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VELAN

February 20, 2008

U.S. Nuclear Regulatory Commission
Document Control Desk

Washington, D.C. 20555-0001

Attention: Document Control Desk
CC: Chief, Quality and Vendor Branch 1, Division of Construction Inspection and Operational Programs, Office of New Reactors

Subject: **REPLY TO A NOTICE OF NONCONFORMANCE**

Reference: Nonconformance 99900061/2007-201-04

1) Actions taken to correct nonconformance:

Instruction VEL-QCI-1317, "Corrective and Preventive Action Procedure" was revised to include provisions for addressing issues identified as results of audits/inspections/complaints from third party agencies or customers; see below revised "Scope" of the cited procedure. In addition to this, the use of the CAR form was mandated in all instances where corrective action is sought outside the Deviation Report system.

2.0 SCOPE

Corrective and Preventive Action as addressed here, pertains to suppliers (vendors) of products and services to Velan, as well as in-process operations within Velan. The primary system used to trigger such corrective action will be the Velan Deviation Report, which has two separate entities - one for disposition and one for corrective action; this procedure deals mainly with the second aspect. The method is described in section 4 below.

In addition to this first method, corrective action is also triggered as a result of audit findings or complaints issued by Third Party Agencies or Customers. The method is described in section 5 hereunder.

VEL-QCI-560, "Procedure for the Implementation of Regulations (U.S. NRC 10 CFR Part 21) for Reporting of Defects and Nonconformances" was revised to mandate the use of the deviation report form to document all instances of Part 21 deviations from our customers or our suppliers.

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2) Actions taken to prevent recurrence:

VEL-QCI-1316, "Completion of Deviation Reports" was revised in order to close the loop with VEL-QCI-560.

For nuclear and safety related valves, parts and components identified as 'A', 'D', 'E' and 'N' in VEL-QC-155 and VEL-QC-737 the MRC shall determine whether or not the deviation could result in a substantial safety hazard. If material exhibiting these deviations has been shipped to a customer for use in a nuclear power plant in the U.S.A., it shall be reported to the Vice President, Quality Assurance or his delegate in accordance with VEL-QCI-560.

3) Corrective and preventive action completion dates:

All actions were completed on February 19. The aforementioned procedures will be distributed today and affected personnel will be trained within two weeks.

We trust this meets with your acceptance. Should additional information be required please feel free to contact the undersigned.

Sincerely yours,

Velan Inc.

A handwritten signature in black ink, appearing to read 'Victor Apostolescu', written over a light gray dotted background.

Victor Apostolescu, Eng.
Vice President Quality Assurance

cc: A.K. Velan, T.C. Velan, I.C. Velan, G. Perez, D. Bowers, B. Nilsson, Z. Palko, C. Correa

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