

**ORIGINAL**  
**UNITED STATES OF AMERICA**  
**NUCLEAR REGULATORY COMMISSION**

**Title:**           **BRIEFING ON CERTIFICATION OF USEC -  
PUBLIC MEETING**

**Location:**       **Rockville, Maryland**

**Date:**           **Wednesday, August 28, 1996**

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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

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BRIEFING ON CERTIFICATION OF USEC

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PUBLIC MEETING

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Nuclear Regulatory Commission  
Room 1F-16  
11555 Rockville Pike  
Rockville, Maryland

Wednesday, August 28, 1996

The Commission met in open session, pursuant to notice, at 10:00 a.m., the Honorable SHIRLEY A. JACKSON, Chairman of the Commission, presiding.

COMMISSIONERS PRESENT:

- SHIRLEY A. JACKSON, Chairman of the Commission
- KENNETH C. ROGERS, Member of the Commission
- GRETA J. DICUS, Member of the Commission
- NILS J. DIAZ, Member of the Commission
- EDWARD MCGAFFIGAN, JR., Member of the Commission

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## 1 STAFF AND PRESENTERS SEATED AT COMMISSION TABLE:

2 JOHN C. HOYLE, Secretary

3 KAREN D. CYR, General Counsel

4 WILLIAM TIMBERS, President &amp; CEO, USEC

5 WILLIAM AXELSON, Acting Deputy Administration,  
6 Region II

7 CARL PAPERIELLO, Director NMSS

8 JOHN HICKEY, Chief, Enrichment Branch, NMSS

9 WALTER SCHWINK, Section Chief, Uranium  
10 Enrichment Standards, NMSS

11 JAMES TAYLOR, EDO

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## P R O C E E D I N G S

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CHAIRMAN JACKSON: Good morning, ladies and gentlemen.

I both want to welcome and to introduce to you Commissioner Edward McGaffigan, who is in his first public meeting as a commissioner.

Do you have any comment you would like to make?

COMMISSIONER MCGAFFIGAN: Thank you, Dr. Jackson.

I just will say the same thing here I said upstairs. I intend to try to be the best commissioner I can be in the coming three years and ten months. I bring a different perspective. All my friends upstairs are largely from the Defense world. I hope that perspective helps strengthen the Commission.

Thank you.

CHAIRMAN JACKSON: I had on a previous meeting this week introduced our other newest commissioner, Dr. Nils Diaz. I had introduced him in a smaller public meeting.

Would you like to make a comment?

COMMISSIONER DIAZ: I'd just like to say that I am really glad I am no longer the union member of the Commission.

[Laughter.]

CHAIRMAN JACKSON: Thank you.

This morning, Mr. William Timbers of the United

1 States Enrichment Corporation and the NRC staff will brief  
2 the Commission on the results of the certification process  
3 for the USEC gaseous diffusion facilities, located in  
4 Paducah, Kentucky and Portsmouth, Ohio.

5 The Energy Policy Act of 1992 and the USEC, that  
6 is, U. S. Enrichment Corporation Privatization Act of 1996  
7 placed the responsibility of certifying the gaseous  
8 diffusion plants on the NRC. Since the 1992 act, the  
9 Commission has established standards for the plants that  
10 will protect public health and safety. We have also  
11 established a certification process.

12 In September of 1995, USEC submitted a revised  
13 certification application that is being addressed and is the  
14 subject of discussion here. The staff has briefed the  
15 Commission a number of times regarding the status of the  
16 certification process. Following a previous briefing, the  
17 Commission directed the staff to prepare a paper summarizing  
18 the safety assessment and to brief the Commission when the  
19 certification process was complete, but before issuing  
20 certification. That is, then, the subject of this public  
21 meeting and we look forward to hearing about the results.

22 I understand that copies of the staff papers and  
23 charts are available at the entrances to the meeting.

24 Do any of my fellow commissioners have any  
25 additional comments?

1 [No response.]

2 CHAIRMAN JACKSON: If not, Mr. Timbers, you may  
3 proceed.

4 MR. TIMBERS: Thank you, Chairman.

5 First of all, before I begin, I would like to say  
6 a few remarks. First of all, I would like to introduce my  
7 colleagues with me here today. First of all, is George  
8 Rifakes, who is executive vice-president for Operations for  
9 USEC and Rob Woolley, who is manager for Nuclear Regulatory  
10 Assurance at USEC.

11 Second of all, as an executive in the nuclear fuel  
12 business, it is tremendous from our industry standpoint to  
13 be the first to sit in front of five commissioners for a  
14 long time with the Nuclear Regulatory Commission. I think  
15 that it is an indication of an additional commitment to this  
16 arena and we are very pleased to be sitting here today and  
17 presenting to the entire Commission.

18 I think the first time I addressed the Commission,  
19 there were two commissioners. So, great progress has been  
20 made in the last couple of years in that regard.

21 I would like to move to my remarks regarding our  
22 observations about the regulatory process. I'd first like  
23 to recognize Chairman Jackson, Commissioner Dicus,  
24 Commissioner Rogers, Commissioner Diaz and Commissioner  
25 McGaffigan and members of the NRC staff. I thank you for

1 the opportunity to be here today and to offer first my brief  
2 comments about the application process for certification of  
3 our gaseous diffusion plants and second, to clearly state  
4 USEC's position and philosophy as a regulated nuclear fuel  
5 company under the NRC.

6 We have been actively a certification application  
7 for the gaseous diffusion plants since 1994. In May of  
8 1995, I appeared by the NRC Commission and committed USEC to  
9 listen carefully to NRC's concerns and direction, to address  
10 each and every issue raised by the NRC and communicate  
11 completely and openly, directly with the NRC.

12 We have diligently pursued each of these  
13 commitments over the past 15 months and we were met with an  
14 equally diligent effort on the part of the NRC staff. Both  
15 USEC and the Commission staff have worked very hard to get  
16 here today. Our far-ranging and intensive interactions have  
17 involved diverse experts from the Commission, the Department  
18 of Energy, USEC, Lockheed-Martin Utility Services and  
19 others, working together to conclude a unique undertaking.

20 There was no precedent for NRC certification and  
21 regulation of an operating gaseous diffusion plant and we  
22 share the challenges of developing a sound framework for  
23 NRC's regulations of these plants. To be sure, none of the  
24 participants thought this would be an easy or  
25 straightforward process. It has, in fact, been a tough, a

1 challenging and perhaps not surprisingly, even a bit  
2 contentious process at times.

3           Since all of us have been working in uncharted  
4 territory, differing perspectives, considerations and  
5 constraints came into play. I'm gratified that all parties  
6 involved have been able to constructively address and  
7 reconcile these matters so that there is an agreement on the  
8 methods by which we will continue the safe operation of the  
9 plants. We are now on the threshold of completing the  
10 initial step toward certification and moving to the next  
11 stage, the operation of the gaseous diffusion plants under  
12 NRC regulations.

13           The 110 reactors and nine fuel facilities that the  
14 NRC regulates have nuclear operating histories, the past  
15 experiences which have been well known to the NRC since  
16 those facilities were first licensed and operated. The  
17 Paducah and Portsmouth plants are the first facilities to be  
18 already in operation prior to coming under NRC regulation.  
19 I know the uniqueness of the situation is well understood.  
20 Since we are bringing to you an existing history, we will  
21 focus on what we want to be and the company that we will be.

22           There is an agreement that, historically, the  
23 gaseous diffusion plants have been safely operated. I want  
24 to assure you and the NRC staff that, first, we are  
25 confident about our ability to continue such safe

1 operations. Second, we are equally committed to working  
2 with the NRC to secure and maintain your continued  
3 confidence in us and in our performance.

4 I make this commitment not only because you would  
5 expect no less from us, but also because of another  
6 motivation as well. It makes good business sense. Safety  
7 is good for the bottom line. It is a key element in our  
8 overall business strategy. It has been today. It has since  
9 we began our operation in 1993.

10 In implementing the mandates of the Energy Policy  
11 Act, USEC's management developed a three-part commitment to  
12 succeed. The three elements of that commitment are  
13 performance, efficiency and safety. None can exist without  
14 the others. Each depends upon the others for success.  
15 Production, performance and efficiency keeps people employed  
16 and makes profits, which are required to make investments  
17 and safety possible. Safe operations protect the company's  
18 assets and assures that efficiency and production goals can  
19 be met.

20 Neither a facility owner nor the regulator should  
21 focus on one element at the exclusion of the others. We  
22 view them as inseparable. Safety is a continuous process.  
23 It is not an end. We have and we will continue to work for  
24 ways to improve.

25 We have, for example, reorganized the plants along

1 functional lines. We have brought in individuals with  
2 nuclear plant operating experience to complement experienced  
3 plant staff.

4 Consistent with NRC's interests, we have enhanced  
5 USEC's oversight of plant operations. Last fall, we  
6 established a safety, safeguards and quality organization at  
7 the site, reporting to Mr. Rifakes, USEC's executive vice-  
8 president. This organization is responsible for assuring  
9 appliance with applicable regulatory requirements and USEC  
10 policies.

11 We have established new management expectations  
12 about rigor and formality of operations. To further improve  
13 plant safety and operations, we have formed a plant  
14 performance review committee or PPRC, composed of outside  
15 representatives with extensive nuclear experience, to  
16 provide an objective external perspective to our senior  
17 operations management. This committee has been meeting for  
18 the past 18 months.

19 We have developed an action plan to provide a  
20 sound basis for improvement of management controls to insure  
21 safe operations of the plants. For example, we are  
22 enhancing management controls over policy and procedural  
23 programs, corrective action programs, performance measures,  
24 audits and self-assessment and training programs. With DOE,  
25 we are preparing a new accent analysis to serve as the

1 technical baseline for the plants.

