



**UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
REGION IV  
611 RYAN PLAZA DRIVE, SUITE 400  
ARLINGTON, TEXAS 76011-4005**

August 26, 2002

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

**SUBJECT: MIDCYCLE PERFORMANCE REVIEW AND INSPECTION PLAN -  
PALO VERDE NUCLEAR GENERATING STATION**

Dear Mr. Overbeck:

On July 31, 2002, the NRC staff completed its midcycle plant performance assessment of Palo Verde Nuclear Generating Station (PVGNS). In accordance with NRC Inspection Manual Chapter 0305, "Operating Reactor Assessment Program," the midcycle review involved the participation of all technical divisions in evaluating the performance of your PVNGS facility for the first half of the current assessment cycle, January 1 through December 31, 2002. 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.

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 performance indicators indicating performance at a level requiring no additional NRC oversight (Green). Therefore, we plan to only conduct baseline and safety issues inspections at your facility through September 30, 2003.

The enclosed inspection plan details the inspections scheduled through September 30, 2003. 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 last 6 months of the inspection plan are tentative and may be revised at the end-of-cycle review.

In addition, the NRC is working with your staff to complete the Mitigating Systems Performance Indicator Pilot Program. Using a temporary instruction, which is still under development, we will monitor your data collection and analysis. This effort is scheduled to extend from September 2002 through July 2003.

Finally, the NRC is in the process of finalizing a Temporary Instruction (TI) that will be used to review implementation of the Interim Compensatory Measures required by the Agency's Security Order to all commercial nuclear power plants dated February 25, 2002. Schedules have not yet been finalized, but it is anticipated that these inspections will begin within the next calendar quarter. Once finalized, the details will be communicated by separate correspondence.

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/reading-rm/adams.html> (the Public Electronic Reading Room).

If circumstances arise which cause us to change the 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/*

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-5-

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<i>/RA/</i>	<i>/RA/</i>	<i>/RA/</i>	<i>/RA/</i>	
8/9/02	8/15/02	8/26/02	8/23/02	

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**Palo Verde**  
**Inspection / Activity Plan**  
**08/18/2002 - 09/30/2003**

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
<b>EMB - HEAT SINKS</b>			<b>1</b>			
1, 2, 3	IP 7111107B	Heat Sink Performance		08/26/2002	08/30/2002	Baseline Inspections
<b>EMB - BIENNIAL MODS</b>			<b>2</b>			
1, 2, 3	IP 7111117B	Permanent Plant Modifications		08/26/2002	08/30/2002	Baseline Inspections
<b>OB-RQ - PV REQUAL INSPECTION</b>			<b>2</b>			
1, 2, 3	IP 7111111B	Licensed Operator Requalification		09/09/2002	09/13/2002	Baseline Inspections
<b>EMB - ISI &amp; ISI/SG - UNIT 1</b>			<b>2</b>			
1	IP 7111108	Inservice Inspection Activities		10/07/2002	10/11/2002	Baseline Inspections
1	IP 7111108	Inservice Inspection Activities		10/21/2002	10/25/2002	Baseline Inspections
<b>2515/145 - PWR RPV HEAD CRACKING - BULLETIN 2001-01</b>			<b>1</b>			
1	IP 2515/145	Circumferential Cracking of Reactor Pressure Vessel Head Penetration Nozzles (NRC Bulle		10/07/2002	10/11/2002	Safety Issues
<b>ACCESSPI - ACRSA AND PIV</b>			<b>1</b>			
1, 2, 3	IP 7112101	Access Control to Radiologically Significant Areas		10/07/2002	10/11/2002	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		10/07/2002	10/11/2002	Baseline Inspections
<b>OB-IN - INITIAL EXAM PREP - FUEL HANDLING SRO</b>			<b>2</b>			
1	X02238	PALO VERDE UNIT 1 - INITIAL EXAM (11/02)		10/28/2002	11/02/2002	Not Applicable
2	X02239	PALO VERDE UNIT 2 - INITIAL EXAM (11/02)		10/28/2002	11/02/2002	Not Applicable
3	X02240	PALO VERDE UNIT 3 - INITIAL EXAM (11/02)		10/28/2002	11/02/2002	Not Applicable
<b>DNMS - ISFSI - TRIAL RUN AND FUEL LOAD</b>			<b>1</b>			
1, 2, 3	IP 60854	Preoperational Testing Of An ISFSI		11/04/2002	11/05/2002	Other Routine
1, 2, 3	IP 60855	Operation Of An ISFSI		11/04/2002	11/05/2002	Other Routine
<b>OB-IN - INITIAL EXAM - FUEL HANDLING SRO</b>			<b>3</b>			
1	X02238	PALO VERDE UNIT 1 - INITIAL EXAM (11/02)		11/18/2002	11/22/2002	Not Applicable
2	X02239	PALO VERDE UNIT 2 - INITIAL EXAM (11/02)		11/18/2002	11/22/2002	Not Applicable
3	X02240	PALO VERDE UNIT 3 - INITIAL EXAM (11/02)		11/18/2002	11/22/2002	Not Applicable
<b>RP-TM - RAD SAFETY TEAM</b>			<b>6</b>			
1, 2, 3	IP 7112103	Radiation Monitoring Instrumentation and Protective Equipment		02/24/2003	02/28/2003	Baseline Inspections
1, 2, 3	IP 7112201	Radioactive Gaseous and Liquid Effluent Treatment and Monitoring Systems		02/24/2003	02/28/2003	Baseline Inspections
1, 2, 3	IP 7112202	Radioactive Material Processing and Transportation		02/24/2003	02/28/2003	Baseline Inspections
1, 2, 3	IP 7112203	Radiological Environmental Monitoring Program		02/24/2003	02/28/2003	Baseline Inspections
<b>PSB-EP1 - EP EXERCISE BASELINE INSPECTION</b>			<b>2</b>			
1, 2, 3	IP 7111401	Exercise Evaluation		03/12/2003	03/13/2003	Baseline Inspections
1, 2, 3	IP 7111404	Emergency Action Level and Emergency Plan Changes		03/12/2003	03/13/2003	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		03/12/2003	03/13/2003	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**  
**08/18/2002 - 09/30/2003**

