UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

OFFICE OF THE
CHAIRMAN

FERA

COMM
CORR

September 4, 1979

The Honorable James T. McIntyre, Jr.
Director, Office of Management and Budget
Washington, D. C. 20503

Dear Mr. McIntyre:

In accordance with provisions of OMB Circular A-11, we hereby submit an FY 1980 supplemental request and FY 1981-1983 budget estimates for the Nuclear Regulatory Commission. In addition to following the provisions of A-11, we have taken conscientious note of Presidential policy guidance as provided in your letter of July 6, 1979. We believe the enclosed budget estimates are responsive to that policy guidance. During the forthcoming meetings with your staff on our submission, we will be prepared to address our major policy and program objectives and specifically relate our resource requirements to these objectives. In regard to section 6 of OMB Circular A-19, we are not submitting any legislative proposals for the next session of the Congress concurrently with our budget requests. Such proposals, if any, must necessarily await the results of the various investigations and inquiries which are now underway as a result of the Three Mile Island (TMI) accident.

The NRC resource requirements reflected in the enclosed budget estimates are predominantly influenced by TMI. This event has and will continue to have a major impact on NRC programs. We project significantly increased regulatory effort as a consequence. The issues raised by TMI and the urgent need to resolve them requires additional resources in FY 1980. This is the primary reason we are submitting a supplemental request. The TMI accident has already resulted in a number of Congressional actions which include their recent approval of NRC's proposed reprogramming of funds to accommodate TMI requirements in FY 1979. The Congress has provided in NRC's FY 1980 appropriations legislation 146 positions and $4.6 million for implementing a reactor unit resident inspection program. The Congress has also provided through an FY 1979 supplemental appropriation 100 additional full-time permanent positions to assure continuation of reactor licensing and related work. This work otherwise would have been delayed due to the necessity to shift manpower from such work to TMI issues. These positions have been fully funded in FY 1980. The FY 1980 column of our FY 1981-1983 budget estimates assumes enactment of this legislation.

NRC's FY 1981 budget request is for $494.6 million in new budget authority with outlays at $456.9 million and 3,507 full-time permanent positions. Our supplemental request is for $52.9 million and 83 positions. Assuming enactment of current Congressional appropriations legislation, our FY 1980 buoget authority with the supplemental would then be $416.3 million with outlays at $385.0 million and 3,117 positions.

Although the primary impetus of this budget request is TMI, we would note that it also reflects the Commission's view on the need for adequate resources for program effectiveness in several major aspects of nuclear regulation related to light water reactor (LWR) safety. These programs are waste management and safeguards. In addition, we have indicated in a separate section, what resources would be needed if the Congress intends for us to develop a regulatory base for advanced reactors. They are included in the subjects highlighted in the following paragraphs and we plan to specifically address them with your examiners during the budget review.

FY 1980 Supplemental Request

Our request for an FY 1980 supplemental is principally in response to TMI, but does include resources necessary for issuing timely regulatory guidance for licensing a high-level waste repository. We would emphasize the need for expeditious review so we can transmit a supplemental request to the Congress for early enactment.

Office of Nuclear Regulatory Research (RES) - Soon after the TMI accident, RES moved to reorient its FY 1979 research program to increase emphasis on small loss-of-coolant accidents (LOCA) and anomalous transient events, enhanced operator capability, plant response under accident conditions and postmortem examination and plant recovery. In all, $12 million of FY 1979 program support funds were reoriented into this immediate initiation of TMI-related research.

In FY 1980, research funds will also be reoriented and supplemental funds are being sought to permit further development of the TMI-related research program. The reorientation of funds will provide an additional $22.5 million above FY 1979 for TMI-related effort, and with the supplemental request for additional TMI research of $24.2 million, the total FY 1980 effort will be $58.7 million. The Advisory Committee on Reactor Safeguards has reviewed the proposed NRC FY 1980 research supplemental and has endorsed it.

