



September 24, 2012

Document Control Desk
US Nuclear Regulatory Commission
Washington, DC 20555-0001

SUBJECT: Reply to a Notice of Violation and Notices of Nonconformance

REFERENCE: NUCLEAR REGULATORY COMMISSION INSPECTION REPORT NO. 99900923/2012-201, NOTICE OF VIOLATION, AND NOTICE OF NONCONFORMANCE, dated July 27, 2012

Attached are the National Technical Systems (NTS) replies to the Notice of Violation and Notices of Nonconformance in accordance with the directions provided in NRC Inspection Report 9900923/2012-201. NTS acknowledges and agrees with the Notice of Violation (NOV) and Notices of Nonconformance (NON) and thanks the NRC for the feedback provided to us from the inspection and examination of the NTS Quality Management System, our Procedures, Policies and Practices.

We understand the feedback received during the inspection and in the published inspection report. We take that feedback along with the Notice of Violation and Notices of Nonconformance very seriously and have either completed or initiated corrective actions to address the specific issues identified, prevent reoccurrence and strengthen our quality program accordingly.

This audit taught us that while we have a mature quality system and have been providing safety related services to the industry for quite some time, we need to stay vigilant and not become complacent. We recognize we have work to do to improve our processes and become more proficient in documenting our assumptions and decision making. This process has served as strong reminder of the continued efforts we need in order to maintain a strong safety culture.

As requested, we have provided a reply to each of the following; Notice of Violation 99900923/2012-201-01 and Notices of Nonconformance 99900923/2012-201-02, 99900923/2012-201-03, 99900923/2012-201-04 and 99900923/2012-201-05 as Attachments to this letter.

Please let us know if you have any questions or require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven R. Eisenberg", is written over the typed name.

Steven R. Eisenberg
General Manager
Energy Products
National Technical Systems

IE09
NRD

CC: Edward H. Roach, Chief Mechanical Vendor Branch, Division of Construction Inspection and
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ATTACHMENT 1
REPLY TO A NOTICE OF VIOLATION 9990023/2012-201-01

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VIOLATION

During a U.S. Nuclear Regulatory Commission (NRC) inspection conducted at the National Technical Systems (NTS) facility in Acton, MA, from June 11 through June 15, 2012, identified a violation of NRC requirements. In accordance with the NRC Enforcement Policy, the violation is listed below:

Paragraph 21.21(b), "Notification of Failure to Comply or Existence of a Defect and its Evaluation," of Title 10 of the Code of Federal Regulations (10 CFR) 21.21(b) requires that "if the deviation or failure to comply is discovered by a supplier of basic components, or services associated with basic components, and the supplier determines that it does not have the capability to perform the evaluation to determine if a defect exists, then the supplier must inform the purchasers or affected licensees within five working days of this determination so that the purchasers or affected licensees may evaluate the deviation or failure to comply, pursuant to § 21.21(a)."

Contrary to the above, as of June 15, 2012, NTS failed to inform all affected purchasers within five working days that NTS did not have the capability to perform an evaluation to determine if a defect exists. Specifically, on June 18, 2011, NTS determined that it could not perform a 10 CFR Part 21 evaluation of an identified test deviation and failed to inform the two customers affected of this determination until January 18, 2012, and January 23, 2012, respectively.

REASON FOR THE VIOLATION

The issue was initiated properly and documented on an NTS corrective action (CPAR) form in accordance with 10CFR21 and NTS procedures. The break down was in the timely evaluation and notification in accordance with NTS' Quality Assurance Procedure (QAP) COR 25, "Reporting Requirements per 10 CFR Part 21" Revision 2. The manager responsible was aware of the requirements, but did not follow the process.

A contributing cause is the quality processes were slow to hold the manager accountable.

