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Remarks of Ivan Selin
Chairman, U.S. Nuclear Regulatory Commission
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Good morning ladies and gentlemen. I am delighted to be here today, to talk to you about NRC programs and progress in areas of interest to you. The NRC is focusing its resources on seven key issues -- ensuring thorough but economical regulation of operating reactors, renewing operating licenses, certifying standard designs, safely using and transporting nuclear materials, cleaning up contaminated sites, safely disposing of nuclear waste, and, to a more limited extent, providing nuclear safety assistance to other countries. In addition to addressing these key areas, I will also comment on open communications with the public, our license fees, our efforts to comply with the Administration's program to reinvent government, the National Performance Review, and how I see the future of nuclear power.

1. Thorough but Economical Regulation of Operating Reactors

The overall safety performance for the 109 nuclear power reactors licensed to operate in the U.S. has improved, their reliability and availability have improved, their average plant operating and maintenance costs have decreased, and more plants are on the NRC's good performer list than at any time in the past. The improved safety performance is also evident in the key operational safety indicators monitored by the NRC, which include forced outage rates, automatic scrams while critical, and significant events.

We are focusing more of our regulatory effort on plants that lag the industry's mean, rather than spreading our efforts uniformly across all plants, both strong and weak. To implement this program, we have started pilot programs to develop customized inspection plans at selected sites. At the same time, there are ways we can safely streamline our regulatory process without diminishing protection of public health and safety. To this end, we are proceeding to implement the generic recommendations of the NRC's Regulatory Review Group. We have started to review specific requests from licensees to reduce

costly regulatory requirements which will not affect operational safety. Using this review process, one utility saved 15 million dollars last year and estimated continued yearly savings of eight hundred thousand dollars, through the submittal and approval of 13 cost beneficial licensing actions. The staff is also working with the industry on generic approaches to reducing regulatory burden. Examples of this activity include risk-based inservice inspection programs, a risk-based graded approach to resolving motor operated valve operability concerns, graded approaches to quality assurance, and performance-based containment leak rate testing. We have also implemented a major change to the Systematic Assessment of License Performance process. These changes enable NRC to focus its attention on safety significant findings, especially where poor performance is identified, and will improve our ability to communicate the results of our assessments to the licensee and the public.

2. Renewing Operating Licenses

While continuing our focus on ensuring the safety of existing operating reactors, we have been putting in place the license renewal mechanisms to help the nation reap the full benefit of existing nuclear plants. The staff is now preparing a straightforward license renewal rule. This rule will focus on the practices for managing potential age-related challenges, rather than on the underlying aging processes. These practices will depend heavily on ongoing plant maintenance programs.

The Babcock and Wilcox, Westinghouse, and Boiling Water Reactor Owners Groups have all started discussions with us on generic license renewal programs for their designed facilities. Under these programs, the owners groups would submit reports on license renewal topics that cover systems and components common to their reactors. We are also beginning to have discussions with two utilities -- Baltimore Gas and Electric Company and Virginia Power -- regarding license renewal programs for their plants. Virginia Power is looking at a 5 year license renewal for its four operating reactors. They estimate that renewing these licenses for 5 years will result in a net present value savings, in 1994 dollars, exceeding \$500 million.

3. Certification of Standard Designs

With respect to our program aimed at future standard reactor designs, significant progress has been made. We are pleased that after several years of effort by industry and the NRC, the staff is about to issue the design approvals for both evolutionary standard reactor designs -- the General Electric Advanced Boiling Water Reactor and the ABB-Combustion Engineering System 80+. We expect to complete rulemaking certifications of these designs in the next 18-24 months.

We also have two additional standard design applications under review for novel light water reactor designs which employ passive safety features and modular construction, Westinghouse's AP-600 and GE's Simplified Boiling Water Reactor. The review of both applications has begun. The proposed budget provides adequate resources to develop the independent information and analyses necessary to support our safety decisions on these new and unique designs. However, recent delays on the part of the vendors in implementing their own test programs for both passive designs will certainly affect the certification schedules.

4. Nuclear Materials

I would like to turn now to the use, transport, and disposal of nuclear materials. Two important areas where improvements are underway involve our Agreement States program, which covers approximately two-thirds of the nuclear materials licensees in the U.S., and our medical regulatory program.

