

JUN 09 2011

LES-11-00084-NRC

Attn: Document Control Desk
Office of Nuclear material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

Louisiana Energy Services, LLC
NRC Docket Number: 70-3103

Subject: Reply to Notice of Violation 70-3103/2011-002

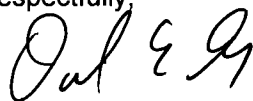
Reference: 1. Letter from J. Calle (NRC) to D. Sexton (LES) NRC Inspection
Report No. 70-3103/2011-002 and Notice of Violation, dated April
29, 2011
2. Telecommunication between J. Calle (NRC) and W. Padgett (LES)
on May 11, 2011

In response to the Ref. 1 NRC Notice of Violation (Notice); pursuant to the provisions of 10 CFR 2.201; and in accordance with the submittal schedule agreed to in Ref. 2 (i.e., 30 days from the date (May 10, 2011) that the Notice was received), URENCO USA (UUSA) herewith provides the enclosed reply (Enclosure). The noticed violations (A and B) relate, respectively, to Section 3 (Design Control) and Section 8 (Identification and Control of Materials, Parts, and Components) of the LES Quality Assurance Program Description (QAPD).

Pursuant to instructions specified in the Notice, the enclosed UUSA reply (Enclosure) addresses for each of the noticed violations (A and B): 1) the reason for the violation; 2) the corrective steps that have been taken and the results achieved; 3) the corrective steps that will be taken; and 4) the date when full compliance will be achieved.

Should there be any questions regarding this submittal, please contact Wyatt Padgett, LES Licensing Manager, at 575.394.5257.

Respectfully,



David E. Sexton
Chief Nuclear Officer and Vice President of Operations

Enclosure: Reply to Notice of Violation 70-3103/2011-002

IE07

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ENCLOSURE

REPLY TO NOTICE OF VIOLATION (NOTICE) 70-3103/2011-002

Restatement of Violations:

During a Nuclear Regulatory Commission (NRC) inspection conducted on January 1 through March 31, 2011, two violations of NRC requirements were identified. In accordance with the NRC Enforcement Policy, the violations are listed below:

- A. *Special Nuclear Material License Number (No.) 2010 requires, in part, that the licensee shall conduct authorized activities at the Louisiana Energy Services, LLC, National Enrichment Facility (LES NEF) in accordance with statements, representations, and conditions in the approved Quality Assurance Program Description (QAPD), Revision 30, dated January 13, 2011, and supplements thereto.*

Section 3: Design Control, of the LES NEF QAPD states, in part, procedures detail the controls for design input, design process, design verification, design changes and approval.

Contrary to the above, on March 1, 2011, NRC inspectors identified that the licensee failed to adequately define its design process. Specifically, the licensee failed to establish a procedure or process for handling concessions, changes to the original design issued by Enrichment Technology Corporation (ETC). ETC used concessions as a process for documenting and approving design changes associated with the cascades. These concessions were issued by ETC to LES NEF for Cascade 1, 2, and 3 turnover and for design changes of other cascades in construction. However, LES NEF had not developed a procedure or process for assuring the concessions were adequately applied to all affected design documents for maintaining the design configuration.

*This is a Severity Level IV violation (Enforcement Policy 6.5.d)
(Violation (VIO) 70-3103/2011-002-001)*

- B. *Special Nuclear Material License Number (No.) 2010 requires, in part, that the licensee shall conduct authorized activities at the Louisiana Energy Services, LLC, National Enrichment Facility in accordance with statements, representations, and conditions in the approved Quality Assurance Program Description, Revision 30, dated January 13, 2011, and supplements thereto.*

Section 8: Identification and Control of Materials, Parts, and Components, of the LES NEF QAPD states, in part, markings shall be transferred to each part of an item when subdivided.

Contrary to the above, prior to January 27, 2011, NRC inspectors identified that the licensee failed to transfer the Material Identification Number (MID) to each part of a component after subdividing. Specifically, the stool assemblies for the Mini Hall 1C cascade lower steel works in the Separations Building Module (SBM) 1001 Extension were issued by the warehouse to the contractor as one component. Each stool assembly was comprised of three pieces; an embed plate, a shim plate, and an adjustment plate. Upon receipt of the Quality Level – 1 stool assemblies from the warehouse, the contractor subdivided the assemblies without transferring the Material Identification Number, used for traceability, to the shim plates.

*This is a Severity Level IV violation (Enforcement Policy 6.5.d) (Violation (VIO)
70-3103/2011-002-003)*

UUSA Reply to Violation A:

1) The reason for Violation A

Concessions are generated by ETC according to Procedures ETC-18-R1 and ETUS-PFT-527 to describe and disposition deviations from design discovered during inspections or in response to a Technical Question (TQ). A concession can also result from the disposition of a Quality Deviation Notification (QDN) which is an ETC document governed by Procedures ETC-WI-26, ETC-WI-25 and ETC-PF-62. The concessions are, in turn, approved by UUSA management, but no further action is taken by UUSA to capture possible design changes. Concessions are compiled in a Certificate of Conformance (CoC) for each cascade as part of the turnover package. However, once the CoC is received there is no UUSA procedure requiring action to review the concessions for possible design change and initiate an Engineering Change Request (ECR), as needed.

