

July 27, 2005

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

DOCKETED  
USNRC

July 28, 2005 (7:45am)

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

OFFICE OF SECRETARY  
RULEMAKINGS AND  
ADJUDICATIONS STAFF

In the Matter of:	)	
	)	Docket No. 70-3103-ML
Louisiana Energy Services, L.P.	)	
	)	ASLBP No. 04-826-01-ML
(National Enrichment Facility)	)	

JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

Pursuant to 10 C.F.R. § 2.338(i), the New Mexico Attorney General (“NMAG”), the New Mexico Environment Department (“NMED”), and Louisiana Energy Services, L.P. (“LES”) (collectively, the “Parties”) hereby move the Atomic Safety and Licensing Board (“Board”) for approval of a Settlement Agreement agreed to by the Parties. NMED and LES have authorized counsel for NMAG to submit this Joint Motion on their behalf.

I. Background

Since the Board admitted certain contentions raised by NMAG and NMED on July 19, 2004, the Parties have undertaken extensive settlement discussions, particularly during the past several months. Those discussions culminated in the Parties’ execution of a Settlement Agreement on June 3, 2005. On July 5, 2005, Staff expressed concerns about the Settlement Agreement. Staff noted that it was not a party to the negotiations to the settlement, and argued that certain provisions of the agreement may not be enforceable by the Commission. On July 7, 2005, LES requested that the Board defer ruling on the Joint Motion so that Staff’s comments could be evaluated and to ascertain whether there was an opportunity to reach resolution. NMAG, NMED, and LES engaged in discussions between themselves and with the NRC Staff and reached resolution with Staff on its objections. A copy of the proposed revised Settlement

Agreement is attached as Exhibit A hereto, in accordance with the provisions of 10 C.F.R. § 2.338(g) and (h), and pursuant to the Board's directive of July 25, 2005. Moreover, pursuant to the Board's July 25, 2005 directive, the Parties have attached a "red-line" version of the revised Settlement Agreement.

## II. Overview of Settlement Agreement Terms and Conditions

Under the proposed Settlement Agreement, LES has agreed to limitations on the storage and disposal of depleted uranium hexafluoride ("DUF<sub>6</sub>") to be generated at the proposed National Enrichment Facility and to the financial assurance (including the decommissioning cost estimate) required for the disposition of such material LES has agreed that it will not store DUF<sub>6</sub> generated by the National Enrichment Facility ("NEF") in New Mexico other than at the NEF. LES has also agreed to increase the contingency factor for the DUF<sub>6</sub> stored at the NEF to provide a fifty percent contingency factor under certain specified conditions unless, *inter alia*, "an application to construct and operate a deconversion facility outside of New Mexico that is specifically designated to deconvert the DUF<sub>6</sub> stored onsite at the NEF has been docketed by the agency responsible for reviewing the application." LES has further agreed that it has no objection to NMED's participation in NRC inspections of LES' radiation protection program, provided that NMED complies with all applicable NEF rules (e.g. safety and security), as well as all applicable NRC regulations, policies, and guidance governing such inspections. With regard to the license conditions included in this Settlement Agreement, the parties agree that nothing in the Settlement Agreement shall be construed to prohibit NMED or NMAG from filing a request that the NRC initiate a proceeding pursuant to 10 C.F.R. § 2.206 to enforce the license conditions issues as a result of this Settlement Agreement. Further, under the proposed Settlement Agreement, NMAG and NMED have agreed to withdraw as parties to the pending adjudicatory

proceeding and shall seek the dismissal of Contentions NMED TC-3/EC-4 (“Radiation Protection Program”), AGNM TC-i (“Decommissioning Costs”), and AGNM TC-ii (“Disposal Cost Estimates”).

### III. Approval of Settlement Agreement by Board

Accordingly, the Parties request that the Board approve the revised Settlement Agreement attached hereto as Exhibit A, accept the withdrawal of the NMAG and NMED from this proceeding, and dismiss Contentions NMED TC-3/EC-4 and AGNM TC-i and TC-ii.<sup>1</sup> Approval of the Settlement Agreement is in the public interest because the matters required to be adjudicated have been resolved by the Settlement Agreement and Consent Order submitted by the Parties. Further, the Commission favors the “fair and reasonable settlement and resolution” of contested issues in its licensing proceedings.<sup>2</sup> As required by 10 C.F.R. § 2.338(g), a proposed Consent Order is attached as Exhibit B.

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<sup>1</sup> The Board previously ordered the consolidation of AGNM TC-i with NIRS/PC EC-5/TC-2. In view of this settlement, the dismissal of AGNM TC-i is appropriate and would leave to be addressed the issues originally raised by NIRS/PC in EC-5/TC-2. This settlement leaves all issues raised by NIRS/PC to still be addressed by the Board.

<sup>2</sup> See 10 C.F.R. § 2.338; *Changes to the Adjudicatory Process – Final Rule*, 69 Fed. Reg. 2182, 2209-2210 (Jan. 14, 2004).