We are developing a policy statement on agreement state adequacy and compatibility with NRC regulatory programs. We are also developing a pilot program, in consultation with the Agreement States, incorporating improved data collection and the use of common performance indicators for reviewing Agreement States programs and NRC-operated materials regulatory programs. This data will enable NRC and Agreement States management to take a more systematic and integrated approach to evaluate the strengths and weaknesses of the Agreement States material licensing and inspection programs. The pilot program will be implemented during the next 12 months.

For the NRC's medical regulatory program, we developed and have begun to implement a medical management plan to guide our licensing, inspections, and rulemaking improvements. Our objective is to ensure that the patients receive adequate radiation protection during medical procedures without undue interference by us in the practice of medicine. We are also having the National Academy of Sciences conduct an independent review of our regulation of the medical use of byproduct material.

We have also been given new responsibilities in the past year, to oversee the operations of the U.S. Enrichment Corporation. We have issued the proposed regulations required by the Energy Policy Act for these uranium enrichment facilities and expect to meet the October 1994 deadline to finalize them.

5. Cleaning Up Contaminated Sites

Our Site Decommissioning Management Program has allowed us to increase our oversight of previously contaminated sites to ensure satisfactory cleanup. We have been able to release for unrestricted use three of the 48 sites in the program and expect

to release two more in the near future. The staff expects future decommissioning activities at the remaining sites to accelerate as they become more routine. NRC has also undertaken an enhanced participatory rulemaking to establish cleanup criteria in regulation rather than in guidance.

6. Nuclear Waste Disposal

In the area of nuclear waste disposal, the NRC is providing the regulatory framework that will assist the states to regulate disposal of low-level radioactive waste. NRC is also responsible for licensing a high-level waste geologic repository. We have been participating in a wide range of activities including public meetings; meetings with State and local government representatives; review of site characterization plans, site selection criteria, conceptual designs, and quality assurance plans; and monitoring the work of DOE to facilitate the study and characterization of Yucca Mountain.

NRC is also working with States and the Compacts toward further development of low-level waste disposal facilities. NRC's role has been one of reviewing plans and designs and issuing guidance on a variety of topics, including highly engineered facilities. Although states are still having difficulty siting and licensing low-level waste facilities, measurable progress in Texas and in the Southeast Compact has been made in the last year. I remain quite optimistic on the eventual solution to the low-level waste problem.

7. International Safety Assistance

In the area of international nuclear safety we are continuing our active participation in a number of safeguards, waste management, and environmental protection activities. Because of our unique expertise, we have been actively involved in the past few years in implementing nuclear safety initiatives in Russia, Ukraine, and Eastern European countries. While some progress has been made, much remains to be done. We are continuing a variety of cooperative activities with our Western allies which allows us to learn from each other. We are also opening communication channels with the nuclear regulatory organizations of several Asian nations so that they have the means to create a regulatory environment similar to ours as they start to expand their nuclear power programs. I personally have logged 30,000 miles to Asian countries this year in an effort to assure that development and regulation move in tandem, thereby ensuring safe, and therefore economically sound, nuclear power programs.

COMMUNICATING WITH INTERESTED PARTIES AND THE GENERAL PUBLIC

Ensuring safe and economical nuclear programs here in the U.S. requires that openness and candor be incorporated in how we do business throughout the NRC. To that end, we are holding workshops around the country in a more structured and systematic way with the public, the industry, and licensees. We believe the enhanced participatory rulemaking on radiological decommissioning standards is a prime example of the importance we place on public participation in a very controversial and critical area. We have held a series of workshops around the country with EPA, with interested parties, and with the public, which fostered open discussions and the airing of differing views. The result is that the public has had an opportunity to put their opinions on the record and provide early input into a rulemaking which will establish criteria for residual levels of contamination after remediation of licensed facilities in their communities. As some of you have ruefully noted, the public has been heard in the draft rule.

