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UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION III
799 ROOSEVELT ROAD
GLEN ELLYN, ILLINOIS 60137

AUG 8 1980,

Docket No. 70-36

Combustion Engineering
ATTN: Mr. H. V. Lichtenberger
Vice President - Manufacturing
Nuclear Power Systems
Windsor, CT 06095

Gentlemen:

This refers to the inspection conducted July 21-25, 1980, by Messrs. A. G. Finley and J. P. Patterson of this office, and to the discussion of our findings with Mr. J. A. Rode, Plant Manager, and members of his staff at the conclusion of the inspection. The inspection was a review of activities at the Combustion Engineering, Hematite Plant, authorized by NRC License No. SNM-33.

The enclosed copy of our inspection report identifies areas examined during the inspection. Within these areas, the inspection consisted of observing the semi-annual physical inventory and as part of inventory verification, the selection of 80 samples submitted to the New Brunswick Laboratory for analysis. Other areas involved included selective examination of procedures, and representative records, observations, and interviews with personnel.

This inspection report is section one of a two section report. The compilation of NBL analytical results and statistical verification of the SNM inventory will be the subject of Section II of this inspection report.

The necessary action taken to comply with the two commitments, made as a result of the previous inspection, Report No. 70-36/79-08, were reviewed by the inspection team, and we have no further questions regarding these two items.

During this inspection, certain of your activities appeared to be in non-compliance with NRC requirements, as described in the enclosed Appendix A.

ATTACHMENT CONTAINS
10 CFR 2.790 (d) INFORMATION

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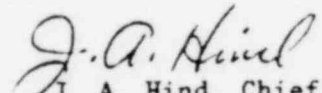
Combustion Engineering, Inc. - 2 -

Areas examined during the inspection concern a subject matter which is exempt from disclosure according to Section 2.790 of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations. Consequently, our report of this inspection will not be placed in the Public Document Room.

This notice is sent to you pursuant to the provisions of Section 2.201 of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations. Section 2.201 requires you to submit to this office within twenty days of your receipt of this notice a written statement or explanation in reply, including for each item of noncompliance: (1) corrective action taken and the results achieved; (2) corrective action to be taken to avoid further noncompliance; and (3) the date when full compliance will be achieved.

We will gladly discuss any questions you have concerning this inspection.

Sincerely,


J. A. Hind, Chief
Safeguards Branch

Enclosures:

1. Appendix A, Notice of Violation
2. IE Inspection Report
No. 70-36/80-03
(Part 2.790(d) Information)

cc w/encls:

Mr. J. A. Rode, Plant
Manager
Central Files
Reproduction Unit NRC 20b

cc w/encl 1:

PDR