2 We have learned a great deal and we are improving  
3 on our abilities. We are committed to constant review and  
4 continuous improvement of our performance. We have been  
5 consistent in our commitment to a vision for the future  
6 operation of the plants. That vision must always start with  
7 assuring the safety of the public, our workers and the  
8 environment. There is no room for complacency. We will  
9 continually work to maintain and approve margins of nuclear  
10 and industrial safety.

11 I also want again to acknowledge NRC for its well-  
12 earned reputation for excellence in the conduct of its  
13 regulatory activities. I commit to you that we will be open  
14 and responsive in all of our dealings with the Commission.

15 We have made commitments. We have made  
16 commitments to ourselves. We have made commitments to our  
17 employees, to our contractors and to you, the Commission.  
18 We take the commitments that we have made in the application  
19 and the compliance plans and the new technical safety  
20 requirements very seriously. I want to reconfirm to you  
21 that, our first and foremost commitment without reservation  
22 of any kind is the safe operation of our plants.

23 We look forward to a successful and productive  
24 relationship with you our new regulator, as we both work  
25 relentlessly to maintain the same goal, the continued safe

1 operation of the uranium enrichment plants.

2 Thank you.

3 CHAIRMAN JACKSON: Thank you.

4 Mr. Timbers, can you tell us a little about how  
5 privatization has impacted the certification action or vice-  
6 versa if at all with the linkages? Then I or, I believe,  
7 Commissioner McGaffigan may have a follow on question for  
8 you?

9 MR. TIMBERS: Most everything we do is  
10 interrelated. There are many activities that we are  
11 involved in. I have constantly maintained from the  
12 privatization standpoint that these plants for 40 years have  
13 operated safely. They have operated largely efficiently and  
14 productively by the Department of Energy and its  
15 predecessors.

16 Accordingly, from a privatization standpoint --  
17 and I have made this to the representatives of the financial  
18 community -- that it should not -- the certification process  
19 is a continuum in the regulatory environment we work in and  
20 should not have an impact on the privatization per se. We  
21 are currently regulated at this moment by the Department of  
22 Energy. We are regulated. The regulation will change under  
23 NRC to a different form and a different regime. All that  
24 will do is continue the safe operation and continue the  
25 regulation in even a more rigorous manner than has been done

1 in the past.

2 So, what it will do for privatization, it will not  
3 impair the timing or the impact of privatization. What it  
4 does do is provide investors greater insurance that the  
5 plants will continue the safe operation.

6 I come from the private sector and I do emphasize  
7 again that it makes good business sense to run safe plants.  
8 We find that, from an investor's standpoint, from a  
9 privatization standpoint, the implementation of the  
10 certification process here now and the regulations from NRC  
11 will only enhance the privatization efforts and the  
12 privatization results of USEC.

13 CHAIRMAN JACKSON: I had a follow on question  
14 having to do with your being the U. S. Government executive  
15 agent relative to some issues with high enriched uranium.  
16 I'm going to defer to Commissioner McGaffigan.

17 COMMISSIONER MCGAFFIGAN: I'd like to just  
18 explore something that was on the front page of the "New  
19 York Times" today. It probably brings my national security  
20 bias out in the open right at the outset. That is one of  
21 our functions as a commission is to protect the national  
22 security as well as public health and safety. It strikes me  
23 that, Russian highly enriched uranium makes it very  
24 difficult for you to make a profit.

25 The "New York Times" article talks about an

1 incident that occurred earlier this summer where our --  
2 Senator Domenici managed to get you all to buy some Russian  
3 highly enriched uranium which you were reluctant to buy,  
4 according to the article, because of its threat to profits.

5 Have we set you up for failure? Can you possible  
6 make a profit if we do the right thing by our national  
7 security interests and we buy the Russian highly enriched  
8 uranium in the quantities that we should buy it?

9 I prefaced that by also saying, last month, the  
10 Nunn-Lugar-Domenici amendment passed the Senate 98 or 99 to  
11 nothing and I think that the sentiment in the Congress to  
12 deal with the post-cold war effects of vast amounts of  
13 Russian weapons material being available is self-evident.  
14 The Congress is intent on working on this.

15 So, how do you make a profit when you have this  
16 vast amount of Russian HEU to be blended down and which  
17 Congress probably, if not now maybe next year, will tell you  
18 that you need to buy in quantity?

19 MR. TIMBERS: Well, I'm glad you asked the  
20 question.

21 I guess first of all, one of the first things  
22 someone told me when I came to Washington is, the news  
23 reports written in any kind of newspaper, in due deference  
24 to the press, are generally about 50 percent accurate.  
25 There is another 50 percent that has not been shown. I

1 might quibble with the percentages on this article, but I  
2 think that premise still holds true here.

3 Let me state a couple of things first.

4 This Russian HEU deal, this megatons to megawatts  
5 deal is working. It has been proven to be extremely  
6 successful. I think it is one of the great national policy  
7 successes in the last three years. There are a lot of  
8 commentators, pundit, professors that would like to create a  
9 Cassandra environment. But Commissioner, let me say  
10 clearly, it isn't there.

11 There is a contract that we operate under that  
12 stipulates the maximum amount of quantities to be brought in  
13 in any given year. We are exceeding them. We are exceeding  
14 those. We are exceeding the quantities the contract calls  
15 for. We are bringing in the material consistent with  
16 national security interests.

17 I think that at this point -- in the first year,  
18 we brought in six metric tons of highly enriched uranium.  
19 That was in 1995. In 1996, we will bring a total contract  
20 of 12 metric tons. I would point out to you, Commissioner,  
21 the contract called for ten. We are going to bring in 12  
22 this year. We are under discussions of what the delivery  
23 should be in 1997.

24 Now, let me make something very, very clear.

25 We are executive agents for the United States of

1 America. I don't have a foreign policy desk. I don't have  
2 a Russian desk in my company. Therefore, we do not set  
3 foreign policy. We act under the guidance and direction of  
4 the United States Government.

5 Now, in the discussions that go on with the  
6 Russian Federation, I don't particularly care to negotiate  
7 those discussions in the "New York Times," but we do talk at  
8 all times with the United States Government and related  
9 agencies on this. I think it is clear to say that, in any  
10 discussions we have with the Russian Federation, we brief  
11 the government before the meeting. We brief the government  
12 during the meeting and we brief the government about the  
13 results.

14 So, the implications are referred to in this  
15 article, that we are making unilateral decisions, that is  
16 not the way it works. Everybody knows who the executive  
17 agency works and what our responsibilities are and how we  
18 have conducted our affairs knows that, the 50 percent error  
19 in the "New York Times" applies certainly to that arena  
20 there.

21 You have asked also, have we set you up for  
22 failure. This is a difficult issue. It always has been a  
23 difficult issues, but we at USEC have faced difficult issues  
24 since we began in this organization. Just the very nature  
25 of being certified has been a more difficult process. It

1 has been a longer process than we all anticipated. These  
2 kinds of challenges are consistent with our operations.

3           There is a long commitment by myself personally  
4 and by USEC as a corporation to the successful  
5 implementation of this deal. We think it makes good  
6 business sense. We think it makes good national policy  
7 sense and it happens to be a fortunate confluence of both of  
8 those issues. To bring this material into the marketplace,  
9 we are the only entity that has the financial resources to  
10 provide the stability of this deal. We are the only entity  
11 that has the technical resources to solve the problems that  
12 have been inherent in creating a brand new transaction like  
13 this. We are the only entity that has the market  
14 penetration to be able to bring the material in and sell it  
15 out into the marketplace. That is why we are the executive  
16 agent.

17           Now, let me just give you an idea about the  
18 technical side.

19           Again, the commentaries, the commentators, the  
20 pundits and the professors always were wringing their hands  
21 about why wasn't this thing done. Why wasn't this thing --  
22 let me just move all this stuff out of Russia and put it  
23 here in the United States.

24           Well, unfortunately, it always easy to sit in an  
25 ivory tower and make those kinds of observations. But this

1 . had never been done before. It took us over a year meeting  
2 bi-monthly with Russians to work out the technical  
3 considerations about how this was to be done. Let me give  
4 you an example.

5           The Russians asked us -- they said that we cannot  
6 meet ASTM specs, which the contract called for. Would you  
7 mind if we gave out out-of-spec material? We asked them,  
8 well, what is that out-of-spec material? Well, it has  
9 plutonium in it. I thought, this is a little problematic.  
10 Now, the professors in the ivory towers could say, well,  
11 okay, they just decided to say no. But what we did do, we  
12 didn't do that.

13           We met bi-monthly with the Russians that first  
14 year and came up with ways and used our technical resources  
15 to work with them to find a way to bring the material in-  
16 spec. It is delivered today according to ASTM regulations.  
17 It took us a while to do that. It wasn't easy. That is  
18 just one example of meeting the technical capabilities to be  
19 able to meet this.

20           The introduction of this material into the  
21 marketplace makes good business sense to us. You know, we  
22 are in this tough situation to try to run a business, a  
23 regulated business but still maintain this responsibility.  
24 It is clear that this is an imperative for national  
25 security, that the material come out of Russia, that this

1 deal work. We believe that. If we are not involved in it,  
2 if we're not involved in it, we're going to see the material  
3 on the other side of the fence.

4 We could see the material from our purchasing it.  
5 If we don't purchase it, someone else is going to purchase  
6 it. We are going to see it in the marketplace.