CORRECTIVE STEPS THAT HAVE BEEN TAKEN AND THE RESULTS ACHIEVED

This notice of violation has been documented in NTS CPAR # 12-45. NTS self identified/initiated a corrective action (CPAR # 12-10) on this issue in January of 2012, which was reviewed by the NRC during their audit on 6/14/12. Notification that NTS was unable to determine the safety related impact was made to MPR (the purchaser) per 10 CFR 21.21.3.ii.b on January 18, 2012. Subsequently MPR provided a similar notification to their customer Invensys. Invensys determined that the issue was not safety related and not a 10 CFR Part 21 reportable incident.

NTS has reviewed all CPARs initiated and determined that no other previous or current CPARs exist where 10 CFR Part 21 evaluation/notification requirements were exceeded. Therefore the extent of condition is isolated to this one case of failing to make a timely evaluation and notification of a potential safety-related issue. This issue itself was eventually determined not to be safety related.

Personnel involved in quality related activities have been reminded to follow NTS procedures and policies at our "all-hands" meeting. This training will be formalized and documented after revision of NTS internal procedures.

Resources to support Quality Management Representative responsibilities were doubled effective July 2012. Additionally, the QMR position now directly reports to the Corporate Director of Quality.

CORRECTIVE STEPS THAT WILL BEEN TAKEN

The manager responsible for the timely evaluation and notification will be formally disciplined in accordance with NTS Human Resources policies. In addition, QAP COR 25, "Reporting Requirements per 10 CFR Part 21" will be revised to require expanded internal distribution for potentially safety related corrective actions, including the COO and Director of Quality. To drive awareness and accountability, all personnel involved in nuclear work will be retrained to QAP COR 25, "Reporting Requirements per 10 CFR Part 21". Lastly, QAP COR 17, "Corrective/Preventive Action" will be revised and personnel explicitly trained to requirements of 10 CFR Part 21 potential CPARs to have a 5 day response.

DATE WHEN FULL COMPLIANCE WILL BE ACHIEVED

QAP COR 25, "Reporting Requirements per 10 CFR Part 21" will be revised by November 15, 2012 with the expended internal distribution.

Personnel involved in nuclear work will be retrained to QAP COR 25, "Reporting Requirements per 10 CFR Part 21" by December 15, 2012.

QAP COR 17, "Corrective/Preventive Action" will be revised by November 15, 2012 to explicitly require 10 CFR Part 21 potential CPARs to have a 5 day response.

Personnel involved in nuclear work will be retrained to QAP COR 17, "Corrective/Preventive Action" by December 15, 2012.

NONCONFORMANCE

Based on the results of a U.S. Nuclear Regulatory Commission (NRC) inspection conducted at the National Technical Systems (NTS) facility in Acton, MA, from June 11, 2012, through June 15, 2012, it appears that certain activities were not conducted in accordance with NRC requirements that were contractually imposed upon NTS by its customers or by NRC licensees as shown in Attachments 2 thru 5 of this letter.

Criterion III, "Design Control," of Appendix B, "Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants," to Title 10 of the Code of Federal Regulations (10 CFR) Part 50, "Domestic Licensing of Production and Utilization Facilities," states, in part, that "Measures shall be also established for the selection and review for suitability of application of materials, parts, equipment, and processes that are essential to the safety-related functions of the structures, systems, and components."

Subsection 5.3, "Design," of Section 23, "Design Control," of NTS's "Quality Policy Manual," Revision 6, dated October 14, 2011, states, in part, that "For design of new or replacement components intended for nuclear safety-related applications, an engineering evaluation is required to identify the critical characteristics that are required."

Subsection 3.2.1 of Section 3, "Requirements," of Standard Operating Procedure NO NUC 04, "Dedication of Commercial Grade Items," Revision 1, dated December 18, 2011, states, in part, that "The Project Engineer shall determine the critical characteristics to be verified: Critical characteristics are identifiable and measurable attributes of a commercial-grade item which, once verified, provide reasonable assurance that the item received is the item specified."

Contrary to the above, as of June 15, 2012, NTS failed to review the suitability of the application of commercially calibrated measuring and test equipment (M&TE) for use in activities affecting quality as part of a commercial-grade dedication process, failed to review the suitability of the application of the Honeywell Limit Micro Switch P/N BZE6-2RN in safety related applications, and failed to perform a technical evaluation to verify the design adequacy when performing commercial-grade dedication of the 8210G88 ASCO Solenoid Valves.