Respectfully submitted,

NEW MEXICO ATTORNEY GENERAL

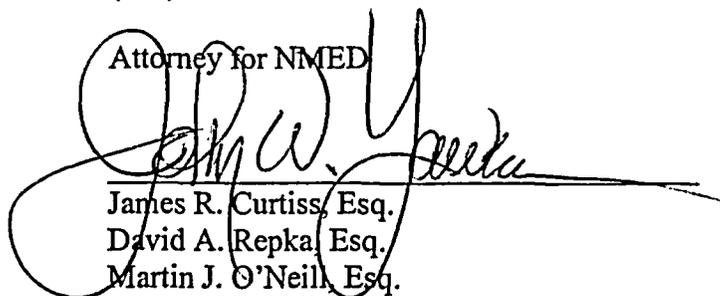


Patricia A. Madrid, Attorney General  
Glenn Smith, Deputy Attorney General  
Christopher Coppin, Special Counsel  
Stephen R. Farris, Assistant Attorney General  
David Pato, Assistant Attorney General  
Office of the Attorney General  
Santa Fe, New Mexico 87504  
P.O. Box 1508  
Santa Fe, New Mexico 87504-1508

NEW MEXICO ENVIRONMENT DEPARTMENT



Pannis L. Fox  
Deputy General Counsel  
Office of General Counsel  
P.O. Box 26110  
Santa Fe, New Mexico 87502  
(505) 827-1603



Attorney for NMED  
James R. Curtiss, Esq.  
David A. Repka, Esq.  
Martin J. O'Neill, Esq.  
WINSTON & STRAWN LLP  
1700 K Street, N.W.  
Washington, DC 20006-3817  
(202) 282-5000

John W. Lawrence, Esq.  
LOUISIANA ENERGY SERVICES, L.P.  
100 Sun Avenue, NE, Suite 204  
Albuquerque, NM 87109

**EXHIBIT A**

## SETTLEMENT AGREEMENT

WHEREAS, the New Mexico Environment Department (“NMED”) and the Attorney General of New Mexico (“NMAG”) have requested and been granted a hearing before the Atomic Safety and Licensing Board (“Board”) relating to certain matters concerning the application filed by Louisiana Energy Services, L.P. (“LES” or “licensee”) for a license from the United States Nuclear Regulatory Commission (“NRC”) to construct and operate the National Enrichment Facility (“NEF”), Docket No. 70-3103 (“NRC Proceeding”);

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest for LES to be bound by enforceable conditions limiting the storage and disposal of depleted uranium hexafluoride (“DUF<sub>6</sub>”) generated at the NEF;

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest to insure that LES reduces the amount of DUF<sub>6</sub> stored onsite by 289 million pounds from the amount originally requested in LES’ license application and to limit the length of time that DUF<sub>6</sub> is stored onsite at the NEF;

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest to prohibit the disposal of DUF<sub>6</sub> in the State of New Mexico;

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest to require LES to establish adequate financial assurances for the storage and offsite disposal of DUF<sub>6</sub>;

WHEREAS, NMED, NMAG and LES have determined that an appropriate contingency factor should be applied to the financial assurances to be established by LES; and

WHEREAS, NMED, NMAG and LES have reached agreement regarding the issues raised by NMED and NMAG in the NRC Proceeding;

THEREFORE, IT IS HEREBY STIPULATED AND AGREED by NMED,

NMAG and LES that:

1. NMED, NMAG and LES admit that the NRC has jurisdiction over the parties and the subject matter of this Settlement Agreement.

2. NMED, NMAG and LES agree to the following condition:

Onsite storage of DUF<sub>6</sub> generated at the NEF shall be limited to a maximum of 5,016 48Y cylinders (or the equivalent amount of uranium stored in other NRC accepted and Department of Transportation ("DOT") certified cylinder types) of DUF<sub>6</sub>. The generation of any additional DUF<sub>6</sub> to be stored onsite by LES beyond this limit shall constitute noncompliance with this Settlement Agreement and the license. LES shall suspend production of any additional DUF<sub>6</sub> for onsite storage until this noncompliance is remedied. In no event shall LES store DUF<sub>6</sub> generated at the NEF in New Mexico other than at the NEF.

NMED, NMAG and LES agree that this condition shall be included in the NEF license when issued by the NRC.

3. NMED, NMAG and LES agree to the following condition:

Onsite storage of any one cylinder of DUF<sub>6</sub> generated at the NEF shall be limited to a maximum of 15 years, beginning from the date that each cylinder is filled in accordance with LES' standard procedures. The storage of any one DUF<sub>6</sub> cylinder beyond this limit by LES shall constitute noncompliance with this Settlement Agreement and with the license. LES shall suspend production of any additional DUF<sub>6</sub> for onsite storage until this noncompliance is remedied. In no event shall LES store DUF<sub>6</sub> generated at the NEF in New Mexico other than at the NEF.

NMED, NMAG and LES agree that this condition shall be included in the NEF license when issued by the NRC.

4. NMED, NMAG and LES agree to the following condition:

LES shall provide financial assurance for the offsite disposal of  $\text{DUF}_6$  from the NEF using a minimum contingency factor of twenty-five percent (25%).

Upon reaching 4,000 cylinders of  $\text{DUF}_6$  in 48Y cylinders (or the equivalent amount of uranium stored in other NRC accepted and DOT certified cylinder types) in onsite storage, LES shall immediately increase the financial assurance to provide a fifty percent (50%) contingency factor for disposition of  $\text{DUF}_6$  stored at the NEF unless: (a) an application to construct and operate a deconversion facility outside of New Mexico that is specifically designated to deconvert the  $\text{DUF}_6$  stored onsite at the NEF has been docketed by the agency responsible for reviewing the application; (b) an application for such a facility has been approved by the agency responsible for reviewing the application; or (c) LES is using another alternate method for removing the  $\text{DUF}_6$  stored onsite.

In addition, upon reaching the limit of 5,016 cylinders of  $\text{DUF}_6$  in 48Y cylinders (or the equivalent amount of uranium stored in other NRC accepted and DOT certified cylinder types) in onsite storage, LES shall immediately increase the financial assurance to provide a fifty percent (50%) contingency factor for disposition of  $\text{DUF}_6$  stored at the NEF if the contingency factor has not already been increased to fifty percent (50%). The contingency factor shall remain at fifty percent (50%) until the number of cylinders stored onsite is reduced to ninety-eight percent (98%) of the 5,016 limit and either: (a) an application to construct and operate a deconversion facility outside of New Mexico that is specifically designated to deconvert the  $\text{DUF}_6$  stored onsite at the NEF has been docketed by the agency responsible for reviewing the application; (b) an application for such a facility has been approved by the agency responsible for reviewing the application; or (c) LES is using another alternate method for removing the  $\text{DUF}_6$  from New Mexico.

