April 13, 2007

MEMORANDUM OF UNDERSTANDING BETWEEN THE DEPARTMENT OF ENERGY AND THE NUCLEAR REGULATORY COMMISSION

COOPERATION REGARDING THE
AMERICAN CENTRIFUGE PLANT
IN PIKETON, OHIO

I. BACKGROUND

The Atomic Energy Act of 1954 (the Act), as amended by the Energy Policy Act of 1992 (42 U.S.C. §2297 et seq.), created the United States Enrichment Corporation (USEC), a government corporation, for the purpose of managing and operating the uranium enrichment enterprise owned and previously operated by the Department of Energy (DOE). USEC subsequently leased from DOE portions of the Portsmouth Gaseous Diffusion Plant in Piketon, Ohio (Portsmouth Site) and the Paducah Gaseous Diffusion Plant in Paducah, Kentucky (Paducah Site) which use the gaseous diffusion technology and process method of uranium enrichment. The framework for DOE's authority to regulate nuclear safety, safeguards and security at the gaseous diffusion plant (GDP) sites was contained in the Regulatory Oversight Agreement (ROA), which was incorporated by reference into the lease agreement.[1]

The Energy Policy Act of 1992 also required the Nuclear Regulatory Commission (NRC) to certify USEC's operation of the GDPs to ensure compliance with NRC's safety, safeguards and security requirements. DOE agreed to retain oversight of the plants until the NRC finished its certification process and was ready to assume jurisdiction.

In November 1996, NRC issued initial certificates of compliance for the GDPs. The certificates provided for a transition period before NRC assumed regulatory authority to allow USEC to complete actions such as procedural revisions and training. DOE continued regulatory oversight during this transition period. Transition to NRC regulatory oversight occurred on March 3, 1997. On March 10, 1995, DOE's Office of Safeguards and Security signed an agreement with the NRC's Division of Security defining security responsibilities at the Paducah and Portsmouth GDPs. By agreement between DOE and USEC dated October 10, 1995, the DOE ROA has continued to govern GDP facilities and activities not covered by the NRC's November 1996 certificates of compliance. On March 30, 1998, DOE and USEC modified an existing agreement entitled "USEC and DOE Resolution of Shared Site Issues at the Gaseous Diffusion Plants (Revision 1)" which allows for a mutual coordination of activities at the GDP sites.

In 1998, consistent with the USEC Privatization Act (42 U.S.C. §2297h (1) – (13)), USEC was privatized, resulting in the creation of USEC Inc. (parent company of USEC). In June 2002, USEC

[1] Exhibit D of the Lease Agreement between the U.S. Department of Energy and the United States Enrichment Corporation; dated July 1, 1993

Inc. and DOE signed an agreement[2] whereby USEC Inc. made long-term commitments that are intended to ensure stability for the domestic uranium enrichment industry and provide a continued, reliable fuel source for the world's nuclear reactors. As part of this June 2002 Agreement, USEC Inc. committed to pursuing advanced uranium enrichment technology. In September 2002, USEC Inc. signed an amended Cooperative Research and Development Agreement (CRADA) with UT-Battelle LLC. The purpose of the DOE-approved CRADA is to expand cooperative efforts to deploy proven U.S. gas centrifuge uranium enrichment technology as an alternative to the gaseous diffusion method of uranium enrichment currently utilized at the GDPs. USEC Inc.'s design uses the advantages of DOE's design while incorporating key technological advancements and cost reductions. Under the CRADA, UT-Battelle LLC and USEC Inc. are conducting further centrifuge development work at DOE's East Tennessee Technology Park (ETTP) in Oak Ridge, TN, where DOE centrifuge test facilities already exist.

USEC Inc. announced in December 2002 that it would site its American Centrifuge Lead Cascade Facility (Lead Cascade) centrifuge uranium enrichment test and demonstration facility at DOE's Portsmouth Site. USEC Inc. submitted a 10 CFR Part 70 license application to the NRC in February 2003 to possess and use a limited quantity of special nuclear material in the Lead Cascade. In January 2004, the NRC completed its review of the application and issued its Environmental Assessment with a "Finding of No Significant Impact" and Safety Evaluation Report. On February 17, 2004, DOE approved a lease of certain areas and facilities at Portsmouth to USEC for activities related to the Lead Cascade. On February 24, 2004, the NRC issued a license for the Lead Cascade. Upon USEC's subsequent sublease to USEC Inc. of the Lead Cascade facilities, USEC Inc. was authorized to refurbish and subsequently operate the Lead Cascade in accordance with its NRC-issued license. The Lead Cascade will consist of up to 240 full-scale centrifuge machines in a closed cycle, enriching uranium within the process, while only withdrawing small quantities of low-enriched uranium for sampling purposes. The purpose of the Lead Cascade is to provide updated cost, schedule, and performance data to reduce the financial risks of eventually building a commercial enrichment plant consisting of thousands of centrifuge machines.

