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No. S-96-18

"PREPARING NRC FOR CHANGE"

BY

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TO THE

1996 NATIONAL STATE LIAISON OFFICERS' MEETING
ROCKVILLE, MARYLAND
OCTOBER 8, 1996

INTRODUCTION

Good morning ladies and gentlemen. It is a pleasure to meet with you, the National State Liaison Officers. I am delighted to participate in this meeting, and to share my views on some of the issues you will be addressing today and tomorrow.

Just one month ago, in the Commission's statement to our Congressional oversight subcommittee, I noted that the environment within which the U.S. Nuclear Regulatory Commission (NRC) operates is changing on many levels. I want to discuss this changing environment in the context of issues you will be discussing during this important meeting.

The NRC operates in a world of changing responsibilities, changing legislation, changing budgets, changing market forces, and changing stakeholder expectations. If NRC is to remain a viable, effective regulator in the midst of this, we must anticipate change; we must plan for it; and we must take the opportunities so afforded to make NRC stronger and more effective.

FULL FIVE-MEMBER COMMISSION

The first, most obvious change in recent weeks is that we now have a full, five-member Commission. This is the first time since June, 1993 that the NRC has had a full complement of Commissioners. The appointments of Commissioners Diaz and McGaffigan will enhance our deliberative process on policy issues. They join Commissioners Rogers, Dicus, and myself to provide a Commission with diverse backgrounds and perspectives to address the important work of the NRC.

STRATEGIC ASSESSMENT AND REBASELINING

Against the backdrop of change in our regulatory and fiscal environment, one of my first actions as Chairman of the NRC was to initiate a Strategic Assessment and Rebaselining of the agency. A steering committee drawn from most of the organizations within the agency has led this effort. The first phase of the initiative, the Strategic Assessment, involved a review and categorization of each agency activity to see if and how it tied to our statutory mission, Presidential Directives, or Commission policy, or if it had some other strong rationale for its existence. During the first phase the steering committee also identified key strategic issues, questions, and decision-making points to be addressed by the Commission, which were distilled and bundled into approximately twenty direction-setting issues.

Three weeks ago, the NRC issued the preliminary results of Commission consideration of the strategic assessment in the form of Direction-Setting Issue Papers, available on the World Wide Web and in our Public Document Room. In addition, each of you, as State Liaison Officers, were mailed a hard copy of the Issue Papers. Before making a final decision on the key strategic issues, we will seek and consider stakeholder input. The agency will hold public meetings over the next month in Colorado Springs, Chicago, and Washington, D.C., to talk to stakeholders about these issues and to seek their views. Once the Commission makes its final decisions in late 1996 and early 1997 on these key strategic issues, the results will form the basis for a new NRC Strategic Plan and the NRC FY 1999 budget request.

Let me give you some of my personal views on the Strategic Assessment initiative: As representatives of State Governments, you know that the Federal government is downsizing. Many of your States may be moving down the same path. In response to the Vice President's National Performance Review, we also are looking at ways to become more efficient and effective in regulating the nuclear industry. Even with constant or dwindling resources, we absolutely must remain protectors of the public health and safety in a changing fiscal climate. The Commission has directed the

staff to address all options on the key issues, and this effort has been marked by new thinking about how NRC regulates. The Strategic Assessment and Rebaselining initiative is providing a major contribution to bringing a comprehensive, agency-wide perspective to our decision-making process.

EXTERNAL REGULATION OF DOE

One of the most important potential areas that could cause a change for the NRC is evaluation and regulation of certain U.S. Department of Energy (DOE) activities.

In FY 1997, the NRC will begin working, through a Memorandum of Understanding, with DOE, on determining the primary and backup approach to tritium production. One alternative designated by DOE for evaluation is the production of tritium in commercial light-water reactors. The NRC will assist DOE in assessing and resolving technical and licensing issues to support a DOE decision on the primary and backup tritium production approach. The production of tritium under an existing commercial license would require DOE and NRC to develop mechanisms to assure that national defense production requirements will not conflict with regulation of the facilities, including facility shutdown for safety reasons. This would likely involve the use of multiple reactors for tritium production. The NRC will evaluate the necessary licensing requirements to implement a DOE option of producing tritium in commercial reactors.

In 1995, the DOE created an Advisory Committee on External Regulation. In its report, which was published last December, the Committee recommended that DOE be regulated externally and named NRC as one of two potential safety regulators, the other being the Defense Nuclear Facilities Safety Board.

NRC already has some oversight responsibilities for certain DOE activities, most notably the licensing of a high-level radioactive waste repository and the "greater than Class C" waste disposal facility. The Energy Policy Act of 1992 created additional oversight responsibilities for NRC in the form of a certification process for the U.S. Enrichment Corporation gaseous diffusion plants in Ohio and Kentucky. For years, we have consulted with DOE on the West Valley Waste Demonstration Project in New York, and we currently are evaluating the possibility of licensing future high-level waste vitrification facilities at DOE sites.