7 Now, if you were involved with a commodity and you  
8 had the opportunity to take this commodity, purchase it and  
9 you had the financial wherewithal and you had the technical  
10 capability and you had the market penetration to be able to  
11 introduce it into the marketplace and do it in a stable way,  
12 provide stable pricing, which is a requirement under the  
13 suspension agreement and do this in a way that protects the  
14 national security, you'd rather do that than have it  
15 introduced in an ad hoc manner that has impacts in terms of  
16 the marketplace, price stability.

17 I think that it is clear that it makes sense to us  
18 that we continue to serve in that role. We want to serve in  
19 that role. We think it makes good business sense because if  
20 we don't serve in that role, we are going to see it in the  
21 marketplace in any event.

22 CHAIRMAN JACKSON: Thank you.

23 COMMISSIONER McGAFFIGAN: Could I just ask one  
24 thing?

25 CHAIRMAN JACKSON: Go ahead.

1           COMMISSIONER MCGAFFIGAN:    This really maybe goes  
2 to our own staff, but there clearly is a dialogue.  You've  
3 talked about briefing people before, during and after  
4 meetings with the Russians.  There appears to be a dialogue  
5 that goes on, if this is 50 percent correct, perhaps with  
6 the senior levels of the Department of Energy as to how much  
7 you should exceed the contract this year by.

8           When you cease to be regulated by DOE and come  
9 over to us, do we then become the entity that engages in  
10 that dialogue --

11           MR. TIMBERS:  No, no.

12           COMMISSIONER MCGAFFIGAN:  -- or will it continue  
13 to be the Department of Energy and the Department of State?

14           MR. TIMBERS:  It is actually led by the National  
15 Security Council and our interface on a day to day basis is  
16 with the State Department.  We are supported by the  
17 Department of Energy.  So, those are the three that are  
18 involved in it.

19           There has been completed a memorandum of agreement  
20 between USEC, the State Department, National Security  
21 Council and Department of Energy exactly about how that  
22 dialogue will occur, exactly how the interface would be  
23 conducted and also what our rights and responsibilities are  
24 and what the rights and responsibilities of the United  
25 States are, how changes could be made.  It has all been laid

1 out in the memorandum of agreement.

2 So, therefore, it does not involve -- in that  
3 regard, it does not involve the NRC. I think that all this  
4 memorandum of agreement has done is codify our existing  
5 practices of dialogue, communication and consultation.

6 CHAIRMAN JACKSON: I think we will go on.

7 Commissioner Rogers?

8 COMMISSIONER ROGERS: I am curious with respect to  
9 what you anticipate DOE's role will be in your long term  
10 future in connection with any of the technical that would be  
11 of concern to us from a safety point of view?

12 MR. TIMBERS: I think I would defer to George  
13 Rifakes on that question.

14 CHAIRMAN JACKSON: Would you speak at the podium  
15 or you can come to the table.

16 MR. RIFAKES: As you know, we are still dealing  
17 with HEU. That is a DOE responsibility. In NRC space, we  
18 are limited to dealing with material that is ten percent or  
19 less enriched. Anything in excess of that, DOE will  
20 continue to be the regulator.

21 Additionally, there are DOE operations ongoing at  
22 the sites. We have an interface with DOE to the extent that  
23 interface enters NRC space, obviously the relationship is  
24 there. Finally, DOE is the landlord and they have a say on  
25 matters of safety in the landlord's sense that we are going

1 to have to comply with.

2 So, the relationship, while NRC will be the  
3 nuclear regulator with respect to the material we are  
4 producing, the relationship is going to be a tripartite  
5 relationship for a long time.

6 COMMISSIONER ROGERS: Will you have to depend upon  
7 DOE for doing analyses to back up your responses to any  
8 questions that NRC may have?

9 MR. RIFAKES: We don't anticipate that.

10 COMMISSIONER ROGERS: You will be able to be self-  
11 contained then?

12 MR. RIFAKES: Yes, self-contained or with  
13 contractors or through contractors just like all your other  
14 licensees are.

15 COMMISSIONER ROGERS: Well now, since you have a  
16 combination of DOE-regulated and NRC-regulated activities on  
17 site, how do you visualize keeping those segregated in the  
18 sense that, if you really got two styles of regulation and  
19 they are always going to be somewhat different, how do you  
20 keep those from getting mixed?

21 MR. RIFAKES: Well, there are two styles of  
22 regulations. There are two areas where regulation occurs.  
23 Staff, your staff and our staff, spend countless hours  
24 trying to delineate those in order to assure that we do not  
25 do DOE-type activities in a manner that is violative of NRC

1 requirements. I think that has been pretty well handled and  
2 it is well documented in the application and in the  
3 responses to questions.

4 COMMISSIONER ROGERS: Roughly what percentage of,  
5 say, your total activities would be regulated by DOE and  
6 what would be regulated by NRC?

7 MR. RIFAKES: Long run, it is going to be a very  
8 small percentage. Today, I would believe it's going to be  
9 less than ten percent.

10 As you know, we are handling some HEU at  
11 Portsmouth. We are feeding it into the cascade in order to  
12 change its identity to LEU. That is a DOE requirement. The  
13 very massive nature of our operations and of the role of NRC  
14 within those operations leads me to believe that it would be  
15 clearly less than ten percent, maybe even less than five.

16 Rob, do you want to venture a guess in there?

17 MR. WOOLLEY: I agree with you.

18 MR. RIFAKES: It's going to be very small and over  
19 time, as the HEU is disposed of, that will get less and  
20 less. Hopefully, some day, there won't be any.

21 COMMISSIONER ROGERS: Fine, thank you.

22 CHAIRMAN JACKSON: Commissioner Diaz?

23 COMMISSIONER DIAZ: Yes, I guess we're going to  
24 talk about the same issue now that Commissioner McGaffigan  
25 brought it up. From a safety point of view, if we start

1 mixing large amounts of HEU from Russia, is the variability  
2 and the composition of the materials -- which I am sure you  
3 are experienced -- is it going to pose longer term safety  
4 concerns as far as fuel? Are your plans going to be able to  
5 essentially homogenize it to the point where it will be  
6 indistinguishable?

7 MR. TIMBERS: We receive -- actually, it is always  
8 a misnomer to talk about the Russian deals and HEU deals,  
9 because we receive low enrich uranium, LEU FOB St.  
10 Petersburg. The blending down occurs in Russia. So, the  
11 transportation on the high seas and our receipt of it is in  
12 low enriched uranium just like we produce, at specific  
13 assays that we request. This is in the neighborhood of four  
14 to five percent just like we produce out of our plant.

15 When I say that we have worked with the Russians  
16 to meet the ASTM specs, it was very important to the long  
17 term success of this deal over 20 years that, this material  
18 be viewed in the international marketplace as transparent to  
19 U. S. material.

20 So, what we are supply is a commodity that is  
21 produced in Russia, derived from nuclear weapons HEU. So, I  
22 do not think those concerns that you have described apply  
23 here because we are going to -- we are receiving and have  
24 been receiving since June of 1995 a commodity that looks and  
25 acts just like the material that we have. There are small

1 isotopic changes than what we normally produce. That is  
2 within the specifications of our contracts with our  
3 customers.

4 COMMISSIONER DIAZ: Yes.

5 I'm not concerned about the isotopic enrichment of  
6 the uranium. I am concerned about contamination with other  
7 materials.

8 MR. RIFAKES: The material meets the ASTM specs  
9 for commercial nuclear fuel. Everything they have delivered  
10 has been well within that specification.

11 COMMISSIONER DIAZ: All right.

12 MR. TIMBERS: That is why we worked a year with  
13 the Russians to insure that did occur. If, in fact, we just  
14 said, okay, you don't have to meet ASTM, we would have a 20-  
15 year problem. Now, we have spent a year solving that  
16 problem, which helps put the deal on a stable, technical  
17 basis.

18 COMMISSIONER DIAZ: Okay, thank you.

19 CHAIRMAN JACKSON: Yes?

20 COMMISSIONER McGAFFIGAN: Just to follow up on  
21 Nils, you just mentioned a moment ago that you have some HEU  
22 at Portsmouth. Is there some HEU that comes in as HEU that  
23 is not blended down?

24 MR. TIMBERS: No, this is U. S. HEU.

25 COMMISSIONER McGAFFIGAN: U. S. HEU, okay.

1           So, that you are doing for the U. S. Government?

2           MR. TIMBERS: Yes or material that has been  
3 transferred to us.

4           I would like to just make one last comment here.

5           CHAIRMAN JACKSON: One last comment.

6           MR. TIMBERS: It is about the 50 percent rate and  
7 I think it is good to put this into context.

8           I personally volunteered and passed on a message  
9 to the "New York Times" reporter, if you would like to talk  
10 to me. He refused. He did not want to talk to me. So, any  
11 time someone writes an article of that sort, where they do  
12 not want to talk to the one who is in charge of one side of  
13 the transaction and only is giving the view of a few people  
14 out of Cambridge, Massachusetts, I think it falls within the  
15 50 percent test.

16           CHAIRMAN JACKSON: I think we are not here to  
17 debate the quality of press reporting nor are we here to  
18 debate U. S. foreign policy within the USEC context. So,  
19 I'm going to take it back down to a very basic set of  
20 questions.

21           MR. TIMBERS: We welcome that and we welcome our  
22 purpose in being here and that is, certification of our  
23 gaseous diffusion plants.

24           CHAIRMAN JACKSON: Well, let me just ask you a  
25 couple of straightforward questions.

1           My staff tells me that different companies within  
2 the Lockheed-Martin group have contracts to operate the  
3 gaseous diffusion plants with the USEC on the one hand and  
4 also to prepare the upgraded safety analysis reports for DOE  
5 on the other. Is the separation of the companies within the  
6 group sufficient to avoid any potential conflicts of  
7 interest?

