



**UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION II
SAM NUNN ATLANTA FEDERAL CENTER
61 FORSYTH STREET SW SUITE 23T85
ATLANTA, GEORGIA 30303-8931**

June 18, 2004

Nuclear Fuel Services, Inc.
ATTN: Mr. Kerry Schutt
President and General Manager
P.O. Box 337, MS 123
Erwin, TN 37650

SUBJECT: OPERATION OF BLEU PREPARATION FACILITY

Dear Mr. Schutt:

This letter confirms our discussion of June 18, 2004, during which you were advised that the NRC has no objection to the introduction of high enriched uranium (HEU) into processes in the BLEU Preparation Facility. This NRC position is based on the results of the operational readiness review inspections conducted during the period March 29 through June 18, 2004, and on the issuance of License Amendment Number 47 to SNM-124 authorizing the operations. The special NRC operational readiness team inspections were conducted at your Erwin plant to review your preparations for operation of this facility. The NRC staff reviewed the equipment, startup test results, procedures, hazards and safety analyses. The staff also conducted interviews with NFS personnel who will be involved in the process including employees in operations, technical support and management. During these inspections, NRC management personnel toured the site, observed the readiness of processing equipment and interviewed senior management. Details from the operational readiness inspections will be discussed in an inspection report under separate cover at a later date.

It is our understanding that several tests and procedures will be completed during startup of the facility, including: mixing and sampling tests, verification of airborne activity sampling methods, implementation of airborne effluent monitoring, and both classroom and on-the-job training. NRC would like to be kept apprised of the status of these tests, procedures, and training, and may choose to observe the activities and/or review test results.

NRC would like to be informed of the date and time when introduction of HEU into each of the following process areas is planned: uranium-metal dissolution, uranium-aluminum dissolution, solvent extraction, and down-blending.

We appreciate your cooperation in this matter. Please provide the above requested information to Daniel Rich as it becomes available. If you have any questions regarding the foregoing, please call Douglas Collins at 404-562-4700.

Sincerely,

/RA/

Loren Plisco
Acting Regional Administrator

Docket No.70-143
License No. SNM-124

cc:

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