



UNITED STATES
NUCLEAR REGULATORY COMMISSION
OFFICE OF INSPECTION AND ENFORCEMENT
REGION V
1450 MARIA LANE, SUITE 210
WALNUT CREEK, CALIFORNIA 94596

December 19, 1984

TO: Tom Rehm. OEDO
FROM: B. Faulkenberry, RV

SUBJ: REQUEST FROM ARIZONA STATE UTILITY
COMMISSION

Attached is the report I discussed with you on 12/19/84. It is my understanding that you will handle the action requested in this document and that no additional action is required from Region V unless you so inform me.

B. H. Faulkenberry
Deputy Regional Administrator

Attachment
a/s

8506150312 850307
PDR FOIA
BELL85-37 PDR

24

Arizona Public Service Company

P.O. BOX 21666 • PHOENIX, ARIZONA 85036

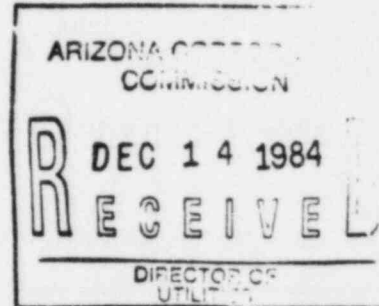
B. PAUL HART
VICE PRESIDENT
RATES AND REGULATION

December 14, 1984

Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Attn: Mr. Wayne Ruhter
Director, Utilities Divn.

Re: ACC Decision No. 54247 - Plan for
Administration of Performance
Incentive Adjustment



Gentlemen:

In accordance with the provisions in the Commission's Decision No. 54247 in Docket No. U-1345-83-155, Arizona Public Service Company hereby files 5 copies of the "Plan for Administration of Performance Incentive Adjustment" which details the administration of the operating incentive provisions relative to the Company's share of Four Corners and Palo Verde Unit #1.

If you or a member of your staff have any questions regarding this filing, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "B. Paul Hart".

JRS/rt

Enclosure

ARIZONA PUBLIC SERVICE COMPANY

Plan For Administration
of
Performance Incentive Adjustment
per
A.C.C. Decision No. 54247
Dated November 28, 1984

I. GENERAL DESCRIPTION

Certain of the Company's electric rate schedules are subject to the following Performance Incentive Adjustment clause.

"Plus or minus a Performance Incentive Adjustment Factor in fractions of dollars per kwh based upon the demonstrated operating performance standards of the Company's share of the Four Corners Generating Station and the Palo Verde Nuclear Generating Station Unit #1, compared to performance standards established by the Arizona Corporation Commission. The method of application is described in the filed Plan for Administration of Performance Incentive Adjustment."

The Arizona Corporation Commission (Commission) has established performance standards for Arizona Public Service Company's (Company) share of the Four Corners Generation Station (Four Corners) and the Palo Verde Nuclear Generating Station Unit #1 (Palo Verde #1). These standards are expressed in terms of an "Equivalent Availability Factor" (EAF) for the operating performance related to Four Corners, and a "Capacity Factor" (CF) for the operating performance of Palo Verde #1, with a "deadband", a penalty band and a reward band. The limits of the penalty band, deadband, and reward band are:

Equivalent Availability/Capacity Factors

| | <u>Penalty Band</u> | <u>Deadband</u> | <u>Reward Band</u> |
|---------------|---------------------|-----------------|--------------------|
| Four Corners | 40% to 65% | 65% to 75% | 75% to 100% |
| Palo Verde #1 | 35% to 60% | 60% to 75% | 75% to 100% |

The actual operating performance of these generating facilities during a Measurement Period shall be compared to those standards established by the Commission in order to determine the total Performance Incentive Adjustment amount to be credited or collected from the Company's customers in the form of a Performance Incentive Adjustment Factor (PIAF) applied to their consumption during an Adjustment Period.

Provisions have also been made for adjustment of the actual measured operating performance standards used for determining the Performance Incentive Adjustment amount due to "extraordinary events."

The actual Performance Incentive Adjustment dollar amount (negative or positive) is to be billed on a per kwh basis during a 12-month period (Adjustment Period) following the operating performance Measurement Period, usually beginning with the first billing cycle of the fifth month following the Measurement Period. Adjustments of \$1,000,000 or less will be handled by credits/charges to the Company's Purchased Power and Fuel Adjustment Clause (PPFAC) balance.

II. ESTABLISHMENT OF OPERATING PERFORMANCE STANDARDS

Operating performance standards upon which the Company's penalty/reward status is to be determined shall be established separately for Four Corners and Palo Verde #1. Such standards will be established only during a general rate case which fair value rate base and fair return thereon is found. The standards, once established, will remain unchanged for at least 24 months. Such standards shall be based upon industry experience of generally similar generating units weighted and appropriately adjusted for specific Company generating units subject to the Performance Incentive Adjustment including, but not limited to considerations of age, environmental equipment and coal quality.

III. EXTRAORDINARY EVENTS

The Equivalent Availability Factor for Four Corners and the Capacity Factor for Palo Verde #1 attained over the Measurement Period that are used for purposes of computing the Performance Incentive Adjustment dollar amount, may be adjusted to account for "extraordinary events".

Any claims by the Company for special relief due to an "extraordinary event", shall trigger an automatic hearing with notice to every party in the Company's last general rate proceeding and shall not affect the imposition of any penalty/reward amounts pending the outcome of said hearing.

The Company shall be permitted to claim the existence of an "extraordinary event" in order to reduce or cancel an otherwise required penalty incentive amount; but, however, such claim(s) shall not produce a reward situation when none would otherwise exist.

IV. PERFORMANCE INCENTIVE

Each of the Company's electric rate schedules which include an implicit or explicit charge per kwh will be subject to the following adjustment clause:

"Plus or minus a Performance Incentive Adjustment Factor in fractions of dollars per kwh based upon the demonstrated operating performance standards of the Company's share of the Four Corners Generating Station and the Palo Verde Nuclear Generating Station Unit #1, compared to performance standards established by the Arizona Corporation Commission. The method of application is described in the filed Plan for Administration of Performance Incentive Adjustment."

