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UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION II
101 MARIETTA ST., N.W., SUITE 3100
ATLANTA, GEORGIA 30303

Central File

In Reply Refer To:
RII:JBK
70-143/80-35

NOV 25 1980

Nuclear Fuel Services, Inc.
ATTN: W. C. Manser, Jr.
General Manager
Erwin, TN 37650

Gentlemen:

This refers to the special inspection conducted by the staff of this office from September 9 to November 4, 1980, of activities authorized by NRC License No. SNM-124 at Erwin, Tennessee and to the discussions of our findings held with C. J. Michel, on November 21, 1980. This inspection was in support of the overall NRC effort initiated as a result of the inventory difference you reported September 8, 1980.

This inspection was an examination of selected processes and programs pertaining to your September 8, 1980, reported inventory difference and your nuclear material control system with respect to specific conditions of the safeguards amendment to your special nuclear material license and to the material control and accountability requirements of 10 CFR 70, "Special Nuclear Material." Within these areas, the inspection consisted of selective examinations of procedures, records and reports, interviews and discussions with personnel and observations by the inspection staff.

Within the scope of this inspection, no violations were disclosed. However, as a result of this inspection, several weaknesses were identified. These matters were discussed with members of your staff during the inspection and are identified in the details of this report. Some of these items were discussed with you and members of your staff during a management meeting held at NFS on September 18, 1980. Those management meeting items are documented in Inspection Report 70-143/80-30.

In accordance with Section 2.790(d) of the NRC's "Rules of Practice," Part 2, Title 10, Code of Federal Regulations, activities involving safeguards and security measures are exempt from public disclosure; therefore, the enclosures to this letter with the exception of the report cover page, which is an inspection summary, will not be placed in the Public Document Room.

Should you have any questions concerning this letter, we will be glad to discuss them with you.

Sincerely,

James P. O'Reilly
James P. O'Reilly
Director

Enclosures:
(See Page 2)

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Nuclear Fuel Services, Inc. -2-

Enclosures:

1. Inspection Summary
 (Not Exempt)
2. Inspection Report No. 70-143/80-35
 (Exempt from Disclosure)