

EDO Principal Correspondence Control

FROM: DUE: 05/05/08

EDO CONTROL: G20080277
DOC DT: 04/17/08
FINAL REPLY:

J. K. August
CORE, Inc.

TO:

Chairman Klein

FOR SIGNATURE OF :

** GRN **

CRC NO: 08-0225

DESC:

NRC's National Energy Challenge: The Baldrige
Award (Nominations Due: 5/22/08)
(EDATS: SECY-2008-0239)

ROUTING:

Reyes
Virgilio
Mallett
Ash
Ordaz
Cyr/Burns
Holley, OEDO

DATE: 04/23/08

ASSIGNED TO:

CONTACT:

HR

McDermott

SPECIAL INSTRUCTIONS OR REMARKS:

If nominations are made, prepare response for the
signature of the Chairman.

EDATS

Electronic Document and Action Tracking System

EDATS Number: SECY-2008-0239

Source: SECY

General Information

Assigned To: HR **OEDO Due Date:** 5/5/2008 5:00 PM
Other Assignees: **SECY Due Date:** NONE
Subject: NRC's National Energy Challenge: the Baldrige Award
Description:
CC Routing: NONE
ADAMS Accession Numbers - Incoming: NONE **Response/Package:** NONE

Other Information

Cross Reference Number: G20080277, LTR-08-0225 **Staff Initiated:** NO
Related Task: **Recurring Item:** NO
File Routing: EDATS **Agency Lesson Learned:** NO
Roadmap Item: NO

Process Information

Action Type: Nominations **Priority:** Medium
Signature Level: No Signature Required **Sensitivity:** None
OEDO Concurrence: NO **Urgency:** NO
OCM Concurrence: NO
OCA Concurrence: NO
Special Instructions: If nominations are made, prepare response for the signature of the Chairman. Nominations are due: 5/22/08.

Document Information

Originator Name: J. K. August **Date of Incoming:** 4/17/2008
Originating Organization: CORE, Inc. **Document Received by SECY Date:** 4/23/2008
Addressee: Chairman Klein **Date Response Requested by Originator:** 5/22/2008
Incoming Task Received: Letter



April 17, 2008

Honorable Dale Klein, Chairman
Nuclear Regulatory Commission
US NRC TWFN
11555 Rockville Pike, MS-O16C1
Rockville, MD 20852

NRC's National Energy Challenge: the Baldrige Award

Dear Chairman Klein:

President Bush identified developing our overall energy portfolio as a bipartisan national strategic goal. More nuclear energy use could reduce our dependence on foreign oil, improve our balance of payments as well as boost our economy. Nuclear costs challenge new nuclear construction, if you accept either Warren Buffet's or the financial market's interpretations. Personnel contribute well over half nuclear generation busbar production costs. Even the Honorable Commissioner Jaczko acknowledges that many contemplated nuclear projects won't be viable without federal loan guarantees, based upon new nuclear plant costs estimated from around \$ 7 to 10 Billion, each. Upon commencing operation, personnel costs have historically accounted for well-over two-thirds of production costs. New plants would also have capital cost amortization expenses. Compared with advanced non-nuclear technologies like aviation or aerospace, many nuclear construction-operations costs stem from the complex nuclear technology regulatory framework. To improve the nuclear regulatory framework, the NRC must challenge its own improvement goals with visionary perspective.

NRC's charter¹ supports national energy policy. High costs do not automatically generate safety, however. Simple, actionable rules and guidance do.² We must look for new ways to improve nuclear processes, stimulate productivity and encourage innovation to support the President's energy goal, while improving nuclear safety. NRC's leadership can promote nuclear technology framework changes that help meet America's energy needs. NRC should examine its contributions to national energy policy. More effective

¹ The Atomic Energy Act of 1954 charters the NRC to regulate commercial nuclear energy. That mission has evolved to focus exclusively on one complex technology framework and its processes. Alternative, safer reactor processes and technologies could go beyond existing complex LWR rules to improve the nuclear design-construct framework.

² Nuclear energy remains unique among advanced technologies by not following cost-reduction "learning" evolution characteristic of other technology. (Since its 1970's creation from the AEC, NRC has strongly reiterated that nuclear safety remains its regulatory concern. However, 9/11, the War on Terrorism and the President's National Energy Policy have changed global risk perspective. Carrying Congress' 1954 legislative charge forward gives the public nuclear benefits, while accepting reasonable risk.)





regulatory review and implementation methods could improve new nuclear plant development processes, plant operations, lifecycle design basis, safety and cost by improving the existing regulatory framework's effectiveness.