V. ESTABLISHMENT OF THE PENALTY/REWARD DOLLAR ADJUSTMENT AMOUNT

The Commission has established that the basis for determining the dollar Performance Incentive Award for the operating performance of Four Corners and Palo Verde #1 shall be as shown on the following table (see Exhibit 1).

The resulting reward/penalty incentive dollar amount based on Four Corner's performance shall be algebraically added to that of Palo Verde #1 in determining the total performance incentive dollar amount to be awarded during the Adjustment Period.

EXHIBIT I

FOUR CORNERS GENERATING STATION

(The Performance Incentive Adjustment dollar amount shall be based on the EAF during the Measurement Period as set forth below:)

| <u>Zone of Plant Operating Performance (Equiv. Availability Factor)</u> | <u>Performance Incentive Range</u> | <u>Basis for the Amount of Reward/Penalty*</u> |
|---|---|---|
| 85% to 100% | Reward | 100% of net avoided fuel costs over 85%; plus 50% of net avoided fuel costs between 75%-85% |
| 75% to 85% | Reward | 50% of net avoided fuel costs |
| 65% to 75% | Deadband (Neutral) | 0 |
| 55% to 65% | Penalty | 50% of net add'l. fuel costs |
| 40% to 55% | Penalty | 100% of net add'l. fuel costs below 55%; plus 50% of net add'l fuel costs between 55%-65% |
| below 40% | Reconsideration of last general rate case per Decision No. 54247. | |

Palo Verde Nuclear Generating Station Unit #1

(The Performance Incentive Adjustment dollar amount associated with this facility shall be based on the CF during the Measurement Period as set forth below:)

| <u>Zone of Plant Operating Performance (Capacity Factor)</u> | <u>Performance Incentive Range</u> | <u>Basis for the Amount of Reward/Penalty*</u> |
|--|---|---|
| 85% to 100% | Reward | 100% of net avoided fuel costs over 85%; plus 50% of net avoided fuel costs between 75%-85% |
| 75% to 85% | Reward | 50% of net avoided fuel costs |
| 60% to 75% | Deadband (Neutral) | 0 |
| 50% to 60% | Penalty | 50% of net add'l. fuel costs |
| 35% to 50% | Penalty | 100% of net add'l. fuel costs below 50%; plus 50% of add'l. fuel costs between 50%-60% |
| below 35% | Reconsideration of last general rate case per Decision No. 54247. | |

* A proxy shall be used for determining the gross avoided/additional fuel costs based on the Company's total Purchased Power and Fuel (PPF) expense per Mwh at generation level, exclusive of generation Mwh and fuel expense for Four Corners and Palo Verde #1 during the Measurement Period. Generation Mwh and expense shall be those used in the Company's Purchased Power and Fuel Adjustment Clause.

VI. METHOD OF APPLICATION

1. Effective Date

The Plan will become effective on January 1, 1985, and commencing in 1986, the Company shall annually file with the Commission its computations of the Performance Incentive Adjustment Factor not later than March 1 based upon the EAF of Four Corners and the CF of Palo Verde #1. The Performance Incentive Adjustment Factor (unless adjusted as a result of an "extraordinary event"), negative or positive, will become effective with first billing cycle of May immediately following the filing. In the event an adjustment to the Company's Performance Incentive Adjustment amount is allowed by the Commission as a result of a claim due to an "extraordinary event", such adjustment shall be implemented as provided for in subsection (7) of this section of the Plan.

2. Computation of Four Corners and Palo Verde #1 Operating Performance Factors

The Commission has established that for purposes of this incentive plan, the operating performance for Four Corners shall be based on the EAF of the plant during the Measurement Period, while that for Palo Verde #1 shall be based on its CF during the Measurement Period.

The EAF for Four Corners shall be computed as follows:

$$\text{EAF} = \frac{\text{AH} - (\text{EFOH} + \text{ESOH})}{\text{PH}} \times 100$$

where:

AH = available hours
EFOH = equivalent forced partial outage hours
ESOH = equivalent scheduled partial outage hours
PH = period hours

and

$$\text{EFOH} = \frac{\text{Forced partial outage hours} \times \text{size of reduction in MW}}{\text{MDC}_{\text{mp}}}$$

$$\text{ESOH} = \frac{\text{Scheduled partial outage hours} \times \text{size of reduction in MW}}{\text{MDC}_{\text{mp}}}$$

MDC_{mp} = $\frac{\text{Weighted maximum dependable capacity in MW during the Measurement Period. Weighting to be computed as:}}{\text{MDC}_{\text{mp}}}$

$$\text{MDC}_{\text{mp}} = \frac{(\text{MDC}_1) (\text{hours in period 1}) + \dots (\text{MDC}_n) (\text{hours in period n})}{\text{hours in Measurement Period}}$$

The CF for Palo Verde #1 shall be computed as follows:

$$CF = \frac{MWH}{MW \times PH}$$

where:

MWH = the amount of MWH's generated during the Measurement Period

MW = time weighted rated capacity of Palo Verde #1

PH = number of hours in the Measurement Period

For the purposes of this incentive plan, the Palo Verde generating Unit #1 shall begin its first Measurement Period on the first day of the third month following attainment of commercial operation. The CF used for determining the operating performance of the facility shall be weighted for the portion of such calendar year remaining in the Measurement Period from and including the first day of the third month following commercial operation.

As an example, assume:

max. dependable capacity = 370 mw

| <u>Comm. Oper.</u> | <u>1st day of</u> | <u>MWH Generated</u> | <u>Hrs Remaining</u> |
|--------------------|-------------------|--------------------------|-------------------------|
| <u>3/31/85</u> | <u>3rd Mo.</u> | <u>After Comm. Oper.</u> | <u>in Msrmt. Period</u> |
| | 6/1/85 | 1,140,192 | 5136 |

The Palo Verde #1 CF for the 1985 Measurement Period would then be calculated as follows:

$$CF = \frac{1,140,192 \text{ MWH}}{5,136 \text{ Hr} \times 370 \text{ MW}} = 60\%$$

3. Determination of the Company's Overall Performance Incentive Adjustment Dollar Amount

The determination of the additional/avoided fuel costs during the Measurement Period associated with the Company's share of generating facilities subject to this incentive plan (presently Four Corners and Palo Verde #1) must first be calculated for each facility separately. The additional/avoided fuel costs for each facility are then algebraically summed in order to arrive at the total overall Performance Incentive Adjustment dollar amount (either a penalty or reward) to be billed during the Adjustment Period.

