



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

May 24, 2010

Mr. Randall K. Edington
Executive Vice President Nuclear/
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 -
LICENSE AMENDMENT REQUEST FOR APPROVAL OF THE CYBER
SECURITY PLAN (TAC NOS. ME2799, ME2800, AND ME2801)

Dear Mr. Edington:

By letter dated November 23, 2009 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML093360197), Arizona Public Service Company (the licensee) submitted a license amendment request (LAR) for the Palo Verde Nuclear Generating Station (PVNGS), Units 1, 2, and 3, respectively. The proposed LAR includes the cyber security plan, proposed changes to paragraph 2.E of Facility Operating License Nos. NPF-41, NPF-51, and NPF-74, respectively, for PVNGS, Units 1, 2, and 3, and a proposed Cyber Security Plan Implementation Schedule. The proposed cyber security plan has been submitted in accordance with Title 10 of the *Code of Federal Regulations* (10 CFR), Section 73.54. The purpose of this letter is to inform you that the U.S. Nuclear Regulatory Commission (NRC) staff has completed an initial review of this LAR. In accordance with the Office of Nuclear Reactor Regulation Office Instruction LIC-109, "Acceptance Review Procedures" (ADAMS Accession No. ML091810088), Section 3.1.3, the NRC staff has decided to forgo the traditional acceptance review due to the complexity and "first-of-a-kind" nature of this application. While the NRC staff has docketed your application, we are not rendering a judgment as to the acceptability of the submittal within the context of an acceptance review.

The cyber security plan submittal prepared for PVNGS Units 1, 2, and 3, is based on an earlier version of Nuclear Energy Institute (NEI) guidance. The NRC staff had significant generic concerns with this guidance. As a result of NRC staff discussions with NEI and the Executive Task Force of the industry Nuclear Security Working Group (NSWG), NEI and NSWG committed to representing operating power reactor licensees in resolving these concerns.

Through numerous interactions, the NRC staff has communicated its generic concerns with the NEI guidance. The security-related nature of the information required these interactions to be conducted in closed meetings not open to the public. A publicly available list of the specific issues discussed with NEI and NSWG was communicated to the licensees via e-mail dated March 9, 2010 (ADAMS Accession No. ML100680284).

By letter dated April 28, 2010 (ADAMS Accession Nos. ML101180434), NEI submitted Revision 6 to NEI 08-09, "Cyber Security Plan for Nuclear Power Reactors" (ADAMS Accession No. ML101180437), which contains changes that address the NRC staff concerns associated with

previous versions. Based on a technical review of the document, the Office of Nuclear Security and Incident Response, in its letter dated May 5, 2010 (ADAMS Accession No. ML101190371), concluded that submission of a cyber security plan using the template provided in NEI 08-09, Revision 6, dated April 2010, would be acceptable for use by licensees to comply with the requirements of 10 CFR 73.54, with the exception of the definition of "cyber attack."

Therefore, to resolve the NRC staff's concerns with the previously submitted LAR, the licensee is requested to review the list of generic issues provided via e-mail dated March 9, 2010, and provide a revised submittal. Please provide justification for any generic issues that will not be addressed in the revised submittal.

For any changes to the Cyber Security Plan proposed in the LAR, the licensee is requested to indicate that the revised submittal supersedes, in its entirety, the previous submittal or indicate what portions are superseded.

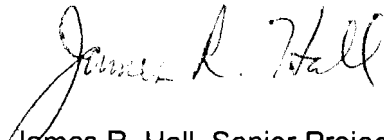
As an alternative to addressing the individual generic issues, the licensee may submit a revised Cyber Security Plan consistent with NRC Regulatory Guide (RG) 5.71* or submit a revised Cyber Security Plan consistent with NEI 08-09, Revision 6. However, if this option is exercised, the NRC staff expects that the existing application will be withdrawn and the revised application resubmitted at the same time.

The NRC staff requests that the licensee's response or revised application be submitted within 60 days of the date of this letter. Please contact me if circumstances result in the need to revise the requested response date.

Following receipt and review of your response, you will be advised by separate correspondence if any further information is needed to support the NRC staff's detailed technical review.

If you have any questions regarding this matter, I may be reached at (301) 415-4032.

Sincerely,



James R. Hall, Senior Project Manager
Plant Licensing Branch IV
Division of Operating Reactor Licensing
Office of Nuclear Reactor Regulation

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

cc: Distribution via ListServ

* In January 2010, the NRC staff issued RG 5.71, "Cyber Security Programs for Nuclear Facilities" (ADAMS Accession No. ML090340159). This guidance provides an approach that the NRC staff deems acceptable for complying with the Commission's regulations regarding the protection of digital computers, communications systems, and networks from a cyber security attack.

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