

April 20, 2001

ALL AGREEMENT STATES
MINNESOTA, PENNSYLVANIA, WISCONSIN

**PROGRAM MANAGEMENT INFORMATION: NRC TEMPORARY INSTRUCTION
INVOLVING RECIPROCITY INSPECTION FREQUENCIES (STP-01-034)**

On February 13, 2001, the NRC released Temporary Instruction (TI) 1220/001, Inspection of Agreement State Licensees Operating Under 10 CFR 150.20 (enclosed). A copy of this TI can also be found on the NRC web site at http://www.nrc.gov/NRC/IM/1220_001.html. The document states that from February 2001 - February 2002, a pilot program will be performed by NRC Regional inspectors. With certain restrictions, the new yearly goal for conducting reciprocity inspections of Priority 1, 2, and 3 reciprocity licensees is 20%. This is a significant change from the current NRC goal to conduct reciprocity inspections for 50% of these licensees. NRC plans to poll the Regions in October 2001 regarding the effectiveness of the pilot and revise NRC Inspection Manual Chapter (IMC) 1220 as appropriate based on the results of the TI.

If you have any questions or comments regarding this correspondence, please contact the individual named below:

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STP-A-4

NRC INSPECTION MANUAL

NMSS/MSIB

TEMPORARY INSTRUCTION 1220/001

INSPECTION OF AGREEMENT STATE LICENSEES

OPERATING UNDER 10 CFR 150.20

1220/001-01 OBJECTIVE

To modify existing inspection frequencies and requirements of Agreement State licensees conducting licensed activities in non-agreement States, areas of exclusive Federal jurisdiction, and offshore waters, under the general license provided in 10 CFR 150.20. The modified frequencies and inspection requirements are more performance-based and will allow more effective use of U.S. Nuclear Regulatory Commission (NRC) resources.

1220/001-02 BACKGROUND

The policy and procedures for performing inspections of Agreement State licensees operating under the general license in 10 CFR 150.20 are found in Appendix III, MC 1220, "Inspection of Agreement State Licensees." The number of reciprocity inspections per year has been based on inspecting a fixed percentage of each Program Priority Code. The new program will lump Program Priority Codes 1, 2, and 3 into a single group, and will require that 20 percent of this group be inspected each year. This will constitute the core inspection program for each Region. The remaining (lower-priority) reciprocity licensees will be inspected as resources and events dictate. This will constitute the non-core inspection program. This inspection regimen will provide a more risk-informed focus for NRC inspection of reciprocity licensees, and will provide the Regions greater flexibility in the use of available inspection resources. Additionally, the scope of inspections is being revised to eliminate paper reviews in licensee offices. All inspections will now be performed in the field to ensure that licensed work is being performed safely and in accordance with the applicable regulations and license conditions. This is a more performance-based approach than the previous inspection scope.

1220/001-03 INSPECTION REQUIREMENTS

During calendar year 2001, as a pilot program, regional inspections of reciprocity licensees will be performed based on the modified inspection frequencies and locations found in the attached Modified Appendix III, "Inspection of Agreement State Licensees," from Inspection Manual Chapter (IMC) 1220. The pilot program will not affect the performance of the inspections found in Inspection Manual Chapter 2800, "Materials Inspection Program."

The pilot program will begin in February 2001, and will involve the participation of all four of the regions. The program will run for 12 months. The regions will provide comments concerning their evaluations of the pilot program to Division of Industrial and Medical Nuclear Safety (IMNS) at the end of the pilot program, and IMNS will incorporate any necessary changes, resulting from the pilot program, into the final guidance in IMC 1220.

1220/001-04 INSPECTION GUIDANCE

The criteria for the proposed pilot program are contained in the attached modified IMC 1220.

1220/001-05 COMPLETION SCHEDULE

This Temporary Instruction (TI) will become effective on February 1, 2001, and will be in effect for 1 year. On or around October 1, 2001, IMNS will poll the regions regarding the effectiveness of the pilot program. Inspection Manual Chapter 1220 will be revised, as appropriate, based on the results of this TI.

1220/001-06 EXPIRATION

This TI shall remain in effect until January 31, 2002.

1220/001-07 CONTACT

Questions about this TI should be addressed to Susan Greene, Materials Safety & Inspection Branch (MSIB), Nuclear Material Safety and Safeguards (NMSS)/IMNS, at 301-415-7843, or Fred Brown, at 301-415-8731.

