

United States Nuclear Regulatory Commission
Office of Public Affairs
Washington, DC 20555
Phone 301-415-8200 Fax 301-415-2234
Internet: opa@nrc.gov

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REGULATORY INFORMATION CONFERENCE
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JAMES M. TAYLOR
EXECUTIVE DIRECTOR FOR OPERATIONS
U.S. NUCLEAR REGULATORY COMMISSION

Good afternoon, ladies and gentlemen. I am pleased to join you at the Nuclear Regulatory Commission's eighth annual Regulatory Information Conference. I view this as an important opportunity to share thoughts and information with you regarding key issues and topics of mutual interest.

As you know, today there are many challenges facing the nuclear industry and many will be discussed at this conference.

I will speak today about four issues that are of special interest to me and which are being emphasized by the NRC. These are: plant material condition and operator work-arounds, inappropriate NRC staff actions, NRC and licensee communications during plant events, and plant operation outside of design and licensing bases,

MATERIAL CONDITION AND WORK-AROUNDS

While the definition of the term "operator work-around" varies within the industry, operator work-arounds are generally considered to be degraded or non-conforming conditions that complicate the normal operation of the plant, and are compensated for by operator action. Under these degraded conditions, operators are sometimes compelled to implement compensatory measures which may adversely impact both on their ability to effectively operate the plant and to respond to transients and serious events.

It was almost two years ago to the day when Salem had a very serious event initiated by grass blockage of the intake structure. That was an event where operator work-arounds quickly complicated the response to the resulting plant transient. This event has become a cornerstone of training programs throughout the industry because of the significant message it sends about the adverse impact of operator work-arounds.

Maintaining material condition in the plant and identifying and correcting equipment problems in a timely manner cannot be over-emphasized. This will usually result in reduced operator work-arounds, lessen the burden on the operators during plant challenges, and allow them to focus on their primary duties without having to compensate for abnormal equipment conditions.

I find it very disturbing when I tour a facility and see numerous out-of-service tags, or if I become aware that a substantial amount of equipment is out of service or in a degraded status. These are clear warning signs that a licensee is not providing adequate attention to its material condition and is putting unnecessary burdens on its operators. I am concerned about plants in this condition because they are reducing their safety margin and if not corrected, sooner or later it will have an adverse impact.

The NRC pays attention to a plant's material condition when conducting licensee inspections and formal assessments. The NRC considers the extent, cause, and safety impact of poor material condition, including the potential impact of the aggregate of the deficient conditions on plant and operator performance. The NRC has a number of expectations of licensees in how they maintain material condition. I will briefly mention five of the ones I consider most important.

First, we expect that surveillances will be performed on schedule and that less-than-adequate equipment conditions will be identified and documented so that corrective actions can be implemented in a timely manner.

Second, we expect that engineering personnel will respond to requests for technical support by providing timely and accurate engineering evaluations of equipment problems.

Third, we expect that maintenance personnel will perform both preventive and corrective maintenance in a timely manner and work to maintain low backlogs by properly prioritizing, scheduling, monitoring, and completing maintenance activities. I can't emphasize this enough; plant staff must be very proactive when it comes to maintaining the facility's material condition. In particular, the maintenance staff must work to keep backlogs at a manageable level. Your operators will thank you.

Fourth, management should encourage a questioning attitude among its employees in order to foster an atmosphere that encourages aggressive identification and resolution of equipment problems.

Finally, management should provide adequate resources to ensure that equipment problems are resolved in a timely and effective manner.

I would further note that this emphasis on material condition applies not only to safety-related equipment, but also to balance-of-plant and non-safety-related equipment. You are probably aware that greater than two-thirds of plant transients occur as a result of material condition problems related to non-safety-related or balance-of-plant equipment. Just because it isn't in the technical specifications doesn't mean it can be ignored.

INAPPROPRIATE REGULATORY ACTIONS

My second issue is the apparent reluctance by some licensees to report staff regulatory actions or behavior that they feel are inappropriate.

The Towers Perrin report, which, as you know, was a critical review of NRC operations, stated that many licensees are sometimes reluctant to discuss issues with the NRC because of fear of retribution by the staff.

As EDO, I have the responsibility of ensuring that the NRC staff performs its tasks and conducts itself in a professional manner.

