

August 28, 1998

FOR: The Commissioners
 FROM: L. Joseph Callan /s/
 Executive Director for Operations
 SUBJECT: FUNDING FOR NUCLEAR REGULATORY COMMISSION MATERIAL PROTECTION, CONTROL, AND ACCOUNTING ASSISTANCE TO THE
 REPUBLICS OF THE FORMER SOVIET UNION

PURPOSE:

To inform the Commission of the status of efforts to obtain fiscal year (FY) 1999-2001 funding from the Department of Energy (DOE) to support the Nuclear Regulatory Commission's (NRC) material protection, control, and accounting (MPC&A) assistance to the nuclear regulatory agencies in Russia, Ukraine, and Kazakhstan.

SUMMARY:

The Office of Nuclear Material Safety and Safeguards (NMSS), Division of Fuel Cycle Safety and Safeguards provides technical support to the regulatory agencies in Russia, Ukraine, and Kazakhstan in their development of MPC&A regulations, licensing and inspection programs, and in their training of MPC&A personnel. NMSS currently has two full-time equivalents (FTEs) allocated to the former Soviet Union (FSU) MPC&A support program. To date, the bulk of the funding for travel and program costs has been provided to NRC by the Department of Defense (DOD), through what is now the Defense Special Weapons Agency (DSWA), under the Cooperative Threat Reduction (CTR) program. A small amount of funding has been provided by the Agency for International Development (AID), under the Newly Independent States Nuclear Safety program. Access to CTR program funds will end at the conclusion of FY 1998, and it is anticipated that little, if any, additional MPC&A support funding will be available in the future under the AID program.

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Presidential Decision Directive/NSC-41 (PDD-41), "U.S. Policy on Improving Nuclear Material Security in Russia and the Other Independent States," dated September 20, 1995, indicates that the Department of Energy is the lead agency for nuclear Material Protection, Control and Accounting (MPC&A) activities and is responsible for funding.

Based on the above, NRC has requested DOE to fund NRC's MPC&A support activities beginning FY 1999, including the funding of NRC's staff costs (in response to the staff requirements memorandum associated with SECY-97-207.) DOE responded that, although DOE does not believe it is responsible for funding NRC MPC&A support activities, it is willing to provide funding for NRC's MPC&A-related work. The degree of funding is still to be determined; in addition, the DOE response did not address the funding of NRC staff costs. Timely clarification of DOE's position is imperative for program management purposes. A follow-up letter was sent to DOE on July 1, 1998, requesting clarification and requesting DOE to budget for NRC support activities beginning in FY 2000.

BACKGROUND:

After approximately 18 months of negotiations commencing in 1992, NRC's MPC&A assistance to the nuclear regulatory agencies in Russia, Ukraine, and Kazakhstan was initiated after the signing of agreements during Autumn 1993. Information regarding NRC's MPC&A support, and a discussion of the issues related to the use of staff resources, were provided in SECY-95-054, dated March 3, 1995. A subsequent status report was provided in SECY-96-143, dated July 1, 1996. NRC's more recent support efforts and anticipated projects to be conducted during FY 1999-2001 are described in Attachment 1.

DISCUSSION:

In Russia, NRC is working with the regulatory agency GOSATOMNADZOR (GAN), in Ukraine with the Ministry of Environmental Protection and Nuclear Safety (MEPNS), and in Kazakhstan with the Atomic Energy Agency of the Republic of Kazakhstan (AEARK).

