

October 13, 1981

Docket No. 50-329
Docket No. 50-330

The Consumers Power Company
ATTN: Mr. James W. Cook
Vice President
1245 West Parnell Road
Jackson, MI 49201

Gentlemen:

This is in response to your letters of January 30, 1981, which were in response to the Notice of Violation and Notice of Proposed Imposition of Civil Penalties sent to you with our letter dated January 7, 1981.

In your responses you deny several of the items of noncompliance. Appendix A, Evaluations and Conclusions, of this letter contains our evaluation of your responses to those items of noncompliance you denied and states our conclusion regarding each violation.

After careful consideration of your letter, we agree Items No. 1 and No. 10 of the Notice of Violation are not items of noncompliance; therefore, we will adjust our records to reflect that fact. We conclude the remaining items did occur as set forth in the Notice of Violation.

Our February 3, 1981, letter to you acknowledged receipt of your check in the amount of \$38,000 as full payment for the civil penalties set forth in the Notice of Violation and the Notice of Proposed Imposition of Civil Penalties.

We are aware that the major Quality Assurance/Quality Control functions formerly performed by the Zack Company have been taken over by the Consumers Power Company Quality Assurance Organization. Our subsequent inspections, observations and findings indicate that these functions are now being performed in an acceptable manner. We will continue to monitor these areas closely.



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October 13, 1981

In accordance with Section 2.790 of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations, a copy of this letter and the enclosures will be placed in the NRC's Public Document Room.

Sincerely,

Original signed by
James G. Keppler

James G. Keppler
Director

Enclosure: Appendix A,
Evaluations and Conclusions

cc w/encl:
DMB/Document Control Desk (RIDS)
Resident Inspector, RIII
Ronald Callen, Michigan
Public Service Commission
Myron M. Cherry

RIII *AB*
Boyd/so
10/8/81

RIII *ack*
Knop *10/9/81*

RIII *ack for*
Spessard *10/9/81*

RIII *RFW*
Warnick

RIII *to ABO*
Davis

RIII *JK*
Keppler

Appendix A

EVALUATIONS AND CONCLUSIONS

Each item of noncompliance and associated civil penalty identified in the Notice of Violation (dated January 7, 1981) which was denied by the licensee is restated below. The Office of Inspection and Enforcement's evaluation of the licensee's response is presented, followed by conclusions regarding the occurrence of the noncompliance and the proposed civil penalties.

Item 1

STATEMENT OF NONCOMPLIANCE

10 CFR 50, Appendix B, Criterion IV (Procurement Document Control), states, in part, that "Measures shall be established to assure that applicable regulatory requirements, design bases, and other requirements which are necessary to assure adequate quality are suitably included or referenced in the documents for procurement of material..."

Consumers Power Company Quality Assurance Program Policy No. 4 (Procurement Document Control), Revision 8, states that "Assigned Quality Assurance personnel review procurement specifications to verify the adequacy of quality requirements stated therein."

The Bechtel Associates "Technical Specification for Heating, Ventilating and Air Conditioning Seismic Class I..." (Specification Guide Number 7220-351A(Q), Revision 6, Section 2.0, Codes and Standards), requires that duct fabrication and installation methods, materials, and workmanship shall conform to the ASTM standards. American Society for Testing and Material (ASTM) material specification designation A527-71, Paragraph 3.2, states that orders for material to this specification shall include certain specified information, as necessary, that adequately describe the desired product.

The Zack Company Quality Assurance Manual, Amendment 1 to Section 5, Revision 0, Paragraph 3, states that "All Purchase Orders initiated by the Zack Company are subject to review by the Zack Company Quality Assurance Department."

Contrary to the above, measures did not assure that adequate quality was suitably specified in material procurement documents, as evidenced by the following:

- Zack Company Purchase Order No. C-743, dated October 12, 1979, for steel coils was not stamped to show completion of review by Zack Company Quality Assurance to insure that it contained all purchase requirements, and

- The Zack Company Purchase Orders No. C-743 and No. C-642, dated January 12, 1978, did not include the information required by ASTM A527-71 to adequately describe the desired product.

This is an infraction (Civil Penalty - \$3,500).

