



**Department of Energy**  
Washington, DC 20585

March 26, 2010

Mr. Paul Kreitz  
President  
Uranium Disposition Services, LLC  
1020 Monarch Street, Suite 100  
Lexington, Kentucky 40513

NCO-2010-01

Dear Mr. Kreitz:

The Office of Health, Safety and Security's Office of Enforcement has completed its investigation into the facts and circumstances associated with construction deficiencies at the DUF6 Conversion Buildings located at the Portsmouth and Paducah Gaseous Diffusion Plants. The investigation reports, dated January 22, 2009, and April 23, 2009, were provided to Uranium Disposition Services, LLC (UDS), and addressed specific areas of potential noncompliance with DOE nuclear safety requirements established in 10 C.F.R. Part 830, *Nuclear Safety Management*, and 10 C.F.R. § 820.11, *Information Requirements*.

The Office of Enforcement's investigation identified significant deficiencies related to UDS' oversight of the two subcontractors responsible for the installation of wall penetration fire seals, pipe supports, and anchor bolts. The deficiencies specifically included: failure by UDS to provide sufficient human resources to perform its subcontractor oversight responsibilities; failure by UDS to adequately train its quality control (QC) inspectors to effectively perform their subcontractor inspection responsibilities; failure of UDS QC inspectors to identify deficiencies in the installation of fire seals, pipe supports, and anchor bolts in a proactive and timely manner; and failure by UDS QC inspectors to record the results of subcontractor inspection activities.

The Department of Energy (DOE) recognizes the process improvements made by UDS to enhance oversight of its subcontractors that performed construction activities at the DUF6 Conversion Buildings. Due to the fact that construction of the DUF6 Conversion Buildings is now complete and no further instances of significant construction deficiencies have surfaced since the initiation of the Office of Enforcement investigation, DOE has confidence that the corrective actions implemented by UDS are effective. DOE reserves the right to institute enforcement proceedings against UDS if it later becomes known that any of the facts or information provided to DOE regarding the described deficiencies were false or inaccurate in any material way.

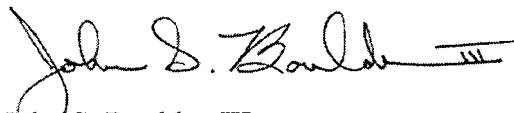


Upon reflection, the potential violations were determined by the Office of Enforcement to be such that are best resolved through settlement. Consequently, and in accordance with 10 C.F.R. § 820.23, the Office of Enforcement has exercised its enforcement discretion to resolve these issues through a Consent Order. The decision to enter into a Consent Order is based upon UDS' corrective actions taken in response to the identified deficiencies in subcontractor oversight during the construction of the DUF6 Conversion Buildings, and because the identified deficiencies in the installation of the fire seals, pipe supports, and anchor bolts were corrected in a comprehensive manner prior to transition of the DUF6 Conversion Buildings from construction to commissioning.

Enclosed are two signed copies of the Consent Order. Please sign both, keep one for your records, and return the other copy to this office within one week from the date of receipt of this Order. By signing this Consent Order, UDS agrees to remit a \$170,000 monetary remedy, payable to the Treasurer of the United States, in accordance with the directions in the enclosed Order. Other than submission of the signed copy of the Consent Order and the settlement amount, no written response to this letter is required.

Should you have any questions, please contact me at (301) 903-2178 or have your staff contact Mr. Glenn Morris, Director, Office of Price-Anderson Enforcement, at (301) 903-7707.

