U.S. Nuclear Regulatory Commission

Licensee Performance Review (LPR)
Nuclear Fuel Services, Inc.
Erwin, Tennessee
February 28, 2008

Enclosure 2

This is a category 1 meeting in which the public is invited to observe and will have one or more opportunities to communicate with the NRC after the business portion, but before the meeting is adjourned.

Agenda

7:30 p.m.	Introduction	NRC NFS, Inc.
7:45 p.m.	Discussion of the Previous Licensee Performance Reviews (Safety Operations, Radiological Controls, Facility Support, Special Topics, and Safeguards)	NRC
8:00 p.m.	Discussion of Current Licensee Performance	NRC NFS, Inc.
8:30 p.m.	Closing Remarks	NRC

NRC Staff Presenters

Victor McCree, **Acting Regional Administrator, Region II (R-II)**

Robert Pierson, **Director, Division of Fuel Cycle and Safeguards (NMSS)**

Douglas Collins, **Director, Division of Fuel Facility Inspection, R-II**

NRC Key Messages

- **NFS continues to maintain safety and security for its workers and the public**

- **NRC noted an increase in the number of procedural violations identified in this period**

- **NRC will continue enhanced oversight at NFS until improved performance is verified**

LPR Process

Goal of the LPR

Perform a comprehensive review of a fuel cycle facility in the following Performance areas:

- **Safety Operations**
- **Radiological Controls**
- **Facility Support**
- **Special Topics**
- **Safeguards**

LPR Process

Results of the LPR

- **Provide a high level assessment of a fuel facility's performance**

- **Provide input for future inspection planning**

LPR Process

How NRC conducts the LPR

- **Performance information obtained from inspection and licensing staff**
- **Information from each Performance Area is assessed by all participants**

LPR Process

How NRC conducts the LPR (continued)

- **Performance review**
  - **Performance Information presented/defended with supporting data**
  - **Agreement reached on overall performance assessed**
  - **Changes in the inspection program considered in response to performance trends**
- **Results communicated to licensee through a report and a public meeting**

Previous Performance

October 2006 to July 2007

Area Needing Improvement:

- Development of and adherence to approved procedures for activities, including those outside of the main process areas

Current Performance

Licensee Performance Review
for
Nuclear Fuel Services, Inc.

July 29, 2007, to December 31, 2007

Performance Area

Facility Support

(includes ***Maintenance and Surveillance, Training, Management Organization and Controls, and Emergency Preparedness***)

- Management oversight to ensure adherence to operational, radiological protection, and engineering procedures

Performance Area

Special Topics (*Licensing Activities*)

- Management oversight of planning and quality of licensing requests

Remaining Performance Areas

Safety Operations (includes ***Chemical Safety, Criticality Safety, Plant Operations and Fire Safety***)

Radiological Controls (includes ***Radiation Protection, Environmental Protection, Waste Management and Transportation***)

Safeguards (includes ***Material Control and Accounting and Physical Protection***)

- No specific areas needing improvement were identified

Closing Remarks

NRC Regulation of Fuel Facilities

What is a Fuel Facility?

A fuel facility is a factory that uses uranium to make fuel for nuclear reactors.

Why and How does NRC License?

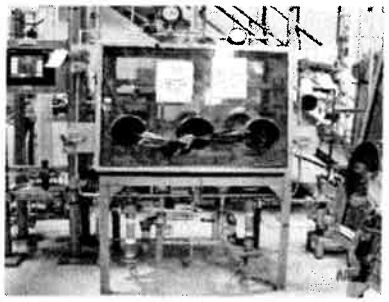
Purpose: To determine if a company can possess and use uranium safely and securely.

Approval: NRC will issue a license or certificate if the agency is satisfied that the application meets all of the requirements of the Atomic Energy Act and NRC regulations.

Term: A license/certificate expires in 10 to 40 years and can be renewed.

Changes: Major changes must be approved by NRC. Safety Evaluation reports and Environmental Assessments explain why NRC found the changes acceptable.

Hearings: Anybody impacted by a new license/certificate or a change may request a hearing. The license/certificate renewal or change may be issued before the hearing is held. Orders may be issued to change or reverse the license/certificate.



Why and How does NRC Inspect?

Purpose: To determine if operations are safe and secure and meet NRC requirements.

Inspectors:

- **Resident Inspectors:** Work full time at only one site. One or two NRC resident inspectors may be assigned to a site.
- **Specialist Inspectors:** Travel to fuel facilities and do many different types of specialized inspections.

Areas Inspected:

- Radiation Safety
- Fire Safety
- Chemical Safety
- Security
- Emergency preparedness
- Nuclear Criticality Safety
- Material Accounting and Control (ensuring that nuclear material is not lost)

