

Arizona Public Service Company

P.O. BOX 21666 • PHOENIX, ARIZONA 85036

KEITH TURLEY
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

March 7, 1983

Mr. Richard C. DeYoung, Director
Office of Inspection and Enforcement
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Re: 1) ANPP-22851, dated 1/28/83
2) ANPP-22852, dated 1/28/83
3) ANPP-22943, dated 2/9/83
4) ANPP-22944, dated 2/9/83

Dear Mr. DeYoung:

In response to your January 26, 1983 letter, the senior management of Arizona Public Service Company (APS) as Project Manager and Operating Agent for the Palo Verde Nuclear Generating Station has since the inception of the project been deeply involved in all the activities of the project and in particular those related to safety and quality. Direct responsibility for engineering, design, construction and related quality assurance activities has been the singular responsibility of the Vice President of Nuclear Projects Management who reported until recently to the Executive Vice President of Operations. As the project moved into the startup and preoperational test phase, we have also assigned a Vice President of Nuclear Operations full time to oversee and coordinate these important activities. He also reported until recently to the Executive Vice President of Operations. In October of 1982 the Executive Vice President of Operations was relieved of all other responsibilities and is responsible full time for all activities related to the Palo Verde Project. In his new capacity as Executive Vice President for the Arizona Nuclear Power Project (ANPP) he reports directly to me in my capacity as Chairman of the Board and Chief Executive Officer of APS. The Executive Vice President for the Arizona Nuclear Power Project, who by the way is also a member of the APS Board of Directors, has reporting to him the Vice President, Nuclear Operations and the Vice President, Nuclear Projects Management as well as the Corporate Quality Assurance Manager.

This ongoing full time commitment of senior management resources gives me confidence that our commitments to the public and our stockholders regarding safety and quality will be diligently carried out.

We, as you, have been concerned with recent revelations regarding fraudulent activities by equipment suppliers. Upon becoming aware of the problem with material supplied by Ray Miller, Inc., we immediately advised our two major contractors, Ref 1 and 2, copies attached, of our concerns and asked them to investigate the situation. Upon receipt of IE Information Notice 83-01:Ray Miller, Inc., this was also transmitted to our major contractors, Ref 3 and 4, copies attached, as supplementary information to our previous request. The results of these investigations will be documented and any corrective action which may be found necessary will be implemented.

5340

8304050448 830307
PDR ADOCK 05000528
A PDR

This is the general procedure that we follow to disposition any matter of which we become aware, which could have a potential impact upon the safety or quality of PVNGS. We believe it has been effective in assuring that the design, engineering, construction, startup and operation of PVNGS has been and will be conducted in a safe and quality manner.

In conclusion, we believe that the management of APS has recognized and accepted its responsibility for the safety and quality of PVNGS, and has aggressively pursued these responsibilities. I fully agree with you that the responsibility is with the utility to fully demonstrate that all safety issues are addressed and resolved.

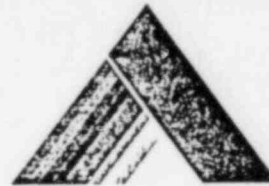
Very truly yours,

A handwritten signature in cursive script, appearing to read "K. Turley", is written over the typed name "K. Turley".

KTURLEY:mft

Attachments

cc: O. M. De Michele
T. G. Woods, Jr.
E. E. Van Brunt, Jr.
G. C. Andognini
J. A. Roedel



January 28, 1983
ANPP-22351-BSK/JAR

Mr. W. H. Wilson
Project Manager
Bechtel Power Corporation
11445 South Lakewood Boulevard
Downey, California

Subject: Mismatched Steel Purchased From Ray Miller, Inc.,
Caldwell, New Jersey
File: 33-001-000
D.23

Dear Bill:

Recent articles published in the media discussed mismatched steel purchased from Ray Miller, Inc., of West Caldwell, New Jersey. We understand the NRC will issue this week preliminary notifications to nuclear utilities addressing this area.

At issue are batches of mismatched steel that went either directly to utilities or to companies that make parts used in Nuclear Plants, such as small diameter pipe fittings and pipe tubes. The mismarkings include: welded and drawn tubing that was marked and sold as seamless tubing; orders for 304L, a stainless steel with low carbon content, were filled with 304, which has standard carbon content; some foreign-made steel was sold as domestic; and some small pipe fittings, like plugs for a 1/4 to 3/4 inch pipe with rating of 150 pounds per square inch, were sold as having a rating of 3,000 PSI.

For PVNGS please determine:

Indirectly, For use at PVNGS?

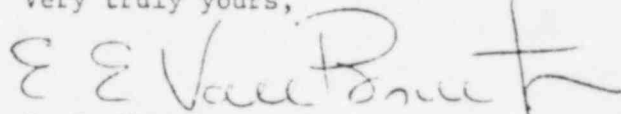
2. If furnished, where at PVNGS is the material located?
3. If furnished, what actions are planned to verify the adequacy of the material and when is the scheduled date for completion?
4. If material at PVNGS is found inadequate, what are your plans for replacement in an expeditious manner?

Mr. C. F. Ferguson
Project Manager
Page 2

January 28, 1983
ANPP-22852-BSK/JAR

Your response to Item 1 is requested by February 7, with the complete response to this letter due no later than February 21, 1983.

Very truly yours,



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

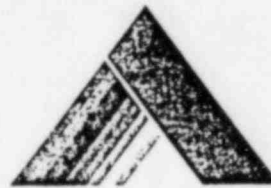
EEVBJr/BSK:db

cc: T. G. Woods, Jr.
G. C. Andognini
J. A. Roedel
J. R. Bynum
J. E. Kirby
J. Vorees
J. M. Allen
J. Houchen
W. G. Bingham
W. J. Stubblefield
W. E. Ide
C. N. Russo
G. E. Pankonin
D. R. Hawkinson

ARIZONA NUCLEAR POWER PROJECT

Post Office Box 21666 Phoenix, Arizona 85036

Ref. 2

January 28, 1983
ANPP-22852-BSK/JAR

Mr. C. F. Ferguson
Project Manager
C-E Power Systems
Combustion Engineering, Inc.
1000 Prospect Hill Road
Windsor, Connecticut 06093

Subject: Mismarked Steel Purchased From Ray Miller, Inc.,
Caldwell, New Jersey
File: 83-001-000
D.23

Dear Chuck:

Recent articles published in the media discussed mismarked steel purchased from Ray Miller, Inc., of West Caldwell, New Jersey. We understand the NRC will issue this week preliminary notifications to nuclear utilities addressing this area.

