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January 28, 2010

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

RE: PALO VERDE NUCLEAR GENERATING STATION
NUCLEAR PERFORMANCE REPORTING STANDARD
DECISION NO. 71310
DOCKET NO. E-01345A-09-0506

Pursuant to Decision No. 71310:

> "IT IS FURTHER ORDERED that Arizona Public Service Company shall docket all reports filed with the Commission associated with the Nuclear Performance Reporting Standard in a separate docket..."

Attached please find the initial plant performance report, based on annual capacity factor of each operating unit at Palo Verde as well as overall station capacity factor, as required by the approved Nuclear Performance Reporting Standard. This report covers the 2009 calendar year.

If you have any questions, please call Zac Fryer at 602-250-4167.

Sincerely,

Leland R. Snook

LRS/bgs

cc: Steve Olea, Director, ACC Utilities Division
Brian Bozzo, ACC Compliance Officer
Terri Ford, Chief, ACC Telecomm and Energy
Jodi Jerich, Director, RUCO

Arizona Corporation Commission
DOCKETED
JAN 28 2010
DOCKETED BY

ARIZONA PUBLIC SERVICE COMPANY

PALO VERDE NUCLEAR GENERATING STATION
ANNUAL REPORT ON
2009 PLANT PERFORMANCE

DOCKET NO. E-01345A-09-0506

JANUARY 28, 2010

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

I. APS NUCLEAR PERFORMANCE REPORTING STANDARD 2

II. PALO VERDE 2009 PERFORMANCE 5

A. CALCULATION OF CAPACITY FACTORS 6

B. PALO VERDE UNIT 1 OUTAGES FOR 2009 7

C. PALO VERDE UNIT 2 OUTAGES FOR 2009 7

D. PALO VERDE UNIT 3 OUTAGES FOR 2009 9

III. PALO VERDE 2010 PROJECTED PERFORMANCE 11

A. ANTICIPATED EXTRAORDINARY EVENTS 11

B. ANTICIPATED REGULATORY ISSUES 13

ATTACHMENT A – APS Nuclear Performance Reporting Standard

ATTACHMENT B – Palo Verde 2009 Performance Timeline

EXECUTIVE SUMMARY

In 2009, the Palo Verde Nuclear Generating Station ("Palo Verde" or "PVNGS") performed exceptionally well, achieving an overall station capacity factor of 89%. At the station level, this performance brings Palo Verde within the top tier classification used in the APS Nuclear Performance Reporting Standard ("NPRS"). Strongly contributing to the station's performance, Palo Verde Unit 1 had its best year ever, generating a total of 11,589,723 MWh. Even so, the rigor of the NPRS is such that, notwithstanding the station's high performance overall, APS must still report unit performance at the more detailed "Tier 2" level because Units 2 and 3 fell below an 85% capacity factor, due primarily to planned refueling outages – the same planned outages that will occur at two units annually for the course of Palo Verde's operating life.

The individual capacity factor for each Palo Verde operating unit directly reflects the station's currently effective 18-month refueling cycle. In 2009, both Unit 2 and Unit 3 experienced refueling outages. These outages often encompass additional significant work projects that can only be completed while a unit is off-line; while the additional work may extend the refueling outage, the efficiencies involved in combining such projects renders these extensions appropriate. For example, Unit 2's refueling outage in the fourth quarter of 2009 successfully included Reactor Vessel Head replacement, a major project designed to eliminate costly inspections and provide safety benefits. Additionally, each Palo Verde operating unit experienced only one short notice outage in 2009, an improvement over forced outage rates in recent years. This performance led to individual unit capacity factors of 100% for Unit 1 and 83% for both Unit 2 and Unit 3.

Net replacement power costs for all short notice outages at all operating units at Palo Verde in 2009 were $1.9 million. Likewise, reduced off-system sales and lost opportunity sales margins due to short notice outages were 37.7 GWh and $0.2 million, respectively. Refueling outages, as with any planned outage, do not create net replacement power costs, reduced off-system sales or lost opportunity margins because any power necessary to replace power not generated during a planned outage has been acquired in advance. The cost of fuel for power acquired during the 2009 refueling outages at Palo Verde was $16.4 million.

In 2010, station production is expected to be very similar to 2009 production levels. Units 1 and 3 will be refueled in 2010, and both refueling outages will include reactor vessel head replacement, extending the outages beyond routine refueling timeframes. Unit 1 is projected to finish 2010 with an 82% capacity factor, Unit 2's capacity factor for 2010 is projected to reach 97%, and an 83% capacity factor is expected at Unit 3. The overall Palo Verde station capacity factor for 2010 is projected to be 87%.

