FOR: The Commissioners

FROM: R. W. Borchardt
Executive Director for Operations

SUBJECT: SECTION 274b AGREEMENT WITH THE STATE OF NEW JERSEY

PURPOSE:

To request Commission approval of the proposed Agreement with the State of New Jersey. This paper does not address any new commitments.

SUMMARY:

On October 16, 2008, Governor Jon S. Corzine of the State of New Jersey requested that the Commission enter into an Agreement under Section 274b of the Atomic Energy Act of 1954, as amended (the Act). The Commission, through a Staff Requirements Memorandum (SRM) dated May 18, 2009, "SECY-09-0065, Proposed Agreement between the State of New Jersey and the Commission Pursuant to Section 274 of the Atomic Energy Act of 1954, as Amended," agreed to publish a notice of the proposed Agreement (Enclosure 1) in the *Federal Register* (*FR*). The agency published the notice as required by the Act and requested comments. The public comment period ended on June 26, 2009, and the U.S. Nuclear Regulatory Commission (NRC) received six comment letters. Based on the staff's review of the proposed New Jersey program and analysis of the comments, the staff recommends that the Commission approve the proposed Agreement (Enclosure 1).

BACKGROUND:

In SECY-09-0065, the staff of the NRC presented a draft of its assessment and discussed the statutory and policy background of the New Jersey Agreement State program.

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The Commission approved the staff's recommendation to proceed with processing the application for the New Jersey Agreement State program in an SRM dated May 18, 2009. As required by Section 274e of the Act, the agency published the proposed Agreement in the *FR* on May 27, 2009 (74 FR 25283), June 3, 2009 (74 FR 26739), June 10, 2009 (74 FR 27572), and June 17, 2009 (74 FR 28728). The comment period ended on June 26, 2009. The NRC made the full text of the staff assessment available through its Agencywide Documents Access and Management System and Public Electronic Reading Room.

The Agreement will allow New Jersey to assume regulatory authority for byproduct materials as defined in Sections 11e.(1), 11e.(3), and 11e.(4) of the Act; source materials; special nuclear materials not sufficient to form a critical mass, and regulation of land disposal of byproduct material, source material, or special nuclear material waste received from other persons. New Jersey is not seeking authority to (1) conduct safety evaluations of sealed sources and devices manufactured in New Jersey and distributed in interstate commerce, and (2) regulate Section 11e.(2) byproduct material resulting from the extraction or concentration of source material from ore processed primarily for its source material content, and its management and disposal.

DISCUSSION:

(1) Public Comments

The *FR* notice requested comments regarding (1) the proposed Agreement, (2) the NRC staff assessment of the New Jersey Agreement State program, (3) the adequacy of the New Jersey Agreement State program, and (4) the adequacy of the New Jersey Agreement State program staff. The NRC received six comment letters in response to the notice that the Governor of New Jersey has proposed to enter into an Agreement with the Commission under Section 274b of the Act.

The NRC received comments from the Organization of Agreement States; two members of the public; a regulatory and nuclear consultant; and two NRC licensees located within the State of New Jersey. Two commenters support the Agreement, two commenters oppose the Agreement and one commenter did not state either way. The remaining commenter supports the rationale whereby States can assume regulatory authority; however, was not supportive of the difference in fees between New Jersey and NRC. The staff analysis of the public comments is provided in Enclosure 2.

In summary, the comments did not provide any new information that would change the conclusions in the staff assessment of the New Jersey program. The staff has not changed the assessment in response to the comments.

(2) SECY-09-0065

In SECY-09-0065, the NRC staff concluded that, based on the draft assessment, New Jersey satisfied the Commission's policy statement and; therefore, met the requirements of Section 274 of the Act. The staff's final assessment (Enclosure 3) of the New Jersey program reflects the same conclusion that the State satisfies the Commission's policy statement and; therefore, meets the requirements of Section 274 of the Act.

(3) Transfer of Licenses

Currently, the NRC would transfer approximately 500 NRC licenses, either in whole or in part, to New Jersey's jurisdiction. The NRC staff is continuing to work closely with the New Jersey staff to effect a smooth transition. The staff is coordinating with the New Jersey staff on current and pending licensing, inspection, and enforcement activities involving the licenses to be transferred to ensure the smooth continuation of regulatory actions after the transfer.

(4) Actions Pending Against Licensees to be Transferred

At the current time, the NRC Office of Investigations has two pending investigations that may result in escalated enforcement actions against an NRC licensee located within the State. The NRC Office of Enforcement has one pending enforcement action against another licensee. Additionally, six allegations are currently open related to NRC licensees within the State. The remaining open actions that the NRC is unable to close between now and the effective date of the Agreement will either continue to be handled by the NRC with the involvement of the State or will be transferred to the State. The NRC will work closely with the State to ensure the smooth transition of authority over these open cases before the effective date of the Agreement.

