



NUCLEAR FUEL SERVICES, INC.

a subsidiary of The Babcock & Wilcox Company

- 1205 banner hill road ■ erwin, tn 37650 ■ phone 423.743.9141
- www.nuclearfuelservices.com

21G-10-0065
GOV-01-55-04
ACF-10-0096

March 16, 2010

Mr. Luis A. Reyes, Regional Administrator
U.S. Nuclear Regulatory Commission
Region II, Atlanta Federal Center
61 Forsyth Street, SW, Suite 23T85
Atlanta, GA 30303

- References:
- 1) Docket No. 70-143; SNM-124
 - 2) Letter (21G-09-0208), dated December 30, 2009, Mr. David L. Kudsin (NFS) to Mr. Joseph Shea (NRC)
 - 3) Confirmatory Action Letter (CAL No. 2-2010-001), dated January 7, 2010, Mr. Luis A. Reyes (NRC) to Mr. David L. Kudsin (NFS)
 - 4) Letter (21G-10-0031), dated February 9, 2010, Mr. David L. Kudsin (NFS) to Mr. Luis A. Reyes (NRC)
 - 5) Letter (21G-10-0061), dated March 11, 2010, Mr. David B. Amerine (NFS) to Mr. Luis A. Reyes (NRC)

Subject: Confirmation of NFS' Readiness to Resume Operations

Dear Sir:

The purpose of this letter is to confirm that Nuclear Fuel Services, Inc. (NFS) is ready to restart its process lines per the approach described in Reference 5. In addition, this letter will clarify NFS' use of an internal assessment tool, the Management Readiness Assessment (MRA), as part of our restart Recovery Plan. As background information, the following actions have been taken by the NRC and NFS since late 2009 to significantly improve the conduct of operations at NFS:

- In Reference 2, NFS provided the Nuclear Regulatory Commission (NRC) with an agreement to extend a previously planned safety suspension of our process lines in order to implement actions designed to increase confidence in our ability to safely operate our licensed processes. That letter (Reference 2) contained a list of specific actions/commitments that NFS would implement prior to restart and actions to be completed post restart.
- In Reference 3, NRC issued a Confirmatory Action Letter (CAL) to confirm the commitments made by NFS in Reference 2 regarding actions to resolve safety concerns. In addition, the NRC cover letter addressed four (4) overarching concerns related to NFS leadership in the areas of

Management Oversight, a perception of Production Pressure, the lack of a Questioning Attitude, and poor Communications. Following receipt of this letter, NFS initiated and completed on February 4, 2010 all actions needed to resolve each item in the CAL required prior to restart and the four (4) overarching concerns in the cover letter. Having completed all the required actions, NFS was prepared, as specified by CAL item Number 9, to request NRC inspection of our completed actions.

- In Reference 4 (per CAL Item Number 9), NFS provided the required two-week notice for the NRC inspection of the CAL "Actions Prior to Restart of Operations". On February 22, the NRC inspection of our restart actions was initiated. NFS appreciated the prompt arrival of the inspection team and their continued efforts to thoroughly review our readiness activities.
- In Reference 5, NFS provided clarification of our intentions regarding resumption of operations following NRC concurrence by starting up one line of production at a time and using a very measured and conservative approach which includes additional NFS Management oversight. NFS also acknowledged that NRC concurrence would be requested for the restart of each process line.

In addition to completing the actions listed in the CAL (Reference 3), NFS has implemented the MRA designed to reconfirm readiness to safely operate our licensed processes after the extended shutdown. Moreover, it should be noted that even after NRC confirms and agrees that all action items in the CAL have been completed, NFS will not actually start up the first process line until I am comfortable with what has transpired and I am confident of our readiness to resume operations.

During the NRC Team's restart inspection onsite at NFS and through discussions with NRC Management, it has become clear to NFS that our use of the MRA has created confusion as to whether some items in the MRA must be completed prior to NRC completing its assessment of the CAL restart items. NFS' intended use of the MRA is to provide NFS management with a "just in time" reassessment of many of the previously committed actions necessary to ensure facility readiness for restart. This tool is currently being used by NFS Management in anticipation of NRC completing their assessment of our readiness described in Reference 4, but before I give my approval for restart. NFS considers this final "step back review" a good practice prior to our resumption of normal operations.

Comments from the NRC after reviewing the MRA questioned whether there are some items in the MRA that should be completed prior to NRC providing their perspective on restart. To address these concerns, I have directed my staff to separate out those items associated with assessing the "General Health" of the organization. These actions are now complete. The documentation of our satisfactory review of these items is available for NRC review. This documentation along with the previously completed actions under the CAL, which have been inspected by the NRC, place NFS in a position of being ready to restart our facilities as described in Reference 5. The balance of the items in the MRA (i.e., non "General Health" items) constitute an expanded restart checklist.

If you or your staff have any questions, require additional information, or wish to discuss this further, please contact me at (423) 743-1702, or Mr. Mark Elliott, Director of Safety and Security, at (423) 743-1705. Please reference our unique document identification number (21G-10-0065) in any correspondence concerning this letter.

Sincerely,

NUCLEAR FUEL SERVICES, INC.



David B. Amerine
President

WRS/smd

Copy:

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

Mr. Manuel Crespo
Project Inspector
U.S. Nuclear Regulatory Commission
Region II, Atlanta Federal Center
61 Forsyth Street, SW, Suite 23T85
Atlanta, GA 30303

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