UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION II
SAM NUNN ATLANTA FEDERAL CENTER
61 FORSYTH STREET, SW, SUITE 23T85
ATLANTA, GEORGIA 30303-8931

January 5, 2007

Mr. D. B. Ferguson, Jr.
President & CEO
Nuclear Fuel Services, Inc.
P. O. Box 337, MS 123
Erwin, TN 37650

SUBJECT: NRC INSPECTION REPORT NO. 70-143/2006-021

Dear Mr. Ferguson:

This refers to the inspection conducted from December 4, 2006, through December 8, 2006, at the Nuclear Fuel Services facility. The purpose of the inspection was to determine if the hourly employees returning to work from the strike were being re-integrated safely and in accordance with NRC requirements. At the conclusion of the inspection, the findings were discussed with those members of your staff identified in the enclosed report.

Within this areas of review, the inspection consisted of selective examinations of procedures and representative records, interviews with personnel, and observation of activities in progress.

Within the scope of the inspection, no violations or deviations were identified.

This letter and the enclosed report contain sensitive unclassified information and will not be available for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS).

Should you have any questions concerning this letter, please contact us.

Sincerely,

/RA/ D. Collins for

David A. Ayres, Chief
Fuel Facility Inspection Branch 1
Division of Fuel Facility Inspection

Docket No. 70-143
License No. SNM-124

Enclosure: (See page 2)

[redacted]

Enclosure: NRC Inspection Report No. 70-143/2006-021

cc w/encl:
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Vice President
Safety and Regulatory Management
Nuclear Fuel Services, Inc.
P. O. Box 337, MS 123
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ADAMS: X Yes ACCESSION NUMBER:_____

OFFICE	RII:DFFI	RII:DFFI	RII:DFFI		RII:DFFI		
SIGNATURE	SB 1/5/07	MC 1/6/07					
NAME	SBurris*	MCrespo*					
DATE							
E-MAIL COPY?	Yes	YES	YES NO	YES NO	YES NO	YES NO	YES NO

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U.S. NUCLEAR REGULATORY COMMISSION

REGION II

Docket No.:	70-143
License No.:	SNM-124
Report No.:	70-143/2006-021
Licensee:	Nuclear Fuel Services, Inc.
Facility:	Erwin Facility
Location:	Erwin, TN 37650
Dates:	December 4, 2006 - December 8, 2006
Inspectors:	S. Burris, Senior Resident Inspector M. Crespo, Senior Fuel Facilities Inspector G. Smith, Resident Inspector
Approved by:	D. Ayres, Chief Fuel Facility Inspection Branch 1 Division of Fuel Facility Inspection

Enclosure

EXECUTIVE SUMMARY

Nuclear Fuel Services, Inc.
NRC Inspection Report 70-143/2006-021

This inspection included observations and reviews of documentation conducted by the resident inspectors and a regional inspector during normal and off-normal shifts in the areas of Plant Operations, Operator Training/ Retraining and Management Organization and Controls in order to evaluate the licensee's resumption of normal operations after a strike.

Resumption of Normal Operations After a Strike

- The licensee has established controls and procedures to effectively return to normal operations after cessation of the strike activities. The licensee resumption plan and activities were adequate. The licensee had developed an adequate strike contingency plan and had made the necessary security preparations for the strike and return to work (Paragraph 2 a).

Attachment:
Partial List of Persons Contacted
Inspection Procedures Used
List of Items Opened, Closed, and Discussed

REPORT DETAILS

1. Summary of Plant Status

Fuel manufacturing, training activities, and scrap recovery processes were operated throughout the reporting period. Blended low-enriched uranium (BLEU) preparation and oxide conversion activities operated normally during the inspection period. On November 6, 2006, NFS began the return of union employees to the site. The restaffing will be on a gradual basis with approximately 57 individuals having returned. Return to full complement of staffing will take several months. Contract negotiations will continue in parallel with the restaffing efforts.

2. Resumption of Normal Operations After a Strike (IP 92712)

a. Inspection Scope and Observations

The inspectors reviewed the licensee's actions in response to the returning former striking union members. Observation of vehicle access and personnel egress from the site did not identify any problems. The inspectors interviewed managers and supervisors in critical areas of the facility to ensure that they were currently completing those tasks assigned to them. The licensee had implemented their process for incorporating the returning union members back into the individual shifts, upon completion of the required training.

The inspectors observed numerous activities and determined that personnel assignments have been properly and adequately performed.

The inspectors have found the licensee's continuing security preparations during and after the strike to be effective in providing site control and security.

The inspectors reviewed the re-qualification training being performed for the returning union members. The inspectors noted that adequate training was being given to all returning employees on the procedural and management expectation changes that had occurred since the May 16, 2006 strike. The inspectors reviewed the qualifications of some of the returning operators that had already completed the training and had returned to their position. The operators were noted to be fully qualified and knowledgeable of their operating area.

b. Conclusions

The licensee has established controls and procedures to effectively return to normal operations after cessation of the strike activities. The licensee resumption plan and activities were adequate. The licensee had developed an adequate strike contingency plan and had made the necessary security preparations for the strike and return to work.

3. Exit Meeting

The inspection scope and results were presented to licensee management on December 8, 2006. No dissenting comments were received from the licensee.

ATTACHMENT

1. PERSONS CONTACTED

Partial List of Persons Contacted

R. Droke, Licensing & Compliance Director/Acting Safety Director
K. Guinn, Advisor
G. Hazlewood, Engineering Director
N. Kenner, Training Manager
T. Lindstrom, Executive Vice President, HEU Operations
J. McCabe, Corrective Actions Program Manager
M. Moore, Vice President, Safety & Regulatory
J. Nagy, Senior Licensing & Regulatory Compliance Officer
R. Shackelford, Nuclear Criticality Safety Manager
A. Vaughan, Fuel Production Director
J. Wheeler, Licensing & ISA Manager
D. Wise, Vice President, Fuel Production

2. INSPECTION PROCEDURES USED

IP 92712 Resumption of Normal Operations After a Strike

3. LIST OF ITEMS OPENED, CLOSED, AND DISCUSSED

None