1220/001-08 ORIGINATING ORGANIZATION INFORMATION

08.01 Organizational Responsibility. MSIB/NMSS initiated this TI.

08.02 Resource Estimate. This TI will decrease the number of inspections performed, but will have no effect on the amount of on-site inspection hours per inspection.

The time to compile the data and prepare the report, for MSIB/NMSS, containing the final statistics, regarding the modified inspection frequencies and locations for reciprocity licensees, is estimated to require less than 4 staff-hours for each region.

END

**Attachment:
Modified Appendix III**

ATTACHMENT
MODIFIED APPENDIX III
INSPECTION OF AGREEMENT STATE LICENSEES

A. PURPOSE

Policy and guidelines for performing inspections of Agreement State licensees working under reciprocity.

B. INSPECTION

The regional office(s) that have U.S. Nuclear Regulatory Commission (NRC) jurisdiction in the area(s) in which the Agreement State licensees will operate shall take the following action:

1. Frequency

Inspections of Agreement State licensees operating under general licenses under 10 CFR 150.20 should be conducted using the same provisions used for equivalent NRC-licensed activities, except as specifically defined in this chapter. These provisions include, but are not limited to, inspection processes and inspection records as defined in NRC Manual Chapter 2800 (MC 2800). However, the inspection frequencies for reciprocity licensees are not subject to the provisions in MC 2800 and are not to be extended for good licensee performance.

To determine if a reciprocity licensee should be a candidate for inspection, the region processing the initial NRC Form 241 request should do the following:

- a. Determine if the reciprocity licensee has had NRC escalated enforcement in the past 2 years.
- b. Review the Nuclear Materials Event Database (NMED) to determine if the reciprocity licensee has had a significant NMED event (e.g., source disconnects, lost sources, overexposures) in the past 2 years.

If NRC has inspected the reciprocity licensee (in the field), in the last calendar year, and the licensee has not had escalated enforcement or a significant NMED event in the past 2 years, then the reciprocity licensee is NOT to be considered a candidate for inspection. All other reciprocity licensees are to be considered candidates for inspection.

The percentages of inspections of reciprocity licensees to be inspected each year are based on the number of candidates for inspection per region. The percentages of inspections by program code and priority should be as follows, with Priorities 1 through 3 as Core Inspections and the remaining priorities as non-Core Inspections:

Priorities 1, 2, and 3 program codes - 20 percent of the candidate licensees from the candidate pool are to be inspected each year.

All other program codes - Are to be inspected each year, as resource and inspection schedules permit.

NOTE: If the work to be performed by the reciprocity licensee (who is a candidate for inspection) is within a Region other than the Region that received the Form 241, the Region receiving the Form 241 should promptly notify the Region where the work is to be done of the Accession Number of the Form 241 and supporting documentation.

NOTE: In cases where a licensee performs reciprocity activities in several regions, the Region with the first opportunity to inspect the licensee at a work site should do so. The completed inspection should be recorded as a completion for the inspecting Region. The inspecting Region should notify the Regional Office responsible for the area in which the Agreement State licensee is located.

2. Location

Inspections of Agreement State licensees operating under reciprocity in areas of NRC jurisdiction pose many difficulties, such as short lead time and logistics. Nevertheless, reciprocity inspections are to be conducted during actual field work. Such inspections should be unannounced, but may be announced, when necessary, in the interest of effectiveness and efficiency.

C. INSPECTION REPORTS AND ENFORCEMENT ACTION

Inspection records (unless escalated enforcement action is anticipated) shall be prepared for all inspections of Agreement State licensee activities. The inspecting Region should enter any pertinent information [as described in the Reciprocity Tracking System (RTS) Users Manual] about inspections and escalated enforcement actions into the RTS. The inspection report number should be recorded in the comment field in the RTS.

Note: For assist inspections, follow the procedures in MC 2800.

"General Policy and Procedure for NRC Enforcement Actions," NUREG-1600, shall be used as the policy and criteria for taking enforcement actions against the licensee. Copies of the enforcement correspondence shall be sent to:

The Agreement State authority issuing the license under which the Agreement State licensee is operating;

The NRC regional office in which the Agreement State is located; and

Other distribution, in accordance with existing procedures.