This FY 1980 supplemental request will enable NRC to allocate vitally needed research resources to the TMI program. In particular, better computer codes are needed (1) to enhance our understanding of small LOCA's and transients, (2) to allow multitudinous plant studies to be made of these types of events and the many variations that can occur in them, and then (3) to predict, with greater precision than now possible, the behavior of nuclear power plants in response to such events. Studies will be made of simulator requirements to

enhance the capability for training plant operators. Analyses will be made of the instrumentation needed by operators to understand and react properly to the full spectrum of potential reactor accidents, and studies will be conducted of the control room display and diagnostic equipment needed to assist the plant operators in effecting proper responses and insuring that limiting conditions of operation are met. Risk assessment tasks to construct event trees (probability models) are needed to define accident sequences covering severe core damage, which the codes must calculate, and to guide the research tasks needed to assess the potential impacts of human errors on the course of these types of accidents.

Also, the need exists to understand better the reaction and response of plants to the type of accident that occurred at TMI. It is clear that we need a better understanding of primary coolant chemistry after severe fuel damage; hydrogen evolution and behavior in the primary coolant system and in the containment; behavior of important components under long-term, severe accident environments; equipment qualification and testing requirements; and structural analysis of important plant components and safety features under accident conditions.

Finally, it is important to collect and preserve the data on the amount and dispersion of fission products throughout the plant and to examine the TMI fuel to assess the type and extent of damage to the core. In parallel, it will be necessary to examine safety-related equipment in the plant to assess the extent of damage and to establish criteria for safety requalification of the plant.

This augmented and reoriented research program must be started immediately to address safety issues raised by the TMI accident. As noted earlier, this effort was already started by reorientation of funds in FY 1979, and it needs to be expanded into FY 1980 and FY 1981. This situation clearly calls for early action to examine the above-noted areas to enable NRC to formulate new and timely LWR safety requirements in response to the lessons learned from the TMI accident.

The Interagency Review Group (IRG) report has shown that the NRC may become the critical agency in meeting any schedule for a national waste management program. To meet its responsibilities in the national high-level waste program, the NRC must accelerate research on alternative waste forms, engineered multibarrier repositories and waste/rock interactions. We are, therefore, requesting a supplemental increase of $3.0 million. Results of this research are urgently needed to provide a technical basis for licensing national waste repositories.

Office of Nuclear Reactor Regulation (NRR) - The NRR requirement for an FY 1980 supplemental of $9.2 million of program support funds is based upon the short-term lessons learned identified as a result of the TMI accident. Planned reprogramming of our available FY 1980 resources alone will not be sufficient to adequately investigate the accident and implement the findings, while maintaining the necessary effort on our non-TMI workload.

As a result of the TMI accident and its investigations, a number of short-term lessons learned have been identified. We estimate that this will result in an additional 1,250 operating reactor actions in FY 1980 in addition to the 1,170 actions which would normally be expected in that year. These additional efforts will be in areas such as emergency planning, instrumentation needs, environmental qualification, hydrogen monitoring and control and radiation monitoring.

We also anticipate a large number of additional actions in FY 1980 will be identified as a result of long-term lessons learned from ongoing TMI investigations. Resources for these efforts are not provided for in the current supplemental budget request because the resource impacts will not be finalized until the ongoing investigations are completed.

Our FY 1980 supplemental is also necessary to fund about 75 manyears of effort resulting from the temporary assignment of personnel to NRC by other government agencies. These assignments were arranged following the efforts of your office, as explained in the letter from John P. White, Deputy Director, OMB to Chairman Hendrie dated June 1, 1979. These personnel, primarily from DOE laboratories, will enable NRR to continue to discharge its responsibilities for licensing and related activities until the additional 100 personnel recently provided by the Congress, as a part of the FY 1979 pay raise supplemental (P.L. 96-38), are recruited and on board.

We also estimate that the results of the short-term lessons learned from the TMI accident investigations will generate approximately five generic safety issues in FY 1980 in addition to the 10 issues per year normally expected. A number of other generic issues, including some that may be designated as "Unresolved Safety Issues", are likely to be identified as a result of further investigations of the TMI accident. Task Action Plans to address these issues will become part of the workload of NRR as these issues are identified, starting in FY 1980. In FY 1980, NRR will begin the implementation of the lessons learned through a series of studies in concert with the Office of Research function in areas such as: control room design, which incorporates human factors engineering; review of regulatory requirements for plant systems; emergency preparedness; hydrogen behavior; monitoring and control; and radiological consequence accident models.

