

SEP 03 2013

Urenco

LES-13-00132-NRC

Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, D.C. 20555-0001

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

Subject: Reply to Notice of Violation 70-3103/2013-003 Case Number
2-2011-038

Reference: Letter from James A. Hickey (NRC) to Gary J. Laughlin (UUSA),
NRC Integrated Inspection Report Number 70-3103/2013-003,
Investigative Synopsis, Office of Investigations Case Number 2-
2011-038 and Notice of Violation, dated July 29, 2013

NRC Notice of Violation 70-3103/2013-003 (Notice) was received by Louisiana Energy Services, LLC (dba URENCO USA "UUSA") on July, 29 2013. On August 28, 2013, in a telecommunication between James A. Hickey (NRC) and Timothy A. Knowles (UUSA), verbal authorization was granted to extend the due date of the Reply to the Notice from 29 August, 2013 to September 4, 2013.

In response to the above referenced letter, UUSA does not agree that the reference to 10 CFR 70.9, Complete and Accurate Information, is an appropriate citation as described in the Office of Investigations Case Number 2-2011-038 and Notice of Violation. Specific justification for this position is included as Enclosure 1, Basis for Denial of 10 CFR 70.9 Citation.

Pursuant to the provisions of 10 CFR 2.201(a) and the NRC's corresponding instructions specified in the Notice, UUSA accepts the cited Violation of Section 17, Quality Assurance Records, of the UUSA Quality Assurance Program Description and Enclosure 2, addresses: 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 Timothy Knowles, Licensing and Performance Assessment Manager at 575.394.6212.

Respectfully,



Perry Robinson
Vice President of Regulatory Affairs and General Counsel

Enclosure:

1. Basis for Denial of 10 CFR 70.9 Citation
2. Reply to Notice of Violation 70-3103/2013-003

IE07
RGM II

cc:

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ENCLOSURE 1

Basis for Denial of 10 CFR 70.9 Citation

UUSA does not agree that the reference to 10 CFR 70.9, Complete and Accurate Information, is an appropriate citation as described in Office of Investigations Case Number 2-2011-038 and Notice of Violation. NRC's Enforcement Policy provides the following guidance:

When a licensee or applicant has corrected inaccurate or incomplete information, the decision to issue an enforcement action for the initial inaccurate or incomplete information normally will depend on the circumstances, including the ease of detection of the error, the timeliness of the correction, whether the NRC or the licensee or applicant identified the problem with the communication, and whether the NRC relied on the information prior to the correction.^{1/}

As such, the following is the basis upon which UUSA disagrees with the 10 CFR 70.9 citation:

1. **Identification:** On April 26, 2011 forged initials and signature on the QC Verification block of the Construction Work Plan Material List (EG-3-6000-01-F-5), and the Warehouse Material Identification and Control Material Requisition form (PR-3-3000-03-F-2) were identified by an UUSA QC inspector. At that time of discovery, the issue was promptly entered into the Employee Concerns Program (ECP) and the Corrective Action Program (CAP), CR-2011-1364. Thus, as the facts indicate, the matter was identified by a licensee staff member.
2. **Timeliness of Corrective Actions:** On May 26, 2011 actions were taken to correctly document the use of temporary bolts in accordance with EG-3-6000-04. Work plan 1002-MECH-614-003 material list was updated with an annotation that the installed bolts were QL3 and temporary; this annotation rendered the forged QC Verification block inapplicable on Form EG-3-6000-01-F-5, Material List, in accordance with revision 10 of EG-3-6000-01, Construction Work Plans. It should be noted that the bolts were associated with Cascade Cooling Water (CCW) on Cascade 2.2, which was not in operation at the time. Immediately following discovery, an ECP investigation commenced as well as a review of all Work Plans involving work performed by this contractor. The review of work plans revealed that all other material entries and work entries performed were in compliance with work plan procedures. Thus, timely corrective actions were taken.
3. **Ease of Detection:** The discovery occurred during a QC review of Work Plan 1002-MECH-614-003 by the QC inspector whose initials and signature were present on the forged documents. The forged signature and initials were very similar to those of the actual individual and would only have been discovered by the individual himself. UUSA's quality control program, like all such programs, relies on spot checking of quality documentation, but primarily on

^{1/} NRC Enforcement Policy, 2.3.11 Inaccurate and Incomplete Information (rev. Jan. 28, 2013), available at <http://pbadupws.nrc.gov/docs/ML1234/ML12340A295.pdf>.

the adherence of each staff member's commitment to quality. Thus, the ease of discovery was relatively low in this case.

