



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION V

1450 MARIA LANE
WALNUT CREEK, CALIFORNIA 94596-5368

APR 01 1994

Docket Nos. 50-528, 50-529, and 50-530
License Nos. NPF-41, NPF-51 and NPF-74
EA 94-011

Arizona Public Service Company
P.O. Box 53999, Station 9082
Phoenix, Arizona 85072-3999

Attention: Mr. William F. Conway
Executive Vice President, Nuclear

SUBJECT: NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL
PENALTY - \$100,000 (NRC INSPECTION REPORT NOS.
50-528/529/530/93-54)

This refers to the inspection conducted on December 15-17, 1993, at Arizona Public Service Company's (APS) Palo Verde Nuclear Generating Station, and in-office review of selected background investigation screening files through January 12, 1994. This inspection included an examination of the circumstances surrounding Palo Verde's grant of unescorted site access to individuals based upon false and/or incomplete information, and confirmed significant deficiencies in APS' access authorization program, which APS reported to the NRC in accordance with 10 CFR 73.71. The inspection report was sent to APS on January 21, 1994. An enforcement conference was held with members of your staff in Region V on February 8, 1994, during which we discussed the violations, their causes, and APS' corrective actions. A summary report of the conference was sent to APS on February 16, 1994.

The enclosed Notice of Violation and Proposed Imposition of Civil Penalty (Notice) describes two licensee-identified violations of NRC regulatory requirements and Palo Verde security procedures involving: (1) failure to ensure that an APS contractor, B&W Nuclear Technology (BWNT), conducted adequate background investigations before APS granted certain individuals unescorted site access to Palo Verde; and (2) failure to ensure that BWNT conducted required annual audits of private investigative agencies that assisted BWNT in conducting background investigations. These violations represent a significant failure of APS' security program in that on three occasions individuals were granted unescorted access to the Palo Verde site when background investigation information was available indicating that those individuals should not have been granted such access. These two violations have been aggregated into one Severity Level III problem.

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To emphasize the need for and importance of management attention to the security program, and to ensure that access authorization activities are conducted in accordance with NRC regulations, I have been authorized, after consultation with the Director, Office of Enforcement, to issue the enclosed Notice of Violation and Proposed Imposition of Civil Penalty (Notice) in the amount of \$100,000 for the Severity Level III problem. The base value of a civil penalty for a Severity Level III violation is \$50,000. The escalation and mitigation factors set forth in the Enforcement Policy were considered.

Mitigation of the base civil penalty by 50% was warranted because APS identified and reported this problem to the NRC. In addition, mitigation of the penalty by another 50% is warranted due to APS' prompt and comprehensive corrective actions, including suspension of site access for the affected individuals, and initiation of a thorough audit of BWNT's access authorization program. Based on this audit, APS suspended unescorted access for the remaining 75 individuals at Palo Verde who had been previously certified by BWNT, pending APS' independent review and approval, and discontinued granting unescorted site access based on Letters of Certification from BWNT. However, escalation of the base civil penalty amount by 100% was warranted based on two prior opportunities to prevent the violations: first, NRC Information Notice 91-59, "Problems With Access Authorization Programs," dated September 23, 1991, should have led APS to review its program for similar problems; second, APS' May 1993 audit of BWNT provided another opportunity to identify these problems before the October 1993 occurrence of the violations being cited in the Notice. In addition, the base amount of the civil penalty was increased by 100% due to the multiple violations cited in the enclosed Notice. The other adjustment factors were considered and no further adjustment based on these factors is warranted. Therefore, based on the above, a civil penalty of \$100,000 is appropriate.

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing its response. In your response, you should document the specific actions taken and any additional actions planned to prevent recurrence. After reviewing the response to this Notice, including 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.

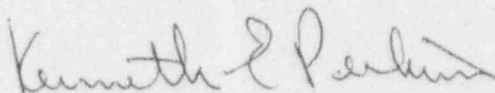
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The responses directed by this letter and the enclosed Notice are not subject to the clearance procedures of the Office of Management and Budget as required by the Paperwork Reduction Act of 1980, Pub. L. No. 96-511.

Should APS have any questions concerning this letter, please contact us.

Sincerely,



K. E. Perkins, Jr.
Acting Regional Administrator

Enclosure: Notice of Violation and
Proposed Imposition of Civil Penalty

cc:

Mr. Paul Caudill, Director, Services Division, APS
Mr. Ronald J. Stevens, Director, Nuclear Regulatory Affairs, APS
Mr. Steve Olea, Arizona Corporation Commission
Mr. James A. Beoletto, Esq., Southern California Edison Company
Mr. Charles B. Brinkman, Manager, Washington Nuclear Operations
Mr. Aubrey Godwin, Director, Arizona Radiation Regulatory Agency
Chairman, Maricopa County Board of Supervisors
Mr. Jack R. Newman, Esq., Newman & Holzinger, P.C.
Mr. Curtis Hoskins, Executive Vice President and Chief Operating
Officer, Palo Verde Services
Mr. Roy P. Lessey, Jr., Esq., Akin, Gump, Strauss, Hauer and Fled

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bcc:

- D. Sullivan, ILPB (Electronic Copy)
- N. Ervin, NRR/PSGB
- E. McCabe, Region I
- D. McGuire, Region II
- J. Creed, Region III
- B. Murray, Region IV
- Project Inspector
- G. Cook
- M. Smith
- D. Riley
- RV Docket File
- Inspection File

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- Enforcement Coordinators
- RI, RII, RIII, RIV and RV
- K. Johnston, Senior Resident Inspector, Palo Verde
- F. Ingram, PA
- D. Williams, IG
- B. Hayes, OI
- E. Jordan, AEOD
- R. Rosano, OE
- OE:Chron
- OE:EA (2)

DCS Yes No
 PDR Yes No

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<i>MB</i> MBlume	<i>RP</i> RPate	<i>RS</i> RSarano	<i>KP</i> KPerkins
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REQUEST COPY YES / NO	REQUEST COPY YES / NO	REQUEST COPY YES / NO	REQUEST COPY YES / NO
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