Office of Analysis and Evaluation of Operational Data - Largely in response to our experience following the accident at TMI, we are establishing, within the Program Technical Support decision unit, a new Office of Analysis and Evaluation of Operational Data. The purpose of the office will be to provide a centralized focus for the collection, collation and analysis of safety-related data received from licensed operating reactors. This office will consist of about 20 personnel and its director will report directly to the Executive Director for Operations. We will provide your examiners a specific briefing on this requirement.

Office of State Programs - Consistent with the concern expressed by the Senate Subcommittee on Nuclear Regulation and other Congressional committees regarding the need for immediate review and approval of State emergency response plans, we are proposing eight additional positions and $1.0 million in program support funds for the Office of State Programs. These additional personnel will provide technical assistance to review and exercise State emergency response plans to ensure that States have an adequate response capability in the event of a radiological emergency.

Office of Nuclear Material Safety and Safeguards - Waste Management - The FY 1980 supplemental of 19 positions and $2.0 million of program support funds is to provide for orderly growth of NMSS resources as rapidly as possible to fulfill the NRC responsibilities concerning the national high-level waste program. Currently, the President is considering the waste management IRG's recommendations concerning the national high-level program. These recommendations provide various options. The NRC assumes that the Department of Energy (DOE) will submit a waste repository application by 1985. In order for DOE to meet this target date, NRC guidance and requirements concerning the application should be provided by 1983. However, it is our belief that to meet that date would require a program growth rate in FY 1980 and FY 1981 which would be too large for the NRC staff and its contractors to efficiently accommodate. At the existing level of resources our program will fall short of meeting that date by two-three years. The requested supplemental will permit advancing certain critical program areas in an orderly way so that we will be allowed to minimize the slippage. These critical program areas include site development guidance and criteria as well as waste form criteria. Timely guidance to DOE assures that DOE efforts are directed toward areas that NRC considers to be important.

Office of Standards Development - As a result of TMI, a thorough review and reassessment of the NRC's regulations and regulatory guides are essential and require an FY 1980 supplemental of nine positions and $1.5 million. This review will address several health and safety issues in our standards related to the impact of degraded core cooling with severe fuel damage, emergency planning, and radiation health effects. Also, in order to provide for regulatory guidance on a schedule consistent with current NRC

planning for radioactive waste management, it is necessary to accelerate our development effort on standards governing geologic repositories for high-level waste and facilities for the disposal of low-level waste.

Inspection of Nuclear Waste Generators and Shippers - Recently, the Governors of Nevada, South Carolina, and Washington voiced concern over what they categorized as a disregard for existing rules governing the shipments of commercially-generated low-level nuclear waste and the lack of corrective actions by NRC. They suggested that unless more strict enforcement occurred, they might close their sites, therefore, forcing the DOE to find a government site. In response, and in conjunction with the Department of Transportation, NRC has developed a plan for implementation on September 1, 1979 to dispatch trained inspectors to perform periodic site inspections of both source generators and collectors of nuclear waste, and take appropriate enforcement action where violations of packaging and transportation regulations are found. Although the resources required for these inspections are not provided for in either the NRC FY 1980 supplemental budget request or the FY 1981-1983 budget request, even a small increase in resource requirements per licensee will result in a sizable increase in resources given the large number of licensees involved. We are currently assessing the programmatic impact and the resources required to meet this commitment and plan to discuss this matter with your examiners at the forthcoming OMB hearings.

FY 1981 Budget Estimates

As stated earlier, although this budget is significantly influenced by TMI considerations, it also reflects the need for necessary resources in several major aspects of nuclear regulation other than light water reactor safety. We have highlighted, in the following paragraphs, several of the more significant of our planned activities in both the LWR and non-LWR functions.

TMI-Related Research - As was noted in the earlier discussion of the 1980 supplemental appropriation for RES, a broadly-based research program responsive to the many issues raised or reemphasized by the TMI accident has been started. The continuing implementation of the broad program occasioned by TMI will be accomplished in FY 1981 by both short-term additional effort and through long-term reorientation primarily in the large LOCA and related programs. We estimate that with such reorientation our research program can accommodate TMI-related work after FY 1981 without additional special effort.

