January 25, 2008

Mr. Stephen Cowne
Licensing Director
Louisiana Energy Services, LP
P.O. Box 1789
Eunice, NM 88231

SUBJECT: REVIEW OF QUALITY ASSURANCE PROGRAM DESCRIPTION AND AMENDMENT 3 OF LICENSE

Dear Mr. Cowne:

On July 30, 2007, Mr. John Swailes provided updated pages to the licensing basis documents. The changes reflect revisions from 10 CFR 70.72 evaluations and do not require formal review by U.S. Nuclear Regulatory Commission (NRC) staff at this time. Revisions to the Safety Analysis Report, the Quality Assurance Program Description, the Environmental Report, the Emergency Plan, and the Integrated Safety Analysis Summary were provided. Evaluations performed in accordance with 10 CFR 70.72 may be reviewed during future inspections.

On October 12, 2007, Mr. Gregory Smith provided an update to the Louisiana Energy Services (LES) Quality Assurance Program Description (QAPD). This update included changes reflecting clarifications in the definitions of Quality Level 1 and Quality Level 2, and changes in the organization descriptions. On November 5, 2007, Mr. Smith transmitted a letter indicating that LES was revising its proprietary designation of the October 12, 2007, submittal, and on November 12, 2007, Mr. Smith provided change pages without the proprietary designations.

We reviewed the QAPD submittal and are enclosing a Safety Evaluation Report of our review. Based on the above reviews, we are amending License Condition 10 of your license to reflect the approved revision to the QAPD and the new versions of the licensing basis documents submitted on July 30, 2007. A copy of Amendment 3 of the license is also enclosed.

An environmental assessment for this action is not required, since this action is categorically excluded under 10 CFR 51.22(c)(11). The enclosed Safety Evaluation Report includes a discussion of the Categorical Exclusion.

In accordance with 10 CFR 2.390 of the NRC's "Rules of Practice," a copy of this letter will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of NRC's document system (ADAMS). ADAMS is accessible from the NRC Web site at http://www.nrc.gov/reading-rm/adams.html (the Public Electronic Reading Room).

If you have any questions, please contact Mr. Timothy C. Johnson at (301) 492-3121.

Sincerely,

/RA/

Michael D. Tschiltz, Deputy Director
Fuel Facility Licensing Directorate
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Docket No.: 70-3103
License No.: SNM-2010

Enclosures:
1. Safety Evaluation Report
2. Amendment 3 to LES License

cc: William Szymanski/DOE
Monty Newman/Hobbs
Clint Williamson/LES
Glen Hackler/Andrews
Gary Schubert/Lea County
Michael Marriotte/NIRS
Derrith Watchman-Moore/NM
Tannis Fox/NMED
Lindsay Lovejoy/NIRS
Lorenzo Chacon/Jal
Daniel Stenger/H&H
Betty Richman/Tatum
William Floyd/New Mexico
Richard Ratliff/Texas
CO'Claire/Ohio
Joseph Malherek/PC
Patricia Madrid/NMAG
Cindy Padilla/NMED
Gregory Smith/LES
David Trujillo/Lovington
Reinhard Hinterreither/LES
Matt White/Eunice
Lee Cheney/CNIC
Roger Mulder/Texas
Ron Curry/NMED
Glen Smith/NMAG
John Parker/NMED

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KClark/Reg II
LES website-Yes
RidsNmssOd
DSeymour/Reg II
RVirgilio/FSME
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CTaylor/Reg II
RTrojanowski/Reg II
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SAFETY EVALUATION REPORT

DOCKET NUMBER: 70-3103
LICENSE NUMBER: SNM-2010

APPLICANT: Louisiana Energy Services, L.P.

SUBJECT: Safety Evaluation Report: Louisiana Energy Services Quality Assurance Program Description for the National Enrichment Facility

1.0 Background

Louisiana Energy Services (LES) initially submitted its Quality Assurance Program Description (QAPD) by letter dated November 26, 2002, as the required description of its management measures for the application of quality assurance (QA) elements for items relied on for safety (IROFS) for the design, construction, operation, including maintenance and modification, and decommissioning in support of the 10 CFR Parts 40 and 70 license for the National Enrichment Facility (NEF). This QAPD was approved on April 9, 2004.

On October 12, 2007, LES submitted a QAPD update. This document was subsequently resubmitted on November 12, 2007, to reflect revised pages that eliminated a "Proprietary Information" designation. The staff review evaluated the changes made to the QAPD. The QAPD revisions initiated by the change provide clarity in defining the application of Quality Level 1 and Quality Level 2 requirements. Additionally, the LES revised organizational structure and organizational responsibilities described in LES' Safety Analysis Report (SAR) were incorporated into the QAPD. Other management measures and corresponding commitments for configuration management, maintenance, training and qualifications, procedures, audits and assessments, incident investigations, and records management were not revised and therefore, not part of the staff's review.