On March 24, 2004, the NRC and DOE signed a Memorandum of Understanding (MOU) which delineates each agency's roles and responsibilities concerning regulatory oversight of the Lead Cascade to ensure adequate oversight and to avoid dual regulation. The MOU for the Lead Cascade also ensures that USEC's and USEC Inc.' s activities, to be conducted during centrifuge disassembly/assembly and operational phases of the Lead Cascade, have regulatory continuity and are safe and secure. Under the MOU for the Lead Cascade, DOE would initially provide regulatory oversight for nuclear safety, safeguards and security. During this time, NRC's oversight responsibility would be limited to determining the adequacy of the management measures, including quality control applied to items relied on for safety (IROFS), and other USEC Inc. activities addressed by NRC safety requirements as documented in USEC Inc.' s Lead Cascade license. Transition to NRC oversight of the Lead Cascade occurred on August 25, 2006. The March 2004 MOU is expected to stay in effect until the termination of the Lead Cascade license.

On January 12, 2004, USEC Inc. announced that a commercial-scale facility will be deployed at the Portsmouth Site. By letter dated January 27, 2004, USEC Inc. informed the NRC that it would

[2] Agreement between the U.S. Department of Energy ("DOE") and USEC Inc. ("USEC"); dated June 17, 2002 (June 2002 Agreement)

submit a license application for a commercial-scale facility in August 2004. On August 23, 2004, USEC Inc. submitted a license application for its commercial-scale facility known as the American Centrifuge Plant (ACP). On October 7, 2004, the NRC issued an order (CLI-04-30) docketing USEC Inc.'s license application. The order governs the mandatory hearing on the ACP, and included a 30-month milestone schedule for the NRC review and final decision on the ACP license application. USEC Inc. anticipates fully deploying its 3.8 million SWU/year ACP at the Portsmouth Site in 2012. The NRC issued its draft Environmental Impact Statement (EIS) for the ACP in September 2005 and its final EIS in April 2006. The NRC issued its final Safety Evaluation Report (SER) for the ACP in September 2006 and expects to make its licensing decision in 2007. If a 10 CFR Part 70 license for the ACP is issued, the Lead Cascade Facilities may operate concurrently with the ACP.

DOE has leased real property (GCEP Leased Premises) and personal property to USEC and has set forth certain conditions under which DOE provides consent for USEC's sublease of the Gas Centrifuge Enrichment Plant (GCEP) Leased Premises to USEC Inc. for the purpose of constructing and operating the ACP. This lease, known as the GCEP Lease or GCEP Lease Agreement (dated December 7, 2006), contains a GCEP Regulatory Oversight Agreement (ROA) (Exhibit M of the GCEP Lease Agreement) which contains the basis for DOE's safety, safeguards and security oversight of the GCEP Leased Premises and/or activities of USEC and USEC Inc. [3] within the GCEP Leased Premises that are not under NRC regulatory authority. The ACP, as well as the Lead Cascade, is within the GCEP Leased Premises.

II. DEFINITIONS

When utilized in this document, the following terms shall have the meanings indicated below.

"American Centrifuge Plant" or "ACP" shall mean the USEC Inc. constructed and/or operated commercial production facility located at the Portsmouth Site. It includes the gas centrifuge machines and associated support equipment and facilities as described by USEC Inc.'s license application for the American Centrifuge Plant (as amended).[4] This definition excludes activities associated with the USEC Inc. Lead Cascade Facility until the Lead Cascade license is terminated.

"Activities associated with the ACP" or "ACP activities" shall mean any activities relating to the design, procurement, engineering, construction and/or operation of any component of the ACP commercial production facility as well as the safeguards and security programs activities by any participant at any location where ACP program activities occur as authorized by either DOE or the NRC.

"Cognizant Security Agency" shall mean agencies of the executive branch authorized by Executive Order to establish industrial security programs to safeguard classified information under the jurisdiction of Federal agencies when disclosed or released to U.S. industry. For purposes of this MOU, these agencies are either DOE or the NRC.