I. APS NUCLEAR PERFORMANCE REPORTING STANDARD

The NPRS, developed jointly by Arizona Public Service Company ("APS" or "Company") and the Arizona Corporation Commission ("ACC" or "Commission") Staff, was presented to the ACC to comply with the Commission's decision in the Company's 2005 rate case.[1] That standard, approved in Open Meeting in October of 2009, requires APS to:

1. Provide specified reports relating to generating and regulatory performance at Palo Verde in accordance with the approved reporting standard;
2. File all required reports with Docket Control in a separate docket; and
3. Present key findings of these reports to the Commission as part of the Commission's annual Summer Preparedness meetings.[2]

A copy of the approved NPRS is included as Attachment A. This report is the initial annual performance report required by the NPRS.

The NPRS requires specific reporting in two major topics: plant performance and regulatory performance. Regulatory performance reporting is required under certain specific instances, such as Nuclear Regulatory Commission ("NRC") inspection "Greater than Green" findings, NRC identification of cross-cutting issues, and the placement of Palo Verde at a lower level than Column I of the NRC Reactor Oversight Program Action Matrix. Reports discussing any of these issues are generally due within 60 days of the NRC inspection or report identifying violations, and are not the focus of this report.

The plant performance reporting requirements of the standard are separated into three reporting "tiers" based on the achieved annual capacity factor of each operating unit, as well as the average station capacity factor, in the reporting period.

The NRC defines capacity factor as the ratio of available capacity (the amount of electrical power actually produced by a generating unit) to theoretical capacity (the amount of electrical power that could theoretically have been produced if the generating unit had operated continuously at full power) during a given time period. Capacity factor is a percentage calculation in which the maximum attainable generation (based on summer conditions) of the unit is divided into the actual generation of the unit, then multiplied by 100.[3] Maximum attainable generation is

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[1] ACC Decision No. 69663, dated June 28, 2007, pp. 119-120, 157.

[2] ACC Decision No. 71310, dated October 30, 2009.

[3] The capacity factor calculation is dependent on the nameplate rating of a generating unit, which is the guaranteed output of a generator under specified conditions as designated by its manufacturer. In general, nameplate ratings are lower for summertime months due to the combination of ambient atmospheric heat and the heat produced by the operation of the engine itself. Therefore, in winter months, a generating unit that is running at capacity may achieve output higher than its manufacturing designation, resulting in a capacity factor of over 100%.

determined by multiplying the capacity rating of the unit by the hours during the calculation period. The capacity factor calculation is:

$$\frac{\textit{Actual Unit Generation}}{\textit{Unit Capacity Rating} \times \textit{Hours In Period}} \times 100$$

Under the reporting requirements of the NPRS, the first "tier" applies when the Palo Verde station as a whole averages 88% or higher for the reporting period and every individual unit attains an annual average capacity factor of 85% or greater for the reporting period. In this category, annual reports are to include actual capacity factors for the reporting year, forecasted capacity factors for the upcoming year, and any issues or events that are anticipated to reduce capacity factor levels in the upcoming year below these percentages.

The second tier with more extensive reporting, applies when the Palo Verde station as a whole averages between 80% and 88% capacity factor for the reporting year. In addition, each individual operating unit must achieve an annual average capacity factor of at least 75%. If performance falls into this tier, annual reports must include detailed discussions of outages experienced during the reporting period and must identify the replacement power costs, reduced off-system sales, and lost opportunity sales margins associated with each outage. This additional information compounds that required by the first tier.

The third tier of the NPRS would apply if, during any reporting period, the Palo Verde station experienced an annual net capacity factor of less than 80%. This tier would also apply if the capacity factor at any individual unit at the station dropped to below 75% for the reporting period. Once performance falls into this reporting tier, semi-annual reports including explanations of unit performance, corrective actions to address outages, and 6-month forecasts of expected unit performance are required, and the Company must meet with ACC Staff, at Staff's request, to explain the performance. These reporting requirements would remain in effect until Palo Verde attains performance levels in the first tier, and are in addition to those specified in the first two tiers.

In 2009, performance at the Palo Verde Nuclear Generating Station fell into the second reporting tier. Although the overall capacity factor for the Palo Verde station reached 88.9%, and the generating performance was the second highest production at Palo Verde in its history, individually, Units 2 and 3 both achieved capacity factors of 83%. These percentages are primarily the result of refueling outages performed at each unit in 2009. By design, a nuclear generating station with three units on an 18-month refueling schedule will require two of those three generating units to experience a refueling outage during each calendar year.

