

July 10, 2006

Ms. Tara Neider
President and Chief Operating Officer
Transnuclear Incorporated
7135 Minstrel Way
Columbia, MD 21045

SUBJECT: NUCLEAR REGULATORY COMMISSION (NRC) INSPECTION REPORT NO.
72-1004/2006-203 AND NOTICE OF VIOLATION

Dear Ms. Neider:

This refers to the inspection conducted June 5-16, 2006, at Kobe Steel, Ltd. (KSL) in Takasago, Japan, and Hitachi Zosen Mechanical Corporation (HMC) in Ariake, Japan. KSL and HMC are contracted fabricators of dry storage cask components for Transnuclear, Incorporated (TN). The inspection was conducted to determine if fabrication activities were performed in accordance with the requirements of 10 CFR Parts 21 and 72, the applicable certificates of compliance, and TN's NRC-approved quality assurance program. The enclosed report presents the results of this inspection.

Based on the results of this inspection, the NRC has determined that a violation of NRC requirements occurred. The violation is cited in the enclosed Notice of Violation (Notice) and the circumstances surrounding it are described in detail in the subject inspection report. The violation is being cited in the Notice because it was identified by the NRC.

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 2.790 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

T. Neider

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response should not include any personal privacy, proprietary, or safeguards information so that it can be made available to the Public without redaction.

Sincerely,

/RA/

Robert J. Lewis, Chief
Transportation and Storage Safety and
Inspection Section
Spent Fuel Project Office
Office of Nuclear Material Safety
and Safeguards

Docket No. 72-1004

Enclosures:

1. NRC Inspection Report No. 72-1004/2006-203
2. Notice of Violation

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**U.S. NUCLEAR REGULATORY COMMISSION
Office of Nuclear Material Safety and Safeguards
Spent Fuel Project Office**

Inspection Report

Docket: 72-1004

Report: 72-1004/2006-203

Certificate Holder: Transnuclear Incorporated (TN)
7135 Minstrel Way
Columbia, MD 21045

Fabricators: Kobe Steel, Ltd. (KSL)
2-3-1, Shinhama, Arai-Cho
Takasago-City, Hyogo-Pref., 676-8670 Japan

Hitachi Zosen Mechanical Corporation (HMC)
Ariake Facility
Nagasu-Machi, Tamana-Gun
Kumamoto, 869-0113 Japan

Inspection Dates: KSL: June 5-9, 2006
HMC: June 12-16, 2006

Inspection Team: Frank Jacobs, Team Leader (HMC), Spent Fuel Project Office (SFPO)
James Pearson, Team Leader (KSL), SFPO
Robert Temps, Senior Inspector, SFPO

Approved by: Robert J. Lewis, Chief
Transportation and Storage Safety
and Inspection Section
Spent Fuel Project Office
Office of Nuclear Material Safety
and Safeguards

EXECUTIVE SUMMARY

Nuclear Regulatory Commission (NRC) Inspection Report 72-1004/2006-203

From June 5 through June 16, 2006, an inspection team from the Office of Nuclear Material Safety and Safeguards, Spent Fuel Project Office (SFPO), performed an inspection of selected activities for spent fuel dry storage and transportation casks being fabricated in Japan for Transnuclear, Inc. (TN), for use in the United States. The team inspected fabrication activities to determine if they were performed in accordance with the requirements of 10 CFR Parts 21 and 72, the applicable certificates of compliance, and TN's NRC-approved quality assurance program.

The team performed the inspection at two fabrication facilities: Kobe Steel, Ltd. (KSL), in Takasago, and Hitachi Zosen Mechanical Corporation (HMC), in Ariake. The team examined management, design, and fabrication controls, and assessed the oversight by TN and the reactor licensees.

Fabrication work in progress at KSL included TN-68 casks for Peach Bottom, TN-40 casks for Prairie Island, and NUHOMS-32PT canisters for Point Beach. Fabrication of eleven NUHOMS 32PT canisters for Palisades had recently been completed.

A significant amount of work was in progress and scheduled for near-term starts at HMC. Current fabrication work included orders of thirteen NUHOMS-24PHBL canisters for Oconee and ten NUHOMS-61BT canisters for Susquehanna. Planning and material procurement was underway for canisters for St. Lucie, Turkey Point, Seabrook, Limerick, Palisades, and Monticello, as well as an OS-197H transfer cask for Limerick. Recently completed work included transfer casks for Surry, North Anna, and Millstone, and NUHOMS 32PT canisters and a light transfer cask for Fort Calhoun.

