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RE: 90167-N



October 10, 1990

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**Certified Mail
Return Receipt Requested**

Mr. Robert D. Martin
Regional Administrator
U.S. NUCLEAR REGULATORY COMMISSION
Region IV
611 Ryan Plaza Drive, Suite 1000
Arlington, Texas 76011

RE: Sequoyah Fuels Corporation
Interim Compliance Oversight Team Report

Dear Mr. Martin:

Sequoyah Fuels Corporation (SFC) herein submits the first report of the Interim Compliance Oversight Team (ICOT). The Team has evaluated SFC's performance in the areas of health and safety, environmental and regulatory compliance, licensing, and quality assurance. The ICOT is continuing to evaluate these areas, as well as SFC's response to the Order Modifying License. Based on the Team's evaluations, recommendations have been made. The evaluations and recommendations to date are documented in the attached report.

I have reviewed the ICOT report and concur with the evaluations and recommendations it contains. It is SFC's intent to implement the ICOT recommendations. To that end, we will be communicating with NRC licensing personnel in Washington to discuss how to address the recommended organizational changes.

Please contact me at 918/489-3206, if you have any questions. Should you have questions of specific members of the ICOT, I will be happy to put you in touch with them.

Sincerely,

Beau Graves, Jr.
President

RG:nv

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Enclosure

xc: Charles Haughney, NRC - NMSS
Keith E. Asmussen, ICOT

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TO: Reau Graves, Jr.

DATE: October 4, 1990

FROM: ICOT Team

SUBJECT: Findings and
Recommendations

SUMMARY

Since September 14, 1990 the Interim Compliance Oversight Team (ICOT) has been observing and assessing the performance of the Vice President, Regulatory Affairs (formerly the Manager, Regulatory Compliance & QA), the Manager, Health, Safety & Environment, and the Manager, Environment. Each of these managers is well qualified for their respective positions. They have each demonstrated their dedication to completely and diligently discharging their responsibilities in a professional manner.

However, two areas were identified as requiring improvement. These are: communication and planning. Communication between SFC and NRC has improved to a point that it appears to be entirely satisfactory. On the other hand, while improvement has been observed in the communications within SFC, there still exists a need for further improvement. Likewise, in the area of planning, improvement has been noted, but avoiding and solving of problems through better planning still needs further attention. ICOT has made recommendations aimed at facilitating better planning and communication and will continue to focus on these areas.

COMMUNICATIONS

Communications between some of the SFC organizational units, as well as between individuals within certain areas of the organizational units, has been less than satisfactory. Significant improvement has been observed. Frequent and effective oral and written communication has been observed, for example, between the Operations, Maintenance, Health and Safety, Environment, and Regulatory Compliance functions. Implementation of the recently drafted procedure "Environmental Submission and Reporting Procedure" should resolve the concern about the timely and effective custody and reporting of the results of analysis to the appropriate person for evaluation and action as necessary.

Effective communication between the Health, Safety & Environment Manager and certain of his supervisors was identified as a problem area. It was recommended that brief daily meetings be held with selected supervisors. This recommendation has been implemented. Other organizational

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units should consider holding routine intra-group information meetings.

While significant improvement is evident, further improvement is needed. Effective communication within SFC will continue to be addressed by ICOT.

Communications between SFC and the NRC also had been unsatisfactory. Significant improvement is evident. The NRC was officially notified of two events which occurred during this review period, and did so in a very efficient manner. Frequent communication with on-sight NRC inspectors and with Region IV have been observed. When there has been any doubt as to whether something should be reported to the NRC or whether NRC would want to know about it, discussions have been held with the on-site NRC inspector and/or phone calls have been made to communicate with Region IV. It appears this aspect of SFC communications is functioning satisfactorily.

Implementation of the procedure "Environmental Submission and Reporting Procedure" is one mechanism to help assure continued improved communication of laboratory results in the long term. The routine frequent (e.g. daily) intra-group information meetings is another means for continuing enhanced communications.

To help insure continued awareness of the importance of good communications, the annual refresher training should include a session on the subjects of good internal communications and reporting to the NRC. (The Vice President, Regulatory Affairs has initiated an effort to cause this to happen.) It is further recommended that these subjects also be addressed in detail in the annual Managers and Supervisors Seminar.

