

August 7, 2009

Richard F. Budzinski
Director of Operational Excellence and Quality Systems
Dresser Incorporated
P.O. Box 1430
Alexandria, Louisiana 71309 U.S.

SUBJECT: DRESSER RESPONSE TO NRC INSPECTION REPORT NO. 99900054/2009-201, NOTICE OF VIOLATION AND NOTICE OF NONCONFORMANCE, INC.

Dear Mr. Budzinski,

Thank you for your May 27, 2009, letter in response 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 not responsive to our concerns in a number of cases. Certain aspects of your response need to be addressed in further detail.

Violation 99900054/2009-201-02 related to Dresser's failure to provide instructions for determining when 10 CFR Part 21 requirements are applicable and must be included in Dresser's procurement documents to suppliers on its Approved Nuclear Supplier List (ANSL). Your response indicated the following corrective actions to prevent recurrence:

Dresser's QSM and QSP-6 will have the requirements added to specify the provisions of 10 CFR Part 21 that apply to Class A and B parts. The corrective steps include plans to revise QSP-6 in July 2009 and the QSM in September 2009.

These 10 CFR Part 21 requirements should also apply to Dresser Quality Class C parts, "Essential items, non-pressure boundary that are outside the scope of the code." Please provide further details on Dresser plans to revise QSP-6 and the QSM to meet 10 CFR 21.31, "Procurement documents," related to imposing procurement document requirements on Dresser suppliers listed on the ANSL

10 CFR 21.31, states, in part, that "each individual, corporation, partnership or other entity shall ensure that each procurement document for a facility, or basic component, specifies, when applicable, that the provisions of Part 21 apply." Additionally, 10 CFR Part 50, Appendix B, Criterion IV, "Procurement Document Control," states, in part, that "measures shall be established to assure adequate quality are included in the documents for procurement of material, equipment and services, whether purchased by the applicant or by its contractors or subcontractors." Since procurement documents for basic components are essential Quality elements related to Dresser's scope of supply, it must address the QA procurement documents in 10 CFR 21.31. Furthermore, ANSI/ASME NQA-1, Basic Requirement 18, "Audits," states "Planned and schedule audits shall be performed to verify compliance with all aspects of the quality assurance program." RG 1.28, Regulatory Position 3.2, "External Audits," states "the applicant or licensee should either audit its supplier's quality assurance program on a triennial basis or arrange for such audit." In either case, the audits should be implemented in accordance with Supplement 18S-1 of ANSI/ASME NQA-1." This includes external audits of

QA procurement documents meeting the requirements in 10 CFR 50, Appendix B, Criterion IV and 10 CFR 21.31.

Based on the above, please provide details on Dresser plans to conduct external audits of the Dresser supplier's (ANSL suppliers) compliance to 10 CFR 21.31. These external audit plans should include Dresser's evaluation of extent of condition of active or closed Dresser purchase orders to verify compliance with 10 CFR 21.31. Dresser needs to address revising active purchase orders to impose 10 CFR Part 21 requirements on the ANSL suppliers.

Nonconformance 99900054/2009-201-05 related to Dresser's failure to implement an adequate commercial grade dedication (CGD) program as noted by six examples of inadequate guidance for dedicating commercial grade item (CGI) as basic components in safety related relief valves.

The Dresser corrective steps included: (1) updating engineering guidelines; (2) release a new Dresser Quality System Manual (QSM); (3) attend Nuclear Utility Procurement Committee (NUPIC)/NRC June meeting on approach to CGD; (4) use Advanced Product Quality Planning (APQP) approach (i.e., Failure Modes and Effects Analysis (FMEA)), and (5) implement a web based Quality Document System. Dresser also stated that full compliance will be achieved in December 2009. Dresser is also planning to release updates to Engineering Guidelines (EG)-037, EG-059, EG-490, EG-368 in July 2009 and a new QSM in September 2009.

