



**UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
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ARLINGTON, TEXAS 76011-4005**

March 3, 2004

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

**SUBJECT: ANNUAL ASSESSMENT LETTER - PALO VERDE NUCLEAR GENERATING
STATION (NRC REPORT 05000528/2004001; 05000529/2004001;
05000530/2004001)**

Dear Mr. Overbeck:

On February 5, 2004, the NRC completed its end-of-cycle plant performance assessment of the Palo Verde Nuclear Generating Station. The end-of-cycle review for Palo Verde involved the participation of all technical divisions in evaluating performance indicators for the most recent quarter and inspection results for the period from January 1 through December 31, 2003. 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 that may conflict with your plant activities.

Overall, Palo Verde operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Plant performance for the most recent quarter, as well as for the first three quarters of the assessment cycle, 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 performance indicators indicating performance at a level requiring no additional NRC oversight (Green).

On January 14, 2004, we conducted a public meeting with you and members of your staff. The purpose of this meeting was to discuss aspects of the safety conscious work environment at Palo Verde. Your independent assessment, as well as our reviews, indicate that staff members feel free to raise safety issues to Palo Verde management. As discussed during the meeting, your assessments also indicated that a number of areas require attention. These areas include employee awareness and familiarity with your Employee Concerns Program and Differing Professional Opinions Process, as well as the effectiveness of the Management Issues Tracking and Resolution program in resolving non-nuclear issues. Additionally, it appears that interview data obtained by the NRC during the conduct of problem identification and resolution inspection activities in December 2003 regarding the degree to which the Instrumentation and Controls staff have used, or feel free to use, the condition reporting process to identify and document problems may not be fully consistent with statistical data provided at the meeting.

Accordingly, NRC will focus on these and related areas during the upcoming problem identification and resolution inspection, as well as during the conduct of other routine NRC inspection activities.

As you are aware, the NRC has issued several Orders and threat advisories to enhance security capabilities and improve guard force readiness since the terrorist attacks on September 11, 2001. We have conducted inspections to review your implementation of these requirements and have monitored your actions in response to changing threat conditions. For calendar year 2004, we plan to continue inspections of Order implementation combined with newly developed portions of the security baseline inspection program. The enclosed inspection plan details the inspections scheduled through September 30, 2005. In addition to the baseline inspections, NRC will also be conducting inspections related to Temporary Instructions 2515/150, Revision 1, "Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles," (NRC Bulletin 2002-02); 2515/152, "Reactor Pressure Vessel Lower Head Penetration Nozzles (NRC Bulletin 2003-02)"; 2515/153, "Reactor Containment Sump Blockage (NRC Bulletin 2003-01)"; and 2515/154, "Spent Fuel Material Control and Accounting at Nuclear Power." 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. The inspections in the last 12 months of the inspection plan are tentative and may be revised at the midcycle review meeting.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter, its enclosure, and your response 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/reading-rm/adams.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 817-860-8166 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/ P. H. Harrell Acting For

Jeffrey A. Clark, Acting Chief
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Dockets: 50-528
50-529
50-530
Licenses: NPF-41
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Inspection/Activity Plan

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Publicly Available Non-Publicly Available Sensitive Non-Sensitive

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RIV:AC:DRP/D	D:DRS	D:DRP	For signature	
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NSalgado for	/RA/	/RA/	PHHarrell for	
2/24/04	2/26/04	3/2/04	3/2/04	

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Palo Verde
Inspection / Activity Plan
03/01/2004 - 10/01/2005

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	PSB-S1 - AA-AC-FFD-PI		2			
1, 2, 3	IP 7113001	Access Authorization		03/22/2004	03/26/2004	Baseline Inspections
1, 2, 3	IP 7113002	Access Control		03/22/2004	03/26/2004	Baseline Inspections
1, 2, 3	IP 7113008	Fitness For Duty Program		03/22/2004	03/26/2004	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		03/22/2004	03/26/2004	Baseline Inspections
	TI 150 - TI 150 RPV HEAD AND VESSEL HEAD PENET NO		1			
1	IP 2515/150	Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles (NRC Bulletin 2002-0		04/01/2004	06/30/2004	Safety Issues
	TI 152 - TI 152 RPV LOWER HEAD PENETRATION NOZZLE		1			
1	IP 2515/152	Reactor Pressure Vessel Lower Head Penetration Nozzles (NRC Bulletin 2003-02)		04/01/2004	06/30/2004	Safety Issues
	TI 153 - TI 153 REACTOR CONTAINMENT SUMP BLOCKAGE		1			
1	IP 2515/153	Reactor Containment Sump Blockage (NRC Bulletin 2003-01)		04/01/2004	06/30/2004	Safety Issues
	TI 154 - TI 154 SPENT FUEL MATERIAL CONTROL		1			
1, 2, 3	IP 2515/154	Spent Fuel Material Control and Accounting at Nuclear Power Plants		04/01/2004	06/30/2004	Safety Issues
	EB-08P - ISI UNIT 1		1			
1	IP 7111108P	Inservice Inspection Activities - PWR		04/12/2004	04/16/2004	Baseline Inspections
1	IP 7111108P	Inservice Inspection Activities - PWR		04/19/2004	04/23/2004	Baseline Inspections
	ACCESSPI - ACRSA/PIV		1			
1, 2, 3	IP 7112101	Access Control to Radiologically Significant Areas		04/19/2004	04/23/2004	Baseline Inspections
	PEB-52 - BIENNIAL PIR		4			
1, 2, 3	IP 71152B	Identification and Resolution of Problems		05/03/2004	05/07/2004	Baseline Inspections
1, 2, 3	IP 71152B	Identification and Resolution of Problems		05/17/2004	05/21/2004	Baseline Inspections
	EB-21/02 - SSD&PCI AND 50.59		11			
1, 2, 3	IP 7111121	Safety System Design and Performance Capability		06/07/2004	06/11/2004	Baseline Inspections
1, 2, 3	IP 7111102	Evaluation of Changes, Tests, or Experiments		06/21/2004	06/25/2004	Baseline Inspections
1, 2, 3	IP 7111121	Safety System Design and Performance Capability		06/21/2004	06/25/2004	Baseline Inspections
	OB-RQ - OB-REQUALIFICATION		3			
1, 2, 3	IP 7111111B	Licensed Operator Requalification Program		08/09/2004	08/13/2004	Baseline Inspections
	PEB-07B - HX & HEAT SINK PERFORMANCE TESTING		1			
1, 2, 3	IP 7111107B	Heat Sink Performance		08/16/2004	08/20/2004	Baseline Inspections
	EB-08P - ISI UNIT 3		2			
3	IP 7111108P	Inservice Inspection Activities - PWR		10/04/2004	10/08/2004	Baseline Inspections
3	IP 7111108P	Inservice Inspection Activities - PWR		10/18/2004	10/22/2004	Baseline Inspections
	TI 152 - TI 152 RPV LOWER HEAD PENETRATION NOZZLE		1			
3	IP 2515/152	Reactor Pressure Vessel Lower Head Penetration Nozzles (NRC Bulletin 2003-02)		10/01/2004	12/31/2004	Safety Issues