COMPLIANCE FUNCTIONS

The Health, Safety and Environment, Environment, and Regulatory Compliance and QA managers are all well qualified individuals who are dedicated to doing a professional job.

Their work is very important to them, they are conscientious in performing their duties, and they take their responsibilities quite seriously.

There are, however, some areas of performance where improvement is necessary. These are discussed below and in other sections of this report, as are recommendations for achieving needed improvements.

QUALITY ASSURANCE AND REGULATORY COMPLIANCE

In other than routine circumstances, the responsibilities of Quality Assurance and those of Regulatory Compliance together require more resources than a single individual. Accordingly, the ICOT strongly supported the prompt filling of the QA Engineering position.

Joe Bohannon has been appointed Quality Assurance Engineer at SFC. There have been no dedicated QA personnel at SFC since the retirement of the QA Manager in May. Mr. Bohannon brings excellent credentials to the QA position.

On October 8, 1990, Chris Dryer, of General Atomics, will join the ICOT team. Chris is a Senior QA Engineer with experience in auditing, supplier evaluating, training, and software development. He will evaluate the QA systems, procedures, documentation and QA manual at SFC. During his stay at SFC, Chris will work closely with Joe Bohannon. This interface will serve as one aspect of training Mr. Bohannon in his new assignment. On-site training should be supplemented by attendance at QA seminars and/or conferences.

The Vice President, Regulatory Affairs (formerly the Manager, Quality Assurance and Regulatory Compliance) has been observed communicating frequently and effectively with all other appropriate organizational units of SFC, both orally and in writing. Since formation of the ICOT, he has also communicated effectively and in a very timely manner with on-site NRC inspectors, Region IV staff, and NRC Headquarters staff. These communications have included two official notifications, several informational communications, both written and oral, to the NRC Regional offices and frequent communications with on-site inspectors.

The Vice President, Regulatory Affairs has played a key role in the planning involved in addressing the various NRC concerns. For example, he prepared a Comprehensive Corrective Action Plan and he initiated efforts to include the importance of good communications and notification/reporting to NRC as topics for annual training.

The Vice President, Regulatory Affairs is acutely aware of the need for good communications within SFC and with the NRC. His performance, as witnessed by the ICOT, has been quite satisfactory. He has been diligent about investigating possible environmental concerns and conscientious about communicating with the NRC in a timely manner.

HEALTH, SAFETY AND ENVIRONMENT (HS&E)

The Manager, Health, Safety and Environment has clearly

demonstrated that health, safety and protection of the environment take precedence over other plant demands such as maintenance or production schedules. It has been noted that he receives good cooperation in this regard from all organizational units at SFC.

The addition of 3 HP Techs should greatly relieve pressure caused by need to respond to numerous special projects underway at SFC. This will increase the number of HP Techs to 9 by October 19, 1990.

Areas requiring improvement:

Planning - There is a tendency in HS&E to respond to problems in a manner comparable to putting out fires. Work is concentrated on the current emergency - but, before a fire is extinguished a new emergency arises, and attention is diverted. This results in many small fires (i.e. problems) left simmering. Few problems are ever fully resolved. This approach must be changed. When problems are uncovered, plans should be made to establish a corrective action approach. This should define: objectives, approach, responsibilities, and schedule. These plans should be monitored, and reported on to management.

Communications - On a too frequent basis, effective communication between the HS&E Manager and his supervisors were not occurring. A daily closed door, no interruptions permitted meeting, was recommended for the purpose of firming up plant activities, H & S activities, manpower needs and utilization, and other activities affecting HP.

It should be noted that the HS&E Manager initiated the recommended routine daily meetings the same day the recommendation was made.

ENVIRONMENTAL

The Manager, Environmental is effectively directing a very extensive, license required, environmental monitoring program. She also played a major role in first developing and now in implementing a Work Plan to complete the actions necessary to be responsive to the September 19, 1990 NRC Order Modifying License.

The numerous and diverse environmental samples are analyzed in the Environmental Laboratory. Many of the results of the analyses of environmental samples, especially those that are not routine, are of great importance to Health Physics. Thus, good communications between Environmental personnel and Health Physics personnel and with the Manager, HS&E, is imperative. This communication appears to be quite good at times and unsatisfactory at others. Communication has to be entirely satisfactory on a consistent basis. While improvement has been noted, and implementation of the recently drafted "Environmental Submission and Reporting Procedure" should result in further improvement, this will continue to be assessed by ICOT.