Many questions remain to be answered about NRC regulation of DOE, and of course, Congress must address budget and, if needed, pass implementing legislation before additional NRC oversight of DOE

facilities might occur. The Commission has not taken a formal position on the efficacy of external regulation of DOE's facilities, but, if that decision were made, the Commission does

feel that NRC would be the appropriate regulatory body to perform such an oversight role, given adequate resources and a reasonable time schedule to develop and initiate an appropriate regulatory program.

ELECTRIC UTILITY RESTRUCTURING

I have spoken of change within the NRC. Change is also affecting the electric utility environment and inevitably will impact on business practices of the U.S. electric utility industry.

At present, the industry is restructuring in an effort to become more competitive, in response to Federal and state regulatory initiatives. One concern for the NRC is the potential for economic pressures to affect maintenance and safety of operations. A second issue is ensuring that adequate decommissioning funds are available when needed.

Therefore, as the business environment changes, the NRC must ensure that nuclear electric generators continue to maintain high safety standards, provide sufficient resources to ensure safe nuclear operations, and have secure sources of decommissioning funding. I have asked the NRC staff to analyze this changing business environment carefully to determine whether our current regulatory requirements are satisfactory. The staff has proposed that the Commission initiate a rulemaking to provide adequate assurance of decommissioning funds for those power reactor licensees which are no longer economically regulated. We also are reviewing reportability requirements on the status of decommissioning funds, and strengthening our financial reviews of utility reorganizations.

HIGH LEVEL RADIOACTIVE WASTE PROGRAM

Another important area is the U.S. High Level Radioactive Waste Program. This area, too, has been marked by calls for change -- notably in the most recent Congressional session.

The continuous operation of many nuclear plants over a period of decades has meant a steadily mounting quantity of spent fuel, requiring special storage and disposal. The need to address and resolve this problem remains critically important.

I believe, based on what we know today, that a deep geologic repository is a technically feasible solution to the problem of permanently disposing of spent fuel and other high-level radioactive waste in the United States. The responsibility for constructing and operating such a facility rests with the U.S.

Department of Energy; licensing and regulating it is the responsibility of the NRC.

The delays in developing permanent disposal facilities, coupled with diminished space in spent fuel storage pools, have caused many utilities to turn to dry cask storage for spent reactor

fuel. NRC rules provide for both site-specific and general licenses for dry cask storage systems. At reactor sites, generic approvals of dry cask designs allow a nuclear utility to purchase and use approved casks without the need for site-specific licensing. Several such designs have already been approved, and the NRC's approach, when challenged, has been sustained by the U.S. courts.

The attractiveness of dry cask storage as an interim solution to the spent fuel storage problem, coupled with uncertainties in the repository program, has led to increased interest in the development of a centralized interim storage facility for the United States. Legislation was passed this year by the U.S. Senate, but was not taken up by the U.S. House of Representatives before Congress adjourned. The NRC believes that any legislation should provide for an integrated high-level waste management program, with three components: interim on-site storage, centralized interim off-site storage, and deep geologic disposal of high-level radioactive waste, primarily spent fuel.

REACTOR ISSUES

The final area of change I will discuss is operating reactors, for example, Millstone Units 1, 2, and 3, and Haddam Neck in Connecticut, that have been of particular concern recently.

The NRC is at different stages of follow-up on the problems at these plants, and the problems are not all the same. There are a number of safety issues involved. I would characterize some of the issues as stemming from ineffective corrective actions and from the plants not being operated in accordance with their licensing/design bases. These plants currently are shut down. In the case of Millstone, the Commission must approve the restart of each unit. An independent corrective action verification program also has been imposed by Confirmatory Order, on Northeast Utilities with respect to the Millstone units to verify that problems have been resolved before restart. In cases where our inspectors identify violations, we continue to take aggressive enforcement action. Let me assure you that as the Commission continues to address problems, our priority will continue to be to ensure adequate protection of the health and safety of the public.

As a result of the problems at and activities associated with these reactors, the NRC has initiated a number of actions. A comprehensive review of the reactor licensing and operational

oversight program is nearing completion. The staff conducted or will conduct special, design-basis inspections at some plants. Before these reactor-specific issues arose (several of which were identified by concerned utility employees), the staff had already concluded that improvements were needed in the NRC's management

of allegations. The agency implemented considerable changes to our allegation program, and the Commission issued two related policy statements: one on protecting the identity of allegers, and the other on freedom of nuclear industry employees to raise safety concerns without fear of retaliation. Our inspectors have improved inspection reporting to communicate results and conclusions more clearly to licensees and the public. Finally, our senior managers are revising processes for determining which plants will be placed on the "NRC Watch List," or warrant some other action.

The NRC has responded to plant problems with internal "lessons-learned" reviews. Changes resulting from the reviews are aimed at making us more effective regulators. Additionally, the NRC has reminded licensees of the importance of maintaining and complying with their design and licensing bases. These types of issues, and the verification of the existence and appropriate use of adequate plant design bases, guide our near-term oversight of problem reactors.

CONCLUSION

In conclusion, I have provided my views on a number of issues that you will discuss today and tomorrow, and how they confront the NRC with the need to adjust to our changing environment. The challenges of working in this evolving situation are many, but the potential for progress is great. Therefore, I am very excited about leading the NRC into the future.

Thank you for this opportunity to address you. I would be pleased to answer any questions, on these or any other topics, at this time.