

NRC F/C



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

August 29, 1997

Dr. John V. Massey, President and
Chief Executive Officer
Sierra Nuclear Corporation
One Victor Square
Scotts Valley, CA 95066

SUBJECT: NRC INSPECTION REPORT NO. 72-1007/97-212
AND NOTICE OF NONCONFORMANCE

Dear Dr. Massey:

On July 8-10 the Nuclear Regulatory Commission (NRC) performed an unannounced inspection at the Sierra Nuclear Corporation's offices in Scotts Valley, California, and at March Metalfab's (the fabrication subcontractor) facility in Hayward, California. Concurrently, NRC performed an announced inspection at the Arkansas Nuclear One nuclear power plant in Russelville, Arkansas. The team examined issues associated with the undocumented welding that was performed during fabrication of the Multi-assembly Sealed Basket (MSB) for the Ventilated Storage Cask (VSC)-24 dry spent fuel storage system manufactured under Certificate of Compliance No. 72-1007. The attached inspection report (Enclosure 1) presents the results of the inspection. NRC held an exit meeting with you on August 28, 1997, at NRC Headquarters in Rockville, Maryland.

During the inspection, the team found that you failed to meet certain NRC requirements. The team identified two nonconformances regarding failures to perform work in accordance with your quality assurance program. The nonconformances were: (1) failure to adequately control welding to repair material; and (2) inadequate oversight of your subcontractor, to ensure that fabrication specifications were met.

As the certificate holder, Sierra Nuclear Corporation is responsible for the adequacy of fabrication of fuel storage casks you provide to licensees. In light of past Quality Assurance (QA) Program problems identified by NRC, these nonconformances raise significant concerns with your ability to ensure quality during fabrication. Inadequate control of welding on the MSB shell introduces uncertainties about the quality of the confinement boundary, because of the unknown extent of this undocumented welding and the potential adverse effects. When combined with other QA problems in the past, it also diminishes our confidence in your ability to design and construct a dry cask storage system that meets commitments, Codes and standards, and requirements.

Sierra Nuclear Corporation's failure to recognize and correct this significant quality issue is particularly troubling. This problem is exacerbated by a missed opportunity to effectively pursue the possibility of undocumented welds after the licensee for Palisades raised this issue during its investigation of the shield-lid weld crack on MSB-05. Your failure to properly oversee your subcontractor and to correct repeated quality problems indicates that quality assurance and management oversight were not fully effective and that the production and quality personnel lacked a sufficiently questioning attitude.

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Please provide us, within 30 days from the date of this letter, a written statement in accordance with the instructions specified in the attached Notice of Nonconformance (Enclosure 2). We will consider extending the response time if you can show good cause for us to do so.

Because of our deep concern about these matters, we are considering asking you to take additional actions beyond those contained in the enclosed nonconformances. Should we decide to request further action on your part, we will contact you separately.

In accordance with 10 CFR 2.790 of NRC's "Rules of Practice," a copy of this letter, its enclosures, and your response will be placed in the NRC Public Document Room (PDR).

Sincerely,
Original /s/ by
Charles J. Haughney, Acting Director
Spent Fuel Project Office
Office of Nuclear Material Safety
and Safeguards

Enclosures:

1. Inspection Report 72-1007/97-212
2. Notice of Nonconformance

Docket No. 72-1007

cc:

Alan Nelson, Nuclear Energy Institute
VSC-24 User's Group

Reviewed by:

EKraus
8/26/97

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