Nothing herein shall release LES from other financial assurance obligations set forth in applicable laws and regulations.

NMED, NMAG and LES agree that this condition shall be included in the NEF license when issued by the NRC.

5. NMED, NMAG and LES agree that

In no event shall DUF<sub>6</sub> from the NEF be disposed of in the State of New Mexico and in no event shall LES construct or operate a deconversion facility in the State of New Mexico.

LES agrees that if it decides to submit a request to the Secretary of the United States Department of Energy ("DOE") pursuant to Section 3113 of Public Law 104-134 (42 U.S.C. § 2297h-11), such a request will be made only if both LES and DOE determine that the NEF is not and will not be considered an "existing DUF<sub>6</sub> storage facility" within the meaning of Section 311 of Public Law 108-447.

6. NMED, NMAG and LES agree that LES shall provide a draft copy of the periodic adjustment of the decommissioning cost estimate required by 10 C.F.R. § 70.25(e) (hereinafter referred to as the "Triennial Report") to the Attorney General of the State of New Mexico and to the Secretary of the New Mexico Environment Department at least 60 days prior to the submission of Triennial Report in final form to the NRC. NMED, NMAG and LES further agree that they will work together in good faith to resolve any comments regarding the Triennial Report. Notwithstanding any efforts by LES to resolve any comments regarding the Triennial Report, NMED or NMAG may submit their comments directly to the NRC. Lastly, LES agrees to reimburse NMED and NMAG (or to pay directly as requested by NMED and NMAG) to hire expert(s) and/or outside counsel to evaluate, review, and provide comments to the draft Triennial Report subject to a maximum of no greater than \$20,000 per Triennial Report.

7.A. NMED, NMAG and LES agree that LES will provide financial assurance in the minimum initial amount of \$7.15/kgU for the disposition of DUF<sub>6</sub> situated at the NEF from the date when financial assurance is required by the NRC until LES notifies the NRC of any revision pursuant to applicable NRC regulatory requirements and guidance, but no revision shall be submitted for review sooner than the first Triennial Report.

7.B. In addition to the DUF<sub>6</sub> disposition cost estimate and contingency factor submitted by LES in Section 10.3 of its Fourth Revision to the Safety Analysis Report in its License Application (April 2005), NMED, NMAG and LES agree that to address and resolve NMAG's financial assurance concerns, an additional \$1.30/kgU will be included in the initial amount of financial assurance for the disposition of DUF<sub>6</sub> situated at the NEF, bringing the minimum initial amount to a total of \$7.15/kgU as provided in Paragraph 7.A of this Settlement Agreement. NMED, NMAG and LES further acknowledge that LES maintains that the additional \$1.30/kgU to address NMAG's financial assurance concerns is over and above the amount that LES maintains is required by applicable NRC regulatory requirements and guidance.

7.C. NMED, NMAG and LES further agree that in the first, or subsequent, Triennial Report(s), LES may not submit for NRC review the elimination of the \$1.30/kgU amount provided for in Paragraph 7.B of this Settlement Agreement unless LES has in place a contractual arrangement for the out-of-state processing and/or removal of DUF<sub>6</sub> situated onsite at the NEF. Nothing herein shall preclude NMED or NMAG, in accordance with the provisions in Paragraph 6 of this Settlement Agreement, from advocating at the first, or subsequent, Triennial Report(s), any issues with respect to financial assurance, including, but not limited to, the \$1.30/kgU provided for in Paragraph 7.B of this Settlement Agreement.

8. NMED, NMAG and LES agree that LES shall provide a yearly report to the Attorney General of the State of New Mexico and to the Secretary of the New Mexico Environment Department, on or before January 15<sup>th</sup> of each year that the NEF is producing DUF<sub>6</sub>, that identifies the number of DUF<sub>6</sub> cylinders stored on the storage pad at the NEF as of the end of the preceding year, the number of DUF<sub>6</sub> cylinders anticipated to be filled during the next year, and the lengths of time all the DUF<sub>6</sub> cylinders have been stored onsite. In addition, NMED, NMAG and LES agree that in each such yearly report LES shall include any findings resulting from the cylinder management program (as required in LES' Environmental Report at Section 4.13.3.1.1) for the preceding year.

9. NMED, NMAG and LES agree that LES shall provide NMED and the NMAG the same access to documents and materials relating to LES' radiation protection program that is required to be provided to the NRC.

10. NMED, NMAG and LES agree that LES shall support and shall not object to NMED accompanying NRC staff on any of its inspections of the NEF radiation program and conducting inspections as permitted by any agreements between NMED and NRC that are executed in accordance with applicable NRC policy and guidance. In this regard, LES shall allow NMED staff the same access to its facilities, documents, materials and personnel to which NRC is entitled. NMED shall execute any confidentiality agreement necessary to participate in such inspections and shall comply with all appropriate NEF rules (e.g., safety, security) and any applicable NRC requirements when participating in such inspections.

11. NMED, NMAG and LES agree that the NEF shall comply with all safeguards requirements of the International Atomic Energy Agency ("IAEA") as imposed by the NRC to ensure proliferation protection.

12. NMED, NMAG and LES agree that LES shall provide to the New Mexico Department of Public Safety the Physical Security Plan for the NEF subject to the execution by the appropriate officials, employees or representatives of the New Mexico Department of Public Safety of all required non-disclosure agreements.

