCLE PERFORMANCE REVIEW AND INSPECTION PLAN – PALO VERDE NUCLEAR GENERATING STATION

Dear Mr. Edington,

On August 4, 2009 the NRC staff completed its performance review of Palo Verde Nuclear Generating Station (PVNGS) for the first half of the calendar year 2009 assessment cycle. Our technical staff reviewed performance indicators (PIs) for the most recent quarter and inspection results over the previous 12 months. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility.

This performance review and enclosed inspection plan do not include security information. A separate letter designated and marked as "Official Use Only—Security-Related Information," will include the security cornerstone review and resultant inspection plan.

Overall, PVNGS Units 1, 2, and 3 operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter was within the Licensee Response column of the NRC's Action Matrix, based on all inspection findings being classified as having very low safety significance (Green) and all performance indicators indicating performance at a level requiring no additional NRC oversight (Green).

While plant performance for the most recent quarter is within the Licensee Response Column of the Action Matrix, there were historical safety-significant inspection findings that affected the first quarter of the annual assessment cycle. The NRC increased regulatory oversight of PVNGS based on these findings and issued a revised Confirmatory Action Letter to PVNGS on February 15, 2008. PVNGS undertook a sitewide performance improvement initiative to address the Confirmatory Action Letter items. The NRC performed five Confirmatory Action Letter follow-up inspections to determine if the improvement initiatives were effective in improving performance. On March 24, 2009, following the final Confirmatory Action Letter follow-up inspection, the NRC sent a follow-up assessment and Confirmatory Action Letter closure letter to PVNGS, stating that the improvement intiatives had resulted in improved safety performance and had established processes that, if effectively implemented, provide reasonable assurance that the performance improvements are sustainable. This letter closed substantive crosscutting issues in human performance and problem identification and resolution. This letter provided the basis for returning PVNGS to the Licensee Response Column of the Action Matrix.

The NRC will continue to closely monitor PVNGS performance to confirm that the facility is operated safely and that your performance improvements are being sustained. We plan to conduct reactor oversight process baseline inspections at your facility and, in accordance with NRC Manual Chapter 0305, we plan to perform additional inspection activities over a two-year period to monitor your improvement initiatives. The first additional inspection activity is currently planned to be conducted January 11-15, 2010.

During this assessment cycle the staff identified that there were more than 3 green inspection findings with documented crosscutting aspects in the area of problem identification and resolution involving the failure to thoroughly evaluate problems. The staff noted that PVNGS recognized the cross-cutting theme and identified corrective actions for implementation that appear appropriate. Therefore, the staff has concluded that a substantive cross-cutting issue in problem identification and resolution does not exist at this time.

The enclosed inspection plan details the inspection, less those related to physical protection scheduled through December 31, 2010. The inspection plan is provided to allow for the resolution of any scheduling conflicts and personnel availability issues well in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The inspections in the last nine months of the inspection plan are tentative and may be revised at the end-of-cycle review. We are also evaluating potential changes to the inspection program in the radiation safety cornerstone. Consequently, some specific inspection procedures and the inspection schedule may be revised for 2010.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC 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).

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact Michael Hay at (817) 860-8173 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

Elmo E. Collins

Elmo E. Collins
Regional Administrator

Dockets: 50-528, 50-529, 50-530
Licenses: NPF-41, NPF-51, NPF-74

Enclosure:
Palo Verde Nuclear Generating Station Inspection/Activity Plan

cc w/Enclosure:
Mr. Steve Olea
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Mr. Douglas Kent Porter
Senior Counsel
Southern California Edison Company
Law Department, Generation Resources
P.O. Box 800
Rosemead, CA 91770

Chairman
Maricopa County Board of Supervisors
301 W. Jefferson, 10th Floor
Phoenix, AZ 85003

Mr. Aubrey V. Godwin, Director
Arizona Radiation Regulatory Agency
4814 South 40 Street
Phoenix, AZ 85040

