



UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

October 1, 1996

Mr. Earl A. George, President
Mid-South Nuclear, Inc.
40-B Sayerton Drive
P.O. Box 10063
Birmingham, Alabama 35202

SUBJECT: YOUR AUGUST 8, 1996, LETTER CONCERNING NRC INFORMATION NOTICE 96-40

Dear Mr. George:

Your August 8, 1996, letter objects to NRC Information Notice (IN) 96-40, "Deficiencies in Material Dedication and Procurement Practices and in Audits of Vendors," as being inaccurate and misleading and alleges that the IN is biased and unfairly singles out the vendors listed in Attachment 1 to the IN.

Our response to your concerns assumes that the bases for the alleged inaccuracy are reflected in the second paragraph of your letter. This paragraph suggests that Mid-South Nuclear (MSN) should not have been listed as "one of the deficient" since the 1995 NRC inspection of MSN did not result in any "dedication procedural nonconformances."

The 1995 NRC inspection of MSN identified a number of instances where your material dedication program did not assure that the material supplied to NRC licensees complied with the procurement specification requirements. The inspection report (99901270/95-01) noted that your commercial grade item dedication program permitted "indirect verification" of certain material properties and stated that these methods were considered improper when certifying such material as being equivalent to material manufactured under a quality assurance program complying with the quality requirements of 10 CFR Part 50, Appendix B (Appendix B). The inspection report also noted that your dedication program permitted the acceptance of hydrostatic, bend, or flattening test certifications from unqualified manufacturers without validation or independent verification and made similar comment about certifying such material to Appendix B.

Your October 31, 1995, response to the Notice of Nonconformance, that accompanied Inspection Report 99901270/95-01, described corrective actions to the specific hardware issues identified in the report. These actions were considered satisfactory, pending future verification. Since your responses did not discuss any changes to your material dedication program, in our acknowledgment letter dated December 11, 1995, we reemphasized your program limitations by stating that "...material should not be certified as complying with 10 CFR Part 50 Appendix B unless it has been procured in full compliance

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with the applicable Appendix B requirements or dedicated by verifying all of the material specification parameters under an Appendix B quality assurance program."

The above information clearly indicates that your material dedication program did not have adequate controls to upgrade and certify commercial grade material as complying with Appendix B for unrestricted nuclear applications. The program could, however, be used to provide material to NRC licensees certified as having been dedicated in accordance with your program requirements rather than Appendix B. The licensee would then be required to determine the acceptability of this material based on his understanding of your program and his knowledge of the material application (complete the dedication process).

The series of inspections described in this IN was specifically designed to assess the current commercial grade item dedication practices and ASME Code material upgrading practices in the nuclear industry, as well as the licensee oversight of these practices. The inspections were initiated in early 1994 and concluded by mid-1995, after the inspectors had determined that a sufficient cross-section of material vendors had been inspected to draw reasonable conclusions about current material supply practices under the ASME Code rules and under the quality assurance requirements of 10 CFR Part 50, Appendix B. IN 96-40 identified all material suppliers inspected during this time period and was issued to characterize the current material procurement practices in the nuclear industry.

Although NRC has inspected material suppliers before the start of this inspection series, no attempt was made to include historical data in the IN since the main purpose of this inspection series was to characterize current industry practice. The earlier inspections generally had a different or more narrow scope and did not cover the same program areas. The exclusion of any earlier-inspected suppliers from the vendors listed in Attachment 1 to the IN should not be viewed as an indication that the commercial grade item dedication practices of these suppliers were found to be superior to those of the companies identified in the IN.

There was no effort to compare or rank the vendors inspected during this series of NRC inspections. The concerns identified on page 2 of the IN are a summary of findings from all of the vendors inspected and it should not be assumed that these findings are applicable for each of the vendors inspected. The specific inspection findings for each of the vendors are discussed in the respective inspection reports which are available for review in the NRC's Public Document Room and have been published in NUREG-0040, "Licensee Contractor and Vendor Inspection Status Report."

We are planning to issue a supplement to IN 96-40 in the near future. This supplement will not retract any of the information in IN 96-40, but will provide additional discussion concerning the interpretation of the information presented in the notice.

E.A. George

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We hope that this letter addresses your concerns. Should you have any questions concerning the above, please contact Uldis Potapovs at (301) 415-2959

In accordance with Section 2.790 of 10 CFR, a copy of this letter will be placed in NRC's Public Document Room.

Sincerely,

[Original signed by Brian K. Grimes]

for Thomas T. Martin, Director
Division of Reactor Program Management
Office of Nuclear Reactor Regulation

Docket No.: 99901270

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