

January 19, 2007

Mr. David Hinds, Manager
ESBWR
General Electric Energy
P.O. Box 780, M/C L60
Wilmington, NC 28402

SUBJECT: NRC INSPECTION REPORT FOR GENERAL ELECTRIC NUCLEAR ENERGY
(GENE) GENERAL ECONOMIC AND SIMPLIFIED BOILING WATER REACTOR
(ESBWR) QUALITY ASSURANCE IMPLEMENTATION FOLLOW-UP
INSPECTION

Dear Mr. Hinds:

On December 5 and 6, 2006, the U.S. Nuclear Regulatory Commission (NRC) conducted a follow-up inspection at the GENE facility in Wilmington, North Carolina. The purpose of the inspection was to review the GENE corrective action activities described in the GENE letter dated July 21, 2006, "Reply to Notice of Nonconformance NRC Inspection Report 05200010/2006-201, dated June 14, 2006, Revision 1."

The enclosed report presents the details of that inspection. During this inspection it was found that the implementation of your corrective actions adequately addressed the Notice of Nonconformance and the Unresolved items identified in the NRC April 2006 inspection.

In accordance with §2.390, "Public inspections, exemptions, requests for withholding," of 10 CFR Part 2, "Rules of Practice for Domestic Licensing Proceedings and Issuance of Orders," a copy of this letter and its enclosure will be made available electronically for public inspection in the NRC Public Document Room (PDR) or from the NRC's document system Agencywide Documents Access and Management System, accessible from the NRC web site at <http://www.nrc.gov/reading-rm/adams.html>.

Sincerely,

/RA/

David B. Matthews, Director
Division of New Reactor Licensing
Office of New Reactors

Enclosure:
Inspection Report 05200010/2006-202

cc w/encl: See next page

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Division of New Reactor Licensing
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OFFICE	NRO/DNRL/NGE1*	NRO/DNRL/NGE1*	NRO/DNRL/NGE1*	NRO/DNRL/NGE1*	D/DNRL/NRO*
NAME	SGreen	S. Williams	A. Cubbage	M. Shuaibi	D. Matthews
DATE	01/16/2007	01/16/2007	01/16/2007	01/19/2007	01/19/2007

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ESBWR Mailing List

cc:

Mr. David Lochbaum, Nuclear Safety
Engineer
Union of Concerned Scientists
1707 H Street, NW., Suite 600
Washington, DC 20006-3919

Mr. Paul Gunter
Nuclear Information & Resource Service
1424 16th Street, NW, Suite 404
Washington, DC 20036

Mr. James Riccio
Greenpeace
702 H Street, Suite 300
Washington, DC 20001

Mr. Adrian Heymer
Nuclear Energy Institute
Suite 400
1776 I Street, NW
Washington, DC 20006-3708

Mr. Paul Leventhal
Nuclear Control Institute
1000 Connecticut Avenue, NW
Suite 410
Washington, DC 20036

Mr. Ron Simard
6170 Masters Club Drive
Suwanne, GA 30024

Mr. Brendan Hoffman
Research Associate on Nuclear Energy
and Environmental Program
215 Pennsylvania Avenue, SE
Washington, DC 20003

Mr, Jay M. Gutierrez
Morgan, Lewis & Bockius, LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004

Mr. Glenn H. Archinoff
AECL Technologies
481 North Frederick Avenue
Suite 405
Gaithersburg, MD 20877

Mr. Gary Wright, Director
Division of Nuclear Facility Safety
Illinois Emergency Management Agency
1035 Outer Park Drive
Springfield, IL 62704

Mr. Charles Brinkman
Westinghouse Electric Co.
Washington Operations
12300 Twinbrook Pkwy., Suite 330
Rockville, MD 20852

Mr. Ronald P. Vijuk
Manager of Passive Plant Engineering
AP1000 Project
Westinghouse Electric Company
P. O. Box 355
Pittsburgh, PA 15230-0355

Mr. Ed Wallace, General Manager
Projects
PBMR Pty LTD
PO Box 9396
Centurion 0046
Republic of South Africa

Mr. Russell Bell
Nuclear Energy Institute
Suite 400
1776 I Street, NW
Washington, DC 20006-3708

Ms. Sandra Sloan
Areva NP, Inc.
3315 Old Forest Road
P.O. Box 10935
Lynchburg, VA 24506-0935

