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Changes, Challenges, and
Opportunities in the New Millennium:
Opportunities for the Future

By

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Introduction

Good morning, ladies and gentlemen, and thank you for such a warm reception. I am honored to be the keynote speaker for this annual conference. Your theme for this year's conference is "Changes, Challenges, and Opportunities in the New Millennium" and I thought it would be useful to discuss the key issues facing the agency in the upcoming year. Not surprisingly, the topic of the new millennium has been on many people's minds, including my own. However, as I see it, aside from the Y2K issue, there is nothing particularly significant from a regulatory standpoint simply because of the arrival of a new millennium. Nevertheless, the coming of the year 2000, as with any milestone, provides an opportunity to look back, as well as forward, and reflect on where we, as an agency, have been and where we are going.

During the past year, the NRC has undergone a period of considerable change as part of our agency-wide efforts to increase the efficiency and efficacy of nuclear safety regulation. Yet, the Commission's statutory mandates and thus highest priorities, ensuring the adequate protection of public health and safety and the environment and security, has remained unchanged. In the coming year, we intend to continue to improve our regulatory programs in a way that will endure, maintain safety and provide stability, clarity, and predictability. I would like to discuss issues related to agency resources and then discuss some of the specific regulatory

issues that I believe will continue to be a focus of the agency's time and resources well into the next millennium, and how the IG's Office can assist in these endeavors.

Office of the Inspector General's Role

Before I turn to my first subject, I want to briefly touch on OIG's role in assisting the agency. As you are probably aware, the NRC's Office of the Inspector General (OIG) was established in 1989. As part of its mission, OIG (1) conducts and supervises independent audits and investigations of agency programs and operations, (2) promotes economy, effectiveness, and efficiency within the agency, (3) prevents and detects fraud, waste, and abuse in agency programs and operations, (4) develops recommendations regarding existing and proposed regulations relating to agency programs and operations, and (5) keeps the agency head and Congress fully informed of problems in agency programs. Your office, therefore, shares the agency's overall mission of ensuring adequate protection of public health and safety and the environment and security by assessing and reporting on the NRC's efforts to ensure that its safety-related programs are operating effectively. Thus the issues facing the agency in the coming year will have an impact on where your office is going in the new millennium.

Staffing and Funding

Although January 1, 2000 will for most of us mark the start of the new millennium, for those of us involved in finance and budgeting, fiscal year 2000 actually starts in October of 1999. Thus the first issue that will affect the agency is our FY 2000 budget. So, let me turn to this issue and the associated issues of staffing and funding first.

As you are aware, over the last five years, the agency has undergone downsizing, organizational realignment, and continued resource reductions. As a result, by the end of this fiscal year, actual NRC staffing levels are projected to be at the lowest level in more than 20 years, and our resources, when adjusted for inflation, are at an all-time low. We have decreased our staff-to-manager ratio to essentially 8:1.

Although in the coming year, we will continue to look for ways to improve operational and regulatory efficiency, we must also strive to maintain our current funding and staffing levels. As one of my first duties as Chairman, I testified before Congress in support of our FY 2000 budget request of approximately \$470 million (including \$6,000,000 for the Inspector General Appropriation). I am pleased to note that the Senate supported our funding request for the Salaries and Expenses Appropriations, although they recommended that the OIG appropriation be held at the FY 1999 level (\$48 million). The bill passed by the House would support the OIG funding request, but would reduce our Salaries and Expenses Appropriation by \$10 million. We are striving to have the \$10 million restored to our appropriations, however, we must be prepared for a possible reduction in our funding.

We are also in the process of transitioning to a more outcome and performance-based organization through the implementation of a disciplined Planning, Budgeting, and Performance Management process. This process was implemented with the FY 2000 budget cycle and supports an integrated approach to agency planning, budgeting, operations, and reporting, consistent with the Government Performance and Result Act requirements. Products of this process include the NRC's strategic plan, performance plan, budget, performance report, and assessments of progress towards our goals. These products establish the strategic direction

for the agency and identify major milestones and other details for the Congress to evaluate the Commission resource needs.

I would now like to turn to some of the important activities we are planning for the coming year. These areas of activities bring into sharp focus the ways the agency has already started to change with an eye towards the future.

License Renewal

The first area I'd like to address is reactor license renewal. As you are probably aware, the Commission has made it a top NRC priority to establish and implement a stable, predictable, and timely process for power reactor license renewal. Our policy statement lays out clear expectations for a streamlined and focused adjudicatory process in connection with the staff's review of license renewal applications. Using case-specific orders, we established an aggressive but reasonable adjudicatory schedule for reviewing the first two license renewal applications (for the Calvert Cliffs and Oconee plants). We also prepared procedures to control the reviews and to resolve generic renewal issues. NRC management meets monthly in a public forum with the applicants to monitor progress and the resources expended, and to resolve renewal issues. I am happy to report that, to date, all milestones have been met, and we have issued safety evaluation reports and draft supplemental environmental impact statements in support of the Calvert Cliffs and Oconee license renewal applications.

