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March 12, 1990

PG&E Letter No. DCL-90-071.

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, D.C. 20555

Re: Docket No. 50-275, OL-DPR-80
Docket No. 50-323, OL-DPR-82
Diablo Canyon Units 1 and 2
Reply to Notice of Violation

Gentlemen: -

On February 9, 1990, the NRC issued a Notice of Violation citing two Severity Level IV Violations related to actions being implemented by PG&E to resolve deficiencies associated with audits of safety-related equipment suppliers. The NRC noted that PG&E had satisfactorily addressed the corrective actions associated with improper identification and correction of audit program deficiencies cited in Violation A of the Notice of Violation. Therefore, PG&E was not required to provide any further response to Violation A. Violation B addresses PG&E's failure to properly evaluate and correct deficiencies associated with the improper reinstatement of two suppliers on the Qualified Suppliers List. PG&E's response to this violation is enclosed.

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

Sincerely,

J. D. Shiffer
J. D. Shiffer

cc: A. P. Hodgdon
J. B. Martin
M. M. Mendonca
P. P. Narbut
H. Rood
CPUC
Diablo Distribution

Enclosure

NCR DCO-89-QA-N011

3103S/0080K/BDP/1990

RANDY

*Is every
thing to close
out on
this?*

MARN

W²

- ① Thank you ltr*
- ② Close out OIL item.*

PH
3/14

9003200402 SP2



ENCLOSURE

RESPONSE TO NOTICE OF VIOLATION
NRC INSPECTION REPORT NOS. 50-275/89-22 AND 50-275/89-27

On February 9, 1990, the NRC issued a Notice of Violation (NOV) associated with NRC Inspection Reports 50-275/88-22, dated November 12, 1989, and 50-275/89-27, dated December 12, 1989 (Inspection Reports). The Inspection Reports documented the results of a special NRC inspection involving a review of the specific actions being implemented by PG&E to resolve deficiencies associated with audits of safety-related equipment suppliers. The NOV cited two Severity Level IV Violations addressing: (1) improper identification and correction of audit program deficiencies (Violation A); and (2) PG&E's failure to properly evaluate and correct deficiencies associated with improper reinstatement of two suppliers on the Qualified Suppliers List (Violation B). As noted by the NRC, PG&E has already satisfactorily addressed the corrective actions associated with Violation A; therefore, no further response by PG&E is required.

On January 12, 1990, PG&E responded in Letter No. DCL-90-010 to an NRC Region V request for information regarding PG&E's activities associated with resolution of issues identified in Inspection Report 50-275/89-27. PG&E's response, which contained information relevant to Violation B, included: (1) a discussion of the specific deficiencies identified during the audits and reaudits of the suppliers, and an analysis of the significance of the deficiencies to supplier qualification; and (2) safety evaluations addressing the basis for continued operation of installed equipment provided by suppliers either removed from the PG&E Qualified Suppliers List or retained on the list but subjected to restrictions. The violations and PG&E's response are provided below.

STATEMENT OF VIOLATION A.

10 CFR Part 50, Appendix B, Criterion XVI (Corrective Action) requires, in part, that:

'Measures shall be established to assure that conditions adverse to quality, such as failures, malfunction, deficiencies, deviations, defective material and equipment, and nonconformances are promptly identified and corrected. In the case of significant conditions adverse to quality, the measures shall assure that the cause of the condition is determined and corrective action taken to preclude repetition. The identification of the significant condition adverse to quality, the cause of the conditions, and the corrective action taken shall be documented and reported to appropriate levels of management.'

- A. Contrary to the above, as of October 16, 1989, various members of the PG&E quality assurance department had identified inadequate supplier audits conducted by Cygna Energy Services, however, these deficiencies and nonconformances were not documented, corrected or reported to appropriate levels of licensee management.



This is a Severity Level IV Violation (Supplement I). Since the licensee has implemented corrective action for this violation, no further response is required.

As noted above, PG&E has implemented corrective actions associated with improper identification and correction of audit program deficiencies.

STATEMENT OF VIOLATION B.

10 CFR Part 50, Appendix B, Criterion XVI (Corrective Action) requires, in part, that:

'Measures shall be established to assure that conditions adverse to quality, such as failures, malfunction, deficiencies, deviations, defective material and equipment, and nonconformances are promptly identified and corrected. In the case of significant conditions adverse to quality, the measures shall assure that the cause of the condition is determined and corrective action taken to preclude repetition. The identification of the significant condition adverse to quality, the cause of the conditions, and the corrective action taken shall be documented and reported to appropriate levels of management.'

* * *

- B. Contrary to the above, as of October 26, 1989, PG&E had failed to take appropriate measures to assure correction of deficiencies that had been identified by the licensee involving safety-related application of parts provided by two equipment suppliers. Specifically, unassembled, safety-related parts procured from one supplier and non-ASME, safety-related parts procured from another supplier required additional dedication prior to use in safety-related applications.

This is a Severity Level IV Violation (Supplement I).

ADMISSION/DENIAL AND REASON FOR VIOLATION IF ADMITTED

PG&E agrees with the NRC assessment provided in the Statement of Violation.

