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UNITED STATES NUCLEAR REGULATORY COMMISSION
BRIEFING ON RADIOACTIVE SOURCE SECURITY

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THURSDAY

April 23, 2009

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The Commission convened at 2:00 p.m., the Honorable Dale E. Klein, Chairman
presiding.

NUCLEAR REGULATORY COMMISSION

DALE E. KLEIN, CHAIRMAN

GREGORY B. JACZKO, COMMISSIONER

PETER B. LYONS, COMMISSIONER

KRISTINE L. SVINICKI, COMMISSIONER

1 PANEL 1: NRC STAFF AND AGREEMENT STATES

2 CHARLES MILLER, Director, Office of Federal and State materials
3 and Environmental Management Programs

4 ROBERT LEWIS, Director, Division of Materials Safety and State
5 Agreements, FSME

6 JULIA SCHMITT, Manager, Office of Radiological Health, Nebraska
7 Department of Health and Human Services and Chair, OAS

8 KIM LUKES, Health Physicist, Source Management and Protection
9 Branch, FSME

10 RICHARD CORREIA, Director, Division of Security Policy, Office of
11 Nuclear Security and Incident Response

12 TERRENCE REIS, Deputy Director, National Materials Program
13 Directorate, FSME

14 MERRI HORN, Senior Project Manager, Rulemaking Branch B,
15 Division of Intergovernmental Liaison and Rulemaking, FSME

16

17 PANEL 2: STATES AND INDUSTRY

18 SHAWN SEELEY, State of Maine and Chair-elect OAS

19 CINDY CARDWELL, State of Texas and Past-chair OAS

20 KATE ROUGHAN, Director, Regulatory Affairs/Quality Assurance,
21 QSA Global, Inc.

22

1 P-R-O-C-E-E-D-I-N-G-S

2 CHAIRMAN KLEIN: Good afternoon. I was looking around to see if
3 we had future NRC employees since this is "Bring Your Children to Work Day". I
4 was going to see if we had any future aspiring entrants to our work force.

5 This is one of those sort of bittersweet Commission meetings. This will be
6 the last Commission meeting for Karen Cyr, our General Counsel. I can't
7 understand after 34 years you wanting to retire, but for some reason some people
8 want to do that.

9 So, we did a calculation and we assumed that we have on the order of at
10 least 50 Commission meetings a year and lasting two hours, so Karen has sat
11 over there for on average 100 hours a week for 14 years, so that's 14,000 hours.

12 So, if you calculate a coast-to-coast trip of being seven hours that's the
13 equivalent of 2,000 coast-to-coast trips. So, Karen, thank you for your service for
14 all those years. We'll keep the seat warm until Steve gets in there.

15 MS. CYR: Thank you very much. It's been a privilege and an honor
16 to serve as the General Counsel for this agency. I did my own little calculations.
17 I've worked with 14 Commissioners, six Chairmen, five EDOs, 15 Deputy EDOs
18 and two secretaries. And I knew this was the greatest place to work in the
19 government long before OPM decided to announce that and that's part of the
20 reason I've stayed all these years. This is a marvelous, dedicated group of people
21 and it's been a pleasure to work with all of you.

22 CHAIRMAN KLEIN: Thanks. Well, today --

1 COMMISSIONER JACZKO: Mr. Chair, if I could just comment. I
2 have had the opportunity to work with Karen now for four years and I certainly
3 appreciate all your work. I would only say that I think our loss is perhaps Duke
4 Basketball's gain. And I think Duke Basketball maybe could use some additional
5 encouragement and support. So, hopefully that will be something that you
6 dedicate --

7 MS. CYR: That's one of our goals is to go to the ACC tournament
8 and the National tournament.

9 COMMISSIONER JACZKO: Well, hopefully they will be there and
10 reward you for that.

11 MS. CYR: Thank you.

12 COMMISSIONER LYONS: Let me just add my thanks to Karen for
13 your service to the organization and the American public. Thank you very much.
14 You've made a fabulous contribution.

15 MS. CYR: Thank you.

16 COMMISSIONER SVINICKI: Mr. Chairman, if I might, I would say
17 that one of the things that eases the entry for a new Commissioner is having
18 access to the kind of tremendous wealth of knowledge that people like Karen have
19 and bring to this agency. So, I thank you as well for all your support over the last
20 year.

21 MS. CYR: Thank you very much.

22 CHAIRMAN KLEIN: And we assume that the Knowledge

1 Management Program has been at work for you as well.

2 MS. CYR: Yes, yes. Mr. Burns is well prepared.

3 CHAIRMAN KLEIN: Thanks. Well, today we're going to hear about
4 radioactive source security. We'll hear from the NRC staff, from the Agreement
5 States and from industry.

6 We're certainly looking forward to hearing from the Agreement States, as I
7 think we all recognize that about 80% of the sources are in those states. And so,
8 while we make a lot of rules the Agreement States are the ones that implement a
9 lot of those activities.

10 We have certainly accomplished a lot and I think a lot of that is through the
11 cooperation among the NRC, our other Federal partners and the Agreement State
12 programs. We certainly have more work to go and we also certainly need to stay
13 attuned to what's happening in the international arena and make sure that we
14 balance the needs of the American people for the beneficial uses of the
15 radioactive material against the potential risk that could be harmed.

16 And so, that's always a challenge in a regulatory environment. So with
17 those, any comments before we start? Charlie, would you like to begin?

18 MR. MILLER: Thank you, Chairman, Commissioners. For the
19 benefit of the group I'm Charlie Miller, the Director of the Office of Federal and
20 State Materials and Environmental Management Programs, but I'm here today on
21 acting behalf of the EDO. While I've done many Commission meetings, first time
22 sitting in this seat.

1 What I'd like to do first is introduce the people at the table with me today.

2 To my far right is Rob Lewis. Rob is the Division Director who's responsible for the
3 material safety and security in FSME.

4 To Rob's immediate left is Julia Schmitt. She needs no introduction. She's
5 the Chair of the Organization of Agreement States.

6 To my immediate right is Kim Lukes. Kim is a health physicist in my office
7 and works for Rob.

8 To my immediate left is Rich Correia. Rich is here today representing our
9 Office of Nuclear Security and Incident Response interests.

10 And to his left is Terry Reis. Terry is one of Rob's deputies in FSME.

11 And to our far left is Merri Horn. Merri Horn is a Senior Project Manager in
12 our Division of Intergovernmental Liaison and Rulemaking in FSME.

13 Today, the staff is going to provide an overview of the various activities in
14 the area of radioactive source security. Staff provided a Commission briefing on
15 this topic last April and is happy to report on the significant progress made within
16 the last year in completing and addressing many of these initiatives.

17 I recognize and very much appreciate the close and very good cooperation
18 we've had from our partners, both Federal and our Agreement State partners and
19 also our Advisory Committee for the Medical Use of Isotopes.

20 I'd also like to recognize the close and good cooperation that we've got with
21 our licensees and as our licensees and the Agreement State licensees the
22 community that we both regulate and getting on with the security matters before

1 us.

2 To demonstrate our partnership we've got a representative at the table here
3 today as you can see representing the Organization of Agreement States and
4 there'll be other state representatives in the panel that will come after us.

5 In addition, we've got some of our Federal partners in the audience with us
6 today. And I'd like to acknowledge Craig Conklin from the Department of
7 Homeland Security is here and Ken Sheely is also here from NNSA.

8 I recognize and acknowledge the support that the Commission has given us
9 in carrying out the duties that we've had before us since 9/11 and putting security
10 matters in place and implementing them.

11 Today, we'd like to give you a full picture of our accomplishments over the
12 last year: our ongoing work and our vision for the future integration of the source
13 management and protection and to the NRC and Agreement State licensing
14 programs. If I could have slide 2, please.

15 Before I turn over the briefing to the staff I'd just like to acknowledge a few
16 accomplishments that we've had especially in the past year. Some of these
17 include the deployment of the National Source Tracking System. This was a major
18 accomplishment; however, we've had a number of challenges to overcome along
19 the way. I expect the panel will raise some of these challenges for your
20 awareness. Due to these challenges we've developed a number of improvements
21 in the implementation of the system and we plan to address these as we move
22 forward.

1 We also completed the issuance of the fingerprinting requirements over the
2 last year for all those licensees implementing the increased controls. We
3 successively coordinated and led the cesium chloride public workshop, provided a
4 Commission policy paper and recently received your policy guidance.

5 And finally, we've completed some major assessments in the Material
6 Security Program by the Pre-licensing Working Group, the Materials Program
7 Working Group and the Independent External Review Panel. All of these
8 accomplishments will be discussed in detail later in the presentation.

9 I'd like to turn the presentation over now to Rob Lewis who will start our
10 detailed presentation.

11 MR. LEWIS: I'm on slide 4. Good afternoon, Mr. Chairman,
12 Commissioners. I'm very honored to appear before the Commission today to
13 present our source security accomplishments, ongoing work and challenges.

14 I am very proud of the work of our staff and the state staffs in this area and
15 we all recognize, though, that we are a work in progress and have a ways to go as
16 the Chairman mentioned in his opening remarks.

17 Our briefing today has three phases. I'll speak mainly about our recent
18 accomplishments on increased controls, fingerprinting and cesium chloride. Then
19 we'll progress down the table with speakers presenting our partnership efforts with
20 states and Federal agencies. Then we'll end with our vision and plans for
21 integration of the National Source Tracking System, Web-Based Licensing and
22 automated license verification. Slide 6, please.

1 The increased controls orders are being implemented by about 1,300
2 licensees nationwide that possess Category 1 and Category 2 sources as defined
3 by the International Atomic Energy Agency's Code of Conduct on the safety and
4 security of radioactive sources. We believe we are significantly less vulnerable
5 today to unauthorized access or misuse of sources as a result of the increased
6 controls orders.

7 I'm very happy to report that the first round of increased controls
8 inspections have been completed for all NRC licensees. This is ahead of
9 schedule specified in our program procedures. Similarly, many Agreement States
10 have completed their first round of increased controls inspections ahead of
11 planned schedules as I have personally witnessed and we checked during several
12 integrated Materials Performance Evaluation Program or MPEP reviews of the
13 Agreement States.

14 The Regions and Agreement States have already initiated the second
15 round of inspections for the IC licensees as well as inspections of irradiator,
16 manufacturer and distributor, and transportation orders which were issued under
17 safeguards protections.

18 We are now turning our focus towards developing a new Part 37 of 10 CFR
19 that will impose security requirements to replace the orders. The findings and
20 experience of the regional and state inspectors in conducting the first round of
21 inspections have been fed into that rulemaking process.

22 We have used a joint NRC Agreement State Implementation of Increased

1 Controls Working Group to develop over 250 questions and answers about the
2 increased controls and fingerprinting.

3 Speaking of fingerprinting, the Agreement States were required by June 5,
4 2008 to issue a legally binding requirement for fingerprinting and background
5 checks of all individuals with unescorted access to Category 1 or 2 materials
6 nationwide. The NRC and all of the Agreement States have issued fingerprinting
7 requirements and are now in the process of verifying compliance.

8 Of note, NRC predicted approximately 15,000 individuals would submit
9 fingerprints; however, as of the beginning of this month approximately 77,000
10 fingerprint forms have been submitted to NRC. On behalf of FSME I would like to
11 recognize and thank the Office of Administration for their remarkable
12 accomplishment of processing all of these forms.

13 Four hundred and fifty-one NRC and Agreement State personnel have been
14 trained through our increased controls training program, including three classes
15 that have or will be held in 2009. This program complements our NRC and
16 Agreement State qualification training program for reviewers and inspectors, which
17 we'll have trained by May of 2009 528 Agreement State staff since the resumption
18 of funding in January 2008 by NRC.

19 Finally on this slide in my division in late 2008 we reorganized to provide
20 leadership focus for material security initiatives while concurrently maintaining
21 public health and safety mission. This reorganization has facilitated and expedited
22 the accomplishments I mentioned above. Slide 7, please.

1 Turning now to cesium chloride. Cesium chloride is a salt used in sealed
2 sources inside of irradiators and calibrators that has received increased attention
3 from both a safety and security perspective because of the potential dispersibility
4 of the chemical.

5 The NRC's increased controls and fingerprinting orders have been
6 implemented for all of the devices that have cesium chloride. In February 2008,
7 the National Academies issued a report on Source Use and Replacement that
8 emphasized that replacement technologies be considered for cesium chloride.

9 In light of the various views on alternative technologies and replacement
10 NRC and States conducted a series of visits to manufacturers of cesium chloride
11 irradiators and sources between December 2007 and April 2008.

12 More notably, a public workshop was held on September 29th and 30th,
13 2008 to solicit input on the use of cesium chloride. The workshop had 210
14 participants and we received 141 written comments after the workshop.

15 We also asked our Advisory Committee on Medical Uses of Isotopes to
16 complete a study comparing cesium chloride blood irradiation to other
17 technologies particularly x-ray irradiation. The written comments and discussions
18 indicated that near-term replacement of cesium chloride sources or devices in
19 existing blood research and calibration irradiators is not practicable and would be
20 disproportionately detrimental to patient health, longstanding research and
21 emergency response capabilities.

22 The National Nuclear Security Administration and the Domestic Nuclear

1 Detection Office are conducting a voluntary program with the cooperation of NRC
2 and Agreement States to install relatively simple and cost-effective hardening
3 measures that can be retrofitted to existing irradiators and incorporated into the
4 designs of any newly manufactured irradiators to enhance security beyond
5 regulatory requirements.

6 National implementation of this program will commence this month and will
7 take a few years. All of the staffs and interagency work on cesium chloride was
8 compiled into a Commission paper named "Strategy for the Security and Use of
9 Cesium Chloride Sources". On April 15th the Commission gave us direction in a
10 Staff Requirements Memo and as directed the staff is preparing to support
11 research for alternatives in partnership with our Federal and state counterparts.

12 Speaking of partners, I will turn now to the OAS perspective to Julia Schmitt
13 who has, in my opinion, provided substantial and wise leadership to the OAS
14 Board during this time of great programmatic change.

15 Chairman Klein and Commissioners, I thank you for your attention and the
16 opportunity to speak with you.

17 MS. SCHMITT: Next slide, please. Thank you, Rob, for your kind
18 words. I'd also like to express my thanks to the Commission and NRC staff for
19 making sure that the Agreement States were offered an opportunity to participate
20 in the security efforts.