(5) Outstanding Orders, Confirmatory Action Letters, and 10 CFR 2.206 Petitions Against Licensees that Will Transfer

The NRC issued orders and license conditions for Increased Controls (EA-05-090) and Fingerprinting and Criminal History Records Check Requirements for Unescorted Access to Certain Radioactive Materials (EA-07-305) to licensees in the State of New Jersey. Thirty licensees are implementing these requirements based on the quantities of regulated materials that they possess. The NRC staff will incorporate these Orders into the licenses, by license condition, by the effective date of the Agreement. Therefore, these security requirements will transfer with the licenses when the New Jersey Agreement becomes effective.

(6) Status of Decommissioning Sites and Method for Providing Information on Previously Licensed Sites

The NRC maintains status summaries for all decommissioning sites on NRC's public web site, including those that are considered complex decommissioning sites. The Commission and the public have access to the site summaries through http://www.nrc.gov/info-finder/decommissioning/complex/. Currently, there are two sites in New Jersey that are considered complex decommissioning sites – Stepan Chemical Company and Shieldalloy Metallurgical Corporation.

Under the Agreement, regulatory authority for Stepan Chemical Company will remain with NRC. The radioactive material at Stepan Chemical Company's site is Section 11e.(2) byproduct material resulting from the extraction or concentration of source material from ore processed primarily for its source material content, and its management and disposal. New Jersey has not requested this class of materials under its Agreement; therefore, the jurisdiction for this site will remain with NRC.

New Jersey has requested regulatory authority over source material. As a result, the regulatory authority for the Shieldalloy Metallurgical Corporation (SMC) site in Newfield, New Jersey, will transfer to the State on the effective date of the Agreement. SMC is a source material licensee and currently has a decommissioning plan under review by NRC. NRC is unable to complete its

review of the decommissioning plan prior to the effective date of the Agreement as NRC is still waiting for additional information from SMC, including results from technical studies.

(7) Naturally-Occurring and Accelerator-Produced Radioactive Materials

The Energy Policy Act of 2005 (EPAct) became effective immediately upon signature by the President on August 8, 2005, and authorized the Commission to regulate naturally-occurring and accelerator-produced radioactive material (NARM) as defined in the amended definition of byproduct material in Section 11e.(3) and (4) of the Atomic Energy Act. Many States regulated this material under their existing State radiation programs. The EPAct, in Section 651(e)(5), authorized the Commission to issue a waiver of the requirements in Section 651(e) to any entity with respect to these NARM materials for specified periods of time if the Commission determined that the waiver was in accordance with the protection of the public health and safety and the promotion of the common defense and security. The EPAct limited the waiver to a time period no longer than 4 years. The Commission determined that there was no basis to conclude that the NARM materials would not continue to be used in a manner that is protective of public health and safety while the waiver is in effect. The Commission then granted a waiver (70 FR 51581; August 31, 2005) from the requirements of Section 651(e) of the EPAct.

Regulations to address the requirements of the EPAct were effective on November 30, 2007, and are referred to as the "NARM rule." As part of the NARM rule, NRC specifically allowed a transition period for licensees/applicants to submit license amendments or new license applications as needed for NARM. A Transition Plan was noticed in the *FR* on October 19, 2007 (72 FR 59157). The purpose of the Transition Plan is to facilitate an orderly transition of regulatory authority with respect to the NARM materials. The NRC recognized that some States may be interested in becoming Agreement States based on the passage of the EPAct. Therefore, the staff indicated in the Transition Plan that, "Every effort will be made to complete an Agreement as soon as practical, without compromising quality and completeness... If any Agreements cannot be completed before the waiver expires on August 7, 2009, the Commission may consider, on a case-by-case basis, options to limit the impact on affected users of 11e.(3) and 11e.(4) byproduct material in the States."

The Agreement for New Jersey will not be effective prior to the expiration of the NARM waiver. Staff believes that there will be a minimal impact on New Jersey licensees because of this interim time period of about 7 weeks between the expiration of the NARM waiver and the effective date of the Agreement. NRC will have jurisdictional authority during this time and there will not be a regulatory gap. NRC and New Jersey have discussed this during numerous meetings to ensure a clear understanding of the jurisdiction during this interim time period, and to ensure an efficient transition. Paul Baldauf, Assistant Director, Radiation Protection and Release Prevention, provided a letter to NRC confirming his understanding of the NARM waiver expiration and the jurisdictional authority by the NRC during this interim time period. This letter, and the NRC response, may be found in Enclosure 4. A summary of the NARM waiver expiration and the impact on the New Jersey Agreement is provided in Enclosure 5.

(8) Effective Date of the Agreement

The Governor of New Jersey requested an effective date for the Agreement of no later than September 30, 2009. Commission direction no later than September 16, 2009, is critical in order to have the Agreement effective by this date. This is necessary to minimize the interim time period between the NARM waiver expiration and the effective date of the Agreement, as well as to allow adequate time for the signing of the Agreement, the orderly transfer of the files,

and the assumption of authority by New Jersey. An effective date of September 30, 2009, will also avoid fiscal year 2010 NRC fees for the licenses transferring to New Jersey in addition to the fees that New Jersey will assess. See Enclosure 6 for a schedule of the remaining steps for processing the Agreement.

