



UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION IV
1600 EAST LAMAR BOULEVARD
ARLINGTON, TEXAS 76011-4511

April 17, 2018

EA-18-022

Jason Bauer
Radiation Safety Officer
HSI Group, Inc.
92-1164 Olani Street, Apartment 2
Kapolei, Hawaii 96707

SUBJECT: NRC INSPECTION REPORT 030-39050/2018-001 AND NOTICE OF VIOLATION

Dear Mr. Bauer:

This letter refers to the announced inspection conducted on February 8, 2018, at your facility in Kapolei, Hawaii, and the unannounced inspection conducted on February 9, 2018, at a temporary job site at the Island Energy Services' refinery in Kapolei, Hawaii. The inspection was an examination of activities conducted under your license as they relate to public health and safety, to confirm compliance with the U.S. Nuclear Regulatory Commission (NRC) rules, regulations, and with the conditions of your license. Within these areas, the inspection consisted of a selected examination of procedures and representative records, observations of activities, and interviews with personnel. The enclosed inspection report presents the results of this inspection. The preliminary inspection findings were discussed with you on February 9, 2018. A final exit briefing was conducted telephonically with you and Mark Kazee, Manager of Inspection Services, Mary Au, Manager of Hawaii Sites, and Bill Reynolds, Director of Refinery Services, on April 10, 2018.

Based on the results of this inspection, apparent violations of NRC requirements were identified and are being considered for escalated enforcement action 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 apparent violations involving NRC security requirements are discussed in the non-public Enclosure 3. The circumstances surrounding these apparent violations, the significance of the issues, and the need for lasting and effective corrective action were discussed with you on April 10, 2018.

Since the NRC has not made a final determination in this matter, a Notice of Violation is not being issued for the apparent violations at this time. In addition, please be advised that the number and characterization of apparent violations described in the Enclosure 3 may change as a result of further NRC review.

Enclosures 1 and 3 contain Sensitive Unclassified Non-Safeguards Information. When separated from Enclosures 1 and 3, this cover letter and Enclosure 2 are decontrolled.

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Before the NRC makes its enforcement decision, we are providing you an opportunity to: (1) respond to the apparent violations addressed in the inspection report within 30 days of the date of this letter; or (2) request a predecisional enforcement conference (PEC). If a PEC is held, the NRC will issue a meeting notice to announce the time and date of the conference; however, the PEC will be closed to public observation since Security-Related Information will be discussed. If you decide to participate in a PEC, please contact Mr. Michael C. Hay, Chief, Materials Licensing and Inspection Branch, at 817-200-1455 within 10 days of the date of this letter to notify the NRC of your intended response. A PEC should be held within 30 days of the date of this letter.

If you choose to provide a written response, it should be clearly marked as a “Response to an Apparent Violation in NRC Inspection Report 030-39050/2018-001; EA-18-022” and should include for each apparent violation: (1) the reason for the apparent violation or, if contested, the basis for disputing the apparent 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. Your response may reference or include previously docketed correspondence, if the correspondence adequately addresses the required response.

Additionally, your response should be sent to the U.S. Nuclear Regulatory Commission, ATTN: Document Control Desk, Washington, DC 20555 0001, with a copy to the Director, Division of Nuclear Materials Safety, U.S. Nuclear Regulatory Commission, Region IV, 1600 E. Lamar Blvd., Arlington, TX 76011-4511. If an adequate response is not received within the time specified or an extension of time has not been granted by the NRC, the NRC will proceed with its enforcement decision or schedule a PEC.

If you choose to request a PEC, the conference will afford you the opportunity to provide your perspective on these matters and any other information that you believe the NRC should take into consideration before making an enforcement decision. The decision to hold a PEC does not mean that the NRC has determined that a violation has occurred or that enforcement action will be taken. This conference would be conducted to obtain information to assist the NRC in making an enforcement decision.

The topics discussed during the conference may include information to determine whether a violation occurred, information to determine the significance of a violation, information related to the identification of a violation, and information related to any corrective actions taken or planned. In presenting your corrective actions, you should be aware that the promptness and comprehensiveness of your actions will be considered in assessing any civil penalty for the apparent violations. The guidance in NRC Information Notice 96-28, “Suggested Guidance Relating to Development and Implementation of Corrective Action,” may be helpful. You can find the Information Notice on the NRC Web site at <http://pbadupws.nrc.gov/docs/ML0612/ML061240509.pdf>.