8           MR. TIMBERS: Well, George, do you want to?

9           MR. RIFAKES: They have done more than just build  
10 a Chinese wall between these two companies. They act very  
11 competitively for everything. When we came over and did the  
12 transition, Lockheed-Martin Utility Service was advising us.  
13 Energy Services, which is the DOE company, was advising them  
14 and I can tell you, it was a very, very tough negotiation.  
15 Neither side gave any quarter and they have acted that way  
16 ever since.

17           CHAIRMAN JACKSON: Okay, thank you.

18           If NRC certifies the two plants, what assurances  
19 do we have that you will, in fact, meet your commitments and  
20 timetables during the transition period? Let me give a  
21 little bit of specificity to it.

22           The NRC staff has mentioned the number of  
23 technical areas that have yet to be resolved. Also, the  
24 upgraded safety analysis report is likely to add to the list  
25 of needed improvements. These actions do have costs

1 associated with them, in fact, can be costly.

2 Has the privatization affected or will it affect  
3 your ability or your decision-making relative to the  
4 scheduling of these safety improvements?

5 MR. TIMBERS: Well, there are two things. One is  
6 the cost and the other is the scheduling relative to  
7 privatization. Again, we think the plants are run safely.  
8 DOE currently regulates them. There is no question in terms  
9 of the exposure and safety to the public employees or to the  
10 environment. We view this as an ongoing, continuing basis.  
11 As somebody who has had experience on the other side of the  
12 fence, I do not necessarily see any difficulty in a  
13 privatization that is actually consummated during this  
14 transfer period.

15 In terms of the costs, the costs in terms of  
16 completing this regulatory process has been worked out with  
17 the DOE representing the United States Government about how  
18 the costs are allocated between the U. S. Government and  
19 USEC, as a private corporation. So, on a going forward  
20 basis, a company or investors who would purchase USEC would  
21 understand clearly that delineation of costs and  
22 responsibilities.

23 CHAIRMAN JACKSON: Okay.

24 Can USEC negotiate the upgraded safety analysis  
25 report with DOE or must you accept whatever DOE provides.

1           MR. RIFAKES: I'm not sure negotiation is a fair  
2 characterization. DOE has the responsibility to prepare it.  
3 We, like Commission staff, have opportunities to comment and  
4 where we have disagreement, if we have a technical basis for  
5 that disagreement and it is sound, I'm sure that DOE would  
6 accept a change.

7           CHAIRMAN JACKSON: I actually have a question for  
8 DOE, whoever the representative is in the audience. Is the  
9 upgraded safety analysis report on schedule? Will it  
10 definitely be issued in February of next year?

11           MR. PARKS: I am Joe Parks, Oak Ridge Operations  
12 Office.

13           The answer is yes to that question.

14           CHAIRMAN JACKSON: My understanding is, we are to  
15 get copies of that from you at the same time that it is  
16 originally provided to USEC; is that correct?

17           MR. PARKS: We have made that commitment.

18           CHAIRMAN JACKSON: Okay, thank you.

19           Any further questions from the commissioners?

20           [No response.]

21           CHAIRMAN JACKSON: If not, thank you, Mr. Timbers.  
22 I think we will hear from the NRC staff.

23           MR. TIMBERS: Thank you.

24           CHAIRMAN JACKSON: Mr. Taylor.

25           MR. TAYLOR: Good morning.

1           With me at the table today are Carl Paperiello,  
2 director of the Office of Nuclear Material Safety and  
3 Safeguards, Bill Axelson on my far right, acting deputy,  
4 Regional Administrative Region III, John Hickey, the chief  
5 of the Enrichment Branch and Walt Schwink, the section chief  
6 for the Enrichment Standards Section.

7           Also, I would like to note that our two senior  
8 residents are here today. I will ask them to stand, Charlie  
9 Cox from the Portsmouth plant and Ken O'Brien from the  
10 Paducah plant.

11           The staff has been working for over three years to  
12 establish the regulatory framework and complete the initial  
13 certification of the USEC enrichment plants. When we  
14 briefed you last March, there were still some significant  
15 safety issues which required resolution before the staff  
16 could certify the plants. Those issues have now been  
17 satisfactorily addressed by USEC.

18           As described in our Commission paper, SECY 96-  
19 180, the staff is now prepared to move towards the issuance  
20 of the initial certification based on its finding that there  
21 is reasonable assurance that USEC can continue to operate  
22 the enrichment plant safely and in compliance with NRC  
23 requirements.

24           Dr. Paperiello will now brief you on how the staff  
25 has reached its conclusions and how it plans to continue to

1 implement the initial certification process.

2 Carl.

3 DR. PAPERIELLO: Good morning.

4 After the Commission briefing in March and the  
5 status of the certification of U. S. Enrichment Corporation,  
6 the Commission directed the staff in a memorandum dated  
7 April 3rd that, after the certification process is completed  
8 and prior to issuing the certification, the staff is to  
9 prepare a paper summarizing safety assessments and be  
10 prepared to brief the Commission. The Commission urged the  
11 staff to move ahead as expeditiously as possible, but at the  
12 same time, to insure that safety issues were not overlooked.

13 The methodology used to resolve significant safety  
14 issues and how it unfolded into the compliance plans in the  
15 certification process needed to be clearly delineated and  
16 documented. My staff and I are here to respond to these  
17 directions.

18 We will review the legislative direction from  
19 Congress, particularly since the USEC Privatization Act of  
20 1996 passed since our last briefing. We will discuss our  
21 implementing regulations and briefly review the history of  
22 certification activities. I will then ask Mr. Axelson to  
23 briefly discuss Region III's activities at the gaseous  
24 diffusion plants. Then I will discuss the resolution of the  
25 significant safety issues raised at the last Commission

1 meeting. We will discuss our interaction with other  
2 government entities and the public and then I will discuss  
3 the basic mechanics of the issuance of the certification  
4 documents and the actions.

5 Can I have slide number two?

6 [Slide.]

7 DR. PAPERIELLO: The Energy Policy Act of 1992 did  
8 a number of things relevant to the gaseous diffusion plants.  
9 U. S. Enrichment Corporation was established to lease and  
10 operate the gaseous diffusion plants. The Department of  
11 Energy was responsible for preexisting conditions at the  
12 gaseous diffusion plants and any costs associated with those  
13 preexisting conditions.

14 The law applied the antitrust laws, OSHA  
15 requirements and Section 206, reporting defects, what we  
16 would call Part 21 under our regulations and Section 211,  
17 employee protection of the Energy Reorganization Act to the  
18 U. S. Enrichment Corporation.

19 The NRC was required within two years to establish  
20 standards for certification of gaseous diffusion plants.  
21 Annually, the NRC, consulting with DOE and the EPA must  
22 report to Congress on the status of health, safety and  
23 environmental conditions at the gaseous diffusion plants.  
24 NRC shall establish a certification process to ensure U. S.  
25 Enrichment Corporation complies with NRC regulations.

1           The law provided for annual certification of  
2 gaseous diffusion plants. It assigned environmental  
3 regulation of the gaseous diffusion plants to the United  
4 States Environmental Protection Agency and authorized U. S.  
5 Enrichment Corporation to be the U. S. agent for Russian  
6 special nuclear material.

7           The certification process was established by the  
8 Commission in Title 10, Code of Federal Regulations,  
9 Part 76, issued in September of 1994. The regulations  
10 implement the legislation. For example, it requires us to  
11 consult with the EPA prior to doing the certification. It  
12 basically, besides our normal requirements, broadens all the  
13 details of the legislation. It provided for a U. S.  
14 Enrichment Corporation application for certification and a  
15 DOE-prepared compliance plan.

16           We have reviewed the submittals that were required  
17 by 10 CFR 76. We have held the public meetings required by  
18 the regulation. We have solicited input from the  
19 appropriate federal, local and state governmental  
20 organizations that are required by Part 76. We have  
21 prepared a compliance evaluation report, detailing how the  
22 application and the compliance plan meets our regulations.  
23 We are at the point to issue an affirmative decision on the  
24 certification.

25           May I have the next line?

1           The latest legislation provides for the  
2 privatization of the United States Enrichment Corporation.  
3 There are some things that changed.

4           It extends the NRC certification interval for up  
5 to five years. It gives the NRC exclusive responsibility  
6 for regulating radiological hazards. OSHA has the  
7 responsibility for non-radiological hazards and requires a  
8 memorandum of understanding between OSHA and the NRC. It  
9 gives the NRC civil penalty authority. It prohibits foreign  
10 control of U. S. Enrichment Corporation.

11           It authorizes one-step licensing of AVLIS, atomic  
12 vapor laser enrichment. It specifies that judicial  
13 challenges to the NRC certification decisions and rules will  
14 be in the Federal Courts of Appeal rather than the federal  
15 District Courts. It requires upon request that DOE accept  
16 low-level waste for disposal from the gaseous diffusion  
17 plants and other NRC-licensed enrichment facilities.

18           It does not appear to affect the certification  
19 schedule. We are working to implement the provisions of the  
20 Privatization Act, such as, changing the enforcement policy  
21 to recognize the -- it will apply to the gaseous diffusion  
22 plants and to amend Part 76 to change the annual  
23 certification period and other provisions of the act.

24           Can I have the next slide?

25           [Slide.]

1 DR. PAPERIELLO: The original certification  
2 application was submitted in April of 1995, but found so  
3 inadequate that it was not accepted for review. After  
4 working with the USEC staff for several months, the  
5 applicant resubmitted a revised application in September of  
6 1995. After review and additional revision, the application  
7 is now considered complete and acceptable.

8 The initial compliance plan was submitted in  
9 November of 1995, but USEC also submitted numerous  
10 exceptions to the plan. After several revisions, we find  
11 the compliance plan is now acceptable.

