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50-323 Diablo Canyon Nuclear Power Plant, Unit 2, Pacific Ga 05000323
AUTH.NAME AUTHOR AFFILIATION
SHIFFER,J.D. Pacific Gas & Electric Co.
RECIP.NAME RECIPIENT AFFILIATION
MARTIN,J.B. Region 5, Ofc of the Director

SUBJECT: Forwards response to Region V 890727 ltr re util activities associated w/vendor audits,per 10CFR50.54(f).

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Pacific Gas and Electric Company

77 Beale Street Sar-Francisco GA 94106 415 972-7000 TWX 910-372-658** James D. Shifter
Vice President
Nuclear Power Generation

August 7, 1989

PG&E Letter No. DCL-89-207



John B. Martin, Regional Administrator U.S. Nuclear Regulatory Commission, Region V 1450 Maria Lane, Suite 210 Walnut Creek, CA 94596-5368

Re: Docket No. 50-275, OL-DPR-80
Docket No. 50-323, OL-DPR-82
Diablo Canyon Units 1 and 2
Response to Request for 10 CFR 50.54(f) Information

Dear Mr. Martin:

Pursuant to 10 CFR 50.54(f), enclosed is PG&E's response to the Region V letter dated July 27, 1989. This letter requested information regarding PG&E's activities associated with vendor audits. As discussed in the July 25, 1989 meeting with the NRC, PG&E has initiated ongoing efforts to evaluate, investigate and resolve the issues identified in the July 27 letter. The following information is provided: (A) PG&E's justification for continued operation of the Diablo Canyon facilities in light of the potential deficiencies identified in PG&E's vendor audits as discussed in the July 25 meeting (Enclosure 1), (B) PG&E's plan and schedule for assessing the adequacy of the vendor audit and quality assurance program in general (Enclosure 2), and (C) PG&E's determination of reportability and the generic applicability of the identified potential deficiency (Enclosure 3). These enclosures reflect PG&E's current understanding of the issues in light of the ongoing investigations.

PG&E is committed to maintaining high levels of quality in activities related to Diablo Canyon and is involved with several industry groups on efforts related to such issues. This involvement includes PG&E's membership in the NUMARC Nuclear Plant Equipment Procurement (NPEP) Work Group as part of the unified industry interaction with NRC on procurement. PG&E is also actively participating in conducting joint utility audits of suppliers as a member of the Nuclear Procurement Issues Council (NUPIC), a combination of the previous Nuclear Supplier QA Committee (NSQAC) and the Coordinating Agency for Supplier Evaluation, Nuclear Section (CASE). PG&E has participated aggressively in these industry efforts which are directed toward improving the quality of vendor audits and assuring their compliance with regulatory requirements.

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John B. Martin PG&E Letter No. DCL-89-207

Based on the enclosed information, PG&E has full confidence that continued operation of Diablo Canyon Units 1 and 2 does not create an unreviewed safety question and will not adversely affect the public health and safety.

Kindly acknowledge receipt of this material on the enclosed copy of this letter and return it in the enclosed addressed envelope.

Subscribed to in San Francisco, California this 7th day of August 1989.

Respectfully submitted,

Pacific Gas and Electric Company

y 4112

J. D. Shi∕ffer Vice President

Nuclear Power Generation

Subscribed and sworn to before me this 7th day of August 1989

Howard V. Golub Richard F. Locke Attorneys for Pacific Gas and Electric Company

Bighand E Locks

Richard F. Locke

Adriane D. Tolefree, Notary Public

for the County of Alameda,

State of California

My commission expires December 22, 1992.

ADRIANE D. TOLEFREE

NOTARY PUBLIC - CALFOREA

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cc: M. M. Mendonca

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Diablo Distribution

Enclosures

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ENCLOSURE 1.

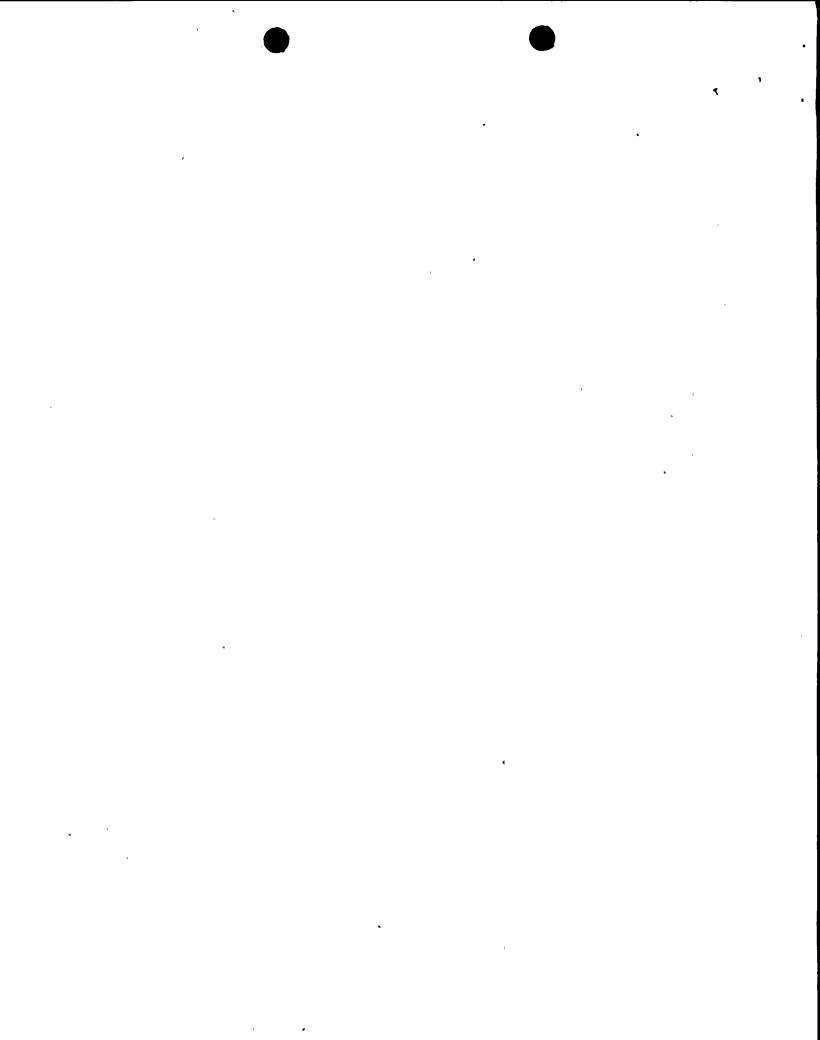
NRC Request:

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1. Your justification for continued operation of the Diablo Canyon facilities in light of deficiencies that you have identified in your audits of vendors, as discussed in our July 25, 1989 meeting;

PG&E Response:

This enclosure contains the justification for continued operation (JCO) of the Diablo Canyon facilities in light of the potential deficiencies that were identified in audits of vendors as discussed in a meeting with the NRC on July 25, 1989. Based on the information provided in the JCO and accompanying safety analysis, continued operation of Diablo Canyon Units 1 and 2 does not create an unreviewed safety question and will not adversely affect the public health and safety. The JCO will remain in effect until all potentially incomplete and/or inadequate audits are resolved and all identified discrepancies are corrected.



JUSTIFICATION FOR CONTINUED OPERATION (JCO) 89-18 POTENTIALLY INCOMPLETE AND/OR INADEQUATE SUPPLIER AUDITS

I. EXISTING CONDITION FOR UNITS 1 AND 2

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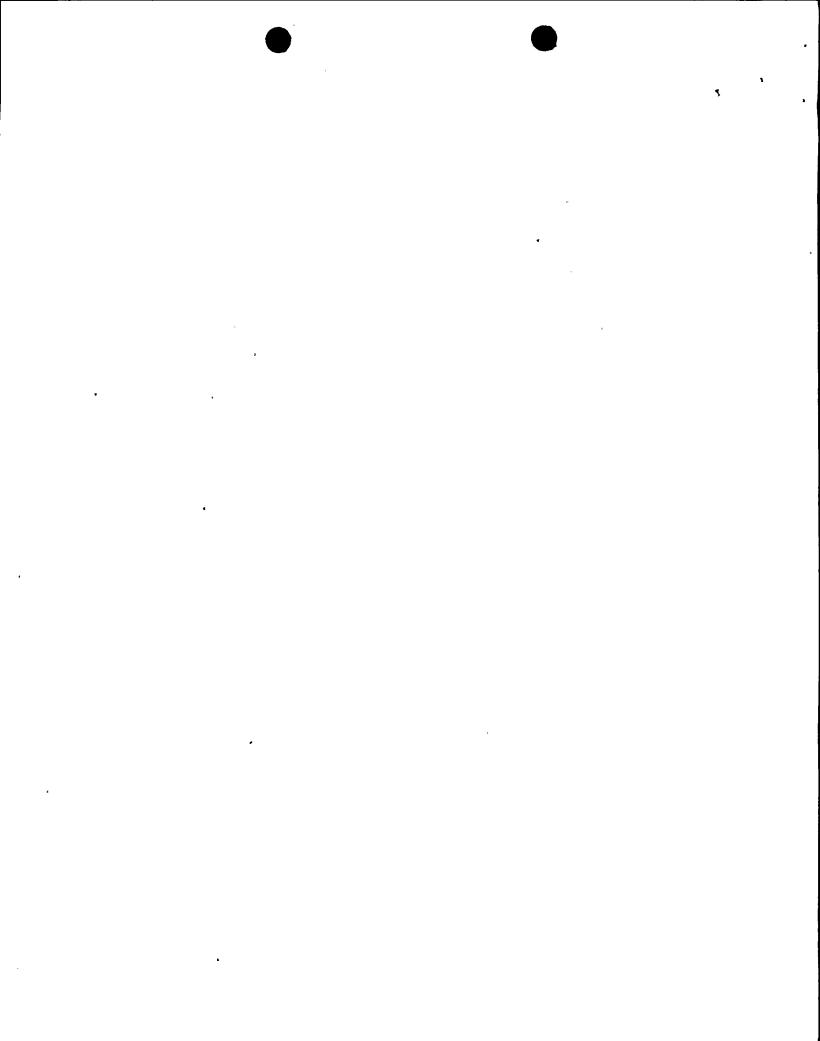
Based on audits 88244S, 89103S, and 89129S, a concern was identified that, contrary to PGEE QA Manual requirements, a contract QA auditor had performed potentially incomplete and/or inadequate supplier audits which did not identify the suppliers' failures to implement portions of their QA programs. Monconformance Report DCO-89-CA-NOO7 was initiated to investigate and resolve this concern.

PGLE has conducted an evaluation of all supplier audits during the last 3½ years and has identified 317 audits performed by outside contractors. The review period of 3½ year was based on PGLE's triennial audit program. Included in the 31, are 97 audits conducted by the auditor performing the potentially incomplete and/or inadequate audits. Of the 97 audits, PGLE identified 14 suppliers whose qualifications were based solely on audits by the auditor performing the potentially incomplete and/or inadequate audits. There were no safety-related purchase orders submitted to five of these suppliers, the acceptability of two suppliers is known to the nuclear industry (e.g., CASE, NSQAC member audits), and one supplier audit included a PGLE auditor. Three of the remaining six suppliers had not supplied any material to PGLE during the period when the potentially incomplete and/or inadequate audits were performed. The other three suppliers, whose qualification was based upon the potentially incomplete and/or inadequate audits, had supplied Class 1 material. It was determined that those suppliers, Dresser Industries, Metal Bellows, and Pacific Scientific, would be reaudited.

In addition, a review of the remaining 220 audits performed by other outside consultants working under their own QA program also identified some potentially incomplete and/or inadequate audits. The resolution of concerns for the affected suppliers is included in Attachment 1.

II. JUSTIFICATION FOR OPERATION OF UNITS 1 AND 2

Based on the attached safety analysis, continued operation of Unit 1 and Unit 2 with identified potentially incomplete and/or inadequate audits does not create an unreviewed safety question and will not adversely affect the public health and safety.



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. III. JCO DURATION AND SPECIAL CONDITIONS

This JCO will remain in effect until all potentially incomplete and/or inadequate audits are resolved and any identified discrepancies are corrected. Completion of this action is tracked by NCR DCO-89-QA-NOO7.

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Technical Review by:

Reviewed by:

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MT4 89-117

Plant Staff Review Committee

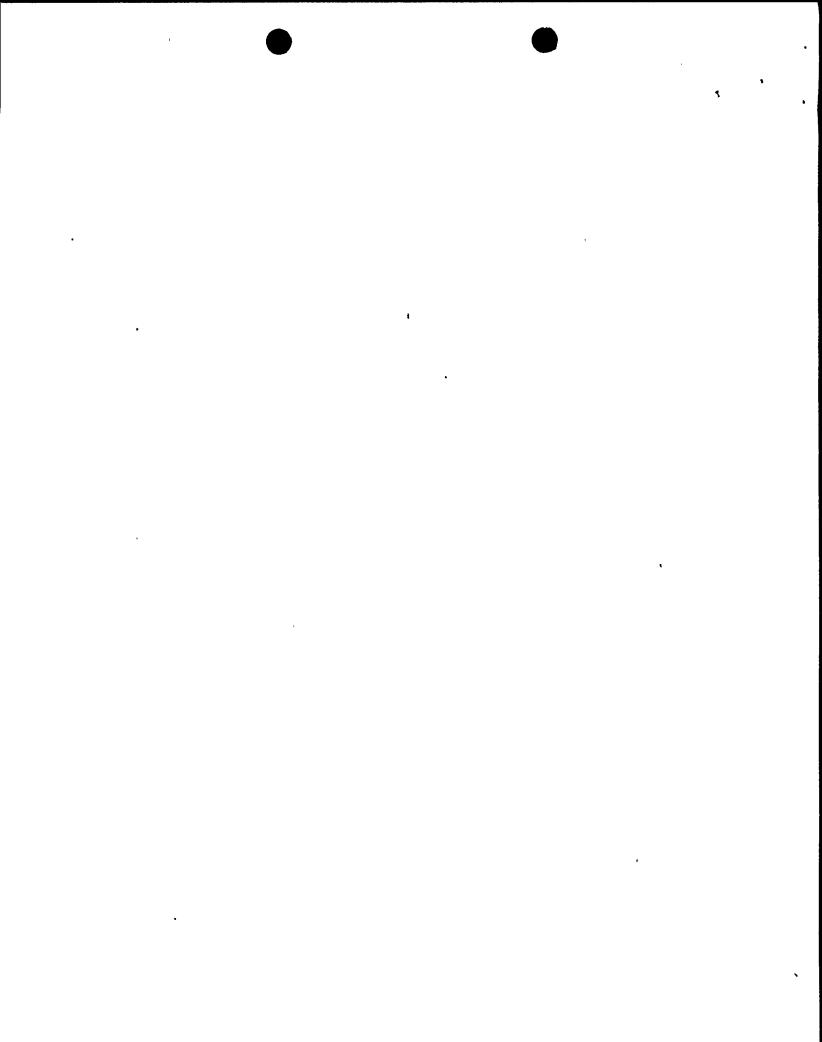
Approved by:/

DCPP Plant Manager

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LFHomack WBMcLaneBMGiffin PPNarbut

RAnderson Site Engr.

MJAngus Site OPEG Engr.



JUSTIFICATION FOR CONTINUED OPERATION (JCO) 89-18 POTENTIALLY INCOMPLETE AND/OR INADEQUATE SUPPLIER AUDITS SAFETY EVALUATION

The following is a safety evaluation supporting continued operation of Units 1 & 2 with potentially incomplete and/or inadequate supplier audits.

I. ANALYSIS

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A. Description of Degraded Condition

Based on audits 88244S, 89103S, and 89129S, a concern was identified that contrary to PG&E QA Manual requirements, a contract QA auditor performed potentially incomplete and/or inadequate supplier audits which did not identify the suppliers' failures to implement portions of their QA programs. As defined in ANSI N45.2.13 and as implemented by PG&E, methods used to accept an item or service from a supplier include source verification by audit, source inspection, and receiving inspections and tests. The conduct of quality assurance supplier audits provide one of these verification methods to assure that the established supplier's quality assurance program is adequate and implemented. Nonconformance Report DCO-89-QA-NOO7 was initiated to investigate and resolve this concern.