At issue are batches of mismarked steel that went either directly to utilities or to companies that make parts used in Nuclear Plants, such as small diameter pipe fittings and pipe tubes. The mismarkings include: welded and drawn tubing that was marked and sold as seamless tubing; orders for 304L, a stainless steel with low carbon content, were filled with 304, which has standard carbon content; some foreign-made steel was sold as domestic; and some small pipe fittings, like plugs for a 1/4 to 3/4 inch pipe with rating of 150 pounds per square inch, were sold as having a rating of 3,000 PSI.

For PVNGS please determine:

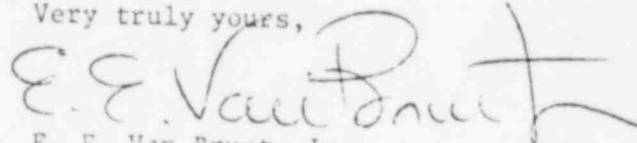
1. Did Ray Miller, Inc. furnish any material, directly or indirectly, for use at PVNGS?
2. If furnished, where at PVNGS is the material located?
3. If furnished, what actions are planned to verify the adequacy of the material and when is the scheduled date for completion?
4. If material at PVNGS is found inadequate, what are your plans for replacement in an expeditious manner?

Mr. W. H. Wilson
Project Manager
Page 2

January 28, 1983
ANPP-22851-BSK/JAR

Your response to Item 1 is requested by February 7, with the complete response to this letter due no later than February 21, 1983.

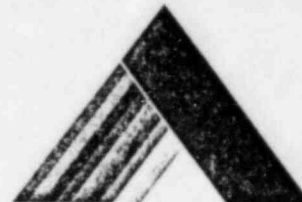
Very truly yours,



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

EEVBJr/BSK:db

cc: T. G. Woods, Jr.
G. C. Andognini
J. A. Roedel
J. R. Bynum
J. E. Kirby
J. Vorees
J. M. Allen
J. Houchen
W. G. Bingham
W. J. Stubblefield
W. E. Ide
C. N. Russo
G. E. Pankonin
D. R. Hawkinson



February 9, 1983
ANPP-22944-JAR/TGW

Mr. W. H. Wilson
Project Manager
Bechtel Power Corporation
11445 South Lakewood Boulevard
Downey, California

Subject: Mismarked Steel Purchased from Ray Miller, Incorporated
of Caldwell, New Jersey
File: 83-001-000
D.28

Reference: Letter ANPP-22851-BSK/JAR, dated January 28, 1983,
same subject

Dear Bill:

Enclosed, is additional information which might assist you in your
response to the referenced letter.

Very truly yours,

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

EEVBJr/JAR:skc

Enclosure (IE Information Notice No. 83-01)

cc: T. G. Woods, Jr.
G. C. Andognini
J. A. Roedel
J. R. Bynum
J. E. Kirby
J. Vorees
J. M. Allen
J. Houchen
W. G. Bingham
W. J. Stubblefield
W. E. Ide
C. N. Russo
G. E. Pankonin
W. F. Quinn

(Date)	
WFO	2-1-83
<input type="checkbox"/> Review & Comment	<input type="checkbox"/> Info
<input type="checkbox"/> Follow	<input type="checkbox"/> Process

Ack 1/24
2-1

SSINS No.: 6835
NSC CENTER 83-01

83-055-026

CC: S
D. H.

UNITED STATES
NUCLEAR REGULATORY COMMISSION
OFFICE OF INSPECTION AND ENFORCEMENT
WASHINGTON, D. C. 20555

January 26, 1983

PV 103
SAC
<input type="checkbox"/> REVIEW
<input checked="" type="checkbox"/> INFORMATION

IE INFORMATION NOTICE NO. 83-01: RAY MILLER, INC.

Addressees:

All holders of a nuclear power reactor or fuel facility operating license (OL) or construction permit (CP).

Purpose:

This information notice is provided as an early notification of a potentially significant problem pertaining to fraudulent products that may have been sold to nuclear industry companies by Ray Miller, Inc. This problem may affect both PWR and BWR facilities. The Nuclear Regulatory Commission staff is reviewing the problem and its effects. If the evaluation so indicates, the NRC may request explicit licensee or CP holder action. In the interim, we expect the addressees of this information notice to review the information herein for applicability to their facilities. No specific action or response is required at this time.

Description of Circumstances:

A. Background

During November 1982, the Nuclear Regulatory Commission became aware that Ray Miller, Inc., Charleston, West Virginia had been systematically defrauding its customers, including some nuclear industry companies, by marketing products under false pretense, i.e., the markings on cheaper, lower quality products were altered to make them appear to be of higher quality. Former company officers pleaded guilty in the US District Court in Charleston, West Virginia to 10 felonies: six counts of mail fraud and four counts of wire fraud.

Ray Miller, Inc. was a New Jersey corporation with its main office located in West Caldwell New Jersey and with branch offices in Charleston, West Virginia; Decatur, Georgia; Buffalo, New York; and Skokie, Illinois. The Ray Miller office in Charleston, West Virginia was stated to be the only office with equipment capable of making alterations of markings on materials. The firm had been under investigation by special FBI agents for three years before prosecution by the Office of U.S. Attorney, Charleston, West Virginia.

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The precise number of nuclear-related businesses that may have been defrauded by Ray Miller, Inc. remains an unknown. Records are incomplete and the situation is further complicated by the firm ceasing to operate and filing for reorganization under Chapter 11 of the bankruptcy statutes. An Assistant U.S. Attorney has determined that Ray Miller may have shipped substandard products to at least 125 companies in the 19-year period before the FBI began its probe in July 1979. Under the terms of the plea agreement, Ray Miller, Inc. is to notify, by February 1, 1983, all companies with which it had business dealings, concerning the firm's fraudulent practices.

