

May 28, 2013

MEMORANDUM TO: Timothy Frye, Chief
Construction Assessment & Enforcement, Branch
Division of Construction Inspection
and Operational Programs
Office of New Reactors

FROM: Daniel Pasquale, Senior Reactor Operations Engineer **/RA/**
Construction Assessment & Enforcement Branch
Division of Construction Inspection
and Operational Programs
Office of New Reactors

SUBJECT: SUMMARY OF CATEGORY 3 PUBLIC MEETING: DISCUSSIONS ON
ACTIVITIES RELATED TO THE COUNTERFEIT, FRAUDULENT,
SUSPECT ITEM (CFSI) PROGRAM

On May 08, 2013, the U.S. Nuclear Regulatory Commission (NRC) held a meeting at the U.S. Nuclear Regulatory Commission, One White Flint North Commission Hearing Room (11555 Rockville Pike, Rockville, Maryland, 20852) with representatives of the commercial nuclear industry present. The purpose of this meeting was to discuss topics related to the counterfeit, fraudulent, and suspect items (CFSI) and to provide updates of activities associated with the implementation of the NRC's Agencywide CFSI program specified in SEC 11-0154.

The meeting agenda is available through the Agencywide Documents Access and Management System (ADAMS) Accession Number ML13098A063. The staff's presentation materials distributed at the meeting are contained in ADAMS ML13126A290, and industry's presentation materials are contained in ADAMS ML13130A306. Documents in ADAMS are available electronically at the NRC Electronic Reading Room at <http://www.nrc.gov/reading-rm/adams.html>. If you do not have access to ADAMS or have problems accessing the documents located in ADAMS, contact the NRC Public Document Room (PDR) staff at 1-800-397-4209, 301-415-4737, or pdrr@nrc.gov.

The meeting lasted from 1:00 p.m. to approximately 4:30 p.m, and a summary of the subjects covered are provided in the following sections below. A list of individuals present at the meeting is included in Attachment 1. Additional participants were in attendance via the call-in line.

CONTACT: Daniel Pasquale, NRO/DCIP/CAEB
301-415-2498

DISCUSSION

Opening Remarks

The meeting began with brief introductions from the contributing participants at the meeting and was followed by opening introductory remarks by Mr. Timothy Frye (CAEB Branch Chief) of the NRC staff. Mr. Frye, in his opening remarks stated that: "The prompt identification of suspect parts and preventing the use of counterfeit and fraudulent components in nuclear facilities is essential to providing adequate protection of public health and safety.

The Nuclear Regulatory Commission is currently developing regulatory guidance and internal programs to address counterfeit, fraudulent and suspect items.

It is incumbent upon all nuclear facility licensees to authenticate and identify suspect parts, quarantine these parts as-needed, share information with other licensees, hold vendors and suppliers accountable, and ensure adequate corrective actions are taken to prevent recurrence. The commercial nuclear industry has undertaken a voluntary initiative to accomplish this.

As the regulator, the NRC staff will aggressively pursue the most robust programs and processes for the industry to implement. NRC staff realizes that in some cases, this may present a burden on licensees that may actually deter the identification of suspect items, and the sharing of information. We expect the industry to identify these instances of undue burden and develop proposals that can be effectively implemented. This may result in gaps between what the regulator expects and the best efforts proposed by the industry. NRC staff will evaluate these gaps and determine whether the industry proposals should be adequate. NRC staff will then notify the Commission of any gaps that need to be pursued through other regulatory means.

NRC staff has also been reaching out to numerous other agencies and organizations that have an interest or experience with preventing the use counterfeit, fraudulent and suspect items. During this meeting we welcome the public to share any insights and experience with addressing the issues we will be discussing."

Overview of NRC Staff Activities

Mr. Dan Pasquale, the staff's meeting facilitator, began by providing a background and overview of the CFSI program. The Safety Culture Policy was briefly described and is documented as Reference 1. All individuals and organizations performing regulated activities addressed in the NRC's Safety Culture Policy Statement, including suppliers of basic components, are expected to establish and maintain a positive safety culture in order to avoid complacency and continuously challenge existing conditions and activities in order to identify discrepancies that may result in error or inappropriate action. Issues potentially impacting safety and security are to be promptly identified, fully evaluated, and promptly addressed and corrected commensurate with their significance. It was also noted that the NRC's Safety Culture Policy Statement, NUREG/BR-0500 (ML12355A122) was revised effective December, 2012, to reflect the transition to the current Chairman.

Mr. Pasquale's presentation served to help clarify and status the implementation progress of the voluntary initiatives currently being developed by industry in support of SECY-11-0154

(Reference 2). The presentation included slides responding to requests by industry for clarification on specific topics from previous CFSI public meetings. The revisited topics were:

1. CFSI reporting requirements vs. industry's voluntary initiatives
2. Authentication activities: How far up the supply chain is enough?
3. Standard CFSI procurement clause(s)
4. Quarantining suspected & confirmed CFSI
5. Key terms

The referenced industry voluntary initiatives represent a single action in the NRC's Agencywide approach to CFSI, consisting of 11 individual components (initiatives). The staff presented the 11 initiatives in a prioritized format to assist the industry in focusing resources consistent with their (staff's) emphasis. Industry reiterated their intent to address all 11 initiatives prior to submitting their recommendations to the staff for review.