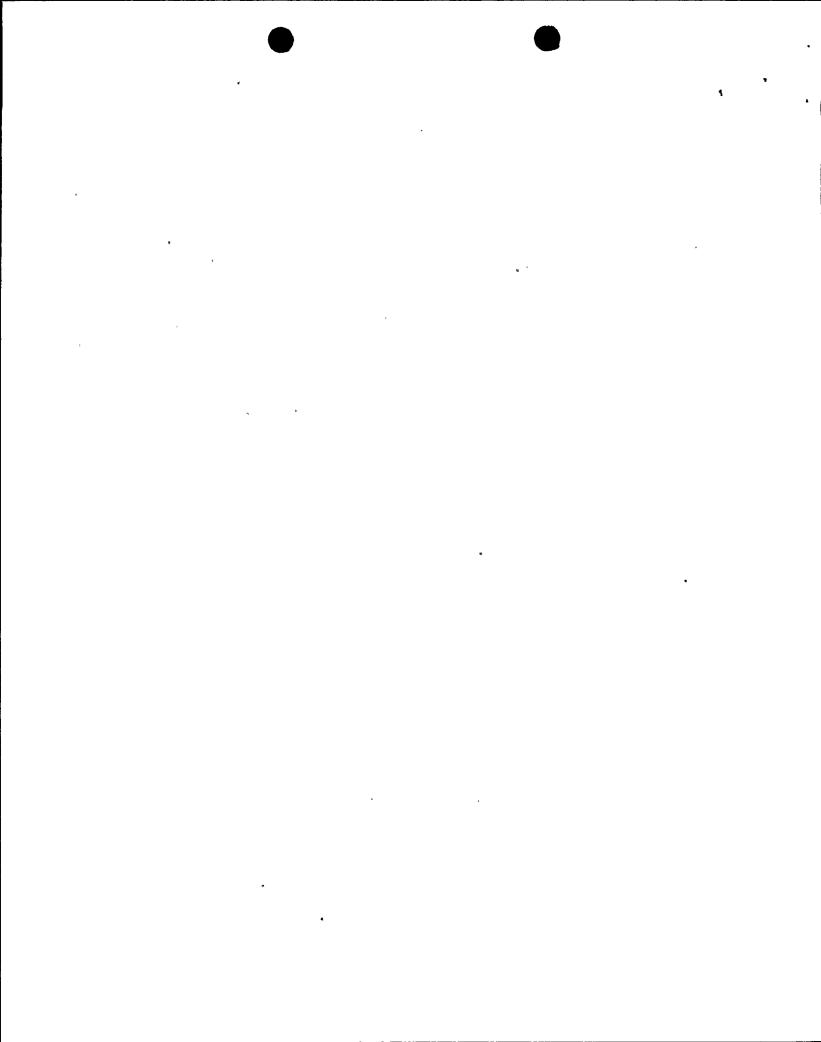
Potentially Incomplete and/or Inadequate Audits

The deficiencies, identified in Audit 88244S on Sulzer Bingham, Audit 89103S on Pacific and Worthington Pumps, and Audit 89129S on ITT Barton that should have been identified in the previous contracted audits, are as follows:

Sulzer Bingham (Sulzer)

Audit 88244S identified the following deficiencies that previous Audit 87208S failed to identify:

a. Failure to use ASME Section III quality assurance program. Criterion III (Design Control) of Appendix B states in part "...Measures shall also be 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." Contrary to this requirement, Sulzer did not apply the appropriate measures to parts which were ordered by PG&E on Purchase Orders 17779 and 663288. All of the parts ordered on these purchase orders are safety-related and 10 CFR



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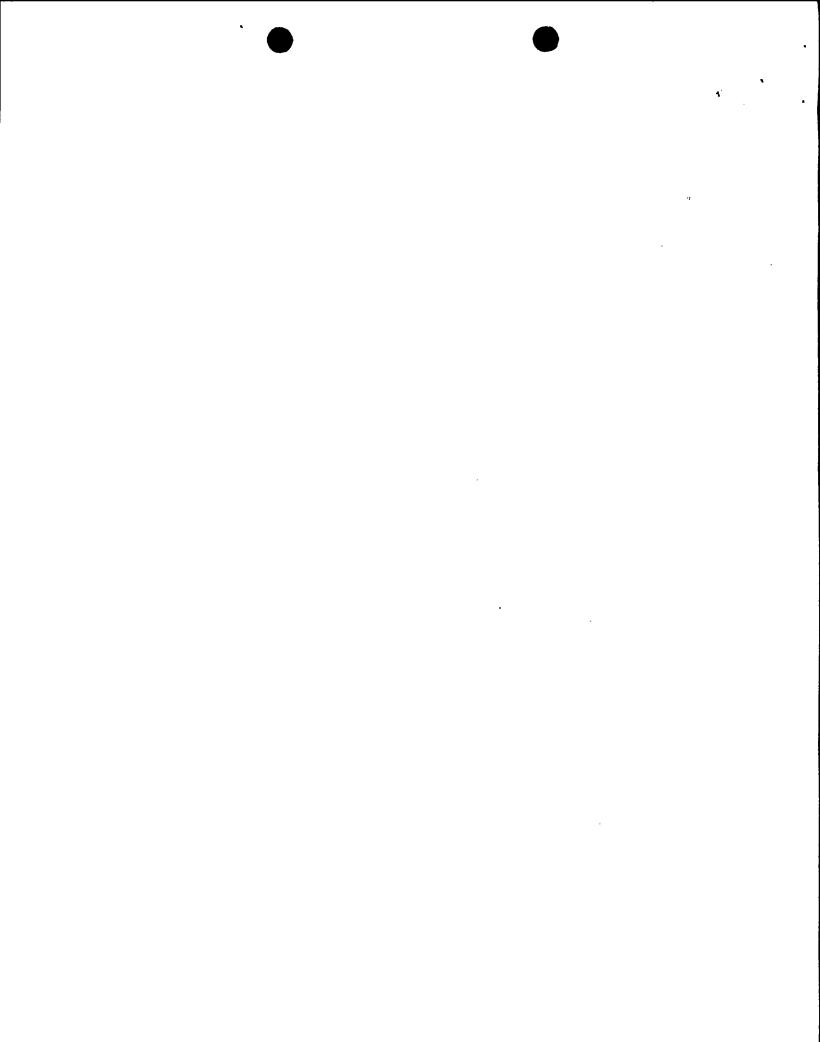
21 was invoked on these purchase orders. Additionally, both of these purchase orders specified that Sulzer implement their ASME Section III Quality Assurance Program (SP-A-2) on all of these parts. Contrary to this, Sulzer applied their "Commercial Class II" program (H31.27) to these items without notifying PG&E. Sulzer does have a 10 CFR 50 Appendix B program for nonpressure retaining, safety-related items (stems, impellers, etc) but did not apply this program to the PG&E orders. Presently, Sulzer's "Commercial Class II" program (N31.27) allows them to procure items from suppliers who don't have nuclear assurance programs without doing any additional dedication (i.e.. special testing, vendor history files, product performance files, N.D.E. special examinations, etc).

b. Substitution of materials. Contrary to the requirements of these purchase orders, material was supplied which was different from that specified by PG&E. Both orders specify impeliers for which material must be ASTM-A-296 Grade CF8M. On Purchase Order 663288, Sulzer supplied ASTM-A-743, Grade CF8 and on Purchase Order 17779 Sulzer supplied ASTM-A-743, Grade CF8M. Sulzer failed to notify PG&E of this material substitution.

NCR DCI-88-MM-N042 was issued to investigate and resolve these concerns. The investigation of this NCR determined that all parts provided were commercial grade and were inadequately dedicated. PG&E Engineering investigated the impact of the use of commercial grade replacement parts as currently installed in the ASW and CCW pumps. PG&E Engineering concluded that their use does not prevent the ASW and CCW pumps from performing their safety related functions. Use of these commercial grade impeller parts resulted in inadequate heat treatment of ASW impellers. JCO 88-07 was prepared to justify continued operation with the ASW impellers.

2. Pacific and Worthington Pumps (Pacific)

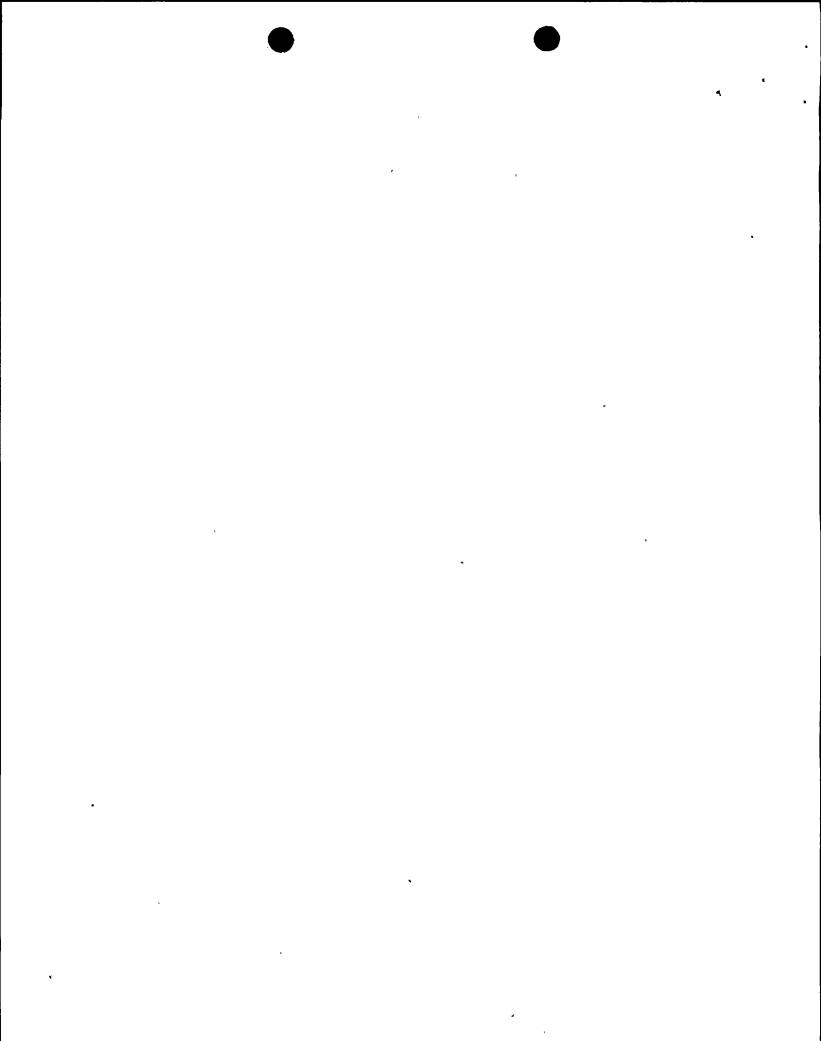
Audit 89103S identified that Pacific procured material and parts commercial grade and supplied them to PG&E without performing proper dedication. The material and parts were supplied to PG&E during 1987-1989 under purchase orders which imposed Specification SP-F-Parts (which imposes 10 CFR 21; 10 CFR 50, Appendix B; and ANSI N45.2.13).



Previous audits 882325 and 871485 failed to identify this deficiency.

NCR DCD-89-EN-011 was initiated to investigate and resolve these concerns. The supplier has subsequently responded to PG&E in a letter dated June 27, 1989, that they have documentation on the major parts which will allow individual piece dedication. PG&E Engineering evaluation of the supplier's response determined the following:

- a. The DCPF safety injection and charging pumps are regularly tested in accordance with the plant surveillance test program which implements ASME Section XI requirements. These tests have demonstrated acceptable performance.
- b. PG&E's QA Audit 89403S verified that the contested "C" and "D" parts receive complete dimensional and visual inspection.
- c. After each installation of "C" or "D" parts, the pumps were surveillance-tested before they were declared operable. This surveillance test measures vibration levels, bearing temperatures and head-capacity characteristics. Any defective parts would probably have exhibited unacceptable values for vibration, bearing temperature or head capacity characteristics.
- d. The charging pumps are operated for chemical and volume control of the reactor coolant system during normal operation as an alternate to the positive displacement pump. Operation in this mode has resulted in a substantial functional test which was long enough to demonstrate the integrity of the pumps and provides reasonable assurance that the pumps will perform their safety-related function when required.
- e. No Pacific pumps category "C" or "D" parts are pressure boundary items. Furthermore, PG&E, Sargent & Lundy, and Pacific have determined by Failure Modes and Effects Analysis that certain category "C" and most category "B" parts are not safety-related.
- f. The fluids handled by these pumps are subjected to rigorous chemical control which reduces the corrosion effects from the process fluid to a minimum.
- g. Many nuclear plants, including Westinghouse



pressurized water reactors, use Pacific pumps for charging and safety injection service. These pumps contain parts with quality characteristics similar to those installed at DCPP. These pumps have performed reliably for many years.

3. ITT Barton (Barton)

Audit 89129S identified that Barton did not have objective evidence that design changes on the environmentally qualified electro-hydraulic actuators had been evaluated for affect on previous qualification tests and identified that metallic parts critical to the operability and fail-safe conditions of the actuators are being procured commercial grade without proper dedication being performed. Previous audit 88013S failed to identify the above deficiencies.

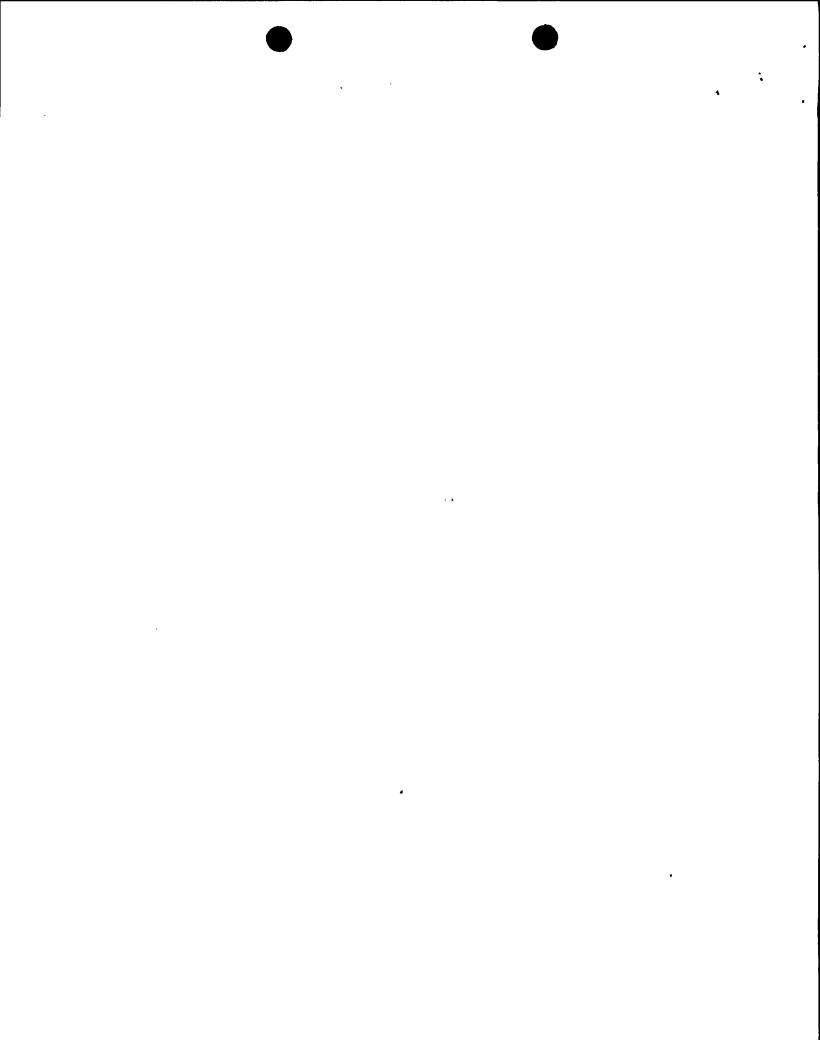
A review of this concern determined that no material from the supplier was installed in the plant. Material which has been received by the warehouse has subsequently been determined to be adequate by reanalysis and testing by the supplier. This eliminated the environmental qualification concern.

In response to the commercial grade dedication concern, Barton stated in a letter dated July 17, 1989, that "ITT Barton Hydromotor Actuators are designed with a "Fail Safe" feature. Should a failure occur, the actuator will move to its fail safe position either due to the component involved or on command, if the failure drives the unit to full stroke."

Barton further stated that "It is the opinion of ITI Barton Design Engineering that during the design life, there are no metallic components which would prevent any Hydromotor actuator failing in other than a fail-safe condition."

An evaluation by PG&E Engineering determined the following.

a. The design basis for the auxiliary feedwater (AFW) system requires that these valves modulate to control AFW flow, that they be seismically qualified to operate, and that they be environmentally qualified (EQ) for post-LOCA recirculation radiation. They do not need to be environmentally qualified for the hot steam environment resulting from a feed or steamline break in their area.



- b. Metallic parts are not an EQ'issue because they are not affected by radiation at the normal levels experienced during plant life and a subsequent accident.
- c. The lead engineer for EQ and seismic issues for the I&C group was a member of the PG&E audit team that visited Barton. This person was selected for this assignment based on individual in-depth familiarity with EQ and seismic issues in addition to having been previously involved with these valves. The audit looked at both qualification and commercial grade dedication issues.

