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UNITED STATES NUCLEAR REGULATORY COMMISSION
BRIEFING ON NUCLEAR SECURITY AND INCIDENT RESPONSE (NSIR)
PROGRAMS, PERFORMANCE, AND PLANS

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WEDNESDAY

MARCH 7, 2007

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The Commission convened at 9:30 a.m., Dale E. Klein, Chairman, presiding.

NUCLEAR REGULATORY COMMISSION

DALE E. KLEIN, CHAIRMAN

EDWARD MCGAFFIGAN, JR., COMMISSIONER

JEFFREY S. MERRIFIELD, COMMISSIONER

GREGORY B. JACZKO, COMMISSIONER

PETER B. LYONS, COMMISSIONER

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2 PRESENTERS:

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LUIS REYES, EXECUTIVE DIRECTOR OF OPERATIONS

4

ROY ZIMMERMAN, DIRECTOR, NSIR

5

MELVYN LEACH, DIRECTOR, DIVISION OF PREPAREDNESS

6

AND RESPONSE, NSIR

7

PATRICIA HOLAHAN, DIRECTOR, DIVISION OF SECURITY

8

POLICY, NSIR

9

DANIEL DORMAN, DIRECTOR, DIVISION OF SECURITY

10

OPERATIONS, NSIR

11

MIRIAM COHEN, DIRECTOR, PROGRAM MANAGEMENT AND

12

POLICY DEVELOPMENT AND ANALYSIS, NSIR

13

VICTOR MCCREE, DIRECTOR, REGION II, DIVISION OF

14

REACTOR SAFETY

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CHAIRMAN KLEIN: Good morning. What surprised me this morning was on the way in, I was surprised to hear all the school closings with the threat of snow as opposed to real snow. So it's good to see that you are all here.

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We are meeting this morning to hear about the status of the Nuclear Security and Incident Response Program activities. Obviously, this is something important to all of us and certainly visiting with Mel and the Operations Center and watching how we respond is certainly an important activity. So we look forward to getting an update this morning.

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Any opening comments from the fellow Commissioners? Luis, it's all yours.

MR. REYES: Good morning, Chairman and Commissioners. The staff is ready to brief the Commission. Last we briefed you on the program of Nuclear Security and Incident Response was March of last year, so it's been about a year since we've been through that process.

As you know we have two briefings; one this morning which is open to the public and in the afternoon we're going to closed session with some of the discussions that have to be held in that kind of environment.

With me at the table are Roy Zimmerman and his executive team and then we also have Victor McCree from the Region who will talk a little bit about the Regional perspective. With that, Roy.

MR. ZIMMERMAN: Thanks, Luis. Good morning Chairman,

1 Commissioners. We look forward today to have this opportunity to be able to
2 share with you the status of a variety of the programs that we have responsibility
3 for.

4 At the start let me identify the individuals at the table from NSIR. To my far
5 left, Trish Holahan is the Director of Division of Security Policy; Dan Dorman,
6 Director of the Division of Security Operations; to my right Miriam Cohen, Director
7 of the Division of Program Management, Policy Development and Analysis; Mel
8 Leach, Director of the Division of Preparedness and Response. Mel is new in the
9 position and has just taken over a week or so back from Eric Leeds.

10 As Luis said, we are also very pleased that Vic McCree was able to join us
11 today and provide the Regional perspective. Our intention this morning is I'll
12 provide an overview of our accomplishment activities then each of the divisions will
13 address the key challenges in each of their areas and then Vic will provide the all
14 important Regional perspective on performing these programs and then I will
15 summarize at the very end. Next slide, please.

16 The agency continues to effectively respond to off normal events,
17 monitoring situations as they unfolded from both headquarters and the appropriate
18 Regions and using resident inspectors as needed as well. The number of off
19 normal events was down in 2006, similar to it being down in 2005 and the
20 longer-range trend shows that it has continued to go down over basically the last
21 10 years.

22 The industry and the public in a post 9/11 environment have maintained a

1 heightened sense of awareness around the facilities, which we appreciate. We
2 receive a fair number of phone calls, usually a couple hundred or so a year, that
3 our Information Assessment Team looks at, made up of headquarters, the
4 Regions. We interact with other agencies to go over those suspicious reports
5 with license plate numbers, driving slowly or pictures being taken. We work with
6 those entities in order to be able to understand and resolve as much information
7 as possible from those reports that we again very much appreciate.

8 We maintain a high degree of event readiness as well. We have 24/7
9 coverage in our Operations Center. We have over 200 trained emergency
10 response personnel as well. So 24/7, two Ops Officers and the training folks.

11 The NRC was recognized with regard to Hurricane Katrina. We were
12 recognized by the Senate, Environment of Public Works Committee that we
13 responded well to Hurricane Katrina.

14 We recognize though that there's always lessons to be learned and we
15 have been working with those and they will be discussed by Mel later in the
16 presentation.

17 We participated in a large number of exercises during this period of time,
18 totaling about 12. We had three full participation exercises. We did the typical
19 radiological release exercises. We did table tops with DHS, FBI and NORAD all
20 looking at roles and responsibilities and terrorist attack at one of our facilities.

21 There was a flu pandemic workshop that was done with the industry. We
22 simulated a major - part of the national top official exercise. It was a simulation of

1 significant weapons of mass destruction event in the national capital region which
2 tested our continuity of operations plan as a number of Commissioners and senior
3 officials deployed to various geographical locations across the country to be able
4 to demonstrate that we retained our continuity of operations. Senior managers
5 also toured NORAD and took place in a live fly exercise.

6 The Force-on-Force and security inspection programs have both matured.
7 force-on-force program is more realistic. We have now covered 49 sites through
8 the new, improved force-on-force program.

9 The licensee performance overall has been quite good in response to the
10 force-on-force activities that have been completed. The revised inspection
11 program has been in use for three years. It has proven to be very effective.

12 The findings are all run through a panel for consistency, so how we handle
13 them in Region I is the same as in Region IV. We will continue that for a while
14 longer and then we'll subset it until we feel we gained as much as we can from the
15 process. The inspection report cover letters for the inspection and the force-on-
16 force activities are made public. That is an advancement that occurred in the
17 springtime to be able to provide some additional information to the general public
18 with regard to the results of our exercises.

19 And in June of 2006 we wrote to Congress and provided them a public and
20 non-public version that included more details associated with the results of those
21 two programs. Next slide, please.

22 We continue to strengthen our working relationship with DHS. We hold

1 monthly coordination meetings with their management. We interact daily with the
2 intelligence community and last week we held a classified threat brief for about 35
3 cleared individuals from the industry.

4 We also participate in an increasing number of outreach activities. Many
5 times in the locale around the power plant, to interact with other Federal, State,
6 local and general public with regard to actions that we have underway and to
7 understand their concerns. That's aimed at supporting coordination and overall
8 understanding. That initiative started a couple of years ago and we continue it.

9 We've been providing a lot more tours of the Operations Center than we did
10 years ago. We have the industry come through so they can see what we do when
11 we are interacting with them in a reactive situation. We've had Federal partners
12 that have come in. We've had State partners come in.

13 The industry and the non-governmental organizations have had an
14 opportunity to tour and even witness an exercise, again to support coordination
15 and have them gain an understanding of our capabilities and our responsibilities.

16 Considerable progress has been made in rulemaking including those that
17 were specified in Energy Policy Act 2005. The Design Basis Threat Rule was
18 affirmed by the Commission in the January time frame and the rule should be
19 published this month.

20 We're in the process of revising Part 73 which deals with security
21 requirements and a third public meeting is scheduled for this Friday to gain
22 additional input from our stakeholders.

1 In January, the final rule for secure transfer of nuclear materials was
2 published and we're currently working with the agency on proposed security
3 requirements for new reactors and Yucca Mountain as well.

4 Turning to emergency preparedness for a moment, we completed the
5 detailed review of the Emergency Preparedness top to bottom review of
6 regulations and guidelines. We have held a variety of public meetings and we are
7 developing a rulemaking plan that we'll be sharing with the Commission in the April
8 time frame.

9 We're coordinating with DHS and FEMA because they're doing rulemaking
10 as well. We want to make sure we know what they are doing and it jives well with
11 what we are doing. Next slide, please.

12 We hired 58 highly qualified new staff in FY07 to bring us to our '07 ceiling.
13 As both our technical and administrative programs have matured, we do not
14 foresee the need for the same degree of hiring in coming years. Our hiring rate is
15 slowing to a lower staffing level in FY08.

16 Our staff is focused on the training and qualification necessary for our new
17 employees. With the support of OIS, Office of Information Services and
18 Administration, we are progressing on a secure LAN, local area network, and
19 electronic safe pilot activity. We have about 9,000 documents that have been
20 scanned into this program.

