



The Shaw Group Inc.
128 South Tryon Street, Suite 400
Charlotte, NC 28202
704-331-5856
FAX: 225-987-3970

David P. Barry
President, Nuclear Division of the Power Group

October 18, 2011

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, DC 20555-0001

**SUBJECT: REPLY TO NOTICE OF NONCONFORMANCE
NRC INSPECTION REPORT NO. 99901387/2011-202**

Attached is the Shaw reply to the Notice of Nonconformance that was identified in NRC Inspection Report No. 99901387/2011-202, dated September 20, 2011.

If you have any questions, please contact Mr. Geoff Grant, Vice President of Licensing, Regulatory Affairs and Compliance.

Sincerely,

David Barry
President
Nuclear Division of the Power Group

cc: Chief
Quality and Vendor Branch 1
Division of Construction Inspection and Operational Programs
Office of New Reactors

Attachments:

1. Reply to Nonconformance 99901387/2011-202-01
2. Reply to Nonconformance 99901387/2011-202-02

IED9
NRD

ATTACHMENT 1**REPLY TO NONCONFORMANCE 99901387/2011-202-01**

This is the Shaw Nuclear Services reply to the Notice of Nonconformance identified in NRC Inspection Report No. 99901387/2011-202, dated September 20, 2011.

NONCONFORMANCE

Based on the results of a U.S. Nuclear Regulatory Commission (NRC) inspection conducted from August 1-4, 2011, at the Shaw Nuclear Services (SNS) facility in Charlotte, NC, certain activities were not conducted in accordance with NRC requirements which were contractually imposed upon SNS by NRC applicants or licensees:

- A. Criterion VII, "Control of Purchased Material, Equipment, and Services," of Appendix B to Title 10 of the Code of Federal Regulation (10 CFR) Part 50 states, in part, that "measures shall be established to assure that purchased material, equipment, and services, whether purchased directly or through contractors and subcontractors, conform to the procurement documents. These measures shall include provisions, as appropriate, for source evaluation and selection, objective evidence of quality furnished by the contractor or subcontractor, inspection at the contractor or subcontractor source, and examination of products upon delivery."

The SNS Standard Nuclear Quality Assurance Program (SWSQAP 1-74A), Section 7, "Control of Purchased Material, Equipment, and Services," Revision B, dated June 1, 2009, requires, in part, that a supplier evaluation shall be documented and include the supplier's technical and quality capability as determined by a direct evaluation via survey/audit of the facilities, personnel, and the implementation of the supplier's quality assurance program.

Contrary to the above, as of August 4, 2011, SNS failed to audit the Gerdau Ameristeel Charlotte Steel Mill and verify the implementation of the Mill Group Quality Assurance Manual as required by the SWSQAP 1-74A, Section 7. Specifically, SNS Purchase Orders 132175-J400A-00 and 132177-J400-00 state that SNS shall perform a post-award implementation audit of Gerdau Ameristeel's quality assurance program(s) and facilities.

This issue has been identified as Nonconformance 99901387/2011-202-01.

REASON FOR THE NONCOMPLIANCE

This condition has been documented in corrective action report (CAR) 2011-0374. The apparent cause for this noncompliance has been determined to be weakness in the audit preparation process.

CORRECTIVE STEPS THAT HAVE BEEN TAKEN AND RESULTS ACHIEVED

Fabrication and delivery operations by Gerdau Ameristeel, associated with the affected project purchase orders, were directed to be stopped by letters dated September 23, 2011.

Audit of the following Gerdau mills has been completed:

Knoxville, TN	(completed October 6, 2011)
Jackson, TN	(completed September 30, 2011)
Jacksonville, FL	(completed September 30, 2011)
Belmont, TX	(completed September 30, 2011)
Charlotte, NC	(completed September 30, 2011)

There were no significant issues regarding the steel or steel production process identified in this audit.

The audit of the Gerdau mills restores compliance with the SNS purchase order requirements to perform a post-award implementation audit of Gerdau Ameristeel's quality assurance program(s) and facilities.

