



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
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March 4, 2009

Randall K. Edington
Executive Vice President, Nuclear
and Chief Nuclear Officer
Arizona Public Service Company
P.O. Box 52034
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SUBJECT: ANNUAL ASSESSMENT LETTER - PALO VERDE NUCLEAR GENERATING
STATION (NRC INSPECTION REPORTS 05000528/2009001,
05000529/2009001, 05000530/2009001)

Dear Mr. Edington,

On February 11, 2009, the NRC staff completed its performance review of the Palo Verde Nuclear Generating Station (PVNGS). Our technical staff reviewed performance indicators for the past two quarters and inspection results for the period from January 1 through December 31, 2008. 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.

This performance review and enclosed inspection plan does not include security information. A separate letter designated and marked as "Official Use Only - Security-Related Information" will include the security cornerstone review and resultant inspection plan.

Overall, PVNGS operated in a manner that preserved public health and safety. During this assessment period the NRC has noted substantial improvements in many key performance areas as a result of your improvement initiatives related to the Revised Confirmatory Action Letter (CAL), dated February 15, 2008. The NRC recently completed the last planned CAL follow up inspection and currently we are in the process of evaluating the results and the status of the CAL.

The NRC has continued increased regulatory oversight of PVNGS in response to your entering Column 4 of the NRC's Action Matrix in the fourth quarter of 2006. These activities involved increased inspections and NRC management involvement in monitoring activities at PVNGS. The NRC has continued to follow your performance improvement initiatives related to the 12 key performance areas for improvement discussed in the Revised Confirmatory Action Letter (CAL).

Throughout the assessment period the NRC performed quarterly CAL follow up team inspections and noted that significant progress has been made in addressing the key performance areas that contributed to the placement of PVNGS, Unit 3, into Column 4. Specific performance improvements at the facility have been observed in the areas of operational decision making, quality of engineering products, and the processes to improve equipment reliability. Of the twelve key focus areas described in the CAL five areas have been closed

following our inspection of your progress. These areas involved your actions related to the White finding, resolution of past problems, change management, long standing equipment concerns, and backlog tracking systems. The last planned CAL follow up team inspection recently completed onsite inspection effort on February 27, 2009. This team was chartered to review the remaining items of the seven open CAL key performance areas. These areas involve your actions related to the Yellow finding, problem identification and resolution program effectiveness, human performance improvements, engineering programs, safety culture survey results, accountability, and emergency preparedness.

In the previous PVNGS assessment letter dated September 2, 2008, the NRC advised you of substantive cross-cutting issues in the areas of human performance and problem identification and resolution that would remain open. During the remainder of the assessment period the NRC has noted a significant reduction of findings in all open substantive cross-cutting areas and it appears that your actions have been effective in improving performance in these areas. The last planned CAL follow up team inspection is evaluating your improvement initiatives related to problem identification and resolution and human performance. The substantive cross-cutting issues will remain open while we complete the assessment of the inspection results. We plan to provide you a follow-up letter following our assessment of the inspection results that will discuss the status of both the CAL and the open substantive cross cutting issues.

This assessment letter advises you of our planned inspection effort resulting from the end-of-cycle review. The enclosed inspection plan details the inspections, less those related to physical protection scheduled through June 30, 2010. The inspection plan is provided to allow for the resolution of any scheduling conflicts and personnel availability issues well in advance of inspector arrival onsite. Routine resident inspections are not listed due to their ongoing and continuous nature. The inspections in the last 9 months of the inspection plan are tentative and may be revised at the midcycle review. NRC monitoring of your continuing improvement initiatives may result in additional planned inspections.

In accordance with 10 CFR 2.390 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/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 Michael Hay at (817) 860-8173 with any questions you may have regarding this letter or the inspection plan.

Sincerely,

/RA/

Elmo E. Collins
Regional Administrator

Dockets: 50-528; 50-529; 50-530
Licenses: NPF-41; NPF-51; NPF-74

Enclosure:
Palo Verde Inspection/Activity Plan

cc w/enclosure:

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SUNSI Rev Compl.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	ADAMS	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Reviewer Initials	MCH
Publicly Avail	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Sensitive	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Sens. Type Initials	MCH
RIV:C:DRP/D	D:DRS	D:DRP	RA		
MCHay	RCaniano	DChamberlain	ECollins		
/RA/	/RA/	/RA/	/RA/		
2/23/2009	2/23/2009	2/24/2009	2/25/2009		

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Palo Verde
Inspection / Activity Plan
03/01/2009 - 06/30/2010

