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December 20, 2016

Mr. Nader L. Mamish
Director
Office of International Programs
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852

EA-16-249

Re: Reply of Mitsubishi International Corporation to a Notice of Violation (EA-16-249)

Dear Mr. Mamish:

Mitsubishi International Corporation ("MIC"), pursuant to 10 C.F.R. § 2.201 and the applicable regulations of the Nuclear Regulatory Commission ("NRC"), hereby submits this written statement of explanation in response to the NRC's Notice of Violation EA-16-249 ("Notice of Violation"), dated December 5, 2016. MIC does not contest this enforcement action.

1. Reason for the Violation

The NRC has issued MIC notice of a Severity Level IV violation for MIC's failure to submit a quarterly report on DOC/NRC Forms AP-M or AP-13, and associated forms (the "BIS Quarterly Additional Protocol Report") to the NRC and the U.S. Department of Commerce, Bureau of Industry and Security ("BIS"), as required by 10 C.F.R. 110.54(a)(1), for the export under the general license established by 10 C.F.R. § 110.26(a) of non-nuclear materials listed in Annex II of the Additional Protocol.

Specifically, as described in the Notice of Violation, MIC exported to Japan zirconium tubes described as "ZRY-4 TREX Type 8" and "ZRY TREX Type 9" on February 3, 2009 and March 30, 2009, without submitting a BIS Quarterly Additional Protocol Report to the NRC and BIS by April 15, 2009. The reason for this violation was inadvertence. While MIC was aware of and did submit the annual report to the NRC of these exports as required under 10 C.F.R. § 110.54(c) (the "NRC Annual General License Report"), its licensing and compliance personnel did not realize, at the time of the exports, that submission of a separate BIS Quarterly Additional Protocol Report was required for these shipments. MIC regrets the error and the resulting violation.¹

As explained in its letter of November 14, 2016 letter to Dr. Hector Luis Rodriguez-Luccioni of the NRC Office of Nuclear Material Safety and Safeguards, in the course of addressing this omission MIC determined that it had made a third shipment of zirconium tube material to Japan in the first quarter of 2009, for which it also did not submit a BIS Quarterly Additional Protocol Report. This shipment, also to Japan, was made on February 26, 2009, and it was not identified on MIC's NRC Annual General License Report for the year 2009. Accordingly, MIC undertook a comprehensive review (described below) of all shipments from 2009 to the present of

¹ MIC does not contest the NRC's determination that a Severity Level IV violation of NRC requirements occurred.

components exported to Japan under the NRC General License provided under 10 C.F.R. §110.26(a) to determine if there were any other failures to submit a required BIS Quarterly Additional Protocol Report or omissions or errors in any NRC Annual General License Report filed by MIC since 2009. The results of MIC's review were described in MIC's letter of November 14, 2016 letter to Dr. Rodriguez-Luccioni. MIC identified no additional shipments (aside from the three 2009 exports described above) of non-nuclear materials listed in Annex II for which BIS Quarterly Additional Protocol Reports were required. As of November 17, 2016, MIC has submitted BIS Quarterly Additional Protocol Reports for all three 2009 shipments of these materials.

In the course of its review, MIC did identify a small number of errors or omissions in the NRC Annual General License Reports for the years 2009-2012. MIC attributes these discrepancies to human error and a failure to cross-reference hard copies of its shipping invoices against separate electronic records kept for these transactions. MIC has, as of November 14, 2016, submitted amended NRC Annual General License Reports to correct the identified errors and omissions.

In correspondence to the NRC and BIS on November 14 and 17, 2016, MIC (i) fully disclosed the failure to submit the BIS Quarterly Additional Protocol Reports for the three 2009 shipments as required under 10 C.F.R. § 110.54(a)(1) and the errors and omissions contained in its NRC Annual General Reports for the years 2009-2012; (ii) submitted the previously-omitted reports and information; and (iii) described the corrective action taken.

2. Corrective Steps Taken and Results Achieved

After being alerted to the need to file BIS Quarterly Additional Protocol Reports for the February 3 and March 30, 2009 shipments, MIC undertook the following corrective steps:

First, MIC conducted a comprehensive manual review of its records for all shipments of components exported to Japan under NRC General License 10 C.F.R. 110.26(a) from 2009 to the present, cross referencing hard copies of shipping invoices (available for each year starting in 2010) and electronic records (available for all years reviewed) against the shipments identified in its NRC Annual General License Reports for each of these years.

As noted, MIC identified an additional export of zirconium tubes to Japan on February 26, 2009. Accordingly, on November 14, 2016, MIC submitted Forms AP-1, AP-2, and AP-13 (along with the continuation pages on Form AP-16) to BIS (with a copy to the NRC) covering all three shipments to Japan of ZRY-4 TREX Type 8 and 9 that were made in February and March 2009.²

Second, in the course of conducting its review, MIC identified several additional shipments of components made in 2009, 2010, 2011, and 2012 under the General License provided under 10 C.F.R. §110.26(a) that were either

² MIC submitted amended Forms AP-13 (with accompanying form AP-16 continuation pages) to BIS on November 17, 2016 to correct the unit of measure (number of pieces, rather than net weight), for each of the three shipments. MIC also executed a replacement Form AP-1(Certification) to cover these three amended reports. Accordingly, as of November 17, 2016, MIC had fully complied with the reporting requirements of 10 C.F.R. § 110.54(a)(1) for all exports of non-nuclear materials listed in Annex II shipped under the NRC General License provided under 10 C.F.R. § 110.26(a).

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omitted from or incorrectly described in the NRC General License Annual Reports filed for those years.³ On November 14, 2016, MIC re-submitted its NRC General License Annual Reports for the years 2009-2012 to the Office of International Programs, with correction pages to reflect the revised information.

MIC has implemented additional compliance procedures to assure correct reporting in the current and future years and to ensure that the root cause of the violations has been addressed. Specifically, MIC has made permanent the step of cross-checking manually-maintained hard copy shipping documents against the electronic records of shipments generated on its Global Business System to ensure a complete match with the entries on its NRC General License Annual Reports, as well as identification of any shipments that might require generation and submission of a BIS Quarterly Additional Protocol Report in the future.

As a result of these corrective actions, MIC is and has been in compliance with the requirements of 10 C.F.R. 110.54 as of November 17, 2016.

3. Additional Corrective Steps

MIC is undertaking additional enhancements to its transaction review processes by adding an additional layer of internal review to ensure that any future proposed exports of goods listed in Annex II to the Additional Protocol are identified and reported under 10 C.F.R. § 110.54. MIC expects to complete these additional procedures by the end of the first quarter of 2017.

4. Date When Full Compliance Achieved

As a result of the actions described in this statement, MIC is and has been in compliance with the requirements of 10 C.F.R. 110.54 as of November 17, 2016.

Thank you for the opportunity to submit this response.

Sincerely,



Alfred Angelone
Department Manager
Power Systems Department
Global Environmental & Infrastructure Business Development Group
Mitsubishi International Corporation

³ Aside from the February 26, 2009 shipment, none of the remaining omissions consisted of non-nuclear materials listed in Annex II of the Additional Protocol for which a BIS Quarterly Additional Protocol Report was required under 10 C.F.R. § 110.54(a)(1). These additional errors identified consisted of incorrectly transcribed shipment dates for four entries, a mistyped description on one entry and a duplicated entry.