EVALUATION OF LICENSEE'S RESPONSE

For the first part of Item 1, the licensee's response stated, "This is denied as being an item of noncompliance based upon the following program which Zack Company operated under:

The Master File of Procurement Documents is maintained at the corporate offices in Cicero, Illinois. Per the quality program, all safety related and/or "Q" material is procured through the corporate offices. The Zack QA Manual, which was in effect at that time, stated "...He (QA Manager) shall initial each procurement document to attest this review" (Page 5 of 5, Section 5, Revision 1, dated July 29, 1977, of the QA Manual). The initials RWU appear above and to the right of the purchasing agents signature on PO C-743 dated October 12, 1978. RWU are the initials of Ralph W. Usinger who was QA Manager at that time."

The purchase order was dated October 12, 1978, rather than October 12, 1979, as documented in the Notice of Violation. The official QA manual in use at that time was Zack QA Manual, Revision 2, dated March 13, 1978. Neither that revision nor Revision 1, dated July 29, 1977, required stamp on the purchase order to indicate completion of review by Zack QA to assure it contained all purchase requirements. The initials of the QA manager satisfied the QA Manual requirements in effect at that time.

For the second part of Item 1, the licensee's response stated, "This is denied as being an item of noncompliance based upon the following:

ASTM-A527-71 states "Orders for material to this specification shall include the following information, as necessary, to describe adequately the desired product." PO C-743 and C-642, adequately describe the product. There is nothing in ASTM-A-527-71 which requires more ordering data than what was specified in the subject purchase orders. As part of Zack Company's document package, it includes not only the procurement documents and material test reports, but also vendor acknowledgements, load tallies (for coils), shipping notices, shipping documents, product invoices, etc. As demonstrated by the complete documentation package for these two purchase orders in question, they did, in fact, "describe adequately the desired products."

After further review of the materials ordered and the ASTM requirements, we find the information supplied by the purchase order adequately describes the desired product.

CONCLUSION

The item is not an item of noncompliance. The information provided in the response by the licensee provides a basis for withdrawal of enforcement action.

Item 2STATEMENT OF NONCOMPLIANCE

10 CFR 50, Appendix B, Criterion V (Instructions, Procedures, and Drawings), states that "Activities affecting the quality shall be prescribed by documented instructions, procedures, or drawings... and shall be accomplished in accordance with these instructions, procedures, or drawings..."

- A. Consumers Power Company Quality Assurance Program Policy No. 5, (Instructions, Procedures and Drawings) Revision 8, states that "Instructions for controlling and performing activities affecting quality of equipment or operations during the design, construction and operation phases of nuclear power plants, such as procurement, manufacturing, construction, installation, inspecting, testing, operations and maintenance are documented in instructions, procedures, specifications, checklists and other forms of documents..."

- (1) The Zack Company Quality Assurance Manual, Section 6, Revision 0, states that "...Fabrication instructions are provided to the fabrication shop (plant or site) by design/drafting in the form of travelers that specifically set forth all necessary data..."

Contrary to the above, activities affecting quality were not accomplished in accordance with documented instructions and procedures for fabrication, as evidenced by the following:

- Review by the NRC inspector during the week of March 17, 1980, indicated that the height of hanger No. V1-3(7/C886) F916, shown on the traveler, was 43-3/4" and the installed dimension was approximately 37"; furthermore, the angle brace was a 2" x 2" angle instead of a 3-1/2" x 3-1/2" x 1/4" angle as required by the traveler.

This is an infraction (Civil Penalty - \$4,000).

(The above item is one of five examples that collectively constitute the infraction.)

EVALUATION OF LICENSEE'S RESPONSE

The licensee's response stated, "The above item of noncompliance is denied for the following reason:

The conditions noted are as stated, however, the inference that the traveler constitutes an as-built drawing is not true.

The Zack Company details on travelers, HVAC duct hangers, based on information available on pertinent Bechtel "M" and "C" on drawings. Detailed hangers are subsequently fabricated, as called out on the traveler, to a specified tolerance, i.e., normally 1/4". Each hanger is then installed per Bechtel "M" and "C" drawings with a tolerance of ± 6 " in any other direction, as specified in the Bechtel Technical Specifications.