NRC's initial MPC&A regulatory support focused on helping the recipient agencies gain a substantive understanding of what is involved both in developing regulations and conducting licensing and inspection programs. With this understanding as background, during 1996, NRC requested the recipient countries to clearly define their plans for their regulatory programs, which would then serve as the context for future NRC regulatory support. In particular, NRC requested, through diplomatic channels, that Russia, Ukraine, and Kazakhstan provide information on their planned developments and identify areas of needed support from NRC. Consistent with these planned activities and identified needs for support, overall plans for the conduct of support tasks, and associated schedules, have been developed and agreed on with the recipient agencies through FY 2001. These plans are subject to the availability of J resources. The total estimated funding requirements for contractor support and travel to perform these tasks are as follows:

	FY1999	FY2000	FY2001	Total
Russia	\$630K	\$990K	\$1510K	\$3130K
Ukraine	665K	575K	315K	1555K

Kazakhstan	875K	445K	135K	1455K
Total	\$2170K	\$2010K	\$1960K	\$6140K

With regard to the source of future NRC MPC&A funding for these tasks, PDD-41 included the following statements of responsibility:

- Agencies are responsible for funding those activities for which they have lead programmatic responsibility.
- The DOE will be the lead agency for nuclear Material Protection, Control and Accounting (MPC&A) cooperation and for providing technical analysis of nuclear trafficking incidents.
- The NRC will continue to provide regulatory assistance for MPC&A in the former Soviet states.

Based on this information and correspondence received from DSWA at approximately the same time, which communicated a change in MPC&A program funding responsibility from DSWA to DOE, staff concluded that DOE would be the source from which future funding should be requested. The DSWA letter ([Attachment 2](#)), dated September 26, 1995, informed NRC that the MPC&A program funding responsibilities were being transferred from DOD to DOE, and DOE would be receiving MPC&A assistance-related appropriations for FY 1996 and beyond. This action had no immediate impact on NRC at that time, since NRC continued to have access to the MPC&A program funding previously provided by DOD, and the level of funding was adequate through FY 1998.⁽¹⁾

To support NRC's efforts beyond FY 1998, NRC staff requested acquisition of additional funding by DOE in a letter dated April 18, 1997. NRC staff continued to pursue the funding issue by making a number of requests to DOE for funding assistance, including requests for funds to reimburse NRC staff costs ([Attachment 3](#)), in response to the staff requirements memorandum to SECY 97-207. (A chronology of funding-related actions is provided in [Attachment 4](#).)

However, to date, DOE has not committed to providing the requested level of resources. Based on the latest response from DOE, it now appears that DOE is willing to provide an unspecified amount of funding with qualifications. In particular, the DOE response, which is included as [Attachment 5](#), states that, "... the amount of funding to be provided ... is dependent on several factors, including the total amount of funding available to DOE for the MPC&A program, overall program priorities, and the development and close coordination of project work plans to ensure there is no duplication of effort, and that the work performed is being conducted as efficiently as possible." This response did not explicitly address the funding of NRC staff costs. NRC staff has sought clarification on this matter ([Attachment 6](#)).

Staff is currently faced with uncertainty as to the FY 1999 situation; three possible outcomes are as follows:

- **DOE provides no funding for FY 1999 NRC MPC&A support activities, and in the absence of DOE support, NRC terminates its MPC&A Regulatory support activities.** Depending on the prognosis for DOE support in FY 2000 and beyond, the termination would be either temporary or permanent. Russia, Kazakhstan, and Ukraine would need to be notified of the hiatus or termination through appropriate diplomatic channels. Termination of support activities at this time will impact the emerging regulatory programs in the three countries during a critical time in their development. Current activities underway support implementation of regulation development, licensing, and inspection programs. Termination of support would delay implementation of these programs and would likely result in implementation of less effective programs than would result if they had the advantage of NRC experience and expertise.
- **NRC FTEs are authorized in FY 1999 [either through business-like FTEs funded by DOE, or budgeted NRC FTEs], but DOE provides no or incomplete FY 1999 funding of travel and contractor support costs.** In this situation, the staff would supplement DOE-funded support projects with "no cost" projects (i.e., tasks that do not require NRC funding for travel or contract support). Some examples of these are: 1) staff review and comment on draft regulatory documents provided to NRC by GAN, MEPNS, and AEARK; 2) guidance and consultations with officials of the regulatory agencies by telephone or fax; 3) updating FY 2000 - 2001 project plans, as necessary; and 4) NRC participation in local meetings and other activities undertaken by DOE Headquarters and laboratory staff under DOE's MPC&A support program with GAN.
- **NRC FTEs are authorized in FY 1999 [either through business-like FTEs funded by DOE, or budgeted NRC FTEs], and DOE provides NRC full contractor support and travel funding.** In this situation, staff would conduct the future activities currently identified (as generally described in [Attachment 4](#)), or as modified by changing circumstances or DOE-imposed restrictions.

