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UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

November 1, 1996

United States Enrichment Corporation  
ATTN: Mr. George P. Rifakes  
Executive Vice President of Operations  
Two Democracy Center  
6903 Rockledge Drive  
Bethesda, MD 20817

SUBJECT: MC&A OBSERVATION REPORTS 70-7001/96-202 & 70/7002/96-202

Dear Mr. Rifakes:

This refers to observations conducted by the NRC Headquarters material control and accounting (MC&A) team during the week of September 23, 1996, at the Paducah and Portsmouth Gaseous Diffusion Plants (GDPs). The results of our observations were discussed with the plant management throughout the observation period and during an exit meeting at the conclusion of the observation.

The reports document NRC observations during the GDPs' annual physical inventories. The verification of the physical inventory at both GDPs indicated that the itemized nuclear material inventory quantities are adequately stated. The observations of cascade inventory data gathering and UF<sub>6</sub> gas sampling indicated that the inventory was conducted in a reasonable and systematic manner.

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Mr. Rifakes

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In accordance with 10 CFR 2.790 of the Commission's regulations and the Department of Energy (DOE) - Nuclear Regulatory Commission Memorandum of Understanding for the GDPs, a copy of this letter and Enclosure 1 will be placed in the appropriate NRC Public Document Rooms. We have also provided DOE a copy of these reports for their review.

We will gladly discuss any questions you may have concerning these observations.

Sincerely,

**Original Signed By**

John W. N. Hickey, Chief  
Enrichment Branch  
Division of Fuel Cycle Safety  
and Safeguards, NMSS

Docket Nos. 70-7001 & 70-7002  
Enclosures: Observation Reports  
No. 70-7001/96-202 (Paducah)  
No. 70-7002/96-202 (Portsmouth)

Distribution:

Docket 70-7001	MHorn, FCEB	PDR	LPDR
Docket 70-7002	CSawyer, FCEB	WSchwink, FCOB	
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