

**To:** CUNNINGHAM, LARRY P[LCUNNINGHAM@scana.com]  
**From:** JOHNSON, SHIRLEY S  
**Sent:** Thur 9/18/2014 3:42:46 PM  
**Subject:** FW: Warehouse Inventory Audit Report  
[Warehouse Inventory April 2014.docx](#)  
[NND-14-0441.pdf](#)  
[VSP VSG 002917.pdf](#)

Larry, I'm forwarding to you the email that Skip sent back in July on the results of the commercial warehouse audit. It was my understanding that after this was sent to Alan, it was then forwarded to Consortium management to include Chris Levesque and Ken Hollenbach and Dan Churchman. In the July 2014 project review meeting they indicated they had seen the information and were working to address the topics at that time. I've also attached the project letter that we ended up sending to the Consortium on this topic and the response that the Consortium recently sent to Skip. Hope this helps. If you would forward this information as you see appropriate (I think it was Joe Petagno who requested it), I would appreciate it. Thanks. sj

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**From:** SMITH, ABNEY A JR  
**Sent:** Thursday, July 10, 2014 11:23 AM  
**To:** TORRES, ALAN D  
**Cc:** JONES, RONALD A; CUNNINGHAM, LARRY P; FELKEL, MARGARET SHIRK; JOHNSON, SHIRLEY S  
**Subject:** FW: Warehouse Inventory Audit Report

Per your request as a follow-up to our discussions yesterday, attached is the B/F draft warehouse inventory audit report from Margaret which identifies significant issues dealing with the accountability of major WEC equipment received on site. Please note that the results of this audit have NOT been shared with the CB&I and WEC personnel on site. An audit exit meeting is scheduled for July 16. I gave Chris and Ken a heads up on the equipment accountability concern identified during this audit at the recent VCS items meeting. Please advise if questions.

Abney A. (Skip) Smith  
Manager, Business & Financial Services  
New Nuclear Deployment  
South Carolina Electric & Gas Co.  
803-941-9816 (Office)  
803-530-5532 (Cell)  
[sasmith@scana.com](mailto:sasmith@scana.com)

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**From:** FELKEL, MARGARET SHIRK  
**Sent:** Thursday, July 10, 2014 11:13 AM  
**To:** SMITH, ABNEY A JR  
**Cc:** JOHNSON, SHIRLEY S  
**Subject:** Warehouse Inventory Audit Report

Skip,

Please see attached the draft Warehouse Inventory Audit Report. To Alan's request for distribution to Chris Levesque, please note that this is an internal document that is not typically shared with the Consortium. I am okay with it being sent to Chris, however, I would probably make sure he knows that the warehouse personnel we dealt with in this audit have not reviewed or seen the document.

We have scheduled the audit exit meeting with CB&I and Westinghouse for this Wednesday, July 16<sup>th</sup>.  
Let me know if you have any additional questions. Thanks.

**Margaret S. Felkel**

Accountant, Contract Compliance & Controls

SCANA Services - New Nuclear Deployment

direct line: 803-941-9821

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# NND Contract Compliance & Controls Audit Report

**Audit Topic:** Warehouse Inventory Audit

**Audit Period:** April 1, 2011 – March 31, 2014

**Audit Lead(s):** Margaret Felkel (NND Business & Finance, "B&F")

**Audit Participants:** Adam Hoey (B&F), Jason Priester (B&F), Michelle Leonard (Santee Cooper), William Ballam (Santee Cooper), David Parler (NND Construction), and Chris Ward (NND QC)

**Begin Date:** April 1, 2014

**End Date:** TBD

## **Purpose:**

The purpose of this audit was to ensure that the Consortium Equipment storage process and controls that are in place are sufficient. In addition, the audit procedures were designed to determine if Equipment paid for by the Owner under the Agreement's Firm price milestones is on-site and adequately accounted for and stored by the Consortium.

