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UNITED STATES
NUCLEAR REGULATORY COMMISSION
REGION II

245 PEACHTREE CENTER AVENUE NE, SUITE 1200
ATLANTA, GEORGIA 30303-1257

March 3, 2017

EA-15-218

Mr. Gary J. Laughlin, Chief Nuclear Officer
and Head of Operations
URENCO USA
P. O. Box 1789
Eunice, NM 88231

SUBJECT: LOUISIANA ENERGY SERVICES, LLC (d/b/a URENCO USA) – NOTICE OF VIOLATION AND PROPOSED IMPOSITION OF CIVIL PENALTY, NUCLEAR REGULATORY COMMISSION INSPECTION REPORT 70-3103/2017-401

Dear Mr. Laughlin:

On May 29, 2015, the U.S. Nuclear Regulatory Commission (NRC) issued Inspection Report 70-3103/2014-006 documenting the initial review of events associated with the security program at the Louisiana Energy Services, LLC (LES) (d/b/a URENCO USA (UUSA)) uranium enrichment facility in Eunice, NM. The NRC also conducted an inspection onsite from October 26–30, 2015, and completed an in-office review on February 11, 2016.

Additionally, on October 9, 2015, the NRC's Office of Investigations (OI) completed an investigation at the UUSA facility as documented in OI Report 2-2015-003. The purpose of the investigation was to review aspects of your security program related to the security events concern.

The preliminary results of the NRC onsite inspection, in-office review, and investigation were documented in NRC Inspection Report 70-3103/2015-404, dated April 14, 2016, and included the identification of apparent violations (AVs) being considered for escalated enforcement.

On June 2, 2016, a Pre-Decisional Enforcement Conference (PEC) was conducted at the NRC Region II office with members of your staff to discuss the AVs, their significance, their root causes, and your corrective actions. The conference was closed to public observation because the matters discussed involved classified information, and because the findings were related to an OI report that has not been publicly disclosed. During the meeting, your staff described your assessment of the significance of the AVs, and the corrective actions taken to preclude recurrence, including the root cause evaluation of the AVs.

~~Enclosure(s) transmitted herewith contain(s) SUNSI. When separated from the enclosure(s), this transmittal document is decontrolled.~~

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Based on the information developed during the inspection and investigation, and the information that you provided during the PEC, the NRC has determined that violations of NRC requirements occurred. These violations, one of which was attributed in part to the deliberate misconduct of UUSA and contractor employees, are cited in the enclosed Notice of Violation and Proposed Imposition of Civil Penalty (Enclosure 1), and the circumstances surrounding them are described in detail in NRC Inspection Report 70-3103/2015-404. Enclosure 2 to this letter describes the basis for determining the severity level of the violations and proposing a civil penalty.

Because some of the violations were closely related to the same security events and were attributed to common root and contributing causes, the NRC grouped the violations into major areas in order to appropriately characterize the significance of the security events and convey the appropriate message.

For administrative purposes, this letter is issued as NRC Inspection Report 70-3103/2017-401. Accordingly, the AVs documented in NRC Inspection Report 70-3103/2015-404 are updated consistent with the regulatory decisions described in this letter. Therefore, AVs are updated as violations (VIOs) with the same tracking numbers.

If you disagree with this enforcement sanction, you may deny the violations, as described in the Notice, or you may request alternative dispute resolution (ADR) with the NRC in an attempt to resolve this issue. The ADR program encompasses various techniques for resolving conflicts using a neutral third party. The technique that the NRC has decided to employ is mediation. Mediation is a voluntary, informal process in which a trained neutral (the “mediator”) works with parties to help them reach resolution. If the parties agree to use ADR, they select a mutually agreeable neutral mediator who has no stake in the outcome and no power to make decisions. Mediation gives parties an opportunity to discuss issues, clear up misunderstandings, be creative, find areas of agreement, and reach a final resolution of the issues. Additional information concerning the NRC's ADR program can be found at <http://www.nrc.gov/about-nrc/regulatory/enforcement/adr.html>.

The Institute on Conflict Resolution (ICR) at Cornell University has agreed to facilitate the NRC's program as a neutral third party. If you are interested in pursuing this issue through the ADR program, please contact: (1) the ICR at (877) 733-9415; and (2) Mr. Mark Lesser at 404-997-4700 within 10 days of the date of this letter. You may also contact both ICR and Mr. Lesser for additional information. Your submitted signed agreement to mediate using the NRC ADR program will stay the 30-day time period for payment of the civil penalty and the required written response, as identified in the enclosed notice, until the ADR process is completed.

You are required to respond to this letter and should follow the instructions specified in the enclosed Notice when preparing your response. If you have additional information that you believe the NRC should consider, you may provide it in your response to the Notice. The NRC will use your response, in part, to determine whether further enforcement action is necessary to ensure compliance with regulatory requirements.

In accordance with 10 CFR 2.390 of the NRC's “Rules of Practice and Procedure,” a copy of this letter, and your response will be made available electronically for public inspection in the NRC Public Document Room, or from the NRC Agencywide Documents Access and

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Management System (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>. If Security-Related Information is necessary to provide an acceptable response, please mark your entire response Security-Related Information in accordance with 10 CFR 2.390(d)(1) and follow the instructions for withholding in 10 CFR 2.390(b)(1). In accordance with 10 CFR 2.390(b)(1)(ii), the NRC is waiving the affidavit requirement for your response.

The material enclosed herewith contains Security-Related Information in accordance with 10 CFR 2.390(d)(1) and its disclosure to unauthorized individuals could present a security vulnerability. Therefore, the material in the enclosures will not be made available electronically for public inspection in the NRC Public Document Room or from the NRC's Agencywide Documents Access and Management System (ADAMS), accessible from the NRC Web site at <http://www.nrc.gov/reading-rm/adams.html>.

Should you have any questions concerning this letter, please contact Mr. Mark Lesser at 404-997-4700.

Sincerely,

/RA/

Catherine Haney
Regional Administrator

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

Enclosures:

- ~~1. Notice of Violation and Proposed
Imposition of Civil Penalty (EA-15-218)~~
- ~~2. Severity Level and Civil Penalty Assessment (EA-15-218)~~

cc: (See page 4)

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cc:

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The Honorable Sam D. Cobb, Mayor
City of Hobbs
200 E. Broadway
Hobbs, NM 88240

cc: (cont'd on page 5)

(cc: cont'd)

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Jal, NM 88252

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Lea County Board of County Commissioners
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March 3, 2017

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