21 While the implementation of increased controls and fingerprinting has not
22 been without challenges I'm very proud of my partner Agreement States and how

1 we've been able to make what turned out to be significant changes to our
2 programs to include enhanced security requirements. We're glad to see that the
3 efforts are now under way to put the security requirements into rule.

4 Agreement State and NRC Regional staff have spent considerable time
5 helping licensees understand the requirements and making sure that they comply.
6 As these rules are drafted we must keep in mind that any changes from the
7 current increased control requirements may cause licensees to make changes to
8 their established program in order to comply. We have to ensure that each and
9 every change is absolutely necessary.

10 Agreement States will be the first to remind you that we cannot sacrifice our
11 vigilant oversight of the safe use of radioactive materials for tweaks to an already
12 successful security program.

13 Significant efforts have been made to prioritize the activities of the various
14 working groups. One of our OAS board members, Lee Cox of North Carolina, has
15 agreed to serve as our working group coordinator. He's met with Rob and a
16 representative from the CRCPD to find ways to prioritize and optimize our working
17 group efforts.

18 The group recognized that with so many changes happening they must set
19 realistic expectations for the working groups while also taking into consideration
20 the resource constraints that we're all operating under. Our hope is that the
21 prioritization of activities will continue to be an ongoing process.

22 There have been challenges with the NSTS credentialing process, but I

1 know that you're already aware of this. From what I've seen, the good news is that
2 it's actually easier to use NSTS then it is to get credentialed to use it.

3 We continue to have conference calls every few weeks to discuss any
4 issues or questions that arise from the use of the system. I think that there are
5 lessons we have learned from the rollout of the NSTS system that will be of use in
6 planning the web-based licensing system.

7 As with NSTS pursuing electronic access to NSTS, particularly if they make
8 few transfers -- sorry; there will be a need to credential those with access to the
9 web-based licensing. As with NSTS there will be a need to credential those with
10 access to the web-based licensing system.

11 We have learned from some licensees that they are not willing to pursue
12 electronic access particularly if they make few transfers or find the use of the
13 system too onerous. So, there will need to be an ongoing need for data entry
14 staff.

15 This may also be the case with the license verification system depending on
16 how the issues of data transfer between web-based licensing and the various
17 Agreement State systems evolve.

18 I'll now turn it over to Kim Lukes.

19 MS. LUKES: Thank you, Julia. Good afternoon. We're now going to
20 discuss the interagency and international efforts under way. I will focus on the
21 Radiation Source Protection and Security Task Force and Rich Correia will provide
22 information on the other partnerships we have and the ongoing activities of those

1 groups. Next slide, please.

2 The Radiation Source Protection and Security Task Force, which was
3 established by the Energy Policy Act of 2005 has been one of the primary vehicles
4 for advancing issues relating to security of radiation sources from potential terrorist
5 threats across the government.

6 Many of the representatives from various agencies that are participating as
7 task force members, including Commissioner Svinicki as the Commission
8 representative for the Chairman, and which we thank her for her active
9 participation in the last task force meeting in February, have been and will
10 continue to be involved in helping advance the 10 recommendations and 18
11 actions that resulted from the task force report that was sent to the President and
12 Congress in August 2006.

13 Future reports are to be submitted not less than once every four years, so
14 the next report is due to the President and Congress in August 2010. The report
15 will provide an integrated view of all the various activities that have been
16 completed within the last four years and that are currently underway. Many of the
17 initiatives that were previously identified have now been actually implemented
18 through actions like issuance of orders.

19 The task force now meets at a minimum twice a year to receive status
20 reports on implementation of recommendations and actions from the 2006 report
21 and status updates on activities under way by active subgroups.

22 Charlie chairs the task force meetings and I coordinate the task force

1 activities. The next meeting is tentatively scheduled for early July timeframe. Next
2 slide, please.

3 This slide represents a significant amount of work by the task force
4 subgroups. I will briefly walk through the accomplishments for each of the groups.

5 The Radiation Sources Subgroup, co-chaired by the NRC, DHS and DOE,
6 completed its report which contains nonpublic security related information. It
7 provides definitions for a significant radiological dispersal device and radiation
8 exposure device agreed upon by the various agencies.

9 Also the report recommends that the 16 radionuclides in quantities from the
10 IAEA Code of Conduct remain those that warrant enhanced security and
11 protection.

12 Additionally, a limited number of other radionuclides were identified that
13 should be considered for enhanced control in limited situations. There are a very
14 small number of major radionuclide producers and distributors worldwide that
15 possess such sources.

16 The subgroup's efforts considered economic, physical, psychological and
17 social disruption consequences as well as radiological health effects in its
18 re-evaluation efforts. This report was presented to the task force during the last
19 task force meeting and currently the subgroup is evaluating various task force
20 members' comments on the report.

21 The Cesium Chloride Subgroup, co-chaired by the NRC and DOS, was
22 tasked with conducting a study to assess the feasibility of phasing out the use of

1 cesium chloride in a highly dispersible form. The final report which was endorsed
2 by the task force identified that a stepwise phase-out could be feasible, but certain
3 challenges would have to be overcome.

4 The results of this effort were folded into the NRC staff recommendations
5 that were provided to the Commission which Rob alluded to earlier.

6 The Public Education Subgroup, chaired by DHS, developed a
7 comprehensive action plan which was endorsed by the task force for a
8 coordinated public education campaign that would be geared to reduce fears of
9 radioactivity. It is expected that all of the products resulting from the action plan
10 will be made publicly available on the Internet. Next slide, please.

11 I will now address the status of two groups that are currently addressing
12 their assigned tasks. The Alternative Technologies Subgroup was tasked with
13 evaluating financial incentives, research needs for alternative technologies and
14 designs, and the cost benefits of potential alternatives for certain Category 1 and
15 2 sources.

16 The February 2008 NAS study is being used as a starting point in
17 developing alternatives and a contractor has begun work to develop the
18 cost-benefit analysis. The subgroup will present its final report in the last quarter
19 of 2009.

20 An interagency working group has recently been formed to evaluate how
21 the Federal government can increase the likelihood that Category 1, 2 and 3
22 sources which currently do not have NRC financial assurance requirements will be

1 properly disposed of.

2 There are several challenges as some licensees are storing these materials
3 for long periods of time as disposal costs have increased and due to the lack of
4 disposal capacity. If a decision is made to pursue additional financial assurance
5 we will use the rulemaking process.

6 I will now turn it over to Rich Correia to discuss the other interagency and
7 international coordination efforts that are under way. Thank you. Next slide,
8 please.

9 MR. CORREIA: Thank you, Kim. Next slide, please. Chairman,
10 Commissioners, we have several other major efforts underway in regards to
11 interagency and international coordination. The NRC is working closely with its
12 domestic and international partners to continuously assess, integrate and improve
13 its security programs and make risk significant radiation sources more secure and
14 less vulnerable to adversaries.

15 DHS coordinates Government Coordinating Councils for critical
16 infrastructure including the nuclear sector. NRC routinely coordinates and updates
17 its activities with its Federal partners through the Nuclear Government
18 Coordinating Council. Agreement States and non-Agreement States also
19 participate in the GCC as well.

20 NRC is also continuing to participate in periodic trilateral meetings with DHS
21 and DOE NNSA to coordinate on source security issues. The purpose of these
22 trilateral meetings is to enhance coordination and awareness of each agency's

1 activities and initiatives regarding source security. These meetings have been a
2 major success in demonstrating U.S. government approach to source security.

3 Some of the ongoing issues that are being addressed include enhancing
4 security of cesium chloride irradiators as previously discussed, RDD consequence
5 studies, the "Securing the Cities" initiative, the Global Threat Reduction Initiative,
6 alternative radiological technologies and the well logging security initiative.

7 There's been good coordination among NRC and its Federal partners and
8 states continue to be notified of security assist visits by DHS and DOE.

9 Internationally, the NRC has been fully engaged for a number of years as
10 IAEA develops its Nuclear Security Series. We work very closely with IAEA
11 document preparation process to ensure safety/security interface is strengthened
12 in both the Safety Series and the Security Series documents and to assure
13 general consistency with NRC regulations and orders.

14 The Nuclear Security Series provides member states guidance on nuclear
15 security issues relating to the prevention and detection of and response to theft,
16 sabotage, unauthorized access, illegal transfer, or other malicious acts involving
17 nuclear material and other radioactive substances and their associated facilities.

18 One document, "The Security of Radioactive Sources Guide" should be
19 published soon and there are three other source security related documents that
20 are being developed and should be finalized next year. We will participate in three
21 technical meetings on these topics this year.

22 Now I'd like to turn it over to Terry Reis from FSME to begin the discussion

1 on integrated source management. Thank you.

2 MR. REIS: Thank you, Rich. Can I have the slide with the pyramid?

3 Thank you.

4 Chairman, Commissioners, in the summer of 2007 several assessments
5 identified weaknesses in the NRC's radioactive materials program. Three
6 organizations made a combined eight recommendations, which I'm pleased to say
7 have been addressed or are in progress. These recommendations formed the
8 basis of our action plan, which is depicted by this pyramid.

9 The base of the pyramid is the revised pre-licensing guidance. In
10 September 2008, we issued the revised pre-licensing guidance to require site
11 visits for all unknown applicants as well as for all requests for authorization to
12 possess risk significant quantities of material.

13 The guidance also calls for investigations into the legitimacy of all
14 applicants through readily available means, such as Internet searches and
15 business listings. The Agreement States incorporated the pre-licensing guidance
16 into their licensing programs by March 22nd of this year.

17 The next level of the pyramid is the work of the Independent External
18 Review Panel or IERP. The IERP made eight recommendations centered around
19 three key themes. These themes were suspension of the good faith presumption,
20 elevation of security in the Materials Program to be equal to health safety and the
21 environment, and that the NRC should develop an electronic means of license
22 verification for use by NRC, Agreement States and licensees.

1 We have made significant progress in addressing these themes. The
2 pre-licensing guidance is a significant part of the good faith presumption.

3 Secondly, security has been elevated through increased control training.

4 Thirdly, we have a clear vision for our license verification system which I will
5 speak to.

6 While we have a good deal of work to do in implementing all of the IERP
7 recommendations we have made significant progress in meeting the intent of its
8 recommendations.

9 The next level is the Materials Program Working Group or MPWG. The
10 MPWG was principally chartered to identify short and long-term strategies to
11 mitigate security vulnerabilities and to evaluate the efforts of the IERP.

12 The MPWG completed its final comprehensive report in October of 2008
13 and its steering committee completed its deliberations on their recommendations
14 in February 2009. The recommendations adopted by the steering committee are
15 now with the staff for implementation.

16 The next level is the general license rulemaking, which became an integral
17 part of this action plan with the intent of not providing an avenue for generally
18 licensed material to be aggregated into risk significant quantities. The proposed
19 general license rule has been provided to the Commission and we await the
20 Commission's policy decision on this matter.

21 The top of the pyramid is the integration of the National Source Tracking
22 System, Web-Based Licensing and the License Verification System, which is now

1 referred to as Integrated Source Management.

2 The staff along with the IERP consider this to be a major component toward
3 addressing weaknesses in the radioactive materials program because it will
4 provide a secure system to be used for license verification, will provide an
5 accounting of risk significant sources of radioactive material, and will be a much
6 improved tool for use in ensuring the legitimacy of transfer of radioactive materials.

7 Next slide, please.

8 The source tracking web-based licensing and license verification or I'll now
9 refer to them as NSTS, WBL and LVS are key components of a comprehensive
10 program for the security and control of radioactive material and will complement
11 the enhanced security requirements and radioactive materials program
12 improvements discussed earlier.

13 The planning, design and development of these systems has included
14 extensive internal and external coordination with stakeholders. WBL and LVS will
15 build on the successes and lessons learned of the NSTS.

16 We plan to integrate all three systems into a common system environment
17 and architecture. When complete, these components will form an integrated
18 source management system that will include information on all NRC and
19 Agreement State licensees and over 50,000 high risk radioactive sources
20 possessed by approximately 1,300 licensees. Of course, this number will be much
21 bigger if the policy decision is to expand to Category 3.

22 It will make nationwide radioactive source authorization, possession and

1 transaction information available to other government agencies with a role in the
2 protection of the Nation from nuclear and radiological threats.

3 It will provide licensees with the secure automated means to verify license
4 information and possession authorization prior to initiating radioactive material
5 transfers.

6 It will enable us to monitor the location, possession, transfer and disposal of
7 high risk radioactive sources throughout the country.

8 It will improve source accountability and give better information to decision
9 makers and it will detect and alert regulators to tracking discrepancies.

10 And finally, it will modernize NRC licensing and inspection management
11 systems. Next slide, please.

12 The status of these projects. As you know, NSTS is up and running.
13 Web-based licensing was intended to modernize existing NRC legacy systems to
14 provide an integrated comprehensive license information system for the materials
15 arena. The requirements for WBL have been expanded to support license
16 verification capability by having WBL serve as a repository for Nationwide license
17 information for both NRC and Agreement State licensees.

18 Considering lessons learned from prior WBL efforts the staff evaluated a
19 number of alternatives for proceeding with development of the system. The staff
20 has identified an alternative that will leverage existing systems, data and
21 investments to the greatest extent possible.

22 We believe the identified alternative will be able to provide an interim NRC

1 license management capability later this year and a first release of web-based
2 licensing to follow in fiscal year 2011.

3 A joint NRC/Agreement State Working Group was established in July 2008
4 to address including Agreement State license data in a nationwide repository for
5 license verification purposes. The working group also assisted the staff in
6 evaluating the alternatives for web-based licensing and developing requirements
7 for the license verification system. Staff from regional offices also provided
8 assistance with the evaluation of alternatives. Next slide, please.

9 The license verification system. An integral element of the action plan both
10 from the staff and the Independent External Review Panel and external
11 assessments was to develop a means to provide license verification to ensure that
12 materials can be obtained only in authorized amounts by legitimate users.

13 LVS is intended to provide licensees and other government users an
14 automated capability for verifying the legitimacy of a license and for determining
15 whether a licensee is authorized to receive material it has requested using
16 licensed data in WBL and inventory data in NSTS.

17 This capability will supplement the current license verification requirements
18 in the regulations by providing an independent verification capability using actual
19 data from the regulator.

