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UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION IV
612 EAST LAMAR BLVD, SUITE 400
ARLINGTON, TEXAS 76011-4125

November 20, 2009

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: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3 –
NRC SECURITY INSPECTION REPORT 05000528/2009403,
05000529/2009403 AND 05000530/2009403

Dear Mr. Edington:

On October 23, 2009, the U.S. Nuclear Regulatory Commission (NRC) completed a security baseline inspection at your Palo Verde Nuclear Generating Station, Units 1, 2, and 3. The inspection covered one or more of the key attributes of the security cornerstone of the NRC's Reactor Oversight Process. The enclosed inspection report documents the inspection results, which were discussed on October 23, 2009, with Mr. D. Mims and other members of your staff.

The inspection examined activities conducted under your license as they relate to security and compliance with the Commission's rules and regulations and with the conditions of your license. The inspectors reviewed selected procedures and records, observed activities, and interviewed personnel.

This report documents a finding of very low security significance (i.e., Green as determined by the Physical Protection Significance Determination Process). The deficiency was promptly corrected or compensated for, and the plant was in compliance with applicable physical protection and security requirements within the scope of this inspection before inspectors left the site. However, because of the very low security significance and because it is entered into your corrective action program, the NRC is treating this violation as a non-cited violation (NCV) consistent with Section VI.A.1 of the NRC Enforcement Policy. If you contest this non-cited violation, you should provide a response within 30 days of the date of this inspection

“Enclosure transmitted herewith contains SUNSI. When separated from enclosure, this transmittal document is decontrolled.”

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report, with the basis for your denial, to the Nuclear Regulatory Commission, ATTN.: Document Control Desk, Washington D.C. 20555-0001; with copies to the Regional Administrator Region IV; the Director, Office of Enforcement, United States Nuclear Regulatory Commission, Washington, DC 20555-0001; and the NRC Resident Inspector at Palo Verde Nuclear Generating Station.

The finding had a crosscutting aspect in the area of problem identification and resolution because security management did not take appropriate corrective actions to address safety issues and adverse trends in a timely manner, commensurate with their safety/security significance. (P1.d) If you disagree with the characterization of the finding in this report, you should provide a response within 30 days of the date of this inspection report, with the basis for your disagreement, to the Regional Administrator, Region IV, and the NRC Resident Inspector at Palo Verde Nuclear Generating Station. The information you provide will be considered in accordance with Inspection Manual Chapter 0305.

The finding was NRC identified.

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 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). However, because of the security-related concerns contained in the enclosure, and in accordance with 10 CFR 2.390, a copy of this letter's enclosure will not be available for public inspection.

In accordance with 10 CFR 2.390(b)(1)(ii), the NRC is waiving the affidavit requirements for your response, if any. This practice will ensure that your response will not be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system, ADAMS. If Safeguards Information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21. Otherwise, mark your entire response "Security-Related Information-Withhold Under 10 CFR 2.390" and follow the instructions for withholding in 10 CFR 2.390(b)(1).

Sincerely,

/RA/

Robert C. Johnson, Acting Chief
Plant Support Branch-1
Division of Reactor Safety

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Docket Nos.: 50-528; 50-529; 50-530

License Nos.: NPF-41; NPF-51; NPF-74

Nonpublic Enclosure: NRC Inspection Report 05000528/2009403, 05000529/2009403 and
05000530/2009403
w/Attachment: Supplemental Information

cc w/o enclosure:

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|--|---|---|
| ADAMS: <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes | <input checked="" type="checkbox"/> SUNSI Review Complete | Reviewer Initials: ETB |
| | <input checked="" type="checkbox"/> Publicly Available | <input checked="" type="checkbox"/> Non-Sensitive |
| | <input type="checkbox"/> Non-publicly Available | <input type="checkbox"/> Sensitive |
| KEYWORD: SUNSI REVIEW COMPLETE | | |

Security Related Complete Report - OUO:

| | | | | |
|--|--|---|------------------|----------|
| ADAMS: <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> SUNSI Review Complete | Reviewer Initials: ETB | | |
| | <input type="checkbox"/> Publicly Available | <input type="checkbox"/> Non-Sensitive | | |
| Category A. | <input checked="" type="checkbox"/> Non-publicly Available | <input checked="" type="checkbox"/> Sensitive-Related – Periodic Review Required | | |
| KEYWORD: MD 3.4 Non-Public A. | | | | |
| PSI:PSB1 | PSI:PSB1 | C:PSB1 | C:PBD | C:PSB1 |
| ETByre | JLarsen | RJohnson | RLantz | RJohnson |
| /RA/ | /RA/ | /RA/ | /RA/ C.Paulk for | /RA/ |
| 11/10/09 | 11/10/09 | 11/12/09 | 11/13/09 | 11/20/09 |

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