August 30, 2010

Richard Gallagher, Manager
Quality Services
Bechtel Power Corporation
5275 Westview Drive
Frederick, MD 21703

SUBJECT: NRC INSPECTION REPORT NO. 99901365/2010-201 and NOTICE OF VIOLATION

Dear Mr. Gallagher:

From July 20 to July 22, 2010, the U.S. Nuclear Regulatory Commission (NRC) conducted an inspection at the Bechtel Power Corporation (BPC) facility in Frederick, Maryland. The enclosed report presents the results of this inspection.

This was a limited scope inspection, which focused on assessing your compliance with the provisions of Part 21 of Title 10 of the *Code of Federal Regulations* (10 CFR Part 21) "Reporting of Defects and Noncompliance," and selected portions of Appendix B to 10 CFR Part 50, "Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants." This NRC inspection report does not constitute NRC endorsement of your overall quality assurance (QA) or 10 CFR Part 21 programs.

Based on the results of this inspection, the NRC has determined that one Severity Level IV violation of NRC requirements occurred. The violation is cited in the enclosed Notice of Violation (Notice) and the circumstances surrounding it is described in detail in the subject inspection report. The violation is being cited in the Notice because NRC inspectors identified that BPC's 60-day evaluation period did not commence from the time a deviation was initially identified (discovery) in its Corrective Action, Nonconformance, or Engineering Error Reporting processes.

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing your response. The NRC will use your response, in part, to determine whether further enforcement action is necessary to ensure compliance with regulatory requirements.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter, its enclosures, and your response will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at http://www.nrc.gov/reading-rm/adams.html. To the extent possible, your response should not include any personal privacy, proprietary, or Safeguards Information so that it can be made available to the Public without redaction.

If personal privacy or proprietary information is necessary to provide an acceptable response, then please provide a bracketed copy of your response that identifies the information that should be protected and a redacted copy of your response that deletes such information. If you

request that such material is withheld from public disclosure, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.390(b) to support a request for withholding confidential commercial or financial information). If Safeguards Information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

Sincerely,

/RA/

Patrick L. Hiland, Director
Division of Engineering
Office of Nuclear Reactor Regulation

Docket No.: 99901365

Enclosures: 1. Notice of Violation
2. Inspection Report 99901365/2010-201
3. Attachment

request that such material is withheld from public disclosure, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.390(b) to support a request for withholding confidential commercial or financial information). If Safeguards Information is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

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3. Attachment

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NOTICE OF VIOLATION

Bechtel Power Corporation
5275 Westview Drive
Frederick, MD 21703

Docket Number 99901365
Inspection Report No. 99901365/2010-201

Based on the results of a Nuclear Regulatory Commission (NRC) inspection conducted July 20 to July 22, 2010, of activities performed at Bechtel Power Corporation (BPC), one violation of NRC requirements was identified. In accordance with the NRC Enforcement Policy, the violation is listed below:

A. 10 CFR Part 21, Section 21.21(a)(1), “Notification of failure to comply or existence of a defect and its evaluation,” requires in part that, “Each individual, corporation, partnership, dedicating entity, or other entity subject to the regulations in this part shall adopt appropriate procedures to evaluate deviations and failures to comply to identify defects and failures to comply associated with substantial safety hazards as soon as practicable, and, except as provided in paragraph (a)(2) of this section, in all cases within 60 days of discovery, in order to identify a reportable defect or failure to comply that could create a substantial safety hazard, were it to remain uncorrected.”

Contrary to the above, as of July 22, 2010:

BPC's Procedure No. 1CM-M01G-00110, “Reporting of Defects and Noncompliance to the Nuclear Regulatory Commission (10 CFR Part 21),” Revision 000, dated February 15, 2010, was not an appropriate procedure to ensure evaluation of deviations and failures to comply associated with substantial safety hazards within 60 days of discovery. Specifically, the 60-day evaluation period did not commence from the time a deviation was initially identified (discovery) in BPC’s Corrective Action, Nonconformance, or Engineering Error Reporting processes.

This issue has been identified as Violation 99901365/2010-201-01.

This is a Severity Level IV violation (Supplement VII).

