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 DEMICHELE, M. Arizona Nuclear Power Project (formerly Arizona Public Serv
 RECIP. NAME RECIPIENT AFFILIATION
 MARTIN, J. Region 5, Ofc of the Director

SUBJECT: Ack receipt of 890419 ltr transmitting rept of Augmented
 Insp Team. Formal rept forthcoming.

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MARK DeMICHELE
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

April 27, 1989

Mr. Jack Martin
Region V
Nuclear Regulatory Commission
1415 Maria Lane, Suite 210
Walnut Creek, CA 94596

Dear Mr. Martin:

I have received your letter of April 19, 1989, transmitting the report of the Nuclear Regulatory Commission's Augmented Inspection Team which visited the Palo Verde Site in connection with the March 3, 1989 trip of Unit 3. A formal response to that report on behalf of the Arizona Nuclear Power Project will be forthcoming shortly.

Let me state it as clearly and unequivocally as I can. We believe Palo Verde to be the best built nuclear facility in the United States and we intend to maintain the high standards achieved during construction in operations.

However, as the Chief Executive Officer of Arizona Public Service, the operating agent of Palo Verde, I felt it essential to convey to you my reaction to the AIT Report, including steps which I have taken and will take in the immediate future to satisfy the concerns raised in the Report.

I have conveyed my dissatisfaction with our performance to all of Palo Verde management. I have also informed them that our ability (1) to assess problems, (2) do root-cause analysis, (3) implement timely and effective modifications (where needed), and (4) identify the lessons learned from such analysis and integrate them into an effective training program must be significantly and demonstrably improved.

As you know, in the past few months we have substantially augmented our staff with eight new management employees. Mr. Bill Conway, presently the Senior Vice President for nuclear operations at Florida Power and Light, will be joining APS on May 8th as Executive Vice President, with full responsibility for Palo Verde operations. Mr. Conway's experience in nuclear operations covers more than 20 years.

In addition to Mr. Conway, the following new managers have brought over 100 years of nuclear experience to Palo Verde and, I believe, will contribute significantly to the much higher standards of performance that I am demanding.

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Palo Verde Plant Director - Mr. Walter Marsh joined APS on January 3, 1989, as Plant Director. All three unit plant managers and the relief plant manager report to this position. Mr. Marsh brings 22 years of nuclear operations experience to Palo Verde.

Quality Assurance Director - Mr. Blaine Ballard joined APS on March 20, 1989, as Quality Assurance Director, reporting directly to the Executive Vice President - Nuclear. Mr. Ballard has over 23 years of technical management experience of which 13 years is in nuclear operations quality assurance.

Unit 2 Plant Manager - Mr. Doug Heinicke joined APS on January 30, 1989, as the Unit 2 Plant Manager. Previously, Mr. Heinicke was a manager at the San Onofre Nuclear Generating Station. He has 20 years of nuclear operations experience.

Director, Standards and Technical Support - Mr. James Reilly is an employee of Southern California Edison, and has been assigned to Palo Verde for approximately six months while recruiting efforts are ongoing to fill this position. Mr. Reilly held a similar position at SONGS and has 15 years of nuclear experience of which 10 years is in nuclear operations.

Radiation Protection and Chemistry Manager - Mr. Patrick Hughes joined APS on March 13, 1989, in this capacity. Mr. Hughes was previously employed by Florida Power and Light and was stationed at Turkey Point. Mr. Hughes is a certified Health Physicist and has 14 years of nuclear operations and experience.

Unit 1 Assistant Plant Manager - Mr. Richard Shaller joined APS on January 30, 1989, in this capacity. Mr. Shaller previously worked at the Clinton nuclear plant. Mr. Shaller has 10 years of nuclear operations experience.

Unit 3 Assistant Plant Manager - Mr. Jack Bailly joined APS on February 27, 1989, in this capacity. Mr. Bailly previously worked at the Surry nuclear plant. Mr. Bailly has 7 years of nuclear operations experience.

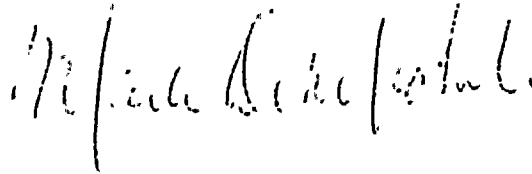
To insure that this wealth of nuclear experience is brought to bear directly on the most critical aspects of the plant's operation, I am directing that Unit 1 be defueled and that work on its outage continue, but at a slower pace. This will allow Mr. Conway and his team to focus their efforts and resources on the problems that must be solved to insure a smooth and successful restart of Unit 2, with the lessons learned from that restart to then be applied to Units 1 and 3.



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Only after I am personally assured by Mr. Conway and certain members of our Nuclear Oversight Committee that the higher standards of analysis, review, training and performance are in place and operating effectively, will I discuss with you our plans for restart of the Units. Even then, we will plan to restart on a sequential basis so that there is adequate assurance that the standards of performance you legitimately seek (and which I demand) are manifest at Palo Verde.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. J. Dickel". The signature is written in a cursive, somewhat stylized script. The first letter "R" is large and prominent, followed by "J", "D", "i", "c", "k", "e", "l". There are some loops and flourishes in the writing.

OMD:sm

