

DEC 26 1984

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Docket No. 70-36 ✓

Combustion Engineering, Inc.
ATTN: Mr. H. V. Lichtenberger
Vice President
Manufacturing
Nuclear Power Systems
Windsor, CT 06095

Gentlemen:

This refers to your letter dated November 20, 1984, addressing the noncompliances which we brought to your attention in Inspection Report No. 70-36/84-02 forwarded by our letters dated August 28 and October 17, 1984.

Your response to the violations identified in the inspection report dated August 28, 1984, are adequate and we will examine these matters during a subsequent inspection; however, your response to Violations No. 1 and 2 identified in the inspection report dated October 17, 1984, is not satisfactory nor complete. Your response to Violation No. 3 is adequate. Our comments concerning Violations No. 1 and 2 are enclosed as an attachment to this letter. You are requested to submit to this office within thirty days of the date of this letter your response to our comments.

We share your concern regarding the number of noncompliance items identified. A thorough review and an update of your plan and practices by management are needed to provide a better base for your material control and accounting program and its implementation.

Sincerely,

John A. Hind
John A. Hind, Director
Division of Radiation Safety
and Safeguards

Enclosure: As stated

cc w/encl:
J. A. Rode, Plant Manager

cc w/encl, w/ltr
dtd 11/20/84:
DMB/Document Control Desk (RIDS)

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ENCLOSURE

Combustion Engineering Inc.
Hematite Plant

Docket No. 70-236

We have reviewed your response addressing the noncompliances identified in Inspection Report No. 70-36/84-02. These comments address certain inadequacies in your response. In addition, our comments concerning Item III in your response are included.

Violation II.1:

- (1) The first paragraph of your response to this item does not adequately respond to the violation that was issued. The violation is focused on your failure to modify the FNMC plan within six months of changing the control limits for scales and balances rather than the actual change to using limits at other than the 0.05 and 0.001 significance levels. The technical acceptability of the new limits is specifically acknowledged on page 4 of the inspection report.

The remaining paragraphs in this section imply that elimination of the 0.001 control limits for the Gravimetric and Davis and Gray uranium assay methods is discussed in Section 4.5 of the FNMC plan. However, nothing in that section indicates that anything other than the 0.05 and 0.001 control limits are to be used for controlling the performance of measurement systems.

To provide adequate corrective action, the response to this part of the violation must describe the actions being taken to correct the violation of 10 CFR 70.32(c)(2) requirement and to avoid noncompliance in this area.

- (2) In reference to the gamma counter, Section 4.5.3 of the FNMC plan only states that "A special investigation will not be performed unless the out-of-control situation continues." It does not provide for an exemption from the requirement to document corrective actions taken when out-of-control situations occur. In fact, any exemption from the requirements to investigate out-of-control conditions and to document corrective actions can only be granted by a specific license condition. Therefore, the response to this part of the violation must also discuss actions being taken with respect to the failure to document corrective actions taken when exceeding the control limits of the gamma counter.

Violation II.2:

No documentation exists to support the licensee's claim that statistical analyses are not intended by License Condition No. 4.10. As stated in the inspection report, all valid documentary and technical evidence supports the conclusion that statistical analyses are intended by this requirement. Furthermore, the issue as to whether or not the word "comprehensive" should be included in the subject license condition does not alter the basic conclusion of the inspection. Its inclusion or deletion is only relevant to the scope of the statistical analyses that are required. Consequently, the response to this violation must more specifically address the actions that will be taken with respect to the statistical analyses required by License Condition No. 4.10.

Item III of licensee's response:

One of the major roles of licensee management in the MC&A program is to assure that the requirements contained in the regulations, the FNMC plan, and the associated license conditions are fully complied with. Most of the findings of the last MC&A inspection (Inspection Report No. 70-36/84-02) resulted from an apparent lack of attention in this area rather than the categories referenced in this section of your response. In spite of the fact that a Regional or Headquarters inspector may suggest, recommend, or otherwise approve of changes made in the licensee's MC&A program, the inspector cannot officially sanction them. Such changes must be documented and formally approved by the Commission (i.e., Safeguards Licensing). If the previous level of attention to detail in these matters continues in the future, it is likely that further repetitive violations of regulatory requirements will result.

We do not view any of the five violations and several findings as having a serious impact on your low enriched uranium safeguards program, nor of significant concern. However, we suggest a comprehensive review of your FNMC program to provide assurances that current practices are in adherence with your approved plan requirements and that any deviation be properly reported and documented to the Commission.

C-E Power Systems
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November 20, 1984

W. L. Axelson, Chief
Nuclear Materials Safety and Safeguards Branch
U. S. Nuclear Regulatory Commission
Region III
799 Roosevelt Road
Glen Ellyn, IL 60137

Dear Mr. Axelson:

License No. SNM-33
Docket No. 70-36

The enclosed report is submitted as requested by your letter dated October 17, 1984, concerning Inspection Report No. 70-36/84-02.

Please advise if additional information is required.

Very truly yours,

COMBUSTION ENGINEERING, INC.

A handwritten signature in cursive script, appearing to read 'H. E. Eskridge'.