Pursuant to the provisions of 10 CFR 2.201, "Notice of Violation," you are required to submit a written statement or explanation to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, D.C. 20555-0001, with a copy to the Director, Division of Engineering, Office of Nuclear Reactor Regulation, within 30 days of the date of the letter transmitting this Notice of Violation. This reply should be clearly marked as a "Reply to a Notice of Violation" and should include: (1) the reason for the violation, or, if contested, the basis for disputing the violation; (2) the corrective steps that have been taken and the results achieved; (3) the corrective steps that will be taken to avoid further violations; and (4) the date when full compliance will be achieved. Your response may reference or include previous docketed correspondence, if the correspondence adequately addresses the required response. Where good cause is shown, consideration will be given to extending the response time.

ENCLOSURE 1

If you contest this enforcement action, you should also provide a copy of your response, with the basis for your denial, to the Director, Office of Enforcement, United States Nuclear Regulatory Commission, Washington, DC 20555-0001.

Because your response will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's Agency-wide Documents Access and Management System (ADAMS), to the extent possible, it should not include any personal privacy, proprietary, or Safeguards Information so that it can be made available to the public without redaction. ADAMS is accessible from the NRC Web site at http://www.nrc.gov/reading-rm/adams.html. If personal privacy or proprietary information is necessary to provide an acceptable response, then please provide a bracketed copy of your response that identifies the information that should be protected and a redacted copy of your response that deletes such information. If you request withholding of such material, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim of withholding (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.390(b) to support a request for withholding confidential commercial or financial information). If Safeguards Information is necessary to provide an acceptable response, please provide the level of protection, described in 10 CFR 73.21.

Dated this 30th day of August 2010.

U.S. NUCLEAR REGULATORY COMMISSION
OFFICE OF NUCLEAR REACTOR REGULATION
DIVISION OF ENGINEERING
VENDOR INSPECTION REPORT

Docket No.:	99901365
Report No.:	99901365/2010-201
Vendor:	Bechtel Power Corporation (BPC) 5275 Westview Drive Frederick, MD 21703
Vendor Contact:	Richard Gallagher Manager of Quality Services Phone: (301) 228-7603
Nuclear Industry:	Bechtel Power Corporation currently provides operating services to many nuclear power plants. Services Bechtel provides include plant recovery support, plant license renewal, steam generator replacement, and new nuclear generation.
Inspection Dates:	July 20 – July 22, 2010
Inspection Team Leader:	Paul Prescott, DE/NRR
Inspectors:	Aaron Armstrong, DE/NRR Robert Pettis, DE/NRR Albert Issa, R-II/DCP/CPB3
Approved by:	Martin Murphy, Chief: _____ Date:_____ Quality & Vendor Branch Division of Engineering Office of Nuclear Reactor Regulation

ENCLOSURE 2

EXECUTIVE SUMMARY

Bechtel Power Corporation
99901365/2010-201

The purpose of this inspection was to review selected portions of Bechtel Power Corporation's (BPC's) quality assurance (QA) and 10 CFR Part 21 (Part 21) programs to ensure compliance with NRC regulation. The inspectors focused on BPC's oversight of vendors supplying services in support of Watts Bar Unit 2 (WBN2) construction services. The inspection was conducted at BPC's facility in Frederick, Maryland.

The NRC inspection bases were:

- Appendix B, "Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants," to Part 50 of Title 10 of the *Code of Federal Regulations;* and
- 10 CFR Part 21, "Reporting of Defects and Noncompliance."

There were no NRC inspections of BPC's facility in Frederick, Maryland in the previous five years.

The results of this inspection are summarized below.

10 CFR Part 21 Program

The inspectors identified one violation of Part 21. Violation 99901365/2010-201-01 was cited for failure to prescribe an adequate process to perform a Part 21 evaluation. Specifically, the 60-day evaluation period did not commence from the time a deviation was initially identified (discovery) in BPC's Corrective Action, Nonconformance, or Engineering Error Reporting processes. With the exception of the violation noted above, the inspectors concluded that BPC's Part 21 program was consistent with the regulatory requirements.

Corrective Action

Based on the review of BPC's corrective action and nonconformance process implementing procedures, a sample of Corrective Action Report (CARs), and Nonconformance Reports (NCRs), the inspectors determined that BPC's process met the requirements of Criterion XVI of Appendix B to 10 CFR Part 50. No findings of significance were identified.

Control of Purchased Material, Equipment, and Services

Based on the review of BPC's corporate and WBN2 procurement activities, source verifications, and supplier reviews, the inspectors determined that BPC's process met the requirements of Criterion VII of Appendix B to 10 CFR Part 50. No findings of significance were identified.