Specifically,

1. NTS did not conduct a technical evaluation to identify additional technical requirements for the specific M&TE being calibrated, and it did not review the calibration records (e.g. as part of receipt inspection) to verify that the critical characteristics had been met and would perform their intended safety function.
2. NTS did not perform an engineering evaluation to document the sample population identified for the control of critical characteristics used for material verification of the Honeywell Limit Micro Switch P/N BZE6-2RN and did not verify that the supplier had lot and batch control to ensure traceability of material.
3. NTS did not identify and verify the following critical characteristics as specified in the 8210G88 ASCO Solenoid Valves purchase order: (1) valve material, (2) orifice size, and (3) size and thread type.

REASON FOR THE NONCONFORMANCE

1. NTS did not consider the need to conduct additional technical evaluation on the M&TE as it is calibrated in accordance with manufactures specifications and standard practice. M&TE is used as originally intended by the manufacture and within the specified limits and ranges of the equipment.

There was effective no mechanism was set in place to properly assign responsibility for performing the receipt inspections or alert the Quality Department that the calibration reviews were not being completed in accordance with the requirements set forth in the Corrective/Preventive Action Plan for CPAR # 11-77.

The correct process should have been updating SOP NOR NUP 04, "Dedication of Commercial Grade Items". This would have made receipt inspection of calibration certificates an auditable requirement and assignment of personnel required to perform the task would have been completed.

2. Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items" Revision 1, did not adequately require Technical Evaluations to be documented in Commercial Grade Dedication procedures. Specifically the technical evaluations, while performed for the sample size selection, were not required to be documented in the dedication procedure.

NTS did not require lot and batch control on the purchase orders for these items.

3. NTS used the original qualification program as our basis for dedication. This procedure did not specifically identify the valve material, orifice and thread type. An engineering justification for selection of the critical characteristics was not required by Standard Operating Procedure # SOP NOR NUC 04, "Dedication of Commercial Grade Items".

CORRECTIVE STEPS THAT HAVE BEEN TAKEN AND THE RESULTS ACHIEVED

1. This noncompliance is being tracked and documented in NTS CPAR # 12-42. The latest version of Tektronix Service Solutions' ISO/IEC 17025 Scope of Accreditation was used to validate they have the capability to perform the calibrations and that capability is included in their current Scope of Accreditation.

The review of the calibration certificates indicates the required parameters of calibration the test equipment were calibrated is included on Tektronix current scope of accreditation.

A second review was conducted comparing Tektronix current scope of accreditation valid to 2013 to Tektronix previous scope of accreditation valid to 2011 and Sypris previous scope of accreditation valid to 2011. There were no differences between the three scopes of accreditation that effect the calibrations performed on NTS' test equipment. Sypris (Sypris) Test and Measurement was acquired by Tektronix (Tektronix) Service Solutions.

2. This is being tracked and documented as NTS CPAR # 12-40. NTS has reviewed the sampling plan, and while not formally documented, has determined that the sample size selected for the lot size meets the requirements set forth in EPRI TR-017218-R1. NTS has further determined that a recommended Destructive Test and Inspection Sampling Plan was not part of NTS Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items" Revision 0.

NTS reviewed this program and concurs that lot control was not invoked. NTS conducted visual examination and operational performance tests on all the supply items to provide reasonable assurance the components will operate as required. Furthermore the material evaluation of the randomly selected sample was deemed to be suitable for this application.

3. This is being tracked and documented in NTS CPAR #12-43. NTS conducted a review of this program and while we did not explicitly require documentation of the dimensions, appropriate fitting were used to conduct the performance testing which was an identified critical characteristic. The components all met the performance requirements. No material evaluation was conducted except for verification of the manufacturer's part number.

CORRECTIVE STEPS THAT WILL BE TAKEN TO AVOID NONCOMPLIANCE

1. A process for Commercial Grade Dedication of Calibration Services will be created and added as a revision to be implemented by November 15, 2012 to ensure proper receipt inspection and review of calibration certificates. All test equipment in service requiring calibration will be processed in accordance with the new dedication procedure.