I take this responsibility very seriously and therefore I need to know when someone on my staff is abusing his or her regulatory authority or acting in an inappropriate manner.

Any licensee employee or official can communicate with the NRC about staff actions that are viewed as inappropriate. Such concerns can be communicated to the NRC in writing, by telephone, or during face-to-face meetings. Concerns can also be communicated directly to the Office of the Inspector General.

In June of 1995, I issued guidance for management resolution of inappropriate regulatory actions by NRC staff. The procedure establishes guidance for the EDO to receive, act on, and resolve issues raised by senior licensee officials regarding perceived inappropriate regulatory actions by the NRC staff. My deputy, Jim Milhoan, and Victor McCree, Chief of the Regional Operations and Program Management staff, have been designated as points of contact in my office to resolve such concerns.

Licensees are encouraged to provide specific information regarding the activities of concern, the identity of the NRC employee, and the identity of any involved licensee officials and employees. Upon receipt of the information from the licensee, my staff will coordinate the resolution of the concern. Should the concern be substantiated, corrective actions will be developed and implemented to prevent similar occurrences. If appropriate, I will notify the licensee in writing, indicating whether or not the issue was substantiated. Although the letter may indicate

the corrective actions taken, no details of any adverse personnel action will be included.

Inappropriate staff behavior or regulatory action is unacceptable. But I need your help - you must report instances of inappropriate action by NRC staff. I can't fix what I don't know about. When I do know, rest assured that I will address it promptly.

NRC - LICENSEE COMMUNICATIONS

The third issue that I would like to discuss is the importance of good communications between licensees and the NRC during significant plant events.

The regulations require licensees to notify the NRC Operations Center of the declaration of any emergency based on the classification in the licensee's approved Emergency Plan. This serves as the basis for a licensee's initial notification to the NRC. Licensees are also required to maintain an open continuous communication channel with the NRC Operations Center upon request by the NRC.

This requirement highlights the importance that the staff places on timely and accurate information from the licensee. The staff uses this information to assess the significance of the event and to provide the basis for further decisions regarding outside notifications and NRC response.

NRC management typically relies on both the resident inspectors and the licensee for real-time information about events in progress. We expect our resident inspectors to develop their own independent assessment of licensee performance and plant conditions through personal inspection of the plant and discussions with licensee personnel. In addition, direct discussions between NRC and licensee management ensure that both have a common understanding of the event.

Several documents, such as NUREG-0728, entitled "NRC Incident Response Plan" and NUREG-1471, entitled "Concept of Operations," discuss NRC responsibilities, organizations, and operations. These documents set forth the agency's philosophy for responding to various types of events. Extensive training on the concepts contained in these documents took place this year when over 300 State and licensee personnel attended our State Outreach training sessions that were held in each regional office.

Although the regulations, NUREGs, and other documents vary in their level of detail, there are three consistent messages in these documents that relate to NRC involvement in operating reactor events. First and foremost, the licensee is responsible for the safe operation of the facility. This includes taking any

and all actions deemed necessary to protect the public health and safety.

Second, the primary role of the NRC is to monitor activities to ensure that appropriate actions are being taken by the licensee. The resident inspector provides the initial site coverage and assessment function for the NRC until, if needed, a site team arrives.

The NRC's goal is to perform its monitoring and assessment function with as little impact as possible on operator's actions during an event while at the same time ensuring that NRC's evaluation is timely and accurate. Informing the NRC should not deter operators from putting the plant in a safe condition - which is their first responsibility.

Nonetheless, the NRC does depend on timely, accurate information from the licensee during events. If the NRC is doing its job, it will not interfere with licensee actions necessary to return the plant to a safe condition.

If the licensee is doing its job, it should provide the NRC with the information it needs within the timeframe of 50.72 and 50.73 reporting requirements.

OPERATION WITHIN THE LICENSING BASIS

The final issue that is of great interest to me is the need for a plant to operate within the envelope of its design and licensing bases. As you are all probably aware, this very issue was the focus of a recent Time magazine story. This article chronicles some of the problems at Millstone Station which have resulted from a failure to assure that the Millstone units are operated within the licensing and design bases.