IMPLEMENTATION:

Following execution of the Agreement, the staff will continue to interact with the State of New Jersey. This interaction will consist of the exchange of regulatory information, notices of NRC training courses, and conducting periodic onsite reviews of New Jersey's program for the regulation of Agreement materials. The regulatory information exchange includes reports of incidents; significant enforcement actions; and amendments to policies, regulations, or guidance. Communications are generally more frequent with a new Agreement State during the first few years after the Agreement is signed.

The staff will tentatively schedule an orientation meeting between NRC and New Jersey Department of Environmental Protection, Bureau of Environmental Radiation, for 9 months after the effective date of the Agreement to discuss the initial program implementation. The first Integrated Materials Performance Evaluation Program (IMPEP) review of the New Jersey Agreement State program will be tentatively scheduled for 18 months after the effective date of the Agreement. Subsequent routine IMPEP reviews will occur at 4-year intervals. The interval may be shortened if performance weaknesses are identified during routine reviews or other interactions with New Jersey.

If approved by the Commission, New Jersey will bring the number of Agreement States to 37.

RESOURCES:

Staff estimates approximately 5 full-time equivalents are required in FY 2009 to perform materials licensing, inspection, decommissioning, enforcement, allegation casework and transition activities related to New Jersey. These resources are included in the FY 2009 budget within the Materials Users subprogram. The Office of Federal and State Materials and Environmental Management Programs anticipates a cost savings due to the transfer of regulatory authority to New Jersey, and has incorporated the resource adjustment in the FY 2010 budget.

CONCLUSION:

The NRC staff concludes that the State of New Jersey satisfies the criteria in the Commission's policy statement "Criteria for Guidance of States and NRC in Discontinuance of NRC Regulatory Authority and Assumption Thereof by States Through Agreement," and; therefore, meets the requirements of Section 274 of the Act.

The proposed New Jersey program to regulate Agreement program materials; comprising statutes, regulations, and procedures; is compatible with the Commission's program and is adequate to protect public health and safety with respect to the materials covered by the proposed Agreement.

RECOMMENDATIONS:

That the Commission:

1. Find:

   a. That the proposed New Jersey program for the regulation of byproduct material, source material, special nuclear material in quantities not sufficient to form a critical mass, and regulation of land disposal of byproduct material, source material, or special nuclear material waste received from other persons is compatible with the Commission's program for the regulation of like material; and

   b. That the proposed New Jersey program is adequate to protect public health and safety within the State with respect to the materials and uses covered by the proposed Agreement.

2. Approve:

   a. The proposed Agreement between the State of New Jersey and the NRC pursuant to Section 274 of the Act, as set forth in Enclosure 1.

   b. The proposed Agreement allowing adequate time for the signing of the Agreement, the orderly transfer of license files and the assumption of regulatory authority by the State of New Jersey on September 30, 2009.

3. Note:

   a. Approval of the proposed Agreement will result in the State of New Jersey reassuming regulatory authority over NARM which terminated on August 7, 2009 with the termination of the Commission-issued waiver (70 FR 51581).

   b. The Governor of New Jersey does not desire a formal signing ceremony. Therefore, upon approval of the Agreement by the Commission, the NRC staff will prepare the formal documents for the Chairman's signature. After the Chairman signs the Agreement, the staff will deliver the Agreement to New Jersey for the Governor's signature (Enclosure 7).

   c. Pursuant to the Act, the Small Business Regulatory Enforcement and Fairness Act of 1996 (SBREFA), and Commission guidance, the staff will inform the Speaker of the House of Representatives, the President of the Senate, the New Jersey Congressional delegation and the Director of the Government Accountability Office of the Commission's decision.

   d. The NRC Office of Public Affairs will issue a press release.

   e. The agency will publish the text of the Agreement in the *FR*, as required by Section 274e of the Act, within 30 days after the Agreement is signed (Enclosure 8).

COORDINATION:

This paper has been coordinated with the Office of the General Counsel, which has no legal objection. The Office of the Chief Financial Officer has reviewed this Commission paper for resource implications and has no objection. The staff has obtained concurrence from the Office of Management and Budget that this action does not constitute a "major rule" under SBREFA.

R. W. Borchardt
Executive Director
for Operations

Enclosures:
1. Proposed Agreement
2. Staff Analysis of Public Comments
3. NRC Staff Assessment
4. Letter from P. Baldauf, NJ
   and NRC Response
5. Summary of NARM Waiver expiration
6. Current Milestone Schedule
7. Draft Letter from Chairman Jaczko
   to Governor Corzine
8. Draft *FR* Notice

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