

Bechtel Power Corporation

Engineers—Constructors

Fifty Beale Street

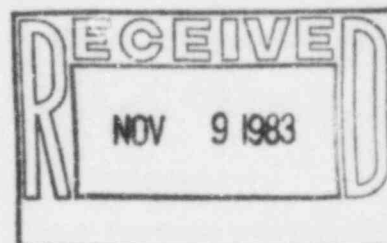
San Francisco, California

Mail Address: P.O. Box 3965, San Francisco, CA 94119



November 3, 1983

Mr. Uldis Potapovs, Chief
United States Nuclear Regulatory Commission
Region IV
611 Ryan Plaza Drive, Suite 1000
Arlington, Texas 76011



Dear Mr. Potapovs:

This letter is in response to your letter dated October 6, 1983, (Docket No. 99900500/83-01) that transmitted the report of the inspection of the San Francisco Power Division Procurement Supplier Quality Department (PSQD) conducted by Mr. D. G. Breaux of your organization on August 8-12, 1983.

Your letter discusses specific concerns about the effectiveness of the PSQD and expresses a more general concern that there is an apparent lack of central authority governing supplier quality activities and that this lack of authority appears to stem from the autonomy of the Bechtel Power Divisions and the specific projects within these divisions.

Over the years that Bechtel has been building nuclear power plants, we have learned through experience that it is absolutely necessary to develop strong project teams dedicated to carrying out the specific requirements of each project. Bechtel's policy, as described in the NRC-approved BQ-TOP-1, Rev. 3A, is that "Each power division retains full responsibility for projects assigned to it. Support services are provided to the divisions by centralized functions . . ." It has proven beneficial to the projects individually and collectively to maintain a well staffed and trained central supplier quality organization capable of supporting the needs of all the projects. We believe we have the proper balance of duties and responsibilities between the divisions and their projects and the Central Supplier Quality Department.

The responsibility for audits is not vested solely with supplier quality. Quality assurance and quality control personnel on each project share the audit responsibility for carrying out the program described in the PSAR, including an evaluation of each supplier's performance on an annual basis. Also, Bechtel has representatives of PSQD in key decision-making positions on the projects. A project supplier quality supervisor is assigned to each project team within each division.

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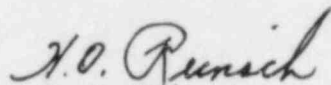
Bechtel Power Corporation

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Bechtel is very concerned about the quality of the equipment and materials delivered to its nuclear power plant construction sites. I am enclosing a copy of a company memorandum that is being issued to reiterate our commitment to quality, especially supplier quality.

Neither your inspection report nor our response contain proprietary information.

Very truly yours,

A handwritten signature in dark ink, appearing to read "H.O. Reinsch". The signature is fluid and cursive, with a prominent initial "H" and a long, sweeping underline.

H. O. Reinsch
President
Bechtel Power Corporation

Enclosure

NONCONFORMANCE A

Section 2.2 of PS 9.9, "Supplier Performance Evaluation Reporting Procedure (PSQ-223)," Revision 1 of the Procurement Supplier Quality Department (PSQD) Procedure Manual states, in part, "A PSQ-223 is required to be submitted in the following cases: a) Routinely, every six months in March and September, for each prime supplier where PSQD had issued a Quality Surveillance Assignment (QSA) . . ."

Contrary to the above, a review of the Procurement Supplier Quality Department (PSQD) central files for six suppliers where PSQD had issued a QSA, revealed that PSQ-223s were missing in the following cases:

1. Reliance Electric Company located in Stone Mountain, Georgia, for March and September 1982.
2. Comsip Custantine Corporation, located in Linder, New Jersey, for September 1981.

Corrective Action

Quality surveillance evaluations prepared by a few inspectors employed by Southern Company Services for the Vogtle project were not placed in the central files. Subsequent to the inspection, a decision was made to include evaluations performed by persons outside the department, and copies of the missing Supplier Performance Evaluation Report (SPER) have been retrieved.

PSQD internal procedure AD-1.9, "Administrative Processing of Supplier Performance Evaluation Reports (PSQ-223)," and the Procurement Quality Manual, Section 2.5, did not provide sufficient procedural control to ensure that all SPERs were captured. Procedure AD-1.9 has been revised to require that all SPERs be reviewed against open assignments in November and May and to provide for follow-up so that any missing SPERs will be retrieved. PSQD is presently retrieving missing SPERs.

NONCONFORMANCE B

Section 4.6 of TS-1.5, "Procurement Supplier Quality Department Reports and Forms Control," Revision D, states, in part, . . . D). Each calendar quarter, the Manager, SQ issues a listing of all active PSQD forms showing thereon the current revision and date of each."

Contrary to the above, a review of the "Quarterly List of PSQD Forms" from March 1980 through April 1983, revealed that two active PSQD forms - "Supplier Evaluation Review Report" and "Supplier Historical Quality Record" - were not on the list; and the listing was not issued between June 30, 1982, and April 1983.

