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April 13, 2006

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

SUBJECT: NUCLEAR FUEL SERVICES, INC. - AMENDMENT 70 - EXTENSION OF
SAFEGUARDS CONDITION SG-4.34 (TAC L31926)

Dear Ms. Moore:

In accordance with your application dated January 18, 2006, and pursuant to Part 70 to Title 10 of the Code of Federal Regulations (CFR), Materials License SNM-124 is hereby amended to extend the expiration date of Safeguards Condition SG-4.34. Accordingly, Safeguards Condition SG-4.34 has been revised to read as follows:

SG-4.34 Notwithstanding the commitment in Section 4.7.1 of the Fundamental Nuclear Material Control (FNMC) Plan identified in Condition SG-5.1 to perform certain receipt verification measurements of strategic special nuclear material, the licensee shall have five (5) additional days to fulfill the above stated commitment relative to the shipment of high-enriched uranium identified in the January 18, 2006, request letter. This condition automatically expires on April 30, 2007.

In addition, the license has been revised to reflect the following:

- a. Revision 19 of Section 1 of your Fundamental Nuclear Material Control Plan (Plan) for high-enriched uranium. We accepted this change in our letter dated February 16, 2006 (ML060460081).
 - b. Replacement of Page 16 of Chapter 2 in Part I of your license. We accepted this change in our letter dated March 2, 2006 (ML060590059).
- [REDACTED]

Accordingly, Safety Condition S-1 has been revised to include the dates of January 9, January 18, and February 20, 2006, and Safeguards Condition SG-5.1 has been revised to read as follows:

SG-5.1 In order to achieve the performance objectives of 10 CFR 74.51(a) and maintain the system capabilities identified in 10 CFR 74.51(b), the licensee shall follow its Fundamental Nuclear Material Control Plan (Plan) with respect to all activities involving strategic special nuclear material, except as noted in License Condition SG-5.5. The Plan, as currently revised and approved, consists of:

General Discussion -----	Rev. 8 (dated April 2005)
Sec. 1 -- Process Monitoring -----	Rev. 19 (dated January 2006)
Sec. 2 -- Item Monitoring -----	Rev. 7 (dated July 2005)
Sec. 3 -- Alarm Resolution -----	Rev. 6 (dated October 2004)
Sec. 4 -- QA & Accounting -----	Rev. 15 (dated April 2005)
Annex A -----	Rev. 5 (dated March 2003)
Annex B -----	Rev. 1 (dated August 1998)
Annex C -----	Rev. 1 (dated August 1998)
Annex D -----	Rev. 2 (dated October 2000)

Revisions to this Plan shall be made only in accordance with, and pursuant to, either 10 CFR 70.32(c) or 70.34.

All other conditions of this license shall remain the same.

Enclosed are copies of the revised Materials License SNM-124 (Enclosure 1), and the Safety Evaluation Report (Enclosure 2).

If you have any questions regarding this matter, please contact Kevin Ramsey of my staff at (301) 415-7887 or by e-mail to kmr@nrc.gov.

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B. Moore

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This letter and its enclosures contain sensitive, unclassified information, and are therefore deemed Official Use Only. They will not be placed in the Public Document Room nor will they be publicly available in the NRC Agencywide Documents Access and Management System (ADAMS).

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

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

Enclosures:

1. Materials License SNM-124
 2. Safeguards Evaluation Report
- [REDACTED]

[REDACTED]

B. Moore

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Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

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

Enclosures:

1. Materials License SNM-124
2. Safeguards Evaluation Report

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DOCKET: 70-143

LICENSEE: Nuclear Fuel Services, Inc.
Erwin, Tennessee

SUBJECT: SAFEGUARDS EVALUATION REPORT: SUBMITTAL DATED JANUARY 18,
2006, REQUEST TO EXTEND EXPIRED SAFEGUARDS LICENSE
CONDITION SG-4.34

1.0 BACKGROUND

By cover letter dated January 18, 2006, Nuclear Fuel Services (NFS) requested an amendment to renew the previously issued Safeguards License Condition SG-4.34. This license condition automatically expired on December 31, 2005. This amendment in response to this request, which authorizes a time extension to complete certain receipt verification measurements for shipments of strategic special nuclear material (SSNM), would relieve the licensee from a commitment in Section 4.7.1 of its Fundamental Nuclear Material Control Plan (Plan). The staff processed this amendment request in accordance with the provisions of 10 CFR 70.34.

2.0 DISCUSSION

The extension request addresses shipments of SSNM containers conducted by the Department of Energy, Office of Secure Transportation (OST). The OST scheduling needs and issues related to the transport of SSNM to the NFS facility during 2006 remain the same as for shipments in the past two years. Due to the limited availability of secure transport and schedule constraints, the licensee must maintain the capability to accommodate larger quantities of material than usual in each shipment and receive shipments in a compressed time frame. In order to achieve needed capabilities, NFS is aggressively pursuing additional staffing and equipment to increase the capability to perform the required receipt activities. Therefore, additional time is requested by the licensee to perform the gross weight checks associated with the larger shipment quantities.

However, Section 4.7.1 of the facility's Plan contains the commitment that "incoming containers of HEU are gross weighed within five (5) working days, excluding weekends and holidays, of the time the material is received." Therefore, a time extension has been requested in the past two years for the receipt of this material and to modify the requirements to accommodate the receipt measurement activities. It is noted that this request is to extend the recently expired

Enclosure 2

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license condition for another year in order to accommodate similar material receipts and schedules occurring at the facility in 2006. In the request letter, the licensee stated that the containers of SSNM received from the secure transport shipments will be physically verified for container numbers and tamper-indicating devices.

Once verified, the material will be placed into vault storage until gross weighing is performed. "Category 1A" designated material will be gross weighed within five (5) working days, excluding weekends and holidays, of the time the material is placed in vault storage. "Category 1B" designated material will be gross weighed within ten (10) working days, excluding weekends and holidays, of the time the material is placed in vault storage. The staff found that the proposed practices for handling the materials during receipt activities are acceptable. Also, the staff found the request is necessary and appropriate to allow NFS to fulfill all initial verification measurement requirements for the shipments.

3.0 ENVIRONMENTAL REVIEW

The staff has determined that the changes requested are related to safeguards matters which are categorically excluded from the requirements to prepare a site-specific environmental assessment. Therefore, in accordance with 10 CFR 51.22(c)(12), neither an environmental assessment nor an environmental impact statement is warranted for this action.

4.0 CONCLUSION

The staff concludes that granting the licensee's time extension request for completing the verification measurements of received SSNM is justified and warranted, and will not reduce the effectiveness of the licensee's safeguards program. Therefore, the currently expired Safeguards License Condition SG-4.34 should be re-issued to allow for the limited extension of time as follows:

SG-4.34 Notwithstanding the commitment in Section 4.7.1 of the Fundamental Nuclear Material Control (FNMC) Plan identified in Condition SG-5.1 to perform certain receipt verification measurements of strategic special nuclear material, the licensee shall have five (5) additional days to fulfill the above stated commitment relative to the shipment of high-enriched uranium identified in the January 18, 2006, request letter. This condition automatically expires on April 30, 2007.

PRINCIPAL CONTRIBUTORS

Thomas N. Pham
Michael F. Kelly
Kevin Ramsey