

PROCEDURE FOR REPORTING OF DEFECTS OR NONCOMPLIANCE ON NUCLEAR ORDERS

STANDARD PRACTICE

-CONTROLLED COPY- 910

I. PURPOSE:

The purpose of these procedures is to ensure compliance with Section 206 of the Energy Reorganization Act of 1974 and Nuclear Regulatory Commission Regulation 10 CFR Part 21, as amended, (the "Regulation").

II. SCOPE:

These procedures apply whenever this Company manufactures and/or supplies a "basic component" for use in any facility or activity which is licensed or otherwise regulated pursuant to the Atomic Energy Act of 1954, as amended, or the Energy Reorganization Act of 1974. Such facilities and activities include not only nuclear power reactors, but also facilities and activities involving nuclear by-product material, source material, special nuclear material, the packaging of radioactive material for transport and fuel cycle facilities, licensed under 10 CFR Parts 30, 40, 50, 70, and 71.

When applied to products manufactured or supplied for use in nuclear power reactors, "basic components" means a plant structure, system, component or part thereof, necessary to assure:

1. The integrity of the reactor coolant pressure boundary(1)
2. The capability to shut down the reactor and maintain it in a safe shutdown condition or
3. The capability to prevent or mitigate the consequences of accidents which could result in potential off site exposures comparable to those referred to in 10 CFR, CH. 1, Section 100.11.(2)

When applied to products manufactured or supplied for use in regulated facilities and activities other than nuclear power reactors, "basic component" means a component, structure, system or part thereof that is directly procured by the licensee of such facility or activity and which, if defective or not in compliance with any applicable regulation, order or license of the Nuclear Regulatory Commission could create a substantial safety hazard. This second definition limits the supplier organizations subject to Part 21 to those that directly supply the material and fuel cycle licensees.

- (1) Appendix A contains the 10 CFR, Ch. I, Section 50.2(v) definition of "reactor coolant pressure boundary".
- (2) Appendix B contains 10 CFR, Ch. I, Section 100.11

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In all cases, "basic component" includes design, inspection testing or consulting services important to safety that are associated with the component hardware, whether the services are performed by the component supplier or others.

A "commercial grade item" is not a part of a basic component until after "dedication". The term "commercial grade item" means an item that is:

1. Not subject to design or specification requirements that are unique to facilities or activities licensed by the NRC (3) and
2. Used in applications other than facilities or activities licensed by the NRC (3) and
3. To be ordered from the manufacturer/supplier on the basis of specifications set forth in the manufacturer's published product description (for example, a catalogue).

Suppliers of commercial grade items are exempt from provisions of 10 CFR Part 21 to the extent that they supply such items. An item is "dedicated" and reporting obligation begin with the organization that designates the commercial grade item for use as a basic component of nuclear application.

III. NOTICE TO EMPLOYEES/POSTING REQUIREMENTS

The Vice President/General Managers of CPD and PDP shall be responsible for notifying their personnel of the requirements of Section 206 of the ERA of 1974, 10 CFR Part 21 and these procedures and for their department's compliance with these provisions. The General Managers shall ensure that all of their division's sales representatives are informed about these provisions.

The Quality Assurance department shall be responsible for posting current copies of the following documents in conspicuous positions, e.g., bulletin boards on all the Company's premises, including manufacturing plants and offices within the United States where activities subject to 10 CFR Part 21 are conducted.

1. NRC 10 CFR Part 21
2. Section 206 of ERA of 1974

(3) Licensed pursuant to 10 CFR, Ch. I, Parts 30,40,50, 70 and 71.

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III. NOTICE TO EMPLOYEES/POSTING REQUIREMENTS (Cont'd)

3. These procedures
4. Names of Company individuals to contact when there are any questions concerning Part 21.

IV. NOTICE OF 10 CFR PART 21 PURCHASE ORDERS AND CHANGES

Sales/Marketing personnel shall promptly notify the General Managers whenever they receive a purchase order that specifies that the provisions of 10 CFR Part 21 are applicable.

Immediately upon receipt of the Part 21 purchase order, the General Managers shall notify the Director of Engineering and the Vice President of Manufacturing and the Director of Quality Assurance of the order and shall deliver a copy of the order to the Director of Quality Assurance. In addition, if the General Managers believe that the items to be supplied by the Company are "commercial grade items" and not "basic components" subject to Part 21, he should contact the firm issuing the Part 21 purchase order (the "Purchaser") to seek the Purchaser's written agreement that Part 21 does not apply to that particular order. Section 206 of the ERA of 1974, 10 CFR Part 21 and these procedures shall apply to any such Part 21 purchase order unless and until this Company receives the Purchaser's written statement that 10 CFR Part 21 does not apply.