Mr. Scott Bauer, Director
Regulatory Affairs
Palo Verde Nuclear Generating Station
Mail Station 7636
P.O. Box 52034
Phoenix, AZ 85072-2034

Mr. Dwight C. Mims,Vice President
Regulatory Affairs and Plant Improvement
Palo Verde Nuclear Generating Station
Mail Station 7605
P.O. Box 52034
Phoenix, AZ 85072-2034

Mr. Jeffrey T. Weikert,
Assistant General Counsel
El Paso Electric Company
Mail Location 167
123 W. Mills
El Paso, TX 79901

Mr. Eric Tharp
Los Angeles Department of Water & Power
Southern California Public Power Authority
P.O. Box 51111, Room 1255-C
Los Angeles, CA 90051-0100

Mr. James Ray
Public Service Company of New Mexico
2401 Aztec NE, MS Z110
Albuquerque, NM 87107-4224

Mr. Geoffrey M. Cook
Southern California Edison Company
5000 Pacific Coast Hwy. Bldg. D21
San Clemente, CA 92672

Mr. Robert Henry
Salt River Project
6504 East Thomas Road
Scottsdale, AZ 85251

Mr. Brian Almon
Public Utility Commission
William B. Travis Building
P.O. Box 13326
Austin, TX 78701-3326

Environmental Program Manager
City of Phoenix
Office of Environmental Programs
200 West Washington Street
Phoenix, AZ 85003

Mr. John C. Taylor
Director, Nuclear Generation
El Paso Electric Company
340 East Palm Lane, Suite 310
Phoenix, AZ 85004

Chief, Technological Hazards
Branch
FEMA Region IX
1111 Broadway, Suite 1200
Oakland, CA 94607-4052

Electronic distribution by RIV:
Regional Administrator (Elmo.Collins@nrc.gov)
Deputy Regional Administrator (Chuck.Casto@nrc.gov)
DRP Director (Dwight.Chamberlain@nrc.gov)
DRP Deputy Director (Anton.Vegel@nrc.goV)
DRP Director (Roy.Caniano@nrc.gov)
DRP Deputy Director (Troy.Pruett@nrc.gov)
Branch Chief, DRP/D (Mike.Hay@nrc.gov)
Senior Project Engineer, DRP/D (Don.Allen@nrc.gov)
Senior Resident Inspector (Ryan.Treadway@nrc.gov)
Resident Inspector (Michelle.Catts@nrc.gov)
Resident Inspector (Joseph.Bashore@nrc.gov)
Team Leader, DRP/TSS (Chuck.Paulk@nrc.gov)
RITS Coordinator (Marisa.Herrera@nrc.gov)
Public Affairs Officer (Victor.Dricks@nrc.gov)
Regional State Liaison Officer (Bill.Maier@nrc.gov)
RA Secretary (Lucy.Owen@nrc.gov)
DRA Secretary (Judy.Kilcrease@nrc.gov)
Branch Chief, DRS/EB1 (Thomas.Farnholtz@nrc.gov)
Branch Chief, DRS/EB2 (Neil.OKeefe@nrc.gov)
Branch Chief, DRS/PSB1 (Michael.Shannon@nrc.gov)
Branch Chief, DRS/PSB2 (Greg.Werner@nrc.gov)
Branch Chief, DRS/OB (Ryan.Lantz@nrc.gov)
OEDO RIV Coordinator, Primary (Leigh.Trocine@nrc.gov)
OEDO, TRPS (Tamara.Bloomer@nrc.gov)
Deputy Director, DIRS, NRR (Frederick.Brown@nrc.gov)
Director, DORL, NRR (Joseph.Giitter@nrc.gov)
Deputy Director, DORL, NRR (Timothy.McGinty@nrc.gov)
Chief, PLB IV, DORL, NRR (Thomas.Hiltz@nrc.gov)
NRR Project Manager (Fred.Lyon@nrc.gov)
Congressional Affairs Officer (Jenny.Weil@nrc.gov)
mortensengk@INPO.org

