



UNITED STATES
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

January 23, 1997

Mr. Robert E. Bond, President
Dragon Valves, Inc.
13457 Excelsior Drive
Norwalk, CA 90650

Dear Mr. Bond:

Thank you for your letter dated November 26, 1996, in response to the Notice of Nonconformance that was issued by The Nuclear Regulatory Commission (NRC) on October 29, 1996, as a result of NRC inspection of Dragon Valves, Inc., (Dragon) on September 23-26, 1996.

We have reviewed your reply and determined that it did not adequately address Nonconformance 99900264/96-01-03. Your response indicated that Dragon would revise Procedure 16562 to include instructions to dedicate material by sampling each size and heat, and having a chemical analysis and mechanical properties test performed by an approved vendor. However, these proposed instructions were contained in the revision of Procedure 16562 which was reviewed by the inspectors during the performance of the inspection (Revision A) and were determined to be an inadequate method to dedicate material from a nonhomogeneous lot. As discussed during the inspection and addressed in Inspection Report 99900264/96-01, if material has been procured from an unapproved vendor, where a homogenous lot has not been verified or assured, the applicable tests are required to be performed on each piece of material or in accordance with a sampling plan that provides a high level of confidence that the test results are representative of the population sampled.

This issue was discussed during a December 17, 1996, telephone call between Mark Snyder of your staff and Uldis Potapovs and Bill Rogers of my staff. If any additional clarification on this issue is required please contact Uldis Potapovs at (301)415-2959.

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Mr. Bond

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Please provide a written statement or explanation, re-addressing Nonconformance 99900264/96-01-03, to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, D.C. 20555, with a copy to the Chief, Special Inspection Branch, Division of Inspection and Support Programs, Office of Nuclear Reactor Regulation, within 30 days of the date of the letter. This reply should be clearly marked as a "Reply to a Notice of Nonconformance" and should include: (1) a description of steps that have been or will be taken to correct this item; (2) a description of steps that have been or will be taken to prevent recurrence; and (3) the dates your corrective actions and preventative measures were or will be completed.

Sincerely,

ORIGINAL SIGNED BY

Robert M. Gallo, Chief
Special Inspection Branch
Division of Inspection and Support Programs
Office of Nuclear Reactor Regulation

Docket No. 99900264

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