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WILLIAM L. STEWART
EXECUTIVE VICE PRESIDENT
NUCLEAR

102-03427-WLS/AKK/RJR
February 10, 1995

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
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Dear Sirs:

Subject: Palo Verde Nuclear Generating Station (PVNGS)
Units 1, 2, and 3
Docket Nos. STN 50-528/529/530
Reply to Notice of Violation 50-528/529/530/94-35-01
File: 95-070-026

Arizona Public Service Company (APS) has evaluated NRC Inspection Report 50-528/529/530/95-35 and the Notice of Violation (NOV), dated January 11, 1995. Pursuant to the provisions of 10 CFR 2.201, APS' response is enclosed. Enclosure 1 to this letter is a restatement of the NOV. APS' response is provided in Enclosure 2.

As described in the inspection report, PVNGS identified that certain Technical Specifications (TS) were not appropriately conservative for all plant conditions. Because of the length of the TS change process, appropriate measures were taken to restrict plant operation for the identified conditions until TS changes could be processed. These compensatory measures were found by the inspection team to be technically appropriate such that safe operation of the units was maintained. This demonstrates PVNGS' strong understanding and commitment to TS by ensuring the plant is always maintained in a safe condition. There was no intention, as stated in the inspection report, to abandon TS limits in favor of administrative controls.

To ensure the TS were changed to incorporate the correct controls, APS along with Combustion Engineering (CE) and the NRC, discussed the needed approach and content of the TS changes. TS Amendments 86, 74, and 58 for Azimuthal Tilt were issued in November of 1994, which partially resolved the issues. Resolution of the remaining TS issues is pending submittal of proposed changes to TS 1.29, Shutdown Margin; TS 3/4.1.1, Boration Control; TS 3/4.3.1, Reactor Protective Instrumentation; TS 3/4.9.1, Boron Concentration; and TS 6.9.1, Routine Reports. An amendment proposal for these issues is expected to be submitted in March of 1995.

As part of the subject inspection, a presentation was made to the inspection team delineating the technology transfer that has taken place between CE and the PVNGS

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Nuclear Fuel Management (NFM) organization. This transfer occurred throughout the late 1980's and early 1990's, which has enhanced NFM's fuel engineering analytical capabilities. This technology transfer led to the submittal of a topical report on APS' reload design capabilities. This topical report was approved by the NRC in 1993 allowing APS to perform reload analysis. These capabilities are unique among utilities with the CE digital monitoring and protection system. The development of these technical capabilities enabled the self-discovery of many of the issues discussed in LER 528/529/530/94-002, its supplements, and the inspection report.

The performance-based inspection evaluated 5 separate fuels/safety analysis issues which were self-identified, evaluated, and resolved by the technical staff over the past 6 years. PVNGS' immediate response to ensure plant safety was found to be timely and effective, with the weakness that internal and external notifications and permanent changes to regulatory documents were delayed. This delay is partially attributed to the practice of instituting administrative controls with formal changes to follow. The performance noted in the LER and inspection report are limited cases and represent historical performance, not current practice. PVNGS recognizes the need for timely notification and demonstrates this regularly by formal and informal communication with the regulator as demonstrated by more current issues of battery capacity, potential overpressurization of main steam systems (NRC Information Notice 94-60), and high burnup fuel.

When reviewing recent changes and performance at Palo Verde, we believe that the generation of the subject LER, and increased awareness and use of the corrective action process are strong evidence that changes in culture have occurred. As discussed in the response to the NOV, PVNGS has conducted specific training for NFM personnel of the need to document deficiencies in the corrective action program. Within the last year, a prioritization system has been developed and implemented for TS changes. This prioritization system has been communicated to the PVNGS NRC Project Manager. This system focuses resources on TS changes of the greatest safety significance. In cases where administrative limits are required because TS limits are not sufficiently conservative, the system assigns a high priority to the corresponding TS change.

In the future, PVNGS anticipates appropriately increasing the amount of reload engineering performed in-house as opposed to using outside vendors. As evidenced by the subject LER, the increased technical skills developed and applied to engineering work has led to challenges of past practices. PVNGS will continue to aggressively pursue timely corrective actions to maintain plant safety. We are committed to use the



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corrective action program to provide prompt notification and review of issues which require senior

licensee management attention and regulatory notification, and we will continue to communicate this expectation to all personnel.

