

GE-Hitachi Nuclear Energy
30 Curry Ave.
Canonsburg, PA. 15317

July 20, 2007

Mr. Perry Canning
Quality Assurance Manager
Techalloy Welding Products
2310 Chesapeake Ave.
Baltimore, MD. 21222

Dear Mr. Canning;

Please find enclosed the GE-Hitachi Nuclear Energy Audit Report for the audit performed at your facility on June 27-28, 2007.

Ronald Huddy, a Lead Auditor from Global Quality Assurance, Incorporated performed the audit. Global Quality Assurance is a service supplier and is under contract of GE-Hitachi Nuclear Energy.

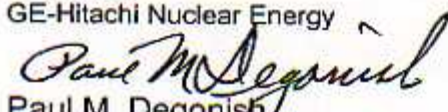
The scope of this audit was to evaluate Techalloy's Quality Program for the supply of ferrous and nonferrous welding filler materials (bare and covered electrodes & bare wire) in accordance with GE-Hitachi Nuclear Energy purchase order requirements.

Attached you will find a copy of the audit report. The audit discovered no findings or observations.

Techalloy Welding Products, Baltimore Facility shall remain on GE-Hitachi Nuclear Energy's Approved Supplier List for the manufacture and supply of ferrous and nonferrous welding filler materials (bare and covered electrodes & bare wire).

If you have any questions please feel free to contact me at (724) 271-3312 or via e-mail at paul.degonish@ge.com.

Sincerely
GE-Hitachi Nuclear Energy


Paul M. Degonish
Quality Analyst

Attachment: Audit Report

AUDIT REPORT
TECHALLOY WELDING PRODUCTS
2310 CHESAPEAKE AVENUE
BALTIMORE, MD 21222

6/27-28/07

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Lead Auditor:

Original Signed By Ronald E. Huddy 7/3/07
Ronald E. Huddy **Date**

AUDIT REPORT

TECHALLOY WELDING PRODUCTS
2310 CHESAPEAKE AVENUE
BALTIMORE, MD 21222

1.0 Scope:

1.1 Quality System:

ASME Section III, NCA 3800, and ISO9001-2000.

1.2 Scope of Supply:

The supply of ferrous and non-ferrous welding filler materials (bare and covered electrodes and bare wire).

1.3 Restrictions:

1) Techalloy may not perform welding or NDE.

2.0 Method:

The audit was performed in a performance based manner through the review of in-process activities (where possible), the review of records, and personnel interviews. The Techalloy Quality Manual (QM), Revision 2, Issuance 9, dated 9/16/05 was used during the audit.

3.0 Personnel Contacted:

Perry Canning – QA Manager (1,2,3)
Mark Shores – Inspector (2)
Dave Woike – Plant Manager (2,3)
Ron Wolfe – Inspector (2)

(1) Attended Entrance Meeting (6/27/07)
(2) Contacted During the Audit (6/27-28/07)
(3) Attended Exit Meeting (6/28/07)

4.0 Audit Team:

Ronald E. Huddy – Lead Auditor

5.0 Discussion:

5.1 Audit Dates:

The audit was performed on 6/27-28/07.

5.2 Company Profile:

Techalloy specializes in the manufacture of ferrous and non-ferrous welding filler materials (bare and covered electrodes and bare wire).

Techalloy started business in 1980 and was purchased in 1992 by Arcelor. In 2004, Techalloy was purchased by its present owner Central Wire Group (Canada) located in Perth, Ontario, Canada. The Baltimore facility is the only facility that provides ferrous and non-ferrous welding filler materials, employs 51 personnel and covers approximately 230,000 square feet of space.

5.3 Quality Assurance Program:

The Techalloy QA Program is written to meet the requirements of ISO9001:2000. They hold a current ISO Certification No. GQC-247, which expires on 7/16/07. In addition, Techalloy holds an ASME Quality System Certificate, QSC-395, which expires 1/7/10, and an ISO 14001:2004 Certificate, which expires 4/1/08.

5.4 Previous Findings:

The previous audit of Techalloy by NIAC resulted in no findings being issued.

6.0 Results:

6.1 Implementation:

ORGANIZATION & QA SYSTEM - The Techalloy Quality Manual notes that the QA Manager is appointed as the Management Representative with the authority to assure Quality System implementation and maintenance. In addition, the Techalloy organizational chart shows the QA Manager reporting directly to the Corporate VP Operations on quality matters. The QA Manager is independent of production, cost and scheduling responsibilities. The verification of conformance to quality requirements is the responsibility of the QA Manager, QA Coordinator (position presently open) and QA Inspectors, all who are independent of work activities being reviewed. The Techalloy Quality Program is written to meet the requirements of ISO9001:2000, and is supported by various Quality Assurance Procedures (QAP) and Manufacturing Standards Procedures (MSP), and Techalloy Material Specifications, which are used for the procurement and acceptance of raw materials.

