



MEREDITH CORPORATION

PRESSURE VESSEL-NUCLEAR STEELS

460 Hillside Avenue, Hillside, N. J. 07205-1187 • (201) 964-5300

January 10, 1990

Mr. E. William Brach
Chief, Vendor Inspection Branch
Division of Reactor Inspection
and Safeguards
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Docket No. 99901129/89-01

Dear Mr. Brach:

This is the response of Meredith Corporation, Pressure Vessel Nuclear Steels ("PVN") to your letter dated December 7, 1989. In your letter, you stated that the NRC considered PVN's September 13, 1989 response to Item 2 of the NRC's July 21, 1989 "Notice of Nonconformance" adequate. Accordingly, PVN does not address that item in this response. You stated that the NRC desires an additional response concerning Item 1 of the Notice of Nonconformance. PVN provides that response below.

Your letter states that in the NRC's view, "the stock material shipped to the Anchor Darling Valve Company (ADV), South Texas nuclear plant (STP), and to Congdon and Carpenter (CAC) was improperly upgraded." This conclusion is based upon the NRC's interpretation of NCA-3867.4(e)(2). PVN does not agree completely with the NRC's interpretation and application of NCA-3867.4(e)(2) to the facts involved in the ADV, STP and CAC orders for the reasons set forth below. Therefore, PVN continues to believe that it properly upgraded the material at issue.

Specifically, PVN agrees that under NCA-3867.4(e)(2), PVN was required to "subcontract or perform a product analysis to verify the chemical composition of each piece of stock material furnished by the stock material manufacturer." Thus, PVN has no disagreement with the statement in the letter from Kevin Ennis of ASME which is attached and referenced in your letter; Mr. Ennis simply repeats what is stated in NCA-3867.4(e)(2) itself.

Furthermore, as stated in PVN's September 13 response, PVN did have the required product analysis performed on each piece of stock material from which

9001220195 900112
PIR GA999 EMVMERED
99901129 PDC

LE09
1/0

the individual pieces of steel supplied to ADV, STP, and CAC were cut. PVN followed this procedure in the good faith belief that it complied with the requirements of NCA-3867.4(e)(2). As stated in PVN's September 13 response, PVN therefore believes that it properly upgraded the material supplied to ADV, STP and CAC.

According to your letter, however, the NRC believes that NCA-3867.4(e)(2) requires that each of the pieces of steel supplied to ADV, STP, and CAC had to be individually sampled and tested, even though several of them had been cut from a single piece of stock material that PVN had sampled and tested. In PVN's view, it is not at all clear that NCA-3867.4(e)(2) contains such a requirement. While NCA-3867.4(e)(2) requires testing of "each piece of stock material," it does not directly address the question whether, once the piece of stock material has been tested, individual pieces cut from that piece of stock material must also be separately re-tested. Moreover, it is not clear from your letter or from that of Mr. Ennis that ASME agrees with the NRC's application of NCA-3867.4(e)(2) to the facts at issue here, because PVN does not know the facts upon which Mr. Ennis based his reply, nor does PVN know what facts, if any, were contained in the NRC's "inquiry" to ASME.

In summary, based on your letter and PVN's analysis, it now appears that NCA-3867.4(e)(2) is subject to differing interpretations when applied to the situation presented by the ADV, STP and CAC orders at issue here. I must emphasize, however, that at all times PVN acted in good faith reliance on what it believes is a reasonable interpretation of that provision. Indeed, prior to receipt of the NRC's Notice of Nonconformance, PVN was not aware that its interpretation and application of NCA-3867.4(e)(2) was open to question.

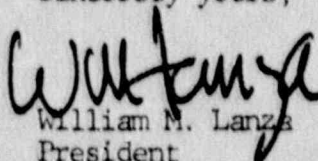
Nonetheless, if after reviewing this response the NRC declines to accept PVN's interpretation of the NCA-3867.4(e)(2) requirement as applied to the circumstances presented by the ADV, STP and CAC orders, PVN would be willing to adopt and apply the NRC's interpretation of NCA-3867.4(e)(2) with respect to all future nuclear orders to which NCA-3867.4(e)(2) applies. In addition, PVN would modify PVN's Quality Assurance Manual and PVN's Standard Operating Procedures to reflect the NRC's interpretation of NCA-3867.4(e)(2), and all PVN employees involved in upgrading procedures would receive training on the NRC's interpretation and how it must be applied.

PVN would take such actions without agreeing that the NRC's interpretation of NCA-3867.4(e)(2) is the only possible interpretation and without acknowledging that PVN engaged in any improper behavior in the past. As noted above, at all times PVN acted in good faith and based on what it continues to believe is a reasonable interpretation and application of NCA-3867.4(e)(2). Should the NRC

adhere to its interpretation, however, PVN would be willing to adopt that interpretation with respect to future orders pursuant to PVN's policy of complying with all applicable NRC regulations and interpretations.

If you have any questions concerning this response, please do not hesitate to contact me.

Sincerely yours,


William M. Lanza
President

WL:im



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

JIM,

PLEASE PLACE THE ATTACHED LETTER
IN THE PDR UNDER DOCKET 99901129.

THANKS,
STU MAGRUDER
x20985