

November 18, 2004

MEMORANDUM TO: Joseph G. Giitter, Chief
Special Projects Branch
Division of Fuel Cycle Safety
and Safeguards

THRU: Brian W. Smith, Chief /RA/
Gas Centrifuge Facility Licensing Section
Special Projects Branch, FCSS

FROM: Timothy C. Johnson /RA/
Senior Project Manager
Gas Centrifuge Facility Licensing Section
Special Projects Branch, FCSS

SUBJECT: NOVEMBER 10, 2004, MEETING SUMMARY: LOUISIANA ENERGY
SERVICES MEETING

On November 10, 2004, U.S. Nuclear Regulatory Commission (NRC) staff met with staff from Louisiana Energy Services (LES) to discuss foreign ownership, control, or influence; International Atomic Energy Agency safeguards; and transportation security issues applicable to the LES gas centrifuge uranium enrichment plant project proposed to be located in Eunice, New Mexico. I am attaching the meeting summary for your use. This summary contains no sensitive or classified information.

Docket: 70-3103

Attachment: Louisiana Energy Services
Meeting Summary

cc:	William Szymanski/DOE	Claydean Claiborne/Jal	Rod Krich/LES
	Monty Newman/Hobbs	James Curtiss/W&S	Troy Harris/Lovington
	Peter Miner/USEC	Betty Richman/Tatum	James Ferland/LES
	Glen Hackler/Andrews	John Parker/New Mexico	James Brown/Eunice
	Dennis Holmberg/Lea County	Richard Ratliff/Texas	Lee Cheney/CNIC
	Michael Marriotte/NIRS	Jerry Clift/Hartsville	CO'Claire/Ohio
	Derrith Watchman-Moore/NM	Joseph Malherek/PC	Ron Curry/NMED
	Tannis Fox/NMED	Patricia Madrid/NMAG	Glen Smith/NMAG
	Lindsay Lovejoy/NIRS		

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DSeymour/RegII	JHenson/RegII	RHannah/RegII	KClark/RegII
VMitlyng/RegIII	Hearing file	LES Website-YES	

ML043240259 (Package) **ML043240265** (Memo) **ML043280277**(Attachment)

OFC	GCFLS		GCFLS		NSIR		NSIR		NSIR		GCFLS	
NAME	TCJohnson:os		LMarshall		KEverly		BMoran		MLayton		BSmith	
DATE	11/15/04		11/16/04		11/17/04		11/17/04		11/18/04		11/18/04	

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Summary of
Louisiana Energy Services Meeting on Foreign Ownership, Control or Influence;
International Atomic Energy Agency Safeguards; and Transportation Security

Dates: November 10, 2004

Place: U.S. Nuclear Regulatory Commission (NRC) offices
Rockville, MD

Attendees: See Attachment 1

Purpose:

The purpose of this meeting was to discuss foreign ownership, control, or influence (FOCI); International Atomic Energy Agency (IAEA) safeguards; and transportation security issues applicable to the proposed Louisiana Energy Services (LES) gas centrifuge uranium enrichment plant project. The meeting agenda is in Attachment 2.

Discussion:

After introductions, Mr. Keith Everly of NRC led the discussions on FOCI issues. On October 27, 2004, NRC staff had transmitted to LES several requests for additional information (RAIs). The LES had provided a package of FOCI information, which NRC had provided to the U.S. Department of Energy (DOE) for their review. DOE performs these reviews for NRC in accordance with an NRC/DOE Memorandum of Understanding. The DOE reviews are performed in accordance with DOE Orders. The objective of the review is to ensure that classified information generated in the United States (U.S.) is protected from disclosure to foreign entities. Where foreign ownership is a concern, DOE wants to ensure that the foreign entities are not fronts for terrorists.

LES staff acknowledged that it is substantively owned and controlled by Urenco, a company owned by interests in the United Kingdom, The Netherlands, and Germany. In this case, classified information belonging to these three countries is being provided to the U.S. in accordance with a Quadripartite Agreement between the U.S. and the three countries that addresses the transfer of classified information for the LES project.

In the discussion, LES staff questioned the DOE review, indicating that this case is not the routine review situation in which U.S. classified information is being used by DOE contractors and that the Quadripartite Agreement covers information transfer between countries. LES also acknowledged that the FOCI review applied only for its proposed enrichment facility operations in New Mexico.

Based on the above discussion, it was agreed that DOE staff would re-assess its RAIs with follow-up discussions with NRC staff.

Mr. Bruce Moran of NRC then discussed the status of discussions with IAEA on implementing a safeguards inspection program at centrifuge enrichment plants in the United States (see Attachment 3). He indicated that he appreciated the support from Urenco on a site visit to Urenco's Capenhurst facility in the United Kingdom. Mr. Moran noted that IAEA safeguards

inspections at the Capenhurst site have been conducted for 20 years. He stated that the U.S. has added the LES facility to its IAEA inspection eligibility list and expected that IAEA would select the site for IAEA inspections. These inspections would occur during construction and operation to ensure verification of design information, accountability of materials produced, and ensure that no undeclared production of low and high enriched uranium occurs at the site.

LES staff indicated that it appreciated the opportunity to participate in the IAEA safeguards inspections, and it intends to use the same techniques currently being used to address this issue at Capenhurst. LES staff indicated that it looks forward to beginning discussions with IAEA on the inspections and stated that it will be ready to start these talks early next year. LES staff agreed that it is acceptable to provide the general information in the facility safety analysis report in Section 1.1 to IAEA staff for preliminary discussions between NRC and IAEA.

Mr. Moran indicated that the U.S. needs to provide to IAEA preliminary and final questionnaires on the facility 180 days prior to construction and receipt of licensed material, respectively. He also said that there are upcoming IAEA meetings the week of November 15, 2004, and in May or June 2005 during which the LES facility would be discussed.

In the area of transportation security, Mr. Mike Layton of NRC indicated that LES based its transportation security information on Regulatory Guide 5.59, "Standard Format and Content for a Licensee Physical Security Plan for the Protection of Special Nuclear Material of Moderate or Low Strategic Significance." However, this document has not been updated to reflect more recent rulemakings in the transportation area. Consequently, additional information needs to be provided. Mr. Layton and his staff are preparing a set of RAIs that will address this area. He also provided a matrix showing the differences in the new and old requirements (see Attachment 4).

LES staff requested that NRC set up a conference call to discuss the detailed comments prior to transmittal of the RAI package. NRC staff agreed.

Action Items

1. NRC staff to further discuss FOCI issues with DOE and revise the RAIs as needed.
2. NRC staff to prepare RAI package on transportation security and conduct a conference call with LES prior to transmittal.

Attachments

1. Attendee list
2. Meeting agenda
3. IAEA safeguards handouts
4. Transportation security matrix