4. NRC's Reliance: At no time did the NRC rely on the information prior to the correction. The bolts in questions were associated with Cascade Cooling Water (CCW) on Cascade 2.2, which was not in operation at the time. UUSA performed an extensive review of paperwork submitted to the NRC (including eRoom) and concluded that (a) there is no evidence that UUSA ever submitted paperwork to the NRC and (b) there is no evidence that contemporaneous NRC inspection activities looked at such paperwork.

Furthermore, on December 12, 2011, the proper QL-1 bolts were installed replacing the temporary bolts. In addition, prior to placing Cascade 2.2 in service, the NRC approved LAR 11-02 thus eliminating IROFS 41 and thereby allowing UUSA to downgrade the bolts to QL-3. This eliminated the need for this record to be part of an NRC authorization decision since it was no longer needed for the C23 decision. On March 3, 2012 UUSA requested authorization to commence feed-inlet on Cascade 2.2 under IROFS C23. Thus, there are no facts that indicate NRC relied on the document in question.

Based on the information provided, UUSA does not believe that the reference to 10 CFR 70.9, Complete and Accurate Information, is an appropriate citation for the facts of this matter.

In NRC's Principles of Good Regulation, Reliability, the Commission states: "Regulatory actions should always be fully consistent with written regulations and should be promptly, fairly, and decisively administered so as to lend stability to the nuclear operational and planning processes." (emphasis supplied) As demonstrated above, the facts do not support application of 10 CFR 70.9 to this situation. Therefore, UUSA requests that this portion of the citation be formally eliminated.

ENCLOSURE 2

Reply to Notice of Violation 70-3103/2013-003

RESTATEMENT OF THE NOTICE OF VIOLATION:

Following a U.S. Nuclear Regulatory Commission (NRC) investigation completed on March 27, 2013, a violation of NRC requirements was identified. In accordance with the NRC Enforcement Policy, the violation is listed below:

Title 10 of the Code of Federal Regulations (10 CFR) 70.9 (a) states, that information provided to the Commission by an applicant for a license or by a licensee or information required by statute or by the Commission's regulations, orders, or license conditions to be maintained by the applicant or the licensee shall be complete and accurate in all material respects.

Special Nuclear Material License Number 20101 requires, in part, that the licensee shall conduct authorized activities at the Louisiana Energy Services, LLC (LES), URENCO USA (UUSA), National Enrichment Facility in accordance with statements, representations, and conditions in the approved Quality Assurance Program Description (QAPD), Revision 30, dated January 13, 2011, and supplement thereto.

Section 6, Document Control, of the LES UUSA QAPD states, in part, that implementing documents and documents specifying quality requirements or prescribing activities affecting quality, shall be reviewed in accordance with applicable procedures for adequacy, correctness and completeness and by the QA organization as specified by procedure, prior to approval and issuance.

Construction Work Plan Material List (EG-3-6000-01-F-5), and Warehouse Material Identification and Control, Material Requisition form (PR-3-3000-03-F-2), are licensee implementing documents for specifying quality requirements, including the installation of components into the Centrifuge Cooling Water of Cascade 2.

Section 17, Quality Assurance Records, of the LES UUSA QAPD states, in part, that LES completed QA records that furnish documentary evidence of quality shall be specified, prepared, and maintained in accordance with applicable regulatory requirements and applicable procedures.

Contrary to the above, on April 7 and 8, 2011, LES UUSA maintained documents that were not complete and accurate in all material respects. Specifically, a LES contractor employee forged the initials and signature of an LES Quality Control (QC) Inspector in the QC Verification block of the Construction Work Plan Material List (EG-3-6000-01-F-5), and the Warehouse Material Identification and Control, Material Requisition form (PR-3-3000-03-F-2), to allow for the installation of non-QL 1 bolts in the Centrifuge Cooling Water of Cascade 2. These forgeries facilitated the installation of QL-3 bolts and nuts in place of the required QL-1 bolts and nuts. In accordance with Section 17 of Identification and Control, Material Requisition form and designated by LES as Quality Assurance Records that are required to be

maintained; the documents are material to the NRC because they provide validation of traceability and reliability of a safety significant component.

