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August 8, 1984

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Dr. Thomas E. Murley, Administrator
U.S. Nuclear Regulatory Commission
Office of Inspection and Enforcement
Region I
631 Park Avenue
King of Prussia, Pennsylvania 19406

Dear Mr. Murley:

NRC IE BULLETIN NO. 83-07 DATED JULY 22, 1983,
APPARENTLY FRAUDULENT PRODUCTS SOLD BY RAY MILLER, INC.
HOPE CREEK GENERATING STATION

This letter is in reply to your letter of June 18, 1984,
which requested a response to Item 4 of the Bulletin:

"--although the specific details involving apparently fraudulent materials received from Ray Miller, Inc. may not directly apply for your facility, you are requested to review the general concerns expressed in the Bulletin for applicability at your facility. Your response should describe the results of the review, and if the general concerns apply, you should describe the short-term and long-term corrective actions to be taken and the schedules thereof."

The general concerns of this Bulletin are suppliers fraudulently providing substandard or non-conforming materials when providing components for safety-related systems. The quality assurance and quality control programs at Hope Creek Generating Station include various provisions to deter, prevent, and detect the substitution of incorrect or lower quality material for safety-related applications either by fraud or error.

All safety-related components and systems are identified in the project "Q-list." This assures that all applicable provisions of the quality program are invoked for these components. Prior to award of a purchase order for safety-related equipment, reference is made to Bechtel's Evaluated Suppliers List which records the supplier's performance on previous nuclear orders. Suppliers' quality history is also evaluated through surveys or full scope quality assurance audits.

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This is to assure that the potential vendor has a QA program in place and has the necessary equipment, facilities, qualified personnel, and ASME Certificates of Authorization or other certifications to meet all the requirements of the specification. A preaward survey is conducted for any supplier not included on the above list. The invocation of 10 CRF 21 provides civil penalties to deter fraud in safety-related purchase orders.

Bechtel Supplier Quality Representatives conduct surveillance at the vendor's facility while the purchase order is being executed. Their surveillance may cover both the material and the documentation. They witness and verify specific inspections and tests as required by the purchase order as well as overall quality surveillance. PSE&G Quality Assurance personnel accompany Bechtel Supplier Quality Representatives in accordance with a preplanned hold-point program. They also observe Bechtel audits of suppliers on a selected basis.

Safety-related materials are receipt inspected upon arrival at the jobsite. This includes an inspection of both the material and the documentation. The documentation is reviewed to assure that all specification requirements are met. The material is at least visually inspected. Discrepancies between the documentation and the material also indicate potential problems. Bechtel laboratory tests or independent laboratory tests have been called for at this point if questions about the material arise. If independent laboratory tests are required in such cases, the results are normally sent directly to Bechtel, (e.g., independent laboratory testing has been performed in the case of some coatings).

Reports from craftsmen, quality control inspection, and preoperation testing, would detect incorrect material in many cases.

Industry feedback information such as that provided by the NRC Office of Inspection and Enforcement and by the Institute of Nuclear Power Operations also serves to identify those vendors, manufacturers, and contractors who engage in careless or fraudulent practices. Similar procedural mechanisms exist within Bechtel Power Corporation. When such occurrences are reported, action is taken to determine if such material has been provided to Hope Creek Generating Station and to determine what corrective action is required.

Procurement of spare and replacement parts is being performed under the PSE&G Nuclear Department program. The Nuclear Department responded to this Bulletin in letters dated March 14 and June 12, 1984.

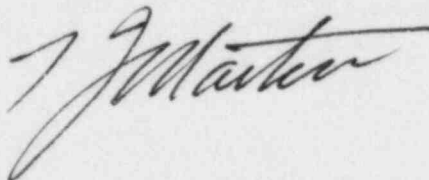
Dr. Thomas E. Murley

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Should any additional information be desired, we will be pleased to discuss it further with you.

Very truly yours,



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