The Marketing/Sales department shall be responsible for ensuring that Part 21 general orders contain the following information:

1. Name and address of the Purchaser;
2. Name and address of the ultimate customer/owner;
3. Name and address of the actual job or facility/activity where the item will be used or installed;
4. Purchaser's purchase order number and any special markings;
5. The ultimate customer/owner's purchase order number and any special markings;
6. Appropriate dates, including order entry, shipping, "on site" inspection, etc.;
7. A complete description of the products on the purchase order to which 10 CFR Part 21 applies;

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The Director of Engineering shall ensure that all Engineering functions including design, stress analysis, material selection and any other design area are performed in strict compliance with all applicable specifications, procedures and requirements relative to any nuclear basic component to be designed, manufactured and/or supplied by the Company. This shall include any material qualification documents required by purchase order in reference to IEEE standards.

The Vice President of Manufacturing and the Director of Quality Assurance each shall ensure that the activities of their respective departments are in strict compliance with all specifications, procedures and requirements for the design, manufacture and/or supply of nuclear basic components.

V. REPORT ALL NONCOMPLIANCE AND DEVIATIONS FROM TECHNICAL SPECIFICATIONS/REQUIREMENTS

Noncompliance refers to any failure to comply with the Atomic Energy Act of 1954, as amended, or any applicable rule, regulation, order or license of the Nuclear Regulatory Commission relating to a substantial safety hazard. "Deviation" means a departure from the technical requirements included in a procurement document.(4)

It is in the Company's best interest to discover deviations before items are shipped. This is because the Company's obligation to report to the U.S. Nuclear Regulatory Commission only applies to components that have been delivered to a Purchaser.

Any employee that learns of or suspects that there has been a failure to comply with any NRC rules, regulations or orders or that the design, manufacture or supply of a basic component, including already shipped, deviates from technical specifications/requirements or contains a substantial safety hazard, shall immediately report such deviation or noncompliance to the Director of Quality Assurance or in his absence, the Director of Engineering.

- (4) A "procurement document" means a contract that defines the requirements which basic components must meet in order to be considered acceptable by the Purchaser.

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Whenever a deviation or noncompliance is discovered, the Quality Assurance department, in addition to taking steps to correct it, shall take appropriate steps to prevent any recurrence of the deviation, including maintaining a file of all deviation notices and educating personnel as to the necessity of and procedure for, avoiding recurrence of deviations.

VI. EVALUATION OF DEVIATIONS/NONCOMPLIANCE

The Company's Evaluation Committee shall consist of the General Manager of CPD and of PDP, the Director of CPD and PDP Engineering, the Director of Quality Assurance and the Vice President of CPD Manufacturing or their designees. Within two days after the first report of a known or suspected deviation or noncompliance pursuant to paragraph V above, the Evaluation Committee shall determine whether the deviation or noncompliance could create a substantial safety hazard. A "substantial safety hazard" means a loss of safety function to the extent that there is a major reduction in the degree of protection provided to the public health and safety for any facility or activity licensed, other than for export, pursuant to 10 CFR Parts 30, 40, 50, 70 and 71. Appropriate criteria for determination of the existence of a substantial safety hazard include: (1) moderate exposure to, or release of, licensed material; (2) major degradation of essential safety related material; or (3) major deficiencies involving design, construction, inspection, tests or use of licensed materials or facilities.

If the Company's Evaluation Committee determines that the deviation or noncompliance could create a substantial safety hazard, then the Director of Quality Assurance or in his absence, the Director of Engineering, each of whom has executive authority over activities subject to Part 71, shall contact the General Signal Legal Department for their immediate evaluation and instructions. Promptly upon receipt of the Legal Department's evaluation and instructions but in no case more than two days after the initial report of deviation/noncompliance, the Director of Quality Assurance or in his absence, the Director of Engineering, shall report the deviation or noncompliance that could create a substantial safety hazard (i.e., the defect) to either the Director, Office of Inspection and Enforcement, United States Regulatory Commission, or to the Director of the Commission's Regional Office. If initial notification to the Commission is by means other than written communication, a written

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If the Evaluation Committee decides that it is unable to determine whether the deviation or noncompliance creates a substantial safety hazard, it shall first contact the Legal Department for evaluation and instructions and then within two days after first notice of the deviation/noncompliance, the Director of Quality Assurance or in his absence, the Director of Engineering shall give notice of the deviation or noncompliance to the Company's Purchaser and if so instructed by the Purchaser, to the ultimate Customer/Owner of the nuclear power reactor or other licensed or regulated activity or facility.

VII. INSPECTIONS

The Company shall permit duly authorized representatives of the U.S. Nuclear Regulatory Commission to inspect its records, premises, activities and basic components as necessary to effectuate the purpose of the Part 21 Regulation. The Director of Quality Assurance or in his absence, the Director of Engineering, shall be responsible for coordinating such inspections and for escorting the NRC representative during his visit to its facilities.