20 LVS will not provide direct access to sensitive data in WBL or NSTS, but
21 will provide yes or no responses to inquiries. This approach will provide greater
22 accessibility for users especially for those who do not also require direct access to

1 WBL or NSTS.

2 Development will occur in parallel with WBL and the first release is
3 expected to be complete in fiscal year 2011. We are coordinating development of
4 LVS and WBL with various other Federal agencies, such as Homeland Security's
5 DNDO and U.S. Customs and Border Protection that need access to license
6 authorization and possession information. We plan to involve industry in the
7 development of these systems to ensure they are effective.

8 Lastly, a Chairman paper is under development and will be provided soon
9 that addresses LVS development, implementation of the identified alternative for
10 WBL, and integration of both these systems with the NSTS.

11 Now, I will turn it over to Merri Horn to describe our recent experience
12 rolling out the initial version of NSTS and our plans for material security
13 rulemaking.

14 MS. HORN: Thank you, Terry. Can I have slide 22, please? The
15 deployment of NSTS is a major accomplishment, not just for FSME and NRC, but
16 also for the U.S. Government. The NSTS journey began back in 2003 with
17 recommendations from the joint NRC DOE report on RDD for a national tracking
18 system and from a recommendation in the IAEA Code of Conduct for a National
19 registry.

20 The deployment of the National Source Tracking System meets the U.S.
21 commitment to have a National registry of risk significant sources. Development
22 of the system requirements began back in January of 2004. After several years of

1 efforts the NSTS received its authorization to operate in early December 2008 and
2 the system was deployed at the end of the year. Credentialed users had access
3 to the system beginning in January 2005.

4 Licensees possessing Category 1 and 2 radioactive sources were required
5 to report their initial inventories by January 31st of this year. On that same date
6 they were to begin reporting their source transactions to the system. These
7 transactions included such things as manufacture of a new source, transfer,
8 receipt, disassembly of source and disposal of source. The licensees are
9 reporting to the system. Slide 23, please.

10 FSME formed a team in September to handle the many aspects of
11 deployment for the system. These activities included training, procedure
12 development and communications. During November and December 2008 we
13 offered training to the user community. We held a total of 18 hands-on training
14 sessions at five locations across the country providing training for over 450 NRC,
15 Agreement State, DOE and licensee staff.

16 The feedback from the training was fairly positive. Users thought that the
17 system was easy to use. Aside from the credentialing, the system was easy to
18 use. For those that have access to NSTS there's also computer-based training
19 available.

20 As mentioned by Julia we are having calls with the states on the source
21 tracking system. The calls, which started in January, initially focused on
22 credentialing and are now focused on feedback on use of the system.

1 We also updated the information on the NRC web page to provide
2 additional information on NSTS. This included a number of frequently asked
3 questions. We have also established an NSTS help desk to answer inquiries. We
4 are averaging about 93 calls and 112 e-mail inquiries to the help desk each day.

5 Approximately 1,200 licensees reported their initial inventory by mail, fax or
6 online. The majority of the licensees did report their inventory by fax or mail
7 because they did not have access to the system. This resulted in initial backlog
8 for our contractor to enter the information into the system.

9 All inventory data has now been entered. Licensees are also reporting
10 source transactions to NSTS. Again, many are reporting by fax or mail, so there is
11 a delay as our contractor enters the data and we do have a bit of a backlog there.
12 We're averaging about 58 fax or mailed reports each day.

13 Both NRC and Agreement State staff are beginning to use the system for
14 inspections and for updating license information. As more users are accessing the
15 system we're identifying glitches that you expect with any new system. We're
16 trying to address these issues as they come up.

17 We are planning outreach activities to those licensees that have not applied
18 for access to encourage them to apply and use the system electronically, but also
19 outreach to those that have gone through the credentialing but haven't
20 downloaded their certificates yet. Slide 24, please.

21 For NSTS to be an effective tool the data in the system needs to be reliable.
22 Of key importance is getting the starting point or the initial inventory correct. We

1 have issued a temporary instruction on inspecting compliance with NSTS reporting
2 requirements. This inspection effort is focused on making sure that licensees
3 reported their initial inventories correctly.

4 We will be implementing system enhancements for NSTS through periodic
5 maintenance releases. There are approximately three maintenance releases in
6 each year.

7 The user community has made many suggestions that will be considered in
8 the maintenance releases. The changes will be reviewed, analyzed and
9 incorporated into software releases through the use of a configuration control
10 board. The board actually includes representatives from both the Agreement
11 States and industry. The first maintenance release will include an improved batch
12 upload capability the industry has requested.

13 We also plan to release Version 2 of NSTS in mid-2011. This release will
14 include several major plan enhancements including alarms, automatic alerts,
15 notifications and enhanced query capability.

16 As for NSTS expansion the staff published a proposed rule for public
17 comment in April 2008 to expand NSTS to include Category 3 sources as well as
18 sources in the upper range of Category 4, the 1/10 Category 3.

19 Although the staff has recommended deferring the final rule until additional
20 experience with NSTS operation has been gained the staff is currently working
21 toward a completion of the final rule. Slide 25.

22 Moving on to the area of security rulemakings. As mentioned earlier FSME

1 is actively working on a rulemaking that addresses physical security during use
2 and storage, transportation security, background investigations and access control
3 for licensees possessing Category 1 and 2 quantities of radioactive material. The
4 Agreement States are represented on the working groups and on the steering
5 committee.

6 The requirements we plan to place them in a new Part 37. This will replace
7 the existing requirements imposed by the orders such as the increased controls
8 and the fingerprinting orders. The proposed rule is scheduled to be provided to
9 the Commission in December.

10 In the area of the transportation security, which will be one of the sub parts
11 for the new Part 37, we posted preliminary draft rule checks for public comment
12 last November. The stakeholders providing specific comments were very
13 supportive for the fact that we were doing a rulemaking because it provides an
14 opportunity for public input.

15 Preliminary draft rule text for the background investigation and access
16 control portion was posted last week for public comment and the physical security
17 during use portion will be posted next week for public comment; a 45-day
18 comment period in both cases.

19 Now, I will turn it back over to Charlie Miller to provide his vision of the
20 future for material security.

21 MR. MILLER: Thank you, Merri. I believe that we as an agency
22 have made considerable progress since the last time we briefed you on our efforts

1 in enhancing security and control of radioactive materials usage. At the same time
2 we have not lost focus on the safety issues that have been our primary
3 consideration prior to 9/11.

4 As I mentioned in the last briefing to the Commission I had a goal of trying
5 to take a longer term and more proactive look at the materials program integrating
6 these security enhancements into an overall based program. We've been
7 successful in turning some of the immediate actions we have done in the past to
8 more long term solutions.

9 For example, many of the material security requirements that were imposed
10 by orders are now being addressed through a rulemaking effort in Part 37 as Merri
11 mentioned. Also last year we were in many regards researching and evaluating
12 many topics of high interest, such as cesium chloride. We have now conveyed
13 many of these initiatives from paper into actions within the last year.

14 We are continuing on a path of moving recommendations for improvement
15 into tangible actions and enhancement and this continues to be my longer term
16 vision.

17 Mr. Chairman and Commissioners this concludes our presentation.

18 CHAIRMAN KLEIN: Well, thank all of you for a good presentation
19 and certainly thanks for the cooperation between the staff and the Agreement
20 States. That's very helpful and encouraging. We'll begin our questioning with
21 Commissioner Svinicki.

22 COMMISSIONER SVINICKI: Thank you. I do have a few questions.

1 I want to start out with a couple of acknowledgments, though. Charlie, I've had the
2 opportunity at other Commission meetings to talk to you about how impressed I
3 am with all of the work that the staff here does in support of the task force. And
4 now that Kim is sitting alongside you I can extend that to her efforts specifically.

5 If I have the history right I think Merri had that role before you did. It's
6 impossible to participate even in the one meeting that I've now participated in in
7 February and not walk away from that with a real sense of what leadership all of
8 the NRC managers and staff are bringing to this effort.

9 So, this will be no surprise to Kim, but I think Charlie led the meeting, but
10 frequently the words out of his mouth were, "Well, get in touch with Kim on that" or
11 "Kim will communicate with everyone. Kim will provide the report."

12 Kim, I've had the chance to see some of all the email and the follow ups, so
13 it's not just the meetings themselves. It's, for you, a week by week activity. So, I
14 thank you for your work on that.

15 MR. MILLER: Commissioner, you broke the code. You figured out
16 who the real brains behind this are.

17 [LAUGHTER]

18 COMMISSIONER SVINICKI: Yeah, after the first few times I figured
19 that out. And even, again, this is significant to me how much respect I think all of
20 our Federal partners have for the NRC efforts because even folks from other
21 agencies would say, "Well, I'll just talk to Kim about that" or "I'll get that from Kim."
22 So, it wasn't only Charlie who was doing that. Everyone picked up on your bad

1 habit there.

2 So, Kim thank you for your efforts and Merri thank you for, I'm sure. Now,
3 Merri, were you involved when the last report to the President and Congress, so
4 we will need that knowledge transfer. Charlie, I asked him, "Well, how did you do
5 concurrence with all these different Federal agencies?" And he said, "Well, I
6 wasn't here last time we did this." So, we will need your help. Thank you for that.

7 Turning, though, for Rob and maybe Julia and I want to say, Julia, you were
8 there at that meeting, too. You should get some hazard pay. You and I were
9 freezing to death. I think you wore your -- it was February and we were greening
10 the planet here at NRC, so we had a nice chilly auditorium and you wore your
11 winter coat. I thought, "I wish I had known in advance. I would have done that."
12 But thank you for representing all of the Agreement States interest here.

13 This gets to my first question. Rob, you talked about -- and Merri was
14 talking about the specifics on the Part 37 rulemaking. When I think about this
15 exercise a little bit reminds me of Part 73, which you have to be careful not to be
16 dyslexic here.

17 Part 73 for power reactors went through a rulemaking to take what had
18 been issued as orders post-9/11 and to catch up for power reactors with all of
19 those requirements from the orders. But it was really discovered to be a very
20 nontrivial exercise because what you find when you want to do that is you want to
21 bring rationalism and cohesion to orders you might have issued individually.

22 So, it isn't a simple -- it's not a housekeeping exercise to simply take those

1 things and promulgate them as a rule. So, as you look at the first round of
2 inspections on increased controls you said NRC licensees have all been
3 completed and Agreement States, many Agreement States have completed a first
4 round.

5 Do you find any trend there in terms of findings or challenges or issues for
6 licensees that would suggest to you as we approach a rulemaking we would want
7 to think about explaining something better or going about it differently? I don't
8 know if either Rob or Julia or Merri have some things that have already emerged in
9 that area.

10 MR. LEWIS: I can start with that. There are some key insights.
11 We're very careful in this rulemaking, though, that we're not simply codifying the
12 orders. We're just passing a security rulemaking through the process and the
13 ultimate rulemaking may or may not look like the orders. There are a lot of good
14 ideas that the staff's coming up with and looking at through the regulatory analysis
15 to improve upon what we have in place today.

16 COMMISSIONER SVINICKI: Now, that can be a source of no small
17 controversy for some in the licensee community, so I'm sure you're encountering
18 that as well.

19 MR. LEWIS: And I expect we'll have a lot of comments on the rule.
20 There's no doubt in my mind we'll have a lot of comments on this rule. And a
21 couple of the key things I think we're looking at trying to do better is coordination
22 with local law enforcement. In the first round of increased controls inspections that

1 wasn't something material licensees have normally done and there's a lot of
2 learning curve there. We're better at it now and I think we can give guidance if not
3 rule on what to do there in a better way.

4 Another one is in the first round of increased controls inspections there was
5 a lot of findings related to record keeping and information security. Licensees --
6 the material licensees -- traditionally haven't done that and proceduralize
7 everything to do that. I think in the rulemaking we're looking at improving -- still
8 retaining a performance-based rule, but improving the specificity of what we mean
9 about protecting information, protecting access.

10 I'll ask Julia if she wants to add anything from the state perspective.

11 MS. SCHMITT: I think what we learned in the first round of
12 inspections for the ICs was that it was really an educational process with our
13 licensees. Everybody, every state -- and I'm sure the NRC Regions -- spent a lot
14 time with each licensee making sure they really understood what was expected of
15 them.

16 And I think the groups that are working on this have in mind that we need to
17 be careful not to change things so drastically that we lose that piece of what all of
18 our licensees had learned.

19 I think there are things we can do to improve the rule; make it more clear
20 and those type of things. I think we have to be cautious about things that would
21 cause them to change their physical protection systems drastically because
22 they're monetarily invested. They spent money to get the things that comply. So,

1 I think that the fine balance this group walks.

2 COMMISSIONER SVINICKI: Thank you. Thank you, Mr. Chairman.

3 With my rambling speaking style, I got through one whole question. So, if we have
4 another round I would have additional. Thank you.

5 CHAIRMAN KLEIN: We probably will have another round. One of
6 the issues that I think is a success story and that is the fingerprinting. That was
7 challenging, I think, for all of us to go through. And it seems like that now is
8 behind us. Are there any issues lurking on fingerprinting, Julia, from your
9 perspective and Rob from yours?

10 MR. LEWIS: Of course, fingerprinting is going to be one of the big
11 issues in the Part 37 rule and I think we still have some lingering issues with
12 adjudication criteria and what kind of guidance we can give to licensees in a
13 general way to say when someone should get rejected, whether we use models
14 that exist in other parts for security clearances or Part 73. Again, that will be
15 something our material licensees haven't been familiar with and may not want to
16 use.

17 MS. SCHMITT: I'd agree. That was one of the major debates in
18 developing the orders. I happen to be on that group. It was the adjudication
19 criteria about that we knew licensees would need guidance in how to do that.

20 CHAIRMAN KLEIN: In terms of the training programs -- and
21 certainly the NRC has gone through a lot of the staff's security training programs.
22 Could you both comment on how that's going on the training programs?

1 MR. LEWIS: The number -- the demand for the class is very high. It
2 remains very high and I think that we get very good feedback from that class. It's
3 a hands-on class taught by Sandia people. It's very insightful for someone that
4 has a health physics background or a safety inspection background to see
5 different ways to think from a security point of view. In my opinion, it's been a very
6 successful class.

7 Now that said, I haven't taken the class, but all the feedback I get is very
8 good.

9 CHAIRMAN KLEIN: We noted you haven't had the security class.
10 That will be part of your training.

11 MR. LEWIS: Charlie won't let me.

12 [LAUGHTER]

13 MS. SCHMITT: I did take the class and we did learn a lot. Not just
14 things that we applied when we looked at security, but things that we looked at in
15 other non-IC licensees, too, which was kind of a surprise to me. But it was, I
16 thought, very useful. All my staff agreed that it was a very useful class to do.

