



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20555

JUN 10 1985

Mr. R. Guthrie  
Vice President,  
Operations  
Valley Steel  
P.O. Box 503  
St. Louis, Mo.

Dear Mr. Guthrie:

This is in reference to the telephone conversation between Mr. Ellis Merschoff and you on May 2, 1985, concerning the planned NRC inspection of your company. You were called to establish a date for conducting the inspection and in the ensuing conversations you requested that we send you a letter describing the areas to be covered during the inspection. It is the policy of the Vendor Program Branch to issue a letter confirming the dates of upcoming inspections and to describe the scope of the inspections. As such, you would have received this letter even if you had not specifically requested it.

Because of improprieties that recently have been identified at a number of material manufacturers and material suppliers, the Vendor Program Branch is performing inspections at a representative number of manufacturers and suppliers. Through these inspections we have identified Valley Steel as a supplier of material to the nuclear industry. In addition, it is my understanding that Valley Steel possessed a Material Suppliers Certificate of Authorization from ASME up until May 1984 and that Valley Steel supplied material under that Certificate of Authorization. Material ordered and supplied under an NA-3700 or NCA-3800 program is considered a "basic component" as defined in 10 CFR 21.3 of the Commission's regulations. Valley Steel is, therefore, subject to 10 CFR Part 21, which implements section 206 of the Energy Reorganization Act of 1974, as amended. Section 206(d) of the act and section 21.41 of Part 21 provide for reasonable NRC inspections to insure compliance with the Commission's requirements. The scope of the inspection at issue is the review of records and components related to nuclear jobs of Valley Steel. The inspectors will need to review records associated with nuclear jobs and sample records associated with non-nuclear jobs to assure completeness of our nuclear review. The inspectors will review your list of customers and select some which are known to be active in the nuclear industry. Purchase order files for these customers will then be reviewed to determine both their compliance and your compliance with NRC requirements. An exit meeting will be held at the end of the inspection to discuss any inspection findings.

If Valley Steel believes that we have had access to proprietary information and so notifies us, we will provide a copy of the inspection report for a proprietary-only review. Valley steel will be required to submit an affidavit

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containing the information described in 10 CFR 2.790(b) for any information claimed to be proprietary. Thereafter, we will balance the need for your protection against the public interest should a question of public disclosure arise. In any event, prior to making a public disclosure of information claimed to be proprietary, we would provide notice to Valley Steel.

We appreciate the cooperation of Valley Steel in this matter. Should you have any further questions concerning this inspection, please call me at 301-492-9663.

Sincerely,

ORIGINAL SIGNED BY:

GARY G. ZECH

Gary G. Zech, Chief  
Vendor Program Branch  
Division of Quality Assurance, Vendor,  
and Technical Training Center Programs  
Office of Inspection and Enforcement

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