13. NMED, NMAG and LES agree that all NMED and NMAG matters presently pending in the NRC Proceeding shall be deemed to be withdrawn upon the Board's or NRC's approval of this Settlement Agreement in its entirety. NMED and NMAG reserve the right to reappear before the Board or NRC during the pendency of the NRC Proceeding upon the discovery of significant information that was not known by NMED or NMAG at the time they executed this Settlement Agreement and, in the event the NMED or NMAG make such an appearance, they shall comply with any applicable NRC rules regarding late-filed contentions. Prior to reappearing before the Board or NRC, NMED and NMAG shall make good faith efforts to resolve the issues or claims with LES. Nothing herein shall be construed to prohibit NMED or NMAG from filing a request that the NRC initiate a proceeding to enforce the conditions of the license issued as a result of this Settlement Agreement. Finally, NMED and NMAG agree that neither NMED nor NMAG will judicially challenge or seek to join a judicial challenge of a decision by the Board or NRC in this NRC Proceeding unless such challenge is based solely on a matter which was the subject of a reappearance by NMED and/or NMAG as provided for herein.

14. This Settlement Agreement does not resolve matters not raised by NMED or NMAG in the NRC Proceeding or matters outside the NRC Proceeding. NMED and NMAG reserve the right to enforce and seek relief under any other applicable laws and regulations. Moreover, nothing in this Settlement Agreement waives or releases LES from its obligation to comply with all applicable laws and regulations.

15. All parties hereto agree to exercise due diligence in the performance of their various responsibilities under this Settlement Agreement and to cooperate with each other in carrying out its intent.

16. This Settlement Agreement supersedes all prior representations, negotiations, and understandings of the parties hereto, whether oral or written, and constitutes the entire agreement between the parties with respect to the matter hereof. It is expressly understood, however, that nothing in this Settlement Agreement shall prevent or excuse LES from fulfilling any legal or statutory requirement of the NRC, or its successors, whether contained in the license for the NEF when issued or other requirement or regulation of the NRC, its successors, or representatives, whether oral or in writing.

17. This Settlement Agreement shall not be effective, final and binding on the parties hereto unless this Settlement Agreement is approved in its entirety by the Board or the NRC. If the Board or the NRC does not approve this Settlement Agreement in its entirety, then this Settlement Agreement shall not take effect and shall be deemed null and void. The parties agree that if the Board or the NRC does not approve this Settlement Agreement, they will negotiate in good faith to resolve any outstanding issues necessary to obtain its approval by the Board or the NRC.

18. In the event this Settlement Agreement becomes effective in accordance with the provisions herein, LES, NMED and NMAG agree that the license conditions in this Settlement Agreement are fully enforceable by the NRC. All parties agree not to contest the NRC's jurisdiction to approve and enforce the license conditions in this Settlement Agreement. If any provision of this Settlement Agreement is found by the NRC or any court of competent jurisdiction to be outside the NRC's jurisdiction, and thus unenforceable by the NRC, or should

the NRC refuse or otherwise decline to enforce any provision of this Settlement Agreement, the parties agree that an action to enforce such provision may be filed in the United States District Court for the District of New Mexico (if subject matter jurisdiction exists) or the First Judicial District Court, Santa Fe County, of New Mexico and agree not to object to the jurisdiction of those courts to hear and determine such action. The parties further agree to waive any objection to the standing of any party to this Settlement Agreement to bring an action to enforce the license conditions in this Settlement Agreement before the NRC or, if outside the NRC's jurisdiction, the United States District Court or the First Judicial District Court. Finally, the parties agree to proceed before the NRC prior to bringing an action in court, and further to proceed in United States District Court (if subject matter jurisdiction exists) before proceeding in the First Judicial District Court.

19. In the event of a breach of any provision of Paragraphs 2, 3, 4, 5 or 7 herein, NMED and NMAG shall be entitled to liquidated damages from LES in the amount of \$5,000 per day per breach. This amount is not a penalty but is a reasonable estimate of the damages that would result from any breach. Notwithstanding the foregoing, NMED, NMAG and LES agree that LES shall be entitled to attempt to cure the breach of any provision of Paragraphs 2, 3, 4, 5 or 7 herein within 60 days of receiving written notice from NMED or NMAG of such breach.

20. In the event this Settlement Agreement becomes effective in accordance with the terms herein, the parties agree if any term, section, provision or portion of this Settlement Agreement is subsequently held invalid or unconstitutional by any court of competent jurisdiction, the remaining terms, sections, provisions and portions of this Settlement Agreement shall remain in full force and effect.

21. In the event this Settlement Agreement becomes binding upon the parties in accordance with the terms herein, the Settlement Agreement shall be binding upon the parties' successors, assigns, representatives, employees, agents, partners, subsidiaries, and affiliates.

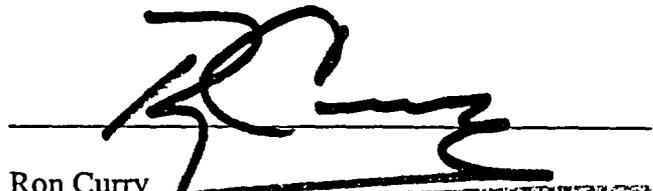
22. NMED, NMAG and LES expressly waive the right to challenge, contest the validity of, or seek judicial review of any order entered as a result of this Settlement Agreement so long as such order is fully consistent with each provision of this Settlement Agreement.

23. When approved by the Board, the order entered as a result of this Settlement Agreement has the same force and effect as an order made after full hearing.

IN WITNESS WHEREOF LES, NMED and NMAG have caused this Settlement Agreement to be executed by their duly authorized representatives on this 27 day of ~~June~~<sup>July</sup> 2005.