17 CHAIRMAN KLEIN: Well, Kim, it's nice to know who the real worker
18 bee is. It's good to see that. In terms of the 2006 report to the President that
19 mentioned some goals that we intended to achieve. Did we achieve all of those or
20 are some yet to go?

21 MS. LUKES: For the 2010 report which is due in August, around the
22 corner, basically as you mentioned the 2006 had the 10 recommendations and 18

1 action items that we were working towards meeting those goals. A number of
2 them we have actually completed those items, but the intention for the 2010 report
3 we're planning to give a status update on all those items and the ones that are still
4 under way or the ones that we still have to address. And also any gaps that we've
5 identified within the last four years that weren't addressed in the first report.

6 So, we have a big project ahead of us and we probably will still have to
7 address some of the ones that were identified in 2006 as well in the near future.

8 CHAIRMAN KLEIN: Thanks. Rick, you had mentioned about the
9 bloody irradiators and international cooperation. Do you have any sense of how
10 the security requirements for bloody irradiators in other countries compare with
11 what we do?

12 MR. CORREIA: Actually, I don't, Chairman, specifically. That's
13 something, certainly, we can get back to you on.

14 CHAIRMAN KLEIN: I think you would be a good comparison just to
15 see lessons learned in both directions and see what other countries are doing.

16 MR. CORREIA: Certainly the goal would be to have them parallel
17 our requirements, but we'll get back to you on that.

18 CHAIRMAN KLEIN: Thanks. I noticed, Terry, in your comments you
19 talked about the web-based licensing system and that certainly is good that you've
20 identified, I think, a system that's out there that we might be able to use. In
21 general, how many states -- Agreement States -- are currently using web-based
22 licensing? Is it a big number? Small number?

1 MR. REIS: I think it's a small number. I'd have to refer to -- I think
2 Doug has an answer to that.

3 CHAIRMAN KLEIN: Since Doug you still work in my office I'm sure
4 he's got all the answers.

5 MR. BROADDUS: Actually the working group did a survey of the
6 states just recently. And of those about 25% had electronic -- many of them had
7 electronic systems that they use. The ones that had comprehensive systems is
8 more along the lines of about 25% that actually had the comprehensive systems
9 that had all the data in the system.

10 CHAIRMAN KLEIN: Thanks. Commissioner Jaczko?

11 COMMISSIONER JACZKO: I guess I had a couple questions. I'm
12 always supposed to ask questions. I don't really know that I have a lot of
13 questions.

14 CHAIRMAN KLEIN: You don't have to. You don't have to make
15 them up.

16 [LAUGHTER]

17 COMMISSIONER JACZKO: If I don't ask questions I'm going to
18 make a statement. I don't know which is worse.

19 CHAIRMAN KLEIN: The statement.

20 [LAUGHTER]

21 COMMISSIONER JACZKO: The statement. Well, I guess I'm not
22 sure what questions I have. I went through to prepare for this meeting and I had

1 my staff pull all the reports. These are just a collection of them. So, I tried to go
2 through a lot of these and I think we've done a good job of reporting and
3 analyzing. There I go. I'm making a statement.

4 We've done a good job coming up with charts. We have this chart, which I
5 still try and work through, although I think it's a good chart. I think I figured it out.
6 So, we've got a lot of stuff here. The slides and the presentations all say
7 everything is fine generally. So, I don't know that I have any questions.

8 Web-based licensing will come on line in 2011. License verification system
9 will come on line in 2011. I guess if that's our metric, then I think we're fine. I'm
10 not quite so sure that I think it is. Two years ago we were in a very different place
11 on a lot of these issues than I think we are today. Two years ago I think the
12 Commission -- I wouldn't say unanimously, but four Commissioners were confident
13 that expanding the National Source Tracking System was the right thing to do from
14 a security standpoint.

15 Today, staff doesn't believe I think that that's the right approach right now. I
16 think certainly the Agreement States don't think that's the right approach. Lots of
17 other people don't think that's the right approach. We can save ourselves a lot of
18 work, I think, if we don't do it. I'm not quite so convinced that that's the right
19 approach.

20 We have good presentation here. Nobody's mentioned really the whole
21 basis for what we're doing, why we've been doing it, which is to deal with some
22 significant legitimate risks that we face as a Nation with the use of sources.

1 I have questions here. I can ask you questions about these things. I have
2 one that says where are we with specifically the recommendations from the
3 Materials Program Working Group? How are you tracking them? Maybe I'll ask
4 this, then. How are you tracking them? Do we have a metric? Do we have
5 metrics for getting these things done? I'm not sure that we do. I know web-based
6 licensing has always been a couple years away since I've come to the
7 Commission.

8 MR. REIS: Well, Commissioner, I would answer that by first of all, as
9 I said they just completed the comprehensive report in October 2008 and the
10 steering committee completed its deliberations in late February and the actions are
11 with the staff for implementation.

12 Do we have absolute dates for every one of those items? We do not at this
13 point or we would gladly -- what we have done we have a lot of work invested. We
14 have roles and responsibilities identified of the organizations, but right now with
15 the status of NSTS and everything else that's on our plate it is not the priority
16 focus right now.

17 COMMISSIONER JACZKO: Do you think that should be the priority
18 focus? Or do you think National Source Tracking? Do you think that's the right
19 balance?

20 MR. REIS: I think we've got an 80/20 solution. I think with the
21 pre-licensing guidance and the increased controls and the awareness that we've
22 made through the training we've done the 80/20 solution and the rest of these

1 things are actions of improving our inspection procedures, updating our NUREGs
2 to fully integrate into the program all of these recommendations that are now in
3 bits and pieces.

4 COMMISSIONER JACZKO: One of the big ones that the
5 independent or the external review panel talked about was the good faith
6 presumption. That's probably the least directly addressable because it gets to
7 training and culture and all those kinds of things.

8 What specifically are we doing on that particular recommendation to change
9 that focus, that presumption, to be something different?

10 MR. REIS: Well, number one, we think that the pre-licensing
11 guidance directly addresses that. We're no longer going to accept an applicant on
12 blind faith. So, that's number one.

13 COMMISSIONER JACZKO: How are we doing that?

14 MR. REIS: We revised the guidance in September 2008, had
15 training on the guidance and then the Agreement States were required to
16 implement that six months later, which was just March 22nd.

17 COMMISSIONER JACZKO: But what does it mean from a practice
18 to not take it on blind faith?

19 MR. REIS: What it means now is if we get an application of
20 somebody that doesn't already have a license, then we go out and look at them.
21 We go out and look at them --

22 COMMISSIONER JACZKO: Site visits?

1 MR. REIS: Site visits. And in addition we do available background
2 investigations such as looking up what's available on the Web about this company.
3 We learned through the credentialing process that we don't necessarily need a
4 Dun & Bradstreet; that these things are available through various Departments of
5 State within the state organizations and that's what we're doing.

6 COMMISSIONER JACZKO: Okay. Good. Thank you.

7 MR. MILLER: Commissioner, if you needed more on that Steve
8 Reynolds, Division Director from Region III is here. I think Terry articulated --

9 COMMISSIONER JACZKO: I thought that was a pretty good
10 answer.

11 MR. MILLER: Steve can tell you directly the Regions are doing a lot
12 of this work.

13 CHAIRMAN KLEIN: Commissioner Lyons?

14 COMMISSIONER JACZKO: I'm fine. I appreciate you being here.
15 You're here; maybe we'll find a question for you, don't worry.

16 [LAUGHTER]

17 COMMISSIONER JACZKO: If not, I'll make a statement about the
18 Regions.

19 CHAIRMAN KLEIN: And Region III is very good. Commissioner
20 Lyons?

21 COMMISSIONER LYONS: Certainly my compliments to the
22 presenters and as the Chairman said I would only echo that I greatly appreciate

1 the cooperation between the staff and the Agreement States. I think that's
2 absolutely essential to the success of the National Materials Program and we need
3 each other and we need to work together. I'm very happy to see that happening.

4 By way of a few questions, maybe starting with Merri. On the credentialing
5 of the National Source Tracking System I just wondered if you could talk a little bit
6 about what is being done to encourage more different entities, if you will, to
7 complete the credentialing system.

8 And even more I worry what we are doing to -- I don't know how to say this
9 positively or negatively -- let's say encourage use of the electronic process, i.e.
10 discourage use of the non-electronic process.

11 MS. HORN: Well, I will say we do have a big hurdle to overcome.
12 Unfortunately, the challenges that we initially had with credentialing gives you the
13 impression of the system. Even though it's not directly part of the system that's
14 their initial interaction with it. So, we do have a lot to overcome to encourage
15 people. Once you get past this, the system is very easy to use.

16 We plan on doing a number of outreach activities. We're going to be doing
17 presentations and meeting with different organizations. There's one coming up in
18 May. We're going to do a presentation at the NMMSS User's Conference out in
19 Denver at the end of May. This is primarily reactors fuel cycle, but some of them
20 use the system.

21 Just to encourage them -- it really is simple to use and give them some
22 background on it. There's also some presentations planned at some of the other

1 organization conferences. On the top of my head I don't remember the others, but
2 we do have a series of those planned over the summer and fall.

3 We're going to be taking a look in the near future, actually some time next
4 week. We are sitting down and saying what else can we do? Who can we meet
5 with? What can we do, not just for credentialing, but for other issues that we've
6 been having with the system? What things can we do to help the contractor just to
7 make things a little bit simpler? So, we're still looking at that.

8 COMMISSIONER LYONS: I appreciate the response, but I worry
9 very much that the lack of use of the electronic system does defeat some of the
10 key rationales for the system. I would encourage you to look at things as far out --
11 and I don't even know how legal this would be -- of charging for the data entry if
12 we have to do the data entry. I would assume that -- maybe that's absurd. I don't
13 begin to know what would be entailed in doing that, but I think that the
14 Commission probably in the future is going to be faced with needing to take some
15 pretty strong measure in order to -- again, stating it positively -- encourage use of
16 the electronic filing system. Because without that the system simply isn't going to
17 accomplish its goals.

18 MS. HORN: I agree.

19 COMMISSIONER LYONS: Okay, maybe enough said on that. A
20 number of questions just jumping around to another one, probably for Rob, but
21 somebody else may want to jump in on it, too.

22 I don't know how much you can say here in an open meeting on the

1 irradiator hardening program, but I would be interested in anything that you can
2 share on how that program is going currently; if there continues to be success
3 using that program; and both participation from the DOE and from licensees.

4 MR. LEWIS: I would say in the last six months we've seen a
5 markedly improved reaching out to the regulator by NNSA and DNDO when they
6 want to come out to visit a licensee and that part of it is going very well. I think the
7 states would agree. I've heard comments like that.

8 The rollout of the Nationwide program has gone a little slower than
9 originally scheduled. I think they originally wanted to have all of the hardening
10 done within 10 months or a year or something very quickly Nationwide. That's
11 1,100 irradiators. The national rollout is just starting this month and they're going
12 to do it by geographic location and while they're at a site they're also going to do
13 their security assist visit program; things like enhanced cameras and fiber optic
14 detectors to detect tampering and all kinds of interesting features that they give
15 free advice to the licensees on.

16 The pilot projects are now done. In fact, there was a kind of a media event
17 that they had in the University of Pennsylvania last month to kind of describe the
18 first major site that has completed their hardening and security assist visits. That
19 went very well.

20 The National rollout is starting this month and I think it will take two or three
21 years depending on the different types of NNSA piece or the DNDO piece.
22 They're each working with different vendors.

1 They also have a challenge of the 75% or so of irradiators. I don't know the
2 number that are kind of the standard models they have in place. And then there
3 are some more exotic irradiators, custom built things that they have to figure out
4 what to do with.

5 COMMISSIONER LYONS: Julia, I don't know if you'd want to add to
6 that or not from a state perspective.

7 MS. SCHMITT: I understand also that there's a limited number of
8 people that can do this work. And so, I think that probably is a factor, too.

9 COMMISSIONER LYONS: Thank you, Mr. Chairman. I hope there's
10 another round, too.

11 MR. MILLER: Commissioner, if I could just add very quickly to that.
12 I think what's important here is that from the NRC's perspective we work with our
13 Federal partners. Since this is a voluntary program on the part of our licensees we
14 want to encourage the licensees that these enhancements in addition to our
15 increased controls are beneficial. So, we want to make sure that they understand
16 that we support these activities.

17 COMMISSIONER LYONS: Thanks.

18 CHAIRMAN KLEIN: Commissioner Svinicki?

19 COMMISSIONER SVINICKI: Merri, I wanted to build a little bit on
20 the questions that Commissioner Lyons was asking. I think this is under the broad
21 heading of backlogs or trending up or down. Commissioner Lyons was asking
22 about encouraging use of the electronic system, but you provided some statistics

1 in your presentation. About 1,200 licensees reported initial inventories, essentially
2 by paper systems, mail or fax. And so, there's another data point we received that
3 said there's a backlog of 1,500 source transfer reports.

4 And we're also getting it looks like over 100 emails each day with questions
5 for help and assistance. Are we able to stay current or are we getting current in
6 terms of processing paper reporting and then paper requests for help or
7 responding to emails or is this a growing backlog? Can you give me some sense
8 of that?

9 MS. HORN: We did catch up with the backlog for the initial
10 inventory. There was a huge backlog with that and we have caught up with that.
11 There is a backlog with the transfers. There are about 58 or so as I mentioned.
12 Some days there's 10; some days there's 100. If they get 10 they can get
13 probably get them in. If they get 100 it takes more effort.

14 About 40% of the reports that they get they can enter without any problems.
15 The other 60% there's usually a question. They may have to do a little research.
16 Maybe there's something that doesn't match in it. They're going to have to do a
17 little research. Maybe they couldn't read the number or they had to go back to the
18 licensee. So, there's about 60% of them that require additional work, so
19 depending on how much efforts involved in that.

20 We are working with our contractor and seeing if there's ways that we can
21 help. One of the problems that we did experience -- and hopefully we'll get this
22 resolved fairly soon. With the data that we transferred from the interim database

1 had we to do it over we wouldn't transfer that data. There was a lot of
2 unanticipated problems with that because that was a voluntary system. It was
3 more free-form data entry. Licensees entering their makes and models. They
4 were misspelled or they weren't accurate.

