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REGION VICE

October 19, 1984  
ANPP-30914-TDS/ATR

U. S. Nuclear Regulatory Commission  
Region V  
Creskide Oaks Office Park  
1450 Maria Lane - Suite 210  
Walnut Creek, California 94596-5368

Attention: Mr. T. W. Bishop, Director  
Division of Reactor Safety and Projects

Subject: Notice of Violation  
File: 84-019-026; D.4.33.2

Reference: NRC's letter to E. E. Van Brunt, Jr., dated  
September 22, 1984

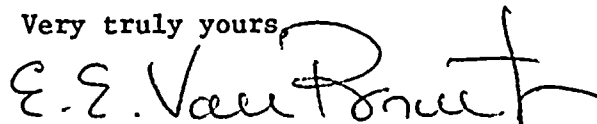
Dear Sir:

This letter refers to the inspection conducted by Mr. M. Grayson during July 16-20 and August 6-10, 1984. Our response to the Notices of Violation of the referenced letter is enclosed in Attachment A and Attachment B, respectively.

The APS Project Task Force, referred to in the response to the Notices of Violation, completed its review on October 3, 1984. The task force's final report is expected to be available on-site for your review by November 15, 1984.

Audit review and evaluations of the Corrective Action program are being conducted and are expected to be completed by November 15, 1984.

Very truly yours,



E. E. Van Brunt, Jr.  
APS Vice President  
Nuclear Production  
ANPP Project Director

EEVB/ATR/nj  
Enclosures

cc: See Page Two

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Mr. T. W. Bishop  
Notice of Violation  
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ATTACHMENT A

NOTICE OF VIOLATION

As a result of the inspection during July 16-20 and August 6-10, 1984, and in accordance with NRC Enforcement Policy, 10CFR Part 2, Appendix C, the following violations were identified:

- A. 10CFR Part 50, Appendix B, Criteria V, Instructions, Procedures and Drawings requires that "Activities affecting quality shall be prescribed by documented instructions, procedures, or drawings of a type appropriate to the circumstances and shall be accomplished in accordance with these instructions procedures or drawings. The following examples of failure to follow procedures developed to implement the requirements of 10CFR Part 50, Appendix B, were identified:

- (1) 12AC-OZZ04, Returning Material to Warehouse, Revision 0, effective July 16, 1982, states that the Material Control Section on return of materials to stores (MRS material) shall "Perform a receipt inspection in accordance with 12AC-OZZ05." 12AC-OZZ05, Material Receiving, Revision 1, Section 5.1.3.1(d) requires that Material Control "Prepare ID labels (Appendix D) and place on material or packages." Section 5.1.3.2 requires that "Material Control shall provide the Quality Control personnel with the shipping documents and a copy of the Material receiving report MRR or the Receiving Label (Appendix C) as applicable at the beginning of the inspection."

Contrary to the above, at the time of the inspection, material returned to stores, MRS No. 5401, P. O. JM-200 for a quality-related microswitch, and MRS No. 6019, P.O. 33100999 for quality-related stainless steel gaskets, had been returned to stores in April of 1983 but Material Control did not prepare and place ID labels (Appendix D) on the material or package. In addition, Material Control did not provide Quality Control (QC) personnel with the shipping documents and a copy of the MRR or Receiving Label (Appendix C) when the materials were transferred to QC for inspection.

- (2) 61AC-OZZ01, Receiving Inspection, Revision 3, Section 5.3.2.6, states that during receipt inspection "If the item has a material nonconformance, the Operations Quality Control (QC) Inspector shall issue a Nonconformance Report (NCR) and place an NCR tag on the item in accordance with 60AC-OZZ02 "Control of Nonconforming Items."

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Page Two

Contrary to the above on May 23, 1983 during receiving inspection of P.O. 60059964, one item of three, consisting of 60, 6", 150 lb. flexitallic gaskets were received but not accepted, since 8" 150 lb. gaskets were specified on the purchase order. As of July 16, 1984 these gaskets were found in the Quality Control incoming area without an NCR tag or other form of identification and no NCR had been issued.