Improved Reactor Safety Research - In FY 1980, NRC had planned to initiate a $15.0 million Improved Reactor Safety program covering a three-year period. This would have required $4.4 million in FY 1980. However, we were provided only $1.0 million. We believe it is essential that the NRC conduct this program as defined in our budget request last year. This budget request provides for the performance of relevant small-scale experiments to provide data to support development of safety requirements and criteria. This year, most of our effort will be devoted to assessing the integrity of the containment in power plants, alternative concepts for decay heat removal and reducing the human contribution to risk. It should be noted that we will do our best to coordinate the NRC effort with the DOE program and industry-sponsored efforts.

Risk Assessment - In the NRC Reactor Safety Study (WASH-1400), accidents involving extensive core damage, but without significant fuel melting, were not examined extensively. The TMI accident has clearly indicated the need for NRC to address safety issues related to such severely damaged cores. The FY 1981 risk assessment program is being redirected and expanded to evaluate an increasing range of accident sequences and to develop improved reliability models for operating plants. Included will be analysis of equipment failure data, waste isolation studies and research to enable NRC to better define acceptable risk criteria.

Primary System Integrity, Seismic, and Reactor Environment - Seismic, structural, mechanical, and site-related problems and uncertainties have been the principal reasons for the recent closedown of some nuclear power plants for prolonged periods. With the FY 1980 supplemental appropriation and this FY 1981 budget request, research can be conducted at a level adequate to provide rational bases for NRC decisions regarding the vulnerability of nuclear facilities to earthquakes, tornadoes, floods and other external and internal phenomena under normal or plant accident conditions.

Additional research on the structural integrity of LWR primary system pressure boundary, including pressure vessels, piping and steam generators, is also required because of recent increased concerns with hydrogen embrittlement and primary system cracking, as well as the effect of thermal shock under small loss-of-coolant accidents as seen at TMI.

An increase in the reactor environmental effects research program is needed to cope with the increasing backlog of research requests to provide analytic methods and data to verify NRC judgments and assumptions in response to the requirements of the Environmental Protection Agency.

Waste Management - Waste management has emerged as a major national issue. The licensing of high-level waste repositories, plus the need for significantly improving the handling and disposal of low-level wastes and for increasing regional needs for abatement of emission from uranium mill tailings, require

significant licensing and research efforts. NRC must increase its waste management confirmatory research on a broad scale to help provide timely regulatory guidance to potential licensees, including DOE, and furnish the technical bases for licensing and regulation and inspection of waste disposal sites.

Our high-level waste management program is directed toward accomplishing confirmatory research and developing regulatory guidance to be provided to the DOE on a timely basis regarding high-level waste repository site selection and facility design and waste form criteria. As discussed earlier in this letter, the NRC program is structured to provide such guidance as quickly as possible within our ability to productively absorb additional resources. Timely approval of the FY 1980 supplemental and approval of the FY 1981 resources are essential for the NRC to be able to provide appropriate regulatory guidance to the DOE at the earliest possible time.

There are only three low-level waste burial grounds licensed to operate today. Since two of these sites are in the Western United States there is a significant regional imbalance. We believe the lack of comprehensive regulations has contributed to the closing of the Sheffield Burial Ground and the reluctance of industry to come forth with new applications. Therefore, considerable NRC effort must be expended in FY 1981 toward (1) reassessing existing low-level waste burial grounds; (2) conducting research to improve the handling and disposal of low-level wastes; (3) developing comprehensive rules, regulatory guides, and criteria; (4) licensing of new low-level waste disposal capacity; and (5) providing assistance to Agreement States in licensing new low-level waste disposal capacity.

Actual FY 1979 uranium recovery casework has exceeded the FY 1979 forecast and the current FY 1980 forecast far exceeds what was assumed in developing the FY 1980 budget. This large increase in casework is made up of reviews and upgrading of existing uranium mills, assisting the Agreement States in problem areas, and licensing or providing assistance to Agreement States in licensing new sites. Although reprogramming of available resources has been accomplished in FY 1979 and is planned in FY 1980 to meet this increased casework, unless the requested FY 1981 resources are provided, the NRC casework backlog will continue to rise and will actually double through the mid-1980's. Thus the NRC will be unable to provide timely technical assistance to Agreement States for their licensing activities. Both of these conditions will have a negative impact on our ability to adequately protect the public health and safety.