The following description outlines the steps necessary in determining the overall Performance Incentive Adjustment dollar amount:

A. Calculate the net replacement fuel cost for each facility similar to that shown for Four Corners below:

$$NRFC_{fc} = PPF_{mb} - F_{fc}$$

where:

NRFC = Four Corners estimated net replacement fuel cost in
fc \$ per Mwh

PPF = Total APS Purchased Power and Fuel (PPF) expense per Mwh
nb at generation level, exclusive of generation Mwh and fuel
expense for Four Corners and Palo Verde during Measurement
Period. Generation Mwh and expense shall be those used in
APS' Purchased Power and Fuel Adjustment clause

F = Fuel expense per Mwh generated at APS' share of Four
fc Corners during Measurement Period, using Mwh and expense
in APS' PPFAC.

B. Compare the facility's operating performance factor during the
Measurement Period with the table in Exhibit 1 of this Plan in order to
determine if the facility is in a reward/penalty situation. If in the
deadband range, then no Performance Incentive amount is forthcoming for
that facility.

C. Compute avoided/additional generation (MWH's) for purposes of
determining avoided/additional fuel costs similar to the methodology shown
below for Four Corners:

If EAF is greater than 85% :

$$\text{Avoided MWH} = (\text{MWH}_{\text{avail}} - \text{MWH}_{.85}) + .5 (\text{MWH}_{.85} - \text{MWH}_{.75})$$

If EAF is greater than 75% but less than 85% :

$$\text{Avoided MWH} = .5 (\text{MWH}_{\text{avail}} - \text{MWH}_{.75})$$

If EAF is greater than 55% but less than 65% :

$$\text{Add'l MWH} = .5 (\text{MWH}_{\text{avail}} - \text{MWH}_{.65})$$

[results in a negative value]

If EAF is less than 55% :

$$\text{Add'l MWH} = (\text{MWH}_{\text{avail}} - \text{MWH}_{.55}) + .5 (\text{MWH}_{.55} - \text{MWH}_{.65})$$

[results in a negative value]

where:

$$\text{MWH}_{\text{avail}} = \text{MDC}_{\text{mp}} \times \text{PH} \times \text{CF} \text{ (for Palo Verde \#1)}$$

$$\text{MWH}_{\text{avail}} = \text{MDC}_{\text{mp}} \times \text{PH} \times \text{EAF} \text{ (for Four Corners)}$$

$$\begin{array}{lcl} \text{MWH} & = & \text{MDC} \times \text{PH} \times .85 \text{ (est. available generation in MWH} \\ \downarrow .85 & \downarrow \text{mp} & \downarrow \text{at an EAF level of 85\%)} \\ \text{MWH} & = & \text{MDC} \times \text{PH} \times .55 \text{ (est. available generation in MWH} \\ \downarrow .55 & \downarrow \text{mp} & \downarrow \text{at an EAF level of 55\%)} \end{array}$$

MDC = Weighted maximum dependable capacity in MW during the
mp the Measurement Period

PH = Hours in Measurement Period

EAF = Equivalent Availability Factor during the Measurement
mp Period

CF = Capacity Factor during the Measurement Period

D. Calculate the net avoided/additional fuel costs of each generation facility similar to that shown below for use in determining the overall Performance Incentive Adjustment amount:

$$\begin{aligned} \text{Net Avoided fuel cost} &= \left[(\text{Avoided MWH} \times \text{NRFC}_{fc}) \times \frac{\text{MWH}_{act}}{\text{MWH}_{avail}} \right] \times \left[\frac{\text{Ret. Sales}}{\text{Tot. Sales}} \right] \\ \text{Net Add'l fuel cost} &= \left[(\text{Add'l MWH} \times \text{NRFC}_{fc}) \times \frac{\text{MWH}_{act}}{\text{MWH}_{avail}} \right] \times \left[\frac{\text{Ret. Sales}}{\text{Tot. Sales}} \right] \end{aligned}$$

where:

Avoided MWH, Add'l MWH and MWH_{avail} are those respective values as computed in (C) above.

MWH_{act} = the actual MWH's generated at Four Corners (or Palo Verde #1) during the Measurement Period.

NRFC_{fc} = net replacement fuel cost as computed in (A) above.

Ret. Sales = the Company's retail sales (MWH's) during the Measurement Period.

Tot. Sales = the Company's total sales (MWH's) during the Measurement Period.

E. The Company's total overall Performance Incentive dollar amount is then determined by algebraically summing the net additional/avoided fuel costs (as calculated in (D) above) for the generating facilities subject to this plan. A positive result indicates a reward situation and a negative indicates a penalty situation.

4. Computation of the Performance Incentive Adjustment Factor (PIAF)

The PIAF to be billed during the Adjustment Period in the form of a credit or a charge, depending upon whether the overall Performance Incentive Adjustment amount represents a penalty or reward, is computed as follows:

$$\text{PIAF (in \$/kwh)} = \frac{\text{SCI} + \text{\$B}}{\text{Kwh}_{\text{ap}}}$$

where:

SCI = The Company's total overall Performance Incentive dollar amount (as computed in (4) above).

KWH_{ap} = Projected retail sales in Kwh's during the Adjustment Period.

\\$B = Balance between the immediately previous Performance Incentive Adjustment dollars and the estimated incentive dollars billed during the immediately preceding Adjustment Period.

