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UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION II
245 PEACHTREE CENTER AVENUE NE, SUITE 1200
ATLANTA, GEORGIA 30303-1257

September 18, 2015

EA-15-191

Mr. Joel Duling
President
Nuclear Fuel Services, Inc.
P.O. Box 337, MS 123
Erwin, TN 37650

SUBJECT: NUCLEAR FUEL SERVICES, INC. – U.S. NUCLEAR REGULATORY
COMMISSION PHYSICAL SECURITY INSPECTION REPORT
NO. 07000143/2015403

Dear Mr. Duling:

This letter refers to the onsite inspection conducted at your Erwin, Tennessee facility from August 4–6, 2015. The purpose of the inspection was to determine whether activities authorized by the license were conducted safely, and in accordance with U.S. Nuclear Regulatory Commission (NRC) requirements. At the conclusion of the inspection, the findings were discussed with you and other members of your staff.

The details of the inspection were documented in NRC Inspection Report (IR) number 07000143/2015403, dated September 1, 2015.

Based on the results of this inspection, two apparent violations (AVs) were identified, and are being considered for escalated enforcement action, in accordance with the NRC Enforcement Policy. The current Enforcement Policy is included on the NRC's Web site at <http://www.nrc.gov/about-nrc/regulatory/enforcement/enforce-pol.html>. The AVs are described in the Enclosure. The circumstances surrounding these AVs, the significance of the issues, and the need for lasting and effective corrective actions were discussed with members of your staff, at the inspection exit meeting on August 5, 2015. As a result, it may not be necessary to conduct a Pre-decisional Enforcement Conference (PEC) in order to enable the NRC to make an enforcement decision.

In addition, since you identified the violations and your facility has not been the subject of escalated enforcement actions within the last 2 years, and based on our understanding of your corrective action, a civil penalty may not be warranted in accordance with Section 2.3.4 of the

~~Enclosure(s) transmitted herewith contain(s) SUNSI. When separated from Enclosure(s), this transmittal document is decontrolled.~~

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Enforcement Policy. The final decision will be based on you confirming on the license docket that the corrective actions previously described to the NRC staff have been, or are being, taken. Before the NRC makes its enforcement decision, we are providing you an opportunity to: (1) respond to the AVs addressed in this IR within 30 days of the date of this letter, or (2) request a PEC. If a PEC is held, the NRC will issue a press release to announce the time and date of the conference; however, the PEC will be closed to public observation since Security-Related Information will be discussed. In addition, the PEC will be transcribed. If you decide to participate in a PEC, please contact Mr. Binoy Desai, at 404-997-4519, within 10 days of the date of this letter. A PEC should be held within 30 days of the date of this letter.

If you choose to provide a written response, it should be clearly marked as a "Response to Apparent Violations in NRC Inspection Report No. 07000-143/2015403; EA-15-191," and should include for each AV: (1) the reason for the AV, or if contested, the basis for disputing the AV; (2) the corrective steps that have been taken, and the results achieved; (3) the corrective steps that will be taken; and (4) the date when full compliance will be achieved. Your response may reference or include previously docketed correspondence, if the correspondence adequately addresses the required response. Additionally, your response should be sent to the NRC's Document Control Center, with a copy mailed to Mr. Anthony Gody, Division of Reactor Safety, Region II, 245 Peachtree Center Avenue, Suite 1200, Atlanta, Georgia 30303, within 30 days of the date of this letter. If an adequate response is not received within the time specified, or an extension of time has not been granted by the NRC, the NRC will proceed with its enforcement decision or schedule a PEC.

If you choose to request a PEC, the conference will afford you the opportunity to provide your perspective on these matters, and any other information that you believe the NRC should take into consideration before making an enforcement decision. The decision to hold a PEC does not mean that the NRC has determined that a violation has occurred, or that enforcement action will be taken. This conference would be conducted to obtain information to assist the NRC in making an enforcement decision. The topics discussed during the conference may include information to determine whether a violation occurred, information to determine the significance of a violation, information related to the identification of a violation, and information related to any corrective actions taken or planned. In presenting your corrective action, you should be aware that the promptness and comprehensiveness of your actions will be considered in assessing any civil penalty for the AVs. The guidance in the enclosed excerpt from NRC Information Notice 96-28, "Suggested Guidance Relating to Development and Implementation of Corrective Action," may be helpful.

In accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) 2.390, "Public inspections, exemptions, requests for withholdings," of the NRC's "Agency Rules of Practice and Procedure," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room, or from the Publicly Available Records (PARS) component of NRC's Agencywide Documents Access and Management System (ADAMS); accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html> (the Public Electronic Reading Room).

The material enclosed herein contains Security-Related Information in accordance with 10 CFR 2.390(d)(1), and its disclosure to unauthorized individuals could present a security vulnerability. Therefore, the material in the Enclosure will not be made available electronically for public

inspection in the NRC Public Document Room, or from the PARS component of NRC's ADAMS. If you choose to provide a response and Security-Related Information is necessary to provide

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an acceptable response, please mark your entire response "Security-Related Information - Withhold from public disclosure under 10 CFR 2.390," in accordance with 10 CFR 2.390(d)(1), and follow the instructions for withholding in 10 CFR 2.390(b)(1). In accordance with 10 CFR 2.390(b)(1)(ii), the NRC is waiving the affidavit requirements for your response.

If you have any questions, please contact me at 404-997-4600.

Sincerely,

/RA/

Anthony T. Gody, Director
Division of Reactor Safety

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

~~Enclosure:~~
~~Apparent Violations~~

cc: (See page 4)

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Withhold from public disclosure under 10 CFR 2.390," in accordance with 10 CFR 2.390(d)(1), and follow the instructions for withholding in 10 CFR 2.390(b)(1). In accordance with 10 CFR 2.390(b)(1)(ii), the NRC is waiving the affidavit requirements for your response.

If you have any questions, please contact me at 404-997-4600.

Sincerely,

/RA/

Anthony T. Gody, Director
Division of Reactor Safety

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

~~Enclosure:~~
~~Apparent Violations~~

cc: (See page 4)

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OFFICE	RII:DRS/PSB2	RII:DRS/PSB2	RII:DFFI/BR1	RII:DRS/PSB2	RII:ORA/EICS	RII:ORA/RC	RII:DRS
SIGNATURE	OXS1	BBD for ICH	MDS1	BBD	DLG2	SAP1	ATG
NAME	O. Smith	I. Hall	M. Sykes	B. Desai	D. Gamberoni	S. Price	A. Gody
DATE	9/ 14 /2015	9/ 15 /2015	9/ 15 /2015	9/ 15 /2015	9/ 17 /2015	9/ 17 /2015	9/ 18 /2015
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