Safeguards Consolidation - The NRC has reviewed various options for the consolidation of its reactor safeguards functions. This review considered the current and projected levels of safeguards activities, the maturity of the programs, the redundancy in safeguards programs and the potential for savings in resources. Based on this review, NRC in FY 1980 is consolidating within NMSS the reactor and fuel cycle safeguards licensing functions presently divided between NRR and NMSS. This merger will result in a savings of six manyears of staff effort that can be applied to other high priority NRC programs without a loss in safeguards program efficiency and effectiveness.

Further, the NMSS Division of Safeguards has been reorganized to allow more efficient use of our resources to license and support the physical security and material control and accounting functions.

Office of Inspection and Enforcement - The Resident Inspection Program does not require significant incremental resources in FY 1981. The resources added by Congress to NRC's FY 1980 appropriation ($4.6 million and 146 people) provide for the expansion of the Resident Inspection Program. We originally planned to assign one resident inspector to each site with one or more operating or pre-operational reactors by the end of FY 1981. Sites with reactors in the latter stages of construction and fuel facilities would also have resident inspectors assigned. Under the expanded program, sites with operating and pre-operational reactors will have as many resident inspectors as there are reactor units, with a minimum of two residents at any site. Also, in addition to assigning Resident Inspectors to sites in the latter stages of construction, they will be assigned to a number of sites in the earlier stages of construction including those where there have been identified problems in construction. This program will be expanded as additional resources become available.

In response to your request for an evaluation of the Resident Inspection Program, NRC is contracting for an independent evaluation of its Revised Inspection Program. The performance appraisal component will be evaluated first, with an interim report provided for OMB review by October 31. A second interim report, prepared in response to a Congressional requirement, will examine the Revised Inspection Program's implementation. It should be completed in January 1980 and a copy will be forwarded to OMB. By June 1980 the contractor will have developed a specific evaluation methodology and applied it to NRC's FY 1979 experience. A Phase II option of the contract allows for updating the methodology and applying it to FY 1980 experience. We will also respond to your request for our appraisal of NRC's current Regional Office structure. This will be provided to your examiners during our budget review with OMB.

In FY 1981 we require additional staff to handle increases in fuel facility caseload, and to provide increased oversight in the areas of emergency planning, in-plant radiation protection, radioactive waste processing and environmental monitoring. Also included are increases for inspection of licensees of industrial applications, medical facilities, and academic applications. In reactor construction inspection, additional regional inspectors are required to handle an increased number of reactors entering latter stages of construction.

Funding increases for Inspection and Enforcement are primarily to equip and refurbish the NRC Operations Center, to provide for an increase in the technical scope of our training courses for new inspectors and to provide for increased independent measurement by contractual support. The accident at TMI requires NRC to reevaluate its entire incident response program, particularly the adequacy of the Operations Center. Presently, the Center can initiate a relatively quick agency response to significant incidents involving NRC licensed facilities, activities or nuclear materials. Since TMI the Center has been manned by senior staff 24 hours per day seven days per week. A reactor emergency communications system has been established which provides direct and dedicated telephone lines between the Center, NRC Regional Offices and all sites with operating power reactor units and major fuel facilities in the U.S. The system's plan includes a health physics network which would allow for direct communications within the NRC regions and sites for information on radiological flow. Personnel who have specific expertise have been identified and are being trained in the operational and procedural aspects of the NRC incident response program. NRC offices are tasked to provide personnel to work in the Center, when it is activated.

In order to further develop incident response procedures and train NRC staff, several exercises have been conducted which included several agencies. Various scenarios were used with the objective to improve agency responsiveness, availability, dissemination and accuracy of information, administrative and notification procedures, the decisionmaking process and liaison with other agencies. However, one of the most important lessons learned from the TMI accident is that present communications and information transmittal, handling and processing need considerable improvement to assure an effective and rapid agency response.

We are requesting $3.0 million in FY 1981 to procure equipment and make the necessary Center modifications to allow NRC to improve its response to possible future nuclear accidents or significant safeguards threats. This is a follow-on effort to a $300 thousand FY 1980 supplemental request to conduct systems planning/engineering studies to evaluate the technical and logistical adequacy of NRC's Operations Center and to develop a specific action plan for modifying the Center. These studies would analyze and develop the needs for improved telecommunications, information systems and physical layout, and provide the appropriate specifications for these requirements.