As a related matter, NRC recently received a letter, dated April 24, 1998, from the Chairman of the Commission to Assess the Organization of the Federal Government to Combat the Proliferation of Weapons of Mass Destruction (Deutch Commission). This letter requests NRC to respond to a survey seeking information on the Agency's proliferation-related activities, which includes NRC MPC&A support to the former Soviet Union. It also states that representatives of the Deutch Commission will be interested in following up the survey responses to discuss NRC's proliferation-related efforts and its role in the inter-agency process. One area covered by the survey is resource allocation, and includes a request to provide data on the amount and source of funds projected for proliferation-related activities during FY 1999-2001. The survey is being held in abeyance at this time, however, as funding for the Deutch Commission expired on June 26, 1998, and Congress has not yet provided further funding for the Commission.

RESOURCES

The current budget includes 2 FTE to support MPC&A assistance to Russia, Ukraine, and Kazakhstan. Funding for contract support and travel are available from DOD through the end of FY 1998. Staff has requested funding from DOE to continue MPC&A assistance beginning in FY 1999. After receipt of DOE FY 1999 funding levels (expected in October), we will update the Commission on our planned course of action.

COORDINATION:

This paper has been coordinated with the Office of International Programs, the Office of the General Counsel, and the Office of the Chief Financial Officer, who have no objections.

L. Joseph Callan
Executive Director for Operations

- Attachments:
1. Recent MPC&A Support and Anticipated Projects
 2. Ltr from the Defense Nuclear Agency (now known as DSWA) to NRC dated September 26, 1995
 3. Ltr from NRC (C. Paperiello) to DOE (R. Gottemoeller) dated March 24, 1998
 4. Chronology of NRC's MPC&A Support Funding
 5. Ltr from DOE (R. Gottemoeller) to NRC (C. Paperiello) dated June 2, 1998
 6. Ltr from NRC (M. Knapp) to DOE (R. Gottemoeller) dated July 1, 1998

ATTACHMENT 1

RECENT MPC&A SUPPORT AND ANTICIPATED PROJECTS

SECY-96-143, dated July 1, 1996, provided the status through mid-1996 of the Nuclear Regulatory Commission's material protection, control, and accounting (MPC&A) support efforts to the nuclear regulatory agencies in Russia, Ukraine, and Kazakhstan. Completed MPC&A projects as of June 1998, and projects anticipated through fiscal year (FY) 2001 are described below. The delay or lack of funding for FY 1999 activities would impact the completion of these projects:

RUSSIA

NRC's assistance to the regulatory agency GOSATOMNADZOR (GAN) has been provided under the Agency for International Development-funded Nuclear Safety program, and under the Cooperative Threat Reduction (CTR) program. This assistance has been coordinated with that provided by the Department of Energy (DOE) under the DOE-GAN MPC&A Agreement through limited joint participation by NRC and DOE representatives in each agency's activities with the Russian regulator, and occasional exchanges of program information.

Regulatory Development:

During November 1996 at NRC Headquarters, NRC and GAN officials met to discuss physical protection regulatory matters. This first formal meeting between GAN and NRC involving the area of physical protection set the stage for continued cooperative efforts. NRC presented information on physical protection regulatory development, licensing, and inspections, and provided examples of relevant physical protection regulatory documents. GAN officials provided an overview of the status of GAN's regulatory program.