5 So, now when that transferred we have to do a lot of clean up activities.
6 And so, then when they're going to transfer those something doesn't make sense
7 because we go to our drop downs and, like, "Oh!" We need to do a lot of clean up
8 that we're still doing. I think that once we get that clean up done I think the
9 backlog will start decreasing.

10 COMMISSIONER SVINICKI: And I know when I had met with our
11 contractor to get a briefing on the system development -- I'd say this was six or
12 eight months ago, maybe longer than that -- they knew that that legacy data was
13 going to be an issue. So, I would have to say that everyone knew it was going to
14 be a headache. I guess it's just a matter of calibrating on how much of a
15 headache.

16 MS. HORN: It was much bigger headache than we had initially
17 anticipated.

18 COMMISSIONER SVINICKI: Okay. And one of the things that I
19 think you've identified and certainly users have identified is improved batch upload
20 capability and it sounds like that's going to be in one of the first upgrades -- what
21 are we calling them -- periodic maintenance releases.

22 So, in terms of what we will be able to get out in that maintenance update to

1 users is that kind of a 50% improvement? In terms of what the users would like to
2 have are we going to be able to get close to fixing the problems they've identified?

3 MS. HORN: We're currently in the process of working with the M&D
4 licensees to test the improved batch upload. We don't want to issue the
5 maintenance release until hopefully it's addressing all of their needs. Testing is
6 underway right now. So, we're hoping that in the next couple of weeks we'll have
7 the answer and make a few more tweaks. It will be released.

8 The problem ended up being that for your initial inventory reporting the
9 batch upload worked fine. It was when you were doing multiple transfers to
10 multiple licensees that it was problematic. The way it was designed you could
11 basically do the batch upload to do one transfer to a single licensees. Now if that
12 happened to be 100 sources you could include all 100 sources in that upload, but
13 if you were sending 10 sources to one licensees, 10 sources to another, it wouldn't
14 accommodate that type of transaction.

15 COMMISSIONER SVINICKI: Okay. Well, I'm encouraged to hear
16 you're doing what I'll call some beta testing here before you roll out that first
17 maintenance patch. So, I'm encouraged by that.

18 This discussion kind of takes me -- Terry, I wanted to talk. For license
19 verification system and web-based licensing I'm very sensitive to anything that's
20 procurement information that we don't want to talk about. I guess I have just
21 enough exposure to systems development through some work with defense
22 systems to have at least this much knowledge about it that I think the better

1 system definition you can do up front before entering a procurement you're able to
2 provide a community of bidders a much better sense of what you need.

3 The more definition and time we spend making that the best representation
4 of our eventual needs as we can, I think the more likely we are to be successful in
5 the system development.

6 Can you give me a general sense for license verification system and
7 web-based license? Notionally, where are we in terms of understanding a system
8 definition for what we would like to eventually put in place?

9 MR. REIS: I'm not sure I can give you a system definition. Well,
10 yes, I think I can. I think I can give you a definition. The concept -- and by no
11 means am I an IT expert, but our Office of Information Services and our Computer
12 Security Office we have laid out the conceptual design and they have pretty much
13 agreed with the architecture and the architecture is in principle that you'll have
14 your inventory data will reside in NSTS. So, that will tell you what a particular
15 licensee has at a given point in time.

16 Then you'll have a separate system, a repository of all license information
17 Nationwide -- Agreement State and NRC -- and that will reside in WBL. So, you
18 have two separate systems that have highly sensitive data.

19 And then the LVS will just be a portal that goes into both of those systems
20 and queries them and there's a relatively lower security system that just says how
21 much does this licensee have on hand? How much does their license authorize
22 them to possess? Integrate those two queries and give a yes-or-no answer as to

1 whether or not a transaction can be made.

2 And then through it also simply customs and Border Control can query the
3 WBL to see the license authorization. So, in principle it's a simple concept, but our
4 OIS and CSO believe it can be done and we've got the requirements down on
5 paper and a Chairman paper will be coming.

6 COMMISSIONER SVINICKI: Okay. Thank you. Time will tell and
7 the Chairman has some exposure, too, of developing joint military systems and
8 communicating between systems. So, we'll see how it goes. Thank you.

9 CHAIRMAN KLEIN: Hopefully better than some of the others. Merri,
10 Commissioner Lyons had obviously brought up the concept of overheating the fax
11 system that seemed like the faxes were really rolling in. Is that number
12 decreasing? In other words, is it still about the same?

13 MS. HORN: I think it's still about the same. It's been about 58 plus
14 or minus for a while now. The initial inventory obviously when we first started up
15 we were getting a lot more than that because people were reporting that inventory.

16 But when you get right down to it there really aren't that many licensees that
17 have a lot of transfers and an irradiation, they don't transfer sources all that often.
18 They have them and they may have them for 30 years before they change a
19 source out.

20 The same way with a hospital that has gamma light. They change those
21 sources out every five years. So, unless we just happen to hit the five year cycle
22 they probably don't have a transfer they're reporting.

1 Radiographers -- three or four times a year they change out their sources
2 and would be doing some transfers in the system. The biggest people being
3 impacted right now are really the M&Ds because they manufacture the sources
4 and they transfer them. I actually understand now that there's a couple transfers
5 sometimes involved with getting it to the final recipient of that source.

6 And so, really the majority of the reports that are coming in are coming in
7 from the M&Ds and I think that that number will probably stay pretty much
8 consistent.

9 CHAIRMAN KLEIN: Thanks. We talked about moving into the
10 rulemaking area and I assume because we are getting ready for budget activities
11 that reminds one of resources. So I guess both probably from Julia's perspective
12 and the NRC's perspective any resource issues that we need to be aware of as we
13 move into the rulemaking phases?

14 MS. HORN: I think in this particular one we have the resources to do
15 this rule. I will say it is going to be resource intensive. This is a very large
16 rulemaking. It's fairly complicated when you look at all the different areas that we
17 have.

18 We currently have five Agreement State people on various aspects working
19 on this. We have a couple of Regional people. So, it is taking a lot of resources to
20 prepare, but I think by having those people involved you get a better product at the
21 end.

22 We're also doing some -- by posting preliminary rule language, we're

1 getting some early stakeholder input versus getting that at the proposed rule
2 stage. So, hopefully we can resolve some of the issues that they have in advance.

3 CHAIRMAN KLEIN: In terms of the states we hear that everyone's
4 401(k) has gone to a 201(k) and so that easily means the states also have some
5 challenges. What are you hearing from your members? Are any resource issues
6 coming down the pike for this area?

7 MS. SCHMITT: Certainly, travel has been impacted in some states
8 regardless of who pays. We're starting to see that. I think we're also seeing -- and
9 that could impact whether states are able to go to training courses. Certainly,
10 what will be impacted is bringing in staff as all of us get older. There's going to be
11 issues with filling in kind of behind us because states typically just aren't hiring
12 right now.

13 Talk of furloughs -- thankfully, none in my state right now, but it could
14 change. I think NRC did a poll on impact resources fairly recently, but we don't
15 necessarily know what's being talked about in the governor's office. And so, we
16 could get something the next day that changes dramatically what we're operating
17 under currently. So, it's a very dynamic situation and, yes, states have been
18 impacted.

19 CHAIRMAN KLEIN: Thanks. On your slide 9 you had talked about
20 prioritization and working groups. And so, it's sort of a two-part question. Is the
21 prioritization going okay? And then the second part is on the working groups. Do
22 we need to terminate some and add others?

1 MS. SCHMITT: Well, the prioritization group, which was Rob and
2 Debbie Gilley from CRCPD and Lee Cox from North Carolina -- it was after his
3 MPEP, so it was a convenient time to do that. They worked and came up with
4 tiers of different things that were important for us to focus on; some of the things a
5 little further down the list.

6 Of course, security was in the top tier of things we've got to do. So, I think
7 it's fairly early to know how the tiering process will work, but as far as working
8 groups they decided we didn't need a working group to set priorities. So, I thought
9 that was a reasonable approach.

10 Also, I think they had discussed resources and all those types of things, too.
11 To me it sounds like a good plan, a way to approach things. Several groups have
12 been terminated because they had finished their work and that kind of thing.
13 We're very cautious about starting new working groups.

14 I think a couple of the areas like the Part 37 is a good example where they
15 kind of have done -- groups that did the different pieces of it they took a
16 representative from each of those groups to be on the final group that merges
17 everything together so it's a cohesive product between those working groups. So,
18 I think I'm encouraged by what I see.

19 CHAIRMAN KLEIN: I think on the working groups it's just always
20 good to keep in mind that they don't necessarily have to be permanent and then
21 others may need to be created. So, you'll just have to use your judgment and see
22 when and where -- what their half lives are.

1 MR. LEWIS: I just want to -- Mark Shaffer our Division Director for
2 Rulemaking is also on that prioritization team, so we had both of the traditional
3 working groups covered as well as the rulemaking working groups to look at the
4 compiled list. And we have been very judicious in the last year not adding new
5 groups only very critical ones, and then added maybe two or three all in the last
6 year.

7 And we have as Julia said sunset between five and 10 -- probably more
8 closer to 10 working groups. Our list is much more concise and the working group
9 realized we'll always have more working groups and things on our plate than we
10 have people or priorities I should say.

11 So, we try to prioritize them and we came up with a set of key priorities for
12 the next year and some kind of second-tier priorities to get to after that. The key
13 priorities for this year were rolling out the NSTS, solving some of our general
14 licensing issues which you heard some about here today, but also the Wal-Mart
15 lost exit sign kind of stuff. And the third one was the Part 37 working group.

16 Our theory was we'd put all of our top people in board's attention and NRC
17 management attention on those three activities which can create a good
18 foundation in the future to set us up to be in a better place. And all the other
19 working groups of the 30 or so we still need to pay attention to, but not on a daily
20 basis.

21 The second-tier priority which we've heard about a lot today, too, is
22 qualification and training including security culture and our qualification program,

1 the five week course for health physics and what to do about that moving forward.
2 Those qualification issues after we get through that first three top-tier issues we're
3 going to turn our focus to those issues.

4 CHAIRMAN KLEIN: Thanks. Commissioner Jaczko?

5 COMMISSIONER JACZKO: Well, I promised I'd have something for
6 the Regions. And maybe, Julia, you can respond to this as well. We've spent a lot
7 time talking about faxes and credentialing and systems, but in the end ultimately
8 National Source Tracking is a regulatory requirement.

9 I guess at this point would you say -- and perhaps we can get a sense from
10 Region III -- I don't know if there are any non-agreement -- are there any non-
11 Agreement States in Region III? Okay.

12 Of the licensees that are required under National Source Tracking at what
13 point do we believe right now -- what percentage would you say of NRC licensees
14 are in compliance with the regulation? For anybody. I thought this was a Region,
15 but if anybody else wants to answer feel free. Sorry, I guess it's a Rob question.

16 MR. LEWIS: I can take a shot. I can't give you an exact 83%
17 because we don't know.

18 COMMISSIONER JACZKO: It's always difficult -- just keep in mind
19 that as the regulators we're supposed to know. So, if we don't know, how are we
20 going to find out?

21 MR. LEWIS: I will. Merri mentioned in her talk, I think, that our initial
22 inventory indicated about 1,200 licensees reported initial inventory.

1 COMMISSIONER JACZKO: NRC licensees?

2 MR. LEWIS: No, total. So, there's 1,300 total increased controls
3 licensees. That's about 85% as the first starting point. We issued the temporary
4 instruction with the purpose of verifying -- for licensees that did report, did they
5 report accurately? And for other licensees did they report at all?

6 So, we're working through that confirmation process through our inspection
7 program through the Regions and we issued a temporary instruction just last
8 month and it's starting to be inspected. We will only know for sure once all the
9 inspections are done and that's how we verify compliance.

10 COMMISSIONER JACZKO: What's the time frame for completing all
11 the inspections? Or are there rolled into other inspections?

12 MR. LEWIS: The temporary instruction indicates that -- you don't
13 need to do a special inspection for just the purpose of NSTS. So, the next
14 inspection you go out to that licensee you would verify.

15 Radiographers are done on a yearly basis. Some of the hospitals are done
16 on a longer basis depending if they're broad scope; many hospitals every two
17 years. If they're just one blood irradiator maybe not for every three or five years.

18 COMMISSIONER JACZKO: So, we may not know the answer for
19 three to five years?

20 MR. LEWIS: We'll know a big piece of the answer in about a year
21 and then we'll prioritize our inspections to try to accelerate, so we don't get to the
22 five-year point; just like we did with the increased controls inspections.

1 Programmatically, some of our licensees would be inspected every five years.

2 MS. HORN: If I could add to that. About roughly 90% of those that
3 we expected to report to the system have. I don't have a breakdown between
4 NRC licensees versus Agreement State licensees, but it looked like it's around
5 that 90%.

6 In addition to the inspections we're also making some phone calls as we're
7 going through some of the data reconciliation from the interim database to the
8 source tracking. Oh, you had some in our database and you didn't report
9 anything. We may make a phone call and say, "Hey, do you still have these
10 sources? If you don't, fine. If you do, you need to report those. Or is this really
11 what you have?"

12 So, it's not just inspections. We're also doing some phone calls. So,
13 hopefully by the end of the year we will have good information.

14 MR.REYNOLDS: That's what I was going to tell you, Commissioner.
15 We have the list of all the licensees that are Category 1 and Category 2 and the
16 ones that are not in the database NSTS. And we're in the process of making
17 phone calls as we speak today to make sure either they need to go in or they're
18 already in and we just haven't seen them yet. The phone calls are short-term and
19 every time an inspector goes out we're checking.

20 COMMISSIONER JACZKO: For the Agreement States, then, would
21 you say it's a comparable situation?

22 MS. SCHMITT: I think so, too. As more Agreement States are able

1 to get electronic access then we're in looking at our licensees and comparing and
2 thinking, "Oh, that's odd, or that makes sense for them." That type of thing. I think
3 it's an evolving situation and as we all kind of make it through the credentialing
4 process it will get better, I believe.

5 COMMISSIONER JACZKO: Are you credentialed? Or did you have
6 to go through it?

7 MS. SCHMITT: I did.

8 COMMISSIONER JACZKO: You did? How did it go?

9 MS. SCHMITT: Okay.

10 [LAUGHTER]

11 COMMISSIONER JACZKO: I should have stopped.

12 MS. SCHMITT: There was some issues early on with we'd turn in
13 our stuff, but somehow it kind of got lost along the way.

