UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION V

1450 MARIA LANE
WALNUT CREEK, CALIFORNIA 94596-5368

FEB 24 1992

Docket Nos. 50-528, 50-529, and 50-530
License Nos. NPF-41, NPF-51 and NPF-74
EA 92-014

Arizona Public Service Company
P.O. Box 53999, Station 9012
Phoenix, Arizona 85072-3999

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

SUBJECT: NOTICE OF VIOLATION (NRC INSPECTION REPORT NOS. 50-528/92-01, 50-529/92-01 AND 50-530/92-01)

This refers to the inspection conducted on January 13-23, 1992, at the Palo Verde Nuclear Generating Station. The inspection included an examination of the circumstances associated with three security violations that you identified in your safeguards event logs. The report of this inspection was sent to you on January 31, 1992. An enforcement conference was held with you and members of your staff at the Region V office on February 11, 1992. At that time we discussed with you the violations identified in the report, their causes, your corrective actions, and our concerns. A summary report of the conference was sent to you on February 14, 1992.

The violations described in the enclosed Notice of Violation (Notice) include: (1) failure of security officers on two occasions to maintain positive access control of individuals entering vital areas; (2) failure of security supervisors on two occasions to implement compensatory security measures; and (3) failure on eight occasions to appropriately protect safeguards information. The failure of security officers on two occasions to maintain positive access control of individuals entering and exiting vital areas is a significant violation of your security plan. Collectively, these violations demonstrated that security personnel were either not familiar with approved security procedures, or that security management was unable to effectively communicate to these individuals the need to comply with these procedures. These failures may indicate a more serious problem with the approach of security personnel to their job responsibilities and warrants your prompt attention to preclude the possibility of more serious compromises.

Under the "General Statement of Policy and Procedure for NRC Enforcement Action" (Enforcement Policy), 10 CFR Part 2, Appendix C (1991), violations of this type would have been categorized at Severity Level III. However, the Commission recently modified the Enforcement Policy (57 Fed. Reg. 5791, February 18, 1992), and under the modified Policy, these violations would normally be categorized at Severity Level IV. We nonetheless considered proposing a civil penalty for the violations because they were repeats of a July 1991 violation, but in view of the unique nature of that violation and of

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your prompt, aggressive corrective actions, we have concluded that a civil penalty would be inappropriate.

In accordance with the Enforcement Policy, Part V.G.1., the criteria for non-cited violations were considered for each of these three Level IV violations. However, since each of these violations involved several occurrences of a similar problem, it was evident that you had not exercised sufficient initiative to effectively correct these violations prior to the February 11, 1992, enforcement conference. For this reason, we have cited each of these violations.

The assignment of a lower severity level to these violations should not suggest that the violations are not important. We are very concerned about the significant increase of human-errors on the part of members of the security force, which seems to demonstrate a decline in the overall performance of the security program. Future violations will be carefully scrutinized and may result in more significant enforcement actions.

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.

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

Sincerely,

Ross A. Scarano, Director
Division of Radiation Safety
and Safeguards

Enclosure: Notice of Violation

cc w/enclosure:
Mr. O. DeMichele, APS
Mr. J. Levine, APS
Mr. J. Bailey, APS
Mr. E. Simpson, APS
Mr. P. Caudill, APS
Mr. S. Guthrie, APS

Mr. T. Bradish, APS
Mr. R. Page, APS
Ms. N. Loftin, Esq. (Snell & Wilmer)
Mr. A. Gutterman, Newman and Holtzinger
Mr. J. Boeletto, Esq., Assistant Council, SCE Company
Mr. C. Brinkman, Combustion Engineering, Inc.
Mr. W. Wright, Acting Director, Arizona Radiation Regulatory Agency
Chairman, Maricopa County Board of Supervisors
Mr. S. Olea, Chief, Engineering, Arizona Corporation Commission
Mr. I. Troncoso, El Paso Electric Company
Mr. R. Lessy, Jr., Esq., Akin, Gump, Strauss, Hauer and Feld
Mr. B. Jones, Esq., Akin, Gump, Strauss, Hauer and Feld
Mr. J. Newman, Esq., Newman & Holtzinger
Mr. R. Rosano, OE

bcc w/enclosure:
Docket File, Region V
Project Inspector, Region V
Resident Inspector
G. Cook, Region V
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bcc w/o enclosure:
M. Smith, Region V
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Region V/vivian

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2/21/92	2/21/92	2/21/92	2/21/92	2/24/92

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[(YES) NO]	[(YES) NO]	[(YES) NO]	[YES (NO)]	[YES (NO)]

[SEND TO PDR]
[(YES) NO]

RECORD NOTE:

① This course of action was discussed with + agreed to by J. Lieberman (OE) on 2/20/92.