



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

March 23, 2010

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

**SUBJECT: NUCLEAR FUEL SERVICES, INC. (NFS) - DOCKET NO. 70-143 AUTHORIZATION  
TO RESUME OPERATION OF NAVY FUEL PROCESS LINE OPERATION**

Dear Mr. Amerine:

On January 7, 2010, the NRC issued a Confirmatory Action Letter (CAL) CAL No. 2-2010-001 to confirm a commitment by NFS to take certain actions prior to restarting the process line at the NFS facility in Erwin, TN. The specified actions required by the CAL were intended to ensure that the root causes of an event which occurred on October 13, 2009, in the Uranium-Aluminum line of the Blended Low Enriched Uranium (BLEU) Preparation Facility were adequately evaluated and that appropriate corrective actions were implemented before resumption of operations. The actions were determined to be necessary to provide reasonable assurance of NFS' ability to safely operate the Erwin facility.

By letter dated February 9, 2010, NFS notified the NRC that it had completed those actions listed in the CAL as "Actions Prior to Restart." In a subsequent letter, dated March 11, 2010, you provided additional details regarding your approach to restarting process lines at the facility. Specifically, you informed the NRC of your intent to resume operation of one process line at a time. You indicated that you planned to restart the Navy Fuel line and that, only after achieving a satisfactory level of performance in the Navy Fuel line, would you proceed to restart other process lines.

On February 22, 2010, the NRC commenced inspection of your readiness to restart process lines at the NFS facility. The team conducted inspections needed to confirm completion of the CAL items designated as "Actions Prior to Restart," with a focus on their application to the Navy Fuel line. In addition, the inspection team evaluated the scope and effectiveness of actions taken by NFS to address four overarching concerns discussed in the CAL: (1) the adequacy of NFS' management oversight of facility process changes, (2) perceived production pressures, (3) lack of questioning attitude by workers and management, and (4) poor communications.

On March 22, 2010, the NRC restart readiness assessment team completed its inspection activities associated with NFS plans to restart the Navy Fuel line. The inspection report for the restart readiness assessment is currently being finalized. However, the report will document the following inspection status and conclusions:

- (1) NFS completed the CAL items designated "Actions Prior to Restart."
- (2) The NRC had a number of observations associated with the completed CAL items; however, none of the observations were safety significant and none of the observations would preclude a safe startup of the Navy Fuel line.
- (3) NFS completed a broad set of corrective actions to address the four overarching concerns discussed in the CAL.
- (4) The NRC inspected the effectiveness of NFS corrective actions for the overarching concerns only as they pertain to readiness to restart the Navy Fuel line. The NRC will conduct additional inspections associated with these corrective actions for other process lines when NFS indicates its readiness to restart those lines to the NRC.
- (5) The NRC concluded that the set of corrective actions implemented to date by NFS are reasonable and have sufficient likelihood of being effective to support a determination that the Navy Fuel line can be operated safely upon restart.

Subsequent to the completion of the inspection activities, the NRC conducted a management review to assess the results of the inspection and other performance related information. Based on that review, the NRC has determined that the actions taken by NFS since the October 13, 2009, event and the issuance of the subsequent CAL are sufficient to provide reasonable assurance that the NFS Navy Fuel line can be operated safely.

Therefore, pursuant to the terms of the CAL, I am authorizing you to resume operation of the NFS Navy Fuel process line. You are requested to advise the NRC resident inspectors of your specific schedule for resuming production activities. The NRC intends to conduct a period of enhanced inspections and oversight during startup and initial operation of the Navy Fuel process line.

With regard to process lines within the BLEU Preparation Facility (BPF) , you are requested to provide separate correspondence to the NRC at such time as you have confirmed your readiness to restart one or more of those lines. The NRC will conduct supplemental readiness inspections, of appropriate scope, and will provide a separate authorization decision(s) after confirming your readiness to safely operate each of the successive lines.

Please be advised that the NRC intends to conduct an exit meeting with you to discuss the results of the restart readiness assessment team. The exit meeting will be conducted as a public meeting. Specific details regarding the date and location of the exit meeting will be determined in the near future. The complete report of the restart readiness assessment team will be issued within thirty days of the inspection exit meeting.

In addition, the NRC Augmented Inspection Team report No. 70-143/2009-011, dated March 19, 2010, identified eight unresolved items. These items, which relate to the circumstances of the October 13, 2009 process upset in the BPF, are subject to additional NRC inspection and further review to determine what enforcement action may be warranted.

If you have any questions on this matter, please contact Joseph W. Shea, Director, Division of Fuel Facility Inspection at 404-562-4700.

Sincerely,

*/RA/*

Luis A. Reyes  
Regional Administrator

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

cc:

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4

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Johnny Lynch  
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Distribution: (See page 5)

Letter to David B. Amerine fro, Luis A. Reyes dated March 23, 2010

SUBJECT: NUCLEAR FUEL SERVICES, INC. (NFS) - DOCKET NO. 70-143  
AUTHORIZATION TO RESUME OPERATION OF NAVY FUEL PROCESS LINE  
OPERATION

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cc cont: (See page 4)

X PUBLICLY AVAILABLE       NON-PUBLICLY AVAILABLE       SENSITIVE      X NON-SENSITIVE  
ADAMS: X Yes      ACCESSION NUMBER: \_\_\_\_\_      X SUNSI REVIEW COMPLETE

OFFICE	RII:DFFI	RII:DRS	RII:DFFI	NMSS			
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DATE	3/ /2010	3/ /2010	3/ /2010	3/ /2010	3/ /2010	3/ /2010	3/ /2010
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