Audits

The inspectors concluded that BPC's audit program requirements and implementation were consistent with the regulatory requirements of Criterion XVIII of Appendix B to 10 CFR Part 50. No findings of significance were identified.

REPORT DETAILS

1. 10 CFR Part 21 Program

   a. Inspection Scope

   The inspectors reviewed Bechtel Power Corporation (BPC) Nuclear Quality Assurance Manual (NQAM), Policy No. 16.2, "Significant Reportable Deficiencies," Revision 1, dated August 1992, and procedures that governed the Part 21 program to determine compliance with 10 CFR Part 21. Specifically, the following BPC implementing procedures were reviewed:

   - Procedure No. 3DP-G04G-00066, "Reporting of Deviations, Defects, and Noncompliance to the NRC," Revision 002, dated March 08, 2010.
   - Procedure No. 3DP-G04G-00065, "Processing of Technical Errors Discovered in Completed Documents," Revision 002, dated September 26, 2008.
   - Procedure No. 1CM-M01G-00110, "Reporting of Defects and Noncompliance to the Nuclear Regulatory Commission (10 CFR Part 21)," Revision 000, dated February 15, 2010.
   - Procedure No. 2QP-Q01N-1661, "Corrective Action," Revision 4, dated November 2009.
   - Procedure No. 4MP-T81-N7, "Control of Nonconforming items," dated August 31, 2009.

   Finally, the inspectors discussed the Part 21 process with members of BPC's Quality Services to evaluate the vendor's Part 21 program. The inspectors reviewed the only recent Part 21 evaluation performed by BPC and documented in an Engineering Error Report (EER).

   b. Observations and Findings

   The inspectors noted that procedure 2QP-Q01N-1661, Section 4.1, "Quality Service," stated in part, "if problems appear to have nuclear safety significance then evaluation and reporting of potentially reportable conditions will be processed by Engineering in accordance with the applicable Engineering Department Procedure." Procedure 2QP-Q01N-1661 also indicated that if a corrective action could not be completed in 30 days, then BPC's addressee should submit a schedule for completion.

   BPC informed the inspectors that the applicable Engineering Department Procedure to address a problem having nuclear safety significance was procedure 3DP-G04G-00065. The inspectors noted that procedure 3DP-G04G-00065 outlined timeframe guidelines for the EER completion. The procedure also stated that no specific time limits were imposed on issuance or closure of EER's, but had guidelines of three calendars days for reporting to the Engineering Group Services and three calendar days for completion of the EER Form, Parts A and B. Procedure 3DP-G04G-00065 also stated that there are very specific timeframes in BPC's procedure 1CM-M01G-00110.

   Procedure 1CM-M01G-00110 defined responsibilities, established requirements, and provided guidance for actions necessary to implement the Part 21 regulation. BPC

defined discovery in procedure 1CM-M01G-00110, Section 3.0, "Definition," as, "the completion of the documentation first identifying the existence of a deviation or failure to comply potentially associated with a Substantial Safety Hazard." In review of procedure 1CM-M01G-00110, the inspectors noted that the procedure contained three Exhibits. Exhibit A, "Flow diagram for 10 CFR Part 21 Processing of Deviations in Work Performed by Bechtel for Active Projects," Exhibit C, "Flow diagram for 10 CFR Part 21 Processing of Deviations in Work Performed By Bechtel for Non-Active Projects," and Exhibit E, "Flow Diagram for time limits associated with 10 CFR 21 Reporting." The definition of "Discovery" in procedure 1CM-M01G-00110 was consistent with the regulations; however, implementation of the points of discovery identified in Exhibits A, C, and E was not. BPC stated that deviations initially identified in the Corrective Action Report (CAR), and Nonconformance Report (NCR) processes would be evaluated in the EER process. The inspectors noted that with the points of discovery in the Exhibits, and the added times from the CAR, NCR and ERR processes, BPC may be unable to comply with the 60-day requirement of Part 21. The inspectors discussed the points of discovery identified in the three Exhibits with BPC, and identified that the 60-day evaluation commences from the time a deviation is identified (discovery) in BPC's CAR, NCR, and EER processes. This issue was identified as violation 99901365/2010-201-01.

c. Conclusions

The inspectors identified one violation of Part 21. Violation 99901365/2010-201-01 was cited for failure to prescribe an adequate process to perform a Part 21 evaluation. Specifically, the 60-day evaluation period did not commence from the time a deviation was initially identified (discovery) in BPC's Corrective Action, Engineering Error Reporting, or Nonconformance processes. With the exception of the violation noted above, the inspectors concluded that BPC's Part 21 program was consistent with the regulatory requirements.

