



**UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
611 RYAN PLAZA DRIVE, SUITE 400
ARLINGTON, TEXAS 76011-8064**

May 29, 2001

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

**SUBJECT: ANNUAL ASSESSMENT LETTER - PALO VERDE NUCLEAR GENERATING
STATION (REPORT 50-528, 529, 530/01-01)**

Dear Mr. Overbeck:

On May 8, 2001, the NRC staff completed its end-of-cycle plant performance assessment of Palo Verde Nuclear Generating Station. The end-of-cycle review for Palo Verde Nuclear Generating Station involved the participation of all technical divisions in evaluating performance indicators (PIs) for the most recent quarter and inspection results for the period April 2, 2000, to March 31, 2001. The purpose of this letter is to inform you of our assessment of your safety performance during this period and our plans for future inspections at your facility so that you will have an opportunity to prepare for these inspections and to inform us of any planned inspections which may conflict with your plant activities.

Overall, Palo Verde Nuclear Generating Station operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter was within the Licensee Response Column of the NRC's Action Matrix, based on all inspection findings being classified as having very low safety significance (Green) and all PIs indicating performance at a level requiring no additional NRC oversight (Green).

While plant performance for the most recent quarter is within the licensee response column of the Action Matrix, there was a low to moderate safety significant (White) performance indicator during the first three quarters of the assessment cycle. The Unit 3 - High Pressure Injection System Unavailability PI crossed the threshold from the Licensee (Green) to the Regulatory Response Column (White), because the high pressure safety injection discharge valve was inoperable from January 6 to March 28, 2000. The supplemental inspection, completed August 28, 2000, determined that the high pressure safety injection valve was repaired and found that your corrective actions were acceptable to minimize recurrence of similar events with other injection valves. Therefore, we plan to conduct only baseline inspections at your facility through May 31, 2002.

The enclosure details the scheduled inspections that will occur through May 31, 2002. The inspection plan is provided to minimize the resource impact on your staff and to allow for scheduling conflicts and personnel availability to be resolved in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature.

For your information, the NRC is in the process of aligning the inspection and assessment cycle with the calendar year. In order to transition to a calendar year cycle (January 1 through December 31), the next inspection and assessment cycle will consist of only three quarters (i.e., the second, third, and fourth calendar quarters of CY 2001). As a result, a quarterly review will be conducted for the third calendar quarter (July 1 through September 30) in lieu of a midcycle review. The impact on the inspection plan, which is included as an enclosure, is minimal. Activities planned for the transition cycle represent only 60-80 percent of those activities that would be accomplished during a typical 12-month inspection and assessment cycle.

In accordance with 10 CFR 2.790 of the NRC's "Rules of Practice," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at <http://www.nrc.gov/NRC/ADAMS/index.html> (the Public Electronic Reading Room).

If circumstances arise which cause us to change this inspection plan, we will contact you to discuss the change as soon as possible. Please contact me at (817) 860-8137 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

Linda Joy Smith, Chief
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Dockets: 50-528, 50-529, 50-530
Licenses: NPF-41, NPF-51, NPF-74

Enclosure:
Palo Verde Inspection/Activity Plan

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RIV:SPE:DRP/D	C:DRP/D	D:DRS	D:DRP	OE:NRR/IIPB
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5/15/01	5/15/01	5/18/01	5/24/01	5/22/01