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

Palo Verde
Inspection / Activity Plan
03/01/2004 - 10/01/2005

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	TI 153	- TI 153 REACTOR CONTAINMENT SUMP BLOCKAGE	1			
3	IP 2515/153	Reactor Containment Sump Blockage (NRC Bulletin 2003-01)		10/01/2004	12/31/2004	Safety Issues
	ALARA1	- ALARA PLANNING AND CONTROLS	1			
1, 2, 3	IP 7112102	ALARA Planning and Controls		11/01/2004	11/05/2004	Baseline Inspections
	OB-INIT	- OB - INITIAL EXAMINATION	3			
1	X02273	PALO VERDE UNIT 1 (12/04) INITIAL		11/29/2004	12/03/2004	Not Applicable
2	X02275	PALO VERDE UNIT 2 (12/04) - INITIAL		11/29/2004	12/03/2004	Not Applicable
3	X02276	PALO VERDE UNIT 3 (12/04) - INITIAL		11/29/2004	12/03/2004	Not Applicable
1	X02273	PALO VERDE UNIT 1 (12/04) INITIAL		12/13/2004	12/17/2004	Not Applicable
2	X02275	PALO VERDE UNIT 2 (12/04) - INITIAL		12/13/2004	12/17/2004	Not Applicable
3	X02276	PALO VERDE UNIT 3 (12/04) - INITIAL		12/13/2004	12/17/2004	Not Applicable
	ALARA2	- ALARA PLANNING AND CONTROLS	1			
1, 2, 3	IP 7112102	ALARA Planning and Controls		01/10/2005	01/14/2005	Baseline Inspections
	RP TEAM	- RP PUBLIC DOSE TEAM INSPECTION	4			
1, 2, 3	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		01/31/2005	02/04/2005	Baseline Inspections
1, 2, 3	IP 7112201	Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems		01/31/2005	02/04/2005	Baseline Inspections
1, 2, 3	IP 7112202	Radioactive Material Processing and Transportation		01/31/2005	02/04/2005	Baseline Inspections
1, 2, 3	IP 7112203	Radiological Environmental Monitoring Program		01/31/2005	02/04/2005	Baseline Inspections
	OB-EP EX	- EMERGENCY PREPAREDNESS EXERCISE	3			
1, 2, 3	IP 7111401	Exercise Evaluation		02/28/2005	03/04/2005	Baseline Inspections
1, 2, 3	IP 7111404	Emergency Action Level and Emergency Plan Changes		02/28/2005	03/04/2005	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		02/28/2005	03/04/2005	Baseline Inspections
	EB17B	- PERMANENT PLANT MODS	2			
1, 2, 3	IP 711117B	Permanent Plant Modifications		03/07/2005	03/11/2005	Baseline Inspections
	PEB-12B	- MAINTENANCE EFFECTIVENESS	1			
1, 2, 3	IP 711112B	Maintenance Effectiveness		03/07/2005	03/11/2005	Baseline Inspections
	EB08P	- ISI U2	1			
2	IP 7111108P	Inservice Inspection Activities - PWR		03/28/2005	04/01/2005	Baseline Inspections
2	IP 7111108P	Inservice Inspection Activities - PWR		04/11/2005	04/15/2005	Baseline Inspections
	OB-INIT	- INITIAL EXAM	3			
1	X02282	PALO VERDE UNIT1 (05/05) INITIAL EXAM		07/11/2005	07/15/2005	Not Applicable
2	X02283	PALO VERDE UNIT 2 (11/05) - INITIAL EXAM		07/11/2005	07/15/2005	Not Applicable
3	X02284	PALO VERDE UNIT 3 (11/05) - INITIAL EXAM		07/11/2005	07/15/2005	Not Applicable
1	X02282	PALO VERDE UNIT1 (05/05) INITIAL EXAM		08/01/2005	08/05/2005	Not Applicable

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Palo Verde
Inspection / Activity Plan
03/01/2004 - 10/01/2005

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start End		Inspection Type
OB-INIT - INITIAL EXAM			3			
2	X02283	PALO VERDE UNIT 2 (11/05) - INITIAL EXAM		08/01/2005	08/05/2005	Not Applicable
3	X02284	PALO VERDE UNIT 3 (11/05) - INITIAL EXAM		08/01/2005	08/05/2005	Not Applicable

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