## **Scope:**

The scope of this audit was to review a sample of paid Firm price milestones (from Tables F.1.1, F.1.3, and F.1.5 of the Agreement) that relate to Equipment arriving on-site. For each selected milestone, the intent was to verify the following:

- The physical existence and location of the Equipment
- Whether the Packing List provided by Westinghouse ties to CB&I's SmartPlant Bill of Material ("S-BOM")
- Whether the Equipment has been turned over to CB&I from Westinghouse via the GAP-113 process
- Any general storage red flags *(Note: This was not a technical QA/QC audit, and thus B&F did not verify that the Equipment is being stored properly in accordance with specified requirements. However, Chris Ward-NND QC attended the physical verification portion of the audit fieldwork and he noted no significant issues.)*

In addition, B&F sought to gain a thorough understanding of the process for receiving and storing Equipment on-site in the warehouses and laydown yards. We also were seeking to understand the process of turning over the Equipment to CB&I's care, custody and control (via the GAP-113 process) as well as the process for inputting the information into CB&I's tracking system (Jovix).

## **Sample:**

B&F manually compiled a complete list of all paid Firm price milestones from Tables F.1.1, F.1.3, and F.1.5 of the Agreement that related specifically to Equipment arriving on-site. From that list of 57 milestones, the following 5 milestones were selected as the sample:

- November 2012 P2WX031PMTM602 T/G Fabricator Notice to Contractor FWH No. 3, 4, & 6 Ready to Ship – Unit 2 \$5,000,000

# NND Contract Compliance & Controls Audit Report

- April 2013 P2WX031PMTM293 T/G Fabricator Notice to Contractor T/G Ready to Ship – Unit 2 \$26,000,000
- January 2014 P2WXXXXPMTM332 Ship Incore Instrumentation System (IIS) Cabinets Equipment to Site – Unit 2 \$748,982
- November 2012 P3WX069XF130107 MT02 Accumulator Tanks – Delivered to Site – Unit 2 \$7,341,861
- May 2015 P4WX082XF130141 MV11 Control Rod Drive Mechanism – Delivered to Site – Unit 3 \$2,354,126

For each of the above selected milestones, B&F requested a copy of the (a) Packing List that is supplied by Westinghouse to CB&I upon arrival of Equipment and (b) CB&I's S-BOM. The Owner then selected a sample of line items from the individual S-BOM's to physically verify the existence on-site. The details of the individual line item samples are as follows:

- Milestones P2WX031PMTM602 & P2WX031PMTM293 (Turbine Generator Equipment, combined on one S-BOM and one Westinghouse PO) - There were 2,725 line items on the S-BOM. David Parler (NND Construction) assisted in selecting 287 line items from the 2,725 that would be of particular interest for a variety of reasons (e.g. critical component, description unclear). From the 287, B&F randomly selected 75 line items to verify. However, of the 2,725 line items, 1,527 line items (or 56%) did not have a location noted on the S-BOM. The Owner selected 38 of the 75 line items from the blank location group and 37 line items from the group that had locations provided on the S-BOM. In total, the Owner selected 75 line items out of the total 2,725 population, which represents approximately 3% of the total population.
- Milestone P2WXXXXPMTM332 (IIS Cabinets) – Note that CB&I was unable to provide an S-BOM to the Owner for this milestone. Per Israel Watkins (CB&I Field Material Manager), Westinghouse does not send Purchase Orders to CB&I for Equipment manufactured in-house by Westinghouse. Please see the "Audit Results and Findings" section for additional information. Note that there are no line items on the combined sample list associated with this milestone (XXX.pdf).
- Milestone P3WX069XF130107 (Accumulator Tanks) – There were 21 line items on this S-BOM. The Owner selected 18 of the 21 line items (every line item except for the actual accumulator tanks and the quality data package), or approximately 86% of the total population.
- Milestone P4WX082XF130141 (CRDMs) – There were 221 line items on this S-BOM and the Owner chose to perform a 100% review of this milestone.

In summary, the Owner's sample is comprised of the following items:

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Milestone ID #	# of Line Items on S-BOM	# of Line Items Selected for Sample	% of Line Items Selected for Sample
P2WX031PMTM602 & P2WX031PMTM293 (Turbine Generator – combined on one S-BOM)	2,725	75	3%
P2WXXXXPMTM332 (IIS Cabinets)	N/A	N/A	N/A
P3WX069XF130107 (Accumulator Tanks)	21	18	86%
P4WX082XF130141 (CRDMs)	221	221	100%
<b>Total</b>	<b>2,967</b>	<b>314</b>	<b>11%</b>

## Audit Results and Findings:

The Owner performed the fieldwork portion of the audit (verifying location of Equipment on-site) during three separate meetings on 6/10/14, 6/16/14, and 6/18/14. We were able to verify the physical location of almost all of the sampled Bill of Materials line items. Please see the spreadsheet located in the audit file for additional information on specific line items (ref. "Sample – Bill of Materials.pdf"). Any exceptions are noted below in the "Items for Discussion" or "Audit Findings" section.