DOCUMENT CONTROL - Procedure QAP 1-4, "Forms and Records Retention Procedure", describes the requirements for the control of quality documents. The Quality Manual, QAP's and MSP's are reviewed and approved prior to release for use. The Quality Manual, QAP's and MSP's are in hard copy form and are distributed to the locations where quality activities are being performed, and are distributed as controlled documents to ensure that the latest revisions are available for use by personnel.

MATERIAL & PROCESS CONTROLS – A full chemistry is performed by the Techalloy Lab on each coil of material received. The coil is not placed into stock or added to the computer material inventory system until the material is found to meet the requirements of the Techalloy Material Specification used for procurement.

At the start of production, material is pulled from stock and assigned to a manufacturing Work Order. The original mill heat number of the materials used for the order is recorded on the production Shop Traveler. The material is drawn to reduce its size, annealed and then cleaned. The material is drawn, annealed and cleaned multiple times until its final size is reached. The annealing ovens are calibrated and alarmed to ensure that the proper temperature is maintained. Required production operations are identified on the Shop Traveler for the particular Work Order. The material is then re-spooled onto smaller spools, or straightened and cut, in order to fill the customer order requirements.

MATERIAL IDENTIFICATION & CONTROL – Procedure MPS 1-1, "Raw Materials – Rod & Wire", describes the requirements for the inspection, acceptance and identification of incoming raw materials. A full chemistry is performed by the Techalloy Lab on each coil of material received. The coil is not placed into stock or added to the computer material inventory until the material is found to meet the requirements of the Techalloy Material Specification used for procurement. During Receipt Inspection activities, Techalloy assigns a rod coil number to each coil of material for traceability to the chemistry test results. The original mill rod coil manufacturer heat number is used for overall material traceability during Techalloy manufacturing activities. After wire production is completed but prior to re-spooling to fill a customer, an alloy ID is performed of all production materials to ensure that materials were not mixed or incorrectly identified during production activities.

NONCONFORMING & CORRECTIVE ACTION SYSTEM – QAP 2-3, "Non-Conforming Material (Hold Tags)" describes the requirements for the identification and control of nonconforming items. Nonconforming items in the shop are tagged with a Hold Tag until the nonconformance is resolved. Nonconforming products are tagged and segregated until disposition is provided. Techalloy products are not repaired or reworked. Nonconforming products are typically scrapped.

QAP 2-4, "Corrective Action", describes the requirements for the documentation and resolution of nonconformances on a Corrective Action Request (CAR). Conditions adverse to quality are identified, documented, dispositioned and reported to management through the use of a CAR. A CAR is also issued to document all internal audit findings.

INTERNAL AUDITS – QAP 2-2, "Quality Audits", provides the requirements for the internal audit system. Each section of the QM is audited annually. Audit results are documented on the completed audit checklists, which are sent to management for their review. Auditors are independent of the activities being reviewed. A Corrective Action Request (CAR) is used to

document nonconformances identified during an audit. Auditors and Lead Auditors are trained in accordance with the requirements of QAP 1-19, "Training & Qualification of Auditors". Lead Auditor training and qualification requirements are in line with ANSI N45.2.23. The QA Manager is the only Certified Lead Auditor at Techalloy. The Plant Manager reviews the results of the annual Internal Audits as part of the Management Review Meeting.

INDOCTRINATION & TRAINING – QAP 1-5, "QA Department Training" provides requirements for the training of the QA Manager, Quality Inspectors, and Auditors/Lead Auditors. QA Inspectors do not require any special certifications in addition to their regular job training. Certifications are only required for Lead Auditors, with the QA Manager being the only qualified Lead Auditor at Techalloy. Production personnel are trained using the on-the-job method of training in the areas of wire drawing, spooling, side winder operation, strand annealing, straightening and cutting, shipping, etc. In addition, QA training is provided to production personnel based upon their required work activities. Samples of training and qualification records were reviewed during the audit and were found to meet QA Program requirements.

7.0 Summary

There were no findings issued as a result of this audit.

One restriction was identified and is discussed in the Scope section of this report.

The Techalloy Quality Program was found to be effectively implemented at the Baltimore, MD facility.



NIAC Assessment Report

Techalloy Company Inc. Baltimore Welding Division
2310 Chesapeake Ave
Baltimore, MD 21222

Entrance/Exit Meeting

Perry Canning	QA/QC Coordinator	Techalloy
Ron Adams	Plant Manager	Techalloy
Dave Woike	QA Manager	Techalloy
Linda Brissey	Lead Auditor	PCI Energy Services
Al Rutkowski	Auditor	PCI Energy Services
Gary Powell	Product Manager	Techalloy (exit only)

Personnel Contacted During the Audit

Perry Canning	QA/QC Coordinator	Mark Shores	Inspector
Dave Woike	QA Manager	Mary Lou Baire	Inspector
Gary Powell	Product Manager	Steve Voy	Production

Purpose

The audit was conducted to verify Techalloy's compliance to their Quality Manual for Welding Products (QMWP) Revision 2 of Issuance 9 dated 09/16/05. A review of the implementation of this manual was performed during this audit, to verify basic conformance to 10 CFR 50 Appendix B, 10 CFR 21, NQA-1 and Techalloy's QSC -395 requirements with the NIAC checklist.

