



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION V

1450 MARIA LANE
WALNUT CREEK, CALIFORNIA 94596-5368

FEB 3 1992

Docket Nos. 50-528, 50-529, and 50-530
License Nos. NPF-41, NPF-51, and NPF-74
EA 91-182

Arizona Public Service Company
ATTN: Mr. William F. Conway
Executive Vice President, Nuclear
Post Office Box 53999, Sta. 9012
Phoenix, Arizona 85072-3999

Dear Sir:

SUBJECT: NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL
PENALTIES - \$162,500
(NRC INSPECTION REPORT NOS. 50-528, 529, & 530/91-47
AND 50-529/91-49)

This refers to inspections conducted between October 27, 1991 and December 2, 1991 at the Palo Verde Nuclear Generating Station. The results of these inspections were documented in NRC Inspection Report Nos. 50-528, 529, & 530/91-47 and 50-529/91-49, each dated December 12, 1991. The reports document our review of the partial loss of offsite power event which occurred on Unit 3 on November 15, 1991, violation of Technical Specifications relating to refueling activities identified by you and reported by Licensee Event Report 91-06, and of three other procedural violations that occurred during refueling activities at Unit 2 on October 27, 1991. All of these issues were discussed with you and your staff during an enforcement conference held in the Region V office on December 18, 1991. Our discussions during the enforcement conference were summarized in Meeting Report No. 50-528, 529, 530/91-51, transmitted to you on January 17, 1992.

The enclosed Notice of Violation and Proposed Imposition of Civil Penalties (Notice) concerns all of the above issues. With respect to the first event, the partial loss of offsite power due to a crane boom contacting the east 13.8 kV transmission line, numerous failures by your staff to adhere to procedures, properly plan evolutions, communicate using prescribed methods, and properly assess and incorporate industry experience demonstrate a significant loss of command and control both prior to and during the event. Similar procedural and communications problems were apparent in the second event. Your staff's failure to ensure supervision of core alteration activities by a senior reactor operator (SRO), and your staff's failure to ensure direct communication between the control room and the personnel at the refueling station, resulted in the control element assemblies

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being lifted approximately one foot out of the reactor core without an SRO present, and without the control room knowing of the evolution.

Within the general areas described above, the first event demonstrated numerous individual weaknesses in the conduct of activities at Palo Verde. Those weaknesses are described in the enclosed Notice and included the failure to adhere to a number of crane operating precautions and procedures, work planners unfamiliar with the work to be conducted, designation of an individual as responsible for the work to be performed without providing him the necessary information relative to his responsibilities, excessive hours of work for a number of the individuals involved, and improper communications with the control room when reporting the event which resulted in the control room operators taking some improper actions. In addition, this event is of particular concern to the NRC because of Arizona Public Service Company's (APS) failure to benefit from the lessons learned at other plants that have had similar power losses, which have been documented in NRC generic correspondence previously provided to APS.

The second event is of concern to the NRC in that it demonstrates a lack of sufficient management involvement in refueling activities. At the enforcement conference, your staff narrowly focused on the refueling contractor's failure to follow the procedure as the primary cause of the event. However, in discussing the involvement of the senior reactor operator (SRO) in the refueling activities leading up to the event, your staff stated that the SRO had not attended the pre-work briefing; did not have a copy of the procedure with her; was not in close proximity to the personnel conducting the work; and was confused as to which part of the procedure was in progress. Collectively, this demonstrates that the actual cause of the event was APS management's failure to clearly define responsibility and accountability for refueling activities, and its failure to ensure that reactor core alterations were clearly and directly supervised by a licensed SRO, as required by the Technical Specifications.

In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions" (Enforcement Policy), 10 CFR Part 2, Appendix C (1991), the violations associated with the November 15, 1991 partial loss of offsite power event have collectively been categorized as a Severity Level III problem. In addition, the failure to properly supervise core alterations has been separately categorized as a Severity Level III violation.

Three additional violations identified in NRC Inspection Report 50-529/91-49 have each been categorized at Severity Level IV, and are listed in Section II of the enclosed Notice. These violations involved the failure to establish the water level.

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required by procedure during core alterations; the failure to perform boron sampling as required by procedure; and the failure of operators to follow procedures when the 120 volt A.C. abnormal condition was annunciated in the control room. These violations further demonstrate a lack of sensitivity to the need to control refueling activities.

