

October 24, 2016

EA-16-203

Ms. Natalie Gall  
Customer Service Supervisor  
Sandvik Special Metals, LLC  
235407 E SR 397  
P.O. Box 6027  
Kennewick, WA 99336

SUBJECT: SANDVIK SPECIAL METALS LLC– EXPORT OF NUCLEAR REACTOR  
COMPONENTS AND NOTICE OF VIOLATION

Dear Ms. Gall:

This letter refers to exports of nuclear reactor components by Sandvik Special Metals, LLC (Sandvik), under a U.S. Nuclear Regulatory Commission (NRC) general license in accordance with Title 10 of the *Code of Federal Regulations* (10 CFR), Section 110.26(a). Section 110.54(a)(1) of 10 CFR requires, in part, that licensees making exports under a general license or specific license must provide quarterly reports of exports of nuclear facilities and equipment shipped during the previous quarter to the Department of Commerce. Additionally, Section 110.54(c), requires, in part, that persons making exports under the general license, shall submit a report of all components to the Deputy Director, Office of International Programs, NRC. This report must include: 1) a description of the components keyed to the categories listed in Appendix A to Part 110, "Illustrative List of Nuclear Reactor Equipment Under NRC Export Licensing Authority," 2) approximate shipment dates, and 3) a list of recipient countries and end users keyed to the items shipped. The results of this review were discussed with you on June 20, 2016, by Ms. Andrea Jones of my staff, and on June 21, 2016, by Ms. Hillary Lane and Mr. Santiago Aguilar of the Office of Nuclear Material Safety and Safeguards.

Based on its review of information concerning the exports, the NRC has determined that two Severity Level IV violations of NRC requirements occurred. Specifically, in calendar years 2010, 2013, and 2015, Sandvik failed to report the export of nuclear reactor components, including equipment associated with reporting requirements under the Protocol Additional to the Agreement Between the United States of America and the International Atomic Energy Agency for the Application of Safeguards in the United States (hereinafter referred to as the Additional Protocol), to the NRC and the Bureau of Industry and Security, U.S. Department of Commerce, for exports of zirconium tubes shipped. As of July 14, 2016, Sandvik has provided the required export notifications to the Department of Commerce and the NRC. In addition, the annual report, dated January 19, 2016, that contained components exported, the components did not include descriptions as required by paragraphs (1) through (3) of Section 110.54©.

The violations were evaluated in accordance with the NRC Enforcement Policy. The current Enforcement Policy is included on the NRC's Web site at <http://www.nrc.gov/about-nrc/regulatory/enforcement/enforce-pol.html>. The violations are cited in the enclosed Notice of Violation (Notice).

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing your response. If you have additional information that you believe the NRC should consider, you may provide it in your response. The NRC will use your response, in part, to determine whether or not further enforcement action is necessary to ensure compliance with regulatory requirements.

In accordance with 10 CFR 2.390 of the NRC's "Agency Rules of Practice and Procedure," a copy of this letter, its enclosures and your response will be made available electronically for public inspection in the Public Document Room or from the NRC's document system Agencywide Documents Access and Management System accessible from the NRC Website at <http://www.nrc.gov/reading-rm/adams.html>. To the extent possible, your response should not include any personal privacy or proprietary information so that it can be made available to the public without redaction. If personal privacy or proprietary information is necessary to provide an acceptable response, please provide a bracketed copy of your response that identifies the information that should be protected and a redacted copy of your response that deletes such information. If you request withholding of such information, you must specifically identify the portions of your response that you seek to have withheld and provide in detail the bases for your claim of withholding (e.g., explain why the disclosure of information will create an unwarranted invasion of personal privacy or provide the information required by 10 CFR 2.390(b) to support a request for withholding confidential commercial or financial information).

Please contact Andrea R. Jones at (301) 287-9072 if you have any questions regarding this matter.

Sincerely,

*/RA/*

Peter Habighorst, Chief  
Export Controls and Nonproliferation Branch  
Office of International Programs

Enclosure:  
Notice of Violation

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Office of International Programs

Enclosure:  
Notice of Violation

**DISTRIBUTION:**

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D. Skeen, OIP            A. Jones, OIP            OE r/f  
R. Fretz, OE            S. Aguilar, NMSS

**ADAMS Accession Number: ML16260A045            \*via e-mail**

<b>OFFICE</b>	ECNP/OIP	NMSS	OE	BC:ECNP/OIP
<b>NAME</b>	AJones	JRubenstone*	RFretz	PHabighorst
<b>DATE</b>	09/19/16	10/18/16	10/13/16	10/24/16

**OFFICIAL RECORD COPY**

## NOTICE OF VIOLATION

Sandvik Special Metals, LLC  
Kennewick, WA

EA-16-203

During a U.S. Nuclear Regulatory Commission (NRC) review completed on July 14, 2016, violations of NRC requirements were identified. In accordance with the NRC Enforcement Policy, the violations are listed below:

- A. Section 110.26(a) of Title 10 of the *Code of Federal Regulations* (10 CFR) issues a general license to persons who wish to export nuclear reactor components that are of U.S. origin, and described in paragraphs (5) through (11) of Appendix A to 10 CFR Part 110, to destinations listed in paragraph (b) of 10 CFR 110.26.