During September 1997, GAN officials participated in a workshop at NRC Headquarters that addressed the "Conceptual Development of a Design Basis Threat" (DBT) and physical protection vulnerability analysis. This workshop presented specific information on NRC's DBT, and included discussions with NRC threat analysis staff. In addition, representatives from DOE's Sandia National Laboratory provided a demonstration on "Computer Modeling for Vulnerability Assessment" and NRC physical protection specialists discussed NRC's specialized team inspections for performance evaluations (Regulatory Effectiveness Reviews "RER", Operational Safeguards Response Evaluations "OSRE" and assistance to Regional Inspectors in effectiveness testing of physical protection systems).

Licensing:

During August 1997, GAN participated in an NRC-developed material control and accounting (MC&A) licensing course at NRC Headquarters. The presentations included: (1) an overview on the general licensing process; (2) descriptions of standard format and content plans; (3) information on applicable NUREGS and Regulatory Guides; and (4) sample MC&A plans for Category I, II, and III facilities.

A similar course for physical protection licensing was developed by NRC, with contractor support, and was conducted in April 1998 for GAN inspectors at the Inter-Departmental Special Education Center in Obninsk, Russia.

Inspection:

Regional inspectors from each of GAN's seven regions participated in an NRC physical protection inspection course during August 1997 at the NRC Technical Training Center. NRC contractors, headquarters physical protection specialists, and several regional inspectors served as instructors for this course. This comprehensive coverage of NRC inspection procedures and methodologies included a visit to the Sequoyah Nuclear Power Plant, and concluded with a mock exit briefing presented by the training staff and NRC inspectors. In addition to GAN officials, this course was attended by regulatory officials from Ukraine, Kazakhstan, and Armenia (at the request of the Office of International Programs).

During October 1997, using contractor support, NRC conducted an MC&A inspection course for GAN inspectors in Moscow. The course addressed aspects of NRC's MC&A inspections at fuel fabrication facilities. GAN officials requested that the course be conducted again to allow inspectors from other GAN regions to attend. The course is scheduled to be conducted in Novosibirsk during August 1998.

NRC and GAN staffs periodically continue to accompany each other during facility inspections in the U.S. and Russia, respectively. These inspector accompaniments, which are listed below, demonstrate NRC inspection methodologies to GAN personnel and serve to familiarize NRC with GAN inspection methodology.

The inspection accompaniments were as follows:

- May 1996: NRC accompanied GAN on an MC&A inspection at the St. Petersburg Institute for Nuclear Physics.
- June 1996: GAN physical protection experts visited an NRC regional office and observed a physical protection inspection at the McGuire Nuclear Power Plant. GAN personnel held in-depth discussions with the regional inspector concerning inspection planning and practices, and observed "core inspection" activities and briefings with site management.
- June 1997: NRC accompanied GAN during an inspection of the Leningrad Nuclear Power Plant.
- July 1997: GAN observed a physical protection OSRE at the Braidwood Nuclear Power Plant. In particular, GAN personnel observed how this specialized NRC headquarters-based inspection team evaluates a nuclear power plant's ability to protect against radiological sabotage by focusing on the interaction of security and operations staff in the development of a defensive strategy against an assault. GAN officials were impressed with the results of this effort, and requested that NRC provide an OSRE workshop to GAN inspectors during 1998. (This activity is scheduled to occur during August/September 1998.)

Future Activities:

NRC and GAN officials will continue to meet on a periodic basis for regulatory program discussions, and for review of Russian plans for the development of its MPC&A regulatory program. These meetings assure that future GAN needs for NRC support are identified in a timely manner, and that an effective program plan is developed to address these needs.

Near-term planned activities for 1998 include the aforementioned OSRE and MC&A workshops for GAN in St. Petersburg and Novosibirsk, respectively. GAN will be accompanying NRC inspectors during an inspection of the Three Mile Island Nuclear Power Plant and NRC will accompany GAN inspectors during an inspection of the Beloyarsk Nuclear Power Plant in September.