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[3] In the GCEP Lease, the definition of USEC also includes USEC Inc.

[4] License Application for the American Centrifuge Plant in Piketon, Ohio; Document No. LA-3605-0001; dated August 2004.

"GCEP Lease" or "GCEP Lease Agreement" shall mean the Lease Agreement between the U.S. Department of Energy and the United States Enrichment Corporation for the Gas Centrifuge Enrichment Plant Leased Premises, dated December 7, 2006.

"GCEP Lease Effective Date" shall mean the date the GCEP Lease becomes effective for each facility or area (or portion thereof) identified in Exhibit A (as amended) to Appendix 1 of the GCEP Lease.

"GCEP Leased Premises" shall mean the real property located at the Portsmouth Site leased to USEC as described in Exhibit A (as amended) to Appendix 1 of the GCEP Lease.

"Matters of Common Interest" shall mean modifications to the GCEP Leased Premises including but not limited to related railways, roadways, structures, systems, components, hazards, activities, tenant mix, and population, which can impact safety, safeguards or security risks under DOE or NRC jurisdiction during normal, off-normal, or emergency conditions.

"Transition" shall mean the shift in regulatory oversight between DOE and NRC for nuclear safety and appropriate aspects of safeguards and security. Transition for the ACP will occur at 12:01 am on the day following issuance of NRC's license for the ACP unless NRC and DOE mutually agree to a different transition date.

III. PURPOSE AND SCOPE

A. It is the intent of NRC and DOE to work in concert to distinguish activities and/or facilities within the GCEP Leased Premises associated with the ACP under DOE oversight from those under NRC oversight. Accordingly, the purposes of this Memorandum of Understanding (MOU) are as follows:

   1. To enter into a written, mutual understanding of the roles and responsibilities of the NRC and DOE during the deployment and utilization of gas centrifuge technology by USEC Inc. in connection with the ACP and to outline the process for the transition of regulatory oversight responsibilities between DOE and NRC;

   2. To clarify the regulatory boundaries between the NRC and DOE and to avoid dual regulation of the same activity and/or facility of USEC/USEC Inc., recognizing that USEC Inc. may be conducting both NRC-regulated and DOE-regulated activities for the ACP within the GCEP Leased Premises; and

   3. To define the way in which NRC and DOE will cooperate to facilitate obtaining information and knowledge regarding gas centrifuge technology and ACP operations.

B. The Department of Energy enters into this Agreement under the authority of Section 646 of the Department of Energy Organization Act (Pub. L. 95-91, as amended; 42 U.S.C. § 7256).

C. The Nuclear Regulatory Commission enters into this MOU under the authority of Sections 53, 57, 62, 63, 81, 103, and 161.b, of the Atomic Energy Act of 1954, as amended (42

U.S.C. §§ 2073, 2077, 2092, 2093, 2111, 2133, and 2201(b)); and Section 201(f) of the Energy Reorganization Act of 1974 (42 U.S.C. § 5841(f)).

D. Nothing in this MOU restricts or otherwise limits the authority of either NRC or DOE to exercise its full regulatory authority, including both inspection and enforcement authority within each agency's jurisdiction.

E. This MOU in no way restricts either of the parties from participating in any activity with other public or private agencies, organizations or individuals.

F. This MOU is neither a fiscal nor a funds obligation document. Nothing in this MOU authorizes or is intended to obligate the parties to expend, exchange, or reimburse funds, services, or supplies, or transfer or receive anything of value, or enter into any contract, assistance agreement, interagency agreement or other financial obligation.

G. This MOU is strictly for internal management purposes for each of the parties. It is not legally enforceable and shall not be construed to create any legal obligation on the part of either party. This MOU shall not be construed to provide a private right or cause of action for or by any person or entity.

H. This MOU applies solely to the facilities and/or activities related to the ACP or the GCEP Leased Premises as specified in this MOU. Nothing in this MOU applies to or establishes a precedent for any other MOU, matter, or agreement, including any other existing or future agreements, between DOE and NRC for any other activity or facility owned, operated or leased by or for DOE.

