



**UNITED STATES
NUCLEAR REGULATORY COMMISSION**
REGION II
245 PEACHTREE CENTER AVENUE NE, SUITE 1200
ATLANTA, GEORGIA 30303-1257

February 2, 2015

EA-10-076

Mr. Joel Duling, President
Nuclear Fuel Services, Inc.
P. O. Box 337, MS 123
Erwin, TN 37650

**SUBJECT: COMPLETION OF CONFIRMATORY ORDER COMMITMENTS- NUCLEAR
FUEL SERVICES**

Dear Mr. Duling:

The Nuclear Regulatory Commission (NRC) has completed sufficient inspection and review of changes to licensing safety basis documentation to conclude that Nuclear Fuel Services (NFS) has satisfied the terms of Confirmatory Order EA-10-076 (ADAMS Reference ML103210217 and ML103210221).

On October 7, 2009, the NRC Office of Investigations (OI) began an investigation (OI Case No. 2-2010-001) at NFS. Based on the evidence developed during its investigation, OI substantiated that a former Industrial Safety Specialist at NFS willfully provided the NRC incomplete and inaccurate information concerning fire damper inspections at NFS on two separate occasions. The results of the investigation, completed on February 26, 2010, were sent to NFS in a letter dated July 20, 2010. The NRC's July 20, 2010 letter offered NFS the opportunity to resolve the enforcement aspects of this matter through the NRC's normal enforcement process, or through alternate dispute resolution (ADR). NFS requested use of the NRC ADR process to resolve the matter.

On October 4, 2010, the NRC and NFS met in an ADR session mediated by a professional mediator, arranged through Cornell University's Institute on Conflict Resolution. ADR is a process in which a neutral mediator with no decision-making authority assists the parties in reaching an agreement to resolve any differences regarding the dispute. The parties reached an agreement for resolving the issues and, on November 16, 2010, the confirmatory order was issued pursuant to the agreement reached during the ADR process. Among other things, NFS agreed to implement measures to address safety culture, its corrective action program, and the effectiveness of completed actions.

The NRC has completed its review of your actions taken to satisfy the commitments documented in the Order. The review was completed during a number of follow-up inspections. During the fourth quarter of 2011, the NRC completed review of your actions to address Sections V.1, V.2, V.3, and V.7 of the Order which included the reply to the notice of violation documenting corrective actions and enhancements, an effectiveness review of

corrective actions identified in the reply, an assessment of the effectiveness of actions to assure adequacy and accuracy of information submitted to the NRC, and the implementation of metrics to measure overall safety performance. The NRC verified that NFS satisfactorily completed those actions (NRC IR 70-143/2011-005 ML12030A226).

In 2012, the NRC completed a review of your actions to address Section V.4 of the Order which required NFS to develop and implement an appropriate safety culture improvement plan to address the findings identified in the 2009/2010 Independent Safety Culture Assessment. NFS also was required to assess the effectiveness of its improvement plan and implement additional corrective actions for any weaknesses or deficiencies identified. Based on these inspections (NRC IR 70-143/2012-007 ML12125A328, and IR 70-143/2012-005 ML13030A34), we concluded that NFS implemented corrective actions to address weaknesses and deficiencies identified in the safety culture improvement plan as required by Section V.4. However, one unresolved item (URI) was identified and remained open regarding the implementation of the corrective action program (CAP) for the Security and the Material Control and Accounting departments.

In December 2014, the NRC completed review of your actions to address Section V.5 of the Order which required NFS to conduct an integrated safety culture assessment using a variety of appropriate assessment tools no later than July 2013, and at least every 24 months thereafter until NRC concludes that the actions were fully effective. NFS was required to implement appropriate and timely corrective action plans to address the issues identified in the assessment. NFS was also required to implement effectiveness reviews of the corrective actions and implement additional corrective actions to address those actions which were not fully effective.

The inspectors reviewed documentation related to corrective actions taken, the effectiveness reviews of those actions, and interviewed a cross section of personnel to gain an understanding of their views on the conduct of the assessment and NFS' response. The inspectors determined that the licensee satisfactorily addressed the commitments in Section V.5 of the Order, and determined that the actions were fully effective. The inspectors also closed out the URI identified during the previous inspection of Section V.4 of the Order after verifying that NFS effectively addressed the issue. (NRC IR 70-143-2014-005 ML15027A241)

In response to Section V.6 of the Order, NFS completed an assessment of its CAP against the requirements of NQA-1-2008, Part III, Subpart 3.1, "Non-Mandatory Appendix 16A-1." Based on the assessment, NFS submitted a license amendment request to the NRC that incorporated enhancements made to the program. Those enhancements included defining "condition adverse to safety" and clearly describing the process for classifying and trending events and prioritizing corrective actions using a graded, risk-based approach. That amendment request was approved by the NRC on January 8, 2013 (ML12296A174).

In a letter to the NRC dated June 18, 2014 (ML14175A488), NFS indicated that it had met the requirements of the Order and had demonstrated that its safety culture improvements were sufficient and sustainable. During our review of your actions to satisfy the commitments in the Order, we noted that NFS has established an improved organizational structure and processes to ensure that safety culture behaviors, including a questioning attitude and the environment for raising safety concerns are supported. Based on our review of your corrective actions and performance, we have determined that NFS has satisfactorily completed all commitments stated

in the Confirmatory Order dated November 16, 2010. We also note that you are committed to sustaining a robust safety culture including the continued performance of integrated independent safety culture assessments every 24 to 36 months as stated in your Safety Culture Policy.

In accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) 2.390, "Public inspections, exemptions, requests for withholding," of the NRC's "Rules of Practice and Procedure," a copy of this letter will be made available electronically for public inspection in the NRC Public Document Room, or from the NRC's Agencywide Documents Access and Management System (ADAMS); accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Should you have any questions concerning this letter, please contact James Hickey of my staff at 404-997-4628.

Sincerely,

/RA/

Victor M. McCree
Regional Administrator

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

cc: (See page 4)

in the Confirmatory Order dated November 16, 2010. We also note that you are committed to sustaining a robust safety culture including the continued performance of integrated independent safety culture assessments every 24 to 36 months as stated in your Safety Culture Policy.

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Should you have any questions concerning this letter, please contact James Hickey of my staff at 404-997-4628.

Sincerely,
/RA/
 Victor M. McCree
 Regional Administrator

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

cc: (See page 4)

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