



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

August 27, 2003

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 August 7, 2003, the NRC staff completed its midcycle plant performance assessment of Palo Verde Nuclear Generating Station. The midcycle review for Palo Verde Nuclear Generating Station involved the participation of all technical divisions in evaluating performance indicators (PIs) for the most recent quarter and inspection results for the first half of the current assessment cycle, January 1 through June 30, 2003. 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 that 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 PIs indicating performance at a level requiring no additional NRC oversight (Green). Therefore, we plan to conduct only baseline inspections at your facility through September 30, 2004, based on your safety performance.

The enclosed inspection plan details the inspections scheduled through September 30, 2004. In addition to the baseline inspection, Temporary Instruction 2515/150, Revision 1, "Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles (NRC Bulletin 2002-02)," and inspections discussed in Inspection Procedure 50001, "Steam Generator Replacement Inspection," will be performed on Unit 2 during your 2003 fall outage. 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 inspections in the last 6 months of the inspection plan are tentative and may be revised at the end-of-cycle review meeting.

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/

Linda Smith, Chief
Project Branch D
Division of Reactor Projects

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

Enclosure:
Palo Verde Nuclear Generating Station Inspection/Activity Plan

cc:
Mr. Michael Austin, Director
Arizona Division of Emergency Management
5636 East McDowell Road
Building 101
Phoenix, AZ 85008-3495

Mr. Jeff Griffin, Regional Director
Federal Emergency Management Agency
1111 Broadway, Suite 1200
Oakland, CA 94607-4052

The Honorable Ron Drake
Mayor of Avondale
525 North Central
Avondale, AZ 85323

The Honorable Dustin Hull
Mayor of Buckeye
100 North Apache Road
Buckeye, AZ 85326

The Honorable Robert Robles
Mayor of El Mirage
P.O. Box 26
El Mirage, AZ 85335

The Honorable Elaine Scruggs
Mayor of Glendale
5850 West Glendale Avenue
Glendale, AZ 85301

The Honorable Seth Kanter
Vice Mayor of Goodyear
119 North Litchfield Road
Goodyear, AZ 85338

The Honorable J. Woodfin Thomas
Mayor of Litchfield
244 West Wigwam Blvd.
Litchfield Park, AZ 85340

The Honorable John Keegan
Mayor of Peoria
8401 West Monroe Street
Peoria, AZ 85345

The Honorable Skip Rimsza
Mayor of Phoenix
200 West Washington
Phoenix, AZ 85007

The Honorable Joan Shafer
Mayor of Surprise
12425 West Bell Road
Surprise, AZ 85374

The Honorable Adolfo Gamez
Mayor of Tolleson
9555 West Van Buren Street
Tolleson, AZ 85353

The Honorable Daphne Green
Mayor of Youngtown
12030 Clubhouse Square
Youngtown, AZ 85363
Gregg R. Overbeck, Senior Vice
President, Nuclear
Arizona Public Service Company
P.O. Box 52034
Phoenix, Arizona 85072-2034

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

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

Cheryl Adams
Southern California Edison Company
5000 Pacific Coast Hwy. Bldg. DIN
San Clemente, California 92672