Should you have any questions, please contact Ms. Angela K. Krainik at (602) 393-5421.

Sincerely,



WLS/AKK/RJR/rv

Enclosures:

1. Restatement of Notice of Violation
2. Reply to Notice of Violation

cc: L. J. Callan
A. B. Beach
T. P. Gwynn
K. E. Johnston
B. E. Holian



ENCLOSURE 1

RESTATEMENT OF NOTICE OF VIOLATION 50-528/529/530/94-35-01

NRC INSPECTION CONDUCTED NOVEMBER 15 THROUGH DECEMBER 16, 1994

INSPECTION REPORT Nos. 50-528/529/530/94-35



Restatement of Notice of Violation 50-528/529/530/94-35-01

During an NRC inspection conducted on November 15 through November 17, 1994, November 29 through December 2, 1994, and in-office review until December 16, 1994, a violation of NRC requirements was identified. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," 10 CFR Part 2, Appendix C, the violation is listed below:

Criterion V of appendix B to 10 CFR 50 requires, in part, that activities affecting quality shall be prescribed by documented instruction, procedures, or drawings, of a type appropriate to the circumstances and shall be accomplished in accordance with these instructions, procedures, or drawings. Procedure 90AC-01P04, Revision 2, effective November 2, 1992, and Revision 3, effective January 3, 1994, describes the condition reporting process. Section 1.1.3 of the procedure identifies applicable conditions, for example, human errors; procedure deficiencies and technical inadequacies; use or generation of incorrect or inaccurate documents such as specifications, procedures, or instructions; conditions that could result in reports to external agencies; and any other problems that may adversely affect the safe operation of the plant. Section 3.1.2 of the procedure requires if the condition described indicates immediate action or may have adverse or immediate impact on the operation of plant systems or equipment, then the originator shall initiate any required immediate actions and complete the condition report/disposition request in accordance with its instructions to complete the applicable sections of the form as soon as practical.

Contrary to the above, a condition report/disposition request was not initiated in November 1993 nor in February 1994 when licensee personnel identified and discussed an applicable condition involving the need for both a boron concentration restriction and core protection calculator operability to be maintained during plant operation in Modes 3, 4, and 5 in order to ensure satisfaction of assumptions of the design basis safety analysis.

This is a Severity Level IV violation (Supplement I) applicable to Units 1, 2, and 3.



ENCLOSURE 2

REPLY TO NOTICE OF VIOLATION 50-528/529/530/94-35-01

NRC INSPECTION CONDUCTED NOVEMBER 15 THROUGH DECEMBER 16, 1994

INSPECTION REPORT Nos. 50-528/529/530/94-35



Reply to Notice of Violation 50-528/529/530/94-35-01

Reason for the Violation

In November 1993, a reactor engineer was reviewing a new MODE 5 operating procedure and questioned the validity of operating restrictions related to inadvertent subcritical Control Element Assembly (CEA) withdrawal. These operating restrictions had been in place since 1992 when the reactor vendor identified a non-conservative error in the neutron source term used as an input to the subcritical CEA withdrawal analysis for PVNGS.

Upon request from the reactor engineer, a safety analysis engineer discovered that analysis assumptions used in the subcritical CEA withdrawal analysis had changed since the discovery of the neutron source term error and that the operating restrictions should be changed. Operating procedures changes were proposed by memorandum and incorporated into the operating procedures in March 1994.

The root cause of this violation was a misunderstanding of the corrective action program. The individuals involved worked within the same department and inappropriately concluded that resolution of the issue was part of the normal work process and; therefore, a Condition Report/Disposition Request (CRDR) was not necessary.

Corrective Actions Taken and Results Achieved

A CRDR (9-4-0803) was initiated on November 23, 1994, to identify the weakness of not generating required problem identification documentation. Personnel within NFM have received a briefing conducted by the Nuclear Assurance Department covering the requirements for initiating a CRDR. The significant increase in the use of the CRDR process by NFM personnel during the last part of 1994 is indicative of the appropriate awareness and sensitivity of properly raising issues to management attention.

Corrective Actions That Will Be Taken To Avoid Further Violations

Training in the CRDR governing procedure (90AC-01PO4) is being given to PVNGS management personnel who will then conduct briefings within their work groups.

Date When Full Compliance Will Be Achieved

Full compliance was achieved on November 23, 1994 when Condition Report/Disposition Request 9-4-0803 was initiated.