### Items for Discussion:

- 52 of the 314 sampled line items (approximately 17%) and 1,541 of the 2,967 population line items (approximately 52%) did not have a location identified on the S-BOM. Per CB&I, this is most likely because Equipment is preemptively added to the S-BOM prior to turnover from WEC. These items do have Material Receipt Report ("MRR") labels. There is a risk that this Equipment cannot easily be located and that the Equipment would not be included on inventory lists created by location (e.g. List of all Equipment stored in Warehouse 1, Building 20A). In addition, the Owner was unable to determine what of the sampled Equipment had been turned over to CB&I via the GAP-113 process.
- The line items listed below had an incorrect spelling on the MRR label.
  - VS2-MG00-TKG-008-MG00116009 Lagging Base E2Z9279 read "Lugging Base" rather than the correct "Lagging Base."
  - VS2-MG01-TKT-099-MG002C071478 Soul Plate L327947 read "Soul Plate" rather than the correct "Sole Plate."
- The line items listed below had supplier labels with identification numbers that did not match the MRR labels. However, upon visual inspection, it appears to be the correct Equipment.
  - VS2-MTS-MG-02B-TIP-138-2917 Hex Bolt (#6 BEG Cap) L2Z2236 (Qty 30)
  - VS2-MTS-MG-02B-TIP-138-2918 Dowel Pin w/Nut (#6 BEG Cap) L2Z2237 (Qty 2)
  - VS2-MTS-MG-02B-TIP-138-3138 SP Washer(M16)(#6 BRG Cap) L2Z2240 (Qty 8)

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## Audit Findings:

- The Owner was unable to verify the physical existence of the following 12 sample line items (3.8% of total sample):
  - VS2-MT02-12-03-2-2 STUD ELONGATION ROD ASTM (Qty 1)
  - VS2-MT02-12-03-2-3 ROD CENTERING COLLAR ASTM (Qty 1)
  - VS2-MT02-15-03-1 GASKET SPIRAL WOUND (Qty 15)
  - VS2-MT02-15-03-1-2 GASKET SPIRAL WOUND (Qty 15)
  - VS2-MT02-15-03-2 GASKET SPIRAL WOUND (Qty 15)
  - VS2-MT02-15-03-2-2 GASKET SPIRAL WOUND (Qty 15)
  - VS2-MT02-30-03-1 MANWAY NUT (Qty 30)
  - VS2-MT02-30-03-2 MANWAY NUT (Qty 30)
  - VS2-MT02-31-03-1 SPECIAL WASHER FEMALE (Qty 31)
  - VS2-MT02-31-03-2 SPECIAL WASHER FEMALE (Qty 31)
  - VS2-MT02-32-03-1 SPECIAL WASHER MALE (Qty 32)
  - VS2-MT02-32-03-2 SPECIAL WASHER MALE (Qty 32)

During the fieldwork, the Owner was unable to match the MRR labels to the S-BOM and subsequently to the supplier tags located on the boxes. As such, we cannot confirm whether all of the Equipment is properly on-site. In October 2013, CB&I discovered discrepancies between the material received and the associated shipping documentation. WEC issued a Supplier CAR (ID 100002595), in which it states that the WEC Packing List does not match what was received on-site and that the parts are not properly labeled to determine what is missing. According to the Supplier CAR, this issue occurred in October 2013 and is currently still “in process.” The Owner performed its fieldwork on 6/10/14 and this issue had not been resolved as of that date.