Patricia A. Madrid  
Attorney General of New Mexico



Ron Curry  
Secretary, New Mexico Environment Department



E. James Ferland  
President and Chief Executive Officer  
Louisiana Energy Services, L.P.

DC:424436.1

## SETTLEMENT AGREEMENT

WHEREAS, the New Mexico Environment Department (“NMED”) and the Attorney General of New Mexico (“NMAG”) have requested and been granted a hearing before the Atomic Safety and Licensing Board (“Board”) relating to certain matters concerning the application filed by Louisiana Energy Services, L.P. (“LES” or “licensee”) for a license from the United States Nuclear Regulatory Commission (“NRC”) to construct and operate the National Enrichment Facility (“NEF”), Docket No. 70-3103 (“NRC Proceeding”);

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest for LES to be bound by enforceable conditions limiting the storage and disposal of depleted uranium hexafluoride (“DUF<sub>6</sub>”) generated at the NEF;

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest to insure that LES reduces the amount of DUF<sub>6</sub> stored onsite by 289 million pounds from the amount originally requested in LES’ license application and to limit the length of time that DUF<sub>6</sub> is stored onsite at the NEF;

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest to prohibit the disposal of DUF<sub>6</sub> in the State of New Mexico;

WHEREAS, NMED, NMAG and LES have determined that it is in the public interest to require LES to establish adequate financial assurances for the storage and offsite disposal of DUF<sub>6</sub>;

WHEREAS, NMED, NMAG and LES have determined that an appropriate contingency factor should be applied to the financial assurances to be established by LES; and

WHEREAS, NMED, NMAG and LES have reached agreement regarding the issues raised by NMED and NMAG in the NRC Proceeding;

THEREFORE, IT IS HEREBY STIPULATED AND AGREED by NMED,

NMAG and LES that:

1. NMED, NMAG and LES admit that the NRC has jurisdiction over the parties and the subject matter of this Settlement Agreement.

2. NMED, NMAG and LES agree to the following condition:

Onsite storage of  $\text{DUF}_6$  generated at the NEF shall be limited to a maximum of 5,016 48Y cylinders (or the equivalent amount of uranium stored in other NRC accepted and Department of Transportation (“DOT”) certified cylinder types) of  $\text{DUF}_6$ . The generation of any additional  $\text{DUF}_6$  to be stored onsite by LES beyond this limit shall constitute noncompliance with this Settlement Agreement and the license. LES shall suspend production of any additional  $\text{DUF}_6$  for onsite storage until this noncompliance is remedied. In no event shall LES store  $\text{DUF}_6$  ~~be stored~~ generated at the NEF in New Mexico other than at the NEF.

NMED, NMAG and LES agree that this condition shall be included in the NEF license when issued by the NRC.

3. NMED, NMAG and LES agree to the following condition:

Onsite storage of any one cylinder of  $\text{DUF}_6$  generated at the NEF shall be limited to a maximum of 15 years, beginning from the date that each cylinder is filled in accordance with LES’ standard procedures. The storage of any one  $\text{DUF}_6$  cylinder beyond this limit by LES shall constitute noncompliance with this Settlement Agreement and with the license. LES shall suspend production of any additional  $\text{DUF}_6$  for onsite storage until this noncompliance is remedied. In no event shall LES store  $\text{DUF}_6$  generated at the NEF ~~be stored~~ in New Mexico other than at the NEF.

NMED, NMAG and LES agree that this condition shall be included in the NEF license when issued by the NRC.

4. NMED, NMAG and LES agree to the following condition:

LES shall provide financial assurance for the offsite disposal of DUF<sub>6</sub> from the NEF using a minimum contingency factor of twenty-five percent (25%).

Upon reaching 4,000 cylinders of DUF<sub>6</sub> in 48Y cylinders (or the equivalent amount of uranium stored in other NRC accepted and DOT certified cylinder types) in onsite storage, LES shall immediately increase the financial assurance to provide a fifty percent (50%) contingency factor for disposition of DUF<sub>6</sub> stored at the NEF unless: (a) ~~a good faith application is pending before the NRC to~~ construct and operate a deconversion facility outside of New Mexico that is specifically designated to deconvert the DUF<sub>6</sub> stored onsite at the NEF has been docketed by the agency responsible for reviewing the application; (b) an application for such a facility has been approved by the agency responsible for reviewing the application; or (c) LES is using another alternate method for removing the DUF<sub>6</sub> stored onsite.

In addition, upon reaching the limit of 5,016 cylinders of DUF<sub>6</sub> in 48Y cylinders (or the equivalent amount of uranium stored in other NRC accepted and DOT certified cylinder types) in onsite storage, LES shall immediately increase the financial assurance to provide a fifty percent (50%) contingency factor for disposition of DUF<sub>6</sub> stored at the NEF if the contingency factor has not already been increased to fifty percent (50%). The contingency factor shall remain at fifty percent (50%) until the number of cylinders stored onsite is reduced to ninety-eight percent (98%) of the 5,016 limit and either: (a) ~~a good faith an~~ application is pending before the NRC to construct and operate a deconversion facility outside of New Mexico that is specifically designated to deconvert the DUF<sub>6</sub> stored onsite at the NEF has been docketed by the agency responsible for reviewing the application; (b) an application for such a facility has been approved by the agency responsible for reviewing the application; or (c) LES is using another alternate method for removing the DUF<sub>6</sub> from New Mexico.

Nothing herein shall release LES from other financial assurance obligations set forth in applicable laws and regulations.

NMED, NMAG and LES agree that this condition shall be included in the NEF license when issued by the NRC.

5. NMED, NMAG and LES agree that ~~to the following condition:~~

In no event shall DUF<sub>6</sub> from the NEF be disposed of in the State of New Mexico and in no event shall LES construct or operate a deconversion facility in the State of New Mexico.

LES agrees that if it decides to submit a request to the Secretary of the United States Department of Energy ("DOE") pursuant to Section 3113 of Public Law 104-134 (42 U.S.C. § 2297h-11), such a request will be made only if both LES and DOE determine that the NEF is not and will not be considered an "existing DUF<sub>6</sub> storage facility" within the meaning of Section 311 of Public Law 108-447.