Some of the nuclear industry companies appearing on an FBI-generated list of Ray Miller customers for the year 1979 include Babcock and Wilcox, Combustion Engineering, Goodyear Atomic, Tennessee Valley Authority, Virginia Electric and Power (VEPCO), and Allied Chemical (at Barnwell).

VEPCO and Barnwell are aware of the Ray Miller problem. VEPCO has placed suspect fraudulent material, which had not been installed, on hold.

B. Discussion

Specifically, the scheme to defraud as practiced by Ray Miller, Inc. from approximately 1960 to 1979 was exposed by an extensive investigation conducted by the Federal Bureau of Investigation. The primary practices which formed that scheme, as detailed by the FBI, are as follows:

1. Markings on pipes and nipples indicating the foreign country where the product was manufactured were removed and the pipes and nipples were sold as domestic-made products.
2. Stainless steel (304 and 316) couplings, flanges, and bushings having standard carbon content were altered by imprinting an "L", making the marking on couplings, flanges and bushings appear as low carbon content materials.
3. Falsely notarized documents were prepared with billings, certifying that the materials shipped were of low carbon content when in fact they were not.
4. Welded and drawn tubing was altered by removing the markings "WD" from this product and it was sold as seamless tubing.

The Ray Miller records were made available to the NRC after the company officers who pleaded guilty were sentenced on December 23, 1982. On January 6 and 7, 1983, members of the NRC met with the FBI and the Assistant U.S. Attorney in Charleston, West Virginia to discuss the Ray Miller, Inc. case and to review a sample of the 29 boxes of records currently in the custody of the FBI. These records cover the period from 1975 to 1979. After 1979, Ray Miller, Inc. apparently ceased its fraudulent practices. The NRC is checking on the availability of records that pre-date 1975.

During the sampling of records by the NRC, the following additional documentation of product substitution was identified: machined items were sold as forged ones, and materials with a low capacity to withstand pressure, i.e., 150 psi pipe plugs, were sold as materials capable of withstanding much greater pressures, e.g., 3000 psi pipe plugs. Some of the invoices reviewed by NRC representatives and used as undeniable evidence by the U.S. Attorney's Office, were found to actually have the written notation, "Remark", indicating product fraud.

Primarily, the NRC representatives attempted to ascertain the extent that Ray Miller's fraudulent practices may have impacted nuclear-related companies. Based on a sampling of the records, the NRC staff reached the following very general conclusions:

1. It appears that Ray Miller, Inc. supplied products to only a few companies directly involved in the nuclear power industry. However, the full extent to which the firm's products may be used in the nuclear industry is not known, since these products were sold to many jobbers and distributors.
2. Most shipments which were received directly by nuclear-related businesses were relatively small.
3. Generally, only a small portion of Ray Miller products purchased by nuclear industry companies appears to be fraudulent.

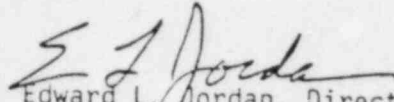
A search of the License Event Report file has been conducted by the National Science Information Center (Oak Ridge, Tennessee) for the NRC and no instances were identified in which nuclear facilities have reported deficiencies attributed to Ray Miller, Inc. materials.

C. Guidance

Enclosed for your information and appropriate action is a list from the Charleston office of Ray Miller's customers in 1979. As previously noted, this list resulted from an FBI investigation and may not be all inclusive, since orders made through other Ray Miller branch offices were sometimes filled by the Charleston office. A composite list of customers for other years is not available.

Therefore, the NRC staff suggests that, like VEPCO, other nuclear industry companies isolate suspect Ray Miller products which may have been received and prevent the further installation of such materials until more information is obtained. Efforts are continuing to coordinate resources from various sectors of the nuclear industry and DOE to provide a detailed examination of all Ray Miller records known to exist. It is conjectured that these efforts will yield useful information for

placing "bounds" on the types of fraudulent materials shipped and identifying a more comprehensive list of buyers who may have received these materials.


Edward L. Jordan, Director
Division of Emergency Preparedness
and Engineering Response
Office of Inspection and Enforcement

Technical Contact: R. M. Young, IE
301-492-9672

Attachments:

1. List of Ray Miller Customers for 1979
2. List of Recently Issued IE Information Notices

The following are customers of the Ray Miller Corporation for the year 1979: (With the exception of inter-company accounts).

Alcoa Center
7th Street Rd.
Route 780
Alcoa Center, Pennsylvania 15069

Allegheny Power Service Corporation
Cabin Hill
Greensburg, Pennsylvania 15601

Allied Chemical
Specialty Chemicals Division
North Gate, State Route #1
Moundsville, West Virginia 26041

Allied General Nuclear Services
Barnwell, South Carolina 29812

Appalachian Power Company
P.O. Box 2021
Roanoke, Virginia 24022

Aqua Chem., Inc.
240 West Capitol Drive
Milwaukee, Wisconsin 53212

Argo Welded Products
Alpha Industrial Park
Phillipsburg, New Jersey 08865

Ashland Synthetic Fuels, Inc.
P. O. Box 391
Ashland, Kentucky 41101

Avtex Fibers, Inc.
Plant Road
Nitro, West Virginia 25143

Babcock and Wilcox Company
609 Warren Avenue
Apollo, Pennsylvania 15613

BASF Wyandotte Corporation
Pigments Division
24th Street and 5th Avenue
Huntington, West Virginia 25722