Scope

The scope is to provide ferrous and nonferrous welding material including utilization of unqualified source material and approval and control of suppliers of source materials and services. The NIAC checklist used to conduct the audit addressed all applicable portions of the Techalloy Quality Manual for Welding Products.

This was seen during a review of quality records and observation of work in process at the Baltimore plant location.

Conclusions

The assessment included review and verification of activities required for the manufacture and supply of weld filler material in accordance with ASME B & PV code Section III, NCA-3800 and the applicable criteria of 10 CFR 50 Appendix B. The results of this assessment concluded that the quality assurance program at Techalloy is successfully being implemented with the manufacture and supply of weld filler material to their customers.

There was one (1) finding requiring a written response and one (1) concern which requires no written response found during the audit.

Finding V06-08-01: During the tour of the plant it was noted that the temperature of the electric annealing oven in zone 1 was not reading correctly. The procedure states that the oven should be maintained at 2050° ± 10°. The finding notes that the temperature was reading 1946° to 1950° which is below the



NIAC Assessment Report

temperature that was stated on the procedure. No notification was given to Quality Assurance that a problem existed. Production was aware of the problem and is in the process of getting the furnace insulation fixed. Product was tested and was shown to be acceptable even though the annealing specification was not met for zone 1.

During the audit the issue of corrective action 6-02 was written. In order to close out the finding, objective evidence that the sign on the oven has been changed or the oven has been rebuilt and no change to the posting needs to be made. See Finding V06-08-01 with attachments.

Concern 1: In the QMWP the retention for CMTRs is 5 years in paragraph 16.2.2, in QAP 1-4 the Form and Record Retention Procedure states that CMTRs are kept for 10 years. This is a conflict within the first and second tier documents. This was taken as an action item to correct in the next revision of the QMWP.

The concern is CMTRs may be retained for too short of a period.

Summary

Techalloy has implemented their quality assurance program and has provided the auditor with the written objective evidence necessary to verify conformance to their written procedures. It is recommended that Techalloy remain as a category 1 vendor in accordance with PCI General Quality Procedure 7.0.

Attachment to this Report:

NIAC Report Applicability Disclaimer Statement & NIAC Executive Summary.

Audit performed by:

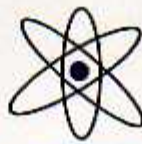

Linda Chase Brissey Lead Auditor

Date: 05-04-06

Audit approved by:


Kevin Timmons, Manager Quality Assurance

Date: 5/5/06



DuBose
NATIONAL ENERGY
SERVICES

May 8, 2008

Techalloy Co., Inc.
2310 Chesapeake Avenue
Baltimore, MD 21222

Attention: Perry Canning - QA Manager
Reference: QA Audit performed January 26, 2007
Personnel Contacted during Audit: Perry Canning
DNES Lead Auditor: Jim Highlands / Management Systems Analysis

On January 26, 2007, an audit was conducted at your facility at 2310 Chesapeake Avenue in Baltimore, MD (by Jim Highlands). The purpose of the audit was to verify compliance with the following requirements:

ASME Section III, NCA 3800, 2004 Edition
ANSI N45.2
NQA-1
10CFR50 Appendix B
Techalloy's QA Manual Issue 9 Revision 2 dated 9/16/2005
Techalloy's QSC-395

The scope of the audit included Techalloy as a Material Organization manufacturing ferrous and nonferrous electrode and wire, including testing and examination activities, in accordance with the aforementioned requirements.

The investigative portion of the audit revealed NO discrepancies; therefore, no response is required.

Techalloy's Quality Assurance Program is being effectively implemented.

Techalloy will be returned on our Approved Vendors List.

DuBose NES does require Techalloy to include on all certifications that *the material was produced in accordance with Techalloy's QA Manual Issue 9 Rev.2 dated 9/16/05.*"

Courtesies extended to our auditor (Jim Highlands / MSA) during the audit were greatly appreciated.

Sincerely,

Ruth Barber-Rich
Quality Assurance Compliance Analyst

Home Office & Warehouse
P.O. Box 499 • Clinton, NC 28329
(910) 590-2181 • Fax (910) 590-3555

Bar and Fastener Division
10955 Wind Crossing Dr., Suite 300 • Charlotte, NC 28273
(704) 295-1060 • Fax (704) 295-1066

Northeast Office
33 Dowlin Forge Rd. • Exton, PA 19341
(610) 594-9413 • Fax (610) 594-9417