Mr. Robert E. Sweeney
IBEX ESI
4641 Montgomery Avenue
Suite 350
Bethesda, MD 20814

paul.gaukler@pillsburylaw.com
john.o'neill@pillsburylaw.com
matias.travieso-diaz@pillsburylaw.com
maria.webb@pillsburylaw.com
roberta.swain@ge.com
cwaltman@roe.com

Mr. Eugene S. Grecheck
Vice President, Nuclear Support Services
Dominion Energy, Inc.
5000 Dominion Blvd.
Glen Allen, VA 23060

Mr. George A. Zinke
Manager, Project Management
Nuclear Business Development
Entergy Nuclear, M-ECH-683
1340 Echelon Parkway
Jackson, MS 39213

E-Mail:

tom.miller@hq.doe.gov or
tom.miller@nuclear.energy.gov
sfrantz@morganlewis.com
ksutton@morganlewis.com
jgutierrez@morganlewis.com
mwetterhahn@winston.com
whorin@winston.com
gcesare@enercon.com
jerald.holm@framatome-anp.com
erg-xl@cox.net
joseph_hegner@dom.com
mark.beaumont@wsms.com
steven.hucik@ge.com
patriciaL.campbell@ge.com
bob.brown@ge.com
david.hinds@ge.com
chris.maslak@ge.com
James1.Beard@ge.com
kathy.sedney@ge.com
mgiles@entergy.com
tansel.selekler@nuclear.energy.gov or
tansel.selekler@hq.doe.gov
Frostie.white@ge.com
David.piepmeyer@ge.com
george.stramback@gene.ge.com
wayne.marquino@ge.com
james.kinsey@ge.com
david.lewis@pillsburylaw.com

**U.S. NUCLEAR REGULATORY COMMISSION
OFFICE OF NUCLEAR REACTOR REGULATION**

Report No: 05200010/2006-202

Organization: General Electric Nuclear Energy
3901 Castle Hayne Rd
Wilmington, NC 28401

Vendor Contact: Mr. Larry Tucker
ESBWR Engineering Manager
(910) 675-5698

Nuclear Industry: General Electric Nuclear Energy (GENE) is engaged in the supply of advanced and standardized boiling water reactor designs to utilities. GENE also furnishes engineering services, nuclear replacement parts, and dedication services for commercial grade electrical and mechanical equipment.

Inspection Dates: December 5-6, 2006

Inspectors: Richard P. McIntyre, Lead Inspector, EQVA/DE/NRR
Kerri A. Kavanagh, EQVA/DE/NRR

Approved by:

Dale F. Thatcher, Chief
Quality and Vendor Branch A
Division of Engineering
Office of Nuclear Reactor Regulation

Date

1.0 INSPECTION SUMMARY

The purpose of the inspection was to review the General Electric Nuclear Energy (GENE) corrective action activities described in the GENE letter dated July 21, 2006, "Reply to Notice of Nonconformance NRC Inspection Report 05200010/2006-201, dated June 14, 2006, Revision 1."

The inspection was conducted at GENE's facility in Wilmington, North Carolina. The inspection bases were:

- Appendix B, "Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants," to Part 50 of Title 10 of the Code of Federal Regulations (Appendix B), and
- 10 CFR Part 21, "Reporting of Defects and Noncompliance."

1.1 NONCONFORMANCES

- There were no nonconformances identified during this inspection.

2.0 STATUS OF PREVIOUS INSPECTION FINDINGS

Nonconformance 05200010/2006-201-01 (CLOSED)

During the April 2006 inspection, the inspectors identified a nonconformance with NRC requirements associated with failure to address and correct the root causes associated with several Economic Simplified Boiling Water Reactor (ESBWR) corrective action requests (CARs) as required by the GENE Quality Assurance (QA) Program. Additionally, GENE did not adequately implement the requirements to process and complete corrective actions in a timely manner as required by the GENE QA Program. During this inspection, the inspectors reviewed the corrective and preventive actions associated with this nonconformance. This issue is further discussed in Section 3.1 of this report.

Nonconformance 05200010/2006-201-02 (CLOSED)

During the April 2006 inspection, the inspectors identified a nonconformance with NRC requirements associated with failure to reference the appropriate edition of the American Society of Mechanical Engineers NQA-1, "Quality Assurance Requirements for Nuclear Facility Applications," (NQA-1) as described and committed to in Chapter 17 of the ESBWR Design Control Document (DCD). This failure to reference the appropriate edition was identified in several ESBWR project documents. This issue is further discussed in Section 3.2 of this report.

