JAN 16 1986

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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 19, 1985, addressing the violations which we brought to your attention in Inspection Report No. 70-36/85002 forwarded by our letter dated October 18, 1985.

Your response to all but one of the violations identified in the inspection report dated October 18, 1985, are adequate and we will examine these matters during a subsequent inspection. However, your response to item 4 is unsatisfactory. Our comments concerning Violation No. 4 are enclosed as an attachment to this letter. You are requested to submit to this office within ten days of the receipt of this letter your response to our comments.

Sincerely,

Jack A. Hind

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

Enclosure As stated

cc w/Enclosure:
J. A. Rode, Plant Manager
DCS/RSB (RIDS)

RIII	RIII	RIII	RIII	RIII
Madeda/jlk	Creed	France	Axelson	Hind
			1/16	1/16

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ENCLOSURE

Combustion Engineering, Inc.
Hematite Plant

Docket No. 70-36

We have reviewed your response addressing the violations identified in Inspection Report No. 73-36/85002. These comments address certain inadequacies in your response.

Violation No. 4:

10 CFR 70.57(b)(4) requires verification of the validity of existing mixing and sampling procedures through the use of process and engineering tests. This requirement refers to sampling procedures rather than random sampling error estimates. Furthermore, the intent of License Condition 4.11 is to allow the exemption regarding the nonperformance of process and engineering tests for UF6 sampling procedures referred to in Section 4.3 of the FNMCP. Therefore, License Condition 4.11 does not exempt the licensee from the requirement of determining random errors using current data as stated in 10 CFR 70,57(b)(8) and (9). The licensee must develop a system of control measurements to provide current data for the determination of random error behavior . . . program data generated during the current material balance period shall be used for the determination of the limit of error of the plant material balance.

The above position was discussed with your licensing reviewer on December 3, 1985, and he concurred with the above findings.

It is therefore concluded that a violation of 10 CFR 70.57(b)(8) and (9) did occur and that corrective action must be taken.

COMBUSTION ENGINEERING

November 19, 1985

Jack A. Hind, Director
Division of Radiation Safety and Safeguards
U. S. Nuclear Regulatory Commission
Region III
799 Roosevelt Road
Glen Ellyn, IL 60137

Dear Mr. Hind:

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

The enclosed report is submitted as requested by your leter dated October 18, 1985, concerning Inspection Report No. 70-36/85002.

Please advise if additional information is required.

Very truly yours,

COMBUSTION ENGINEERING, INC.

H. E. Eskridge

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

/eg

NOV 21 1985

Power Systems
Combustion Engineering, Inc.

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POWER SYSTEMS

NIS/85/3028
November 15, 1985

STATUS OF APPARENT NON-COMPLIANCE ITEMS
IDENTIFIED IN INSPECTION REPORT 70-36/85002

1. Following is the status of items listed in the subject report:

OK 1. Tamper - Safe Seal Program

a. As stated in the inspection report, CE Hematite followed the FNMC Plan commitments concerning items with broken seals. The FNMC Plan procedure for handling broken seals was discussed during the inventory with two members of the NRC inspection team, who stated they had "no problem" and declined our offer to remeasure these items if there was any question of which requirements applied. The seals were properly applied, but were broken in handling.

OK We will hereafter remeasure any items with broken seals at inventory time. We disagree that this is an item of non-compliance in view of Paragraph 7.4.6 of the FNMC Plan.

b. The unsealed containers of lab samples contained items which had U-235 content of less than 10 grams each. The samples were loaded into the containers immediately prior to the inventory to reduce the number of line items and computer data entry time. Similar containers of samples which had been loaded earlier and placed in storage were sealed.

OK In the future all sample aggregate containers will be sealed for inventory.

1. (continued)

   c. The date on which an item was sampled is difficult to audit at this time. The lab analysis sheets have only the date the sample was submitted to the laboratory. Items are sometimes resampled for a different analysis at a later date (for example when isotopic composites are prepared) and resealed, so there may be more than one sample date. In other cases, seals were replaced due to NRC concerns over large wire loops, even though the original seals prevented opening of the container. In both examples the "date sampled" on the analysis sheet would legitimately not agree with the date the container was originally sampled and sealed by an operator. Thus, it is quite likely that the inspection team misinterpreted the data that they were reviewing. We feel that this is certainly a questionable item of non-compliance. CE Hematite is, however, initiating use of a sampling/sealing traveler for inventory sampling so that there will be a clear record of both dates for subsequent audits and inspections.

   d. CE Hematite understands that the Master Seal Log Book does not need to be locked when the responsible individual is in the area. Also, the inspection report incorrectly states that the seal log book was stored in an uncontrolled area (the entire fenced manufacturing area is a controlled area).

