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

December 2, 2016

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 70-143/2016-405

Dear Mr. Duling:

This letter refers to the onsite inspection conducted from November 14-18, 2016, at your Erwin, Tennessee facility. The purpose of the inspection was to determine whether activities authorized by the licensee were conducted safely, and in accordance with U.S. Nuclear Regulatory Commission (NRC) requirements. At the conclusion of the inspection, the inspection results were discussed with you and other members of your staff.

Areas examined during the inspection included management effectiveness, records and reports, security personnel training and qualifications, detection aids, protection of national security information and restricted data, and protection of transportation shipments of special nuclear material of low and moderate strategic significance. Within these areas, the inspection consisted of selective examinations of procedures and representative records, interviews with personnel, and observations of activities in progress.

Based on the results of the inspection, the NRC has determined that two Severity Level (SL) IV Violations of NRC requirements were identified. Because NFS, Inc., initiated corrective action reports and took appropriate corrective actions, the violations are being treated as a Non-Cited Violation (NCV), consistent with Section 2.3.2 of the Enforcement Policy. The NCVs are described in the subject inspection report. If you contest the violations or the significance of the NCVs, you should provide a response within 30 days of the date of this inspection report, with the basis for your denial, to the Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington DC 20555-0001, with copies to: (1) the Regional Administrator, Region II; (2) the Director, Office of Enforcement, United States Nuclear Regulatory Commission, Washington, DC 20555-0001; and (3) the resident inspector at your NFS facility.

The enclosure contains Sensitive Unclassified Non Safeguards Information (Security-Related Information). Upon separation, this cover letter is DECONTROLLED.

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In accordance with Title 10 of the *Code of Federal Regulations* (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 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).

This letter and the enclosed report contain Sensitive Unclassified Information, and will not be available for public inspection in the NRC Public Document Room, or from the Publicly Available Records (PARS) components of NRC's Agencywide Documents Access and Management System (ADAMS).

Should you have any questions concerning this letter, please contact us.

Sincerely,

/RA/

Binoy B. Desai, Chief
Plant Support Branch 2
Division of Reactor Safety

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

Enclosure: _____

NRC IR 70-143/2016-405

~~w/Attachment: Supplementary Information~~
~~(OUO)~~

cc : (See page 3)

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Binoy B. Desai, Chief
Plant Support Branch 2
Division of Reactor Safety

Docket No. 70-143
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Enclosure: _____
NRC IR 70-143/2016-405
—w/Attachment: Supplementary Information—
(OUO)

Cc: (See page 3)

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J. Duling

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cc:

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