Unresolved Item (URI) 05200010/2005-201-01 (CLOSED)

During the previous ESBWR inspections, the inspectors identified that Chapter 17 of the ESBWR DCD did not include an Introduction section that describes the basis for the ESBWR QA program, and how it will be implemented by GENE and its various domestic and international participants. The NRC inspectors also noted that they were unable to review or

verify the activities associated with the transition from the Simplified Boiling Water Reactor (SBWR) to ESBWR design, particularly as it relates to the qualification test activities that were performed for the SBWR design in the mid-1990s and are being used to support the ESBWR design certification application. This issue is further discussed in Section 3.3 of this report.

Unresolved Item 05200010/2005-201-02 (CLOSED)

During the previous inspections, the inspectors discussed the need to recapture the design and test control implementation inspection documentation issued by the NRC staff for the SBWR design certification qualification testing activities which are being used to support ESBWR design certification. This documentation includes all NRC Inspection Reports, GENE responses to inspection findings, and NRC replies to GENE responses. GENE provided this information in a letter dated October 27, 2006. The inspectors reviewed this documentation during the December 2006 inspection and identified that some information was not able to be located. Specifically, Volumes 1 and 2 of Design Record File (DRF) T15-00012-00 for the PANTHERS-PCC test program. GENE was requested to evaluate the impact of the missing volumes as it relates to the validation of the TRAC-G transient analysis computer code. Additionally, Index 52 of DRF T15-00010-00 for the PANDA PRE/POST Test Calculations was not located in the DRF. During the inspection, GENE located Index 52 of DRF T15-00010-00 and committed to adding the information to the PANDA PRE/POST Test Calculation DRF.

Following the inspection, GENE provided additional information that evaluated the impact of the information contained in the missing volumes of the DRF on the ESBWR licensing activities. GENE concluded that there is no significant impact to the SBWR or ESBWR design and TRAC-G validation created by the absence of DRF T15-00012-00 Volumes 1 and 2. GENE also stated that PANTHERS-PCC Test Requirements and Specifications can be located as controlled documents in the GENE, Ansaldo and SIET configuration management archives and are thus retrievable with effort. GENE stated that these documents will be included in the DRF T15-00012-00 for the PANTHERS-PCC test program. This issue is further discussed in Section 3.4 of this report.

3.0 INSPECTION FINDINGS AND OTHER COMMENTS

3.1 REVIEW OF CORRECTIVE ACTIONS - NONCONFORMANCE 05200010/2006-201-01

a. Inspection Scope

The inspectors reviewed GENE corrective and preventive actions associated with Nonconformance 05200010/2006-201-01, which was identified during the April 2006 NRC inspection.

b. Observations and Findings

During the April 2006 inspection, the inspectors identified a nonconformance with NRC requirements associated with failure to address and correct the root causes associated with several ESBWR CARs as required by the GENE QA Program. Additionally, GENE did not adequately implement the requirements to process and complete corrective actions in a timely manner as required by the GENE QA Program. During this inspection, the inspectors reviewed

the corrective and preventive actions associated with this nonconformance. CAR 40521 was initiated by GENE to address Nonconformance 05200010/2005-201-05, identified in the November 2005 NRC inspection, and to address actions to preclude recurrence. During an ESBWR self-audit (GEN 06-13), GENE identified that the corrective and preventive actions associated with CAR 40521 had not been effective in improving CAR timeliness. CAR 40893 was initiated by GENE to address the self-audit finding. GENE also used CAR 40893 to address the issues identified in Nonconformance 05200010/2006-201-01 from the April 2006 NRC inspection.

CAR 40893 stated that the root cause of this nonconformance was management and team inattention to the Corrective Action Program. Corrective action number 1 of CAR 40893 required the ESBWR team to meet and determine proper corrective and preventive actions to supplement the actions completed under CAR 40521. Corrective action number 2 of CAR 40893 required the assignment of all unassigned ESBWR CARs to a responsible engineer and establishment of a practice of assigning new CARs to this responsible engineer as a central coordination point.