5. Definitions

| | |
|--------------------|--|
| Measurement Period | The calendar year during which operating performance factors are to be determined for computation of the Performance Incentive Adjustment amount for each of the generating facilities subject to this plan. |
| Adjustment Period | The 12 billing cycle months, normally commencing with May following the Measurement Period, during which the PIAF is to be billed. |
| CF | The Capacity Factor achieved during the Measurement Period that is used in determining the Performance Incentive dollar amount attributable to Palo Verde #1. |
| EAF | The Equivalent Availability Factor achieved during the Measurement Period that is used in determining the Performance Incentive dollar amount attributable to Four Corners. |
| PIAF | The Performance Incentive Adjustment Factor in \\$/kwh (to be stated in the nearest sixth decimal of a dollar/kwh). |

6. Interim Adjustment of the Performance Incentive Adjustment Factor (PIAF)

The normal expected application of the PIAF for the twelve months beginning with the first billing cycle of May would not require an interim adjustment. However, in the event that prior to the November billing cycles it appears to the Company that the amount to be billed during the twelve month period will be at variance by greater than plus or minus five percent from the required amount, the Company shall revise the PIAF for the November through April billing cycle months. The Company shall advise the Commission of the revised PIAF by October 1.

7. Disposition of Final Variance of Billed Amount From the Actual Performance Incentive Adjustment

Should the amount billed during the Adjustment Period (twelve month period ending April) be different from the actual Performance Incentive Adjustment dollar amount (plus or minus any previous difference not disposed of), such difference shall be added to or subtracted from the next Adjustment Period's Performance Incentive Adjustment amount. Also, any Performance Incentive penalty amounts levied against the Company which are later excused by Commission Order, shall be recovered by the Company as a credit to the next Adjustment Period's Performance Incentive Adjustment amount. In the event the next Performance Incentive Adjustment Factor is zero, the difference shall be added to or subtracted from the Purchased Power and Fuel Adjustment Balance.

8. Continuity of Plan for Administration

The plan once begun for a particular Measurement Period (calendar year), will be effective for that entire calendar year, and any resultant Performance Incentive Adjustment amount (penalty or reward) will be billed to customers, even though the plan might be modified or discontinued after the Measurement Period.

9. Revenue Related Taxes or Impositions

The Performance Incentive Adjustment Factor billings shall be subject to all applicable revenue taxes and impositions.

Arizona Public Service Company

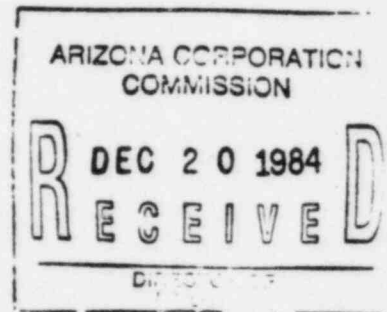
P.O. BOX 21666 • PHOENIX, ARIZONA 85036

B. PAUL HART
VICE PRESIDENT
RATES AND REGULATION

December 20, 1984

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Attn: Mr. Wayne Ruhter
Director, Utilities Divn.



Re: Revision to the Plan for Administration
of Performance Incentive Adjustment

Gentlemen:

Attached please find five copies of revised Page 6 of
the Plan for Administration of Performance Incentive
Adjustment filed with the Commission on December 14,
1984.

The revisions are not substantive and are indicated
by an arrow.

If you or any member of your staff have any questions,
please do not hesitate to call me.

Sincerely,

BPH/JRS/pb

attachment

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The CF for Palo Verde #1 shall be computed as follows:

$$CF = \frac{MWH}{MDC_{mp} \times PH}$$

where:

MWH = the amount of MWH's generated during the Measurement Period
MDC_{mp} = weighted max. dependable capacity of Palo Verde #1
PH = number of hours in the Measurement Period

For the purposes of this incentive plan, the Palo Verde generating Unit #1 shall begin its first Measurement Period on the first day of the third month following attainment of commercial operation. The CF used for determining the operating performance of the facility shall be weighted for the portion of such calendar year remaining in the Measurement Period from and including the first day of the third month following commercial operation.

As an example, assume:

max. dependable capacity = 370 mw

| Comm. Oper. | 1st day of 3rd Mo. | MWH Generated on & After 06/01/85 | Hrs Remaining in Msrmt. Period |
|-------------|-----------------------|--------------------------------------|-----------------------------------|
| 3/31/85 | 6/1/85 | 1,140,192 | 5136 |

The Palo Verde #1 CF for the 1985 Measurement Period would then be calculated as follows:

$$CF = \frac{1,140,192 \text{ MWH}}{5,136 \text{ Hr} \times 370 \text{ MW}} = 60\%$$

3. Determination of the Company's Overall Performance Incentive Adjustment Dollar Amount

The determination of the additional/avoided fuel costs during the Measurement Period associated with the Company's share of generating facilities subject to this incentive plan (presently Four Corners and Palo Verde #1) must first be calculated for each facility separately. The additional/avoided fuel costs for each facility are then algebraically summed in order to arrive at the total overall Performance Incentive Adjustment dollar amount (either a penalty or reward) to be billed during the Adjustment Period.

The following description outlines the steps necessary in determining the overall Performance Incentive Adjustment dollar amount:

A. Calculate the net replacement fuel cost for each facility similar to that shown for Four Corners below:

$$NRFC_{fc} = PPF_{nb} - F_{fc}$$

Arizona Public Service Company

P.O. BOX 21808 • PHOENIX, ARIZONA 85034

ANPP-31573/EEVBJr

December 26, 1984

Mr. Darrell Eisenhut
Director of Division of Licensing
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

SUBJECT: NRC READINESS REVIEW
FILE NO.: 84-002-419.05

Dear Mr. Eisenhut:

With respect to the operational readiness of Palo Verde Unit 1, Attachment A is submitted to provide information regarding various actions we have taken, or will take, to enhance operator preparedness.

In response to questions raised respecting the Unit 1 fuel load incentive program, a copy of the program is submitted as Attachment B. The primary safeguards which insure that this program does not impair quality rest on the fact that neither Senior Project Management nor any Quality Assurance and Quality Control personnel are involved in the program.

