

POLICY ISSUE (Notation Vote)

June 24, 2006

SECY-06-0144

FOR: The Commissioners

FROM: Luis A. Reyes
Executive Director for Operations /RA/

SUBJECT: PROPOSED REORGANIZATION OF THE OFFICE OF NUCLEAR
REACTOR REGULATION AND REGION II

PURPOSE:

To obtain Commission approval to reorganize the Office of Nuclear Reactor Regulation (NRR) and Region II. The purpose of the reorganization is to better prepare the agency for the anticipated new reactor licensing and construction inspection work while ensuring that the agency maintains its focus on the safety, security and emergency preparedness of currently operating facilities.

BACKGROUND:

Since the President signed the Energy Policy Act of 2005 (EPA of 2005) on August 8, 2005, the U.S. Nuclear Regulatory Commission (NRC) has seen a substantial increase in the number of utilities and other entities planning to submit design certification, operating license (COL), early site permit (ESP), and limited work authorization (LWA) applications in fiscal year (FY) 2007, FY 2008, and FY 2009. The agency expects the COL and ESP applications to be submitted within a relatively short time span, creating a large increase in the new reactor licensing workload. As of June 22, 2006, industry has informed the NRC of plans for 18 COLs for 25 units. Industry has advised the NRC that additional applications should be expected in FY 2009 and beyond and that ground-breaking for new reactors could occur in late FY 2008 or early FY 2009. Concurrent with these reviews, the workload associated with operating reactors is

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expected to remain relatively stable. As a result, the agency continues to face significant challenges to provide appropriate focus on new reactor licensing and construction inspection activities while maintaining vigilance over the continued safe and secure operation of the existing reactors.

In SECY-05-0146, "Proposed Reorganization of the Office of Nuclear Reactor Regulation," dated August 12, 2005, the staff laid out its plans to reorganize NRR. NRR reorganized in October 2005 to: (1) prepare for and discharge the increase in the new reactor licensing workload, (2) improve the alignment of the organization for risk-informed regulation, and (3) reduce a layer of executive management to allow an increase in the number of first-line supervisors. In SECY-05-0146 it was recognized that the implemented reorganization would support anticipated growth for FY 2006 and FY 2007, but resources for the out-years would be subject to change. The currently anticipated growth for FY 2007 and FY 2008 far exceeds the anticipated growth used in the development of SECY-05-0146.

In SECY-06-0041, "Proposed Strategy to Support Implementation of the New-Reactor Construction Inspection Program," dated February 22, 2006, the staff proposed a strategy for implementing the construction inspection program (CIP) activities. In the Staff Requirements Memorandum for SECY-06-0041, dated April 21, 2006, the Commission approved an initial approach for implementing the CIP for new reactors. The Commission directed the creation of a dedicated organization in the Region II Office that will have responsibility for implementation of construction inspection activities across the country, including both the day-to-day onsite inspections and the specialized inspection resources needed to support NRC oversight of the construction of new nuclear power plants.

DISCUSSION:

With projected growth of new reactor work, the agency needs to be prepared to provide sufficient focus on safety, security and emergency preparedness for currently operating facilities and for the anticipated new reactor and construction inspection work. Therefore, organizational changes are proposed that will establish dedicated offices with separate accountability for operating facilities and new reactor safety. The proposed reorganizations of NRR and Region II are (1) responsive to the projected new reactor and construction inspection workload, (2) responsive to the Commission's expectations for the successful discharge of the agency's reactor licensing and regulatory responsibilities, and (3) consistent with the agency's accountability management expectations for new reactors and construction inspection programs.

Organizational Structure and Authority

The proposed reorganization would: (1) divide NRR into two offices, resulting in the establishment of an Office of New Reactors (NRO), with NRR focused on maintaining the safety, security, and emergency preparedness of currently operating facilities, and NRO focused on the anticipated new reactor licensing and construction work (discussed in Enclosure 1); and (2) establish a dedicated construction inspection organization for new reactors in Region II that will report to a new Deputy Regional Administrator for Construction (discussed in Enclosure 2). To implement these changes effectively and in a manner

consistent with the Commission's expectations for management accountability, the Director, NRO, should be authorized to issue permits and licenses for new reactor facilities in accordance with 10 Code of Federal Regulations (CFR) Part 52.

The proposed changes apply to those organizations most directly affected by the anticipated new reactor work. This new work will affect other offices, as well. Thus, the staff will continue to evaluate changes to improve organizational effectiveness and efficiency and prepare them for Commission review, as appropriate.

Impact on Senior Executive Service (SES) Positions

The growth of NRC staff to accommodate the increased new reactor and construction inspection workload will require 14 additional SES positions over the FY 2006 level. The proposed reorganization accounts for 2 of the additional SES positions.

