

December 18, 2008

Mr. Gary Bryant, Manager
Quality Control
Babcock and Wilcox Nuclear Operations Group
Mount Vernon Facility
1400 Old Highway 69-S
Mount Vernon, IN 47620

SUBJECT: BABCOCK AND WILCOX (B&W) NUCLEAR OPERATIONS GROUP'S
RESPONSE TO U.S. NUCLEAR REGULATORY COMMISSION INSPECTION
REPORT 99900042/2008-201, NOTICE OF VIOLATION AND NOTICE OF
NONCONFORMANCE

Dear Mr. Bryant:

Thank you for your November 14, 2008, letter which responded to the Notice of Violation (NOV) and Notice of Nonconformance (NON) discussed in the subject NRC Inspection Report. We have reviewed your letter and found that your replies to the NOV and NON are generally responsive to our concerns. However, certain aspects of your response need to be addressed in further detail. You are required to respond to this letter and should follow the instructions specified at the end of this letter when preparing your response.

NOV 9900042/2008-201-02 was related to B&W's failure to complete supplier evaluations prior to placing suppliers with ASME certificates on the approved supplier list (ASL) and purchasing product or services from such suppliers. Your response stated that B&W will perform and evaluate the suppliers previously used without evaluations to determine the extent to which they do not comply with the requirements of Supplement 7S-1 to NQA-1-1994. The NRC staff is concerned that your response did not discuss any actions that B&W took or plans to take to evaluate why the products or services that were purchased by B&W from such suppliers met the applicable requirements of Appendix B to 10 CFR Part 50, and why it is acceptable to continue to use these products or services in the manufacture of safety-related components.

NON 99900042/2008-201-03 was associated with B&W's failure to procure thermocouples from a supplier listed on the B&W ASL and to evaluate the supplier prior to procurement. In the response, you stated that immediately upon discovery of the nonconforming condition, a sample of the thermocouple wire was expedited to a local vendor on the ASL for testing. The testing was completed with calibration test reports supplied on August 29, 2008, which verified that the thermocouple wire was acceptable for use. B&W also stated that Administrative Procedure NE/C-1211-13-Q will be revised to assure that if thermocouple wire is not supplied by a vendor on the ASL, provisions are in place to assure that thermocouple wire calibration will be performed either internally by means of the B&W M&TE calibration program or, by a vendor on the ASL, and verified to be acceptable prior to being released. Please clarify whether B&W M&TE calibration program requirements are equivalent to those in place at a supplier on the ASL for providing safety-related calibration services. In your clarification, please identify the requisite quality assurance provisions that govern MT&E calibration at B&W for safety-related activities, such as postweld heat treatment.

NON 99900042/2008-201-04 was cited for B&W's failure to conduct source inspections or to document and retain source inspection waivers for nine purchase orders. In your response, you stated that there was no method or system employed by Purchasing to monitor status or receiving source waiver requests. B&W stated that for the identified conditions, the work was complete and the witness was not recoverable. In addition, B&W stated that Work Instruction PUR 1711-02-01 will be strengthened to address the deficiencies observed in the NRC inspection report. However, your response did not address the acceptability of the services procured through these nine purchase orders with respect to the applicable requirements of Appendix B to 10 CFR Part 50.

NON 99900042/2008-201-08 was related to B&W's failure to document all nonconformances related to activities such as internal audits, customer audits, or surveys in corrective action requests (CARs). In your response, you stated that B&W issued CARs for each of the eight customer audit findings and the four customer condition reports that had not previously been documented in CARs. B&W also established a "Mt. Vernon"-only CAR database to track CARs, and a CAR Database Administrator has been assigned. B&W also stated that at the weekly Quality Department meetings, audits and CARs are discussed among other agenda items.

The NRC staff recognizes that the measures taken by B&W will be beneficial for tracking CARs. However, the corrective actions outlined did not contain sufficient measures to ensure that nonconformances related to activities such as internal audits, customer audits, and surveys are documented on a CAR, especially given the fact that procedural measures requiring this action were already in place when this nonconformance was identified.

Please provide a written statement or explanation to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, DC 20555-0001 with a copy to the Chief, Quality and Vendor Branch 1, Division of Construction Inspection and Operational Programs, Office of New Reactors, within 30 days of the date of this letter. This reply should be clearly marked as a "Reply to a Notice of Violation and Notice of Nonconformance" and should include: (1) additional explanation to address the violation or noncompliance, or if contested, the basis for disputing the violation or noncompliance; (2) the corrective steps that have been taken and the results achieved; and (3) the date when your corrective action will be completed. Where good cause is shown, consideration will be given to extending the response time.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter and your response will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>. To the extent possible, your response should not include any personal privacy, proprietary, or safeguards information so that it can be made available to the Public without redaction. If personal privacy or proprietary information is necessary to provide an acceptable response, then please provide a bracketed copy of your response that identifies the information that should be protected and a redacted copy of your response that deletes such information. If you request that such material is withheld from public disclosure, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.390(b) to support a request for withholding confidential commercial or financial information). If safeguards information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

G. Bryant

-3-

If you or your staff has any questions regarding this matter, we will be pleased to discuss them with you.

Sincerely,
/RA/

Juan D. Peralta, Chief
Quality Assurance and Vendor Branch 1
Division of Construction Inspection &
Operational Programs
Office of New Reactors

Docket No. 99900042

G. Bryant

-3-

If you or your staff has any questions regarding this matter, we will be pleased to discuss them with you.

Sincerely,
/RA/

Juan D. Peralta, Chief
Quality Assurance and Vendor Branch 1
Division of Construction Inspection &
Operational Programs
Office of New Reactors

Docket No. 99900042

DISTRIBUTION:

RidsNroDcipCQVP RidsNroDcipCQVB RidsNroDcip gwbryant@babcock.com
KHeck NRay DVotolato SCleavenger
RPatel KKavanagh

Publicly Available Non-Publicly Available Sensitive Non-Sensitive
ADAMS Accession No.:

OFFICE	NRO/DCIP/CQVP	NRO/DCIP/CQVP/BC
NAME	KKavanagh	JPeralta
DATE	12/18/2008	12/18/2008

OFFICIAL RECORD COPY