Monitoring activities conducted by the Quality Assurance Department have not identified any items related to this program that would affect quality. In fact, as Attachment C shows, their observation is that the incentive program has had a positive affect in that the emphasis is on doing the job RIGHT the first time.

Additionally, senior management has been very sensitive to this matter and has continually emphasized to all project personnel that we must do the job right in a quality manner. Safety and quality have always been the primary objectives at Palo Verde.

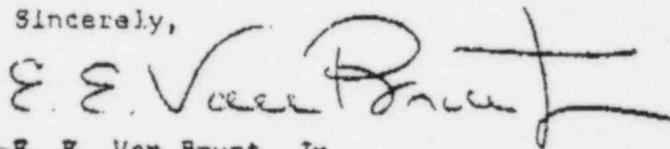
We have also had discussions regarding the level of operating experience at the middle and upper management levels for Palo Verde. As a consequence, in addition to the positions of advisor to management filled by Paul McGuire who has extensive experience and background in reactor startup and operations and the consultant, Mike Merlo, previously furnished by SCE to assist the PVNGS Plant Manager and his staff, we have obtained the commitment from SCE to provide two additional qualified people with experience in the startup of San Onofre Units 2 and 3. One of these additional people would serve as an advisor/consultant to the APS upper management at levels including the PVNGS Plant Manager. The other would serve the same function at levels of management of operations immediately below the PVNGS Plant Manager.

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Page Two
Mr. Darrell Eisenhut
December 26, 1984

With respect to the requalification program for SRO's and RO's, we will review, as stated in Attachment A, training and evaluation techniques in use at other facilities to enhance communications among supervisors and operators. Additionally, arrangements have been made with SCE to obtain, prior to initial criticality, a review and critique of the Palo Verde requalification program by senior member(s) of the San Onofre Training Department.

Sincerely,



E. E. Van Brunt, Jr.
APS Vice President
Nucle Production
ANPP Project Director

EEVB/jdf

cc: H. Thompson (NRR)
J. Martin (Region V)
T. Novak (NRR)
G. Knighton (NRR)
M. Licitra (NRR)

JRB
12/26/84

ATTACHMENT A

ACTIONS TO ENHANCE OPERATOR PREPAREDNESS

The Plant Manager, the Operations Manager, Unit I Operations Superintendent, Unit I Day Shift Supervisor, the Plant Services Manager, the Training Manager, and the Licensed Training Supervisor have met and discussed the issues raised by 1) the NRC readiness review and 2) the results of the annual requalification exam. The following actions have been agreed to.

1. Prior to any shift crew assuming the responsibilities in Mode 6 the Unit I Operations Superintendent and/or the Day Shift Supervisor shall meet with the Shift Supervisor to assure awareness of (i) applicable Technical Specifications (including Limiting Conditions of Operations), and (ii) specific procedures appropriate to plant conditions in that mode. Each Shift Supervisor will then brief his crew.

Consideration will be given to the extension of this process or for taking other measures prior to operation in other modes.

2. The need for operator preparedness for Low Power Physics Testing has been long recognized. Training on representative test procedures has been performed on the simulator and in the classroom as part of the first annual requalification program. Additional training will be performed during the next six-week requalification cycle starting on January 7, 1985. This training will be complete for all shifts prior to initial criticality.
3. Training on Power Ascension Testing (including natural circulation) will be performed both in the classroom and in the simulator during six-week requalification cycles which begin on February 18, 1985 and April 1, 1985. This training will be complete for all shifts prior to exceeding 20% reactor power.
4. There will be continued emphasis and evaluation of all crews on the simulator for precision of communication and strict adherence to procedures during training prior to and after initial criticality. The Training Department will review operations communications training and evaluation techniques in use at other facilities. Based on this review, improved techniques appropriate to Palo Verde Operations will be developed.

ATTACHMENT BPVNGS UNIT 1 FUEL LOAD INCENTIVE PROGRAM

Prompt fuel load of PVNGS Unit 1 is of paramount importance to the customers and stockholders of the ANPP Participants. As such it is the intent of the PVNGS Unit 1 Fuel Load Incentive Program (hereinafter referred to as the Program) to maximize the probability of achieving the earliest possible fuel load date consistent with the Participants' dedication to quality and safety and consistent with all applicable regulations.

It is recognized that the project team which APS has assembled to engineer, construct, startup and operate PVNGS Unit 1 is dedicated and loyal to the concept of devoting their full attention and energies to the earliest possible fuel load date for Unit 1. It is further recognized, however, that a financial incentive to each contributing team member is an effective means to assist the team management in assuring a maximum effort from every contributing team member over the duration of startup prior to fuel load.

ELIGIBILITY:

Only management employees of Arizona Public Service Company or other ANPP Participants assigned to work on PVNGS Unit 1 fuel load activities are eligible to participate in the program. Eligible employees who are also participants in the APS corporate management incentive program shall be given the choice of participation in either the APS corporate management incentive program or the Program but not both. The Vice President, Nuclear, his assistant and all employees of the APS Quality Assurance Department shall be ineligible to participate in the program.

It shall be the responsibility of the APS Vice President, Nuclear to recommend to the ANPP Administrative Committee the names of individuals eligible to participate in the program.

Personnel recommended for eligibility to participate in the program subsequent to the initial eligibility date of May 1, 1984, shall receive a prorated share of the incentive. The prorating period shall begin June 1, 1984, and end August 31, 1984.

INCENTIVE:

The Program incentive shall be calculated using a base incentive for each Program participant. The base incentive or a prorated portion thereof shall be awarded to each program participant if fuel load activities for PVNGS Unit 1 occur during the 24-hour period, November 1, 1984. Fuel load activities shall be defined as the insertion of the first fuel element assembly into the reactor vessel.

For each 24-hour period subsequent to November 1, 1984, for which fuel load activities are delayed, the base incentive or prorated portion thereof shall be reduced by the amount of 2/3 of 1% resulting in no incentive being awarded for commencement of fuel load activities on PVNGS Unit 1, subsequent to March 30, 1985.