The first week of inspection was completed on June 9, 2006, at KSL. The team found the quality of the construction of the casks to be acceptable and the TN and licensee oversight of fabrication activities to be adequate. The team did not identify any findings of significance. KSL issued two Corrective Action Directives as a result of the team's observations.

The second week of inspection was completed on June 16, 2006, at HMC. The team found the quality of the construction of the casks to be acceptable and the TN and licensee oversight of fabrication activities to be adequate. The team identified one violation of NRC requirements involving the failure of HMC to follow procedures that required a thickness inspection of dry storage canister shell thickness after removal of temporary attachment welds. The finding is summarized in Table 1 below. HMC issued three Corrective Action Reports as a result of the team's finding and other observations.

Table 1
Summary of Inspection Findings

Regulatory Requirement 10 CFR Section	Subject of Violation or Noncompliance	Number of Findings	Type of Finding	Report Section
72.150	Instructions, procedures, and drawings	1	Violation	4.2.3

INSPECTION PROCEDURES USED

IP 60852, "ISFSI Component Fabrication by Outside Fabricators"
NUREG/CR 6314, "Quality Assurance Inspections for Shipping and Storage Containers"

LIST OF ACRONYMS USED

AVL	Approved Vendor List
CAD	Corrective Action Directive
CAR	Corrective Action Report
CFR	Code of Federal Regulations
CoC	Certificate of Compliance
DSC	Dry storage canister
HMC	Hitachi Zosen Mechanical Corporation
KSL	Kobe Steel, Ltd.
NDE	Nondestructive examination
NMC	Nuclear Management Company
NRC	U.S. Nuclear Regulatory Commission
PCL	Process Checklist
QA	Quality Assurance
SFPO	Spent Fuel Project Office
TAW	Temporary attachment weld
TN	Transnuclear, Inc.
WPS	Welding Procedure Specification

PERSONS CONTACTED

The team held an entrance meeting at KSL on June 5, 2006, and at HMC on June 12, 2006, to present the scope and objectives of the NRC inspection. On June 9 and June 16, 2006, the team held exit meetings at KSL and HMC, respectively, to present the preliminary results of the inspection at each location. The individuals present at the entrance and exit meetings are listed below in Table 2.

Table 2
Entrance and Exit Meetings Attendance

NAME	AFFILIATION	KSL ENTRANCE	KSL EXIT	HMC ENTRANCE	HMC EXIT
Frank Jacobs	NRC	X	X	X	X
Jim Pearson	NRC	X	X	X	X
Rob Temps	NRC	X	X	X	X
William Bracey	TN	X	X	X	X
Gerardo Deniega	TN			X	X
Earl Love	TN	X	X	X	X
David Morse	NMC	X	X		
Richard Boyle, Jr.	Duke Energy				X
William Wilson	Duke Energy				X
Chris Lloyd	FPL Group				X
Yoshiya Akishita	KSL	X	X		
Masahiro Goto	KSL	X	X		
Koichi Hayashi	KSL		X		
Kenji Ito	KSL	X			
Masao Manago	KSL	X	X		
Keisuke Yoshimura	KSL		X		
Shinji Matsuoka	KSL	X	X		
Kazuhiro Nakamura	KSL	X			
Toshihiro Narai	KSL	X	X		
Toshihiko Shin	KSL	X	X		
Toshihiko Shinya	KSL	X			
Yoshihiro Yamada	KSL	X	X		
Toshikazu Yamamura	KSL	X	X		
Takeshi Aboshi	HMC			X	
Yoshiaki Iwao	HMC			X	X
Takashi Kawahara	HMC			X	X
Hiroshige Kikumoto	HMC			X	X
Hisao Matsuwake	HMC				X
Masaki Mikata	HMC			X	X
Yoshinobu Morimoto	HMC			X	
Hiroshi Noishiki	HMC			X	X
Kenji Oguchi	HMC			X	X
Kei Tsukamoto	HMC			X	
Masakatsu Yamashita	HMC			X	X

REPORT DETAILS

1. Inspection Purpose and Scope

The purpose of the inspection was to determine if the fabrication of dry storage casks was being performed in accordance with the requirements of 10 CFR Parts 21 and 72, applicable certificates of compliance, and TN's NRC-approved quality assurance (QA) program. The team observed selected activities; reviewed procedures and instructions; examined documents, records, and drawings; verified personnel training and qualifications; and interviewed personnel responsible for various activities.

