



UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION II
SAM NUNN ATLANTA FEDERAL CENTER
61 FORSYTH STREET, SW, SUITE 23T85
ATLANTA, GEORGIA 30303-8931

March 18, 2006

CAL No. 02-06-003

Mr. Kerry Schutt
President
Nuclear Fuel Services, Inc.
P.O. Box 337, MS 123
Erwin, TN 37650

SUBJECT: CONFIRMATORY ACTION LETTER

Dear Mr. Schutt:

On March 7, 2006, you notified the NRC Operations Center that approximately 37 liters of high enriched uranyl nitrate (HEUN) solution was inadvertently transferred to a filter enclosure not approved for operation in the Blended Low-Enriched Uranium Preparation Facility (BPF). The HEUN solution flowed through drains in the enclosure and spilled onto the BPF floor. Upon discovery of the spill corrective actions were initiated. This event raises significant safety concerns because operators were unaware that their actions could result in transfer of HEU to the filter enclosure.

On March 13, 2006, you notified the NRC Operations Center that an unsafe accumulation point had been identified in the BPF floor. A pit 8-10 inches deep was found under an equipment elevator. This event raises significant safety concerns because solution leaks are a credible abnormal condition in the BPF and the BPF floor is identified as an item relied on for safety (IROFS) to maintain solution leaks in a safe slab configuration. There were no controls in place to prevent a solution leak from entering the pit.

Pursuant to letters from NFS dated March 15 and 16, 2006, and a discussion between yourself and Douglas M. Collins of the NRC on March 17, 2006, it is our understanding that you have taken (or will take) the following actions:

1. Maintain the BPF facility shutdown until you have completed your investigation, developed corrective actions, discussed these items with the NRC as specified in your letters, and the NRC has no objection to restart;

2. Provide to the NRC by March 24, 2006, a justification for continued operation of the HEU fuel manufacturing operations and related processes, considering the findings of the NRC Special Inspection Team and your own internal reviews and investigation to date. Elements of the justification should include:
 - a. Assurance of the adequacy of the NFS design process to identify and address safety concerns, including decisions to place equipment in standby or shutdown status without removing it from the process.
 - b. Assurance that the NFS configuration management program will maintain an adequate design basis including accurate as-built drawings.
 - c. Assurance that NFS operations staff will be able to recognize and question indications that SNM is present in unauthorized locations.
 - d. Assurance that NFS managers will adequately assess the significance of upset conditions and order appropriate follow-up actions.
 - e. Assurance that NFS procedures adequately control verification of proper system alignment, including preparations for and realignment after maintenance.
 - f. Assurance that the integrated safety analysis has identified all credible accident sequences.
 - g. Assurance that management measures ensure that IROFS will be available and reliable to perform their intended function when needed.
 - h. Assurance that operations involving licensed materials are conducted using procedures approved in accordance with license requirements.

Pursuant to Section 182 of the Atomic Energy Act, 42 U.S.C. 2232, you are required to:

1. Notify me immediately if your understanding differs from that set forth above;
2. Notify me if for any reason you cannot complete the actions within the specified schedule and advise me in writing of your modified schedule in advance of the change; and
3. Notify me in writing when you have completed the actions addressed in this Confirmatory Action Letter.

Issuance of this Confirmatory Action Letter does not preclude issuance of an order formalizing the above commitments or requiring other actions on the part of the licensee; nor does it preclude the NRC from taking enforcement action for violations of NRC requirements that may have prompted the issuance of this letter. In addition, failure to take the actions addressed in this Confirmatory Action Letter may result in enforcement action.

K. Schutt

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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/

William D. Travers
Regional Administrator

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

cc: B. Marie Moore
Vice President
Safety and Regulatory Management
Nuclear Fuel Services, Inc.
P. O. Box 337, MS 123
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