Beaunit Fabrics Corporation
P. O. Box 791
Statesville, North Carolina 28677

Bendix Corporation
U.S. 219 North
Lewisburg, West Virginia 25901

Bethlehem Steel Corporation
Johnstown, Pennsylvania 15907

Brighton Corporation
11661 Mosteller Road
Cincinnati, Ohio 45241

Calgon Corporation
P.O. Box 1346
Pittsburgh, Pennsylvania 15230

Casale Industries
100 South Avenue
Garwood, New Jersey 07027

C. E. Thurston and Sons, Inc.
P.O. Box 963
Richmond, Virginia 23207

Colanese Fibers Company
P.O. Box 2334
Charlotte, North Carolina 28234

Central Suppliers, Inc.
1624 Dabaun Avenue
Chesapeake, Virginia 23320

Cepeda Associates, Inc.
1828 Laser Lane
Louisville, Kentucky 40299

CF Industries
U.S. 41 North
Terre Haute, Indiana 47808

Champion Papers
Champion International Corporation
Canton Mill
Canton, North Carolina 28716

Chemetron Corporation
Pigments Division
P.O. Box 2166
Huntington, West Virginia 25722

Chesapeake Corporation of Virginia
West Point, Virginia 23181

Cincinnati Fasteners Company
16 East 73rd Street
Cincinnati, Ohio 45216

CS1/Girdler, Inc.
P.O. Box 32940
Louisville, Kentucky 40232

Cofesco, Inc.
P.O. Box 184
Wooster, Ohio 44691

Combustion Engineering, Inc.
Monogahelia, Pennsylvania 15063

Continental Can Company, Inc.
P.O. Box 201
Hopewell, Virginia 23860

CVI Corporation
P.O. Box 2138
Columbus, Ohio 43216

Cyclops Industries
P.O. Box 8614
South Charleston, West Virginia 25303

Dayton Power and Light Company
Courthouse Plaza, Southwest
P.O. Box 1247
Dayton, Ohio 45401

Dusenbery Engineering, Inc.
Hanover Avenue
Morristown, New Jersey 07960

DuWell Fabricating
4220 West 123rd Street
Alsip, Illinois 60658

E. I. DuPont De Nemours and Company
901 West DuPont Avenue
Belle, West Virginia 25015

Erdmann Corporation
6209 East Maxwell Avenue
Evansville, Indiana 47715

F. B. Wright Company of Cincinnati, Inc.
P.O. Box 46412
Cincinnati, Ohio 45240

Fiber Industries, Inc.
1-85 Woodruff Road
Greenville, South Carolina 29602

FMC Corporation
Industrial Chemical Group
P.O. Box 8127
South Charleston, West Virginia 25303

Forma Scientific, Inc.
P.O. Box 649
Marietta, Ohio 45750

Gage Company
P.O. Box 1168
Pittsburgh, Pennsylvania 15230

Good Supply and Equipment Company
905 Miami Street
Akron, Ohio 44311

Goodyear Atomic Corporation
P.O. Box 628
Piketon, Ohio 45661

Goodyear Tire and Rubber Company
Chemical Plant
Point Pleasant, West Virginia 25550

Greene Supply Company
703-33 East Market Street
Kingsport, Tennessee 37662

Henry Walke Company
P.O. Box 1041
Norfolk, Virginia 23501

Hercules, Inc.
Radford, Virginia 24141

Hilliard Corporation
100 West 4th Street
Elmira, New York 14902

Holston Defense Corporation
a Subsidiary of Eastman Kodak Company
P.O. Box 749
Kingsport, Tennessee 37662

Huntington Alloys, Inc.
Riverside Drive
Huntington, West Virginia 25720

Industrial Rubber Products Company
P.O. Box 107
Parkersburg, West Virginia 26101

ITT Grinnell Corporation
350 South Douglas Avenue
Chillicothe, Ohio 45601

Ivorjlee Corporation
P.O. Box 650
Sharon, Pennsylvania 16146

Jabo Supply Corporation
P.O. Box 238
Huntington, West Virginia 25707

J. J. Finnigan Industries, Inc.
Old Peach Tree Road
Duluth, Georgia 31036

John R. Wad Company, Inc.
P.O. Box 392
Huntingdon, Pennsylvania 16652

Kanawha Manufacturing Company
P.O. Box 1786
Charleston, West Virginia 25326

Kelly Springfield Tire Company
P.O. Box 300
Kelly Road
Cumberland, Maryland 21502

Kentucky Power Company
P.O. Box 1428
Ashland, Kentucky 41101

Koppers Company
P.O. Box M
Follansbee, West Virginia 26037

Koppers Company, Inc.
3900 South Laramie Avenue
Cicero, Illinois 60650

Libbey-Owens-Ford Company
811 Madison Avenue
Toledo, Ohio 43695

3M Company
P.O. Box 33080
Saint Paul, Minnesota 55133

Main Line Supply Company, Inc.
905 East Third Street
Dayton, Ohio 45402

Mid-Valley Supply Company, Inc.
P.O. Box 762
Ironton, Ohio 45638

Mobay Chemical Corporation
New Martinsville, West Virginia 26155

Modern Welding Company
1500 East 12th Street
Owensboro, Kentucky 42301

Monsanto Corporation
Anniston, Alabama 36201

Mouldagraph Corporation
P.O. Box 485
Dunbar, West Virginia 25064

M & T Chemicals, Inc.
2316 Highland Avenue
Carrollton, Kentucky 41008

National Lead Company of Ohio
P.O. Box 39153
Cincinnati, Ohio 45239

Natkin & Company
P.O. Box 26444
Richmond, Virginia 23261

North American Rayon Corporation
West Elk Avenue
Elizabethton, Tennessee 37643

Novamont Corporation
P.O. Box 189
Kenova, West Virginia 25530

Ohio Electric Company
Ohio State Route 37
Cheshire, Ohio 45620

Ormet Corporation
Box 176
Hannibal, Ohio 43931

Owens-Illinois Forest Products Division
Big Island, Virginia 24526

Paul Mueller Company
1600 West Phelps
Springfield, Missouri 65801

Paul O. Abbe
139 Center Avenue
LeFalls, New Jersey 07424

PBI Industries
Steel Service Center Division
P.O. Box 3373
Youngstown, Ohio 44512

