

[REDACTED]

February 11, 2005

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

SUBJECT: INSPECTION REPORT NO. 70-143/2004-207 AND NOTICE OF VIOLATION

Dear Mr. Schutt:

The U.S. Nuclear Regulatory Commission (NRC) conducted a routine announced criticality safety inspection at your facility in Erwin, Tennessee, from December 13 through 17, 2004. The purpose of the inspection was to determine whether activities involving licensed materials were conducted safely and in accordance with NRC requirements. An exit meeting was held on December 17, 2004, and a telephone re-exit was held on January 13, 2005, with your Vice President, Safety and Regulatory. 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 functions 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.

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K. Schutt

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Based on the results of the inspection, the NRC has determined that four Severity Level IV violations of NRC requirements occurred. The violations were evaluated in accordance with the "General Statement of Policy and Procedure for NRC Enforcement Actions" (Enforcement Policy), NUREG-1600. The current Enforcement Policy is included on the NRC's web site at [www.nrc.gov](http://www.nrc.gov); select What We Do, Enforcement, then Enforcement Policy. Three of the violations are being cited in the enclosed Notice of Violation (Notice) as Severity Level IV violations, and the circumstances surrounding them are described in detail in the subject inspection report. Two violations being cited in the Notice were identified by the NRC during the inspection. The third violation being cited in the Notice was licensee identified but was repetitive as a result of inadequate corrective actions. The violations being cited as Severity Level IV violations are the failure to follow procedures, the failure to maintain double contingency protection, and the failure to ensure that the k-effective for credible abnormal conditions does not exceed 0.95. A fourth violation is not being cited since it was licensee-identified, non-repetitive and prompt corrective actions were completed. The non-cited violation is the failure to obtain criticality safety approval for use of new equipment.

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice of Violation when preparing your response. The NRC will use your response, in part, to determine whether further enforcement action is necessary to ensure compliance with regulatory requirements.

If you have any questions concerning this report, please contact Lawrence Berg, of my staff, at (301) 415-6215.

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

Enclosures: (1) Notice of Violation  
(2) Inspection Report 70-143/2004-207

K. Schutt

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