IV. RESPONSIBILITIES

A. REGULATORY OVERSIGHT

1. Upon the GCEP Lease Effective Date and prior to the transition to NRC regulatory oversight for USEC Inc.'s ACP activities:

   a. DOE is responsible for ensuring that USEC/USEC Inc. has adequately established and is implementing nuclear safety, safeguards, and security programs in accordance with the applicable DOE Nuclear Safety Requirements (10 CFR Parts 820, 830, and 835), DOE Security Requirements (e.g., 10 CFR Part 824), and the Regulatory Oversight Agreement (ROA) between DOE and USEC (Exhibit M of the GCEP Lease) at the GCEP Lease Premises and for ACP activities except as provided in IV.A.1.b below.

   b. In connection with USEC Inc.'s ACP application for a license under 10 CFR Part 70 and USEC Inc.'s activities related to the application, NRC may make observations for the purpose of obtaining information and knowledge of the GCEP Leased Premises and is responsible for licensing reviews and any associated Quality Assurance (QA) audits. Specifically, NRC is solely responsible for determining the adequacy of the management measures, including quality control, applied to items relied on for safety (IROFS), and other USEC Inc. activities

addressed by the ACP license application and NRC requirements. NRC is solely responsible for activities that affect the safe operation of the ACP for compliance with 10 CFR Part 70 requirements. As a result of such activities, NRC may take regulatory action it deems appropriate for matters within NRC jurisdiction. Matters associated with ACP activities prior to transition that are not within NRC jurisdiction, such as described in IV.A.1 above, will be referred to DOE.

2. Following transition of regulatory oversight of activities associated with the ACP, NRC will be responsible for regulatory oversight of USEC Inc.'s activities as described in USEC Inc.'s 10 CFR Part 70 license application for the ACP, except for certain safeguards and security responsibilities set forth in Sections IV.B and IV.C below and in Attachment 1[5]. After transition, the NRC may observe activities in the remaining GCEP Leased Premises that could adversely impact the nuclear safety and/or safeguards and security conditions of the ACP. DOE will retain regulatory oversight responsibility for all activities and/or facilities within the GCEP Leased Premises not regulated by the NRC under an applicable 10 CFR Part 70 license.

3. It is recognized that not all facilities and/or activities within the GCEP Leased Premises will transfer to USEC/USEC Inc. control when the GCEP Lease is signed, but rather will transition to USEC/USEC Inc. control and NRC oversight after all DOE activities have been completed. DOE and NRC will mutually agree on the date and time for transition of regulatory oversight for these activities and/or facilities in advance of each transition.

4. Unless otherwise agreed to by DOE and NRC, upon termination of any ACP license that may be issued, DOE will be responsible for all regulatory oversight of the activities within the GCEP Leased Premises associated with the ACP.

B. SAFEGUARDS AND SECURITY

Following transition of regulatory oversight of the GCEP Leased Premises and/or activities associated with the ACP to the NRC:

1. DOE will retain responsibility for granting access to the C-24 Isotope Separation technology authorized under the 10 CFR Part 725 - Permits for Access to Restricted Data. This responsibility shall include jointly administering the C-24 (Gas Centrifuge uranium isotope separation) access authorization program with USEC Inc.

2. DOE will retain oversight responsibility for DOE information security requirements which exceed or are not contained within NRC security requirements (Operations Security, Technical Surveillance Countermeasures, TEMPEST, Counterintelligence, and Physical Protection of Classified Equipment/Materials). If these DOE programmatic requirements are written into the Security Plans associated with the ACP activities, DOE will transition safeguards and security oversight of each

[5] Attachment 1 to this MOU defines the process for assigning safeguards and security responsibility between DOE and NRC over USEC Inc. subcontractors, vendors and partners involved in ACP activities. Changes to the Attachment will be the responsibility of the DOE Regulatory Oversight Manager in the Oak Ridge Office and the chief of the responsible Branch within the NRC.

applicable area provided the security plan requirements meet or exceed DOE requirements and are fully implemented. NRC and DOE agree to jointly perform inspections and audits of these applicable functional areas until it is mutually agreed that NRC will assume sole responsibility.

3. DOE will continue to be solely responsible for information security requirements involving Export Controlled Information and Unclassified Controlled Nuclear Information.

4. DOE will continue to be solely responsible for all personnel access authorization programs for USEC/USEC Inc., its subsidiaries, and its subcontractors, vendors, and partners, pursuant to 10 CFR Part 710. DOE will continue to provide NRC the capability to access and generate reports from the Central Personnel Clearance Index for USEC-related activities.