14 COMMISSIONER JACZKO: And when you turn it in you're turning it
15 in to the vendor?

16 MS. SCHMITT: Yes. But then that kind of moved forward and then
17 we got our packets and all that. Through the mail came our card reader and our
18 card and then we had to activate that card. One thing I've heard is that there's a
19 lot of people that haven't downloaded their information.

20 Well, in our case in Nebraska that was because we had to work with our IT
21 system folks to get you guys added as a trusted site if you can believe that and
22 that took some doing.

1 COMMISSIONER JACZKO: I can believe that.

2 MS. SCHMITT: I wonder if that might not be a little part of it on why
3 some people haven't downloaded it, too.

4 COMMISSIONER JACZKO: Merri, do we know? Is that an issue
5 that's come up in other --?

6 MS. HORN: Yes, it has.

7 COMMISSIONER JACZKO: With Agreement States or just with all
8 licensees?

9 MS. HORN: It was some licensees, too, with corporations.

10 COMMISSIONER JACZKO: How long did it take you from the time
11 you started to the time you were done approximately?

12 MS. SCHMITT: I would say from about December I'm thinking was
13 when we first started the process till Tuesday.

14 COMMISSIONER JACZKO: You just got your credential Tuesday?
15 We should have the meeting --

16 MS. SCHMITT: I got it downloaded and was in by Tuesday. And
17 Andrew Mauer and I were, "I'm in!" We were going back and forth.

18 COMMISSIONER JACZKO: Well, good. I'm glad that you did get
19 your credential and obviously I certainly think Merri you indicated it. Everything I
20 hear is that the system works well. The credentialing is a challenge other than for
21 M&D and I think we'll hear about that later that for them it is perhaps more
22 cumbersome.

1 MS. HORN: They're kind of a unique case.

2 COMMISSIONER JACZKO: But for the individual users it seems like
3 it's a functioning system. Just one more quick question just to follow up on what
4 Commissioner Lyons said. The faxing doesn't mean we're not taking advantage of
5 the system. Ultimately, the faxes go into the system, so it's just a different entry
6 mechanism.

7 MS. HORN: It takes longer.

8 COMMISSIONER JACZKO: It takes a little bit longer. So, effectively
9 there are 24 hour reporting requirements to get us the fax; not for us to get the fax
10 and then enter it as well. So, that's adding a little bit of a delay, then. Okay.
11 That's important, I think. Thank you.

12 CHAIRMAN KLEIN: Commissioner Lyons?

13 COMMISSIONER LYONS: Well, I'm glad you're in the system, Julia.
14 Terry, I appreciated your response to Kristine on the security levels and security
15 considerations for the LVS. I think to the extent that you can go through the
16 process that you outlined in terms of reducing the security requirements of the
17 LVS I, too, would echo that that is very, very positive.

18 But as you noted it doesn't change the fact that the LVS is accessing two
19 very high security systems: the NSTS and the WBL. I'm just curious if you could
20 comment a little more and maybe Julia, too, if she wants too, on how you plan to
21 work with the states from the standpoint of assuring that state data is available in
22 the WBL. Of course, without state data the WBL will not be a complete system.

1 It strikes me that that's going to be quite a test of the cooperation between
2 Agreement States and the NRC and whatever contractors we have. Could you
3 speak a little bit to that and Julia if you want to add to it?

4 MR. REIS: You are correct. It's going to be a major effort. In fact,
5 Doug brought us -- reported to me that the working group that was established in
6 July of 2008 has assessed the situation and you heard earlier that there's 25%
7 that have electronic systems of which we can possibly extract data; however, there
8 are over 50% as my understanding that don't have any electronic systems. We'd
9 have to take all those paper files and somehow get them into an electronic format.
10 It's going to be a very big undertaking to get this information and then at the
11 same time develop a system to keep it current. So, we acknowledge it's a big task
12 and we're looking for ways to be creative, perhaps work with our Federal partners
13 to leverage assets to be able to do that. It's a big undertaking.

14 COMMISSIONER LYONS: I appreciate that we recognize up front
15 that it's a big undertaking; that it's going to take quite a cooperative effort. Julia,
16 do you want to add to that or second it?

17 MS. SCHMITT: There will be states that need help doing that. I
18 know that now. Depending on how the interfaces -- that was a part of my slide
19 that I messed up on. That is going to be really an important thing is how that
20 system interacts with the states that have electronic systems already, how those
21 two things interact. I'm not an IT person. I have no idea. I hope it does and I
22 hope it does it smoothly.

1 One thing I do know is that states are very limited on our resources. We're
2 going to be hard-pressed to devote a lot of resources to populating another system
3 if it doesn't interface well with our system. And I know they're working hard on it,
4 but beyond that -- and I know that there are some states who are mandated to use
5 particular systems. The state of Pennsylvania comes to mind.

6 I know Dave Allard has told me that they have to use this certain system --
7 that all state agencies have to use a certain system. So, there's constraints like
8 that that I think we'll run across.

9 COMMISSIONER LYONS: Well, I'll certainly be cheering you on.
10 It's very, very important. I think it'll be an incredibly useful system and very, very
11 important, well frankly, to everybody all across the country. It's certainly worth the
12 effort, but boy, is it going to be a challenge.

13 Maybe one more question, which I think would go to Kim, maybe to Rich.
14 The interagency group I know is wrestling with definitions for RDD. We talk a lot
15 about wanting to have a non-dispersible form of cesium. I think I'm correct that the
16 interagency working group has recognized that they better have some definitions
17 here, like what is an RDD and what does dispersible mean and how dispersible is
18 dispersible?

19 Is there progress -- without going into anything that goes too far here, but
20 are we making progress on coming up with those definitions. And maybe Kim it's
21 for you, but you can pass it down the table if you need too.

22 MR. MILLER: I'll take it on, Commissioner. I think the answer is yes.

1 As part of not only the interagency task force but our trilateral activities we have
2 worked with our Federal partners to try to craft a common definition as a first step.
3 We have something. It's a matter now of getting it through the whole task force
4 and then, of course, getting it into the task force report. If we get that I think that
5 that will be important.

6 I think part of -- without giving away too much -- I think part of what we were
7 looking for is to define what a significant RDD is as opposed to just an RDD.

8 COMMISSIONER LYONS: I think that's very, very important.

9 MR. MILLER: So, if you can really judge what a significant RDD is
10 well, then you can really use that against the protections that have been put in
11 place.

12 COMMISSIONER LYONS: We've certainly had examples of
13 extremely loose use of the word RDD --

14 MR. MILLER: Correct, and that's why we felt that that was important.

15 COMMISSIONER LYONS: -- and the phrase RDD and I don't think
16 that does anybody a favor.

17 MR. MILLER: One of the subgroups of the Chairman's Task Force
18 has worked very diligently to try to put together those definitions and that's before
19 the task force now for consideration.

20 COMMISSIONER LYONS: I appreciate your taking it on as a
21 challenge and frankly if we're ever going to be able to evaluate successfully we
22 better be able to define the problem. That's kind of the first step.

1 MR. MILLER: And if we get to that point what it allows the Federal
2 government to do is speak hopefully with one voice on that so that if you go to
3 various agencies you don't get a totally different view on what that is. It's
4 extremely needed in order to be able to articulate this properly.

5 COMMISSIONER LYONS: I think we've already seen we can all
6 point to examples where failure to have that definition has led to, I would say,
7 some unfortunate misuses by different agencies in the past.

8 MR. MILLER: I concur.

9 COMMISSIONER LYONS: So, hopefully I'll be cheering you on with
10 that one, too. That's very important. We need it to define the problem and we
11 need it to define success. Thanks. Thank you, sir.

12 CHAIRMAN KLEIN: Any last minute questions? Well, thank all of
13 you for very informative presentations and we look forward to updates as time
14 goes on. Again, we have made a lot of progress. Still, we can do better, but the
15 slope is in the right direction. So, thank all of you very much.

16 We'll now have our next panel and this will include the states and industry.

17

18 PANEL 2

19

20 CHAIRMAN KLEIN: Well, we look forward to hearing your
21 presentations on how the source tracking is going and what we wanted to hear
22 from the individuals today is we wanted to hear from a large state, a small state

1 and then from industry. So, Shawn we'll begin with you.

2 MR. SEELEY: Thank you. Good afternoon, Chairman Klein and
3 Commissioners. I'd like to bring you the small user experience and I think we've
4 heard a lot of what I'm going to say and what we've heard this morning or early
5 this afternoon anyway. I'm from a small state. I'm proud to say that we have
6 100% of our inspectors -- all two of us -- that are going through the credentialing
7 process or have been credentialed.

8 We have only six licensees that are affected: four self shielded irradiators
9 who hopefully will never have to report again or within 30 years -- I hope to be
10 retired by then. There are two radiographers that report three or four times a year.

11 The credentialing process has been a bumpy road, but I want to put kudos
12 in for the staff and the contractor staff for taking the time to address the issues that
13 have cropped up. I know I started the credentialing process in Atlanta in
14 December. Sometime around the 1st of March I finally got my packet in the mail
15 and was excited and went and plugged it in. I won't tell you what happened after
16 that.

17 It's been a bumpy road throughout the time. That time I got three more
18 verification packets in the mail; that I was always on the phone with Andrew
19 saying, "Do I need to fill this in again?" So, if you'd like to start the process here's
20 the packet here, Commissioner.

21 COMMISSIONER JACZKO: Are we allowed to get credentialed?

22 COMMISSIONER LYONS: You have to be trustworthy.

1 MR. SEELEY: One of our licensees did misread the initial letter that
2 came out and did not possess any Category 1 or 2 sources, but flew down to
3 Atlanta to start the credentialing process only to find out that it's not started yet for
4 those sources. So, that's just from the small state. When the --

5 COMMISSIONER JACZKO: I don't mean to interrupt you here, but
6 why did you go -- tell you how much I know about the credentialing. Why did you
7 go to Atlanta from Maine?

8 MR. SEELEY: That's closer.

9 CHAIRMAN KLEIN: And it was warmer.

10 [LAUGHTER]

11 MR. SEELEY: Actually, it wasn't, Chairman Klein. It wasn't warmer.
12 Because of our travel restrictions we didn't have 30 days prior to putting in for it
13 and the Atlanta meeting was 31 days, I think, prior to putting in for it. So, that's
14 how we flew down there because the Rockville meeting was --

15 COMMISSIONER JACZKO: So, there was a series of meetings
16 where you went to go through the credentialing? That was for the training and
17 then you got trained on the verification?

18 MR. SEELEY: We wanted to go to San Francisco, but just couldn't
19 get that trip across the country. So, we had to settle for Atlanta. It was Rockville,
20 Atlanta, Region III, and I believe one out in San Francisco. I think Cindy actually
21 hosted one down in Texas as well.

22 But it was a bumpy road, but again the staff -- in fact, I was on a

1 one-on-one basis with the contractor at one point. He messed up and gave me his
2 home phone number instead of his cell phone number. So, I felt pretty privileged
3 as far as that goes.

4 Once we're online it was very user-friendly. I verified or at least checked
5 the six licensees we have in the state and found some errors that we need to
6 correct in the interim inventory that brought over into the NSTS, but that's just a
7 database cleanup issue that I think we can handle at this point.

8 We're still experiencing I think some timeout issues where you're only in for
9 a certain amount of time before you get kicked out and have to sign back in. I
10 found out yesterday that you've got to log in every 30 days or you become
11 inactive. I think they're addressing that as well.

12 Like I say we have six licensees. We've done our work. We might not have
13 to get in for months until we go do the inspection. So, that may become an issue.

14 Moving forward, some of the concerns from at least the small states as we
15 mentioned -- Julia mentioned before it could become a resource issue. With this
16 huge rulemaking that is undergoing now Part 37 could have a large impact at least
17 for a small state to take the resources from one area and devote them to this area
18 that's coming forward.

19 Would this be another unfunded mandate that would be coming down that
20 we need to be concerned about? Who knows as far as that goes? But the staff
21 has been bending over backwards to help us out, to rectify the problems, to get us
22 in the system, and to keep us in the system and to maintain the database. It's a

1 work in progress. We're looking for the continued cooperation moving forward to
2 work with the staff and the states to get where we all want to be.

3 Early stakeholder input is vital in any process. I know we've got numerous
4 reps on the various committees. I know I was on the Increased Control Working
5 Group and a couple committees before that, so the states are very active and their
6 voices are heard. Thank you.

7 CHAIRMAN KLEIN: Thank you. Welcome, Cindy.

8 MS. CARDWELL: Thank you. Good afternoon and thank you,
9 Chairman Klein and Commissioners for the opportunity to provide input on NSTS.
10 It's an important nationwide effort and we appreciate this ability to provide you
11 some information on the Texas experiences and provide those directly to you.

12 I was asked to talk to you today from the perspective of a larger Agreement
13 State. So, I want to give you some background on what makes us large, besides
14 the fact that everything is bigger in Texas.

15 We have approximately 200 licensees that are required to report
16 transactions to NSTS. This number does not include the 70 to 80 subsites for
17 those licensees and we inspect every one of those subsites, so it is substantial.
18 We have a substantial number.

19 Approximately half of those licensees are industrial radiography licensees
20 and those licensees must make many transaction entries every year, more so than
21 most other licensees besides our manufactures who are sitting right here. So,
22 they have some unique issues that are presented because of that.

1 Texas adopted the NSTS reporting requirements and rule in December of
2 '07, but notified our licensees at that time that implementation would be delayed
3 until the system was operational. On January 14th of this year we sent a letter to
4 all our NSTS licensees and the letter reiterated the reporting requirements and
5 reminded them of the January 31st deadline for reporting their initial inventories.

6 From a regulatory program standpoint our staff has faced some of the very
7 same challenges you've heard earlier today. We submitted 27 names of staff
8 members as users of the NSTS. This number includes some of our license
9 reviewers, our quality assurance reviewers, our inspectors, our incident and
10 complaint investigators, and several of our managers.

11 Seven of our 27 staff for whom we've requested access have received their
12 hard tokens and they are in various stages of full accessibility. And by that I mean
13 getting the token to work and once that's done downloading the system.