During the audit, PGLE observed that Barton performs alloy testing of the raw materials that they subsequently process and perform extensive functional testing of the actuator at full rated load prior to delivery. This testing results in loadings which are more severe than those experienced during normal operation. Based on the above, it was concluded that Barton dedicates and/or manufactures parts and controls their qualification such that the valves are adequate for continued service.

d. These valves are subject to periodic surveillance testing. This testing would detect any degradation of the valves. There have been no structural failures of these actuators during testing.

All of the potentially incomplete and/or inadequate audits of the above suppliers were performed with the same auditor as the audit team leader or as a member of the audit team. A review of audit records showed that the auditor in question had been performing audits for PG&E since 1987.

PGLE has conducted an evaluation of all supplier audits during the last 3½ years and has identified 317 audits performed by outside contractors. The review period of 3½ years was based on PGLE's triennial audit program. Included in the 317 are 97 audits conducted by the auditor performing the potentially inadequate and/or incomplete audits. Of the 97 audits, PGLE identified 14 suppliers whose qualifications were based solely on audits by the auditor performing the potentially incomplete and/or inadequate audits. Five of these suppliers were found with no safety related purchase orders; the acceptability of two suppliers is known to the nuclear industry (e.g., CASE, NSQAC member audits); and one supplier audit included a PGLE auditor. Three of the remaining six suppliers had not supplied any

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material to PGLE during the period when the suspect audits were performed. The other three suppliers, whose qualification was based upon the potentially incomplete and/or inadequate audits, had supplied Class 1 material. It was determined that those suppliers. Dresser Industries, Metal Bellows, and Pacific Scientific, would be reaudited.

In addition, a review of the remaining 220 audits performed by other outside consultants working under their company's QA program and supervision also identified some potentially incomplete and/or inadequate audits. The resolution of concerns for the 185 affected suppliers is included in Attachment 1.

Results of Potentially Incomplete and/or Inadequate Audits

PG&E audit teams using PG&E personnel were sent between July 21-24, 1989, to all three of these suppliers to perform an audit of the previous audit's adequacy.

1. Parker Metal Bellows

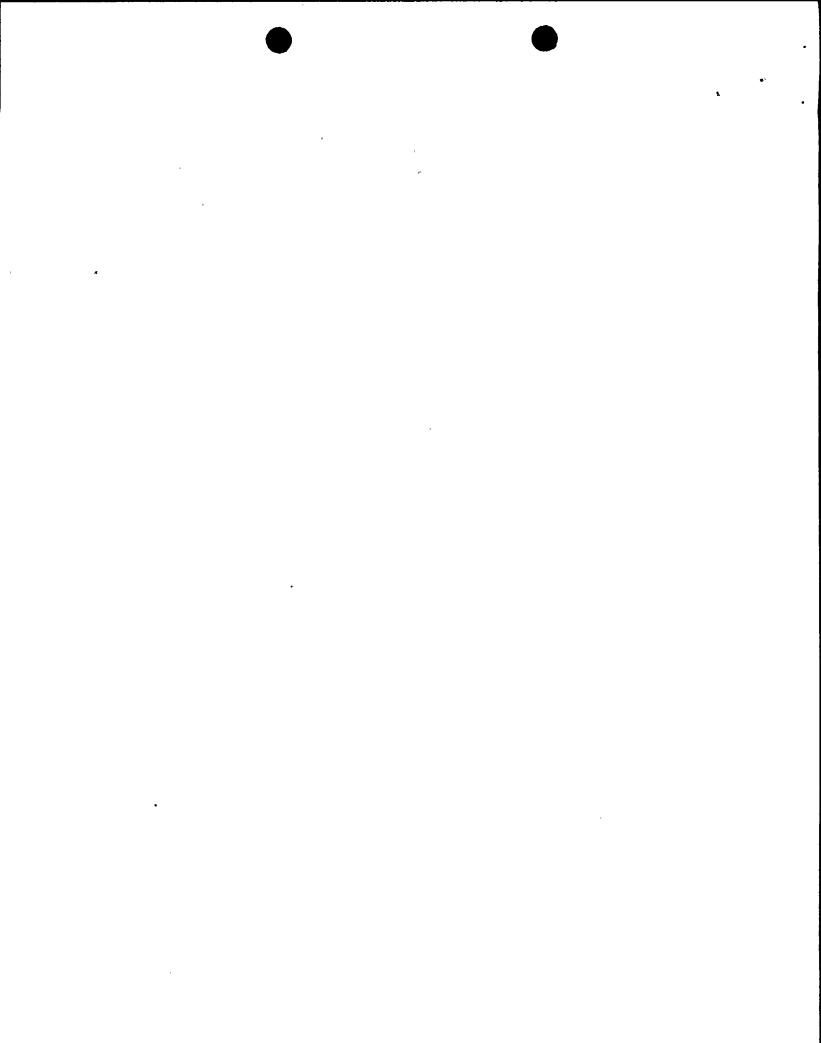
The Parker Metal Bellows audit disclosed that PG&E had only issued one purchase order in the last 3 1/2 years. On this purchase order PG&E had purchased a flexible metal hose assembly. This flexible hose was built to the requirements of ASME Section III. Subsection ND and Code Case N-192-2. With the exception of the ferrule, all parts associated with the hose assembly are considered ASME Section III parts. The ferrule is not governed by the ASME code because it is non-pressure retaining. This ferrule was procured on a purchase order that invoked no quality assurance requirements on the sub-supplier. Accordingly, it was furnished as commercial grade to Parker Metal Bellows. Additionally, Parker Metal Bellows did not perform any additional dedication activities. After discussing the situation with the Project Engineer from Parker Metal Bellows, the auditor agreed that the ferrule performed no safety-related function. This was supported by a Failure Modes and Effects Analysis that determined the the ferrule was:

- a. Non-pressure retaining
- b. Non-load bearing
- c. Not essential to function

Additionally, the ferrule was not taken into account when the flexible hose assembly was seismically qualified. This position was documented in a letter to PG&E and was subsequently evaluated and accepted by PG&E Engineering.

Previous Audit 88210S failed to identify the above deficiency.

2. Dresser Industries



The Dresser Industries audit identified deficiencies in the quality assurance program applied to non-pressure retaining. essential-to-function parts. As part of this audit, PG&E examined the program that Dresser applied to a disc holder, disc guide and an adapter compression screw purchased by PG&E on various pyrchase orders. The auditor reviewed various purchase orders that Dresser placed with its subsuppliers along with the Certified Material Test Reports (CMTRs) received for these items. This review determined that these parts were purchased as non-safety-related and this fact was supported by reviewing the applicable CMTRs. Additionally, Dresser had no traceability documentation for these parts nor did they perform any other dedication activities other than a standard receipt inspection. As a result of this audit. PG&E reviewed its records and determined that none of the parts had been issued for use. All non-pressure retaining parts supplied by Dresser have been put on hold in the warehouse pending disposition.

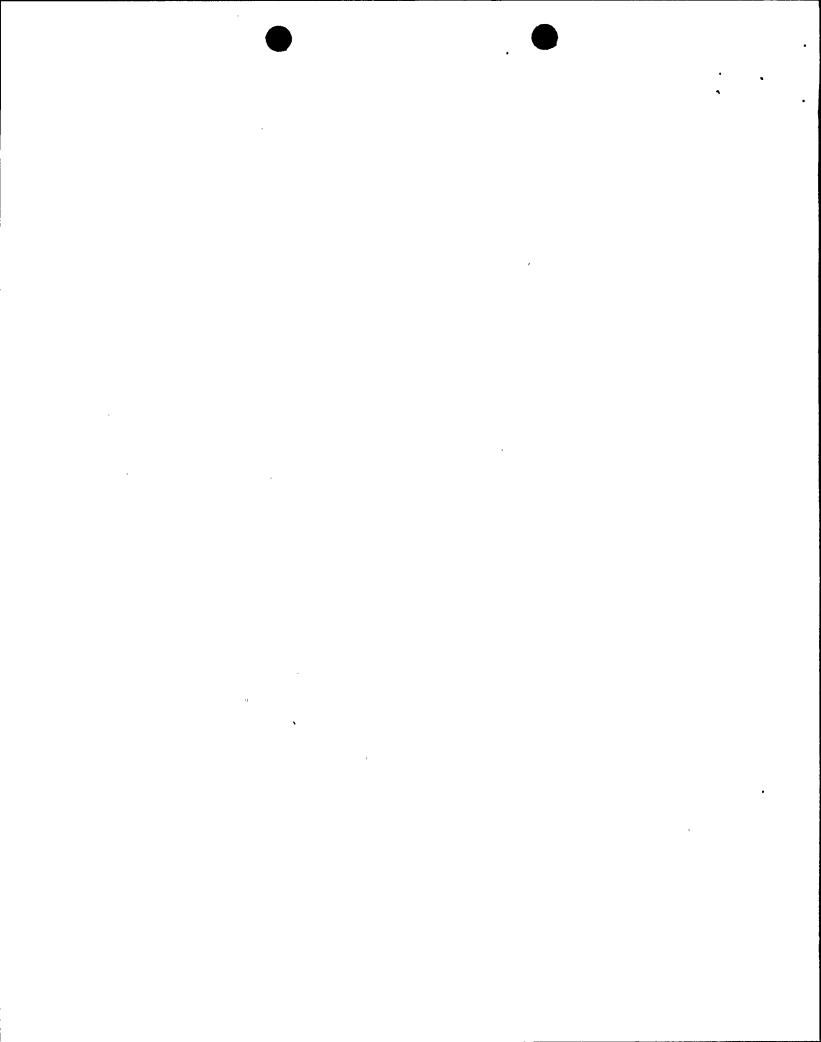
Previous Audit 88262S failed to identify the above deficiencies.

Pacific Scientific Company

An audit of Pacific Scientific Company (PSA) was performed to verify the PSA QA program for providing nonload bearing, essential-to-function items. The audit identified that since January 1988, PSA had no program to control parts exempt from ASME Subsection NF (i.e., non-load bearing). This is documented in PSA Quality Assurance Manual, Section 6. The PSA QA Director stated that prior to January 1988, PSA had an NPT Certificate from ASME and changed their ASME program to a material supplier. thus facilitating a major revision to their QA Manual. As a result of this situation, PG&E conducted a search of all parts procured from PSA since January 1988 and their location. This search determined that six cap screws purchased on Purchase Order 18690 were issued for use in the plant. A review of the documentation supplied by PSA for these cap screws determined that PSA supplied these screws under provisions of their ASME Section III QA program and certified this on Certificate of Compliance.

Additionally, it was identified that the contract audit of PSA's ASME program was to the wrong criteria. The baseline of the subject audit was ASME Section III, NCA-4000 even though the vendor had discontinued this program five months prior to the audit. PSA's present program meets NCA-3800 (i.e., Material supplier).

Because the subcontracted audit had been performed to the wrong criteria (i.e., NCA-4000), PG&E reviewed the last previous utility audit of PSA's Section III program. This audit was performed in February 1989. The baseline for this audit was ASME Section III (NCA-3800). Based on a review of this audit report, checklists, audit findings, and a review of PSA QA



manual, PSA will remain on PG&E's Qualified Supplier List (QSL) for ASME Section III items. However, because this program (NCA 3800) has never been audited, PG&E will perform an audit of this program in early October. Additionally, PSA is in the process of revising their program for non-load bearing items and this revised program will be audited at the same time.

Previous Audit 88087S failed to identify the above deficiencies.

Overall Evaluation of Supplier Audits Performed by Contractors

PG&E has conducted an evaluation of all supplier audits during the last 3 1/2 years and has identified 317 audits performed by outside contractors under their companies' QA program and supervision. The review period of 3 1/2 years was based on PG&E's triennial audit program. The 317 supplier audit reports involve a total population of 185 suppliers based on a review of PG&E paid invoices. Attachment 2 is a list of the 317 supplier audit reports. Attachment 3 is a list of the 185 suppliers affected by these audits. An evaluation of suppliers associated with these audits was performed. Attachment 1 provides a summary of the evaluation of effects on plant operation. The basis the conclusions reached in the evaluation was as follows:

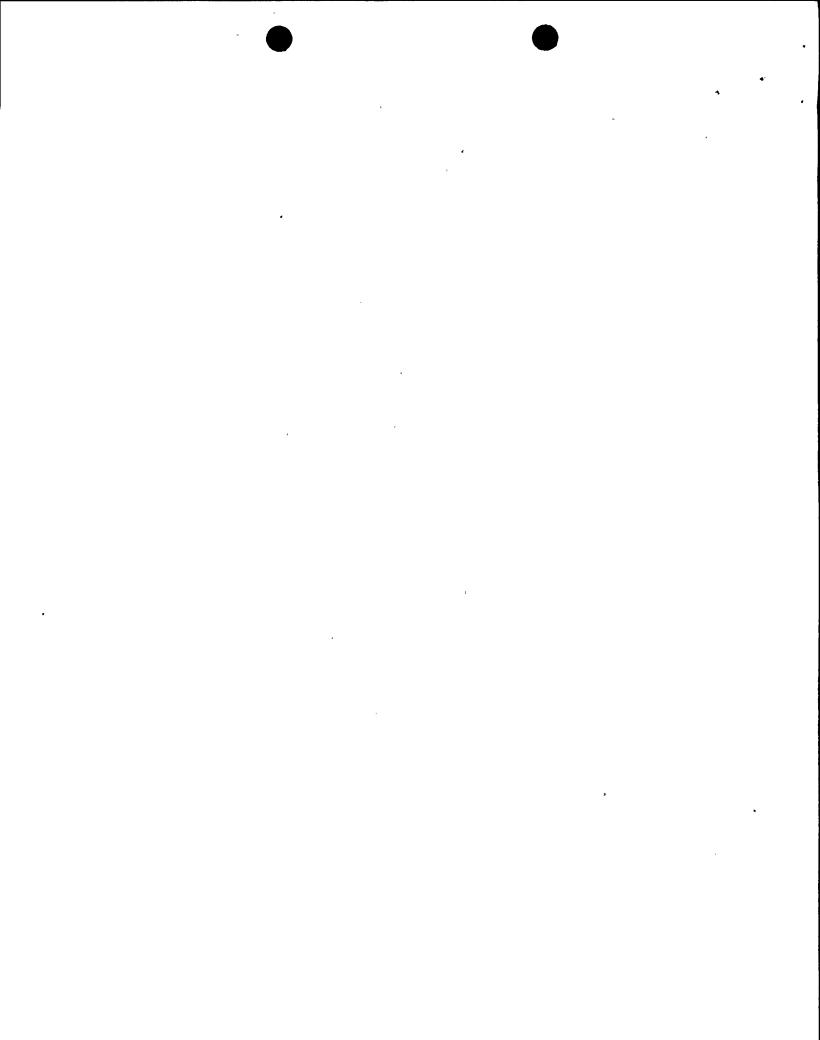
- No safety-related material was purchased using the subject purchase orders
- Material was purchased but never installed in the plant
- Audits reports were reviewed by PG&E and found to be acceptable
- Audits were reviewed and found acceptable based upon other audits performed by NSQAC/third party
- Audits were conducted under the PGLE QA program rather than the contractor QA program
- Suppliers were reaudited by PG&E
- Other specific justification

NRC Supplier Audit Concerns

In addition to PG&E identified audit concerns, the NRC has identified concerns about industry supplier audits in Information Notices 88-35 and 88-95. PG&E will consider this information in its final resolution of this event.

B. Safety Function Potentially Affected

Based on a review of the audits which could have potentially resulted in suspect material being used to perform safety



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functions, it was determined that installed material does not have any adverse impact affecting continued operation of the plant and no safety function is affected. Previous problems associated with the ASW Pump Impellers have been separately addressed in JCO 88-07.

C. Affect of Condition on Safety Function

Not applicable as described above.

D. Alternate Methods of Safety Function Performance

Not applicable as described above:

E. Compensatory Measures

As a result of the above evaluation, PG&E identified three suppliers that require an independent supplier audit by PG&E. These three reaudits were completed on July 24, 1989.

The remaining audits performed by the outside contractor performing the potentially incomplete and/or inadequate audits were evaluated to determine if a reaudit was required. The evaluation considered whether the supplier had already been reaudited, or whether PG&E auditors were present at the audit to ensure a valid audit, or whether a reaudit was determined unnecessary due to absence of purchase orders or prior removal from the QSL. Where needed to provided justification on the quality of the supplier, PG&E has also consulted with other utilities who have conducted audits of the supplier.

11. 50.59 EVALUATION

A. Does the continued operation increase the probability of occurrence or the consequences of an accident or malfunction of equipment important to safety previously analyzed in the safety analysis report?

As defined in ANSI N45.2.13 and as implemented by PG&E, methods used to accept an item or service from a supplier include source verification by audit, source inspection, and receiving inspections and tests. The conduct of quality assurance supplier audits provide one of these verification methods to assure that the established supplier's quality assurance program is adequate and implemented. Since an audit is one mechanism to provide reasonable assurance, direct hardware problems would have to result from both a failure of the supplier's quality program and a lack of detection by other PG&E verification measures such as receipt inspections.

