March 9, 2011

David E. Sexton, Chief Nuclear Officer
and Vice President of Operations
Louisiana Energy Services, L.L.C.
P.O. Box 1789
Eunice, NM 88231

SUBJECT: LICENSEE PERFORMANCE REVIEW OF AUTHORIZED ACTIVITIES FOR LOUISIANA ENERGY SERVICES, L.L.C., NATIONAL ENRICHMENT FACILITY, DOCKET NUMBER 70-3103

Dear Mr. Sexton:

The Nuclear Regulatory Commission (NRC) Region II and Headquarters staffs completed a review of your performance in conducting NRC licensed operations and construction activities at the Louisiana Energy Services National Enrichment Facility (LES NEF). The review evaluated your performance during the period beginning December 1, 2009, and ending December 31, 2010. Your performance of operations activities was evaluated in five major areas: Safety Operations, Safeguards, Radiological Controls, Facility Support, and Special Topics. This letter and Enclosure 1 provide to you the results of our review, and will be used as a basis for establishing the NRC oversight program for your conduct of operations activities during the next review period. The details regarding the safeguards portion of the review are documented in a separate letter marked “Official Use Only – Security-Related Information” due to the sensitive nature of the information.

No areas for improvement were identified during our assessment of your operations activities. The review concluded that LES NEF conducted its activities safely and securely, protecting public health and the environment. A number of findings were identified during the assessment period in the area of nuclear criticality safety that were not considered risk significant and, therefore, did not warrant the identification of an area needing improvement. However, the findings, which were identified by the NRC during our operational readiness inspections and a core inspection, indicated potential weaknesses in your criticality safety program. Therefore, the NRC intends to perform additional inspection in this area to ensure adequate corrective actions are implemented.

Your performance of construction activities was evaluated in three major areas: Management Measures, Facility Construction, and Facility Support. Management measures include quality assurance, design controls, configuration management, procedures, audits, assessments, and records management. Facility construction includes geotechnical/foundation activities, structural concrete, structural steel, structural supports, piping systems, nuclear welding, and mechanical, electrical, and instrument components. Facility support includes training and qualification of plant personnel, safeguards, security, and special topics. For this review, special topics only included licensing activities. This letter and Enclosure 2 provide to you the results of
our review, and will be used as a basis for establishing the NRC oversight program for your conduct of construction activities during the next review period. We concluded that overall LES NEF construction activities were conducted in an acceptable manner. The quality assurance (QA) inspection findings that were identified during the period were evaluated to be of low safety significance and, as a result, the staff’s review concluded that no area needing improvement was warranted.

A significant number of non-compliance issues identified during the period involved QA oversight of commercial grade dedication (CGD) activities. As a result, the NRC increased inspection oversight during the assessment period for CGD activities while LES NEF implemented various corrective actions to address the issues identified. Although there were numerous non-compliances in this area, this area is not identified as an area needing improvement in accordance with IMC 2696. Failure to comply with quality assurance requirements during construction is of concern to the NRC since the staff presumes compliance with QA requirements in performing its safety analysis and failure to follow these requirements can, in certain circumstances, call into question the validity of the safety analysis. Furthermore, if LES does not take appropriate action to improve its identification and correction of quality assurance non-compliances during construction, the likelihood of a latent non-compliant condition which cannot be dispositioned as “use-as-is” increases. Accordingly, the NRC will continue its increased inspection oversight in this area. During the LPR meeting, you should be prepared to discuss your assessment of the root cause of these problems and future plans to improve in this area.

Based on your performance during this period, as documented in our inspection reports, the NRC will continue to inspect your facility commensurate with the level of ongoing construction activities and the level of risk posed by future operations including increased oversight of your CGD activities. Any changes to the construction inspection program as a result of transitioning into operational status will be discussed separately. The NRC has determined that based on your performance of licensed activities during this review period, we will maintain the next review period at the standard 12 months for a facility undergoing construction while operations are in progress.

The results of our review will be discussed with you and your staff during a meeting open to the public on April 12, 2010. During the meeting, you will have the opportunity to discuss your view of your performance in the major areas that the NRC evaluated and describe your plans to improve LES NEF’s performance in conducting quality assurance and commercial grade dedication activities.

Enclosure 2 to this letter details the inspections, less those related to physical protection and information security, scheduled through December 31, 2011. The inspection plans are provided to allow for the resolution of any scheduling conflicts and personnel availability issues well in advance of inspector arrival onsite. These inspection plans are tentative and may be revised as circumstances warrant.

In accordance with 10 CFR 2.390 of the NRC’s "Rules of Practice," a copy of this letter and its enclosures will be available electronically for public inspection in the NRC Public Document Room or from the Publicly Available Records (PARS) component of ADAMS.
Questions and comments about the NRC’s review of LES NEF’s performance should be directed to Mr. Joselito Calle, who can be reached by telephone at 404-997-4418.

