



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
1600 EAST LAMAR BLVD
ARLINGTON, TEXAS 76011-4511

September 4, 2012

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

SUBJECT: MID-CYCLE ASSESSMENT LETTER FOR PALO VERDE NUCLEAR
GENERATING STATION, UNITS 1, 2, AND 3 (REPORTS 05000528/2012006,
05000529/2012006, AND 05000530/2012006)

Dear Mr. Edington:

On August 15, 2012, the U.S. Nuclear Regulatory Commission (NRC) completed its mid-cycle performance review of Palo Verde Nuclear Generating Station, Units 1, 2, and 3. The NRC reviewed the most recent quarterly performance indicators (PIs) in addition to inspection results and enforcement actions from July 1, 2011, through June 30, 2012. This letter informs you of the NRC's assessment of your facility during this period and its plans for future inspections at your facility. This assessment reflects the integration of the Security Cornerstone into the Reactor Oversight Process (ROP) performance assessment program governed by IMC 0305, "Operating Reactor Assessment Program."

The NRC determined the performance at Palo Verde Nuclear Generating Station, Units 1, 2, and 3 during the most recent quarter was within the Regulatory Response Column of the NRC's ROP Action Matrix because of one greater-than-green Security Cornerstone input as described in NRC Inspection Report 5000528; 05000529; 05000530/2011404 dated May 7, 2012 (ML12128A195). On May 22, 2012, the staff issued an assessment follow-up letter to you notifying you that all three units had been transitioned to the Regulatory Response column of the ROP Action Matrix effective the beginning of the fourth quarter, 2011 and that a follow-up inspection of the security input was not warranted due to your effective implementation of the corrective action program associated with this issue (ML12143A553).

The enclosed inspection plan lists the inspections scheduled through December 31, 2013. Routine inspections performed by resident inspectors are not included in the inspection plan. In addition to the baseline inspections, consistent with the Agency's actions related to Fukushima, the NRC will perform TI-187, "Inspection of Near-Term Task Force Recommendation 2.3 Flooding Walkdowns," and TI-188, "Inspection of Near-Term Task Force Recommendation 2.3 Seismic Walkdowns." The inspections listed during the last nine months of the inspection plan are tentative and may be revised at the end-of-cycle performance review. The NRC provides

the inspection plan to allow for the resolution of any scheduling conflicts and personnel availability issues. The NRC will contact you as soon as possible to discuss changes to the inspection plan should circumstances warrant any changes. This inspection plan does not include security-related inspections, which will be sent via separate, non-publicly available correspondence.

In our mid-cycle assessment letter dated September 1, 2011, the NRC staff explained our intent to conduct Inspection Procedure 92723, "Follow Up Inspection For Three or More Severity IV Traditional Enforcement Violations in the Same Are in a 12-Month Period," to review four violations that impacted the ability of the NRC to perform its regulatory oversight function. From July 1, 2011, to June 30, 2012, the NRC issued three additional traditional enforcement violations associated with the failure to provide complete and accurate information to the NRC and therefore impeded the regulatory process. You informed the NRC staff that you were continuing with your evaluation of this area based on these three additional violations, and would inform us when your evaluation was complete. The NRC will conduct Inspection Procedure 92723 after notification from you that Palo Verde Nuclear Generating Station is prepared for the inspection. This inspection procedure is conducted to provide assurance that the root and contributing causes of multiple traditional enforcement violations are understood, the extent of condition and extent of cause are identified, and the corrective actions are sufficient to address the identified causes.

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 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).

Please contact Mr. Ryan Lantz, Chief, Projects Branch D, at (817) 200-1173 with any questions you have regarding this letter.