Therefore, this report provides information as required under the second reporting tier of the NPRS. The following sections provide an overview of 2009 performance at Palo Verde, descriptions of 2009 outages at each individual unit, and a projection of station performance along with a description of events anticipated to affect capacity factors at Palo Verde in the calendar year 2010. Additionally, Attachment B provides a visual timeline of the Palo Verde 2009 outages.

II. PALO VERDE 2009 PERFORMANCE

In 2009, the Palo Verde Nuclear Generating Station achieved a overall annual capacity factor of 88.9% while performing at one of the highest levels in the history of the station. Palo Verde produced more than 30 million net MWh for the fifth time since the plant entered commercial operation in 1986, generating a total of 30,661,851 MWh, the second best annual production level over its lifetime.

In addition, the number and severity of forced outages showed a significant improvement in 2009 over outage activity in recent years, with only one forced outage per unit ranging from as low as three days to no more than 7 days in length. In 2009, both Unit 2 and Unit 3 experienced refueling outages. The 60-day Unit 2 refueling outage occurred during the fourth quarter of 2009 while the 54-day refueling outage at Unit 3 was completed during the second quarter of the year.

The following table provides an overview of Palo Verde station and unit overall performance in 2009:

Overview of 2009 Palo Verde NPRS Performance Metrics

					Short Notice Outage		
	Capacity Factor [4]	Total Station Generation in MWh	APS Share Generation in MWh	Fuel Costs Incurred during Planned Outages	Net Replacement Power Cost	Reduced Off-System Sales in MWh	Lost Opportunity Sales Margins
Unit 1	100.9%	11,589,723	3,372,609	-	$70,000	9,916	$48,000
Unit 2	82.6%	9,509,522	2,767,271	$9,037,716	$289,000	7,132	$39,000
Unit 3	83.2%	9,562,606	2,782,718	$7,335,790	$1,556,000	20,721	$124,000
Total Station	88.9%	30,661,851	8,922,598	$16,373,506	$1,915,000	37,769	$211,000

[4] In comparison, assuming that no forced outages were experienced at Palo Verde during the 2009 reporting year, station capacity factor would have reached 90.3%. Likewise, Unit 1's 2009 capacity factor would have been 101.5%, Unit 2 would have reached a 2009 capacity factor of 84.4%, and the 2009 capacity factor at Unit 3 would have been 85.1%.

A. CALCULATION OF CAPACITY FACTORS

Capacity factors for 2009 at Palo Verde were calculated using the formula described in Section I as follows:

2009 Capacity Factor Calculation for Palo Verde Unit 1

Actual Unit Generation = 11,589,723 MWh
Unit Capacity Rating (Summer) = 1,311 MW
Hours in Period = 8,760

$$\frac{11,589,723}{1,311 \times 8,760} \times 100 = 100.9\%$$

2009 Capacity Factor Calculation for Palo Verde Unit 2

Actual Unit Generation = 9,509,522 MWh
Unit Capacity Rating (Summer) = 1,314 MW
Hours in Period = 8,760

$$\frac{9,509,522}{1,314 \times 8,760} \times 100 = 82.6\%$$

2009 Capacity Factor Calculation for Palo Verde Unit 3

Actual Unit Generation = 9,562,606 MWh
Unit Capacity Rating (Summer) = 1,312 MW
Hours in Period = 8,760

$$\frac{9,562,606}{1,312 \times 8,760} \times 100 = 83.2\%$$

2009 Capacity Factor for the Palo Verde Station

Actual Overall Generation = 30,661,851 MWh
Plant Capacity Rating (Summer) = 1,311 + 1,314 + 1,312 = 3,937 MW
Hours in Period = 8,760

$$\frac{30,661,851}{3,937 \times 8,760} \times 100 = 88.9\%$$

B. PALO VERDE UNIT 1 OUTAGES FOR 2009

Palo Verde Unit 1 experienced only one short notice outage in 2009, leading to the highest annual production for the unit in its 23-year history. Unit 1 generated a total of 11,589,723 MWh (APS share 3,372,609 MWh) in 2009. There were no independent down-powers at Unit 1 in 2009.