File located: _Reactors\EOC and Midcycle\Midcycle Assessment Letters\2009\PV.doc

SUNSI Rev Compl.	☒Yes ☐ No	ADAMS	☒Yes ☐ No	Reviewer Initials	MCH
Publicly Avail	☒Yes ☐ No	Sensitive	☐ Yes ☒ No	Sens. Type Initials	MCH

C:DRP/D	D:DRS	D:DRP	RA	
MCHay	RJCaniano	DDChamberlain	EECollins	
/RA/	/RA/	/RA/		
8/20/09	8/20/09	8/20/09	9/1/09	

OFFICIAL RECORD COPY T=Telephone E=E-mail F=Fax

Palo Verde
Inspection / Activity Plan
09/01/2009 - 12/31/2010

Unit Number	Planned Dates Start	Planned Dates End	Inspection Activity	Title	No. of Staff on Site
			U2-RVH	**- REACTOR VESSEL HEAD REPLACEMENT**	
2	04/01/2009	12/31/2009	IP 71007	Reactor Vessel Head Replacement Inspection	1
			EXAM	**- INITIAL EXAM**	
1	09/28/2009	10/02/2009	X02413	INITIAL EXAM UNIT1-PV (8/2009)	6
1	11/09/2009	11/20/2009	X02413	INITIAL EXAM UNIT1-PV (8/2009)	
2	11/09/2009	11/20/2009	X02414	INITIAL EXAM UNIT 2-PV (8/2009)	
3	11/09/2009	11/20/2009	X02415	INITIAL EXAM UNIT 3-PV (8/2009)	
			EB1-08	**- U2 INSERVICE INSPECTION ACTIVITIES**	
2	10/03/2009	12/01/2009	IP 2515/172	Reactor Coolant System Dissimiliar Metal Butt Welds	1
2	10/03/2009	12/01/2009	IP 7111108P	Inservice Inspection Activities - PWR	
			RP-ORS5	**- OCCUPATIONAL RADIATION SAFETY - ALARA**	
1, 2, 3	10/19/2009	10/23/2009	IP 7112101	Access Control to Radiologically Significant Areas	1
1, 2, 3	10/19/2009	10/23/2009	IP 7112102	ALARA Planning and Controls	
1, 2, 3	10/19/2009	10/23/2009	IP 71151	Performance Indicator Verification	
			PBD-CAL	**- CAL FOLLOW-UP INSPECTION**	
1, 2, 3	01/11/2010	01/15/2010	IP 92702	Followup On Corrective Actions For Violations And Deviations	3
			EB2-05T	**- TRIENNIAL FIRE PROTECTION**	
1, 2, 3	01/25/2010	01/29/2010	IP 7111105T	Fire Protection [Triennial]	4
1, 2, 3	02/08/2010	02/12/2010	IP 7111105T	Fire Protection [Triennial]	
			EB2-LRI	**- LICENSE RENEWAL INSPECTION**	
1, 2, 3	02/01/2010	02/05/2010	IP 71002	License Renewal Inspection	4
1, 2, 3	02/22/2010	02/26/2010	IP 71002	License Renewal Inspection	
			EP-1	**- BIENNIAL EP PROGRAM INSPECTION**	
1, 2, 3	02/08/2010	02/12/2010	IP 7111402	Alert and Notification System Testing	1
1, 2, 3	02/08/2010	02/12/2010	IP 7111403	Emergency Response Organization Augmentation Testing	
1, 2, 3	02/08/2010	02/12/2010	IP 7111404	Emergency Action Level and Emergency Plan Changes	
1, 2, 3	02/08/2010	02/12/2010	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies	
1, 2, 3	02/08/2010	02/12/2010	IP 71151-EP01	Drill/Exercise Performance	
1, 2, 3	02/08/2010	02/12/2010	IP 71151-EP02	ERO Drill Participation	
1, 2, 3	02/08/2010	02/12/2010	IP 71151-EP03	Alert & Notification System	
			RP-ORS1	**- OCCUPATIONAL RADIATION SAFETY - ALARA**	
1, 2, 3	02/08/2010	02/12/2010	IP 7112101	Access Control to Radiologically Significant Areas	1
1, 2, 3	02/08/2010	02/12/2010	IP 7112102	ALARA Planning and Controls	
2	02/08/2010	02/12/2010	IP 71151-OR01	Occupational Exposure Control Effectiveness	
1	02/08/2010	02/12/2010	IP 71151-PR01	RETS/ODCM Radiological Effluent	

