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ENCLOSURE 2

**U.S. NUCLEAR REGULATORY COMMISSION
REGION IV**

Docket Nos.: 50-528; 50-529; 50-530
License Nos.: NPF-41; NPF-51; NPF-74
Report No.: 50-528/98-01; 50-529/98-01; 50-530/98-01
Licensee: Arizona Public Service Company
Facility: Palo Verde Nuclear Generating Station, Units 1, 2, and 3
Location: 5951 S. Wintersburg Road
Tonopah, Arizona
Dates: January 12-16, 1998
Inspector: A. B. Earnest, Physical Security Specialist, Plant Support Branch
Approved By: Blaine Murray, Chief
Plant Support Branch
Division of Reactor Safety
Attachment: Supplemental Information

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EXECUTIVE SUMMARY

Palo Verde Nuclear Generating Station, Units 1, 2, and 3
NRC Inspection Report 50-528/98-01; 50-529/98-01; 50-530/98-01

Plant Support

This routine, announced inspection focused on the licensee's physical security program. The areas inspected included review of alarm stations, protected area barriers, protected area detection aids, vital area barriers, vital area detection aids, lock and key control, assessment aids, protection of safeguards information, security event logs, and followup of previously identified items. A significant improvement was noted in the security program implementation of all areas inspected.

- The alarm stations were redundant, well protected, and the operators were alert, well trained, and efficient (Section S1.1)
- The protected area barriers met or exceeded all requirements (Section S2.1).
- A violation was identified in that three zones of perimeter detection failed intrusion tests. The licensee's corrective actions included increased testing of the protected area detection aids (Section S2.2).
- An effective vital area barrier system was in place (Section S2.3)
- The vital area detection aids were adequate to detect an intruder attempting to enter the vital areas (Section S2.4).
- An effective lock and key control system was maintained (Section S2.5).
- The assessment aids system provided excellent assessment of the perimeter detection zones. The addition of the video capture system was a significant addition to the assessment aids system (Section S2.6).
- The program for protecting safeguards information was effective (Section S8.1).
- An excellent system was in place for reporting safeguards events (Section S8.2).

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UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION IV

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ARLINGTON, TEXAS 76011-8064

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February 3, 1998

James M. Levine, Senior Vice
President, Nuclear
Arizona Public Service Company
P.O. Box 53999
Phoenix, Arizona 85072-3999

SUBJECT: NRC INSPECTION REPORT 50-528/98-01; 50-529/98-01; 50-530/98-01 AND
NOTICE OF VIOLATION

Dear Mr. Levine:

An NRC inspection was conducted January 12-16, 1998, at your Palo Verde Nuclear Generating Station, Units 1, 2, and 3 reactor facilities. The enclosed report presents the scope and results of that inspection.

Areas examined during the inspection included portions of your physical security program. We determined that your security program was properly implemented. We noted significant performance improvement in the security program areas inspected.

During the inspection, one violation of NRC requirements was identified. The violation involved inadequate protected area detection aids. The violation is cited in the enclosed Notice of Violation (Notice) and the circumstances surrounding this violation are described in detail in the enclosed report. The NRC has concluded that information regarding the reason for the violation, the corrective actions taken and planned to correct the violation and prevent recurrence was adequately addressed prior to the end of the inspection. Therefore, you are not required to respond to this letter unless the description therein does not accurately reflect your corrective actions or your position. In that case, or if you choose to provide additional information, you should follow the instructions specified in the enclosed Notice.

The material enclosed herewith contains Safeguards Information as defined by 10 CFR 73.21 and its disclosure to unauthorized individuals is prohibited by Section 147 of the Atomic Energy Act of 1954, as amended. Therefore, the material will not be placed in the Public Document Room.

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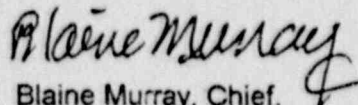
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Should you have any questions concerning this inspection, we will be pleased to discuss them with you.

Sincerely,



Blaine Murray, Chief,
Plant Support Branch,
Division of Reactor Safety

Docket Nos.: 50-528; 50-529; 50-530
License Nos.: NPF-41; NPF-51; NPF-74

Enclosures:

1. Notice of Violation
2. NRC Inspection Report
50-528/98-01; 50-529/98-01; 50-530/98-01

cc: without safeguards portion of the report:

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