During FY 1999-2001, it is anticipated that NRC will assist GAN through: (1) provision of suggested MPC&A guidance documents corresponding to the regulations currently under development by GAN; (2) support in the development of an MPC&A licensing program and associated standard review plans; (3) support in further development of the GAN inspection program, including the conduct of MPC&A inspection workshops; (4) assistance in the development of MPC&A facility plans and inspection procedures; and (5) continued inspection accompaniments in the U.S. and Russia. The conduct of these activities is subject to resource constraints at NRC and GAN.

UKRAINE

Virtually all NRC MPC&A assistance to the Ministry of Environmental Protection and Nuclear Safety (MEPNS) has been conducted under the auspices of the CTR program. Unlike the situation with the Russian regulator, DOE does not have a formal program of MPC&A regulatory support to MEPNS.

Regulatory Development:

No significant regulatory development assistance was provided to MEPNS since the regulatory document reviews identified in the previous program update, SECY-96-143.

Currently, NRC is providing assistance in the development of Ukrainian technical requirements for physical protection. This draft is scheduled to be forwarded to MEPNS in September 1998.

Licensing:

During October 1996, a physical protection licensing workshop was held for Ukrainian representatives at NRC Headquarters. This workshop presented an overview of the general licensing process, standard format and content plans, applicable NUREGS and Regulatory Guides, and provided sample physical protection plans for nuclear power plants and

Category I, II, and III facilities. This activity concluded with a visit to the Calvert Cliffs Nuclear Power Plant in Maryland.

Inspection:

In September 1996, MEPNS inspectors and facility security personnel observed an OSRE at the Diablo Canyon Nuclear Power Plant. MEPNS officials observed how this specialized NRC Headquarters-based inspection team evaluates a nuclear power plant's ability to protect against radiological sabotage by focusing on the interaction of security and operations staff in the development of a defensive strategy against an assault.

Inspectors from MEPNS participated in an NRC physical protection inspection course during August 1997 at the NRC Technical Training Center. Contractors, Headquarters physical protection specialists, and several regional inspectors served as instructors for this course. This comprehensive coverage of NRC inspection procedures and methodologies included a visit to the Sequoyah Nuclear Power Plant and concluded with a mock exit briefing presented by the training staff and NRC inspectors.

Future Activities:

NRC and MEPNS officials will continue to meet on a periodic basis for regulatory program discussions and for review of Ukrainian plans for the development of its MPC&A regulatory program. These meetings assure that future Ukrainian needs for NRC support are identified in a timely manner, and that an effective program plan is developed to address these needs. At the most recent program review meeting during December 1997, a long-term program plan was developed to schedule activities consistent with MEPNS' regulatory development plans. This plan provides for specific regulatory program assistance through FY 2001. This plan includes but is not limited to: (1) provision of suggested MPC&A guidance documents corresponding to regulations under development; (2) support in development of an MPC&A licensing program and associated standard review plans; (3) conduct of MC&A and physical protection inspection workshops; (4) conduct of an OSRE workshop; (5) assistance in the development of MPC&A facility plans and inspection procedures; and (6) continued inspection accompaniments in the U.S. and Ukraine. The timetable of NRC support in this program was developed under the assumption of adequate U.S. Government funding, and is subject to resource constraints at NRC and MEPNS.

KAZAKHSTAN

NRC MPC&A assistance to the Atomic Energy Agency of the Republic of Kazakhstan (AEARK) has been provided exclusively under the auspices of the CTR program. DOE does not have a formal program of MPC&A regulatory assistance to AEARK.