14 Staff had initial issues with the system that have since been rectified, such
15 as the accessibility and that was getting the tokens in the first place, we're still
16 working that through, and being timed out of the system before completing tasks
17 as Shawn mentioned.

18 The NRC Agreement State conference calls -- the NSTS driven conference
19 calls -- have proven to be very useful in sharing information. I think Merri Horn
20 mentioned that and we appreciate that effort.

21 However, our inspectors who are located in regions throughout the state
22 have not yet received their hard tokens and are therefore unable to access the

1 licensees NSTS inventory when preparing for an inspection. An issue we've
2 identified that directly will impact an inspector's preparation for an inspection is the
3 inability to print an inventory list from the system to take out on the inspection and
4 verify the inventory.

5 Our licensees have faced challenges as well. I've received some initial
6 feedback about NSTS from multiple licensees who are required to report and then
7 went out and actively sought input for several licensees in preparing for this
8 briefing.

9 They report issues such as delays in obtaining hard tokens, inability to
10 access the site once they've received their hard tokens, difficulty in navigating the
11 site, inability to enter batch uploads, and the system locking up when they enter
12 data.

13 There also seems to be an inconsistent understanding as to how the
14 system can or should be used. Several licensees -- and these are industrial
15 radiography licensees -- noted that they have locations in multiple states and
16 they've expressed frustration that they have to have a separate hard token for
17 each distinct license in each state despite the fact they're the same company from
18 state to state.

19 However, I did have one licensee report that they're understanding is they
20 don't need separate tokens for each state license and they've entered their access
21 information accordingly, but they have not yet received their hard tokens, so
22 they're unable to verify that that is indeed the case and their understanding is

1 correct.

2 Every licensee I spoke with has indicated they are faxing in information to
3 NRC regardless of their ability or inability to use NSTS. Most have expressed to
4 me that they don't believe they can depend on the information in the system at this
5 point in time.

6 Some licensees who have eventually gained access to the system have
7 said their inventory information is incorrect and didn't contain what they had
8 previously faxed in. They also told me that the faxes provide evidence for the
9 regulator that they are complying with the reporting requirements and more
10 specifically with the time lines associated with them.

11 Every licensee I spoke with had contacted the help desk and expressed
12 that it was really a positive experience. Several of them mentioned they know
13 them on a first name basis. They complimented the help desk staff on how willing
14 they were to try to provide information. Many licensees I contacted said if they
15 could depend on the system to work the way it was envisioned they would prefer
16 to use it rather than faxing in the information.

17 Having said all this I offer two observations from the Texas perspective for
18 you to consider. It appears the initial challenges with the system have caused the
19 majority of our licensees to fax information to NRC to be entered in NSTS. As a
20 result a practice has developed where this is the norm to comply with the rule
21 rather than using the system as it was intended.

22 Second, it is clear we need to do more outreach to all users of NSTS to

1 clarify accessibility and use issues -- how it should be used.

2 Because of the unique position Texas is in as far as the number of industrial
3 radiography licensees I further suggest that targeting that outreach to this
4 particular group who make so many transactions each year would provide a great
5 impact on the future success of NSTS.

6 Many licensees I spoke with indicated they would very much appreciate
7 additional training workshops. While several attended the initial training sessions
8 the session most convenient to their locations filled up quickly and there were
9 many unanswered questions from that session. They would like an opportunity to
10 ask additional questions now that the system has been implemented and to
11 provide recommendations about system improvements.

12 Towards that end, Texas would like to offer our assistance in co-hosting
13 such a meeting in the Houston area. This would bring the outreach to the area
14 with the most concentrated number of industrial radiography licensees. The
15 outreach could assist not only the licensees, but also NRC and Agreement State
16 staff who have devoted a lot of time and effort in this system during initiating the
17 NSTS.

18 Thank you for listening to the views of the Texas program and we look
19 forward to making this a collaborative effort in the future of the NSTS.

20 CHAIRMAN KLEIN: Thank you very much, Cindy. Kate?

21 MS. ROUGHAN: I want to thank you for the opportunity to speak
22 today. I think it's good to get the licensee perspective. We're primarily an M&D

1 licensee, but we do have a lot of interactions with the end users, such as industrial
2 radiographers, oil well loggers and hospitals. So, I think it's going to be a very
3 good perspective and right in line with a lot of the comments that have already
4 been made in terms of some of the difficulties with the system.

5 But just some background for us. We're a worldwide manufacturer of
6 sources for industrial radiography and oil well logging primarily. We manufacture
7 and ship more than 10,000 Category 2 sources a year, so we do provide a lot of
8 data into the NSTS. Next slide, please.

9 Just some history. Our primary thing we want to bring up today is that there
10 has not been a lot of industry involvement in the system development of the
11 NSTS. There's been a lot of involvement at this point in time where we're trying to
12 implement the system, but in terms of defining the system as to what would work
13 and what would need to be covered there was minimal industry involvement at that
14 time. I think that's why we're running into some of the problems that we have
15 today.

16 The key thing there is that there is no batch upload capability. For a
17 manufacturer that does 100 to 150 transactions a day if you have to go into an
18 online system and enter each one individually it's just impossible. So, batch
19 upload capability is crucial for any of the larger licensees even the larger
20 radiography licensees.

21 There was no pilot program testing with the users. There was no beta test
22 on the software system itself. So, when it went live it went live. You had to put in

1 the information the best you could at that point. In our facility itself we did not have
2 access to the online system when it first went live as far as the effective date of the
3 regulation.

4 Some of our experiences -- again, this would echo what other people have
5 said. The credentialing process is very lengthy. It took me five months. I got
6 mine about two weeks ago right before this, so I got to play in the system a little
7 bit. And I have to say the system itself is very easy to work with; it's just getting
8 into the system and the number of transactions that I think makes it a very difficult
9 process.

10 The whole process of getting credentialing -- you require passport photos.
11 You have to get it notarized. It seems to me that most of these people already
12 have access to safeguards information. I'm not clear why there's another whole
13 structure for credentialing process for the security.

14 The credentialing doesn't appear to be covered under any current
15 rulemaking. Right now it's not clear what the requirements are, what is the
16 enforceability of the whole credentialing process. For people to get credentialed
17 you had to sign a statement that claims many different -- 10 conditions of use, but
18 there's not any clear enforceability of that under the NRC regulations. Next slide,
19 please.

20 Again, for the manufacturers and distributors it's very time consuming due
21 to the large number of daily transactions. Again, we do about 100 to 150
22 transactions a day. One sealed source on its own could have anywhere from two

1 to seven different transactions, possibly more if it goes from various industrial
2 radiography licensees to other ones. But as a minimum there's three to five
3 transactions per one Category 2 source on a daily basis. We're running about
4 30,000 transactions on an annual basis. It's quite a bit of data going into that
5 system.

6 Right now there's no advantage for a licensee to access the NSTS as an
7 online system. By regulation, you comply with a fax. One of my colleagues who
8 does the gamma knives actually faxes -- excuse me; sent his initial inventory by
9 mail and the NRC said that was acceptable. And it just seems to be a very slow
10 method to get the data into the system.

11 From the perspective currently for every licensee that I've spoken to from
12 the other M&D licensees everyone is faxing in the information. There's no
13 advantage or no benefit or no business reason to come up with another way to
14 enter that data into the system.

15 Right now as you've heard already the NSTS is not up-to-date. It's not real-
16 time. Next slide, please.

17 Some of the other things I think we're going to run into some difficulties with
18 is I believe the inventory reconciliation that's due at the end of the year is going to
19 be very difficult. As of right now, again, the NSTS is not up-to-date, so there's no
20 way you can go in and reconcile your inventory and I think that's going to be a key
21 problem even if the NSTS is up to date because there was going to be data entry
22 errors that will have to be resolved and again the sheer number of transactions

1 that take place. I think it's going to be very difficult come January next year.

2 Just a comment on what the costs have been. When the NSTS first came
3 out in terms of tracking the Cat 1 and Cat 2 the system was fairly loosely defined.
4 Everyone knew we had to track it, but it was difficult to make comments in terms of
5 what is the true implementation cost. Well, I went back for our company ourselves
6 and looked at the number of hours we spent, travel, et cetera for training and
7 getting credentialing and things like that and we've spent over \$100,000 to date.
8 And I think that's even conservative. So, it's a key consideration that wasn't made
9 initially in terms of the Cat 1 and Cat 2.

10 Looking forward some recommendations from the licensee standpoint.

11 Determine the regulatory status of the credentialing requirements. I think that's
12 going to be key.]

13 There's a lot of duplication in the requirements in terms of notifications for
14 import/export, just assuring that our customers have received the sources. NSTS
15 should be doing away with that. Right now, again, we're duplicating our efforts in
16 that area.

17 I think it would be beneficial for everyone if there could be a logical plan to
18 retrofit the large amount of transactions not currently covered in the NSTS or
19 potential problems. We're starting to get calls from regulators and customers that
20 their system is not up to date and we're spending time backtracking on those
21 issues on data that was entered -- or we've shipped the source way back in
22 February. So, we're dealing with old data in many cases. Next slide, please.

1 Recommendations. Again, a key factor here is to implement the batch
2 upload capability as soon as possible. I'm proposing that the NRC consider a
3 tiered access for M&D licensees where they have a different type of data dump as
4 opposed to a regular licensee that may not need the sheer number of transactions
5 on a daily basis. That may make this a little bit easier.

6 The NSTS is populated immediately and there's less effort on the part of
7 NRC who's doing all the data entry now. And I know that's very difficult and
8 time-consuming. And it also helps the licensee. If it's a very clear one step data
9 dump at the end of every day everything is up to date and no one's had to do a lot
10 of additional work.

11 Going forward I strongly recommend after what I've heard this afternoon is
12 to involve actual users, licensees in the process. You need real world input for
13 any rule to be effective. That's what happens at the licensee standpoint.

14 The regulatory agencies come up with the regulations, but when the
15 regulations hit the dirt basically the licensees have to implement them. They have
16 to implement them effectively. We have to be able to do that. We have to be
17 given the tools to be able to do that.

18 Going forward there is some positive. As Merri mentioned industry is
19 involved on the NSTS Control Board, so we can have input on to that what is
20 going to work for industry. Strongly recommend running any pilot programs, which
21 again, Merri mentioned on the batch upload capability that they're proposing.

22 Moving forward on the WBL and LVS. Again, this is a key step where we

1 are right now in terms of defining the system because I think that's key as you go
2 forward. If the system is not clearly defined you don't know if you're going to be
3 able to implement it in the end and that's why I strongly recommend you get the
4 industry and licensee perspective on that at this point in time before it goes out for
5 contract. Next slide, please.

6 I'd also recommend a complete re-evaluation for the inclusion of Cat 3 and
7 1/10 Cat 3. That's based on you need to perform accurate regulatory burden
8 analysis based on real information for implementation for Cat 1 and 2. Again,
9 we've spent \$100,000 to date for Cat 1 and Cat 2. If that's expended to Cat 3 and
10 1/10 Cat 3 we anticipate another 18,000 to 20,000 transactions from my company
11 alone. So, you can see for QSA that's 50,000 transactions in a year and that's
12 obviously a significant burden.

13 The other factor with Cat 3 a lot of potential users of Cat 3's may not be
14 aware of the requirements for reporting. A lot of the hospitals, all the
15 brachytherapy sources will now be covered. That's about 2,000 sources a year --
16 actually, it's probably more than that, but they may not be aware of any reporting
17 requirements.

18 And just again to give kudos to the help desk and to NRC staff. Recently
19 the help desk has been very, very supportive. I feel bad for them sometimes.
20 We've been on the phone with them for hours at a time and yes, we've gotten
21 home and cell phone numbers also. They've been very, very helpful and we are
22 starting to see a lot of involvement now at the implementation stage at the NSTS

1 of trying to make it work. So, we are getting NRC involvement with that.

2 Thank you very much for the opportunity.

3 CHAIRMAN KLEIN: Thank you very much. I particularly appreciate
4 all the recommendations that have been provided, both from the states and the
5 industry. I think our staff has a lot of information now that they can evaluate and
6 take lessons learned.

7 As we all acknowledge this was a lot bumpier start then I think anyone had
8 expected. And the fact that you know the help desk on a first name basis is not a
9 good sign. Commissioner Svinicki?

10 COMMISSIONER SVINICKI: Thank you. This is always so
11 beneficial I think to hear directly these perspectives. I'll say two state
12 perspectives. I don't believe there are any small states. I don't like that
13 characterization. There's just small materials programs. So, there's not small
14 states.

15 Shawn, I had a question for you. In terms of your rather intimate
16 community of licensees, you mentioned that you've gone in and looked and you
17 realized there are some -- you called them data cleanup issues. How do you work
18 that with your licensees? I guess this is just my lack of knowledge. Do they have
19 to flag? Who owns the data accuracy there?

20 Is it that you know that when you looked it is not reconciled correctly?
21 Would you initiate changes to that by calling those licensees? Like you said it's a
22 small group. It might have just been the four that you mentioned or all six that you

1 looked at?

2 MR. SEELEY: After I got reactivated yesterday I was able to go
3 back in and I think it was a combination where the last several years we've been
4 entering into the interim inventory. We were the surrogate parents, so to speak, to
5 enter the data in for the licensee. Once NSTS went live, I guess, and the
6 licensees faxed in their information I looked at it and I got back to one licensee and
7 said, "Beth, this isn't the same. What's going on?" She was radiation safety
8 officer for two entities.

9 And so I think what happened is each individual sealed source was entered
10 kind of half and half at each facility and somewhere over the last several years -- I
11 couldn't put my finger on it on when the error was made, but now I need to go
12 back in and work with the help desk and see how we take that erroneous data out
13 and put the right data in.

14 I also noticed that some of the information might not have been decayed
15 corrected. So, for example, the original source dates from 1984 might have been
16 in there and the new information that they had sent in that may have been decay
17 corrected need to be -- the old one needs to be taken out and the new one needs
18 to be left in. So, there's those types of issues that we're finding.

19 Two others, I think it was right on -- the radiographer companies. I haven't
20 even ventured to look in to see what they did in the past because I know they're
21 going to have a lot more transactions in that one.

22 COMMISSIONER SVINICKI: Okay. Because Merri had mentioned

1 on the previous panel that that was reconciling this legacy data there's going to be
2 some work to do there. So, it sounds like that's already begun; that people are
3 working through that. I should have guessed that the answer was we're working
4 with the help desk because I've heard that from all of you.