Sincerely,



John S. Boulden III  
Acting Director  
Office of Enforcement  
Office of Health, Safety and Security

Enclosure

cc: Robert Burgin, UDS  
Richard Azzaro, DNFSB

In the Matter of	) Report No. NTS--PPPO-UDS-PORTDUCON-2008-0001
	) Report No. NTS--PPPO-UDS-PORTDUCON-2008-0002
	) Report No. NTS--PPPO-UDS-PORTDUCON-2008-0003
	)
Uranium Disposition	)
Services, LLC	)
	)
	) Consent Order NCO-2010-01

CONSENT ORDER INCORPORATING AGREEMENT BETWEEN  
U.S. DEPARTMENT OF ENERGY AND URANIUM DISPOSITION SERVICES, LLC

I

Uranium Disposition Services, LLC (UDS) is the primary construction contractor for the DUF6 Conversion Buildings located in Portsmouth, Ohio, and Paducah, Kentucky. UDS contracted with Geiger Brothers Mechanical Contractors, Inc. (Geiger) to install wall penetration fire seals in the Portsmouth DUF6 Conversion Building, and contracted with Intermech, Inc. (Intermech) to install pipe supports and anchor bolts at both the Portsmouth and Paducah DUF6 Conversion Buildings.

II

On January 2, 2008, the Department of Energy (DOE) Office of Inspector General forwarded a report from a former Intermech employee to the DOE Portsmouth/Paducah Project Office (PPPO). The report alleged a number of “serious quality and public safety concerns” with respect to the construction workmanship and associated quality inspection activities on the DUF6 project. In response to these allegations, a PPPO Integrated Project Team conducted an assessment and issued a formal report on March 5, 2008. DOE PPPO also requested that UDS conduct a similar self-assessment into the allegations. UDS formed an Independent Review Team (IRT) to conduct the assessment, and the IRT issued a report on February 24, 2008. A subsequent review of quality control (QC) inspection deficiencies by Intermech and UDS revealed a significant number of instances where a previously accepted, installed anchor or weld was later found to be deficient. A review of Intermech inspection records revealed that these deficiencies were predominately confined to the activities of three Intermech inspectors.

On February 28, 2008, the DOE PPPO completed a Field Inspection Report identifying several quality deficiencies with the installation of penetration fire seals at the DUF6 Conversion Building under construction at the Portsmouth, Ohio, site. On March 7, 2008, Burns and Roe Enterprises, Inc. (BREI), a member company of UDS, issued a notice to Geiger to stand down from work activities involving the installation of penetration fire seals in the DUF6 Conversion Building. The DOE fire seal inspection team sampled 26 fire seal installations and found deficiencies in 18 of the seals. Discovered deficiencies included: (1) seals that were not installed in accordance with the

approved assembly drawing; (2) seals that were installed without an approved assembly drawing; and (3) completed documentation (fire seal traveler) indicating inspection and acceptance of the installed fire seals by the BREI QC inspector when the installations and associated inspections were never performed. An extent-of-condition review was performed by a fire protection subject matter expert of all 577 fire seals installed at that time, and an additional 203 deficiencies involving the seals were identified.

The Office of Enforcement's investigation identified significant deficiencies related to UDS' oversight of the two subcontractors responsible for the installation of wall penetration fire seals, pipe supports, and anchor bolts. The deficiencies specifically included: (1) failure by UDS to provide sufficient personnel to perform subcontractor oversight responsibilities; (2) failure by UDS to adequately train QC inspectors to effectively perform subcontractor inspection responsibilities; (3) failure of UDS' QC inspectors to identify deficiencies in the installation of fire seals, pipe supports, and anchor bolts in a proactive and timely manner; and (4) failure by UDS' QC inspectors to record the results of subcontractor inspection activities. These deficiencies were documented in two investigation reports issued to UDS on January 22 and April 23, 2009, respectively. On May 20, 2009, an enforcement conference was convened to address the facts in the investigation reports, corrective actions taken, and areas of consideration for the application of mitigation.

### III

UDS voluntarily reported the potential noncompliances with nuclear safety requirements to DOE via the Noncompliance Tracking System (NTS) in three reports (NTS--PPPO-UDS-PORTDUCON-2008-0001, NTS--PPPO-UDS-PORTDUCON-2008-0002, NTS--PPPO-UDS-PORTDUCON-2008-0003). DOE has concluded that UDS' corrective actions taken in response to the identified installation deficiencies associated with the DUF6 Conversion Buildings fire seals, pipe supports, and anchor bolts appear to have been effective in correcting the specific identified deficiencies.

