



**UNITED STATES  
NUCLEAR REGULATORY COMMISSION**  
REGION II  
SAM NUNN ATLANTA FEDERAL CENTER  
61 FORSYTH STREET, SW, SUITE 23T85  
ATLANTA, GEORGIA 30303-8931

April 9, 2009

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

SUBJECT: NRC INSPECTION REPORT NO. 70-143/2009-006

Dear Mr. Kudsin:

This letter refers to the team inspection conducted from February 23 - 26, 2009, at the Nuclear Fuel Services (NFS) facility in Erwin, TN. The purpose of the inspection was to determine whether activities authorized under the license were conducted safely and in accordance with NRC requirements. At the conclusion of the inspections, the findings were discussed on February 26, 2009, with those members of your staff identified in the enclosed report.

The inspection consisted of a focused examination of security and material control and accounting (MC&A) activities at the facility. The specific items examined during the inspection are identified in the enclosed report. The inspection was conducted through a selective examination of procedures and representative records, observations of activities in progress, and interviews with personnel. The reviews were used to determine if NFS was effectively implementing its Safety Culture Improvement Plan as it related to the recommendations from the classified portion of the Safety Culture Board of Advisors (SCuBA) report.

The inspection was conducted as part of NRC's enhanced oversight of NFS's implementation of its Safety Culture Improvement Plan which was submitted to NRC on May 15, 2008. The NRC is currently formulating plans for its own independent evaluation of safety culture at NFS. Information and observations gathered during the onsite inspection described in the attached report will be considered as NRC further develops the scope and timing of its independent review of safety culture.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter, and its enclosure will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

D. Kudsin

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Should you have any questions concerning this inspection, please contact us.

Sincerely,

*/RA/*

D. Charles Payne, Chief  
Fuel Facility Inspection Branch 1  
Division of Fuel Facility Inspection

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

Enclosure: NRC Inspection Report No. 70-143/2009-006

cc w/encl:  
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cc w/encl: (Cont'd on page 3)

D. Kudsin

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(cc w/encl: cont'd)  
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U. S. NUCLEAR REGULATORY COMMISSION

REGION II

Docket No.: 70-143

License No.: SNM-124

Report No.: 70-143/2009-006

Licensee: Nuclear Fuel Services, Inc.

Facility: Erwin Facility

Location: Erwin, TN 37650

Dates: February 23 - 26, 2009

Inspectors: M. Crespo, Senior Fuel Facility Inspector  
I. Hall, Physical Security Inspector  
O. Bukharin, Senior Security Specialist

Accompanying  
Personnel: D. Charles Payne, Chief, Fuel Facility Inspection Branch 1

Approved by: D. Charles Payne, Chief  
Fuel Facility Inspection Branch 1  
Division of Fuel Facility Inspection

Enclosure

## **EXECUTIVE SUMMARY**

Nuclear Fuel Services, Inc.  
NRC Inspection Report 70-143/2009-006

This regional initiative inspection involved observation of security and material control and accounting (MC&A) activities, a review of selected records, and interviews with personnel involved in the implementation of safety culture improvements as they related to security and MC&A. Routine operations were being conducted during the week of the inspection. Inspection procedure (IP) 88005 – Management Organization and Controls was used to focus evaluation efforts.

Within the areas examined, the following observations were noted below:

### **Security**

- The licensee adequately evaluated and tracked the actions in response to the Safety Culture Board of Advisor's (SCuBA) recommendations involving security from the assessment report (Paragraph 2).
- The licensee adequately allowed and encouraged the use of the facility's corrective action program by the security force (Paragraph 2).
- The licensee was adequately performing self assessments of the security program and was documenting and tracking the results in the corrective action program (Paragraph 2).
- The licensee's timetable for improvements and upgrades had a longer time horizon than recommended in the SCuBA report (Paragraph 2).

### **MC&A**

- The licensee adequately addressed the MC&A recommendations from the SCuBA report (Paragraph 3).