5 Kate, I wanted to thank you for coming and sharing your perspectives. I
6 know it's really not easy to come and when your experience as a user has been
7 less than perfect, challenging, frustrating and you have so many transactions. So,
8 I appreciate your being here today. I do think it's really useful to hear directly.

9 Actually I think was Commissioner Jaczko who said at a previous
10 Commission meeting that we had heard a number of briefings and for everyone it
11 was that there were no challenges and no issues. He knew better than to believe
12 that. I think he said something about he wasn't sure that was an accurate report if
13 there weren't any issues or challenges identified.

14 Are you part of what we're calling the beta testing on the improved batch
15 upload that we heard about in the previous panel?

16 MS. ROUGHAN: We've gotten involved with that, yes. We
17 submitted data, but we haven't gotten much further than that at this point.

18 COMMISSIONER SVINICKI: Okay. I'm encouraged by that at least
19 given the amount of data that you have. It seems to me your user experiences
20 would be very helpful. So, I'm glad you're involved in pretesting of that new
21 capability.

22 And then as far as the compliance costs -- and you said \$100,000 was just

1 your rough estimate. And you mention the breakdown of staff hours, travel and
2 training. Is it pretty evenly spread or would you say that there were big ticket items
3 in terms of your compliance or is it really just been all the labor hours to work on
4 it?

5 MS. ROUGHAN: I think a lot of it was actually just internally trying to
6 determine what we're going to do to meet the requirements, but then a lot of
7 questions kept coming up over time over the last six to eight months as we get
8 closer to implementation that we needed to get answers on before we could
9 design the system as to how we're going to comply. That's where we took a lot of
10 time.

11 COMMISSIONER SVINICKI: Okay. So, to continue that theme I
12 appreciate your cautions or recommendations on web-based licensing and license
13 verification. Having that definition up front is helpful. I think that was a point I was
14 trying to make to the previous panel on that.

15 And then if I could -- is there anyone from the NRC staff who could respond
16 on a couple of the points we heard? One would be Cindy mentioned the licensees
17 being unclear on having separate tokens for their licenses and operations in each
18 state. Is anyone from staff would like to comment on how the system is
19 structured? And then I'd just throw out there also if you could respond on that one
20 first.

21 MR. MAUER: Andrew Mauer from FSME. The answer to that is if a
22 licensee has multiple licenses they are able to consolidate all of them onto a single

1 credential, but they have to let us know in the process early on so we can begin to
2 work with them on that.

3 There may have been some confusion, so what we're doing is as we go
4 forward with some of the outreach -- Cindy had a good recommendation in terms
5 of the radiographer community in particular. Merri mentioned we've got several
6 industry meetings planned. That's one thing that we're going to want to
7 emphasize and clarify through those interactions.

8 COMMISSIONER SVINICKI: Okay. Thank you.

9 COMMISSIONER LYONS: Perhaps a question while Andrew is up
10 there that ties in with Kristine's question. Do we have an FAQ process that has
11 been successful in many other endeavors that we've taken on? Is there a formal
12 frequently asked questions process because this would be an ideal one.

13 MR. MAUER: Good point. We do have frequently asked questions
14 on our website and we need to add more and we're working on that. It's one of the
15 many things on our --

16 CHAIRMAN KLEIN: Do you have to get credentialed to use it? Just
17 checking.

18 [LAUGHTER]

19 COMMISSIONER SVINICKI: Mr. Chairman to close; I just had one
20 other. I didn't know if any of the staff would want to respond on enforceability of
21 credentialing. I can give, I'm sure, a very -- I won't use the precise terminology,
22 but Kate you had raised this question. And since reporting into the NSTS is

1 required, electronic use requires the credentialing. And so, that's kind of the chain
2 of enforceability as I think of it, but I don't know if anyone from the NRC staff could
3 give a better answer than that.

4 MR. MAUER: The credentialing is an optional process for licensees
5 as has been mentioned several times today. There are a few different ways that
6 you can report to the system: mail, fax, e-mail and electronic access, which we
7 encourage and prefer for up-to-date information. But it's an optional process.

8 But in going through that process you sign an agreement to abide by certain
9 requirements with the NRC for accessing the Federal Information Database.

10 And so, in terms of the enforceability I'm not able to speak directly toward
11 how that agreement is enforced and maybe someone better here to do that, but it
12 doesn't tie directly toward current requirements that we have for NSTS, for
13 example, in terms of regulations.

14 MS. CYR: My initial reaction would just be that -- as you stated -- if
15 someone chooses to use that electronic system then that means you have to use
16 it in accordance with that. And beyond looking at the specific language you
17 always have 18,000 -- 18 USC 1001, which is basically making material false
18 statements to the Federal government. So, that would be an element when
19 someone signs the paper basically, but that provides that you aren't providing
20 accurate information.

21 COMMISSIONER SVINICKI: Thank you.

22 CHAIRMAN KLEIN: Shawn, I had a question. How long did it take

1 you to get reactivated?

2 MR. SEELEY: Initially, Adam at the help desk said it would be 24
3 hours, but it was probably about an hour-and-a-half. It was a quick turnaround
4 time.

5 CHAIRMAN KLEIN: Thanks. I think your comments, Cindy, about
6 the fax is the norm. I think that's a good lesson for us. When you start off wrong it
7 takes a long time to correct. And so, sometimes you dig yourself in a very deep
8 hole when you start off on the wrong foot. And so, any suggestions on how we
9 can dig out of our hole?

10 MS. CARDWELL: I would suggest outreach to the grassroots level
11 as I suggested. If we hit the industrial radiographers we're going to hit a big bulk
12 of the users. And if we can get them turned around once you get that ship moving
13 towards faxing it's going to be hard to turn it around. And yet every one of them
14 especially the radiographers said they'd rather use the system if they can get it to
15 work.

16 From a regulatory standpoint we would far rather able to print out an
17 inventory, go out there and check it then to have to check reams of paper of faxes
18 to see if they met a 24-hour reporting, or to go through them and try to reconcile
19 what is the actual inventory at the end of the day when the inspector is out there.

20 So, I think if we get the outreach as fast as we can to reconcile some of the
21 misunderstandings that I was able to discern we have out there and to try to get
22 the idea out there. Sometimes if it's an issue with just getting their hard tokens to

1 work; sometimes if it's just a face-to-face plug it in here and it's going -- you need
2 to talk to your IT people to make sure the download works, then it may be as
3 simple as that.

4 CHAIRMAN KLEIN: It's fascinating because from what I hear
5 everyone say once you get in the system it's a nice system. It's just the fact of
6 getting in there. So, it makes it sort of treating the illness rather than the symptom.
7 We need to certainly work on the token access to make that a much better
8 process.

9 Well, I think, Kate, your slide 3 was certainly telling and helpful on how we
10 learn as an agency to move forward. And certainly a lot of information there as we
11 move forward on web-based licensing and other activities on how we don't need to
12 repeat some errors.

13 I do like the fact that you had given a lot of specific recommendations
14 throughout. I think our staff can take a look at those and really get some
15 resolution, go through each one and give an answer. Sort of like Commissioner
16 Svinicki answered. I had the same question. There should be an answer whether
17 you need one token or multiple tokens. I think we definitely need to get an
18 improved communication system in place.

19 MS. CARDWELL: I'm sure they would much prefer to have one, but
20 they're understanding and they're doing their best to comply is that they need each
21 one. Two different licensees I talked to -- one of them had three and the other one
22 had three or four -- I can't remember now -- for each of the different states.

1 CHAIRMAN KLEIN: Thanks. Commissioner Jaczko?

2 COMMISSIONER JACZKO: I appreciate all the presentations. I
3 think it's very helpful for us to get an understanding of your particular user
4 experience. I think from a policy perspective I would take away a couple things
5 from this.

6 One, I think, is perhaps we need to reassess the assumption of the need
7 that -- I think maybe even Cindy you said it -- that hard tokens is the preferred
8 methodology. I don't know; in the end maybe that's not. Probably it's a different
9 model, but if there are users who are -- certainly, there are individuals who need
10 access to the system. Agreement State individuals, I think, regardless because
11 you need to access the system to retrieve information.

12 If your only purpose in accessing the system is to enter information it may
13 be that faxing is the most efficient way to do that. It shifts the burden to NRC,
14 then, to have part-time or full-time capability to enter data. I guess I should
15 probably ask the staff that before I say something.

16 I don't know what the budget implications are for that. We're certainly doing
17 it now and maybe long term that is the direction we want to go because it may not
18 be in the end necessary for people who have limited access to the system if
19 they're going to be reporting two times a year, sending two faxes may be the most
20 efficient for them. Certainly from the NRC if we're then aggregating all of that I still
21 think for the M&Ds we don't want to go the way of faxing. In the end I think we
22 need an automated electronic mechanism for you to do that. But I think it's

1 certainly something that's worth reevaluating.

2 I would say -- and here's the thing that will make everybody gasp when I
3 say it, but I think in the end it's probably a regulatory fix. We need to establish the
4 requirements for using the system, whether it be by faxing or using the
5 credentialing. I think it's a fair point, Kate, that you make that we should clarify.

6 If what we really want is people to use the system electronically the way we
7 do that is through a regulation. It needs to be clear. And maybe by doing that we
8 will answer that question one way or another and maybe make it clear then that
9 there is a class of users for whom faxing is the regulatory solution. And that may
10 be, I think, a worthwhile discussion to have.

11 I certainly think it's something that has come out of this because it may not
12 be worth the effort and quite frankly from a security standpoint it may be
13 preferable. If we don't need to have people accessing the system that's the whole
14 reason for the challenges with the credentialing is to ensure that people who are
15 accessing the system are doing it appropriately.

16 If we can limit that to a small number of contractors who are entering data
17 into the system rather than a wide class of users it may in fact be the preferable
18 alternative going forward for some users. Again, I don't know that for all. So, I
19 think that's certainly something that as we continue to go forward and perhaps as
20 we look at inclusion of Category 3 and 1/10 Category 3 that that's something that
21 we can reexamine and see what really the right mechanism is.

22 A lot of this is ultimately -- the integrity of the electronic system doesn't

1 necessarily depend on the data entry mechanism. I think those are two separate
2 categories. What the goal of National Source Tracking was for the regulators, the
3 Agreement States, the NRC to have an up-to-date -- within 24 hour --
4 reconciliation requirement, an up-to-date inventory of sources in the United States.
5 If that can be accomplished through faxing then I think that's certainly something
6 I'd be open to.

7 Charlie is directly behind you, Kate, so I can't see how he's shaking his
8 head or not. I don't know.

9 [LAUGHTER]

10 As I said I'm certainly open to considering that and it may be an assumption
11 that we built in that may be worth reexamining if that is ultimately the right way to
12 do it. Charlie's going to tell me I'm wrong.

13 MR. MILLER: I'm smarter than that, Commissioner, but I would like
14 you to ponder this point. We agree. For some classes of licensees it may be
15 easier to send a fax because as we talked about today if they're not going to
16 change their inventory for a long time then it's going to stay stable.

17 We need electronic submittals, however. It's a painful process as you've
18 heard, but we've got to get there. From my many years as a regulator one of the
19 things on all sides of our house that we get concerned about is human reliability.
20 And the more people that have to touch data to be able to enter it the more
21 opportunity you have for introduction of error.

22 And currently with the large faxes, especially what we're receiving now from

1 the M&Ds that offers another opportunity for mistakes in data entry. And that is a
2 factor with regard to the fidelity of the data. It's extremely important that that
3 system have a high degree of fidelity of the data if it's going to be useful for us with
4 regard to security. So, I am not going to acquiesce to people in the long-term
5 submitting faxes.

6 That said, we have got to solve the problem to entice everyone to be able to
7 use the system and the only way we can do that is to have the things we talked
8 about today from credentialing to the usage of the system reliable, easy to
9 happen, user-friendly and we have to win their confidence.

10 That's the challenge that we have ahead of us in both, I think, the NRC staff
11 and the Agreement States regulatory to get to that point. The road has been a lot
12 bumpier than we thought, but I challenge my staff every week and I know that we
13 want to continue to work at it. They're working extremely diligently to try to solve
14 these problems. It takes a little bit of time, but I'm confident we'll get there.

15 As I've told the Commission before I sat here two years ago scratching my
16 head if we'd ever have a system. We've accomplished that and I'm confident that
17 we have the capabilities to solve these problems. We just have to keep at it.

18 COMMISSIONER JACZKO: I appreciate that. As I said I don't think
19 in the end M&D faxing is appropriate. I think that's something we have to do. I
20 think perhaps in the end maybe we need to make it a clear regulatory part of the
21 rule itself what the requirements are or the mechanism for reporting. That way we
22 clarify this issue if it is a regulatory requirement that you report electronically; that

1 will solve the issue of people faxing when we want them to be using the electronic
2 aspect.

3 It also means we have to make sure that that is accessible and a workable
4 solution before we do it. I think that more than anything is perhaps the path we
5 need to get down so we're not constantly trying to encourage and cajole when one
6 option may just be preferable for people. If it is we're never probably going to get
7 them there unless we make it a requirement, then it's less preferable to do that
8 because they have to comply with regulation. Thanks.

9 CHAIRMAN KLEIN: Commissioner Lyons?

10 COMMISSIONER LYONS: I think the comments that each one of
11 you made were very useful. The constructive suggestions, I think, are very, very
12 important. I think that any questions that I could ask at this point have already
13 been asked or expanded upon multiple times by my colleagues.

14 So, I think I will just thank you for an excellent presentation and I sincerely
15 hope that we continue to smooth the road as Charlie said.

16 CHAIRMAN KLEIN: Any final questions? Well, thank you for a very
17 good presentations because it really is important for us here to hear from the users
18 that are out in the world that are using the NSTS system and we certainly want it
19 to be usable and friendly.

20 I think as an agency when I look, we really stumbled on this one. We didn't
21 do well and obviously the beta test to pilots and all of those systems it's not one in
22 which we hold ourselves up to the standards we expect to hold our licensees. So,

1 we really stumbled on this one, I think, as an agency. But as Charlie said two
2 years ago he wasn't sure we would even have a system. At least we now have
3 something we can work on. And so, I think our job is to make sure we meet the
4 problems head on and solve them and get on with it so we will be able to track the
5 appropriate systems.

6 So, thank you for your contributions and recommendations and we look
7 forward to great success. Meeting is adjourned.

8 (Whereupon, the meeting was adjourned.)