EXHIBIT NRC S14

NRC Enforcement Policy
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pp. 8-11

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U. S. Nuclear Regulatory Commission
Office of Enforcement
Washington, DC 20555-0001

2.1 Identification of Violations

The enforcement process begins with the identification of violations, either through NRC inspections or investigations, or through a licensee report, or by substantiation of an allegation.

All violations are subject to consideration for civil enforcement action; some violations may also be considered for criminal prosecution by the U.S. Department of Justice. After a potential violation is identified, it is assessed in accordance with this Policy. The NRC's enforcement assessment process is fact driven, performance based, and, when appropriate and possible, risk informed. The NRC reviews each case being considered for enforcement action on its own merits to ensure that the severity of a violation is characterized at the level appropriate to the safety significance of the particular violation.

2.2 Assessment of Violations

After a violation is identified, the NRC assesses its severity or significance (both actual and potential). Under traditional enforcement, the severity level (SL) assigned to the violation generally reflects the assessment of the significance of a violation, and is referred to as traditional enforcement. For most violations committed by operating power reactor licensees, the significance of a violation is assessed using the significance determination process (SDP) under the Reactor Oversight Process (ROP), as discussed below in Section 2.2.3, "Operating Reactor Assessment Program." All other violations will be assessed using traditional enforcement as described in Section 2.2.4, "Exceptions to Using Only the Operating Reactor Assessment Program." Power reactor facilities under construction, independent spent fuel storage installations (ISFSI), and nuclear materials facilities are not subject to the SDP and, thus, traditional enforcement will be used for these facilities.

2.2.1 Factors Affecting Assessment of Violations

In determining the appropriate enforcement response to a violation, the NRC considers the four specific factors discussed below. Whenever possible, the NRC uses risk information in assessing the safety significance of violations and assigning severity levels. A higher severity level may be warranted for violations that have greater risk, safety, or security significance, while a lower severity level may be appropriate for issues that have lower risk, safety, or security significance. Duration of the violation is also an appropriate consideration in assessing the significance of the violation.

a. Whether the violation resulted in actual safety or security consequences. In evaluating actual consequences, the NRC considers issues such as whether the violation resulted in the onsite or offsite releases of radiation or radiation exposures exceeding 10 CFR Part 20, "Standards for Protection Against Radiation," regulatory limits, onsite or offsite chemical hazard exposures resulting from licensed or certified activities, accidental criticality, core damage, loss of significant safety barriers, loss of control of radioactive material or radiological emergencies, any violations during an actual General Emergency that prevents offsite response organizations from implementing protective actions (under their emergency plans) to protect public health and safety, or whether the security system did not function as required and, as a result of the failure, a significant event or an event that resulted in an act of radiological sabotage occurred.

b. Whether the violation had potential safety or security consequences. In evaluating potential consequences, the NRC considers whether the violation created a credible accident, security failure, or exposure scenario that could potentially have significant actual consequences. For facilities under construction, the NRC considers the actual or potential impact of the violation on the quality of construction and its resulting effect on the safety and security of the facility.

c. Whether the violation impacted the ability of the NRC to perform its regulatory oversight function. The NRC considers the safety and security implications of noncompliances that may affect the NRC's ability to carry out its statutory mission. These types of violations include failures to provide complete and accurate information; failures to receive prior NRC approval for changes in licensed activities, when required; failures to notify the NRC of required changes in licensed activities, when required; failures to perform 10 CFR 50.59, "Changes, Tests and Experiments," and similar analyses; failures to maintain an up-to-date and accurate FSAR; and failures to comply with reporting requirements, etc. Even inadvertent reporting failures are important because many of the surveillance, quality control, and auditing systems on which both the NRC and its licensees rely to monitor compliance with safety standards are based primarily on complete, accurate, and timely recordkeeping and reporting. The existence of a regulatory process violation does not automatically mean that the issue is significant to safety or security. In determining the significance of a violation, the NRC will consider appropriate factors for the particular regulatory process violation. These factors may include the significance of the underlying issue, whether the failure actually impeded or influenced regulatory action, the level of individuals involved in the failure and the reason why the failure occurred given their position and training, and whether the failure invalidates the licensing basis.

   Unless otherwise categorized in the violation examples contained in this Policy (i.e., Section 6.0), the severity level of a violation involving the failure to make a required report to the NRC will depend on the significance of and the circumstances surrounding the matter that should have been reported. However, the severity level of an untimely report, in contrast to no report, may be reduced depending on the circumstances. The NRC will not normally cite a licensee for a failure to report a condition or event unless the licensee was actually aware of the condition or event that it failed to report. On the other hand, the Agency will normally cite a licensee for a failure to report a condition or event if the licensee knew of the information to be reported and did not recognize that it was required to make a report.