- (3) 12AC-OZZ02, Revision 2, Section 5.1.2.5 states that the material control designee shall "Maintain a file of all Quality-related and Non-quality-related purchase requisitions (PRs) attachments and amendments for turnover to records management."

Contrary to the above, at the time of the inspection, multiple purchase requisition files in Material Control were found to not contain standardized attachments 1M through 5M referenced on the purchase requisitions. These attachments identify the technical and quality requirements pertaining to the purchase order. Examples of files which did not contain these attachments include PR file 009896 for a General Electric, Class IE, relay and PR file 009643 for an ASCO, Safety Class 2 solenoid valve, and PR 000839 for safety-related plugs and gaskets.

- (4) 12AC-OZZ06, Material Storage, Revision 1, Section 5.3.3.1(a) states that "Material Control shall conduct inspections of stored material on a monthly basis to assure that the integrity of the stored material and its container is being maintained." Section 5.3.3.1(b) states that "A Storage Inspection Report (Appendix F) shall be used to document the inspection, any discrepancies found, and the corrective action taken. The Material Control Supervisor shall approve all corrective action and ensure it is implemented. The Quality Assurance Receiving Inspector shall be notified for discrepancies found in quality-related material and shall concur with the corrective action to be taken."

Contrary to the above, at the time of the inspection:

- a. Monthly inspection report of Warehouse 222C, dated June 25, 1984, with three unsatisfactory findings was not signed by the Material Control Supervisor for approval or implementation of corrective actions.



- b. Monthly inspection report dated April 30, 1984 failed to identify which warehouse was inspected and who conducted the inspection. Two unsatisfactory findings were identified but were not indicated to be quality-related or non-related. The Material Control Supervisor signed the form approving corrective actions on April 8, 1984, but did not sign the form for implementation of corrective actions.
  - c. Monthly inspection report dated October 6, 1983 failed to identify who conducted the inspection. Four unsatisfactory findings were identified but were not indicated to be quality-related or not quality-related. The Material Control Supervisor signed the form approving corrective actions on November 14, 1983, but did not sign the form for implementation of corrective actions.
- (5) 12AC-OZZ02, Purchasing of Materials, Equipment and Services, Revision 2, Section 4.7 states that "Maintenance Systems Engineering is responsible to review purchase requisitions (PR's) that are quality-related or of questionable quality classification and verify or determine the quality classification, procurement level and technical and quality requirements." Section 3.1 of 12AC-OZZ03, Quality-Related Procurement Methods, Revision 0, defines a Procurement Level I "Specification" type purchases as, "A purchase where the specification governing a service or the manufacture of an item is written by Arizona Public Service (APS)." Section 3.1 also defines a Procurement Level IV "Catalogue Specification" type purchase as a "Purchase where the governing specification is published in the vendor's catalogue."

Contrary to the above, at the time of inspection:

PR 6178 for Crosby valve (SIC) parts for use in Safety Class #1, Seismic Category #1, Safety Injection Valve was indicated to be Procurement Level I, but was ordered by reference to Crosby catalogue part number N-92089; which pursuant to Section 3.1 of 12AC-OZZ03, Quality-Related Procurement Methods, would be Procurement Level IV.



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PR 009643 for an ASCO Solenoid Valve, for use in a Safety Class #2, reactor drain outlet did not contain the technical requirement that 10CFR Part 21 was applicable to this purchase order.

PR 009896 for a General Electric Relay, for use in a Seismic Category #1, Safety Class IE, 4.16 KV switchgear, did not contain the technical requirement that 10CFR Part 21 was applicable to this purchase order.

This is a Security Level IV Violation (Supplement II).

