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July 26, 1999

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Palo Verde Nuclear
Generating Station

Gregg R. Overbeck
Senior Vice President
Nuclear

TEL (623) 393-5148
FAX (623) 393-6077

Mail Station 7602
P.O. Box 52034
Phoenix, AZ 85072-2034

102-04391-GRO/AKK/DLK
December 30, 1999

Mr. David L. Meyer
Chief, Rules and Directives Branch
Division of Administrative Services
Office of Administration
Mail Stop: T6D59
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

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RULES & DIR. BRANCH
US NRC

Reference: Pilot Program for the New Regulatory Oversight Program (64 Fed. Reg. 61142; July 26, 1999)

Dear Mr. Meyer:

**Subject: Palo Verde Nuclear Generating Station (PVNGS)
Units 1, 2 and 3
Docket Nos. STN 50-528/529/530
Comment on Pilot Program for the New Regulatory Oversight
Program**

The Palo Verde Nuclear Generating Station fully endorses the Nuclear Energy Institute (NEI) comments on the pilot program for the new regulatory oversight program, published July 26, 1999. (64 Fed. Reg. 61142). The following comments on selected questions from the referenced Federal Register Notice are intended to reinforce and amplify those submitted by NEI on behalf of the nuclear energy industry.

Comments on questions 1, 3, 4, and 9 of the referenced Federal Register Notice

- 1. Does the new oversight process provide adequate assurance that plants are being operated safely?**

Palo Verde believes that the new oversight process, using a combination of safety focused performance indicators and NRC inspection results, provides adequate assurance that nuclear power plants are operated safely. Amplifying NEI's comments, the initial performance indicator thresholds were, in most cases, based on historical data. Historical data for some performance indicators, such as Physical Protection and Emergency Preparedness, were not readily available

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because it had not previously been collected for the purposes of generating an indicator. In these cases, adjustments or refinements to the indicators and associated thresholds may be needed as experience is gained using the new process.

The Significant Determination Processes (SDPs) in most cases appear to be safety focused and risk informed. In order to provide meaningful comments on the Reactor Safety SDP, the SDP needs to be reviewed using the plant specific worksheets, which are not yet available for the non-pilot plants.

3. Does the new oversight process improve the efficiency and effectiveness of the regulatory process focusing agency resources on those issues with the most safety significance?

Palo Verde believes the new oversight process will improve the efficiency and effectiveness of the regulatory process and focus agency resources on those issues with the most safety significance. Amplifying NEI's comments, the SDPs in most cases appear to be safety focused and risk informed. However, the physical protection SDP appears to over-emphasize situations in which there is no significant increase in the likelihood of damage to the reactor.

While Palo Verde has not yet been subjected to the SDP, there does not appear to be enough clear guidance on inspection sub-findings (i.e. the minor issues that do not rise to the level of a finding but need to be addressed). The way the SDP appears to function, sub-findings could default to a green finding which does not appear to be the intent.

4. Does the new oversight process reduce unnecessary regulatory burden on licensees?

Palo Verde believes that the new oversight process, for the most part, will reduce unnecessary regulatory burden on licensees. However, caution is needed to ensure additional burden is not inadvertently introduced when performance indicators, not previously measured are introduced. An example that is affecting Palo Verde is in the Emergency Planning cornerstone. Palo Verde is a three-unit site and has three times the number of shift related ERO personnel as a one-unit site. Because emergency plan drills are performed on the site as a whole, the additional drills needed to ensure enough ERO personnel are able to participate in order to meet PI thresholds results in the need for additional drills that are not necessary to comply with regulation.

9. Are there any additional issues that the agency needs to address prior to full implementation of the new oversight process at all sites?

An important issue, which needs to be resolved prior to full implementation of the program, is the accuracy of performance indicator data. While Palo Verde fully intends to provide data accurately and on time, there may be times when an error results in an inaccurate number. If the error happens to be in a PI that has built in conservative defaults, such as a 100% La containment leakage default for leakage that over-ranges test equipment or a mitigating system that is assigned a large number of fault exposure hours because of a failed 18 month surveillance test, the error could result in crossing one or more thresholds. Correcting such data results in little or no actual safety significance, even though thresholds were crossed. Factors of this type should be understood before regulatory action is considered for inaccurate data submission.

The subject of a delayed PI data submittal has not been clearly addressed. There is no guidance to follow when a licensee knows that a submittal will be delayed nor is there any discussion on the consequences of a delayed submittal. There are circumstances, such as unexpected personnel unavailability or plant events, that could delay data collection and review.

Based on information from the public workshops, Palo Verde understands that additional performance indicators and SDPs are being planned and existing indicators will probably be revised. The process used to develop the original PIs and SDPs should be applied for any additional ones, including a full pilot program with provisions for public comment. In order to prevent future unnecessary regulatory burden, additional indicators should be minimized.

The Frequently Asked Question (FAQ) concept has been a very helpful tool in understanding the new process. During the initial phases of the new program, the NRC should include Unresolved Items (URIs) found during inspection activities as FAQs after the URIs are resolved. This would provide clarification and consistency for similar questions that may arise in the future at other utilities.

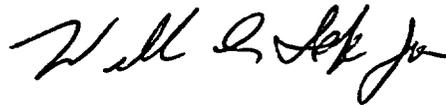
As discussed in the NEI submittal, Palo Verde commends the NRC's continuing efforts in developing the new Regulatory Oversight Process. Palo Verde believes that the open and cooperative efforts of the NRC in addressing and resolving industry questions and comments was instrumental in completing the pilot program expeditiously and effectively. Features such as the Frequently Asked Questions provide an excellent

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method to remove ambiguity and promote consistency in the new program and should be considered as a model for other regulatory initiatives.

No commitments are being made to the NRC by this letter. Please contact Mr. Dan Marks at (623) 393-6492 if you have any questions regarding this matter.

Sincerely,



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cc: E. W. Merschhoff [Region IV]
M. B. Fields [NRR Project Manager]
J. H. Moorman [Resident Inspector]
R. E. Beedle [NEI]

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