

June 6, 2006

Ms. Sherry Grier, PE
NUPIC Chairman
Procurement Quality Manager
Duke Power Company
13225 Hagers Ferry Road
Huntersville, NC 28078

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3
APPROVAL OF CHANGE TO QUALITY ASSURANCE PROGRAM
(COMMERCIAL-GRADE CALIBRATION SERVICES)

Dear Ms. Grier:

This letter responds to your letter dated March 15, 2006, regarding the subject change to the Palo Verde quality assurance program. The change provides for an alternative to commercial-grade surveys or in-process surveillances for domestic procurement of commercial-grade calibration services as defined by 10 CFR Part 21.

Your letter states that the Safety Evaluation approving the change, transmitted by letter dated September 28, 2005, provides the bases for adoption of the alternative by licensees. However, your letter states that it is not clear how the alternative may be adopted by suppliers for qualifying sub-suppliers and that clarification would facilitate communication with suppliers on how to properly implement the alternative for qualifying sub-suppliers.

Pursuant to NRC regulations at 10 CFR 50.54(a)(3), a licensee may adopt the Palo Verde alternative if the bases of NRC approval are applicable to a licensee's facility. These bases are either documented explicitly by the NRC Safety Evaluation or implicitly by referenced codes and standards, docketed correspondence, or specific commitments of the licensee's quality assurance program.

The essential bases of NRC approval of the Palo Verde alternative, which the NRC staff has discussed at several NUPIC meetings, are as follows:

- Alternative method is documented in the QA program,
- Accreditation is to ANSI/ISO/IEC 17025,"General Requirements for the Competence of Testing and Calibration Laboratories,"
- NRC review and approval is limited to NVLAP (National Voluntary Laboratory Accreditation Program) and A2LA (American Association for Laboratory Accreditation) as recognized signatories of the International Laboratory Accreditation Cooperation (ILAC) program,

- Purchase documents impose additional technical and administrative requirements to satisfy necessary QA program and technical requirements,
- Purchase documents require reporting as-found calibration data when calibrated items are found to be out-of tolerance,
- Purchase documents require identification of the laboratory equipment/standards used.

Your letter asks two specific questions with regard to use of the alternative by suppliers of calibration services.

Question #1

“Can suppliers maintaining a 10CFR50 Appendix B quality assurance program utilize the Safety Evaluation for the qualification of sub-suppliers, who provide commercial-grade calibration services, if the provisions of the Safety Evaluation are incorporated into the supplier’s QA program?”

Clarification #1

Appendix B suppliers may use the alternative for the qualification of commercial-grade sub-suppliers. The conclusions of the Safety Evaluation with regard to the quality of supplier programs should also apply to sub-suppliers if the bases of the Safety Evaluation are maintained.

Question #2

“With respect to Question #1, are licensees required to impose the provisions of the Safety Evaluation in procurement documents to the supplier before the supplier can implement those provisions? If yes, what is the basis for such a requirement?”

Clarification #2

It is not necessary for a supplier to have a contract to implement the provisions of the alternative. In fact, several suppliers that provide calibration services to the nuclear industry already have implemented the alternative to meet the requirements of other industrial customers. Licensees implementing the alternative should follow the guidelines of the Safety Evaluation to ensure that the bases of NRC approval are maintained.

Licensees choosing not to implement the alternative would procure calibration services as always and continue to conduct audits, commercial-grade surveys and/or in-process surveillances as they did before the alternative was available.

S. Grier

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I hope these responses provide the clarification you need to communicate with your suppliers. Please contact Dale Thatcher at 301-415-3260 if further clarification is needed.

Sincerely,

/RA/

Michael E. Mayfield, Director
Division of Engineering
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission

S. Grier

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I hope these responses provide the clarification you need to communicate with your suppliers. Please contact Dale Thatcher at 301-415-3260 if further clarification is needed.

Sincerely,

/RA/

Michael E. Mayfield, Director
Division of Engineering
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