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DLK-09-048

December 30, 2009

Mr. Joseph Shea, Director
Division of Fuel Facility Inspection
US Nuclear Regulatory Commission
Region II, Atlanta Federal Center
61 Forsyth Street, SW, Suite 23 T85
Atlanta, GA 30303-3415

Dear Mr. Shea:

The top priority of Nuclear Fuel Services, Inc. (NFS) continues to be the safe operation of our facility. Following internal reviews of our recent Bowl Cleaning Station Incident, and after consultation with the Nuclear Regulatory Commission (NRC) Region II Management, NFS Management has agreed to extend a previously planned safety suspension of the Naval product line, BPF U-AI Process, BPF U-Oxide Process, and the CD Line operations in order to implement actions designed to increase confidence in our ability to safely operate our licensed processes.

NFS has developed plans that will achieve several goals, including an increase of daily management oversight of process floor operations, an improvement of the timeliness and efficiency of communications to upper-level management of potential safety issues, and targeted changes to the NFS Management structure to ensure an appropriate separation between production goals and safety priorities. Plans also include restructuring of daily management responsibilities to facilitate additional time and resources for operations managers and supervisors to more efficiently and effectively manage, oversee, and monitor process operations. In addition, the Safety and Regulatory organization will be restructured to increase management oversight and accountability.

NFS Management fully understands the breadth and depth of NRC Management concerns with our recent operating performance. NFS has outlined, in the attachment to this letter, a specific plan to address safety issues and to ensure the highest level of safety commitment and compliance.

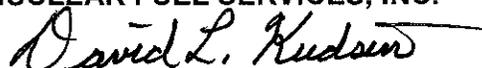
NFS Management has committed to suspend SNM processing operations associated with the Naval product line, BPF U-AI Process, BPF U-Oxide Process, and the CD Line pending implementation, independent review, and NRC review of the restart actions outlined in this letter. In addition, we have outlined long-term, post-restart actions to ensure sustained improvements to our safety performance.

NFS Management fully understands the seriousness of the pattern of safety issues that have occurred at NFS. NFS Management is committed to implementation of the actions listed in the attachment which will result in a step improvement in our ability to operate the facility in a safe manner. We will not compromise the continued safe and secure operation of our facility.

If you have any questions or need additional information, please call me at (423) 743-2547. Please reference our unique document identification number (21G-09-0208) in any correspondence concerning this letter.

Sincerely,

NUCLEAR FUEL SERVICES, INC.

A handwritten signature in black ink that reads "David L. Kudsin". The signature is written in a cursive style with a long horizontal flourish extending to the right.

David L. Kudsin
President

DLK-WRS/pdj

Attachment

COPY:

Regional Administrator
U.S. Nuclear Regulatory Commission
Region II, Atlanta Federal Center
61 Forsyth Street, NW, Suite 23T85
Atlanta, GA 30303

Mr. Manuel Crespo
Project Inspector
U.S. Nuclear Regulatory Commission
Region II, Atlanta Federal Center
61 Forsyth Street, NW, Suite 23T85
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Mr. Kevin Ramsey
Project Manager
Fuel Manufacturing Branch
Fuel Facility Licensing Directorate
Division of Fuel Cycle Safety and Safeguards
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Mr. Galen Smith
Senior Resident Inspector
U.S. Nuclear Regulatory Commission

Attachment

Actions Prior to Restart of Operations

Described below is the set of actions that will be completed prior to restart of the Naval product line, BPF U-Al Process, BPF U-Oxide Process, and the CD Line operations as discussed with NRC Management:

1. The restriction NFS Management put in place following the Bowl Cleaning Station Incident prohibiting the processing of granular metallic "fines" in the U-Al process will be institutionalized.
2. NFS will institutionalize identified and necessary improvements to the change control process, which are currently delineated in a temporary procedure that expires in mid-January. Training on the process will be provided to appropriate operations, technical, oversight and management staff.
3. The incident investigation, including detailed causal analysis, of the Bowl Cleaning Station Incident will be completed.
4. The near-term corrective actions needed to address the causal factors identified by the investigation of the Bowl Cleaning Station Incident will be determined and implemented.
5. The extent of condition reviews of process area safety basis conducted after the Bowl Cleaning Station Incident will be expanded to include the BPF Uranium Oxide Dissolution Process.
6. An Extent of Cause analysis for each causal factor will be completed and specific interim corrective actions will be identified and implemented as appropriate.
7. Each facility accident scenario involving NOx generation will be re-evaluated to ensure appropriate items relied on for safety (IROFS) have been identified and implemented to provide adequate protection and that management measures for those IROFS are sufficient to ensure these IROFS are available and reliable to perform their intended safety function when needed.
8. Following completion of restart actions, NFS will have an independent review conducted to verify implementation of the restart actions. Personnel participating in these reviews will have no responsibility for the conduct or oversight of NFS operations. Appropriately qualified independent personnel within the B&W family of companies may participate in the review. NFS may elect to perform these reviews for individual process lines as appropriate actions are completed.