This is a Severity Level IV violation in accordance with the Enforcement Policy Section 6.5.d.2.

UUSA Reply to the Violation of Section 17, Quality Assurance Records, of the UUSA QAPD

1. The Reason for the Violation

On April 2011, a review of work plan 1002-MECH-614-003 identified a signature and two initials that did not appear to have been made by the individuals to whom they belonged. The signature appeared in the "issued by:" blank on PR-3-3000-03-F-2 for Material Request 2011-1635. The initials were found on the EG-3-6000-01-F-5 Material List for Work Plan 1002-MECH-614-003. The first initial was in the QC Verification block for M10-200 stud bolts and the second initial was found in the QC Verification block for M10 nuts. At the time, these documents were intended to document the quality installation of Cascade Cooling Water (CCW) piping in cascade 2.2 to satisfy the design requirements of IROFS41.

Subsequent investigations identified that a contract individual signed a warehouse individual's name on the Material Request and a different contract individual placed the initials of a Quality Control Inspector on the Material List. Both contract individuals worked for the same vendor.

The material necessary for the vendor to complete the installation of the CCW piping and steel works was normally provided by UUSA as QL-1 material. A purchase order was issued to procure this clamp material hardware, but the material had not been received when the vendor was available to be at the UUSA site for installation.

Since the vendor employees had traveled from Europe to perform this evolution, UUSA in accordance with EG-3-6000-04, determined that the CCW lines could be installed using temporary QL-3 hardware. The installation of the temporary hardware would allow for connection of the cooling water system to the cascade and provide the ability to perform the leak test of the system. The temporary hardware would then be replaced with the QL-1 hardware when received. The contractors were unaware that provisions in the work control process existed to document the use of temporary fasteners; the contractors instead installed QL-3 material and falsified the QC documentation as if the material installed was QL-1. One individual signed the warehouse individual's name on the Material Request and a different individual placed the initials of a Quality Control Inspector on the Material List. The fact that the contractors failed to understand the use of temporary material is attributed to a lack of training for the contractors.

Attempting to complete the material forms for final use material was a human performance issue. The contractors should have stopped and asked for direction but did not, thus attempting to document the material as they had with final material

in the past but since the material was not the final material the signatures could not be obtained. The individuals inappropriately signed for work which they did not perform. Notwithstanding, the individuals were not aware that their signature was a certification that the action was performed in accordance with work practice standards in the nuclear industry.

2. Corrective Steps That Have Been Taken and Results Achieved

At the time of discovery, April 26, 2011, the event was entered into the UUSA Corrective Action Program (2011-1364). The following corrective actions were completed at that time.

- 1) UUSA removed site access of the individuals who performed the falsification. Notice was made to their employer that these individuals would not be allowed to return to the UUSA site.
- 2) A review of all work plans associated with this vendor was performed. No additional examples of improper documentation were found.
- 3) The vendor employees were retrained in Work Plan documentation
- 4) The improperly documented nuts and bolts were declared temporary on 5/26/11, eliminating the need for traceability and reliability. The nuts and bolts were replaced with QL-1 components on 12/15/11 (Work Plan 1002-MECH-614-003).

3. The Corrective Steps That Will Be Taken

UUSA has re-evaluated the 2011 issue with emphasis on preventing similar behavior from other individuals. The evaluation is documented as part of a Detailed Apparent Cause Evaluation (ER-2013-1609). The following additional corrective actions have been created;

- 1) Revise the General Employee Training to convey the expectations regarding the value and significance of signatures (ER 2013-1609 Action 1).
- 2) Create a lessons learned topic within the Projects organization to convey the lessons learned from this violation (ER 2013-1609 Action 2).

4. The Date When Full Compliance Will Be Achieved

Although replacement of the temporary QL3 CCW bolts occurred on December 15, 2011, full compliance with UUSA QAPD Section 17 was achieved on May 25, 2011 when work plan 1002-MECH-614-03 was annotated to downgrade the initial installed bolts to QL3 thus making the requirement for a quality verification signature on the material list inapplicable.