21 What we're setting up, we're preparing for a 60-user prototype that we plan
22 this summer and when implemented this initiative will reduce staff time in retrieving

1 hard copies and it will make handling and working with sensitive documents more
2 efficient. At this point, I'd like to turn the presentation over to Mel Leach.

3 MR. LEACH: Good morning, Mr. Chairman and Commissioners. As
4 we move forward, we realize that our interactions with the Department of
5 Homeland Security particularly as the shift beginning April 1st where some
6 programs that have been in the Office of Infrastructure Protection move back to
7 FEMA, this is the Radiological Emergency Preparedness Program, the National
8 Response Plan also moves from that element of DHS on to FEMA and so we need
9 to maintain coordination with them for our mutual success.

10 Some areas that we worked with the Department of Homeland Security and
11 FEMA very closely; the Security Based Drill and Exercise Program. The industry
12 proposed a four-phase approach for doing security and emergency preparedness
13 exercises.

14 The first one was table tops. Phase Two was a pilot exercise and we are
15 about to begin Phase Three, the first of these phase three exercises which is an
16 off year, unevaluated security EP exercise. The first one takes place April 4th at
17 the Quad City Station.

18 We endorsed the industry white paper and the Commission gave us
19 guidance to proceed along this line. That phase should be complete in about
20 three years. The next step then is in probably 2010 to move into Phase Four
21 where those exercises will become evaluated exercises.

22 As I mentioned, the Radiological Emergency Preparedness Program moves

1 to FEMA. We are working with them to gain alignment, as Roy mentioned,
2 between their regulations and ours as we move forward with our rulemaking plan.
3 Their regulations at the moment do not align well with our new Part 52 and we
4 have set up engagement with them.

5 The Executive Director for Operations spoke last week with the Deputy
6 Administrator for FEMA and as soon as they're organization chart is established
7 and we have names, we intend to reach out to them and try to get alignment on
8 some of the issues needed to support new reactor licensing.

9 DHS is leading the revision to the National Response Plan. It's in a very
10 aggressive schedule to be completed June 1st of this year. We expect the first
11 draft to be issued next Monday. We'll provide a briefing first to the Commissioner
12 Assistants on the first draft and then as we get to the second revision to the
13 Commission before that is due to be complete June 1st. It is a very compressed
14 time frame that they are working to.

15 There's a new initiative to strengthen the exercise program so that all parts
16 of the Federal government get to exercise in accordance with the National
17 Response Plan. They've established these national level exercises which are
18 endorsed by the Homeland Security Council.

19 There is one next year that involves an earthquake in the Midwest that I
20 think would be a great opportunity for the NRC to participate actively in that
21 exercise. We're working toward that and trying to understand the appropriate
22 scope for our involvement in that major exercise. Next slide, please.

1 We've mentioned the emergency preparedness regulations and guidance.

2 We mentioned the rulemaking plan should come up to the Commission in April.

3 The guidance documents will follow along after that rulemaking.

4 We are looking at some of the - one of the post-Katrina hurricane items was
5 to look at our evacuation time estimates. That study will be complete at the end of
6 this calendar year. We'll factor in lessons learned from Katrina, Rita, Wilma
7 evacuations into our evacuation time estimates.

8 We do continue outreach to stakeholders, a number of venues, one of the
9 successful ones is a scheduling conference in each of the Regions. Victor will talk
10 later on. Region II doesn't have exactly the same structure and Victor will mention
11 Region II's process. It's different from the other three.

12 But FEMA, NRC, State and locals and licensees all get together to talk
13 about exercise scheduling and to discuss issues of mutual concern. We find that
14 to be a very effective outreach tool for us. It's just one of many.

15 With respect to Operations Center upgrades, we're in the middle of the
16 Emergency Response Data System upgrade. We have reviewed five potential
17 vendors. They all have good capability. The issue will come down to basically
18 ease of staff use and support to such a system.

19 We're in the process of finalizing our needs. We've been interacting with
20 some of our stakeholders such as statement representatives that used ERDS and
21 getting their input and we'll head toward selecting a product this spring.

22 The new telephone system in the Ops Center is installed. We're finalizing

1 testing. That should cut over this month. My hope is that it will be before the
2 Dresden exercise and we'll actually get to use it live. That will be a good test
3 before the end of the month. We will train you, Commissioner, on the new
4 phones. They are 21st century.

5 The electronic library, we've had good support from the industry. We've
6 had probably 50% response to that. I continue to outreach in tours with industry
7 officials coming through the Ops Center to explain the mutual benefits and will
8 continue to do that during the Reg Info Conference next week where we have 200
9 people from utilities and States and international visitors coming through the Ops
10 Center.

11 COMMISSIONER MERRIFIELD: Mr. Chairman, if I may interrupt
12 Mel's presentation for one moment. This has been a big initiative on the part of
13 Mel's staff for a number of years and I think it's particularly important to note the
14 significant work that Rick Hasselberg has done in preparing that.

15 Rick has put in an extraordinary amount of time and expertise in building
16 this library. He has been a real jewel for us in terms of behind-the-scenes efforts
17 on these issues at the Ops Center. Those are not matters that always come to the
18 fore in the public eye, but certainly Mel and his staff and certainly Rick should be
19 credited for that work.

20 MR. ZIMMERMAN: Thank you for that comment.

21 MR. LEACH: Thank you Commissioner. With respect to some of the
22 secure communications in the Operations Center, we have secure

1 communications with NORAD established. We're waiting for the reply to our
2 request to endorse the Memorandum of Understanding to make that live.

3 We're looking at graphical displays to assist us in evaluating aircraft in the
4 vicinity of nuclear power plants which would make our assessment of times if you
5 will much easier for the Ops officers. That is under way.

6 One other action item that's outstanding from Hurricane Katrina is reliability
7 of communications. Following Katrina we lost Federal telephone communications
8 system to Waterford 3.

9 Although we took some short-term actions to resolve that, as we move to
10 the new networks system which is a replacement to FTS, NSIR is working with
11 OIS to see if there's some route diversity that we can take advantage of as we
12 transition to networks.

13 Depending on the cost of that, we'll come to the Commission and get
14 endorsement from the Commission. That completes it for me. I'd like to turn it
15 over to Trish Holahan.

16 MS. HOLAHAN: Thank you very much Mel and Chairman and
17 Commissioners. Last year was the year we enacted security rulemaking. Now
18 we're lending stability to the program by doing guidance to support the rulemaking
19 and implement rulemaking. We're getting ready to issue the guidance currently for
20 the Design Basis Threat Rule. It's in final stages so it should be out by the time
21 the rule is published in March.

22 We're also doing guidance to support the power reactor security rulemaking

1 73.55 which is out for public comment now. There are several guidance
2 documents with that. They should be completed as draft guides by early summer
3 and published for comment by authorized stakeholders who have the appropriate
4 need to know.

5 We're also completed draft guidance on Security Assessment Rule, which
6 is up with the Commission now; 73.62. Also, we're continuing work now we've got
7 the reactor security rules completed or near completion, we're moving forward on
8 the high priority materials rulemaking such as the Geological Repository
9 Operations Area as Roy mentioned, and also the technical basis for Section 652 of
10 the Energy Policy Act. Several of these rules are to implement the Energy Policy
11 Act as well.

12 We also have close coordination with Federal and State partners especially
13 on the integrated response which is a roll up of being able to make everyone's
14 training, plans and processes work together in response to incidents such as
15 natural disasters and a terrorist action.

16 We're meeting with Federal stakeholders to ascertain their support and
17 concurrence and you'll hear more about that later on in the closed meeting.

18 We've completed 27 comprehensive reviews in 2006. That brings it up to a
19 total of 49 comprehensive reviews that we've done and initiated the establishment
20 of a DHS lead working group; the Comprehensive Review Outcomes Working
21 Network, CROWN, to close the gap working with States and local authorities
22 identified through the CR process.

1 There's much work to be done on this over the next year and we're trying to
2 complete the CROWN process and make progress and outcomes for the CROWN
3 process, not just outputs. So DHS signed out 12 Integrated Protective Measures
4 Analysis Reports and so we're working on getting the gaps out and enhancements
5 to the Federal and State authorities in the regions around the sites.

6 We have somebody, a detailee, down at DHS to help the process move
7 forward.

8 Transportation activities, we're following the Commission's direction from
9 the Transshipment Commission Meetings held in October and November of 2006.
10 Staff has engaged the DHS's Nuclear Sector Coordinating Council and the
11 Government Coordinating Council to assume the leading role in addressing
12 security issues with radioactive material shipments that transit the continental U.S.
13 Those shipments that come into this country are in bond and then leave the
14 country.

15 We have formed this working group, the Transshipment Working Group,
16 and that report is supposed to be due to the GCC by the end of April with
17 recommendations. That work will continue throughout the next year.