### **Attachment**

Partial List of Persons Contacted

Inspection Procedures Used

List of Items Opened, Closed, and Discussed

## **REPORT DETAILS**

### **1. Summary of Plant Status**

The plant was operating normally during the week of the inspection.

### **2. Security**

#### **(1) Inspection Scope and Observations**

The inspectors attended a briefing on the status of addressing the recommendations from the classified portion of the Safety Culture Board of Advisor's (SCuBA's) recommendations. Upon review of the detailed presentation, the inspectors determined that two of the SCuBA recommendations had been left out of the presentation. When the licensee was informed of this, it was able to locate reports that properly addressed the actions and the decision making used to address the remaining two items. No issues were noted with the licensee's tracking of actions and decisions to address the SCuBA recommendations.

The inspectors reviewed the licensee's actions to promote and encourage the use of the corrective action program by the security force. The inspectors noted that the security force had begun using the program to communicate potential concerns and suggestions for improvement. Feedback from security officers that were interviewed revealed a positive impression on the usefulness of the program.

The inspectors observed some of the tactical training that was being conducted for the security force. The additional training was noted to improve the morale of the security force. The inspectors noted no issues with the training. The inspectors also observed activities involving access to materials and areas. The inspectors noted no deficiencies with the observed activities.

The inspectors reviewed several quarterly self-assessments performed by the security department. The inspectors noted the assessments to be detailed and comprehensive, involving the auditors observing specific activities for procedural compliance. The inspectors also noted that the recommendations generated from the assessment were properly placed in the corrective action program and tracked to completion.

During the review of actions to address the SCuBA recommendations, the inspectors noted that the timeline for implementing security upgrades and improvements was longer than the timeline recommended by the SCuBA assessment. This observation was brought to the attention of the licensee. The licensee stated that evaluations for the acceptability of the longer timeline were performed and found to be adequate. The licensee also re-emphasized the commitment to the security upgrades and improvements through the selection of a project engineer dedicated to their implementation. Following discussions with the security staff, the inspectors determined that the licensee was proceeding at a slower, but adequate pace, to implement the upgrades and improvements.

(2) Conclusions

The licensee adequately evaluated and tracked the actions in response to the SCuBA's recommendations from the security portion of the assessment report.

The licensee adequately allowed and encouraged the use of the facility's corrective action program by the security force.

The licensee was adequately performing self assessments of the security program and documenting and tracking the results in the corrective action program.

The licensee timetable for security improvements and upgrades had a longer time horizon than recommended in the SCuBA report but was found to be adequate.

**3. Material Control and Accounting (MC&A)**

(1) Inspection Scope and Observations

The inspectors reviewed the recommendations for MC&A from the SCuBA report with members of the NFS MC&A staff and managers. The licensee's staff was able to adequately demonstrate and provide records of the corrective actions taken to address the recommendations from the SCuBA report. The inspectors noted no issues and found the recommendations were adequately addressed.

(2) Conclusions

The licensee adequately addressed the MC&A recommendations from the SCuBA report.

**4. Exit Meeting**

The inspection scope and results were summarized on February 26, 2009, with Mr. Timothy Lindstrom and other members of your staff. Although proprietary documents and processes were occasionally reviewed during this inspection, the proprietary nature of these documents or processes have not been included in this report. No dissenting comments were received from the licensee.

## ATTACHMENT

### 1. PERSONS CONTACTED

#### Partial List of Licensee's Persons Contacted

T. Lindstrom, Vice President, Operations  
M. Moore, Director, Safety & Regulatory  
R. Droke, Licensing Director  
K. Weir, Security Manager  
N. Kerns, Security Compliance Manager  
J. Lee, Security Operations Manager  
C. Brown, MC&A Manager

### 2. INSPECTION PROCEDURES USED

IP 88005                      Management Organization and Controls

### 3. LIST OF ITEMS OPENED, CLOSED, AND DISCUSSED

<u>Item Number</u>	<u>Status</u>	<u>Type/Description</u>
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None