Unit 1 Outage #1:

Outage Type:	Short Notice Outage (SNO)
Outage Dates:	March 26 – March 29, 2009
Outage Duration:	2.2 days

The Unit 1 Main Generator was manually taken off-line in order to prevent low flow or high temperature trips due to a rapid degradation in Stator Water Cooling Flow rate to the generator stator windings. The reactor remained critical. To address the low flow problem, a clogged strainer was replaced, and Unit 1 was returned to full service on March 29, 2009. To prevent a recurrence, the frequency of filter and strainer inspections and/or replacements will be increased.

Net Replacement Cost Incurred: (fuel and purchased power cost)	$70,000
Off-System Sales Reduction:	9,916 MWh
Lost Opportunity Sales Margins:	$48,000

C. PALO VERDE UNIT 2 OUTAGES FOR 2009

Palo Verde Unit 2 experienced one independent down-power, one down-power that transitioned into a short notice outage, and one refueling outage in 2009. The refueling outage (designated as U2R15) was the fifteenth for the unit since its 1986 commercial operation date.

Unit 2 Down-Power #1:

Unit Power Level:	90%
Down-power Dates:	January 15 – January 16, 2009
Down-power Duration:	1.6 days

This down-power occurred to troubleshoot increases in 'C' main transformer gases. After evaluation determined it was safe to operate the transformer, the unit was returned to 100% power. The 'C' main transformer was replaced during the Unit 2 refueling outage.

Net Replacement Cost Incurred: (fuel and purchased power cost)	($228,000)[5]
Off-System Sales Reduction:	None
Lost Opportunity Sales Margins:	None

Unit 2 Outage #1:

Outage Type:	Refueling Outage U2R15
Outage Dates:	October 3 – December 2, 2009
Outage Duration:	60.6 days

In addition to routine refueling, the scope of the work performed during the outage included several major projects:

- Reactor Coolant Pump Diffuser inspection
- Main Transformer 'C' replacement
- Installation of Cooling Tower replacement tie-in (valve and piping that will support isolating coolant towers to support replacement of cooling tower work scheduled in later years)
- Control Element Assembly replacement
- Main Turbine Thrust Bearing inspection/rebuild

Two significant and related projects were also completed during this refueling outage: replacement of Unit 2's Reactor Vessel Head and Simplified Head Modification (also referred to as the Rapid Refuel Package). An overview of the work scope of these projects is included in Section III, Palo Verde 2010 Projected Performance, as these same projects are scheduled for completion during refueling outages in 2010 for Units 1 and 3.

Fuel Costs Incurred during Planned Outage:	$9,038,000
Off-System Sales Reduction:	None
Lost Opportunity Sales Margins:	None

Unit 2 Down-Power #2:

Unit Power Level:	57%
Down-power Dates:	December 9 – December 12, 2009
Down-power Duration:	2.0 days

[5] Negative net replacement costs can occur when plant performance during an outage exceeds expectations (for example, when necessary work is completed ahead of schedule and a unit can return to full power earlier than planned or when overall plant performance exceeds what is considered "normal" plant performance) and fuel or purchase power costs incurred are less than was originally anticipated.

This down-power occurred to troubleshoot issues related to the newly installed 'C' main transformer replacement. After evaluation of the transformer, the unit was transitioned into a short notice outage to replace a neutral bushing.

Net Replacement Cost Incurred: (fuel and purchased power cost)	$46,000
Off-System Sales Reduction:	None
Lost Opportunity Sales Margins:	None

Unit 2 Outage #2:

Outage Type:	Short Notice Outage (SNO)
Outage Dates:	December 12 – December 14, 2009
Outage Duration:	2.2 days

This SNO was indicated after evaluation of main transformer 'C' determined that repair of the transformer neutral bushing was required. The main turbine was shut down to enable necessary repairs.

Net Replacement Cost Incurred: (fuel and purchased power cost)	$471,000
Off-System Sales Reduction:	7,132 MWh
Lost Opportunity Sales Margins:	$39,000

D. PALO VERDE UNIT 3 OUTAGES FOR 2009

Palo Verde Unit 3 experienced two outages in 2009. One of these outages was the fourteenth refueling outage (designated as U3R14) for the unit since its 1988 commercial operation date, while the other was a short notice outage.