Previous problems associated with the ASW pump impellers have been separately addressed in JCO 88-07. As discussed above, it



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was determined that additional discrepant material identified to be installed in the plant during this evaluation does not have any adverse impact on operation.

Therefore, continued operation with the identified potentially incomplete and/or inadequate supplier audits does not increase the probability of occurrence or the consequences of an accident or malfunction of equipment important to safety previously analyzed in the safety analysis report.

B. Does continued operation create the possibility for an accident or malfunction of a different type other than any evaluated previously in the safety analysis report?

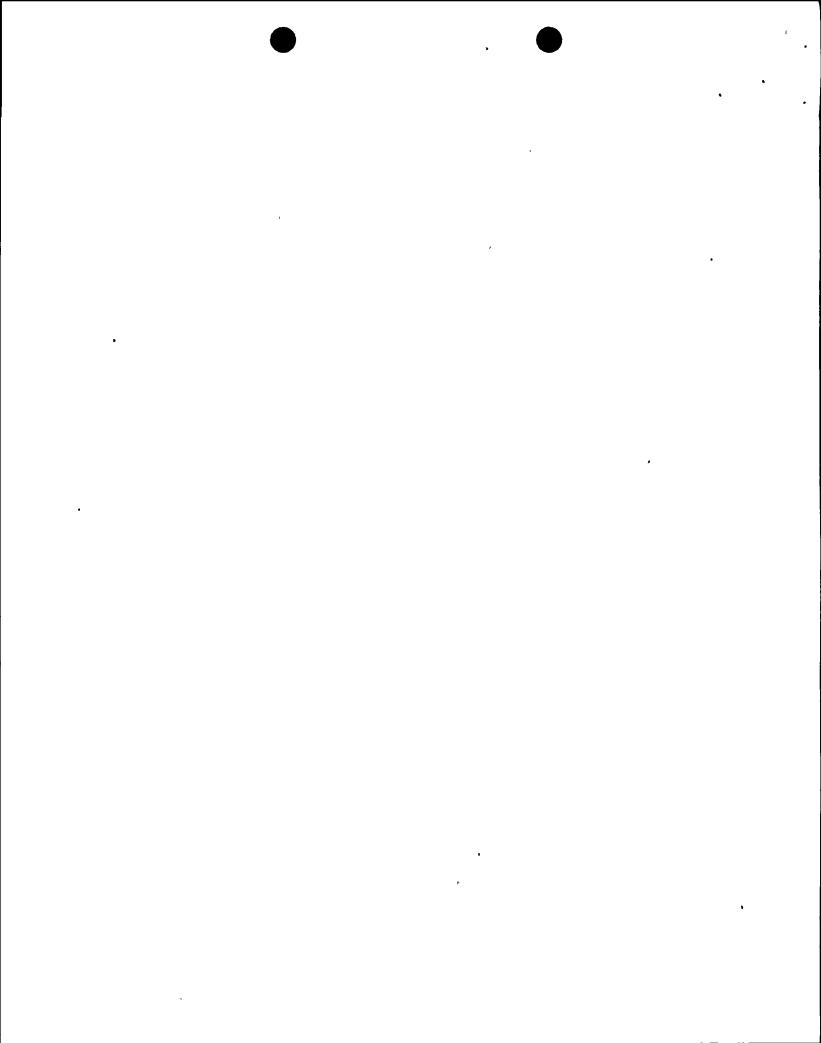
Previous problems associated with the ASW pump impellers have been separately addressed in JCO 88-07. As discussed above, it was determined that additional discrepant material identified to be installed in the plant during this evaluation does not have any adverse impact on operation. Therefore, there has been no change in the configuration of either Unit that would create the possibility for an accident or malfunction of a different type than any evaluated previously in the safety analysis report.

C. Does the continued operation reduce the margin of safety as defined in the basis for any Technical Specification?

Previous problems associated with the ASW pump impellers have been separately addressed in JCO 88-07. As discussed above, it was determined that additional discrepant material identified to be installed in the plant during this evaluation does not have any adverse impact on operation. Therefore, continued operation does not reduce the margin of safety as defined in the basis for any Technical Specification.

III. CONCLUSION

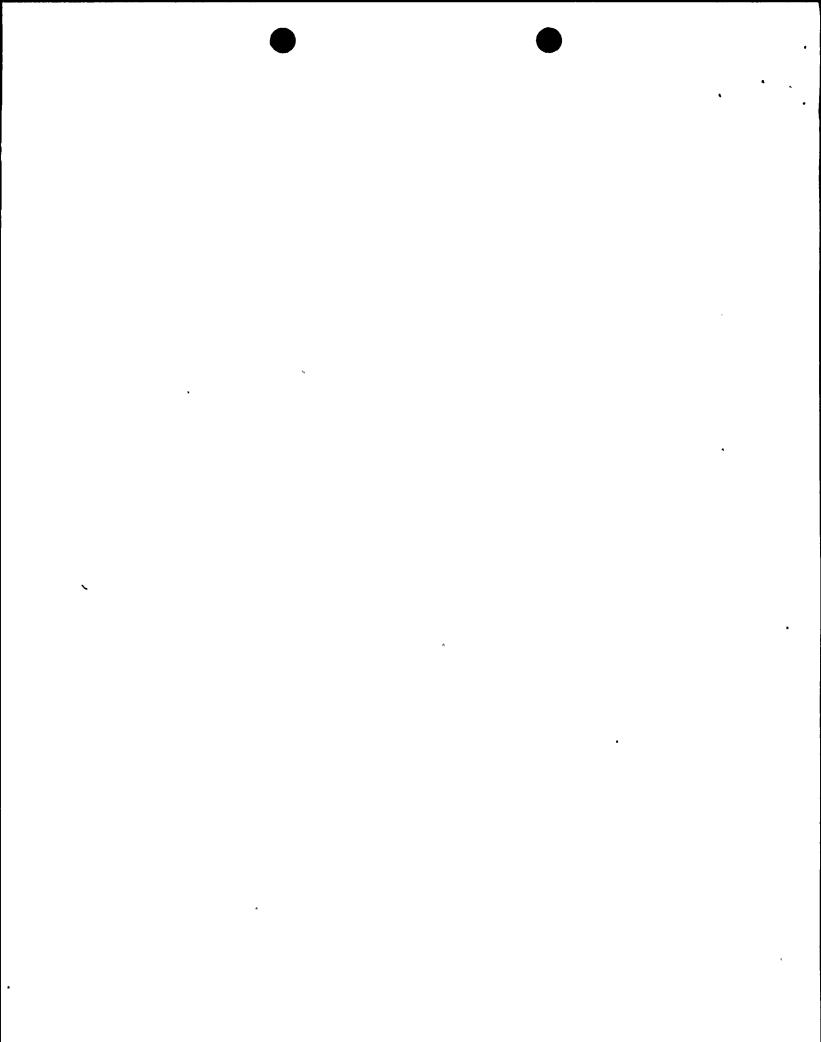
Based on the above analysis and 10 CFR 50.59 evaluation, continued operation of Unit 1 and Unit 2 with the identified potentially incomplete and/or inadequate audits does not create an unreviewed safety question and will not adversely affect the health and safety of the public.



Attachment 1

EVALUATION OF EFFECTS ON PLANT OPERATION

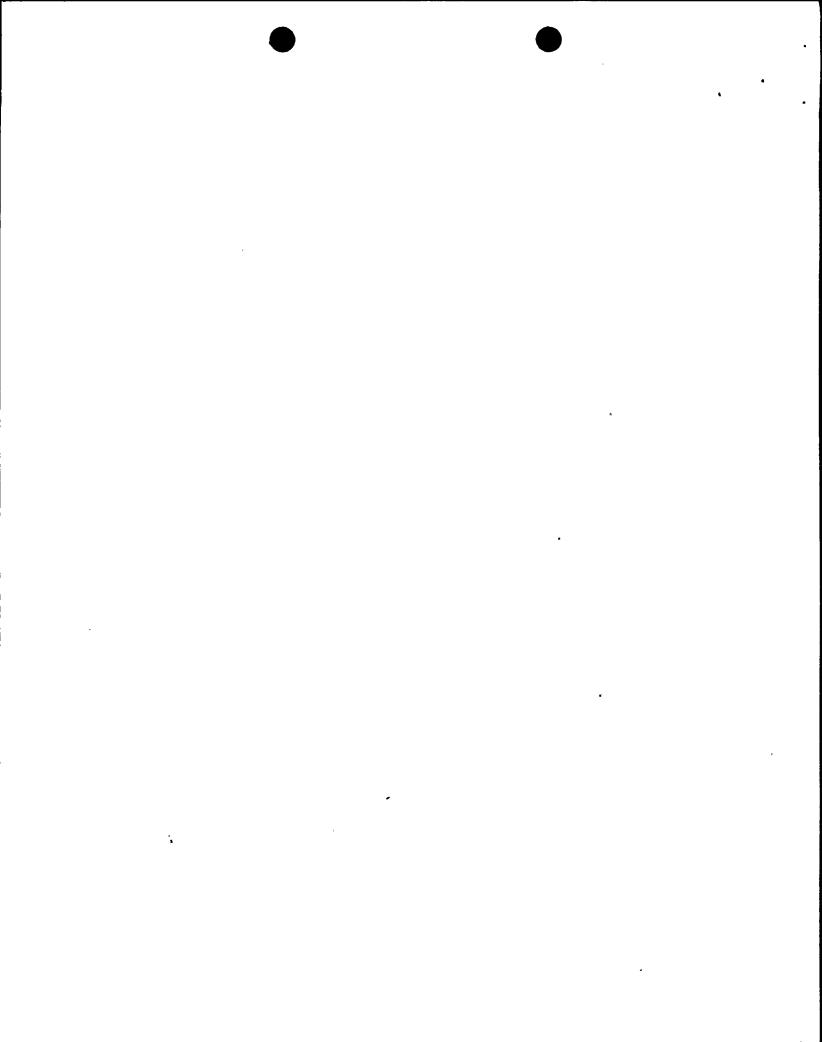
•	Quantity	Besis
A.	Supplier Audit Scop	pe Reviewed and Considered Acceptable
	60	No safety-related purchase orders
	2	Subtier suppliers audited but not placed on qualified suppliers list (QSL) and no purchase orders issued.
	4	Unqualified suppliers - suppliers never placed on PG&E's QSL and no safety related purchase orders.
	80	Additional audits of these suppliers were performed by PG&E personnel or PG&E staff personnel during this subject timeframe; PG&E personnel or PG&E staff augmentation personnel participated in the contracted audit; or an audit followup was performed by PG&E personnel or PG&E staff augmentation personnel.
	21	Contracted audits reviewed and found to be acceptable.
	6 -	NSQAC/Third party audits reviewed and found to be acceptable.
	1	No material from supplier currently installed in DCPP.
	1	Dropped from PG&E QSL, parts dedicated by PG&E.
	3	Supplier reaudited with Engineering disposition.
	2	PGLE Engineering dispositioned
₿.	Supplier Audit Scop	pe Was ASME Exempt Safety-Related Parts
	3	Suppliers where manual review identified that the QA program addresses both ASME and Appendix B requirements and a review of the supplied certificate of compliance indicated that the QA program was applied.
	1	Suppliers with material supplied - but material is still in PG&E's warehouse.
C.	Supplier Audit Scop	pe Was Environmentally Qualified Parts
	1	Suppliers with material supplied - but material still in PG&E's warehouse.



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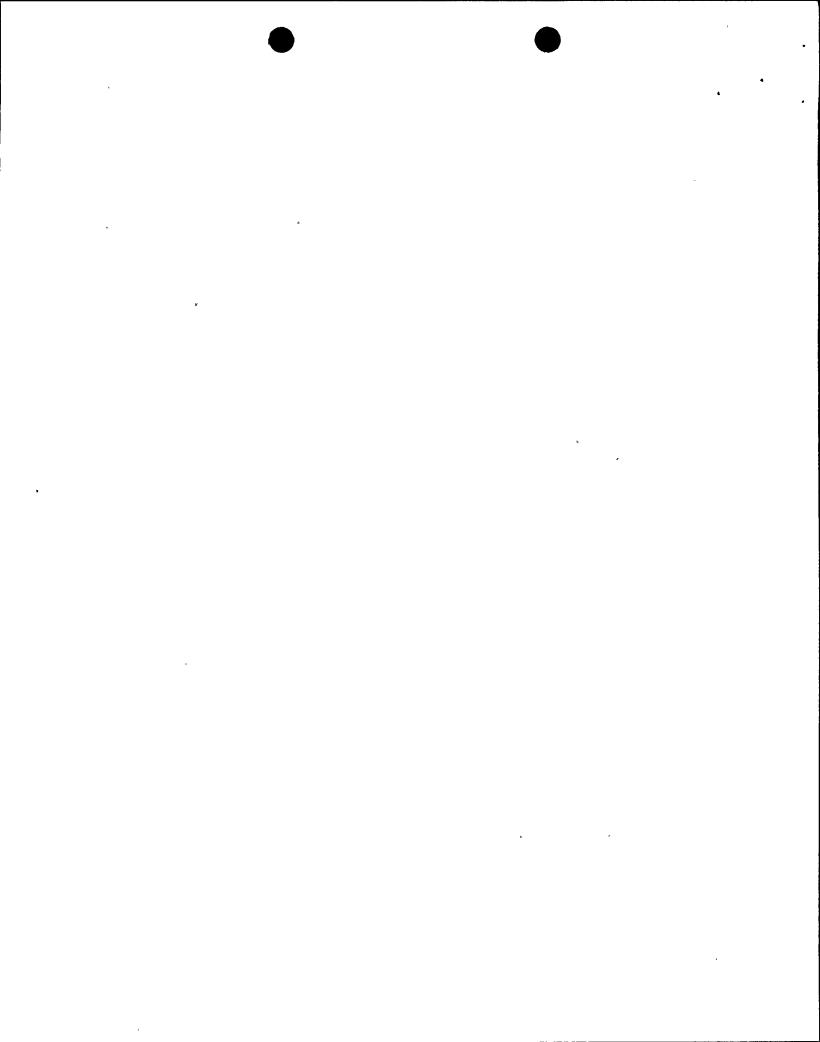
ATTACHMENT 2
Page 1 of 6

	4	
SUPPLIER'S NAME		AUDIT NO.
AA Janason		890908
Acres Corp.		881978
Afga-Geyeart, Inc.		881548
AGTA - Gavaert		871068
Aineworth Products		871078
Allegheny Ludlum	N _a	860368
Allegheny Ludlum	ı	870285
Allegheny Ludlum		870368
Allegheny Ludlum		880168
Alloy Rads		871418
Alley Rods		882262
Alloy Stainless		883025
Alnor		891388
Alnor Instruments		280898
Amerace		890718
American Air Filter		871938
American Air Filter	•	\$90 095
American Gage		870548
Ameron		882281
Amersham Corp.		\$82078
Analytics, Inc.		870738
Anamet Laboratories		880178
Anamet Labs		870492
Anchor Darling		860638
Anchor Darling		87074\$
Anchor Darling		881118
Anderson-Greenwood		881528
Arcos	4	871658
Atwood & Horrill	ţt	871428
Atwood & Horrill		\$72448
Atmood & Horrill		890378
Automatic witch		870758
Automatic witch		288088
Automatic Switch Co. ASG Engineering		86 0718 88 1098
Bailey Controls		870228 880218
Bailey Controls Battelle Pacific		891378
Battelle Pacific Northwest		871098
Sattelie PNL		881048
Sethlehem Steel		870708
Sethlehen Steel		\$80298
Singham International		872088
Boston Insulated Wire		\$5259B
Beston Insulated Wire		862078
Souche Laboratories		871108
Souche Labs		880865
Souche Laba		89 0665
Brasser Standards		881055
Brand Rex		861318
Brooks Instruments		871115
Brownyard Structural Steel		870215
BW/IP (Borg Warner)		\$\$095B
Cajon Co.		881448