LICENSE FEES

As part of this effort to communicate, I meet periodically with industry executives. On several occasions industry executives have commented on the impact NRC requirements and fees have on the competitiveness of nuclear programs. I have talked about what we are doing to improve regulation, now let's turn to fees. We are required by the Omnibus Budget Reconciliation Act of 1990 (OBRA-90) to recover approximately 100 percent of the budget authority, less the amount appropriated from the Nuclear Waste Fund. For fiscal year 1993, we recovered 98 percent of the budget through fees.

The Energy Policy Act of 1992 directed the NRC to review its policy for assessment of annual charges under OBRA-90, solicit public comment on the need for changes to this policy, and recommend to the Congress any changes needed in existing law to prevent placing an unfair burden on NRC licensees. Our report concluded that OBRA-90 should be modified to change the requirement to collect 100 percent by deleting the cost of selected activities from the fee base. First, beneficiaries of some NRC activities are not NRC licensees and therefore are not assessed their fair share of fees. Examples include certain international activities and oversight of and generic regulatory support to the Agreement State program. Second, some licensees bear the cost of NRC regulatory activities for other licensees who are exempted from fees by law or Commission policy. These are the legislative fee exemption for Federal agencies, the Commission fee exemption for nonprofit educational institutions, and the Commission fee reduction for small entities. For this reason, the legislative requirement to collect 100 percent of the budget authority through fees inherently places an unfair burden on licensees. While we have not received much support for our proposal, we still believe fees should more closely track the benefits received.

NATIONAL PERFORMANCE REVIEW

Our budget also reflects NRC's initial efforts to meet the goal of the National Performance Review -- that is, a more effective government. The NRC already had underway a number of the recommendations contained in the Vice President's report and is in the process of implementing most of them. We believe we are doing rather well in implementing the four fundamental principles of the report.

The Report's first chapter, *Cutting Red Tape*, deals mainly with streamlining the budget, procurement, and personnel processes, reorienting the inspector general function, eliminating regulatory overkill, and empowering State and local governments. The staff has been working to improve financial and procurement management over the past two years including closing old contracts, obtaining a better automated accounting system, and improving our procurement process. This effort allowed us to rescind \$12.7 million from our fiscal year 1994 appropriations and reduce our FY1995 budget request \$1.2 million below our FY1994 appropriations. These savings will be passed back to licensees through reduced fees.

Over the past several years the NRC has done a great deal to eliminate unnecessary regulatory requirements. For example, we have adopted a one-step licensing process and developed a technical specification improvement program. As I mentioned earlier, we are examining ways to give licensees more flexibility in plant operation and reduce operating costs while maintaining a comparable level of safety. Additionally, we have taken steps with the Environmental Protection Agency and the Food and Drug Administration to improve interagency coordination of regulations.

Although many of the topics in Chapter Two, *Putting the Customer First*, are not specifically related to a regulatory agency, we believe we are in tune with the spirit of the Chapter. The Commission has repeatedly stressed how critical it is to the future of nuclear energy that we act and make our decisions in an open atmosphere that will engender public confidence in our actions. The NRC has conducted a Regulatory Impact Survey of reactor licensees to determine utility views on the effect of the large number of NRC regulatory requirements imposed after the accident at Three Mile Island. As a result of this comprehensive survey the NRC made a number of changes in its organization and regulatory practice. We intend to extend this survey to the materials side. We have also been taking steps to ensure that we are fully responsive to the public at large by conducting several workshops in a wide variety of regulatory areas.

Chapter 3, *Empowering Employees to Get Results*, is the area in which we see our progress as mixed. We have had programs for quite some time to improve the work environment at NRC. On the

other hand, we need to do more to eliminate unnecessary layers of management, to consolidate small subunits throughout the agency that are inefficient and too narrowly focused, and to hold employees and top management more accountable for results. To this end, the three major offices have submitted reorganization plans to the Commission for review.

We have also taken steps over the past few years to address issues which relate to the final Chapter, *Cutting Back to Basics*, such as combining Regions IV and V, closing the Uranium Recovery Field Office in Denver, and centralizing certain functions at Headquarters that now are the responsibility of the Regions.