I. Corrective Steps Taken and Results Achieved

Prior to this inspection, the Corporate Quality Assurance Department had been reorganized along functional lines. In the area of procurement, the reorganization established one department within QA with overall responsibility for the Quality Assurance functions associated with procurement, vendor quality, and receiving inspection. At the time of the reorganization, Procurement Quality, as directed by the Corporate QA Director, began a review of the implementation and effectiveness of the Quality Assurance program relevant to the procurement, receiving inspection, and material control (warehouse) activities. The review, which was completed on May 14, 1984, identified programmatic and procedural weaknesses. Corrective actions were in progress at the time of this NRC inspection to resolve these items.

As a result of the inspection, APS formed a Project Task Force, under the direction of the Procurement Quality Supervisor, to evaluate the status of the procurement, receiving inspection, and material control programs. The task force reviewed the status and effectiveness of the current operations phase procedures by:

- (1) Reviewing these procedures against applicable regulatory requirements and commitments;
- (2) Reviewing problem identification documents, e.g., audit reports, I&E Notices, Corrective Action Reports, monitoring reports, etc., to determine if these procedures adequately resolved the concerns/problems identified in these documents; and
- (3) Reviewing problems/concerns identified by the task force members during this review and evaluating these problems/concerns to determine if they had been previously identified and resolved.



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As a result of the task force's findings, changes were made in seven of the Operations phase procedures which control procurement, receiving inspection, and material control activities (12PR-OZZ01, 12AC-OZZ01, 12AC-OZZ02, 12AC-OZZ03, 12AC-OZZ05, 12AC-OZZ09, and 12AC-OZZ10). Interim procedures for contracts and system purchase requisitions were issued. The conclusion reached by the Task Force was that as of October 3, 1984, procedural controls existed to adequately implement the APS operations phase quality assurance program relevant to procurement, receiving inspection, and material control (warehouse) activities.

Corrective action taken to resolve the specific concerns identified in Violation A is presented below, and identified with the same numbers used in the Notice of Violation.

- (1) The material being returned to stores on MRS 5401 and MRS 6019 was verified as acceptable, tagged, and placed in storage. The backlog of material awaiting QC inspection upon being returned to the warehouse and which existed during the NRC inspection has been eliminated as of September 14, 1984.
- (2) The 60, 6", 150 lb. gaskets were scrapped September 4, 1984 on Resource Recovery Tag #0161. The Receiving Inspection section has monitored the warehouse to ensure that nonconforming items in the warehouse are properly documented, identified, and located in the hold area; and has found proper controls to be present.
- (3) The purchase requisitions in the Material Control files are maintained as backup copies of those record copies maintained by the Purchasing and Contracts Department. QC receipt inspection is performed using a copy of the Purchase Order provided by the Procurement Quality Section along with the Quality Receiving Checklist. The Material Control files are merged with those of Purchasing and Contracts to form a complete package. Procedures require Material Control to provide only the receipt inspection records and those vendor documents required by the Purchase Order. The task force determined it was a redundant requirement to maintain the technical/quality attachments with the purchase requisitions. The controlling procedure is being revised to reflect this determination.

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- (4) The Material Control Supervisor has reviewed all existing Storage Inspection Reports, obtained missing information when possible, and signed for the approval of and implementation of corrective action on the reports missing his signature.
- (5) Purchase Requisition 6178 should have been coded as a Level IV purchase instead of Level I; however, this did not have any adverse effect on the purchase. The technical and quality requirements imposed were proper for the item being purchased and were met. Procurement Quality will review a sample of other quality-related purchase requisitions to ensure that a proper procurement level has been assigned.

Procurement Quality is in the process of reviewing purchase orders for safety-related material, parts and components initiated since February 14, 1983 (the effective date for 12AC-OZZ03, Revision 0) to ensure that the requirements of 10CFR Part 21 were imposed. For those purchase orders which did not impose 10CFR Part 21 (including the two identified by the Notice of Violation), Purchasing will send out letters to the appropriate vendors informing them that the requirements of 10CFR Part 21 apply to the items that were supplied (are to be supplied) on those purchase orders. The review by Procurement Quality and issuance of the appropriate letters by Purchasing will be completed by November 15, 1984.

