

Nuclear Fuel Services, Inc.

1. SITE IDENTIFICATION

Location: Erwin, TN
License No.: SNM-124
Docket No.: 70-143
License Status: Active

2. SITE STATUS SUMMARY

Nuclear Fuel Services, Inc. (NFS) met the declining "performance trend" criteria established in SECY-08-0135 for Agency Action Review Meeting (AARM) consideration. Specifically, the U.S. Nuclear Regulatory Commission (NRC) inspections and events at NFS, prior to and during 2006, revealed significant performance issues that lasted more than one inspection period. The performance issues resulted in escalated enforcement actions that warranted extraordinary NRC actions (i.e., an Augmented Inspection Team Inspection in 2006, and issuance of a confirmatory order in February 2007). The Order required NFS to revise its configuration management (CM) programs and implement a comprehensive safety culture improvement initiative. The NRC response to the performance issues also included heightened NRC oversight at NFS (i.e., additional inspections, the assignment of a second resident inspector, and more frequent Licensee Performance Reviews).

Although the results of our more recent inspections indicate that NFS has made progress in improving its performance, the problems that led to issuance of the confirmatory order are deeply rooted, and a sustained effort will be required by the licensee as part of its safety culture improvement initiative to enhance its overall performance. In addition, the NRC will disposition several apparent violations extending from 2006 to the present with similarities to the performance issues that resulted in the 2007 confirmatory order, and that may result in escalated enforcement. Hence, a sustained period of heightened oversight by NRC is also warranted.

3. MAJOR TECHNICAL OR REGULATORY ISSUES

Oversight of Licensee Actions Regarding February 2007 Confirmatory Order

The NRC staff chartered the NFS Safety Culture and Configuration Management Improvement Oversight Panel (Panel) after the February 2007 Order was issued to provide specific oversight of NFS's implementation of the Order. The Panel reviewed the qualifications, plan, and schedule of the independent third party performing the initial safety culture assessment (ISCA). The Panel's review prompted the licensee to augment their initial assessment strategy, which resulted in NRC granting a 90 day extension for its implementation. The Panel also reviewed NFS' May 15, 2008, submittal which included the report of the ISCA as well as NFS' safety culture improvement plan. In December 2008, the Panel issued a letter to NFS noting that NFS continued to meet the conditions of the February 2007 Order. The Panel further noted that NFS' plan contained only a high level overview of NFS planned actions and that onsite inspection would be needed to evaluate specific details on the implementation of the Plan.

The staff plans to conduct a series of at least five team inspections over and above the core inspection for the facility to examine implementation of the safety culture improvement plan. These five inspections, which are planned between January and August 2009, will include a two week Problem Identification and Resolution inspection. The planned inspections represent an additional fifty percent above the inspection normal core inspection resources budgeted for the facility.

In addition, the staff is currently developing a strategy to determine appropriate criteria for future modification or closure of the Confirmatory Order. It is anticipated that the strategy will include substantial inspection activities by NRC, including independent NRC assessment of safety culture at NFS through application and adaption of existing inspection tools such as Inspection Procedure 95003.

Pending Escalated Enforcement Actions

Three pending escalated enforcement actions currently exist at NFS. A fitness-for-duty case (EA-08-103) resulted in the identification of several apparent violations that could result in escalated enforcement, including individual actions. Apparent violations related to the processing of a weapon onto the site (EA-08-346) were identified that could result in escalated enforcement action. Finally, an apparent violation that involved the potential willful falsification of medical records (EA-08-321) could also result in escalated enforcement action.

New Ownership

On December 31, 2008, Amendment 85 to License SNM-124 was issued to reflect an indirect transfer of control of the licensee from NFS Services, LLC, to NOG-Erwin Holdings, Inc. (a subsidiary of Babcock and Wilcox). On January 1, 2009, David Kudsin became the President of NFS. This was the only personnel change at the site.