



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

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February 24, 2003

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

SUBJECT: NRC SAFEGUARDS INSPECTION OF COMPLIANCE WITH ORDER
INSPECTION REPORTS 50-528/03-006; 50-529/03-006; and 50-530/03-006

Dear Mr. Overbeck:

On January 17, 2003, the NRC completed an inspection at your Palo Verde Nuclear Generating Station facility. The enclosed report documents the inspection findings which were discussed on January 17, 2003, with you and other members of your staff. On January 27, 2003, the NRC informed Mr. Stroud of your staff of another finding related to processing individuals with denied access.

This inspection examined activities conducted under your license as they relate to safety and compliance with an Order issued on February 25, 2002, which required your site to implement specific measures related to security of your facility. The inspection utilized Temporary Instruction 2515/148, "Inspection of Nuclear Reactor Safeguards Interim Compensatory Measures," to verify implementation of the Order as clarified in your responses dated March 15, June 18, and August 30, 2002. Within these areas, the inspection consisted of selected examination of procedures and representative records, observations of activities, and interviews with personnel.

The material enclosed herewith contains Safeguards Information as defined by 10 CFR 73.21 and its disclosure to unauthorized individuals is prohibited by Section 147 of the Atomic Energy Act of 1954, as amended. Therefore, the material will not be placed in the Public Document Room.

In accordance with 10 CFR 2.790 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

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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). Should you have any questions concerning this inspection, we will be pleased to discuss them with you.

Sincerely,

//RA//

Troy W. Pruett, Chief
Plant Support Branch
Division of Reactor Safety

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

Enclosure:
NRC Inspection Report
50-528, 50-529, and 50-530/03-006

cc Without safeguards enclosures:

Steve Olea
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Douglas K. Porter, Senior Counsel
Southern California Edison Company
Law Department, Generation Resources
P.O. Box 800
Rosemead, California 91770

Chairman
Maricopa County Board of Supervisors
301 W. Jefferson, 10th Floor
Phoenix, Arizona 85003

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-3-

**DOCUMENT CONTAINS
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Aubrey V. Godwin, Director
Arizona Radiation Regulatory Agency
4814 South 40 Street
Phoenix, Arizona 85040

Craig K. Seaman, Director
Regulatory Affairs/Nuclear Assurance
Palo Verde Nuclear Generating Station
Mail Station 7636
P.O. Box 52034
Phoenix, Arizona 85072-2034

Hector R. Puente
Vice President, Power Generation
El Paso Electric Company
2702 N. Third Street, Suite 3040
Phoenix, Arizona 85004

Terry Bassham, Esq.
General Counsel
El Paso Electric Company
123 W. Mills
El Paso, Texas 79901

John W. Schumann
Los Angeles Department of Water & Power
Southern California Public Power Authority
P.O. Box 51111, Room 1255-C
Los Angeles, California 90051-0100

John Taylor
Public Service Company of New Mexico
2401 Aztec NE, MS Z110
Albuquerque, New Mexico 87107-4224

Jarlath Curran
Southern California Edison Company
5000 Pacific Coast Hwy. Bldg. DIN
San Clemente, California 92672

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-4-

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Robert Henry
Salt River Project
6504 East Thomas Road
Scottsdale, Arizona 85251

Brian Almon
Public Utility Commission
William B. Travis Building
P.O. Box 13326
1701 North Congress Avenue
Austin, Texas 78701-3326

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cc with safeguards enclosure:

Vonna Ordaz (NSIR/DNS/RSS) (MS T4D8)
 Juan Peralta (NSIR/DNS/SOS) (MS T4D8)
 Elaine McNeil (NRIR/DNS/RSS) (MS T4D8)
 RIV Docket File - File Room Custodian
 Security Inspector (Pick)
 Senior Resident Inspector (Salgado)

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ENCLOSURE

U.S. NUCLEAR REGULATORY COMMISSION
REGION IV

Dockets: 50-528
50-529
50-530

Licenses: NPF-41
NPF-51
NPF-74

Report No.: 50-528/03-006
50-529/03-006
50-530/03-006

Licensee: Arizona Public Service Company

Facility: Palo Verde Nuclear Generating Station, Units 1, 2, and 3

Location: 5951 S. Wintersburg Road
Tonopah, Arizona

Dates: January 13 - 17, 2003

Inspectors: Gregory A. Pick, Senior Physical Security Inspector
Frank L. Brush, Senior Resident Inspector
Gilbert L. Guerra, Resident Inspector

Approved By: Troy W. Pruett, Chief, Plant Support Branch

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SUMMARY OF FINDINGS

IR 50-528/03-006; 50-529/03-006; 50-530/03-006 on January 13-17, 2003; Arizona Public Service Company, Palo Verde Nuclear Generating Station, Units 1, 2, and 3; TI 2515/148, Verification of Compliance With Interim Compensatory Measures Order

The inspection was conducted by a regional physical security inspector and by resident inspectors.

Cornerstone: Physical Security

- On February 25, 2002, the NRC imposed by Order, Interim Compensatory Measures to enhance physical security. The inspectors determined that, overall, the licensee appropriately incorporated the Interim Compensatory Measures into the site protective strategy and access authorization program; developed and implemented relevant procedures; ensured that the emergency plan could be implemented; and established and effectively coordinated interface agreements with offsite organizations.
- The inspectors identified an unresolved item related to evaluations of personnel and equipment required by Item B.2.(a).1 of the Order. This item remains open pending review by the Office of Nuclear Security and Incident Response (Section III.A.2).
- The inspectors identified an unresolved item related to processing of individuals who had been denied access as required by B.3.b of the Order. This item remains open pending review by the Office of Nuclear Security and Incident Response (Section IV.B.2).

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