### IV

DOE and UDS have reached agreement on these matters, under which both have agreed to issuance of this Consent Order in lieu of enforcement proceedings, including the potential for the issuance of a Notice of Violation, along with the imposition of civil penalties. DOE and UDS agree that, in recognition of the response by UDS, the payment to be provided by UDS has been reduced from what could have been imposed through a formal enforcement process.

### V

DOE and UDS agree that the sum paid by UDS to resolve these matters shall not be considered a reimbursable cost. Pursuant to 41 U.S.C. § 256(k) and the implementing provisions of 48 C.F.R. § 31.205-47, *Federal Acquisition Regulation*, DOE and UDS further agree that all costs incurred by, for, or on behalf of UDS relating to DOE's

investigation of the matters covered by this Consent Order shall be treated as unallowable under Contract No. DE-AC05-02OR22717 between DOE and UDS.

## VI

This Consent Order is issued pursuant to DOE's authority in Section 234A of the Atomic Energy Act of 1954, as amended (42 U.S.C. § 2282a), and 10 C.F.R. § 820.23. UDS agrees to pay to the Treasurer of the United States (Account Number 891099), mailed to the Director, Office of Enforcement, U.S. Department of Energy, the sum of \$170,000, reflecting an agreed amount in lieu of any possible Notice of Violation and imposition of civil penalty.

## VII

DOE agrees to not pursue an enforcement action for any potential violations pertaining to the referenced matters. This Consent Order does not preclude DOE from conducting an investigation or pursuing enforcement action: (1) if it later becomes known that any of the facts or information provided regarding the described deficiencies were false or inaccurate in any material way, or (2) for incidents other than those described in the above referenced NTS reports.

## VIII

Accordingly, it is hereby Ordered as follows:

1. UDS agrees to return a signed copy of this Consent Order, within one week from the date of receipt, to the address provided in Item 2.
2. UDS agrees to pay \$170,000 by check, draft, or money order payable to the Treasurer of the United States (Account Number 891099) within 30 days of the issuance of this Consent Order. It shall be sent by overnight carrier to the Director, Office of Enforcement, at the following address:  
  
Director, Office of Enforcement  
Attention: Office of the Docketing Clerk  
HS-40  
U.S. Department of Energy  
19901 Germantown Road  
Germantown, MD 20874-1290
3. Payment made to DOE under this Consent Order shall completely resolve and serve as a full and final settlement of any and all enforcement actions taken under 10 C.F.R. Part 820, arising from the referenced NTS reports.
4. In accordance with 10 C.F.R. § 820.23(d), this Consent Order shall become a Final Order 30 days after the signed copy, referenced in Item 1, is filed by the Office of

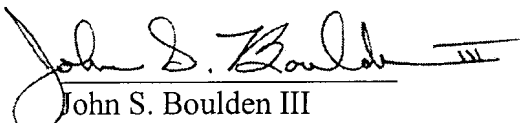
Enforcement's Office of the Docketing Clerk unless the Secretary of Energy files a rejection of the Consent Order or a Modified Consent Order.

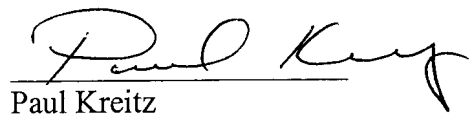
- 5. UDS waives any and all rights to appeal or otherwise seek judicial review of this Consent Order. However, DOE and UDS retain the right to judicially enforce the provisions of this Order by all legal means.

On behalf of my respective organization, I hereby agree to and accept the terms of the foregoing Consent Order.

FOR U.S. Department of Energy

FOR Uranium Disposition Services, LLC

  
John S. Boulden III  
Acting Director  
Office of Enforcement

  
Paul Kreitz  
President  
Uranium Disposition Services, LLC