5. DOE will serve as the Cognizant Security Agency (CSA) for all facilities and/or activities at the Portsmouth Site not regulated by the NRC. NRC will serve as the CSA for all facilities and/or activities regulated by the NRC.

6. DOE will retain the Foreign Ownership, Control, or Influence (FOCI) review function for all USEC/USEC Inc. activities associated with the ACP and submit the FOCI information to NRC for action and final determination.

7. DOE will serve as the Designated Approving Authority for classified computer networks at all USEC/USEC Inc. and manufacturing partner facilities associated with the ACP.

8. DOE will continue to regulate the federal arming and arrest authority granted to USEC security police officers under the provisions of 10 CFR Part 1046 and the ROA.

9. Derivative Classifiers and Reviewing Officials from both DOE and NRC will make classification determinations and UCNI determinations based on DOE classification guidance for the ACP. DOE shall provide interpretations on the use of such guidance as requested. Classification appraisals shall be conducted by the assigned CSA.

C. INTERNATIONAL SAFEGUARDS

1. Prior to informing the Congress that the Executive Branch intends to add the ACP to the list of facilities eligible for the application of IAEA safeguards, DOE and NRC will reach agreement on responsibilities for implementation of the U.S.-IAEA Safeguards Agreement with respect to the ACP in accordance with applicable law and consistent with relevant interagency agreements, directives, and decisions.

2. If the U.S. adds the ACP to the list of eligible facilities, the responsibilities of DOE and NRC for implementation of the U.S.-IAEA Safeguards Agreement with respect to the ACP will be in accordance with the agreement described in Section IV.C.1, and documented as an addendum to this MOU.

V. INTERFACES BETWEEN DOE AND NRC

A. Exchange of Information and Technical Staff Support

1. DOE and NRC agree to make available to each other information and technical support concerning Matters of Common Interest. DOE and NRC agree to meet, as necessary, at mutually agreeable times and locations to exchange information on Matters of Common Interest.

2. DOE agrees to notify NRC in a timely manner of the following:

   a. Substantial proposed changes to the Portsmouth Site involving Matters of Common Interest.

   b. Substantial proposed changes to the GCEP Lease Agreement between DOE and USEC dated December 7, 2006.

   c. Substantial proposed changes to the GCEP Regulatory Oversight Agreement Between DOE and USEC.

   d. Substantial proposed changes to "USEC and DOE Resolution of Shared Site Issues at the Gaseous Diffusion Plants (Revision 1)," dated March 30, 1998.

   e. Substantial proposed changes required by DOE of USEC/USEC Inc.'s operations potentially impacting safety and security on site.

   f. All changes in the above areas once completed.

3. NRC agrees to notify DOE in a timely manner of the following:

   a. Substantial proposed changes required by NRC of USEC Inc.'s operations or substantial USEC Inc. proposed changes potentially impacting nuclear safety and security on site.

   b. Changes to the conditions or terms of the NRC license(s) issued or to be issued to USEC Inc.

   c. Reportable events which could have a negative impact on DOE-regulated operations.

   d. Substantial proposed changes to the Portsmouth Site involving Matters of Common Interest.

4. NRC and DOE will share all observation, audit, assessment, and inspection reports on the GCEP Leased Premises associated with the ACP as addressed in this MOU.

5. NRC and DOE will inform each other of enforcement actions involving the GCEP Leased Premises associated with the ACP.

6. NRC and DOE agree to mutually develop, maintain, and share a drawing of the GCEP Leased Premises which reflects the lease status of the facilities, systems, and areas leased to USEC/USEC Inc. and the associated regulatory status for each facility, system or area, as applicable, following transition. The initial development of this document and any subsequent revisions will be mutually agreed upon by both agencies.

7. Each agency recognizes that it is responsible for the protection, control, and accounting of National Security Information, Restricted Data, Formerly Restricted Data, and Sensitive information [e.g., Proprietary Information, Safeguards Information (SGI), Official Use Only (OUO), Export Controlled Information (ECI) and Unclassified Controlled Nuclear Information (UCNI)] used or otherwise furnished in connection with this MOU in accordance with its established requirements and procedures.

B. Emergency Response

1. In accordance with the National Response Plan, the NRC will be the Lead Federal Agency (LFA) for an emergency at the Portsmouth Site. If the origin of the emergency is determined to be in the non-leased portion of the Portsmouth Site, then the LFA would be transferred to DOE. DOE and NRC will use appropriate joint procedures which will ensure compatibility in response to emergencies in Leased Facilities under NRC regulatory oversight.