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.

Palo Verde
Inspection / Activity Plan
09/01/2009 - 12/31/2010

Unit Number	Planned Dates Start	Planned Dates End	Inspection Activity	Title	No. of Staff on Site
			EB1-08P	**- INSERVICE INSPECTION - U1**	3
1	04/13/2010	05/07/2010	IP 2515/172	Reactor Coolant System Dissimiliar Metal Butt Welds	
1	04/13/2010	05/07/2010	IP 7111108P	Inservice Inspection Activities - PWR	
			RP-ORS2	**- OCCUPATIONAL RADIATION SAFETY - ACCESS**	1
1, 2, 3	04/19/2010	04/23/2010	IP 7112101	Access Control to Radiologically Significant Areas	
1, 2, 3	04/19/2010	04/23/2010	IP 7112102	ALARA Planning and Controls	
1	04/19/2010	04/23/2010	IP 71151-OR01	Occupational Exposure Control Effectiveness	
3	04/19/2010	04/23/2010	IP 71151-PR01	RETS/ODCM Radiological Effluent	
			BRQ	**- OPERATOR REQUAL INSP**	3
1, 2, 3	09/06/2010	09/10/2010	IP 7111111B	Licensed Operator Requalification Program	
			RP-ORS2	**- OCCUPATIONAL RADIATION SAFETY-ALARA**	1
1, 2, 3	09/13/2010	09/17/2010	IP 7112101	Access Control to Radiologically Significant Areas	
1, 2, 3	09/13/2010	09/17/2010	IP 7112102	ALARA Planning and Controls	
1, 2, 3	09/13/2010	09/17/2010	IP 71151-OR01	Occupational Exposure Control Effectiveness	
1, 2, 3	09/13/2010	09/17/2010	IP 71151-PR01	RETS/ODCM Radiological Effluent	
			EB1-08P	**- INSERVICE INSPECTION - U3**	3
3	10/04/2010	11/19/2010	IP 2515/172	Reactor Coolant System Dissimiliar Metal Butt Welds	
3	10/04/2010	11/19/2010	IP 7111108P	Inservice Inspection Activities - PWR	
			EXAM	**- INITIAL EXAM**	6
1	10/04/2010	10/08/2010	X02448	INITIAL EXAM UNIT 1-PV (11/2010)	
2	10/04/2010	10/08/2010	X02449	INITIAL EXAM UNIT 2 - PV (11/2010)	
3	10/04/2010	10/08/2010	X02450	INITIAL EXAM UNIT 3- PV(11/2010)	
1	11/08/2010	11/19/2010	X02448	INITIAL EXAM UNIT 1-PV (11/2010)	
2	11/08/2010	11/19/2010	X02449	INITIAL EXAM UNIT 2 - PV (11/2010)	
3	11/08/2010	11/19/2010	X02450	INITIAL EXAM UNIT 3- PV(11/2010)	
			PSB2-52B	**- BIENNIAL PI&R**	4
1, 2, 3	11/29/2010	12/03/2010	IP 71152B	Identification and Resolution of Problems	
1, 2, 3	12/13/2010	12/17/2010	IP 71152B	Identification and Resolution of Problems	

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.