DDK5/15/84

For each 24-hour period prior to November 1, 1984, for which fuel load activities commence on PVNGS Unit 1, the base incentive or prorated portion thereof shall be increased by the amount of 2/3 of 1%.

The base incentive shall be defined as 2/3 of the program participants' annual base pay (including deferments) on May 1, 1984, or the date of their eligibility whichever is less.

PAYMENT:

Payment of the incentive shall occur in the pay period following the 40th day after commencement of fuel load activities on PVNGS Unit 1. Payment of the incentive shall be in the form of a special one time adjustment to salary.

PROGRAM

ADMINISTRATION:

The ANPP Administrative Committee shall administer the program to assure that safety and quality objectives are achieved, approve eligible personnel and determine commencement of fuel load activities of PVNGS Unit 1. The APS Vice President, Nuclear shall assist by providing recommendations of eligible personnel and advising the ANPP Administrative Committee of the estimated program payout.

Program costs shall be shared by the ANPP Participants in their Participation share.

ATTACHMENT C



Arizona Nuclear Power Project

COMPANY CORRESPONDENCE

QUALITY ASSURANCE DEPARTMENT

DATE: December 26, 1984

TO: E. E. Van Brunt Jr.

Site # 4060

Ext. # 6312

FROM: W. E. Ida

Site # 4074

Ext. # 6011

SUBJECT: MANAGEMENT INCENTIVE EFFECT ON SAFEGUARDS

File: 84-014-000

To your question whether the Corporate QA/QC Department took any special precautions to ensure the ANPP Management Incentive Program did not have any adverse affect on Plant Safeguards.

A special monitoring effort was conducted for those items identified on the Integrated Tracking System as necessary for Licensing. This monitoring activity assured us that plant personnel were making proper and complete efforts and decisions in resolving and closing these open items.

We also took the opportunity to attend various Plant Weekly Management Meetings to observe Management actions and attitudes in preparing the Plant for Licensing. Management attitude in fact has been to strive to do everything right the first time. Rework requires more time and would have been detrimental to their Incentive Program.

ANPP QA/QC in it's normal mode of operation also has had a very aggressive involvement in the Plant, in Procedure Reviews, Test Result Reviews, Monitoring and Auditing of Construction, Startup Testing and Operation Activities.

Based on the above and the Management attitude which prevails throughout ANPP to have one of the best plants in the United States, the Corporate QA/QC Department does not feel the Management Incentive had any adverse affect on Plant Safeguards.

W. E. Ida

W. E. Ida

Director Corporate QA/QC

WEI/ulp

cc: L. A. Souza

TELECOPIER COVER LETTER

DELIVER THE FOLLOWING PAGES TO:

NAME: Manny LICITRA

DEPT: 7617

EXTENSION: S-301-492-4996
V-301-492-7371

FROM:

NAME: E E Van Buren, Jr

DEPT: ANPP

EXTENSION: 2328

THE TOTAL NUMBER OF PAGES IN THIS MESSAGE IS: 8
(NOTE: This includes this page)

THIS MESSAGE IS BEING SENT FROM A ZEROX 485, AUTOMATIC MACHINE.
IF THERE ARE ANY QUESTIONS PLEASE CALL (602) 932-5300 X6362.
THE AUTOMATIC TELECOPIER NUMBER IS (602) 932-5300 X6367.

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Person sending telecopy:

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Date/Time

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UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

100-50-28

December 27, 1984

MEMORANDUM FOR: Harold R. Denton, Director
Office of Nuclear Reactor Regulation

FROM: James Lieberman
Director and Chief Counsel
Regional Operations and Enforcement Division, OELD

SUBJECT: REQUEST FOR ACTION REGARDING PALO VERDE NUCLEAR
GENERATING STATION UNIT 1

The attached letter to you from Myron Scott on behalf of the Coalition for Responsible Energy Education (CREE) requests that you withhold low-power licensing of Palo Verde Unit 1 until the NRC undertakes a review of certain incentive plans for their impact on safety and alleged underfunding of emergency preparedness plans. CREE's request should be handled as a Section 2.206 request, because it is addressed to an appropriate NRC official, the request asks for specific actions and provides a basis for the request. Final action need not be taken on the request before a license is issued if the matters raised in CREE's request can be deferred for resolution after low-power licensing without compromising public health and safety. Assuming this latter course of action may be appropriate, I have enclosed a draft acknowledgment letter to Mr. Scott informing him that CREE's request is under consideration. Your staff will need to provide information for incorporation in the draft to explain the basis for not taking action prior to issuance of the low-power license. From my conversation with Ed Case on CREE's request, I understand that Region V may be performing increased inspections related to the matters raised in the request. If so, this fact would be appropriate for inclusion in the acknowledgment letter. A draft Federal Register notice is also enclosed for your use.

It is my understanding that the licensee has been asked to comment on the bonus system described in CREE's request. If you desire further information from the licensee about the bonus system or other matters raised in CREE's request, you can solicit that information pursuant to 10 CFR 50.54(f).

Please ensure that all correspondence related to this § 2.206 request is referred to me for concurrence and that I receive copies of all incoming and outgoing correspondence related to CREE's request. Please have your staff contact call my staff contact for further assistance on this matter. As you may note, the enclosure to CREE's request is not complete. When we receive a complete copy of the enclosures, we will forward them to you.

8506060330
1099

James Lieberman
James Lieberman
Director and Chief Counsel
Regional Operations and Enforcement Division

Enclosures:
CREE request
Draft letter and Notice

cc: (w/encl.)
R. DeYoung, IE
J. Martin, Reg. V
D. Eisenhut, NRR
E. Christenbury, OELD
J. Axelrad, IE
L. Shollenberger, Reg. V

DISTRIBUTION

ELD Rdr
NRC Central
Subject
Reading
Burns chron
Lieberman chron
2.206 chron
Subject (P-84-28)
Cunningham/Murray

CONTACT:
Stephen G. Burns, OELD
x27268

| | | | | | | | |
|---------|------------|------------|--|--|--|--|--|
| OFFICE | OELD | OELD | | | | | |
| SURNAME | SBurns:ssf | JLieberman | | | | | |
| DATE | 12/27/84 | 12/ /84 | | | | | |

(7590-01)

NUCLEAR REGULATORY COMMISSION

(Docket No. 50-)

ARIZONA PUBLIC SERVICE CO.

