July 19, 2011

MEMORANDUM TO: Richard A. Rasmussen, Chief
Quality and Vendor Branch 2
Division of Construction Inspection
& Operational Programs
Office of New Reactors

FROM: Andrea T. Keim, Reactor Engineer/***RA***/
Quality and Vendor Branch 2
Division of Construction Inspection
& Operational Programs
Office of New Reactors

PARTICIPANTS: Public, Industry, and the U.S. Nuclear Regulatory Commission staff

SUBJECT: SUMMARY OF JUNE 30, 2011, CATEGORY 3 PUBLIC MEETING WITH THE INDUSTRY AND THE GENERAL PUBLIC TO DISCUSS NRC ASSESSMENT OF REGULATIONS AND GUIDANCE FOR THE PREVENTION OF COUNTERFEIT, FRAUDULENT AND SUSPECT ITEMS FROM ENTERING THE NUCLEAR SUPPLY CHAIN

On June 30, 2011, the U.S. Nuclear Regulatory Commission (NRC) staff met with industry representatives led by the Nuclear Energy Institute (NEI) and interested members of the public at the Legacy Hotel, 1775 Rockville Pike, Rockville, Maryland. The meeting notice is documented in the Agencywide Documents Access and Management System (ADAMS) under accession number ML111400360. The purpose of the meeting was to summarize and discuss the NRC's assessment of regulations and guidance for the prevention of Counterfeit, Fraudulent, and Suspect Items (CFSI) from entering the nuclear supply chain. The NRC's CFSI assessment is led by Daniel Pasquale, Senior Reactor Operations Engineer, of the Quality and Vendor Branch 2, Division of Construction Inspection & Operational Programs, Office of New Reactors (NRO/DCIP/CQVB).

The meeting opened with a brief introduction and welcome from John Tappert, Deputy Director, NRO/DCIP. Mr. Tappert is also the lead of the CFSI Steering Committee. Mr.Pasquale discussed the background and process being used to develop an agencywide CFSI response strategy. The NRC staff's slides are located in ADAMS under accession number ML111741157. Mr. Pasquale discussed the development of working groups to assess and develop improvements to the NRC's abilities to respond to challenges associated with CFSI. The working groups covered the following four key areas: 1) supply chain oversight, 2) communications (internal and external), 3) NRC response protocols, and 4) cyber security

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supply chain oversight. Mr. Pasquale then described that each of the working groups evaluated – regulatory requirements, existing guidance, industry practice and best practices from other industries – to identify potential gaps or weaknesses and to develop potential recommendations. Mr. Pasquale then addressed that the staff is tasked with completing a SECY paper on October 24, 2011. The SECY paper will include the staff's assessment and proposed recommendations.

NRC staff member, Douglas Bollock, then discussed the 23 "gaps" identified by the CFSI working groups. A listing of the "gaps" was included in the meeting notice (ML111400360).

Mark Harvey from NEI provided an industry perspective on Counterfeit, Fraudulent and Suspect Parts. The NEI slides are located in ADAMS under accession number ML111741157. Mr. Harvey discussed the processes that limit susceptibility of CFSI on safety related items in nuclear power plants. Mr. Harvey described recent updates of the processes used by the Nuclear Procurement Issues Committee (NUPIC). These updates included among others, training, modifications to the NUPIC audit checklist, and routine interaction with NRC and the Electric Power Research Institute (EPRI) regarding tools to prevent introduction of CFSI. Mr. Harvey then addressed cyber security programs as it relates to threats associated with CFSI.

Marc Tannenbaum from EPRI provided details on EPRI initiatives. The EPRI slides titled "Mitigating the Introduction of Counterfeit and Fraudulent Items into Commercial Nuclear Power Plants," are located in ADAMS under accession number ML111990081. EPRI activities include training products, guidance, and reporting and notifying tools and database.

The meeting continued with an open discussion session. The discussions identified a few issues that require follow-up and resolution. The staff plans to address these issues through future public interactions. Below are the open issue summaries:

1) EPRI would like to know from NRC what additional information should be included in the EPRI CFSI database.
2) NEI would like to obtain a copy of the draft paper.
3) NUPIC revised their 10 CFR Part 50 Appendix B Supplier Checklist and their Commercial Grade Survey Checklist to address Counterfeit, Fraudulent, and Suspect Items approximately 2 years ago. The CFSI audit/survey elements that were basic visual detection techniques selected from a much larger list published in Appendix C, "Identifying Substandard/Fraudulent Items," of EPRI NP-6629, "Guidelines for the Procurement and Receipt of Items for Nuclear Power Plants (NCIG-15). These attributes pre-dated recent EPRI guidance for CFSI (Ref 1019163, "Counterfeit, Fraudulent, and Substandard Items – Mitigating the Risk", and 1021493, "Counterfeit and Fraudulent Items – A Self-Assessment Checklist"). Does industry have any plans to align the NUPIC Checklists with the EPRI guidance?
4) Consistent with 10 CFR 73.54(a)(1), licensees must protect from cyber attacks digital computer and communication systems associated with certain categories of functions and support systems and equipment, which, if compromised, would adversely impact the safety, security, and emergency preparedness functions of a nuclear facility. Regulatory Guide 5.71, "Cyber Security Programs for Nuclear Facilities," dated January 10, 2010, refers to these identified digital assets that must be protected from cyber attacks as