Regulatory Development:

During June 1996, NRC officials met with AEARK representatives in Almaty to gain in a more detailed understanding of AEARK's plans for the development and implementation of its MPC&A regulatory program, and to discuss AEARK's anticipated needs for future NRC support

in this area. During the meeting, at the request of AEARK, NRC agreed to perform an analysis of a draft version of Kazakhstan's Nuclear Law, and the analysis was completed and provided to AEARK during the second half of 1996. (The Law was signed on April 14, 1997.) NRC was also asked to develop a paper describing NRC's responsibilities for the physical protection of nuclear materials and facilities in the U.S. from theft, diversion, and radiological sabotage, as well as the role of other U.S. agencies in the support of this mission. With regard to the latter part of this request, based on information received during the discussions, NRC agreed to include suggestions for possible roles and responsibilities in the national physical protection program for Kazakhstan's Government agencies, based on the functions of equivalent U.S. Government agencies. These documents were completed and provided to AEARK during the summer and fall of 1996. The goal of this effort was to assist AEARK in the development of a State Concept of Physical Protection document, which would specify the duties and relationships of various Kazakhstan Government agencies.

Additionally, it was agreed that NRC would provide AEARK with proposals for further safeguards regulatory support for its consideration by the end of August 1996. The draft program was provided to AEARK on August 30, 1996, and during September 1996, AEARK informed NRC that there was complete agreement with the support proposals. The agreed-on cooperative program included detailed project time lines extending into 2001.

During August 1997, NRC officials discussed continued NRC regulatory development support with AEARK officials. The purpose of the meeting was threefold. The first was to discuss in detail regulatory approaches for MPC&A that would be useful to AEARK. The second purpose was to familiarize NRC with the current status of the MPC&A programs at the Alatau Research Center, and to assess the system enhancements made during the last year. The third was to review the proposed NRC support activities and time lines for the coming year, and modify the schedule, as necessary.

During September 1997, AEARK officials attended a workshop at NRC Headquarters that concentrated on the "Conceptual Development of a Design Basis Threat" (DBT) and NRC performance evaluations for vulnerability assessment. This workshop presented specific information on NRC's DBT and included discussions with NRC threat analysis staff. In addition, representatives from DOE's Sandia National Laboratory provided a demonstration on "Computer Modeling for Vulnerability Assessment" and NRC physical protection specialists discussed NRC's specialized team inspections for performance evaluations (Regulatory Effectiveness Reviews "RER", Operational Safeguards Response Evaluations "OSRE" and assistance to Regional Inspectors in effectiveness testing of physical protection systems).

NRC completed and forwarded a copy of draft MPC&A regulatory technical requirements to AEARK during October 1997. As a result of this effort, NRC was advised during March 1998 that AEARK adopted a significant portion of this draft as the official regulatory technical requirements for the nuclear industry in Kazakhstan.

The remaining activities in 1998 include NRC assistance in the development of guidance documents to support AEARK MPC&A regulations, and the presentation of a physical protection performance evaluation workshop in Almaty.

Licensing:

During December 1996, Kazakhstan regulators and facility representatives participated in an MC&A licensing workshop at NRC Headquarters. This workshop presented an overview of the general licensing process, standard format and content plans, applicable NUREGS and Regulatory Guides, and provided sample MC&A plans for Category I, II and III facilities.

AEARK requested assistance from NRC in conducting its first licensing activity at the Ulba facility at Us' Kamenogorsk, and this may be addressed during FY 1999.

Inspection:

During June 1996, NRC demonstrated how to inspect the MC&A systems of the Alatau Research Center, using NRC inspection procedures as guidelines.

In September 1996, AEARK inspectors observed the Diablo Canyon OSRE. AEARK officials observed how this specialized NRC Headquarters-based inspection team evaluates a nuclear power plant's ability to protect against radiological sabotage by focusing on the interaction of security and operations staff in the development of a defensive strategy against an assault.

AEARK personnel participated in an NRC physical protection inspection course during August 1997 at the NRC Technical Training Center. Contractor staff, Headquarters physical protection specialists, and several regional inspectors served as instructors for this course. This comprehensive coverage of NRC inspection procedures and methodologies included a visit to the Sequoyah nuclear power plant, and concluded with a mock exit briefing presented by the training staff and inspectors.