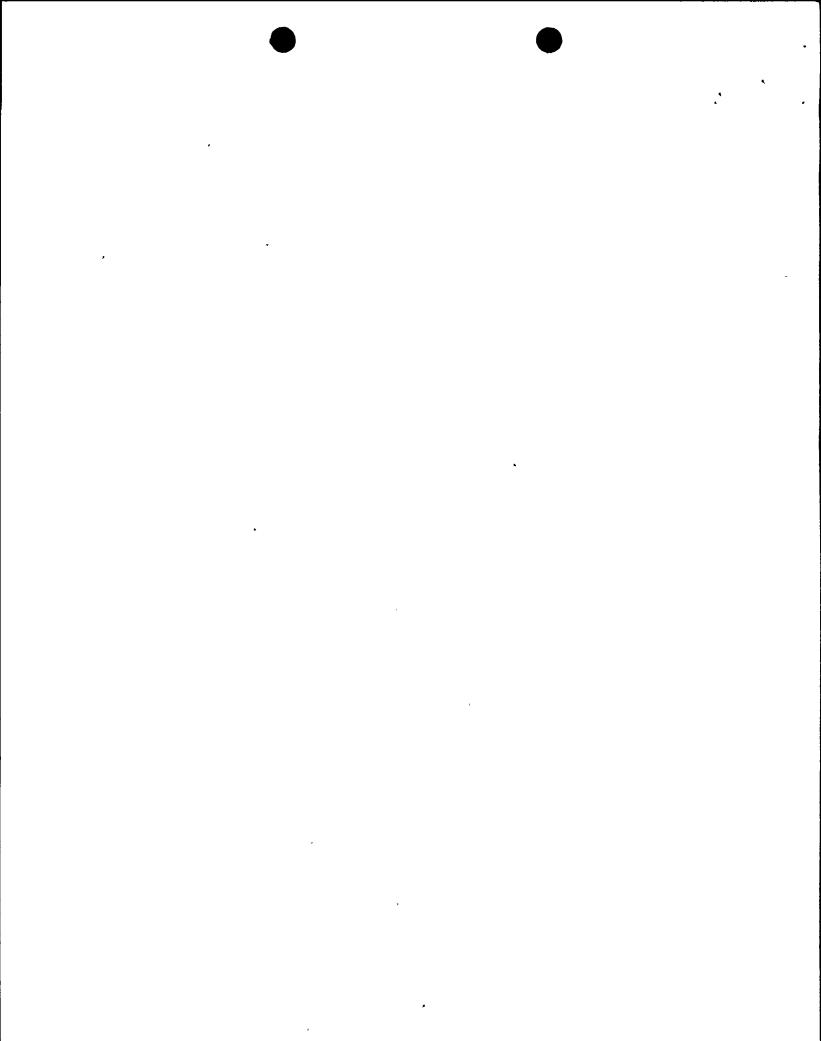


Page 2 of 6

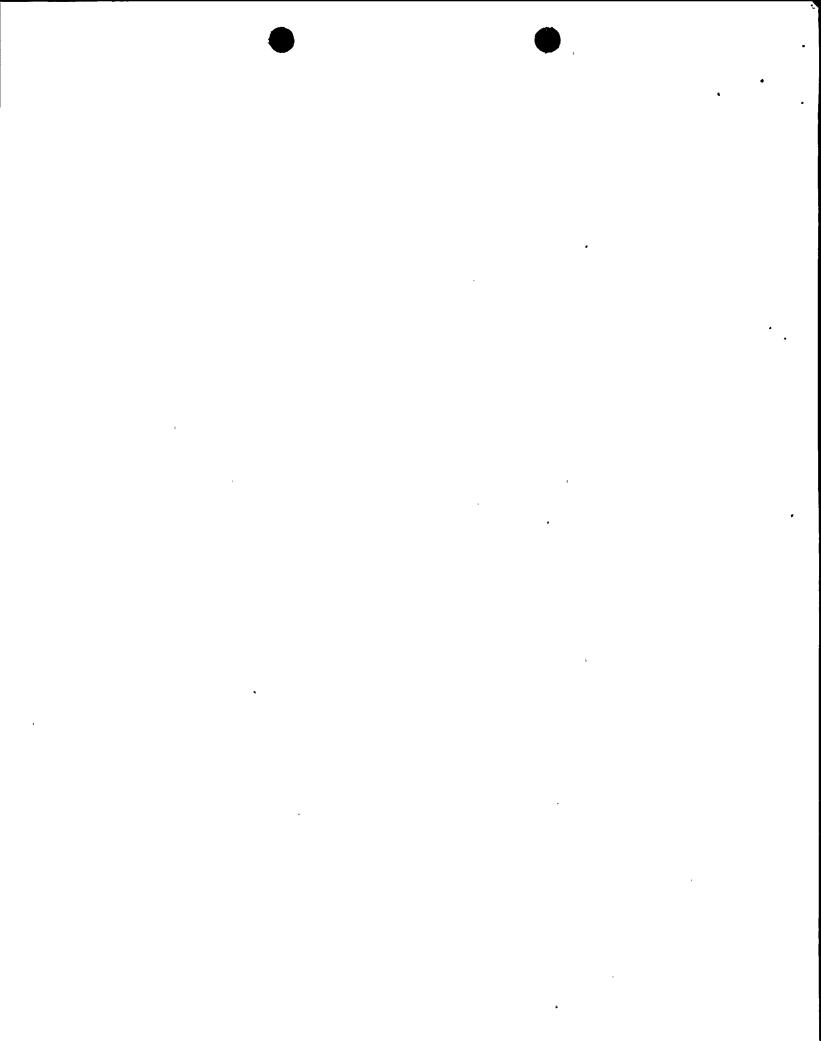
SUPPLIER'S NAME	AUDIT NO.
Carbolina	
Garbolina	870168
Cardiaal	890708
Chemical Muclear Systems	882398
Char-Fuoleat	871838
Chesteston	882608
Chasterton, A. V.	882501
Chesteston, A. W.	852543
Gesatercon, A. W.	862088
Genet Welding Supply	872158
Colonial Machina	881498
Gelerado Engineering	860378
Combustion Engineering	882278 861528
Combustion Engineering	88234E
Consip	-882762
Comtol .	890158
Contel Corp.	872128
Conam Inspection	881358
Cenex Suffalo	881738
Conex Corp.	861778
Conax Corp.	871668
Control Components	872018
Controlotron	862118
Contrelotron	882258
Controletron Corp.	872148
Contrematics	862093
Controcation	871948
Contropation	880448
Controlatios	9 90398
Copes Vulcan	\$61798
Copes Vulcan Copes-Vulcan	\$81985
Crame-Aloyco	871678
Crane-Aloyco	* \$7077 #
Creviord Fitting	881066
Groaby Valve and Gauge Co.	881948
Crosby Valve & Cage	871448
Ouston Alloy	. 882029 861808
Custom Alloy	872109
C66 Valve	881198
Dalfi Gal Labs	882368
Davis Instruments	871378
Davis Instruments	881478
Davis Instr.	891178
DH Instruments	860538
Diagon Valves	882561
Desitea Do-All	890278
Do-A11	871138
De-All/A. A. Jannson	280995
Do-All/Jansson	871128
Dresser Industries	880988 872168
Dresser Industries	882625
Duratek	890075
9 .	



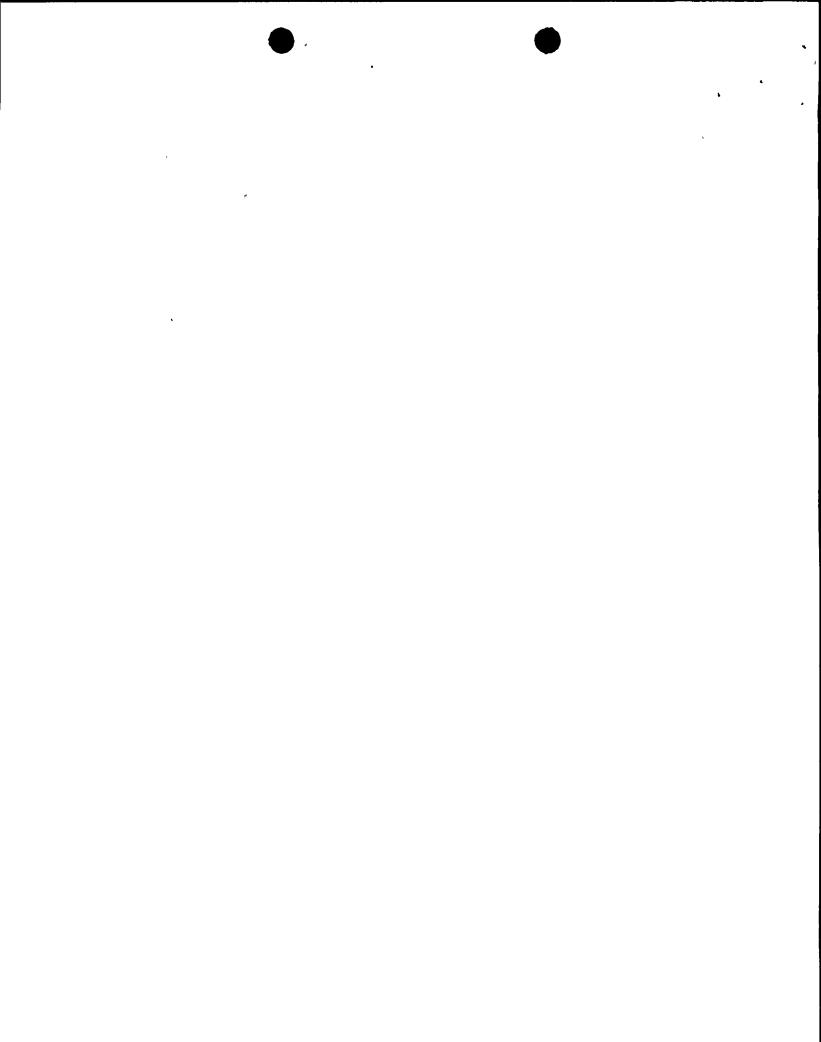
SUPPLIER'S NAME	AUDIT NO
Dytran	891078
Dytran Instruments	871148
Earth Science Associates	880288
Seton-Gulter Hemer	870298
Eberline Corp.	882598
Bleatre Test	872208
Blectretest	882416
Endevoe	881598
Engelhard	87199B .
Engelhard Produced States	881458
Suvirousental Engineering	080236
Suvironmental Engineering & Testing E.I. International	870438
R.I. International	870798
Falk Gerp.	880488
Farwell & Hendricks	870808
Fisher Centrols	890698
Flanders Filters	881198
Fluid Gomponents	872118
Pluks	890518
Fombore Co.	871158 861148
Fexbore Co.	870818
Purment te	862608
Permenite America, Inc.	\$7217 8
CA Technologies	\$82558
Camps - Netrice	880768
Coneral Eastern	871168
General Physics	890638
General Radio	871178
General Radio	- 860978
General Technical Services	861818
Gould Pumps	871458
Grinnell Corp.	871968
Grinnell Corp.	880838
Olyun Alloys	861705
G.P. Instruments Marnischleger P&H	881028
-diarnieshieger, P.H.	880925
Hatch	870828
Match Inc.	880458
Mayward Taylor Pumps	870278
Newlett Packard	\$7197 \$
Milei	890568 68268 <i>\$</i>
Hilti, Inc.	\$7266 \$
Meltec	880756
Mub, Inc.	871468
Hub, Inc.	881958
Imperial Eastman	880208
Isotope Products Laboratory	680278
Isotope Products Labs	870268
ITT Barton	080138
ITT Engineered Valves ITT Engineered Valves	862578
AAA ANTINGSTAN VAIVAS	872098
ITT Engineered Valves	882465



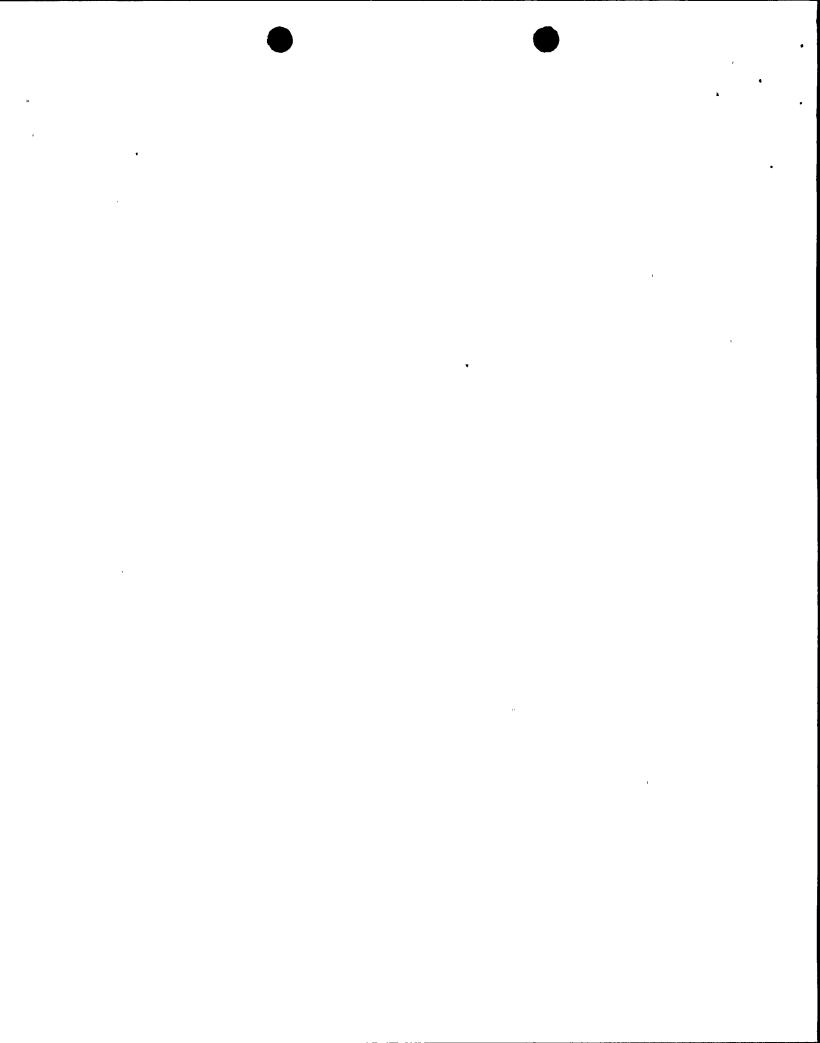
SUPPLIER'S WANT	AUDIT NO.
177 General Control	870238
John Pluke Mfg.	890498
Jehnsen Pump	281368
Joy Manufacturing	\$7017\$
Jey Mfg. Kerotest	880478
Kerotsát	880468
Kerotest Manufacturing	\$90088
Knopp	870128
Kaepp, Inc.	871188
Eraukremer/Branson	881608
Liberty Equipment	\$80828
Liberty Equipment & Supply	870256
L.S. Starrett	880225
Mesone(lan Dresser	881618
Maseneilan-Dresser Industries	890268
Metal Sallows	871478
HIS Systems	882108 871208
Mine Safety Appliances	89 057 8
MAS Instruments	881008
MKS Instruments Inc.	871198
Moore Industries	890068
MT8 System (2 locations)	881468
Manco Controls	881485
Mational Technical Systems	881768
MES/Dyaacon	871218
MES/Dysacon	872198
MBE/Dynacon	67270s
MPS Industries	881558
Muclear Air Filters	\$70118
Muson	882748
Nuthers Con .	870148
OAt, Jeseph	86210s
Oat, Jeseph	872185
Pac Pumps	882328
Pacific Galibration Pacific Galibration	881128
· Pacific Bucker Systems	690638
Pacific Muclear Systems	870848
Pacific Pumps	871708
Pacifiq Pumps	871488
Pacific Scientific	891035 88 0876
Pall Trinity	862628
Fall Trinity	882338
Parker Seals	890528
Paul Manree Bhartach	890618
POR Pierotronies	871228
200 Piesotronies Inc.	880945
Plant Inspection	890538
Potter & Brunfield	870198
Prestay	870208
Presray Corp.	\$6044B
Presray Corp. Presray Corp.	880848
	890628



SUPPLIER'S MAME	AUDIT NO.
Promoteo	882459
Qualimetries, Inc.	841538
Redcal Corporation	880268
Redual Corp.	890 038
Redien Research	872078
Redism Research	882298
Andietion Starilizers	890558
Radner Alloys	872688
Radnor Alloys	882738
Rayohee	881078
Reed Mat'l Air Products	890048
Rice lake Bearing .	880935
Rice Lake Bearing	891268
Robven Backing Ring	860702
Robvon Sanking Ring	\$7083\$
Robvon Backing Ring Co.	881168
Rockbeatos	860648
Rockwell International	* 870158
Rookwell International	882428
Rosemount, Inc.	880148
Resemble, Inc.	89001B
Roskin Mig Rotak Instrument	881088 ⁻ 871238
Rotek instruments	8\$0318
Rotek Instruments	8 90258
Rotork Controls, Inc.	87087 \$
Ruetar-Stokes	882058
Ruska	891195
Ruska Instrument Corp.	\$ 7124 \$
Ruska Instrumenta	581648
Smakin Manufacturing	870868
Satin American	890508
Sorrento Electronics	880308
Starrett, L. S.	\$61508
Starrett, L. S.	871498
Staveley Instruments	871278
Staveley Instruments	\$\$1032
Atevely Instruments	881588
Staveley Instr.	891288
Staveley NDT Instruments	871258
Staveley Sonic Instrument	871268
Servely MDT	88157#
Sulser Binghan	882448
Sulser Singham Pumps	882448
Terget, Book	\$\$1138 \$6045B
Taylor, Instruments	880643
Taylor: Instruments	861788
Techalloy Techalloy	881668
Technology for Snargy	861298
Technology for Energy	\$7150B
Technology for Shergy	881748
Tektropics	890723
Tektronix	871288
\Tektronixe	20902