12 As part of the application, the U. S. Enrichment  
13 Corporation has submitted technical safety requirements.  
14 These will replace the DOE operational safety requirements  
15 currently in place. These requirements play about the same  
16 role as technical specifications in reactor licensing and  
17 include safety limits, limiting conditions for operation,  
18 surveillance requirements, administrative controls and many  
19 of the same things that one finds in reactor technical  
20 specifications.

21 Because the plants currently operate under DOE  
22 requirements, they will do so until the NRC assumes  
23 jurisdiction.

24 I would now like to turn over to Mr. Axelson, the  
25 acting deputy regional administrator for Region III, who

1 will briefly discuss regional activities.

2 MR. AXELSON: Thank you, Carl.

3 Some additional background information. I will  
4 briefly discuss what the Region's role has been since the  
5 Energy Policy Act of 1992. First, we were extensively  
6 coordinating all of our regional activities with  
7 headquarters. We staffed each gaseous diffusion plants with  
8 a senior resident and a resident inspector and we organized  
9 a regional branch to be in alignment with headquarters  
10 including consolidation of all other Region III fuel  
11 facility activities into one branch.

12 During this interim period, we provided extensive  
13 training to our inspection staffs, both headquarters and  
14 region, including special training for some of our key  
15 senior managers. We trained on unique areas of gaseous  
16 diffusion operation, chemical safety, UF6 handling safety,  
17 cylinder testing and certification inspections, some new-  
18 type training that we were not familiar with. Our resident  
19 inspectors have been extensively involved with the  
20 certification process, assisting headquarters staff  
21 continuously. We think the resident inspectors brought  
22 field operational insights into the certification process  
23 which added value.

24 Our inspection staffs, both headquarters and  
25 region, have done some limited benchmarking at other fuel

1 facilities. We senior residents routinely visit both  
2 facilities as benchmarking and also visited a gaseous  
3 diffusion plant in France. We plan to do some more  
4 benchmarking at other fuel facilities in the U. S.

5           During the interim period, we spent considerable  
6 time in the field learning the gaseous diffusion plants and  
7 generally assessing plant performance. Our future  
8 inspection focus, both the region and headquarters, will be  
9 closely monitored to compliance plan, closure and evaluate  
10 the facility's readiness to make the transition from DOE to  
11 NRC regulatory jurisdiction over the next 180 days. We will  
12 be paying particular attention to USEC training and  
13 implementation of the new tech spec requirements.

14           Thank you, Carl.

15           DR. PAPERIELLO: Thank you.

16           Can I have the next slide?

17           [Slide.]

18           DR. PAPERIELLO: At our March 1996 briefing, we  
19 told the Commission there were significant safety issues  
20 that still required resolution. These involved worker  
21 protection, quality assurance, technical safety  
22 requirements, responsibility for DOE material in USEC lease  
23 space, elevated enrichment levels, seismic safety and the  
24 safety analysis report upgrade. They have been resolved.  
25 The Commission paper presents in the attachment how they

1 were resolved. Let me briefly discuss them.

2 Worker protection. We have required USEC to have  
3 technical safety requirements to ensure protection of the  
4 workers at the gaseous diffusion plants from death or  
5 serious injury, from potential accidents involving either  
6 uranium hexafluoride or hazardous chemicals or potential  
7 criticality. Essentially, the way that has been done is,  
8 technical specifications that relate to either releases of  
9 material or alarms or alarms not functioning, in addition to  
10 certain mechanical actions, also have limits and  
11 specifications on what employees are allowed to do, areas  
12 they are allowed to enter, protective equipment they must  
13 use.

14 For example, if there is a work area in which  
15 alarms are inoperable. So, that is basically how the worker  
16 protection is worked into the technical safety requirements.

17 Another issue is quality assurance. Part 76  
18 requires a QA program for safety systems and their support  
19 systems. Revision 2 of the application, did not provide  
20 adequate QA for certain safety systems, such as those  
21 concerning uranium hexafluoride confinement, criticality  
22 protection, prevention and fire protection. The QA program  
23 described in the current versions of the application and the  
24 compliance plan is acceptable to the staff and has  
25 application of QA to these areas.

1 Third, technical safety requirements. Many of the  
2 technical safety requirements that USEC submitted in earlier  
3 versions of its application were not acceptable. They were  
4 the subject of numerous meetings and, frankly, it was the  
5 last issue that was closed out. It was not until earlier  
6 this month that we had a satisfactory set of TSRs. I asked  
7 the staff how the numbers compared and I have some detailed  
8 numbers, but roughly there are about half as many TSRs as  
9 there were OSRs.

10 Of course, a number of the OSRs dealt with what  
11 DOE refers to as asset protection and not just safety  
12 issues. A number of what was in the OSRs wound up going  
13 into procedures rather than in the TSRs.

14 CHAIRMAN JACKSON: Carl, perhaps you'd better for  
15 the Commission's edification delineate what the TSRs are.  
16 You sort of mentioned --

17 DR. PAPERIELLO: They are technical --

18 CHAIRMAN JACKSON: -- versus the OSRs.

19 DR. PAPERIELLO: Okay.

20 Operational -- DOE had operational safety  
21 requirements on the gaseous diffusion plants. They, again,  
22 were like the technical specifications for a reactor,  
23 although some of them don't -- not just with safety, but  
24 also the protection of their investment in the plant. Of  
25 course, they map one on one. If you read them, they are

1 like tech specs. They are multiple pieces. They are not an  
2 exact mapping. We wind up with about half as many TSRs or  
3 tech specs as we had OSRs.

4 Is that responsive?

5 CHAIRMAN JACKSON: I thought you just said the  
6 OSRs were like tech specs.

7 DR. PAPERIELLO: Well, they did not have tech  
8 specs, but they act like tech -- there are limits. On a  
9 reactor, you have a safety limit. You have a limit --

10 CHAIRMAN JACKSON: No, I understand that.

11 The OSRs are like tech specs?

12 DR. PAPERIELLO: Right.

13 CHAIRMAN JACKSON: The TSRs are?

14 DR. PAPERIELLO: Sort of like tech specs, too.

15 CHAIRMAN JACKSON: Also.

16 DR. PAPERIELLO: Only in DOE's space, they are  
17 OSRs.

18 When we started this in April of 1995, we had only  
19 one --

20 CHAIRMAN JACKSON: I'm sorry.

21 [Laughter.]

22 DR. PAPERIELLO: I'm sorry.

23 CHAIRMAN JACKSON: Never mind. I hope we have the  
24 picture.

25 DR. PAPERIELLO: The TSR for autoclaving,

1 autoclave testing was of particular concern. This was  
2 discussed at the last Commission meeting.

3 CHAIRMAN JACKSON: Yes.

4 DR. PAPERIELLO: Autoclaves are used to safely  
5 confine uranium hexafluoride cylinder-related accidental  
6 releases. While the cylinders are heated to feed their  
7 contents into the enrichment processor, carry out sampling  
8 out transfer operations. Essentially, it is a steam jacket  
9 around a big cylinder. There are 13 autoclaves at  
10 Portsmouth and 22 at Paducah. The autoclaves have not been  
11 subject or had not been subject to tests at accident  
12 pressure since they were initially installed.

13 The safety concern is whether autoclaves can  
14 perform as assumed if there is an accidental release of UF6.  
15 At issue was the proposed pressure level of tests which was  
16 only a fraction of the accident pressure and the frequency  
17 of the tests. USEC initiated limited confirmatory tests at  
18 accident pressures in early spring of 1996 and will run such  
19 tests quarterly. However, staff deemed these tests  
20 inadequate because certain important valves were not being  
21 tested in the current equipment configuration.

22 The compliance plan now commits U. S. Enrichment  
23 Corporation to expeditiously modify the autoclaves and  
24 testing procedures so that adequate tests can be performed.

25 CHAIRMAN JACKSON: What does expeditious mean?

1 DR. PAPERIELLO: Mr. O'Brien, you have the  
2 details.

3 MR. O'BRIEN: Ken O'Brien, I'm the senior resident  
4 at the Paducah plant.

5 Expeditiously means it will be accomplished -- the  
6 time table for Paducah is by March of this year when we take  
7 over. The time table for Portsmouth, for some of the other  
8 valves is a little longer. However, they have developed  
9 another methodology which will find with a reasonable  
10 assurance that they will operate in the interim.

11 DR. PAPERIELLO: DOE material in USEC lease space.  
12 For many years, certain DOE-owned materials have been stored  
13 in parts of several process buildings of both gaseous  
14 diffusion plants. These materials include both  
15 radioactively contaminated wastes and potentially  
16 salvageable equipment and materials. In some cases, the  
17 quantities of uranium are undetermined. The matter will be  
18 resolved by installing appropriate signs and markers to  
19 identify and delineate such areas.

20 The areas --

21 CHAIRMAN JACKSON: How many such areas are there?

22 DR. PAPERIELLO: Mr. O'Brien, what are the areas  
23 that are going to be released and returned?

24 MR. O'BRIEN: Throughout all the buildings that  
25 they use for the cascade, there are a multitude of areas.

1 They are anywhere from ten square feet to hundreds of square  
2 feet that encompass previously maintained materials or old  
3 equipment or wastes that the DOE presently has and have to  
4 take care of.

5 CHAIRMAN JACKSON: Are there going to be any  
6 efforts to consolidate the material or for DOE to remove the  
7 material?

8 MR. O'BRIEN: Right now, the issue of removing it  
9 is a DOE issue. The issue of consolidation is one they have  
10 been looking at as part of the overall process of looking at  
11 it. They have actually done some repackaging of some of the  
12 material to make it easier for both maintaining it and  
13 inventory on an ongoing basis.