2. Corrective Action

a. Inspection Scope

The inspectors reviewed Section 15, "Nonconforming Materials, Parts and Components," and Section 16, "Corrective Actions" of BPC's NQAM. In addition, the inspectors reviewed implementing procedures that govern the corrective action process to ensure the procedures provided adequate guidance consistent with the requirements of Appendix B to 10 CFR Part 50 and Part 21. The inspectors also evaluated a sample of CARs and NCRs to verify compliance with the program requirements and adequate implementation of those requirements.

b. Observations and Findings

The inspectors reviewed Policy No. Q- 16.1, "Corrective Action," Revision 2, dated October 1992. The inspectors noted that BPC's implementing Procedure 2QP-Q01N-1661, "Corrective Action," Revision 4, dated November 2009, established the process for identification and correction of conditions that are adverse to quality. The procedure also outlined BPC's requirements for identifying significant conditions adverse to quality and the required actions to preclude the recurrence of these conditions. Procedure

2QP-Q01N-1661 also detailed the process for verifying the corrective actions taken and the identification of conditions that are potentially reportable under NRC reporting requirements.

The inspectors reviewed Policy No. Q- 15.1, "Control of Nonconformances," Revision 1, dated March 1997. The inspectors noted that BPC's implementing Procedure 4MP-T81-N7, "Control of Nonconforming items," dated August 31, 2009, defined the work process for the control of nonconforming items at the construction site. The procedure applied to all nonconforming items for safety-related, non safety-related, and Augmented Quality at nuclear power plants under the administrative control of BPC. The procedure also established guidelines to ensure that products not conforming to requirements were identified, controlled, segregated, dispositioned, or accepted. The inspectors' review of BPC's CAR and NCR processes did not identify any findings of significance.

c. Conclusion

Based on the review of BPC's corrective action and nonconformance processes, implementing procedures, and a sample of CARs and NCRs, the inspectors determined that BPC's processes met the requirements of Criterion XVI of Appendix B to 10 CFR Part 50. No findings of significance were identified

3. Control of Purchased Material, Equipment, and Services

a. Inspection Scope

The inspectors interviewed personnel and reviewed BPC's policies and implementing procedures that govern QA, procurement, surveillances, and internal and external audits. The following BPC Supplier Quality Procedures were reviewed:

- 2QP-Q01G-C0381, "Quality Surveillances," Revision 000, August 16, 2010
- 2QP-Q01N-0132, "Qualifications of Auditors," Revision 5, November 2009
- 2QP-Q01N-1611, "Corrective Action," Revision 4, November 2009
- 2QP-Q01N-1811, "Project Quality Assurance Surveillances," Revision 2, November 2009
- 2QP-Q01N-1812, "Project Quality Assurance Audits," Revision 4, November 2009
- 2QP-Q01N-1813, "Quality Services Management Audits," Revision 4, November 2009
- Supplier Quality Manual – Supplier Assessment Sections:
  2.02, Supplier Surveys, Audits and Evaluations, Revision 004
  4.06, Administration of Evaluated Suppliers List, Revision 003
- 4.27, Supplier Surveys and Audits, Revision 005, 2010 Evaluated Suppliers List, Issue 03, March 2010, and Issue 08, July 2010

In addition, the inspectors reviewed the implementation of these policies and procedures by sampling audits of vendors on BPC's Evaluated Suppliers List (ESL) and related Purchase Orders (POs); the latest Watts Bar Nuclear Unit 2 (WBN2) audit report of procurement activities by corporate QA; and the QA surveillance conducted in

preparation for the NRC inspection. Specifically, the inspectors reviewed the following BPC's WBN2 documents:

- QAM-25402-09-002, "Quality Services Management Audit of WBN2 Construction Completion Project," dated August 28, 2009
- 25402-WBN-AR-09-002, "Bechtel Audit of TVA as a software Supplier," dated April 2, 2009
- XXXXX-QSHS-10-001, "Supplier Quality Surveillance Report," dated July 16, 2010
- PO 94483, "Purchase Order for Safety-Related American Society of Mechanical Engineers (ASME) Valves from Westinghouse," dated March 26, 2010

b. Observations and Findings

The following are the results of the inspectors' review of the role of BPC Corporate Supplier QA in procurement activities at the WBN2 site. In support of procurement activities at the WBN2 site, Corporate QA produced and maintained the ESL used by the site for procurement of safety-related components and services. Corporate QA also performs all activities associated with the ESL, such as auditing suppliers and performing annual evaluations of their performance. They perform audits and surveillances of site procurement activities and are responsible for the training and qualification of all auditors regardless of location. These auditors perform QA activities such as source surveillances required to support WBN2 procurement activities. Site procurement is responsible for all procurement, receiving inspection and storage activities. Site procurement is expected to interface with corporate supplier QA if they discover significant problems with their suppliers.

The 2009 audit report of WBN2 identified four CARs, six observations and one recommendation. The inspectors verified that the WBN2 site addressed all these issues satisfactorily as documented in the audit report file.

The inspectors selected a sample of POs from BPC's ESL to verify compliance with BPC quality and supplier procedures to 10 CFR Part 50 and Part 21 requirements. The inspectors reviewed the following:

- PO 62966, dated January 11, 2010, to Anderson Greenwood Crosby, Wrentham, MA, for the purchase of ASME III, Class 3, steam traps for the AFW system at WBN2.
- PO 00078472, dated June 26, 2009, issued to Tioga Pipe Supply, Philadelphia, PA, for QA Level 1, ASME III, Class 2, 24-inch pipe.

The inspectors' review of the POs did not identify and findings of significance.

Additionally, the inspectors review of PO 94483, for three 8-inch, 300-lb safety-related ASME Section III, Class 2, butterfly valves for the RHR system at WBN2 resulted in the following observations. The inspectors noted at the time the PO was issued, the purchase was outside the scope of supply identified in the 2010 BPC ESL, issue 3 that was in effect at the time, since Westinghouse was not approved for the supply of ASME III components. Westinghouse was limited only to the supply of items conforming to NQA-1 and 10 CFR 50, Appendix B, QA programs. The comments section of issue 3 of the ESL stated Westinghouse's limitations as, "safety-related engineering, procurement,

and fabrication services associated with steam generator replacement projects and Design Engineering and site support activities for nuclear projects." The ESL also listed the Commodity Groups applicable to Westinghouse as "professional" and "miscellaneous" services, with no reference specifically to the supply of valves. According to BPC, Commodity Groups represent the items, materials, or services typically provided by the supplier or for which they are evaluated.

The inspectors discovered that a similar issue was identified as an observation by BPC in surveillance report QSHS-10-001, dated July 16, 2010; however, no CAR was initiated at the time of procurement to drive the resolution of the underlying issues causing the problem. The report documents the results of a surveillance performed in preparation of the NRC inspection and identified this same issue under Observation #1, which stated in part, "However, the current entry in the ESL does not include a qualification scope that clearly indicates that the manufacturing of valves or the supply of valves is clearly authorized." As a result of this surveillance, BPC revised the ESL, issue 8, to expand Westinghouse's scope of supply to include safety-related ASME III components; included recognition of Revision 25 of the QA manual; revised the quality designation (QD) from "A", "acceptable", to "C", "acceptable/conditionally satisfactory," pending verification of program implementation. BPC also added under the "comments" section the limitations that a survey/audit is required during the procurement process and that the ASME QA manual has not been reviewed, but is considered to be acceptable based on their ASME certificates." The QD is a supplier performance letter designation that summarizes the data relating to quality. However, the inspectors observed that BPC did not initiate a CAR, as required, to document this deviation. Because of this observation, CAR 138 was drafted by BPC on July 22, 2010, to address the issue. The inspectors also noted that BPC performed an Annual Supplier Evaluation (ASE) 2010-004, Revision 1, on July 17, 2010, which documented that BPC considered Westinghouse's ASME 4000 QA manual as acceptable based on their current ASME certificates, but must perform an implementation audit of the program "during the procurement cycle", which is defined by BPC as prior to shipment. The inspectors reviewed BPC Supplier Quality Procedure 4.06, which provides guidance for the administration, distribution, and revision of the ESL. The inspectors determined that BPC's planned corrective actions to address the Westinghouse ESL issues were acceptable.