In addition to this process, NTS will recognize the competence of calibration sources through successful audits performed in accordance with ISO/IEC 17025 by accreditation bodies such as A2LA, AClass, etc. NTS calibration sources not accredited to ISO/IEC 17025 will be subjected to a Commercial Grade Survey using NTS' Commercial Grade Survey Checklist, Calibration Suppliers. Calibration sources will be added to NTS' Approved Vendor List after successfully passing the Commercial Grade Survey. In either case calibrated test equipment, whether from an ISO/IEC 17025 accredited calibration supplier or a supplier successfully passing NTS' Commercial Grade Survey, will be processed through the new process for Commercial Grade Dedication of Calibration Services.

IEC/ISO 17025 audits cover all of the critical characteristics that NTS has identified for its calibrated equipment. NTS will now be evaluating this first hand going forward and maintaining the records and evidence to support it specific to every calibration event for each piece of equipment. The extent of condition is that there are no specific safety related conditions that are adversely impacted by this finding.

2. Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items", Revision 1, will be revised to add the requirement for technical evaluations to be documented in Commercial Grade Dedication. The identification of potential areas requiring technical evaluations will be added to SOP # NOR NUC 04 "Dedication of Commercial Grade Items". This will serve as a guide for Project Managers and Test Engineers for technical evaluations frequently used at NTS. This information will aid in documenting NTS assumptions and engineering judgment.

The revision to SOP # NOR NUC 04, "Dedication of Commercial Grade Items" will also include an update to Section 7.0 Sampling. The update will include the Technical Justification for Sample Size selection along with the requirement for documenting the selection of Sample Sizes and the inclusion of the destructive test sample size.

NTS will review the requirement to incorporate lot and batch control on the purchase orders for these and similar items to help ensure material traceability as required with appropriate project and quality personnel to ensure proper awareness and training.

3. SOP # NOR NUC 04, "Dedication of Commercial Grade Items", Revision 1, will be revised to Revision 2 adding the requirement for engineering justifications for Critical Characteristics identified to be documented in Commercial Grade Dedication procedures.

Engineering and technical personnel will be re-trained to be more specific in choosing critical characteristics involving material identification and dimensions.

DATE THE CORRECTIVE ACTION WILL BE COMPLETED

1. The revision to Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items" to include the Commercial Grade Dedication of Calibration Services, including receipt of calibration certificates, will be created and implemented by November 15, 2012. Training to this procedure will be completed by December 15, 2012.

A receipt inspection will be completed of all M&TE with current and valid calibrations by December 31, 2012.

2. Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items" will be revised adding the requirement for technical evaluations and justifications to be documented for sampling plans by November 15, 2012. Training to this procedure will be completed by December 15, 2012.

Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items" will be revised Destructive Test and Inspection Sampling Plan by November 15, 2012. Training to this procedure will be completed by December 15, 2012.

3. Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items" will be revised adding the requirement for technical evaluations and justifications for critical characteristics to be documented in dedication procedures by November 15, 2012. Training to this procedure will be completed by December 15, 2012.

NONCONFORMANCE

Criterion VII, "Control of Purchased Material, Equipment, and Services," 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. 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 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."

Contrary to the above, as of June 15, 2012, NTS failed to perform an adequate evaluation of its commercial calibration suppliers and failed to perform an adequate evaluation of Specialized Technology Resources (STR) for use in activities affecting quality as part of the commercial-grade dedication process.

Specifically,

1 NTS placed its commercial calibration suppliers on its safety-related approved suppliers list based on the accreditation provided via ISO/IEC 17025, "General Requirements for the Competence of Testing and Calibration Laboratories," by the American Association for Laboratory Accreditation or another domestic accrediting body. ISO/IEC 17025 accreditation may not be used as the basis for qualifying safety-related calibration services.

2 NTS did not perform a commercial-grade survey to verify that STR's testing program to support NTS's dedication activities included the requisite for the control of critical characteristics necessary to provide reasonable assurance that the commercial-grade items to be used as basic components will perform their intended safety function. NTS only verified that STR was certified to ISO/IEC 17025.

