

May 16, 2006

Mr. Karl W. Gross
Licensing Manager
Louisiana Energy Services
2600 Virginia Avenue NW, Suite 610
Washington, DC 20037

SUBJECT: SAFETY EVALUATION REPORT SUPPLEMENT ON OWNERSHIP CHANGES
(LOUISIANA ENERGY SERVICES GAS CENTRIFUGE URANIUM
ENRICHMENT FACILITY)

Dear Mr. Gross:

On March 16, 2006, you submitted Revision 10 to the "National Enrichment Facility Safety Analysis Report," for the proposed uranium enrichment facility in Lea County, New Mexico. This revision amended the Safety Analysis Report to incorporate recent ownership changes in the Louisiana Energy Services partnership agreement. We completed our review of the above information and are enclosing a supplement to our Safety Evaluation Report.

If you have any questions, please contact Mr. Timothy C. Johnson at 301-415-7299.

Sincerely,

\RA\

Joseph G. Giitter, Chief
Special Projects Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Enclosure: Safety Evaluation Report Supplement

Docket: 70-3103

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|-----|------------------------|-----------------------|------------------------|
| cc: | William Szymanski/DOE | Fred Seifts/Jal | Lindsay Lovejoy/NIRS |
| | Monty Newman/Hobbs | James Curtiss/W&S | Troy Harris/Lovington |
| | Peter Miner/USEC | Betty Rickman/Tatum | James Ferland/LES |
| | Glen Hackler/Andrews | Lue Ethridge/Lea Cty | John Parker/NMED |
| | Matt White/Eunice | Richard Ratliff/Texas | M. Marriotte/NIRS |
| | Jerry Clift/Hartsville | CO'Claire/Ohio | Lee Cheney/CNIC |
| | Joseph Malherek/PC | Ron Curry/NMED | D. Watchman-Moore/NMED |
| | Clay Clark/NMED | Patricia Madrid/NMAG | Glen Smith/NMAG |
| | Roger Mulder/Texas | | |

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DISTRIBUTION: Docket: 70-3103

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| MDusaniwskyj/NRR | CPittiglio/NRR | Hearing file | LES website - YES |

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|-------------|-----------|--|-------------|--|--------------|--|----------|----------|----------|--|----------|--|
| OFC | GCFLS | | GCFLS | | NRR | | OGC | NSIR | GCFLS | | SPB | |
| NAME | TJohnson: | | LWilliamson | | MDusaniwskyj | | LClark | KEverly | BSmith | | JGiitter | |
| DATE | 4/04/06 | | 4/ 05/06 | | 4/ 10/06 | | 4/ 19/06 | 5/ 15/06 | 5/ 16/06 | | 5/ 16/06 | |

OFFICE RECORD COPY

Louisiana Energy Services National Enrichment Facility Safety Evaluation Report Supplement on Institutional Information

The purpose of NRC's review of institutional information is to establish whether the license application includes adequate information identifying the applicant, the applicant's characteristics, and the proposed activity.

Since issuance of NUREG-1827, "Safety Evaluation Report for National Enrichment Facility in Lea County, New Mexico" (NRC, 2005), in June 2005, Westinghouse Enrichment Company, one of the partners in the Louisiana Energy Services (LES) Limited Partnership, LLC, sold its shares to Urenco Investments, Inc., the majority partner. On March 16, 2006, Louisiana Energy Services (the applicant) submitted Revision 10 to the "National Enrichment Facility Safety Analysis Report" (LES, 2006a), Revision 6 to the "National Enrichment Facility Environmental Report" (LES, 2006b), and Revision 3 to the "Standard Practice Procedures Plan for the Protection of Classified Matter," (2006c) amending the institutional information related to the sale of the partnership shares. These changes affected the institutional information related to the corporate identity of the applicant, the financial qualifications of the applicant, and foreign ownership, control, and influence (FOCI).

1 REGULATORY REQUIREMENTS

The regulations in 10 CFR 30.32 and 10 CFR 40.31 require each application for a license to include information on the identity of the applicant. The regulations in 10 CFR 70.22 require each application for a license, among other things, to include: (a) information on the corporation applying for a license; (b) information concerning ownership and control; and (c) financial qualifications. The regulations in 10 CFR Part 95 contain provisions for obtaining a facility security clearance.

2 REGULATORY ACCEPTANCE CRITERIA

The acceptance criteria applicable to NRC's review of the institutional information section of the application are contained in Section 1.2.4.3 of the "Standard Review Plan for the Review of a License Application for a Fuel Cycle Facility," NUREG-1520 (NRC, 2002).

