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**Prepared Remarks of NRC Chairman Allison M. Macfarlane
State Liaison Officers Conference
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Good morning. It's a pleasure to be here today to welcome you to the NRC for the 2013 State Liaison Officers Conference. The NRC values its relationships with the states and we recognize the important role that you, as Governor-appointed liaison officers, play in ensuring that these relationships are effective and productive.

This conference will provide opportunities for meaningful information exchange.

I encourage all of you, whether you are representing your state or are a member of the NRC's own staff, to use this conference to make new contacts and strengthen existing ones. It's important that we maintain an open, productive dialogue with the states that extends beyond this annual event and the routine notifications we exchange throughout the year.

Over the next few days, you'll hear from NRC technical experts on the status of NRC's current areas of work. In turn, we're looking forward to hearing from the various state representatives who are scheduled to speak. I'd like to begin by highlighting some of the Commission's top priorities. While you may not necessarily be involved with all of these issues on a daily basis, I think our agency's work on all of them is of interest to your States.

You're likely aware that, in June 2012, the D.C. Circuit Court of Appeals vacated the NRC's 2010 Waste Confidence rule. In the court's opinion, the Commission's conclusion that a high-level waste repository would be available "when necessary" lacked an appropriate discussion of the environmental consequences of failing to achieve that objective. The ruling also expressed concern about potential spent fuel pool leaks and fires.

In the time since the court issued its decision, a dedicated group of NRC staff has been working to revise the Waste Confidence rule and develop a generic environmental impact statement.

From the beginning, the Commission made it clear that public involvement must be an essential part of this process. Starting last month, the NRC has been holding a series of public meetings around the country to get important input for our final products. The recent government shutdown, which I'll discuss in more detail in a few minutes, forced us to postpone five of these meetings. We moved quickly to reschedule them and extend the public comment period to ensure that we could still have the

benefit of the many perspectives these meetings are giving us. We encourage representatives from the States we're visiting, and any neighboring states if interested, to participate in the upcoming meetings.

I'm sure you've also heard about recent developments with Yucca Mountain. Before I update you on where we are, I have to caution that since this matter is currently before the Commission, I'm not going to be able to get into too many specifics. I can tell you that on August 13, a panel of judges from that same DC Circuit Court of Appeals directed the NRC to resume the Yucca Mountain licensing process using our approximately \$11 million in remaining Nuclear Waste Fund carryover money.

On August 30, the Commission issued a request for all participants in the adjudicatory proceeding to provide input on how the agency should go forward to use the remaining resources. At the same time, we asked the NRC staff to provide us with updated information on the estimated costs of completing various parts of the process.

By the Sept. 30 deadline, we received significant input on both fronts. We're currently reviewing that information, and the Commission is moving expeditiously to direct the agency on the best path forward. As I said earlier, I'm not in a position to comment on what direction we'll take, but I commit that the NRC will continue to keep the states informed of all developments in a timely and complete fashion.

On the reactor decommissioning front, the Commission has enhanced its focus on decommissioning in light of several recent announcements from plants of their intention to shut down. In the past year, Crystal River Unit 3 in Florida, Kewaunee Power Station in Wisconsin, and the San Onofre Nuclear Generating Station in Southern California all announced permanent closure. More recently, Entergy Corporation announced that it would close the Vermont Yankee plant in late 2014.

These decisions were made by the licensees based on various economic and reactor-specific reasons. Of course, the nation has been – and is still – experiencing financial challenges. I am confident that all of us here today – from whatever level of government we represent – have direct familiarity the reality of the tight fiscal and economic environment. For the NRC, however, these uncertain times leave no room for uncertainty about the importance of safety and security.

The NRC is committed to maintaining rigorous oversight of all licensed facilities, and those being decommissioned are no exception. Each licensee decides how to undertake the decommissioning process for its site, which must be consistent with our regulations. We review the adequacy of the licensee's decommissioning approach before its implementation and closely monitor all aspects of the program, including regular inspection.