Next, Mr. Pasquale's provided an update of the 19 Planned Actions from SECY 11-0154 followed by a proposed implementation plan to meet the Fiscal Year 2014 due date specified in SECY 11-0154. The slide indicated critical events needing estimated completion dates from industry.

Nuclear Energy Institute (NEI)

NEI reiterated that CFSI is not a new issue for the commercial nuclear industry, and it remains as much an industry priority today as it was previously. The impacts to date have however, been minimal due mainly to CFSI countermeasures already implemented by industry. The focus of industry CFSI efforts are on the companies that receive and supply both safety-related components and non safety-related balance of plant components. NEI agrees with the NRC staff that CFSI needs to be revisited due to the increasing use of digital technology in the new plants that are being built. The quality of components being used in the nuclear industry must be assured.

The NEI CFSI Team, lead by Russ Bell of the Nuclear Energy Institute, and consisting of Brian Mervak, South Carolina Edison & Gas, Bhavesh Patel, Duke Energy, Marc Tannenbaum, provided presentations and overviews of industry's action plan, titled, "Industry Actions to Address Counterfeit, Fraudulent and Suspect Items." These presentations included a general project status, an overview of planned revisions to EPRI CFSI guidance in response to SECY 11-0154 plans for post-implementation monitoring. Industry's presentations addressed each of the 11 voluntary initiatives individually, and provided potential solutions to the staff's recommendations. Although the staff provided industry with a prioritized list of the initiatives earlier in the meeting, industry restated its' intention to address all 11 in accordance with the fiscal year 2014 deadline stated SECY 11-0154. Consistent with that goal, industry projected that it is conceivable they could submit their formal plan for implementing these initiatives by the end of the summer of 2013.

Industry also provided a brief update of the CFSI survey sent out earlier this year. They indicated that they extended the response due date one additional month to allow for a more complete compilation of data before making any conclusions. Currently, 30 early responses have been received, consisting of 23 licensees, 4 suppliers and 3 other participants.

Industry further indicated that INPO IER L4-12-86, "Counterfeit Parts and Equipment Vulnerability," (issued Nov 15, 2012) provided corrective actions for consideration, and would be used by INPO as an indicator of the effectiveness of a licensee's procurement process to address CFSI at the plants.

Non-Agenda Topics Discussed:

The meeting was opened to comments from the public following the two scheduled presentation sessions, the highlights of which are presented here:

Ms. Laura Dudes, Director, Division of Construction Inspection and Operational Programs (DCIP), Office of New Reactors, U.S. NRC, noted that the staff's slide on CFSI Implementation Overview (Slide No. 17) infers that the existing reactor oversight program (ROP) and/or construction oversight programs (cROP) would be changing to accommodate implementation of the CFSI initiatives discussed at this meeting, when in-fact no determination has been reached at this time to revise either program. CFSI effectiveness efforts will be performed using temporary inspections until the determination is made that a more permanent solution is warranted.

Mr. Gustave (Bud) Danielson, Chief of Nuclear Safety Staff, Office of the Under Secretary of Energy, reminded the meeting participants that ASME NQA-1, "Quality Assurance Requirements for Nuclear facility Applications" will be amended in 2014 to specifically address CFSI, and he encouraged all members, including the NRC staff, to review it closely and provide meaningful comments to assure that the final document reflects a solid anti-CFSI posture.

A member of the public called in on the open telephone line and presented perspectives on several issues associated with current and past NRC activities. The caller requested that the documents sent from him to the meeting facilitator be entered into the public record of this meeting. These documents are available through the Agencywide Documents Access and Management System (ADAMS) Accession Numbers: ML13140A163, ML13140A165, ML13140A167, ML13140A169, ML13140A170, and ML13140A171.

With no further input the meeting was adjourned.

Closing Remarks/Future Meetings:

The NRC ended the meeting with the understanding that industry does not seek additional public meetings prior to submitting the proposed plan for implementing the 11 voluntary initiatives presented in SECY 11-0154. The staff acknowledged industry's opinion, but stressed that it needed to consider all presented information before making a final decision as to the need for additional public meetings.

Please direct any inquiries concerning this meeting to Daniel Pasquale at 301-415-2498 or via e-mail to Daniel.Pasquale@nrc.gov.

References:

1. USNRC, "Safety Culture Policy Statement", Revision1, dated December 2012. ADAMS accession number ML12355A122.
2. "An Agencywide Approach to Counterfeit, Fraudulent, and Suspect Items", SECY-0154, October 28, 2011. ADAMS accession number ML112200150.

Attachments:

- 1) Meeting attendance sheet

References:

1. USNRC, "Safety Culture Policy Statement", Revision1, dated December 2012. ADAMS accession number ML12355A122.
2. "An Agencywide Approach to Counterfeit, Fraudulent, and Suspect Items", SECY-0154, October 28, 2011. ADAMS accession number ML112200150.

Attachments:

- 1) Meeting attendance sheet

DISTRIBUTION:

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NRO-002

OFFICE	DCIP/CAEB	DCIP/CAEB: BC
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DATE	05/22/2013	05/28/2013

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ATTACHMENT

**ATTENDANCE SHEET FOR PUBLIC MEETING TO DISCUSS TOPICS RELATED
TO CFSI PROGRAM**

U.S. Nuclear Regulatory Commission, One White Flint North Commission Hearing Room
Wednesday, February 13, 2013
1:00 p.m. – 5:00 p.m.

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Note: Additional participants were present via Bridgeline and Go-To-Meeting.

ENCLOSURE