18 We've also completed outreach to various stakeholders, licensees, carriers,
19 other Federal agencies and Agreement States on the insights and challenges
20 experienced in implementing the enhanced transportation requirements that were
21 imposed by the July 2005 RAMQC orders, Radioactive Material Quantities of
22 Concern. There's a paper that's due to the EDO on March 15th of this year, so

1 you'll get the paper sometime this month.

2 NMSS and NSIR staff have also examined several issues and concerns
3 pertaining to security requirements at generally licensed and specifically licensed
4 ISFSIs, Independent Spent Fuel Storage Installations, and there's a Commission
5 paper due at the end of May that provides staff recommendations for harmonizing
6 security requirements between the two types of facilities.

7 Also on radioactive source activities, the staff in partnership with DOE,
8 NNSA has provided security training for law enforcement agencies and licensees
9 in New York City, Philadelphia, and North Carolina.

10 We continue working with NNSA and the manufacturers and distributors on
11 their security requirements, too. We had a visit to Boston last month. We have
12 somebody embedded down at DNDO to help with the source activities as well.

13 We're also in partnership with Canada, Mexico and the U.S. on radioactive
14 source activities, primarily through the source security and prosperity partnership
15 run by the Department of State.

16 We're heading down to Mexico this month to continue those activities. Next
17 slide.

18 We're also continuing work on new reactor applications. We're working with
19 the industry and vendors and the new plant security task force meets periodically.
20 In fact, they met yesterday and made significant progress on discussing security
21 for new reactors. Topics include documents prepared by NEI and topical reports
22 concept outline and various documents and also proposed Security assessment

1 process draft outline and format content.

2 We're supporting NRO in the development of a design centered approach
3 for new reactors and then we're also supporting NRO in the development of a Reg
4 Guide that will provide guidance to COL applicants that come in with security
5 requirements. We're working closely with our partners in NRO.

6 In fuel cycle, we completed the acceptance review of the MOX facility
7 security plan and continuing forward with the licensing review. We also have LES,
8 NEF and USEC ACP plans, security plans that have been submitted and approved
9 and the Silex Plant is due in December of 2007. We're reviewing the security
10 plans for those facilities. Also, we have participation in key international activities.

11 We've continued efforts to coordinate with DOE and international
12 counterparts regarding DOE's work on special nuclear material categorization and
13 any subsequent new graded safeguards table.

14 Staff is also engaging other U.S. Government partners and international
15 allies to ensure the new IAEA security series, including revisions to Information
16 Circular 225, are implemented in a manner consistent with U.S. Government
17 policies and regulations.

18 We're also coordinating with DOE's Office of Deputy Undersecretary for
19 Counter Terrorism to support initiatives internationally as well. We're also
20 continuing to coordinate with the Department of State and other Federal agencies
21 to support the global initiative which seeks to fight nuclear and radiological
22 terrorism worldwide. With that, I'll turn to Dan.

1 MR. DORMAN: Thank you. Good morning Chairman,
2 Commissioners. As Roy indicated, the oversight program, the baseline security
3 inspection program and the Force-on-Force program have achieved substantial
4 measure of stability over the last several years.

5 The staff is committed to continuing to work and assess those programs to
6 identify opportunities to enhance their effectiveness and efficiency. We recently
7 provided to the Commission papers on the oversight process and on the
8 significance determination process and our assessment in those areas and we're
9 working on a paper on performance indicators that should be to you in the next
10 month or so.

11 We continue to look for ways to improve within the existing stable structure
12 and level of resources associated with that program. As we near the completion of
13 the first cycle of the Force-on-Force as Roy indicated, we completed 49 of the
14 sites.

15 We have initiated dialogue with the industry to identify areas where we can
16 continue to make marginal improvements on the realism of the exercises as well
17 as on efficiencies between the Force-on-Force program and the baseline
18 inspection program with an ultimate goal of ensuring that we continue to have
19 affected and realistic exercises that will demonstrate on an ongoing basis the
20 effectiveness of the sites' protective strategies.

21 If we identify any policy issues in this area, obviously we will raise those to
22 the Commission. Our goal here is to make any changes to the program

1 documents in sufficient time looking at that probably toward the end of the summer
2 so that the licensees and their exercise controllers as well as our staff can train on
3 any revisions that we do before we get into the second cycle, with a goal of then
4 having the second cycle be a consistent and stable playing field as we go through
5 the different sites.

6 Also, we're completing the first cycle of the baseline inspection procedures
7 in 2008. Some of the procedures are done on a triennial basis. We're assessing
8 the results of the inspections, looking at the findings, trying to identify any areas
9 where we would recommend adjustments to the focus areas or the sample size
10 areas that we can sharpen the focus of the program.

11 But again, we would expect to do that within the existing structure and level
12 of resources. As we do that, we'll be fully coordinating with the Regions and the
13 site inspectors as they implement the procedures. Next slide, please.

14 In the area of spent fuel accounting, by the end of July of this year we will
15 have completed an inspection at each of the sites regarding their practices in
16 inventory, record keeping and reporting associated with the spent fuel pools.

17 We are also working with the Consensus Standard Committee at ANSI to
18 provide additional clarity in the existing ANSI standard in that area in anticipation
19 of endorsing that modified standard in a Regulatory Guide with an ultimate goal of
20 incorporating a modest ongoing review of this area in the baseline inspection
21 program.

22 In the area of openness, at the Commission's direction, last spring we

1 started to include information and cover letters for security inspection reports that
2 is provided on a public basis that provides an indication that a security inspection
3 has been done, and if there were green findings the number of green findings that
4 were identified and if there are greater than green findings the cover letter will
5 identify the fact that there were greater than green findings.

6 Staff has also worked with the Office of Enforcement to develop a proposal
7 for a similar level of openness in the way that we process allegations in the
8 security area. The staff remains committed to continuing to seek and achieve the
9 appropriate balance between protecting information that could be of use to our
10 adversaries, while providing an appropriate level of information to public
11 stakeholders.

12 We also continue to reach out at the appropriate classification levels with
13 the intelligence, law-enforcement communities and other stakeholders throughout
14 government. This outreach continues to bear fruit.

15 During this year we were requested to contribute to several high-level
16 intelligence community products and the staff's contributions provided appropriate
17 context as well as added value in the content of the intelligence information in
18 those reports and our contributions were gratefully received.

19 In addition, during the past year we continue to gain access to additional
20 intelligence community products that relate to the areas of the Commission's
21 responsibility and some of those products have been added in the last several
22 months to the bag in your weekly reading.

1 Finally, this year the staff provided security fundamentals training to the
2 resident inspectors and counterparts in all counterpart meetings in all the Regions.
3 We developed a computer-based training curriculum for all staff on the protection
4 of classified and safeguards information.

5 In coordination with the Office of Human Resources, we have initiated the
6 development of a comprehensive security training program for security inspectors
7 and for other NSIR security staff. This program will reside in the technical training
8 division down in Chattanooga and the program development is expected to
9 continue through the end of 2008, although as individual courses become
10 available we want to conduct pilot courses and provide feedback and lessons
11 learned in to the process of the development. With that, I'll turn to Miriam Cohen.

12 MS. COHEN: Good morning. This is interesting area we're going to
13 talk about staff development and engagement. As many of you know from the
14 meetings that you've conducted our most important assets are our human capital.

15 If you look at an office like NSIR that has grown over the years and now is
16 reaching a point of stability there comes a point where you have to focus on
17 retaining and keeping those core employees that are critical to your mission. This
18 is a challenge for us.

19 In '06 we had an attrition rate of about 15%. This year we're running at
20 about 4% for the first quarter. We see that most of the attrition is actually to other
21 offices. Similar to when NSIR was created, when NSIR was the place to be, there
22 are other offices that are now taking some of our employees, which is I guess a

1 good thing for the organization as a whole.

2 But to address those challenges we're looking to give meaningful work
3 assignments to individuals on the staff, continue to provide rotational opportunities
4 to keep them engaged and involved in the work of the agency.

5 This is also a challenge as some of the Commissioners have mentioned in
6 prior program reviews because of the issue of fungibility of our security specialists.

7

8 Our strategy to address that is to provide them rotations and details to other
9 offices because we really feel we're bringing in very, very strong and very highly
10 skilled employees that really can provide some added benefit to the other offices
11 and we'll be continuing to do that especially as we need to attrit down to 08.

12 Like other offices, we're challenged in the area of knowledge management.
13 It's a new area in the agency. We're trying to learn what other offices are doing.
14 We have taken some initial steps through job aids, expanded use of our intranet,
15 double encumbering positions, use of re-employed annuitants to address some of
16 those immediate challenge areas for us as well as to pass on some of the
17 knowledge to the newer staff coming into the organization.

