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December 8, 2004

Ms. B. Marie Moore, Vice President
Safety and Regulatory
Nuclear Fuel Services, Inc.
P.O. Box 337, MS 123
Erwin, Tennessee 37650

SUBJECT: NUCLEAR FUEL SERVICES, INC., AMENDMENT 56 - REVISIONS TO
FUNDAMENTAL NUCLEAR MATERIAL CONTROL PLAN (TAC L31844)

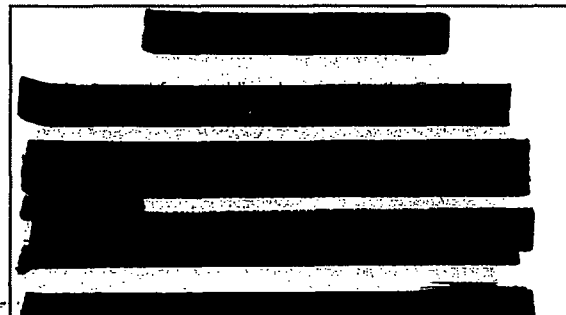
Dear Ms. Moore:

We have received your letter dated August 13, 2004 (NFS Reference No. 30G-04-0822), in which your facility submitted a revision of the Low-Enriched Uranium Fundamental Nuclear Material Control Plan (FNMCP). We have completed our review and evaluation of the revised Plan and have found it to be acceptable and adequate. Accordingly, the existing Safeguards Condition SG-5.2 has been reissued to reflect the current FNMCP, as follows:

SG-5.2 In order to achieve the performance objectives of 10 CFR 74.31(a) and maintain the system capabilities identified in 10 CFR 74.31(c), the licensee shall follow its "Fundamental Nuclear Material Control Plan for SNM of Low Enriched Uranium" with respect to all activities involving SNM of low strategic significance. This Plan, as currently revised and approved, consists of:

| | |
|----------------------------|------------------------------|
| Section 1 ----- | Rev. 5 (dated October 2003) |
| Sections 2, 4, 6 ----- | Rev. 4 (dated August 2004) |
| Section 3 ----- | Rev. 5 (dated August 2004) |
| Section 5 ----- | Rev. 3 (dated January 2002) |
| Sections 7 through 8 ----- | Rev. 2 (dated January 2002) |
| Section 9 ----- | Rev. 1 (dated February 1993) |
| Annex ----- | Rev. 4 (dated January 2002) |

Revisions to this Plan shall be made only in accordance with, and pursuant to, either 10 CFR 70.32(c) or 70.34.



B. M. Moore

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Enclosed are copies of the revised Materials License SNM-124 and the Safeguards Evaluation Report, which includes the Categorical Exclusion determination.

If you have any questions concerning this letter, please contact Julie Olivier of my staff by phone at (301) 415-8098 or by email at jao@nrc.gov.

This letter contains sensitive, unclassified information. Therefore, it will not be placed in the Public Document Room nor the Publicly Available Records (PARS) component of the NRC's document system (ADAMS).

Sincerely,

/RA/

Gary S. Janosko, Chief
Fuel Cycle Facilities Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 70-143
License No.: SNM-124
Amendment: 56

Enclosure: 1. Materials License SNM-124
2. Safeguards Evaluation Report

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|------|----------|----------|------------|----------------|-------------|------------|
| NAME | S. Cross | V. Ordaz | J. Olivier | J. Muszkiewicz | J. Lubinski | G. Janosko |
| DATE | 11/30/04 | 12 /3/04 | 11/23/04 | 12 /4/04 | 12 /8/04 | 12/8/04 |

OFFICIAL RECORD COPY

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December 8, 2004

DOCKET: 70-143

LICENSEE: Nuclear Fuel Services, Inc.
Erwin, Tennessee

SUBJECT: SAFEGUARDS EVALUATION REPORT: SUBMITTAL DATED AUGUST 13, 2004, REVISIONS TO LOW-ENRICHED URANIUM FUNDAMENTAL NUCLEAR MATERIAL CONTROL PLAN

BACKGROUND

By cover letter dated August 13, 2004, Nuclear Fuel Services (NFS) submitted various changes to its Low-Enriched Uranium (LEU) Fundamental Nuclear Material Control (FNMC) Plan. The revisions to the Plan are necessary to update organizational changes and to incorporate the "E-Z Loc" seals for the Blended Low Enriched Uranium Complex. The revisions of the Plan were processed pursuant to the provisions of 10 CFR 70.32 since none of the submitted changes represented a decrease in effectiveness relative to the regulatory requirements in the existing approved Plan.

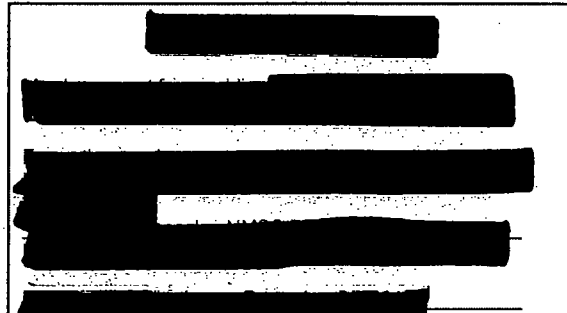
DISCUSSION

The Plan changes affect only the text in Sections 2, 3, 4, and 6 of the LEU FNMC Plan. Each subject section was submitted in its entirety with a new designated date and revision number.

Upon review of the revised sections of the licensee's LEU FNMC Plan, it is determined that the Plan revisions continue to provide the necessary elements and commitments for an adequate material control and accounting (MC&A) program at NFS.

ENVIRONMENTAL REVIEW

The staff has determined that the revisions of the facility's LEU FNMC Plan involve the safeguards plans and material accountability which are categorically excluded from the requirements to prepare a site-specific environmental assessment. Therefore, in accordance with 10 CFR 51.22(c)(12), neither an environmental assessment nor an environmental impact statement is warranted for this action.



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CONCLUSION

The staff concludes that the revised LEU FNMC Plan contains appropriate and necessary commitments to satisfy applicable MC&A regulations specified in 10 CFR Part 74 and that approving the submitted Plan revision will not reduce the effectiveness of the licensee's safeguards program. Thus, the existing Safeguards License Condition SG-5.2 is being reissued to update the requested Plan revision.

PRINCIPAL CONTRIBUTORS

Michael Kelly
Julie Olivier