Sincerely,

/RA/

Anthony T. Gody, Director
Division of Fuel Facility Inspection

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

Enclosures:
1. Operations Licensee Performance Review
2. Construction Licensee Performance Review
3. Updated 2011 Inspection Plans

cc w/encls:
Gary Sanford, Quality and Regulatory Affairs Director
National Enrichment Facility
P.O. Box 1789
Eunice, NM 88231

Daniel F. Stenger, Counsel
Hogan and Hartson
555 13th Street, NW
Washington, DC 20004

cc w/encls: (Cont’d on page 4)
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Hogan and Hartson
555 13th Street, NW
Washington, DC 20004

cc w/encls: (Cont’d on page 4)

*see previous concurrence
(cc w/encls: cont’d)
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Perry Robinson, General Counsel
Louisiana Energy Services, L.L.C.
Electronic Mail Distribution

Brenda Brooks, Director
Community Affairs and Government Relations
Electronic Mail Distribution
Letter to Mr. David Sexton from Anthony Gody dated March 9, 2011.

Subject: LICENSEE PERFORMANCE REVIEW OF AUTHORIZED ACTIVITIES FOR LOUISIANA ENERGY SERVICES, L.L.C., NATIONAL ENRICHMENT FACILITY, DOCKET NUMBER 70-3103

Distribution w/encls:
B. Smith, NMSS
T. Naquin, NMSS
D. Seymour, RII
M. Lesser, RII
J. Calle, RII
C. Taylor, RII
D. Hartland, RII
The following is a summary of the performance of the National Enrichment Facility in the conduct of NRC-licensed activities.

PERFORMANCE AREA: SAFETY OPERATIONS

This area is comprised of plant operations, nuclear criticality safety, and fire protection.

Program Areas Needing Improvement

- No specific areas needing improvement were identified in Safety Operations.

Recommended NRC Inspection Effort in Safety Operations

- Additional inspection beyond the core program will be performed in this area to ensure adequate corrective actions are implemented in response to potential weaknesses in the criticality safety program.

PERFORMANCE AREA: RADIOLOGICAL CONTROLS

This area is comprised of radiation protection, environmental protection, waste management, and transportation.

Program Areas Needing Improvement

- No specific areas needing improvement were identified in Radiological Controls.

Recommended NRC Inspection Effort in Radiological Controls

- Maintain the core inspection effort.

PERFORMANCE AREA: FACILITY SUPPORT

This area is comprised of maintenance and surveillance, training, emergency preparedness, management organization and controls, and permanent plant modifications.

Program Area Needing Improvement

- No specific areas needing improvement were identified in Radiological Controls.

Recommended NRC Inspection Effort in Facility Support

- Maintain the core inspection effort.
PERFORMANCE AREA: SPECIAL TOPICS

This area is comprised of safety licensing.

Program Areas Needing Improvement

No specific areas needing improvement were identified in Special Topics – Licensing.
The following is a summary of the performance of LES NEF activities in the conduct of NRC authorized construction activities.

**PERFORMANCE AREA: MANAGEMENT MEASURES**

This area is comprised of quality assurance, design controls, configuration management, procedures, audits, assessments, and records. Quality assurance includes program implementation; design and document control; control and inspection of materials, equipment and services; problem identification, resolution, and corrective action; 10 CFR Part 21 reporting; control of electronic management data; supplier and vendor inspections; and safety interfaces.

**Program Areas Needing Improvement**

- No specific areas needing improvement were identified in Safety Operations.

**Recommended NRC Inspection Effort in Safety Operations**

Increased inspection oversight of the quality assurance oversight of commercial grade dedication activities will continue due to the significant number of non-compliance issues identified during the period.

**PERFORMANCE AREA: FACILITY CONSTRUCTION**

This area is comprised of geotechnical/foundation activities, structural concrete, structural steel, structural supports, piping systems, nuclear welding, and mechanical, electrical, and instrument components.

**Program Areas Needing Improvement**

No specific areas needing improvement were identified for facility construction.

**PERFORMANCE AREA: FACILITY SUPPORT**

This area is comprised of training and qualifications of plant personnel, safeguards, security, and special topics. For this review, special topics only include licensing activities.

**Program Areas Needing Improvement**

No specific areas needing improvement were identified for facility support.
<table>
<thead>
<tr>
<th>Unit Number</th>
<th>Planned Dates Start</th>
<th>Planned Dates End</th>
<th>Inspection Activity</th>
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This report does not include MEETINGS and SHUTDOWN activities. This report shows only on-site and announced inspection procedures.
### Inspection / Activity Plan
#### 03/01/2011 - 12/31/2011

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