



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

JUL 22 1991

Docket Nos. 50-275
and 50-323

Mr. J. D. Shiffer
Senior Vice President
Nuclear Power Generation
Pacific Gas and Electric Company
77 Beale Street, Room 1451
San Francisco, California 94106

Dear Mr. Shiffer:

SUBJECT: ASSESSMENT OF THE PROCUREMENT AND COMMERCIAL-GRADE DEDICATION
PROGRAMS AT THE DIABLO CANYON NUCLEAR POWER PLANT, UNITS 1 AND 2,
REPORT NOS. 50-275/91-201 AND 50-323/91-201

This letter transmits the report of the assessment conducted March 25 through March 29, 1991, at the San Francisco, California office of Pacific Gas and Electric Company (PG&E), and at the Diablo Canyon Nuclear Power Plant, Units 1 and 2, by R. L. Pettis, K. R. Naidu, L. L. Campbell, and M. R. Snodderly of the Nuclear Regulatory Commission's (NRC's) Vendor Inspection Branch, A. M. Fitzgerald of the Division of Reactor Projects, and W. J. Wagner of NRC Region V. At the conclusion of the assessment, the assessment team discussed its findings with Mr. J. Townsend, Vice President and Plant Manager, and the members of your staff identified in the appendix to the enclosed report.

The assessment was performed to review PG&E's program for the procurement and dedication of commercial-grade items used in safety-related applications in accordance with the requirements of Appendix B to Part 50 of Title 10 of the Code of Federal Regulations (10 CFR Part 50) and to determine the extent of implementation of the Nuclear Management and Resources Council (NUMARC) initiatives in this area.

The NRC assessment team concluded that PG&E had made a significant effort to upgrade its commercial-grade dedication program since its inception in July 1986. Specifically, PG&E has developed extensive mechanical and metallurgical testing capabilities onsite to perform Electric Power Research Institute (EPRI) Method 1 acceptance activities which are heavily relied upon by PG&E. Additionally, PG&E management has provided extensive resources to improve its commercial-grade dedication program. PG&E's overall program description was generally consistent with the dedication philosophy described in EPRI Report NP-5652, "Guideline for the Utilization of Commercial Grade Items in Nuclear Safety Related Applications (NCIG-07)." However, the program description, including most of the pertinent implementing procedures, did not completely address the issues contained in NRC Generic Letter 89-02, "Actions to Improve the Detection of Counterfeit and Fraudulently Marketed Products," dated March 21, 1989, which specified certain restrictions or conditions concerning the use of EPRI NP-5652 dedication methods to achieve compliance with Appendix B to 10 CFR Part 50.

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With appropriate modifications to address these issues, the program, if properly implemented, should provide adequate control over the commercial-grade procurement process. Specific strengths and weaknesses are discussed in detail in the enclosed report.

PG&E has completed its review and assessment of the comprehensive procurement initiatives suggested in NUMARC 90-13, "Nuclear Procurement Program Improvements," dated October 1990. NUMARC suggested that licensees complete their reviews by July 1, 1991, and complete implementation by July 1, 1992. Progress observed in this area indicates that PG&E should be able to meet these goals.

In accordance with 10 CFR 2.790(a), a copy of this letter and the enclosure will be placed in the NRC Public Document Room.

Although no response is required to this report, we expect you to consider the concerns raised herein and to take appropriate measures. Should you have any questions concerning this assessment, we will be pleased to discuss them with you. Thank you for your cooperation in this assessment process.

Sincerely,

/s/
Bruce A. Boger, Director
Division of Reactor Projects III/IV/V
Office of Nuclear Reactor Regulation

Enclosure: Assessment Report 50-275/91-201, and 50-323/91-201

cc: See next page

*See previous concurrence

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Pacific Gas and Electric Company
J. D. Shiffer

Diablo Canyon Nuclear Power Plant,
Units 1 and 2

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Bruce A. Boger, Director
Division of Reactor Projects III/IV/V
Office of Nuclear Reactor Regulation

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