~~NMED, NMAG and LES agree that this condition shall be included in the NEF license when issued by the NRC.~~

6. NMED, NMAG and LES agree that LES shall provide a draft copy of the periodic adjustment of the decommissioning cost estimate required by 10 C.F.R. § 70.25(e) (hereinafter referred to as the "Triennial Report") to the Attorney General of the State of New Mexico and to the Secretary of the New Mexico Environment Department at least 60 days prior to the submission of Triennial Report in final form to the NRC. NMED, NMAG and LES further agree that they will work together in good faith to resolve any comments regarding the Triennial Report. Notwithstanding any efforts by LES to resolve any comments regarding the Triennial Report, NMED or NMAG may submit their comments directly to the NRC. Lastly, LES agrees to reimburse NMED and NMAG (or to pay directly as requested by NMED and NMAG) to hire expert(s) and/or outside counsel to evaluate, review, and provide comments to the draft Triennial Report subject to a maximum of no greater than \$20,000 per Triennial Report.

7.A. NMED, NMAG and LES agree that LES will provide financial assurance in the minimum initial amount of \$7.15/kgU for the disposition of DUF<sub>6</sub> situated at the NEF from the date when financial assurance is required by the NRC until LES notifies the NRC of any revision pursuant to applicable NRC regulatory requirements and guidance, but no revision shall be submitted for review sooner than the first Triennial Report.

7.B. In addition to the DUF<sub>6</sub> disposition cost estimate and contingency factor submitted by LES in Section 10.3 of its Fourth Revision to the Safety Analysis Report in its License Application (April 2005), NMED, NMAG and LES agree that to address and resolve NMAG's financial assurance concerns, an additional \$1.30/kgU will be included in the initial amount of financial assurance for the disposition of DUF<sub>6</sub> situated at the NEF, bringing the minimum initial amount to a total of \$7.15/kgU as provided in Paragraph 7.A of this Settlement Agreement. NMED, NMAG and LES further acknowledge that LES maintains that the additional \$1.30/kgU to address NMAG's financial assurance concerns is over and above the amount that LES maintains is required by applicable NRC regulatory requirements and guidance.

7.C. NMED, NMAG and LES further agree that in the first, or subsequent, Triennial Report(s), LES may not submit for NRC review the elimination of the \$1.30/kgU amount provided for in Paragraph 7.B of this Settlement Agreement unless LES has in place a contractual arrangement for the out-of-state processing and/or removal of DUF<sub>6</sub> situated onsite at the NEF. Nothing herein shall preclude NMED or NMAG, in accordance with the provisions in Paragraph 6 of this Settlement Agreement, from advocating at the first, or subsequent, Triennial Report(s), any issues with respect to financial assurance, including, but not limited to, the \$1.30/kgU provided for in Paragraph 7.B of this Settlement Agreement.

8. NMED, NMAG and LES agree that LES shall provide a yearly report to the Attorney General of the State of New Mexico and to the Secretary of the New Mexico Environment Department, on or before January 15<sup>th</sup> of each year that the NEF is producing DUF<sub>6</sub>, that identifies the number of DUF<sub>6</sub> cylinders stored on the storage pad at the NEF as of the end of the preceding year, the number of DUF<sub>6</sub> cylinders anticipated to be filled during the next year, and the lengths of time all the DUF<sub>6</sub> cylinders have been stored onsite. In addition, NMED, NMAG and LES agree that in each such yearly report LES shall include any findings resulting from the cylinder management program (as required in LES' Environmental Report at Section 4.13.3.1.1) for the preceding year.

9. NMED, NMAG and LES agree that LES shall provide NMED and the NMAG the same access to documents and materials relating to LES' radiation protection program that is required to be provided to the NRC.

10. NMED, NMAG and LES agree that LES shall support and shall not object to NMED accompanying NRC staff on any of its inspections of the NEF radiation program and conducting inspections as permitted by any agreements between NMED and NRC that are executed in accordance with applicable NRC policy and guidance, ~~and LES shall permit NMED to conduct its own reasonable inspections of the NEF radiation protection program.~~ In this regard, LES shall allow NMED staff the same access to its facilities, documents, materials and personnel to which NRC is entitled. NMED shall execute any confidentiality agreement necessary to ~~conduct~~ participate in such inspections and shall comply with all appropriate NEF rules (e.g., safety, security) and any applicable NRC requirements when participating in ~~conducting~~ such inspections.

11. NMED, NMAG and LES agree that the NEF shall comply with all safeguards requirements of the International Atomic Energy Agency (“IAEA”) as imposed by the NRC to ensure proliferation protection.

12. NMED, NMAG and LES agree that LES shall provide to the New Mexico Department of Public Safety the Physical Security Plan for the NEF subject to the execution by the appropriate officials, employees or representatives of the New Mexico Department of Public Safety of all required non-disclosure agreements.

13. NMED, NMAG and LES agree that all NMED and NMAG matters presently pending in the NRC Proceeding shall be deemed to be withdrawn upon the Board’s or NRC’s approval of this Settlement Agreement in its entirety. NMED and NMAG reserve the right to reappear before the Board or NRC during the pendency of the NRC Proceeding upon the discovery of significant information that was not known by NMED or NMAG at the time they executed this Settlement Agreement and, in the event the NMED or NMAG make such an appearance, they shall comply with any applicable NRC rules regarding late-filed contentions. Prior to reappearing before the Board or NRC, NMED and NMAG shall make good faith efforts to resolve the issues or claims with LES. Nothing herein shall be construed to prohibit NMED or NMAG from filing a request that the NRC initiate ~~appearing before the Board or NRC in a proceeding to enforce the terms of this Settlement Agreement or to enforce the conditions of the license issued as a result of this Settlement Agreement.~~ Finally, NMED and NMAG agree that neither NMED nor NMAG will judicially challenge or seek to join a judicial challenge of a decision by the Board or NRC in this NRC Proceeding unless such challenge is based solely on a matter which was the subject of a reappearance by NMED and/or NMAG as provided for herein.