Fabrication work in progress at KSL included TN-68 casks for Peach Bottom, TN-40 casks for Prairie Island, and NUHOMS-32PT canisters for Point Beach. Fabrication of eleven NUHOMS 32PT canisters for Palisades had recently been completed.

Current fabrication work at HMC included orders of thirteen NUHOMS-24PHBL canisters for Oconee and ten NUHOMS-61BT canisters for Susquehanna. Planning and material procurement was underway for canisters for St. Lucie, Turkey Point, Seabrook, Limerick, Palisades, and Monticello, as well as an OS-197H transfer cask for Limerick. Recently completed work included transfer casks for Surry, North Anna, and Millstone, and NUHOMS 32PT canisters and a light transfer cask for Fort Calhoun.

2. Management Controls

2.1 Scope

The inspection team evaluated implementation and effectiveness of the quality assurance policy, nonconformance controls, documentation controls, and audit program through personnel interviews, review of control documents, working document reviews, and review of audit reports and findings. The team reviewed corrective actions for findings in the previous inspection in 2003. The team also assessed the oversight by TN and licensee personnel.

2.2 Observations and Findings

2.2.1 Quality Assurance Policy

The team reviewed KSL's ISO 9001 Quality Manual, document CEP-ISO-1, Rev. 17, dated April 14, 2005, and HMC's Manual NQA-001, "Quality Assurance Manual for Nuclear Items," Sixth Edition, dated April 10, 2006. The team also reviewed supplemental project-specific QA plans that both facilities used for implementing TN QA requirements for each fabrication project. The project-specific QA plans were used in conjunction with KSL's and HMC's quality manuals to implement project-specific requirements as well as contractually imposed special requirements. Each of the TN systems being fabricated at KSL and HMC had its own specific project specification document, and QA requirements from each of these documents were verified to have been incorporated into the KSL and HMC quality plans. Based on its review of these documents, the team concluded that the use of the KSL and HMC quality manuals, in conjunction with the QA project plans, provided adequate controls to ensure that TN's quality-related cask fabrication activities at KSL and HMC were performed in a manner that met 10 CFR Part 72 QA requirements as well as TN's NRC-approved QA program.

2.2.2 Nonconformance Controls

The team reviewed procedures at KSL and HMC related to their problem identification and corrective action programs. Discussions were held with QA personnel, and the team also reviewed selected documents. Both facilities had procedures for the documentation and resolution of material and fabrication nonconformances and also had procedures for addressing higher level issues through the use of corrective action reports. The team reviewed samples of nonconformance and corrective action reports at both facilities. In general, the issues documented in the reports were straightforward and their resolution was assessed to be appropriate to the nature and extent of the documented problems. No significant concerns were identified in this area. However, the team did identify that at HMC, the number of nonconformance reports and corrective action reports appeared to be low for the level of fabrication activity. From the team's review of corrective action reports, it appeared that in some instances QA personnel had initially tried to resolve quality issues before entering them into the corrective action process. In its most recent audit report for HMC, TN noted a similar finding regarding this issue. The response by HMC to TN's concern in this area was still under review and development at the time of the inspection.

2.2.3 Part 21

TN specification documents require both KSL and HMC to have procedures for the implementation of 10 CFR Part 21 requirements at their facilities. The team reviewed applicable Part 21 procedures at KSL and HMC and also verified posting of Part 21 documents at various locations in administrative offices as well as in the fabrication areas. The imposition of Part 21 requirements in purchase orders, where applicable, was also verified by the team. No concerns were identified.

2.2.4 Documentation Controls

The team reviewed the administrative procedures used by KSL and HMC for the development and distribution of controlled documents such as QA procedures and fabrication drawings and specifications. The team reviewed the master index of controlled documents and then randomly selected documents to verify that the correct revision was in use at various locations in administrative offices as well as in field locations. While observing fabrication activities, the team also verified that fabrication documents were to the most current revision. The team determined that documentation controls at KSL and HMC were adequate and no significant concerns were identified in this area.