REASON FOR THE NONCONFORMANCE

1. Since the release of Arizona Public Service Company's letter regarding Palo Verde Nuclear Generating Station, Units 1, 2, and 3, dated September 28, 2005 pertaining to the following:

SUBJECT: PALO VERDE NUCLEAR GENERATING STATION, UNITS 1, 2, AND 3 - APPROVAL OF CHANGE TO QUALITY ASSURANCE PROGRAM (COMMERCIAL-GRADE CALIBRATION SERVICES) (TAC NOS. MC4402, MC4403, AND MC4404)

there was confusion at NTS believing we no longer needed to conduct vendor audits of calibration vendors accredited to ISO/IEC 17025. NTS believed the accreditation of these calibration suppliers to ISO/IEC 17025 satisfied the requirements of 10 CFR 50 Appendix B and no further action was required.

2. The ISO/IEC 17025 audit performed on STR captured the required criteria for their addition to the NTS Approved Vendor List. NTS considered the successful ISO/IEC 17025 audit of STR satisfied the requirements of 10 CFR 50 Appendix B and no further action was required.

CORRECTIVE STEPS THAT HAVE BEEN TAKEN AND THE RESULTS ACHIEVED

1. This is being documented in NTS CPAR #12-36. This issue was also identified during NUPIC's audit of NTS and documented under CPAR #12-20. NTS has already identified several of the required critical characteristics for calibration services on our procurement Quality Requirements Form COR 8.1.

ISO/IEC 17025 audits cover all of the critical characteristics that NTS has identified for its calibrated equipment. NTS will now be evaluating this first hand going forward and maintaining the records and evidence to support it specific to every calibration event for each piece of equipment. The extent of condition is that there are no specific safety related conditions that are adversely impacted by this finding.

NTS Form NOR 4.2 revision 1 has been developed to capture acceptance of calibration services.

2. This is being documented in NTS CPAR #12-37. A source verification of the specific processes contracted for by NTS has been conducted at STR and documented under NTS Surveillance Report NTS/A-VS-12-38. This surveillance verified that test results and activities effecting quality activities previously performed by STR for NTS are valid.

NTS Form NOR 4.1 revision 0 has been developed to capture acceptance of outside testing services.

CORRECTIVE STEPS THAT WILL BE TAKEN TO AVOID NONCOMPLIANCE

1. A process for Commercial Grade Dedication of Calibration Services will be added to Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items" All test equipment in service requiring calibration will be processed in accordance with the revised dedication procedure.

In addition to this process, NTS will recognize the competence of calibration sources through successful audits performed in accordance with ISO/IEC 17025 by accreditation bodies such as A2LA, AClass, etc. NTS calibration sources not accredited to ISO/IEC 17025 will be subjected to a Commercial Grade Survey using NTS' Commercial Grade Survey Checklist, Calibration Suppliers. Calibration sources will be added to NTS' Approved Vendor List after successfully passing the Commercial Grade Survey

NTS calibrated test equipment, whether from an ISO/IEC 17025 accredited calibration supplier or a supplier successfully passing NTS' Commercial Grade Survey, will be processed through Commercial Grade Dedication.

2. A process for Commercial Grade Dedication of outside Test Services will be added to Standard Operating Procedure # NOR NUC 04, "Dedication of Commercial Grade Items".
NTS' suppliers for test services will have a Commercial Grade Survey performed on them using NTS' Commercial Grade Survey Checklist. NTS's suppliers providing test services after successfully passing the Commercial Grade Survey will be added to NTS' Approved Vendor List.

The listing of STR on the NTS approved vendors list will be modified to include the information obtained during the source verification.

DATE WHEN FULL COMPLIANCE WILL BE ACHIEVED

1. A process for Commercial Grade Dedication of Calibration Services will be added to SOP NOR NUC 04 implemented by November 15, 2012. Training to this procedure will be completed by December 15, 2012.
2. A process for Commercial Grade Dedication of Test Services will be added to SOP NOR NUC 04 by November 15, 2012. Training to this procedure will be completed by December 15, 2012.