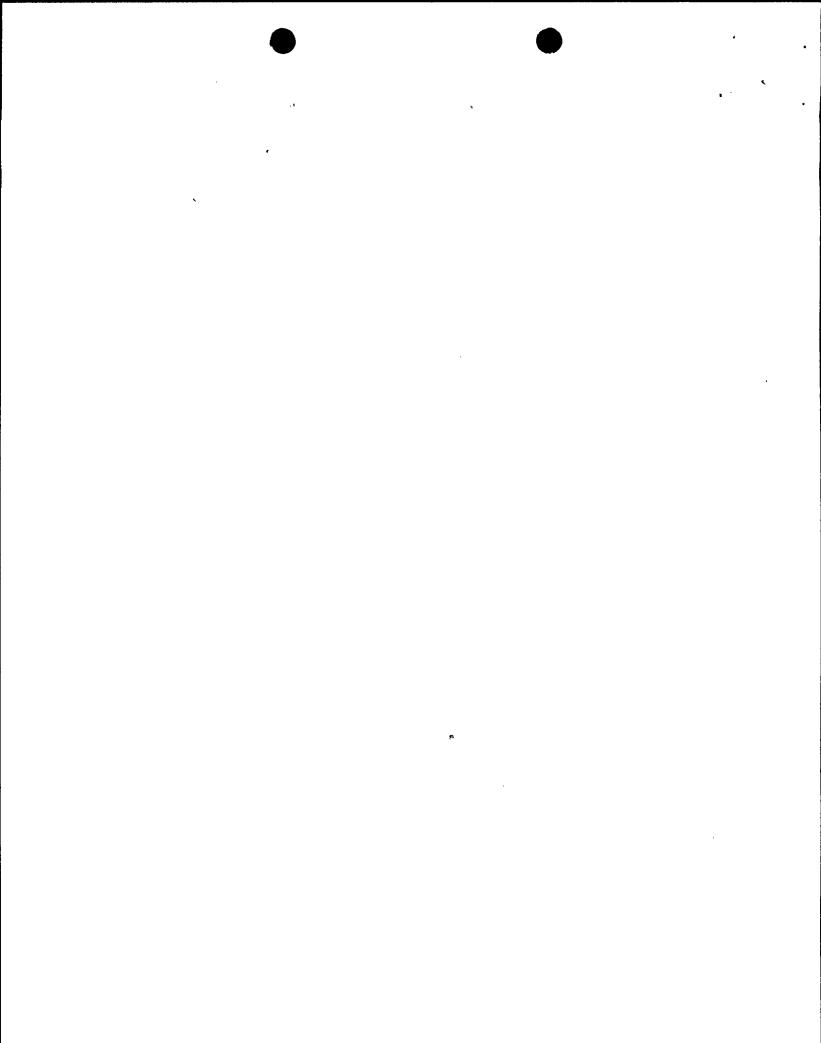


AUPPLIER'S HAME	AUDIT HO
Teledyne Engineering	860408
Terry Turbine	861328
Thermen Menufacturing Co.	871518
Thermen Mfg.	881418
Tioga	881993
Tobar, Inc.	- 880188
Tracor Westronics	890468
Tracor Westronics	89 079 5
Tube Sales Ultraviolet	870898
Uniatry Corporation	890148
United Testing, Inc.	881678
U. S. Welding	880158
U.S. Welding	672368
Valor	882068
Valeor Engineering	871528
Valor Engineering	661538
Volen Velve	881808 860458
Velan Valve	881758
Ventura Valve	882548
Victoreen	880778
Victores	890488
Visalia Bleotric	\$82708
Vogt Mechine Co., Henry	862638
Volumetrics	891248
Wahl	891188
Wehl Instruments	\$71298
Wahl Instruments	881378
Wallace and Tiernan	87138\$
Wallage & Tiernan	881108 .
Webber Gage	67269 2
Webber Cage Weldstar	882658
	882618
Westinghouse Hitte an	860658
WYI Mudlest	870888
Wilson Instruments	883035
Wilsen-Rockwall	890608
Wyle Lab	871308 870110
Wyle Laboratories	870138 880248
Wyle Labs	862378
Yarvey Corp.	860858
Zetes, Inc.	882715
Zurn Industries	872138
Surn Industries	882518

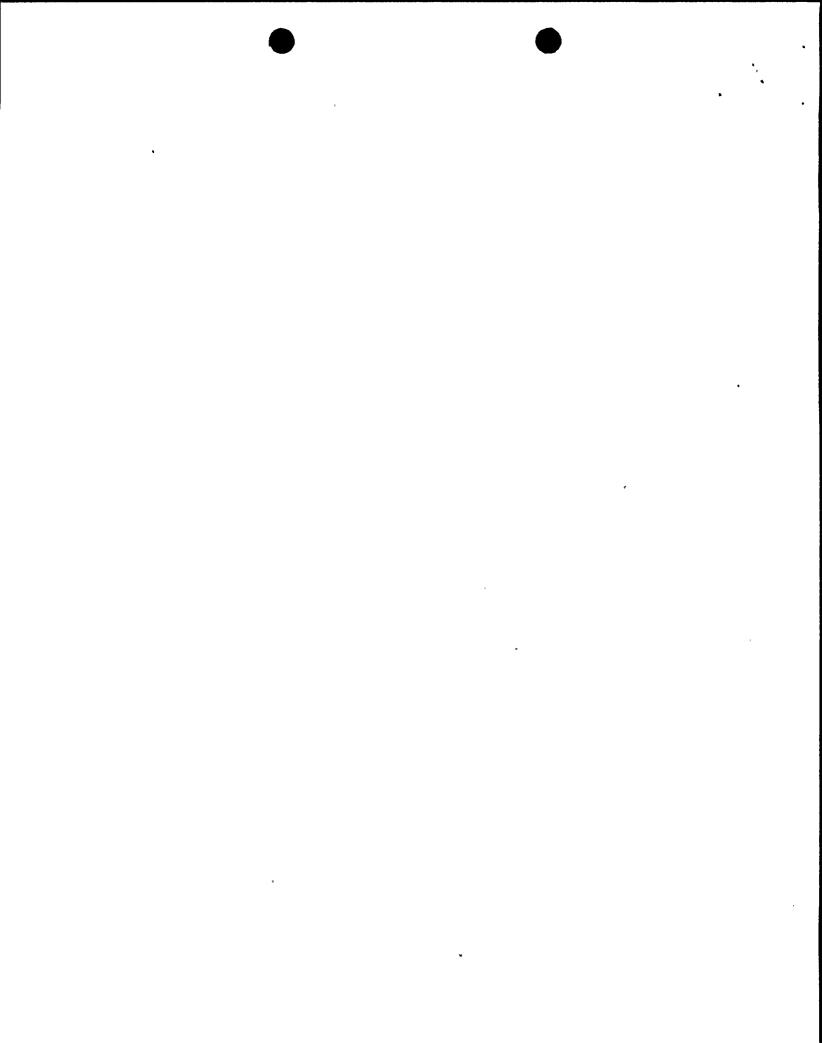


ATTACHMENT 3

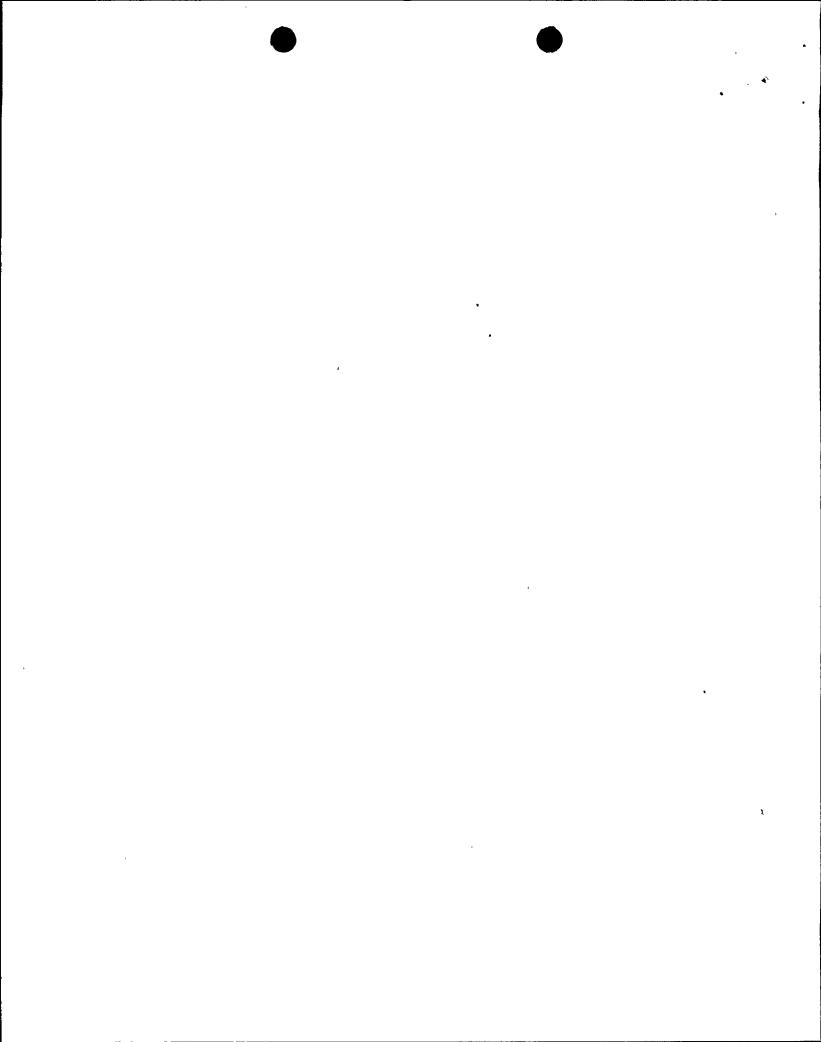
- (1) A & G ENGINEERING CO
- (2) AGFA-DEVARAT, IRC
- (3) AINSWOKTH PRODUCTS
- (4) ALLEGHERY LUDLUM STEEL CORP
- (5) ALLOY MODE INC
- (6) ALLOY STAINLESS PRODUCTS CO
- (7) ALMOR EMSTRUMENTS CO
- (8) AMERACE CORP
- (9) AMERICAN AIR PELTER
- (10) AMERICAN GAGE & INSTRUMENT CO
- (11) AMERON PROTECTEYS
- (12) AMERSHAM CORPORATION
- (13) AMALYTICS INC .
- (14) ANAMET LABORATORIES
- (15) ANCHOR/DARLING INDUSTRIES (HATFIELD)
- (16) · AMCHOR/DARLING WALVE (WILLIAMSPORT)
- (17) ANDERSON GREENOOD
- (18) ARCOS CORPONATION
- (19) ATHOOD & MORRELL CO INC
- (20) AUTOMATIC SWITCH CO
- (21) MATLEY CONTROLS CO
- (22) BATTELLE PACIFIC NORTHWEST LAB
- (23) BETHLEBEN STEEL CORP
- (24) BORG-MARMEN INDUSTRIES PRODUCT
- (25) BOSTON INSULATED WIRE & CABLE
- (26) RRAINER STANDARD
- (27) BRAND REX CO



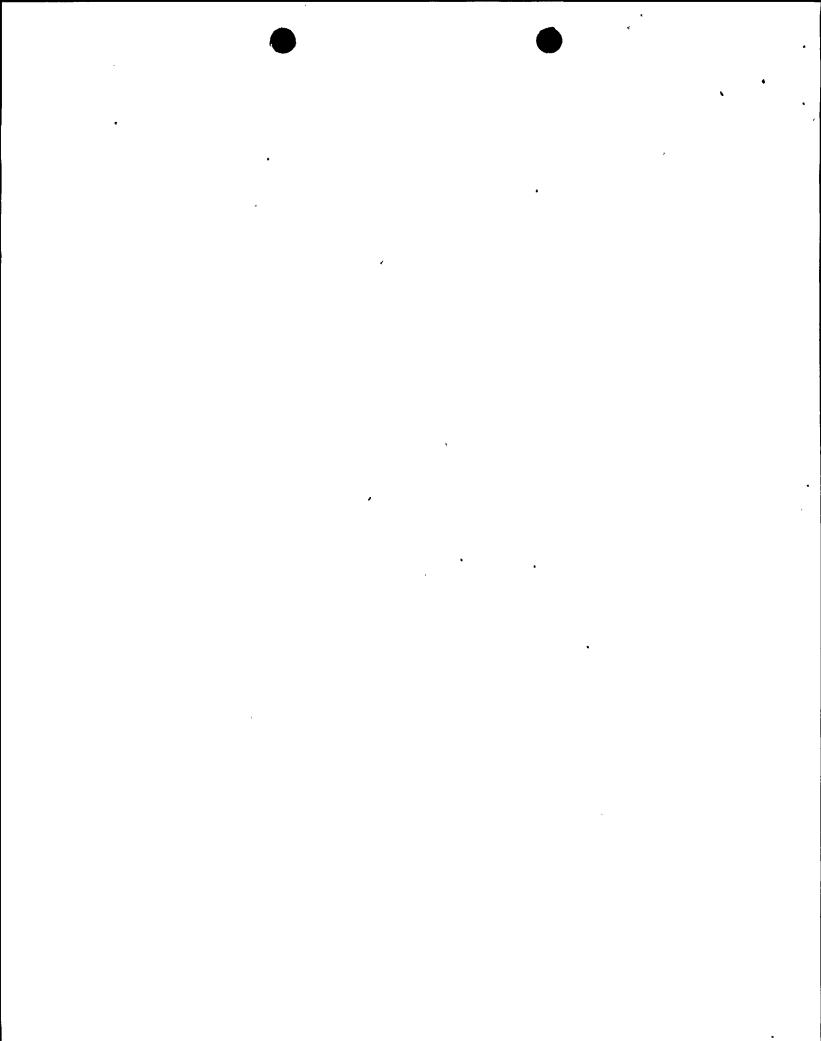
- (28) BROOKS INSTRUMENTS
- (29) BROWNYARD STRUCTURAL STEEL
- (30) CAS VALVE CO
- (31) CAJON CO
- (32) CAMPILLE BAUER INC (TOBAR INC)
- (33) CARBOLINE CO
- (34) CARDINAL INDUSTRIAL
- (35) CHEM-MUCLEAR SYSTEMS INC
- (36) CEESTERTON, A. W.
- (37) COAST WELDING SUPPLY INC
- (38) COLONIAL MACHINE CO
- (39) COLORADO ENGINEERING
- (40) COMBUSTION ENGINEERING INC
- (41) CONSIF INC
- (42) CONTEL CORP
- (43) CONAM INSPECTION INC
- (44) CONAX BUFFALO CORP
- (45) CONTROL COMPONENTS INC
- (46) CONTROLOTION CORP
- (47) CONTROMATICS
- (48) COPES-YULGAN INC
- (49) CRAFE-ALOYOO IEC
- (50) CRAWFORD FITTING CO
- (51) CRUSBY VALVE
- (52) GUSTON ALLOY CORP
- (53) DALTI CAL LAS
- (54) DAVIS INSTRUMENTS MFG CO INC



- (55) DH INSTRUMENTS INC
- (56) DRAGON VALVE IND
- (57) DOSITEC INC
- (58) DO ALL AA JARREON
- (59) DARSER INDUSTRIES
- (60) DURATEX CORP
- (61) DYTHAN INSTRUMENT INC
- (62) ZARTH SCIENCE ASSOCIATES
- (63) EATON CORP
- (64) EBEALINE INSTRUMENTS CORP
- (65) E. I. INTERNATIONAL
- (66) ELECTRO TEST 1MG
- (67) ENDEVCO INC
- (68) ENGLEWARD COMP
- (69) ENVIRONMENTAL ENGINEERING
- (70) FALK CORP
- (71) FARWELL & RENDRICKS
- (72) FIGHER CONTROLS CO INC
- (73) YLANDERS LITTER INC
- (74) FLUID CONCROHENTS INC
- (75) FLUKZ, JOHE MFG CO
- (76) POX3020 CO
- (77) YURHAMITE CO
- (78) GA TECHNOLOGIES
- (79) GANGEA-METRICS
- (80) GENERAL BASTERN
- (81) GENERAL PRESICS INSTRUMENTS