Additionally, based on the results of this inspection, the NRC has determined that one Severity Level IV violation of NRC requirements occurred. This violation was evaluated in accordance with the NRC Enforcement Policy. The violation involved NRC security requirements, and is cited and described in the non-publicly available Notice of Violation (Notice) Enclosure 1. This violation is being cited because it was identified by the NRC during the inspection.

The NRC has concluded that information regarding: (1) the reason for the violation; (2) the corrective actions that have been taken and the results achieved; and (3) the date when full

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compliance was achieved is already adequately addressed on the docket in NRC Inspection Report 030-39050/2018-001, Enclosure 3. Therefore, you are not required to respond to the Notice in Enclosure 1 unless the description therein does not accurately reflect your corrective actions or your position. In that case, or if you choose to provide additional information, you should follow the instructions specified in the enclosed Notice.

In accordance with 10 CFR 2.390 of the NRC's "Agency Rules of Practice and Procedure," a copy of this letter and Enclosure 2 will be made available electronically for public inspection in the NRC Public Document Room or in 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>. However, Enclosures 1 and 3 contain Security-Related Information in accordance with 10 CFR 2.390(d)(1) and their disclosure to unauthorized individuals could present a security vulnerability. Therefore, Enclosures 1 and 3 will not be made available electronically for public inspection in the NRC Public Document Room or from ADAMS.

If you choose to provide a response and Security-Related Information is necessary to provide an acceptable response, please mark your entire response "Security-Related Information – Withhold from public disclosure under 10 CFR 2.390" in accordance with 10 CFR 2.390(b)(1) and follow the instructions for withholding in 10 CFR 2.390(b)(1). In accordance with 10 CFR 2.390(b)(1)(ii), the NRC is waiving the affidavit requirements for your response.

If you have any questions concerning this matter, please contact Mr. Michael C. Hay of my staff at 817-200-1455.

Sincerely,

/RA/

Mark R. Shaffer, Director
Division of Nuclear Materials Safety

Docket: 030-39050
License: 53-35428-01

Public Enclosure:
2. Health and Safety - NRC Inspection
Report 030-39050/2018-001

Non-Public Enclosures:
1. Notice of Violation
3. Security - NRC Inspection
Report 030-39050/2018-001

cc w/Enclosures:
L. Nakasone, State of Hawaii
Radiation Program Director

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NRC INSPECTION REPORT 030-39050/2018-001 AND NOTICE OF VIOLATION - DATED APRIL 17, 2018

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ADAMS ACCESSION NUMBER: ML18088A110

Ltr & Enclosures: ADAMS: Non-Publicly Available Non-Sensitive Keyword:
 SUNSI Review By: Yes No Publicly Available Sensitive MD 3.4 A.3

ADAMS ACCESSION NUMBER: ML18107A773

Cvr Ltr & Encl 2 Only: ADAMS: Non-Publicly Available Non-Sensitive Keyword:
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**U.S. NUCLEAR REGULATORY COMMISSION
REGION IV**

Docket: 030-39050

License: 53-35428-01

Report: 2018-001 (Health and Safety)

EA No: EA-18-022

Licensee: HSI Group, Inc.

Location Inspected 91-505 Awakumoku Street, Bay K, Kapolei, HI
TJS at Island Energy Services Refinery, 91-480 Malakole
Street, Kapolei HI

Inspection Dates: February 8-9, 2018

Exit Meeting Date: April 10, 2018

Inspector: Jason E. vonEhr, Health Physicist
Materials Licensing and Inspection Branch
Division of Nuclear Materials Safety

Approved by: Michael C. Hay, Chief
Materials Licensing and Inspection Branch
Division of Nuclear Materials Safety

Enclosure 2

EXECUTIVE SUMMARY

**HSI Group, Inc.
NRC Inspection Report 030-39050/2018-001 (Health and Safety)**

Program Overview

The HSI Group, Inc. is authorized under NRC Materials License Number 53-35428-01, to possess and use byproduct material, including iridium-192, for industrial radiographic operations. Licensed activities are authorized to be performed at the licensee's facility located in Hawaii, as well as at temporary job sites (TJS) in areas of NRC jurisdiction. The licensee's operations included the performance of industrial radiography at a TJS in Hawaii, an area of NRC jurisdiction. (Enclosure 2, Section 1).