The inspectors met with the ESBWR responsible engineer to determine the status of the corrective actions associated with CAR 40893. At the time of the inspection, there were 34 CARs for the ESBWR project (engineering and QA organizations) that had open corrective and/or preventive actions. Of these 34 CARs, only one CAR had preventive actions that were late. These preventive actions were associated with CAR 40868 relative to a new interface control process. For this CAR, the Manager of ESBWR Engineering decided not to reschedule these actions in order to highlight the CAR as an important issue that required resolution. The inspectors reviewed a sample of the ESBWR CARs that had open corrective and/or preventive actions. These CARs included 40911, 41525, 41528, 41592, 41666, and 41869. Two of the CARs were initiated based on an external audit, and the remainder were initiated based on self assessment. The inspectors found that the above CARs reflected the current status of the corrective or preventive action and the associated due dates.

The inspectors also reviewed the status of ESBWR CARs that had all of their associated corrective and/or preventive actions complete, but the CAR remained open. At the time of the inspection, 17 ESBWR CARs were open with their associated actions complete. Of these 17 CARs, 9 of the CARs remained open greater than 90 days. The greater than 90 days metric is one of the GENE Key Performance Indicators (KPI) which GENE uses for evaluating corrective action program effectiveness. Based on GENE's thresholds for KPIs, a red KPI would be indicative of more than 10 CARs not closed 90 days after all actions were completed. At the time of the inspection, this KPI would be yellow since there were only 9 CARs that remained open for greater than 90 days.

The inspectors reviewed all of the ESBWR CARs that remained open, with all actions complete, for greater than 90 days. These CARs included 19857, 19859, 19861, 19865, 19872, 33726, 40484, 40499, and 41212. Of these CARs, two were initiated due to external audits and could not be closed until GENE received a concurrence from the external source. Five of the CARs were rejected by the initiator and were awaiting clarification on the action completion statements. The remaining two CARs remained open due to issuance dates of other ESBWR documents. The inspectors determined that the ESBWR project team was knowledgeable about the status of the 9 CARs and was working on improving the KPIs in this area. However, the inspectors noted that the GENE process did not allow the completion dates to be changed

on completed CARs that are rejected by the initiator. As such, the KPI for completed CARs that remain open for greater than 90 days continued to be either red or yellow for the ESBWR project.

c. Conclusions

The inspectors reviewed the corrective and preventive actions associated with GENE CAR 40893. The inspectors concluded that the corrective actions were completed as stated in the CAR. As such, Nonconformance 05200010/2006-201-01 is closed. The inspectors also reviewed the status of the ESBWR CARs with remaining corrective and/or preventive actions and CARs that remained open greater than 90 days after all actions had been completed. The inspectors concluded that the ESBWR corrective action program was exhibiting an improving trend as evidenced by the discussion above.

3.2 REVIEW OF CORRECTIVE ACTIONS - NONCONFORMANCE 05200010/2006-201-02

a. Inspection Scope

The inspectors reviewed GENE corrective and preventive actions associated with Nonconformance 05200010/2006-201-02, which was identified during the April 2006 NRC inspection.

b. Observations and Findings

During the April 2006 follow-up inspection, the inspectors discussed with GENE the identification of the 1983 Edition of NQA-1 (NQA-1-1983), as described and committed to in Chapter 17 of the ESBWR DCD, for ESBWR project documents, including GENE Nuclear QA Audit Reports. The inspectors also identified other DCD sections that referenced other editions of NQA-1 not consistent with DCD Chapter 17 QA program commitments. This included tables within Section 3 of the DCD. As a result, the inspectors identified a new nonconformance with NRC requirements associated with failure to reference NQA-1-1983, as described and committed to in Chapter 17 of the ESBWR DCD. This was identified as Nonconformance 05200010/2006-201-02 in the NRC inspection report dated June 14, 2006.

CAR 40911 was initiated by GENE to address Nonconformance 05200010/2006-201-02 and to determine which ESBWR project documents needed to be revised to reflect the DCD Chapter 17 commitment to NQA-1-1983. The CAR identified that as a minimum, the following documents had been identified: DCD sections (as appropriate); Project QA Plan (NEDO-33181, Revision 1) and ESBWR Supplier Quality Assurance Requirements (SQAR) (NEDC 33260, Revision 0). The CAR also documented a corrective action to revise supplier purchase orders that imposed the SQAR, to specify NQA-1-1983 and also to ensure that ESBWR staff were aware of the appropriate QA program commitment to NQA-1-1983.