In view of the above narrative, the reason for Violation A is that UUSA's Cascade Supply Agreement (CSA) with Enrichment Technology Corporation (ETC) has resulted in a lack of an interface with existing procedures, thereby excluding their use in maintaining design control.

2) The Corrective Steps That Have Been Taken and Results Achieved for Violation A

None.

3) The Corrective Steps That Will Be Taken for Violation A

Corrective Action No. 1 – UUSA is to submit and receive approval for a Purchase Order Clarification to the CSA for ETC: (1) to submit a Supplier Deviation Disposition Request (SDDR) to UUSA for each concession request it approves against its proprietary Quality 1 CSA Equipment from its vendors for upper cascade steel, the centrifuges, etc.; and (2) to identify the SDDR(s) for each concession identified on the CoC for CSA Equipment provided and/or installed. The Purchase Order Clarification will provide the appropriate interface with LES Procedure 3-3000-01, *Supplier Deviation Disposition Requests (SDDRs)*.

Corrective Action No. 2 – UUSA is to submit a Purchase Requisition (PR) to formally require ETC to implement the SDDR reporting process for each concession it authorizes involving CSA Equipment using UUSA Procedure PR-3-3000-01-F-1, *Supplier Deviation Disposition Request and Instructions*.

Corrective Action No. 3 – Review final CoC for Cascade 1, Hall 1. Review concessions for design changes. Take action per Procedure EG-3-4100-02, *Plant Modifications*, as needed.

Corrective Action No. 4 – Review final CoC for Cascade 2, Hall 1. Review concessions for design changes. Take action per Procedure EG-3-4100-02, as needed.

Corrective Action No. 5 – Review the final CoC for Cascade 3, Hall 1 and any other received prior to full implementation of Corrective Action Nos. 1 & 2. Review concessions for design changes. Take action per Procedure EG-3-4100-05, *Engineering Change Request*, as needed.

4) The Date When Full Compliance Will Be Achieved for Violation A

Full compliance for Violation A will be achieved on August 5, 2011, when Corrective Action Nos. 2 and 5 above are completed.

UUSA Reply to Violation B

1) The Reason for Violation B

After interviewing many of the personnel involved in the handling of and working with the bundles in question, the evaluation for this violation revealed the stools and shims in question were procured by UUSA procurement and received by UUSA warehouse personnel. Once received in the UUSA warehouse, the entire bundle is issued a single Material Identification Tag (MIT). The Material Identification Tag is initially placed by Quality Control on the most accessible part of the bundle. In this case, once the bundle was subdivided in the field, the Material Identification information was not transferred to each of the three pieces within the bundle. Thus, within this three piece bundle, only the piece that was initially tagged is traceable back to its Material Identification Number and subsequent tracing information.

Procedure PR-3-3000-03, *Warehouse Material Identification and Control*, Rev. 6 states that "WHEN bulk items are subdivided in the warehouse, THEN all appropriate identification from the parent article shall be applied on or accompany each subdivided part by printing out additional Material Identification Tags. The original Material Identification Tag shall remain with the parent item." This stipulation did not happen in this case because the bundle was subdivided in the field rather than the warehouse.

Procedure PR-3-3000-03 also states "WHEN items being fabricated from issued material require subdivision, such as from pipe or structural steel, THEN all appropriate identification from the parent article shall be applied on each subdivided part with additional MITs. QC Inspectors shall be notified prior to subdividing the issued material and they shall verify the correctness of the transferred identity. The original MIT shall remain with the parent item." This stipulation did not happen because QC was not notified of the bundle being subdivided in the field.

The reason for Violation B, based on the above event narrative, is that SBM 1001X contractor personnel (Subcontractor 1 and Subcontractor 2 Foremen, Construction Supervisors and Construction Engineers (CE's)) did not have an adequate

understanding of the requirements of Procedure PR-3-3000-03, due to a lack of training on the procedure.

2) The Corrective Steps That Have Been Taken and Results Achieved for Violation B

The SBM 1001X Building Manager implemented a stand down of SBM 1001X contractors to explain, the procedural requirements of Procedure PR-3-3000-03, and ensure they clearly understood.

3) The Corrective Steps That Will Be Taken for Violation B

Corrective Action No. 1 – Training on Procedure PR-3-3000-03 will be conducted via a stand down of the parties involved and the parties that will be involved in future handling of these bundles including, but not limited to, Subcontractor 1 and Subcontractor 2 Foremen, Construction Supervisors and Construction Engineers (CE's).

Corrective Action No. 2 – Procedure PR-3-3000-03 will be included in the mandatory reading list for CE's.

Corrective Action No. 3 – A material traceability slide (including the requirements of PR-3-3000-03 and how material traceability is documented in the work plans) will be included in existing work plan compliance training.

Corrective Action No. 4 – The Work Planners Guide will be updated to refer to Procedure PR-3-3000-03, Section 5.1.11 by stating that if known bundled components are split in the field, a step will be added to the Work Plan for QC verification.

4) The Date When Full Compliance Will Be Achieved for Violation B

Full compliance for Violation B will be achieved on June 17, 2011, when Corrective Action Nos. 1 and 4 above are completed.