



Quadrex Corporation

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Sherman Naymark
President

May 31, 1984

Nunzio J. Palladino
Chairman
United States Nuclear
Regulatory Commission
Washington, D.C. 20555

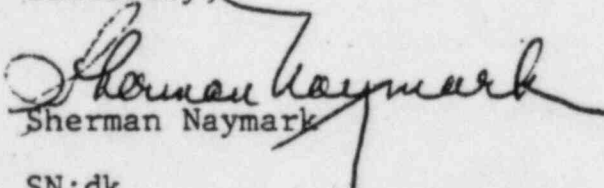
Dear Mr. Chairman:

I am in receipt of your letter of May 18 wherein the Commission has requested personal discussions with me to develop a better understanding of the Nuclear Services Corporation audit of the Pullman-Kellogg piping work at the Diablo Canyon Plant in 1977.

I could meet with the Commission at a mutually convenient time to talk informally on this issue, if it is your desire. I would suggest a date in late July since prior corporate commitments and an overseas trip will not allow a Washington visit before that date.

Please advise me of an acceptable date for an informal discussion.

Sincerely,


Sherman Naymark

SN:dk



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

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Canyon File w/background

May 18, 1984

Dr. Sherman Naymark
President, Quadrex Corporation
1700 Dell Avenue
Campbell, California 95008

Dear Dr. Naymark:

The Commission has received your letter of April 9, 1984, in which you responded to the invitation extended to you by our Region V Administrator to address us on matters related to the Nuclear Service Corporation audit of the Pullman-Kellogg Company in 1977.

Your letter persuasively states that a number of years have passed since that audit, and your records and the current unavailability of employees originally involved in the audit make it difficult to reconstruct details.

Nevertheless, we believe that personal discussions with you would assist us in developing a better understanding of that issue. Therefore, the Commission would like to repeat its invitation for you to meet with us on this subject in the near future. Please advise me of your decision.

Sincerely,

Nunzio J. Palladino

cc: Mr. L. M. Gustafson
Pacific Gas & Electric Co.

[Handwritten signature]

QUADREX

April 9, 1984

Mr. J. B. Martin
Regional Administrator
U.S. Nuclear Regulatory
Commission, Region V
1430 Maria Lane, Suite 210
Walnut Creek, CA 94596

Dear Mr. Martin:

Over the past few days, members of your staff and you have contacted me with respect to the quality assurance audit that Quadrex Corporation, formerly Nuclear Services Corporation (NSC), performed for the Pullman-Kellogg Company in August-September 1977. This audit covered Pullman's piping construction and erection work at PGandE's Diablo Canyon Facility. Additionally, your letter to me of April 4, 1984, supplemented the prior telephone conversations we had and asked if Quadrex could review reports of the NRC audit (Report Nos. 50-275/83-37 and 50-323/83-25 dated February 29, 1984) which reviewed Quadrex's audit dated October 27, 1977, and if we would determine the reasons for the different findings of the two reports.

For background information, Quadrex was contracted by Pullman-Kellogg (PK) in August of 1977 to perform an audit of the PK performance at the Diablo Canyon Nuclear Facility. An abbreviated audit was requested which commenced on August 22, 1977, at the Diablo Canyon site and extended through September 20, 1977, with 3 to 4 quality assurance engineers from Quadrex participating. Since the audit scope was greatly limited by the client as to time, funds, and investigative scope and was an "in-process" audit taking a snapshot look at the QA procedures and documentation made available to the auditors by the client, the findings were based only on presented documentation plus some interviews with appropriate PK people.

Quadrex management reviewed the initial audit findings shortly after the audit started and also the final report before transmittal. Quadrex management directed its audit team to report its findings directly to client's management and PGandE management as the audit proceeded, as well as in its final submittal, so that the client would be fully cognizant of our findings at the earliest time, and also of the records being audited on which the findings were based.

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After our audit was submitted to the client, we believe there were reviews of its contents by Pullman-Kellogg and PGandE, but we do not have records to indicate that reports of any of these reviews or subsequent actions were supplied to us.

You have advised Quadrex that the NRC has just completed a review of the NSC audit and note many findings at variance with our report. Your review was made in late 1983 and 1984 to information, documentation, and personnel interviews made available to you at the time.

You have asked if Quadrex can review the recent NRC findings, compare them to the 1977 NSC findings and discuss the differences. You have also asked if I would appear before a Commission hearing with this evaluation or any other responses.

Quadrex performed the initial audit under contract to PK with PGandE's approval. The results were based on information made available to us by the client at that time. The findings were reviewed with the client as the audit progressed and when the final report was issued. We have not been advised of any actions the client or PGandE took as a consequence of the audit findings, nor in the normal course of completing the construction work. Therefore, we are not aware of how the 1977 conditions have changed in the interim period nor of any additional pertinent documentation that has been gathered responsive to the issues raised.

Quadrex is also not cognizant that the same information was available for review by both parties (seven years apart), whether the same interviews were held, and what the differences were in the respective auditors' evaluation of the presented data. To do this would require reconstituting the original technical team, or an equivalent one, and re-evaluating the comparable data, including any additional data gathered by PK, after the 1977 audit was completed, as they did their own review of the Quadrex findings. The three principal auditors who did the work in 1977 are not now in the employ of Quadrex and their availability would have to be established. Or, another team of Quadrex auditors could be constituted which would have to trace the presented data and evaluations of both teams, acquainting themselves by reference and interviews with the earlier auditors' work.

Quadrex has not been requested to undertake this effort by its original client or by PGandE, nor would we undertake this effort without adequate contractual arrangements acceptable to all the parties involved.

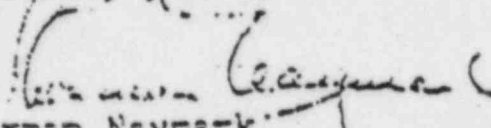
Mr. J. B. Martin

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Quadrex cannot, therefore, at this time add substantive information at a Commission hearing regarding the differences in the audits conducted by different teams many intervening years and conditions apart. On that basis, we see no merit to appearing or testifying at the April 1984 Commission hearings.

Sincerely yours,


Sherman Naymark
President

SN:dk