d. Whether the violation involved willfulness. Willful violations are of particular concern because the NRC's regulatory program is based on licensees and their contractors, employees, and agents acting with integrity and communicating with candor. The Commission cannot tolerate willful violations. Therefore, a violation may be considered more significant than the underlying noncompliance if it includes indications of willfulness. Violations with willful aspects will typically be considered for escalated enforcement (i.e., SL I, II, or III). The term "willfulness" as used in this Policy refers to conduct involving either a careless disregard for requirements or a deliberate violation of requirements or falsification of information. In determining the significance of a violation involving willfulness, the NRC will consider such factors as the position, training,

experience level, and responsibilities of the person involved in the violation (e.g., licensee official or nonsupervisory employee), the significance of any underlying violation, the intent of the violator (i.e., careless disregard or deliberateness), and the economic or other advantage, if any, gained as a result of the violation. The relative weight given to each of these factors in the significance assessment will depend on the circumstances of the violation. However, if a licensee refuses to correct a minor violation within a reasonable time such that it willfully continues, the violation should be considered at least more than minor. Licensees are expected to take significant remedial action in responding to willful violations commensurate with the circumstances, such that the action reflects the seriousness of the violation, thereby creating a deterrent effect within the licensee's organization.

2.2.2 Traditional Enforcement

Under its traditional enforcement process, the NRC assesses significance by assigning a severity level to all violations by those subject to the NRC's enforcement authority as defined in Section 1.2, "Applicability of the Enforcement Policy," and to some violations by operating power reactor licensees. However, the Agency assesses most violations by operating power reactor licensees under the ROP using the SDP (see Section 2.2.3). (Section 6.0 of this Policy provides examples of SL I, II, III, and IV violations in 15 activity areas. These examples are not intended to be exhaustive or controlling.)

In recognition that the regulation of nuclear activities in many cases does not lend itself to a mechanistic treatment, judgment and discretion must be exercised in determining the severity levels of the violations and the appropriate enforcement sanctions. This judgment and discretion include the decision to issue an NOV, or to propose or impose a civil penalty and the amount of this penalty, after considering the general principles of this statement of policy and the significance of the violations, as well as the surrounding circumstances.

Severity level designations reflect different degrees of significance depending on the activity area in which the severity level is designated. For example, the immediacy of any hazard to the public associated with SL I in reactor operations is not directly comparable to that associated with SL I violations in facility construction.

a. SL I violations are those that resulted in or could have resulted in serious safety or security consequences (e.g., violations that created the substantial potential for serious safety or security consequences or violations that involved systems failing when actually called on to prevent or mitigate a serious safety or security event).

b. SL II violations are those that resulted in or could have resulted in significant safety or security consequences (e.g., violations that created the potential for substantial safety or security consequences or violations that involved systems not being capable, for an extended period, of preventing or mitigating a serious safety or security event).

c. SL III violations are those that resulted in or could have resulted in moderate safety or security consequences (e.g., violations that created a potential for moderate safety or

security consequences or violations that involved systems not being capable, for a relatively short period, of preventing or mitigating a serious safety or security event).

d. SL IV violations are those that are less serious, but are of more than minor concern, that resulted in no or relatively inappreciable potential safety or security consequences (e.g., violations that created the potential of more than minor safety or security consequences).

e. Minor Violations are those that are less significant than a SL IV violation. Minor violations do not warrant enforcement action and are not normally documented in inspection reports. However, minor violations must be corrected.

2.2.3 Operating Reactor Assessment Program

The assessment, disposition, and subsequent NRC action related to inspection findings identified at operating power reactors are determined by the ROP, as described in NRC Inspection Manual Chapter (IMC) 0305, "Operating Reactor Assessment Program." Inspection findings identified through the ROP are assessed for safety significance using the SDP described in IMC 0609, "Significance Determination Process." The SDP uses risk insights, where possible, to assist the NRC staff in determining the safety or security significance of inspection findings identified within the ROP. Inspection findings processed through the SDP, including associated violations, are documented in inspection reports and are assigned one of the following colors, depending on their safety significance

a. red—inspection findings with high safety or security significance
b. yellow—inspection findings with substantial safety or security significance
c. white—inspection findings with low-to-moderate safety or security significance
d. green—inspection findings with very low safety or security significance

With the exceptions noted below in Section 2.2.4, violations associated with ROP inspection findings are not normally assigned severity levels, nor are they normally subject to civil penalties, although civil penalties are considered for any violation that involves actual consequences.

2.2.4 Exceptions to Using Only the Operating Reactor Assessment Program

Some aspects of inspection findings and their associated violations at operating power reactors cannot be addressed only through the Operating Reactor Assessment Program. Operating reactor inspection findings are assigned significance and any associated violations involving traditional enforcement are assigned severity levels and can be considered for civil penalties (see IMC 0612). In determining the severity level assigned to such violations, the NRC will consider information in this Policy and the violation examples in Section 6.0 of this Policy, as well as SDP-related information, when available. Typically, the types of violations dispositioned using traditional enforcement include the following:

a. violations that resulted in actual safety or security consequences (as described in Section 2.2.1.a)