Peebles Supply Corporation
P.O. Drawer 2777
Newport News, Virginia 23602

Peltz Brothers, Inc.
P.O. Box 12596
Norfolk, Virginia 23502

Pennsylvania Electric Company
1001 Broad Street
Johnstown, Pennsylvania 15907

Power City Plumbing and Heating, Inc.
P.O. Box 6540
Wheeling, West Virginia 26003

PPG Industries, Inc.
Industrial Chemical Division
P.O. Box 191
New Martinsville, West Virginia 26155

Precision Pul Service
517 Golf Mountain Road
Nitro, West Virginia 25143

Attachment 1
IN 83-01
January 26, 1983
Page 6 of 8

Precision Stainless Products Company
4701 Hesperedies Road
Tampa, Florida 33614

Process Supply, Inc.
P.O. Box 5010
Charleston, West Virginia 25302

Procter & Gamble Company
Miami Valley Laboratories
Route 27
Ross (Butler County), Ohio 45061

Raub Supply Company
P.O. Box 1020
Lancaster, Pennsylvania 17604

Ray Miller, Inc.
4234 Kanawha Turnpike
South Charleston, West Virginia 25309

Richmond Engineering Company, Inc.
P.O. Box 25139
Richmond, Virginia 23260

Ripco, Inc.
P.O. Box 9366
South Charleston, West Virginia

Rust Engineering Company
P.O. Box 587
Oak Ridge, Tennessee 37830

Samson Steel Fabricators and Machine, Inc.
P.O. Box 126
Canton, Ohio 44701

Sauer, Inc.
Mechanical Contractors
30-51st Street
Pittsburgh, Pennsylvania 15201

Sharpville Steel Fabricators, Inc.
Sharpville, Pennsylvania 16150

Sheet Metal Products, Inc.
794 North 6th Street
Newark, New Jersey 07107

Shell Chemical Company
P.O. Box 235
Belpre, Ohio 45714

Sistersville Tank Works (a Division of Superior Welding Company)
P.O. Box 200
Sistersville, West Virginia 26175

Southeast Paper Manufacturing Company
Highway 199
Dublin, Georgia 31021

Standard Oil Company
Midland Building
Cleveland, Ohio 44115

Stauffer Chemical Company
Gallipolis Ferry, West Virginia 25515

Stolle Corporation
1501 Michigan Street
Sidney, Ohio 45365

Summers Hardware and Supply Company
Buffalo and Ashe Streets
Box 210
Johnson City, Tennessee 37601

Taylor-Parker Company, Inc.
500 Industry Drive
Hampton, Virginia 23361

Tennessee Eastman Company
Division of Eastman Kodak Company
Kingsport, Tennessee 37662

Tilton Corporation
130 South Pine
Lima, Ohio 45802

Timet
100 Titanium Way
Toronto, Ohio 43964

TVA Chemical Stores Building
Muscle Shoals Reservation
Muscle Shoals, Alabama 35660

T. V. A. Cumberland Steam Plant
Cumberland City, Tennessee 37050

Union Camp Corporation
P.O. Box 220
Dover, Ohio 44622

Union Carbide Corporation
P.O. Box 8361
South Charleston, West Virginia 25303

Virginia Electric and Power Company
P.O. Box 26666
Richmond, Virginia 23261

Vulcan Manufacturing Company
(a Subsidiary of Zurn Industries, Inc.)
P.O. Box 46465
Cincinnati, Ohio 45246

Walker Stainless Equipment
601 State Street
New Lisbon, Wisconsin 53950

Walter N. Yoder and Sons, Inc.
P.O. Box 1337
Cumberland, Maryland 21502

Weirton Steel (Division of National Steel Corporation)
Weirton, West Virginia 26062

Westvaco (Fine Papers Division)
Luke, Maryland 21540

W. H. Kiefaber Company
P.O. Box 1226
Dayton, Ohio 45401

Wheeling-Pittsburgh Steel Corporation
No. 4 Gateway Center
P.O. Box 116
Pittsburgh, Pennsylvania 15230

Wides Pipe and Supply Company
1728 John Street
Cincinnati, Ohio 45217

W. J. Gill
113 South Thomas Road
Tallmadge, Ohio 44278

W. R. Grace and Company
Davison Chemical Division
4775 Paddock Road
Cincinnati, Ohio 45229

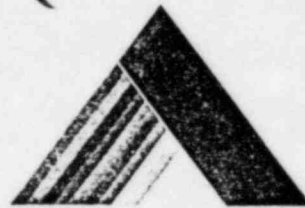
Youngstown Welding and Engineering Company
3700 Oakwood Avenue
Youngstown, Ohio 44509

Attachment 1
IN 83-01
January 26, 1983
Page 8 of 8

ARIZONA NUCLEAR POWER PROJECT

Post Office Box 2166 Phoenix, Arizona 85036

Ref. f



February 9, 1983
ANPP-22943-JAR/TGW

Mr. Charles Ferguson
Project Manager
Combustion Engineering, Incorporated
1000 Prospect Hill Road
Windsor, Connecticut 06095

Subject: Mismarked Steel Purchased from Ray Miller, Incorporated
of Caldwell, New Jersey
File: 83-001-000
D.28

Reference: Letter ANPP-22852-BSK/JAR, dated January 28, 1983,
same subject

Dear Chuck:

Enclosed, is additional information which might assist you in your
response to the referenced letter.

Very truly yours,

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

EEVBJr/JAR:skc

Enclosure (IE Information Notice No. 83-01)

cc: T. G. Woods, Jr.
G. C. Andognini
J. A. Roedel
J. R. Bynum
J. E. Kirby
J. Vorees
J. M. Allen
J. Houchen
W. C. Bingham
W. J. Stubblefield
W. F. Ide
C. N. Russo
G. E. Pankonin
D. R. Hawkinson
W. F. Quinn

WFO		(Date) 2-1-83
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NRC CENTER 83-01

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UNITED STATES
NUCLEAR REGULATORY COMMISSION
OFFICE OF INSPECTION AND ENFORCEMENT
WASHINGTON, D. C. 20555

January 26, 1983

PENDING	
SAC	
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IE INFORMATION NOTICE NO. 83-01: RAY MILLER, INC.