14 CHAIRMAN JACKSON: Is there any possibility of any  
15 of that material radiologically contaminating other areas  
16 under USEC's control?

17 MR. O'BRIEN: That is a sensitivity that we have  
18 more monitoring in on an ongoing basis, based upon  
19 inspection activities in the field.

20 CHAIRMAN JACKSON: If that is the case, who then  
21 would be responsible for the cleanup and how would we  
22 enforce it?

23 MR. O'BRIEN: Right now, DOE and USEC have a memo  
24 regarding the interaction between the two different  
25 facilities and the material stored in the facilities. That

1 would be something that they would have to work out between  
2 the two of them to ensure that safety is maintained, which  
3 is discussed in the certification process.

4 CHAIRMAN JACKSON: Has the material been  
5 completely characterized?

6 MR. O'BRIEN: It depends on your definition of the  
7 word characterized.

8 CHAIRMAN JACKSON: You can use your definition.

9 [Laughter.]

10 MR. O'BRIEN: Based upon my definition, there is  
11 an adequate understanding right now of what the material is  
12 to ensure that there is not an immediate safety concern,  
13 yes.

14 CHAIRMAN JACKSON: Okay, thank you.

15 MR. O'BRIEN: You are welcome.

16 DR. PAPERIELLO: The areas in which DOE material  
17 is stored will be deleased and returned to DOE, which has  
18 agreed to assume responsibility including regulatory  
19 responsibility for the areas for the contained material.  
20 Note that, DOE still owns the site and continues to conduct  
21 its own self-regulated operation separate from USEC in both  
22 leased and deleased areas. This situation will require  
23 special attention and coordination after certification to  
24 assure that DOE activities do not negatively impact the  
25 safety of USEC operations regulated by the NRC.

1           Elevated enrichment levels. USEC has requested  
2 the certification of the Portsmouth plant at uranium  
3 enrichment levels of ten percent or less. By doing so, it  
4 avoids more criticality protection and safeguards, physical  
5 security and material control and accountability  
6 requirements accompanying possession of highly enriched  
7 uranium. Currently, unplanned enrichment in small amounts  
8 between ten and 20 percent is occurring in the process at  
9 the Portsmouth gaseous diffusion plants, caused by both the  
10 USEC enrichment process and DOE blending down of HEU.

11           You insert the material into the cascade and with  
12 the way the cascades work, this is unavoidable. The issue  
13 is resolved by having USEC agree to establish and maintain  
14 additional safety and safeguards measures as long as the  
15 down-blending program continues in that portion of the  
16 cascade where this is occurring.

17           Seismic safety. In 1995, DOE identified  
18 structural weaknesses in two of the four main processing  
19 buildings at the Paducah plant. Now, the Paducah plant is  
20 located in the New Madrid area, you know, in that part of  
21 the United States. DOE ordered USEC to make plant  
22 modifications to improve seismic capability. Compensatory  
23 safety measures were also ordered, including operating  
24 pressures and personnel access restrictions until plant  
25 modifications could be completed.

1           Current schedules call for completion of plant  
2 modifications by late 1997. Since the modifications will  
3 not be completed before initial certification, the  
4 continuation of interim and compensatory measures and  
5 completion of plant modifications have been incorporated  
6 into the compliance plan for the Paducah plant.

7           CHAIRMAN JACKSON: Excuse me, Dr. Paperiello.

8           Did the NRC staff conduct a separate analysis of  
9 the DOE-ordered modifications and the interim compensatory  
10 measures? I mean, how did we determine that the  
11 modifications and interim measures were adequate?

12           DR. PAPERIELLO: John?

13           MR. HICKEY: Well, we did not conduct a completely  
14 independent analysis, but we reviewed the analysis that was  
15 done and satisfied ourselves that it was a reasonable and  
16 thorough analysis and that the modifications were  
17 appropriate and that the plan was appropriate.

18           CHAIRMAN JACKSON: So, we determined that these  
19 modifications and changes were sufficient for Paducah to  
20 operate until this December, 1997 updated seismic hazard  
21 report?

22           MR. HICKEY: Correct.

23           COMMISSIONER ROGERS: Just on that, in reading  
24 your slide, on this bullet you say USEC to submit updated  
25 seismic analysis by December, 1997. What you just seem to

1 say to me is, we know what is in that analysis; is that  
2 right?

3 MR. HICKEY: That is referring to the actual  
4 estimate of the seismic risk at the site, not the mechanical  
5 and structural fixes to the plant.

6 COMMISSIONER ROGERS: Right.

7 MR. HICKEY: The analysis used data up through  
8 1985 and more data has come in since then. So, we want an  
9 updated analysis that reflects the newer seismic data that  
10 has come in since 1985.

11 DR. PAPERIELLO: Well, right now, the plants will  
12 only withstand an earthquake acceleration -- these  
13 particular plants where they need the seismic upgrade -- of  
14 point .05g, which is estimated to be an 80-year return  
15 earthquake. The plants were believed to and were expected  
16 in the 1985 safety analysis report to withstand a 250-year  
17 return earthquake, which was an acceleration of .15g.  
18 What we are doing is -- and what the upgrade is, is to  
19 upgrade the plant to withstand that stress.

20 There have been some issues raised that more  
21 recent seismic data which is possessed by the U. S.  
22 Geological Survey, but which is not published and not peer  
23 reviewed, may suggest somewhat higher accelerations on a  
24 250-year return frequency. So, the decision to be made was,  
25 do we wait until that day to get analyzed, put off any

1 upgrade for another couple of years which may make no  
2 difference or do we do the immediate repair now. Get the  
3 plant up to the .15g thing and then what do you do with the  
4 new data.

5 We decided that if it makes a big difference and  
6 you can justify spending an additional money and adequate  
7 protection, using the kind of cost benefit that we would use  
8 in backfit, that is how we would make the decision on how to  
9 use the new data. It is really a trade off. Do we turn  
10 around and wait a couple more years and do nothing or do we  
11 upgrade now and then relook at the new data and see whether  
12 or not they make a substantial difference. If they make a  
13 substantial difference, then you will do more upgrade. If  
14 it does not make a substantial difference, you won't.

15 CHAIRMAN JACKSON: Will the updated seismic hazard  
16 analysis incorporate or be required to incorporate this  
17 post-1985 data?

18 MR. HICKEY: Yes.

19 DR. PAPERIELLO: Yes.

20 CHAIRMAN JACKSON: Okay.

21 We are convinced that the compensatory measures  
22 and the changes, the modifications that have already been  
23 made are sufficient to ensure adequate protection.

24 DR. PAPERIELLO: Yes, because you run the cascades  
25 at sub-atmospheric limits to release. We have done the

1 accident analysis. We had it submitted. We did an  
2 independent analysis and the off-side effects are very  
3 limited.

4 Finally, the upgrade of the safety analysis  
5 report. Since 1985, DOE has initiated various efforts to  
6 confirm assumptions, correct errors, address weaknesses and  
7 reduce uncertainty in the existing SAR for each gaseous  
8 diffusion plant, with a completion schedule date of February  
9 of 1997. The staff is requiring that, within six months  
10 after DOE issuance of the upgraded safety analysis report  
11 and any associated findings, USEC must review and submit  
12 them to the NRC along with proposed resolutions of findings  
13 and any proposed certificate modifications.

14 There are assumptions made in the application that  
15 this SAR upgrade is going to have to confirm. Obviously, if  
16 it does not confirm them, that will have to be reconciled.

17 The upgraded SARs will be reviewed and approved by  
18 the NRC and then will constitute the operating safety basis  
19 for the gaseous diffusion plants. This matter is a  
20 compliance plan item.

21 Can you show the next slide?

22 [Slide.]

23 DR. PAPERIELLO: We have conducted all the  
24 coordination with other federal, state and local agencies  
25 and members of the public required by the regulations. We

1 received 11 comments letters, including those from two EPA  
2 regions which were response to the consultation requirements  
3 of Part 76. The compliance evaluation reports address all  
4 the comments received in detail.

5 Most of the issues most frequently raised involve  
6 matters addressed in the compliance plan, such as, seismic  
7 issues and emergency preparedness or addressed by law, such  
8 as, disposal of waste, principally depleted uranium tails  
9 and civil penalty authority. This is not meant to be all-  
10 inclusive, but when I read through the comments and sort of  
11 made check marks on how many appeared most often, they were  
12 the ones that appeared most often. We have addressed every  
13 comment that we received in the compliance evaluation  
14 report.

15 The next slide.

16 [Slide.]

17 DR. PAPERIELLO: We completed the required  
18 coordination with EPA and OSHA and we signed the memorandum  
19 of MOU with OSHA on July 26th of 1996.

20 Next slide.

21 [Slide.]

22 DR. PAPERIELLO: Part 76.62(a) provides that upon  
23 finding of compliance with the Commission's regulations for  
24 issuance of a certificate and/or approval of a compliance  
25 plan, the director of the Office of Nuclear Material Safety

1 and Safeguards shall issue a written decision explaining the  
2 decision. The director may issue a certificate of  
3 compliance covering those areas where the corporation is in  
4 compliance with applicable Commission requirements and  
5 approve a compliance plan for the remaining areas, if any,  
6 of non-compliance.

7 I am ready to take the actions that are specified  
8 in that regulation.

9 CHAIRMAN JACKSON: I think that your slide  
10 relative to issuing the actual certificates of compliance by  
11 August 30th should be verbally corrected relative to what is  
12 required.

13 DR. PAPERIELLO: Yes.

14 After we submitted the paper to the Commission,  
15 the Office of General Counsel informed us that they believed  
16 that the certificate of decision should be issued first and  
17 then after the 15-day comment period, that the certificate  
18 of compliance be issued if there were no comments.