Unit 3 Outage #1:

Outage Type:	Refueling Outage U3R14
Outage Dates:	April 4 – May 28, 2009
Outage Duration:	53.7 days

In addition to routine refueling, the scope of the work performed during the outage included several major projects:

- Reactor Vessel 10-year in-service inspection
- High Pressure Turbine 10-year inspection
- 1A Reactor Coolant Pump Diffuser inspection
- Control Element Assembly replacement

- Essential Cooling Water 'B' Heat Exchanger Spray Pond Spool replacement
- Main Steam Isolation Valve/Feed Water Isolation Valve Actuator replacement
- Cation and Anion Vessel rubber lining replacement
- Cooling Tower/Circulating Water Canal repairs
- Refurbishment of all four Main Turbine Control Valves

Fuel Costs Incurred during Planned Outage:	$7,336,000
Off-System Sales Reduction:	None
Lost Opportunity Sales Margins:	None

Unit 3 Outage #2:

Outage Type:	Short Notice Outage (SNO)
Outage Dates:	December 3 – 9, 2009
Outage Duration:	6.7 days

This outage began with an unplanned manual reactor trip due to a loss of instrument air. The instrument air valve coil was replaced and instrument air was restored.

Net Replacement Cost Incurred: (fuel and purchased power cost)	$1,556,000
Off-System Sales Reduction:	20,721 MWh
Lost Opportunity Sales Margins:	$124,000

III. PALO VERDE 2010 PROJECTED PERFORMANCE

Performance at the Palo Verde station in 2010 is expected to be similar to that experienced in 2009. The station overall capacity factor is projected to be 87% in 2010. Capacity factors at the individual units are as follows:

2010 Projected Unit 1 Capacity Factor:	82%
2010 Projected Unit 2 Capacity Factor:	97%
2010 Projected Unit 3 Capacity Factor:	83%

As noted earlier, the 18 month refueling schedule at Palo Verde results in refueling outages at two of the station's three individual generating units during each calendar year. In 2010, these refueling outages will occur at Unit 1 and Unit 3. Due to these outages, Palo Verde is expected to fall into the second reporting tier of APS's Nuclear Performance Reporting Standard for 2010.[6]

A. ANTICIPATED EXTRAORDINARY EVENTS

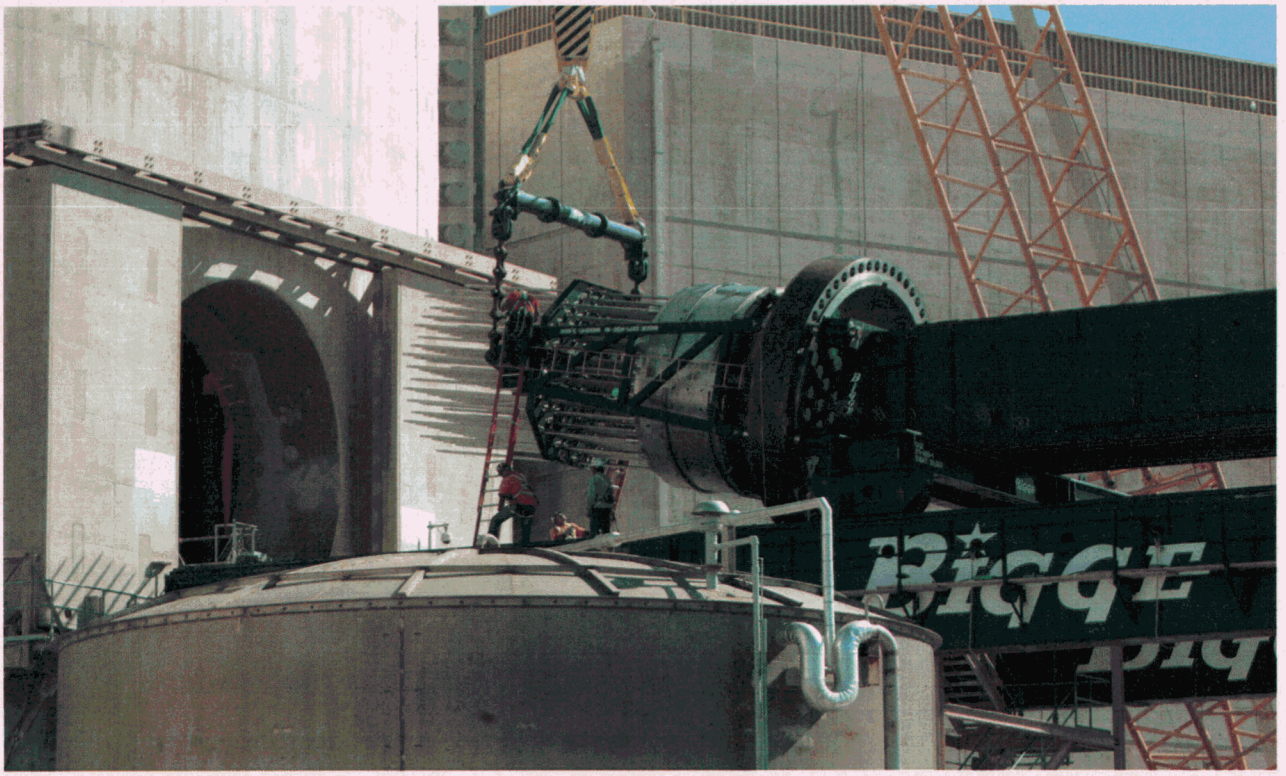
Two additional significant work projects are scheduled to be performed during the 2010 refueling outages at both Units 1 and 3, requiring a timeframe beyond that which is expected for a routine refueling outage and contributing to the reduction of the capacity factors at these units. The first of these projects is replacement of the Reactor Vessel Head ("RVH") in each unit, and the second is the Simplified Head Modification project (also referred to as the Rapid Refuel Package).