Office of Nuclear Reactor Regulation - We believe that during FY 1981 our reactor licensing and related workload will continue to be dominated by TMI. The budget estimate for this function provides for a follow-on to our supplemental as a result of the short-term lessons learned from the TMI accident. We have also included an additional $3.7 million planning estimate in anticipation of additional TMI activity that will result from the findings of the various groups that are currently conducting investigations. Resources are also requested in the budget to enable us to keep on schedule for reviewing license applications, related generic issues, and toward the elimination of the excess backlog of unreviewed operating reactor actions (defined as more than 10 per operating plant) by the end of FY 1984. We are also requesting additional resources to increase our capability to improve the competency of nuclear power plant operators.

Advanced Reactors - We have specifically identified the resources required to build a regulatory base for considering advanced reactors. Our primary concern must be with light water reactor fuel cycle. However, if Congress concludes the U. S. should have an advanced reactor program, and the DOE budget indicates that intent, then the NRC must allocate sufficient resources needed to build a regulatory base for these types of reactors. NRC's advanced reactor research program must increase in FY 1981 as a result of breeder reactor aerosol test facilities at Oak Ridge and the high temperature material testing at Sandia moving from the design and development stage to experimentation and to initiate scoping studies on gas-cooled reactor (GCR) safety for direct cycle and breeder reactors. The planned program would be responsive to the recommendations of the Advisory Committee on Reactor Safeguards to improve our fast reactor research program and to the Congressional desire for the NRC to maintain GCR technical capability.

Intervenor Funding - Agency funding of intervenors has been debated for several years. The Commission has concluded that the arguments in favor of such funding outweigh those against. Therefore, in recognition of contributions made by intervenors and in light of the comparatively limited resources available to some intervenors, NRC has included $500,000 in the FY 1981 budget request for a pilot program to help defray some of the costs involved in the intervention process. The Commission has requested a decision from the Comptroller General as to whether additional legislation would be necessary to implement this program. If his decision is affirmative, we shall submit appropriate legislation.

EEO - Title IV and Title VI Requirements - Title IV of the Energy Reorganization Act and Title VI of the Civil Rights Act require NRC to ensure licensee compliance with EEO policy. In recent months, both the Department of Justice and the Equal Employment Opportunity Commission have requested that NRC expand its enforcement of these statutory requirements. Accordingly, three positions are requested in FY 1981 to initiate this effort.

Temporary Employees - NRC is requesting an increase in the agency's FY 1981 personnel ceiling to permit conversion of 146 full-time temporary positions to permanent status with a commensurate reduction in the number of temporary positions allocated by the OMB to NRC. This issue has been raised in annual budget presentations each year since 1975. We continue to be concerned about the gross inequity for these temporary employees who are not eligible for employee benefits. The burden of the current inequities, of course, falls primarily on women employees who constitute a large portion of the temporary staff. This results in unfair treatment, high turnover rates, low morale and sometimes reduced efficiency. In the split of the Atomic Energy Commission, NRC was not treated equitably in terms of transfer of administrative support, thereby severely impacting the agency's administrative support function. In addition, the principal permanent personnel increases since NRC's inception have been for the technical programs, without a commensurate increase in support personnel. This has furtner aggravated the initial imbalance in support personnel. To provide the required support we have used, with OMB's approval, temporary employees, some of whom have been with NRC since its inception. Currently, 86 percent of agency full-time temporary employees are located in the Office of Administration, whose permanent staff constitutes about 10 percent of NRC staff. We have, within our ceiling, converted some temporaries to permanent status. It has been impossible, however, to make further conversions in this manner since ceiling positions are required for priority mission-related regulatory functions. We should note that accepting the NRC request would add only a total of $47,000 to our request. This small amount results from the fact that they really are full-time employees who would then receive the benefit portion of their pay. Also, engineers and scientists are generally not available for temporary positions. Accordingly, we again strongly urge your favorable consideration of this matter.