18 Another key component of developing the staff in engaging them is having
19 them involved in critical office activities in terms of the office's effectiveness. What
20 we've done is we've had a number of grass-roots efforts to look at employee
21 involvement in various work groups such as roles and responsibilities, how to
22 enhance communications in the office, how to deal with staffing and workload

1 issues.

2 So we have members of the staff that are involved with management and
3 addressing those issues and we believe that their involvement has led to
4 increased engagement among the staff and we feel proud of that.

5 Another real important issue for us is space. I know you've heard this issue
6 many times. We're coming here on a positive note to say we see a little bit of light
7 at the end of the tunnel.

8 Since 2002, NSIR has been in many offices on many floors in both the
9 buildings and we see that hopefully by June we'll be co-located on two floors in
10 this building with the exception of the folks that are in the skiff.

11 While there are greater agency challenges in this area, we do see that
12 hopefully soon we'll see the benefits of consolidation and appreciate all the staff
13 assistance from ADM and others in helping us get to that goal.

14 The other challenge area that we're citing and it's also an area that Roy
15 touted as an accomplishment is related to the deployment of electronic safe
16 secure LAN.

17 I know many of the Commissioners have been hearing about this for a
18 number of years. We feel very proud of the success that we've had considering
19 the limited funding that we've have and had since we no longer have this funding
20 moving into '08. We will be coming to you folks to potentially accelerate this
21 through the hopeful availability of funding in the agency later this year.

22 We are going to be piloting an SGI secure LAN in June to about 60 users in

1 the other building to start and believe that we will be able to move away from some
2 of the archaic business processes that currently hinder the folks that are working
3 in an SGI world.

4 We strongly believe, as you do Mr. Chairman, that we should be doing a lot
5 more collaboration, working electronically, making it easier for people to do their
6 jobs and through the pilot which we will deploy in June, assuming we can get
7 through the security accreditation process, that we will start seeing the benefits of
8 that to the employees who are dealing with very sensitive information, but also
9 information that should be handled in a much more efficient manner than is
10 currently the case.

11 As we look at the future, we see a lot of bright challenges but a lot of good
12 opportunities. And with that, I'll turn it over to Victor.

13 MR. McCREE: Good morning Mr. Chairman, Commissioners. As
14 you know the bulk of the security inspection program is conducted by security
15 specialists in the Region, but with the increased attention to security since 9/11 we
16 recognize that the maintenance of both the plant security and plant safety requires
17 coordination of activities to ensure that actions to address security do not
18 adversely affect safety or introduce security concerns or emergency
19 preparedness.

20 So in conjunction with NSIR, we decided this past year to expand or better
21 focus the role of resident inspectors in this area. Specifically, we modified the
22 plant status procedure, that's Manual Chapter 2515, Appendix Delta to encourage

1 residents to pay particular attention to security activities that involve the addition or
2 modification of security features and to question activities, maintenance or
3 operations activities that could have a safety or security interface impact such as
4 affecting barriers, fences, intrusion detection systems, alarms and communications
5 or other security features.

6 And Dan alluded to the fact that at this past resident inspector counterpart
7 meeting in each of the four Regions they were trained on a number of security
8 activities, including changes to Appendix Delta.

9 Regarding expanded roles in the security arena, each Region this past year
10 identified support for the Federal Security Coordinator function as required by the
11 Energy Policy Act of 2005. Each Region designated their Chief of the Plant
12 Support Branch to be the primary and the Deputy Director for the Division of
13 Reactor Safety to be the alternate support for the Federal Security Coordinator
14 function.

15 We also reviewed the current Federal Security Coordinator program this
16 past year and concluded that the existing program of coordination, monitoring and
17 communication meets the requirements of the Energy Policy Act, but that there are
18 conflicting priorities in this area and the program is of limited scope and the
19 licensees that are subject to oversight is limited.

20 To more fully implement the requirements in this area, we're evaluating the
21 need to enhance and formalize communications required by the coordinator to
22 increase the knowledge of the coordinators in each Region of their security

1 activities related to the different classes of licensees and engage the coordinators
2 in both generic and site specific issues.

3 And finally to enable the coordinators to more fully participate in industry
4 outreach activities. Based on this evaluation, we'll evaluate what resource impact
5 there is and include it in the fiscal '09 budget submission.

6 With respect to security baseline inspection procedures, in 2006 as Dan
7 alluded to, did mark the first year of full implementation of those baseline
8 procedures. They like many of our other procedures in the ROP do have annual,
9 biennial and tri-annual inspection requirements.

10 This year we implemented a number of program changes as part of that
11 program including changes to the access authorization program to incorporate
12 feedback that we receive from the residents and Regions as well as industry
13 guidance and changes from the approved security plans for the power plants.

14 We also modified the contingency response procedure and implemented
15 those changes in 2006 in the areas of planning and communications and exercise
16 equipment. Given the extensive knowledge and experience in the Region among
17 the implementers and our lead responsibility for implementing the program, we'll
18 continue to work with NSIR in 2008, provide feedback, and also offer
19 recommendations in the area of operating experience to further enhance those
20 procedures.

21 As for security training, over the last several years the Regions and NSIR
22 have recruited highly qualified and experienced security inspectors and we relied

1 heavily on their expertise that they bring to the job when focusing our requirements
2 and inspection on the enforcement processes.

3 In 2006, NSIR and the Regions worked closely to develop requirements for
4 security training and qualification to formally establish a base level of training for
5 all security inspectors and reviewers.

6 We're currently working with the Office of Human Resources to develop a
7 core curriculum for an agency wide program. These courses will be piloted in the
8 coming year and we anticipate the full program being in effect in 2009.

9 With respect to the Region's role in incident and event response, the
10 Regional event response and follow-up inspections provide real-time observation
11 of licensee performance in these areas. These efforts are above the baseline
12 inspection program.

13 In 2006, the Region's conducted six special inspections and three
14 augmented inspections in the area of security. Several of the inspections did
15 identify generic issues which we did communicate to the industry using our generic
16 communications process.

17 We also continue to support the Information Assessment Team, the IAT
18 process. The IAT as you know provides an on-call, multi-office group that's within
19 the Regions within each Region, the offices of NRR, NMSS and NSIR to rapidly
20 assess the seriousness of threats involving security.

21 We monitor the licensee's performance and make recommendations
22 regarding a change in our response mode and also serve as liaison with other

1 internal and external stakeholders.

2 The continuing challenge facing the Regions with respect to event response
3 is the loss of staff experienced in event response. This demographic change is
4 being felt throughout the Regions and it underscores the importance of the
5 ongoing work that we have with NSIR to develop a more structured and more
6 consistent process for event response training and qualification.

7 We anticipate that by the end of this fiscal year all of the headquarters
8 event responders, there will be a training and qualification process in place for
9 them and we're working with NSIR to establish a similar process for Regional
10 event responders over the next year.

11 Finally, Mel mentioned our outreach process for emergency preparedness
12 exercise scheduling. Region II is unique among the four Regions in that while the
13 other Regions hold an annual scheduling conference with licensees and with
14 States, local officials, and FEMA, that responsibility in Region II resides primarily
15 with the State and locals.

16 They meet with licensees annually and develop a straw-man schedule and
17 as part of the National Rep Conference there's a discussion of that scheduling and
18 that proposed schedule is consolidated and agreed to by all participants.

19 It's slightly different than the other three Regions. And with that, I'll turn it
20 over to Roy Zimmerman.

21 MR. ZIMMERMAN: Thank you. In closing we have achieved
22 our goals during 2006. We've positioned NSIR for success. We

1 demonstrated our response both to real events as well as our preparation
2 through our exercise.

3 Our agency, our organization has been short. Our technical
4 organization is much more mature which allows to us to take a look at our
5 staffing the way we are and our administrative side is equally mature and
6 we now have the infrastructure that we need to be able to accomplish our
7 tasks.

8 As we look to the future, new reactors is something that we're
9 looking at. We are prepared for handling our part, security and emergency
10 preparedness associated with new reactors.

11 We are planning on doing this with an attitude of continuous
12 improvement that's been part of our nature since day one, and it will
13 continue through '07 and the years beyond. That ends our presentation.
14 Thank you.

15 MR. REYES: Chairman and Commissioners, the staff has
16 completed the formal presentation and we're open for questions.

17 CHAIRMAN KLEIN: Thank you very much for that very good
18 overview. I should note it is nice to hear a positive space story. This has been an
19 issue that has been a challenge from day one and will probably be until we see
20 concrete poured for a new facility, but at least it's nice to hear a little bit of a
21 success story. Commissioner Lyons, would you like to begin?

22 COMMISSIONER LYONS: Thank you, Mr. Chairman and Roy

1 thanks to you and to all of your staff for really a very impressive discussion and a
2 set of equally impressive accomplishments.