NEDO-33181, Revision 2, "NP-2010 COL Demonstration Project - Quality Assurance Plan," dated July 2006, provides the QA system and the program description which GENE will implement as supplier of ESBWR engineering services for contractual requirements for Phase 1 and Phase 2 of the DOE NP-2010 COL Demonstration Project. NEDC-33260, Revision 1, "NP-2010 COL Demonstration Project - Supplier Quality Assurance Requirements (SQAR) - ESBWR QA Requirements for Procurement of Engineering Services and Equipment,"

dated July 2006, provides the overall QA requirements for the procurement of engineering services and equipment including international suppliers.

The inspectors agreed with the GENE conclusions of the CAR relative to the NRC nonconformance issues and reviewed the corrective and preventive actions identified for CAR 40911. The inspectors verified that GENE had implemented the 5 corrective actions and 2 preventive actions documented in CAR 40911. This included: establishing the edition of NQA-1 to reference in ESBWR project documents; revision to NEDO-33181 (dated July 2006) and NEDC-33260 (dated July 2006) to reflect the correct QA requirements for the ESBWR project (NQA-1-1983), revision to Chapter 17 of the ESBWR DCD to also reflect the correct QA requirements; and revision of a sample of the ESBWR purchase orders previously issued to reflect the revised NEDC-33260 SQAR.

The inspectors also reviewed and verified that the two preventive action measures had been implemented. This included communicating to the appropriate ESBWR staff the correct edition of NQA-1 to be used on the ESBWR project and also communicating to the ESBWR Engineering and Program Management leaders instructions to forward the correct edition of NQA-1 to the DCD chapter leads. Based on the review of the above information and CAR 40911, URI 05200010/2005-201-01 is closed.

c. Conclusions

The inspectors reviewed the corrective and preventive actions associated with GENE CAR 40911. The inspectors concluded that the corrective and preventive actions were completed as stated in the CAR. As such, Nonconformance 05200010/2006-201-02 is closed.

3.3 REVIEW OF CORRECTIVE ACTIONS - UNRESOLVED ITEM 05200010/2005-201-01

a. Inspection Scope

The inspectors reviewed GENE corrective actions and response associated with URI 05200010/2005-201-01, which was initially identified during the November 2005 NRC inspection and remained open in the 05200010/2006-201 Inspection Report dated June 14, 2006.

b. Observations and Findings

During the November 2005 inspection, the inspectors identified an URI identifying that Chapter 17 of the ESBWR DCD did not include an Introduction Section that describes what the ESBWR QA program is based upon and how it will be implemented by GENE and its various domestic and international participants. The inspectors also noted that they were unable to review or verify the activities associated with the transition from the SBWR to ESBWR design, particularly as it relates to the qualification test activities that were performed for the SBWR design in the mid-1990s and are being used to support the ESBWR design certification application. GENE was requested to provide appropriate documentation in the DCD Chapter 17 Introduction Section describing the details of QA program commitments and background information regarding the transition from the SBWR to ESBWR design.

CAR 40522 was initiated by GENE to address actions to be taken to reply to the URI. Two corrective actions were identified in the CAR to be completed by GENE. The inspectors verified by review of Revision 1 of Chapter 17 of the ESBWR DCD that an Introduction Section was included that describes the QA program used by GENE for the ESBWR project. The second corrective action listed on the CAR required GENE to prepare a revision to the DCD to provide a description of the design transition and use of the SBWR Test Program. This action was not yet completed during the inspectors' review of the URI during the April 2006 inspection.

During the December 2006 inspection, the inspectors reviewed Section 17.0, "Introduction," of Chapter 17 of the ESBWR DCD, Revision 2, dated October 2006. The inspectors verified that Section 17.0 adequately addressed the transition from the SBWR to ESBWR design and the basis of the GENE QA Program. Section 17.0 now describes the evolution of the ESBWR design as it relates to the SBWR test programs conducted at international supplier test facilities such as GIRAFFE, PANTHERS and PANDA. Additionally, Section 17.0 states that NEDC-33260 describes the relationship, responsibilities, and requirements for the supplier's and sub-tier supplier's quality program. The inspectors verified that NEDC-33260 included the appropriate NQA-1-1983 references. Based on the review of the above information and CAR 40522, URI 05200010/2005-201-01 is closed.

c. Conclusions

Based on the review of the above information and CAR 40522, URI 05200010/2005-201-01 is closed.

