

Docket File



UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

October 29, 1999

Mr. Gregg R. Overbeck
Senior Vice President, Nuclear
Arizona Public Service Company
P. O. Box 52034
Phoenix, AZ 85072-2034

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3 -
WITHDRAWAL OF EXEMPTION REQUEST/ EXEMPTION FROM FEES/
REFUND REQUEST (TAC NOS. M94139, M94140, AND M94141)

Dear Mr. Overbeck:

I am responding to your December 17, 1998, letter informing the NRC that Arizona Public Service Company (APS) wishes to withdraw its November 27, 1995, request for exemption from 10 CFR 50.55a(f)(4)(i) and (ii) for Inservice Testing (IST) Frequency. APS is also requesting an exemption from 10 CFR Part 170 fees associated with the exemption request in accordance with the provisions of 10 CFR 170.11(b)(1), because APS participated in the Risk-Informed Inservice Testing (RI-IST) pilot program. Your letter further requests a refund of the fees paid to date for the review of the exemption request for the Palo Verde Nuclear Generating Station (Palo Verde), Units 1, 2, and 3 (TACs M94139, M94140, and M94141). As explained below, an exemption is granted in accordance with 170.11(b)(1) of 10 CFR Part 170.

The reasons you provide for withdrawing your November 27, 1995, exemption request include competing work priorities and limited resources. Although APS believes that risk-informed, performance-based regulation will result in overall increases in safety and reduction in costs, your assessment of RI-IST is that safety and cost benefits are marginal at best and that APS resources would best be spent pursuing other risk-informed applications, specifically, the pursuit of allowed outage time extensions and development of enhancements to your program for assessing on-line risk when equipment is removed from service to ensure compliance with the proposed changes to the Maintenance Rule.

To support your request for an exemption from the Part 170 fee requirement you provided the following:

APS' involvement was a first-of-a-kind effort to support the NRC's planned generic regulatory improvement by providing input for an approach to RI-IST. APS believes information submitted to date by APS was used more for the development of an acceptable framework for this risk-informed application than for approval of the exemption, which we submitted. The development of RI-IST programs provides guidance to power reactor licensees and the NRC staff on an acceptable approach for utilizing risk information to support plant-specific changes to the current licensing basis for in-service testing programs. The program has the potential to optimize the use of industry and NRC resources, and to continue to assure adequate protection of the public health and safety.

DFOI

NRC did accept your November 27, 1995, RI-IST exemption request as a pilot plant review as indicated in our March 15, 1996, March 21, 1997, and June 9, 1997, letters requesting additional information to facilitate the staff efforts to develop a regulatory guide and a standard review plan (SRP) chapter that are sufficiently broad in scope to use in transitioning to more risk-informed regulatory decision making.

The staff agrees that the interactions with APS on its RI-IST program have provided valuable information that can be used to develop generic guidance in this area. The NRC has encouraged licensees to submit applications for the RI-IST pilot programs for demonstrating risk-informed methodologies to be used for piping segment and piping structural element selection in systems scheduled for inservice inspections. To provide the permanent approach to RI-IST, the staff intends to utilize the experience gained through the pilot applications in the proposed rulemaking process to modify 10 CFR 50.55a to explicitly endorse RI-IST methodology.

Based on your participation in a first-of-a-kind pilot plant review the exemption from the 10 CFR Part 170 fee requirements for the review of the exemption request, even though it has been withdrawn, is appropriate. This exemption is authorized by law and is granted in accordance with 10 CFR 170.11(b)(1).

The \$72,874.00 paid to date for NRC's review effort billed will be refunded. You should receive the refund in approximately 30 days from the date of this letter.

Sincerely,
Jesse L. Funches
 Jesse L. Funches
 Chief Financial Officer

Docket Nos. STN 50-528, STN 50-529, and STN 50-530

cc: See next page

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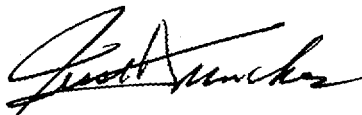
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Sincerely,



Jesse L. Funches
Chief Financial Officer

Docket Nos. STN 50-528, STN 50-529, and STN 50-530

cc: See next page

Palo Verde Generating Station, Units 1, 2, and 3

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