

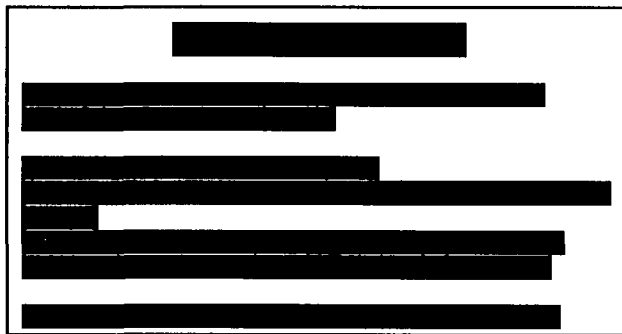
October 29, 2004

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

SUBJECT: NUCLEAR FUEL SERVICES, INC., - ADMINISTRATIVE CHANGE TO MATERIALS LICENSE SNM-124 - REVISION OF PHYSICAL PROTECTION PLAN, SAFEGUARDS CONTINGENCY PLAN, AND TRAINING AND QUALIFICATION PLAN

Dear Ms. Moore:

By letter dated April 29, 2004, Nuclear Fuel Services, Inc. (NFS), submitted a response in accordance with Order EA-03-087, requiring compliance with the revised Design Basis Threat for Category I Fuel Facilities, dated April 29, 2003, (DBT Order). Section III.A of the DBT Order requires licensees to revise their Physical Protection Plan (PPP), Training and Qualifications Plan (TQP), and Safeguards Contingency Plan (SCP) to provide protection against the revised DBT set forth in Attachment I to the Order. In accordance with your submittals dated April 28, June 18, August 30, September 29, October 12, October 19 and October 26, 2004, and pursuant to Part 70 to Title 10 of the *Code of Federal Regulations* (CFR), an administrative change to Materials License SNM-124 is being made to incorporate the NFS Physical Protection Plan, Revision 0, NFS Safeguards Contingency Response Plan, Revision 0, and NFS Site Security Training Plan, Revision 0. All three plans are dated Oct. 26, 2004.



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The Nuclear Regulatory Commission (NRC or Commission) staff has determined that subject to subsequent inspection and evaluation, these plans contain the necessary programmatic elements that, when effectively implemented, will provide the required high assurance that NFS will be protected against the revised DBT. The effectiveness of these plans will be judged, in part, on NFS's ability to meet regulatory requirements through implementing procedures and site practices. As such, those procedures and practices will continue to be subject to future NRC review and inspection, including NRC-conducted force-on-force exercises.

The NRC staff noted that your PPP, TQP and/or SCP included alternatives to certain requirements of 10 CFR 73.46. In each case, pursuant to 10 CFR 73.46(a), the NRC staff found that the alternate measures provide an overall level of performance to meet the general performance objective and requirements of 10 CFR 73.20 and the performance capability requirements of 10 CFR 73.45.

The existing Safeguards License Conditions SG-6.1, 6.2, and 6.3 in Materials License SNM-124 have been revised to update the requested revisions as follows:

- SG-6.1 The licensee shall follow the physical protection plan entitled "NFS Physical Protection Plan for Protection Of Category 1 High Enriched Uranium (Strategic Special Nuclear Material), Revision 0," dated October 26, 2004, and as it may be further revised in accordance with the provisions of 10 CFR 70.32(e).

- SG-6.2 The licensee shall follow the safeguards contingency plan titled "NFS Safeguards Contingency Response Plan, Revision 0," dated October 26, 2004, and as may be further revised in accordance with the provisions of 10 CFR 70.32(g).

- SG-6.3 The licensee shall follow the guard training and qualification plan titled "NFS Site Security Training Plan, Revision 0," dated October 26, 2004, and as may be further revised in accordance with the provisions of 10 CFR 70.32(e).

All other conditions of this license shall remain the same. The issuance of this administrative change to Materials License SNM-124 is in accordance with 10 CFR Part 51 of the Commission's regulations and all applicable requirements have been satisfied. Enclosed are copies of the revised Materials License SNM-124 and the Safeguards Evaluation Report (SER).

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

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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 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 54

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

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Sincerely,

/RA/

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Docket No.: 70-143
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Order Letter.wpd

* Please see previous concurrence

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