Corrective Action

The April 1983 "Quarterly List of PSQD Forms" is current. A new report will be issued in November 1983 to include all forms used by the department. Responsibility for the quarterly preparation and issuance of this report has been transferred to the supervisor of our administrative support group.

NONCONFORMANCE C

Section 4.5 of TS-1.5, "Procurement Supplier Quality Department Reports and Forms Control," Revision 0 of the PSQD Procedures Manual, states, "The Manager, Supplier Quality, approves the new or revised report or form."

Section 4.1.3 of TS-6.2, "Supplier Evaluation Procedure (QD's)," Revision 0 of the PSQD Procedures Manual, states, in part, "Document the supplier's quality capability by . . . completing a Supplier Evaluation Report (see Attachment A)." The form identified as Attachment A is dated "Rev. 0, Mar 78."

Contrary to the above, a review of PSQD central files for eight suppliers indicated that revisions of the Supplier Evaluation Report (SER) forms dated December 12, 1980, and January 20, 1983, were used to evaluate these suppliers, and there was no documented evidence that the Manager, Supplier Quality, had approved the new or revised form.

Forms dated December 12, 1980, were used for Transamerica Delaval (December 1980 and February 1980; Comsip, Whitter, California (August and September 1981); Reliance Electric, Stone Mountain, Georgia (November 1982); Limitorque (August 1981); Rockbestos (October 1981); Bergen Paterson (January 1982); and Reliance Electric, Cleveland, Ohio (March 1982).

Forms dated January 20, 1983, were used for Comsip, Linoen, New Jersey (May 1983); Rockbestos (March and July 1983); and Limitorque (June 1983).

Corrective Action

As of November 1983, the signature of the manager of supplier quality will be placed on reports and forms used by PSQD to indicate approval. Procedure TS-6.2, "Supplier Evaluation Procedure (QDs)," has been revised to include the date of the latest revision of the Supplier Evaluation Report (January 1983). The manager of supplier quality has indicated his approval of this form by approving the revision to the procedure.

NONCONFORMANCE D

Section 2.1 of TS-1.1, "Preparation, Distribution and Control of Procurement SQ Department Procedures," Revision 1, states, "Procurement SQ Department Procedures are developed for the purpose of providing detailed instruction to SQ personnel for the execution of Department activities and responsibilities."

Contrary to the above, a review of PSQD central files for eight suppliers indicated that the "Supplier Historical Quality Record" form was being used for each supplier, but there was no documented evidence of a procedure addressing the specific information required by the form or the individual responsible for completing the form.

Corrective Action

A new procedure will be prepared and implemented by the end of 1983 that will define the specific information to be entered and the responsibility for entering the information on the supplier quality history log.

NONCONFORMANCE E

Section 5.5 of TS-4.1, "Audit Waiver Procedure," Revision 2, dated April 14, 1981, states: "The Technical Services Administrator shall provide input to the ESL documenting Audit Waivers."

Contrary to the above, there was no evidence of Technical Services Administrator's input to the Evaluated Supplier List (ESL) documenting Audit Waivers for the year 1982 for the following vendors:

1. Action Lab., Barton;
2. General Electric, Rome, Georgia;
3. Okonite Company, Santa Maria, California; and
4. Parker-Hannifin, Huntsville, Alabama.

Corrective Action

Audit waivers are received by the technical services administrator for scheduling purposes. She has been instructed to provide this information to the technical services specialist (ESL) for entry into the ESL.

NONCONFORMANCE F

Section 3.5 of TS-2.5, "Administration and Coordination of Manual Review Reports," states: "The Central Technical Services File Clerk is responsible for inclusion of SQPER to Central File."

Contrary to the above, the Bechtel ESL reflected that a Supplier Quality Program Evaluation Report (SQPER) had been performed on Aptech Engineering Services Inc., yet there was no copy of the SQPER in central files.

Corrective Action

Section 2.1 of TS-2.5, "Administration and Coordination of Manual Review Reports," states that the procedure is concerned with supplier quality

program evaluations performed by division and central procurement supplier quality personnel. The information accompanying the ESL explains that backup information on technical services contractors is retained by the originating organization (in this case, the San Francisco Power Division). This condition applies to Aptech Engineering Services, Inc.

NONCONFORMANCE G

Attachment A of TS-6.2, "Supplier Evaluation Procedure (QD's)," Revision 0, dated March 13, 1980, states that in completing the SER, the basis for assigning a supplier a Quality Designation (QD) of Conditionally Satisfactory is that the Supplier Performance Evaluation Report (SPER) status is given as "Recommended." This procedure also states that if a QD of "Conditionally Satisfactory," "Problem Supplier," or "Unacceptable" is assigned, then the comment section of the SER should describe what the supplier must do to improve his QD.

Contrary to the above, the SER for Portland Engineering Company, dated June 21, 1983, gave this supplier a QD of "Conditionally Satisfactory" with an SPER dated April 4, 1983, and the comment "Not Recommended." With this "Conditionally Satisfactory" rating, there was no description in the comments section as to what the supplier must do to improve his QD.