Addressees:

All holders of a nuclear power reactor or fuel facility operating license (OL) or construction permit (CP).

Purpose:

This information notice is provided as an early notification of a potentially significant problem pertaining to fraudulent products that may have been sold to nuclear industry companies by Ray Miller, Inc. This problem may affect both PWR and BWR facilities. The Nuclear Regulatory Commission staff is reviewing the problem and its effects. If the evaluation so indicates, the NRC may request explicit licensee or CP holder action. In the interim, we expect the addressees of this information notice to review the information herein for applicability to their facilities. No specific action or response is required at this time.

Description of Circumstances:

A. Background

During November 1982, the Nuclear Regulatory Commission became aware that Ray Miller, Inc., Charleston, West Virginia had been systematically defrauding its customers, including some nuclear industry companies, by marketing products under false pretense, i.e., the markings on cheaper, lower quality products were altered to make them appear to be of higher quality. Former company officers pleaded guilty in the US District Court in Charleston, West Virginia to 10 felonies: six counts of mail fraud and four counts of wire fraud.

Ray Miller, Inc. was a New Jersey corporation with its main office located in West Caldwell, New Jersey and with branch offices in Charleston, West Virginia; Decatur, Georgia; Buffalo, New York; and Skokie, Illinois. The Ray Miller office in Charleston, West Virginia was stated to be the only office with equipment capable of making alterations of markings on materials. The firm had been under investigation by special FBI agents for three years before prosecution by the Office of U.S. Attorney, Charleston, West Virginia.

The precise number of nuclear-related businesses that may have been defrauded by Ray Miller, Inc. remains an unknown. Records are incomplete and the situation is further complicated by the firm ceasing to operate and filing for reorganization under Chapter 11 of the bankruptcy statutes. An Assistant U.S. Attorney has determined that Ray Miller may have shipped substandard products to at least 125 companies in the 19-year period before the FBI began its probe in July 1979. Under the terms of the plea agreement, Ray Miller, Inc. is to notify, by February 1, 1983, all companies with which it had business dealings, concerning the firm's fraudulent practices.

Some of the nuclear industry companies appearing on an FBI-generated list of Ray Miller customers for the year 1979 include Babcock and Wilcox, Combustion Engineering, Goodyear Atomic, Tennessee Valley Authority, Virginia Electric and Power (VEPCO), and Allied Chemical (at Barnwell).

VEPCO and Barnwell are aware of the Ray Miller problem. VEPCO has placed suspect fraudulent material, which had not been installed, on hold.

B. Discussion

Specifically, the scheme to defraud as practiced by Ray Miller, Inc. from approximately 1960 to 1979 was exposed by an extensive investigation conducted by the Federal Bureau of Investigation. The primary practices which formed that scheme, as detailed by the FBI, are as follows:

1. Markings on pipes and nipples indicating the foreign country where the product was manufactured were removed and the pipes and nipples were sold as domestic-made products.
2. Stainless steel (304 and 316) couplings, flanges, and bushings having standard carbon content were altered by imprinting an "L", making the marking on couplings, flanges and bushings appear as low carbon content materials.
3. Falsely notarized documents were prepared with billings, certifying that the materials shipped were of low carbon content when in fact they were not.
4. Welded and drawn tubing was altered by removing the markings "WD" from this product and it was sold as seamless tubing.

The Ray Miller records were made available to the NRC after the company officers who pleaded guilty were sentenced on December 23, 1982. On January 6 and 7, 1983, members of the NRC met with the FBI and the Assistant U.S. Attorney in Charleston, West Virginia to discuss the Ray Miller, Inc. case and to review a sample of the 29 boxes of records currently in the custody of the FBI. These records cover the period from 1975 to 1979. After 1979, Ray Miller, Inc. apparently ceased its fraudulent practices. The NRC is checking on the availability of records that pre-date 1975.

During the sampling of records by the NRC, the following additional documentation of product substitution was identified: machined items were sold as forged ones, and materials with a low capacity to withstand pressure, i.e., 150 psi pipe plugs, were sold as materials capable of withstanding much greater pressures, e.g., 3000 psi pipe plugs. Some of the invoices reviewed by NRC representatives and used as undeniable evidence by the U.S. Attorney's Office, were found to actually have the written notation, "Remark", indicating product fraud.

Primarily, the NRC representatives attempted to ascertain the extent that Ray Miller's fraudulent practices may have impacted nuclear-related companies. Based on a sampling of the records, the NRC staff reached the following very general conclusions:

1. It appears that Ray Miller, Inc. supplied products to only a few companies directly involved in the nuclear power industry. However, the full extent to which the firm's products may be used in the nuclear industry is not known, since these products were sold to many jobbers and distributors.
2. Most shipments which were received directly by nuclear-related businesses were relatively small.
3. Generally, only a small portion of Ray Miller products purchased by nuclear industry companies appears to be fraudulent.

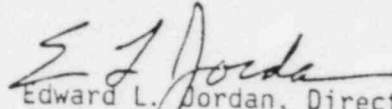
A search of the License Event Report file has been conducted by the National Science Information Center (Oak Ridge, Tennessee) for the NRC and no instances were identified in which nuclear facilities have reported deficiencies attributed to Ray Miller, Inc. materials.

C. Guidance

Enclosed for your information and appropriate action is a list from the Charleston office of Ray Miller's customers in 1979. As previously noted, this list resulted from an FBI investigation and may not be all inclusive, since orders made through other Ray Miller branch offices were sometimes filled by the Charleston office. A composite list of customers for other years is not available.

Therefore, the NRC staff suggests that, like VEPCO, other nuclear industry companies isolate suspect Ray Miller products which may have been received and prevent the further installation of such materials until more information is obtained. Efforts are continuing to coordinate resources from various sectors of the nuclear industry and DOE to provide a detailed examination of all Ray Miller records known to exist. It is conjectured that these efforts will yield useful information for

placing "bounds" on the types of fraudulent materials shipped and identifying a more comprehensive list of buyers who may have received these materials.


