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UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION II

245 PEACHTREE CENTER AVENUE NE, SUITE 1200
ATLANTA, GEORGIA 30303-1257

December 20, 2016

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

SUBJECT: U.S. NUCLEAR REGULATORY COMMISSION INSPECTION REPORT
70-143/2016-407

Dear Mr. Duling:

The U.S. Nuclear Regulatory Commission (NRC) conducted an inspection of the high enriched uranium Material Control and Accounting safeguards program at the Nuclear Fuel Services (NFS) facility in Erwin, Tennessee from November 28 – December 1, 2016. The purpose of this inspection was to determine whether activities authorized by the license were conducted safely, and in accordance with NRC requirements. The enclosed report presents the results of the inspection, that were discussed with members of your staff, during an exit meeting held at the conclusion of the inspection on December 1, 2016.

This inspection examined activities conducted under your license as they relate to public health and safety, common defense and security, and compliance with the Commission's rules, regulations, and conditions of your license. Areas examined during this inspection included management structure, item monitoring, process monitoring, measurement systems and control, physical inventory, internal control, alarm resolution, assessment, and recordkeeping. Within these areas, the inspection consisted of performance tests, selective examinations of procedures and representative records, interviews with personnel, and observations of process activities. No findings of significance were identified in this inspection.

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).

The enclosure contains Sensitive Unclassified Non Safeguards Information (Security-Related Information). Upon separation, this cover letter is DECONTROLLED.
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2

The enclosed inspection report contains Security-Related Information in accordance with Title 10 of the *Code of Federal Regulations* (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 NRC's Agencywide Documents Access and Management System (ADAMS); accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Should you have any questions concerning this report, please contact Manuel Crespo at 404-997-4733, or via e-mail at manuel.crespo@nrc.gov.

Sincerely,

/RA/

Omar R. López-Santiago, Chief
Safety Branch
Division of Fuel Facility Inspection

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

Enclosure:

~~Inspection Report 70-143/2016-407~~

~~w/Attachment: Supplementary Information~~

cc: (See page 3)

J. Duling

2

Should you have any questions concerning this report, please contact Manuel Crespo at 404-997-4733, or via e-mail at manuel.crespo@nrc.gov.

Sincerely,

/RA/

Omar R. López-Santiago, Chief
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Division of Fuel Facility Inspection

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3

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