BPC Supplier Quality Manual, Section 2.02.7, "Evaluated Supplier List," stated that ASME III suppliers might be placed on the ESL based on their Certificate of Authorization or Quality Systems Certificate; however, an onsite evaluation of program implementation must be performed during the procurement cycle. The inspectors noted that this practice appears to comply with NRC Information Notice (IN) 86-21, Supplement 2, dated April 16, 1991. The IN clarifies NRC's recognition of the ASME Accreditation Program applied only to the programmatic aspects of the supplier's QA programs and those holders of operating licenses or construction permits, and their subcontractors, are still responsible for ensuring that the suppliers are effectively implementing their approved QA programs. The inspectors identified that the material associated with this PO is scheduled for shipment from Westinghouse in March 2011. The inspectors noted that BPC initiated CAR 138 to address this concern. This CAR requires an in depth disposition determining the cause and preventive actions, a reportability determination, and an extent of condition. The inspectors also observed that the ESL did not provide a specific address of the Westinghouse facilities audited, only Monroeville, Waltz Mill (Madison), PA. This address did not correlate with the BPC

triennial audit performed at Westinghouse (4350 Northern Pike and Madison (Waltz Mill)) in December 2008. The audit scope included 10 CFR 50, 10 CFR Part 21, ANSI N45.2, NQA-1 and ASME NCA 4000. Westinghouse has other facilities located in Monroeville, PA, and the specific address of the organization audited was not shown on the ESL. BPC's ESL required an implementation audit of Westinghouse to be completed during the procurement cycle to verify effective implementation of Westinghouse's ASME NCA 4000 program. The inspectors determined that BPC's method of acceptance of Westinghouse on the ESL was acceptable.

The inspectors reviewed BPC's evaluations of problems identified with purchases from two different suppliers and found the actions taken in response to these problems to be adequate. In the case of one supplier, Dubose National Energy, BPC added a recommendation to the ESL to perform supplier quality surveillance on all fabricated items. For the other supplier, Energy and Process Corporation, BPC added a requirement to obtain management approval for awards for fabricated items outside the company's Tucker, Georgia facility.

In addition to the audits and surveillances performed by BPC's corporate QA and telephone calls initiated by BPC for site review of certain procurement metrics, BPC supplier quality also receives supplier warnings and cautions from the sites. Supplier warnings and cautions can be initiated by anybody involved in the procurement process from any of BPC's global operations sites. BPC used this information to revise the ESL and institute compensatory actions as required. The inspectors did not identify any findings of significance.

c. Conclusion

The inspectors concluded that Bechtel's controls of purchased materials, equipment and services were consistent with the regulatory requirements of Criterion VII of Appendix B to 10 CFR Part 50. No findings of significance were identified.

4. Audits

a. Inspection Scope

The inspectors reviewed Section 18, "Audits," of BPC's NQAM and implementing policies and procedures that govern the process for internal and external audits. The inspectors evaluated a sample of internal audit reports and qualification records to verify compliance with the program requirements.

b. Observations and Findings

The inspectors reviewed Policy No. Q-18.1, "Quality Assurance Audits," of BPC's NQAM and implementing policies and procedures that govern the processes for supplier audits and evaluations. The inspectors evaluated a sample of supplier audit reports, evaluations, the Bechtel's ESL, and auditor/lead auditor qualification records to verify compliance with the program requirements.

The following Bechtel Supplier Quality Procedures were reviewed:

4.06, “Administration of Evaluated Supplier List,” Rev. 3, dated February 1, 2010
2.02, “Supplier Surveys, Audits and Evaluations,” Rev. 4, dated February 1, 2010
4.27, “Supplier Surveys and Audits,” Rev. 5, dated February 1, 2010

The inspectors reviewed the Quality Services Department Procedure No. 2QP-Q01N-0132, “Qualifications of Auditors,” Rev. 5, dated November 2009. The inspectors reviewed a sample of six auditor/lead auditor qualification records for adequacy.

The inspectors noted that Bechtel’s NQAM provided a description of the process and requirements for performing supplier audits and evaluations. The procedures provided specific requirements, such as audit plans, checklists, and reports for all Bechtel audits. The inspectors noted that Bechtel’s ESL documented only audits. Bechtel’s procurement personnel stated that only Appendix B suppliers are maintained on the corporate ESL.