3 I was glad to hear the word "stability" in a number of the presentations. I
4 know at least Trish and Dan and probably others use the word "stability" and I
5 think that is important. There has certainly been many, many changes in this area
6 but as we can now begin to achieve a stable approach, I think that's very positive
7 for the agency and for the industry.

8 You mentioned several challenges coming up. The continuing
9 collaborations with DHS, the split if that's the right word of FEMA back out of
10 where it's been located. Those are all going to present challenges. Certainly, the
11 improved communication and cooperation with the Intel agencies, also very
12 positive and with the State and locals.

13 Just by way of slight tongue in cheek, Mel mentioned the new phone
14 system would be ready for the Dresden exercise and after all the trouble I had with
15 phones on the last exercise I guess I can hardly wait. I sincerely hope it is a great
16 improvement.

17 By way of a few questions and maybe the first one is for Mel, you
18 referenced on Slide Three some of the emergency planning corrective activities
19 and you mentioned Katrina. There were a number of activities that were planned
20 by way of improvements after our admittedly very positive performance on Katrina.
21 Where do we stand on implementing those improvements?

22 MR. LEACH: All of those are complete, sir, except for the two that I

1 mentioned. One is looking at a more diverse Federal telephone system and
2 networks may be a piece of the answer to that or there may be other technologies
3 that we are looking at that may give us diversity of telephone lines if you will.

4 The other item was the evacuation time estimate study, the updates based
5 on information that came out of the evacuations, particularly following Katrina and
6 Rita.

7 COMMISSIONER LYONS: That's very good.

8 MR. LEACH: That's it, sir.

9 COMMISSIONER LYONS: Question on Slide Seven about
10 Operations Center upgrades. I know one of the areas that we have been working
11 on, Mel this maybe you again, is the caller authentication program, particularly in
12 regards to imminent threat procedures.

13 I've had occasion as I visited several plants to ask for them to demonstrate
14 that they understand and are ready that they have tested a dry run of their
15 imminent threat procedures. The caller authentication is an important part of that.
16 I'd be curious on where we stand on caller authentication and I'm not sure to
17 whom to address it.

18 MR. LEACH: I'll take it, sir. In accordance with the Commission
19 guidance, we worked with the industry before we issued the Security Advisory out
20 to licensees. After we issued that, and just before we were going to begin the pilot
21 set of practice telephone calls if you will with each licensee, some questions arose.
22 We put that process on hold.

1 I met with the industry last week. We think we have resolved some
2 of the concerns that were addressed. We're about to re-engage with the
3 industry and start the practice calls. I hope to have the caller
4 authentication process up and running by, I'll say, mid-April at the
5 moment, sir. That's my best estimate.

6 COMMISSIONER LYONS: That is a very important program.
7 Certainly, the whole imminent threat procedures are critically important.
8 The key component is the authentication.

9 MR. LEACH: There are technologies, in fact, we had a presentation
10 yesterday from the industry on a direct line system that may give us direct
11 confirmation of party to party telephone and so that's under evaluation at the
12 moment.

13 We expect to come to the Commission probably say within the next 2 or 3
14 months to describe that system assuming we get some cost information to go with
15 it so that we can present a complete package to the Commission.

16 COMMISSIONER LYONS: Well, if we can further strengthen the
17 authentication requirements by such a system I think that could be very, very
18 positive.

19 MR. LEACH: Yes, sir.

20 COMMISSIONER LYONS: Maybe another question while I'm on
21 communications in general. I know there's been an issue on the transition from
22 the SIPERNet and I'm not sure to whom I should address that. But where do we

1 stand on that transition?

2 MR. DORMAN: We're moving forward this year with several of the
3 Regions on deployment of the Homeland Secure Data Network. Here in
4 headquarters it gets me back into the space discussion because the location
5 where that equipment will go in Headquarters will require expansion of the secure
6 communications facility due to spacial separation of secure systems.

7 In order to do that expansion, that's rolled into the long-range space
8 planning effort to identify an alternative location for the Administrative Service
9 Center which supports the staff here in headquarters. It needs to be in an
10 appropriately accessible location for those staff.

11 That's part of ADM's long range planning to identify the alternative space for
12 the Admin Service Center that will then free up the space for the expansion of the
13 skiff. That becomes the controlling factor for deployment of HSDN in
14 headquarters.

15 COMMISSIONER LYONS: Do we have any time estimates of when
16 that may be accomplished?

17 MR. REYES: Yes, we do. I don't have it with me but its part of the
18 briefing we're going to give the Commission on the space plan. It's all in
19 sequence. Like Dan said, we need to make changes on the second floor in order
20 to expand the facility and then bring the technology into it. As you know, we're
21 tight on space, where to move those people.

22 It's in the sequence and are going to give you a detailed briefing on not only

1 that but it's a domino effect on all the other things.

2 COMMISSIONER LYONS: Well, as you pointed out many times we
3 have many dominoes. This is certainly another one of the important ones.

4 MR. REYES: It is in the plan and we will highlight that to you.

5 COMMISSIONER LYONS: Good. I'll stop there.

6 CHAIRMAN KLEIN: Thank you. One of the areas that I find very
7 helpful to me on the status of your program is the SIDS document. I used to start
8 my morning in my previous assignment with an Intel brief every morning.

9 What I find good about the SIDS report is that it lets you know what people
10 are doing, what they're finding, how responsive they are and so I encourage you to
11 keep those up and watch any trends for complacency. I haven't seen any, but
12 that's one of the things that one should always watch. Those are very helpful.

13 MR. ZIMMERMAN: We'll do that.

14 MR. REYES: The licensees are doing a good job. They are
15 providing us with a lot information.

16 MR. ZIMMERMAN: It's not very visible. We don't talk about it too
17 often but this Information Assessment Team made up of headquarters and
18 Regional staff take these activities, talk about it amongst themselves, bring in
19 other Intel community folks as necessary and come to an agreement on how they
20 should pursue each of these individual SIDS that they consider warrant that
21 attention.

22 There's a lot that occurs on back shift associated with these because some

1 of them are time sensitive and you may want to get that license plate number over
2 to adjacent facilities so they can also see if that same black sedan shows up there.

3 MR. DORMAN: I would just add that we do do an annual
4 assessment of the previous years' SIDS. We just completed that last month
5 looking at trends regionally by site, by type of events as well. We do that sort of
6 trending on that data.

7 CHAIRMAN KLEIN: Thanks.

8 MR. ZIMMERMAN: My last comment if you'll allow me. We are
9 appreciative of the industry having a low threshold in this area for providing us
10 these reports and a special thank you to the members of the public that are
11 watching. They're an assist. We want them to continue to call when they see
12 suspicious activities so that we can pursue those.

13 CHAIRMAN KLEIN: That's a really good point to reemphasize the
14 support of the communities because those eyes and ears in the community really
15 do play a role.

16 MR. ZIMMERMAN: They recognize the fact that they don't
17 remember seeing this person or this car. That's different as an out of state
18 license.

19 CHAIRMAN KLEIN: Good. Well, Mel, I know that
20 Commissioner Lyons has already expressed enthusiasm for the new
21 communications system. I think I would add my looking forward to that
22 activity as well because when we participated at the Braidwood there was

1 also a communication issue and so when we do these exercises, if you do
2 lose communication, you just lost your whole system. One of the things -
3 have you looked at where you want your Ops Center to be five years from
4 now?

5 MR. LEACH: We have a study that should be - there's a
6 draft report out of issues within the Ops Center. That should be complete
7 April, Miriam, we think.

8 MS. COHEN: Yes.

9 MR. LEACH: And that is looking five years out. As you
10 know, sir, there are issues if I take the red switch, the operational impacts
11 of having that secure system separate from the phone system where you
12 talking to licensees are a burden. Are there better ways we could be
13 doing business? And so that study will be done in April. We then will
14 need to evaluate that and come to the Commission with a long range plan.
15 And I don't know what the outcome of that will be, sir. We will see.

16 COMMISSIONER McGAFFIGAN: One thing I would
17 encourage to you to do, I think the Ops Center when you go into the room
18 is a good lay out, but it's not great. If you really look at some other Ops
19 Centers that DOD has, DHS, I think if you go through and look at some of
20 those facilities you will you see where the industry is moving.

21 We talked about Digital I&C around here and if you look at the way
22 information is now being presented at these Ops Centers it is really a

1 change from what was in place say five and eight years ago. So it is a lot
2 of dynamics. I would encourage you to look at some of the state-of-the-art
3 facilities.

4 MR. LEACH: I am - changing jobs put a slight hiatus in my
5 visits to other Ops Centers, but I intend to continue that, sir.

6 CHAIRMAN KLEIN: Moving to a question to Dan. On your
7 force-on-force, I was able to participate in one of those and was very
8 impressed with what I saw. Have there been any surprises on your Force-
9 on-Force activities?