## II. Corrective Steps Taken to Avoid Recurrence

Corrective action to prevent recurrence of the specific concerns identified in Violation A are presented below and are identified with the same numbers used in the Notice of Violation.

- (1) 12AC-OZZ04 had been undergoing review/revision since May and Procedural Change Notice (PCN) 01 to this procedure, which clarified the requirements and reassigned responsibilities, was approved on August 3, 1984. Training on this PCN was given to Material Control personnel by Procurement Quality on August 9, 1984. As a result of the issuance of PCN 01 and the training provided to Material Control, this concern should not recur.



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- (2) The Receiving Inspection section was established (and assumed responsibility for this area) on May 7, 1984. 62AC-OZZ01, Revision 3, "Receiving Inspection" was superseded by Quality Assurance Department Procedure (QADP) 7.3, "Procurement Quality Receiving Inspection and Warehouse Monitoring," on July 11, 1984. Paragraph 4.2.12 and Section 4.9 and 4.10 of QADP 7.3 make it very clear as to the identification, tagging, and segregation of items found to be nonconforming at receipt inspection. Training of the Receiving Inspection Section on QADP 7.3 was conducted on July 24, 1984. As a result of the establishment of the Receiving Inspection Section, the issuance of QADP 7.3, and the training provided to the Receiving Inspection Section, this concern should not recur.
- (3) Typed technical/quality requirements (standard clauses) are no longer being used as attachments to purchase requisitions. The clauses are now contained in a computer, are printed out on a purchase order continuation sheet (Purchase Order Attachment Quality Assurance Requirements Form) at the same time the purchase order is printed and then attached to the purchase order. As a result, recent and future purchase requisitions maintained by Material Control will not have the standard clauses attached.

Procedure 12AC-OZZ02 is being revised to delete the requirement to maintain copies of the standard clauses with the purchase requisitions. It is expected this revision will be issued by November 15, 1984.

- (4) 12AC-OZZ06, Revision 2, which was approved on July 31, 1984, deleted the requirement for Material Control to do inspections of the warehouse items in storage. These inspections, which are required by ANSI N45.2.2, Paragraph 6.4.1, are now the responsibility of the Receiving Inspection Section. The inspections are conducted in accordance with QADP 7.3, Section 4.3. QADP 7.3 was approved July 11, 1984, and training of the Receiving Inspection Section was conducted on July 24, 1984. As a result of the establishment of the Receiving Inspection Section, the issuance of QADP 7.3 and the training provided to the Receiving Inspection Section, this concern should not recur.





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- (5) 12AC-OZZ03, Revision 1, which was approved on September 5, 1984 (effective date September 7, 1984), gives better guidance on procurement levels and technical/quality requirements than was found in Revision 0 and describes the standard clauses used for imposing technical/quality requirements. Training of the Maintenance Systems Engineers on 12AC-OZZ03, Revision 1, was conducted on September 25, 1984. As a result of the issuance of 12AC-OZZ03, Revision 1, and the training provided to the Maintenance Systems Engineers, this concern should not recur.

Overall, the restructuring of both the quality and functional organizations provide for more concentrated management attention in the areas of procurement, receiving, and warehousing. Within the QA organization, one department (the Procurement Quality Department) is responsible for the quality assurance functions, including P.O. approval, inspection, monitoring and coordinating associated with the procurement function. Additionally, both procurement and warehousing are now under the direction of the Director of Project Services. The restructuring of the reporting relationship in each of these areas has elevated the level of management attention which has resulted in improved communications and control as well as assisting in resolution of problems identified by both the project and the NRC. The increased level of attention will prevent recurrence of deficiencies.