As duct hanger pieces are detailed to maximum length and subsequently, installed per "M" and "C" drawing, the length of vertical and bracing members will not necessarily agree with the traveler.

Hanger fabrication (manufacturing) instructions provide on travelers in the form of engineering notes and sketches are derived by engineers from Bechtel "M" and "C" drawings. Providing that derivation process is accurate, the traveler notes and sketches and associated dimensions are no more than a detailed yet simplified reflection of the drawings. Because the sketches on the travelers are easier to follow than the drawings from which they were derived, the workmen installing components manufactured from travelers also use the travelers as the controlling documents for installing the components. Therefore, the traveler and the Bechtel "M" and "C" drawings should both reflect the as-built condition of the components within the tolerances provided for in the Bechtel Technical Specifications. The as-built height and angle brace of the hanger identified on Traveler No. V1-3(7/C886)F916 did not agree with the traveler within the tolerance provided for in the Bechtel Technical Specifications. The disagreement is evidence of not following instructions (travelers) related to activities affecting quality.

CONCLUSION

The item is an item of noncompliance. The information provided in the response by the licensee does not provide a basis for modifications of the enforcement action.

Item 7STATEMENT OF NONCOMPLIANCE

10 CFR 50, Appendix B, Criterion XV (Nonconforming Materials, Parts, or Components) states that "Measures shall be established to control materials, parts, or components which do not conform to requirements in order to prevent their inadvertent use or installation..."

Consumers Power Company Quality Assurance Program Policy Number 15 (Nonconforming Items), Revision 8, states that, "...Nonconforming items (structures systems, components, parts, materials) are identified by marking, tagging, segregating, or by documentation..."

- A. The Zack Company Quality Assurance Manual, Section 16, Revision 0, states that "...when it is determined that a nonconformity exists, it shall be tagged with a nonconformance tag by the Quality Control Inspector who then shall initiate a nonconformance report..."

Contrary to the above, measures which would prevent the inadvertent use or installation of nonconforming materials had not been established as evidenced by the fact that:

- (1) Duct No. V03-S112-2-F9437 was fabricated to Seismic Class 2 requirements instead of the prescribed Seismic Class 1 requirements. As of March 21, 1980, a nonconformance report was not initiated for the duct fabricated to the requirements of Seismic Class 2.
- (2) On March 12, 1980, nonconforming weld filler material (no material certification) was observed being used in welding a piece of duct identified on traveler No. F-9396. The material was not identified as being nonconforming.

This is an infraction (Civil Penalty - \$3,500).

EVALUATION OF LICENSEE'S RESPONSE

The licensee's response to Item 7.A(1) stated, "The above item is denied as being an item of noncompliance:

Duct No. V03-SH2-2 (F9437) was fabricated to Seismic Class 2 requirements instead of the prescribed Seismic Class 1 requirements. This duct segment, however, was identified by NCR A96 on March 19, 1980, contrary to the stated condition.

This item of noncompliance was identified by the NRC inspector on March 19, 1980, and was brought to the attention of Zack Company employees. Only then was the Nonconformance Report (NCR) prepared. The date in the Notice of Violation should have been March 19, 1980, rather than March 21, 1980.

In this response to Item 7.A(2) the licensee stated, "The above item is denied as being an item of noncompliance:

The subject weld filler () was received on Site November 6, 1979. Quality Control Procedure (filler metal control) MB-QCP-6, Rev. 2, dated December 4, 1978, which was in effect at the time of subject material receipt inspection, did not require material certification to be on Site. Material certification was on file in the Chicago office and has since been transmitted to the Site where it is on file in the QC vault. The revised procedures have now made it a requirement to receive certifications with the filler metal."