We also recognize that state and local elected officials, non-governmental organizations, Tribal governments, and the public at large take an interest in how the decommissioning of a particular facility could affect them. Public engagement is also an important part of our decommissioning process – we routinely hold public meetings near the reactor sites to ensure that the steps each facility will undergo are well understood.

On the other side of the spectrum, the NRC continues to oversee construction of several new reactors at Vogtle, in Georgia; V.C. Summer, in South Carolina; and Watts Bar 2, in Tennessee. I had the chance to visit the Vogtle site this past summer and found it quite impressive. We're also gearing up

in anticipation of receiving the first two design certification applications for small modular reactors in mid-to-late 2014.

Let me now transition to a brief discussion about the NRC's ongoing international cooperation. We work closely with our regulatory counterparts overseas on a variety of issues, including operating reactors, reactors under construction, and nuclear materials safety and security. Our new reactor-related cooperation is yielding particularly important lessons for our domestic program.

You may have seen media reports about some rather extensive concerns about counterfeit and fraudulent parts uncovered in several countries. While we have no recent evidence of suspect parts being used in U.S. nuclear installations, we know from our collaborative work with other U.S. federal agencies that counterfeiting is a concern for other industries, particularly for high-tech equipment like circuit boards and computer chips. What we're hearing is that it's becoming harder to spot the fakes. When you consider that the next generation of nuclear plants, being built all over the world including our three new reactors here, use components manufactured in many different countries, you get an appreciation for why this is an important issue to follow.

The NRC's construction oversight is closely monitoring the components being installed in our new sites; and we are engaging with the international community to assure that similar rigor is applied to the world-wide supply chain.

Let me turn to another policy issue that has important implications for all states – security. The NRC has a comprehensive security program that has been substantially enhanced since Sept. 11, 2001. One important aspect of this program is the need to stay on top of a variety of evolving threats, whether it's the physical protection of our sites or the need to guard against the ever-changing cyber threat. Implementing our security program requires us to actively coordinate across all levels of government, and we would welcome further collaboration with the states in this area. Cyber security, in particular, has received a good deal of media attention lately.

Over the past several years, we've worked closely with both industry and law enforcement agencies at all levels to develop an integrated response program for our nuclear power plants. We've seen significant progress, especially in the last year or so, as the cooperation between industry and our interagency partners has advanced. We've also made a lot of progress working with operating reactor licensees in their implementation of cyber-security requirements. Since January, we've completed inspections of 16 power reactor licensees' cyber programs, and are initiating development of cyber security guidance for fuel cycle facilities. Last month, we completed an International Physical Protection Advisory Service mission, an international peer review under International Atomic Energy Agency auspices to assess our security regulatory program. The team gave us valuable insights to further enhance our program, which they concluded was strong and effective, and gave us an opportunity to share our best practices with other countries.

Of course, a major cross-cutting element of our safety and security program is emergency preparedness. I understand this is one of the most important areas of interest to you given your functional roles within your states. You'll be hearing more later this morning about the progress we're making in implementing lessons learned from the Fukushima accident across a variety of technical disciplines.

I know that one area of particular concern to your offices and constituents following the accident was the lack of access to information. One clear complication we faced in this particular situation was that this was an accident in another country, and as such, we also experienced delays in receiving updated data. With that said, however, we were receptive to concerns many states voiced both during the response period and afterwards.

I want you to know that we've heard you, and we've taken some important steps to ensure more effective information-sharing in the future. First, we've removed language from our emergency response procedures that could potentially limit information dissemination to so-called "affected" states. We recognize that, when it comes to a nuclear emergency, whether it's here or elsewhere in the world, the entire United States is impacted.