FUTURE OF NUCLEAR POWER

Having talked at some length about what the NRC is doing to be a more effective regulator, let me now turn to what I see for the future of nuclear power. For the United States, given the slow growth of demand for electricity, it is likely that the existing 109 operating reactors are the near-term future of nuclear power. These plants are safely generating power today and can continue to do so through the term of their current licenses and beyond. The NRC made the necessary preparation for a license renewal application and an application for a combined construction and operating license. However, the deciding factors in determining the future of nuclear power beyond the current licenses are economics, the disposal of waste (which I have already discussed), and the public's perception of the safety of nuclear power.

Today the electrical industry is facing unprecedented challenges. State public utility commissions are opening the doors to wholesale and retail wheeling and at the same time utilities are being asked to continue demand side management programs, access for independent power producers, and ensure reliable service on demand. As competition between utilities increases, nuclear utilities will be pressed to cut costs even more so than today. Our interest in the economics of nuclear power is related strictly to the impact on safety. NRC is trying to do its part to support efficiencies in both your and our operations through the steps described earlier. We will do our best to ensure that we do not impose unnecessary cost through overregulation or fees, however, we will not allow industry efforts to be more competitive to adversely impact plant safety.

In a recent speech at the NRC's Regulatory Information Conference, Commissioner Rogers talked about the public's perception of safety at nuclear power plants. Although you or your representatives probably attended that presentation, I want to impress upon you the importance of that message. The NRC and the industry can only succeed if the regulatory process and its results are accepted by the public and their elected representatives who mandate the regulation. We must realize that

the public perception of safety or lack of it can be almost as important as the reality of safety. A high visibility failure at a nuclear site -- even one with little nuclear safety significance -- may cause significant damage to the credibility of the regulator and the industry.

One recent example of such a problem was the recent turbine failure at Fermi. Although no one was injured and no safety-related equipment was damaged at Fermi, the extent of the damage to balance-of-plant equipment, the projected cost of the repairs, and the release of a large quantity of very slightly contaminated water created a lot of media interest and apprehension in the local communities. Because of the visibility of the event and level of public concern, there was also significant congressional interest. While the safety significance of the event from a radiological standpoint was minor, the impact on the public's view of the industry was not.

The staff's and the industry's handling of fire protection issues, Thermo-Lag in particular, is another such high profile problem. With the compensatory measures instituted at the plants that have Thermo-Lag, the problems associated with the use of Thermo-Lag have little impact on safety. However, the failure to come up with a long-range permanent solution to fire barrier problems in a timely manner has damaged the credibility of the industry in the eyes of the public and their elected representatives, while NRC's earlier performance on this issue is nothing to be proud of. The NRC staff has recently forwarded a paper to the Commission outlining four options for resolving the problems associated with Thermo-Lag. While the Commission has not made a decision on how to proceed to date, I think we now have a road map to reaching resolution on this issue.

One of the bright spots for the industry are the high standards the industry has set for itself and the tough self assessments that are being performed. I particularly want to commend INPO for its role in performing those assessments, especially the assessments of utility management. INPO has the unique ability to call upon the top senior utility managers in the industry to serve on teams performing assessments of utility management. In addition to the contributions these industry managers make to the utility under review, they also bring back lessons for their own utilities, effectively achieving the two-way communication on safety that the industry so badly needs. I encourage the industry and INPO to perform more of these tough management assessments. You, the industry, are in a much better position to perform these types of reviews than the NRC. By the time we see the effects of poor management, the utility's performance has usually taken a turn for the worse.

On more generic topics, the NRC has had a very successful relationship with NUMARC and we hope that same success continues now that that function is part of NEI. As representatives of the

industry, NEI provides the NRC with a single point of contact on issues that affect the industry as a whole. NEI can make commitments for the industry and deliver on these. They can also explain the NRC's viewpoint to the industry.

CONCLUSION

In conclusion, the NRC is committed to meeting its responsibilities for the safety of today's operating reactors and other NRC-licensed activities. We are trying to stay a step ahead of events; by so doing, we have been able to undertake additional responsibilities and invest in those programs which affect the future -- streamlining the regulatory process, renewing reactor licenses, certifying standard reactor designs, and regulating waste disposal, while slightly reducing our budget in real terms. We will continue to do all of this in a transparent manner that facilitates public understanding of our regulatory process.

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