Consolidation of Support Functions - In previous ZBB submissions, agency support functions were presented in 21 separate decision units. Many of these decision units represented small staff offices each performing specialized functions. This also resulted in treating for budget purposes these small support offices in the same manner as the major program offices. In an effort to present a more cohesive and internally consistent document, and to reduce the volume of paper involved, we have consolidated these support functions into the following three decision units: Administrative Support, Program Direction and Administration, and Program Technical Support. We believe this will simplify your review.

ZBB Rank Order of Decision Packages - As required by OMB Circular A-11, this budget submission includes a listing of decision packages shown in rank order of priority. It would be incorrect, however, to assume from this listing that every aspect of a lower-ranked package is less important than any facet of a package shown higher on the ranking scale. To adequately discharge our regulatory responsibilities, we consider it to be essential that we maintain a balanced program. This results in a need for some portion of each decision unit to serve as our regulatory core. While we recognize that all Level 1 decision packages are not necessarily more important than all Level 2 decision packages, we would

have to partition decision units to a micro level of detail to use the rank order system to a high degree of perfection. We have concluded that the minimum level in each decision unit is needed and have consequently placed essentially all Level 1's in the highest priority grouping. This list, as shown, should be viewed only as a general order of priority.

Conclusion

The Commission has given very careful consideration to this budget request. In our view it represents a reasonably good measure of the resources that are necessary for this agency to responsibly conduct nuclear regulation. We are currently faced with significant issues that need to be resolved. Some of these issues such as fundamental questions of reactor safety for light water reactors have been addressed over a long period of time. However, as a result of TMI, we now find ourselves having to reassess past safety efforts which emphasized the prevention of large loss-of-coolant accidents. This requirement dominated our thinking and consumed most of our resources in the process of licensing, inspection and research. We are in a situation where we cannot relax our efforts in dealing with these considerations, but we must now also increase our knowledge about and solve the problems that could lead to the small loss-of-coolant accident and related transient events such as the one that occurred at TMI. This requires an understanding that nuclear regulation will be fundamentally different in the future, as the result of the TMI accident and that in retrospect the regulatory program for many years has been stringently constrained. We cannot accept a continuation of this approach and it is now increasingly clear that nuclear regulation must be much more thorough, various types of accidents can happen, and standards must be raised throughout the nuclear community.

There are other important issues with which the Commission must deal. For example, this agency plays a critical role in resolving the waste management problem. We must provide DOE with timely safety guidance for developing a high-level waste repository and also ensure we have adequate capability to deal with waste repository safety questions as they arise during the developmental and operational phases. In the past the AEC-DOE and the NRC were slow to foster adequate resources for this program. The DOE budget has grown at a rapid pace and the NRC is on the critical path. Constraining resources now, because there are no demonstrative events in FY 1981, would have a significant impact in the following years, with potentially disastrous results to the national program. We have also noted above and reemphasize here that action must be taken to ensure the availability of low-level waste burial grounds.

The majority of our budget requests is to support the regulation of light water reactors and associated fuel cycle. However, we are also requesting funds to develop a realistic regulatory capability related to advanced reactor concepts (e.g., fast breeder reactors and advanced converters) and alternative fuel cycles

Of our total request about $22.0 million and 23 people are related to these programs. These resources are required if the advanced concepts are to be seriously considered in the future and the NRC is expected to deal with the safety questions in a timely manner. However, we would make the point that since LWR's are currently operating whereas these advanced concepts have operational potential for the future, the Commission assigns a higher priority to the requested resources needed to regulate and improve light water reactors.

In summary, the Commission recognizes that this budget exceeds the budget planning ceilings contained in your policy guidance letter of July 6, 1979. However, we did note that you indicated the ceilings for NRC were based on program plans which were developed prior to the accident at Three Mile Island. As you can surmize from the content of this letter, and as your examiners will see in their review of our budget, the preponderant share of our increase in the FY 1981 budget as compared to FY 1980 is due to TMI.

As required by section 1311(b) of the Supplemental Appropriation Act of 1955, as amended (31 U.S.C. (200(b)), I am reporting that all statements of obligations furnished to the Office of Management and Budget in connection with the U. S. Nuclear Regulatory Commission requests for proposed appropriations for FY 1980, consist of valid obligations as defined in section 1311(a) of that act.

Sincerely,

Joseph M. Hendrie
Chairman

Enclosure:
Budget Narrative Justification