

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

2 December 2022

Ref: USNRC Inspection Report 99902104/2022-201
Reply to Notice of Nonconformance 99902104/2022-201-01

This is the Energy Steel reply to the above referenced Notice of Nonconformance. Energy Steel is committed to being in full compliance with regulatory and industry requirements and understands that requires the maintenance of a robust quality program, application of the necessary resources to support it, and action for continuous improvement to address gaps in the program when they come to light.

As discussed below, corrective actions were in process at the time of the NRC Inspection. Those activities are continuing to fully address the nonconformance and ensure robust processes are in place to prevent recurrence in the future.

We found the discussions with the NRC team during the inspection to be both enjoyable and enlightening. It was evident that their intent was to perform a valid inspection and also help us drive improvement in our quality program.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Hunter Nagel", written in a cursive style.

Bruce Nagel
Quality Assurance Director
Energy Steel

IED9
NRR

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NOTICE OF NONCONFORMANCE 99902104/2022-201-01:

Nonconformance 99902104/2022-201-01 – Criterion XVI, “Corrective Action” of 10 CFR 50 Appendix B states in part that measures shall be established to assure that conditions adverse to quality, such as failures, malfunctions, deficiencies, deviations, defective material and equipment, and nonconformances are promptly identified and corrected.

Contrary to the above, the NRC team identified 2 Nonconformance Reports (NCs) and 13 Corrective/Preventive Action reports (CPAs) that were past the 30 business days due date as required in Energy Steel’s nonconformance reporting (SOP Q15.0) and corrective action (SOP Q16.1) procedures. In addition, during the Energy Steel internal audit performed in July of 2022 Energy Steel had identified an audit finding related to 2 NCs and 4 CPAs that were past the 30 business days due date, but Energy Steel did not issue CPA 1459 to address that issue until 2 months after identification.

This issue is identified as Nonconformance 99902104/2022-201-01.

REPLY TO NOTICE OF NONCONFORMANCE 99902104/2022-201-01:

Reason for Noncompliance:

Investigation showed that although the periodic meetings on CPA and NC reviews indicated in CPA 1098 that was issued in response to the finding of the NRC Inspection in 2008 had been implemented, they were discontinued at some point in the past.

Processing and resolving NCs was found to be primarily driven by addressing those NCs needed to allow continued processing of jobs on hold and release of product for shipment. Thus, while the NC process was successfully performing its function of preventing nonconforming material being further processed or delivered to customers, it was not driving timely resolution of open NCs. The resolution of NCs was not integrated into the process of managing projects but was instead isolated and lacked both visibility and resources.

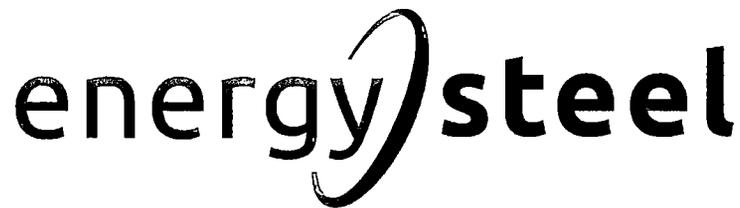
Without the periodic review meetings in place, open CPAs were found to have insufficient visibility needed to drive resolution and ensure the application of resources necessary to facilitate progress in light of competing priorities.

Project Manager and Engineer positions that were open long-term as a consequence of the relocation of Energy Steel’s facility from the previous location in Lapeer, MI further contributed to resources being insufficient for addressing both NCs and CPAs in a timely manner, as has one QA Specialist being out on long-term medical leave since mid-2021.

Corrective Steps Taken:

A standing daily Material Review Board (MRB) meeting has been implemented – facilitated by the QA Director and attended by a broad group of internal stakeholders – to review all open NCs and drive

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them to resolution. The emphasis of the MRB meeting is overdue NCs and new NCs are included to ensure visibility, prompt action, and timely resolution. In addition, open NCs have been added to the project status boards and are addressed at least twice per week as a standard meeting agenda item, driving resolution and mitigating delays to project schedules.

A team-based structure for project management is being iteratively developed, with three specialized project teams dedicated to a subset of the work that Energy Steel does. A robust formal process for managing projects is being developed with lean manufacturing expertise and support contributed by the Continuous Improvement Director of Energy Steel's parent company, Hayward Tyler. This project is working to produce an even flow of projects through phases from quotation through shipment by reducing errors in capturing project requirements, ensuring that requirements properly drive process documentation (drawings, travelers, vendor purchase orders, etc.), and maintaining focus on nonconformances along with other project challenges. Central to the project is guaranteeing the time required for various project tasks, ensuring they get sufficient attention, and building the standard cadence of projects around that timeframe to reduce task-switching and other drivers of errors.

One new Project Manager and two new Engineers have been hired to provide resources for the project management teams and resolving technical issues – allowing for a dedicated engineer for two of the project teams and addressing the shortfall of personnel resources as they come up to speed on Energy Steel's processes and the new project management approach.

A weekly standing meeting focused on CPAs has been implemented since 19 September 2022 with members of the management team (President, Engineering Manager, Shop Foreman, and Senior Project Manager) to provide time to review past due items, work on the CPAs themselves, and make plans for more in-depth work and resource allocation to resolve problematic CPAs.

Corrective Steps to Avoid Noncompliance:

The function of the daily MRB meeting will transition to a part of the process for each project management team. Until that transition is formalized and on-time NC resolution results show that process is stable and consistent the MRB meeting will continue in parallel to ensure that timely resolution of NCs is not compromised.

When the QA Specialist returns from medical leave in the first quarter of 2023, he will be tasked in part with supporting resolution of open NCs and CPAs to provide more resources for follow-up and research of difficult issues. He will receive training in root-cause analysis and problem-solving to function as a facilitator for both NCs for the project teams and for CPA resolution.

Date When Corrective Action Will Be Completed:

31 March 2023