3.4 REVIEW OF CORRECTIVE ACTIONS - UNRESOLVED ITEM 05200010/2005-201-02

a. Inspection Scope

The inspectors reviewed GENE corrective actions and response associated with URI 05200010/2005-201-02, which was initially identified during the November 2005 NRC inspection and remained open in the 05200010/2006-201 Inspection Report dated June 14, 2006.

b. Observations and Findings

During the November 2005 inspection, the inspectors identified an URI identifying the need to recapture the design and test control implementation inspection documentation issued by the NRC staff or GENE for the SBWR design certification qualification testing activities which are being used to support ESBWR design certification. As part of the SBWR design certification review, the staff conducted in-depth inspections at the principal GENE SBWR test facilities to determine if these testing activities performed to support design certification of the SBWR were conducted under the appropriate provisions of the NEDO-11209-04A, Revision 8 and NEDG-31831, "SBWR Design and Certification Program Quality Assurance Plan," dated May 1990. SBWR design certification qualification testing activities were conducted by GENE at test facilities such as the PANDA test facility in Switzerland, the PANTHERS test facility in Italy, and the GIRAFFE test facility in Japan.

The data from these qualification testing activities are being used to support ESBWR design certification. This documentation would include all NRC Inspection Reports, GENE responses to inspection findings, and NRC replies to GENE responses. GENE was requested to recapture this SBWR inspection documentation for inclusion in the ESBWR Chapter 21 Final Safety Evaluation Report for QA Inspections related to Testing and Computer Code Evaluation. GENE provided this information in letter to the staff dated October 27, 2006.

CAR 40523 was initiated by GENE to address actions to be taken to reply to the URI. During the December 2006 inspection, the inspectors reviewed the documentation included in the October 27, 2006, letter and concluded that the information generally, appeared to represent and include the quality oversight information performed for the SBWR test program. However, during the CAR review, the inspectors noted that GENE had identified that some information was not able to be located. Specifically, Volumes 1 and 2 of DRF T15-00012-00 for the PANTHERS-PCC test program was missing. Additionally, Index 52 of DRF T15-00010-00 for the PANDA PRE/POST Test Calculations was not located in the DRF. During the inspection, GENE located Index 52 of DRF T15-00010-00 and committed to add the information to the PANDA PRE/POST Test Calculation DRF.

At the exit meeting, GENE was requested to evaluate the impact of the missing DRF volumes as it relates to the qualification of the TRAC-G transient analysis computer code. Staff reviewed additional information provided by GENE as part of the inspection titled, "T15-00012-00 Impact of Missing DRF Volumes." This document evaluated the impact of the information contained in the missing volumes of the DRF on the ESBWR licensing activities. GENE concluded that there was no significant impact to the SBWR or ESBWR design and TRAC-G validation created by the absence of DRF T15-00012-00 Volumes 1 and 2.

Finally, GENE stated that the PANTHERS-PCC Test Requirements and Specifications from Volumes 1 and 2 could be located as controlled documents in the GENE, Ansaldo and SIET configuration management archives and are retrievable with some effort. GENE stated that the missing documents will be included in the DRF T15-00012-00 for the PANTHERS-PCC test program.

c. Conclusions

Based on the review of the above information and CAR 40523, URI 05200010/2005-201-02 is closed.

4.0 ENTRANCE AND EXIT MEETINGS

In the entrance meeting on December 5, 2006, the inspectors discussed the scope of the inspection, outlined the areas to be inspected, and established interfaces with General Electric (GE) staff and management. In the exit meeting on December 6, 2006, the inspectors discussed their review with GE management and staff.

5.0 PARTIAL LIST OF PERSONS CONTACTED

David Hinds	Manager, New Units Engineering	GE	**
Larry Tucker	Manager, ESBWR Engineering	GE	**
Russell Bastyr	Manager, Quality Systems & Services	GE	**
Allen Dubberley	ESBWR Engineering	GE	**
Jason Post	Manager, Engineering Processes	GE	**
Rick Kingston	Project Manager, Dominion	GE	*
Rick Wachowiak	ESBWR Probabilistic Risk Analysis	GE	*
Paul Ragan	ESBWR Engineering	GE	**
James Jackson	ESBWR QA	GE	**
Paul Sick	Manager, NQA	GE	**
Ted Jordan	Manager, NQA Quality Services	GE	**
Pradip Saha	ESBWR, Principal Engineer	GE	**
George Stramback	Manager, Regulatory Affairs	GE	***
Jim Kinsey	Project Manager, ESBWR Licensing	GE	****
Hal Pitts	New Plants Projects	Entergy	****

* Attended Entrance Meeting
 ** Attended Entrance & Exit Meeting
 *** Teleconference for Exit Meeting
 **** Attended Exit Meeting