



January 9, 2004

NEF: #04-001

Director
Office of Nuclear Material Safety and Safeguards
U.S. Nuclear Regulatory Commission
Washington, DC 20555

Louisiana Energy Services, L.P.
National Enrichment Facility
NRC Docket No. 70-3103

Subject: Role of Lea County, New Mexico in the Possession, Construction, and Operation of the National Enrichment Facility

In response to an inquiry from the NRC concerning the description of the role of Lea County, New Mexico in subsection 2.1.1, "Corporate Functions, Responsibilities, and Authorities," of the Safety Analysis Report (SAR) portion of the license application submitted to the NRC by letter dated December 12, 2003, the purpose of this letter is to clarify and confirm that Louisiana Energy Services (LES), L.P., as the licensee, will be solely responsible for all activities related to the construction and operation of the National Enrichment Facility (NEF). As specifically provided in subsection 2.1.1 of the SAR, "...LES is responsible for the design, quality assurance, construction, operation, and decommissioning of the enrichment facility...."

Lea County's role relative to the facility will be limited to the issuance of an Industrial Revenue Bond (IRB). To implement this financial structure, the County will serve as the Lessor-Owner of the facility during the 30-year term of the IRB. In this capacity, the County will hold legal title to the uranium enrichment facility, including all related buildings, storage, infrastructure, and equipment (including the centrifuge equipment), and will hold legal title or a possessory interest in the site on which the facility is located during the term of the IRB. This structure will allow LES to take advantage of certain tax abatements available under New Mexico law. The County has no power, however, to operate the facility as a business or otherwise to use or acquire the facility for any purpose, except in its limited role as Lessor. During the term of the lease, LES is solely responsible, on behalf of and as agent for the County, for acquiring, constructing, and installing the equipment into the facility. At the conclusion of the lease, LES will purchase the land and facility from the County for the nominal sum of \$1.00. In effect, the role of the County

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in this structure is similar to the passive role of financial institutions in the sale-leaseback transactions that were common for nuclear power plants in the 1980s.

Finally, while the County has access to and the right to inspect the facility during the term of the lease, any such access and inspection is subject to compliance with LES's access requirements and the requirements in LES's Standard Practice Procedures Plan for the Protection of Classified Matter. These requirements are, in turn, reviewed and approved by the NRC. In this context, all necessary and appropriate procedures will be implemented to ensure that sensitive information and technology is appropriately safeguarded.

For the purpose of clarifying the wording in subsection 2.1.1 of the SAR that gave rise to the NRC's inquiry, LES will submit a revision to the language in this subsection, replacing the second sentence of the third paragraph under subsection 2.1.1 to read as follows:

"...Lea County will lease the project to LES, and LES will be responsible for the construction and operation of the facility...."

This revision will be submitted together with any other identified errata following the completion of the NRC's acceptance review and docketing of the license application.

If you have any questions or need additional information, please contact me at 630-657-2813.

Respectfully,



R. M. Krich
Vice-President - Licensing, Safety, and Nuclear Engineering

cc: T. C. Johnson, NRC Project Manager
N. Farquhar, Energy/Environment Advisor, State of New Mexico, Office of the Governor
D. Watchman-Moore, Deputy Secretary, New Mexico Environment Department
D. M. Holmberg, County Manager, Lea County, New Mexico
J. Brown, Mayor of Eunice, New Mexico