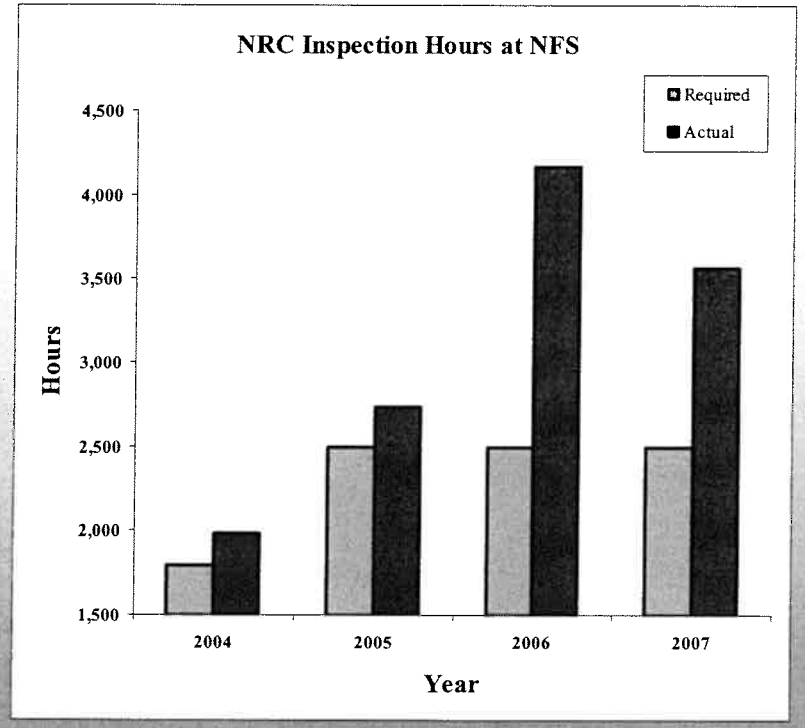
Violations: If a licensee or certificate holder fails to meet a requirement, NRC may issue a violation or orders. Any penalty will depend on the violation's impact on safety and security.

NRC Oversight of NFS

NRC Inspection Facts

- Inspectors spent an extra 748 hours at NFS in 2005 compared with 2004.
- Required minimum inspections hours at NFS increased from ~1,800 hours to ~2,500 hours due to the addition of a second on-site resident inspector in 2005.
- The hours of inspection at NFS increased 35 percent in 2006 based on events that occurred that year.
- The additional inspection effort over the core requirement in 2007 was warranted by the facility's performance in 2006.
- The NRC is committed to conducting sufficient inspections in 2008 to ensure public health and safety.

NRC Inspection Hours at NFS since 2004



NFS' Licensee Performance Reviews since 2005

Jan. 2005

- NRC identified 8 areas that needed improvement: Accurate safety analyses, Oversight of activities, Discipline in radiation protection, Quality assurance of packages, Using the corrective action program, Configuration control, Reliable criticality alarm, and Control of nuclear material.
- NRC was concerned that many small problems could lead to bigger problems.
- NRC Response: Extra NRC inspections were added.
  A second On-Site NRC Resident Inspector was added.

Feb. 2006

- NRC identified 5 areas that needed improvement: Ensuring safety controls are used, Configuration control, Using the corrective action program, and Two Safeguards items.
- Fewer violations identified in the LPR (14 vs. 27), but half the plant was shut down.
- NRC Response: Continue enhanced oversight.

Oct. 2006

- NRC identified 1 area that needed improvement: Writing and following procedures.
- 4 violations identified in the LPR.
- Improvement noted, but the plant was not challenged with new processes.
- NRC Response: Continue enhanced oversight.

July 2007

- NRC identified 2 areas that needed improvement: Management oversight to ensure adherence to procedures and Management oversight of Licensing requests.
- 8 violations identified in the LPR.

Dec. 2007

- Plant in full production.

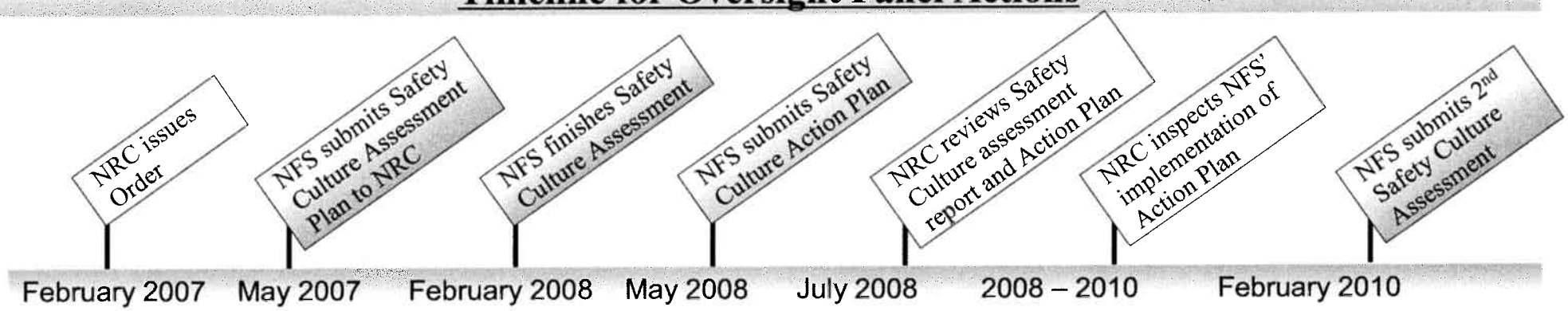
NRC Safety Culture Oversight Panel

Why was the Oversight Panel formed?

- The Panel was formed to monitor and assess NFS' implementation of the 2007 Order.
- The 2007 Order required corrective actions for a number of significant violations, performance of an independent safety culture assessment, and a license change to improve change control.
- Oversee/coordinate the inspections that will be performed to verify the implementation of the items above.

What does the Oversight Panel do?

The Oversight Panel is a group of supervisors and staff in the NRC who:

- review the qualifications of the independent third party that performs a safety culture assessment (including providing a plan and schedule for performing the assessment).
- review the corrective actions for escalated enforcement issues outlined in the Order.
- review the Licensee's configuration management program.

Timeline for Oversight Panel Actions