2. The emergency planning requirements for the GCEP Leased Premises, including offsite notifications and emergency classification levels and their corresponding emergency action levels, will be in accordance with the site emergency plans and procedures which will be coordinated by the NRC among shared site regulators and tenants before and during implementation.

C. Referrals

1. During the course of conducting DOE reviews and inspections of nuclear safety, safeguards, and security in the areas under DOE responsibility, DOE inspectors may identify nuclear safety, safeguards, or security concerns that could affect the licensing of the ACP. In such instances, those concerns identified by DOE will be referred to the NRC for appropriate action. If DOE identifies situations with immediate safety, safeguards, or security significance, it will immediately communicate this information to USEC Inc. and the NRC's Regional Branch Chief and NRC's ACP Project Manager.

2. Similarly, during the course of conducting nuclear safety and safeguards observations and inspections of the ACP, NRC personnel may identify nuclear safety, safeguards or security concerns within the area of DOE responsibility. NRC will refer these concerns to the DOE Regulatory Oversight Manager for appropriate disposition. If the NRC identifies situations with immediate safety, safeguards, or security significance, it will immediately communicate this information to USEC Inc. and the DOE Regulatory Oversight Manager.

3. Both DOE and NRC will be responsible for processing, under its established program(s), allegations, declarations, statements or assertions of impropriety or inadequacy whose validity has not been established and employee complaints or concerns of regulatory significance. Each agency will keep the other agency informed, as appropriate, of the existence, status, and resolution of such allegations, complaints, or concerns. Each agency will assure, in accordance with its procedures, that each allegation, complaint, or concern is promptly referred to the agency or entity that has jurisdiction over the allegation, complaint, or concern.

4. DOE and NRC agree to exchange information on the ACP for matters of mutual interest (e.g., Foreign Visitors, Foreign Ownership, Control or Influence Determinations; and Unauthorized Disclosures).

D. Coordination

1. DOE will coordinate with USEC Inc. to inform NRC's Regional Branch Chief and NRC's ACP Project Manager of GCEP facility reportable events, under DOE's occurrence reporting system, for which DOE is responsible.

2. DOE and NRC shall consult with each other before disclosing information related to the MOU to preclude dissemination of information which may be exempt from disclosure under the Freedom of Information Act, as amended, or other applicable law. Freedom of Information Act requests, Congressional requests or other requests for documents will be referred to the agency which authored the document for resolution. Although it is NRC's practice to make available to the public non-sensitive docket-related DOE correspondence that is not classified, restricted, privileged, or proprietary by placing these documents in their ADAMS System, DOE may specifically request that information be withheld.

3. On occasion, DOE may need to move its nuclear materials through GCEP Leased Premises to another location. NRC will not require DOE to fill out Form 741 and/or 742 if the nuclear materials only pass through (and are not processed in) GCEP Leased Premises, and the time frame in which the nuclear materials are in the GCEP Leased Premises is not expected to exceed eight (8) hours.

4. DOE and NRC will mutually agree on the date and time for transition of regulatory oversight for activities and/or facilities in advance of each transition. USEC/USEC Inc. will be provided timely notifications of all regulatory oversight transition dates.

VI. POINTS OF CONTACT

A. The principal senior management contacts for this MOU will be DOE's Assistant Manager for Nuclear Fuel Supply, Oak Ridge Office, and NRC's Director, Division of Fuel Cycle Safety and Safeguards, Office of Nuclear Material Safety and Safeguards. These individuals may designate appropriate staff representatives for the purpose of administering this MOU.

B. Identification of these contacts is not intended to restrict communication between DOE and NRC staff members on technical and other day-to-day activities.

VII. RESOLUTION OF DISPUTES

A. If disagreements or conflicts about matters within the scope of this MOU arise, DOE and NRC will work together to resolve these differences.

B. Resolution of differences between DOE staff and NRC staff will be the initial responsibility of the DOE Regulatory Oversight Manager in Oak Ridge Office, and the chief of the responsible branch within the NRC.

C. If the issue can not be resolved at the staff level, the NRC and DOE agree to refer the matter within thirty (30) days to the Assistant Manager for Nuclear Fuel Supply, Oak Ridge Office, and the Director, Division of Fuel Cycle Safety and Safeguards, Office of Nuclear Material Safety and Safeguards, NRC.

