



UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION V
1450 MARIA LANE, SUITE 210
WALNUT CREEK, CALIFORNIA 94596

April 4, 1984

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

Dear Dr. Naymark:

The purpose of this letter is to followup on our telephone discussions of April 2 and 3, 1984. As we discussed, the NRC staff has completed an inspection of welding activities involving the Pullman Power Corporation. Specifically, the inspection involved a review of the findings of an audit done by Nuclear Services (NSC) dated October 27, 1977. The results of our inspection are enclosed.

The results of our review differ from those of the NSC auditors. I would appreciate your review of our report, and would like to work with you to determine the reasons for the differences.

The Commission is currently scheduled to review this item, among others, on April 13, 1984. I would hope we could determine the reasons for the differences by then. If such a meeting is held, I would like to know whether you would care to be there to explain your position.

I would appreciate hearing from you promptly.

J. B. Martin
Regional Administrator

Enclosure
a/s

Enclosure 1

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PDR FOIA
DEVINEB4-740 PDR

QUADREX

April 9, 1984

Mr. J. B. Martin
Regional Administrator
U.S. Nuclear Regulatory
Commission, Region V
1450 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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Enclosure 2

Mr. J. B. Martin

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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.

QUADREX

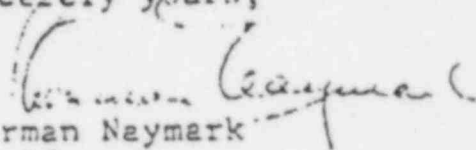
Mr. J. B. Martin

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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 Neymark
President

SN:dk



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

IN RESPONSE, PLEASE
REFER TO: M840413B

April 17, 1984

ACTION - Martin, RV
Cys: Dircks
Roe
Rehm
Stello
Denton
GCunningham

MEMORANDUM FOR: William J. Dircks, Executive Director
for Operations

FROM: Samuel J. Chilk, Secretary

SUBJECT: STAFF REQUIREMENTS - DISCUSSION/POSSIBLE
VOTE ON DIABLO CANYON CRITICALITY AND LOW
POWER OPERATION, 2:00 P.M., FRIDAY, APRIL 13,
1984, COMMISSIONERS' CONFERENCE ROOM, D.C.
OFFICE (OPEN TO PUBLIC ATTENDANCE)

The Commission continued its discussion of reinstatement of the Diablo Canyon low-power license.

The Commission heard from Nancy Culver (Mothers for Peace); Tom Devine and Charles Stokes (Government Accountability Project); NRC staff; J. Ebersole (ACRS); B. Norton and G. Maneatis (PG&E); and E. Friend (Bechtel).

The Commission (Chairman Palladino and Commissioners Gilinsky, Asselstine and Bernthal agreeing) requested that staff try once more to encourage Mr. Naymark (Quadrex/NSC) to address the Commission on the work they performed for PG&E. The Commission encouraged PG&E to assist in convincing Quadrex to attend.

~~1230~~ RV ...

(SECY Suspense: 4/27/84)

The Commission, by a vote of 4-1 (Commissioner Gilinsky disapproving), approved an Order (SECY-84-157, as modified that reinstates the operating license for Diablo Canyon Unit 1 by authorizing criticality and operation of up to 5 percent power.

(Subsequently, on April 13, 1984 the Secretary signed the Order with the views of Chairman Palladino and Commissioners Gilinsky and Bernthal attached.)

cc: Chairman Palladino
Commissioner Gilinsky
Commissioner Roberts
Commissioner Asselstine
Commissioner Bernthal
Commission Staff Offices
PDR - Advance
DCS - 016 Phillips

Enclosure 3

Rec'd Off. EDO

Ex-11-18-84