2.0 Regulatory Requirements

Applicable requirements for uranium enrichment facility management measures are specified in 10 CFR Part 70, "Domestic Licensing of Special Nuclear Material."

1. 10 CFR 70.4 defines management measures to include configuration management, maintenance, training and qualifications, procedures, audits and assessments, incident investigations, records management, and other QA elements.

2. 10 CFR 70.62(d) requires a certificate holder to establish management measures, for application to engineered and administrative controls and control systems that are identified as IROFS, pursuant to 10 CFR 70.61(e), so they are available and reliable to perform their functions when needed.

3.0 Regulatory Acceptance Criteria

The staff reviewed the LES QAPD revisions in accordance with the regulatory requirements identified in Section 2.0 above, and utilized the acceptance criteria in Section 11.4.3.8, "Other

Enclosure 1

QA Elements" of NUREG-1520, "Standard Review Plan (SRP) for the Review of a License Application for a Fuel Cycle Facility," dated March 2002. The staff review also compared and evaluated the QAPD against the guidance provided in NUREG-1520 and the American Society of Mechanical Engineers (ASME) NQA-1-1994, "Quality Assurance Program Requirements for Nuclear Facility Applications," as revised by the ASME NQA-1a-1995 Addenda, hereafter referred to as NQA-1. ASME NQA-1 is being used based on LES commitments to apply these criteria to its QA program. The staff notes that the licensee's commitment to 10 CFR Part 50, Appendix B, and NQA-1 are not mandated regulatory requirements for a 10 CFR Part 70 license. Specifically, the QAPD was evaluated against NUREG-1520, Section 11.4.3.8, "Other QA Elements," to ensure that the LES QAPD updates commit to provisions for continuing QA and that adequate levels of assurance are maintained within the QA Program structure.

4.0 Staff Review and Analysis

The purpose of this review was to verify whether the licensee's revised QAPD provided a complete and accurate description of the licensee's application of QA programmatic elements without the reduction of prior commitments and whether the QAPD meets the regulatory requirements and acceptance criteria. The QAPD, supplemented by management measures, must be sufficient to determine that the QA elements applied to IROFS are based on accepted QA practices and principles and that they provide reasonable assurance that the IROFS will be available and able to perform their functions, when called upon and needed, consistent with the performance requirements of 10 CFR 70.61.

The staff's review primarily focused on the LES QAPD revision specifically submitted to address updates to the SAR based on changes in the LES organizational structure and quality level designations and to ensure the subsequent incorporation of the changes. The staff's review of the revision of the LES QAPD finds that it provided sufficient information to demonstrate that QAPD changes to NQA-1, Criterion I, "Organization," and Criterion II, "QA Program," are reasonable and adequate and do not result in reduction to license application commitments. Additionally, the staff review verified that the QAPD is consistent with the requirements of the consensus standards outlined in NQA-1. Therefore, based on staff review of the revised QAPD and the LES commitment to the provisions of NQA-1, the staff concluded that the licensee provided sufficient information to demonstrate that adequate QA elements have been provided for implementation at the NEF.

4.1 Introduction

In the QAPD "Introduction," the licensee states that it maintains full responsibility for ensuring that the NEF is designed, constructed, operated, and decommissioned in accordance with regulatory and design requirements, applicable industry standards, and good engineering practices in a manner that will protect the health and safety of the employees and the public. The LES QA Program, described in the QAPD, contains commitments to the application of QA principles and practices that conform to Appendix B of 10 CFR Part 50 and those principles and practices are applied through implementation of QA programmatic consensus standards outlined in ASME NQA-1. The staff's review verified that the revised QAPD continues to address the criteria of Appendix B and the QAPD remains consistent with the requirements of NQA-1. The staff reviewed the licensee's QAPD for adequate application of QA elements to IROFS in accordance with the guidance and criteria outline in NUREG-1520.

4.2 Organization

Section 1 of the licensee's QAPD was revised to describe: (a) the change in organizational structure; (b) a change in design and construction organizational functional responsibilities; and (c) interfaces of responsibility and authority for all organizations performing quality affecting QAPD activities. These changes are provided in revised organization charts (SAR Figures 2.1.1 and 2.1.2) and corresponding functional and organizational responsibility descriptions (SAR Section 2.1) for the design, construction, and operations phases. As the owner and operator of the NEF, LES maintains overall responsibility for design, construction, operation, and decommissioning in accordance with the QA Program. The LES President reports to the LES Management Committee and has the responsibility for establishing the basic policies of the QA Program, as described in the QAPD. The LES QA Director reports to the Chief Operating Officer and Chief Nuclear Officer and has overall responsibility for development, management, and implementation of the LES QA Program during all phases of the NEF. The lines of authority and organizational independence are maintained such that the QA Director has the authority and responsibility to report quality problems and concerns regarding the LES QA program to the LES President. This is consistent with the recommendations in NUREG-1520.