      The Material Control Supervisor has, however, been reinstructed, to keep the log in a locked location at all times that it is not in use or under direct surveillance. This will continue to be audited.

2. Production personnel involved in sampling and measurement will be retrained and qualified. This training and qualification will be documented and the results maintained on file. Periodic requalification will be conducted, although our FNMC Plan states that such training is provided on an "as needed" basis.

3. CE Hematite believes that our written material control and accounting procedures have been adequate in that they have repeatedly been demonstrated to be "sufficient to enable the licensee to account for the SNM in his possession", as required by 10 CFR 70.51 (c). The fact that procedures required by 10 CFR 70.58 (g) and 10 CFR 70.58 (k) are adequate in practice is acknowledged in the inspection report.

   CE Hematite has, however, taken the following actions:

   a. We have written detailed procedures for the bi-monthly analysis and response to out-of-control situations. These procedures will be included in the Measurement Control Manual.

   b. The procedure for semi-annual analysis of control data has been revised to include current practices being performed in the analysis.

3. (continued)

   c. Detailed procedures for practices involving shipper-receiver differences and reconciliation have been written.

   d. Detailed procedures for reconciling subsidiary and control accounts to the results of the physical inventory have been written.

4. The question of co-variance effects was raised during the 1984 inspection. Consequently it was planned to modify the new computer program to handle this requirement as part of a general improvement based on operating experience. However, the program was not ready for initial use until the July 1985 inventory. Also, our records system required extensive revision to implement the new items-on-hand computer program prior to this inventory. Identification of items measured in a previous period was especially difficult under our old system. These problems have now been solved and revisions are being implemented. Since the program cannot be revised in time for the next scheduled inventory, CE Hematite will manually eliminate known co-variant items in LEID calculations for this inventory.

   CE Hematite believes that 10 CFR 70.57 (b) (4) is the applicable section of the regulations concerning random sampling error. However, License Condition 4.11 states that "not withstanding requirements of 10 CFR 70.57 (b) (4)----the licensee shall follow sections 4.2.4.2 and 4.3 of the plan----". These sections of our FNMC plan require redetermination of sampling error whenever:

   a. The process is changed so that the physical properties of the material change.

   b. Blending or mixing processes change.

   c. Sampling technique/equipment is changed.

   Thus, a redetermination of sampling error is not required for each inventory period. It is the opinion of CE Hematite that we are in full compliance on this item.

   As recommended, we are revising the computer program to change the method of calculating random error variance. The revised program will calculate the actual standard deviation of the range using control data accumulated during the inventory period.

II. Management Controls

CE Hematite does not agree that the "trend of negative inspection findings" indicates a lack the management effectiveness in regard to the MC&A programs. The CE Hematite program is not as ineffective as implied by the inspection report. Rather the violations cited resulted from:

1. Differences in interpretation of the regulations, FNMC Plan and/or license conditions.

2. A more restrictive interpretation of the regulations than those of previous inspectors and Safeguards Licensing.

3. Apparent differences in opinion between members of the NRC inspection team.

4. Failure to allow credit for work in progress.

5. Misinterpretation of certain data reviewed.

6. Defining the regulations to take precedence over our FNMC Plan, contrary to instructions from Safeguards Licensing.

Although CE Hematite is disappointed in the inspection report, we believe that the items do not have significant impact on our program. AGNOS However, we will take steps as outlined below to resolve these items and to assure compliance with appropriate regulations.

III. Short Term Goals

Initial efforts will be directed at taking corrective actions on each item as discussed above. Those actions will be completed before the end of the present inventory period, except for the computer program revision and the retraining program. Those items will be completed by the July, 1986 inventory.

Hematite management will also conduct a thorough review of the regulatory and FNMC Plan requirements for all aspects of the MC&A Program. Corrective action will be taken as indicated to resolve any problem areas identified by this review. This review will be completed by the end of March, 1986.

Also, an auditor from Windsor will be present to observe the next scheduled physical inventory.

IV. Long Term Goals

The next annual audit, scheduled for 1986, will be conducted by a Windsor team. This will be a comprehensive audit covering the entire MC&A program. Regulatory Guide 5.51 (Management Review of Nuclear Material Control and Accounting Systems) will be used to provide guidance.