2.2.5 Audit Program

The team reviewed the schedule for internal audits of the QA functions performed by the KSL and HMC QA groups and determined that audit schedules had been prepared and approved in accordance with applicable QA administrative procedures. Qualification and training records of auditors were reviewed by the team and determined to be in accordance with procedures. The independence of auditors from the areas being audited was also determined to be proper. The team also reviewed recent external audits conducted by TN at both facilities. TN's audits were thorough and identified a number of findings and observations requiring corrective action by KSL and HMC. The team also discussed oversight and audit plans with licensee representatives from Nuclear Management Company and FPL Group that were present during the inspection and assessed that planned and past activities in this area by the licensees were adequate.

The team reviewed vendor audit reports conducted by KSL and HMC for companies maintained on their approved supplier lists. The audits were conducted in accordance with QA administrative procedures and used audit checklist formats. While the audit checklists generally were quite detailed with respect to items and documents reviewed during the audits, of the seven KSL audits reviewed, only one audit identified a finding that resulted in issuance of a corrective action, and of the six HMC audits reviewed, none had findings or observations. In its most recent audit reports for KSL and HMC, TN noted a similar finding regarding the lack of findings and observations in vendor audit reports. The response by KSL and HMC to TN's concern in this area was still under review and development at the time of the inspection.

2.3 Conclusions

In the area of management controls, no findings of significance were identified.

3. Design Controls

3.1 Scope

Since KSL and HMC did not perform design activities for TN, the inspection team limited examination in this area to verification that TN design and procurement requirements were reflected in fabricator specifications, drawings, procedures, and records.

3.2 Observations and Findings

The inspection team reviewed various TN purchase orders, specifications, and drawings, and examined fabricator drawings, procedures, purchase orders, and records to determine that TN requirements were satisfied in fabrication of the dry storage components.

The inspector identified a discrepancy between a TN specification and a TN drawing. The TN procurement specification for the Peach Bottom TN-68 casks, E-18597, Rev. 6, stated in paragraph 4.3.6.4 that the bottom shield plate is constructed from either SA-105 forging or SA-516 Gr. 70 plate, and that the top shield plate is constructed from either SA-266 Cl. 2 or SA-516 Gr. 70. TN drawing 972-35-3 shows the bottom shield as SA-266 Gr. 2 or SA-516 Gr. 70. TN drawing 972-35-4 shows the shield plate as SA-105 or SA-516 Gr. 70. It appears the material requirements were inadvertently reversed in the procurement specification. The material actually used in fabrication of both plates was SA-516 Gr. 70, which is a correct material for either plate and therefore, the discrepancy did not affect any completed casks. TN stated the discrepancy in the procurement specification would be addressed.

3.3 Conclusions

In the area of design controls, no findings of significance were identified.

4. Fabrication Controls

4.1 Scope

The inspection team evaluated control of the fabrication process through observations, examinations, and personnel interviews in the areas of material procurement, fabrication and assembly, test and inspection, and tools and equipment. The team reviewed the areas having findings in the previous inspection.

4.2 Observations and Findings

4.2.1 Material Procurement

The team verified that appropriate procedures were implemented for control of the procurement process. The team selected samples of materials and services in use, as well as from completed work, to assess for compliance with the CoC and TN specification and procurement requirements. The team examined the fabricators' procurement documents, receipt inspection records, certificates of conformance, certified material test reports, and vendor qualifications.

4.2.2 Fabrication and Assembly

The team examined selected samples of fabrication specifications, quality plans, engineering drawings, work control procedures, and routers to determine that fabrication met the requirements of the CoC. The team observed fabrication activities and processes and examined applicable qualification and certification records to determine that fabrication satisfied requirements and was accomplished by qualified personnel. The team also reviewed a sample of completed documentation packages to assess work which had been completed prior to the inspection.

At KSL, TN Dwg. No. 972-35-3, Rev. 0, showed the materials for joint F-02 to be SA-350 Gr. LF3 (shell flange), SA-266 Gr. 2 (shield shell), and SA-516 Gr. 70 (shim). Process Checklist (PCL) TN68-26 for cask TN-68-39 listed Welding Procedure Specification No. WPS067543-04, Rev. 2, as applicable for joint F-02. WPS067543-04, Rev. 2, listed base metals for the joint as SA-203 Gr. E and SA-516 Gr. 70. TN and KSL considered the discrepancy to be a typographical error and determined there was no technical impact on completed welds. WPS467017-03, Rev. 0, for the corresponding joint (S3) on a TN-40 cask was examined and found to show the correct materials. KSL issued Corrective Action Directive (CAD) CAD-TNY-0602 on June 6, 2006, to address the discrepancy.