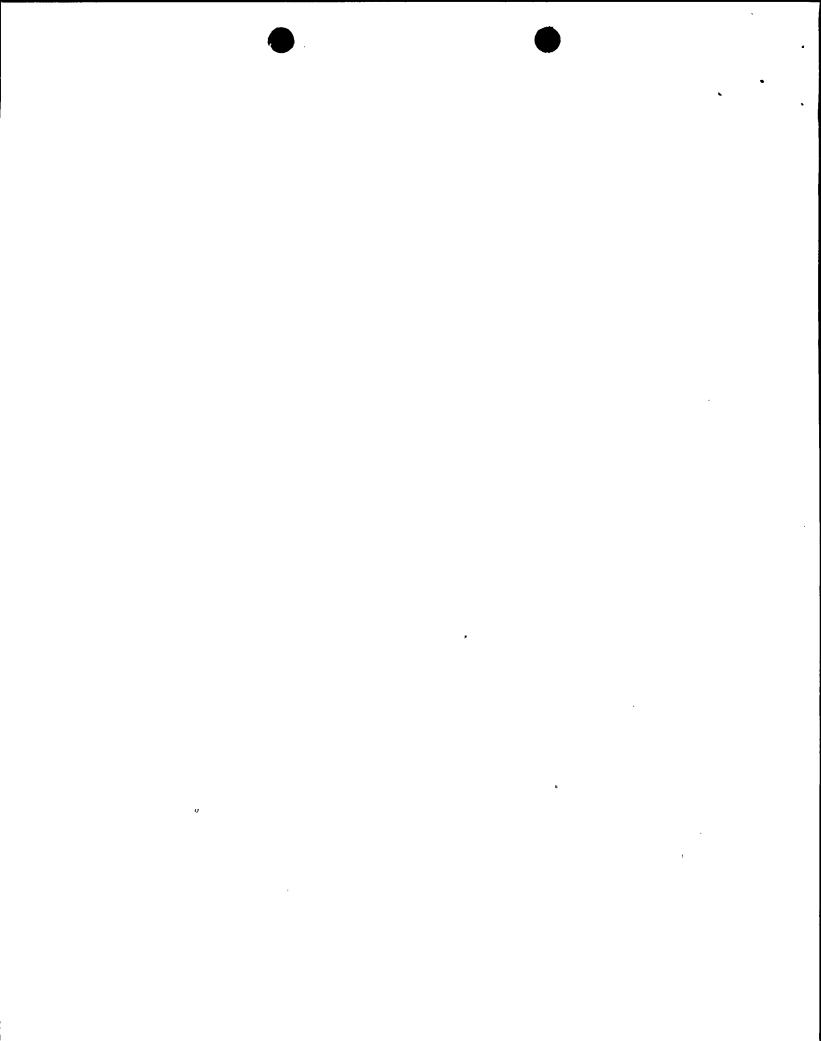


- " (82) GENERAL BADIO INC
 - (83) GENERAL TECHNICAL SERVICES
 - (84) COULDS PUMPS INC
 - (85) GRINNELL CORP (FULLRATOR, CA)
 - (86) GRINNELL CORP (CRAMSTON, RHODE ISLAND)
 - (87) MARNISCHPHOER PAR INC
 - (88) MATCH INC
 - (89) MAYWARD-TAYLOR PURP CO
 - (90) MEWLETT-PACKARD CO
 - (91) HILTI INDUSTRIES INC
 - (92) MOLTEC INTERNATIONAL
 - (93) BUS IRC
 - (94) DOPELAL CLEVITE BASTWAR
 - (95) ISOTOPE PRODUCTS LAB
 - (96) ITT BARTON (ITT GENERAL CONTROLS)
 - (97) ITT ENGINEERED VALVE
 - (98) JOHNSTON PUMP CO
 - (99) JOY MANUFACTURING
 - (100) KEROTEST MYC 'CORP
 - (101) KHOPP INC
 - (102) KRAUTERAMER-BRANSON INC
 - (103) LIBERTY EQUIPMENT SUPPLY CO
 - (104) MASOWELLAN-DRESSER INDUSTRIES
 - (105) METAL BELLOWS CORP
 - (106) WINE SAFETY APPLIANCES CO
 - (107) MILS INSTRUMENTS
 - (108) MOORE INDUSTRIES INC



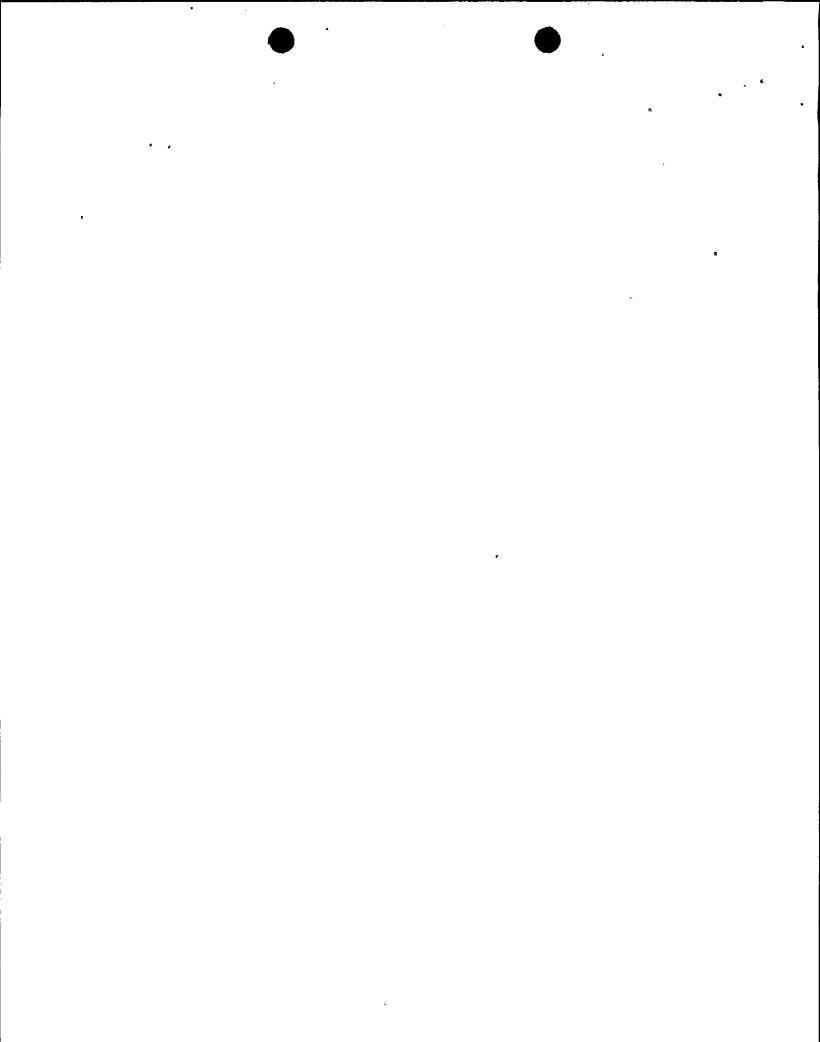
KING TOOL THE POSE RESOCHIERT CREEKE SOUTHER TO THE SOUTHER TO THE

- (109) MTS SYSTEMS CORP
 - (110) MANCO CONTROLS
 - (111) NATIONAL TECHNICAL SYSTEMS
 - (112) MPS INDUSTRIES
 - (113) MUCLEAR AIR FILTRATION TESTING ASSOCIATES
 - (114) MUCLEAR COMBULTING SERVICES INC
 - (115) MUCLEAR ENERGY SERVICES INC/DYNACOH-VDE SERVICES
 - (116) BUTHERN INTERNATIONAL
 - (117) OAT, JOSEPH CORP
 - (118) PACIFIC CALIBRATION SERVICES
 - (119) PACIFIC MUCLEAR SYSTEMS
 - (120) PACIFIC SCIENTIFIC CO
 - (121) PACIFIC & WORTHINGTON PUMPS
 - (122) PALL TRIBITY MICEO CORP
 - (123) PARKER SEAL CO
 - (124) PAUL-MONROE EMERTECH
 - (125) PCB PIZZOTRONICS
 - (126) PLANT INSPECTION CO
 - (127) POTTER & BRUNGFIELD
 - (128) PRESEAY CORP
 - (129) PROMATEC .
 - (130) QUALIMETRICS
 - (131) RADCAL CORP
 - (132) RADIAN RESEARCH
 - (133) RADIATION STERILIZERS
 - (134) RADNOR ALLOYS (GUYON ALLOYS)
 - (135) RAYCREM CORP

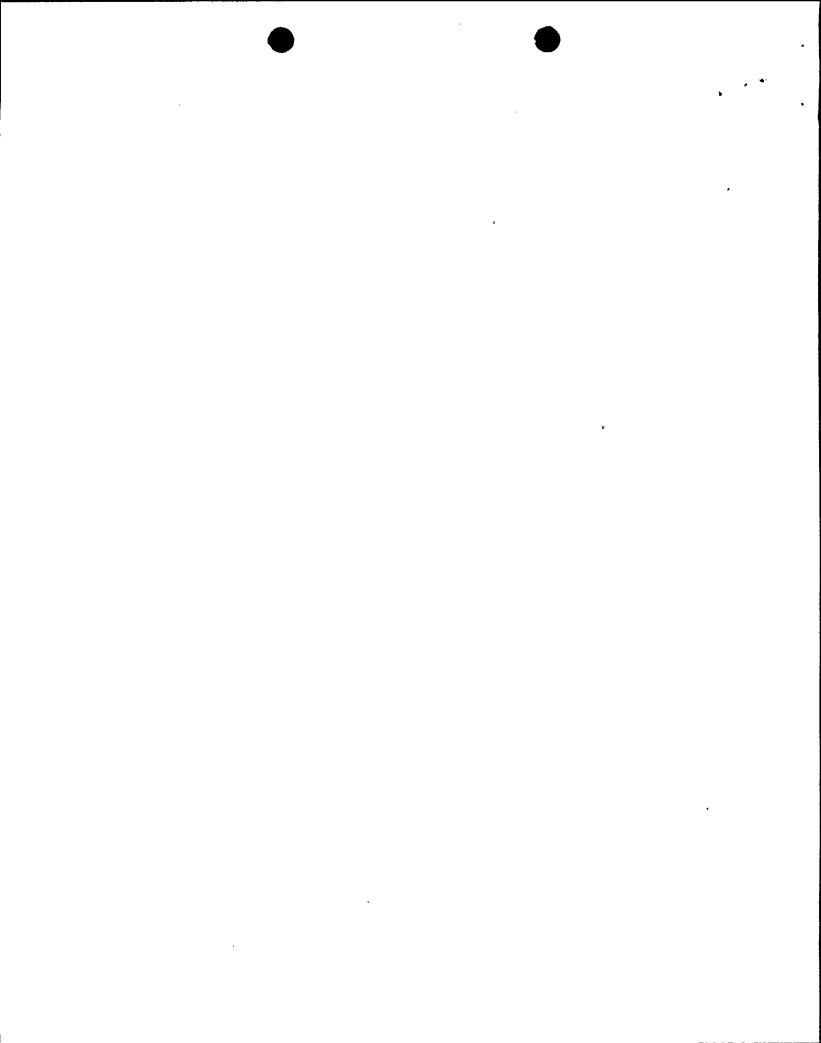


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- . (136) REED MATIONAL ALR PRODUCTS
 - (137) REUTER-STOKES
 - (138) RICK LAKE BEARING
 - (139) BOBYON BACKING RING
 - (140) ROCKSESTOS CO
 - (141) ROCKWELL INTERNATIONAL
 - (142) ROSENOUNT INC
 - (143) ROTEK LESTRUMENT CORP
 - (144) BOTORK CONTROLS INC
 - (145) BUSKA INSTRUMENTS CORP
 - (146) RUBKIN MARUTACTURING CO
 - (147) SATIN AMERICAN CORP
 - (148) SORRENTO ELECTRONICS
 - (149) STARRETT, L. S.
 - (150) STAVELEY INSTRUMENT
 - (151) BULLER BINGRAM PUMPS
 - (152) TARGET BOCK CORP
 - (153) TAYLOR INSTRUMENT INC
 - (154) TECHALLOY MARYLAND
 - (155) TECHNOLOGY FOR EMERGY
 - (156) TEXTRONIS INC
 - (157) TELEDYNE EMGINEERING
 - (158) TERRY STEAM TURBINE CO
 - (159) THERMON MYG CO
 - (160) TIOGA PIPE SUPPLY CO
 - (161) TRACOR WESTKONICS INC
 - (162) TUBE SALES



- 4(163) ULTHA VIOLET PRODUCTE INC
 - (164) UNISTRUT
 - (165) US TESTING CO INC
 - (166) US WELDING CORP
 - (167) VALCOR ENGINEERING CORP.
 - (168) YELAN VALVE COMP
 - (169) VENTURA VALVE & FITTING
 - (170) VIBRACON (BOUCHE LABORATORIES)
 - (171) VICTOREEN INC
 - (172) VISALIA ELECTRIC MOTOR SHOP
 - (173) YOUT, MENRY MACHINE CO
 - (174) VOLUMETRICS
 - (175) WAHL INSTRUMENTS
 - (176) WALLACE & TIERRAK
 - (177) WEBBER GARE DIVISION
 - (178) WELDSTAR CO
 - (179) WESTINGHOUSE MITTHAN
 - (180) WYI MUCLEAR
 - (181) WILSON INSTRUMENT
 - (182) WYLE LABORATORIES
 - (183) YARWAY CORP
 - (184) ERTEC INC
 - (185) ZURN INDUSTRIES



NRC Request:

 Your specific plans and schedules to fully assess the adequacy of your vendor audit and of your quality assurance program in general;

PG&E Response:

OVERVIEW

As a result of a previous Part 21 notification by PG&E involving its contractor, Sulzer Bingham (submitted in PG&E's Letter DCL-88-255, dated October 26, 1988), PG&E had already commenced efforts to assess the adequacy of audits involving Sulzer Bingham and the overall quality assurance program (Enclosure 3).

Additionally, NRC Information Notice No. (IN) 88-35 was issued to "alert addressees to potential problems resulting from inadequately performed licensee audits at vendor facilities which may not reveal the vendor's failure to implement critical portions of its quality assurance (QA) program." Further, subsequent to the issuance of IN 88-35, NRC IN 88-95 was issued and noted that "... it appears that past licensee audits have not been effective in assuring compliance with regulatory requirements."

PG&E has been actively pursuing that focus on issues raised in the previous Part 21 notification as well as the NRC Notices. PG&E is participating with the NUMARC Nuclear Plant Equipment Procurement (NPEP) Hork Group as part of a unified nuclear industry interaction with NRC management on concerns related to procurement. Activities include industry interactions relating to the improvement of procurement practices. In addition, PG&E is actively participating in the performance of joint utility audits as a member of the Nuclear Procurement Issues Council (NUPIC), which is a combination of the previous Nuclear Supplier QA Committee (NSQAC) and the Coordinating Agency for Supplier Evaluation, Nuclear Section (CASE).

The awareness of these industry concerns led PG&E to identify that, contrary to PG&E QA Manual requirements, a contract QA auditor potentially performed incomplete and/or inadequate supplier audits which did not identify the suppliers' failure to implement portions of their QA programs. PG&E Nonconformance Report (NCR) DCO-89-QA-NOO7 was initiated to investigate and resolve this concern.

PG&E has initiated ongoing efforts to evaluate, investigate and resolve the issues as discussed in the July 25, 1989 meeting with the NRC. The nature of these efforts include technical and non-technical investigations. Different groups have been assigned for each review. In addition, a coordinator (Special Investigation Coordinator) has been appointed by the PG&E President to assure cohesiveness in the investigations and provide an independent review of the findings.

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The technical review is being conducted in accordance with PG&E's existing procedures for Nonconformance Review by a Technical Review Group (TRG). The non-technical review is being conducted by PG&E's Internal Auditing Department (IAD) which is responsible for Corporate audits of financial records and contract administration data within all areas of PG&E. The special investigation coordinator will facilitate the interface process for all investigative efforts.