Edward L. Jordan, Director
Division of Emergency Preparedness
and Engineering Response
Office of Inspection and Enforcement

Technical Contact: R. M. Young, IE
301-492-9672

Attachments:

1. List of Ray Miller Customers for 1979
2. List of Recently Issued IE Information Notices

The following are customers of the Ray Miller Corporation for the year 1979: (With the exception of inter-company accounts).

Alcoa Center
7th Street Rd.
Route 780
Alcoa Center, Pennsylvania 15069

Allegheny Power Service Corporation
Cabin Hill
Greensburg, Pennsylvania 15601

Allied Chemical
Specialty Chemicals Division
North Gate, State Route #1
Moundsville, West Virginia 26041

Allied General Nuclear Services
Barnwell, South Carolina 29812

Appalachian Power Company
P.O. Box 2021
Roanoke, Virginia 24022

Aqua Chem., Inc.
240 West Capitol Drive
Milwaukee, Wisconsin 53212

Argo Welded Products
Alpha Industrial Park
Phillipsburg, New Jersey 08865

Ashland Synthetic Fuels, Inc.
P. O. Box 391
Ashland, Kentucky 41101

Avtex Fibers, Inc.
Plant Road
Nitro, West Virginia 25143

Babcock and Wilcox Company
609 Warren Avenue
Apollo, Pennsylvania 15613

BASF Wyndotte Corporation
Pigments Division
24th Street and 5th Avenue
Huntington, West Virginia 25722

Beaunit Fabrics Corporation
P. O. Box 791
Statesville, North Carolina 28677

Bendix Corporation
U.S. 219 North
Lewisburg, West Virginia 25901

Bethlehem Steel Corporation
Johnstown, Pennsylvania 15907

Brighton Corporation
11861 Mosteller Road
Cincinnati, Ohio 45241

Calgon Corporation
P.O. Box 1346
Pittsburgh, Pennsylvania 15230

Casale Industries
100 South Avenue
Garwood, New Jersey 07027

C. E. Thurston and Sons, Inc.
P.O. Box 963
Richmond, Virginia 23207

Colanese Fibers Company
P.O. Box 2334
Charlotte, North Carolina 28234

Central Suppliers, Inc.
1624 Debaun Avenue
Chesapeake, Virginia 23320

Cepeda Associates, Inc.
1828 Laser Lane
Louisville, Kentucky 40299

CF Industries
U.S. 41 North
Terre Haute, Indiana 47803

Champion Papers
Champion International Corporation
Canton Mill
Canton, North Carolina 28716

Chemetron Corporation
Pigments Division
P.O. Box 2166
Huntington, West Virginia 25722

Chesapeake Corporation of Virginia
West Point, Virginia 23181

Cincinnati Fasteners Company
16 East 73rd Street
Cincinnati, Ohio 45216

CS1/Girdler, Inc.
P.O. Box 32940
Louisville, Kentucky 40232

Cofasco, Inc.
P.O. Box 184
Wooster, Ohio 44691

Combustion Engineering, Inc.
Monroeville, Pennsylvania 15063

Continental Can Company, Inc.
P.O. Box 201
Hopewell, Virginia 23860

CVI Corporation
P.O. Box 2138
Columbus, Ohio 43216

Cyclops Industries
P.O. Box 8614
South Charleston, West Virginia 25303

Dayton Power and Light Company
Courthouse Plaza, Southwest
P.O. Box 1247
Dayton, Ohio 45401

Dusenbery Engineering, Inc.
Hanover Avenue
Morristown, New Jersey 07960

DuWell Fabricating
4220 West 123rd Street
Alsip, Illinois 60658

E. I. DuPont De Nemours and Company
901 West DuPont Avenue
Belle, West Virginia 25015

Erdmann Corporation
6209 East Maxwell Avenue
Evansville, Indiana 47715

F. B. Wright Company of Cincinnati, Inc.
P.O. Box 46412
Cincinnati, Ohio 45240

Fiber Industries, Inc.
1-85 Woodruff Road
Greenville, South Carolina 29602

FMC Corporation
Industrial Chemical Group
P.O. Box 8127
South Charleston, West Virginia 25303

Forma Scientific, Inc.
P.O. Box 649
Marietta, Ohio 45750

Gage Company
P.O. Box 1168
Pittsburgh, Pennsylvania 15230

Good Supply and Equipment Company
905 Miami Street
Akron, Ohio 44311

Goodyear Atomic Corporation
P.O. Box 628
Piketon, Ohio 45661

Goodyear Tire and Rubber Company
Chemical Plant
Point Pleasant, West Virginia 25550

Greene Supply Company
703-33 East Market Street
Kingsport, Tennessee 37662

Henry Walke Company
P.O. Box 1041
Norfolk, Virginia 23501

Hercules, Inc.
Radford, Virginia 24141

Hilliard Corporation
100 West 4th Street
Elmira, New York 14902

Holston Defense Corporation
a Subsidiary of Eastman Kodak Company
P.O. Box 749
Kingsport, Tennessee 37662

Huntington Alloys, Inc.
Riverside Drive
Huntington, West Virginia 25720

Industrial Rubber Products Company
P.O. Box 107
Parkersburg, West Virginia 26101

ITT Grinnell Corporation
350 South Douglas Avenue
Chillicothe, Ohio 45601

Ivorjlee Corporation
P.O. Box 650
Sharon, Pennsylvania 16146

Jabo Supply Corporation
P.O. Box 238
Huntington, West Virginia 25707

J. J. Finnigan Industries, Inc.
Old Peach Tree Road
Duluth, Georgia 31036

John R. Wad Company, Inc.
P.O. Box 392
Huntingdon, Pennsylvania 16652

Kanawha Manufacturing Company
P.O. Box 1786
Charleston, West Virginia 25326

Kelly Springfield Tire Company
P.O. Box 300
Kelly Road
Cumberland, Maryland 21502

