

March 27, 2014

Mr. Tim Knowles
Licensing and Performance
Assessment Manager
Louisiana Energy Services, LLC
P.O. Box 1789
Eunice, NM 88231

SUBJECT: LOUISIANA ENERGY SERVICES ANNUAL UPDATE OF ITS
DECOMMISSIONING FUNDING PLAN FOR THE URENCO USA FACILITY

Dear Mr. Knowles:

On January 10, 2014, Louisiana Energy Services, LLC submitted a response (Agencywide Documents Access and Management System [ADAMS] Accession Number ML14013A225) to our first round Request for Additional Information requesting more information on the Decommissioning Funding Plan for the URENCO USA.

We have evaluated your response against the decommissioning cost estimate and financial assurance instruments according to NUREG-1757, Volume 3, Revision 1; and FCSS-ISG-13, 'Interim Staff Guidance for Estimating Decommissioning Costs for Uranium Enrichment Facilities' (ADAMS Accession Number ML102240529). Based on our review, we have several additional requests for information that are detailed in the enclosure to this letter. We request that you provide a response within 30 days of this letter.

If you have any questions, please contact Mr. Michael Raddatz at 301-287-9108 or via e-mail at Michael.Raddatz@nrc.gov.

Sincerely,

/RA/

Thomas A. Grice, Acting Chief
Uranium Enrichment Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Enclosure:
Request for Additional Information

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

Mr. Tim Knowles

Licensing and Performance Assessment Manager
Louisiana Energy Services, LLC
P.O. Box 1789
Eunice, NM 88231

SUBJECT: LOUISIANA ENERGY SERVICES ANNUAL UPDATE OF ITS
DECOMMISSIONING FUNDING PLAN FOR THE URENCO USA FACILITY

Dear Mr. Knowles:

On January 10, 2014, Louisiana Energy Services, LLC submitted a response (Agencywide Documents Access and Management System [ADAMS] Accession Number ML14013A225) to our first round Request for Additional Information requesting more information on the Decommissioning Funding Plan for the URENCO USA.

We have evaluated your response against the decommissioning cost estimate and financial assurance instruments according to NUREG-1757, Volume 3, Revision 1; and FCSS-ISG-13, 'Interim Staff Guidance for Estimating Decommissioning Costs for Uranium Enrichment Facilities' (ADAMS Accession Number ML102240529). Based on our review, we have several additional requests for information that are detailed in the enclosure to this letter. We request that you provide a response within 30 days of this letter.

If you have any questions, please contact Mr. Michael Raddatz at 301-287-9108 or via e-mail at Michael.Raddatz@nrc.gov.

Sincerely,

/RA/

Thomas A. Grice, Acting Chief
Uranium Enrichment Branch
Division of Fuel Cycle Safety
and Safeguards
Office of Nuclear Material Safety
and Safeguards

Enclosure:
Request for Additional Information

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

ML14086A382

OFFICE	FCSS/UEB	FCSS/UEB	FCSS/UEB
NAME	MRaddatz	JSmith	TGrice
DATE	3/27/14	3/27/14	3/27/14

OFFICIAL RECORD COPY

REQUEST FOR ADDITIONAL INFORMATION

First Round Request for Additional Information (RAI) 1 - Submit additional detail to support the estimated cost of disposition of depleted uranium tails (NUREG-1757, Volume 3, Revision 1, Section 4.1 and Appendix A, Section A.3; FCSS-ISG-13, *Interim Staff Guidance for Estimating Decommissioning Costs for Uranium Enrichment Facilities*)

Within this RAI, the U.S. Nuclear Regulatory Commission (NRC) requested that Louisiana Energy Services (LES) revise its cost estimate to better explain the unit cost for the disposition of depleted uranium (DU) tails. In response, LES stated that:

“[t]he DOE estimated the base rate in 2008, of \$7.71 per kg DU. In 2012, the DOE confirmed that the base rate is still appropriate, adjusted for inflation. For conservatism, costs reflect a 3% per annum inflation factor resulting in a 2013 value of \$8.68 per kg DU. The tails decommissioning value also includes a \$1.30 per kg DU fee as specified by the settlement agreement with the State of New Mexico and has been excluded from the 25% contingency.”¹

Multiplying the unit cost for the disposition of DU (\$8.68 per kg DU + \$1.30 per kg DU = \$9.98/kg DU) by the volume of depleted uranium (5,481,189 kg of DU) requiring disposition provided by LES in the RAI response and the Decommissioning Funding Plan (DFP) yields the following estimated cost of disposition of depleted uranium tails:

$$\$9.98 / \text{kg DU} \times 5,481,189 \text{ kg of DU} = \$54.7 \text{ million}$$

The DFP identifies the estimated cost for the disposition of depleted uranium tails as \$53.3 million, or approximately \$1.4 million less than the \$54.7 million calculated from the additional information provided in your recent response.

In order to ensure that adequate funding will be available to cover all decommissioning costs, we request that LES either revise, or justify the cost estimate for the disposition of DU tails. If the cost estimate is revised to reflect the higher cost, then you should also revise the contingency and total decommissioning costs.

First Round RAI 2 - Submit a certification of financial assurance (Title 10 Code of Federal Regulations 40.36(d), 10 CFR 70.25(e), and NUREG-1757, Volume 3, Revision 1, Appendix A, Section A.2.4)

Within this RAI we requested that LES provide a certification of financial assurance to ensure compliance with the regulatory requirements found in Title 10 of the *Code of Federal Regulations* (10 CFR) 40.36(d) and 10 CFR 70.25(e). In response, LES submitted:

A certification of financial assurance and executed financial assurance instruments, including a surety bond rider and an amendment to the existing standby trust fund

¹ We believe that LES's response, which indicates that a portion of the tails decommissioning costs are not subject to contingency, is not acceptable. However, we are not raising this as a concern, because, in the DFP, the 25% contingency factor is applied to all decommissioning costs, including the costs associated with the settlement agreement with the State of New Mexico.

Enclosure

agreement. We have reviewed the adequacy of the certification of financial assurance and the executed financial assurance instruments based on NUREG-1757, Volume 3, Rev. 1, Appendix A.

We have found that the level of financial assurance demonstrated in the financial assurance instruments and certified in the certification of financial assurance is \$183 million, which slightly exceeds the total cost estimate in the DFP. However, the issues raised in Recommendation 1 suggest that the cost estimate in the DFP may be too low. Therefore, to ensure that the amount of financial assurance is adequate, if you find that the cost estimate is increased as a result of Recommendation 1, for consistency you should revise the certification of financial assurance and the financial assurance instruments.