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

June 4, 2010

Randall K. Edington
Executive Vice President
Nuclear / CNO
Arizona Public Service Co.
P.O. Box 52034, MS 7602
Phoenix, AZ 85072-2034

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3 –
NRC MATERIAL CONTROL AND ACCOUNTING PROGRAM INSPECTION
REPORT 05000528/2010404, 05000529/2010404 AND 05000530/2010404

Dear Mr. Edington:

On April 23, 2010, the U.S. Nuclear Regulatory Commission (NRC) completed an inspection of a security baseline inspection at your Palo Verde Nuclear Generating Station, Units 1, 2, and 3. The inspection covered the material control and accounting of special nuclear material attribute of the security cornerstone of the NRC's Reactor Oversight Process. The enclosed inspection report documents the inspection results, which were discussed on April 23, 2010, 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.

Based on the results of this inspection, no findings were identified. However, a licensee-identified violation which was determined to be of very low safety significance is listed in this report. The NRC is treating this violation as a noncited violation consistent with Section VI.A.1 of the NRC Enforcement Policy because of the very low safety significance of the violation and because it was entered into your corrective action program. If you contest this noncited 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,

"Enclosure transmitted herewith contains SUNSI. When separated from enclosure, this transmittal document is decontrolled."

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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 76011-4125; 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 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/

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 05000528/2010404,
05000529/2010404 and 05000530/2010404 w/Attachment:
Supplemental Information

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cc w/o enclosure:

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Security-Related Complete Report - OOU:

SUNSI Review Completed: LCC1 ADAMS: Yes Initials: LCC1
 Non-Publicly Available Sensitive-Security- Related-Periodic Review Required

Letter Only:

SUNSI Review Completed: LCC1 ADAMS: Yes Initials: LCC1
 Publicly Available Non-Sensitive

ML101580392

PSB2	C:PSB2	C:PBD	C:PSB2
LCCarsonII	GEWerner	RELantz	GEWerner
/RA/	/RA/	/RA/	/RA/
6/ 3 /10	6/ 3 /10	6/ 3 /10	6/ 4 /10