(Palo Verde Nuclear Generating Station, Unit 1)

REQUEST FOR ACTION UNDER 10 CFR § 2.206

Notice is hereby given that by letter dated December 18, 1984, Myron L. Scott on behalf of the Coalition for Responsible Energy Education, Tempe, Az., has requested that the NRC withhold issuance of a low-power license for Unit 1 of the Arizona Public Service Company's Palo Verde Nuclear Generating Station until appropriate reviews for safety impact are undertaken of certain incentive plans initiated by the company and the Arizona Corporation Commission and questions about the adequacy of funding for state and local emergency plans are resolved. Mr. Scott's letter is being treated as a request for action under 10 CFR § 2.206 and, accordingly, appropriate action will be taken on the request within a reasonable time.

A copy of the request is available for public inspection in the Commission's Public Document Room at 1717 H Street, N.W., Washington, D.C. 20555, and at the local public document room for the Palo Verde facility located at

Dated at Bethesda, Maryland, this day of January, 1985.

FOR THE NUCLEAR REGULATORY COMMISSION

Harold R. Denton, Director
Office of Nuclear Reactor Regulation

Docket No. 50-
(10 CFR 2.206)

Mr. Myron L. Scott, Executive Director
Coalition for Responsible Energy Education
315 W. Riviera Drive
Tempe, Arizona 85282

Dear Mr. Scott:

This letter is sent to acknowledge receipt of your letter to me dated December 18, 1984, concerning Unit 1 of the Palo Verde Nuclear Generating Station. In your letter, you request that the NRC withhold issuance of a low-power license for Palo Verde Unit 1 until a review has been undertaken of the safety impact of incentive regulations imposed by the Arizona Corporation Commission and the bonus plan initiated by Arizona Public Service Company. You also contend that funding of emergency preparedness is inadequate and should preclude licensing until that issue is resolved. Your letter is being treated as a request for action under 10 CFR 2.206. Accordingly, I will inform you of my decision on your request within a reasonable time.

Although you requested action on these matters prior to issuance of a low power license, I do not believe that adequate assurance of public health and safety requires such immediate relief.

(NRR: describe basis for this conclusion)

Accordingly, I believe that action on your request can be deferred without compromising public health and safety until the staff has had an opportunity to more fully examine the issues raised in your request.

I enclose a copy of a notice that will be published in the Federal Register concerning your request.

Sincerely,

Harold R. Denton
Director
Office of Nuclear Reactor Regulation

cc:
Arizona Public Service Co.

Enclosure: a/s



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

D. BURKE
OELD

Docket No. 50-520
(10 CFR 2.206)

Mr. Myron L. Scott, Executive Director
Coalition for Responsible Energy Education
315 W. Rivierra Drive
Tempe, Arizona 85282

Dear Mr. Scott:

This letter is sent to acknowledge receipt of your letter to me dated December 18, 1984, concerning Unit 1 of the Palo Verde Nuclear Generating Station. In your letter, you request that the NRC withhold issuance of a low-power license for Palo Verde Unit 1 until a review has been undertaken of the safety impact of incentive regulations imposed by the Arizona Corporation Commission and the bonus plan initiated by Arizona Public Service Company. You also contend that funding of emergency preparedness is inadequate and should preclude licensing until that issue is resolved. Your letter is being treated as a request for action under 10 CFR 2.206. Accordingly, I will inform you of my decision of your request within a reasonable time.

Although you requested action on these matters prior to issuance of a low power license, I do not believe that such immediate relief is required since there is adequate assurance of public health and safety for the following reasons:

- (1) The incentive programs should not have affected the completion of Palo Verde Unit 1 since plant construction was essentially complete prior to initiating the incentive programs. Also, prior to issuance of the low power license, the staff had determined through a number of inspections that construction and testing of the plant had been completed in substantial agreement with the docketed commitments and regulatory requirements, with the exception of several items which were included as conditions of the license for completion prior to fuel load and other specified times.
- (2) The fuel load and low power testing program for Palo Verde Unit 1 is scheduled to take about 4 months to complete. During that period, an enhanced inspection effort is planned for the plant. The staff is also currently reviewing the implications of the Palo Verde incentive plans on operation above 5% power for consideration in the issuance of a full power license.
- (3) The staff's review for Palo Verde had determined that the status of the emergency plans was acceptable for issuance of a fuel load and low power license. Specifically, the licensee's onsite plan was found

acceptable and the results of the emergency drill in September 1984 established that the applicant's plan is being properly implemented. With regard to the offsite, State and local plans, the Federal Emergency Management Agency (FEMA) is currently reviewing these plans. Prior to issuance of a full power license (i.e., operation above 5% of rated power), a finding is required by FEMA on the adequacy of the State and local plans. As a result of the September 1984 drill, which included the offsite plans, FEMA was able to determine that there is reasonable assurance that appropriate protection measures can be implemented by offsite jurisdictions. However, FEMA will be requested to include your concerns in completing its evaluation of the offsite plans.

Accordingly, I believe that action on your request can be deferred without compromising public health and safety until the staff has had an opportunity to more fully examine the issues raised in your request.

I enclose a copy of a notice that will be published in the Federal Register concerning your request.

Sincerely,

Harold R. Denton, Director
Office of Nuclear Reactor Regulation

Enclosure:
As stated

cc: See next page

Docket No. 50-
(10 CFR 2.206)

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Coalition for Responsible Energy Education
315 W. Riviera Drive
Tempe, Arizona 85282

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(NRR: describe basis for this conclusion)

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Sincerely,

Harold R. Denton
Director
Office of Nuclear Reactor Regulation

cc:
Arizona Public Service Co.

Enclosure: a/s

(7590-01)

NUCLEAR REGULATORY COMMISSION

(Docket No. 50-)

ARIZONA PUBLIC SERVICE CO.