The Zack Company Quality Assurance Manual, Section 16, Revision 0, dated February 28, 1979, states "The site or plant Quality Control Inspector shall be responsible for inspecting the material or equipment as it is received... Items placed on "HOLD" will be for deficiencies found in receipt inspection, e.g.: 1. No material certification ..." This requirement to not release material and equipment for installation or use unless they have material certification on site is consistent with the 10 CFR Part 50, Appendix B, Criterion VII requirement that "Documentary evidence that material and equipment conform to the procurement requirements shall be available at the nuclear power plant...prior to installation or use of such material and equipment." Quality Control Procedure MB-QCP-6, Revision 2, dated December 4, 1978, which was in effect at the time of the findings was inconsistent with the Quality Assurance Manual in this area in that it did not require material certification to be on site. However, we understand that shortcoming was corrected by issuing Revision 3 of MB-QCP-6 on March 25, 1980, which is consistent with the aforementioned provision of Section 16 of the Quality Assurance Manual and 10 CFR 50, Appendix B, Criterion VII in requiring material certification to be on site.

When the subject weld filler material was received on site it was not accompanied by a material certification and the material was incorrectly released for use rather than being placed in "HOLD" as it should have been. The duct pieces subsequently welded with this incorrectly released weld filler material should have been identified as being nonconforming due to the unknown quality of the weld filler material. We recognize that a reading of the citation without reading the associated report details would likely lead to the conclusion that the weld filler material not being identified as being nonconforming was the basis for the citation; however, a reading of the report details reveals that it was the affected duct pieces not being identified as nonconforming which was the basis for the citation. Failure to generate a nonconformance report against the duct pieces is contrary to Section 16 of the Quality Assurance Manual.

CONCLUSION

The item is an item of noncompliance. The information provided in the response presented by the licensee does not provide a basis for modification of the enforcement action.

Item 8STATEMENT OF NONCOMPLIANCE

10 CFR 50 Appendix B, Criterion XVI (Corrective Action), states "Measures shall be taken to assure that conditions adverse to quality, such as ...no. ... are promptly identified and corrected."

Section 3.0 of Consumers Power Company Quality Assurance Program Policy Number 16 (Corrective Action), Revision 8, stated that Corrective action is initiated to correct conditions adverse to quality of items and activities." Section 3.4 states that "suppliers...who perform services for the nuclear plant, implement and follow a system for corrective action according to the Supplier's approved procedures."

- B. The Zack Company Quality Assurance Manual, Section 16, Revision 0, dated February 28, 1979, states "The site or plant Quality Control Inspector shall be responsible for inspecting the material or equipment as it is received... Items placed on "HOLD" will be for deficiencies found in receipt inspection, e.g.: 1. No material certification..."

Contrary to the above, measures were not adequate to assure that conditions adverse to quality were promptly identified, as evidenced by the fact that:

- Review of the Zack Company (at the Midland site) noncompliance listings disclosed that 250 pounds (5 boxes) of 3/32" diameter, Hobart E-601, weld rod, serial number 90155A, that were received at the Midland site on May 17 and June 6, 1979, lacked a material certification and were not placed on HOLD until March 11, 1980. The remainder of this weld rod, 450 pounds in 9 boxes, was not placed on HOLD and its use is unknown.

This is an infraction (Civil Penalty - \$3,500).

(The above item is one of two examples that collectively constitute the infraction.)

EVALUATION OF LICENSEE'S RESPONSE

The licensee's response stated, "This item of noncompliance is denied.

Zack Co Procedures MB-QCP-6, Revision 2, in effect when the filler material was received did not require material certification to be at the job site MB-QCP-6, Revision 3, dated March 11, 1980, and approved March 25, 1980, required material certification to be on the job site. The items were placed on hold March 2, 1980. Actions taken by Zack Quality Control at the time of the issuance of the "hold" exceeded the

existing requirements of the Zack QA Program. The material certification was on file in the Chicago Office and has since been transmitted to the Site, where it is on file in the QC vault."

The citation was for a violation of the Zack Company Quality Assurance Manual (Section 16, Revision 0, dated February 28, 1979), and not for a violation of a Quality Control Procedure (QCP). As mentioned in the evaluation of the licensee's response to Item 7.A(2), Quality Control Procedure MB-QCP-6, Revision 2, dated December 4, 1978, which was in effect at the time of the findings was inconsistent with the Quality Assurance Manual in this area in that it did not require material certification to be onsite. However, we understand that shortcoming was corrected by issuing Revision 3 of MB-QCP-6 on March 25, 1980, which is consistent with the aforementioned provision of Section 16 of the Quality Assurance Manual and 10 CFR 50, Appendix B, Criterion VII in requiring material certification to be on site.