19 May I have the next slide?

20 [Slide.]

21 DR. PAPERIELLO: I would propose to issue the  
22 "Federal Register" notice with the director's decision. I  
23 would also issue a proposed compliance certificate and the  
24 compliance evaluation report for each plant. The compliance  
25 certificate has certain requirements in it, generally very

1 short, the usual tie-down conditions. The corporation has  
2 to conduct its operations in accordance with the statements  
3 and representations in the certificate application and in  
4 the compliance plan.

5 They have to conduct operations in accordance with  
6 the technical specifications requirements. It will become  
7 effective on March 3, 1997. It is exempted from special  
8 authorizations, as noted in Chapter 1, Section 1.8 of the  
9 Safety Analysis Report. What that really deals with is  
10 labeling containers.

11 Part 20 requires every container of radioactive  
12 material to bear a conspicuous label. It is rather normal  
13 for us to exempt fuel facilities and I even believe  
14 reactors, but I certainly know fuel facilities. Every  
15 container of radioactive material does not have to be  
16 labeled with radioactive material. Basically, you label the  
17 whole facility, the area in which the material is used, the  
18 containers of a certain size and diminish that contain  
19 radioactive material.

20 The second exemption is from the requirements of  
21 10 CFR 7631 and 7636, requiring the submittal of an annual  
22 renewal. What we have done is, condition the license to  
23 make it reflect what is in the recent law, rather than what  
24 is in the regulations. Of course, we are amending the  
25 regulations to conform with the new law.

1           We are proposing that the certificate shall run  
2 through the end of 1998 and the renewal application will be  
3 filed in April of 1998. So essentially, we are looking at  
4 the initial certification for two years. The logic behind  
5 that is, most of the compliance plan items will be complete  
6 by 1998. That provides a good opportunity to renew the  
7 certificate, most likely, for a longer period of time.

8           Can I have the next slide?

9           [Slide.]

10           DR. PAPERIELLO: There is a limited 15-day appeals  
11 process for the director's decision. The appeal is limited  
12 to either the U. S Enrichment Corporation or any person  
13 whose interests may be affected and who has either provided  
14 written comments in response to previous "Federal Register"  
15 notice or provided oral comments at public meetings. The  
16 person must file a petition with the Commission within 15  
17 days after the "Federal Register" notice publication. The  
18 decision becomes final unless Commission grants the petition  
19 for review or otherwise acts within 60 days after the  
20 publication of the "Federal Register" notice.

21           If no petition is received in the designated 15-  
22 day period, I propose to issue the final certificates.

23           Next slide.

24           [Slide.]

25           DR. PAPERIELLO: Power reactor licensing. There

1 was a preoperational testing program and usually a shakedown  
2 period prior to licensing when the licensee would operate  
3 under its proposed technical specifications prior to initial  
4 licensing. That is to find out whether they work, if people  
5 trained and are used to operating under those requirements.

6 In the case of the gaseous diffusion plants, they  
7 are operated under DOE's regulations and DOE's operational  
8 safety requirements. These are similar but not identical to  
9 the NRC's technical safety requirements. At USEC's request,  
10 we had planned a phase-in period of 120 days in order to  
11 revise procedures and, more importantly, train the staff  
12 during this transition period.

13 CHAIRMAN JACKSON: Does that mean that DOE will  
14 have the enforcement authority --

15 DR. PAPERIELLO: Yes.

16 CHAIRMAN JACKSON: -- or we will have certified  
17 the plants?

18 DR. PAPERIELLO: We will have certified, but to  
19 become effective on March 3rd. In the interim, during the  
20 transition period, DOE regulates and has enforcement  
21 authority.

22 On August 16th, the USEC informed me that 120  
23 days, based on recent experience, was probably too short for  
24 the process and 180 days was requested. After consulting  
25 with DOE who decided that that was -- if we agreed, that was

1 reasonable, we decided that the certificate's effective date  
2 would be set at March 3rd as the date for the NRC to assume  
3 jurisdiction. We originally proposed, I think,  
4 December 29th.

5 We have NRC resident inspectors at the site and  
6 they have been there since 1994. They will be inspecting  
7 implementation of compliance plan items, actions during the  
8 transition period.

9 The last slide.

10 [Slide.]

11 DR. PAPERIELLO: We have developed a certification  
12 process and a regulatory basis for making required findings  
13 on the application and the compliance plan. We believe that  
14 the application and the compliance plan provide for  
15 continued safe operation of the gaseous diffusion plants and  
16 the staff is ready to issue the initial certification  
17 decision. We are also prepared to assume regulatory  
18 oversight from DOE following the transition period.

19 In addition to the summary shown here, I want to  
20 tell you that my staff will prepare the following:  
21 procedures for conducting the annual assessments for  
22 Congress, the backfitting procedures, if need, if we need to  
23 backfit and a recertification standard review plan. These  
24 will be issued as similar procedures for analogous  
25 activities at reactors or fuel facilities, as appropriate.

1 Thank you.

2 CHAIRMAN JACKSON: Thank you, Dr. Paperiello.

3 I think that the recertification standard review  
4 plan is very important from the point of view of lessons  
5 learned.

6 DR. PAPERIELLO: Yes.

7 CHAIRMAN JACKSON: You had spoken with the  
8 Commission about that and certainly with me at an earlier  
9 date. In fact, will that be in place in a time frame that  
10 is timely --

11 DR. PAPERIELLO: Definitely.

12 CHAIRMAN JACKSON: -- for the certification?

13 DR. PAPERIELLO: Definitely.

14 CHAIRMAN JACKSON: Okay.

15 So, there will be sufficient time to complete the  
16 recertification decision by December of 1998?

17 DR. PAPERIELLO: That's right.

18 CHAIRMAN JACKSON: Okay.

19 Commissioner Rogers?

20 COMMISSIONER ROGERS: No, I think all of my  
21 questions have been dealt with.

22 CHAIRMAN JACKSON: Commissioner Diaz?

23 COMMISSIONER DIAZ: No questions.

24 CHAIRMAN JACKSON: Well, the Commission would like  
25 to thank the staff and Mr. Timbers for an excellent briefing

1 on the results of the safety assessment for USEC's gaseous  
2 diffusion plants. I compliment the staff for your diligent  
3 efforts in evaluating USEC's certification application as  
4 well as for preparing to take over the regulatory oversight  
5 and bringing this first certification process to closure.

6 It is new for us and I am sure it is new for USEC.  
7 So, the Commission would also like to thank Mr. Timbers for  
8 his presentation as well as the responsiveness of the  
9 Department of Energy in attending and answering questions at  
10 this briefing.

11 The Commission is being asked to approve by  
12 negative consent the issuance by August 30, 1996 of the  
13 certification and the follow-on period, the certificates of  
14 compliance for the USEC's two gaseous diffusion plants. So,  
15 I encourage my fellow commissioners and myself to review the  
16 matter expeditiously relative to those dates.

17 I would note that, once the plants are certified,  
18 there are still a number of issues that must be resolved  
19 both during the transition phase from DOE to NRC  
20 jurisdiction. Then following receipt of the safety analysis  
21 report upgrade in early 1997 that we discussed, that the  
22 USEC will have to make a determined effort to implement the  
23 needed changes in a timely manner.

24 So, again, I thank everyone. Unless there are  
25 further comments, we are adjourned.

1 [Whereupon, at 11:24 a.m., the briefing was  
2 concluded.]  
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CERTIFICATE

This is to certify that the attached description of a meeting of the U.S. Nuclear Regulatory Commission entitled:

TITLE OF MEETING: BRIEFING ON CERTIFICATION OF USEC -  
PUBLIC MEETING

PLACE OF MEETING: Rockville, Maryland

DATE OF MEETING: Wednesday, August 28, 1996

was held as herein appears, is a true and accurate record of the meeting, and that this is the original transcript thereof taken stenographically by me, thereafter reduced to typewriting by me or under the direction of the court reporting company

Transcriber: Michele Sward

Reporter: Mark Mahoney



**U.S. ENRICHMENT CORPORATION  
GASEOUS DIFFUSION PLANTS CERTIFICATION:  
DIRECTOR'S DECISION**

**Staff Presentation to the Commissioners  
August 28, 1996**

# **OVERVIEW**

- **Background**
- **Resolution of significant certification issues**
- **Public comments and coordination with other government agencies**
- **Certification documents and actions**

# **BACKGROUND**

- **Energy Policy Act of 1992**
  - **Established the U.S. Enrichment Corporation to lease and operate DOE gaseous diffusion plants (GDPs)**
  - **Directed NRC to issue standards and regulate USEC through annual certification**
  
- **Certification Process**
  - **NRC issued Part 76 in September 1994**
  - **Part 76 requires USEC to submit an application and a DOE-prepared compliance plan**
  - **Staff reviewed submitted materials against Part 76**
  - **Staff held public meetings, solicited public comment**
  - **NMSS Director is prepared to issue initial decision**

## **BACKGROUND (CONTINUED)**

- **USEC Privatization Act of 1996**
  - **Provides for privatization of USEC**
  - **Extends NRC certification interval up to 5 years**
  - **Requires NRC/OSHA Memorandum of Understanding**
  - **Gives NRC civil penalty authority for USEC**
  - **Prohibits foreign control of USEC**
  - **Additional miscellaneous provisions**
  
- **Staff is implementing provisions of the Privatization Act. This does not affect certification schedule.**

## **BACKGROUND (CONTINUED)**

- **USEC submitted application in April 1995. The staff formally rejected it by letter dated May 5, 1995, following consultation with the Commission.**
- **USEC submitted revised application in September 1995 and DOE-prepared compliance plan in November 1995**
- **Staff review resulted in additional revisions**
- **Questions now satisfactorily answered and appropriate changes incorporated into application and compliance plan**
- **DOE currently regulates plants and will continue to do so until NRC assumes jurisdiction**