The NTS Approved suppliers list will be updated to reflect the recent STR source verification by November 15, 2012.

NONCONFORMANCE

Criterion XV, "Nonconforming Materials, Parts or Components," of Appendix B to 10 CFR Part 50 states, in part, that "Measures shall be established to control materials, parts, or components which do not conform to requirements in order to prevent their inadvertent use or installation...Nonconforming items shall be reviewed and accepted, rejected, repaired or reworked in accordance with documented procedures."

Subsection 3.0, "Requirements," of Section 11, "Corrective Action," of NTS's "Quality Policy Manual," Revision 6, dated October 14, 2011, states, in part, that "Nonconformances shall be identified promptly and corrected as soon as practical."

Subsection 5.2, "Testing Nonconformances/Anomalies," of NTS Quality Assurance Procedure (QAP) COR 16, "Control of Non-Conforming Items," Revision 3, dated November 5, 2004, states, in part, that "When a testing nonconformance occurs, a Notice of Deviation (NOD) form shall be initiated. The disposition shall be noted on the NOD." Subsection 5.6, "Disposition Control," of COR 16 states, in part, that "The final disposition of nonconforming items shall be one of the following: (a) Use-as-is, (b) Reject, or (c) Repair or Rework."

Contrary to the above, as of June 15, 2012, NTS failed to document an NOD for material testing services provided by STR in a timely manner. Specifically, on February 24, 2010, NTS identified a test anomaly related to an internal gasket. NTS staff evaluated the deviation and dispositioned it as "use-as-is." NTS sent the gasket to the licensee on March 5, 2010, as a conforming item without documented objective evidence of how the NOD was dispositioned. During a quality review, NTS identified that the Project Manager (PM) failed to initiate and document the disposition of the NOD. The PM then proceeded to initiate and document the disposition of the NOD on November 8, 2011.

REASON FOR THE NONCONFORMANCE

A NOD was not initiated in a timely manner in accordance with NTS policies, procedures and practices. The deviation was noted by the Project Engineer during the dedication process and a technical evaluation was performed to disposition the material but was not formally documented. The product was shipped to the client after this evaluation.

The issue was self identified after this job was closed during a random review of the work package. During this review it was discovered that the activation energy levels did not meet the expected results and there was no justification documented. A Notice of Deviation (NOD) was generated to document the issue and the technical disposition after the program was closed.

During the review of the Certificate of Conformance the anomaly was not apparent.

During quality review of the Notice of Deviation by the Quality Manager, the emphasis of the review was on the technical aspects of the deviation and not on the time frame of the document's completion date. A corrective (CPAR) action should have been initiated for not writing the NOD on time.

CORRECTIVE STEPS THAT HAVE BEEN TAKEN AND THE RESULTS ACHIEVED

This is being documented in NTS CPAR #12-41. The timeliness for submission and review of the Notice of Deviation was in violation of QAP COR 16, "Control of Nonconforming Items". Notices of Deviation are required to be submitted to Quality within twenty-four hours of identification of the deviation.

NTS has reviewed all outstanding NOD's to ensure they have been dispositioned prior to shipment of materials. No outstanding non-dispositioned NOD's have been identified.

NTS has developed Form NOR 4.1 Revision 0 to document Receipt Inspection acceptance of outside testing services and review of the results in a timely manner.

CORRECTIVE STEPS THAT WILL BE TAKEN TO AVOID NONCOMPLIANCE

Test Technicians, Project Managers, Project Engineers, and the Quality Management Representatives will be re-trained to track and document the necessary actions to prevent recurrence of this deficiency. This training will include the requirements of QAP COR 16, "Control of Nonconforming Items" and QAP COR 17, "Corrective/Preventive Action".

The above re-training will ensure deficiencies in the Quality Assurance program that are identified by personnel outside of the Quality Department are self reported in a timely manner. This will make certain deficiencies are properly tracked and effective actions taken.

