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

SUBJECT: Forwards Insp Repts 50-275/89-22 & 50-323/89-22 on  
890821-1016. Deficiencies noted.

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Docket No. 50-275 and 323

Pacific Gas and Electric Company  
77 Beale Street, Room 1451  
San Francisco, California 94106

Attention: Mr. J. D. Shiffer, Vice President  
Nuclear Power Generation

Gentlemen:

SUBJECT: NRC INSPECTION AT PG&E GENERAL OFFICE

This refers to the special inspection conducted by Mr. F. R. Huey of this office and Messrs. R. P. McIntyre and S. M. Matthews of the Office of Nuclear Reactor Regulation during the period of August 21 through October 16, 1989. This inspection examined your activities as authorized by NRC License Nos. DPR-80 and DPR-82. Discussions of our findings were held with members of your staff at the conclusion of the inspection.

Areas examined during this inspection are described in the enclosed inspection report. Within these areas, the inspection consisted of selective examinations of procedures and representative records, interviews with personnel and observations by the inspectors.

This inspection involved a review of actions being taken by PG&E to resolve recently identified significant deficiencies in their Quality Assurance program as it relates to the procurement of safety-related plant equipment. The specific deficiencies involve numerous inadequate audits of PG&E safety-related equipment suppliers in accordance with the requirements of 10 CFR Part 50, Appendix B.

The NRC inspection concluded that you had too narrowly limited the scope of your review of inadequate supplier audits to only those performed by your audit contractor, Cygna. The inspectors noted that similar deficiencies appeared to be applicable to PG&E performed audits as well. You agreed with the inspector's comments and committed to expand your investigation and advise the NRC of the results and the need for any additional analysis supporting continued plant operation during October 1989.

The NRC inspection also determined that your root cause assessment of these procurement program deficiencies, although not yet complete, appeared to be adequate. In this regard, the inspectors noted that a primary cause of the observed problems appeared to involve a serious breakdown of management control and overview within the PG&E Quality Assurance department and inadequate PG&E management of the supplier audit contract with Cygna, resulting in numerous audits which were inadequate in both scope and content to meet NRC requirements. Enforcement action associated with these

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deficiencies will be the subject of separate correspondence, pending completion of the PG&E and NRC investigations.

Your October 2, 1989 letter, DCL-89-255, addresses the concerns raised during the above referenced NRC inspection. As noted during discussion with members of your staff on October 16, the NRC remains concerned that several aspects of your current corrective actions appear to be unclear or incomplete. Specific concerns in this regard, which will be reviewed during a subsequent inspection, include the following:

1. Your letter states that based on the results of your review of inadequately performed PG&E supplier audits and considering other indications of specific supplier quality program deficiencies (e.g. subsequent reaudit of some suppliers), a total of 18 suppliers were removed from the PG&E Qualified Suppliers List (QSL). Your letter goes on to state that 17 of these suppliers were subsequently returned to the QSL, based on what appears to be a qualitative review of various generic industry performance history data bases (e.g. NPRDS, IOCFR21 reports, NRC notices, etc.). The information provided in your October 2 letter does not support your apparent conclusion that these suppliers are qualified for inclusion on your QSL. However, the primary issue is not whether PG&E can use historical performance to place suppliers on the QSL, but what must be done by PG&E to assure that hardware in stores and installed in the plant are suitable for their intended application. The majority of the historical database is based on performance during normal operation, and does not provide a basis to substantiate that the equipment will perform under all design requirements. The use of performance history alone does not constitute an adequate dedication, basis, although this approach may be an acceptable basis for continued plant operation.
2. Your letter states that 84 out of a total of 276 supplier audit reports (involving 205 suppliers) are inadequate. In particular, your letter states that 38 reports involved "significant" deficiencies. Nevertheless, the letter concludes that your "thorough review of the vendor audit program ... found it to be generally effective in meeting regulatory commitments and in identifying supplier quality problems". Your letter does not present evidence to support this conclusion, nor does such a conclusion appear to be warranted.
3. Your letter states that the Technical Review Group, which evaluated the vendor audit concerns, was chaired by the Quality Assurance Manager. The assignment of the QA Manager to this sensitive position, when he appeared to have contributed to the observed deficiencies, appears to jeopardize the independence of the review process and may have impacted the thoroughness of the licensee's root cause evaluation.

During our meeting on October 16, members of your staff acknowledged the above concerns and stated that actions would be taken to address these concerns prior to a followup NRC inspection. In this regard, during the period of October 23 through November 9, 1989, the NRC conducted a followup inspection of your actions, as described in your October 2 letter. The results of that inspection will be discussed in a separate inspection report, however, it should be noted that those results bear out the above noted concerns. In



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particular, the cited historical performance database does not appear to provide a valid basis for accepting material provided by some of the 17 vendors that were removed by PG&E from the QSL. During discussions with the inspectors during the week of November 13, 1989, PG&E acknowledged the NRC concern and stated that a more comprehensive review of the criteria for accepting these vendors as qualified suppliers would be conducted over the next few weeks and the final results would be reported to the NRC in December 1989.

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.

Should you have any questions concerning this inspection we will be pleased to discuss them with you.

Sincerely,

*original signed*  
Roy P. Zimmerman, Director  
Division of Reactor Safety and  
Projects

Enclosure:  
Inspection Report No. 50-275/89-22 and 50-323/89-22

cc w/enclosure:  
S. M. Skidmore, PG&E  
J. D. Townsend, Plant Manager, PG&E  
R. F. Locke, PG&E  
D. Taggard, Supervisor, Quality Assurance, PG&E T. L. Grebel, Regulatory Compliance Supervisor, PG&E  
News Service, PG&E State of California

bcc w/enclosure:  
Project Inspector  
Resident Inspector  
docket file  
R. Nease, NRR  
G. Cook  
B. Faulkenberry  
J. Martin

bcc w/o enclosure:  
M. Smith  
J. Zollicoffer  
N. Western





RV/jbianchi

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HUEY h      KIRSCH EA      CHAFFEE mb      ZIMMERMAN RPZ      R.MARSH R

10/27/89      10/30/89 DFK      10/16/89      10/17/89      10/14/89

*subject to phases discussed*

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M.MENDONCA M      E.BAKER EA

10/31/89      NRR/VIB  
10/7/89

*Received Baker  
comment on  
11/2/89*

SEND TO PDR YES / NO
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