Fiscal Year		NRR	NRO	Region II	total	Reorganization adds
FY 2006	current	26	0	7	33	
By the end of FY 2007	with reorganization	23	12	14	49	2
	without reorganization	34	0	13	47	

Two new SES positions are created for the Deputy Director NRO and Deputy Regional Administrator for Construction, Region II. This organization would also have a director and deputy director in each division of NRR, NRO, and Region II, with the exception of the Division of Operating Reactor Licensing, NRR, which would continue to have a director and two deputy directors. These positions would be needed to support staff growth and are independent of the proposed reorganization. In addition, Program Management, Policy Development, and Planning Staff (PMAS), NRR, which will support both NRR and NRO, would continue to have two SES positions for a director and a business process integrator (BPI) to coordinate NRR's and NRO's interactions with other NRC offices regarding the needs of new reactor regulation during the transition period. Additional functional alignment of PMAS will be effected as soon as efficiencies can be achieved.

The proposed reorganization will accommodate the currently projected growth for FY 2007 and FY 2008 of the new reactor licensing and construction inspection workload. However, resources for the out-years are subject to change and may necessitate further reorganization.

In order to implement the changes proposed in this paper, the Office of Personnel Management (OPM) would need to authorize additional SES billets to the NRC. The Office of Human Resources (HR) is currently in the process of requesting additional positions to meet this organizational proposal as discussed in my May 26, 2006, memorandum to the Commission.

As part of the proposed reorganization, the staff will reconsider the existing number and placement of Senior Level Service employees and make appropriate adjustments as needed.

Consistency with Agency Supervisory Ratio Target

The staff has evaluated the impact of the proposed reorganization on various management targets for NRR, NRO and Region II and believes relief from the 8.5:1 staff to supervisory ratio is necessary. The agency must select supervisors and managers in anticipation of fully staffing the organization. As was discussed in SECY-05-0146, the large number of new employees to be hired over the next several years requires smaller branches and enhanced supervision. In addition, first line supervisors will require more time to build and develop the staff needed to support activities related to both operating reactors, new reactors, and the construction inspection program. Therefore, the recommended organization will be unable to meet the 8.5:1 staff-to-supervisory ratio initially, but the staff expects the affected organizations to return to the 8.5:1 staff to supervisory ratio after a transition and stabilization period.

Implementation of the Proposed Organization

Upon Commission approval, the reorganization would be implemented once appropriate union interactions and staff consultations have been completed. NRR and Region II management would hold preliminary discussions with their labor/management partnership committees on the basic framework, goals, and objectives of the proposed reorganization. The staff believes that any further changes to the proposed organization would not significantly impact the basic structure or concepts discussed herein.

Creation of the new organizational units in NRR Headquarters and Region II will require additional office space. Temporary office space has been contracted for both Headquarters and Region II and will be available for occupancy in October 2006. Transition to the new organizations is scheduled to start commensurate with space availability. Reorganization of Region II can be accomplished quickly due to the limited number of existing personnel moves required for implementation. Creation of NRO will be more involved, requiring co-location of many existing NRR staff to new dedicated office spaces that will not be immediately available. Implementation of the reorganizations will be completed 3 months after sufficient space is available. This extended implementation period will assist with planning for a smooth transition to two offices during a period of rapid personnel growth, facilities changes, and an increased reactor safety workload.

The staff would implement the proposed reorganization as follows:

- Complete the reorganization in NRR and NRO no later than January 1, 2007
- Complete the reorganization in Region II no later than October 1, 2006

RESOURCES:

The current FY 2007 budget estimate, which includes the additional \$40 million for new reactor activities, is sufficient to accommodate the recommended organizational changes. The Office of Chief Financial Officer (OCFO) and OEDO FY 2008 Budget proposal to the Chairman provides increased resources for new reactor licensing, including sufficient funding and full time employee (FTE) to implement the recommended organizational changes.

COMMITMENTS:

- 1) The staff commits to implementing the reorganization consistent with the recommendations discussed below and upon Commission approval.
- 2) The staff will make this paper publically available upon Commission approval and upon completion of the associated communication plan.

RECOMMENDATIONS:

The staff recommends that the Commission approve the following:

- 1) The proposed NRR and Region II reorganizations as discussed herein.
- 2) Establishment of the Office of New Reactors with the authority to issue permits and licenses for new facilities in accordance with 10 CFR Part 52.

COORDINATION:

The Office of the General Counsel has reviewed this paper and has no legal objection to the proposed reorganization. The Office of the Chief Financial Officer has reviewed this paper and has no objection to the proposed reorganization.

/RA/

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Executive Director
for Operations

Enclosures:

1. Reorganization of the Office of Nuclear Reactor Regulation
2. Reorganization of Region II
3. Functional Statements

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*SEE PREVIOUS CONCURRENCE

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DATE	6/ 21/2006	6/ 21 /2006	06/24/2006			