Resources to support Quality Management Representative responsibilities were doubled effective July 2012. Additionally, the QMR position now directly reports to the Corporate Director of Quality.

DATE WHEN FULL COMPLIANCE WILL BE ACHIEVED

A process for Commercial Grade Dedication of Test Services will be added to SOP NOR NUC 04 by November 15, 2012. Training to this procedure will be completed by December 15, 2012.

Re-Training to the requirements of QAP COR 16, "Control of Nonconforming Items" and QAP COR 17, "Corrective/Preventive Action" will be completed by November 15, 2012.

ATTACHMENT 5
REPLY TO NOTICE OF VIOLATION 9990023/2012-201-05

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NONCONFORMANCE

Criterion XVI, "Corrective Action," of Appendix B to 10 CFR Part 50, states in part, that "Measures shall be established to assure that conditions adverse to quality, such as failures, malfunctions, deficiencies, deviations, defective material and equipment, and nonconformances are promptly identified and corrected."

NTS QAP COR 17, "Corrective and Preventive Action," Revision 1, dated January 24, 2003, states, in part, that "A Corrective/Preventive Action Report (CPAR) shall be used to document, process, track and drive any corrective/preventive action required as a result of internal audits, vendor audits, external audits, regulatory audits, vendor nonconformances, test nonconformances or customer complaints, as applicable."

Contrary to the above, as of June 15, 2012, NTS failed to promptly identify and correct conditions adverse to quality and failed to adequately implement corrective actions. Specifically, NTS failed to initiate a CPAR related to NTS's failure to document the disposition of an NOD related to a test anomaly results for an internal gasket in a timely manner and NTS failed to adequately implement corrective actions related to the review of calibration certificates. NTS did not generate a CPAR documenting its failure in initiating and documenting an NOD in a timely manner. In addition, NTS had generated CPAR 11-77 on August 22, 2011, in response to an external audit finding for its failure to review calibration certificates. NTS's response to the CPAR was to assure that it reviews all calibration certificates for measuring and test equipment; however, the review of calibration certificates was not performed in accordance with CPAR 11-77.

REASON FOR THE NONCONFORMANCE

The timeliness for submission and review of the Notice of Deviation was in violation of QAP COR 16, "Control of Nonconforming Items". Notices of Deviation are required to be submitted to Quality within twenty-fours of the deviation.

The Project Engineer, who identified this issue and wrote the NOD, should have self-reported the non compliance to issuing the NOD in accordance with NTS QAP COR 16, "Control of Nonconforming Items" via QAP COR 17, "Corrective/Preventive Action".

During Quality Review of the Notice of Deviation by the Quality Manager the emphasis of the review was on the technical aspects of the deviation and not on the time frame of the document's completion date.

NTS has previously addressed the issue of CPAR # 11-77 and our ineffective corrective actions as part of our response to NOTICE OF VIOLATION 9990023/2012-201-02.

CORRECTIVE STEPS THAT HAVE BEEN TAKEN AND THE RESULTS ACHIEVED

This issue is being documented and tracked in NTS CPAR #12-44. The program managers and technicians have been informally reminded of our need to self report items effecting quality in a timely manner.

QMR effectiveness has been enhanced by providing additional resources for quality within the Energy Products Group and supervision through corporate quality. This was completed in July.

CORRECTIVE STEPS THAT WILL BE TAKEN TO AVOID NONCOMPLIANCE

Retraining to the requirements of QAP COR 16, "Control of Nonconforming Items" and QAP COR 17, "Corrective/Preventive Action" will be conducted for Test Technicians, Project Managers, Project Engineers, and Quality Management Representatives and documented.

Specific emphasis of the training will be focused on deficiencies which need to be self reported in a timely manner to the Quality Department. This way they are properly tracked and effective actions may be taken in order to prevent recurrence and maintain compliance to regulatory requirements.

DATE WHEN FULL COMPLIANCE WILL BE ACHIEVED

Re-Training to the requirements of QAP COR 16, "Control of Nonconforming Items" and QAP COR 17, "Corrective/Preventive Action" will be completed by November 15, 2012.