4.2.3 Test and Inspection

The team observed magnetic particle testing, dye penetrant testing, leak testing, pressure testing, and basket free path testing to assess the quality of construction and the capability of personnel to perform these test and inspection activities. The team reviewed the applicable records for these personnel to determine that they were qualified to perform the associated activities. The team also reviewed a sample of completed documentation packages to assess work which had been completed prior to the inspection.

In observing various processes during fabrication, the inspector noted that multiple hold and witness points existed for verification of quality activities. In some cases these hold and witness points had been completed to provide assurance to oversight personnel that activities were being performed properly. Many of the hold witness points existed at or for test and/or inspection activities. The inspector noted that overall KSL and HMC had firm control of their processes and the ongoing work, including the testing and inspection of individual items as well as assemblies. However, the inspector noted in a testing scenario common to both KSL and HMC, the free path or gauge testing was performed by personnel who were documented to be qualified, but demonstrated marginal performance during the testing process. The inspector observed the following: 1) the QA inspector looked away from the scale readout during the test, 2) the QA inspector did not zero the scale prior to the withdrawal portion of the test, 3) low battery indications occurred (HMC only) on the readout which could have masked readings of significance, and 4) potential distractions existed and visual blockage occurred, caused by other

personnel on the test platform. Both KSL and HMC addressed the performance issues noted by the inspector in their corrective action programs: KSL CAD-TNY-0603, and HMC Corrective Action Report (CAR) C-06-C-05.

Paragraph 6.5.5A of TN Specification NUH-HBU-0105, Rev. 2, dated 3/17/05, for the NUHOMS-24PHBL DSC for Oconee, stated "personnel performing NDE...their qualification records shall be available at point of work." While observing a helium leak test at HMC on a NUHOMS-61BT dry storage canister (DSC), the inspector observed that qualification records for the nondestructive examination (NDE) examiner were not available at the worksite. When asked about the records, the HMC QA inspector stated that it was not HMC practice to have personnel qualification records at the point of work for any NDE work. The NRC inspector noted that TN Specification E-19211, Rev. 6, dated 3/15/05, for the 61BT required only that NDE personnel qualification records be available on site. The inspection team had previously verified that NDE personnel qualification records were readily available at HMC's facility. TN stated the discrepancy would be addressed.

The inspector reviewed HMC procedure Document No. 035-T-GS, "Gamma Inspection Procedure", Rev. 2, and one report of a gamma inspection performed in accordance with the procedure. The report was generated for the final inspection of lead pouring for the OS197H-4 onsite transfer cask body on Job No. 16F10035. The inspector noted an error on the procedure data sheet. Revision 2 revised the body of the procedure and required the sensitivity of the detector and the geometry to be recorded, however, the attached format of the report was not revised to reflect the required data entries, possibly resulting in a failure to record required information. For the test report reviewed by the inspector, the sensitivity of the detector and the geometry had been added to the data sheet by the procedure user and all applicable data was captured as required. HMC issued CAR C-06-C-04 to address the condition.

While observing the helium leak test at HMC on NUHOMS-61BT DSC serial no. 21 for Job No. 16F10033, the inspector observed areas of temporary attachment weld (TAW) removals on the inner bottom cover, part no. 56C. HMC procedure Document No. 033-F-TAW, "Control Procedure for Temporary Attachment Welds," Rev. 2, requires a thickness inspection of TAW removal areas and recording of the thickness in accordance with Document No. 033-T-UT-T, Rev. 0, "Thickness Measurement (UT) Procedure for Shell Welds, Plates." The inspector examined Report No. TAW-56C,D, dated 5/23/06, for DSC serial no. 21 and found that the report did not indicate all TAW removal areas were inspected for thickness. The inspector reviewed the Final Data Packages for DSC serial nos. 13 and 14 of the same job and found no documentation indicating the required thickness inspections were performed for those DSCs. When the inspector reported this condition to TN, HMC performed a review of the inspection records for all ten completed and in-process units for Job No. 16F10033, and issued CAR C-06-C-03. Records indicated the thickness inspection had been performed for four units, but not for the other six units. Of the six units not inspected, four were still in fabrication. These four units were remeasured and the inspection results were documented. CAR C-06-C-03 did not address the final disposition for DSC serial nos. 13 and 14.

