



UNITED STATES
NUCLEAR REGULATORY COMMISSION

REGION II
SAM NUNN ATLANTA FEDERAL CENTER
61 FORSYTH STREET, SW, SUITE 23T85
ATLANTA, GEORGIA 30303-8931

August 31, 2007

Mr. D. B. Ferguson, Jr.
President & CEO
Nuclear Fuel Services, Inc.
P. O. Box 337, MS 123
Erwin, TN 37650

SUBJECT: LICENSEE PERFORMANCE REVIEW (LPR) OF LICENSED ACTIVITIES FOR
NUCLEAR FUEL SERVICES, (NFS) INC., DOCKET NUMBER 70-143

Dear Mr. Ferguson:

Managers and staff in our Region II office, the Office of Nuclear Material Safety and Safeguards, and the Office of Nuclear Security and Incident Response, completed a review of the Nuclear Fuel Services, (NFS) Inc., facility's performance in conducting NRC-licensed activities. The review evaluated the facility's performance during the period October 14, 2006, through July 28, 2007. This letter and the enclosure provide the results of our review, and will be used as a basis for establishing the NRC oversight program for your facility.

During this review period, NFS continued to maintain safety and security for its workers and the public. There were fewer NRC-identified violations in this period than the previous two periods. However, we recognize that operations during this period did not include the startup or expansion of new commercial process lines at NFS. As a result, there were fewer operational challenges and opportunities for NRC to adequately evaluate the effectiveness of your efforts to improve performance.

In light of multiple instances where facility personnel failed to implement and/or follow procedures during this period, the NRC identified the development of, and adherence to, approved procedures as an area for improvement. This area needing improvement demonstrates the continuing need for improvement in both human performance and the related safety culture components, as part of your ongoing safety culture improvement initiative.

Based on the above, we will continue to monitor your performance through enhanced oversight activities, beyond the NRC core inspection program. In addition, the NRC may conduct the next LPR before the end of the normal 12-month period.

The results of our performance review will be discussed with you at a meeting open to the public on September 17, 2007. During the meeting, we expect you to provide your perspective on the facility's performance in the same five major areas described in the enclosure, including any specific actions you have taken, or plan to take, to improve your performance in these program areas, as well as the overall safety performance of the facility.

D. Ferguson, Jr.

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In accordance with 10 CFR 2.390 of NRC's "Rules of Practice," this document may be accessed through the NRC's public electronic reading room, Agency-Wide Document Access and Management System (ADAMS) on the Internet at <http://www.nrc.gov/reading-room/adams.html>.

Questions and comments about NRC's review of NFS' performance should be referred to Mr. David Ayres, who can be reached by telephone at 404-562-4711.

Sincerely,

Victor M. McCree for */RA/*

William D. Travers
Regional Administrator

Docket No. 70-143
License No. SNM-124

Enclosure: Licensee Performance Review
- Summary Outline

cc w/encl:
B. Marie Moore
Vice President
Safety and Regulatory Management
Nuclear Fuel Services, Inc.
P. O. Box 337, MS 123
Erwin, TN 37650

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Distribution w/encl: (See page 3)

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- R. Pierson, NMSS
- M. Weber, NMSS
- PUBLIC

*See previous concurrence

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 NON-PUBLICLY AVAILABLE
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 NON-SENSITIVE

ADAMS: Yes ACCESSION NUMBER: _____

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NAME	MCrespo	AGooden	DCollins	VMcCree	RCorreia	MWeber		
DATE	08/31/2007	08/31/2007	08/31/2007		8/31/07	8/31/07		
E-MAIL COPY?	YES NO	YES NO	YES NO	YES NO	YES NO	YES NO	YES NO	YES NO

**LICENSEE PERFORMANCE REVIEW
NUCLEAR FUEL SERVICES, INC. (NFS)
ASSESSMENT PERIOD: October 14, 2006 to July 28, 2007**

The following is a summary of the performance of Nuclear Fuel Services, Inc., in the conduct of NRC licensed activities.

PERFORMANCE AREA: SAFETY OPERATIONS

This area is comprised of chemical safety, nuclear criticality safety (NCS), plant operations, and fire safety.

Program Areas Needing Improvement

- No specific areas needing improvement were identified for safety operations.

PERFORMANCE AREA: RADIOLOGICAL CONTROLS

This area is comprised of radiation protection (RP), environmental protection, waste management, and transportation.

Program Areas Needing Improvement

- No specific areas needing improvement were identified for radiological controls.

PERFORMANCE AREA: FACILITY SUPPORT

This area is comprised of maintenance and surveillance, training, emergency preparedness, and management controls.

Program Areas Needing Improvement

- Development of and adherence to approved procedures for activities, including those outside of the main process areas.
 - Failure to implement the lockout/tagout procedure, properly train the users on the program, and use the appropriate checklist for the testing of the un-interruptible power supply (UPS) generator. (VIO 70-143/2007-003-01)
 - Failure to follow, maintain, and develop fire protection procedures which lead to two halon discharges. (VIO 70-143/2007-001-01)
 - Failure to implement environmental sampling activities using approved NFS procedures. (VIO 2007-005-01)

Enclosure

- Failure to follow the lockout/tagout process that lead to the uranium centrifuge station in the Blended Low Enriched Uranium Processing Facility (BPF) to possibly be energized without the appropriate shaft guard in place.
(VIO 70-143/2006-014-01)

PERFORMANCE AREA: SPECIAL TOPICS (LICENSING ACTIVITIES)

This area is comprised of licensing.

Program Areas Needing Improvement

- No specific areas needing improvement were identified for licensing.

PERFORMANCE AREA: SAFEGUARDS

This area is comprised of material control and accounting (MC&A), physical protection, and classified material/information security.

Program Areas Needing Improvement

- No specific areas needing improvement were identified for safeguards.