Corrective actions immediately following the partial loss of offsite power event were adequate. However, your corrective actions focused too narrowly on the procedural aspects of the problem rather than the broader deficiencies. With regard to the refueling event, your initial actions corrected procedural inadequacies, and the corrected procedures allowed you to complete the activity. However, these corrective actions while prompt were not aggressive or comprehensive. Additional violations related to the refueling activities, as set forth in Section II of the Notice occurred subsequent to the resumption of the core alterations. Further, as discussed above, at the enforcement conference, you failed to demonstrate that you fully assessed the root cause of the event.

The events discussed above indicated the need for adequate command and control of any activities that may affect safety-related equipment, the need to thoroughly assess industry events and experience, and the need for clear designation of responsibilities and control of activities such as refueling including strict adherence to procedural controls. To emphasize these areas, I have been authorized, after consultation with the Director, Office of Enforcement, and the Deputy Executive Director for Nuclear Reactor Regulation, Regional Operations and Research, to issue the enclosed Notice of Violation and Proposed Imposition of Civil Penalties (Notice) in the cumulative amount of \$162,500 for the two Severity Level III issues. The base value of a civil penalty for a Severity Level III violation or problem is \$50,000. The escalation and mitigation factors in the Enforcement Policy were considered for each matter as discussed below.

For the Severity Level III problem regarding the loss of offsite power event, the base civil penalty was escalated 25% because your corrective actions were narrowly focused and did not address the underlying deficiencies. The base civil penalty was also escalated an additional 100% for prior notice of similar events. The NRC had issued two Information Notices prior to the event alerting APS management to the need for increased vigilance in the area of activities affecting shut-down plants (in particular loss of AC power as a result of activities similar to those that were involved with this event). Further, the Director of the Office of Nuclear Reactor Regulation wrote personally to senior APS management to reemphasize the message of the Information Notices. The other adjustment factors in the Policy were considered but no further adjustments to the base civil penalty

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were considered appropriate. Therefore, on balance, the base civil penalty has been escalated a total of 125 percent.


For the refueling violation, the base value of the civil penalty was mitigated 50 percent for your identification and reporting of the violation. The base civil penalty was escalated 50 percent because, although your immediate corrective actions to ensure the presence of an SRO during core alterations were prompt, you did not address the overall issue of lack of clear responsibility and control over the evolution. As discussed above, additional violations related to refueling were then identified following the resumption of core alterations. The other adjustment factors in the Policy were considered, but no further adjustments to the base civil penalty were considered appropriate. Therefore, on balance, no adjustment to the base civil penalty has been deemed appropriate.

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing your response. In your response, you should document the specific actions taken and any additional actions you plan to prevent recurrence. After reviewing your response to this Notice, including your proposed corrective actions and the results of future inspections, the NRC will determine whether further NRC enforcement action is necessary to ensure compliance with NRC regulatory requirements.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be placed in the NRC Public Document Room.

The responses directed by this letter and the enclosed Notice are not subject to the clearance procedures of the Office of Management and Budget as required by the Paperwork Reduction Act of 1980, Pub. L. No. 96-511.

Sincerely,


J. B. Martin
Regional Administrator

Enclosure: Notice of Violation and
Proposed Imposition of Civil Penalties

See next page for cc's

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cc: w/enclosure: Mr. O. Mark DeMichele, APS
Mr. James M. Levine, APS
Mr. Jack N. Bailey, APS
Mr. E. C. Simpson, APS
Mr. Stephen Guthrie, APS
Mr. Thomas R. Bradish, APS
Mr. Robert W. Page, APS
Ms. Nancy C. Loftin, Esq., APS
Mr. Al Gutterman, Newman & Holtzinger, P.C.
Mr. James A. Boeletto, Esq., Assistant Counsel, SCE Company
Mr. Charles B. Brinkman, Combustion Engineering, Inc.

Mr. William A. Wright, Acting Director, Arizona Radiation
Regulatory Agency
Chairman, Maricopa County Board of Supervisors
Mr. Steve M. Olea, Chief Engineer, Arizona Corporation Commission
Ignacio R. Troncoso, El Paso Electric Company
Roy P. Lessy, Jr., Esq., Akin, Gump, Strauss, Hauer and Feld
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