



**UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
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ARLINGTON, TEXAS 76011-8064**

March 31, 2000

Gregg R. Overbeck, Senior Vice
President, Nuclear
Arizona Public Service Company
P.O. Box 52034
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**SUBJECT: PLANT PERFORMANCE REVIEW - PALO VERDE NUCLEAR GENERATING
STATION**

Dear Mr. Overbeck:

The purpose of this letter is to communicate our assessment of your performance and to inform you of our planned inspections at your facility. On March 2, 2000, we completed a Plant Performance Review (PPR) of Palo Verde Nuclear Generating Station (Palo Verde). We conduct these reviews to develop an integrated overview of the safety performance of each operating nuclear power plant. We use the results of the PPR in planning and allocating inspection resources and as inputs to our senior management meeting (SMM) process. This PPR evaluated inspection results and safety performance information for the period from January 25, 1999, through February 11, 2000, but emphasized the last 6 months to ensure that our assessment reflected your current performance. Our most recent summary of plant performance at Palo Verde was provided to you in a letter dated September 16, 1999.

The NRC has been developing a revised reactor oversight process that will replace our existing inspection and assessment processes, including the PPR, SMM, and Systematic Assessment of Licensee Performance (SALP). We recently completed a pilot program for the revised reactor oversight process at nine participating sites and are making necessary adjustments based on feedback and lessons learned. We are beginning initial implementation of the revised reactor oversight process industry-wide, including your facility, on April 2, 2000.

This PPR reflects continued process improvements as we make the transition into the revised reactor oversight process. You will notice that the following summary of plant performance is organized differently from our previous performance summaries. Instead of characterizing our assessment results by SALP functional area, we are organizing the results into the strategic performance arenas embodied in the revised reactor oversight process. Additionally, in assessing your performance, we have considered the historical performance indicator data that you submitted in January 2000 in conjunction with the inspection results. The results of this PPR were used to establish the inspection plan in accordance with the new risk-informed inspection program (consisting of baseline and supplemental inspections). Although this letter incorporates some terms and concepts associated with the new oversight process, it does not reflect the much broader changes in inspection and assessment that will be evident after we have fully implemented our revised reactor oversight process.

During the last 6 months, Unit 1 operated at or near full power, with the exception of a plant shutdown for a refueling outage. Unit 2 operated at or near full power, with the exception of an automatic reactor trip as a result of a malfunctioning control element assembly calculator and a plant shutdown to repair extraction steam expansion joints inside the main condenser. Unit 3 operated at or near full power, with the exception of a power reduction to repair a main feedwater pump. Although the NRC identified some performance issues during this assessment period, Palo Verde continues to operate in a safe manner.

Palo Verde's implementation of programs in the reactor safety strategic performance arena demonstrated overall safe plant operations. However, concerns regarding the implementation of the emergency preparedness program were noted. These concerns dealt with your inability to effectively correct past weaknesses. This area of concern will be a focus for baseline inspections conducted during the next assessment period.

We did not identify any significant performance issues in the radiation safety or safeguards strategic performance areas. As a result, only baseline inspections are planned.

Enclosure 1 contains a historical listing of plant issues, referred to as the Plant Issues Matrix (PIM), that were used during this PPR process to arrive at our integrated view of your performance trends. The PIM for this assessment is grouped by the prior SALP functional areas of operations, maintenance, engineering, and plant support, although the future PIM will be organized along the cornerstones of safety as described in the revised reactor oversight process. The attached PIM includes items summarized from inspection reports or other docketed correspondence regarding Palo Verde. We did not document all aspects of licensee programs and performance that may be functioning appropriately. Rather, we only documented issues that we believe warrant management attention or represent noteworthy aspects of performance. In addition, the PPR may also have considered some predecisional and draft material that does not appear in the enclosed PIM, including observations from events and inspections that had occurred since our last inspection report was issued but had not yet received full review and consideration. We will make this material publically available as part of the normal issuance of our inspection reports and other correspondence.

Enclosure 2 lists our planned inspections for the period April 2000 through March 2001 at Palo Verde to allow you to resolve scheduling conflicts and personnel availability in advance of our inspector arrival onsite. The inspection schedule for the latter half of the period is more tentative and may be adjusted in the future due to emerging performance issues at Palo Verde or other Region IV facilities. Routine resident inspections are not listed due to their ongoing and continuous nature.

We will inform you of any changes to the inspection plan. If you have any questions, please contact me at (817) 860-8250.

Sincerely,
Original Signed By:
Kriss M. Kennedy for PHH

P. Harrell, Chief
Project Branch D
Division of Reactor Projects

Docket Nos.: 50-528
50-529
50-530

License Nos.: NPF-41
NPF-51
NPF-74

Enclosures:

1. Plant Issues Matrix
2. Inspection Plan

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