critical digital assets (CDAs). The licensees currently have an NRC approved implementation schedule for their cyber security plans to be in compliance with the rule requirements of 73.54. "Protection of Digital Computer and Communication Systems and Networks," and have made commitments to use the controls contained in RG 5.71. The NRC raised a question concerning what programmatic controls will be in place for CDAs, considering CDAs include functions that include not only safety-related, but also important-to-safety functions, security functions, and emergency preparedness functions (including offsite communications).

5) How is industry handling Quarantining/Segregation of suspected CFSI? Is it being done routinely, if so, will it be done if identified during receipt inspection/dedication? How is this being passed to sub suppliers? What precautions are being taken to ensure CFSI does not re-enter the supply chain?

6) EPRI Representatives agreed to investigate the possibility of sharing their CFSI data base with non-reactor members such as fuel cycle facilities licensees. EPRI representatives indicated that if shared that they would expect to get something in return [such as input for their data base].

7) Mr. Tannenbaum said that utilities are encouraged not to procure from high risk regions and that if they do, they take extra precautions. How does the industry determine "high-risk regions," how are these "high-risk regions," communicated to other stakeholders, and what additional precautions are taken?

8) Suggested re-writing or adding an additional "gap" to gap 23 to clarify that the quality assurance controls and NRC regulations for non-reactor items do not define explicit controls for the prevention of CFSI.

9) Industry representatives were asked to offer which of the 23 gaps they viewed as the most significant. Mark Harvey, from NEI answered that the communications gaps were the most significant.

10) How is industry monitoring manufacturers and subcontractors for their controls to keep CFSI out of the supply chain.

A list of meeting attendees is enclosed. Public Meeting Feedback forms were distributed with two returned or submitted according to standard protocols. Please direct any inquiries to Andrea Keim at (301) 415-1671, or via e-mail at Andrea.Keim@nrc.gov.

Enclosure:
As stated

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ADAMS Accession No.: ML111960468 **NRC-001**

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NAME	AKeim	DPasquale	RRasmussen
DATE	07/19/2011	07/19/2011	07/19/2011

OFFICAL RECORD COPY

LIST OF ATTENDEES

U.S. Nuclear Regulatory Commission
Public Meeting to Discuss NRC Assessment of Regulations and Guidance
for the Prevention of Counterfeit, Fraudulent, and
Suspect Items from Entering the Nuclear Supply Chain
Thursday, June 30, 2011
1:00 p.m. – 5:00 p.m

Name	Organization
W.A. Clothier	TVA
Bhavesh Patel	Progress Energy
William Ware	Southern Nouclear
Russell Murphy	Progress Energy
Robert Drew	First Energy
Jerald Rogers	Rolls-Royce/Civil Nuclear
Jim Grant	Duke Energy
Marc Tannenbaum	EPRI
Mark Harvey	NEI
F. Paul Peduzzi	NRC/NSIR
Victor Hall	NRC/NRO
Larry Campbell	NRC/NMSS
Alfred Issa	NRC/NRO
Martin Murphy	NRC/NRR
William Gross	NEI
Tim Walker	NINA-STP Units 3&4
Al Pitts	Unistar
Samantha Crane	NRC/NRO
David Diec	NRC/NSIR
Garrett Newman	NRC/NRO
Eric Lee	NRC/NSIR
Eugene Huang	NRC/NRO

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Name	Organization
Dan Pasquale	NRC/NRO
Raj Jolly	Bechtel Power Corp.
Charles Nail	Bechtel Power Corp.
David Tarantino	NRC/NMSS
Scott Langan	NRC/OI
Sabrina Atack	NRC/NMSS
Russell Bell	NEI
Greg Galletti	NRC/NRO
Greg Hott	Argo Turbo
Clark Vanderniet	Areva Transnuclear
Kerby Scales	NRC/NRR
Jonathan Marcano	NRC/NMSS
Richard Rasmussen	NRC/NRO
Laura Dudes	NRC/NRO
John Tappert	NRC/NRO
Doug Bollock	NRC/NRO
Andrea Keim	NRC/NRO
Ryan Doerr*	Entergy
Judy Patin*	Entergy
Maria Rosa Gutierrez*	Entergy
Eric Granadino*	Entergy
Tyson Smith*	Winston & Strawn
David Mueller*	Exelon
Tom Stanton*	Dominion
Lynnette Hendricks*	Curtiss Wright Flow Control

Name	Organization
Peter J. Miner*	USEC
Nancy Chapman*	Bechtel
Juan Matias*	Florida Power & Light
James McAdoo*	Westinghouse
Greg Carpenter*	Duke
Ron Carver*	Luminant

*participated via phone

Counterfeit Fraudulent and Suspect Items Mailing List
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