Sincerely,



Kriss M. Kennedy, Director
Division of Reactor Projects

Docket Nos.: 0500528, 05000529, 05000530
License Nos.: NPF-41, NPF-51, NPF-74

Enclosure: Palo Verde Nuclear Generating Station Inspection Plan

cc w/Enclosure: Electronic Distribution

Palo Verde
Inspection / Activity Plan
09/01/2012 - 12/31/2013

| Unit Number | Planned Dates Start | Planned Dates End | Inspection Activity | Title | No. of Staff on Site |
|-------------|---------------------|-------------------|---|---|----------------------|
| 1, 2, 3 | 03/01/2012 | 12/31/2012 | TI-182 - UNDERGROUND PIPING PHASE 1 IP 2515/182 | Review of the Implementation of the Industry Initiative to Control Degradation of Underground Piping | 3 |
| 1, 2, 3 | 07/01/2012 | 12/31/2012 | 2515/187 - FLOODING WALKDOWN IP 2515/187 | FLOODING WALKDOWN | 4 |
| 1, 2, 3 | 07/01/2012 | 12/31/2012 | 2515/188 - SEISMIC WALKDOWNS IP 2515/188 | Inspection of Near-Term Task Force Recommendation 2.3 Flooding Walkdowns SEISMIC WALKDOWNS | 4 |
| 1, 2, 3 | 07/01/2012 | 12/31/2012 | TSB-52B - BIENNIAL PI&R INSPECTION IP 71152B | Inspection of Near-Term Task Force Recommendation 2.3 Seismic Walkdowns BIENNIAL PI&R INSPECTION | 7 |
| 1, 2, 3 | 10/22/2012 | 10/26/2012 | IP 71152B | Problem Identification and Resolution | |
| 1, 2, 3 | 11/05/2012 | 11/09/2012 | IP 71152B | Problem Identification and Resolution | |
| 2 | 10/01/2012 | 10/14/2012 | PSB2-08P - INSERVICE INSPECTION - U2 IP 7111108P | Inservice Inspection Activities - PWR | 4 |
| 1, 2, 3 | 11/26/2012 | 11/30/2012 | RS24 - RADIATION SAFETY IP 71124.02 | RADIATION SAFETY | 2 |
| 1, 2, 3 | 11/26/2012 | 11/30/2012 | IP 71124.04 | Occupational ALARA Planning and Controls | |
| 1, 2, 3 | 01/01/2013 | 06/30/2013 | TI-182 - UNDERGROUND PIPING PHASE 1 IP 2515/182 | Occupational Dose Assessment UNDERGROUND PIPING PHASE 1 | 3 |
| 1, 2, 3 | 01/01/2013 | 12/31/2013 | 2515/187 - FLOODING WALKDOWN IP 2515/187 | Review of the Implementation of the Industry Initiative to Control Degradation of Underground Piping FLOODING WALKDOWN | 3 |
| 1, 2, 3 | 01/01/2013 | 12/31/2013 | 2515/188 - SEISMIC WALKDOWNS IP 2515/188 | Inspection of Near-Term Task Force Recommendation 2.3 Flooding Walkdowns SEISMIC WALKDOWNS | 4 |
| 1, 2, 3 | 01/01/2013 | 12/31/2013 | PSB2-RP - RADIATION SAFETY IP 71124.05 | Inspection of Near-Term Task Force Recommendation 2.3 Seismic Walkdowns RADIATION SAFETY | 4 |
| 1, 2, 3 | 01/07/2013 | 01/11/2013 | IP 71124.06 | Radiation Monitoring Instrumentation | |
| 1, 2, 3 | 01/07/2013 | 01/11/2013 | IP 71124.06 | Radioactive Gaseous and Liquid Effluent Treatment | |
| 1, 2, 3 | 01/07/2013 | 01/11/2013 | IP 71124.07 | Radiological Environmental Monitoring Program | |
| 1, 2, 3 | 01/07/2013 | 01/11/2013 | IP 71124.08 | Radioactive Solid Waste Processing and Radioactive Material Handling, Storage, and Transportation | |
| 1, 2, 3 | 01/28/2013 | 02/01/2013 | EB2-05T - TRIENNIAL FIRE PROTECTION INSPECTION IP 7111105T | TRIENNIAL FIRE PROTECTION INSPECTION | 4 |
| 1, 2, 3 | 02/11/2013 | 02/15/2013 | IP 7111105T | Fire Protection [Triennial] | |
| 1, 2, 3 | 03/04/2013 | 03/08/2013 | EP1 - BIENNIAL EXERCISE INSPECTION IP 7111401 | BIENNIAL EXERCISE INSPECTION | 4 |
| 1, 2, 3 | 03/04/2013 | 03/08/2013 | IP 7111401 | Exercise Evaluation | |
| 1 | 04/11/2013 | 04/22/2013 | PSB2-ISI - INSERVICE INSPECTION IP 7111108P | Exercise Evaluation INSERVICE INSPECTION | 1 |

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

| Unit Number | Planned Dates Start | Planned Dates End | Inspection Activity | Title | No. of Staff on Site |
|-------------|---------------------|-------------------|--|--|----------------------|
| 3 | 10/07/2013 | 10/18/2013 | IP 7111108P PSB2-ISI - INSERVICE INSPECTION | Inservice Inspection Activities - PWR | 1 |
| 3 | 10/07/2013 | 10/18/2013 | IP 7111108P PSB2-ISI - PV UNIT 3 INSERVICE INSPECTION | Inservice Inspection Activities - PWR | 1 |
| 1, 2, 3 | 10/21/2013 | 11/22/2013 | IP 7111121 EB1-21 - COMPONENT DESIGN BASIS INSPECTION | Component Design Bases Inspection | 7 |
| 1, 2, 3 | 10/14/2013 | 10/18/2013 | IP 71124.01 PSB2-RP - RADIATION SAFETY | Radiological Hazard Assessment and Exposure Controls | 2 |
| 1, 2, 3 | 10/14/2013 | 10/18/2013 | IP 71124.02 | Occupational ALARA Planning and Controls | |
| 2 | 10/14/2013 | 10/18/2013 | IP 71151-OR01 | Occupational Exposure Control Effectiveness | |
| 1 | 10/14/2013 | 10/18/2013 | IP 71151-PR01 | RETS/ODCM Radiological Effluent | |

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