Inspection Findings

No violations were identified regarding NRC health and safety requirements. However, one or more apparent violations were identified related to the NRC's security requirements. These apparent violation(s) are described in the non-public enclosure. (Enclosure 3)

Corrective Actions

In the follow-up to the inspection, the licensee provided the inspector comprehensive corrective actions that were implemented to restore compliance. The licensee's corrective actions involving NRC security requirements are described in the non-public enclosure. (Enclosure 3)

REPORT DETAILS – Health and Safety

1. Program Overview (Inspection Procedure 87121)

1.1. Program Scope

The HSI Group, Inc. (HSI) is authorized under NRC Materials License Number 53-35428-01, to possess and use byproduct material, including iridium-192, for industrial radiographic operations. Licensed activities are authorized to be performed at the licensee's facility located in Hawaii, as well as at temporary job sites (TJS) in areas of NRC jurisdiction. The licensee's operations included the performance of industrial radiography at a TJS in Hawaii, an area of NRC jurisdiction. HSI is a new radiography licensee, whose license was issued on July 6, 2017.

1.2. Observations and Findings

The inspector observed licensed activities at the licensee's facility and TJS, reviewed records, procedures, and documents maintained by the licensee, conducted independent radiation measurements, and interviewed licensee personnel at the licensed facility and at a TJS at an oil and gas processing facility in Kapolei. Collectively, the activities observed, interviews conducted, and documents reviewed described the licensee's implementation of its radiation safety program.

2. Inspection Findings (Inspection Procedure 87121)

2.1. Inspection Scope

On February 8, 2018, the inspector conducted an announced inspection at the licensee's facility in Kapolei, Hawaii. The licensee stored records, licensed materials, and radiography equipment at the facility, in addition to acting as an office-space to personnel not participating in activities outside the site. On February 9, 2018, the inspector conducted an unannounced inspection of the licensee's TJS at the Island Energy Services' refinery in Kapolei, Hawaii. The licensee was on-site to perform various non-destructive testing services, including industrial radiography, to support the refinery's projects. The inspector observed licensed activities, which at the time of the inspection consisted of the storage of an industrial radiographic device in a mobile darkroom. The inspector reviewed records, procedures, and documents maintained by the licensee at the trailer, conducted independent radiation measurements, and interviewed licensee personnel.

2.2. Observation and Findings

Licensed activities in Kapolei, Hawaii included the possession, use, and storage of licensed radioactive materials related to the performance of industrial radiographic activities. At the TJS, these radiographic activities were performed by HSI for a client, Island Energy Services, to support the refinery's various quality control programs.

The inspector observed licensed activities at the licensee's facility and TJS, reviewed records, procedures, and documents maintained by the licensee, conducted independent radiation measurements, and interviewed licensee personnel at the

licensed facility and at a TJS at an oil and gas processing facility in Kapolei. Based on the activities observed, interviews conducted, and documents reviewed, the inspector determined that the licensee was adequately implementing its radiation safety program.

2.3. Conclusions

The inspector reviewed the licensee's radiation safety program and identified no violations in areas concerning NRC health and safety requirements.

3. **Exit Meeting Summary**

The inspector presented the preliminary inspection findings at the conclusion of the onsite inspection on February 8, 2018, with Jason Bauer, Radiation Safety Officer, and telephonically after the TJS inspection on February 9, 2018. On April 10, 2018, a final telephonic exit meeting was conducted with Jason Bauer, Radiation Safety Officer, Mark Kazee, Manager of Inspection Services, Mary Au, Manager of Hawaii Sites, and Bill Reynolds, Director of Refinery Services. The licensee acknowledged the findings and did not dispute any of the details presented during the exit call.

Supplemental Inspection Information – Health and Safety

PARTIAL LIST OF PERSONS CONTACTED

Jason Bauer, HSI Group RSO
Mark Kazee, HSI Group Manager of Inspection Services
Kyle Toyama, Island Energy Refinery

INSPECTION PROCEDURES USED

87121 Industrial Radiography Programs

ITEMS OPENED, CLOSED, AND DISCUSSED

Opened

None

Closed

None

Discussed

None

LIST OF ACRONYMS USED

ADAMS	Agencywide Documents Access and Management System
CFR	<i>Code of Federal Regulations</i>
NRC	Nuclear Regulatory Commission
PEC	Predecisional Enforcement Conference
RSO	Radiation Safety Officer
TJS	temporary job site