We also understand that we will receive the next license renewal application in December 1999 from Entergy for its Arkansas Nuclear One plant. Other applications from the Hatch and Turkey Point plants are expected in 2000, and we have asked for sufficient resources in our FY 2000 budget to handle the anticipated new applications. Lessons learned from the initial reviews may help to streamline later reviews even further.

Readiness for New Ownership Arrangements

Another area in which we have tried to anticipate change and plan for the future relates to our oversight of reactor license transfers. In a time of electric industry deregulation and utility restructuring, the Commission has taken specific steps to understand and respond appropriately to the effects that the changing business environment could have on the nuclear industry and especially on nuclear safety. We have worked with the Federal Energy Regulatory Commission (FERC), the Department of Energy (DOE), and other concerned parties to address issues regarding electrical grid reliability. We also developed and issued a revised rule that will better ensure the availability of funds for reactor facility decommissioning, and more broadly, are considering approaches to assure the adequacy of decommissioning funds in connection with license transfers, a matter that also has tax implications.

Perhaps the most significant effort in preparing for new ownership arrangements is our development and issuance of a rule on proceedings related to license transfers (Subpart M to 10 CFR Part 2) which establishes an informal streamlined hearing process for license transfers. Under this arrangement, the Commission expects to complete informal hearings and issue final decisions on most license transfer applications within about 6-8 months of when the application is filed. I would note that, in April 1999, we completed our review and approval of the license transfer requests for Three Mile Island Unit 1 and the Pilgrim station.

Also of interest in connection with license transfers is consideration of foreign ownership, control and domination. License transfers may involve a transfer to an entity that may be owned, controlled, or dominated by a foreign entity. Under sections 103d and 104d of the AEA, the NRC is precluded from issuing (or transferring) a license to an applicant if the NRC knows or has reason to believe that the applicant is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government (or is an alien, in the case of section 103d). The Commission has recently approved final guidance describing the process it will use to review such transfers.

Resolution of High-Level Waste Issues

My next topic may be the first that truly relates to the next millennium—in fact, key evaluations in this area have actually focused on the next ten millennia or more. As with the previous topics, however, I am convinced that the resolution of high-level waste issues must come much earlier. And as with the previous issues, Commission actions reflect a serious effort to anticipate and prepare for the next steps.

To preface my remarks in this area, let me say that the Commission remains firmly convinced that a permanent geologic repository is the appropriate mechanism for the U.S. to ultimately manage spent fuel and other high-level radioactive waste. The NRC continues to progress in its reviews and pre-licensing consultation under existing law related to the DOE program to develop a high-level waste repository. Based on the Nuclear Waste Policy Act and the Energy Policy Act of 1992, before licensing a repository, the NRC must consult extensively with the DOE to develop a regulatory framework, to evaluate the DOE site characterization and waste form, and ultimately, to determine whether the NRC can authorize repository construction and receipt of waste.

In the coming year, we expect to finalize this regulatory framework by issuing 10 CFR Part 63. As called for by the Energy Policy Act of 1992, Part 63 would implement health-based standards that apply solely to the proposed Yucca Mountain repository. The proposed Part 63, which we published for public comment in February 1999, proposed a radiation dose limit of 25 millirem a year from all pathways, which we believe will fully protect public health and safety and is consistent with recommendations of the National Academy of Sciences and other national and international advisory bodies. On August 19, 1999, the Environmental Protection Agency (EPA), in accordance with the Energy Policy Act, also issued proposed radiation standards for Yucca Mountain. The EPA proposed a 15 millirem limit and a separate groundwater standard. We intend to provide detailed comments on the EPA's proposed rule during the comment period, explaining why we believe the NRC standards are fully protective. Upon issuance of a final EPA standard for Yucca Mountain, or in the event of new legislation affecting HLW management, we expect to amend Part 63.

In addition, we are continuing to develop a Yucca Mountain review plan and to resolve key technical issues to prepare for reviewing the DOE license application expected in 2002. These activities aid in the ongoing review of the DOE draft license application and provide guidance to the DOE on what is needed for a complete and high quality application. On August 6, 1999, DOE published its draft Environmental Impact State for the Yucca Mount site. We expect to complete our review of this report in FY 2000.

As you can imagine, the issues related to high level waste will occupy a large portion of the agency's time and resources in the coming year.