VIII. MAINTENANCE OF RECORDS

The Quality Assurance Department shall ensure that records are prepared in connection with the design, manufacture, fabrication, placement, erection, installation, modification, inspection and testing of any basic component supplied for any licensed facility or to be used in any licensed activity sufficient to assure compliance with 10 CFR Part 21. The Quality Assurance Department shall maintain all records involving Part 21 compliance jobs including:

1. All purchase order records;
2. Quality Assurance activities and inspections;
3. Design data (if other than standard);
4. Manufacturing data (if other than standard);
5. The Company's procurement orders and other purchased material data;
6. Any testing data;
7. Any authorized deviations and modifications;
8. Compliance certificates and notices of defects or noncompliance.

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The Quality Assurance Department shall maintain records related to compliance with 10 CFR Part 21 for a period of five years after delivery. Before destruction of records relating to evaluations or notifications to the Commission, such records shall be offered to the Purchaser of the component. If such Purchaser determines and notifies the Company in writing that any such records:

1. Are not related to the creation of a substantial safety hazard, then upon receipt of the Purchaser's authorization, such records shall be destroyed; or
2. Are related to the creation of a substantial safety hazard, the Quality Assurance Department shall comply with the Purchaser's request as to the delivery of such documents.

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NELSON ELECTRIC

P.O. BOX 726 · TULSA, OKLAHOMA 74101 · PHONE 918-627-5530 · TELEX 492424

October 17, 1983

John Akers
Quality Assurance Supervisor
DUKE POWER COMPANY
P.O. Box 33189
Charlotte, NC 28242

Dear Mr. Akers,

I am forwarding the enclosed copy of Nelson Electric's procedure, NPM750.07, established for the reporting of defects or noncompliances pertinent to nuclear orders whenever a purchase order has been received which specifies that the provisions of 10CFR Part 21 are applicable and such reporting action becomes prevalent.

When a purchase order has been received by Nelson Electric from Duke Power Company wherein the requirements of 10 CFR Part 21 do not form a condition of the applicable purchase order, Nelson Electric will continue to assure that Nelson officers and directors are informed of defects or failures. Subsequently, Nelson Electric will then notify Duke Power Company of such defects or noncompliances. It will be incumbent upon Duke Power Company, after notification by Nelson Electric of pertinent defects or noncompliances to so notify the NRC.

All other elements of Nelson Electric's Quality Assurance Program and Inspection System will continue in implementation in accordance with established procedures and the Q.A. Manual.

Bill Karr
Director,
Quality Assurance

cc: W. G. Von Miller



JSW

DUKE POWER COMPANY

P.O. BOX 33188

CHARLOTTE, N.C. 28242

HAL B. TUCKER

VICE PRESIDENT
NUCLEAR PRODUCTION

July 20, 1983

TELEPHONE
(704) 373-4531

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

Subject: Duke Power Company
Catawba Nuclear Station
Docket Nos. 50-413, -414
McGuire Nuclear Station
Docket Nos. 50-369, -370

Dear Mr. Denton:

Duke Power Company was recently notified by the General Signal Company, Nelson Electric Division, that they will no longer accept purchase orders which involve 10 CFR Part 21. The decision of Nelson Electric to refuse these purchase orders is based upon the current lack of business activity from the nuclear power industry coupled with the rising costs of maintaining the QA/QC systems and procedures to ensure compliance with the reportability requirements. This company has fabricated and supplied nuclear safety-related motor control centers, distribution centers, and power panels for the Duke Power Catawba and McGuire Nuclear Stations. It is necessary that Duke Power continue to purchase equipment and parts from Nelson Electric for use on the above listed components.

In order to meet Duke's procurement needs for these items while ensuring that the intent of 10 CFR Part 21 is satisfied, Duke Power Company proposes to take the following actions:

1. Duke Power will continue to place nuclear safety-related orders with Nelson Electric, but will not reference 10 CFR Part 21.
2. Duke Power will continue to perform audits and surveillance to assure Nelson's QA program meets the purchase specifications. These QA audit and surveillance visits would be performed as with any other of Duke's approved safety-related vendors and ensure that the existing Nelson QA program or another program acceptable to Duke would continue to be implemented.
3. Duke Power will assume all 10 CFR Part 21 reporting requirements when any Nelson items are delivered for acceptance under our QA program. This will encompass not only material problems, but design problems as well.

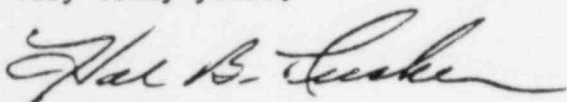
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Mr. Harold R. Denton, Director
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Duke Power feels the above actions will assure compliance with the intent of 10 CFR Part 21 and furthermore foresees no generic industry problems since the subject equipment was fabricated specifically for installation at the Catawba and McGuire Nuclear Stations.

It is requested that the above information be reviewed by the appropriate NRC personnel and that a timely response be given to Duke Power concurring with these proposed actions.

Very truly yours,



Hal B. Tucker

JSW:DWD:scs

cc: Ms. E. G. Adensam
Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D. C. 20555

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

Mr. Guy H. Cunningham
Office of the Executive Legal Director
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