Replacement of the RVHs at Palo Verde is indicated because RVHs in the industry have experienced primary water stress corrosion cracking in the Inconel 600 alloy used to weld the RVH nozzles. These incidents have had significant impact on the nuclear industry, most notably at the Davis-Besse Nuclear Power Station located outside of Toledo, Ohio in 2002 when cracks which allowed leakage of boric acid were discovered around the RVH nozzles, causing serious degradation of the vessel head. The NRC's review of this incident determined that this corrosion appears to be strongly linked to the operating time and temperature of the vessel head. As a result, the NRC issued an order requiring each nuclear power station to regularly and specifically inspect the

Newly constructed Reactor Vessel Head shown prior to shipment

[6] For planning purposes, APS utilizes a 2.5% forced outage rate for the Palo Verde units. In comparison with the projected capacity factors shown above, if no forced outages were planned for Palo Verde, the station capacity factor would be projected at 90%. Likewise, Unit 1's 2010 capacity factor would be 85%, Unit 2 would reach a 2010 capacity factor of 100%, and the 2010 capacity factor at Unit 3 would be 86%.

vessel head nozzles during each refueling outage to identify and repair any cracking indications prior to restarting the plant.[7] Palo Verde and other affected stations have therefore started to replace their old RVHs with new ones that do not use the Inconel 600 alloy, but instead use Inconel 690 alloy which does not exhibit any corrosion and cracking potential. As discussed in Section II.C., the RVH at Unit 2 was replaced during the U2R15 outage in October of 2009.



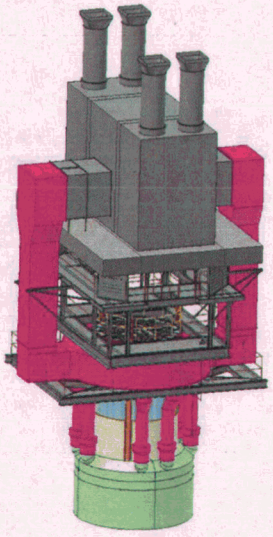
New Reactor Vessel Head Rigging into Containment during U2R15

All three vessel heads were produced as single-piece forgings, were rough machined, then sent for final machining and manufacturing. The heads are shipped by transport ship, transferred to a dolly truck, transported over ground to Palo Verde and prepared for installation at the station site. The new RVHs are designed to eliminate the potential for primary water stress corrosion and cracking, and will provide a nuclear safety benefit and eliminate costly RVH inspections.

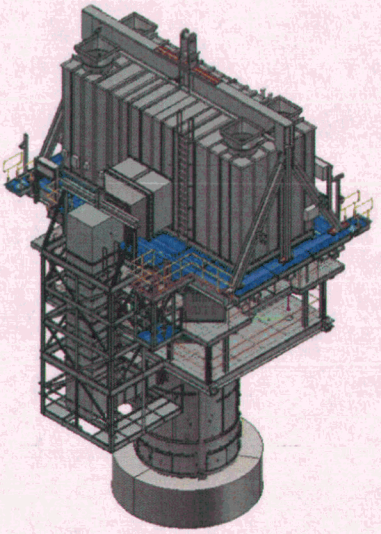
At the same time the RVHs are replaced, a Rapid Refuel Package ("RRP") will be installed. The RRP is part of a system of components and structures located on the reactor vessel. During refueling outages, the components and structures must be disassembled (destacked) to provide access to the reactor vessel internals and core components for normal refueling, and then reassembled (restacked) to restore operability. Installing this package in conjunction with the planned replacements of

[7] NRC Bulletin, Issuance of Order Establishing Interim Inspection Requirements for Reactor Pressure Vessel Heads at Pressurized Water Reactors, EA-03-009, dated February 11, 2003.

the RVHs reduces the cost of installation and eliminates the need for additional outages. The RRP significantly reduces the number of polar crane picks required for destack/restack activities, substantially reduces the amount of manpower required to perform a destack/restack, and incorporates single failure proof design features which eliminates some load-drop analysis and increases nuclear safety. The following diagrams highlight differences between the two systems.