WBN2 is allowed by contract to use the Tennessee Valley Authority (TVA) Approved Supplier’s List (ASL) to perform safety related procurement in support of construction activities except for the ASME scope of supply since BPC is the ASME N – certificate holder for the project. For the ASME scope of supply, WBN2 uses BPC’s ESL. BPC adds suppliers to the ESL by direct audits or by reviews of Nuclear Industry Assessment Committee (NIAC) audits. When using NIAC audits, BPC reviews the qualification of the auditing entity and adds it to the ESL under a separate heading. In addition, BPC performs annual supplier surveys and reviews to maintain suppliers on the ESL. The ESL specifies the due date of the next evaluation for each supplier. In addition to the QA programmatic audits, BPC requires for the ASME scope of supply that implementation audits be performed during the procurement cycle, i.e., prior to shipment.

The inspectors also reviewed the associated vendor periodic evaluations conducted by Bechtel. Bechtel’s evaluations were based on historical performance of products provided, industry history and any NRC identified issues The inspectors verified that Bechtel’s recent audits and/or evaluations of the following suppliers met the requirements of 10 CFR Part 50, Appendix B, Criterion XVIII “Audits,” for the following vendors:

- Anderson Greenwood Crosby, in Wrentham, MA s Inc., on August 20, 2008 (audit and evaluations)

- Fisher Controls International, in Marshalltown, IA, in April 2010 (audit and evaluations)

- Consolidated Power Supply, in Birmingham, AL, in March 2009 (audit and evaluations)

- Dresser, Inc., in Alexandria, LA, in November 2009 (audit and evaluations)

- Parker Hannifin Corporation, in Huntsville AL, in September 2009 (audit and evaluations)

- Tioga Pipe Supply Company, Inc., in Philadelphia, PA, (evaluations)
- Energy & Process Corporation, in Tucker, GA, (evaluations)
- Dubose National Energy Service, in Clinton, NC, (evaluations)

Finally, the inspectors verified that a sample of Bechtel's qualification records for auditors met the program requirements. The inspectors' review of external audits, vendor evaluations, and auditor/lead auditor qualification records did not identify any findings of significance.

c. Conclusion

The inspectors concluded that BPC's audit program requirements and implementation were consistent with the regulatory requirements of Criterion XVIII of Appendix B to 10 CFR Part 50. No findings of significance were identified.

5. Exit Meeting

On July 22, 2010, the inspectors presented the inspection scope and findings during an exit meeting with BPC Quality Services manager, Richard Gallagher, and other BPC personnel.

ATTACHMENT

1. PERSONS CONTACTED

R. Gallagher, Quality Services Manager, BPC
B. Goodman, Proc. Manager, BPC
T. Franchuk, Quality Manager, BPC
J. Peters, Supplier Quality Manager, BPC
J. Lewis, Supplier Quality Manager, BPC
B. Arnaout, Construction Quality Manager, BPC
E. Mitchell, CE&T Manager, BPC
J. Atwell, Nuclear Operations, BPC
TV. Sarma, Quality Services, BPC
E. Thomas, Engineer Manager, BPC
W. Olsen, Welding & NDE Services, BPC
G. Fouche, A&PS Manager, BPC

2. INSPECTION PROCEDURES USED

IP 36100, "Inspection of 10 CFR Parts 21 and 50.55(e) Programs for Reporting Defects and Noncompliance"
IP 38703, "Commercial Grade Dedication"
IP 43004, "Inspection of Commercial-Grade Dedication Programs"
IP 35060, "Licensee Management of QA Activities"

3. LIST OF ITEMS OPENED, CLOSED, AND DISCUSSED

There were no NRC inspections of BPC's facility in Frederick, Maryland in the previous five years.

Item Number	Status	Type	Description
99901365/2010-201-01	Opened	NOV	21.21 Timeliness

4. LIST OF ACRONYMS USED

ASE	Annual Suppliers Evaluation
ASL	Annual Suppliers List
ASME	American Society of Mechanical Engineers
CAR	Corrective Action Request
CFR	Code of Federal Regulations
DE	Division of Engineering
EER	Engineering Error Report
ESL	Evaluated Suppliers List
EQVB	Quality and Vendor Branch
BPC	Bechtel Power Corporation
IP	Inspection Procedure
NCR	Nonconformance Report
NIAC	Nuclear Industry Assessment Committee
NRC	Nuclear Regulatory Commission

NRR	Office of Nuclear Reactor Regulation
NOV	Notice of Violation
PO	Purchase Order
QA	Quality Assurance
QD	Quality Designation
NQAM	Nuclear Quality Assurance Manual
WBN2	Watts Bar Nuclear Unit 2