VIII. EFFECTIVE DATE AND MODIFICATION

This MOU shall become effective upon signing by the Assistant Manager for Nuclear Fuel Supply, Oak Ridge Office (DOE), and the Director, Division of Fuel Cycle Safety and Safeguards, Office of Nuclear Material Safety and Safeguards (NRC). It will be subject to periodic reviews and may be amended or modified upon written agreement by the parties. This MOU may be terminated by mutual agreement or by written notice from either party by submittal six (6) months in advance of termination.

IX. SEPARABILITY

If any provision(s) of this MOU, or the application of any provision(s) to any person or circumstances, is (are) held invalid, the remainder of this MOU and the application of such provision(s) to other persons or circumstances shall not be affected.

For the U.S. Nuclear Regulatory Commission

Robert C. Pierson
Director, Division of Fuel Cycle Safety and Safeguards
Office of Nuclear Material Safety and Safeguards

For the U.S. Department of Energy

Larry W. Clark
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U.S. Department of Energy

April 13, 2007

Attachment I

Safeguards and Security Responsibilities
For Subcontractors, Vendors and Partners Associated with the American Centrifuge Plant

I. PURPOSE AND SCOPE

The purpose of this attachment is to define the process for assigning safeguards and security responsibility between DOE and NRC over USEC Inc. subcontractors, vendors and partners involved in ACP activities. By agreement of DOE and the NRC, this attachment will assign safeguards and security responsibilities commensurate with efficient operations and avoid dual regulation wherever possible with respect to the ACP. However, nothing in this attachment restricts or otherwise limits the authority of either NRC or DOE to exercise its full regulatory authority, including both inspection and enforcement authority nor does it alter NRC or DOE responsibilities set forth in Section IV of this MOU. It is understood that this attachment defines participants and facilities at a given point in time, and that commercial operations may require the introduction of additional or the deletion of participants and/or facilities; therefore, it is agreed that DOE and the NRC shall use the framework defined in this attachment to assign safeguards and security oversight responsibilities for the addition or deletion of participants and/or facilities pertaining to the ACP.

II. DEFINITIONS

"Manufacturing Partners" shall mean the contractors and associated facilities chosen by USEC Inc. to manufacture completed centrifuge machines and/or components and assemblies that will be used in such machines. These operations will require the Manufacturing Partners to participate in the facility clearance process in order to possess classified centrifuge (i.e., C-24) technology.

"Vendors" shall mean contractors and/or commercial entities and associated facilities that will be selected by USEC Inc. to supply raw materials, specific components, or services to the Manufacturing Partners. These operations may not require the Vendors to participate in the facility clearance process.

III. RESPONSIBILITIES

A. NRC will provide regulatory oversight and have the safeguards and security responsibility for USEC Inc. headquarters located in Bethesda, Maryland.

B. Prior to transition, DOE will provide regulatory oversight and have the safeguards and security responsibility for all entities associated with the ACP located at Piketon, Ohio.

C. Following transition, the DOE will retain regulatory oversight and safeguards and security oversight responsibility for manufacturing partners associated with the Cooperative Research and Development Agreement (CRADA) efforts between USEC Inc. and

UT-Battelle, LLC, located at the Oak Ridge, Tennessee, facilities. This includes the following companies and facilities:

USEC Inc. (ACEMP operations) located in Oak Ridge, TN
Boeing-Oak Ridge, Inc. located in Oak Ridge, TN

D. Following transition, the NRC will assume safeguards and security oversight responsibility for the following manufacturing partners and vendors associated with the ACP:

ATK Composites located in Clearfield, UT
Fluor Enterprises, Inc. located in Greenville, SC
Honeywell International, Inc. located in Torrance, CA
USEC Inc. (commercial operations) located in Piketon, OH
Honeywell FM&T (ACP operations) located in Kansas City, MO

E. Following transition, the DOE will retain regulatory oversight and safeguards and security responsibility for certain USEC Inc. vendor procurement activities. NRC will be kept informed of these activities and may participate in any of the associated surveys that DOE performs on these activities.

F. Following transition, for USEC Inc. activities associated with the ACP, DOE agrees to provide Subject Matter Experts to assist NRC in the evaluation of the following programs: Operations Security (OPSEC), Technical Surveillance and Countermeasures (TSCM), Counterintelligence (CI), TEMPEST, and Physical Protection of Classified Equipment/Materials. Any observations or findings from such evaluations will be included in NRC's inspection reports and reviewed by NRC to determine any violations of requirements or commitments.