Second, we've participated in a series of discussions with other federal agencies about how our overall U.S. response effort could have been improved. In those conversations, we've made a point of sharing your feedback and urging that it be incorporated into the broader reporting. We expect that a report reflecting the conclusions of this assessment will be released before the end of the year. The NRC staff will ensure that you receive the report and have an opportunity to share your thoughts with us.

There's one additional item I'd like to raise with respect to our ongoing post-Fukushima work that may be of particular interest to you. We're reviewing the updated information from our licensees concerning external flooding and seismic events. Logic dictates that with such diverse topography and climate in this country, we must apply different assumptions when considering hazards for plants in California than those we apply for plants in Pennsylvania.

As a geologist, the seismic hazard reevaluations are of particular interest to me.

We're going to be looking at the latest scientific data and analyzing particular hazards using information specific to a particular area's seismic characteristics. I would imagine that these are areas where the states can provide valuable contributions to our work. I'm sure that our Japan Lessons Learned Directorate will address this in greater detail.

I'd like to take a moment to discuss the recent federal government shutdown and its impacts on the NRC. As you're aware, though the government officially shut down on Oct. 1, the NRC was able to remain open until Oct. 10. That day, 93 percent of our almost 4,000 employees were given furlough notices.

Our extra nine days of operation were made possible by a combination of available carryover funds and a Herculean effort on the part of our Chief Financial Officer and his staff to carefully manage all remaining funding to minimize the impacts to our agency.

It's important for me to emphasize that the employees we kept on the job were largely resident inspectors, emergency responders, and others charged with performing critical safety and security functions. Even with such a large percentage of our workforce prevented from coming to work, our main mission was never in jeopardy – and we had the capability to recall additional staff in the event of an emergency. Nevertheless, there was a substantial amount of non-emergency licensing and adjudicatory work that went undone, and we returned to a backlog of assignments needing completion.

Our CFO estimates that our week-long closure cost the agency about \$12 million. In addition, as I mentioned earlier, the shutdown forced us to delay important public engagement work. Overall, our staff did an admirable job and we were very glad to get back to work.

We're now in the process of assessing how the NRC performed in preparing for, undergoing, and coming back from the shutdown. As part of that effort, it's important that we understand what impacts our shutdown may have had on your states. Unfortunately, as a federal agency, we must prudently plan for the possibility of another, similar circumstance, whether it's in a few months or a decade. Your views are an important part of this knowledge management process and we encourage you to talk to us about it.

Now that I've given you my assessment of the Commission's current priorities, I'd like to share my view that it would be beneficial for the NRC to strengthen its relationship with the states. To begin with, I invite your feedback on the mechanisms we have in place to share relevant information when it arises. But I believe we can do more to enhance our interactions. For example, I interact regularly with members of Congress, each of whom has areas of interest that reflect the concerns and desires of constituents in their states. While these interactions give me useful insights on a particular state's priorities, I believe that Governors' perspectives would add another important dimension to inform the NRC's decision-making.

When I travel to sites around the country, I try whenever possible to include meetings with state and local elected officials on my itinerary. These meetings are always worthwhile and informative. I would welcome the opportunity to engage more frequently with your Governors, either in person or by phone, to better understand which of our issues have relevance for them and how we can strengthen our coordination.

I believe the NRC functions best when we consider views from a broad variety of interested parties, and we greatly appreciate the feedback the states provide, especially their participation in our rulemaking and policy efforts. As State Liaison Officers, you play several important roles. You convey information from the NRC to your Governors, and vice versa. You're also instrumental in helping to connect the NRC to local communities that are impacted by our work.

Together, we build and maintain strong relationships that enhance the effectiveness and transparency of our work. This, in turn, helps strengthen public trust. The NRC is committed to effective communication and engagement. The information you provide to us helps us do our job better. We look forward to hearing from you throughout the course of this conference and encourage you to keep the lines of communication open throughout the year. I would welcome the opportunity to discuss the policy issues I've introduced today in greater detail with your Governors or other state officials.

Thank you.