TECHNICAL INVESTIGATION

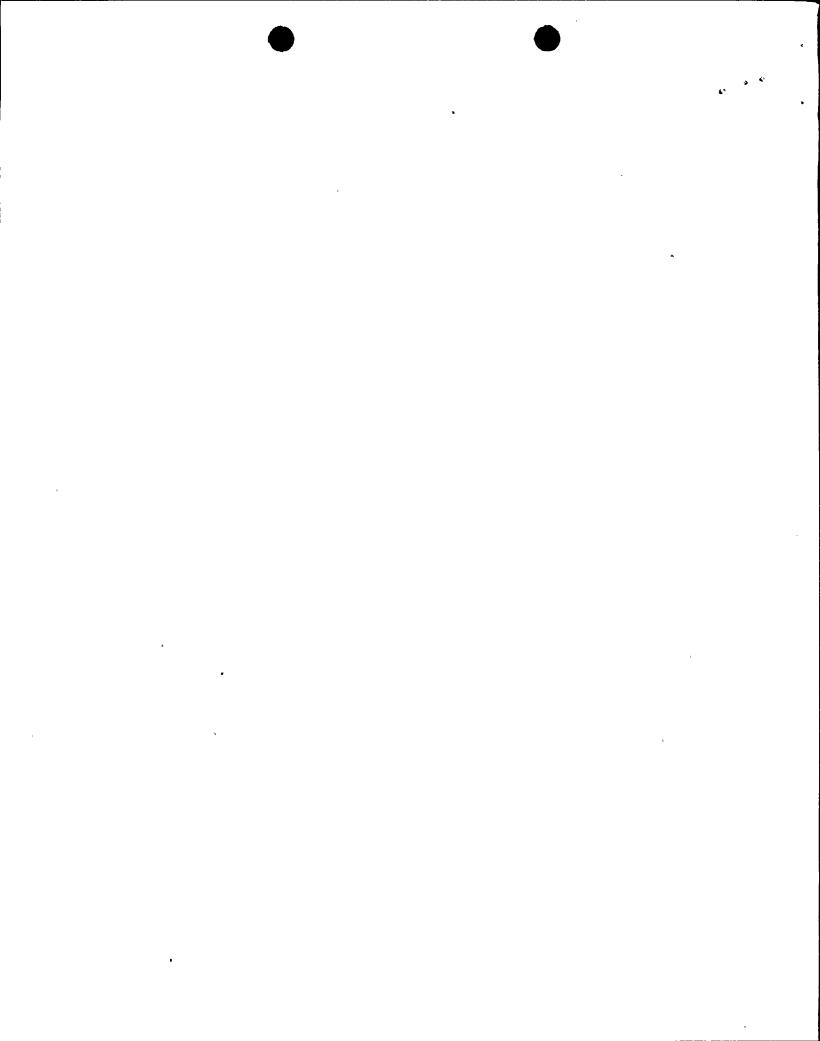
PG&E is using the Nonconformance/TRG process to investigate the technical issues related to suspected incomplete and/or inaccurate supplier audits conducted under an outside contractor's QA program. The TRG is chaired by the Manager of Quality Assurance and has representation from all potentially affected departments. The TRG investigation will include an evaluation of all reports of contracted supplier audits in question, the qualification status of all suppliers that were qualified by the audits in question, the acceptability of all equipment/parts purchased from any supplier in question, the impact on the operation of Diablo Canyon, the reportability and determination of root cause, and any necessary corrective actions. The technical review includes discussions with the outside contractors and the results of their internal investigation. An outline of the plan and schedule for the investigation are detailed in Attachment 1.

NON-TECHNICAL INVESTIGATION

The IAD is conducting an independent audit of the nontechnical issues of this incident. This audit will determine how alleged irregularities with the supplier audit program, if true, were able to occur and continue uncorrected. This will include all phases of contract administration and related activities from vendor qualification, bid, award, execution administration, contract compliance and settlements to date. The audit will encompass an examination of the business relationship between PG&E and its outside contractors and their personnel. The tentative scope of this audit will cover the period 1987 through the current date. Pertinent contract documents and invoices will be examined. Selected personnel from both PG&E and consultants will be interviewed. The consultants' offices will be visited to examine their records as well as to interview pertinent personnel. Attachment 2 details the plan and schedule for this audit.

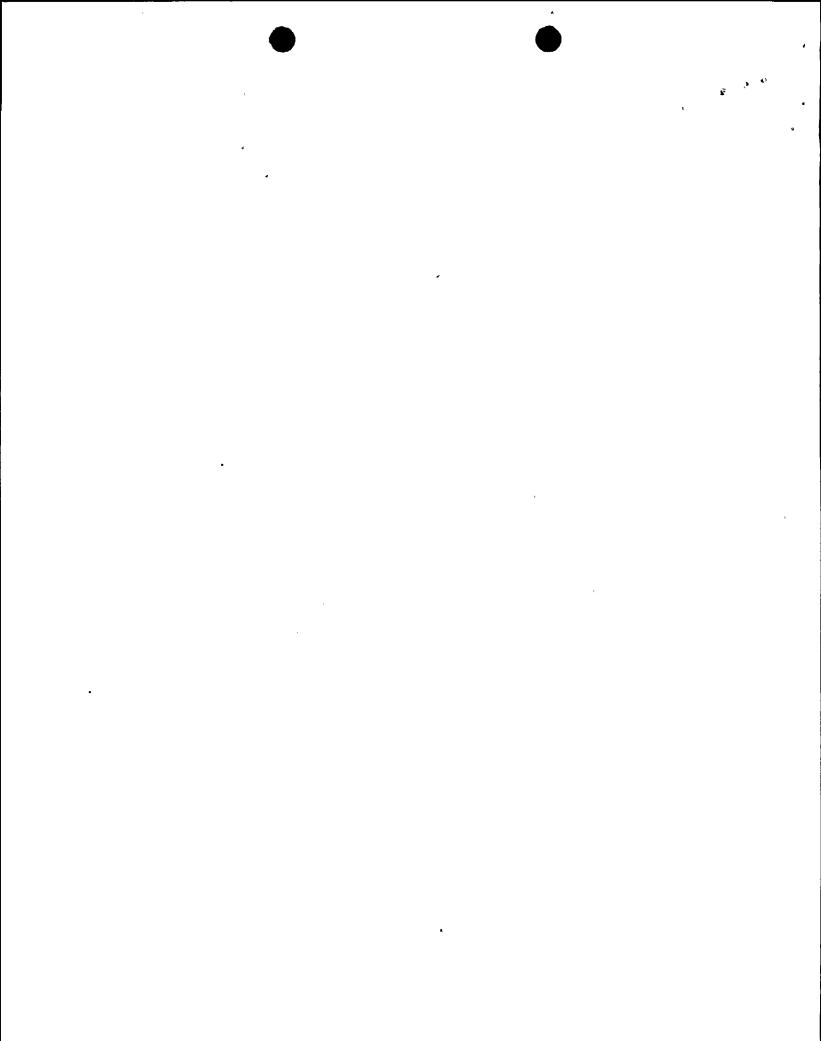
INVESTIGATION COORDINATION

PG&E's President has appointed a special investigation coordinator to provide an effective interface between the TRG and the IAD audit team. This coordinator will provide an integrated assessment of the results of these two efforts to the President. The scope of the IAD audit is of sufficient breadth to uncover issues beyond the scope of the technical investigation by the TRG. Any issue identified which could potentially affect the quality program in general will be evaluated by the special investigation coordinator and recommendations for resolution will be made to the President. If warranted, external resources will be used to make further evaluations and recommendations regarding any identified weaknesses or deficiencies in the quality assurance program.



SUMMARY

PG&E has initiated comprehensive investigative efforts to fully assess the adequacy of the vendor audit and quality assurance program in general and its implications including the results of investigations conducted by the contractor's organization. PG&E will thoroughly review and evaluate these and any other issues which arise through the investigations.



Attachment 1

TECHNICAL INVESTIGATION OUTLINE

Actual/Projected Time Frames 1989	Hork Outline
06/29	PG&E QA Manager informed of potentially inadequate audits performed by a contract auditor based on previous audits 87208S of Sulzer Bingham; 87148S and 88232S of Pacific and Morthington Pump; and 88012S of ITT Barton not identifying critical inadequacies in the suppliers QA program.
07/04	Performed review of suspect audit reports and compared them with latest audits of Sulzer Bingham (88244S); Pacific and Horthington Pump (89103S) and ITT Barton (89129S).
07/07	Initiated Nonconformance Report DCO-89-QA-NOO7 to investigate and resolve this concern. Contractor senior management contacted and advised of this concern.
07/11	Held first TRG meeting.
07/11 - 07/24	Reviewed audit files to determine scope of problem.
07/25	Met with NRC Region V/OI
07/26	Held second TRG meeting.
07/28 - 08/03	Verified the qualification status of suppliers who provided equipment/materials installed at DCPP, that were audited by contractors.
07/31 and 08/02	Met with senior representatives of outside contractor.
08/04 - 08/05	Held third TRG meeting.
08/05	Issued JCO.
08/05	Met with senior representatives of outside contractor to discuss contractor's report.
08/07 - 08/31	Perform evaluation of audit reports of remaining suppliers (suppliers who have not provided installed equipment/services) that were audited by contractors to verify acceptability of qualification; evaluate the adequacy of PG&E's audit program in general; assess the adequacy of PG&E's vendor audit program in general as performed by PG&E and its contractors.

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Attachment 1 (Continued)

TECHNICAL INVESTIGATION OUTLINE

Actual/	Projected
Time	Frames
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Work Outline

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Review and evaluate the results of the IAD report that are pertinent to the technical investigation. Identify root causes and any contributing causes and schedule all necessary corrective actions.

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Attachment 2

INTERNAL AUDITING DEPARTMENT AUDIT OF CONTRACTOR PERFORMANCE ON SUPPLIER AUDITS

Actual/Projected Time Frames		Hork Outline		
07/28 - 08/04	٨.	Perform preliminary work.		
		 Collect and review vendor contracts, invoices, and related files. 		
07/31		 Obtain contractor concurrence of dates of IAD's review of their records. 		
07/31 - 08/11	В.	Review expense reports of QA employees involved with vendors.		
08/07 - 08/11	C.	Determine location of contractor records. Prepare and submit preliminary document requests to contractor for audit-related records.		
08/14 - 08/18	D.	Review QA contract files, correspondence, and procedures for indications of favoritism or questionable situations.		
08/11 - 08/18	Ε.	Interview PG&E employees and former employees, as necessary, to clarify concerns and gather detailed information.		
08/01 - 08/18	F.	Interview contractor employees and former employees, as necessary, to clarify concerns and gather detailed information.		
08/21 - 09/08	G.	Perform audits in the offices of contractor (and other contractors as appropriate) for compliance with the contract and to provide assurance that PG&E employees involved in the administration of the contract have carried out their responsibilities in conformity with the Company's policies.		
09/15	н.	Prepare draft audit report for the special investigation coordinator to incorporate in NPG's response to the NRC.		

Note: The above time frames are subject to change if more than the expected number of individuals are interviewed, audits of additional contractors are necessary, contractor records are found to be in more than two locations, the condition and accessibility of these records are below the normal standards expected, and/or additions to the audit scope are deemed necessary by IAD and/or NPG management.

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NRC Request:

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3. Your determination of reportability and generic applicability of the concerns.

PG&E Response:

DETERMINATION OF REPORTABILITY

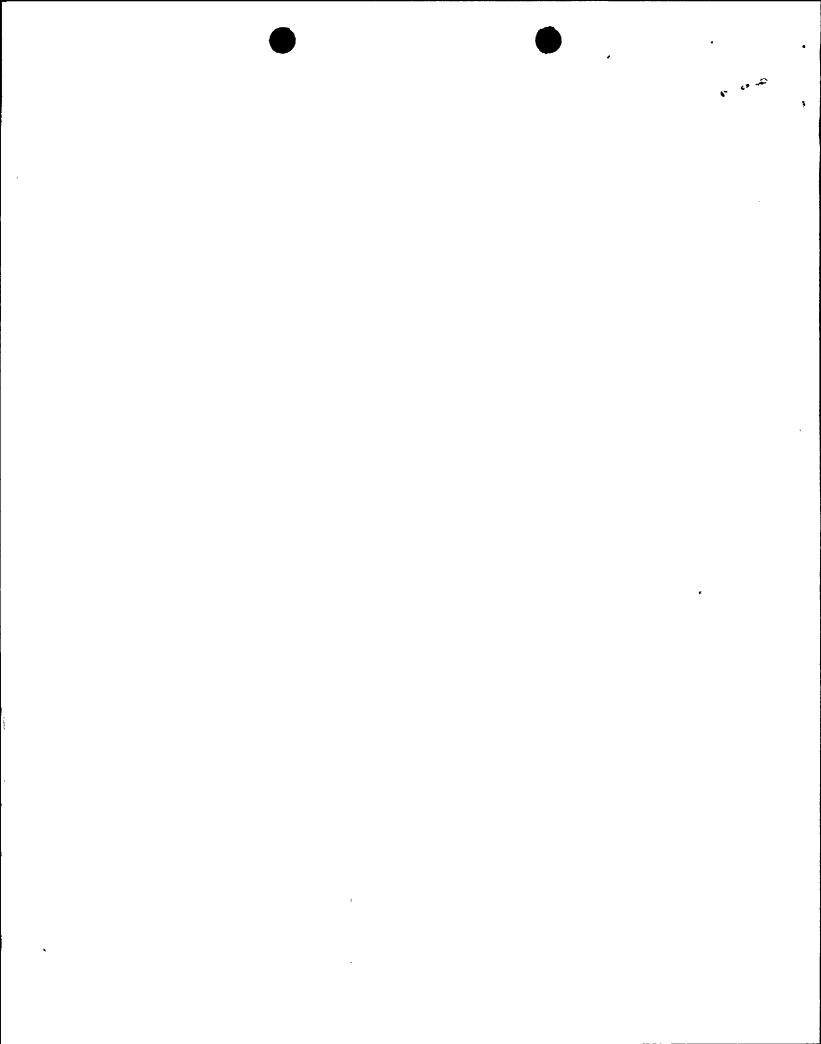
As discussed in the previous enclosures, the potential deficiencies of inadequate supplier audits have been evaluated for their impact upon safe operation of Units 1 and 2 of the Diablo Canyon Power Plant (DCPP). PG&E has performed a technical evaluation of these concerns and determined that any discrepant material identified to be installed at DCPP during the period of question did not have any adverse impact upon operation. A similar evaluation had already been performed to support a previous Part 21 notification involving the concern with the ASW pump impellers. This previous Part 21 notification (PG&E Letter DCL-88-255, dated October 26, 1988) forwarded LER 1-88-029-00 which concluded that the discrepant impellers did not have an adverse impact upon DCPP operation. The NRC performed a technical review of this notification (NRC memorandum dated February 24, 1989 from C. Y. Cheng to C. H. Berlinger) and found PG&E's actions to be adequate. In particular, PG&E JCO 89-18 (Enclosure 1 of this letter) provides a further safety analysis and a 50.59 evaluation, which also conclude that these issues do not create an unreviewed safety question and will not adversely affect the public health and safety. Consequently, PG&E is confident that the issues raised in the July 27 Region V letter do not involve a substantial safety hazard at DCPP.

Based on the investigations to date, PG&E has concluded that these issues do not have any generic applicability and do not constitute a defect or noncompliance under Part 21. PG&E is continuing its investigations and the results of these investigations will be furnished to Region V as additional information to this initial response pursuant to 10 CFR 50.54.

The following is PG&E's assessment of reportability.

ASSESSMENT OF REPORTABILITY

As referenced above, PG&E has submitted a previous Part 21 notification, dated October 26, 1988, which forwarded LER 1-88-029-00 for Diablo Canyon Units 1 and 2. That notification identified the root cause to be that the vendor, Sulzer Bingham, failed to provide the impeller as specified in procurement documents due to deficiencies regarding the contractor's control of special processes and suppliers of special processes. As discussed in that notification, PG&E's corrective actions included continuing to investigate this problem, and plans to supplement that notification when PG&E's investigation and determination of further corrective actions are completed, including the identification of any further significant information. Further, PG&E also removed the vendor from the qualified suppliers list, pending



résolution of deficiencies identified by QA audit 88244S and documented evidence of deviation from purchase specifications on items that require special processes.

As noted in Enclosure 1, one of the examples leading to the potential concern of inadequate supplier audits involving failures to implement portions of the supplier's OA program was Sulzer Bingham. As part of PG&E's ongoing investigations of Sulzer Bingham and concerns resulting from the October 1988 Part 21 notification, it was found that Audit 88244S identified deficiencies that a previous Audit, 87208S, failed to find. These deficiencies included (1) failure to use the ASME Section III QA program and (2) substitution of materials contrary to the requirements of purchase orders. However, as documented in the October 1988 notification and as discussed above, these deficiencies do not constitute a safety concern. Further, with respect to the matter of inadequate audits, PG&E believes that reasonable audit/supervision mechanisms at other utilities should preclude similar occurrences; therefore, this matter would not have generic applicability. Consequently, PG&E has concluded these issues do not involve a reportable event. Nevertheless, as stated in LER 1-88-029-00, additional information regarding these issues, as well as PG&E's continued investigations and evaluations into this matter, will be documented in a supplement to that LER. That supplement will also be provided as additional information to this initial 10 CFR 50.54(f) response as stated above.

Additionally, PG&E has shared potentially deficient audit reports with other parties. PG&E will immediately notify them of the potentially deficient audit reports. Further, PG&E has determined that parts delivered to DCPP from potentially affected vendors have not been provided to other parties by PG&E.

Finally, PG&E did find suppliers that either did not have a QA program that complied with 10 CFR 50 Appendix B or failed to implement that program for supplying non-code safety-related parts. However, these issues have been previously identified by the nuclear industry and confirmed with NRC IN 88-35 and IN 88-95 and, consequently, are not reportable by PG&E under 10 CFR 21. PG&E will, however, continue its investigations to address the issues raised in these notices and will inform Region V of any significant developments.