Unit Number	Planned Dates		Inspection Activity	Title	No. of Staff on Site
	Start	End			
EP1 - EP EXERCISE EVALUATION					3
1, 2, 3	03/02/2009	03/06/2009	IP 2515/175	Emergency Response Organization, Drill/Exercise Performance Indicator, Program Review	
1, 2, 3	03/02/2009	03/06/2009	IP 7111401	Exercise Evaluation	
1, 2, 3	03/02/2009	03/06/2009	IP 7111404	Emergency Action Level and Emergency Plan Changes	
1, 2, 3	03/02/2009	03/06/2009	IP 71151	Performance Indicator Verification	
EB2-07T - TRIENNIAL HEAT SINK INSPECTION					2
1, 2, 3	03/16/2009	03/20/2009	IP 7111107T	Heat Sink Performance	
EB1-08 - U3 INSERVICE INSPECTION					2
3	04/06/2009	05/15/2009	IP 2515/172	Reactor Coolant System Dissimilar Metal Butt Welds	
3	04/06/2009	05/15/2009	IP 7111108P	Inservice Inspection Activities - PWR	
RP-ORS4 - OCCUPATIONAL RADIATION SAFETY					1
1, 2, 3	04/13/2009	04/17/2009	IP 7112101	Access Control to Radiologically Significant Areas	
1, 2, 3	04/13/2009	04/17/2009	IP 7112102	ALARA Planning and Controls	
1, 2, 3	04/13/2009	04/17/2009	IP 71151	Performance Indicator Verification	
EB1-21 - CDBI					5
1, 2, 3	06/22/2009	06/26/2009	IP 7111121	Component Design Bases Inspection	
1, 2, 3	07/06/2009	07/17/2009	IP 7111121	Component Design Bases Inspection	
EB1-08 - U2 INSERVICE INSPECTION ACTIVITIES					1
2	10/03/2009	12/01/2009	IP 2515/172	Reactor Coolant System Dissimilar Metal Butt Welds	
2	10/03/2009	12/01/2009	IP 7111108P	Inservice Inspection Activities - PWR	
EB2-LRI - LICENSE RENEWAL INSPECTION					5
1, 2, 3	11/30/2009	12/04/2009	IP 71002	License Renewal Inspection	
1, 2, 3	12/14/2009	12/18/2009	IP 71002	License Renewal Inspection	
EXAM - INITIAL EXAM					6
1	11/19/2009	11/30/2009	X02413	INITIAL EXAM UNIT1-PV (8/2009)	
1	11/19/2009	11/30/2009	X02413	INITIAL EXAM UNIT1-PV (8/2009)	
2	11/19/2009	11/30/2009	X02414	INITIAL EXAM UNIT 2-PV (8/2009)	
3	11/19/2009	11/30/2009	X02415	INITIAL EXAM UNIT 3-PV (8/2009)	
RP-ORS5 - OCCUPATIONAL RADIATION SAFETY - ALARA					1
1, 2, 3	12/07/2009	12/11/2009	IP 7112101	Access Control to Radiologically Significant Areas	
1, 2, 3	12/07/2009	12/11/2009	IP 7112102	ALARA Planning and Controls	
1, 2, 3	12/07/2009	12/11/2009	IP 71151	Performance Indicator Verification	
EB2-05T - TRIENNIAL FIRE PROTECTION					4
1, 2, 3	01/25/2010	01/29/2010	IP 7111105T	Fire Protection [Triennial]	
1, 2, 3	02/08/2010	02/12/2010	IP 7111105T	Fire Protection [Triennial]	

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

Palo Verde
Inspection / Activity Plan
03/01/2009 - 06/30/2010

Unit Number	Planned Dates		Inspection Activity	Title	No. of Staff on Site
	Start	End			
EP-1 - BIENNIAL EP PROGRAM INSPECTION					1
1, 2, 3	02/08/2010	02/12/2010	IP 7111402	Alert and Notification System Testing	
1, 2, 3	02/08/2010	02/12/2010	IP 7111403	Emergency Response Organization Augmentation Testing	
1, 2, 3	02/08/2010	02/12/2010	IP 7111404	Emergency Action Level and Emergency Plan Changes	
1, 2, 3	02/08/2010	02/12/2010	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies	
1, 2, 3	02/08/2010	02/12/2010	IP 71151-EP01	Drill/Exercise Performance	
1, 2, 3	02/08/2010	02/12/2010	IP 71151-EP02	ERO Drill Participation	
1, 2, 3	02/08/2010	02/12/2010	IP 71151-EP03	Alert & Notification System	
EB1-08P - INSERVICE INSPECTION - U1					3
1	04/05/2010	05/07/2010	IP 2515/172	Reactor Coolant System Dissimilar Metal Butt Welds	
1	04/05/2010	05/07/2010	IP 7111108P	Inservice Inspection Activities - PWR	

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