An Environmental Specialist has been hired. He will be starting work at SFC on October 15, 1990. The addition to the staff of this specialist whose education and experience is in the field of geology/hydrology is a significant enhancement in capability.

The environmental monitoring program is being expanded as a result of the increased attention being given to the monitoring of groundwater, both within and outside the restricted area. Consequently, the number of samples to be processed through the Environmental Laboratory is increasing significantly. For this reason, it is recommended that consideration be given to adding an additional laboratory technician to the staff.

LABORATORIES

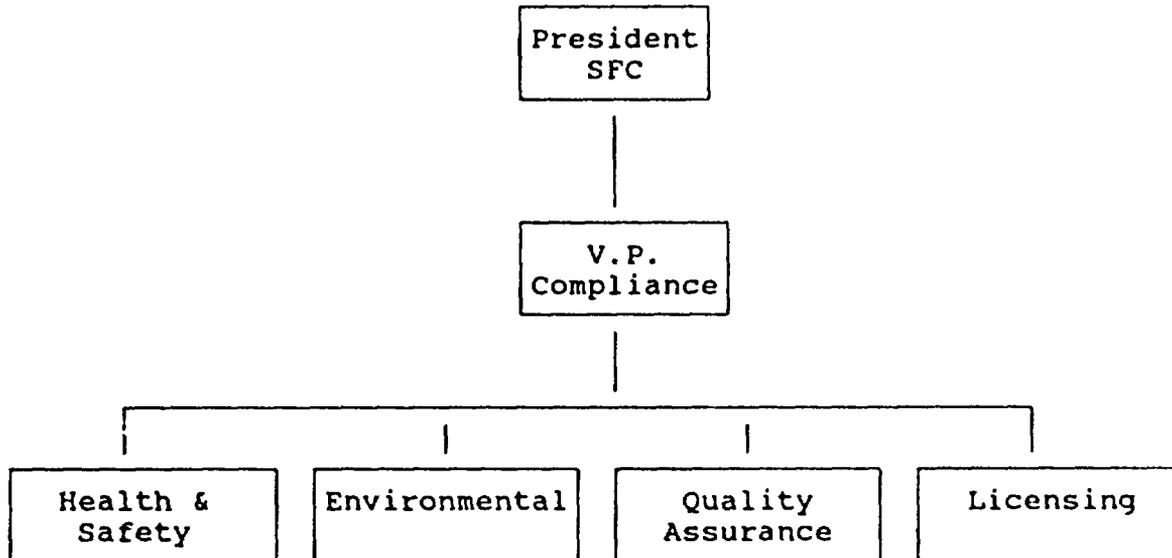
To correct poor communications of laboratory results on Environmental Samples a new procedure has been established. The "Environmental Submission and Reporting Procedure" will be incorporated in the Facility Operating Procedure Manual. This procedure defines responsibilities and establishes a "Chain of Custody/Special Analysis Request" form. This form defines testing parameters, Notification Levels, and Action Levels. This new procedure will be issued and utilized by October 15, 1990.

In reviewing operational procedures in the Environmental Laboratory, it was noted that significant testing, verification and calibration criteria were not documented. The laboratory supervisor has reissued one of the lab procedures in a manner that clearly defines these criteria. This approach will be incorporated into other environmental lab procedures.

The Manager, Process Laboratory responded to Robert/Schornick & Associates (RSA) request to provide the laboratory procedures that are utilized in the analysis of water and soil samples. These procedures were evaluated by RSA, and found to be fully acceptable.

ORGANIZATION

It is recommended that SFC organize all compliance functions under a single executive. The suggested organizational structure would be:



The advantages of this organizational structure would include:

- Improved communications between compliance functions.
- H & S would be relieved of environmental functions, and be better able to focus on H & S responsibilities.
- Improved planning and managing of H & S functions.
- H & S would benefit from consultation with and guidance from a technically trained manager.
- Improved communication with NRC:

One focal point.

Sources of pertinent technical information report directly to focal point.

Submitted by the Interim Compliance Oversight Team:

Keith E. Asmussen
Keith E. Asmussen 10/4/90

Miles P. Wittner
Miles P. Wittner