



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

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MEMORANDUM FOR: Charles J. Haughney, Chief
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Division of Industrial and
Medical Nuclear Safety, NMSS

FROM: George H. Bidinger, Section Leader
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SUBJECT: MANAGEMENT MEETING, SEQUOYAH FUELS CORPORATION (SFC), GORE,
OKLAHOMA, NOVEMBER 13, 1990, DOCKET NO. 40-8027

Mr. James Taylor, Executive Director For Operations, opened the meeting at Rockville, Maryland, with a review of the history of SFC. Mr. Taylor mentioned the 1986 serious event and the high expenditure of NRC resources at that time. After that event, Mr. Taylor personally was left with a bitter taste and suffered with the Synar Hearings and loss of NRC assets. The NRC expects SFC to operate the facility assiduously within the license requirements. The Commission - Region IV and Headquarters - is concerned with the current problems. Mr. Taylor stated that this is not the way to operate the facility. NRC does not want to run the facility. The Chairman and other Commissioners are concerned. SFC should inform the staff of operational issues. There will be no complaints with calls about issues even if they do not involve uranium.

Mr. Blue, CEO of General Atomics(GA), stated that he shared Mr. Taylor's perspective on the objective of safe operations. He recognized that from a business standpoint, SFC must operate the facility without a massive deployment of NRC resources. It would be pure lunacy to require such deployment. The situation at SFC has deleterious effects on GA's reputation which is more than a business effect. GA is not a stranger to the relative seriousness of radiation activities. GA does have concern with press reports of 35,000 times the limit when actually it was 5-6. This is deleterious to GA and the nuclear industry. GA's primary interest is the nuclear industry; they are working on a meltdown-proof reactor for the Department of Energy (DOE). The thrust at GA is environmental safety. GA approached SFC as a potential opportunity, knowing its history of problems. Mr. Reau Graves, President of SFC, and Mr. Blue have worked together for 10 years. On the initial visit to SFC, they shared observations of attitudes and conduct affecting safety and production. It was incumbent upon SFC 2 years ago to implement safety and environmentally efficient procedures. Removal of raffinate sludge was one issue and is ahead of schedule. As business people, GA recognized where SFC had to be in the business world. Over 50,000 barrels of sludge have been removed. SFC has made improvements in the operating safety of the plant. SFC has done this on its own without regulatory pressure.

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SFC is not waiting to be shown that the facility has to be cleaned up, as far as practicable, except for the ultimate decommissioning. No objective observer can come to any other conclusion. The action could not be completed faster in a practical sense. Therefore, there was some surprise as Mr. Blue read the report of the current situation. GA is sensitized, worried, and was ready to meet on Friday. GA and SFC will do what is necessary; however, one must compare data bases. We came to have a good meeting because we have to have a good meeting. Mr. Blue was surprised by Hugh Thompson, Deputy Executive Director for Nuclear Materials Safety, Safeguards, and Operations Support, raising the issue of confidence of management. Mr. Blue recognized that the NRC must have confidence in SFC. There is due process, however, and one must have an accurate data base for due process. Mr. Blue wanted to review three or four principal issues that lead to a mind set.

Timely Reporting Issues - Jim Taylor stated that the staff has a need for timely, open reporting. Mr. Blue has no objection; his staff, consultants, and counsel said SFC acted responsibly; the interpretation of the regulation was correct; reporting is not required. Mr. Blue considered the action responsible. No one told SFC of the desire to be informed.

Mr. Robert Martin, Region IV Administrator, responded that previous requests for such open discussions had been made several months earlier concerning the UF_4 release. The issue is not reportability, but open communication. The principle of open communication had been established. Mr. Blue added that there was no bad faith in SFC actions.

Poured Concrete Floor Issue - Mr. Blue said the concrete floor was poured after samples showed radiation levels. Contamination is serious and needs to be monitored and will be. But, pouring the floor is not relevant to ground water contamination. If higher levels of uranium were found, all work should stop. Stoppage would not change the contamination.

Yellow Water Issue - Mr. Blue reviewed the issue of yellow water observed by the inspectors and the perceived lack of candor by Mestepey and Couch. Mr. Blue does not know that they knew anything to communicate. Procedures were in place for daily monitoring of employees. The Augmented Inspection Team (AIT) report confirmed no damage to people or the environment. Was SFC lucky? Confer up scenarios of what could have materially affected worker safety. Mr. Blue does not think it is possible.

The NRC questions go to the core of confidence. While it is important to the NRC, confidence in SFC management is vital to Mr. Blue.

Mr. Ken Berlin, Winthrop, Stimson, Putnam & Roberts, expressed a concern that NRC interpretations of data reflects adversely on SFC and reviewed the following:

1. NRC concern that SFC has caused H&S problems to personnel and the environment. However, SFC had a procedure; SFC could have done more but actions were basically adequate.