New RVH Design with RRP



Old RVH Design

B. ANTICIPATED REGULATORY ISSUES

No regulatory issues are anticipated in 2010 that could reduce capacity factor at the Palo Verde station or at any individual unit at Palo Verde.

ATTACHMENT A

PALO VERDE
NUCLEAR PERFORMANCE REPORTING STANDARD

Topic		Description
Capacity Factor ("CF") Per Station and Per Unit	Station at 88% or Greater and Every Unit at 85% or Greater	APS shall submit annual reports each January to ACC presenting: ▪ CF for each unit for preceding calendar year ▪ Forecast CF for each unit for present calendar year[1] ▪ Discussion of any known and/or anticipated extraordinary events, equipment problems or issues that could reduce station CF to less than 88% or reduce any unit CF to less than 85% for present calendar year ▪ Discussion of any regulatory issues that could reduce station CF to less than 88% or reduce any unit CF to less than 85% for present calendar year
	Station at Least 80% but Less Than 88% or Any Unit at Least 75% but Less Than 85%	Included in the above annual reports, APS to submit detailed discussion of specific outages and/or down-powers and meet with ACC Staff to explain the reasons for station CF less than 88% and/or reasons for any unit CF less than 85%. Annual reports shall also identify all replacement power costs as well as the amount of reduced off-system sales and lost opportunity sales margins associated with these down-powers and outages.
	Station Less Than 80% or Any Unit Less Than 75%	APS shall submit semi-annual reports (until calendar-year station CF is 88% or greater and every unit CF is 85% or greater) each January and July to ACC presenting: ▪ CF for each unit for preceding 6 months ▪ Forecast CF for each unit for next* 6 months ▪ Discussion of any known and/or anticipated equipment problems or issues that could prevent a station CF of less than 88% or any unit CF of less than 85% for next* 6 months ▪ Discussion of any regulatory issues that could prevent a station CF of less than 88% or any unit CF of less than 85% for next* 6 months ▪ Detailed discussion of specific outages and/or down-powers ▪ A detailed report explaining unit performance, corrective actions to address outages and/or down-powers leading to station CF less than 80% or any unit CF less than 75% and meet with ACC Staff to explain the reasons for station CF less than 80% or any unit CF less than 75% ▪ Identification of all replacement power costs as well as the amount of reduced off-system sales and lost opportunity sales margins associated with these down-powers and outages.
Regulatory Performance	Greater than Green NRC Finding	For any Greater than Green NRC violations, APS will submit a report to the ACC, within 60 days of the NRC violation[2], describing the violation, planned corrective action and the regulatory impact.

[1] The Forecasted Station CF reported in APS's annual report may be used to determine the level of detail required in the following year's annual report. That is, if the Station performs during any year as APS forecast that it would in its prior year's annual report, even if that performance falls below 88% station and 85% unit thresholds, APS will be required to report what would be required with a station CF at 88% or greater, unless the reasons for the underperformance are different than what had been forecast or unless the ACC or ACC Staff specifically requests otherwise.
*Example: for a filing in January of 2010, the "next" 6 months would be January through June of 2010.
[2] The start date for this action is based on the date of the documentation (letter) APS receives from the NRC.