- The Owner identified 69 line items that were mislabeled by CB&I Field Material Management. During the fieldwork portion of the audit, the Owner was seeking to identify the sampled line item: CRDM DRIVE ROD ASSY APPMV11V2010 (Qty 69). The Owner was able to properly identify the location of these items. However, the Owner also noted that several other boxes (not part of the sample items) were improperly identified as CRDM DRIVE ROD ASSY APPMV11V2010 (via the CB&I MRR labels). These boxes also had WEC paper labels, along with the stenciling directly on each box, which properly identified the Equipment as COIL STACK ASSEMBLY APPMV11V2020. CB&I acknowledged the MRR labels were in error and agreed to fix the issue. David Parler (NND Construction) opened a CR on the situation (CR-NND-14-00715), and resolution of the issue will be tracked in the CR process.
- As noted above in the “Sample” section, Westinghouse does not provide CB&I with an associated PO for any Equipment that is manufactured in house at Westinghouse as opposed to a third party supplier. As such, when the Owner submitted the “Ship IIS Cabinets Equipment to Site (U2)” milestone as a sample item, CB&I was unable to provide documentation that definitively tied any physical Equipment in the warehouse to this payment milestone. CB&I researched what I&C/Simulator Equipment was currently in the warehouse and provided the Owner with a Packing List. The Owner observed 10 crates on-site in Warehouse 1, Building 20A storage (labeled ZAS-201, ZAS – 202, ZAS – 203, ZAS – 204, ZAS – 205, ZAS – 206, ZAS – 207, ZAS – 208, ZAS – 209, and ZVS – 201). The Owner was unable to reconcile the 10 observed crates to the Packing List provided by CB&I. Roger Young, WEC Principal Quality Engineer, stated via e-

# NND Contract Compliance & Controls Audit Report

mail to the Owner that 2 cabinets were delivered to the site on 12/20/13 and turned over to CB&I on 2/16/14 that correlated to our sampled milestone. The Packing List provided by CB&I does include two cabinets for the Incore Instrumentation System, but the Owner could not confirm whether the 10 crates observed on-site physically included the 2 cabinets that Westinghouse stated had been delivered.

- During the entrance meeting on 4/23/14, the Owner requested a copy of any applicable procedures, to include the site-specific procedure that the Consortium works to during the receiving and storage process. The Owner was provided a copy of APP-GW-GAP-108 (Westinghouse Receiving Activities for U.S. AP1000 Projects) and APP-GW-GAP-113 (Consortium AP1000 Receiving Interface). The Owner was told during the entrance meeting that the Consortium is working on a site-specific procedure with the goal of execution by the end of April 2014. As of 7/1/14, no site-specific procedure has been executed. Following a review of the GAP-108 and GAP-113 procedures, it appears that there are several areas for improvement where responsibilities are vaguely stated, and as such, issues may arise (one such example of an issue discussed below in the next finding).
- The Owner was unable to reconcile the Packing Lists to CB&I's S-BOMs for any of the sampled milestones. After extensive discussions with both CB&I and Westinghouse personnel, it appears that the Packing Lists provided by Westinghouse's suppliers are often not complete and accurate. CB&I stated to the Owner that Westinghouse often does not provide CB&I with complete and accurate documentation of the Equipment that arrives on-site and thus CB&I performs an independent count verification and generates the S-BOMs from these counts. The Owner was able to confirm that the counts performed by CB&I are not inclusive of all of the Equipment on-site and in the warehouse. Any Equipment that cannot be opened per technical requirements (e.g. sealed boxes) and any Equipment that has not been turned over by Westinghouse would either not be included in CB&I's warehouse inventory system or would be included on a "high level" as in the case of unopened Equipment. Westinghouse confirmed to the Owner in a meeting on 7/1/14 that the suppliers are often unwilling to provide complete Packing Lists because they are not considered technical documents. Westinghouse has acknowledged this is a challenge and stated that they often try to work with the suppliers to correct the Packing Lists. However, it should be noted that Westinghouse told the Owner that CB&I rarely informs Westinghouse when the Packing Lists do not match the actual Equipment delivered to site. Westinghouse states that it cannot fix an issue of which they are unaware. There are several significant risks resulting from this finding. It is the Owner's opinion that neither Westinghouse Site Personnel nor CB&I could produce an accurate and complete listing of what Equipment is in the warehouse and lay down yards. This carries several risks for the Owner, to include insurance implications (e.g. coverage based on an inaccurate valuation) and potential schedule delays should critical Equipment not be on-site when needed for installation.
- The GAP-113 turnover form is being utilized improperly per the procedure. After detailed discussions with both CB&I and Westinghouse, it appears that the form is being signed regardless of whether Westinghouse has provided CB&I with sufficient documentation that matches the Equipment delivered to site. CB&I will report back to Westinghouse (Roger Young) that there is either an overage or shortage, but still signs the form. Per APP-GW-GAP-113, section 5.4.7, CB&I-Nuclear Field Materials Management is responsible for "Completing the F-APP-GW-GAP-113-1 form for WEC supplied items that are determined to be acceptable by CB&I-