Future Activities:

NRC and AEARK officials will continue to meet on a periodic basis for regulatory program discussions and for review of Kazakhstan plans for the development of its MPC&A regulatory program. These meetings assure that future AEARK needs for NRC support are identified in a timely manner, and that an effective program plan is developed to address these needs.

NRC and AEARK have agreed to and documented an assistance plan for long-term activities. This plan provides for specific assistance under the aforementioned regulatory disciplines through FY 2001. This plan includes but is not limited to: (1) continued development of regulatory and guidance documents; (2) development of a licensing program, including a standard review plan and facility plans for four facilities; and (3) the development of an inspection program, including licensing procedures and NRC inspection accompaniments at the four Kazakhstan facilities. The timetable of NRC support in this program was developed under the assumption of adequate U.S. Government funding, and is subject to resource constraints at NRC and AEARK.

ATTACHMENT 4

CHRONOLOGY OF NRC'S MPC&A SUPPORT FUNDING

1994 - The Nuclear Regulatory Commission received Department of Defense (DOD) funding for material protection, control, and accounting (MPC&A) support to Russia, Ukraine, and Kazakhstan. (These funds were used in NRC support efforts through fiscal year (FY) 1998.)

September 1995 - NRC was notified by DOD correspondence that MPC&A program responsibilities were being transferred to the Department of Energy (DOE) commencing in FY 1996, and DOE would receive future MPC&A program appropriations in lieu of DOD.

September 1995 - Presidential Decision Directive/NSC-41 (PDD-41) entitled "U.S. Policy on Improving Nuclear Material Security in Russia and the Other Independent States" defined roles for DOE and NRC in the U.S. Government MPC&A support program.

April 1997 - NRC formally requested DOE assistance in acquiring funding for NRC to continue its MPC&A assistance to Russia, Ukraine, and Kazakhstan during future fiscal years. The letter provided background on NRC's efforts to date, described the reasons for additional projects and needs for associated funding, and provided estimates of the level of future funding for each regulatory agency. The letter included the following statement: "Acquisition of additional MPC&A funding by DOE is crucial for continuation of NRC's regulatory support program."

May 1997 - DOE responded to the April 1997 request, notifying NRC that an additional request for funds, which included funding support to NRC, was submitted to Senator Domenici during April 1997. DOE also recommended that representatives of the two agencies meet to discuss NRC's funding request in detail.

July 1997 - NRC staff met with DOE MPC&A Task Force staff and provided DOE with detailed information on projected NRC activities and estimated costs for FY 1998-2001 to support NRC's funding requests for future planned MPC&A support projects.

August 1997 - In relation to the detailed information provided in July 1997, NRC responded to a DOE request for information on the specific future NRC MPC&A support projects that would need additional DOE funding versus those NRC projects which would be covered by available Defense Special Weapons Agency (DSWA) funds. In particular, NRC provided DOE with revised FY 1998 cost estimate data delineating source of funding by project. (Note: At this time during FY 1997, it appeared that NRC would not have sufficient funding for all anticipated FY 1998 support projects. However, NRC was subsequently able to reschedule MPC&A support activities during FY 1998 to employ remaining DSWA funds without requiring additional funds for that time period.)

August 1997 - By letter to DOD, DOE requested on NRC's behalf that NRC's access to previously provided DOD funds be extended through September 1998. (This was in response to a June 1997 NRC request to DSWA to extend NRC's access to previously provided DOD funds through September 1998.)

September 1997 - DOD extended NRC's access to DOD-supplied funding for MPC&A support to Russia, Ukraine, and Kazakhstan through September 1998.

September 1997 - By letter, NRC supplemented its previous funding request for future DOE MPC&A support funding for program activities with a request to DOE to provide funding for NRC MPC&A program staff costs through the reimbursable agreement mechanism.

