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Paul H Lohaus, Director
Office of State and Tribal Programs
U.S. Nuclear Regulatory Commission
Washington DC 20555-0001

Dear Mr. Lohaus:

Thank you for your letter of March 29, 2002, transmitting the draft report of the Arizona IMPEP review for 2002. We are pleased that the preliminary conclusions were that the Arizona program is adequate to protect the public health and safety and compatible with the U.S. Nuclear Regulatory Commission's program.

I must take this opportunity to comment on the team that reviewed our program. They were dedicated and worked beyond the requirements of the task. They were diligent and continued to seek information rather than be content with the surface details. They were a most professional team and we were proud that they were chosen to conduct the review. They were most helpful and offered suggestions for improvements or for other considerations. We were most favorably impressed with their conduct of the review.

Attached are our comments to the recommendations made in this report.

Thank you and the team for the time, effort and considerations made in this report.

Sincerely

A handwritten signature in black ink, appearing to read "Aubrey V. Godwin".

Aubrey V. Godwin
Director

Handwritten initials "SP08" in black ink.

Response to Recommendations –AZ-IMPEP 2002

1. The Review team recommends that the State examine means to ensure and maintain an adequately trained staff.

RESPONSE: The State is utilizing all available resources to avoid reducing or losing trained staff during this budget crunch. In addition, the Agency is attempting to increase salaries for the professional personnel. Thus far, several salaries have been increased by converting the respective positions to "uncovered." We will continue to pursue this and other actions in the future.

2. The review team recommends that the agency review all Arizona licenses to ascertain if they require financial assurance, and take appropriate action on each affected license to ensure that all licenses meet the State's financial assurance requirements.

RESPONSE: All affected licensees have been reviewed and an appropriate condition placed on the license restricting possession such that financial assurance requirements are not implemented. No licensee reported actually possessing material in excess of the financial assurance triggering requirements. Only the University of Arizona is considering filing an assurance just in case they have a requirement in the future.

3. The team recommends that the Agency reexamine their procedure for handling allegations, consider the key elements of procedures outlined in NRC's Management directive 8.8, and incorporate the elements that are appropriate for their program.

RESPONSE: The Agency is reexamining their current procedures for handling allegations. We expect to update Policy No. 12.01 (1 Jan 1995) to reflect the appropriate consideration of NRC's Management Directive 8.8.

4. The team recommends that the program submit legally binding requirements to NRC for review.

RESPONSE: The Agency will continue to have difficulty keeping pace with NRC changes to regulations for the following reasons:

- A. We cannot randomly open regulations for comment and changes, they must be a part of a five year review or have some additional need for out of schedule changing.
- B. The five year review process is controlling, since failing to submit an adequate five year review may void all regulations in the review.

The Agency will continue to use license conditions to meet the NRC requirements pending adoption of the regulations. For example we intend to condition our General License Device distributors with the following condition:

"In addition to the reports required by R12-1-311 D.4.c., the licensee shall report all transfers from general licensees to the licensee, to the Agency."

5. The team recommends that the Agency review its procedures to improve the timeliness in incorporating new rule changes into their regulatory program, including immediately addressing the reporting requirements for generally licensed device distributors which was due by August 16, 2001.

RESPONSE: See 4 above. It should be noted, the Agency had already required reports of transfers from the general license device distributors to the general licensee and only needed to require a report for transfers back.

6. The review team recommends that the Agency make corrections to the SS&D registration certificates Nos AZ-244-D-101-S and AZ-224 D-102-S.

RESPONSE: We appreciate the team identifying the errors on these sheets. We are concerned, however, that these sheets were sent to the NRC several years ago and were never distributed to the Agreement States. We appreciate the NRC placing them on the web page but all other state's sheets have been distributed and we are at a loss to understand why Arizona's were not. A check of several Agreement States determined that none had received these sheets.

7. The review team recommends that the Agency conduct an SS&D safety evaluation of the Fuel Quantity System device distributed by Honeywell, Inc., and issue a registration certificate for the device.

RESPONSE: Thank you for pointing out that this device does not have a certificate issued for it. We would like the report amended to reflect the circumstances of this situation. Specifically, the device was approved for distribution by the NRC who did not issue a certificate in accordance with the practice of not issuing certificate for GL devices. When the Licensee moved to Arizona to distribute the devices we, following NRC practice, also did not issue a certificate. The Agency did review the information submitted to NRC and also concluded the device was acceptable. The fact that the device has been in use for over a decade supports this same conclusion.

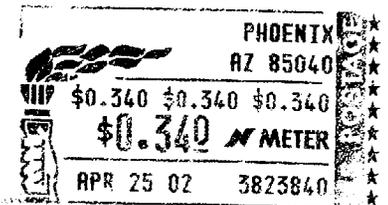
The device was produced in NRC jurisdiction for most of its production. However, it was produced in Arizona for a while and may have been produced in Arizona after NRC changed the policy on certifying GL devices. Although still in use, it is no longer being produced so we will provide an information certificate indicating the current status.

8. The review team recommends that the Agency establish qualification requirements for SS&D reviewers and develop a formalized, written training program.

RESPONSE: The Agency will have such a program established by July 1, 2002. We hope to incorporate within the program some training at NRC to assure the quality of our reviews.



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