In September 1989, PG&E established a program (methodology and criteria) to be used in assessing the adequacy of ASME suppliers' programs that were found by quality assurance (QA) audits to be deficient in control of safety-related, non-ASME parts. These audit findings had resulted in PG&E removing 18 suppliers from its Qualified Supplier List (QSL); 17 of the suppliers were



subsequently reinstated on the QSL on October 4, 1989. The program required: (1) research and analysis of industry and plant-specific data and product performance to assess the adequacy of the suppliers' QA programs; and (2) a documented basis for reinstatement of suppliers on the QSL. To be reinstated, a supplier was required to have a long-standing, broad experience base in the nuclear industry, coupled with no indication of significant deficiencies in the supplier's program applicable to the control of safety-related, non-ASME parts and materials based upon review of the following items:

- Nuclear Plant Reliability Data System
- 10 CFR 21
- NRC Information Notices, Circulars, Bulletins, and Generic Letters
- NRC Vendor Branch Inspection Reports
- PG&E Dedication Experience
- PG&E Operating and Maintenance Experience

During the period October 24-26, 1989, an NRC Inspection Team reviewed the documentation of the reviews, analyses, and conclusions of the PG&E program. During the inspection, PG&E informed the NRC that a sample of specific PG&E audit findings had been reviewed. This sample review had identified that other elements of either PG&E's or the suppliers' QA programs provided barriers which were considered sufficient to preclude the use of deficient products. PG&E concluded at that time that the sample review provided a reasonable level of confidence that the other elements of the QA programs had been and were being properly implemented and that they were sufficient to preclude use of deficient parts. Accordingly, PG&E decided to discontinue the sample review of audit findings and to redirect its review efforts to include a thorough analysis of product performance as a basis of supplier and product qualification. However, during the NRC inspection, it became apparent that our evaluation for supplier reinstatement on the QSL had to revert to our previous approach of reviewing audit findings, and that an assessment had to be made of the significance of each finding with respect to product suitability for safety-related applications. It was during this expanded evaluation of audit findings that restricted qualifications were placed on two suppliers who previously had been reinstated on the QSL.

CORRECTIVE STEPS TAKEN AND RESULTS ACHIEVED

PG&E Letter No. DCL-90-010 dated January 12, 1990, described the actions PG&E took following the NRC Team Inspection in October 1989 regarding the documented review and analysis of specific QA audit findings to further assess the significance of the findings for supplier qualification. This effort, which expanded the previous sample analysis, was directed to the vendors removed from the QSL based on audit findings. As more fully discussed in DCL-90-010, the list of suppliers requiring further analysis based on audit findings was ultimately reduced to five. Each audit report for Anchor Darling, Contromatics, Ingersoll Rand, Pacific Pumps, and Velan report was reviewed, and all audit findings that were initially considered as the basis for supplier removal from the QSL were identified. The findings were then further evaluated to determine the significance with respect to supplier qualification. PG&E Letter No. DCL-90-010 contained a detailed discussion of these reviews, analyses, and conclusions.



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Deficiencies found by audit that were associated with direct control of product suitability for use in safety-related applications, and that were not mitigated by other elements of control, were considered sufficient reason either to remove the supplier from the QSL or to conditionally retain the supplier on the QSL subject to program augmentation by PG&E. The expanded evaluation determined that the program descriptions and implementation for Anchor Darling, Pacific Pumps, and Velan Valve provided adequate controls for products to be used in safety-related applications. The earlier conclusion regarding these suppliers, based upon PG&E's product performance review, was not changed. However, the expanded evaluation of audit findings and other elements of suppliers' quality programs resulted in a restricted qualification for Contromatics and Ingersoll Rand.

PG&E's QSL has been modified to require PG&E dedication of: (1) all non-ASME, safety-related parts furnished by Ingersoll Rand; and (2) all non-ASME, safety-related parts provided by Contromatics that are not included in complete and tested assemblies. Safety evaluations performed by PG&E for these two suppliers determined that no parts furnished by Ingersoll Rand had been installed since identification of program deficiencies and that parts provided by Contromatics were acceptable based on inspection and testing performed during installation by PG&E.

CORRECTIVE STEPS THAT WILL BE TAKEN TO AVOID FURTHER VIOLATIONS

PG&E is preparing Nuclear Engineering Manual Procedure (NEMP) 12.4, "Technical Evaluation of Supplier Quality Programs," to provide the methodology and criteria for review and analysis of supplier program adequacy and supplier program implementation deficiencies. This procedure will require: (1) review of product performance to address the suitability of installed parts for plant operation; and (2) analysis of each audit finding to address supplier qualification.

The nature of the product performance review and analysis will be similar to those reviews performed prior to the October 1989 NRC Team Inspection, and the review and analysis of the findings will be similar to the reviews that were conducted following the inspection and reported in PG&E Letter No. DCL-90-010.

DATE WHEN FULL COMPLIANCE WILL BE ACHIEVED

NEMP 12.4 is scheduled to be issued by April 3, 1990.

