

[REDACTED]

June 2, 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. 70-143/2005-203 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 May 2 through 4, 2005. 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 May 4, 2005. 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 a Severity Level IV violation of NRC requirements occurred. The violation was 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; select What We Do, Enforcement, then Enforcement Policy. The violation is being cited in the enclosed Notice of Violation (Notice) as a Severity Level IV violation, and the circumstances surrounding it are described in detail in the subject inspection report. The violation is being cited in the Notice because it was identified as the result of an event. The violation being cited as a Severity Level IV violation is the failure to establish double contingency.

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 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

Enclosures: (1) Notice of Violation
(2) Inspection Report 70-143/2005-203

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