



~~OFFICIAL USE ONLY – SECURITY-RELATED INFORMATION~~

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

January 4, 2018

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. 70-143/2017-401 AND NOTICE OF VIOLATION

Dear Mr. Duling:

This letter refers to the onsite inspection conducted from November 13 - 16, 2017, regarding your Erwin, Tennessee facility. The purpose of the inspection was to determine whether activities authorized by the license were conducted safely, and in accordance with the U.S. Nuclear Regulatory Commission's (NRC's) requirements. At the conclusion of the onsite inspection, the findings were discussed with Mr. M. McKinnon, and other members of your staff. On December 18, 2017, a telephonic re-exit was conducted with Mr. R. Freudenberger and other members of your staff.

Areas examined during the inspection included physical barriers for material access areas (MAAs) and controlled access areas (CAAs), detection aids for MMAs and CAAs, fitness-for-duty program, and a followup inspection of a previously identified item involving the failures of alarm station operators. 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 and in-office NRC staff review, the NRC has determined that a Severity Level (SL) IV violation of NRC requirements was identified. The violation was evaluated in accordance with the NRC Enforcement Policy included on the NRC's Web site at <http://www.nrc.gov/aboutnrc/regulatory/enforcement/enforce-pol.html>. The SL IV violation in the enclosed Notice of Violation (Notice) is being cited because the issues appear to be repetitive of a Non-Cited Violation (NCV) 70-143/2016-405-01, dated December 2, 2016. The circumstances surrounding the violation is described in the subject inspection report.

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

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2

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 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 Enclosures 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 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.

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

Sincerely,

*/RA/*

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

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

~~Enclosures:~~

- ~~1. Notice of Violation~~
- ~~2. NRC Inspection Report 70-143/20174-01~~  
~~w/Attachment: Supplemental Information~~  
~~-(OUO)~~

cc: (See page 3)

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3

cc:

Michael McKinnon  
Director Operations  
Nuclear Fuel Services, Inc.  
Electronic Mail Distribution

Richard A. Freudenberger  
Director  
Quality, Safety & Safeguards  
Nuclear Fuel Services, Inc.  
Electronic Mail Distribution

Debra G. Shults  
Director, TN Dept. of Environment & Conservation  
Electronic Mail Distribution

Doris D. Hensley  
Mayor, Town of Erwin  
211 N. Main Avenue  
P.O. Box 59  
Erwin, TN 37650

Gregg Lynch  
Mayor, Unicoi County  
P.O. Box 169  
Erwin, TN 37650

Johnny Lynch  
Mayor, Town of Unicoi  
P.O. Box 169  
Unicoi, TN 37692

David W. Deming  
Manager, Program Field Office – NFS  
Naval Nuclear Laboratory  
1205 Banner Hill Rd  
Erwin, TN 3765

J. Duling

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2017-401 PUBLIC LETTER.DOC