14. This Settlement Agreement does not resolve matters not raised by NMED or NMAG in the NRC Proceeding or matters outside the NRC Proceeding. NMED and NMAG reserve the right to enforce and seek relief under any other applicable laws and regulations. Moreover, nothing in this Settlement Agreement waives or releases LES from its obligation to comply with all applicable laws and regulations.

15. All parties hereto agree to exercise due diligence in the performance of their various responsibilities under this Settlement Agreement and to cooperate with each other in carrying out its intent.

16. This Settlement Agreement supersedes all prior representations, negotiations, and understandings of the parties hereto, whether oral or written, and constitutes the entire agreement between the parties with respect to the matter hereof. It is expressly understood, however, that nothing in this Settlement Agreement shall prevent or excuse LES from fulfilling any legal or statutory requirement of the NRC, or its successors, whether contained in the license for the NEF when issued or other requirement or regulation of the NRC, its successors, or representatives, whether oral or in writing.

17. This Settlement Agreement shall not be effective, final and binding on the parties hereto unless this Settlement Agreement is approved in its entirety by the Board or the NRC. If the Board or the NRC does not approve this Settlement Agreement in its entirety, then this Settlement Agreement shall not take effect and shall be deemed null and void. The parties agree that if the Board or the NRC does not approve this Settlement Agreement, they will negotiate in good faith to resolve any outstanding issues necessary to obtain its approval by the Board or the NRC.

18. In the event this Settlement Agreement becomes effective in accordance with the provisions herein, LES, NMED and NMAG agree that the license conditions in this Settlement Agreement ~~is~~are fully enforceable ~~before~~by the NRC. All parties agree not to contest the NRC's jurisdiction to approve and enforce ~~all terms of~~the license conditions in this Settlement Agreement. If any provision of this Settlement Agreement is found by the NRC or any court of competent jurisdiction to be outside the NRC's jurisdiction, and thus unenforceable by the NRC, or should the NRC refuse or otherwise decline to enforce any provision of this Settlement Agreement, the parties agree that an action to enforce such provision may be filed in the United States District Court for the District of New Mexico (if subject matter jurisdiction exists) or the First Judicial District Court, Santa Fe County, of New Mexico and agree not to object to the jurisdiction of those courts to hear and determine such action. The parties further agree to waive any objection to the standing of any party to this Settlement Agreement to bring an action to enforce the license conditions in this Settlement Agreement before the NRC or, if outside the NRC's jurisdiction, the United States District Court or the First Judicial District Court. Finally, the parties agree to proceed before the NRC prior to bringing an action in court, and further to proceed in United States District Court (if subject matter jurisdiction exists) before proceeding in the First Judicial District Court.

19. In the event of a breach of any provision of Paragraphs 2, 3, 4, 5 or 7 herein, NMED and NMAG shall be entitled to liquidated damages from LES in the amount of \$5,000 per day per breach. This amount is not a penalty but is a reasonable estimate of the damages that would result from any breach. Notwithstanding the foregoing, NMED, NMAG and LES agree that LES shall be entitled to attempt to cure the breach of any provision of Paragraphs 2, 3, 4, 5 or 7 herein within 60 days of receiving written notice from NMED or NMAG of such breach.

20. In the event this Settlement Agreement becomes effective in accordance with the terms herein, the parties agree if any term, section, provision or portion of this Settlement Agreement is subsequently held invalid or unconstitutional by any court of competent jurisdiction, the remaining terms, sections, provisions and portions of this Settlement Agreement shall remain in full force and effect.

21. In the event this Settlement Agreement becomes binding upon the parties in accordance with the terms herein, the Settlement Agreement shall be binding upon the parties' successors, assigns, representatives, employees, agents, partners, subsidiaries, and affiliates.

22. NMED, NMAG and LES expressly waive the right to challenge, contest the validity of, or seek judicial review of any order entered as a result of this Settlement Agreement so long as such order is fully consistent with each provision of this Settlement Agreement.

23. When approved by the Board, the order entered as a result of this Settlement Agreement has the same force and effect as an order made after full hearing.

IN WITNESS WHEREOF LES, NMED and NMAG have caused this Settlement Agreement to be executed by their duly authorized representatives on this \_\_\_ day of June 2005.

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Patricia A. Madrid  
Attorney General of New Mexico

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Ron Curry  
Secretary, New Mexico Environment Department

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E. James Ferland  
President and Chief Executive Officer  
Louisiana Energy Services, L.P.

**EXHIBIT B**

**PROPOSED CONSENT ORDER**

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION  
ATOMIC SAFETY AND LICENSING BOARD

Before Administrative Judges:

G. Paul Bollwerk, III, Chairman  
Dr. Paul B. Abramson  
Dr. Charles N. Kelber

In the Matter of

LOUISIANA ENERGY SERVICES, L.P.

(National Enrichment Facility)

Docket No. 70-3103-ML

ASLBP No. 04-826-01-ML

July \_\_, 2005

CONSENT ORDER  
(Approving Settlement Agreement)

On July 27, 2005, the Attorney General of New Mexico ("AGNM"), the New Mexico Environment Department ("NMED"), and Louisiana Energy Services, L.P. ("LES") (collectively, the "Parties"), moved for an order approving the Settlement Agreement attached as an exhibit to the Joint Motion for Approval of Settlement filed July 27, 2005.

Consistent with the Commission's policy to encourage the settlement and resolution of contested issues in NRC licensing proceedings, we find the Settlement Agreement to be in the public interest. Pursuant to our authority under 10 C.F.R. § 2.338(i), we hereby grant the Parties' motion, approve the Settlement Agreement, and dismiss Contentions NMED TC-3/EC-4 ("Radiation Protection Program"), AGNM TC-i ("Decommissioning Costs"), and AGNM TC-ii ("Disposal Cost Estimates"). The Settlement Agreement hereby has the same force and effect as an order made after full hearing.