Corrective Action

Attachment A of TS-6.2 has been revised to delete the requirement for a statement of actions required to upgrade the quality designation. The supplier is notified of necessary actions by means of the Report of Audit and the PSQ-223 Evaluation Report. Since the SER is not available to the supplier, it is not appropriate to specify supplier actions on this form.

NONCONFORMANCE H

Bechtel Power Corporation Quality Program Policy on Bechtel Corrective Action Program, BPC No. 0-16.1, Revision 4, states, in part, "Other important quality information will be transmitted between divisions using problem investigation requests [PIR]."

Contrary to the above, no instructions were provided to document how the PSQD would implement the PIR system.

Corrective Action

Procedure TS-1.6, "Supplier Quality Information Exchange," was written and distributed for comment on October 19, 1983. Its purpose is to provide instructions concerning implementation of the PIR system. Upon resolution of any comments, the procedure will be issued and implemented. The scheduled date of completion is November 15, 1983.

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San Francisco, California

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November 3, 1983

To: L. G. Hinkelman
J. M. Komes
C. D. Statton
H. W. Wahl

The Nuclear Regulatory Commission and many utilities are becoming increasingly concerned that the quality of the equipment and materials delivered to nuclear power plant construction sites may be less than optimal. While this concern may have in fact resulted from increased awareness of these deficiencies and their apparent significance to the safety and operation of these facilities, it may be partially attributable to widespread publicity given to the recent discovery of fraudulent action on the part of a few suppliers of nuclear and nonnuclear materials.

Even though these projects are complex and it is difficult to meet all of the requirements placed on us, the quality of the purchased equipment and materials used in Bechtel's projects has always been high.

Although our record is enviable, we wish to reiterate our fundamental commitment to quality as described in the memorandum published by S. D. Bechtel, Jr., in April 1977 (copy attached).

Our record for quality must be maintained if we are to properly discharge our obligations. We must always be aware of the importance of quality of our nuclear power plant work, particularly in the area of procurement, to ensure that these facilities are properly designed and constructed with the proper materials and equipment which conform to the design requirements.

We know we can count on your continued support, and we ask that you relay this message to all your project managers and division procurement managers.

E. C. Stokes
Vice President

H. O. Reinsch
H. O. Reinsch
President

DESIGNATED ORIGINAL

Certified by

Rheanne Clark



Management Memo

from Steve Bechtel, Jr.

SOME THOUGHTS ON QUALITY

Because quality is the cornerstone of our business, some may wonder what is to be gained by my writing about it here, in the abstract?

Quality certainly is a variable. It depends on specific job requirements and specific conditions to have real meaning. But quality is more than a set of specifications or standards against which we can measure our performance.

I think quality begins with a state of mind--a management attitude--and that's why I am writing this memo to you.

To remain "sharp" on quality, we ought to remind ourselves from time to time about several concepts which apply to our operations. And I think we should assure ourselves that we are still adhering to these concepts as we do our work.

First, let's define quality. It is a performance characteristic just like cost and schedule objectives. Specifically, it is conformance with requirements--those of the client, plus any industry, professional or government standards which may be applicable.

Quality does not necessarily mean the most sophistication or the highest cost.

Second, the client's requirements form the foundation of quality. If these are not adhered to properly, we may build a facility which does not meet the client's economic objectives. Technically we may have done a quality job of engineering and construction. But if engineering and construction were based upon a poor definition of the client's requirements, the project will be a poor quality job, even though engineering and construction efforts were well done.

For many projects, defining the client's requirements and future operating conditions which may affect them are complicated tasks. They usually involve conjecture about a future for which precise data and reliable forecasts are difficult to determine. Nevertheless, we must do the best we can. Sound definition of the client's requirements and reliable forecasts of future operating problems are the keys to good contingency design and a quality end product.

Third, the primary responsibility for quality belongs to line professionals, supervisors and managers. This is fundamental. In particular, quality is a major responsibility of those who are closest to engineering and construction operations. The fact that we have a large number of quality specialists who perform inspections and quality assurance reviews does not relieve line management of its responsibility for quality performance. These activities are not a substitute for close, continuing and thorough attention to quality by those who design, supervise and manage our jobs.

Fourth, quality is a constant concern. It is continuing attention to essential details. We are all aware, I am sure, how a minor mistake can have major consequences. Costly corrective measures and future operating failures can be avoided through daily vigilance and close scrutiny, particularly at the front end of our jobs where good planning is so critical.

Fifth, there are situations where an extremely high level of quality--almost perfection--is necessary. Nuclear power plants are an obvious example. We must, we have and we will continue to establish and meet standards of highest reliability and maximum safety for these kinds of facilities. On such projects, less than the very best that is possible, given the current state of technology, is not acceptable.

These five comments may appear broad and general, but if they are considered and applied in the context of specific job circumstances, I believe they can be a useful guide to "sharp" quality performance.

Quality is of the greatest importance. It has been a goal for the almost 80 years of our organization's history.

And it is the essence of our objective to be not the biggest, but simply the best.

Sincerely,

Vol. 9, No. 8
April 1, 1977

GQE 110