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

Palo Verde
Inspection / Activity Plan
08/01/2003 - 09/30/2004

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start	Planned Dates End	Inspection Type
	SGR-P - U-2 SG REPLACEMENT PREP ACTIVITIES		3			
2	IP 50001	Steam Generator Replacement Inspection		06/01/2003	09/20/2003	Other Routine
	P-MOD - EMB SG REPLACEMENT DESIGN ASPECT INSP		2			
2	IP 7111117A	Permanent Plant Modifications		08/18/2003	09/05/2003	Baseline Inspections
2	IP 7111123	Temporary Plant Modifications		08/18/2003	09/05/2003	Baseline Inspections
	SGR2-MOD - U-2 SG REPLACEMENT - REVIEW 50.59		2			
2	IP 7111102	Evaluation of Changes, Tests, or Experiments		08/25/2003	08/29/2003	Baseline Inspections
	SGR2 - U-2 SG REPLACEMENT INSPECTIONS		3			
2	IP 50001	Steam Generator Replacement Inspection		09/26/2003	12/27/2003	Other Routine
	ACCESSPI - ACRSA/PI		1			
1, 2, 3	IP 7112101	Access Control to Radiologically Significant Areas		10/06/2003	10/10/2003	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		10/06/2003	10/10/2003	Baseline Inspections
	TI -150 - PWR RPV HEAD CRACKING- BULLETIN 2002-02		1			
2	IP 2515/150	Reactor Pressure Vessel Head and Vessel Head Penetration Nozzles (NRC Bulletin 2002-0		10/13/2003	10/17/2003	Safety Issues
	EMB - ISI & SG INSPECTIONS U2		1			
2	IP 7111108P	Inservice Inspection Activities - PWR		10/20/2003	10/24/2003	Baseline Inspections
2	IP 7111108P	Inservice Inspection Activities - PWR		11/03/2003	11/07/2003	Baseline Inspections
	SGR2-NDE - U-2 SG REPLACEMENT NDE ACTIVITIES		1			
2	IP 7111108P	Inservice Inspection Activities - PWR		10/20/2003	11/03/2003	Baseline Inspections
	ALARA2 - ALARA		1			
1, 2, 3	IP 7112102	ALARA Planning and Controls		11/17/2003	11/21/2003	Baseline Inspections
	PSB-EP1 - EP PROGRAM INSPECTION		1			
1, 2, 3	IP 7111402	Alert and Notification System Testing		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 7111403	Emergency Response Organization Augmentation Testing		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 7111404	Emergency Action Level and Emergency Plan Changes		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 7111405	Correction of Emergency Preparedness Weaknesses and Deficiencies		02/02/2004	02/06/2004	Baseline Inspections
1, 2, 3	IP 71151	Performance Indicator Verification		02/02/2004	02/06/2004	Baseline Inspections
	EMB - SAFETY SYS. DESIGN AND PERF. CAPABILITY		4			
1, 2, 3	IP 7111121	Safety System Design and Performance Capability		03/01/2004	03/05/2004	Baseline Inspections
1, 2, 3	IP 7111121	Safety System Design and Performance Capability		03/15/2004	03/19/2004	Baseline Inspections
	EMB - CHANGES, TESTS & EXPERIMENTS		1			
1, 2, 3	IP 7111102	Evaluation of Changes, Tests, or Experiments		03/01/2004	03/05/2004	Baseline Inspections
	2004019 - INSERVICE INSPECTION ACTIVITIES		1			
1	IP 7111108P	Inservice Inspection Activities - PWR		04/12/2004	04/16/2004	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
08/01/2003 - 09/30/2004

Unit Number	Inspection Activity	Title	No. of Staff on Site	Planned Dates Start End	Inspection Type
	2004019 - INSERVICE INSPECTION ACTIVITIES		1		
1	IP 7111108P	Inservice Inspection Activities - PWR		04/26/2004 04/30/2004	Baseline Inspections
	ACCESSPI - ACRSA/PIV		1		
1, 2, 3	IP 7112101	Access Control to Radiologically Significant Areas		04/19/2004 04/23/2004	Baseline Inspections
	PIR - BIENNIAL PIR		4		
1, 2, 3	IP 71152B	Identification and Resolution of Problems		05/24/2004 06/11/2004	Baseline Inspections
	OB-INIT - OB - INITIAL EXAMINATION		4		
1	X02273	PALO VERDE UNIT 1 (06/04) INITIAL		05/17/2004 05/21/2004	Not Applicable
1	X02273	PALO VERDE UNIT 1 (06/04) INITIAL		06/07/2004 06/11/2004	Not Applicable
	REQUAL - OB-REQUALIFICATION		2		
1, 2, 3	IP 7111111B	Licensed Operator Requalification		08/09/2004 08/13/2004	Baseline Inspections
	2004039 - PERMANENT PLANT MODIFICATIONS		2		
1, 2, 3	IP 7111117B	Permanent Plant Modifications		09/13/2004 09/17/2004	Baseline Inspections