



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-10-0167
GOV-01-55-04
ACF-10-0233

August 27, 2010

Mr. Luis A. Reyes, Regional Administrator
U.S. Nuclear Regulatory Commission, Region II
245 Peachtree Center Avenue NE, Suite 1200
Atlanta, GA 30303-1257

- References:
- 1) Docket No. 70-143; SNM-124
 - 2) Letter, dated August 10, 2010, Mr. Steven J. Vias (NRC) to Mr. David B. Amerine (NFS), "Request for Safety Culture Action Plan to Address the Issues Identified in the Independent Safety Culture Assessment Report"
 - 3) Letter, dated January 7, 2010, Mr. Luis A. Reyes (NRC) to Mr. David L. Kudsin (NFS), "Confirmatory Action Letter" (CAL No. 2-2010-001)
 - 4) Letter, dated June 29, 2010, Mr. David B. Amerine (NFS) to Luis A. Reyes (NRC), "Information to Fulfill Confirmatory Order, Section V, Paragraph 3.e"

Subject: Safety Culture Actions

Dear Sir:

As verbally requested by the NRC on July 13, 2010 and per Reference 2, Nuclear Fuel Services, Inc (NFS) is writing to provide information on our safety culture actions, which are, in part, in response to the third-party contractor's report *NFS-Erwin Site 2009/2010 Independent Safety Culture Assessment – Results Report* (hereafter referred to as the SCA – Safety Culture Assessment), dated June 21, 2010. The report identifies areas across the spectrum of safety culture components on which NFS has a continuing need to focus to further strengthen the safety culture. The report also provides important indications that the strong initiatives taken in 2010 are on the right course. Those ongoing actions have already made a significant, measurable improvement, much of which occurred under the stipulations of Reference 3, and verified as satisfactory by your assessment teams.

Actions planned in response to the SCA are recognized to represent only part of the important efforts in which NFS has been engaging in as it seeks to further strengthen, nourish, and sustain a healthy safety culture.

NFS' actions consist of the following three primary elements:

1. Focus improvement efforts on the seven High Priority Recommendations from the SCA to further strengthen the safety culture. All of these efforts will be well underway by June 30, 2011.
2. Establish a Nuclear Safety Review Board to provide high-level expert, safety-focused oversight. Completed with first convening on August 17-19, 2010.

3. Conduct a comprehensive, third-party administered, safety culture survey as a primary metric for our performance in strengthening the safety culture. No date yet established; targeting 18-24 months post completion of primary safety culture actions.

Additional details on each of these three primary elements of the SCA follow.

Focus on the seven High Priority Recommendations from the SCA

The NFS SCA will include a focused improvement effort on the seven High Priority Recommendations from the SCA, as further detailed below.

1. Organizational and Individual Accountability
 - a. Establish single points of accountability
 - b. Define and communicate roles & responsibilities
 - c. Develop and communicate standards & expectations / policies
 - d. Assign accountabilities / expectations for commitment handling
 - e. Evaluate individual and organizational performance
2. Corrective Action Program Effectiveness
 - a. Develop standards for commitment closure
 - b. Improve analytical tools for root cause analysis, extent of condition analysis, extent of cause analysis, etc.
 - c. Address human performance and management performance as possible root causes or contributing causes
 - d. Enhance Problem Identification, Resolution and Correction System (PIRCS) data trending, recurring problems, and common cause event identification and handling (including internal operating experience).
3. Resource Management
 - a. Resource-load work in schedules down to individual workloads; use for work prioritization and resource allocation
 - b. Create and implement a Work Management Organization and Program
4. Technical/Professional Competencies (White-Collar Workforce)
 - a. Manage and develop technical competencies
 - b. Refocus the Training organization and expand its mission to include technical competence and development
5. Questioning Attitude
 - a. Foster an environment that encourages questioning attitudes, challenges, and differing views (includes rewards, sanctions, high-level visibility for safety conscious work environment [SCWE], accountability, etc.)
 - b. Proactively seek input from those most knowledgeable before making design/operational decisions
 - c. Hold everyone accountable for demonstrating appropriate behaviors

6. Work Control

- a. Establish a Work Control Process at NFS-Erwin to identify, prioritize, plan, schedule, coordinate, and execute work

7. Safety Conscious Work Environment

- a. Provide Safety Conscious Work Environment sensitivity training to all supervisors and managers
- b. Develop a process for identifying, retraining, and/or removing those in supervisory roles who are not successful at developing a safety conscious work environment for their employees

We already have efforts of improvement underway in many areas and have made positive improvements, but as part of the SCA, we will assure that we have addressed each of the items listed above. In terms of metrics, NFS considers the planned safety culture survey to be a primary gauge of the success of our efforts to further strengthen the safety culture. However, as we have discussed with your staff, and with the public, NFS is also actively engaged in a process of developing a new metrics system utilizing an Institute of Nuclear Power Operations (INPO) format. As part of this system's development, the many metrics currently used to monitor safety culture component performance will be reviewed, and the most valuable of them will be transferred into the new corporate system.

