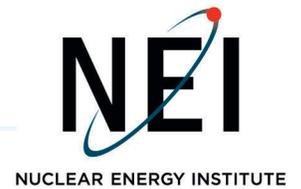


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April 14, 2014

Mr. Michael C. Cheek
Director
Division of Construction Inspection and Operational Programs
Office of New Reactors
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Subject: Industry Activities Related to Counterfeit and Fraudulent Items

Project Number: 689

Dear Mr. Cheek:

I am writing to update you on the steps the U.S. nuclear industry has taken and is taking to maintain and enhance protections against the ingress of counterfeit and fraudulent items (CFI).

Licensees and nuclear suppliers implement 10 CFR Part 50, Appendix B, requirements that address CFI including requirements for control of procurement documents, control of purchased items and services, and control of nonconforming items. Since the early 1990s, when the nuclear industry implemented enhanced procurement measures as part of the Comprehensive Procurement Initiative, there have been no known incidents of CFI installed in a safety-related application, even as other industries have indicated recent increases in CFI activity.

In several public meetings since the NRC issued SECY-11-0154, "An Agencywide Approach to Counterfeit, Fraudulent, and Suspect Items," the industry has discussed a number of steps taken or underway to further enhance protection of U.S. nuclear power plants against CFI. These steps fall into three main areas as discussed below:

Enhanced CFI Guidance – The Electric Power Research Institute (EPRI) has revised its 2009 guidance on CFI based upon industry experience, research, and lessons learned, as well as input from the NRC during a number of public meetings since 2011. In our letter to the NRC dated October 17, 2013, we transmitted EPRI's updated guidance on CFI, "Plant Support Engineering: Counterfeit and Fraudulent Items: Mitigating the Increasing Risks" (Draft), and requested NRC review and feedback. The guidance includes practical and effective means to enhance existing practices that protect against

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ingress of CFI, and EPRI is moving forward to publish the guidance so that licensees and suppliers can begin using it.

EPRI plans to publish its updated CFI guidance by July 2014. If received before April 30, we may still be able to consider NRC feedback on the draft guidance we provided last October. We and EPRI plan to discuss the updated CFI guidance in various industry forums this year and hold an industry workshop to support implementation by licensees and suppliers.

Reporting and Information Sharing – The Institute of Nuclear Power Operators (INPO) and EPRI have enhanced their databases and reporting processes. In February 2010, INPO clarified its reporting requirements to include CFI in its operating experience database. This will allow INPO to identify CFI operating experience trends to determine whether event reports are warranted. EPRI maintains a Suspect CFI Database that is available to EPRI members and can receive input from any source. This database can provide proactive notification to U.S. licensees known to have items similar to those reported as suspect. These industry efforts complement the NRC's own generic communications, which it issues as warranted by trends or new information.

Oversight – INPO, the Nuclear Procurement Issues Committee (NUPIC), and the Nuclear Industry Assessment Committee (NIAC) have enhanced their oversight of the supply chain. INPO has included criteria for part quality and reliability in its plant evaluations. NUPIC and NIAC have included a question on supplier controls for the detection of CFI in their audit and survey checklists.

We understand that the NRC staff plans to prepare a follow-up SECY paper to update the Commission on the status of agency efforts and stakeholder interactions to address concerns related to CFI and is considering a generic communication as well. We trust that our frequent interactions and proactive activities summarized in this letter are helpful to the staff in characterizing the industry's significant efforts to raise industry awareness, enhance available guidance, and encourage sharing of CFI information. In particular, we expect that the SECY and/or generic communication would refer to and acknowledge the updated EPRI guidance as an important source for useful information on effective CFI prevention, detection and control.

If you have any questions, or would like additional information to support development of an NRC generic communication, please contact Marc Nichol (mrn@nei.org; 202-739-8131) or me.

Sincerely,



Russell J. Bell

c: Ms. Andrea D. Valentin, NRR, NRC/NRO/DCIP
Mr. Brian C. Anderson, NRR, NRC/NRO/DCIP/IGCB
NRC Document Control Desk