2. Questions about even if nothing happened, could it have. SFC procedures were okay.
3. Was there a deliberate delay in reporting? There is great concern about hiding the facts. Delay did not hide facts from the NRC. There was no attempt to hide facts. SFC is committed not to hide facts from NRC and is working to improve communications.
4. Reflects bad attitude of Kerr-McGee employees, i.e., business as usual. SFC does not believe this but can setup procedures to improve.
5. Lack of adequate management controls, i.e., lack of responsibility. SFC hired consultants to be responsible and wants to be fully responsive to the NRC.

Mr. Martin responded that the Demand outlines a number of events which, from the NRC perspective, creates concerns for which the NRC needs additional assurance that SFC will take corrective actions and about attitudes which cause these concerns. SFC does not have serious violations but rather NRC questions the lack of aggressive pursuit of proper actions. The Demand requires SFC to address NRC concerns and to demonstrate a pro-active management.

Mr. Berlin said more discussion is needed. SFC has reacted positively, and he wanted to make that point.

Mr. Robert Bernero, Director, Office of Nuclear Material Safety and Safeguards, interjected that the NRC concern is not with the management of construction. The SFC concern was with pouring the concrete, rather than pursuit of discovery of the source of contamination. Responsiveness to discovery of contamination is the problem.

Mr. Reau Graves, SFC President, said he wanted to confirm Mr. Martin's understanding of communications. After the UF₄ event, Mr. Graves felt there was a good understanding. Mr. Hugh Thompson stated that the issue was with the whole management team, i.e., was there general understanding of this? Mr. Graves said the organization should respond as he expects it to. In 20-20 hindsight, he cannot assure that the response would have been different if he had been onsite. One particulate area - the analytical procedure - concerned him. In hindsight, reporting to the NRC should have been made on August 17, 1990. His preference would have been to report it earlier.

Mr. Graves wanted to broaden the SFC response. His philosophy is that SFC must have a constructive and positive way of dealing with the regulators - needs to have open communications. SFC must work with the regulators to meet requirements and expectations. SFC must protect employees and the environment. Any unsafe situation is an inefficient operation. Safety goes hand-in-hand with production.

The last time Mr. Graves was in Headquarters was in 1988 for a meeting with Mr. Leland Rouse, former Chief, Fuel Cycle Safety Branch. It was a constructive meeting, and he appreciated the trust the NRC showed in SFC. His objective is

to maintain that trust. SFC has a troubled history, problems, a cloudy past. Diligent cleanup of the facility was his goal. Significant improvements to operations and the environment have been made. One million dollars was spent on storm water collection and treatment. Various scrap piles have been cleaned. Pond 2 had a do-nothing legacy even with a known loss of integrity in the early '70s. KM committed to monitor wells in the '80s. SFC committed to cleanup, but it was delayed by rainfall this year. SFC has done significant things for the environment.

With the enforcement meeting in March, Mr. Graves has been working to improve communications. For the past 2 years, there was no indication of a problem from routine inspections. This problem started in early August and is still escalating. Mr. Graves stated he was and is much concerned because his nature is to share with the regulator.

Mr. Martin said that recounting of background data is good. Initially, RIV had positive views of SFC. However, sometimes an event is the symptom of another problem. The UF₄ event caused some NRC consternation and additional looking. The August incident caused a substantial change in our view of SFC. SFC has been responsive to the Order. Concern is not with responsiveness to our concerns. The problem is that SFC does not say what SFC will do when something happens. With the construction problem, SFC did not take action on the contamination. Regarding the dripping valve issue, an operator touched the solution with a bare hand to identify "process solution." This may indicate contempt for regulatory requirements. NRC's concern is that SFC only ascertains issues after NRC prompting. When SFC discovered the below surface contamination, NRC expected SFC to say we found it and will look into it; details will follow. However, only after prompting were actions volunteered. The acid spray in the operator's mouth is another example. Our prompting appeared to lead to the dose assessment. It is a question of a pro-active nature. The SFC report says SFC has procedures to prevent use of monel. When NRC looked into this, NRC found that the individual misspoke. This erodes our confidence.

Why did SFC not report the process monitor? Was sensitivity there? SFC must communicate with the NRC to tell the NRC what SFC is going to do. Do not let NRC address it first. Establish openness before, rather than find things are different later. Technical issues can be subject to disagreement and resolution. NRC is looking for added assurance that, while SFC is looking at the organization, SFC can operate the plant. NRC inspectors observed unauthorized conduct which was not reported to you by SFC personnel so that you (Mr. Graves) could take action. NRC is disappointed with the line organization during August, September, and continuing. SFC needs an oversight organization to assist line managers to carry out your instructions while the organization is assessed. The AIT report and interviews leave nagging concerns.

Mr. Graves said that he had taken steps to improve the oversight. A QA Engineer reports through Mr. Lacey to Mr. Graves. Three HP staff members have been added. They are all experienced staff with "eyes" and a big stick. With regard to the monel valve, procedures are in place for warehouse control. The procedure failed, and we missed it. The QA Engineer reviewed

this, and new requirements were established. Mr. Martin interjected that he was concerned that his information was not correct (more communication problems). Mr. Graves responded that what gets to the Region IV and Headquarters is only a snapshot of what goes on at SFC. What concerns Graves is the lack of content. The report alludes to NRC directives; however, SFC discussed actions with the NRC, and the SFC was directed to take such actions. SFC has many procedures for complex operations. It is more complex than your current review. One inspector cannot observe and understand all. This creates perceptions which are difficult to change.

