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LES-12-00006-NRC

Attn: Document Control Desk
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

Louisiana Energy Services, LLC
NRC Docket Number: 70-3103

Subject: Reply to Notice of Violation 70-3103/2011-204

Reference: 1) Letter from Peter J. Habighorst (NRC) to J. Laughlin (UUSA), U.S. Nuclear Regulatory Commission Inspection Report No. 70-3103/2011-204 and Notice of Violation, dated December 15, 2011

NRC Notice of Violation 70-3103/2011-204 (Notice), Ref. 1, was received by Louisiana Energy Services, LLC (dba URENCO USA (UUSA)) on December 28, 2011. In response to the Notice, UUSA herewith provides the enclosed Reply (Enclosure). The Reply addresses the Notice as it relates to NRC special nuclear material (SNM) License SNM-2010 License condition 10.e. requiring compliance with 10 CFR 70.32 as referenced in the UUSA Fundamental Nuclear Material Control (FNMC) Plan dated December 12, 2003, and subsequent revisions.

Pursuant to the provisions of 10 CFR 2.201(a) and the NRC's corresponding instructions specified in the Notice, the Enclosure addresses: 1) the reason for the violation; 2) the corrective steps that have been taken and the results achieved; 3) the corrective steps that will be taken to avoid further violations; and 4) the date when full compliance will be achieved.

Should there be any questions regarding this submittal, please contact Zackary Rad, UUSA Licensing Manager, at 575.394.6689.

Respectfully,



Perry Robinson
Vice President of Regulatory Affairs and General Counsel

Enclosure: Reply to Notice of Violation 70-3103/2011-204

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ENCLOSURE

REPLY TO NOTICE OF VIOLATION (NOTICE) 70-3103/2011-204

Restatement of Violation:

During a Nuclear Regulatory Commission (NRC) on site inspection conducted November 15-17, 2011, one violation of NRC requirements was identified. In accordance with the NRC Enforcement Policy, the violation is listed below:

License condition 10.e to NRC special nuclear material (SNM) License SNM-2010, requires, in part, that the licensee shall conduct authorized activities at the National Enrichment Facility in accordance with the statements, representations, and conditions, or as revised in accordance with Title 10 of the Code of Federal Regulations (10 CFR) 70.32, in the Fundamental Nuclear Material Control (FNMC) Plan dated December 12, 2003, and subsequent revisions.

Section 6.4, "Item Monitoring System," of the licensee's approved FNMC Plan states, in part, that the following activities are conducted: "(1) Verify the actual storage status of all product cylinders; (2) Verify the completeness and accuracy of the material control and accounting (MC&A) records for a sufficient sample of randomly selected items from each storage area; and (3) Verify the accuracy of a sufficient sample of randomly selected production records of created and consumed items." Verification includes a check of item records versus actual existence and a check of existing items versus item records. The FNMC Plan further states that "item monitoring activities are performed at least monthly at a frequency not to exceed 35 days."

Contrary to the above FNMC Plan commitments, as of November 17, 2011, the date of the previous MC&A inspection, the licensee failed to conduct the specific item monitoring activities described in Section 6.4 of the FNMC Plan. Specifically, as of November 17, 2011, the licensee did not: (1) Verify the actual storage status of all product cylinders; (2) Verify the completeness and accuracy of the MC&A records for a sufficient sample of randomly selected items from each storage area; and (3) Verify the accuracy of a sufficient sample of randomly selected production records of created and consumed items, at least monthly at a frequency not to exceed 35 days.

This is a Severity Level IV violation

UUSA Reply to Violation

The Reason For Violation

The Apparent Cause of this violation is that the MC&A Staff mistakenly equated compliance in other complementary safeguards programs as meeting the requirement for monthly item monitoring. This is a rule based human performance error.

A Contributing Cause was incomplete guidance in the Item Control flow down procedure.

Corrective Steps That Have Been Taken And Results Achieved

1. MC&A Staff performed a 100% verification of all items for November 2011 and a 100% verification of all records for completeness and accuracy; this included created and consumed items. This was an "immediate action taken" in Condition Report 2011-3767 completed on December 6, 2011.

The Corrective Steps That Will Be Taken

1. Establish the expectation that MC&A Staff will document item monitoring verifications as required in the FNMCP.
2. Brief MC&A staff on the Apparent Cause of this violation and stress the importance of rigorous documentation of FNMCP requirements.
3. MC&A Staff will attend Human Performance Training.
4. Revise Item Control procedure, MC-3-6000-01 to provide clear guidance for documentation of item monitoring activities, to include the incorporation of an item monitoring form (similar to the one being currently used for compliance).

The Date When Full Compliance Will Be Achieved

Full compliance was achieved on December 6, 2011 when the report documenting Item Monitoring System activities, i.e., "Immediate Item Monitoring Reconciliation – November 2011," was finalized.