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August 27, 2004

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

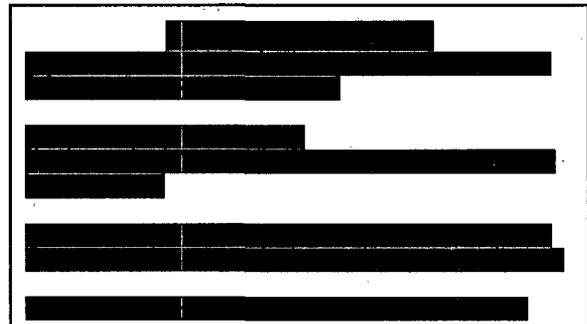
SUBJECT: INSPECTION REPORT NO. 70-143/2004-204

Dear Mr. Schutt:

The U.S. Nuclear Regulatory Commission (NRC) conducted a routine announced criticality safety inspection at your facility in Erwin, Tennessee, from July 26 through July 30, 2004. The purpose of the inspection was to determine whether activities involving special nuclear material (SNM) were conducted safely and in accordance with NRC regulatory requirements. An exit meeting was held at the conclusion of the inspection on July 30, 2004. The inspection observations and findings were discussed with members of your staff.

The inspection, which is described in the enclosure, focused on: 1) the most hazardous activities and plant conditions; 2) the most important controls relied on for safety; and 3) the principal management measures for ensuring controls are capable, available, and reliable to perform their function relied on for safety. The inspection consisted of facility walkdowns, selective examinations of relevant procedures and records, examinations of safety-related equipment, interviews with plant personnel, and observations of plant conditions and activities in progress. Throughout this inspection, observations were discussed with your managers and staff. No safety concerns were identified during the inspection.

CONTACT: Dennis C. Morey, NMSS/FCSS
(301) 415-8144



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K. Schutt

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If you have any questions concerning this report, please contact Dennis Morey, of my staff, at (301) 415-6107.

Sincerely,

/RA/

Melanie A. Galloway, Chief
Technical Support Group
Division of Fuel Cycle Safety
and Safeguards, NMSS

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

Enclosure: Inspection Report 70-143/2004-204

[REDACTED]

K. Schutt

If you have any questions concerning this report, please contact Dennis Morey, of my staff, at (301) 415-6107.

Sincerely,

/RA/

Melanie A. Galloway, Chief
Technical Support Group
Division of Fuel Cycle Safety
and Safeguards, NMSS

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

Enclosure: Inspection Report 70-143/2004-204

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