On August 22, SFC reported the water contamination, and SFC ordered a drill rig. When the inspectors arrived, Konwinski, RIV, and Couch discussed this. NRC did not tell us what to do. Regarding the infloor process monitor, SFC had completed the SX yard work. NRC agreed this was okay. SFC committed to a site study and consulted with industry to do the job which took several days. SFC was criticized for not having a drill onsite, but NRC inquiries confirmed no rigs were available. Expectations to see things happen instantly is the expectation of an inexperienced person and are unreasonable. The problem is communications.

Mr. Blue added that he wants a pro-active management at SFC. SFC may need to develop better working communications. SFC has a pro-active program in place which was not there when GA took over. SFC cannot run the business hoping that NRC will find what SFC is doing wrong.

Mr. Keith Asmussen, GA Manager, Licensing, Safety and Nuclear Compliance, stated he found out about the problem on August 22. He spent 12 days onsite, found some weaknesses, concurred in others found by the NRC, and made recommendations for improvement. He saw problems with communications within SFC and communications with NRC. There is a new mindset, when in doubt, communicate. He also found that SFC planned to do certain things and was instructed to do it. SFC was pro-active. At the same time, NRC provided good suggestions. SFC took enough time to do things right, rather than do them over. Communications between Operations and H&S still need some work. The Demand is not based on the real situation; it is based on an inaccurate account of the situation.

Mr. Thompson said that the concerns are with communications. These are general staff concerns. The staff relies on the Region for input as well as formal licensing actions. On Friday, the staff wants two things. NRC will not tell you how to respond but will answer questions to clarify the Demand.

Mr. Bernero said that SFC did not seem to have a pro-active program. The subfloor process monitor was old, and Mr. Lacey did not know about it. Mr. Asmussen responded that on September 22, 1990, Lacey said to investigate SX to characterize the contamination. Mr. Graves had committed to characterize other areas. SFC intended to address the process building. Mr. Lacey was under stress due to the interviews by the NRC Office of Investigations (OI). After the exit interview with Mr. Beach, Mr. Lacey thought about it, found the pipe, sampled it, and reported it. Mr. Lacey also knew that SFC had told NRC that the main process building was going to be investigated.

Mr. Ira Shapiro, Winthrop, Stimson, Putnam & Roberts, stated that events had to be looked at during two periods - since 1988 and the last 2 months. Mr. Martin responded that oversight was necessary to provide additional assurance while the management study is being made. Mr. Berlin stated that SFC did not need a 6-month oversight. Mr. Martin stated that NRC was not interested in a prolonged discussion of oversight. An NRC concern exists, and SFC must deal with it. Alleviation can be discussed later.

Mr. Bernero commented that SFC needed an introspective examination. Pumping from the inprocess floor monitor was a daily event. Where is the pro-active look? The name given to the pipe does not show introspection, only apparent inaction. There was apparent inaction with liquid going into the ground, where was it going, bad sumps and floors, no program to evaluate this.

Mr. Graves responded that, when asked to give assurance that current contributions were not being made to the contamination, he could not. However, SFC has improved all floors and sumps. SFC has inspected the sumps and found one with loss of integrity. The process was discontinued and repair was made. New procedures are now in place.

With regard to the floor monitor, Mr. Graves had a different opinion. SFC now has a log book to record monitoring of the well for each shift. If liquid is there, the well is pumped. SFC now gets 1 to 2 liters per day but has been discouraged from forwarding information to the NRC. Twelve to thirteen boreholes in the floor show a plume under the floor under the builddown and digest areas. Years ago, SFC experienced floor degradation. The monitor is not producing liquid from today's operation.

Mr. Graves then brought up the issue of continuing oversight. The investigation has almost immobilized SFC. There were great demands on key managers. This is difficult to deal with in a small organization. There were five inspectors on the AIT, three from OI, three from the Environmental Protection Agency, the independent oversight team, and a consultant. This made it difficult to be pro-active when key managers were being detained. Oversight on a continuing basis causes a problem with the long-term study of management. As a member of the GA Board of Directors, Mr. Graves has no problem with the management study. However, a study with the oversight team in place will not allow an independent study. It is impossible to make the study with oversight.

Mr. Berlin asked if the response could be made on Tuesday with continued oversight. Mr. Martin agreed, and Region IV will provide written confirmation.

Mr. Martin stated that the oversight team should be qualified, have a charter, and expectations to carry on the oversight. Members should not be placed in the awkward position of divided loyalties. There should be separation of activities from the last 2 years of GA involvement.

Sequoyah Fuels Corporation

Mr. Blue also stated that SFC had improved communications with Congressman Synar because he represents SFC's district and because of his committee's oversight of NRC.

Original Signed By:

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