10 MR. DORMAN: No major surprises. No, sir. I think what
11 we've seen, and Roy alluded to this in his presentation, as we look at the
12 performance of the industry and protecting against the DBT that it has
13 generally been very good.

14 I think we have had good success in the enhancements of the
15 simulations. The MILES gear has been a huge success in eliminating the
16 subjectiveness of controller calls and determining the outcomes of
17 engagements and assessing the meaning of the exercise.

18 We have made substantial progress working with the industry over
19 the last year or two on the training and the consistent implementation of
20 the controller program so that the exercises are being effectively
21 implemented to give us a meaningful outcome and not end up spending a
22 lot of time at the end of night talking about artificialities and what does this

1 mean or what did that mean.

2 I think at the end of day we have a good exercise that we have a
3 consistent indication of the performance of the licensee's protective
4 strategy and the protective strategies have been working well.

5 CHAIRMAN KLEIN: Good. Thanks. Commissioner McGaffigan?

6 COMMISSIONER McGAFFIGAN: Thank you, Mr. Chairman. I'll
7 start with the Emergency Response Data System. I was not particularly
8 happy nor were other Commissioners that had been delayed as long as it
9 was. We were on the verge of Ops lessons in both software and
10 hardware there.

11 My sense is the industry really wants do the right thing. I think it
12 was Commissioner Jaczko who visited Korea and saw the system there
13 and his offhand remark was we should just buy that system, which
14 provides broadband access to a larger data stream and all that.

15 Are we going to end up with something like the Korean system?

16 That's my bottom line.

17 MR. LEACH: The five systems that I mentioned, one of
18 them is the Korean system. I don't want to violate federal acquisition
19 regulations.

20 COMMISSIONER McGAFFIGAN: I'm not trying to
21 advantage any particular contractor, but I would like to have that problem
22 resolved. And I'm sure all my colleagues would like it. And I sense no

1 resistance from industry.

2 One of the papers we got at one point said, "Oh this
3 rulemaking might be hard and backfit", they don't want to be stuck in 24-
4 what is it - 24 bit modems.

5 MR. LEACH: I think it is 56K modems.

6 COMMISSIONER McGAFFIGAN: It's pretty ancient stuff.

7 MR. ZIMMERMAN: Our intent is to use the existing
8 technology to get the best ERDS system that is reasonable.

9 COMMISSIONER McGAFFIGAN: Okay, I hope we succeed.
10 With regard to secure LAN and the E-Safe. I'm not going be around to see
11 the results of that. I think Miriam mentioned it will only be in the other
12 building. I had always volunteered to be the first in this building and that
13 probably is moot at this point, but I do think we need it and I think the EDO
14 needs it.

15 I can't find - we have safes full of documents. If we can get the
16 safeguards documents out of there, we would have a lot fewer safes and
17 we'd still have secret level documents and we would actually be able to
18 find something. So I commend the 60 people involved in the pilot because
19 for pilot area, they will be able to find documents I suspect a lot more
20 rapidly.

21 But I would love to see that capability that exists elsewhere in the
22 agency and if are you going to hit us with a mid-year reprogramming note,

1 you got one vote.

2 MR. REYES: You will be hit, you will be hit hard.

3 COMMISSIONER McGAFFIGAN: Well, we got plenty of money at
4 this point and we should make these infrastructure improvements because if we
5 don't make them when we have good budgets, although there were some risk that
6 we weren't going to have good budgets, but if we don't do it when we have good
7 budgets we are never going to do it.

8 The Chairman brought up one aspect of learning from exercises and
9 Commissioner Lyons; one exercise I would like to remind the staff of is the
10 exercise conducted on the Saturday, Chairman Dias' last Saturday here, which I
11 responded to and I think Commissioner Lyons responded to and Commissioner
12 Merrifield was in Richmond and I think Commissioner Jaczko was also out of town,
13 but it was not exactly smooth sailing and I would strongly suggest to the Chairman
14 who controls this sort of thing and the EDO, I know you tried to make
15 improvements, but I think its trust but verify and I would suggest an off-hours
16 exercise be conducted some time in the not distant future to see if we can do
17 better.

18 I think Bill Kane and Jim Dyer and I and Commissioner Lyons, we did pretty
19 well, but the back rooms had enormous problems, so the only way to find out if we
20 have improved is to test it.

21 There is also the issue that has come up in several exercises is the ability
22 to have decent materials with which to brief other agencies which we increasingly

1 believe we would be called on to do. I hope those materials that may be part of
2 that library that was talked about earlier, I hope those materials are developed for
3 all 64 sites.

4 In the eminent threat procedures, I just want to get clarified. I don't get out
5 to many plants. Last spring I was at Davis-Besse and Quad City and I, like
6 Commissioner Lyons, put people through their paces, do they have the imminent
7 threat procedures, are they practicing them, etc.

8 But from some of what you said, Mel, it's a little unclear as to whether if
9 NORAD, God forbid, were to call at this moment to the Ops Center, that there's a
10 plane potentially off course and potentially in bad hands headed for Site X or
11 maybe several sites. Could we handle that? So, please clarify.

12 We stood down on doing the practice calls. I know we did practice calls
13 before because some issue came up, but this is pretty important stuff.

14 MR. LEACH: The specifics I was talking about was the use of an
15 authentication code to verify it's the NRC Operations Center calling the individual.
16 The current process is if there's any doubt and let's say it's the SRO and the senior
17 reactor operator in the control room; any doubt in their mind on the validity of the
18 call, they call us back. They know then that they got the Ops Center.

19 COMMISSIONER McGAFFIGAN: So at the moment, we lose some
20 seconds?

21 MR. LEACH: A few seconds. The idea is that -

22 COMMISSIONER McGAFFIGAN: They're in place?

1 MR. ZIMMERMAN: Yes. The answer to your specific question if I
2 can is that we can succeed with or without the authentication code. You don't
3 need the authentication code. It can shave off several seconds -

4 COMMISSIONER McGAFFIGAN: All the time bragging about us
5 being the only agency to have an MOU with NORAD and it gets practiced.

6 MR. REYES: It gets practiced. We have it. We can handle it. We're
7 trying to make the system faster and more effective.

8 CHAIRMAN KLEIN: Just as additional clarification, I was recently at
9 Palo Verde in the control room. I asked them where there imminent threat book
10 was. They immediately found it. I asked them what they would do. They walked
11 through the procedures. They got it.

12 COMMISSIONER McGAFFIGAN: You raised some concern in my
13 mind about some of what you said - I just wanted to clarify that. Thank you. My
14 time is up.

15 CHAIRMAN KLEIN: Commissioner Merrifield?

16 COMMISSIONER MERRIFIELD: Just for the record and I've been to
17 the plants, too. I've done the same thing and found the same thing. Roy, the first
18 one goes to you.

19 Now that we talked about having completed the first round of Force-on-
20 Force exercises with the new program, I want to ask you some questions. I've got
21 six questions and they all require either a "yes" or a "no". Then at the end, I'll give
22 you time to recharacterize it.

1 CHAIRMAN KLEIN: Sounds like a cross-examination.

2 COMMISSIONER MERRIFIELD: Well, I am a lawyer after all. This is
3 fairly straightforward. First one, would you characterize that overall the Force-on-
4 Force program has worked well?

5 MR. ZIMMERMAN: Yes.

6 COMMISSIONER MERRIFIELD: Do you feel comfortable with the
7 level of oversight that the NRC staff has on the Force-on-Force participants?

8 MR. ZIMMERMAN: Yes.

9 COMMISSIONER MERRIFIELD: Has the combined adversary force
10 contractor, Wackenhut, provided well trained and experienced participants for the
11 combined adversary force?

12 MR. ZIMMERMAN: Yes.

13 COMMISSIONER MERRIFIELD: Have your staff identified any
14 information that the combined adversary force has failed to act aggressively in
15 their efforts to test the effectiveness of licensee security plans during Force-on-
16 Force exercises?

17 MR. ZIMMERMAN: No.

18 COMMISSIONER MERRIFIELD: Have you or your staff identified
19 any information or activities on the part of the combined adversary force that was a
20 conflict of interest?

21 MR. ZIMMERMAN: There is one issue that we're currently looking at.
22 At this point, I can give an answer that, "No, we have not." There's a situation that

1 has been raised our attention. We'll pursue it through our allegation process the
2 way we typically would any case.

3 COMMISSIONER MERRIFIELD: Have you or your staff identified
4 any performance issues that would result in a recommendation to sever the
5 current involvement of Wackenhut in the combined adversary force activities?

