



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION IV
612 EAST LAMAR BLVD, SUITE 400
ARLINGTON, TEXAS 76011-4125

May 29, 2008

EA-07-162

Randall K. Edington, Executive
Vice President, Nuclear
And Chief Nuclear Officer
Mail Station 7602
Arizona Public Service Company
P.O. Box 52034
Phoenix, AZ 85072-2034

SUBJECT: RESPONSE TO CONFIRMATORY ORDER MODIFYING LICENSE
(EFFECTIVE IMMEDIATELY) [OFFICE OF INVESTIGATIONS REPORT
NO. 4-2007-009], CONDITIONS 1, 5 AND 7

Dear Mr. Edington:

On May 13, 2008, NRC Region IV completed an in-office review of the actions you have taken to address Conditions 1, 5, and 7 in Section V of Confirmatory Order EA-07-162, issued on October 19, 2007.

Condition 1: APS will develop training on the issues described in the apparent violation identified in the NRC's letter to APS dated July 12, 2007, using a case study. The training will focus on the importance of self-reporting errors, the importance of performing good independent verifications, and deterring individuals from concealing mistakes. APS will provide this training to its Operations Department (permanent employees and contractors scheduled to work in the Operations Department for 1-year or more) within 6 months of the date of the Confirmatory Order.

The Region IV staff reviewed Lesson Plan NLR07C050100, titled "Operations Case Study," and training attendance sheets dated between October 2007 and March 2008. The staff noted that the training focused on the subject matter required by the Order, and personnel attended the training as required by the Order.

Condition 5: Within 6 months of the date of the Confirmatory Order, APS will conduct a follow-up safety culture review of its Operations Department, in order to determine the effectiveness of its actions to improve the safety culture in the Operations Department, and applicable actions resulting from the review will be tracked for completion.

The Region IV staff reviewed two Employee Concerns Program safety culture surveys: 06-05F, November to December 2006, performed by TARO Consulting and Design; and 07-12F, September to October 2007, performed by NAC International. In discussions with you and your staff, NRC Region IV understands that you commissioned the 2007 survey to begin on September 10, 2007, before the date of the order, as a pre-planned follow-up to the 2006

survey. Region IV also understands that, following the August 27, 2007 alternative dispute resolution, you planned to credit this survey as meeting the requirements of the order by assessing the effectiveness of management initiatives on operations safety culture following the 2006 survey. Although you commissioned the survey independent of the order, Region IV has determined that the 2007 survey meets the requirements of the order.

The 19 recommendations in the 2007 survey are the same recommendations in the 2006 survey. Although the 2007 survey indicates that some improvements were made in Safety Conscious Work Environment and operator perceptions of retaliation and intimidation, the staff noted that these recommendations were reiterated due to a lack of objective evidence to support actions taken or planned by Arizona Public Service Company at the time of the 2007 survey.

The staff reviewed all of the condition report action items and condition report disposition requests in your corrective action program associated with the 19 recommendations. The staff noted that tasks identified in response to Confirmatory Action Letter 4-07-004 partially overlap with 5 of the 19 recommendations, in that Site Integrated Business Plan initiatives partially drive those condition report action items to completion. Completion of the action items entered into your corrective action program as part of this Order are subject to future inspection.

Condition 7: Within 6 months of the date of the Confirmatory Order, APS will develop a generic communication for the industry in the form of an Operating Experience report regarding weaknesses it found in its process for informing other licensees of potential access authorization issues concerning individuals who resign from the plant before any disciplinary action is taken against them.

The Region IV staff reviewed Operating Experience Report OE25436, dated September 7, 2007. The staff contacted INPO to verify this report was made available for other members to view. INPO stated this report addresses access authorization and security; therefore, this report will not be sent to other members as an operating event. However, it is available to other members if they seek it.

The Region IV staff concludes that you completed Conditions 1, 5 and 7 in Section V of Confirmatory Order EA-07-162, issued on October 19, 2007.

Completion of Conditions 2, 3, and 4 in Section V of the Confirmatory Order will be verified through future inspections.

You are not required to respond to this letter. However, should you choose to respond, your response should be sent to the U.S. Nuclear Regulatory Commission, ATTN: Regional Administrator, Region IV, 612 East Lamar Boulevard, Suite 400, Arlington, TX, 76011 and marked "Open by Addressee Only," within 30 days of the date of this letter. If you have any questions, you should contact Michael Vasquez, Senior Enforcement Specialist, at 817-860-8121.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be 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).

Sincerely,

/RA/

Roy J. Caniano, Director
Division of Reactor Safety

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SUNSI Review Completed: ___Y___ ADAMS: Yes No Initials: _GWA_
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