NRC provides a high-quality, effective workplace for federal employees. Can the NRC expand this excellence to other customers and their performance dimensions? Who potentially would be other customers? What are their support needs? How do their needs rank in relative cost, production and safety order, respectively? How does production or cost risk factor into ever-present risk considerations? Where do other customers rank compared with NRC employees? Other quasi-regulatory agencies like the Institute of Nuclear Operations (INPO), or American Nuclear Insurers (ANI)?

NRC leadership could discover other performance dimensions not yet formally identified via quality discovery processes. These would identify additional strategic contributions NRC could make towards national energy policy. By engaging in excellence initiatives, NRC could better identify all its customers, rank all objectives and more evenly balance, or perhaps just consider objectives like cost that rarely – if ever – get discussed within the nuclear community and framework.

The Baldrige Award application process provides a quality discovery process. Initiated in 1988 by then-President Ronald Reagan's Secretary of Commerce, Malcolm Baldrige, the award is a top-down process. While applying, the process develops an organization internally, like other well-known quality processes – including Japan's Deming Award.³ Although dimensions and focus vary, both the Baldrige and Deming Award application processes are organizational learning experiences. Baseline from an organization's relative quality hierarchy position, the Baldrige application process differs from the Deming Award. With diverse business transformation/improvement goals and initiatives like "Lean Six Sigma," an organization like the NRC can initiate fresh efforts, while still remaining competitive for the award based on its initial organizational state.

The Baldrige Award has a category for government agencies. Following 9/11, US global policy in the War on Terrorism acquired tremendous strategic significance. The US Army's Armament Research, Development and Engineering Center (ARDEC) in Picatinny, New Jersey won the award last year, 2007. ARDEC's primary goal is to "maximize US forces' lethality" by developing "overmatch weapons." This assures US armed forces *always* enjoy maximum advantages in any possible tactical engagement.

NRC's strategic energy goals and policy are more important. They go beyond traditional defensive "protecting Public Health and Safety" to Congress's original proactive intent, facilitating safe, balanced use of commercial nuclear energy in the public's interest, while promoting safety. NRC alone can identify its strategic missions in the way that best suits

³ Also, International Standards Organization's ISO-9001 Quality Management System process certification.





its situation. As a top down development process, NRC Commissioners would need to decide whether the Baldrige represented value.

To assist NRC assess Baldrige application process implications, we've provided references to the Armament Research, Development and Engineering Center – ARDEC, the 2007 Government Agency Category winner. Self-described as the Armed forces “premier weapons test and development organization,” ARDEC⁴ targets its primary competition as enemy weapons development capabilities. ARDEC weapons development gives U.S. warriors substantial, unbalanced advantage in any potential conflict – overmatch capability that tips the engagement towards our people. Since 9/11, ARDEC’s mission has been pivotal, highly-visible and critical to National Defense objectives. How can national energy policy be any less important? Removing our Mideast oil dependence reduces strategic advantages enjoyed by our enemies. Take these away and terrorist organizations wither at the vine.

Today we position the NRC – before new construction, to examine, improve and promote the nuclear regulatory framework beneficially for the next generation of nuclear reactors. We believe the timing is perfect. We also acknowledge that NRC policymakers alone – you, the commissioners, supported by staff leadership – can decide policy. Our objective pointing out the Baldrige application process is to suggest how NRC can further develop quality excellence, without directing you or your staff into any single approach.

Sincerely,

J.K. August
COO, CORE, Inc.
Arvada, CO 80004
303-425-7408/303-507-5272

References: Attached Information, web links and overview, Baldrige Team – Picatinny
Contact: Brad Sampson, [973-724-2182](tel:973-724-2182)/brad.a.sampson@us.army.mil
c/ Executive Director for Operations

⁴ ARDEC demonstrates a U.S. government agency strategic process undertaking to improve quality performance. (ARDEC’s application is provided by hot link for reference.) With approximately 2500 employees and an annual budget of approximately \$2 billion, ARDEC’s mission criticality compares to NRC’s national strategic goal contributions. We believe NRC can learn new ways to improve processes so that its customers can likewise improve their processes in mutually beneficial ways. Furthermore, a Baldrige application initiative will shift regulatory processes to a more proactive position. By engaging in the Baldrige process, we believe that the NRC would provide the leadership to challenge the nuclear industry to break from its comfortable complacency into new, innovative value-oriented organizations that would enhance nuclear power’s viability. INPO, NEI and others, for example, could review their complementary internal processes in the Baldrige non-profit category.