PALO VERDE
NUCLEAR PERFORMANCE REPORTING STANDARD

Topic		Description
Regulatory Performance (cont)	Identification of a Cross-Cutting Issue	If the NRC identifies a cross-cutting issue, APS will submit a report to the ACC, within 60 days of NRC identification[2], describing the cause of the cross-cutting issue, the findings that gave rise to the cross-cutting issue and the corrective actions planned to close the cross-cutting issue. APS will provide an update within a semi-annual report[3] on the status of the corrective actions until the cross-cutting issue is resolved.
	Palo Verde Unit not in the Licensee Response Column of the NRC Reactor Oversight Program Action Matrix	1. For any Palo Verde units in the Regulatory Response Column ("RRC") of the NRC's Reactor Oversight Program Action Matrix Summary, APS will submit a report within 60 days of being placed in the RRC[2], to the ACC explaining the cause of the unit being in a lower performance column and the corrective actions planned to return the unit to the Licensee Response Column. APS will provide an update within a semi-annual report[3] on the status of the corrective actions until the unit is returned to the Licensee Response Column. 2. Whenever a Palo Verde unit is moved to a lower performance column (lower than RRC) by the NRC[2], APS will, within 30 days, submit a report to the ACC explaining the reason for the move to a lower performance column, the corrective actions taken to address the cause of the move and the regulatory impact of the move. APS will provide to ACC Staff a copy of all correspondence to the NRC related to the move, and provide a briefing to the ACC Staff. 3. For every Palo Verde unit in the Degraded Cornerstone Column or Multiple/Repetitive Degraded Cornerstone Column, APS will provide quarterly reports[4] to the ACC updating the status of the issue and corrective actions to return the unit to the Licensee Response Column. APS will provide an outlined schedule estimating when the corrective actions will be complete. APS will also notify the ACC once it is known that the Unit will be moved to the Licensee Response Column or the Regulatory Response Column. APS will provide to ACC Staff a copy of all correspondence to the NRC related to the Action Matrix status and provide a briefing to the ACC Staff. 4. The Commission recognizes that, if the NRC were to alter its policies governing APS' disclosure of NRC correspondence or communications, such alterations may affect APS' ability to comply with the disclosure schedule set forth above. In that event, APS will notify Staff of the alterations, and Staff and APS will propose an alternative disclosure schedule to the Commission.
Prudence Review	Following review of detailed outage specific reports, the ACC may elect to conduct a prudence review of specific outages.	
Standard Re-evaluation Period	Staff and APS will collectively work together to evaluate the Reporting Standard after 3 years of implementation.	

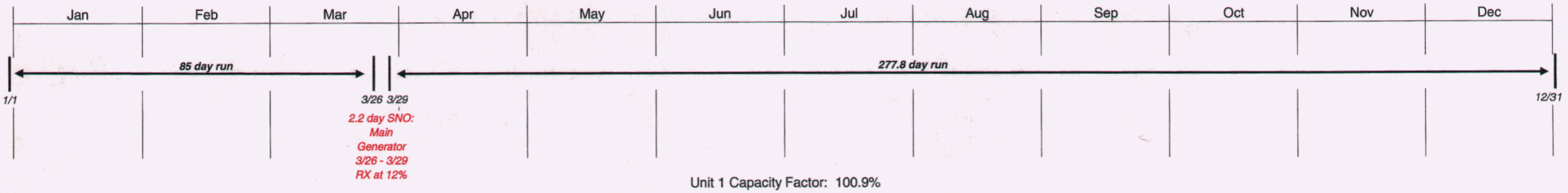
[3] Semi-Annual reports will be submitted in March and September of each year and cover the prior 6 months.
[4] Quarterly reports will be submitted no later than 30 days after the quarter ends (on a calendar year basis) and cover the prior quarter.

2009 Palo Verde Station Performance Timeline

Station Capacity Factor: 88.9%

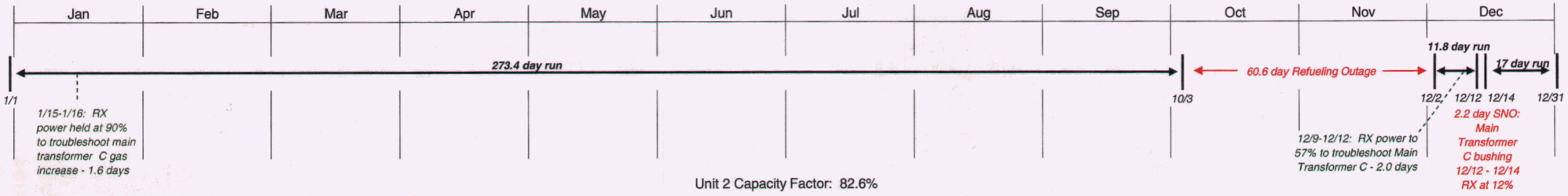
ATTACHMENT B

UNIT 1:



Unit 1 Capacity Factor: 100.9%

UNIT 2:



Unit 2 Capacity Factor: 82.6%

UNIT 3:

Unit 3 Capacity Factor: 83.2%

NOTE: Please see Section I for an explanation of capacity factor calculation and Section II for the 2009 Palo Verde specific calculations.

SNO: Short Notice Outage
RX: Reactor