Section 110.54(a)(1) of 10 CFR states, in part, that persons making exports under the general license established by 10 CFR 110.26(a) shall submit a report of exports of nuclear facilities and equipment shipped during the previous quarter by January 15, April 15, July 15, and October 15 of each year on DOC/NRC Forms AP-M or AP-13, and associated forms. The reports must contain information on all nuclear facilities, equipment, and non-nuclear materials listed in Annex II of the Additional Protocol. In accordance with 10 CFR 110.54(a)(2), these required reports must be submitted to the Bureau of Industry and Security, U.S. Department of Commerce.

Contrary to the above, Sandvik Special Metals, LLC (Sandvik), exported nuclear reactor components of U.S. origin and described in paragraphs (5) through (11) of Appendix A to 10 CFR Part 110 to destinations listed in paragraph (b) of 10 CFR 110.26, and failed to submit to the NRC and U.S. Department of Commerce the required reports associated with the export of these nuclear reactor components. Specifically, Sandvik exported zirconium tubes to Korea Nuclear Fuel in the Republic of Korea on February 18, March 12, June 29, and November 29, 2010; and to Japan Global Nuclear Fuel in Japan on April 30, 2013, and September 11, 2015. Zirconium tubing is a nuclear reactor component described in paragraph (6) of Appendix A to 10 CFR Part 110 as well as paragraph 1.6 of Annex II to the Additional Protocol. As such, Sandvik was required by 10 CFR 110.54(a)(1) to submit quarterly reports to the Bureau of Industry.

This is a Severity Level IV violation (NRC Enforcement Policy, Section 6.15)

- B. Section 110.54(c), requires, in part, that persons making exports under the general license established by Section 110.26(a), shall submit a report of all components shipped during the previous calendar year. This report shall be submitted to the Deputy Director, Office of International Programs and must include: 1) a description of the components keyed to the categories listed in Appendix A to Part 110, 2) approximate shipment dates, and 3) a list of recipient countries and end users keyed to the items shipped.

Contrary to the above, Sandvik submitted its annual report for components exported in 2015, dated January 19, 2016; however, the report did not contain descriptions as required by paragraphs (1) through (3) of Section 110.54(c) description of the components keyed to the categories listed in Appendix A to 10 CFR Part 110.

This is a Severity Level IV violation (NRC Enforcement Policy, Section 6.15)

Enclosure

Pursuant to the provisions of Title 10 of the *Code of Federal Regulations* (10 CFR) 2.201, Sandvik is hereby required to submit a written statement or explanation to the Director, Office of International Programs, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, within 30 days of the date of this Notice of Violation. This reply should be clearly marked as a "Reply to a Notice of Violation (EA-16-203)" and should include for the violations: (1) the reason for the violation, or, if contested, the basis for disputing the violation or severity level; (2) the corrective steps that have been taken and the results achieved; (3) any additional corrective steps that will be taken; and (4) the date when full compliance will be or was achieved. Your response may reference or include previous docketed correspondence, if the correspondence adequately addresses the required response. If an adequate reply is not received within the time specified in this Notice, the NRC may issue an Order or a Demand for Information requiring you to explain why your license should not be modified, suspended, or revoked or why such other action as may be proper should not be taken. Where good cause is shown, consideration will be given to extending the response time.

If you contest this enforcement action, you should also provide a copy of your response, with the basis for your denial, to the Director, Office of Enforcement, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001.

In accordance with 10 CFR 2.390, "Agency Rules of Practice," your response will be made available electronically for public inspection in the NRC Public Document Room or from the NRC's document system (ADAMS) accessible from the NRC Website at <http://www.nrc.gov/reading-rm/adams.html>. To the extent possible, your response should not include any personal privacy, proprietary, or safeguards information so that it can be made available to the public without redaction.

In accordance with 10 CFR 19.11, you may be required to post this Notice within 2 working days of receipt.

Dated this 24<sup>th</sup> day of October 2016.