(Palo Verde Nuclear Generating Station, Unit 1)

REQUEST FOR ACTION UNDER 10 CFR § 2.206

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A copy of the request is available for public inspection in the Commission's Public Document Room at 1717 H Street, N.W., Washington, D.C. 20555, and at the local public document room for the Palo Verde facility located at

Dated at Bethesda, Maryland, this day of January, 1985.

FOR THE NUCLEAR REGULATORY COMMISSION

Harold R. Denton, Director
Office of Nuclear Reactor Regulation

Arizona Public Service Company

ANPP-31708-EEVB/WFQ

January 16, 1985

Mr. Darrell Eisenhut
Director Division of Licensing
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Subject: Palo Verde Nuclear Generating Station (PVNGS)
Unit 1
Docket No. STN 50-528
License No. NPF-34
File: 85-056-026; 85-002-419.5

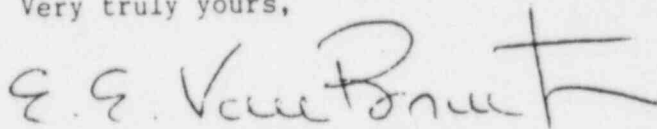
Reference: Letter from E. E. Van Brunt, Jr., APS, to D. Eisenhut, NRC, dated
December 26, 1984 (ANPP-31573); Subject: NRC Readiness Review.

Dear Mr. Eisenhut:

The reference letter discussed several areas regarding the operation of PVNGS
Unit 1 including the fuel load incentive program which was provided as
Attachment B to the letter.

Inadvertently, the version of the program submitted by the referenced letter was
not the final version of the program. The final version actually implemented
is attached and marked to indicate the minor differences from the previously
submitted version.

Very truly yours,



E. E. Van Brunt, Jr.
APS Vice President
Nuclear Production
ANPP Project Director

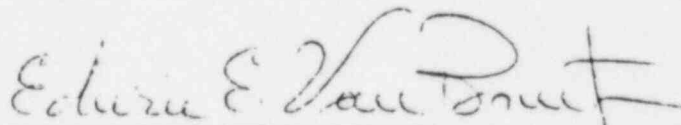
EEVB/WFQ/mb
Attachment

cc: J. B. Martin
E. A. Licitra
R. P. Zimmerman
A. C. Gehr
G. Hernandez
H. Thompson
T. Novak
G. Knighton

~~8501230372 4pp.~~
~~PO2/40006/50-528P~~

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

I, Edwin E. Van Brunt, Jr., represent that I am Vice President, Nuclear Production of Arizona Public Service Company, that the foregoing document has been signed by me on behalf of Arizona Public Service Company with full authority to do so, that I have read such document and know its contents, and that to the best of my knowledge and belief, the statements made therein are true.



Edwin E. Van Brunt, Jr.

Sworn to before me this _____ day of _____, 1984.

Notary Public

My Commission Expires:

ATTACHMENT BPVNGS UNIT 1 FUEL LOAD INCENTIVE PROGRAM

Prompt fuel load of PVNGS Unit 1 is of paramount importance to the customers and stockholders of the ANPP Participants. As such it is the intent of the PVNGS Unit 1 Fuel Load Incentive Program (hereinafter referred to as the Program) to maximize the probability of achieving the earliest possible fuel load date consistent with the Participants' dedication to quality and safety and consistent with all applicable regulations.

It is recognized that the project team which APS has assembled to engineer, construct, startup and operate PVNGS Unit 1 is dedicated and loyal to the concept of devoting their full attention and energies to the earliest possible fuel load date for Unit 1. It is further recognized, however, that a financial incentive to each contributing team member is an effective means to assist the team management in assuring a maximum effort from every contributing team member over the duration of startup prior to fuel load.

ELIGIBILITY:

Only management employees of Arizona Public Service Company or other ANPP Participants assigned to work on PVNGS Unit 1 fuel load activities are eligible to participate in the program. Eligible employees who are also participants in the APS corporate management incentive program shall be given the choice of participation in either the APS corporate management incentive program or the Program but not both. The Vice President, Nuclear Production, his assistant and all employees of the APS Quality Assurance Department shall be ineligible to participate in the program.

It shall be the responsibility of the APS Vice President, Nuclear Production to recommend to the ANPP Administrative Committee the names of individuals eligible to participate in the program.

Personnel recommended for eligibility to participate in the program subsequent to the initial eligibility date of May 1, 1984, shall receive a prorated share of the incentive. The prorating period shall begin June 1, 1984, and end August 31, 1984.

INCENTIVE:

The Program incentive shall be calculated using a base incentive for each Program participant. The base incentive or a prorated portion thereof shall be awarded to each program participant if fuel load activities for PVNGS Unit 1 occur during the 24-hour period, November 1, 1984. Fuel load activities shall be defined as the insertion of the first fuel element assembly into the reactor vessel.

For each 24-hour period subsequent to November 1, 1984, for which fuel load activities are delayed, the base incentive or prorated portion thereof shall be reduced by the amount of 2/3 of 1% resulting in no incentive being awarded for commencement of fuel load activities on PVNGS Unit 1, subsequent to March 30, 1985.

For each 24-hour period to November 1, 1984, for which fuel load activities commence on PVNGS Unit 1, the base incentive or prorated portion thereof shall be increased by the amount of 2/3 of 1%.

The base incentive shall be defined as the program participants' annual base pay (including deferments) on May 1, 1984, or the date of their eligibility whichever is less.

PAYMENT:

Payment of the incentive shall occur in the pay period following the 40th day after commencement of fuel load activities on PVNGS Unit 1. Payment of the incentive shall be in the form of a special one time adjustment to salary.

PROGRAM

ADMINISTRATION: The ANPP Administrative Committee shall administer the program to ensure that safety and quality objectives are achieved, approve eligible personnel and determine commencement of fuel load activities of PVNGS Unit 1. The APS Vice President, Nuclear Production shall assist by providing recommendations of eligible personnel and advising the ANPP Administrative Committee of the estimated program payout.

Program costs shall be shared by the ANPP Participants in their Participation share.