6 MR. ZIMMERMAN: Not of what we currently know, no.

7 COMMISSIONER MERRIFIELD: That was the six. If you want to fill
8 in, go ahead.

9 MR. ZIMMERMAN: My fill in to that would be we've been very
10 pleased with the composite adversary force. They are very capable. They have a
11 very good skill set. It's a considerable difference than what we had previously. I
12 had seen what we were doing previously compared to what we are doing now.

13 Our adversaries are much more capable and can put a licensee
14 through their paces of what they potentially could see from a very
15 well-trained adversary.

16 It doesn't mean that the adversary would be well trained but they're
17 practicing and training to a high level. The CAF is very dedicated. They
18 take their job very, very seriously. I've never seen any issues, any pulling
19 of punches. I see that they are after their mission.

20 COMMISSIONER McGAFFIGAN: Commissioner Merrifield, could I
21 add with one thing that particular impresses me? The adversary force
22 came together from around the nation last November and participated in

1 the JFK 50 mile run. I did that once in my life when I was in my late 20's
2 and I think it just speaks to the core of that group that they would subject
3 themselves to a 50-mile run/walk. I'm not sure what pace they went, but
4 it's not typical. I think we would have trouble getting 30 NRCers.

5 MR. ZIMMERMAN: They are not easy to keep up with.

6 COMMISSIONER MERRIFIELD: I personally participated in a little-
7 known event called the Navy 50 Yard Dash. Everything you provided me earlier in
8 our private discussions, Roy, is that this is a very well-trained force consisting of
9 former Delta Force members, very highly skilled individuals as part of the CAF. I
10 think that has worked well.

11 I think for the record as well, it's useful to note they use exercises that we
12 develop. They don't develop those on their own. These are exercises that your
13 trained staff puts together. We have folks who are very - we have some very
14 highly trained contractors who provide some external assistance as well in that
15 regard. I think this sort of lays out.

16 MR. ZIMMERMAN: I agree. If I could add one more point,
17 Commissioner. When you mentioned lastly that our contractors, again are
18 extremely well skilled, work very closely with the CAF, lay out the exercises and
19 the target force and then they'll listen. They have respect for the CAF. And we'll
20 see if there's a better idea that comes out of that group. The NRC takes a very
21 active role in developing those exercises.

22 COMMISSIONER MERRIFIELD: Let me run through a few things

1 quickly. I would jump in on the comments of Pete Lyons and the Chairman
2 relative to the phone system. When I got here in '98 and had my first exercise, the
3 phone system had problems then and I complained about it and I'm glad to see
4 we're finally getting around to fixing it. I think a lot of us have chipped in on that
5 one over the years.

6 MR. ZIMMERMAN: The phone service is having a rough Commission
7 meeting.

8 COMMISSIONER MERRIFIELD: I agree with Commissioner McGaffigan. I
9 think the updated ERDS network is very important. I agree with Commissioner
10 Jaczko. I had seen the Korean system too, and I think it's one that is certainly
11 worth emulating.

12 I think as part of that, I think we do need to get to a point where we not only
13 implement that program but also encourage our licensees to hook that program up
14 to their simulators so we can get better fidelity on our exercises. I've personally
15 gone to a number of licensees and urged them to do that where they don't now.

16 Along the same line, I think the web emergency operation center system
17 that we've been demonstrating has been adopted by some of our licensees is an
18 extraordinarily good communications tool and one that I think we should also
19 highly encourage, or dare I say require, our licensees to adopt as well.

20 MR. ZIMMERMAN: Our approach is just what you said that we would
21 look at doing this as a voluntary nature first and if we feel there are some issues
22 we'll come back to the Commission and potentially look at something that would

1 be a requirement.

2 COMMISSIONER MERRIFIELD: Finally, I would concur with
3 Commissioner Lyons' comment about stability. We've had an awful lot of issues
4 that we've thrown at ourselves and our licensees. We still have some issues out
5 there potentially if we finally get around to adopting Part 26 and so I think we put
6 enough on folks plate and I think we really do need to focus on making sure now
7 that we've got the pieces in place that they come together the right way, that
8 they're well tested, well implemented and that both we and our licensees know
9 how to adopt them before we start dreaming up new things that we need to do
10 down the road.

11 CHAIRMAN KLEIN: Thank you. Commissioners Jaczko?

12 COMMISSIONER JACZKO: I would just briefly add that I think the
13 ERDS update is an important thing. That's been said by a few people. I also want
14 to just comment a little bit on the work that was done on the top to bottom review
15 in the EP area.

16 I think that was really a good example of how this agency works and I think
17 a tremendous amount of outreach was done in that area and I think it made for a
18 very good product in what is one of the areas that we regulate that elicits a lot of
19 emotional reactions from a lot of stakeholders.

20 I think it was a difficult task for the staff to go forward and engage the wide
21 variety of stakeholders that they did but it made for a much, much better product
22 and I think it's really gone a long way to helping us improve our EP program. I

1 certainly commend the staff on that effort.

2 In the way of a couple questions that I have, one I would go back - now I'm
3 not sure who said that - Mel, it might have been you, but there was a comment
4 about working with DHS and issues with Part 52 alignment in terms of their review
5 for new reactors. Whoever made the comment-

6 MR. LEACH: That was me, sir and I might ask Nader to amplify that
7 if I could.

8 COMMISSIONER JACZKO: I asked specifically because Part 52 is
9 in front of us right now. If there are things that we can do to help with that
10 alignment, then I certainly want to know those before we finalize Part 52.

11 MR. REYES: It's mostly an organizational issue. I talked to Admiral
12 Johnson and what happened is they have a new organization being put together.
13 They still have to staff it and we have to coordinate with them to understand what's
14 the work ahead of us and how we can accomplish it.

15 MR. MAMISH: Luis hit it right on the nail. We'll discuss it in detail
16 this afternoon, but the bottom line is it's resources and infrastructure for support to
17 the NRC.

18 COMMISSIONER JACZKO: It's not really anything structural to the
19 regulations?

20 MR. MAMISH: No. It's not regulations, its infrastructure for their
21 program.

22 MR. REYES: It's an execution issue. The organization is new, it's

1 not staffed, expectation, budgets, coordination.

2 COMMISSIONER JACZKO: Thank you. Perhaps this is a
3 question for Dan. Commissioner Merrifield talked a little bit about Force-
4 on-Force exercises, the Chairman asked about it. One of the things that
5 the Commission has been looking at is the idea of taking licensees that
6 perform well in these exercises and having them in a non-regulatory way
7 look at an adversary that's a little bit more than what we specify in the
8 design basis threat.

9 I'm wondering if you can comment generally on where that issue
10 stands and how you think we can move forward on getting more out of
11 that because I think that can go a long way to dealing with some of the
12 perception issues that persist with the combined adversary force and other
13 issues with force-on-force exercises?

14 MR. DORMAN: We have done that once before, several
15 years ago where we did a force-on-force where we had an adversary force
16 that was twice the size of the design basis threat and was successfully
17 defended against.

18 We are currently talking to one utility about doing an exercise later
19 this year that would go beyond the design basis threat level of adversary
20 force.

21 We desire to continue to do that because we fundamentally believe
22 that the high assurance standard in Part 73 indicates that as an adversary

1 force increases beyond the design basis threat that the capability of the
2 licensees protective strategy will remain robust and will actually protect
3 against a higher capability.

4 We are also talking with the industry about other ways of
5 demonstrating what we called the gradual degradation of the protective
6 strategy and the ability of the protective strategy to hold off a greater
7 capability until the cavalry arrives.

8 COMMISSIONER JACZKO: I think it's good to hear that
9 there's certainly progress there and I think all the other Commissioners
10 agree, this is an important program and I think it would be one that would
11 be good to see more participation.

12 COMMISSIONER MCGAFFIGAN: Can I clarify one thing?
13 Is it one or two?

14 MR. DORMAN: We're talking with one utility about doing
15 exercises at two sites.

16 MR. ZIMMERMAN: One is in the spring.

17 COMMISSIONER JACZKO: The last question and this gets
18 into something we didn't go into much detail on but again it has to do
19 somewhat with our interactions with Department of Homeland Security
20 and the Department of Transportation on security and transit of various
21 materials.

22 Right now, there is a kind of a patch work of regulations and

1 various agencies that have overlapping authorities in these areas and one
2 of the things that I think would be helpful in trying to address some of
3 those gaps in the end is us moving forward with an MOU with the
4 Transportation Security Administration. I wonder if you can update me on
5 where those discussions stand and where we are with that?

6 MS. HOLAHAN: We currently have an MOU with DOT on
7 safety requirements and we're working on one. The inner agency task
8 force recommended that an MOU be signed with TSA and the current due
9 date is April, the end of April, we want to have a straw-man out and
10 circulate it to TSA and DOT and work to that. So we're working on getting
11 an MOU by a straw-man by the end of April.