CORRECTIVE STEPS THAT WILL BE TAKEN TO AVOID NONCOMPLIANCE

To avoid future noncompliance, the audit checklist preparation process shall be revised to include documenting specific purchase order requirements into the audit checklist.

DATE WHEN CORRECTIVE ACTIONS WILL BE COMPLETED

The corrective action will be completed by January 31, 2012.

ATTACHMENT 2**REPLY TO NONCONFORMANCE 99901387/2011-202-02**

This is the Shaw Nuclear Services reply to the Notice of Nonconformance identified in NRC Inspection Report No. 99901387/2011-202, dated September 20, 2011.

NONCONFORMANCE

Based on the results of a U.S. Nuclear Regulatory Commission (NRC) inspection conducted from August 1-4, 2011, at the Shaw Nuclear Services (SNS) facility in Charlotte, NC, certain activities were not conducted in accordance with NRC requirements which were contractually imposed upon SNS by NRC applicants or licensees:

- B. Criterion VII of Appendix B to 10 CFR Part 50 states, in part, that “measures shall be established to assure that purchased material, equipment, and services, whether purchased directly or through contractors and subcontractors, conform to the procurement documents.”

Criterion VII continues to state, in part, that “the effectiveness of the control of quality by contractors and subcontractors shall be assessed by the applicant or designee at intervals consistent with the importance, complexity, and quantity of the product or services.”

Criterion IV, “Procurement Document Control,” of Appendix B to 10 CFR Part 50 states, in part, that “measures shall be established to assure that applicable regulatory requirements and the design basis, and other requirements which are necessary to assure adequate quality are suitably included or referenced in the documents for procurement of material, equipment, and services, whether purchased by the applicant or by its contractors or subcontractors.”

Contrary to the above, as of August 4, 2011, SNS failed to ensure the effectiveness of the control of quality by contractors. Specifically, SNS failed to provide adequate oversight of Gerdau Ameristeel’s procurement process to ensure that other requirements, such as the provisions for inspection and test records, which are necessary to ensure adequate quality, were suitably included or referenced in the procurement documents for mechanical couplers.

This issue has been identified as Nonconformance 99901387/2011-202-02.

REASON FOR THE NONCOMPLIANCE

This condition has been documented in corrective action report (CAR) 2011-0375. The apparent cause for this noncompliance has been determined to be a lack of understanding of how to determine the disposition of an audit requirement listed in the audit checklist when the process has not been fully implemented. Specifically, in this situation, the audit team determined that because the Gerdau Charlotte fabrication shop had not undertaken any safety-related

procurement during the time of the audit, a procurement procedure wasn't required at that time. This resulted in the 10 CFR 50 Appendix B Criterion IV being marked as satisfactory in the audit checklist. Criterion IV should have been noted as unsatisfactory because there was no evidence establishing procurement controls for the upcoming procurement activities.

CORRECTIVE STEPS THAT HAVE BEEN TAKEN AND RESULTS ACHIEVED

Gerdau has created a procedure for the control of procurement documents, revised their current procedure for the control of purchased items and services, and revised the Purchase Order for the mechanical couplers. These corrective actions were reviewed on October 1 and 2, 2011, during an SNS QA surveillance, which found no discrepancies.

The establishment of appropriate procurement process controls by Gerdau, as confirmed by the SNS QA surveillance, has restored compliance with Criterion VII of Appendix B to 10 CFR Part 50.

CORRECTIVE STEPS THAT WILL BE TAKEN TO AVOID NONCOMPLIANCE

To avoid future noncompliance, a "lesson-learned" for this nonconformance will be communicated to the SNS lead auditors and SNS will conduct lead auditor training to improve knowledge in determining when the criteria of 10 CFR 50 Appendix B are applicable.

DATE WHEN CORRECTIVE ACTIONS WILL BE COMPLETED

The lesson-learned communication will be completed by December 1, 2011, and the corrective action for conducting training will be completed by February 29, 2012.