Kentucky Power Company
P.O. Box 1428
Ashland, Kentucky 41101

Koppers Company
P.O. Box M
Follansbee, West Virginia 26037

Koppers Company, Inc.
3900 South Laramie Avenue
Cicero, Illinois 60650

Libbey-Owens-Ford Company
811 Madison Avenue
Toledo, Ohio 43695

3M Company
P.O. Box 23080
Saint Paul, Minnesota 55133

Main Line Supply Company, Inc.
905 East Third Street
Dayton, Ohio 45402

Mid-Valley Supply Company, Inc.
P.O. Box 762
Ironton, Ohio 45638

Mobay Chemical Corporation
New Martinsville, West Virginia 26155

Modern Welding Company
1500 East 12th Street
Owensboro, Kentucky 42301

Monsanto Corporation
Anniston, Alabama 36201

Mouldagraph Corporation
P.O. Box 485
Dunbar, West Virginia 25064

M & T Chemicals, Inc.
2316 Highland Avenue
Carrollton, Kentucky 41008

National Lead Company of Ohio
P.O. Box 39158
Cincinnati, Ohio 45239

Natkin & Company
P.O. Box 26444
Richmond, Virginia 23261

North American Rayon Corporation
West Elk Avenue
Elizabethton, Tennessee 37643

Novamont Corporation
P.O. Box 189
Kenova, West Virginia 25530

Ohio Electric Company
Ohio State Route 37
Cheshire, Ohio 45620

Ormet Corporation
Box 176
Hannibal, Ohio 43931

Owens-Illinois Forest Products Division
Big Island, Virginia 24526

Paul Mueller Company
1600 West Phelps
Springfield, Missouri 65801

Paul O. Abbe
139 Center Avenue
LeFalls, New Jersey 07424

PBI Industries
Steel Service Center Division
P.O. Box 3373
Youngstown, Ohio 44512

Peebles Supply Corporation
P.O. Drawer 2777
Newport News, Virginia 23602

Peltz Brothers, Inc.
P.O. Box 12596
Norfolk, Virginia 23502

Pennsylvania Electric Company
1001 Broad Street
Johnstown, Pennsylvania 15907

Power City Plumbing and Heating, Inc.
P.O. Box 6540
Wheeling, West Virginia 26003

PTG Industries, Inc.
Industrial Chemical Division
P.O. Box 191
New Martinsville, West Virginia 26155

Precision Pul Service
517 Golf Mountain Road
Nitro, West Virginia 25143

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Precision Stainless Products Company
4701 Hesperedies Road
Tampa, Florida 33614

Process Supply, Inc.
P.O. Box 6010
Charleston, West Virginia 25302

Procter & Gamble Company
Miami Valley Laboratories
Route 27
Ross (Butler County), Ohio 45061

Raub Supply Company
P.O. Box 1020
Lancaster, Pennsylvania 17604

Ray Miller, Inc.
4234 Kanawha Turnpike
South Charleston, West Virginia 25309

Richmond Engineering Company, Inc.
P.O. Box 25139
Richmond, Virginia 23260

Ripco, Inc.
P.O. Box 9366
South Charleston, West Virginia

Rust Engineering Company
P.O. Box 587
Oak Ridge, Tennessee 37830

Samson Steel Fabricators and Machine, Inc.
P.O. Box 126
Canton, Ohio 44701

Sauer, Inc.
Mechanical Contractors
30-51st Street
Pittsburgh, Pennsylvania 15201

Sharpville Steel Fabricators, Inc.
Sharpville, Pennsylvania 16150

Sheet Metal Products, Inc.
794 North 6th Street
Newark, New Jersey 07107

Shell Chemical Company
P.O. Box 235
Belpre, Ohio 45714

Sistersville Tank Works (a Division of Superior Welding Company)
P.O. Box 200
Sistersville, West Virginia 26175

Southeast Paper Manufacturing Company
Highway 199
Dublin, Georgia 31021

Standard Oil Company
Midland Building
Cleveland, Ohio 44115

Stauffer Chemical Company
Gallipolis Ferry, West Virginia 25515

Stolle Corporation
1501 Michigan Street
Sidney, Ohio 45365

Summers Hardware and Supply Company
Buffalo and Ashe Streets
Box 210
Johnson City, Tennessee 37601

Taylor-Parker Company, Inc.
500 Industry Drive
Hampton, Virginia 23361

Tennessee Eastman Company
Division of Eastman Kodak Company
Kingsport, Tennessee 37662

Tilton Corporation
130 South Pine
Lima, Ohio 45802

Timer
100 Titanium Way
Toronto, Ohio 43964

TVA Chemical Stores Building
Muscle Shoals Reservation
Muscle Shoals, Alabama 35660

T. V. A. Cumberland Steam Plant
Cumberland City, Tennessee 37050

Union Camp Corporation
P.O. Box 220
Dover, Ohio 44622

Union Carbide Corporation
P.O. Box 8361
South Charleston, West Virginia 25303

Virginia Electric and Power Company
P.O. Box 26666
Richmond, Virginia 23261

Vulcan Manufacturing Company
(a Subsidiary of Zurn Industries, Inc.)
P.O. Box 46465
Cincinnati, Ohio 45246

Walker Stainless Equipment
601 State Street
New Lisbon, Wisconsin 53950

Walter N. Yoder and Sons, Inc.
P.O. Box 1337
Cumberland, Maryland 21502

Weirton Steel (Division of National Steel Corporation)
Weirton, West Virginia 26062

Westvaco (Fine Papers Division)
Luke, Maryland 21540

W. H. Kiefaber Company
P.O. Box 1226
Dayton, Ohio 45401

Wheeling-Pittsburgh Steel Corporation
No. 4 Gateway Center
P.O. Box 118
Pittsburgh, Pennsylvania 15230

Wides Pipe and Supply Company
1728 John Street
Cincinnati, Ohio 45217

W. J. Gill
115 South Thomas Road
Tallmadge, Ohio 44278

W. R. Grace and Company
Davison Chemical Division
4775 Paddock Road
Cincinnati, Ohio 45229

Youngstown Welding and Engineering Company
3700 Oakwood Avenue
Youngstown, Ohio 44509

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