Picatinny Arsenal, New Jersey
Home of American Firepower
(Excerpted from Baldrige application)

Situated on a 6,500-acre (2.7 million square feet of indoor area) military installation located in the northwest corner of New Jersey, Picatinny plays a unique role supporting the United States' ability to wage war. No other joint service armaments research and development facility compares with ARDEC's expertise, commitment, and results. The one-of-a-kind facility comprehensively provides the lethal mechanics used to develop and test Army weapons systems. Becoming the first government agency to apply for and win the Baldrige Award, originally a US commercial industry award process, Picatinny has seen a unique program turnaround. Through resolute pursuit of excellence initiated in 1993 by General Boddie culminating with winning the Baldrige, Picatinny also became the US military's preferred test center for advanced weaponry.

Our Director's #1 customer rule: The Customer is Always Right!

ARDEC understands the critical importance of results, "What gets measured gets done." As a part of our strategic planning process we carefully track the metrics required to achieve task success. Successful coordination and implementation of our strategies and key processes is the responsibility of the Initiative Owners.

As a fact-based organization ARDEC, uses a range of value analysis tools. Earned Value Management, Gap Analysis, Risk Analysis, Quadrant Analysis, customer feedback reviews, cause-effect, trend, root cause, cost/schedule/performance analysis, Value Stream Analysis, Project Selection and Risk Assessment, and Failure Modes & Effects Analysis using Lean Six Sigma methodology are some tools applied by ARDEC.

ARDEC process feedback systems continually facilitate learning from the best through benchmarking with industry and academia. Teaming and interacting with best-in-industry greatly enhance and accelerate organizational learning. Senior leaders and workforce members at various tiers actively participate in benchmarking activities through organizations and forums. ARDEC holds long-standing membership in the American Productivity and Quality Center's (APQC) International Benchmarking Consortium, the Benchmarking Exchange, Government-only Inter-Agency Benchmarking Best Practices Council, the Stevens Institute Alliance in New Jersey, and a more recent member, the Human Capital Institute (HCI). Senior Leaders leverage lessons-learned from benchmarking activities to serve as input to our Strategic Planning Process (SPP) to support strategic and operational decision making and innovation.



ARDEC suggestions that could be useful for the US NRC:

1. Map competency processes. Know your critical competencies – what you do that is excellent and where you have overlapping efforts. Look for internally competitive groups that duplicate and dilute competencies. Develop skills and people around core competencies, promoted integrally to customers
2. Consider identifying and developing your unique competencies around customer needs. Develop a “Process Asset Library” (ARDEC term for approximately 400) unique process competencies) related to core mission(s). Identify those that cannot be performed by anyone else or elsewhere.
3. Find a champion. General James W. Boddie became ARDEC’s visionary leader (below), instilling a desire to seek excellence. Starting in 1993 his strategic countermeasure sought to end the threat of base closing that followed hard upon the end of the Cold War. General Boddie initiated key leadership initiatives that evolved into the overall quality program effort, and eventually the Baldrige Award over a fifteen-year period
4. Identify improvement efforts already underway, and integrate those into a cohesive integral framework. ARDEC had Lean Six Sigma, Zero Based Budgeting, ISO 9001 process certification, and Competency Maturity Model Integration efforts underway as they went into the Baldrige. The application improved various efforts’ coordination.

Baldrige Award – Government Agency Category 2007 Hot Links:

ARDEC: <http://www.pica.army.mil/PicatinnyPublic/index.asp>

The United States Army's Center of Lethality:

<http://www.pica.army.mil/PicatinnyPublic/organizations/ardec/index.asp>

ARDEC Selected as 2007 Baldrige Award Winner:

<http://www.pica.army.mil/PicatinnyPublic/organizations/ardec/baldrige.asp>

Application 2007 Baldrige Award: Customer Support at ARDEC:

http://www.pica.army.mil/PicatinnyPublic/organizations/ardec/2007_ARD.pdf

About ARDEC:

http://www.pica.army.mil/PicatinnyPublic/organizations/ardec/ALL_ABOUT_ARDEC.pdf

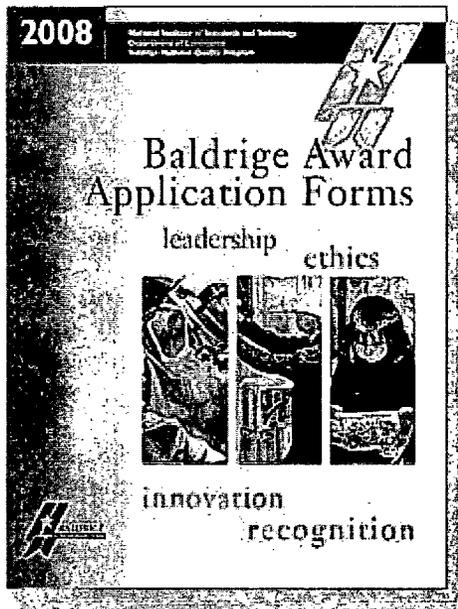
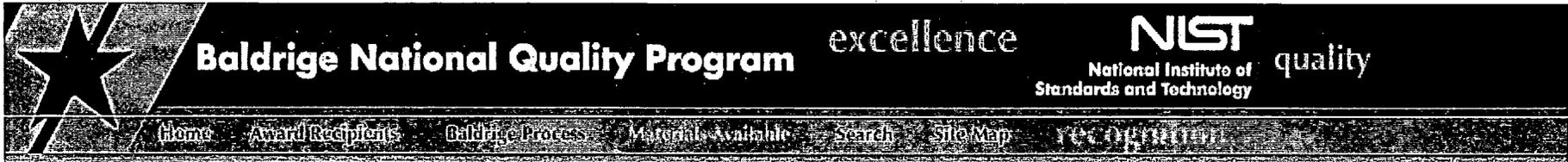
National Institute of Standards and Technology: Malcolm Baldrige National Quality Award Recipient Profile

http://www.nist.gov/public_affairs/releases/ardec.html





Air Medals, and the Army Commendation Medal (with one Oak Leaf Cluster). General James Boddie developed his ordnance and munitions expertise in great part through his years of service in various positions with the 59th Ordnance Brigade of the U.S. 7th Army in Europe. Subsequently, he commanded the U.S. Army Ordnance Missile and Munitions Center and School. Before commanding ARDEC, his final post, General Boddie was Deputy Commanding General for Procurement and Readiness, U.S. Army Armament Munitions and Chemical Command at Rock Island in Illinois. During his service at Picatinny Arsenal, General Boddie distinguished himself as ARDEC's most accomplished commander.



Award Application Forms.

PDF Version

Do you think you might want to apply for the Baldrige Award? The PDF version of the *Baldrige Award Application* booklet provides all you need to know about whether your organization is eligible to apply and how to apply. It walks you through the two-phase application process and provides all the instructions and forms you'll need for (1) certifying your organization to participate in the Malcolm Baldrige National Quality Award process and (2) applying for the Award.

Eligibility Form – Microsoft Word version (works best to save the file first and then open it in MS-Word)
 This file contains the 2008 Eligibility Certification Form that you must submit during the eligibility phase of the Award process. Instructions for completing and submitting these forms and the entire Eligibility Certification Package are contained in the PDF version (found above) of the *Baldrige Award Application Forms* booklet.

Application Forms – Microsoft Word version (works best to save the file first and then open it in MS-Word)
 This file contains the 2008 Application Form that you must submit during the application phase of the Award process. Instructions for completing and submitting this form must be submitted as part of the Award Application Package. Instructions for completing and submitting this form and the entire Award Application Package are contained in the full PDF version of the *Baldrige Award Application Forms* booklet. It is recommended that you begin preparing your Award Application package as early as possible.

You can request a paper copy of the full PDF document by e-mailing us at nqp@nist.gov or by calling (301)975-2400. For questions regarding the eligibility certification process or the Award process, contact 1(800)898-4506.

Deadlines:

- The deadline for submitting the 2008 Eligibility Certification Package that includes a nomination to the Board of Examiners is **March 7, 2008**.
- The deadline for submitting the 2008 Eligibility Certification Package without a nomination to the Board of Examiners is **April 8, 2008**.
- The deadline for submitting the 2008 Award Application Package on CD/PDF format is **May 8, 2008**.
- The deadline for submitting the 2007 Award Application Package on paper copies is **May 22, 2008**.

You need to have Acrobat Reader installed on your computer to view the PDF file. If you do not have Acrobat Reader installed on your computer, click on the Acrobat icon below and download the program. People with visual disabilities can download tools and information at <http://access.adobe.com> to help make Adobe PDF files accessible.