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December 11, 2007

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

RE: PALO VERDE OUTAGE REPORT  
DECISION NO. 69663  
DOCKET NO. E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827

Dear Sir or Madame:

Pursuant to Decision No. 69663, enclosed please find an Outage Report for planned or unplanned outages at the Palo Verde Nuclear Generating Station.

If you have any questions, please call Jeff Johnson at 602-250-2661.

Sincerely,

Barbara Klemstine

BK/bgs

cc: Brian Bozzo  
Ernest Johnson

Arizona Corporation Commission  
**DOCKETED**  
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**OUTAGE REPORT**  
**PALO VERDE NUCLEAR GENERATING STATION (PVNGS)**  
**PURSUANT TO DECISION NO. 69663**

PVNGS Unit 2 experienced an unplanned outage beginning at 1059 hours on October 6, 2007. The unit was manually shut down when routine supervision of control room instrumentation indicated that Steam Generator chemistry had exceeded procedural sodium limits in the secondary plant in the main condenser 1C waterbox. Engineering and Maintenance conducted inspections of the Condenser Air Removal Pump "D" water cooler, and determined that the source of the high sodium levels was a seal water cooler tube leak. After the leak was repaired, Unit 2 was returned to service at 0858 hours on October 13, 2007.

Replacement net fuel and purchased power costs incurred as a result of this unplanned outage was \$2.7 million. Reduced off-system sales due to the outage was 24,102 MWhs, and associated lost opportunity sales margins were \$91,100.