10 CFR 72.150, "Instructions, procedures, and drawings," requires, in part, that a certificate holder shall prescribe activities affecting quality by documented procedures and require that these procedures be followed. The failure of HMC to document the thickness inspection of all temporary attachment weld areas is considered to be a violation of 10 CFR 72.174. (Violation 72-1004/2006-203-01)

4.2.4 Tools and Equipment

The team verified that appropriate procedures were implemented for control of tools and equipment. The team identified samples of measuring and test equipment used on both current and completed work to assess the control and traceability of measuring and test equipment.

At KSL, Inspection Report No. K-A475, dated 11/11/05, for TN-32PT-24 listed one item of measuring equipment used for the basket free path test as "Load Cell No.: NKIT3." The inspector noted that KSL procedure Calibration-ISO-B02, Rev. 18, "Equipment Yearly Calibration Schedule Preparation Procedure," specified a calibration frequency of 7 months for load cells, while the Instrument Control Card for instrument NKIT3 indicated a frequency of 13 months. KSL stated that the frequency specification of 7 months for load cells in Calibration-ISO-B02 was for specific pieces of equipment and that all other mass measuring instruments (which includes other load cells) had a calibration frequency of 13 months. There was no documentation to identify the specific instruments subject to the 7-month frequency, although the explanation provided to the inspector was consistent with other information in the calibration records. KSL stated Table 1 in Calibration-ISO-B02 would be revised to clarify the calibration frequencies for mass measuring instruments.

4.3 Conclusions

Overall, fabrication was adequately controlled. However, in the area of test and inspection, one violation was identified. HMC failed to follow procedures that required a thickness inspection of DSC shell thickness after removal of temporary attachment welds.

5. **Exit Meeting**

An exit meeting was conducted by the team with TN and KSL personnel on June 9 and an exit meeting was conducted with TN and HMC personnel on June 16, 2006. The team's preliminary findings and assessments were presented at the meetings. TN personnel at the meeting acknowledged the team's findings and did not state any disagreement with the preliminary findings and their characterization.

NOTICE OF VIOLATION

Transnuclear, Inc.
Columbia, MD

Docket No. 72-1004

During an NRC inspection conducted at Hitachi Zosen Mechanical Corporation (HMC) in Ariake, Japan, on June 12-16, 2006, a violation of NRC requirements was identified. HMC is a fabricator of spent fuel dry storage cask components for Transnuclear, Inc. In accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions," NUREG-1600, the violation is listed below:

10 CFR 72.150, "Instructions, procedures, and drawings," requires, in part, that a certificate holder shall prescribe activities affecting quality by documented procedures and require that these procedures be followed.

Contrary to the above, HMC procedures requiring thickness inspection of temporary attachment weld removal areas and recording of the thickness, were not followed. Specifically, Report No. TAW-56C,D, dated May 23, 2006, for the inner bottom cover of dry storage canister shell serial number 21 of job 16F10033, did not document thickness inspection of all temporary attachment weld areas as required by HMC procedure Document No. 033-F-TAW, "Control Procedure for Temporary Attachment Welds," Rev. 2, and Document No.: 033-T-UT-T, Rev. 0, "Thickness Measurement (UT) Procedure for Shell Welds, Plates." Additionally, Final Data Packages for dry storage canister serial nos. 13 and 14 of the same job did not document the required thickness inspections for those canisters.

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

Pursuant to the provisions of 10 CFR 2.201, TN is hereby required to submit a written statement or explanation to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, DC 20555, with a copy to Robert J. Lewis, Chief, Transportation and Storage Safety and Inspection Section, Spent Fuel Project Office. 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 or severity level, (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. If an adequate reply is not received within the time specified in this Notice, an order or a Demand for Information may be issued as to why the license should not be modified, suspended, or revoked, or why such other action as may be proper should not be taken. Where good cause is shown, consideration will be given to extending the response time.

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 document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>, 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. If personal privacy or proprietary information is

necessary to provide an acceptable response, then please provide a bracketed 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.

In accordance with 10 CFR 19.11, you may be required to post the Notice within two working days.

Dated this 10th day of July 2006.