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

November 5, 2015

EA-15-191

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

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

Dear Mr. Duling:

This refers to the inspections conducted from August 4–6, 2015, at your Erwin, Tennessee facility. During the inspection, apparent security violations of U.S. Nuclear Regulatory Commission (NRC) requirements were identified. The significance of the issues, and the need for lasting and effective corrective actions, were discussed with you during the exit meeting on August 13, 2015. Details regarding the apparent violations (AVs) were provided in NRC Inspection Report (IR) No. 07000143/2015403, dated September 18, 2015.

On October 15, 2015, a closed pre-decisional enforcement conference was conducted in the Region II office with members of your staff to discuss the AVs, the significance, root causes, and your corrective actions. The NRC's evaluation of the conference information is provided in Enclosure 1.

Based on the information developed during the inspection, and review of the information that you provided during the conference, the NRC has determined that a violation of NRC requirements occurred. The violation is cited in the Notice of Violation (Notice) in Enclosure 2, and the circumstances surrounding it are also described in detail in our IR dated September 18, 2015. This violation has been categorized as an escalated enforcement action in accordance with the NRC Enforcement Policy, as discussed in Enclosure 1. The current Enforcement Policy is included on the NRC's Web site at <http://www.nrc.gov/aboutnrc/regulatory/enforcement/enforce-pol.html>

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

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In accordance with the NRC Enforcement Policy, a base civil penalty in the amount of \$70,000 was being considered for this escalated enforcement action.

Because your facility has not been the subject of escalated enforcement actions within the last 2 years, the NRC considered whether credit was warranted for Corrective Action, in accordance with the civil penalty assessment process in Section 2.3.4 of the Enforcement Policy. Based on the NRC's understanding of your corrective actions as discussed at the conference, credit is warranted for the factor of Corrective Action, as discussed in Enclosure 1.

Therefore, to emphasize the importance of security awareness, and in recognition of your prompt and comprehensive corrective actions, I have been authorized, after consultation with the Director, Office of Enforcement, to propose that a civil penalty not be assessed in this case. Issuance of this Notice constitutes escalated enforcement action that may subject you to increased inspection.

The NRC has also concluded that, because of the cause and effect relationship of the AVs documented in our letter of September 18, 2015, the final enforcement action will contain one violation that encompasses all enforcement matters, as documented in Enclosure 2. Accordingly, for administrative purposes, the AVs documented in our letter of September 18, 2015, are now closed, and violation (VIO) 07000143/2015403-01 is opened.

You are required to respond to this letter, and should follow the instructions specified in the enclosed Notice when preparing your response. If you have additional information that you believe the NRC should consider, you may provide it in your response to the Notice. The NRC will use your response, in part, to determine whether further enforcement action is necessary to ensure compliance with regulatory requirements. Please mark your response "Security-Related Information – Withhold from Public Disclosure Under 10 CFR 2.390." In accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) 2.390(b)(1)(ii), the NRC is waiving the affidavit requirements for any response to this letter. However, to the extent possible, any response should not include any personal privacy, proprietary, or safeguards information (SGI). If SGI is necessary to provide an acceptable response, please provide the level of protection described in 10 CFR 73.21.

In accordance with 10 CFR 2.390, "Public inspections, exemptions, requests for withholding," 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's Public Document Room, or from the Publicly Available Records (PARS) component of the 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). However, because of the Security-Related Information contained in the Enclosures, and in accordance with 10 CFR 2.390, copies of these Enclosures will not be available for public inspection.

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Additionally, the Enclosures must be protected from unauthorized disclosure. Security-Related Information is discussed in Regulatory Information Summary RIS-2005-031, "Control of Security-Related Sensitive Unclassified Non-Safeguards Information" (ML053480073), which is available on the NRC Web site, or in ADAMS.

Sincerely,

/RA/

Leonard D. Wert, Jr.
Acting Regional Administrator

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

Enclosures:

- ~~1. Severity Level Determination~~
- ~~2. Notice of Violation~~

cc: (See page 4)

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- 1. ~~Severity Level Determination~~
- 2. ~~Notice of Violation~~

cc: (See page 4)

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ADAMS: Yes ACCESSION NUMBER: ML15309A525 SUNSI REVIEW COMPLETE FORM 665 ATTACHED

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Letter to Joel Duling from Leonard Wert dated November 5, 2015

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

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