It is so ORDERED.

FOR THE ATOMIC SAFETY  
AND LICENSING BOARD<sup>3</sup>

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G. Paul Bollwerk, III  
ADMINISTRATIVE JUDGE

Rockville, Maryland  
July \_\_, 2005

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<sup>3</sup> Copies of this memorandum and order were sent this date by Internet e-mail transmission to counsel for (1) applicant LES; (2) intervenors NMED, NMAG, and NIRS/PC; and (3) the staff.

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

In the Matter of:	)	Docket No. 70-3103-ML
	)	
Louisiana Energy Services, L.P.	)	ASLBP No. 04-826-01-ML
	)	
(National Enrichment Facility)	)	

CERTIFICATE OF SERVICE

I hereby certify that copies of the "JOINT MOTION FOR APPROVAL OF SETTLEMENT, WITHDRAWAL OF NMED AND AGNM FROM THE PROCEEDING, AND DISMISSAL OF CONTENTIONS" in the captioned proceeding have been served on the following by e-mail service, designated by \*\*, on July 27, 2005 as shown below. Additional service has been made by deposit in the United States mail, first class, this 27 day of July 2005.

Chairman Nils J. Diaz  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

Commissioner Edward McGaffigan, Jr.  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

Commissioner Jeffrey S. Merrifield  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

Office of the Secretary\*\*  
Attn: Rulemakings and Adjudications Staff  
U.S. Nuclear Regulatory Commission  
Mail Stop O-16C1  
Washington, DC 20555-0001  
(original + two copies)  
e-mail: HEARINGDOCKET@nrc.gov

Commissioner Gregory B. Jaczko  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

Commissioner Peter B. Lyons  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

Office of Commission Appellate  
Adjudication  
Mail Stop O-16C1  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555

Office of the General Counsel\*\*  
Attn: Associate General Counsel for  
Hearings, Enforcement and  
Administration  
Lisa B. Clark, Esq.\*\*  
Darani M. Reddick\*\*  
David A. Cummings\*\*  
Kathleen A. Kannler, Esq.\*\*  
Mail Stop O-15D21  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001  
e-mail: [OGCMailCenter@nrc.gov](mailto:OGCMailCenter@nrc.gov)  
e-mail: [lbc@nrc.gov](mailto:lbc@nrc.gov)  
e-mail: [dmr1@nrc.gov](mailto:dmr1@nrc.gov)  
e-mail: [dac3@nrc.gov](mailto:dac3@nrc.gov)  
e-mail: [kak1@nrc.gov](mailto:kak1@nrc.gov)

Ron Curry  
Tannis L. Fox, Esq.\*\*  
New Mexico Environment Department  
1190 St. Francis Drive  
Santa Fe, NM 87502-6110  
e-mail: [tannis.fox@state.nm.us](mailto:tannis.fox@state.nm.us)

Administrative Judge  
Paul B. Abramson\*\*  
Atomic Safety and Licensing Board Panel  
Mail Stop T-3F23  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001  
e-mail: [pba@nrc.gov](mailto:pba@nrc.gov)

Administrative Judge  
G. Paul Bollwerk, III, Chair\*\*  
Atomic Safety and Licensing Board Panel  
Mail Stop T-3F23  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001  
e-mail: [gpb@nrc.gov](mailto:gpb@nrc.gov)

Administrative Judge  
Charles N. Kelber\*\*  
Atomic Safety and Licensing Board Panel  
Mail Stop T-3F23  
U.S. Nuclear Regulatory Commission  
Washington, DC 20555-0001  
e-mail: [cnk@nrc.gov](mailto:cnk@nrc.gov)

James R. Curtiss, Esq.\*\*  
David A. Repka, Esq.\*\*  
Martin J. O'Neill, Esq.\*\*  
Winston & Strawn, LLP  
1700 K Street, N.W.  
Washington, DC 20006-3817  
e-mail: [jcurtiss@winston.com](mailto:jcurtiss@winston.com)  
[drepka@winston.com](mailto:drepka@winston.com)  
[moneill@winston.com](mailto:moneill@winston.com)

Lindsay A. Lovejoy, Jr.\*\*  
618 Pasco de Peralta, Unit B  
Santa Fe, NM 87501  
e-mail: [lindsay@lindsaylovejoy.com](mailto:lindsay@lindsaylovejoy.com)

Lisa A. Campagna\*\*  
Assistant General Counsel  
Westinghouse Electric Co., LLC  
P.O. Box 355  
Pittsburgh, PA 15230-0355  
e-mail: [campagla@westinghouse.com](mailto:campagla@westinghouse.com)

  
David M. Pato  
Assistant Attorney General



# Attorney General of New Mexico

**PATRICIA A. MADRID**  
Attorney General

July 27, 2005

**STUART M. BLUESTONE**  
Chief Deputy Attorney General

**GLENN R. SMITH**  
Deputy Attorney General

Secretary of the Commission  
United States Nuclear Regulatory Commission  
Attn: Rulemaking and Adjudications Staff  
Washington, D.C. 20555-0001  
Facsimile: (301) 415-1101

Re: **In the Matter of Louisiana Energy Services, L.P. (National  
Enrichment Facility)**  
Docket No. 70-3103

Dear Rulemaking and Adjudications Staff:

Enclosed are the original and three copies of the JOINT MOTION FOR APPROVAL OF THE SETTLEMENT AGREEMENT AND A PROPOSED CONSENT ORDER. The New Mexico Attorney General would appreciate it if you would kindly file, endorse and return a copy of each in the enclosed self-addressed, stamped envelope provided herewith.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "David M. Pato".

David M. Pato  
Assistant Attorney General  
New Mexico Attorney General's Office

Enclosures a/s