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Nuclear FMM or CB&I-Nuclear subcontractors.” It is the Owner’s opinion that “acceptable” should be defined by, at a minimum, that the proper quantity is on-site.

## Recommendations:

- Implement a site-specific procedure for receiving and storage of Equipment as soon as possible.
- Ensure all line items listed on CB&I’s S-BOMs include a location of the Equipment.
- Develop and implement a consistent method by which to determine what Equipment has been turned over to CB&I via the GAP-113 process (rather than preemptively putting into Jovix prior to turnover).
- Ensure all tags and labels are spelled correctly and consistently for both traceability and QA purposes.
- Resolve Supplier CAR (ID 100002595) and determine what process steps can be implemented to ensure similar issues do not occur.
- Ensure all MRR labels correctly identify the Equipment.
- (Westinghouse) Ensure that CB&I Field Material Management is provided with accurate and complete shipping documentation upon arrival of Equipment to site. This includes Equipment manufactured in-house at Westinghouse and by third party suppliers.
- (CB&I) Notify Westinghouse, per GAP-113 procedure, when the Packing List and/or supporting documentation for shipments does not reconcile with actual Equipment delivered prior to signing GAP-113.

## Conclusion:

An audit exit meeting occurred on July 16, 2014. During this meeting, findings, recommendations, and items for discussion were communicated to the Consortium.

The Owner is not satisfied that the process and controls in place for receiving and storing Equipment on-site are sufficient. The Owner was able to verify the existence of almost all of the sampled Equipment that was previously counted and input into Jovix by CB&I. However, the Owner finds it unacceptable that Westinghouse does not consistently provide CB&I with complete and sufficient documentation on arriving shipments. In addition, the Owner is not satisfied with CB&I’s signatures on the GAP-113 forms when the paperwork does not tie to the shipments. The Owner recommends that the Consortium immediately implement the above stated recommendations, at a minimum, and consider revising the process to include for proper documentation of Equipment being stored on site. The Owner would like to emphasize that these recommendations are not to be considered all-inclusive nor is the Owner directing the Consortium to implement the above recommendations as specifically stated. However, the Owner does expect the Consortium to address these issues.





**Abney A. (Skip) Smith**  
Manager  
Business & Financial Services  
New Nuclear Deployment

July 29, 2014

NND-14-0441

Ms. JoAnne W. Hyde  
Consortium Commercial Director  
Westinghouse Electric Company  
Nuclear Power Plants  
1000 Westinghouse Drive, Suite 112  
Cranberry Township, PA 16066

**Subject:** Warehouse Inventory Audit Closure

**Reference:** (1) Engineering, Procurement, and Construction Agreement for  
AP1000 Nuclear Power Plants, Dated May 23, 2008 – V.C. Summer  
Units 2 and 3 ("Agreement")  
(2) NND-14-0184, dated April 1, 2014  
(3) VSP\_VSG\_002703, dated April 3, 2014

**Action:** Provide the Owner via Project letter with a status update no later than  
August 31, 2014 of how the recommendations stated below are being  
implemented.

Dear Ms. Hyde:

This letter has been generated to notify the Consortium that the Owner's audit of Warehouse Inventory has been closed and to communicate the results of the Owner's review. Please note that the Owner's Business & Finance team led this audit and that the focus was commercial in nature and not technical in any aspect.