9. NFS will allow sufficient time for NRC to perform inspections of restart actions. The NRC will be provided with a two-week notice prior to the time NFS Management would like for the NRC inspectors to arrive at the NFS site. NFS may elect to request these inspections for individual process lines as appropriate actions are completed. NFS has extensive experience operating the Naval product line. The process involves input materials for which the characteristics are well known and understood. NFS has safely processed this material for many years and process changes are strictly controlled by contract requirements. Therefore, NFS Management may request NRC release of this process first with other process areas to be released at later dates.

In addition to the above items, NFS is also taking the following actions:

1. Implement a Senior Engineering Watch (SEW), to provide additional technical coverage on the process floor. The SEW will have the sole duty of providing independent technical oversight of process operations to promote the identification, adjudication, and resolution of potential safety concerns. The SEW will functionally report to the Vice President of Operations. NFS intends to maintain this watch for a minimum period of 6-months after restart of all operations.
2. Implement an initiative to increase management presence and engagement on the process floor that will better enable open and timely communication of potential safety concerns. This initiative will be structured around a series of daily meetings held by management with processing personnel. These required meetings will increase employee participation in the safety process, and will prompt the appropriate questioning attitudes with regard to plant conditions and employee observations of operating conditions.
3. Develop updated programmatic guidance to provide specific criteria to invoke Corrective Action Review Board (CARB) review of investigations, corrective actions and effectiveness reviews to help ensure appropriately broad investigations and effective corrective actions.
4. Revise and implement the procedure that requires processes, process parameters and process inputs be clearly defined prior to implementation. This program is designed to prevent changes such as a change in the composition and physical characteristics of the feed material (such as change in the aluminum form and concentration in the U-Al dross materials) that may result in abnormal occurrences during processing.
5. Conduct an independent review of our investigation processes. This review will be conducted by a Subject Matter Expert to establish a plan to implement enhancements necessary to ensure adequate breadth and depth of investigations.
6. Revise the procedure that provides guidance for preparation of set-point analysis documentation to enhance the basis of evaluation, specifically to provide guidelines for justifying the basis for critical parameters.

Actions Post-Restart of Operations

In addition to the previous restart actions that provide comprehensive assurance that our operations can be restarted and operated safely, NFS Management, as discussed with NRC Region II Management, plans to implement the following actions:

1. Evaluate the cause(s) and implement specific corrective actions for NFS' failure to complete the root cause analysis, extent of condition review and extent of cause review following the Bowl Cleaning Station Incident without significant prompting from the NRC.
2. Identify and evaluate the cause(s) of NFS' decision to propose restart of operations the week of November 30, 2009 prior to completion of the root cause investigation, extent of condition review and implementation of appropriate corrective actions.
3. Identify and implement specific long-term corrective actions to address each of the causal factors that contributed to the Bowl Cleaning Station Incident.

In addition to the above items, NFS Management is also taking the following actions:

1. Establish a Program Management Department with responsibility for managing day-to-day production schedule and cost priorities for all NFS contracts. These duties are currently conducted by the facility process managers. This change will enable them to focus attention on monitoring the safety of operations on the process floor and ensure that production will not override safety.
2. Restructure the Safety & Regulatory Department to reduce the number of technical managers reporting directly to the Department Director. This reduced span of control will allow for increased management oversight and accountability within the department. In addition, the Safety & Regulatory Department Director will report directly to the President of NFS.
3. Develop training materials and lesson plans to train applicable NFS staff on the Bowl Cleaning Station Incident in order to institutionalize the lessons learned from this event.
4. Evaluate the technical oversight review process conducted by the Safety and Safeguards Review Council (SSRC), including benchmarking against similar processes associated with other facilities, and implement any necessary enhancements.
5. Evaluate the Integrated Safety Analysis program, including benchmarking against similar programs associated with other facilities, and implement any necessary enhancements.