12 COMMISSIONER JACZKO: That's good. I'm certainly
13 happy to see that we are moving forward on that because I think there are
14 perhaps areas where because of these various overlapping authorities
15 there are gaps perhaps in some enforcement, inspection arenas with
16 shipments of secure materials and so it's good to hear we are moving
17 forward on that.

18 MS. HOLAHAN: There is a memo in occurrence right now,
19 responding to DOT's and TSA's requirements on rail shipments and things
20 like that. So it is going out and we commented on DOT's rules at the end
21 of December providing certain comments.

22 COMMISSIONER JACZKO: Thank you.

1 CHAIRMAN KLEIN: Commissioner Lyons, anything else?

2 COMMISSIONER LYONS: Did you want to go another full
3 round?

4 CHAIRMAN KLEIN: A very short one. We obviously have
5 another opportunity this afternoon.

6 COMMISSIONER LYONS: Perhaps, let me then just comment on a
7 few of the suggestions that my colleagues made. I basically agree with all of
8 them. I think everyone commented on the importance of ERDS. And since I
9 didn't say that, please count me in on ERDS.

10 Greg's comments on the importance of encouraging beyond design basis of
11 non-graded exercises; I very strongly concur with. I think it would be very, very
12 positive not only for the agency but also for the licensees.

13 Ed made a comment that I very much agree with that we should again
14 schedule an off-hour exercise. It sort of worked, but it wasn't completely smooth
15 and we need to do it again.

16 COMMISSIONER McGAFFIGAN: The only comment I might make is
17 the Chairman asked Mel about the Ops Center five years from now. I think it's
18 very important if it's a security initiated event, that the skiff be close to the Ops
19 Center because I envision too much information potentially trying to flow in and
20 some of it may be above the secret level where you can work in the Ops Center.
21 So I envision a Chairman probably having to bounce or send somebody else over.

22

1 In the skiff, there is likely to be a deputies meeting going on, then he's trying
2 to deal with DHS and the state and whatever in the main room where we're
3 prepared for exercises. Figuring out how that works when everybody wants to be
4 part of the solution, I'm not sure we've ever fully tested it.

5 There's going to be deputies meetings and there's going to be the focus of
6 the event and you're going to need multiple people to handle that stuff, bouncing
7 back and forth so having the two near each other is important.

8 MR. ZIMMERMAN: Agreed.

9 CHAIRMAN KLEIN: Commissioner Merrifield?

10 COMMISSIONER MERRIFIELD: A couple of things, Mr. Chairman. I
11 don't disagree with the idea that we ought to be testing beyond our DBT
12 force-on-force exercises; however, I do have a degree of sensitivity to a concern
13 on the part of our licensees that we would use what we learn from that as an effort
14 to leverage our requirements for our licensees and I do think if we go down this
15 road, it's going to require a fair degree of discipline on the part of the staff and a
16 fair degree of discipline on the part of the Commission, not merely to sort of in the
17 future say, "Well, they were able to do it as a result of XYZ exercises and therefore
18 let's go ahead and ratchet things up."

19 I think we need to take a look at what we think is the appropriate
20 requirements to place on our licensees for defending the plants relative to their
21 place in the infrastructure, relative to whether it's enemy of the state or not and
22 use that as a determination for how one would apply the appropriate DBT

1 requirements, not what can they accomplish.

2 As long as those two things can remain separate, I think it's a good
3 idea to the extent that they get intertwined. I think that creates a
4 significant possibility for regulatory instability.

5 The two quick questions I have, the first one in follow up to that.
6 We have been going down the road and I'm looking through the acronyms,
7 you don't have it here, but I think I've got it right: Joint Combined
8 Adversary Tactical Simulation Program, JCATS.

9 Would that program that we are investing in be of assistance in this
10 same regard in terms of testing the plans of our licensees against more
11 than the DBT number of adversaries? Couldn't you simulate some of that
12 in a JCATS environment?

13 MR. ZIMMERMAN: I think that JCATS can be advantageous in that
14 area. We found ourselves enamored with the DTRA model. It's going to take a
15 long time if in fact the DTRA model does get done.

16 We are looking at methods on how we can use the JCATS products and the
17 short answer is yes, there is a role for JCATS in this area to be able to lead up to
18 actually doing the Force-on-Force exercises, but I share your comments.

19 We actually talk about coming out of the regulatory process into a training
20 process so we can all learn. We have sufficient confidence in the corrective action
21 program and improvement program of the industry that they'll take that data and
22 they'll look at it and they will do what they feel they need to do that is appropriate

1 associated with it.

2 The degree of NRC follow up and attention to it is not something that we're
3 looking at doing. We are in a different program than a regulatory Force-on-Force
4 program. We're going to take that hat off and put on a hat that indicates
5 understand you're willing to test this.

6 We want to understand gracefully. We do as well. We'll see where it
7 comes out. If it's good news, we'll applaud. If it's not good news, we would expect
8 that you would consider it in your program.

9 MR. DORMAN: If I could just add that we're talking with the industry
10 about a number of different tools to demonstrate this concept and JCATS would
11 be one of them. The particular utility that we're talking about testing has worked
12 with Department of Energy and modeled one of their facilities with JCATS and
13 that's one of the facilities that we're talking about doing a beyond DBT exercise.

14 There may be - and this is all still part of ongoing dialogue, but there may
15 be an opportunity to even balance the test against similar simulation in JCATS to
16 demonstrate the usefulness of that.

17 CHAIRMAN KLEIN: As additional information, in my other
18 assignment, my office had used JCATS both to indicate where vulnerabilities are
19 and how to challenge those responses. It has been used.

20 COMMISSIONER McGAFFIGAN: Chairman, if I could join in. I
21 probably am the one whose most brow beat the industry about going beyond DBT.

22 COMMISSIONER MERRIFIELD: I completely support Commissioner

1 McGaffigan in that characterization.

2 COMMISSIONER McGAFFIGAN: I think we can walk the line that
3 you're worried about. But I think I'd like to have the data. What licensees have
4 said to us is oftentimes in their own quarterly training exercises in order to fully get
5 benefit from the training, they kill the bad guys in the controlled area and then they
6 kill them again. They start over at the edge of the protected area, the kill them
7 again in the protected area and they assume that they succeeded and put them at
8 the edge of the vital area and kill them again in the vital area.

9 If they think they have that amount of robustness in their program, I'd like to
10 and as you said at one site we know 2X got slaughtered. Why not get a few more
11 data points. Part of it I suppose, we can get data points without turning it into an
12 inspection and monitoring some of these training exercises and seeing for
13 ourselves how well they do in their quarterly exercises.

14 MR. ZIMMERMAN: We support the approach.

15 COMMISSIONER MERRIFIELD: The only final thing I'd say,
16 Mr. Chairman, is we had a series of meetings yesterday with the Department of
17 Energy. They are doing a lot of work relative to the Global Nuclear Energy
18 Partnership. We will have, if that continues to move forward, we will have
19 obviously a part to play in that.

20 I think certainly for my part and I think other members of our staff have
21 focused principally on the safety issues associated with the review that we would
22 have to have of the fuel cycle facilities or of the reactors.

1 Given the speed in which they would like to move forward and the amount
2 of work there's obviously a security interface particularly at some of the fuel cycle
3 facilities that may be envisioned that we will clearly need to be thinking about.

4 I do think - I'm well beyond on my time - I think that's something we need to
5 get a better sense from our staff, from the NSIR staff, of what they're thinking in
6 terms of their part in the role we would have to play as the regulator of those
7 potential facilities down the road.

8 MS. HOLAHAN: We're aware of the issues and we're in the planning
9 stages to do the security reviews as you outlined.

10 COMMISSIONER MERRIFIELD: Thank you.

11 CHAIRMAN KLEIN: Commissioner Jaczko, any comments?

12 COMMISSIONER JACZKO: I would just briefly say that I think since
13 I've been here, I've certainly seen a lot of changes in NSIR and certainly a lot of
14 new faces and familiar faces sitting at the table. I think it's good to see the
15 organization start to stabilize and establish itself on a more stable footing. I think
16 that's a good sign.

17 While it may be a difficult sign, I think it's a good sign that people
18 are leaving NSIR to go to other offices, too. I think that's always a good
19 sign when the offices achieve that level maturity that it begins to be that
20 exchange back and forth with other offices.

21 So, while I certainly have been disappointed to see some people
22 leave NSIR, it is certainly a good sign.

1 CHAIRMAN KLEIN: Thanks. Well, thank you very much for
2 a good presentation and thanks for your work to ensure the safety of these
3 civilian facilities and nuclear materials because it is very important for the
4 American people.

5 And I also commend you on approaching the stability and we will
6 have more in depth discussions this afternoon and look forward to that.
7 Thank you very much. The meeting is adjourned.

8

9