Positions and organizations responsible for ensuring that appropriate QA is established and for verifying that activities affecting quality are correctly performed have sufficient authority, access to work areas, and organizational independence to carry out their assigned duties and organizational responsibilities. Organization and functional responsibilities for engineering, design, procurement, maintenance, operations, audits, and assessments are identified. Delegation of work between LES and contractors is controlled by plans, contracts, and implementing procedures. Methods for resolution of disputes and responsibilities of each employee to identify concerns using the corrective action process are adequately addressed. This is consistent with the recommendations in NUREG-1520.

4.3 QA Program

The licensee described its application of QA elements for the NEF in Section 2, "QA Program," of the QAPD. The licensee committed to implement a QA program that meets the QA intent of Appendix B of 10 CFR Part 50 through the application of QA principles and practices outlined in NQA-1. The application of QA elements is documented, planned, implemented, and maintained through procedures, plans, and instructions to provide reasonable assurance that, when integrated with the other management measures, the facility IROFS will be available and reliable when needed. The QA program is applied to the facility, structures, processes, systems, equipment, components, computer programs, and activities of personnel, in accordance with their appropriate QA Level designation. Identification and application of QA controls is in accordance with three QA classification levels that are categorized in the QAPD, Section 2. The changes made to the QAPD, Section 2, were minor editorial changes that clarified QA Level 1 and QA Level 2 definitions and implementation requirements.

During application and implementation of the QAPD, all of the QAPD sections will be applied to IROFS, and a formal graded approach to application of graded QA controls on IROFS will not be applied. The staff notes that Criteria II of Appendix B states that, "The QA program shall provide control over activities affecting the quality of the identified structures, systems, and components (SSCs), to an extent consistent with their importance to safety." Therefore, in lieu of graded QA controls, the licensee's QAPD states that all of its QA programmatic requirements are applied exclusively to QA Level 1 items, which are defined as IROFS and any items which are determined to affect the function of the IROFS. The requirements for QA Level 1 SSCs, the

QA Level 2 SSCs "owner-defined" QA controls, and QA Level 3 SSCs for application of standard commercial practices are also addressed in the QAPD's "Introduction."

QAPD Section 19, "Provisions for Change," describes the licensee's provisions for continuing QA reviews and revision of the QAPD based on reorganizations, revised activities, lessons learned, changes to applicable regulations, and other QA program changes.

Staff's review of the QAPD changes was evaluated in accordance with the guidance in NUREG-1520, Section 11.4.3.8, "Other QA Elements." In accordance with Item 19 of Section 11.4.3.8, the licensee provided continuing QA reviews and updates based on reorganizations and revised activities that have occurred to date. Accordingly, the staff concludes that the licensee's proposed QA program and applicable QA elements meet the requirements of 10 CFR Part 70, are consistent with the recommendations in NUREG-1520, and provide reasonable assurance of the protection of public health and safety and of the environment.

5.0 Evaluation Findings

Based on its review of the QA elements described in the revision of the licensee's revised SAR and corresponding revision of the licensee's QAPD, the NRC staff has concluded that the licensee adequately described the revised elements regarding application of QA elements. The revised QA elements address the criteria of 10 CFR Part 50, Appendix B, and are consistent with the requirements of NQA-1. Based on that description, the staff concludes that the licensee has established and documented a commitment to an organization and a QA program responsible for developing, implementing, and assessing the QA elements in the design, construction, operation, maintenance, and modification phases of the life of the facility. Accordingly, the staff has reasonable assurance of safe facility operations in accordance with the criteria and guidance provided in NUREG-1520. The organizational changes and persons performing QA element functions have the required independence, organizational freedom, and authority to effectively carry out their QA functions without undue influence from those directly responsible for process operations.

Accordingly, the staff concludes that the licensee's application of QA elements as described in the revision to the QAPD meets the requirements of 10 CFR Part 70 and the changes made to the QAPD do not constitute a reduction in commitments and therefore, provide reasonable assurance of protection of the public, worker health and safety, and the environment.

6.0 Environmental Review

The revisions to Material License SNM-2010 are considered procedural in nature. Accordingly, staff has determined that the criteria in 10 CFR 51.22(c)(11) for categorically excluding an action from an environmental review have been met, and neither an environmental assessment nor an environmental impact statement is warranted for this action.

7.0 References

1. American Society of Mechanical Engineering. "Quality Assurance Requirements for Nuclear Facility Applications." ASME NQA-1-1994, as revised by the ASME NQA-1a-1995 Addenda, New York, NY: American Society of Mechanical Engineers 1994/1995.

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