Agreement State Program

My final topic is one I am very familiar with, that is the Agreement State Program. As you may know, I spent 15 years on the state side of the Agreement State Program, working for the Division of Radiation Control and Emergency Management at the Arkansas Department of Health, and I was the Arkansas Liaison with the NRC. Unlike the previous topics I've just discussed, where we have already initiated changes, the Agreement State program is an area that presents the opportunity for change in the coming year.

With the recent signing of the Ohio agreement, there will be 31 Agreement States. Several other States are actively pursuing Agreement State status including Pennsylvania and Oklahoma. Well over two thirds of materials licensees are now regulated by Agreement States.

One issue that the Commission will need to look at in the coming year arises from the fact that the Agreement States regulate a majority of materials licensees. Traditionally, NRC, initiates regulatory changes in the materials area and, in keeping with the requirements of the Atomic Energy Act, NRC has a well defined, extensive program for involvement of the Agreement States when it initiates regulatory changes, for example, in regulations. Then, when NRC regulations are amended, requirements and procedures for Agreement State compatibility provide for consistency between Agreement State and NRC requirements.

But while there is coordination with the State, in most cases NRC carries the burden for developing the regulatory changes. The question now arising as NRC resources decrease and as its responsibilities in the materials area diminish is whether there are more cost effective approaches for initiating regulatory changes in programs where the Agreement States and NRC have common interests? Is now the time, for example, to shift the burden for regulatory changes to the States?

Indeed, there are precedents for State initiatives in this regard. Current NRC regulations for well logging applications of radioactive materials and for testing of industrial radiographers for proficiency in radiation safety knowledge were initially developed and put into place by Agreement States. There was a reason for this. A great majority of well logging and radiography operations take place in the oil and gas producing States bordering or near the Gulf of Mexico, all but one of which are Agreement States. Given the number and proximity of these operations, it is not surprising that two of the States, Texas and Louisiana, recognized radiation safety problems associated with these activities and developed new regulatory approaches. NRC saw the wisdom of these initiatives and followed suit, as did the other Agreement States. With 31 Agreement States and two others having large licensee populations in the wings, the Agreement States are collectively the largest body of radiation safety regulatory expertise.

Further, the agency should consider utilizing such organizations as the Conference of Radiation Control Program Directors, Inc. (CRCPD), an organization of State radiation control programs whose membership also includes Federal and local radiation control program officials. The CRCPD's mission includes encouraging consistency in addressing and resolving radiation protection issues." The CRCPD has worked effectively with NRC and other Federal agencies to develop model State regulations for radiation protection. Its leadership has expressed an interest in taking a more active role in developing regulatory initiatives in the materials area. Has the time come to seriously look at this proposal? I think it has. It has the

potential for saving NRC resources in a way that is consistent with the provisions of the Atomic Energy Act, as amended.

OIG as a Partner for Progress

I want to take just a moment to talk about how the OIG can help the rest of the agency achieve our goals. Obviously your office, in carrying out its investigative function, must maintain an independence and separation from the rest of the NRC that is necessary and appropriate. Investigative results will themselves often highlight areas which go beyond the individual investigation and can lead to generic improvements in NRC activities. In the area of audits, however, the OIG's office has the opportunity to work together with the rest of the NRC to improve agency performance.

A good example of the benefits of working together can be seen by comparing it to how we have historically regulated the reactor industry. Historically NRC was perceived by some to have the mentality of "bring me another rock". Either in reality or perception, we seemed to tell licensees what was being done wrong but not how to do things right. At some point that attitude seemed to change. We have had to be careful to maintain independence, but, at the same time, we have recognized the mutual benefit to the agency, and the country, in having plants operate as well as possible. Now we spend more time talking to the industry about how to meet our requirements, which requirements are most crucial to safety, and we publish more guidance to assist licensees in being good, high quality licensees. I think the results, as evidenced by overall industry performance in the last decade, have been an improving safety record for the industry as a whole, even if there have been problems at a limited number of individual facilities.

Turning to your activities, I encourage you to take an approach that resembles the new NRC and not the old NRC. I do not mean to imply the OIG has a "bring me another rock" attitude. To the contrary, I know from conversations with Mr. Bell that your goal is to be as helpful to the agency as possible. I simply want to urge you at all times to look for ways that allow you to help the agency solve the problems your audits identify. I believe this can be done while maintaining necessary independence in conducting audits. Such a reasonable, mutually beneficial partnership can lead to faster and more efficient attainment of our common goals for the agency.

Summary and Conclusion

In closing, I hope I have given you some idea of where the agency is going in the coming year. The various issues I discussed are the many ways the agency is taking advantage of the opportunities the future presents. I've outlined some areas where improvements in our processes have been made and where there is the possibility of even further improvements in the coming year. With the help of your office, I believe that the agency is well situated to greet the coming of the new millennium.

Thank you.