The purpose of the audit was to ensure that the process and controls in place are sufficient and that Equipment paid for by the Owner under the Agreement's Firm price milestones is on-site and adequately accounted for and stored by the Consortium. The scope of the audit was to (1) review a sample of paid Firm price milestones that relate to Equipment arriving on-site and (2) gain a thorough understanding of the process for receiving and storing Equipment on-site in the warehouses and lay down yards. During an exit meeting held on July 16, 2014, the Owner presented the following findings and recommendations to the Consortium:

### Findings

- Could not verify approximately 3.8% of sample. Supplier CAR was written. Material and parts were not properly labeled to determine what is missing. Supplier CAR opened in October 2013 and still not resolved.
- Mislabelled equipment. Several boxes of Coil Stack Assemblies were incorrectly labeled by CB&I as CRDM Drive Rod Assemblies.
- Westinghouse does not consistently provide CB&I with complete and accurate shipping documentation (there are times when the documentation is complete,

however for all of our sampled items this was not the case). CB&I manually counts inventory and manually inputs into SmartPlant. CB&I's inventory list does not include inventory not yet turned over from Westinghouse and sometimes does not include inventory that is sealed for quality purposes. Westinghouse states that suppliers do not always provide accurate Packing Lists.

- CB&I signs GAP-113 forms even when Equipment does not match Packing Lists and/or shipping documentation provided by Westinghouse.
- No site-specific procedure for this process exists and Corporate procedures leave many responsibilities as vague and not mandatory (i.e. Westinghouse ensure correct quantity of Equipment has shipped.)
- For all 5 sampled milestones, the Owner could not reconcile the Packing Lists to CB&I's SmartPlant Bill of Materials ("S-BOM").

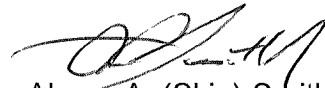
### **Recommendations**

- Implement a site-specific procedure for receiving and storage of Equipment as soon as possible.
- Ensure all line items listed on CB&I's S-BOMs include a location of the Equipment.
- Develop and implement a consistent method by which to determine what Equipment has been turned over to CB&I via the GAP-113 process (rather than preemptively putting into system prior to turnover).
- Ensure all tags and labels are spelled correctly and consistently for both traceability and QA purposes.
- Resolve Supplier CAR (ID 100002595) and determine what process steps can be implemented to ensure similar issues do not occur.
- Ensure all MRR labels correctly identify the Equipment.
- (Westinghouse) Ensure that CB&I Field Material Management is provided with accurate and complete shipping documentation upon arrival of Equipment to site. This includes Equipment manufactured in-house at Westinghouse and by third party suppliers.
- (CB&I) Notify Westinghouse, per GAP-113 procedure, when the Packing List and/or supporting documentation for shipments does not reconcile with actual Equipment delivered prior to signing GAP-113 (e.g. do not sign until resolution has been achieved).

The Owner is not satisfied that the process and controls in place for receiving and storing Equipment on-site are sufficient. The Owner was able to verify the existence of almost all of the sampled Equipment that was previously counted and input into the inventory system by CB&I. However, the Owner finds it unacceptable that Westinghouse does not consistently provide CB&I with complete and sufficient documentation on arriving shipments. In addition, the Owner is not satisfied with CB&I's signatures on the GAP-113 forms when the paperwork does not tie to the shipments. The Owner recommends that the Consortium immediately implement the above stated recommendations, at a minimum, and consider revising the process to include for proper documentation of Equipment being stored on site. The Owner would like to emphasize that these recommendations are not to be considered all-inclusive nor is the Owner directing the Consortium to implement the above recommendations as specifically stated. However, the Owner does expect the Consortium to address these issues. The information provided in this letter (detailed findings and recommendations) has been informally transmitted to the Consortium, and they have agreed to review and improve this process.

The Owner appreciates the Consortium's cooperation during this audit. Please let me if you have any questions or comments.