H. E. Eskridge
Supervisor, Nuclear Licensing,
Safety and Accountability

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November 20, 1984
Docket 70-36

STATUS OF APPARENT NON-COMPLIANCE ITEMS
IDENTIFIED IN INSPECTION REPORT 70-36/84-02

- I. Following is the status of the subject items identified in the report of the July 26-31, 1984, inspection:
1. Tamper-safe Seal Program
 - (1) Subsequent testing showed that containers having type-E seals applied with larger than normal wire loops could not be opened without evidence of tampering. Operators have been instructed, however, to apply the seals such that they are snug against the rim of the container. Type-E seals are now being applied in this manner.
 - (2) Pressure-sensitive seals were applied across only one side of stainless-steel containers after demonstrating to a Region III inspector that the pressure-fitting lid could not be removed without breaking the seal, and obtaining his concurrence to this manner of application. These seals are now being applied across both sides of the containers.
 - (3) The bulk of the seal supply is kept in a locked safe. The seals and log book observed by the inspectors during the inventory were the Material Control Operators' working stock and seal application log. The personnel involved have been instructed to keep the drawers containing seals locked when they are not physically in the area. The master seal log book is also being kept in a locked location.
 - (4) Seal intactness was verified both prior to and during the July inventory. This method of verification had been acceptable during numerous previous NRC inspections. We will, however, verify seal numbers during future physical inventories.

The above items will be routinely audited to assure continued compliance.

2. MBA/ICA transfer tickets were replaced with move/change tickets and other documentation when the manual material control system was replaced by a new computerized system including plant-wide item control. The new system requires documentation of material moves and other changes within as well as between areas. Although the new forms are not identical to the old transfer forms, this change was discussed with Region III inspectors prior to implementation. We maintain that the new system increases the level of control for internal transfers of SNM. The previous Region III inspectors stated that it was "a distinct improvement over the present system".

Our Fundamental Nuclear Material Control Plan is being revised to describe the material move/change tickets, the item control program, and related changes. Since further discussions with Safeguards Licensing are required, it is presently planned to submit this revision by January 31, 1985. NRC will be informed of future changes to our program via revisions to the FNMCP within the required reporting period.

II. Following is the status of the subject items identified in the report of the September 11-14, 1984, inspection:

1. Statistical Control Limits

- (1) We strongly disagree that use of control limits based on scale divisions rather than limits equivalent to the .05 and .001 significance levels constitutes a violation. We had previously used standards measurement data to compute control limits at the .05 and .001 significance levels. Since the magnitude of these limits was less than the minimum scale division, one and two division increments were adopted as control limits. This practice had been reviewed and found acceptable by previous NRC inspectors. Your inspectors specifically recommended that we discontinue the statistical calculation and define the limits in terms of "readability units". Their recommendation is documented in their report of the March 1982 inspection.

We also strongly disagree that discontinued use of .001 control limits on the gravimetric uranium assay, Davies and Gray uranium assay and the gamma counter without notifying the Commission is a violation. Our procedure to disqualify and rerun all measurements when the standard exceeds the .05 level of significance is more restrictive than required by the regulations, which do not require disqualification until the .001 level of significance is exceeded.

Further, the Commission had been informed and approved of this practice. Refer to paragraph 4.5.3 of the FNMCP as approved by amendment MPP-3 to SNM-33.

- (2) Investigations and corrective actions for data exceeding the .05 control limits were specifically exempted for the chemical uranium assays, isotopic enrichment assay and the gamma counter assay. This is stated in paragraph 4.5.3 of our FNMCP as approved by amendment MPP-3.

Documentation of corrective actions taken when a scale exceeds the .05 control limit will be made beginning after the next physical inventory. The extent of investigations required for these situations and documentation there-of will be discussed further with Safeguards Licensing, and any necessary revisions to our FNMCP will be incorporated in the submission to be made by January 31, 1985.

Routine measurement control audits will thereafter include checking to assure that continued compliance with revised procedures is maintained.

2. We strongly disagree that not performing a statistical analysis of control data every two months is a violation. Refer to condition 4.10 (a) of amendment MPP-3 issued May 16, 1979.

Prior to formal issuance the Commission requested our review of the proposed conditions. During telephone conversations on May 15 and 16, 1979, between our Mr. L. Swallow and your Mr. E. McAlpine, Mr. McAlpine agreed to delete the word "comprehensive" from condition 4.10 (a) and stated that using the word "analysis" alone did not require a statistical calculation unless the data was so variable that a specific calculation could not be avoided. This consensus was acknowledged in the Commission letter dated May 16, 1979, and, in the new MPP-3 conditions attached, the word "comprehensive" was deleted from condition 4.10 (a). However, the Commission failed to delete the word "comprehensive" in the final typing of MPP-3 as issued. This matter will be discussed further with Safeguards Licensing, and analyses performed according to the then current consensus will be documented accordingly. Such documentation will be routinely audited to assure continued compliance.

3. All future Measurement Control Audits/Reviews as required by 10 CFR 70.57 (b) (2) and (3) will be conducted within the required 12 month interval.

III. Increased Level of Attention to Detail

Your letter of October 19, 1984, states that our program "should be improved by an increased level of attention to detail". This apparently derives from the significant increase in the number of findings during these inspections as compared to previous inspections. We cannot agree with this conclusion. Most of the findings fall into the following categories:

1. Items resulting from implementation of suggestions and recommendations made during prior NRC inspections.
2. Items discussed with NRC Safeguards Licensing and/or Region III inspectors prior to implementation.
3. Procedures and practices found acceptable during previous NRC inspections.
4. Items in compliance with the intent and/or requirements of the regulations and license and, in at least one instance, more restrictive than required by the regulations.
5. Minor procedural details (e.g., technique of application of container seals) which are easily correctable.

Hence, we maintain that the inspection findings do not constitute grounds for concluding that there is a need for increased attention to detail. In fact, acknowledged changes to the program resulting from experience, NRC suggestions and availability of computers to maintain records is a reflection of the attention to detail that has been applied.

Our past experience and practice has been to work with NRC inspectors to resolve items of concern before they become items of noncompliance. Therefore, we are disappointed that the Commission felt it necessary to list as violations those items with which we disagreed and presented evidence during the inspection to substantiate our positions.

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