When the subject weld rod was received on site it was not accompanied by a material certification and the material was incorrectly released for use rather than being placed in "HOLD" as it should have been. The failure to place the material in "HOLD" rather than releasing the weld rod for use is contrary to Section 16 of the Quality Assurance Manual.

CONCLUSION

The item is an item of noncompliance. The information provided in the response by the licensee does not provide a basis for modification of the enforcement action.

Item 10STATEMENT OF NONCOMPLIANCE

10 CFR 50, Appendix A, Criteria XVIII, states that "A comprehensive system of planned and periodic audits shall be carried out to verify compliance with all aspects of the quality assurance program and to determine the effectiveness of the program. The audits shall be performed...by appropriately trained personnel not having direct responsibilities in the area being audited."

Consumers Power Company Quality Assurance Program Policy Number 18, (Audits), Revision 9, Section 1, states that "...Audits to verify compliance to the requirements of the nuclear plant Quality Assurance Program are conducted by qualified personnel who have no responsibilities in the areas audited..."

The Zack Company Quality Assurance Manual, Section 19, Revision 0, states that, "All audit team members shall only audit areas for which they have no direct responsibility."

Contrary to the above, audits to verify aspects of the quality assurance programs were carried out by personnel with direct responsibilities in the area being audited. Mr. Ed Thompson, Zack Company QA Manager, and Mr. H. Geyer, Zack Company Project QA Manager, performed an audit on March 6-7, 1980 of the Zack Company Quality Assurance program at the Midland Site. Mr. E. Thompson had been the Zack Company Project Manager at the Midland site in December 1979, a period included in the audit.

This is an infraction (Civil Penalty - \$3,000).

EVALUATION OF LICENSEE'S RESPONSE

The licensee's response stated, "The above item of noncompliance is denied.

The subject audit (March 6-7, 1980) was performed by Mr. Harry Geyer and not by Mr. E. A. Thompson. Mr. Geyer, at that time, was Plant Quality Control Manager as documented by a copy of subject audit. The audit was performed solely by Mr. Geyer as documented by the "audit worksheets." Mr. Thompson attended the audit "open" and "closing" sessions. The Site Quality Control Department was being audited. Mr. Thompson, as QA Manager, was performing within the approved quality program. Mr. Thompson had been our Site Project Manager until December 1979. The Site Quality Control Department, by design, is independent of the Site Project Manager. The site Quality Control Department reports directly to the Corporate QA Manager. If Mr. Thompson did perform the audit, he was in compliance with Section XVIII of Federal Regulation 10 CFR 50, Appendix B, as the audit was an evaluation of the QC Department in which he had no direct responsibilities in the area being audited. Review of the audit revealed no areas in which Mr. Geyer had direct responsibility.

Zack's procedural coverage of the audit function was substantially improved with the release of Procedure PQCP-17 on July 28, 1980. This procedure is very specific as to the requirements for training and certification of auditors and to the details of audit planning and execution and the recording of the audit results."

Although the investigators were informed during the investigation that Mr. Thompson was involved in the audit, we now find his involvement did not include participation in the conduct of the audit. His involvement appears to have been limited to informing the audited group of the audit plan and attendance at the "opening" and "closing" sessions of the audit. Mr. Geyer, the auditor, did not have direct responsibilities in the areas audited; however, his previous involvement at the corporate level with material and equipment which were related to some of the audited activities could have biased his audit findings. We understand the licensee recognized the need to assure complete independence of auditors from the audited activities and has revised Procedure PQCP-17 to reflect that recognition.

The licensee's statement is incorrect that, "If Mr. Thompson did perform the audit, he was in compliance with Section XVIII of Federal Regulation 10 CFR 50, Appendix B, as the audit was an evaluation of the QC Department in which he had no direct responsibilities in the area being audited." If Mr. Thompson had performed the audit as we originally thought, he would have been auditing activities over which he had direct responsibilities and would therefore have been in noncompliance with Criterion XVIII of Appendix B of 10 CFR 50.

CONCLUSION

The item is not an item of noncompliance. The information provided in the response by the licensee provides a basis for withdrawal of the enforcement action.