The NRC staff also noted that Dresser references PPAP 4th edition that implements the APQP approach (i.e., FMEA) from the automobile industry. Dresser states that this document deals with topics relevant to CGD process. The NRC staff has not endorsed this standard for CGD in the nuclear industry. Please provide further details on how Dresser intends to implement a CGD program consistent with guidance in the following:

- NRC Generic Letter (GL) 91-05, "Licensee Commercial-Grade Procurement and Dedication Programs," dated April 9, 1991
- EPRI NP-5652, "Guideline for the Utilization of Commercial Grade Items in Nuclear Safety-Related Applications (NCIG-07)"

Nonconformance 99900054/2009-201-07 related to Dressers' failure to include a requirement in its purchase orders to suppliers on its ANSL to have a QA program that meets the applicable requirements of Appendix B to 10 CFR Part 50.

Dresser stated in the May 27, 2009, response that "Quality Control Program Requirement (QCPR)-1 will be updated to add 10 CFR Part 50, Appendix B to the requirements of the supplier's quality programs. Suppliers will need to determine that their quality programs comply with these requirements." Dresser planned to update QCPR-1 in June, 2009. Dresser also stated that it will issue Quality Alert (survey) to the appropriate suppliers requesting them to provide a statement showing that they are in compliance with the requirements in 10 CFR Part 50, Appendix B.

The use of "Quality Alert" surveys is not an acceptable method for conducting audits of suppliers listed on an ANSL. 10 CFR Part 50, Appendix B provides the requirements for the authority and duties of persons and organizations performing activities affecting safety-related functions of structures, systems and components. It is Dresser's responsibility to determine whether its suppliers have adequate QA programs that meet these requirements, prior to Dresser's placement and retention of suppliers of basic components on its ANSL. In accordance with 10

CFR Part 50, Appendix B, Criterion XVIII, "Audits," please provide further details on Dresser's plans to complete external audits of suppliers QA programs for suppliers on the Dresser ANSL. Dresser also needs to address revising active purchase orders to impose 10 CFR Part 50, Appendix B requirements on the ANSL suppliers.

Nonconformance 99900054/2009-201-08 related to Dresser's failure to place copies of Non-Conformances Reports (NCRs) into Supplier Audit Files as required by Section 5.2 of Dresser procedure QSP-17 as objective evidence of corrective action being taken. Dresser's corrective action response does not include any specifics regarding the review of other Supplier's Audit Files associated with all its other nuclear approved suppliers. Please provide a summary of Dresser's extent of condition evaluation that included the reviews of other nuclear approved supplier's audit files and associated findings.

Nonconformance 99900054/2009-201-09 related to Dresser's use of a very large range (0-20,000 psi) digital pressure gauge for conducting hydro testing at test pressures of 750 psi. Dresser's calibration procedure CAL-009 stated that test gauges used for hydrostatic testing would be accurate to +/- 0.1% of range with a Dead Weight Tester and +/- 0.5% of range with a Test Gauge. The corrective action steps listed in the Dresser response refer to how it determines the hydrostatic testing pressure and how this complies with the ASME Code; however, this response did not address the issue identified in the nonconformance.

Please provide a response that addresses the issue identified in NON 99900054/2009-201-9 related to the use of a pressure gauge that had a range and accuracy that were inappropriate for measuring the test pressure during hydrostatic testing.

Nonconformance 99900054/2009-201-12 was related to Dresser's failure to provide adequate and consistent procedural guidance for interfaces among its 10 CFR Part 21 reporting, corrective action, nonconforming items, and repair/replacement processes. While the Dresser response indicated that various QSPs were being updated, the Dresser response did not include sufficient information for the NRC to conclude that the changes being made addressed integration of these procedures. Please provide additional information that addresses this integration. The NRC staff requests that Dresser provide details on corrective actions, extent of condition, and scheduling of completion of actions.

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 Violation and 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

Docket No. 99900054

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.

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

Docket No. 99900054

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