The NRC recently issued Information Notice 96-17, entitled "Reactor Operation Inconsistent with the Updated Final Safety Analysis Report." I hope you all have had the opportunity to read this document. The notice contains the executive summary and the main text of Northeast Utilities' self-assessment report of conditions that led to the inaccuracies that exist in the Unit 1 Updated Final Safety Analysis Report. This is a very candid and frank report that identifies the fundamental factors that led, in some cases, to long-term operations outside the requirements of the FSAR.

These factors include a very narrowly focused approach to technical issues and their resolution, little evidence of a questioning attitude, limited tracking and trending tools to assess performance and program effectiveness, lack of respect for the FSAR, inadequate resolution of identified problems, and ineffective quality assurance programs that failed to identify or bring this pattern to management's attention.

The situation has frustrated me for some time, and the multitude of issues that have emerged over the last several months have led to the issuance of 50.54(f) letters for each of the three units at Millstone, requiring that they prove to NRC that future operation of the units will be conducted in accordance with the terms and conditions of the operating license, the Commission's regulations, including 10 CFR 50.59, and the FSARs. Based on several instances of not adhering to the license, in January of this year I placed at Millstone a 20-person special inspection team to dig deeper into this issue and determine how much this problem permeates this site and Haddam Neck, and to identify the impact on the capability of these plants to operate safely.

The team has not begun to evaluate the conditions at Unit 1, arguably the worst of the three units, and already a number of issues have been discovered at the other units. I want to share some of these with you, even though they may be preliminary in nature, just to let you know why our concerns appear to be justified. On Unit 3, the Turbine Driven Auxiliary Feedwater Pump was intentionally made inoperable during startup and shutdown evolutions, apparently because the discharge piping is only classified as moderate energy piping for high energy line break considerations. The importance of the AFW system cannot be overemphasized, and here the licensee has been disabling one-half of their AFW capacity instead of doing the right thing to upgrade the piping system.

On Unit 2, the licensee initiated a temporary modification to the Reactor Building Component Cooling Water Tank, due to concerns that it was not seismically qualified. This temporary modification, which has now been in place for almost a year, cannot be adequately described in words! However, it is an amazing jumble of wire ropes and straps, chains, wooden beams, and come-alongs. I could go on for a long time on this subject, but you should know that there have been many more examples identified - many of which have been in existence for years.

We have placed a tremendous amount of trust in licensees to operate their facilities in accordance with their operating license, the FSAR, the regulations, and other commitments that have been made to the NRC. A key element of this contract between the NRC and its regulated utilities is 10 CFR 50.59. This was promulgated in 1961 to allow licensees to make changes to their facility or procedures without prior NRC approval, as long as a change does not constitute an unreviewed safety question. Periodically, there has been misapplication of this regulation, and I will admit that the guidance that exists can be improved. In fact, we believe that a number of the issues of operating outside the design basis at Millstone have not been subjected to a 50.59 review.

Even though there is no indication that the current implementation of 50.59 has negatively impacted public health and safety, clearly improvements can be made to enhance everyone's understanding of the process and improve the consistency with which it is applied.

Because of recent concerns, I have asked the staff to perform a comprehensive review of the 50.59 process and make recommendations to improve how licensees fulfill the requirements of this rule and how the NRC provides oversight.

The industry developed NSAC-125 several years ago, which was a good step in this direction. While it has not yet been formally endorsed by the NRC, I have directed the staff to work with industry to either revise NSAC-125 so that it meets our needs, or to develop better agency guidance that will clarify how 50.59 is to be implemented.

I want to reemphasize how disturbing the situation at Millstone is. With nuclear power generation a mature industry, it is most distressing that an organization can treat its design basis with such disregard that issues fester for years, are ignored, or don't get fixed. Many of you have already come to the conclusion that cost containment which places you in a position significantly at variance with safety requirements is not the way to get the most out of your substantial capital investment. Your plants must be carefully maintained, be conservatively operated, and receive close attention from both design and system engineers so that they will last for the terms of their licenses, and possibly beyond.

I'm sure that you remember the commercial for a popular oil filter--"Pay me now, or pay me later." This adage has certainly proven itself time and time again in this industry and is most appropriate when applied to the current situation at Millstone.

Besides the issues that I have discussed, you will be considering many others during the conference. I hope that the conference will prove to be an interesting and informative one for each of you.

Now, I'd be happy to answer any questions you may have.