III. Date Full Compliance Will be Achieved

Full compliance has been achieved for Items 1, 2, and 4. Full compliance for Items 3 and 5 is scheduled for November 15, 1984.

ATTACHMENT B

NOTICE OF VIOLATION

10CFR Part 50, Appendix B, Criteria V, Instructions, Procedures and Drawings, requires that "Activities affecting quality shall be prescribed by documented instructions, procedures and drawings of a type appropriate to the circumstances..."

Contrary to the above at the time of the inspection, the following licensee quality-related activities were not prescribed by documented instructions or procedures:

- (1) 12AC-OZZ03, Quality-Related Procurement Methods, Revision 0, does not prescribe the use of licensee purchase order attachments 1M, 2M, 3M, 4M, or 5M, utilized by the licensee to identify the technical and quality requirements imposed on quality-related purchase orders.
- (2) The licensee is utilizing a cone tracking system to aid in the identification and location of quality-related materials within the APS warehouse, which is not controlled by procedure.
- (3) 12AC-OZZ01, Inventory Control, Revision 0, does not prescribe how quality related system purchase requests and system purchase orders are generated, or prescribe how quality assurance and technical requirements contained in New Part Add Forms are reviewed and approved prior to input into Materials Management Information System (MMIS).

This is a Severity Level IV Violation (Supplement II).

I. Corrective Steps Taken and Results Achieved

- (1) The fact that 12AC-OZZ03, Revision 0, did not prescribe the use of the purchase order attachments 1M, 2M, 3M, 4M, or 5M was identified on the list of problems developed by Procurement Quality (refer to first paragraph of Section I to Violation A) and corrective action had been initiated. At the time of the NRC inspection, 12AC-OZZ03 was in final draft form and was provided to the NRC Inspector. 12AC-OZZ03, Revision 1, which was approved on September 5, 1984, describes the standard clauses used for imposing technical/quality requirements on purchase orders.
- (2) A Material Control Department Instruction which describes the use of the cone system was approved and issued on September 5, 1984.



- (3) An interim System Purchase Request instruction was approved and issued on September 27, 1984. This interim instruction will be in effect until the System Purchase Request Preparation and Processing Procedure, 3N513.09.00 is approved and distributed. This procedure is part of the ANPP Administrative Policies and Procedures Manual. It is expected this procedure will be issued by November 15, 1984.

## II. Corrective Steps taken to Avoid Recurrence

As identified in Section II of the violation contained in Attachment A:

As a result of the inspection, APS formed a Project Task Force, under the direction of the Procurement Quality Supervisor, to evaluate the status of the procurement, receiving inspection, and material control programs. The task force reviewed the status and effectiveness of the current operations phase procedures by:

- (1) Reviewing these procedures against applicable regulatory requirements and commitments;
- (2) Reviewing problem identification documents, e.g., audit reports, I&E Notices, Corrective Action Reports, monitoring reports, etc., to determine if these procedures adequately resolved the concerns/problems identified in these documents; and
- (3) Reviewing problems/concerns identified by the task force members during this review and evaluating these problems/concerns to determine if they had been previously identified and resolved.

As a result of the task force's findings, changes were made in seven of the Operations phase procedures which control procurement, receiving inspection, and material control activities (12PR-OZZ01, 12AC-OZZ01, 12AC-OZZ02, 12AC-OZZ03, 12AC-OZZ05, 12AC-OZZ09, and 12AC-OZZ10). Interim procedures for contracts and system purchase requisitions were issued. The conclusion reached by the Task Force was that as of October 3, 1984, procedural controls existed to adequately implement the APS operations phase quality assurance program relevant to procurement, receiving inspection, and material control (warehouse) activities.



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III. Date Full Compliance Achieved

- (1) Full compliance was achieved on October 3, 1984.
- (2) ANPP Procedure 3N513.09.00 will be issued by November 15, 1984.

