

April 16, 2009

Mr. Robert Payton, V.P.
Quality Assurance
Energy Steel & Supply Company
3123 John Conley Drive
Lapeer, MI 48446-2987

SUBJECT: ENERGY STEEL AND SUPPLY COMPANY'S RESPONSE TO U.S. NUCLEAR REGULATORY COMMISSION INSPECTION REPORT 99901098/2008-201, NOTICE OF VIOLATION AND NOTICE OF NONCONFORMANCE

Dear Mr. Payton:

Thank you for your March 3, 2009, letter in response to the Notice of Violation (NOV) and Notice of Nonconformance (NON) that was 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 concern. However, certain aspects of your response need to be addressed in further detail.

NON 9901098/2008-201-03 was related to Energy Steel and Supply Company's (ESSC's) failure provide sufficient detail to adequately identify critical characteristics and perform commercial grade dedication activities that will meet EPRI NP-5652. Specifically, ESSC's commercial grade survey performed at Falk Corporation in support of replacement parts for a Falk coupling failed to verify that Falk's quality program included processes, such as material traceability and lot/batch controls, for the control of critical characteristics to support the dedication plan with sampling practice.

Your response acknowledged that Q7.2 procedure lacked detail regarding the commercial grade item dedication (CGID) process for assemblies and components. This was due historically to the focus on the majority of CGID activities at ESSC on raw materials. As part of the corrective action, your response states that ESSC has developed and is revising pertinent procedures addressing CGID. However, your response does not include detail information on how the program was revised to include CGID for assemblies and components. Additionally, ESSC determined that the root cause of this NON was human error. However, ESSC did not perform appropriate corrective actions regarding items purchased from Falk Corporation and utilized in the supply of Falk couplings to ESSC's customers. It would be expected that ESSC would perform a re-survey at Falk to verify that appropriate controls for lot and batch traceability have been implemented to support ESSC sampling practices.

In addition, NON 99901098/2008-201-08 was associated with ESSC's failure to qualify and document qualifications of testing personnel. Your response stated that ESSC was going to document training and qualification for Hydro Test Technicians, and that only trained and documented qualified Test Technicians will be utilized for hydrostatic testing. Further, in the response, you stated that ten QA/QC and Shop Fitter personnel received appropriate training, and those ESSC QA/QC Tech Services personnel recorded as qualified for Hydro Testing would act as the responsible Test Technician for Hydrostatic testing. However, your response also states that shop fitter personnel may perform hydro fit up activities under the supervision of the Qualified Test Technicians.

The staff requests that ESSC clarify its practices for qualification of testing personnel. Since the response states that QA/QC Tech services personnel have been qualified as Test Technicians responsible for performing Hydrostatic Testing, explain if these personnel would be replacing the QA/QC personnel observing the test activity, and if so, it is not clear how the individuals now performing the hydrostatic testing activities maintain independence from QA/QC personnel observing the test activity. Also, the staff requests that ESSC clarify the training and qualification that is received by shop fitters performing hydro fit up activities.

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 2, 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 Nonconformance" and should include: (1) additional information to supplement the response provided to address the noncompliance; (2) the corrective steps 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.

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

Sincerely,

/RA/

John A. Nakoski, Chief
Quality and Vendor Branch 2
Division of Construction Inspection
& Operational Programs
Office of New Reactors

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Office of New Reactors

Docket No. 99901098

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