



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

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September 14, 2004

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

SUBJECT: NUCLEAR FUEL SERVICES, INC. - DOCKET NO. 70-143  
OPERATION OF BLENDED LOW-ENRICHED URANIUM OXIDE CONVERSION  
BUILDING AND EFFLUENT PROCESSING BUILDING

Dear Mr. Schutt:

This letter confirms our discussion of September 10, 2004, during which you were advised that the NRC has no objection to the introduction of low enriched uranium (LEU) into processes in the Oxide Conversion Building (OCB) and Effluent Processing Building (EPB). This NRC position is based on the results of the operational readiness review inspections conducted during the periods August 16 - 20 and August 30 - September 3, 2004, and on the issuance of License Amendment Number 51 to SNM-124 authorizing the operations in the OCB and EPB. The special NRC operational readiness review team inspections were conducted at your Erwin plant to review your preparations for operation of these facilities. The NRC staff reviewed the equipment, startup test results, procedures, and hazards and safety analyses. The staff also conducted interviews with Nuclear Fuel Services Inc., and Areva/Framatome 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 Inspection Reports 70-143/2004-11 and 70-143/2004-13.

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May be exempt from public release under the Freedom of Information Act (5 U.S.C. 552)

Exemption number 2

Nuclear Regulatory Commission review required before public release:

David A. Ayres, NRC Region II

Name and organization of person making determination

Date of Determination 09/14/04

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It is our understanding that on-the-job training will be completed during startup of the facility. In addition, we noted that the Scrap Dissolver was not ready for inspection. The NRC would like to be informed before you introduce LEU into the Scrap Dissolver so that we may have the option of inspecting safety controls relevant to this equipment before its use. During our inspection, we also noted that a portable, unanalyzed and unfavorable geometry, High Efficiency Particulate Air ventilation unit was in the facility during the inspection. It is our understanding that the unit has been removed from the building and will not be brought into any part of the facility which may contain LEU until a criticality safety evaluation is completed and the NRC has reviewed the evaluation. Please communicate to the Senior Resident Inspector the controls you intend to use to prevent unauthorized use of this unit. NRC would like to be kept apprised of the status of these three issues, and may choose to observe the activities and/or review test results. In addition, NRC would like to be informed of the date and time when introduction of LEU into the process areas is planned.

(Paragraph redacted).

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

Sincerely,

**/RA/**

William D. Travers  
Regional Administrator

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

cc:  
B. Marie Moore, Vice President  
Safety and Regulatory Management  
Nuclear Fuel Services, Inc.  
P.O. Box 337, MS 123  
Erwin, TN 37650

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