# **SIGNIFICANT ISSUES THAT REQUIRED RESOLUTION**

- **Worker protection**
- **Quality assurance**
- **Technical safety requirements**
- **DOE-owned material in USEC space**
- **Elevated enrichment levels**
- **Seismic safety**
- **Safety analysis upgrade**

## **RESOLUTION OF SIGNIFICANT ISSUES**

- **Worker protection: USEC submitted revised technical safety requirement (TSR)**
- **Quality Assurance (QA): Areas of concern - UF6 confinement, criticality prevention, and fire protection - now adequately described in current application and compliance plan**
- **Technical Safety Requirements: Now adequately described in application and compliance plan. In the case of the autoclave TSR, USEC committed to expeditious modification of equipment and procedures so that adequate tests can be performed.**

## **RESOLUTION OF SIGNIFICANT ISSUES (CONTINUED)**

- **DOE-Owned Material in Leased Space: Areas will be removed from the USEC lease, identified and marked, and responsibility for regulation will remain with DOE.**
- **Elevated Enrichment Levels: USEC agreed to impose increased safety and safeguards measures**

## **RESOLUTION OF SIGNIFICANT ISSUES (CONTINUED)**

- **Seismic Safety at Paducah: DOE-ordered structural improvements to be completed by late 1997; compensatory measures to remain in place until modifications complete. USEC to submit updated seismic analysis by December 1997. Any needed further modifications to be under the provisions of §76.76, "Backfitting."**
- **Upgrade of Safety Analysis Report: To be completed by DOE February 1997, followed by USEC review. USEC to submit report, findings, and proposed amendment to certificate 6 months later.**

## **PUBLIC COMMENTS AND COORDINATION WITH OTHER AGENCIES**

- **Staff has publicized certification process and coordinated with other agencies**
  - **Public, both general and local to plants**
  - **State**
  - **DOE, EPA, and OSHA**
- **Comments consisted of 11 comment letters, plus oral comments transcribed from two public meetings**
- **Comments did not raise new issues and are addressed in staff's Compliance Evaluation Reports to be available in the Public Document Rooms**

## **PUBLIC COMMENTS AND COORDINATION WITH OTHER AGENCIES (CONTINUED)**

- **Coordinated with EPA as required by law; no significant issues from EPA**
- **Coordinated with OSHA as required by USEC Privatization Act**
  - **Worked to avoid unnecessary duplication of regulatory effort at plants**
  - **Signed memorandum of understanding with OSHA on July 26, 1996**

## **STAFF POSITION**

- **On basis of commitments in current revised application and compliance plan, staff believes USEC can operate GDPs such that:**
  - **Public health and safety will be adequately protected**
  - **Common defense and security will not be endangered**
- **Unless otherwise directed by the Commission, the staff plans to issue the certification decision and proposed certificates of compliance by August 30, 1996**

## **IMPLEMENTING ACTIONS**

- **NMSS Director issues Federal Register Notice containing the certification decision**
- **Issue a proposed Compliance Certificate and a Compliance Evaluation Report for each plant**
- **Notify Congress, USEC, DOE, and other interested parties of the decision**
- **Issue a press release :**

# **RIGHTS OF CERTAIN PERSONS TO PETITION FOR REVIEW OF DECISION**

- **10 CFR Section 76.62(c) provides that certain persons may petition for review of the certification decision**
  - **USEC**
  - **Any person whose interest may be affected and who**
    - **Provided written comments in response to previous FR notices, or**
    - **Provided oral comments at public meetings**
- **Person must file petition with the Commission within 15 days after FR notice publication**
- **Decision becomes final unless Commission grants petition for review or otherwise acts within 60 days after publication of FR notice**
- **If no petition is received in the designated 15-day period, the NMSS Director intends to issue the final certificates**

## **TRANSITION FROM DOE JURISDICTION TO NRC JURISDICTION**

- **DOE regulates plants and will continue to do so until NRC assumes jurisdiction**
- **Certificate will state that NRC intends to assume jurisdiction on March 3, 1997**
- **Transition period allows for orderly transition from DOE requirements to NRC requirements**
- **NRC resident inspectors assigned as observers since 1994, and will inspect implementation of compliance plan during transition period**

## **SUMMARY**

- **NRC has developed certification process and regulatory bases for making required findings on application and compliance plan**
- **USEC application and DOE-prepared compliance plan provide for continued safe operation of the gaseous diffusion plants**
- **NRC staff is ready to issue initial certification decision**
- **NRC staff is prepared to assume regulatory oversight from DOE following transition period**

**Statement of William H. Timbers, Jr, President and CEO  
United States Enrichment Corporation  
To the Nuclear Regulatory Commissioners' Briefing, August 28, 1996**

Chairman Jackson, Commissioner Dicus, Commissioner Rogers, Commissioner Diaz, Commissioner McGaffigan, and members of the NRC staff. Thank you for the opportunity to be here today and to offer, first, my brief comments about the application process for certification of our gaseous diffusion plants; and, second, to clearly state USEC's position and philosophy as a regulated nuclear fuel company under the NRC.

We have been actively pursuing the certification application for the gaseous diffusion plants since 1994. In May of 1995, I appeared before the NRC Commission and committed USEC to:

- listen carefully to NRC's concerns and direction;
- address each and every issue raised by the NRC;
- and communicate completely, openly and directly with the NRC.

We have diligently pursued each of these commitments over the past fifteen months, and we were met with an equally diligent effort on the part of the NRC staff. Both USEC and the Commission staff have worked very hard to get here today. Our far-ranging and intensive interactions have involved diverse experts from the Nuclear Regulatory Commission, Department Of Energy, USEC, Lockheed Martin Utility Services and others, working together to conclude a unique undertaking. There was no precedent for NRC certification and regulation of an operating gaseous diffusion plant, and we shared the challenge of developing a sound framework for NRC regulation of these plants.

To be sure, none of the participants thought this would be an easy or straightforward process. It has, in point of fact, been a tough, challenging and, perhaps not surprisingly, even a bit contentious process at times. Since all of us have been working in uncharted territory -- differing perspectives, considerations and constraints came into play.

I am gratified that all parties involved have been able to constructively address and reconcile these matters so that there is agreement on the methods by which we will continue the safe operations of the plants.

We are now on the threshold of completing the initial step toward certification and moving to the next stage -- operation of the gaseous diffusion plants under NRC regulations.

The 110 reactors and 9 major fuel facilities that NRC regulates have nuclear operating histories and past experiences which have been well known to the NRC since those facilities were first licensed and operated. The Paducah and Portsmouth plants are the first facilities to already be in operation prior to coming under NRC regulation. I know that the uniqueness of this situation is well understood. Since we are bringing to you an existing history, we will focus on the company we want to be and will be.

There is agreement that historically the gaseous diffusion plants have been safely operated. I want to assure you and the NRC staff that, first, we are confident about our ability to continue such safe operations, and second, we are equally committed to working with the NRC to secure and maintain your continued confidence in us and our performance.

I make this commitment not only because you would expect no less from us, but also because of another motivation. It makes good business sense. Safety is good for the bottom line, and is a key element in our overall business strategy. In implementing the mandates of the Energy Policy Act, USEC management developed a three-part commitment to succeed. The three elements of that commitment are Performance, Efficiency and Safety. None can exist without the others, and each depends upon the others for success.

Production performance and efficiency keep people employed and make profits, which are required to make investment in safety possible. Safe operation protects the company's assets and assures that efficiency and production goals can be met. Neither a facility owner nor their regulators should focus on one element at the exclusion of the others. We view them as inseparable.

Safety is a continuous process, not an end. We have and will continue to look for ways to improve.

We have, for example, reorganized the plants along functional lines. We have brought in individuals with nuclear plant operating experience to complement experienced plant staff.

Consistent with the NRC's interest, we have enhanced USEC's oversight of plant operations. Last fall we established a Safety, Safeguards and Quality organization at the sites, reporting to the USEC Executive Vice President. This organization is responsible for assuring compliance with applicable regulatory requirements and USEC policies.

We have established new management expectations about rigor and formality of operations. To further improve plant safety and operations, we have formed a Plant Performance Review Committee composed of outside representatives with extensive nuclear experience to provide an objective external perspective to our senior operations management. This committee has been meeting for the past 18 months.

We have developed an action plan to provide a sound basis for improvement of management controls to assure safe operation of the plants. For example, we are enhancing management controls over policy and procedural programs, corrective action programs, performance measures, audits and self-assessments, and training programs. And, with DOE, we are preparing a new accident analysis to serve as the technical baseline for the plants.

We've learned a great deal, and we are improving our abilities. We are committed to constant review and continuous improvement of our performance. We have been consistent in our commitment to a vision for the future operations of the plants -- that vision must always start with assuring the safety of the public, our workers and the environment. There is no room for complacency. We will continually work to maintain and improve margins of nuclear and industrial safety.

I also want to again acknowledge the NRC for its well-earned reputation for excellence in the conduct of its regulatory activities. I commit to you that we will be open and responsive in all of our dealings with the Commission.

We have made commitments - commitments to ourselves, our employees, our contractors, and to you. We take the commitments we made in the application, the compliance plans and new technical safety requirements very seriously. I want to reconfirm to you that our first and foremost commitment, without reservation of any kind, is the safe operation of our plants.

We look forward to a successful and productive relationship with you, our new regulator, as we both work relentlessly to maintain the same goal - the *continued* safe operation of the uranium enrichment plants. Thank you.

###