November 1997 - By letter, DOE responded to NRC's September 1997 letter. Unfortunately, the response did not usefully respond to the NRC request for funding of staff costs. (Instead of responding to this request, the response proposed that NRC MPC&A program staff be detailed to DOE in lieu of establishing a reimbursable agreement between NRC and DOE.) The letter also stated that DOE reviewed the proposed NRC program cost estimates and supported NRC's "continued involvement" with regulatory agencies in Russia, Ukraine, and Kazakhstan, but did not address the funding for these efforts.

January 1998 - NRC staff met with DOE MPC&A Task Force officials to address the issue of detailing NRC staff to DOE raised in the November 1997 DOE letter, and to receive an update on the status of NRC's funding request. At this meeting, NRC was informed that the April 1997 DOE request to Senator Domenici for future MPC&A funding for both agencies was unsuccessful. DOE had not taken any further action to acquire funding for NRC's MPC&A program support activities commencing in FY 1999. At the conclusion of the meeting, the Director of the DOE MPC&A Task Force advised the NRC representatives that he would look into the possibility of using DOE program funds for FY 1999 to support NRC regulatory work with the former Soviet Union (FSU).

March 1998 - By letter from the Nuclear Materials Safety and Safeguards Office Director (Carl Paperiello) to the Director of DOE's Office of Nonproliferation and National Security (Rose Gottemoeller), NRC addressed the Commission directive (via Staff Requirements Memorandum dated December 19, 1997, to SECY-97-207) to take appropriate actions to reopen negotiations to obtain reimbursable agreements for full recovery of NRC staff costs associated with safety and MPC&A support to countries of the FSU. The correspondence addressed the total funding needs, including NRC staff costs.

April 1998 - Staff met with DOE MPC&A task force officials to discuss the March 1998 letter to Ms. Gottemoeller and the status of NRC's MPC&A support program funding request. The DOE representatives suggested a possible collaborative role for NRC in DOE's future FSU activities. The suggested collaboration would entail: (1) joint project work plans and schedules for work with FSU regulators; (2) single-source contracting (i.e., DOE would directly fund DOE contractors for all of NRC's contractor tasks); (3) significant active involvement by NRC staff in DOE project meetings and programs, including travel; and (4) the identification of at least two NRC staff members to work with DOE in the regulatory support program.

June 1998 - By letter, DOE responded to the March 1998 NRC letter to Rose Gottemoeller. The response was not fully responsive to the NRC requests. No mention was made regarding DOE supporting NRC's full-time equivalent costs in the MPC&A support program. Though the letter stated that DOE will provide funding to NRC for MPC&A support, no specifics were provided, such as the amount of funding or the fiscal years to be covered, and a number of general conditions were listed for NRC to receive this funding. The letter requested that NRC develop "work plans" describing our proposed future efforts, and stated that these plans "... will be taken into consideration with all other MPC&A work."

July 1998 - By letter, NRC responded to Ms. Gottemoeller's June 1998 letter. The NRC letter stated that NRC will prepare work plans for the proposed NRC efforts for Russia, Ukraine, and Kazakhstan, as requested in the DOE letter, by updating and revising the MPC&A program and cost data previously provided to DOE. Also, NRC's response again requested DOE provision of funding for staff costs. Furthermore, NRC requested DOE to include, in its budget submissions starting with FY 2000, requests for funds specifically earmarked for NRC's MPC&A support program for Russia, Ukraine, and Kazakhstan.

1. During April 1997, NRC requested that DSWA provide a routine no-cost extension for NRC's FSU support funds beyond September 1997 to permit NRC to continue its FSU support work during FY 1998. The extension was discussed by DSWA and DOE representatives during a meeting in which DSWA requested DOE to inform DSWA in writing of DOE's support for the NRC funding extension. Largely as a result of the DOE letter, DSWA provided an extension to NRC's funding during September 1997, with the condition that the extensions would expire on September 30, 1998, and would not be extended again.