C:DRP/D				
Signature				
LJSmith				
5/29/01				

Palo Verde
Inspection / Activity Plan
06/01/2001 - 05/31/2002

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	EMB	- BIENNIAL MAINTENANCE RULE INSPECTION	1			
1, 2, 3	IP 711112B	Maintenance Rule Implementation		06/04/2001	06/08/2001	Baseline Inspections
	OB-EXAMS	- RO/SRO EXAMS	3			
1	X02208	PALO VERDE-UNIT 1 - INITIAL EXAM (07/2001)		06/18/2001	06/22/2001	Not Applicable
1	X02208	PALO VERDE-UNIT 1 - INITIAL EXAM (07/2001)		07/23/2001	07/27/2001	Not Applicable
2	X02209	PALO VERDE-UNIT 2 - INITIAL EXAM (07/2001)		07/23/2001	07/27/2001	Not Applicable
3	X02210	PALO VERDE-UNIT3 - INITIAL EXAM (07/2001)		07/23/2001	07/27/2001	Not Applicable
	PSB-RP2	- ALARA PLANNING AND CONTROLS (3)	1			
1, 2, 3	IP 7112102	ALARA Planning and Controls		10/15/2001	10/19/2001	Baseline Inspections
	PSB-RP3	- RAD MATERIALS PROCESSING & SHIPPING	1			
1, 2, 3	IP 7112202	Radioactive Material Processing and Transportation		11/05/2001	11/09/2001	Baseline Inspections
	PSB-RP4	- RAD ENVIRONMENTAL MONITORING	1			
1, 2, 3	IP 7112203	Radiological Environmental Monitoring Program		11/05/2001	11/09/2001	Baseline Inspections
	PSB-RP5	- GASEOUS AND LIQUID EFFLUENTS	2			
1, 2, 3	IP 7112201	Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems		11/26/2001	11/30/2001	Baseline Inspections
	PSB-S1	- RESP TO CONT EVENTS	4			
1, 2, 3	IP 7113003	Response to Contingency Events (Protective Strategy and Implementation of Protective Strategy)		12/10/2001	12/14/2001	Baseline Inspections
	EMB	- 50.59	1			
1, 2, 3	IP 7111102	Evaluation of Changes, Tests, or Experiments		01/07/2002	01/11/2002	Baseline Inspections
	OB-PIR	- PROBLEM ID INSP	3			
1, 2, 3	IP 71152	Identification and Resolution of Problems		01/21/2002	02/01/2002	Baseline Inspections
	PSB-RP6	- ALARA PLANNING AND CONTROLS (4)	1			
1, 2, 3	IP 7112102	ALARA Planning and Controls		02/04/2002	02/08/2002	Baseline Inspections
	PSB-EP1	- EP PROGRAM BASELINE INSPECTION	1			
1, 2, 3	IP 7111402	Alert and Notification System Testing		02/25/2002	03/01/2002	Baseline Inspections
1, 2, 3	IP 7111403	Emergency Response Organization Augmentation Testing		02/25/2002	03/01/2002	Baseline Inspections
1, 2, 3	IP 7111404	Emergency Action Level and Emergency Plan Changes		02/25/2002	03/01/2002	Baseline Inspections
1, 2, 3	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		02/25/2002	03/01/2002	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		02/25/2002	03/01/2002	Baseline Inspections
	EMB	- INSERVICE INSPECTION	1			
1, 2, 3	IP 7111108	Inservice Inspection Activities		03/25/2002	03/29/2002	Baseline Inspections
	PSB-S2	- ACCESS AUTH/CONTROL, SEC PLAN & PIV	1			
1, 2, 3	IP 7113001	Access Authorization Program (Behavior Observation Only)		04/22/2002	04/26/2002	Baseline Inspections
1, 2, 3	IP 7113002	Access Control (Search of Personnel, Packages, and Vehicles: Identification and Authorization)		04/22/2002	04/26/2002	Baseline Inspections
1, 2, 3	IP 7113004	Security Plan Changes		04/22/2002	04/26/2002	Baseline Inspections

This report does not include INPO and OUTAGE activities.
This report shows only on-site and announced inspection procedures.

Palo Verde
Inspection / Activity Plan
06/01/2001 - 05/31/2002

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start End		Inspection Type
1, 2, 3	IP 71151	PSB-S2 - ACCESS AUTH/CONTROL, SEC PLAN & PIV Performance Indicator Verification	1	04/22/2002	04/26/2002	Baseline Inspections

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This report shows only on-site and announced inspection procedures.