As you are aware, many programs were initiated in response to Reference 3. Several months later when I joined NFS I began to augment, supplement, and add initiatives that I knew from experience on other recoveries were beneficial to establishing and nurturing a safety culture, a SCWE, and good Conduct of Operations (CONOPS). Some of these endeavors include:

Workplace Priorities: Safety, Quality, Schedule, Cost (in that order)
Fully Integrated Resource Loaded Schedule
Plan of the Day/Plan of the Week
Single point accountability
First Line Management Council
Roundtables
People Team
Conduct of Business Attributes
Work Control Center

Now it is our intent to capture all of all efforts into an overarching Safety Culture Plan. This plan will provide a vision and explanation for the workforce which integrates these endeavors and provides a rationale and dedication for an enduring effort.

Establish a Nuclear Safety Review Board (NSRB)

The creation of an NSRB satisfies an on-going need for high-level expert oversight, as has been provided by the SCuBA team which conducted the SCA. This oversight will now be provided by the NSRB, which was established by the NFS Board of Directors (BOD) during their May 2010 meeting. The NSRB reports directly to the BOD and is charged with advising NFS Senior Management and the BOD on opportunities and methods to improve the strength of NFS' safety culture and programs that have a material effect on safe operations (e.g. support and production

operations, safety, engineering, maintenance, decommissioning), and advocate for issues requiring attention or action of the BOD. They will visit NFS on a regular basis to conduct their reviews and work with the NFS management team.

The NSRB will provide the assessment and advice necessary to assure that the high priority recommendations identified by the SCuBA team are being effectively addressed.

Conduct a comprehensive third-party administered safety culture survey

In 2007 and again in 2009, NFS used a third-party to administer comprehensive safety culture surveys. These survey results provided important information on the strengths and weaknesses of our safety culture, and are considered a primary performance metric for safety culture. In order to continue to benefit from the insights provided by such surveys, NFS is planning to conduct another, similarly comprehensive safety culture survey. In Reference 4, we indicated that this survey was planned for 2011; however, based on expert advice from the NSRB, we now understand that conducting the survey so soon after completion of our actions is inappropriate and will limit its effectiveness. Therefore, we will reschedule the survey in accordance with NSRB recommendations, to be conducted approximately 16-24 months after completion of primary actions. We believe this survey timing will provide an important and accurate progress check on safety culture improvement efforts.

In Reference 4, NFS indicated that a dedicated executive would be assigned to manage the safety culture improvement initiatives at NFS. Edward L. Morgan has been brought on board and dedicated to that role. Mr. Morgan brings over forty years of experience which includes military nuclear operations and civilian nuclear power facility employee concerns programs. His experience provides NFS with a leader uniquely capable to manage our efforts to further strengthen NFS' safety culture.

In closing, our improvement efforts will be well underway by June 2011, except for the survey which will be completed at a later date. In addition, with an understanding that durable culture changes take time, NFS is confident that measurable improvements in our safety culture will be realized and would produce positive results from an NRC safety culture review on or after July 2011.

If you or staff have any questions, require additional information, or wish to discuss this matter further, please contact me at (423) 743-1702. Please reference our unique document identification number (21G-10-0167) in any correspondence concerning this letter.

Sincerely,
NUCLEAR FUEL SERVICES, INC.



David B. Amerine
President

Copy:

Mr. Victor McCree, Deputy Regional Administrator
U.S. Nuclear Regulatory Commission, Region II
245 Peachtree Center Avenue NE, Suite 1200
Atlanta, GA 30303-1257

Mr. Anthony Gody, Director
Division of Fuel Facility Inspection
U.S. Nuclear Regulatory Commission, Region II
245 Peachtree Center Avenue NE, Suite 1200
Atlanta, GA 30303-1257

Mr. Eugene Cobey, Deputy Director
Division of Fuel Facility Inspection
U.S. Nuclear Regulatory Commission, Region II
245 Peachtree Center Avenue NE, Suite 1200
Atlanta, GA 30303-1257

Mr. Steven Vias, Branch Chief
Division of Fuel Facility Inspection
U.S. Nuclear Regulatory Commission, Region II
245 Peachtree Center Avenue NE, Suite 1200
Atlanta, GA 30303-1257

Mr. Kevin Ramsey
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. Manuel Crespo
Project Inspector
U.S. Nuclear Regulatory Commission, Region II
245 Peachtree Center Avenue NE, Suite 1200
Atlanta, GA 30303-1257

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