3 STAFF REVIEW AND ANALYSIS

3.1 Corporate Identity

On March 3, 2006, Westinghouse Enrichment Company, LLC, sold its 19.5 percent ownership in the LES Limited Partnership to Urenco Investments, Inc., which previously owned 70.5 percent of the partnership. The remaining 10 percent of the partnership was held equally between three utilities, Entergy, Duke Energy Corporation, and Exelon Generation Company.

Following the sale, Urenco Investments, Inc., now owns 90 percent of the partnership and Entergy, Duke Energy Corporation, and Exelon Generation Company continue to own equally the remaining 10 percent of the partnership. Following the sale, Urenco Investments, Inc., is the only general partner and is also now a limited partner in LES Limited Partnership, LLC. No other changes were made to the partnership.

3.2 Foreign Ownership, Control, and Influence

Because no new foreign or domestic partners are being added to LES Limited Partnership, LLC, the purchase of Westinghouse Enrichment Company's shares by Urenco Investments, Inc., has no effect on the FOCI posture for the applicant and thus, poses no undue risk to the national security of the United States. As was stated in the U.S. Department of Energy (DOE) letter of March 31, 2005 (DOE, 2005), "The information and technology that will be classified as Restricted Data are already owned and controlled by the other governments and companies associated with Urenco/LES. Therefore, any additional FOCI mitigation measures placed on Urenco/LES would provide no additional benefit to the National Security of the U.S." On May 12, 2006, DOE staff reconfirmed this determination based on a review of the applicant's proposed ownership changes (DOE, 2006). The NRC accepts this finding by DOE based on an Interagency Agreement between NRC and DOE dated May 6, 2002. (DOE, 2002). Since the ownership change has no effect on the FOCI posture for the applicant, the DOE recommendations remain unchanged. Therefore, no further consultation with DOE is necessary.

3.3 Financial Qualifications

Because no new corporate partners are being added to LES Limited Partnership, LLC, the sale of the Westinghouse Enrichment Company's shares in LES partnership has no significant effect on the financial qualifications of the applicant. The applicant has made no change to its financing strategy to fund the construction of the proposed facility by using 50 percent equity and 50 percent financing through financial institutions and bond holders. The applicant has placed contracts for at least 70 percent of the facility's first 10 years of output.

4 EVALUATION FINDINGS

The staff reviewed the institutional information for the proposed LES uranium enrichment facility, according to Section 1.2 of NUREG-1520 (NRC, 2002). The applicant has adequately described and documented the corporate identity, structure, and financial information, and is in compliance with those parts of 10 CFR 30.32, 10 CFR 40.31, 10 CFR 70.22, and 10 CFR 70.65 related to institutional information.

The NRC staff finds that LES and its partner-owners appear to be financially qualified to build and operate the proposed facility, in accordance with 10 CFR 70.22(a)(8) and 10 CFR 70.23(a)(5). The applicant identified sources of debt and equity for construction, and has reasonable assurance of securing additional financial resources, if needed.

The applicant has also adequately described information related to FOCI as required under 10 CFR Part 95. The staff concludes that the applicant has met the requirements and acceptance criteria applicable to FOCI requirements.

5 REFERENCES

(DOE, 2002) U.S. Department of Energy (DOE). Interagency Agreement Between the U.S. Department of Energy Oak Ridge Operations and the U.S. Nuclear Regulatory Commission Concerning Foreign Ownership, Control, and Influence Determinations Associated with Certain NRC Licensees. May 6, 2002.

(DOE, 2005) U.S. Department of Energy (DOE). Letter to U.S. Nuclear Regulatory Commission on Louisiana Energy Services Foreign Ownership, Control, or Influence issues, March 31, 2005.

(DOE, 2006) U.S. Department of Energy (DOE). Email from Raymond Holmer to J. Keith Everly on LES Foreign Ownership, Control, and Influence Review, May 12, 2006.

(LES, 2006a) Louisiana Energy Services (LES) "National Enrichment Facility Safety Analysis Report," Revision 10, March 16, 2006.

(LES, 2006b) Louisiana Energy Services (LES) "National Enrichment Facility Environmental Report," Revision 6, March 16, 2006.

(LES, 2006c) Louisiana Energy Services (LES) "Standard Practice Procedures Plan for the Protection of Classified Matter," Revision 3, March 16, 2006.

(NRC, 2002) U.S. Nuclear Regulatory Commission (NRC). NUREG-1520, "Standard Review Plan for the Review of a License Application for a Fuel Cycle Facility," 2002.

(NRC, 2005) U.S. Nuclear Regulatory Commission (NRC). NUREG-1827, "Safety Evaluation Report for the National Enrichment Facility in Lea County, New Mexico," 2005.