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates		Inspection Type
				Start	End	
	<b>EMB - ISI INSPECTION U3</b>		<b>1</b>			
3	IP 7111108	Inservice Inspection Activities		04/14/2003	04/18/2003	Baseline Inspections
	<b>2515/145 - PWR RPV HEAD CRACKING - BULLETIN 2001-01</b>		<b>1</b>			
3	IP 2515/145	Circumferential Cracking of Reactor Pressure Vessel Head Penetration Nozzles (NRC Bulle		04/14/2003	04/18/2003	Safety Issues
	<b>EMB - ISI/SG INSPECTION U3</b>		<b>1</b>			
3	IP 7111108	Inservice Inspection Activities		04/21/2003	04/25/2003	Baseline Inspections
	<b>EMB - BIENNIAL MR INSPECTION</b>		<b>1</b>			
1, 2, 3	IP 7111112B	Maintenance Effectiveness		04/28/2003	05/02/2003	Baseline Inspections
	<b>PSB-S1 - ACCESS AUTH/CONTROL, SECURITY PLAN, PIV</b>		<b>1</b>			
1, 2, 3	IP 7113001	Access Authorization Program (Behavior Observation Only)		06/16/2003	06/20/2003	Baseline Inspections
1, 2, 3	IP 7113002	Access Control (Search of Personnel, Packages, and Vehicles: Identification and Authorizat		06/16/2003	06/20/2003	Baseline Inspections
1, 2, 3	IP 7113004	Security Plan Changes		06/16/2003	06/20/2003	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		06/16/2003	06/20/2003	Baseline Inspections
	<b>EMB - TRIENNIAL FIRE PROTECTION</b>		<b>5</b>			
1, 2, 3	IP 7111105T	Fire Protection		07/07/2003	07/11/2003	Baseline Inspections
1, 2, 3	IP 7111105T	Fire Protection		07/21/2003	07/25/2003	Baseline Inspections
	<b>OB-IN - INITIAL EXAM PREP</b>		<b>3</b>			
1	X02249	PALO VERDE - UNIT 1 EXAM (07/03)		07/07/2003	07/11/2003	Not Applicable
2	X02250	PALO VERDE - UNIT 2 EXAM (07/03)		07/07/2003	07/11/2003	Not Applicable
3	X02251	PALO VERDE - UNIT 3 EXAM (07/03)		07/07/2003	07/11/2003	Not Applicable
	<b>OB-IN - INITIAL EXAMS</b>		<b>4</b>			
1	X02249	PALO VERDE - UNIT 1 EXAM (07/03)		07/21/2003	07/25/2003	Not Applicable
2	X02250	PALO VERDE - UNIT 2 EXAM (07/03)		07/21/2003	07/25/2003	Not Applicable
3	X02251	PALO VERDE - UNIT 3 EXAM (07/03)		07/21/2003	07/25/2003	Not Applicable