Sincerely,



Abney A. (Skip) Smith  
Manager  
Business & Financial Services

AAS/mf/cvt

c: Ronald Jones – SCE&G  
Carlette Walker – SCE&G  
Alan Torres – SCE&G  
Brad Stokes – SCE&G  
April Rice – SCE&G  
Roosevelt Word – SCE&G  
Larry Cunningham – SCE&G  
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Al Bynum – SCE&G  
Guy Bradley – SCE&G  
Ken Browne – SCE&G  
Marion Cherry – Santee Cooper  
Christopher Levesque - Westinghouse  
Joel Hjelseth – Westinghouse  
Daniel Churchman – Westinghouse  
Daniel Magnarelli – Westinghouse  
Jeff Coward – Westinghouse  
Travis Tomb – Westinghouse  
Michael Frankle – Westinghouse  
Luke Miller - Westinghouse  
Brian McIntyre – Westinghouse  
Brian Bedford - Westinghouse  
Susan May – Westinghouse  
Denise Cervenyak – Westinghouse  
Linda Ackerman – Westinghouse  
William Macecevic - Westinghouse  
Kenneth Hollenbach – CB&I Stone & Webster  
William O. Wood – CB&I Stone & Webster  
Mehdi Maibodi – CB&I Stone & Webster  
Sean Burk – CB&I Stone & Webster  
Randy Harrison – CB&I Stone & Webster  
Lucinda Vasbinder – CB&I Stone & Webster  
Dave Marcelli – CB&I Stone & Webster  
Dale Garrison – CB&I Stone & Webster  
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Our Reference: VSP\_VSG\_002917

VIA: E-Mail

August 29, 2014

**Subject:** Response to NND-14-0441, “Warehouse Inventory Audit Closure”

**References:** 1) Engineering, Procurement, and Construction Agreement for AP1000® Nuclear Power Plants, Dated May 23, 2008 – V.C. Summer Units 2 and 3 (“Agreement”)  
2) NND-14-0184, “Warehouse Inventory Audit,” Dated April 1, 2014  
3) VSP\_VSG\_002703, “Response to NND-14-0184, ‘Warehouse Inventory Audit’” Dated April 2, 2014  
4) NND-14-0441, “Warehouse Inventory Audit Closure,” Dated July 29, 2014

**Action:** For Information Only

Dear Mr. Smith:

The Consortium strives for continuous improvement and appreciates Owner’s input to support this effort. The Consortium is providing the following responses to the recommendations provided in Reference 4 by the Owner.

- ***Implement a site-specific procedure for receiving and storage of Equipment as soon as possible.***
  - Complete: A CB&I procedure in the form of a Site Desktop Instruction has been issued. This Site Desktop Instruction is a CB&I Tier 4 procedure and therefore does not have a specific procedure number. It is considered a clarification to a corporate global procedure.

Electronically approved records are authenticated in the Electronic Document Management System.

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- **Ensure all line items listed on CB&I's S-BOMs include a location of the Equipment.**
  - Complete: The location is designated in the SmartPlant Bill of Materials (S-BOM) upon release of the Material Receiving Report (MRR), which follows Westinghouse (WEC) turnover.
- **Develop and implement a consistent method by which to determine what Equipment has been turned over to CB&I via the GAP-113 process (rather than preemptively putting into system prior to turnover).**
  - Complete: This is accomplished with issuance of the MRR, which places item into the CB&I inventory.
- **Ensure all tags and labels are spelled correctly and consistently for both traceability and QA purposes.**
  - Complete: This has been resolved with a double check of all labels.
- **Resolve Supplier CAR (ID 100002595) and determine what process steps can be implemented to ensure similar issues do not occur.**
  - In Process: The Supplier is working through the SCAR process with WEC; a response is expected by December 2014.
- **Ensure all MRR Labels correctly identify the Equipment.**
  - Complete: This has been resolved with a double check of all labels.
- **(Westinghouse) Ensure that CB&I Field Material Management is provided with accurate and complete shipping documentation upon arrival of Equipment to site. This includes Equipment manufactured in-house at Westinghouse and by third party suppliers.**
  - Complete: WEC issued internal letter on August 7, 2014, to the responsible Equipment Managers that addresses requirements for shipping equipment to site.
- **(CB&I) Notify Westinghouse, per GAP-113 procedure, when the Packing list and/or supporting documentation for shipments does not reconcile with actual Equipment delivered prior to signing GAP-113 (e.g. do not sign until resolution has been achieved).**
  - In-Process: WEC and CB&I are working together to ensure that supporting documentation including packing list are complete when received.

If you have any questions, please feel free to contact Mike Frankle at (803) 932-5273, or the undersigned.

Sincerely,



JEFF COWARD FOR

Jeff Coward for

JoAnne W. Hyde  
Consortium Commercial Director  
Westinghouse Electric Company LLC

SNM/MEF/JLC/III

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Alan D. Torres – SCE&G  
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